

# JFE Holdings' Financial Results in First Quarter of Fiscal Year 2017 Ending March 31, 2018

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —  
(Note: The following is an English translation of an original Japanese document)

August 1, 2017

Official name: Listings: Code: English URL: Representative: Contact:  Phone: Scheduled date to submit Quarterly Securities Report: Preparation of supplementary materials for quarterly results: Quarterly results briefing:	JFE Holdings, Inc. Tokyo and Nagoya stock exchanges 5411 www.jfe-holdings.co.jp/en Eiji Hayashida, President and CEO Hidetsugu Tawara, Manager, Public Relations Section, Investor Relations and Corporate Communications Department +81-3-3597-3842 August 4, 2017 Yes Yes
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(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Results in First Quarter of Fiscal 2017 (April 1 to June 30, 2017)

### (1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating profit (loss) (million yen)	Year-on-year change (%)	Ordinary profit (loss) (million yen)	Year-on-year change (%)	Profit (loss) attributable to owners of parent (million yen)	Year-on-year change (%)	Net income (loss) per share (yen)	Net income per share [fully diluted] (yen)
1Q FY 2017	846,888	14.3	49,899	-	56,282	-	57,118	-	99.06	-
1Q FY 2016	740,665	(13.6)	(4,215)	-	(13,368)	-	(11,722)	-	(20.33)	-

Note: Comprehensive income: 33,497 million yen in 1Q FY 2017 (-)  
(45,331 million yen) in 1Q FY 2016 (-)

### (2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)
End 1Q FY 2017	4,279,096	1,936,631	44.0
End FY 2016	4,336,069	1,921,809	43.0

Note: Shareholders' equity: 1,881,026 million yen as of June 30, 2017  
1,865,836 million yen as of March 31, 2017

## 2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2016	30.00	0.00	30.00
FY 2017 (estimate)	-	30.00	-

Note: Revisions to dividend forecast announced most recently: Yes  
The year-end dividend and the total dividend are not yet determined.

## 3. Forecasts of Consolidated Financial Results in Fiscal 2017 (April 1, 2017 to March 31, 2018)

	Net sales (million yen)	Year-on-year change (%)	Operating profit (million yen)	Year-on-year change (%)	Ordinary profit (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income (loss) per share (yen)
1H FY 2017	1,700,000	13.4	100,000	-	100,000	-	85,000	-	147.42
FY 2017	-	-	-	-	200,000	136.0	150,000	120.8	260.15

Note: Revisions to consolidated financial results forecasts announced most recently: Yes

## Notes

1. Significant changes in subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No

2. Application of special accounting methods in the preparation of quarterly consolidated financial statements: No

3. Changes in accounting policies, accounting estimates and restatements

1) Changes in the accounting policies resulting from amendments to accounting standards: No

2) Changes other than 1) above: Yes

3) Changes in accounting estimates: Yes

4) Restatements: No

Note: For more details, see "Change in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates" on page 6 of the attached document.

4. Number of outstanding shares (common stock)

1) Outstanding shares at the end of term (including treasury stock)

As of June 30, 2017: 614,438,399 shares

As of March 31, 2017: 614,438,399 shares

2) Treasury stock at the end of term

As of June 30, 2017: 37,838,907 shares

As of March 31, 2017: 37,829,548 shares

3) Average number of shares during the term (quarterly consolidated cumulative period)

1Q FY 2017: 576,604,663 shares

1Q FY 2016: 576,720,766 shares

**This document is not subject to quarterly review procedures.**

## Explanation of Appropriate Use of Results Forecasts, and Other Matters of Note

1. Forecasts are based on information available on the date of publication of this document as well as rational assumptions that we have made regarding certain factors.

2. Notes to the financial results can be viewed at the JFE Holdings website.

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# 1. Consolidated Financial Statements and Notes

## (1) Consolidated Balance Sheets

	As of March 31, 2017	(million yen) As of June 30, 2017
Assets		
Current assets:		
Cash and deposits	69,936	71,920
Notes and accounts receivable – trade	798,058	722,996
Merchandise and finished goods	313,368	336,556
Work in progress	50,834	62,475
Raw materials and supplies	408,728	428,168
Other current assets	169,336	175,115
Allowance for doubtful accounts	(1,416)	(1,102)
<b>Total current assets</b>	<b>1,808,846</b>	<b>1,796,130</b>
Non-current assets:		
Property, plant and equipment:		
Machinery, equipment and vehicles, net	654,918	662,274
Land	496,678	496,157
Other, net	499,282	500,083
<b>Total property, plant and equipment</b>	<b>1,650,879</b>	<b>1,658,514</b>
Intangible assets	78,368	78,168
Investments and other assets:		
Investments securities	372,196	312,607
Shares of subsidiaries and associates	349,864	357,635
Other assets	78,867	79,500
Allowance for doubtful accounts	(2,953)	(3,461)
<b>Total investments and other assets</b>	<b>797,975</b>	<b>746,282</b>
<b>Total non-current assets</b>	<b>2,527,222</b>	<b>2,482,965</b>
<b>Total assets</b>	<b>4,336,069</b>	<b>4,279,096</b>

	As of March 31, 2017	(million yen) As of June 30, 2017
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable – trade	446,645	<b>416,041</b>
Short-term loans payable	204,379	<b>267,613</b>
Commercial papers	8,000	<b>27,000</b>
Current portion of bonds	50,000	-
Provision	9,290	<b>6,883</b>
Other current liabilities	321,142	<b>309,387</b>
<b>Total current liabilities</b>	<b>1,039,458</b>	<b>1,026,925</b>
<b>Non-current liabilities:</b>		
Bonds payable	75,000	<b>85,000</b>
Long-term loans payable	1,038,089	<b>977,242</b>
Provision	48,516	<b>47,397</b>
Net defined benefit liability	123,745	<b>127,281</b>
Other non-current liabilities	89,450	<b>78,617</b>
<b>Total non-current liabilities</b>	<b>1,374,801</b>	<b>1,315,539</b>
<b>Total liabilities</b>	<b>2,414,259</b>	<b>2,342,464</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	147,143	<b>147,143</b>
Capital surplus	646,582	<b>646,609</b>
Retained earnings	1,126,633	<b>1,166,577</b>
Treasury shares	(178,853)	<b>(178,870)</b>
<b>Total shareholders' equity</b>	<b>1,741,505</b>	<b>1,781,459</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	112,545	<b>88,000</b>
Deferred gains or losses on hedges	(544)	<b>266</b>
Revaluation reserve for land	16,321	<b>16,315</b>
Foreign currency translation adjustment	(3,596)	<b>(5,052)</b>
Remeasurements of defined benefit plans	(395)	<b>36</b>
<b>Total accumulated other comprehensive income</b>	<b>124,330</b>	<b>99,566</b>
Non-controlling interests	55,972	<b>55,605</b>
<b>Total net assets</b>	<b>1,921,809</b>	<b>1,936,631</b>
<b>Total liabilities and net assets</b>	<b>4,336,069</b>	<b>4,279,096</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income (First Quarter)

	First Quarter of Fiscal 2016	(million yen) First Quarter of Fiscal 2017
Net sales	740,665	<b>846,888</b>
Cost of sales	666,638	<b>716,089</b>
Gross profit	74,026	<b>130,798</b>
Selling, general and administrative expenses	78,242	<b>80,898</b>
Operating profit (loss)	(4,215)	<b>49,899</b>
Non-operating income:		
Interest income	284	<b>257</b>
Dividend income	5,486	<b>4,325</b>
Share of profit of entities accounted for using equity method	-	<b>8,267</b>
Other	5,158	<b>5,601</b>
Total non-operating income	10,928	<b>18,452</b>
Non-operating expenses:		
Interest expenses	2,781	<b>3,145</b>
Loss on retirement of non-current assets	3,688	<b>3,815</b>
Other	13,611	<b>5,109</b>
Total non-operating expenses	20,082	<b>12,070</b>
Ordinary profit (loss)	(13,368)	<b>56,282</b>
Extraordinary income		
Gain on sales of investment securities	-	<b>21,419</b>
Total extraordinary income	-	<b>21,419</b>
Profit (loss) before income taxes	(13,368)	<b>77,701</b>
Income taxes	(2,557)	<b>19,494</b>
Profit (loss)	(10,811)	<b>58,207</b>
Profit attributable to non-controlling interests	910	<b>1,089</b>
Profit (loss) attributable to owners of parent	(11,722)	<b>57,118</b>

## Consolidated Statements of Comprehensive Income (First Quarter)

	First Quarter of Fiscal 2016	(million yen) First Quarter of <b>Fiscal 2017</b>
Profit (loss)	(10,811)	<b>58,207</b>
Other comprehensive income:		
Valuation difference on available-for-sale securities	(18,249)	<b>(24,105)</b>
Deferred gains or losses on hedges	400	<b>46</b>
Foreign currency translation adjustment	(6,340)	<b>(2,112)</b>
Remeasurements of defined benefit plans, net of tax	556	<b>460</b>
Share of other comprehensive income of entities accounted for using equity method	(10,886)	<b>1,000</b>
Total other comprehensive income	(34,519)	<b>(24,710)</b>
Comprehensive income:	(45,331)	<b>33,497</b>
(breakdown)		
Comprehensive income attributable to owners of parent	(46,099)	<b>32,359</b>
Comprehensive income attributable to non-controlling interests	768	<b>1,137</b>

### **(3) Notes to Consolidated Financial Statements**

#### **Notes Pertaining to the Presumption of a Going Concern**

There is no item for this period.

#### **Notes In Case of Significant Changes in Stockholders' Equity**

There is no item for this period.

#### **Change in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates**

##### **Change in Depreciation Method for Property, Plant and Equipment**

Effective the first quarter of fiscal 2017, JFE Holdings began primarily applying the straight-line method to depreciate property, plant and equipment (excluding leased assets) instead of the declining balance method that the company had been using primarily. The company made the change because its steelmaking facilities are expected to enjoy stable production, as stated below, so the straight-line method was deemed more appropriate for allocating the costs of assets. The change in the depreciation method increased operating profit for the first quarter of fiscal 2017 by 4,232 million yen and ordinary profit and profit before income taxes by 4,231 million yen each.

The steel business is forecast to enjoy strong demand in Japan for some years to come, supported by projects related to the Tokyo 2020 Olympic and Paralympic Games. In the long run, however, Japan's declining birthrate and aging population are forecast to lead to reduced domestic demand, making significant increases in steel demand unlikely. On a global basis, persistently excessive steel production in China and other countries will continue to make the business environment extremely harsh.

JFE Steel, rather than focusing on increased crude steel output, is striving to ensure stable steel output and to cut costs at its steelworks in Japan, the company's main production base. These objectives are being achieved through capital investments to strengthen the manufacturing base in Japan and by making full use of existing steelmaking capacity. Investments specifically have focused on renewing old facilities.

As of the end of the previous fiscal year, JFE Steel had renewed many upstream facilities, including coke ovens, for improved mid- and long-term competitiveness and stabilized production.

JFE Steel will continue to strengthen its manufacturing base in Japan through lower costs, stable production and a product mix focused on high-grade steel for improved competitiveness.

## 4. Reference

### (1) Consolidated Results in First Quarter and Earnings Forecasts for First Half of Fiscal 2017

(billion yen)

	FY 2016			FY 2017			Change		
	1Q	1H	Full year	1Q	1H	Full year	1Q	1H	Full year
Steel Business	528.4	1,072.4	2,349.1	636.4	1,300.0		108.0	227.6	
Engineering Business	80.4	175.3	426.1	72.3	160.0		(8.1)	(15.3)	
Trading Business	393.0	775.8	1,671.0	465.1	905.0		72.1	129.2	
Adjustments	(261.2)	(524.0)	(1,137.3)	(327.0)	(665.0)		(65.8)	(141.0)	
Net Sales	740.6	1,499.5	3,308.9	846.8	1,700.0		106.2	200.5	
Operating Profit (Loss)	(4.2)	4.0	96.7	49.8	100.0		54.0	96.0	
Non-operating Income (Expenses)	(9.1)	(14.1)	(12.0)	6.3	0.0		15.4	14.1	
Steel Business	(20.3)	(24.4)	40.5	48.6	85.0	150.0	68.9	109.4	109.5
Engineering Business	1.8	7.6	26.6	0.4	1.5	25.0	(1.4)	(6.1)	(1.6)
Trading Business	4.5	7.6	21.8	8.3	15.0	28.0	3.8	7.4	6.2
Adjustments	0.6	(1.0)	(4.2)	(1.1)	(1.5)	(3.0)	(1.7)	(0.5)	1.2
Ordinary Profit (Loss)	(13.3)	(10.1)	84.7	56.2	100.0	200.0	69.5	110.1	115.3
Extraordinary Income (Loss)	-	3.5	20.7	21.4	20.0	20.0	21.4	16.5	(0.7)
Profit (loss) before income taxes	(13.3)	(6.5)	105.4	77.7	120.0	220.0	91.0	126.5	114.6
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	1.6	(1.8)	(37.5)	(20.5)	(35.0)	(70.0)	(22.1)	(33.2)	(32.5)
Profit Attributable to Owners of Parent	(11.7)	(8.4)	67.9	57.1	85.0	150.0	68.8	93.4	82.1

### (2) Consolidated Financial Indices

	Fiscal 2016	1H Fiscal 2017	Change
Return on Sales (ROS) <sup>1</sup>	2.6%	5.9%	3.3%
Return on Assets (ROA) <sup>2</sup>	2.3%	4.9%	2.6%
Return on Equity (ROE) <sup>3</sup>	3.7%	9.0%	5.3%
EBITDA <sup>4</sup>	279.9 billion yen	186.0 billion yen	-
Debt Outstanding	1,375.4 billion yen	1,360.0 billion yen	(15.4 billion yen)
Shareholders' Equity	1,865.8 billion yen	1,920.0 billion yen	54.2 billion yen
D/E Ratio <sup>5</sup>	51.4%	49.4%	(2.0%)

<sup>1</sup> ROS = Ordinary profit / net sales

<sup>2</sup> ROA (full year) = (Ordinary profit + Interest expenses) / Total assets (average)

ROA (first half) = (Ordinary profit + Interest expenses) x 2 / Total assets (average)

<sup>3</sup> ROE (full year) = Profit attributable to owners of parent / Shareholders' equity

ROE (first half) = Profit attributable to owners of parent x 2 / Shareholders' equity

<sup>4</sup> EBITDA = Ordinary profit + Interest expenses + Depreciation

<sup>5</sup> D/E ratio = Debt outstanding / Shareholders' equity. For debt having a capital component\*, a portion of its issue price is deemed to be capital, as assessed by rating agencies.

\*Debt having a capital component (subordinated borrowings)

Borrowing Execution Date	Amount Borrowed	Assessment of Equity Content	Amount Deemed to be Capital
March 18, 2013	300.0 billion yen	75%	225.0 billion yen
June 30, 2016	200.0 billion yen	25%	50.0 billion yen

**(3) Crude Steel Production (JFE Steel)** (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2016	Non-consolidated	6.94	7.06	14.00	7.12	7.02	14.13	28.14
	Consolidated	7.52	7.62	15.14	7.66	7.61	15.27	30.41
FY 2017	Non-consolidated	7.12	7.40*	14.50*				
	Consolidated	7.53	7.80*	15.30*				

\*estimate

**(4) Shipments (JFE Steel on non-consolidated basis)** (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2016		6.26	6.34	12.60	6.43	6.68	13.10	25.70
FY 2017		6.14	6.60*	12.80*				

\*estimate

**(5) Export Ratio on Value Basis (JFE Steel on non-consolidated basis)** (%)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2016		43.6	44.1	43.9	43.3	44.9	44.2	44.0
FY 2017		42.1	45*	44*				

\*estimate

**(6) Foreign Exchange Rate (Yen/US dollar)** (JPY/USD)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2016		111.1	103.5	107.3	106.1	114.3	110.2	108.8
FY 2017		111.5	111*	111*				

\*estimate

**(7) Average Selling Price (JFE Steel on non-consolidated basis)** (thousand yen/ton)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2016		58.5	58.6	58.6	61.5	72.0	66.8	62.8
FY 2017		74.4	74*	74*				

\*estimate

**(8) Engineering Business Orders (including inter-segment transactions)**

(billion yen)

Field	1H FY2016	1H FY2017	Change
Environment	89.1	107.0*	17.9
Energy	53.1	77.0*	23.9
Infrastructure, others	44.7	56.0*	11.3
Total	186.9	240.0*	53.1

\*estimate

## (9) Breakdown of Changes in Ordinary Income for Steel Business

a. First quarter of FY 2017, compared to same period of FY 2016

	<u>Change</u>	<u>1Q of FY 2016</u>	(billion yen) <u>1Q of FY 2017</u>
Ordinary income	68.9	(20.3)→	48.6
- Sales volume, sales prices and raw materials prices	(3.0)		
- Cost reductions	9.0		
- Unrealized gains (losses) on inventories	54.0		
- Change in depreciation method	4.2		
- Others	4.7		

b. FY 2017 (forecast), compared to FY 2016

	<u>Change</u>	<u>FY 2016</u>	(billion yen) <u>FY 2017</u>
Ordinary income	109.5	40.5→	150.0*
- Sales volume, sales prices and raw materials prices	120.0		
- Cost reductions	45.0		
- Unrealized gains (losses) on inventories	(38.0)		
- Change in depreciation method	28.0		
- Others	(45.5)		

\*Approximate estimate

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