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JFE Holdings, Inc.

JFE Group Investor Meeting  
FY 2018 Q1 Financial Report & FY 2018 Earnings Estimates  
Summary of Investor Questions and JFE Answers from Investor Meeting on July 31st, 2018

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**Q. As far as I can recall, JFE has never provided an estimate of annual profit and dividend for the fiscal year right after a Q1 financial report. Does your disclosure of these estimates immediately following this fiscal year's Q1 financial report reflect greater confidence in making solid profit projections on the back of the favorable steel market conditions?**

A. We are committed as far as possible to the transparent disclosure of financial figures. Some of our financial reports in the past deferred the disclosure of prospects because of high market volatility; having said that, no industry is immune to volatility. We would like to point out that the current profit and dividend forecasts for the year may differ from actuals if the current external environment changes significantly in the future.

**Q. After a prolonged stagnation, steel plate pricing is recently edging upwards. I would like to know how investors can effectively use the commodity producer price index for steel to monitor trends in demand for steel products by industry sectors, and what JFE's outlook for coking coal prices is.**

A. We anticipate continuing robust demand for steel plate both at home and abroad. When we look at seamless steel pipes, for example, with crude oil prices on the rise, our Chita Works are running at increased capacity. However one thing we need to make clear is that current profit trends are not entirely satisfactory, and although they show a change for the better, there is still room for improvement.

A. Both output and the market price of steel plates are recovering. Regarding the contracted prices for coking coal, current market prices are hovering at around the 170 USD/t level, which is lower than previous levels, although price fluctuations make forecasting difficult. We assume that it will remain at around the 197 USD/t level for a while, the average index price assumed in the Q1 report.

**Q. I would like to know what the crude steel output would have been if there had not been the production interruptions that occurred in the first half of fiscal 2018, i.e. the production line**

**troubles in the mills and the floods caused by the downpours that hit western Japan.**

A. The mill troubles at JFE Steel West Japan Steel Works that occurred during Q1 were addressed, and the affected lines have been fully restored. The impact of the torrential rain in western Japan was more on our employees' daily lives than on production lines. Inevitably, the unavailability of personnel affected our operation to a certain extent, contributing to a temporary drop in crude steel output, but we believe we will be able to recover from this issue in the very near future. With everything factored in, we are determined to achieve annual crude steel output of 29 million metric tons, regardless of the slightly lower output than was initially forecasted for Q1 and the first half of the fiscal year.

**Q. You mentioned that the spreads on metals for export applied to the FY 2018 earnings estimates are lower than current metal spreads. Would you provide us with a little more information about that; in particular, what are the reference levels of the metal spreads used for the estimates?**

A. We estimate the levels we will be seeing until the end of September will be several tens of dollars lower than the most recent levels, and that this trend is likely to continue throughout the second half of the fiscal year.

**Q. My understanding is that the steel price increase of 20,000 JPY has effectively offset the rise in the price of raw materials. Could you provide information on your strategy in terms of further price increases to offset rises in the cost of metals and materials, along with progress so far?**

A. Given the market conditions we see now, we are almost within striking distance of achieving the goal we were aiming for when we implemented the 20,000 JPY price increase. Prices of metals and materials will be factored in during the course of our business, but unfortunately we cannot disclose more specifics of the strategy and current progress.

**Q. Would you fill me in on the background factors that contributed to the significantly higher Q1 average steel price than that for Q4 of the previous fiscal year?**

A. In addition to the tailwind of export growth, we believe our tireless efforts in Japan to convince customers to accommodate the 20,000 JPY price increase is one of the factors that helped win support for the new price levels.

**Q. What can investors expect from the recent falls in the price of some metals? Specifically, will the lower prices in the market lead to improved profitability, or will they affect the way you negotiate steel prices with your customers?**

A. We may take account to some extent of the decrease in the prices of some metals to determine the cost of production, but there is unlikely to be any strategic change in our pricing negotiation in the near future because market trends are indicating price hikes for metals and materials; that is to say, our pricing policy remains unchanged.

**Q. I would like to know the factors that contributed most to the difference of 50 billion JPY between the previous and latest forecast of annual financial performance.**

A. The biggest factor is the improved overseas market outlook. In the previous period report published in April, the ballpark figures for exports to commodity markets allowed for uncertainties projected for Q2 and later periods. The latest report factored in the favorable projected market indexes driven by our April-June performance and our updated market analysis. The risk of market adjustment until the end of September remains, although the market outlook is somewhat better than that which prevailed in April, and this explains the difference of 50 billion JPY.

**Q. Recent media reports indicate that JFE is still looking to negotiate price rises for certain products. These efforts notwithstanding, will investors be able to rest assured that there will be no unprofitable pricing approaches?**

A. We have successfully incorporated revised prices for some of the products we supply, however the increase has not yet been applied to our entire product portfolio. Some items are still priced low, unable to generate enough profit. We will continue negotiations to secure reasonable pricing so that our mills can maintain production with sustainable growth.

**Q. What about the overall product portfolio? Are you planning any changes to it?**

A. In markets both inside and outside Japan, demand for all of our steel products is showing solid growth. We believe the current portfolio is well balanced, so no changes are currently planned.

**Q. The second blast furnace at Formosa Ha Tinh Steel is now in operation. What are your expectations in terms of capacity increase?**

A. FHS's second blast furnace will make a positive contribution to our future capacity. Currently, growing domestic demand for our products in Vietnam is keeping our mills busy, but we plan to soon revert to the more strategic track we planned, aimed at expanding sales volumes in Southeast Asia.

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