

JFE Holdings' Financial Results through Third 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)

February 1, 2018

Official name: Listings: Code: English URL: Representative: Contact: Phone: Scheduled date to submit Quarterly Securities Report: Dividend payment starting date: 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 February 6, 2018 - Yes Yes
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(Figures are rounded down to the nearest million yen.)

1. Consolidated Results through Third Quarter of Fiscal 2017 (April 1 to December 31, 2017)

(1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary Income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)	Net income per share [fully diluted] (yen)
3Q FY 2017	2,670,820	15.5	172,318	373.2	170,440	285.7	138,620	316.3	240.42	-
3Q FY 2016	2,311,740	(9.3)	36,416	(51.3)	44,194	(29.9)	33,298	(10.8)	57.74	-

Note: Comprehensive income: 155,399 million yen in 3Q FY 2017 (-%)
11,369 million yen in 3Q FY 2016 (-%)

(2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)
End 3Q FY 2017	4,440,848	2,012,607	44.0
End FY 2016	4,336,069	1,921,809	43.0

Note: Shareholders' equity: 1,953,592 million yen as of December 31, 2017
1,865,836 million yen as of March 31, 2017

2. Dividends

	Dividend per share (yen)	Dividend per share (yen)	
		Interim	Year-end
FY 2016	30.00	0.00	30.00
FY 2017	80.00*	30.00	50.00*

*Estimate

Note: Revisions to dividend forecast announced most recently: Yes

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 income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)
FY 2017	3,670,000	10.9	230,000	137.7	220,000	159.6	160,000	135.5	277.50

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: NoNote: For more details, see "Changes in Accounting Estimates" and "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 December 31, 2017: 614,438,399 shares
 - As of March 31, 2017: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of December 31, 2017: 37,897,647 shares
 - As of March 31, 2017: 37,829,548 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 3Q FY 2017: 576,587,604 shares
 - 3Q FY 2016: 576,707,269 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. Actual results may vary significantly from these forecasts due to a wide range of circumstances.
2. Notes to the financial results can be viewed at the JFE Holdings website.

Attachments

1. Consolidated Financial Statements and Notes	2
(1) Consolidated Balance Sheets	2
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Income (First Three Quarters)	4
Consolidated Statements of Comprehensive Income (First Three Quarters).....	5
(3) Notes to Consolidated Financial Statements	6
Notes Pertaining to the Presumption of a Going Concern.....	6
Notes In Case of Significant Changes to Shareholders' Equity	6
Changes in Accounting Estimates.....	6
Change in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates.....	6
2. Reference.....	7

1. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2017	As of December 31, 2017
Asset		
Current assets:		
Cash and deposits	69,936	72,691
Notes and accounts receivable – trade	798,058	800,476
Merchandise and finished goods	313,368	352,843
Work in progress	50,834	82,644
Raw materials and supplies	408,728	439,075
Other current assets	169,336	168,000
Allowance for doubtful accounts	(1,416)	(1,327)
Total current assets	1,808,846	1,914,404
Non-current assets:		
Property, plant and equipment:		
Machinery and equipment and vehicles, net	654,918	696,122
Land	496,678	495,762
Other, net	499,282	498,743
Total property, plant and equipment	1,650,879	1,690,628
Intangible assets	78,368	80,550
Investments and other assets:		
Investments securities	372,196	349,549
Shares of subsidiaries and associates	349,864	327,534
Other assets	78,867	81,063
Allowance for doubtful accounts	(2,953)	(2,881)
Total investments and other assets	797,975	755,265
Total non-current assets	2,527,222	2,526,444
Total assets	4,336,069	4,440,848

(million yen)

As of
March 31, 2017 **As of
December 31, 2017**

Liabilities

Current liabilities:

Notes and accounts payable – trade	446,645	446,785
Short-term loans payable	204,379	268,637
Commercial papers	8,000	43,000
Current portion of bonds	50,000	15,000
Provision	9,290	9,103
Other current liabilities	321,142	351,201
Total current liabilities	1,039,458	1,133,727

Non-current liabilities:

Bonds payable	75,000	70,000
Long-term borrowings	1,038,089	965,665
Provision	48,516	49,477
Net defined benefit liabilities	123,745	129,594
Other non-current liabilities	89,450	79,775
Total non-current liabilities	1,374,801	1,294,513

Total liabilities	2,414,259	2,428,240
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Net assets

Shareholders' equity:

Capital stock	147,143	147,143
Capital surplus	646,582	646,641
Retained earnings	1,126,633	1,202,578
Treasury shares	(178,853)	(179,014)
Total shareholders' equity	1,741,505	1,817,347

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	112,545	109,862
Deferred gains (losses) on hedges	(544)	1,630
Revaluation reserve for land	16,321	16,289
Foreign currency translation adjustment	(3,596)	6,510
Remeasurements of defined benefit plans	(395)	1,951
Total accumulated other comprehensive income	124,330	136,244

Non-controlling interests	55,972	59,015
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Total net assets	1,921,809	2,012,607
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Total liabilities and net asset	4,336,069	4,440,848
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(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (First Three Quarters)

	Through Third Quarter of Fiscal 2016	(million yen) Through Third Quarter of Fiscal 2017
Net sales	2,311,740	2,670,820
Cost of sales	2,039,672	2,252,113
Gross profit	272,067	418,706
Selling, general and administrative expenses	235,651	246,387
Operating income	36,416	172,318
Non-operating income:		
Interest income	785	962
Dividend income	9,256	7,482
Share of profit of entities accounted for using equity method	11,338	7,778
Other	20,553	15,416
Total non-operating income	41,934	31,638
Non-operating expenses:		
Interest expense	9,209	9,826
Loss on retirement of non-current assets	12,182	12,357
Other	12,764	11,332
Total non-operating expenses	34,156	33,517
Ordinary income	44,194	170,440
Extraordinary income:		
Gain on sales of investment securities	19,977	29,264
Total extraordinary income	19,977	29,264
Extraordinary losses:		
Impairment loss	8,021	3,244
Expenses for treatment of PCB waste	-	3,850
Total extraordinary loss	8,021	7,094
Profit before income taxes	56,151	192,609
Income taxes	19,650	49,741
Profit	36,500	142,868
Profit attributable to non-controlling interests	3,202	4,248
Profit attributable to owners of parent	33,298	138,620

Consolidated Statements of Comprehensive Income (First Three Quarters)

	Through Third Quarter of Fiscal 2016	(million yen) Through Third Quarter of Fiscal 2017
Profit	36,500	142,868
Other comprehensive income:		
Valuation difference on available-for-sale securities	22,971	(3,465)
Deferred gains or losses on hedges	2,126	1,004
Foreign currency translation adjustment	(21,833)	(287)
Remeasurements of defined benefit plans, net of tax	1,671	2,033
Share of other comprehensive income of entities accounted for using equity method	(30,067)	13,246
Total other comprehensive income	(25,131)	12,531
Comprehensive income:	11,369	155,399
(breakdown)		
Comprehensive income attributable to owners of parent	9,653	150,539
Comprehensive income attributable to non-controlling interests	1,716	4,859

(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.

Changes in Accounting Estimates

Expenses for treatment of PCB waste

JFE Holdings has revised its estimated expenses for treatment of polychlorinated biphenyl (PCB) waste due to improved treatment and estimation methods. The consolidated financial statements for the first three quarters record the difference between the previous and current estimates of expenses for treatment of PCB waste as an extraordinary loss, resulting in a decrease of 3,850 million yen in net income before income taxes.

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 by 18,422 million yen and both ordinary profit and profit before income taxes by 18,507 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.

2. Reference

(1) Consolidated Results in First Three Quarters and Earnings Forecasts for Fiscal 2017

(billion yen)

	FY2016		FY2017		Change		(Reference) Full-year forecasts announced on November 1, 2017
	First Three Quarters	Full year	First Three Quarters	Full year*	First Three Quarters	Full year*	
Steel Business	1,655.5	2,349.1	1,991.9	2,730.0	336.4	380.9	2,720.0
Engineering Business	277.4	426.1	256.6	400.0	(20.8)	(26.1)	420.0
Trading Business	1,180.7	1,671.0	1,410.5	1,900.0	229.8	229.0	1,830.0
Adjustments	(802.0)	(1,137.3)	(988.2)	(1,360.0)	(186.2)	(222.7)	(1,320.0)
Net Sales	2,311.7	3,308.9	2,670.8	3,670.0	359.1	361.1	3,650.0
Operating Income	36.4	96.7	172.3	230.0	135.9	133.3	210.0
Non-operating Income (Expenses)	7.7	(12.0)	(1.8)	(10.0)	(9.5)	2.0	(10.0)
Steel Business	13.6	40.5	150.2	185.0	136.6	144.5	150.0
Engineering Business	16.0	26.6	6.0	19.0	(10.0)	(7.6)	25.0
Trading Business	14.3	21.8	26.0	32.0	11.7	10.2	29.0
Adjustments	0.1	(4.2)	(11.9)	(16.0)	(12.0)	(11.8)	(4.0)
Ordinary Income (Loss)	44.1	84.7	170.4	220.0	126.3	135.3	200.0
Extraordinary Income	11.9	20.7	22.1	15.0	10.2	(5.7)	20.0
Profit before income taxes	56.1	105.4	192.6	235.0	136.5	129.6	220.0
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(22.8)	(37.5)	(53.9)	(75.0)	(31.1)	(37.5)	(70.0)
Profit Attributable to Owners of Parent	33.2	67.9	138.6	160.0	105.4	92.1	150.0

*estimate

(2) Consolidated Financial Indices

	Fiscal 2016	Fiscal 2017 (estimate)	Change
Return on Sales (ROS) ¹	2.6%	6.0%	3.4%
Return on Assets (ROA) ²	2.3%	5.3%	3.0%
Return on Equity (ROE) ³	3.7%	8.3%	4.6%
EBITDA ⁴	279.9 billion yen	393.0 billion yen	113.1 billion yen
Debt Outstanding	1,375.4 billion yen	1,350.0 billion yen	(25.4 billion yen)
Shareholders' Equity	1,865.8 billion yen	1,970.0 billion yen	104.2 billion yen
D/E Ratio ⁵	51.4%	47.9%	(3.5%)

¹ ROS = Ordinary income / net sales

² ROA = Ordinary income before interest expenses / Total assets (average)

³ ROE = Profit attributable to owners of parent / Shareholders' equity

⁴ EBITDA = Ordinary profit + Interest expenses + Depreciation

⁵ 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	6.98	14.10	7.23			28.60*
	Consolidated	7.53	7.38	14.91	7.63			30.30*

*Approximate 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	6.28	12.42	6.38			25.40*

*Approximate 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	44.2	43.2	45.1	47*	46*	45*

*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	110.9	111.2	112.6	111*	112*	112*

*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	73.3	73.8	77.0	77*	77*	76*

*estimate

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

(billion yen)

Field	FY2016	FY2017	Change
Environment	157.4	200.0*	42.6
Energy	148.9	130.0*	(18.9)
Infrastructure, others	118.1	170.0*	51.9
Total	424.4	500.0*	75.6

*estimate

(9) Debt Outstanding, Interest Expense, and Cash and Deposits

(JFE Holdings, consolidated basis)

Debt outstanding

As of	(billion yen)
March 31, 2017	1,375.4
March 31, 2018	1,350.0*

Interest expense

	(billion yen)
FY 2016	12.6
FY 2017	13.0*

Cash and deposits

As of	(billion yen)
March 31, 2017	69.9
March 31, 2018	60.0*

*estimate

(10) Capital Investment and Depreciation Cost (JFE Holdings, consolidated basis)

(billion yen)

	FY 2016	FY 2017
Capital investment	234.7	230.0*
Depreciation	182.6	160.0*

(on construction basis)

*Approximate estimate

(11) Breakdown of Changes in Ordinary Income

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

	<u>Change</u>	<u>1Q-3Q of FY</u> <u>2016</u>	<u>(billion yen)</u> <u>1Q-3Q of FY</u> <u>2017</u>
Ordinary income	126.3	44.1➔	170.4
Steel business			
- Sales volume, sales prices and raw materials prices	95.0		
- Cost reductions	35.0		
- Unrealized gains on inventories and others	23.0		
- Change in depreciation method	19.0		
- Others	(35.4)		
Total steel business	136.6		
Engineering business	(10.0)		Additional costs for new products and overseas construction, and impact of decreased sales in energy field.
Trading business	11.7		Increased profit from higher steel prices and improved profitability of overseas group companies.
Adjustment amount	(12.0)		Delayed progress in certain construction projects and reduced profitability due to cost increases at shipbuilding and other affiliated companies accounted for by equity-method.

b. FY 2017 forecast, compared to FY 2016

	<u>Change</u>	<u>FY 2016</u>	<u>(billion yen)</u> <u>FY 2017</u>
Ordinary income	135.3	84.7➔	220.0*
Steel business			
- Sales volume, sales prices and raw materials prices	118.0		
- Cost reductions	45.0		
- Unrealized gains on inventories and others	1.0		
- Change in depreciation method	28.0		
- Others	(47.5)		
Total steel business	144.5		
Engineering business	(7.6)		Additional costs for new products and overseas construction, and impact of decreased sales in energy field.

Trading business	10.2	Increased profit from higher steel prices and improved profitability of overseas group companies.
Adjustment amount	(11.8)	Delayed progress in certain construction projects and reduced profitability due to cost increases at shipbuilding and other affiliated companies accounted for by equity-method.
		*estimate
c. FY 2017 revised forecasts, compared to initial forecasts on November 1, 2017		
		<u>(billion yen)</u>
	<u>Change</u>	<u>FY 2016</u>
		<u>FY 2017</u>
Ordinary income	20.0	200.0→ 220.0*
Steel business		
- Sales volume, sales prices and raw materials prices	0	
- Cost reductions	0	
- Unrealized gains on inventories and others	26.0	
- Others	9.0	
Total steel business	35.0	
Engineering business	(6.0)	Additional costs for new products and overseas construction, and impact of decreased sales in energy field.
Trading business	3.0	Increased profit from higher steel prices and improved profitability of overseas group companies.
Adjustment amount	(12.0)	Delayed progress in certain construction projects and reduced profitability due to cost increases at shipbuilding and other affiliated companies accounted for by equity-method
		*estimate

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