

## JFE Holdings' Financial Results for First Quarter of Fiscal Year 2018 Ending March 31, 2019

— 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)

July 31, 2018

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 3, 2018 Yes Yes
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(Figures are rounded down to the nearest million yen.)

### 1. Consolidated Results in First Quarter of Fiscal 2018 (April 1 to June 30, 2018)

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

	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 per share (yen)	Net income per share [fully diluted] (yen)
1Q FY 2018	936,336	10.6	59,347	18.9	79,557	41.4	61,430	7.6	106.56	-
1Q FY 2017	846,888	14.3	49,899	-	56,282	-	57,118	-	99.06	-

Note: Comprehensive income: 49,829 million yen in 1Q FY 2018 (48.8%)  
33,497 million yen in 1Q FY 2017 (-)

#### (2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)
End 1Q FY 2018	4,437,480	2,028,419	44.4
End FY 2017	4,440,910	2,009,911	43.9

Note: Shareholders' equity: 1,968,093 million yen as of June 30, 2018  
1,949,574 million yen as of March 31, 2018

### 2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2017	80.00	30.00	50.00
FY 2018 (estimate)	95.00	45.00	50.00

Note: Revisions to dividend forecast announced most recently: Yes

### 3. Forecasts of Consolidated Financial Results in Fiscal 2018 (April 1, 2018 to March 31, 2019)

	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 per share (yen)
1H FY 2018	2,020,000	17.1	117,000	21.2	135,000	33.1	95,000	9.1	164.78
FY 2018	-	-	-	-	260,000	20.2	180,000	24.4	312.22

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: Yes
  - 2) Changes other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Restatements: NoNote: For more details, see "Change in Accounting Policies" 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, 2018: 614,438,399 shares
    - As of March 31, 2018: 614,438,399 shares
  - 2) Treasury stock at the end of term
    - As of June 30, 2018: 37,926,873 shares
    - As of March 31, 2018: 37,919,494 shares
  - 3) Average number of shares during the term (quarterly consolidated cumulative period)
    - 1Q FY 2018: 576,515,055 shares
    - 1Q FY 2017: 576,604,663 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

(million yen)

	As of March 31, 2018	As of <b>June 30, 2018</b>
Assets		
Current assets:		
Cash and deposits	76,111	<b>78,855</b>
Notes and accounts receivable – trade	855,730	<b>784,907</b>
Merchandise and finished goods	351,961	<b>373,131</b>
Work in progress	60,292	<b>77,804</b>
Raw materials and supplies	438,086	<b>462,198</b>
Other current assets	148,125	<b>142,737</b>
Allowance for doubtful accounts	(2,188)	<b>(1,740)</b>
Total current assets	1,928,119	<b>1,917,893</b>
Non-current assets:		
Property, plant and equipment:		
Machinery, equipment and vehicles, net	699,324	<b>706,344</b>
Land	489,588	<b>489,515</b>
Other, net	513,335	<b>513,155</b>
Total property, plant and equipment	1,702,248	<b>1,709,015</b>
Intangible assets	83,724	<b>84,615</b>
Investments and other assets:		
Investments securities	325,413	<b>328,828</b>
Shares of subsidiaries and associates	312,880	<b>317,234</b>
Other assets	90,216	<b>81,662</b>
Allowance for doubtful accounts	(1,691)	<b>(1,769)</b>
Total investments and other assets	726,818	<b>725,955</b>
Total non-current assets	2,512,791	<b>2,519,586</b>
<b>Total assets</b>	<b>4,440,910</b>	<b>4,437,480</b>

(million yen)

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable – trade	471,897	460,056
Short-term loans payable	285,542	232,333
Commercial papers	6,000	14,000
Current portion of bonds	15,000	15,000
Provision	8,918	8,319
Other current liabilities	402,927	375,388
<b>Total current liabilities</b>	<b>1,190,286</b>	<b>1,105,098</b>
<b>Non-current liabilities:</b>		
Bonds payable	80,000	100,000
Long-term loans payable	944,376	988,582
Provision	39,348	38,064
Net defined benefit liability	127,435	126,585
Other non-current liabilities	49,552	50,730
<b>Total non-current liabilities</b>	<b>1,240,712</b>	<b>1,303,962</b>
<b>Total liabilities</b>	<b>2,430,999</b>	<b>2,409,061</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	147,143	147,143
Capital surplus	646,639	646,639
Retained earnings	1,211,796	1,243,045
Treasury shares	(179,070)	(179,086)
<b>Total shareholders' equity</b>	<b>1,826,508</b>	<b>1,857,741</b>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	91,359	96,739
Deferred gains or losses on hedges	(186)	(673)
Revaluation reserve for land	16,288	16,271
Foreign currency translation adjustment	9,791	(7,978)
Remeasurements of defined benefit plans	5,812	5,992
<b>Total accumulated other comprehensive income</b>	<b>123,065</b>	<b>110,352</b>
Non-controlling interests	60,337	60,325
<b>Total net assets</b>	<b>2,009,911</b>	<b>2,028,419</b>
<b>Total liabilities and net assets</b>	<b>4,440,910</b>	<b>4,437,480</b>

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

### Consolidated Statements of Income (First Quarter)

	First Quarter of Fiscal 2017	(million yen) First Quarter of Fiscal 2018
Net sales	846,888	<b>936,336</b>
Cost of sales	716,089	<b>790,590</b>
Gross profit	130,798	<b>145,745</b>
Selling, general and administrative expenses	80,898	<b>86,397</b>
Operating profit	49,899	<b>59,347</b>
Non-operating income:		
Interest income	257	<b>329</b>
Dividend income	4,325	<b>4,961</b>
Share of profit of entities accounted for using equity method	8,267	<b>14,145</b>
Other	5,601	<b>10,488</b>
Total non-operating income	18,452	<b>29,924</b>
Non-operating expenses:		
Interest expenses	3,145	<b>3,089</b>
Loss on retirement of non-current assets	3,815	<b>2,951</b>
Other	5,109	<b>3,673</b>
Total non-operating expenses	12,070	<b>9,714</b>
Ordinary profit	56,282	<b>79,557</b>
Extraordinary income		
Gain on sales of investment securities	21,419	-
Total extraordinary income	21,419	-
Profit before income taxes	77,701	<b>79,557</b>
Income taxes	19,494	<b>16,920</b>
Profit	58,207	<b>62,637</b>
Profit attributable to non-controlling interests	1,089	<b>1,206</b>
Profit attributable to owners of parent	57,118	<b>61,430</b>

## Consolidated Statements of Comprehensive Income (First Quarter)

	First Quarter of Fiscal 2017	(million yen) First Quarter of <b>Fiscal 2018</b>
Profit	58,207	<b>62,637</b>
Other comprehensive income:		
Valuation difference on available-for-sale securities	(24,105)	<b>5,057</b>
Deferred gains or losses on hedges	46	<b>(135)</b>
Foreign currency translation adjustment	(2,112)	<b>(7,033)</b>
Remeasurements of defined benefit plans, net of tax	460	<b>166</b>
Share of other comprehensive income of entities accounted for using equity method	1,000	<b>(10,862)</b>
Total other comprehensive income	(24,710)	<b>(12,807)</b>
Comprehensive income:	33,497	<b>49,829</b>
(breakdown)		
Comprehensive income attributable to owners of parent	32,359	<b>48,734</b>
Comprehensive income attributable to non-controlling interests	1,137	<b>1,094</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**

Implementation of partial amendments to accounting standards used in the tax effect accounting system.

Effective from the first quarter of fiscal 2018, JFE Holdings applied revisions to the accounting standards used in its tax effect accounting system (Corporate Accounting Standard Application Guideline No.28, February 16, 2018); these amended the way in which temporary differences in future taxable amounts, such as the stocks of affiliated firms, were handled. These changes were applied retroactively; quarterly consolidated financial statements and consolidated financial statements for the last quarter and for fiscal 2017 were created after application of these changes.

As the result, the balance sheet entry for the previous fiscal year's other non-current liabilities decreased by 3,347 million yen.

This also affected the net capital amount shown at the beginning of the previous fiscal year; retained earnings at the beginning of the previous fiscal year increased by 3,347 million yen.

These changes had no effect on profit before income taxes in the first quarter of fiscal 2017.

#### **Additional information**

Due to JFE Holdings applying revisions to the accounting standards used in its tax effect accounting system (Corporate Accounting Standard Application Guideline No.28, February 16, 2018) effective from the first quarter of fiscal 2018, deferred tax assets were categorized under "investment and other assets", and deferred tax liabilities were categorized under "non-current liabilities".

## 4. Reference

### (1) Consolidated Results in First Quarter and Earnings Forecasts for First Half of Fiscal 2018

(billion yen)

	FY 2017			FY 2018			Change			FY2018 Forecast
	1Q	1H	Full year	1Q	1H	Full year	1Q	1H	Full year	(April 26)
										Fully year
Steel Business	636.4	1,294.7	2,715.4	685.9	1,450.0		49.5	155.3		
Engineering Business	72.3	160.2	391.3	86.8	190.0		14.5	29.8		
Trading Business	465.1	916.2	1,907.9	512.1	1,050.0		47.0	133.8		
Adjustments	(327.0)	(645.9)	(1,336.1)	(348.4)	(670.0)		(21.4)	(24.1)		
Net Sales	846.8	1,725.3	3,678.6	936.3	2,020.0		89.5	294.7		
Operating Profit	49.8	96.5	246.6	59.3	117.0		9.5	20.5		
Non-operating Income (Expenses)	6.3	4.9	(30.3)	20.2	18.0	13.9	13.1			
Steel Business	48.6	84.6	198.8	64.4	110.0	200.0	15.8	25.4	1.2	160.0
Engineering Business	0.4	2.5	19.3	1.6	5.0	25.0	1.2	2.5	5.7	25.0
Trading Business	8.3	16.2	33.0	10.1	18.5	35.0	1.8	2.3	2.0	33.0
Adjustments	(1.1)	(2.0)	(34.9)	3.3	1.5	0	4.4	3.5	34.9	-
Ordinary Profit	56.2	101.4	216.3	79.5	135.0	260.0	23.3	33.6	43.7	220.0
Extraordinary Income (Loss)	21.4	19.3	(2.9)	-	-	-	(21.4)	(19.3)	2.9	
Profit before income taxes	77.7	120.7	213.3	79.5	135.0	260.0	1.8	14.3	46.7	
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(20.5)	(33.7)	(68.7)	(18.1)	(40.0)	(80.0)	2.4	(6.3)	(11.3)	
Profit Attributable to Owners of Parent	57.1	87.0	144.6	61.4	95.0	180.0	4.3	8.0	35.4	

### (2) Consolidated Financial Indices

	Fiscal 2017	1H Fiscal 2018	Change
Return on Sales (ROS) <sup>1</sup>	5.9%	6.7%	0.8%
Return on Assets (ROA) <sup>2</sup>	5.2%	6.3%	1.1%
Return on Equity (ROE) <sup>3</sup>	7.6%	9.6%	2.0%
EBITDA <sup>4</sup>	388.8 billion yen	226.0 billion yen	-
Debt Outstanding	1,330.9 billion yen	1,360.0 billion yen	29.1 billion yen
Shareholders' Equity	1,949.5 billion yen	2,000.0 billion yen	50.5 billion yen
D/E Ratio <sup>5</sup>	58.1%	58.1%	0.0%

<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
June 30, 2016	200.0 billion yen	25%	50.0 billion yen
March 19, 2018	300.0 billion yen	25%	75.0 billion yen

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017	Non-consolidated	7.12	6.98	14.10	7.23	7.14	14.37	28.46
	Consolidated	7.53	7.38	14.91	7.63	7.52	15.15	30.06
FY 2018	Non-consolidated	7.10	7.20*	14.30*				
	Consolidated	7.51	7.60*	15.10*				

\*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		6.14	6.28	12.42	6.38	6.50	12.88	25.30
FY 2018		6.13	6.60*	12.70*				

\*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		42.1	44.2	43.2	45.1	45.9	45.5	44.4
FY 2018		42.4	47*	45*				

\*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		111.5	110.9	111.2	112.6	109.7	111.2	111.2
FY 2018		108.1	110*	109*				

\*estimate

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		74.4	73.3	73.8	77.0	76.5	76.8	75.3
FY 2018		79.3	81*	80*				

\*estimate

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

(billion yen)

Field	1H FY2017	1H FY2018	Change
Environment	114.5	122.0*	7.5
Energy	52.6	84.0*	31.4
Infrastructure, others	54.9	84.0*	29.1
Total	222.2	290.0*	67.8

\*estimate

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

a. First quarter of FY 2018, compared to same period of FY 2017

(billion yen)

	<u>Change</u>	<u>1Q of FY 2017</u>	<u>1Q of FY 2018</u>
Ordinary income	23.3	56.2→	79.5
Steel Business			
- Cost reductions	9.0		
- Sales volume, sales prices and raw materials prices	35.0		
- Unrealized gains (losses) on inventories	(4.0)		
- Others	(24.2)		(Increase in metals and materials costs, depreciation costs, disposal losses, etc)
- Total	15.8		
Engineering Business, Trading Business, Adjustment	7.5		

b. FY 2018 (forecast), compared to FY 2017

(billion yen)

	<u>Change</u>	<u>FY 2017</u>	<u>FY 2018</u>
Ordinary income	43.7	216.3→	260.0
Steel Business			
- Cost reductions	20.0		
- Sales volume, sales prices and raw materials prices	90.0		
- Metals and materials	(50.0)		
- Cost for strengthening the manufacturing base	(30.0)		
- Unrealized gains (losses) on inventories	(18.0)		
- Others	(10.8)		
- Total	1.2		
Engineering Business, Trading Business, Adjustment	42.5		

c. FY 2018 (forecast), compared to previous forecast

(billion yen)

	<u>Change</u>	<u>Previous</u>	<u>FY 2018</u>
Ordinary income	40.0	220.0→	260.0
Steel Business			
- Sales volume, sales prices and raw materials prices	50.0		
- Unrealized gains (losses) on inventories	(10.0)		
- Total	40.0		

###