

JFE Holdings' Financial Results for First Half 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)

October 30, 2018

Official name: Listings: Code: English URL: Representative: Contact: Phone: Scheduled date to submit Quarterly Securities Report: Scheduled date to start paying dividends: 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 November 2, 2018 November 30, 2018 Yes Yes
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(Figures are rounded down to the nearest million yen.)

1. Consolidated Results in First Half of Fiscal 2018 (April 1 to September 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)
1H FY 2018	1,907,261	10.5	116,303	20.5	143,500	41.4	110,485	26.9	191.70	-
1H FY 2017	1,725,305	15.1	96,556	-	101,464	-	87,038	-	150.95	-

Note: Comprehensive income: 98,293 million yen in 1H FY 2018 (29.9%)
75,652 million yen in 1H FY 2017 (-)

(2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)
End 1H FY 2018	4,501,077	2,075,313	44.7
End FY 2017	4,440,910	2,009,911	43.9

Note: Shareholders' equity: 2,013,768 million yen as of September 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	-	45.00	
FY 2018 (estimate)	95.00		50.00

Note: Revisions to dividend forecast announced most recently: No

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)
FY 2018	4,000,000	8.7	220,000	(10.8)	250,000	15.6	175,000	21.0	303.75

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 September 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 September 30, 2018: 38,553,170 shares
 - As of March 31, 2018: 37,919,494 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 1H FY 2018: 576,334,490 shares
 - 1H FY 2017: 576,597,569 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.

Attachments

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1. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets:		
Cash and deposits	76,111	92,075
Notes and accounts receivable – trade	855,730	757,564
Merchandise and finished goods	351,961	405,697
Work in progress	60,292	86,102
Raw materials and supplies	438,086	457,077
Other current assets	148,125	154,271
Allowance for doubtful accounts	(2,188)	(1,677)
Total current assets	1,928,119	1,951,111
Non-current assets:		
Property, plant and equipment:		
Machinery, equipment and vehicles, net	699,324	721,509
Land	489,588	490,946
Other, net	513,335	510,963
Total property, plant and equipment	1,702,248	1,723,418
Intangible assets	83,724	86,400
Investments and other assets:		
Investments securities	325,413	325,907
Shares of subsidiaries and associates	312,880	328,061
Other assets	90,216	87,961
Allowance for doubtful accounts	(1,691)	(1,783)
Total investments and other assets	726,818	740,146
Total non-current assets	2,512,791	2,549,966
Total assets	4,440,910	4,501,077

(million yen)

As of
March 31, 2018 **As of
September 30, 2018**

Liabilities
Current liabilities:

Notes and accounts payable – trade	471,897	464,919
Short-term loans payable	285,542	206,282
Commercial papers	6,000	34,000
Current portion of bonds	15,000	-
Provision	8,918	9,051
Other current liabilities	402,927	375,728
Total current liabilities	1,190,286	1,089,982

Non-current liabilities:

Bonds payable	80,000	100,000
Long-term loans payable	944,376	1,020,343
Provision	39,348	37,249
Net defined benefit liability	127,435	127,000
Other non-current liabilities	49,552	51,188
Total non-current liabilities	1,240,712	1,335,781

Total liabilities	2,430,999	2,425,764
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Net assets**Shareholders' equity:**

Capital stock	147,143	147,143
Capital surplus	646,639	646,639
Retained earnings	1,211,796	1,292,080
Treasury shares	(179,070)	(180,612)
Total shareholders' equity	1,826,508	1,905,251

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	91,359	94,458
Deferred gains or losses on hedges	(186)	240
Revaluation reserve for land	16,288	16,271
Foreign currency translation adjustment	9,791	(8,453)
Remeasurements of defined benefit plans	5,812	5,999
Total accumulated other comprehensive income	123,065	108,517

Non-controlling interests	60,337	61,544
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Total net assets	2,009,911	2,075,313
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Total liabilities and net assets	4,440,910	4,501,077
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(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (First Half)

	First Half of Fiscal 2017	(million yen) First Half of Fiscal 2018
Net sales	1,725,305	1,907,261
Cost of sales	1,466,404	1,618,084
Gross profit	258,900	289,176
Selling, general and administrative expenses	162,343	172,873
Operating profit	96,556	116,303
Non-operating income:		
Interest income	660	927
Dividend income	4,716	5,300
Share of profit of entities accounted for using equity method	12,857	26,128
Other	10,585	15,365
Total non-operating income	28,819	47,722
Non-operating expenses:		
Interest expenses	6,553	6,265
Loss on retirement of non-current assets	7,646	6,398
Other	9,712	7,860
Total non-operating expenses	23,911	20,524
Ordinary profit	101,464	143,500
Extraordinary income		
Gain on sales of investment securities	23,152	-
Total extraordinary income	23,152	-
Extraordinary loss		
Expenses for treatment of PCB waste	3,850	-
Total extraordinary loss	3,850	-
Profit before income taxes	120,766	143,500
Income taxes	30,873	30,317
Profit	89,893	113,183
Profit attributable to non-controlling interests	2,854	2,697
Profit attributable to owners of parent	87,038	110,485

Consolidated Statements of Comprehensive Income (First Half)

	First Half of Fiscal 2017	(million yen) First Half of Fiscal 2018
Profit	89,893	113,183
Other comprehensive income:		
Valuation difference on available-for-sale securities	(15,267)	2,519
Deferred gains or losses on hedges	535	575
Foreign currency translation adjustment	(2,959)	(6,624)
Remeasurements of defined benefit plans, net of tax	1,514	216
Share of other comprehensive income of entities accounted for using equity method	1,936	(11,575)
Total other comprehensive income	(14,240)	(14,889)
Comprehensive income:	75,652	98,293
(breakdown)		
Comprehensive income attributable to owners of parent	72,583	95,954
Comprehensive income attributable to non-controlling interests	3,069	2,339

(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 half 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 Half and Earnings Forecasts for Fiscal 2018

(billion yen)

	FY 2017		FY 2018		Change		(Reference) Full-year Forecasts Announced on July 31, 2018	
	1H	Full year	1H	Full year*	1H	Full year*		
Steel Business	1294.7	2,715.4	1,386.6	2,880.0	91.9	164.6		
Engineering Business	160.2	391.3	192.8	480.0	32.6	88.7		
Trading Business	916.2	1,907.9	1,018.2	2,120.0	102.0	212.1		
Adjustments	(645.9)	(1,336.1)	(690.4)	(1,480.0)	(44.5)	(143.9)		
Net Sales	1725.3	3,678.6	1907.2	4,000.0	181.9	321.4		
Operating Income	96.5	246.6	116.3	220.0	19.8	(26.6)		
Non-operating Income (Expenses)	4.9	(30.3)	27.1	30.0	22.2	60.3		
Steel Business	84.6	198.8	114.1	190.0	29.5	(8.8)		200.0
Engineering Business	2.5	19.3	6.9	22.0	4.4	2.7		25.0
Trading Business	16.2	33.0	19.1	35.0	2.9	2.0		35.0
Adjustments	(2.0)	(34.9)	3.2	3.0	5.2	37.9	-	
Ordinary Income	101.4	216.3	143.5	250.0	42.1	33.7	260.0	
Extraordinary Income (Loss)	19.3	(2.9)	-	-	(19.3)	2.9	-	
Profit before income taxes	120.7	213.3	143.5	250.0	22.8	36.7	260.0	
Tax Expense and Profit Attributable to Non- controlling Interests	(33.7)	(68.7)	(33.0)	(75.0)	0.7	(6.3)	(80.0)	
Profit Attributable to Owners of Parent	87.0	144.6	110.4	175.0	23.4	30.4	180.0	

*estimate

(2) Consolidated Financial Indices

	Fiscal 2017	Fiscal 2018 (estimate)	Change
Return on Sales (ROS) ¹	5.9%	6.3%	0.4%
Return on Assets (ROA) ²	5.2%	5.8%	0.6%
Return on Equity (ROE) ³	7.6%	8.7%	1.1%
EBITDA ⁴	388.8 billion yen	440.0 billion yen	51.2 billion yen
Debt Outstanding	1,330.9 billion yen	1,450.0 billion yen	119.1 billion yen
Shareholders' Equity	1,949.5 billion yen	2,055.0 billion yen	105.5 billion yen
D/E Ratio ⁵	58.1%	60.8%	2.7%

¹ ROS = Ordinary profit / net sales

² ROA = (Ordinary income + 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
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	6.94	14.04			14.00*	28.00*
	Consolidated	7.51	7.33	14.84			14.80*	29.60*

*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	5.93	12.06				

(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	44.2	43.3				

(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	110.9	109.5			110*	110*

*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	81.9	80.6				

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

(billion yen)

Field	FY2017	FY2018	Change
Environment	234.2	230.0*	(4.2)
Energy	126.9	125.0*	(1.9)
Infrastructure, others	134.4	145.0*	10.6
Total	495.5	500.0*	4.5

*estimate

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

(JFE Holdings, consolidated basis)

Debt outstanding

As of	(billion yen)
March 31, 2018	1,330.9
March 31, 2019	1,450.0*

Interest expense

	(billion yen)
FY 2017	13.0
FY 2018	13.0*

Cash and deposits

As of	
March 31, 2018	76.1
March 31, 2019	65.0*

*estimate

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

(billion yen)

	FY 2017	FY2018	
Capital Investment	257.2	270.0*	(on construction basis)
Depreciation & Amortization	159.5	180.0*	*estimate

(11) Breakdown of Changes in Ordinary Income for Steel Business

a. 1H of FY 2018, compared to same period of FY 2017

(billion yen)

	<u>Change</u>	<u>1H of FY 2017</u>	<u>1H of FY 2018</u>
Ordinary income	42.1	101.4→	143.5
Steel Business			
- Cost reductions	10.0		
- Sales volume and mix	(4.0)		
- Sales prices and raw materials prices	55.0		
- Unrealized gains (losses) on inventories and others	7.0		
- Others	(38.5)		(Increase in metals and materials costs, depreciation costs, disposal losses, etc)
- Total	29.5		
Engineering Business, Trading Business, Adjustment	12.5		

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

(billion yen)

	<u>Change</u>	<u>FY 2017</u>	<u>FY 2018</u>
Ordinary income	33.7	216.3→	250.0
Steel Business			
- Cost reductions	15.0		
- Sales volume and mix	(10.0)		
- Sales prices and raw materials prices	82.0		
- Metals and materials	(55.0)		
- Cost for strengthening the manufacturing base	(30.0)		
- Unrealized gains (losses) on inventories	(10.0)		
- Others	(8.0)		
- Total	(8.8)		
Engineering Business, Trading Business, Adjustment	42.6		

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

(billion yen)

	<u>Change</u>	<u>Previous</u>	<u>FY 2018</u>
Ordinary income	(10.0)	260.0→	250.0
Steel Business			
- Sales volume and mix	(5.0)		

- Sales prices and raw materials prices	(20.0)
- Cost for strengthening the manufacturing base	2.0
- Unrealized gains (losses) on inventories	8.0
- Others	5.0
- Total	<u>(10.0)</u>

Engineering Business, Trading Business, Adjustment 0

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