



JFE

JFE Group

*Financial Results in Fiscal Year 2017
ended March 31, 2018*

JFE Holdings, Inc.

April 26, 2018



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This presentation material is for information and discussion purpose only. Any statements in the presentation which are not historical facts are future projections based on certain assumptions and currently available information. Please note that actual performance may vary significantly due to various factors



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1. Consolidated Financial Results in Fiscal Year 2017
(April 1, 2017 to March 31, 2018)



Financial Results in Fiscal Year 2017

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(billion yen)	FY2016 Full Year (A)	FY2017			Change (B-A)	FY2017 Forecast (C)	Change (B-C)
		Apr-Dec	Jan-Mar	Full Year (B)			
Net Sales(a)	3,308.9	2,670.8	1,007.8	3,678.6	369.7	3,670.0	8.6
Steel Business	40.5	150.2	48.6	198.8	158.3	185.0	13.8
Engineering Business	26.6	6.0	13.3	19.3	(7.3)	19.0	0.3
Trading Business	21.8	26.0	7.1	33.0	11.2	32.0	1.0
Adjustments	(4.2)	(11.9)	(23.0)	(34.9)	(30.7)	(16.0)	(18.9)
Ordinary Income(b) [ROS](b/a)	84.7 [2.6%]	170.4 [6.4%]	46.0 [4.6%]	216.3 [5.9%]	131.6 [3.3%]	220.0 [6.0%]	(3.7) [(0.1%)]
Extraordinary Profit (Loss)	20.7	22.1	(25.1)	(2.9)	(23.6)	15.0	(17.9)
Income Before Income Taxes and Minority Interest	105.4	192.6	20.8	213.3	107.9	235.0	(21.7)
Tax Expense and Profit Attributable to Non-controlling Interests	(37.5)	(53.9)	(14.8)	(68.7)	(31.2)	(75.0)	6.4
Profit Attributable to Owners of Parent	67.9	138.6	6.1	144.6	76.7	160.0	(15.4)



- ❑ JFE-HD recorded equity method investment loss of 10.6 billion yen through third quarter of fiscal year 2017 mainly due to the delay in construction work and cost increases etc. of Japan Marine United Corporation (JMU), JFE-HD's equity-method affiliate.
[Included in adjustments of ordinary income of minus 11.9 billion yen]
- ❑ JFE-HD recorded equity method investment loss of 21.2 billion yen in fourth quarter of fiscal year 2017 mainly due to **one-off effects including deterioration of financial performance with yen appreciation and reversal of deferred tax assets.**
[Included in adjustments of ordinary income of minus 23.0 billion yen]
- ❑ JFE-HD recorded equity method investment loss of 31.8 billion yen of fiscal year 2017.
[Included in adjustments of ordinary income of minus 34.9 billion yen]



Financial Results in Fiscal Year 2017

Extraordinary income (losses)

JFE-HD

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	FY2016	FY2017		
		Apr-Dec	Jan-Mar	
Gain on sales of investment securities	30.1	29.2	0.1	29.3
Extraordinary income	30.1	29.2	0.1	29.3
Impairment loss	(9.4)	(3.2)	(25.2)	(28.4)
Expenses for treatment of PCB waste	-	(3.8)	-	(3.8)
Extraordinary losses	(9.4)	(7.0)	(25.2)	(32.3)
Extraordinary income (losses)	20.7	22.1	(25.1)	(2.9)

JFE Steel
Financial Results
in Fiscal Year 2017



Financial Results in Fiscal Year 2017 of JFE Steel

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		FY2016 (A)	FY2017				Change (B-A)	FY2017 Forecast (C)
			1H	2H		(B)		
				3Q	4Q			
Net Sales	Billion yen	2,349.1	1,294.7	697.2	723.5	2,715.4	366.3	2,730.0
Ordinary Income [ROS]	Billion yen [%]	40.5 [1.7%]	84.6 [6.5%]	65.6 [9.4%]	48.6 [6.7%]	198.8 [7.3%]	158.3 [5.6%]	185.0 [6.8%]

Crude Steel (Standalone)	Mt	28.14	14.10	7.23	7.14	28.46	0.32	Approx. 28.6
Crude Steel (Consolidated)	Mt	30.41	14.91	7.63	7.52	30.06	(0.35)	Approx. 30.3
Shipment (Standalone)	Mt	25.70	12.42	6.38	6.50	25.30	(0.40)	Approx. 25.4
Export Ratio (Standalone)	%	44.0	43.2	45.1	45.9	44.4	0.4	45
Average Sales Price	000 yen/t	62.8	73.8	77.0	76.5	75.3	12.5	76
Exchange rate	¥/\$	108.8	111.2	112.6	109.7	111.2	2.4	112
Exchange rate (End of Term)	¥/\$	112.2	112.7	113.0	106.2	106.2	(6.0)	-



13.8 Billion Yen Increase in JFE Steel's Ordinary Income (FY17 (Forecast) vs. FY17 (Actual))

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(billion yen)

JFE Steel	FY2016	FY2017	FY2017(Actual)			Change FY2016 →FY2017 C-A	Change Forecast →Actual C-B
	Actual A	Forecast B	1H	2H	Full Year C		
Ordinary Income	40.5	185.0	84.6	114.2	198.8	158.3	13.8

- **Cost reductions** ± 0.0
- **Volume and Mix** - 4.0
- **Sales and Raw materials** + 9.0
- **Inventory valuation** - 2.0
- **Others** + 10.8



Increase in profit of overseas subsidiary companies etc.

TOTAL + 13.8



158.3 Billion Yen Increase in JFE Steel's Ordinary Income (FY16 (Actual) vs. FY17 (Actual))

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(billion yen)

JFE Steel	FY2016	FY2017	FY2017(Actual)			Change FY2016 →FY2017 C-A	Change Forecast →Actual C-B
	Actual A	Forecast B	1H	2H	Full Year C		
Ordinary Income	40.5	185.0	84.6	114.2	198.8	158.3	13.8

- **Cost reductions** + 45.0
- **Volume and Mix** + 4.0
- **Sales and Raw materials** + 119.0
- **Inventory valuation** - 1.0
- **Impact of change in depreciation method** + 27.4
- **Others** - 36.1

• Increase in materials cost including ferro-alloy and refractory
 • Increase in depreciation cost through strengthening the manufacturing base etc.

TOTAL

+ 158.3

JFE Engineering Financial Results in Fiscal Year 2017



Financial Results in FY2017 of JFE Engineering

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(billion yen)

	FY2016 (Actual) A	FY2017 (Forecast) B	FY2017 (Actual) C	Change (C-A)	Change (C-B)
Orders	424.4	500.0	495.5	71.1	(4.5)
Net Sales	426.1	400.0	391.3	(34.8)	(8.7)
Ordinary Income	26.6	19.0	19.3	(7.3)	0.3

【Change: FY2016 Actual to FY2017 Actual】

【Orders】 Increase in Environment and Social Infrastructure category

【Net Sales】 Decrease with orders of the previous year in Energy category
Decrease with time gap of recording sales

【Ordinary Income】

Decrease with additional cost for new product and overseas project
of - 4.0 billion yen

Influence of decrease of net sales in Energy category of - 3.3 billion yen

**JFE Shoji Trade
Financial Results
in Fiscal Year 2017**



Financial Results in FY2017 of JFE Shoji

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(billion yen)

	FY2016 (Actual) A	FY2017 (Forecast) B	FY2017 (Actual) C	Change (C-A)	Change (C-B)
Net Sales	1,671.0	1,900.0	1,907.9	236.9	7.9
Ordinary Income	21.8	32.0	33.0	11.2	1.0

【Ordinary Income Change : FY2016 Actual to FY2017 Actual】

Increase with improvement in profitability of foreign subsidiaries including Kelly Pipe and sales price increase

Dividends



Dividends

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JFE Holdings will propose at its forthcoming General Meeting of Shareholders a payment of 30 yen per share for the year-end dividend to return some profit to shareholders. That will result in a dividend for the year totaling 80 yen per share.



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2. Consolidated Financial Forecasts for Fiscal Year 2018 (April 1, 2018 to March 31, 2019)



Current Business Environment

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- ❑ **Steel demand** : demand to remain solid both domestic and overseas
 - Construction : increase in urban redevelopment projects and projects related to the Tokyo Olympic and Paralympic Games
 - Manufacturing : remain brisk mainly in the automotive and industrial machinery sectors
 - Overseas : remain solid overall in view of firm growth in many overseas economies
- ❑ **Steel prices in China** : remains at a high level thanks to improved supply and demand balance backed by environmental regulations etc.

Chinese spot basis metal spread remains at \$250/t level
- ❑ **Raw materials price** : Coking coal spot price remains at a high level
- ❑ **Other costs** : rising costs in ferro-alloy, refractory and distribution
- ❑ Need to keep watching the risk of expansion of protectionism due to the impact of section 232 of the Trade Expansion Act



Consolidated Financial Forecasts for Fiscal Year 2018 ①

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Ordinary income of 220.0 billion yen is forecast in fiscal 2018,
similar to the result in fiscal 2017

(billion yen)

	FY2017 Actual	FY2018 Forecast	Change
Steel business	198.8	160.0	(40.0)
Engineering business	19.3	25.0	
Trading business	33.0	33.0	40.0
Adjustments and others	(34.9)	—	
Ordinary income	216.3	220.0	±0



Consolidated Financial Forecasts for Fiscal Year 2018 ②

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<Breakdown of changes in ordinary income in Steel business>
(billion yen)

Sales volume, sales prices and raw materials	+40
Cost reductions	+20
Metals, materials and others	-50
The cost of strengthening manufacturing capabilities	-30
Inventory valuation	-5
Others	-15
Total	-40

【 Assumptions 】

Crude steel (standalone)	Approx. 29.0Mt/year
Exchange rate	110 yen/ \$

Appendix



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Main Financial Data

JFE-HD

	FY03	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
(bn. Yen, times)												
Ordinary Income	218.3	502.9	400.5	69.2	165.8	52.9	52.2	173.6	231.0	64.2	84.7	216.3
EBITDA ※1	432.3	741.4	670.8	337.1	428.9	306.3	260.6	368.9	421.5	254.4	279.9	388.8
ROS ※2	8.8%	14.2%	10.2%	2.4%	5.2%	1.7%	1.6%	4.7%	6.0%	1.9%	2.6%	5.9%
ROE ※3	15.9%	17.5%	13.7%	3.3%	4.1%	-2.6%	2.7%	6.3%	7.7%	1.8%	3.7%	7.6%
ROA ※4	6.5%	13.0%	10.0%	2.2%	4.6%	1.7%	1.6%	4.5%	5.5%	1.7%	2.3%	5.2%
Debt Outstanding	1,837	1,281	1,768	1,468	1,496	1,593	1,596	1,534	1,501	1,379	1,375	1,331
Debt/EBITDA Ratio ※5	x4.3	x1.7	x2.6	x4.4	x3.5	x5.2	x6.1	x4.2	x3.6	x5.4	x4.9	x3.4
D/E Ratio ※6	246.2%	61.4%	98.9%	75.5%	76.5%	83.5%	76.9%	67.9%	59.0%	56.9%	51.4%	58.2%
Profit attributable to owners of parent (yen/share)												
Profit attributable to owners of parent (yen/share)	185.8	450.5	355.6	86.3	110.7	-68.7	71.2	177.4	241.6	58.4	117.8	250.8
Dividend (yen/share)	30	120	90	20	35	20	20	40	60	30	30	80
Pay-out Ratio	16.1%	26.6%	25.3%	23.2%	31.6%	-	28.1%	22.5%	24.8%	51.4%	25.5%	31.9%

※1 EBITDA = Ordinary income + Interest expense + Depreciation and Amortization

※2 ROS = Ordinary income / Net sales ※3 ROE = Profit attributable to owners of parent / Shareholders' equity

※4 ROA = Ordinary income before interest expense / Total assets (average),

※5 Debt/EBITDA ratio = Debt outstanding / EBITDA

※6 D/E ratio = Debt outstanding / Shareholders' equity. Debt having a capital component 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

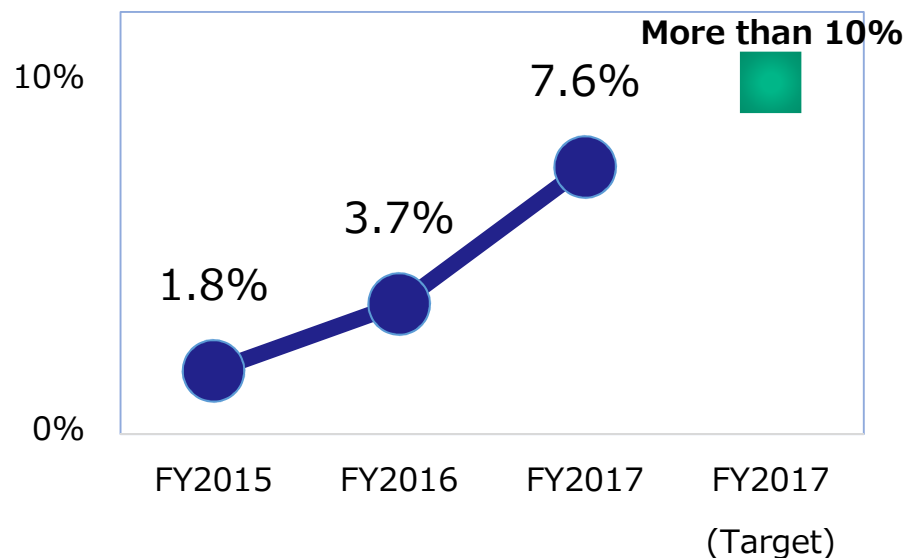
[As of the end of March, 2018]



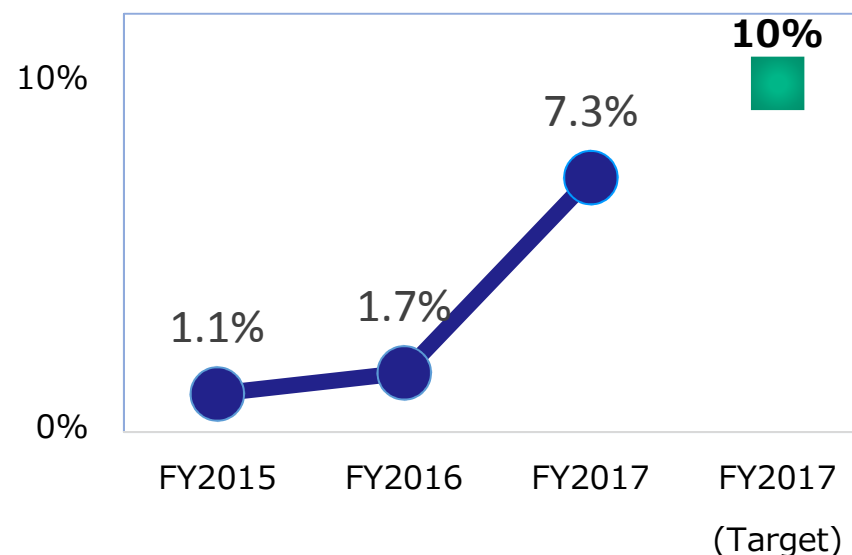
Trend of financial indices ①

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JFE Holdings (ROE)

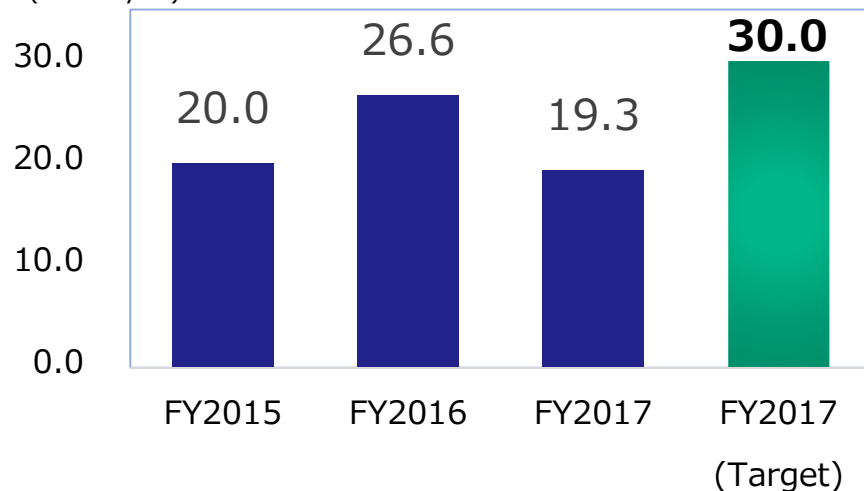


JFE Steel (ROS)



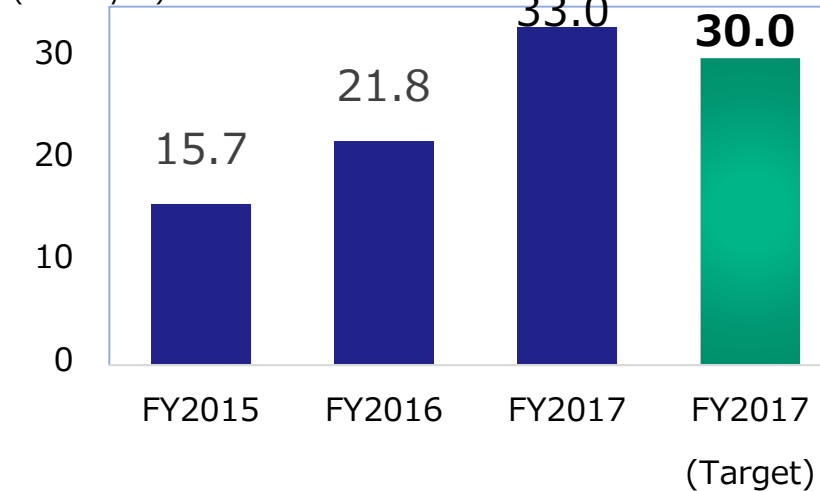
JFE Engineering (Ordinary Income)

(billion yen)



JFE Shoji Trade (Ordinary Income)

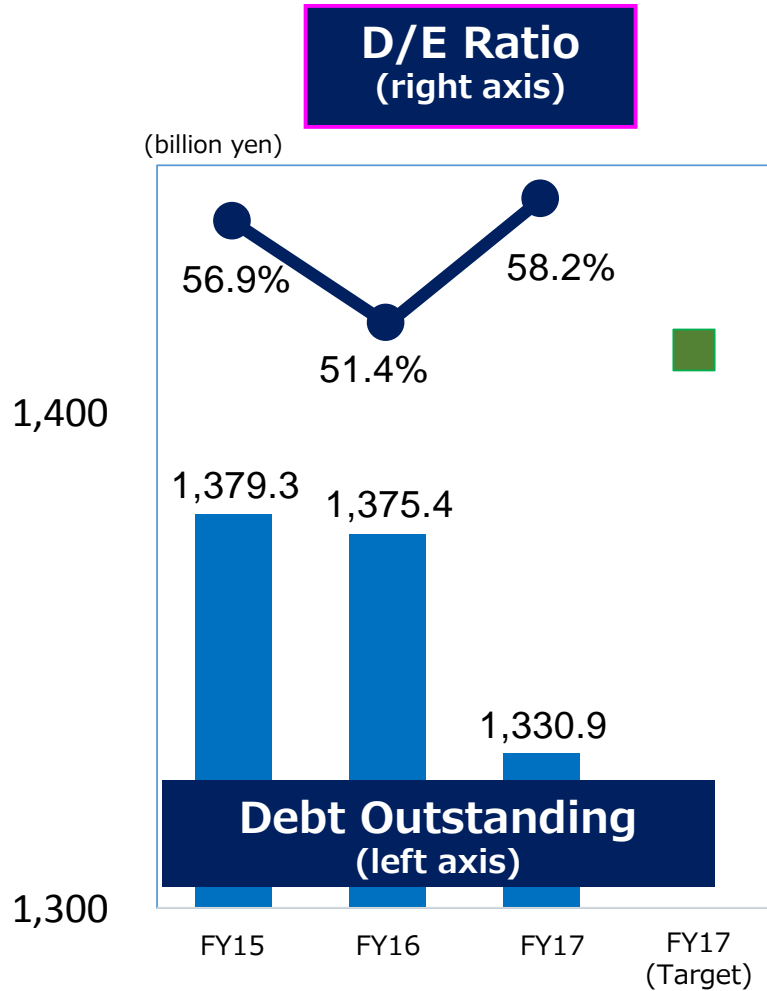
(billion yen)



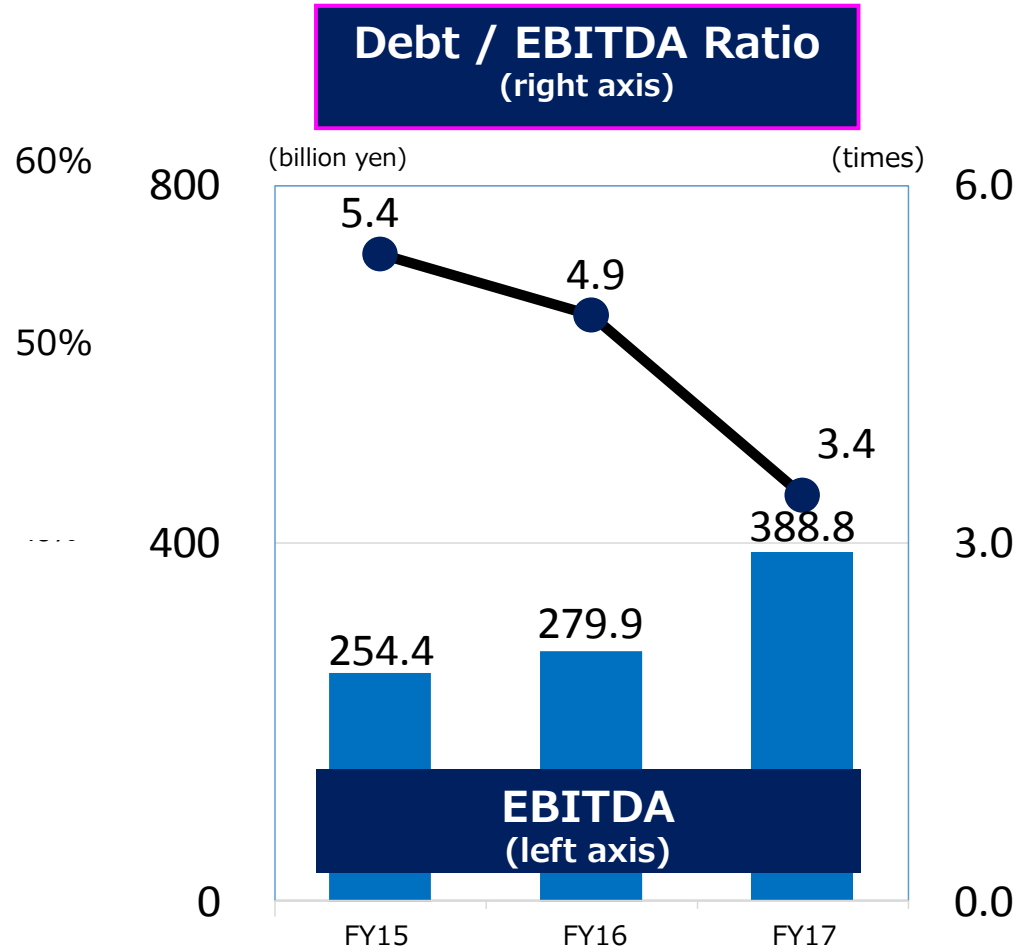


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Trend of financial indices ②



■ D/E ratio = Debt outstanding / Shareholders' equity. Debt having a capital component is deemed to be capital, as assessed by rating agencies.



■ EBITDA = Ordinary income + Interest expense + Depreciation and Amortization



Cash Flow Results of FY2017

(billion yen)

Source		Usage	
Net Income	144.6	Dividends	34.5
		Working Capital etc.	34.7
		Capex, Investments	258.0
Depreciation	159.5		
Asset Sales	67.6	Repayment of Debt	44.5
	371.7		371.7



17.0 Billion Yen Decrease in JFE Steel's Ordinary Income (FY17 3Q (Actual) vs. FY17 4Q (Actual))

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(billion yen)

JFE Steel	1H	2H		FY2017	Change 3Q→4Q
		3Q	4Q		
		Oct-Dec	Jan-Mar		
Ordinary Income	84.6	65.6	48.6	114.2	(17.0)

- **Cost reductions** + 4.0
- **Volume and Mix** - 4.0
- **Sales and Raw materials** - 14.0
- **Inventory valuation** ± 0.0
- **Others** - 3.0

TOTAL - 17.0



29.6 Billion Yen increase in JFE Steel's Ordinary Income (FY17 1H (Actual) vs. FY17 2H (Actual))

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(billion yen)

JFE Steel	1H	2H		FY2017	Change 1H→2H
		3Q	4Q		
		Oct-Dec	Jan-Mar		
Ordinary Income	84.6	65.6	48.6	114.2	29.6

- **Cost reductions** + 10.0
- **Volume and Mix** + 5.0
- **Sales and Raw materials** + 24.0
- **Inventory valuation** + 9.0
- **Others** - 18.4 →

- Increase in materials cost including ferro-alloy and refractory
- Increase in depreciation cost through strengthening the manufacturing base
- Decrease in dividends received etc.

TOTAL + 29.6



Classification of Placed Orders

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(billion yen)

Category	FY2016 (Actual)	FY2017 (Actual)	Change	Main Orders (FY2017)
Environment	157.4	234.2	76.8	<ul style="list-style-type: none"> - Improvement works of the waste incineration plants (5 places) - Construction of the waste to energy plants in Meguro-Ward etc. (2 places) - Construction of the waste to energy plants and waste heat recovery plants in Lithuania, Germany and UK - Startup of Composite Biomass Power PFI Project in Toyohashi-City - Construction of volume reduction project for disaster-related waste
Energy	148.9	126.9	(22.0)	<ul style="list-style-type: none"> - Construction of the high-tension long distance pipeline - Expansion work of the chemical plant in Singapore - City gas supply plant in Kawasaki-City
Social Infrastructure etc.	118.1	134.4	16.3	<ul style="list-style-type: none"> - Construction of the bridges in Iwate-Pref. and Hamamatsu-City - Construction of the bridges in Sri Lanka and Bangladesh - Foundation work for installing the security facility at the runway in Haneda-Airport - Reconstruction of the container cranes in Oi-Terminal, Sakata-Port and Minami-honmoku area - Install of Ballast water management system, "Ballast Ace", for 221 ships
Total	424.4	495.5	71.1	



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Net Sales of JFE Shoji (by Segment)

JFE Shoji Trade

(billion yen)

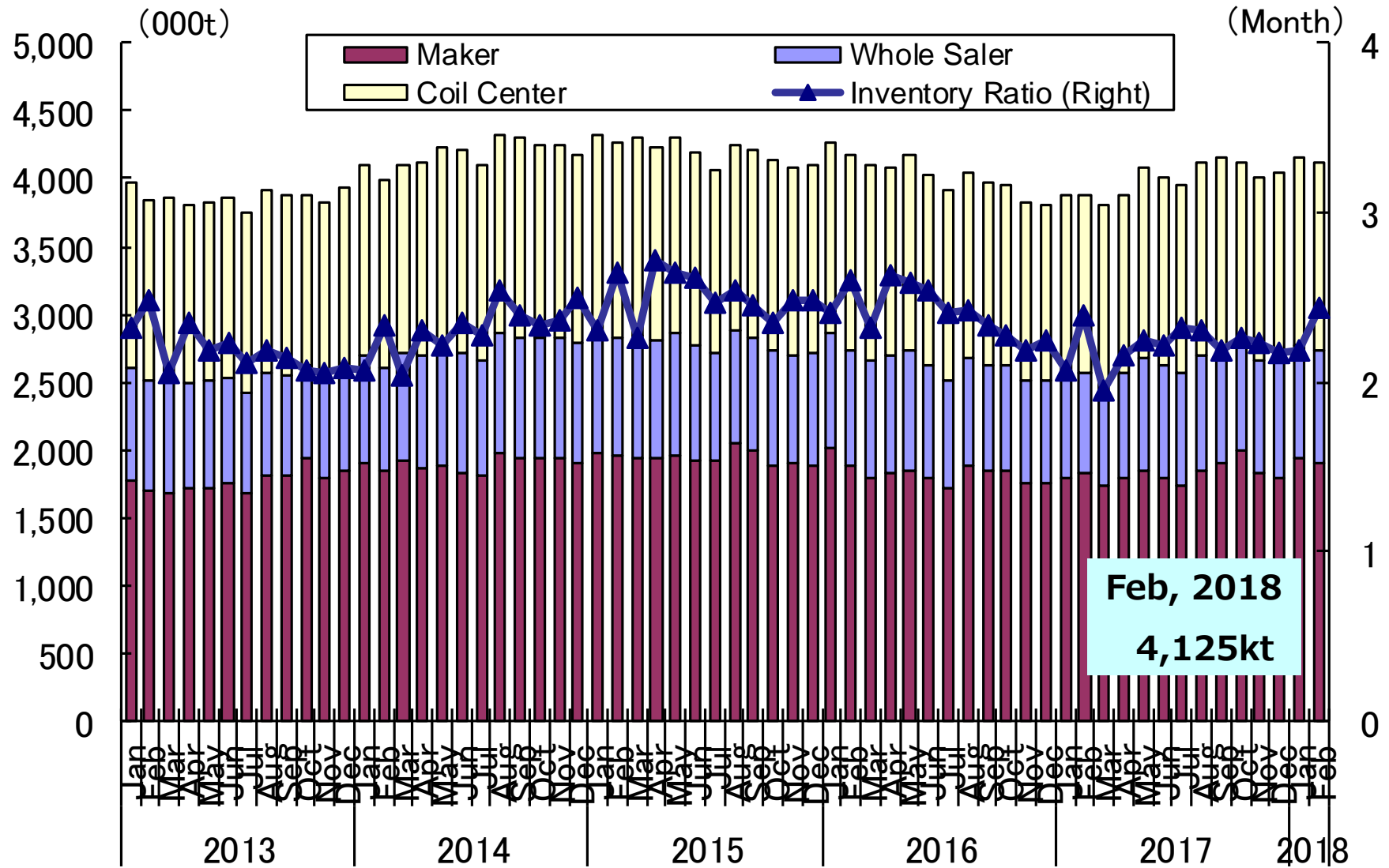
		FY2016 (A)		FY2017 (A)		Change	
Domestic Business		880.5		966.9		86.4	
Overseas Business	Export	383.4	638.3	461.7	779.3	78.3	141.0
	Foreign Operation	254.9		317.6		62.7	
Raw Materials, Equipment etc.		152.2		161.7		9.5	
TOTAL		1,671.0		1,907.9		236.9	



Domestic
Market Environment

Combined Inventories of HR, CR and Coated Steel Sheet

JFE Steel

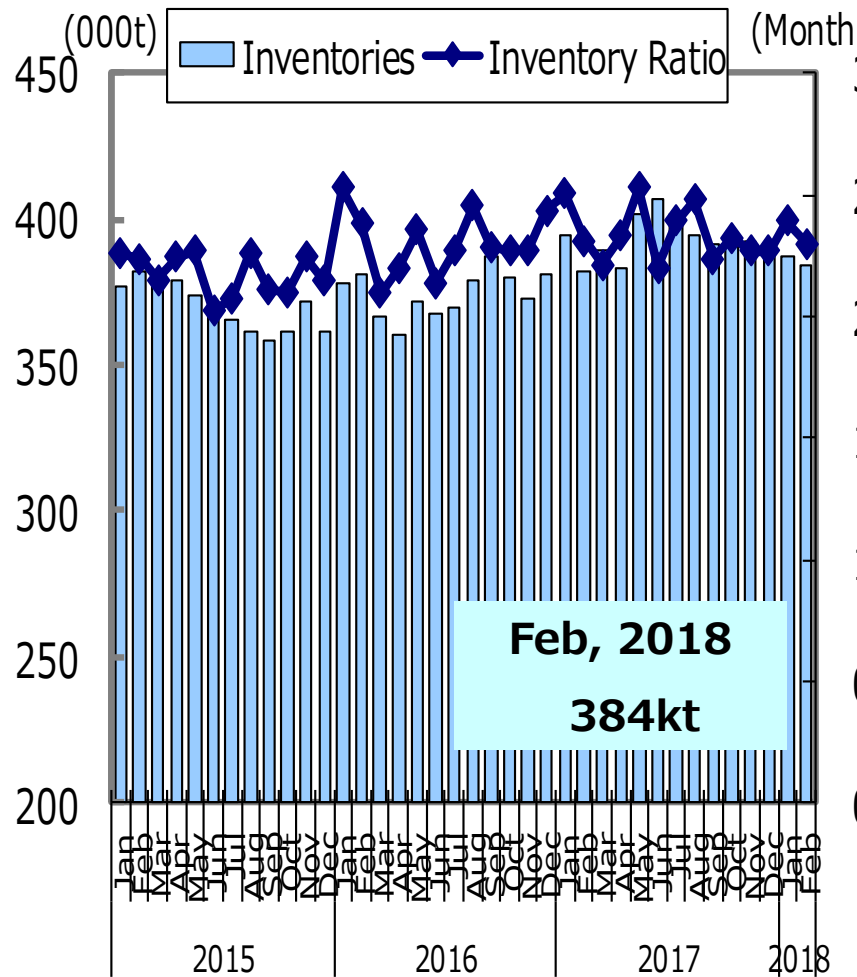




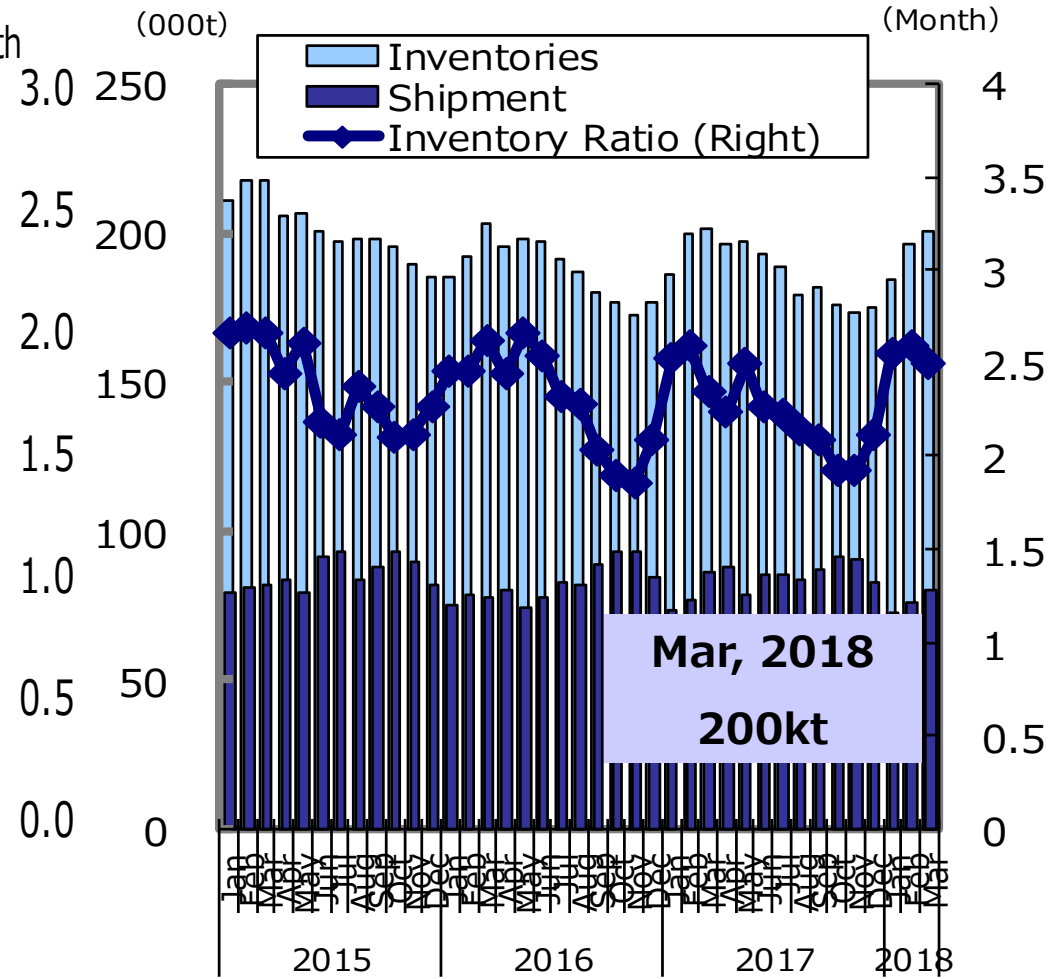
Domestic Market Environment

Inventories of Plate (Plate Shear) and Wide Flange Shapes

Inventories of Plate (Plate Shear)



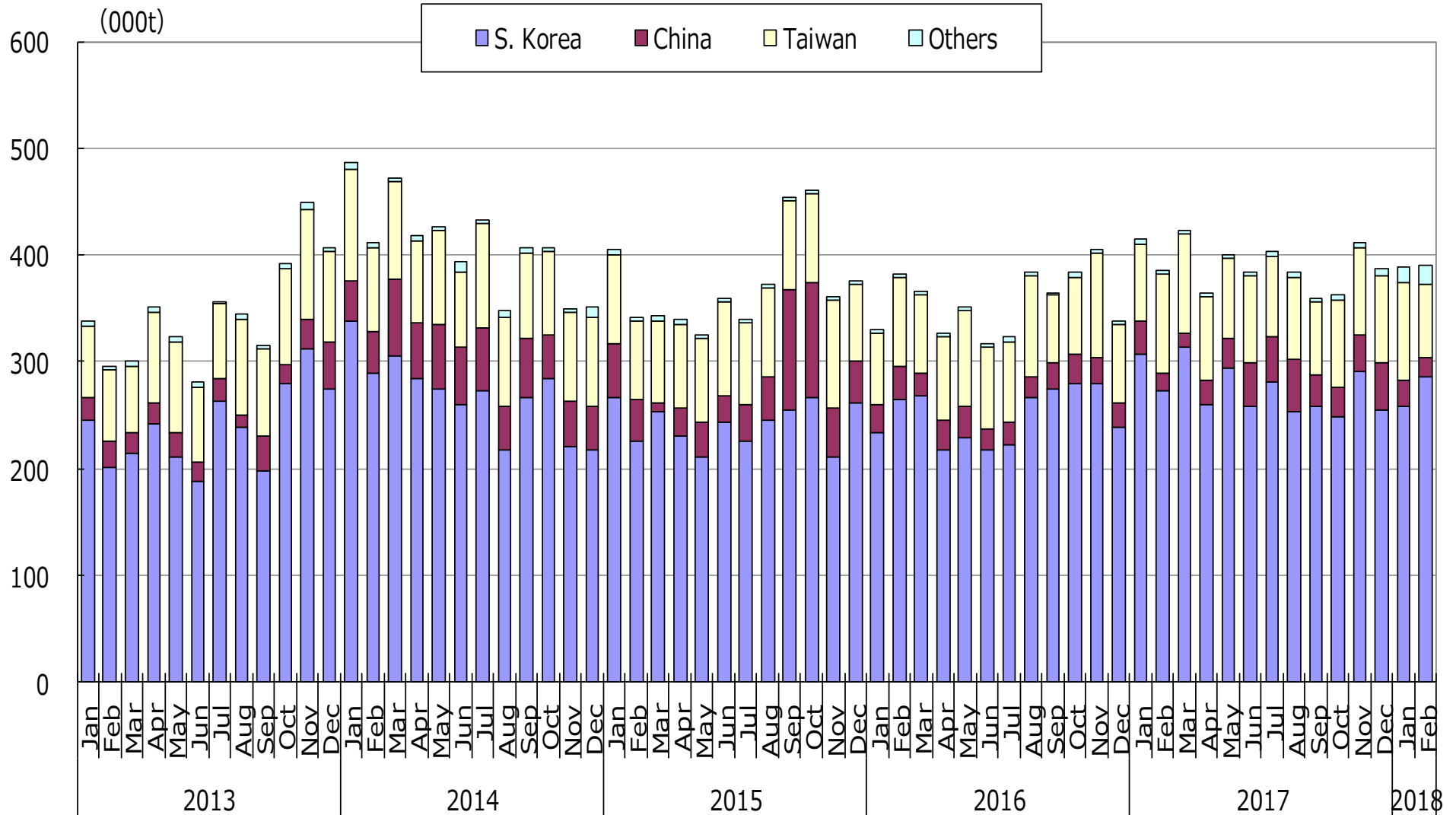
Inventories of Wide Flange Shapes





Domestic Market Environment

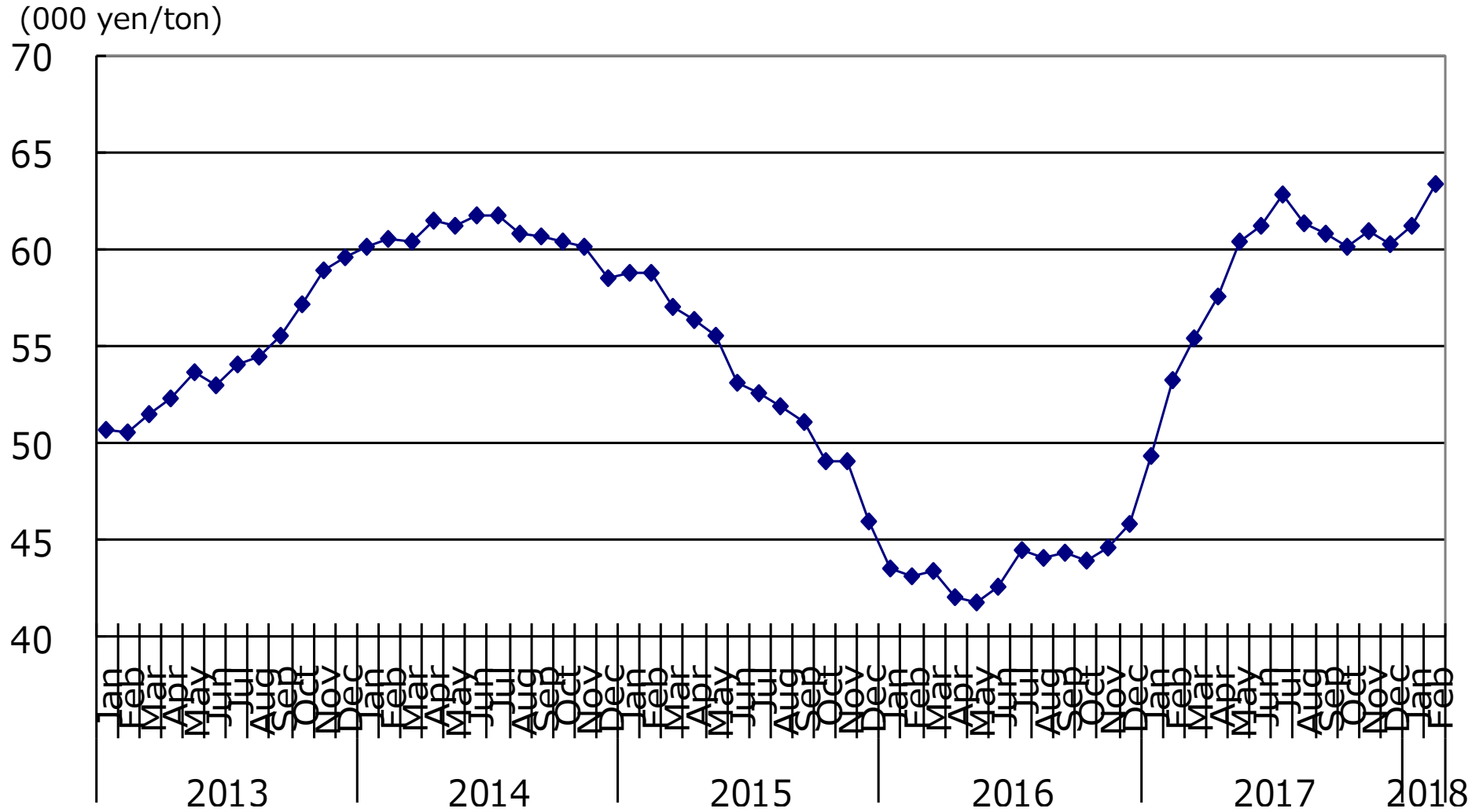
Trend of Import Steel (Ordinary Steel)





Domestic
Market Environment

Price Trend of Import Steel

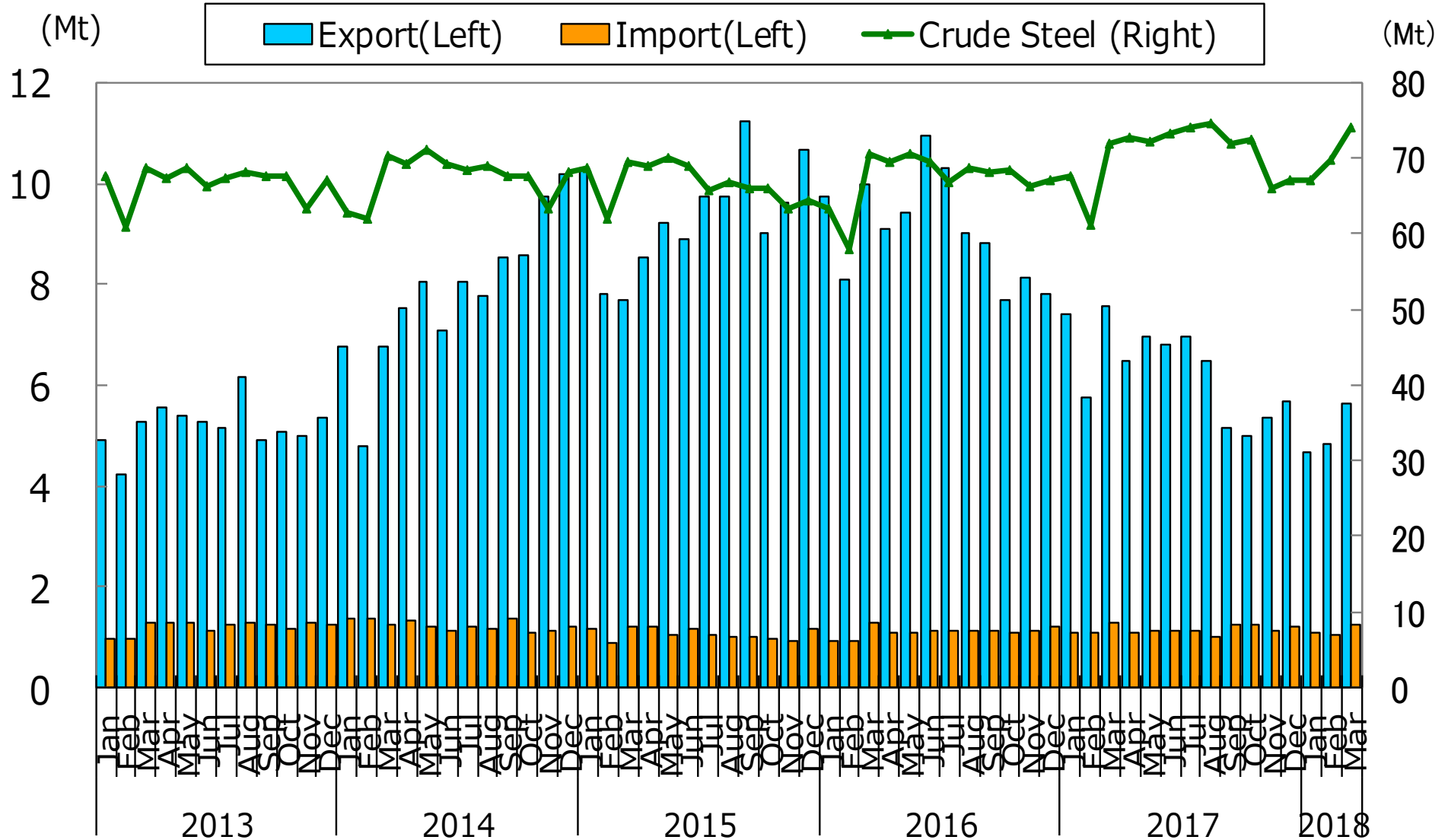


Data: Japanese Steel Association
Import Steel from S. Korea



Overseas Market Environment

Crude Steel & Im/Export, China



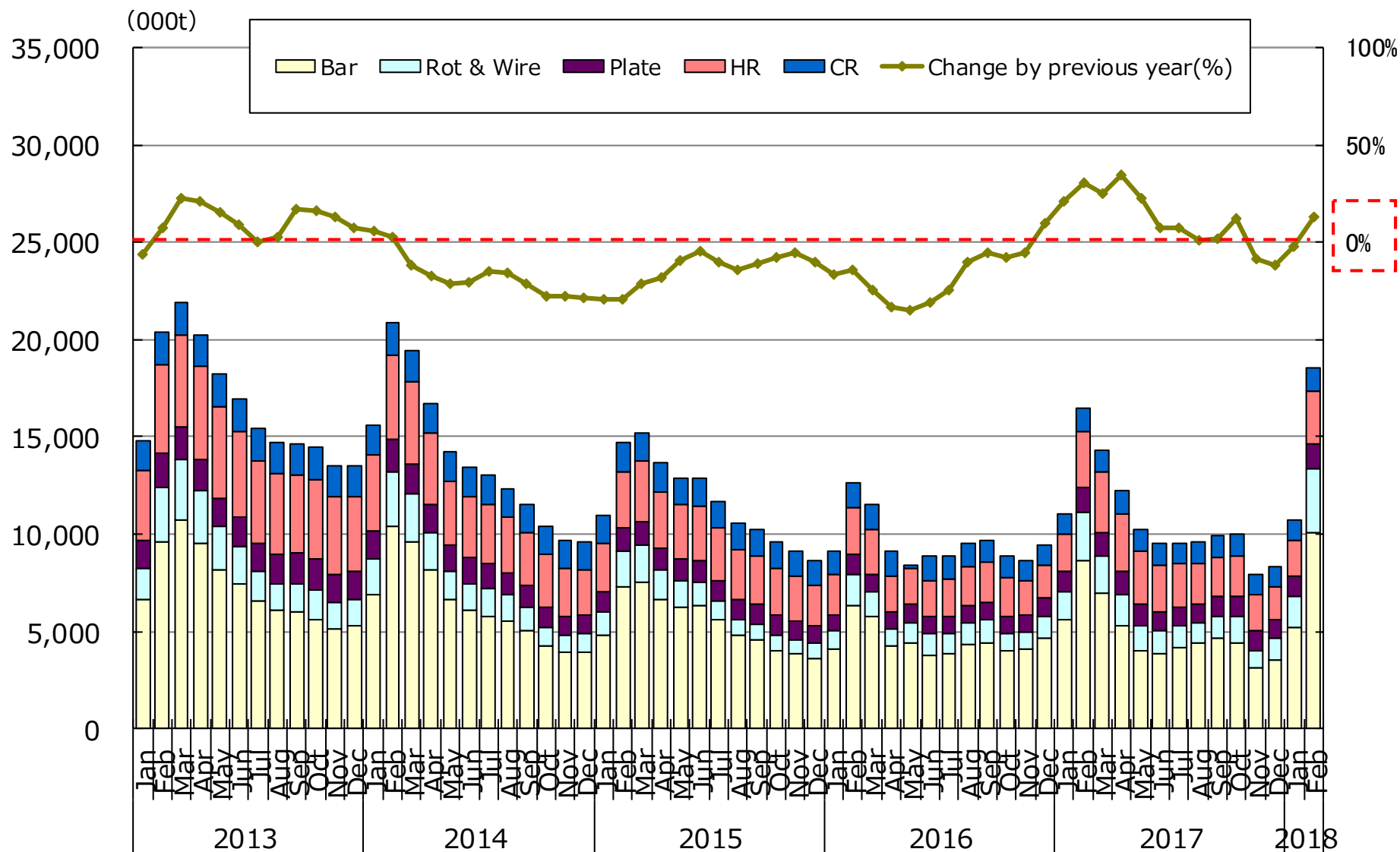
*Crude Steel in Jan and Feb: WSA's estimation 34



Overseas
Market Environment

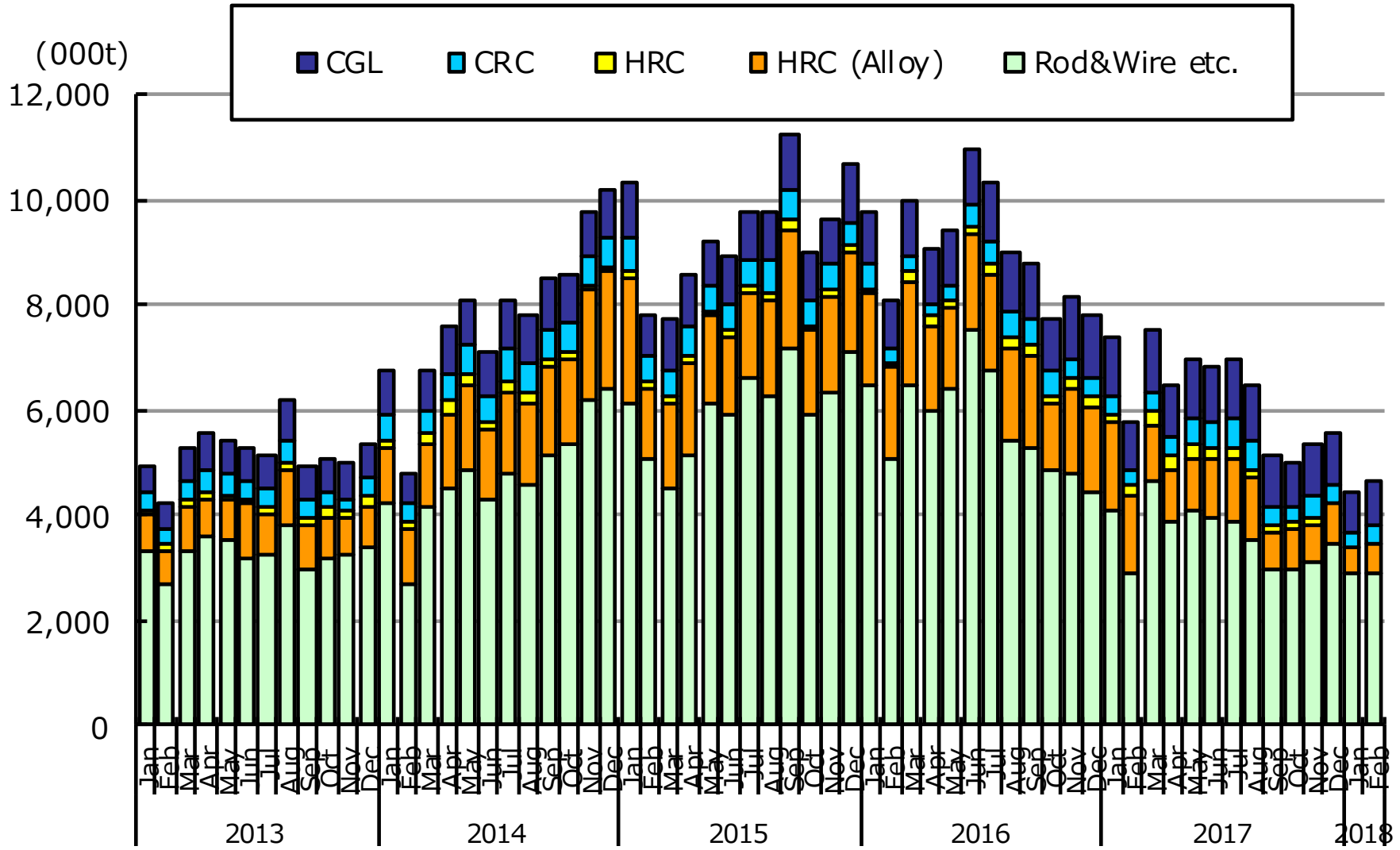
JFE Steel

Inventories in China by Products



Overseas
Market Environment

Exports from China by Products



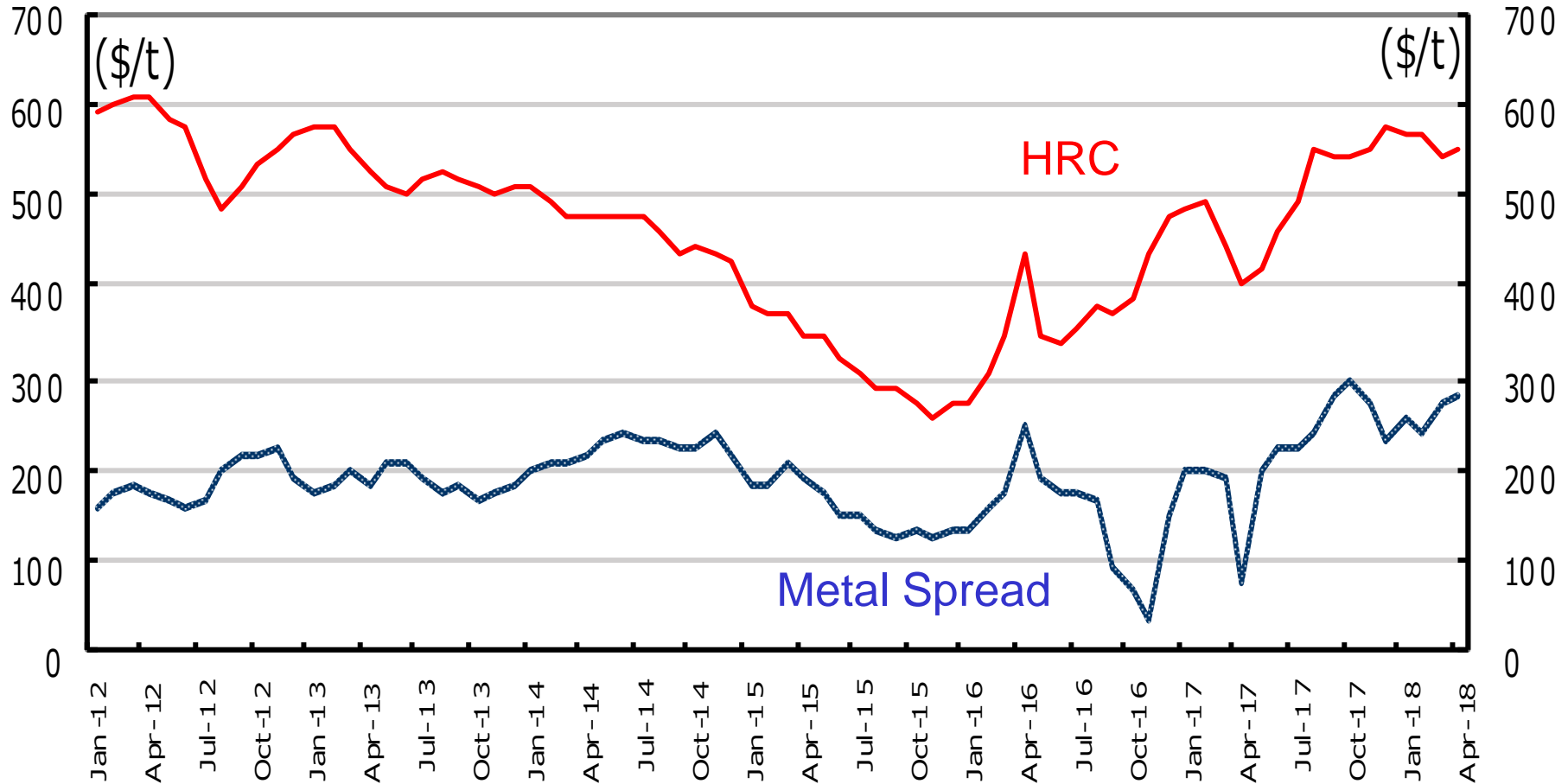


Overseas Market Environment

Metal Spread Trend (Chinese Spot Basis)

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Metal Spread = HRC Price – Raw Materials Cost

*HRC Price : Chinese Spot basis

Raw Materials Cost : Calculated from market price of Iron Ore and Hard Coking Coal



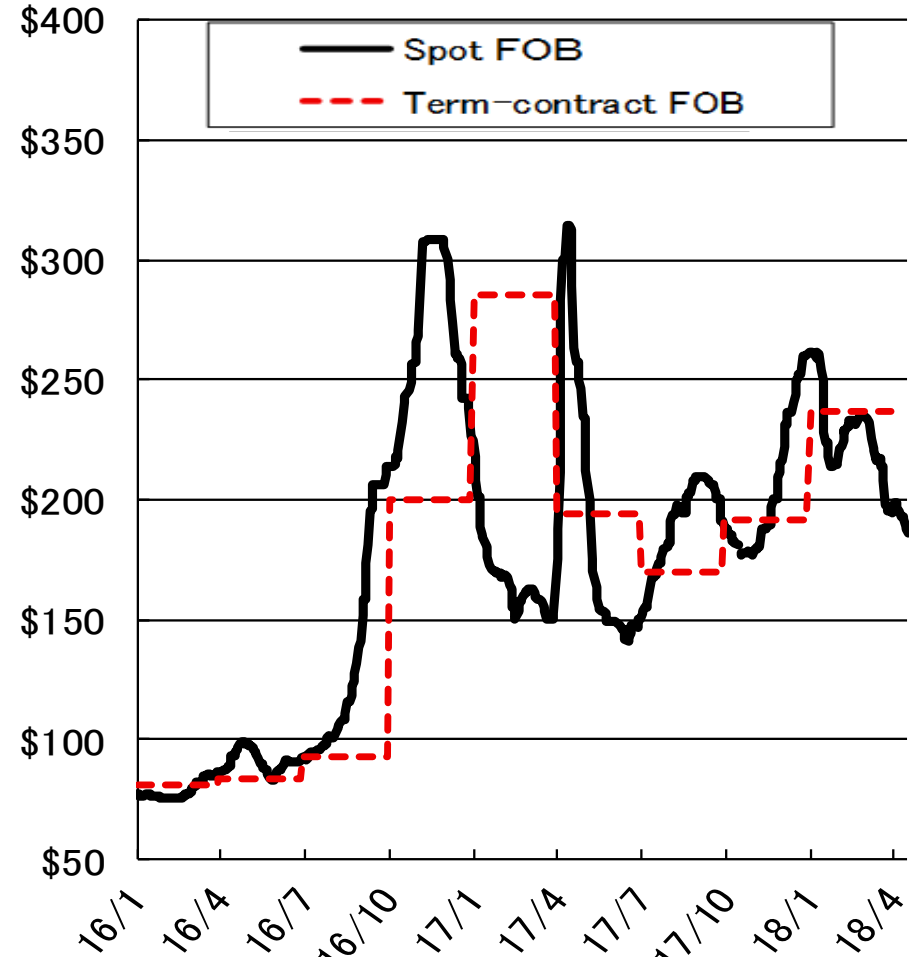
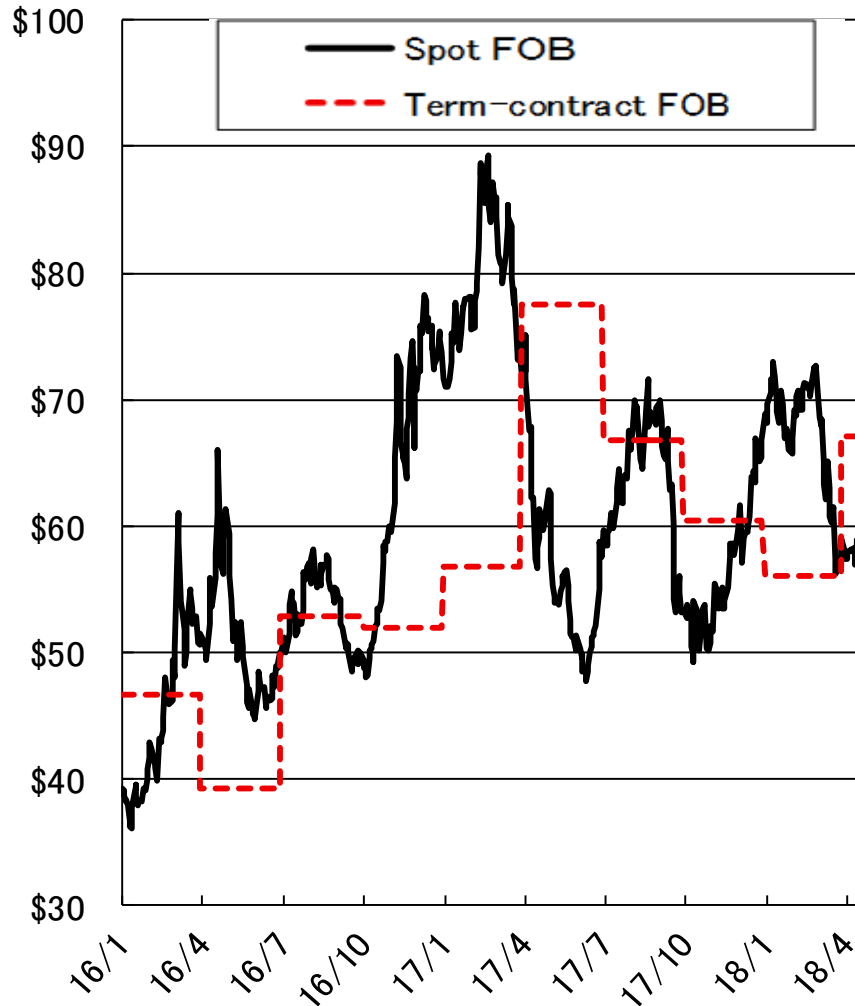
JFE

Raw Materials

Raw Materials Price

(\$/DMT) Iron ore (iron ore fines from Australia)

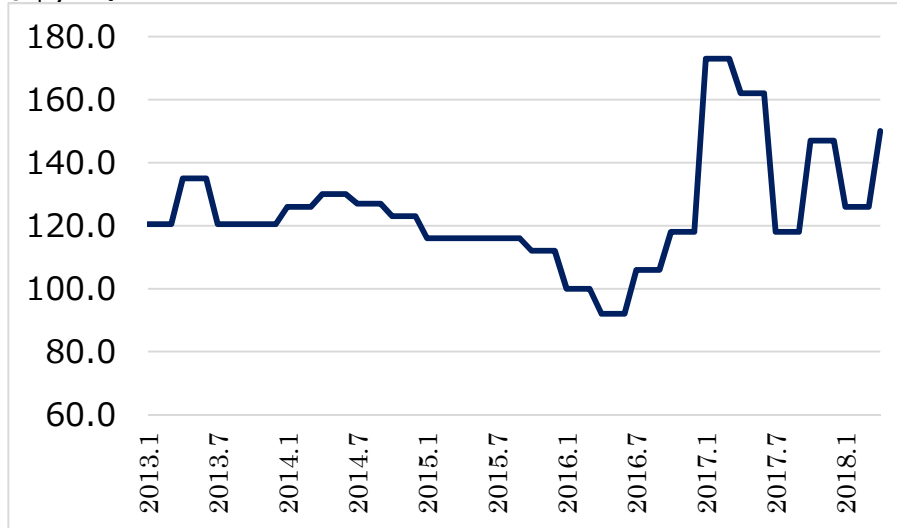
(\$/WMT) Coking Coal (Hard Coking Coal from Australia)



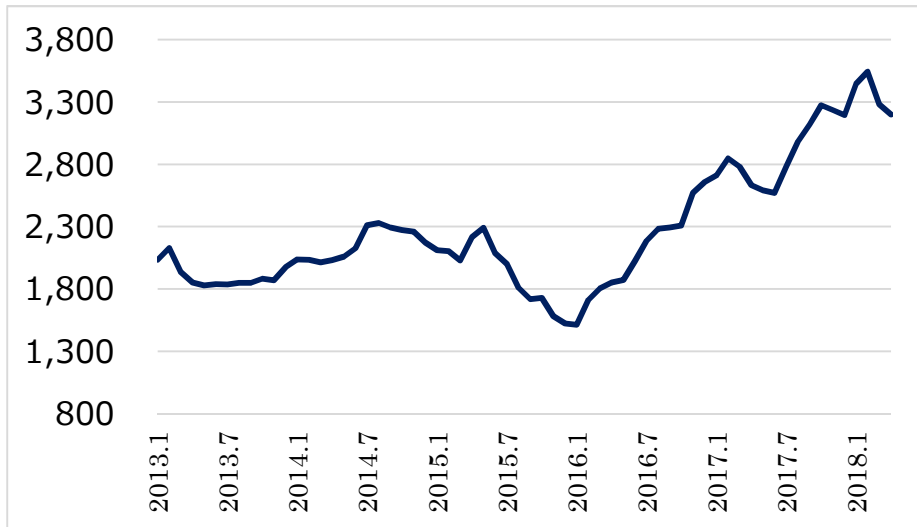
Hard Coking Coal Term-contract FOB since Apr-Jun quarter 2017
 (Apr-Jun : Mar-May spot FOB average, Jul-Sep : Jun-Aug spot FOB average,
 Oct-Dec : Sep-Nov spot FOB average, Jan-Mar : Dec-Feb spot FOB average)



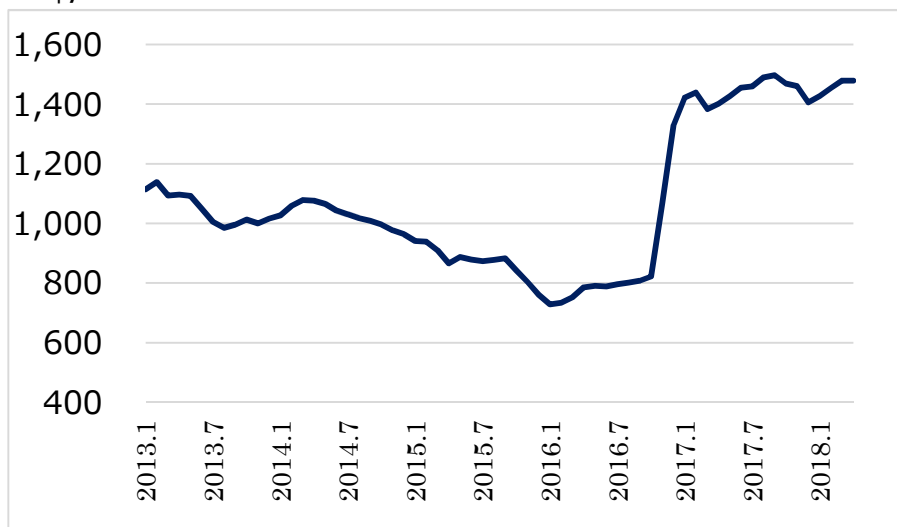
(¢/lb) FeCr



(U\$/t) Zn



(U\$/t) FeMn



(U\$/lb) Mo

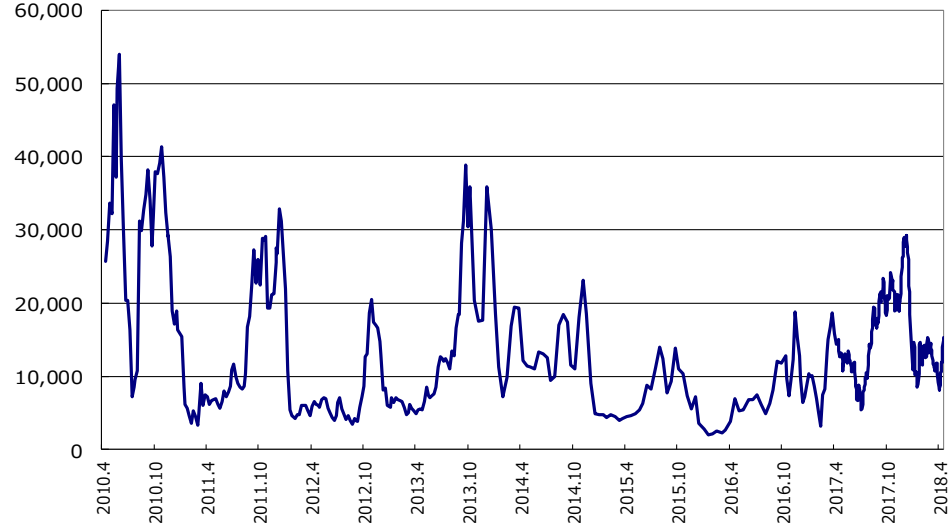




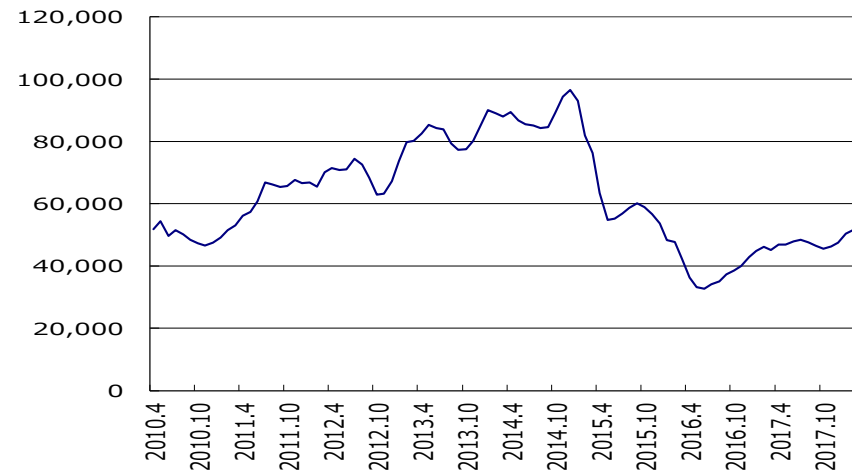
(yen/t) Scrap



(\$/day) Spot Bulker



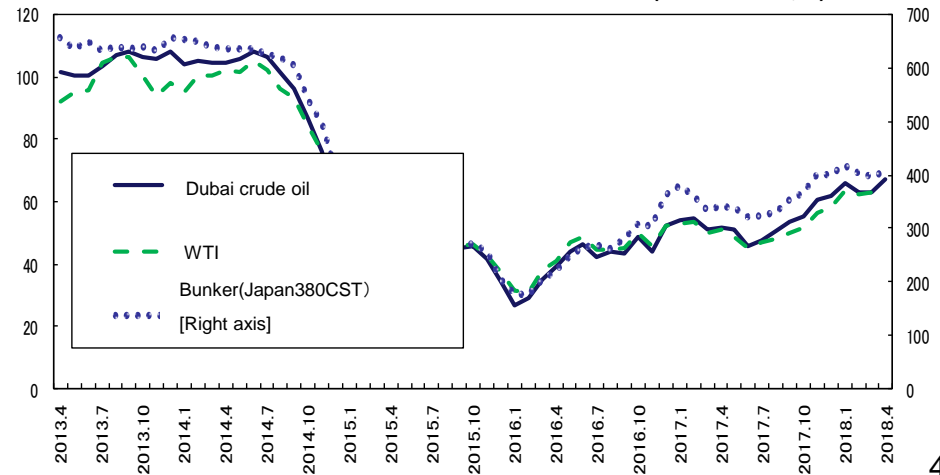
(yen/t) LNG Price



Oil

(crude oil: \$/bbl)

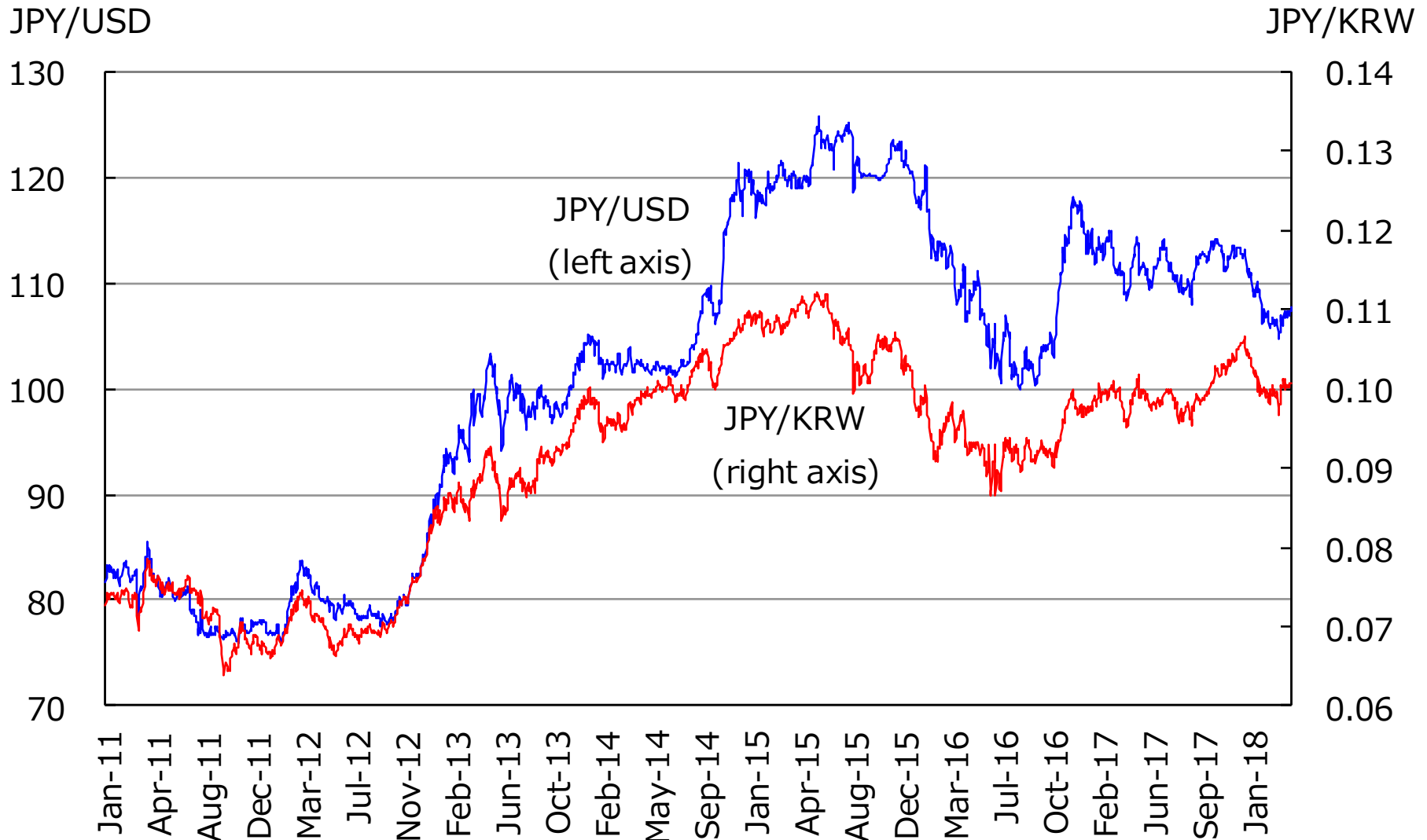
(Bunker oil: \$/t)





Trend of exchange rate (against USD,KRW)

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