

Financial Information

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Note: Fiscal Year(FY) 2017 in the following pages refers to the period beginning
April 1, 2017 and ended March 31, 2018

Consolidated Balance Sheets

JFE Holdings, Inc. and Subsidiaries

March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Assets			
Current assets:			
Cash and deposits (Notes 6 and 14)	¥ 76,111	¥ 69,936	\$ 716,406
Notes and accounts receivable (Note 14)	855,730	798,058	8,054,687
Allowance for doubtful accounts	(2,188)	(1,416)	(20,594)
Merchandise and finished goods	351,961	313,368	3,312,885
Work in process	60,292	50,834	567,507
Raw materials and supplies	438,086	408,728	4,123,550
Other current assets (Note 9)	175,947	169,336	1,656,127
Total current assets	1,955,942	1,808,846	18,410,598
Property, plant and equipment (Note 9):			
Land (Note 10)	489,588	496,678	4,608,320
Buildings and structures	1,846,032	1,827,845	17,376,054
Machinery and equipment	5,872,560	5,811,748	55,276,355
Construction in progress	76,544	59,982	720,481
Subtotal	8,284,726	8,196,255	77,981,231
Accumulated depreciation	(6,582,478)	(6,545,376)	(61,958,565)
Property, plant and equipment, net	1,702,248	1,650,879	16,022,665
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Notes 9 and 14)	312,880	349,864	2,945,030
Investments in securities (Notes 7, 9 and 14)	325,413	372,196	3,062,998
Allowance for doubtful accounts	(1,691)	(2,953)	(15,916)
Net defined benefit asset (Note 11)	18,082	13,067	170,199
Other assets (Note 9)	148,028	144,168	1,393,335
Total investments and other assets	802,713	876,343	7,555,657
Total assets	¥ 4,460,903	¥ 4,336,069	\$ 41,988,921

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Liabilities			
Current liabilities:			
Short-term borrowings (Note 14)	¥ 113,881	¥ 106,966	\$ 1,071,922
Current portion of long-term debt (Notes 8 and 14)	186,661	147,412	1,756,974
Commercial paper (Note 14)	6,000	8,000	56,475
Notes and accounts payable (Note 14)	471,897	446,645	4,441,801
Other current liabilities	411,858	330,433	3,876,675
Total current liabilities	1,190,298	1,039,458	11,203,859
Long-term liabilities:			
Long-term debt (Notes 8 and 14)	1,024,376	1,113,089	9,642,093
Deferred tax liabilities on revaluation reserve for land (Note 10)	9,113	9,118	85,777
Net defined benefit liability (Note 11)	127,435	123,745	1,199,501
Other long-term liabilities	103,115	128,848	970,585
Total long-term liabilities	1,264,041	1,374,801	11,897,976
Total liabilities	2,454,339	2,414,259	23,101,835
Contingencies (Note 12)			
Net assets			
Shareholders' equity:			
Common stock:			
Authorized: 2,298,000,000 shares			
Issued: 614,438,399 shares as of March 31, 2018			
614,438,399 shares as of March 31, 2017	147,143	147,143	1,385,005
Capital surplus	646,639	646,582	6,086,586
Retained earnings	1,208,448	1,126,633	11,374,698
Treasury stock, at cost:			
37,919,494 shares as of March 31, 2018			
37,829,548 shares as of March 31, 2017	(179,070)	(178,853)	(1,685,523)
Total shareholders' equity	1,823,161	1,741,505	17,160,777
Accumulated other comprehensive income:			
Net unrealized gains and losses on securities	91,359	112,545	859,930
Net unrealized gains and losses on hedges	(186)	(544)	(1,750)
Revaluation reserve for land, net of tax (Note 10)	16,288	16,321	153,313
Translation adjustments	9,791	(3,596)	92,159
Remeasurements of defined benefit plans (Note 11)	5,812	(395)	54,706
Total accumulated other comprehensive income	123,065	124,330	1,158,367
Noncontrolling interests (Note 10)	60,337	55,972	567,931
Total net assets	2,006,563	1,921,809	18,887,076
Total liabilities and net assets	¥ 4,460,903	¥ 4,336,069	\$ 41,988,921

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Net sales	¥ 3,678,612	¥ 3,308,992	\$ 34,625,489
Cost of sales	3,096,019	2,889,652	29,141,745
Gross profit	582,592	419,339	5,483,734
Selling, general and administrative expenses	335,923	322,593	3,161,925
Operating income	246,669	96,746	2,321,809
Non-operating income (expenses):			
Interest income	1,492	1,474	14,043
Interest expense	(13,026)	(12,613)	(122,609)
Dividends received	7,879	9,566	74,162
Equity in earnings (losses) of affiliates	(8,732)	12,006	(82,191)
Other, net	(17,943)	(22,444)	(168,891)
Ordinary income	216,339	84,735	2,036,323
Extraordinary income (loss) (Note 21)	(2,958)	20,737	(27,842)
Income before income taxes	213,381	105,472	2,008,480
Income taxes (Note 17):			
Current	60,616	23,359	570,557
Deferred	2,777	9,487	26,138
	63,393	32,846	596,696
Net income	149,987	72,625	1,411,775
Net income attributable to noncontrolling interests	(5,349)	(4,685)	(50,348)
Net income attributable to shareholders of the parent	¥ 144,638	¥ 67,939	\$ 1,361,426

	Yen		U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Net income per share (Note 22)	¥ 250.86	¥ 117.81	\$ 2.36
Cash dividends per share	80	30	0.75

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Net income	¥ 149,987	¥72,625	\$ 1,411,775
Other comprehensive income (Note 18):			
Net unrealized gains and losses on securities	(21,736)	10,549	(204,593)
Net unrealized gains and losses on hedges	(286)	3,192	(2,692)
Translation adjustments	234	(6,747)	2,202
Remeasurements of defined benefit plans	5,657	4,436	53,247
Share of other comprehensive income of affiliates accounted for using equity method	15,745	(11,704)	148,202
Total other comprehensive income	(385)	(273)	(3,623)
Comprehensive income	¥ 149,602	¥72,352	\$ 1,408,151
Total comprehensive income attributable to:			
Shareholders of the parent	¥ 143,379	¥67,988	\$ 1,349,576
Noncontrolling interests	6,222	4,363	58,565

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016	¥ 147,143	¥ 646,380	¥ 1,065,037	¥ (178,654)	¥ 1,679,906
Cash dividends			(5,768)		(5,768)
Net income attributable to shareholders of the parent			67,939		67,939
Acquisition of treasury stock				(216)	(216)
Disposal of treasury stock			(10)	16	6
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in scope of equity method			(572)		(572)
Change in shares of parent arising from transactions with noncontrolling shareholders		202			202
Transfer from land revaluation account			8		8
Net changes in items other than shareholders' equity					—
Total changes in items during the year		202	61,596	(199)	61,599
Balance at March 31, 2017	¥ 147,143	¥ 646,582	¥ 1,126,633	¥ (178,853)	¥ 1,741,505

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2016	¥ 101,709	¥ (3,119)	¥ 16,328	¥ 14,503	¥ (5,130)	¥ 124,290	¥ 53,724	¥ 1,857,921
Cash dividends								(5,768)
Net income attributable to shareholders of the parent								67,939
Acquisition of treasury stock								(216)
Disposal of treasury stock								6
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Change in scope of equity method								(572)
Change in shares of parent arising from transactions with noncontrolling shareholders								202
Transfer from land revaluation account								8
Net changes in items other than shareholders' equity	10,835	2,575	(6)	(18,099)	4,735	40	2,248	2,288
Total changes in items during the year	10,835	2,575	(6)	(18,099)	4,735	40	2,248	63,887
Balance at March 31, 2017	¥ 112,545	¥ (544)	¥ 16,321	¥ (3,596)	¥ (395)	¥ 124,330	¥ 55,972	¥ 1,921,809

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	¥ 147,143	¥ 646,582	¥ 1,126,633	¥ (178,853)	¥ 1,741,505
Cash dividends			(34,605)		(34,605)
Net income attributable to shareholders of the parent			144,638		144,638
Acquisition of treasury stock				(226)	(226)
Disposal of treasury stock			(4)	10	5
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in scope of consolidation			34		34
Change in scope of equity method			(28,257)		(28,257)
Change in shares of parent arising from transactions with noncontrolling shareholders		56			56
Transfer from land revaluation account			9		9
Net changes in items other than shareholders' equity					—
Total changes in items during the year		56	81,814	(216)	81,655
Balance at March 31, 2018	¥ 147,143	¥ 646,639	¥ 1,208,448	¥ (179,070)	¥ 1,823,161

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2017	¥ 112,545	¥ (544)	¥ 16,321	¥ (3,596)	¥ (395)	¥ 124,330	¥ 55,972	¥ 1,921,809
Cash dividends								(34,605)
Net income attributable to shareholders of the parent								144,638
Acquisition of treasury stock								(226)
Disposal of treasury stock								5
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Change in scope of consolidation								34
Change in scope of equity method								(28,257)
Change in shares of parent arising from transactions with noncontrolling shareholders								56
Transfer from land revaluation account								9
Net changes in items other than shareholders' equity	(21,186)	358	(32)	13,388	6,207	(1,265)	4,364	3,099
Total changes in items during the year	(21,186)	358	(32)	13,388	6,207	(1,265)	4,364	84,754
Balance at March 31, 2018	¥ 91,359	¥ (186)	¥ 16,288	¥ 9,791	¥ 5,812	¥ 123,065	¥ 60,337	¥ 2,006,563

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	\$ 1,385,005	\$ 6,086,050	\$ 10,604,602	\$ (1,683,480)	\$ 16,392,178
Cash dividends			(325,724)		(325,724)
Net income attributable to shareholders of the parent			1,361,426		1,361,426
Acquisition of treasury stock				(2,127)	(2,127)
Disposal of treasury stock			(37)	94	47
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in scope of consolidation			320		320
Change in scope of equity method			(265,973)		(265,973)
Change in shares of parent arising from transactions with noncontrolling shareholders		527			527
Transfer from land revaluation account			84		84
Net changes in items other than shareholders' equity					-
Total changes in items during the year		527	770,086	(2,033)	768,589
Balance at March 31, 2018	\$ 1,385,005	\$ 6,086,586	\$ 11,374,698	\$ (1,685,523)	\$ 17,160,777

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2017	\$ 1,059,346	\$ (5,120)	\$ 153,623	\$ (33,847)	\$ (3,717)	\$ 1,170,274	\$ 526,844	\$ 18,089,316
Cash dividends								(325,724)
Net income attributable to shareholders of the parent								1,361,426
Acquisition of treasury stock								(2,127)
Disposal of treasury stock								47
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Change in scope of consolidation								320
Change in scope of equity method								(265,973)
Change in shares of parent arising from transactions with noncontrolling shareholders								527
Transfer from land revaluation account								84
Net changes in items other than shareholders' equity	(199,416)	3,369	(301)	126,016	58,424	(11,907)	41,076	29,169
Total changes in items during the year	(199,416)	3,369	(301)	126,016	58,424	(11,907)	41,076	797,759
Balance at March 31, 2018	\$ 859,930	\$ (1,750)	\$ 153,313	\$ 92,159	\$ 54,706	\$ 1,158,367	\$ 567,931	\$ 18,887,076

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2017	FY2016	FY2017
Cash flows from operating activities:			
Income before income taxes	¥ 213,381	¥ 105,472	\$ 2,008,480
Adjustments for:			
Depreciation and amortization	159,562	182,638	1,501,901
Decrease in reserves	(10,082)	(6,241)	(94,898)
Interest and dividend income	(9,372)	(11,041)	(88,215)
Interest expense	13,026	12,613	122,609
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(37,059)	(90,601)	(348,823)
Changes in inventories	(75,445)	(17,070)	(710,137)
Changes in notes and accounts payable	2,713	16,262	25,536
Other, net	66,407	2,033	625,065
Subtotal	323,133	194,066	3,041,538
Interest and dividend income received	16,326	16,324	153,670
Interest paid	(13,143)	(12,486)	(123,710)
Income taxes paid	(27,504)	(12,421)	(258,885)
Net cash provided by operating activities	298,811	185,481	2,812,603
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(247,191)	(226,327)	(2,326,722)
Proceeds from sales of property, plant and equipment	2,893	1,992	27,230
Payments for purchases of investments in securities	(10,847)	(9,676)	(102,099)
Proceeds from sales of investments in securities	64,798	69,900	609,920
Other, net	(4,488)	310	(42,243)
Net cash used in investing activities	(194,835)	(163,799)	(1,833,913)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	2,524	(33,425)	23,757
Increase in long-term debt	398,474	291,232	3,750,696
Repayments of long-term debt	(447,502)	(256,944)	(4,212,179)
Payments for purchases of treasury stock	(226)	(216)	(2,127)
Payments for dividends by parent company	(34,510)	(5,795)	(324,830)
Other, net	(9,757)	(13,010)	(91,839)
Net cash used in financing activities	(90,998)	(18,159)	(856,532)
Effects of exchange rate change on cash and cash equivalents	(7,059)	1,861	(66,443)
Net increase (decrease) in cash and cash equivalents	5,917	5,384	55,694
Cash and cash equivalents at beginning of the year	69,383	63,873	653,077
(Decrease) increase in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	(75)	125	(705)
Cash and cash equivalents at end of the year (Note 6)	¥ 75,225	¥ 69,383	\$ 708,066

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2018 and 2017

1. Basis of Presentation

The accompanying consolidated financial statements of JFE Holdings, Inc. (the "Company" hereinafter) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company's overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The notes to the consolidated financial statements include information that is not required under the Japanese GAAP but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior years' financial statements have been reclassified to conform to the 2018 presentation.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2018, which was ¥106.24 to US\$1.00. These convenient translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation principles

The consolidated financial statements include the accounts of the Company's 315 domestic and foreign subsidiaries (the "Group" as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

65 affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

(b) Translation of foreign currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made, and assets and liabilities are translated into Japanese yen at the exchange rates in effect on the respective balance sheet date.

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates at the balance sheet dates except for shareholders' equity, which is translated at historical rates. Differences arising from such translation are shown as "translation adjustments" in a separate component of net assets in the balance sheets.

(c) Valuation of securities

Available-for-sale securities

Marketable:

Valued primarily at market based on an average of the market prices for a period of one month prior to the settlement date. (Valuation differences are recorded as net unrealized gains and losses on securities, net of tax, in net assets in the balance sheets by the direct capitalization method, with the costs of sales calculated primarily by the moving average method.)

Non-marketable:

Valued primarily at cost by the moving average method.

(d) Valuation of inventories

Inventories are stated at cost determined by the weighted average method. These inventories with lower profitability are written down to their net realizable value.

(e) Depreciation method for property, plant and equipment (except for leased assets)

Depreciation is calculated primarily by the straight-line method.

(f) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated primarily by the straight-line method.

Amortization of the software for internal use is computed by the straight-line method based on the estimated useful lives (primarily 5 years).

(g) Allowance for doubtful accounts

The projected uncollectible amount is provided as the allowance using historical default rates in the past for ordinary credits and individual collectability assessments for credits deemed to have high likelihood of default and for other specific credits.

(h) Retirement benefits

The straight-line method is used to attribute expected retirement benefits to each period through the end of the year in calculating retirement benefit obligation.

Prior service cost is primarily amortized in projected average years of service of the employees.

Actuarial losses are primarily amortized in projected average years of service of the employees from the following fiscal year after the year in which they occurred.

(i) Leases

Leased assets under finance leases that do not transfer ownership to the lessees are capitalized and depreciated to a residual value of zero using the straight-line method with useful life defined by the terms of the contract.

(j) Revenue recognition for long-term construction-type contracts

The percentage-of-completion method (cost-comparison method to estimate the percentage of completion) is applied for construction contracts where

the percentage of completion can be reliably estimated. For other contracts, the completed-contract method is applied.

(k) Consolidated tax return

The Company files a consolidated tax return with certain domestic subsidiaries.

3. Accounting Standards Issued But Not Yet Adopted

Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, issued on March 30, 2018)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

International Accounting Standards Board ("IASB") and Financial Accounting Standards Board of the United States of America ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS No. 15, issued by IASB and Topic 606, issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Expected adoption date

The Company expects to adopt the standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the adoption of the standard and guidance

The Company is currently evaluating the effect of adopting the standard and guidance on the consolidated financial statements.

4. Changes in Accounting Estimates

Expenses for Treatment of PCB Waste

The Company has revised its method to estimate expenses for treatment of polychlorinated biphenyl ("PCB" hereinafter) waste due to progress in treatment and improvement in estimation methods. In the consolidated statement of income for the year ended March 31, 2018, the difference between the previous and current estimates of expenses for treatment of PCB waste was recorded in Extraordinary income (loss).

As a result, income before income taxes decreased by ¥3,850 million (\$36,238 thousand) for the year ended March 31, 2018.

5. Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates

Change in Depreciation Method for Property, Plant and Equipment

From the year ended March 31, 2018, the Company changed the depreciation method of property, plant and equipment (excluding leased assets) from primarily the declining-balance method to primarily the straight-line method.

The steel business is expecting 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 concerned 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.

Domestic steelmaking facilities of JFE Steel Corporation ("JFE Steel" hereinafter), the main production base of the Group, have been striving to ensure stable steel output and to cut costs at its steelworks, rather than focusing on increased crude steel output. These objectives are being achieved through capital investments to strengthen the manufacturing base in Japan and by making full use of existing steelmaking capacity through renewal.

Specifically, JFE Steel had renewed many upstream facilities, including coke ovens, for improved mid- and long-term competitiveness and stabilized production by the end of the year ended March 31, 2017. 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.

The company determined that the straight-line method was deemed more appropriate for allocating the costs of assets because its steelmaking facilities are expected to enjoy stable production as stated above.

As a result, operating income increased by ¥26,102 million (\$245,689 thousand), ordinary income and income before income taxes by ¥27,399 million (\$257,897 thousand), respectively, for the year ended March 31, 2018.

6. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Cash and deposits	¥ 76,111	¥ 69,936	\$ 716,406
Time deposits with a maturity of more than three months	(886)	(553)	(8,339)
	¥ 75,225	¥ 69,383	\$ 708,066

7. Securities

The following is a summary of available-for-sale securities at March 31, 2018 and 2017:

Marketable:

	Millions of yen					
	Available-for-sale securities					
	FY2017			FY2016		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:						
Equity securities	¥ 263,952	¥ 119,441	¥ 144,510	¥ 325,545	¥ 156,161	¥ 169,383
Sub total	263,952	119,441	144,510	325,545	156,161	169,383
Cost exceeding book value:						
Equity securities	20,338	24,077	(3,739)	4,446	6,654	(2,207)
Sub total	20,338	24,077	(3,739)	4,446	6,654	(2,207)
Total	¥ 284,290	¥ 143,519	¥ 140,770	¥ 329,992	¥ 162,815	¥ 167,176

	Thousands of U.S. dollars		
	Available-for-sale securities		
	FY2017		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$ 2,484,487	\$ 1,124,256	\$ 1,360,222
Sub total	2,484,487	1,124,256	1,360,222
Cost exceeding book value:			
Equity securities	191,434	226,628	(35,193)
Sub total	191,434	226,628	(35,193)
Total	\$ 2,675,922	\$ 1,350,894	\$ 1,325,018

Available-for-sale securities that the Group sold during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Equity securities:			
Proceeds from sales	¥ 64,676	¥ 70,438	\$ 608,772
Aggregate gain on sales	29,950	33,495	281,908
Aggregate loss on sales	561	(3,349)	5,280

The impairment losses on available-for-sale securities for the years ended March 31, 2018 and 2017 were ¥874 million (\$8,226 thousand) and ¥160 million, respectively.

8. Long-term Debt

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
0.858% yen bonds, due May 2017	¥ –	¥ 20,000	\$ –
1.326% yen bonds, due June 2021	30,000	30,000	282,379
0.686% yen bonds, due September 2018	15,000	15,000	141,189
0.453% yen bonds, due April 2017	–	30,000	–
0.804% yen bonds, due March 2024	10,000	10,000	94,126
0.703% yen bonds, due September 2024	20,000	20,000	188,253
0.090% yen bonds, due May 2022	10,000	–	94,126
0.110% yen bonds, due March 2023	10,000	–	94,126
Loans, principally from banks and insurance companies, due 2019–2078	1,116,037	1,135,501	10,504,866
Less current portion	(186,661)	(147,412)	(1,756,974)
Total long-term debt	¥ 1,024,376	¥ 1,113,089	\$ 9,642,093

9. Pledged Assets

At March 31, 2018 and 2017, pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Property, plant and equipment	¥ 3,069	¥ 3,149	\$ 28,887
Intangible assets	155	187	1,458
Investments in securities	108	113	1,016
Investments in unconsolidated subsidiaries and affiliates	–	200	–
Other assets	–	144	–

The Company sets up collateral on the shares of consolidated subsidiaries of ¥442 million (\$4,160 thousand) and ¥242 million, which are carrying values on the non-consolidated financial statements of consolidated subsidiaries at March 31, 2018 and 2017.

10. Revaluation of Land for Business

In the years ended March 31, 2001 and 2002, part of the subsidiaries and affiliates revaluated the land for business purposes based on the Law Concerning Revaluation of Land and its amendment issued on March 31, 2001 and 2002, respectively. Revaluation differences, net of the portion charged to "deferred tax liabilities on revaluation reserve for land" and "noncontrolling interests," were recorded as "revaluation reserve for land, net of tax" in net assets.

The fair value of these lands is lower than the revaluated book value, and the difference was ¥15,548 million (\$146,347 thousand) and ¥16,756 million on March 31, 2018 and 2017, respectively.

11. Retirement Benefits

Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Balance at beginning of year	¥ 263,288	¥ 277,121	\$ 2,478,237
Service cost	14,233	13,703	133,970
Interest cost	1,345	1,391	12,660
Actuarial losses	1,677	2,015	15,785
Retirement benefits paid	(23,852)	(28,975)	(224,510)
Prior service cost	(786)	346	(7,398)
Other	(3)	(2,313)	(28)
Balance at end of year	¥ 255,902	¥ 263,288	\$ 2,408,716

The changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Balance at beginning of year	¥ 152,611	¥ 160,941	\$ 1,436,474
Expected return on plan assets	2,684	2,899	25,263
Actuarial losses	6,129	5,881	57,690
Contributions from the employer	2,087	2,829	19,644
Retirement benefits paid	(17,006)	(18,293)	(160,071)
Other	42	(1,646)	395
Balance at end of year	¥ 146,549	¥ 152,611	\$ 1,379,414

Reconciliation between the balances of retirement benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets at March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Funded retirement benefit obligation	¥ 206,942	¥ 217,951	\$ 1,947,872
Fair value of plan assets	(146,549)	(152,611)	(1,379,414)
	60,392	65,340	568,448
Unfunded retirement benefit obligation	48,959	45,337	460,833
Net liability and asset recorded on the consolidated balance sheet	¥ 109,352	¥ 110,677	\$ 1,029,292

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Net defined benefit liability	¥ 127,435	¥ 123,745	\$ 1,199,501
Net defined benefit asset	(18,082)	(13,067)	(170,199)
Net liability and asset recorded on the consolidated balance sheet	¥ 109,352	¥ 110,677	\$ 1,029,292

The components of retirement and pension costs for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Service cost	¥ 14,233	¥ 13,703	\$ 133,970
Interest cost	1,345	1,391	12,660
Expected return on plan assets	(2,684)	(2,899)	(25,263)
Recognized actuarial losses	1,975	2,765	18,589
Amortization of prior service cost	630	132	5,929
Other	166	334	1,562
Total	¥ 15,666	¥ 15,428	\$ 147,458

The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Prior service cost	¥ (866)	¥ 161	\$ (8,151)
Actuarial (gains) losses	(7,096)	(6,723)	(66,792)
Total	¥ (7,962)	¥ (6,561)	\$ (74,943)

The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Unrecognized prior service cost	¥ (1,209)	¥ (295)	\$ (11,379)
Unrecognized actuarial (gains) losses	(7,044)	530	(66,302)
Total	¥ (8,253)	¥ 235	\$ (77,682)

The components of plan assets at March 31, 2018 and 2017 were as follows:

	FY2017	FY2016
	General account	32%
Equity securities	47	43
Bonds	18	16
Cash and deposits	2	5
Others	1	1
Total	100%	100%

38% and 38% of the total plan assets is retirement benefit trust at March 31, 2018 and 2017, respectively.

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of the plan assets.

Principal assumptions used for the actuarial calculation for the years ended March 31, 2018 and 2017 were as follows:

	FY2017	FY2016
	Discount rate	Primarily 0.3%
Expected long-term rate of return on plan assets	Primarily 1.6%	Primarily 1.8%
Expected rate of salary increase	Primarily 0.9–3.0%	Primarily 0.9–3.0%

Defined contribution plans

The required contribution amount to the defined contribution plan by the Group was ¥3,520 million (\$33,132 thousand) and ¥3,609 million for the years ended March 31, 2018 and 2017, respectively.

12. Contingencies

At March 31, 2018 and 2017, trade notes discounted or endorsed were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Trade notes discounted	¥ 6,824	¥ 8,686	\$ 64,231
Trade notes endorsed	1,376	1,073	12,951

At March 31, 2018 and 2017, commitments outstanding for loan commitments were ¥2,320 million (\$21,837 thousand) and ¥281 million, respectively.

At March 31, 2018 and 2017, the Group provided the guarantees of bank loans and others for the following companies:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Formosa Ha Tinh (Cayman) Limited	¥ 16,828	¥ 18,960	\$ 158,396
Japan-Brazil Niobium Corporation	7,370	8,512	69,371
Al Gharbia Pipe Company	4,784	2,477	45,030
JIM Technology Corporation	2,053	2,230	19,324
Kawarin Enterprise Pte. Ltd.	1,865	2,832	17,554
Others	1,059	944	9,967
Total	¥ 33,962	¥ 35,957	\$ 319,672

In addition to above, at March 31, 2018 and 2017, the Group provided the following guarantees of the possible obligations in the future for Byerwen Coal Pty. Ltd. and MIZUSHIMA ECO-WORKS CO., LTD.:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Guarantee limit	¥ 12,600	¥ 10,291	\$ 118,599

At March 31, 2018 and 2017, investments in securities include the following securities lent under lending agreements:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Investments in securities	¥ 485	¥ 524	\$ 4,565

13. Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets.

As discussed in Note 2 (i), lease assets under finance leases that do not transfer ownership to lessees are capitalized and depreciated to residual value of zero using the straight-line method with useful life defined by the terms of the contract.

Future minimum lease payments subsequent to March 31, 2018 and 2017 for non-cancelable operating leases are summarized as follows:

As a lessee:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
2018		
2019	¥ 5,171	\$ 48,672
2020 and thereafter	23,187	218,251
Total	¥ 28,358	\$ 266,923
2017		
2018	¥ 3,281	
2019 and thereafter	19,406	
Total	¥ 22,688	

As a lessor:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
2018		
2019	¥ 156	\$ 1,468
2020 and thereafter	338	3,181
Total	¥ 494	\$ 4,649
2017		
2018	¥ 143	
2019 and thereafter	637	
Total	¥ 780	

14. Financial Instruments

(a) Overview

(1) Group policy for financial instruments

The Group raises funds mainly through the bank loans or by commercial paper/ bond issues based on the capital investment plans considering the stability of the fund and financing costs. Temporary surplus of funds are operated only on short-term investments. Derivative transactions are only utilized to hedge the following risks and the Group does not enter into derivative transactions for trading or speculative purposes.

(2) Types of financial instruments and related risk and risk management

Trade receivables such as notes and accounts receivable are exposed to credit risk. The Group manages this risk by monitoring the financial conditions of its customers periodically. Some trade receivables are sold before their maturities.

Trade payables such as notes and accounts payable are generally due within one year. Some accounts receivable and accounts payable are denominated in foreign currency and exposed to foreign currency risk. Foreign exchange forward contracts are utilized in a timely manner to hedge the net balance of foreign currencies received from export and foreign currencies paid for raw material purchase.

Stocks as investment securities are exposed to market fluctuation risk. Investment securities denominated in foreign currencies are exposed to foreign currency risk. Investment securities mainly consist of securities of companies with which a business relationship has been established and the Group reviews these fair values periodically.

Debts and bonds are managed so as not to concentrate the maturities considering the liquidity risk. Variable interest rate debts are exposed to interest fluctuation risk. Some of the debts and bonds, which are exposed to interest fluctuation risk, are hedged by the interest rate swap agreements to correspond with and to decrease interest payments.

Derivative transactions are exposed to market fluctuation risk of future foreign exchange and interest rates. However, the Group utilizes the derivative transactions to correspond with the actual demands of imports and exports, debts and bonds, and thus the risk is limited to the extent of opportunity loss. The Group enters into derivative transactions only with financial institutions with high credit ratings, and thus there is almost no credit risk, which is the risk of default by the counterparties' bankruptcy, etc. The Group implemented the internal rules of derivative transactions and transactions are operated based on these rules. Derivative transactions are executed based on the above internal rules, which require obtaining approvals from the financial operating officer. The balances, fair values and valuation differences are reported to the management meetings periodically. Consolidated subsidiaries operate the derivative transactions based on the internal rules.

(3) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values, which are reasonably calculated in cases where market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in cases where different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 15. "Derivatives and Hedging Activities," the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair value of financial instruments

Carrying value on the consolidated balance sheets, fair value and difference at March 31, 2018 and 2017 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of yen					
	FY2017			FY2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥ 76,111	¥ 76,111	¥ -	¥ 69,936	¥ 69,936	¥ -
Notes and accounts receivable	855,730	855,730	-	798,058	798,058	-
Investments in securities:						
Available-for-sale securities	284,290	284,290	-	329,992	329,992	-
Total assets	¥ 1,216,133	¥ 1,216,133	¥ -	¥ 1,197,986	¥ 1,197,986	¥ -
Notes and accounts payable	¥ 471,897	¥ 471,897	¥ -	¥ 446,645	¥ 446,645	¥ -
Short-term borrowings	113,881	113,881	-	106,966	106,966	-
Commercial paper	6,000	6,000	-	8,000	8,000	-
Current portion of long-term debt	186,661	186,700	39	147,412	147,439	27
Long-term debt:						
Bonds	80,000	80,766	766	75,000	75,739	739
Long-term borrowings	944,376	947,151	2,774	1,038,089	1,041,858	3,768
Total liabilities	¥ 1,802,816	¥ 1,806,397	¥ 3,580	¥ 1,822,113	¥ 1,826,648	¥ 4,534
Derivative transactions*1:						
Hedge accounting not applied	¥ 24	¥ 24	¥ -	¥ 141	¥ 141	¥ -
Hedge accounting applied	946	946	-	1,207	1,207	-
Total derivative transactions	¥ 971	¥ 971	¥ -	¥ 1,349	¥ 1,349	¥ -

	Thousands of U.S. dollars		
	FY2017		
	Carrying value	Fair value	Difference
Cash and deposits	\$ 716,406	\$ 716,406	\$ -
Notes and accounts receivable	8,054,687	8,054,687	-
Investments in securities:			
Available-for-sale securities	2,675,922	2,675,922	-
Total assets	\$ 11,447,035	\$ 11,447,035	\$ -
Notes and accounts payable	\$ 4,441,801	\$ 4,441,801	\$ -
Short-term borrowings	1,071,922	1,071,922	-
Commercial paper	56,475	56,475	-
Current portion of long-term debt	1,756,974	1,757,341	367
Long-term debt:			
Bonds	753,012	760,222	7,210
Long-term borrowings	8,889,081	8,915,201	26,110
Total liabilities	\$ 16,969,277	\$ 17,002,983	\$ 33,697
Derivative transactions*1:			
Hedge accounting not applied	\$ 225	\$ 225	\$ -
Hedge accounting applied	8,904	8,904	-
Total derivative transactions	\$ 9,139	\$ 9,139	\$ -

*1 Derivative transactions are presented on a net basis and net liability position is shown in parenthesis.

Note 1. Valuation method for financial instruments and information of investments in securities and derivative transactions

Assets:

Cash and deposits and Notes and accounts receivable

These are paid in short-term and the fair value approximates carrying value.

Some accounts receivable are subject to the allocation treatment of the foreign exchange forward contracts.

Securities

Fair value of stocks is based on the quoted price on stock exchanges and that of bonds is based on the quoted price on bond markets or price presented by the counter party financial institutions. Please see Note 7.

"Securities" regarding the information of the fair value for the investment in securities by classification.

Liabilities:

Notes and accounts payable, Short-term borrowings, Current portion of long-term debt (except for bonds due within one year) and Commercial paper

These are paid in short-term and the fair value approximates the equivalent of carrying value. Some accounts payable are subject to the allocation

treatment of the foreign exchange forward contracts.

Bonds and bonds due within one year (included in current portion of long-term debt)

Fair value of bonds is based on the quoted market price. Fair value of the bonds subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of bond issues.

Long-term borrowings

Fair value of long-term borrowings is estimated by discounting the sum of principal and interest, using the reasonable interest rate applied to the same kind of new borrowings. Fair value of the long-term borrowings subject to the special treatment of the interest rate swaps is calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of long-term debt.

Derivative transactions

Please see Note 15. "Derivatives and Hedging Activities."

Note 2. Financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
	Carrying value		
Unlisted stock	¥ 40,168	¥ 41,605	\$ 378,087
Bonds	250	–	2,353
Subscription certificates	704	599	6,626

Financial instruments above are not included in securities on the table in (b) "Fair value of financial instruments" because there are no market prices available and it is extremely difficult to determine the fair value.

Note 3. The redemption schedule for financial instruments and securities with maturities

	Millions of yen							
	FY2017				FY2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 76,111	¥ –	¥ –	¥ –	¥ 69,936	¥ –	¥ –	¥ –
Notes and accounts receivable	711,828	–	–	–	648,748	–	–	–
Securities:								
Available-for-sale securities with maturities	–	–	–	–	–	–	–	–
Total	¥ 787,940	¥ –	¥ –	¥ –	¥ 718,685	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	FY2017			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 716,406	\$ –	\$ –	\$ –
Notes and accounts receivable	6,700,188	–	–	–
Securities:				
Available-for-sale securities with maturities	–	–	–	–
Total	\$ 7,416,603	\$ –	\$ –	\$ –

Note 4. Scheduled maturities of short-term borrowings, current portion of long-term debt and long-term debt

	Millions of yen					
	FY2017					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 113,881	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	6,000	–	–	–	–	–
Current portion of long-term debt	186,661	–	–	–	–	–
Long-term debt:						
Bonds	–	–	–	30,000	20,000	30,000
Long-term borrowings	–	103,501	80,112	50,279	24,272	686,211
Total	¥ 306,542	¥ 103,501	¥ 80,112	¥ 80,279	¥ 44,272	¥ 716,211

	Millions of yen					
	FY2016					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 106,966	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	8,000	–	–	–	–	–
Current portion of long-term debt	147,412	–	–	–	–	–
Long-term debt:						
Bonds	–	15,000	–	–	30,000	30,000
Long-term borrowings	–	170,724	52,119	74,477	46,437	694,331
Total	¥ 262,379	¥ 185,724	¥ 52,119	¥ 74,477	¥ 76,437	¥ 724,331

	Thousands of U.S. dollars					
	FY2017					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 1,071,922	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial paper	56,475	–	–	–	–	–
Current portion of long-term debt	1,756,974	–	–	–	–	–
Long-term debt:						
Bonds	–	–	–	282,379	188,253	282,379
Long-term borrowings	–	974,218	754,066	473,258	228,463	6,459,064
Total	\$ 2,885,372	\$ 974,218	\$ 754,066	\$ 755,638	\$ 416,716	\$ 6,741,443

15. Derivatives and Hedging Activities

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	FY2017		FY2016		FY2017	
	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)
Foreign exchange forward contracts:						
USD (Selling)	¥ 10,758	¥ 324	¥ 9,233	¥ 146	\$ 101,261	\$ 3,049
EUR (Selling)	4,050	(180)	122	1	38,121	(1,694)
CND (Selling)	3,434	(90)	–	–	32,323	(847)
MYR (Selling)	493	(39)	503	1	4,640	(367)
CNY (Selling)	127	(23)	256	(22)	1,195	(216)
THB (Selling)	23	(0)	–	–	216	(0)
PHP (Selling)	791	27	–	–	7,445	254
USD (Buying)	5,188	1	2,979	41	48,832	9
EUR (Buying)	56	(0)	171	(10)	527	(0)
GBP (Buying)	15	0	4	0	141	0
THB (Buying)	–	–	1	0	–	–
SGD (Buying)	1	0	–	–	9	0
JPY (Buying)	12	(0)	6	(0)	112	(0)
Total		¥ 20		¥ 158		\$ 188
Commodity forward contracts:						
Nonferrous metal (Selling)	¥ 236	¥ 18	¥ 237	¥ (26)	\$ 2,221	\$ 169
Nonferrous metal (Buying)	156	(14)	112	8	1,468	(131)
Total		¥ 4		¥ (17)		\$ 37

Derivative transactions for which hedge accounting is applied for the years ended March 31, 2018 and 2017 were as follows:

(a) Currency related

Hedged item	Millions of yen				Thousands of U.S. dollars		
	FY2017		FY2016		FY2017		
	Contracted amount	Fair value	Contracted amount	Fair value	Contracted amount	Fair value	
Benchmark method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 2,776	¥ 169	¥ 3,719	¥ 47	\$ 26,129	\$ 1,590
EUR (Selling)	Accounts receivable (forecasted transactions)	31	(1)	63	7	291	(9)
GBP (Selling)	Accounts receivable (forecasted transactions)	634	4	584	7	5,967	37
SGD (Selling)	Accounts receivable (forecasted transactions)	288	5	–	–	2,710	47
SAR (Selling)	Accounts receivable (forecasted transactions)	789	2	3,688	(302)	7,426	18
THB (Selling)	Accounts receivable (forecasted transactions)	0	0	10	(0)	0	0
KWD (Selling)	Accounts receivable (forecasted transactions)	162	1	429	(17)	1,524	9
PHP (Selling)	Accounts receivable (forecasted transactions)	105	(0)	–	–	988	(0)
USD (Buying)	Accounts payable (forecasted transactions)	60,770	(379)	61,287	1,175	572,006	(3,567)
EUR (Buying)	Accounts payable (forecasted transactions)	15,507	1,114	13,469	604	145,961	10,485
GBP (Buying)	Accounts payable (Forecasted transactions)	68	(0)	344	(5)	640	(0)
SEK (Buying)	Accounts payable (Forecasted transactions)	138	(11)	–	–	1,298	(103)
SGD (Buying)	Accounts payable (forecasted transactions)	16	0	18	(0)	150	0
CNY (Buying)	Accounts payable (forecasted transactions)	207	1	203	(2)	1,948	9
THB (Buying)	Accounts payable (forecasted transactions)	166	(1)	70	0	1,562	(9)
SAR (Buying)	Accounts payable (forecasted transactions)	–	–	614	(6)	–	–
KWD (Buying)	Accounts payable (forecasted transactions)	12	–	229	(1)	112	–
JPY (Buying)	Accounts payable (forecasted transactions)	10	(0)	7	(0)	94	(0)
Allocation method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable	361	Note 1	1,260	Note 1	3,397	Note 1
EUR (Selling)	Accounts receivable	3	Note 1	2	Note 1	28	Note 1
THB (Selling)	Accounts receivable	11	Note 1	5	Note 1	103	Note 1
USD (Buying)	Accounts payable and deposits received	28,832	Note 1	33,872	Note 1	271,385	Note 1
EUR (Buying)	Accounts payable and deposits received	52	Note 1	222	Note 1	489	Note 1
CHF (Buying)	Accounts payable and deposits received	15	Note 1	–	–	141	Note 1
THB (Buying)	Accounts payable and deposits received	6	Note 1	–	–	56	Note 1
Cross currency swap contracts:							
To receive USD floating and pay JPY fixed rates	Long-term Debt	69,333	Note 1	70,758	Note 1	652,607	Note 1
To receive USD floating and pay JPY floating rates	Long-term Debt	13,785	Note 1	6,000	Note 1	129,753	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the foreign exchange forward contracts to which allocation treatment has been applied is included in the fair value of corresponding accounts receivable, accounts payable and long-term debt as hedged item.

(b) Interest rate related

Hedged items	Millions of yen				Thousands of U.S. dollars		
	FY2017		FY2016		FY2017		
	Contracted amount	Fair value	Contracted amount	Fair value	Contracted amount	Fair value	
Benchmark method							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Long-term debt	¥ 90,575	¥ (414)	¥ 90,623	¥ (300)	\$ 852,550	\$ (3,896)
Special treatment							
Interest rate swap agreements:							
To receive floating and pay fixed rates	Bonds and long-term debt	84,650	Note 1	101,200	Note 1	796,780	Note 1
To receive fixed rates and pay floating		58,000	Note 1	58,000	Note 1	545,933	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the interest rate swap agreements to which special treatment method has been applied is included in the fair value of corresponding bonds and long-term debt as hedged item.

(c) Commodity related

Hedged items	Millions of yen				Thousands of U.S. dollars		
	FY2017		FY2016		FY2017		
	Contracted amount	Fair value	Contracted amount	Fair value	Contracted amount	Fair value	
Benchmark method							
Commodity forward contracts:							
Ferrous metal (Buying)	Raw materials (forecasted transactions)	¥ 3,421	¥ 457	¥ –	¥ –	\$ 32,200	\$ 4,301

Fair value of derivative transactions is measured at the quoted price obtained from trading companies.

16. Research and Development Expenses

Research and development expenses charged to income were ¥34,714 million (\$326,750 thousand) and ¥35,536 million for the years ended March 31, 2018 and 2017, respectively.

17. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2018 and 2017 are presented below:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Deferred tax assets:			
Net defined benefit liability	¥ 32,572	¥ 32,362	\$ 306,588
Loss on impairment of property, plant and equipment	21,263	13,952	200,141
Loss carry-forwards	15,876	32,756	149,435
Accrued bonuses	14,459	13,059	136,097
Elimination of unrealized gains on property, plant and equipment	7,925	7,802	74,595
Loss on valuation of investment securities	4,516	4,534	42,507
Provision for loss on specific business	3,801	5,727	35,777
Others	40,748	39,587	383,546
Total deferred tax assets	141,164	149,782	1,328,727
Valuation allowance	(51,467)	(60,730)	(484,440)
Deferred tax assets net of valuation allowances	89,696	89,052	844,277
Deferred tax liabilities:			
Net unrealized gains and losses on securities	(42,257)	(49,552)	(397,750)
Reserve for advanced depreciation of non-current assets	(6,730)	(6,569)	(63,347)
Others	(19,271)	(14,089)	(181,391)
Total deferred tax liabilities	(68,259)	(70,212)	(642,498)
Net deferred tax assets	¥ 21,437	¥ 18,840	\$ 201,778

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2018 and 2017 was not presented since the difference was less than 5% of the statutory tax rate.

18. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Net unrealized gains and losses on securities:			
Gains and losses arising during the year	¥ (976)	¥ 44,509	\$ (9,186)
Reclassification adjustments	(28,234)	(30,067)	(265,756)
Amounts before income tax effects	(29,211)	14,441	(276,952)
Income tax effects	7,474	(3,892)	70,350
Net unrealized gains and losses on securities	(21,736)	10,549	(204,593)
Net unrealized gains and losses on hedges:			
Gains and losses arising during the year	1,591	(1,673)	14,975
Reclassification adjustments	(2,162)	6,413	(20,350)
Amounts before income tax effects	(570)	4,739	(5,365)
Income tax effects	284	(1,547)	2,673
Net unrealized gains and losses on hedges	(286)	3,192	(2,692)
Translation adjustments:			
Adjustments arising during the year	234	(6,713)	2,202
Reclassification adjustments	–	(33)	–
Amounts before income tax effects	234	(6,747)	2,202
Income tax effects	–	–	–
Translation adjustments	234	(6,747)	2,202
Remeasurements of defined benefit plans:			
Adjustments arising during the year	5,356	3,791	50,414
Reclassification adjustments	2,605	2,770	24,519
Amounts before income tax effects	7,962	6,561	74,943
Income tax effects	(2,304)	(2,125)	(21,686)
Remeasurements of defined benefit plans	5,657	4,436	53,247
Share of other comprehensive income of affiliates accounted for using equity method:			
Gains and losses arising during the year	15,022	(12,250)	141,396
Reclassification adjustments	722	545	6,795
Share of other comprehensive income of affiliates accounted for using equity method	15,745	(11,704)	148,202
Total other comprehensive income	¥ (385)	¥ (273)	\$ (3,623)

19. Segment Information

(a) Overview of reportable segments

The Group places three operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji, and executes business based on an operating system specifically designed for its industry under the Company as a holding company. The reportable segments are identified by products and services belonging to the operating companies.

Products and services for each reportable segment are as follows:

"Steel" produces and sells a wide range of steel products, steel processed products and raw materials and operates peripheral business, such as transporting, and maintenance and construction of equipment.

"Engineering" provides engineering services for energy, urban environment, steel construction, industrial machines and systems, recycle service and electric power retail service.

"Trading" purchases, processes and sells steel products, raw materials for steel production, nonferrous metal products, food, etc.

(b) Method of calculating net sales, income (loss), assets, liabilities and other items by reportable segment

Accounting policies of the reportable segments are consistent with those described in Note 2. "Summary of Significant Accounting Policies." Income by reportable segment is based on ordinary income. Intersegment transactions are based on prevailing market price.

(c) Net sales, income (loss), assets, liabilities and other items by reportable segment

	Millions of yen					
	FY2017					
	Reportable segment				Adjustments (Note 1)	Consolidated
Steel	Engineering	Trading	Total			
Sales:						
Sales to customers	¥ 1,717,038	¥ 380,981	¥ 1,580,592	¥ 3,678,612	¥ –	¥ 3,678,612
Intersegment sales or transfers	998,436	10,367	327,311	1,336,114	(1,336,114)	–
Total	¥ 2,715,474	¥ 391,348	¥ 1,907,904	¥ 5,014,727	¥ (1,336,114)	¥ 3,678,612
Segment income	¥ 198,850	¥ 19,386	¥ 33,070	¥ 251,308	¥ (34,968)	¥ 216,339
Segment assets	¥ 3,801,264	¥ 381,922	¥ 710,620	¥ 4,893,806	¥ (432,903)	¥ 4,460,903
Other items:						
Depreciation	¥ 146,163	¥ 7,537	¥ 5,858	¥ 159,559	¥ 3	¥ 159,562
Amortization of goodwill	0	294	1,548	1,842	–	1,842
Interest income	1,110	106	502	1,718	(226)	1,492
Interest expense	11,321	396	1,966	13,684	(657)	13,026
Equity in earnings and losses of affiliates	20,546	1,039	1,426	23,012	(31,744)	(8,732)
Investment in affiliates accounted for using equity method	262,658	9,515	12,317	284,490	26,226	310,717
Increase in property, plant and equipment and intangible assets	238,861	11,859	6,569	257,290	1	257,291

	Millions of yen					
	FY2016					
	Reportable segment				Adjustments (Note 1)	Consolidated
Steel	Engineering	Trading	Total			
Sales:						
Sales to customers	¥ 1,500,929	¥ 416,220	¥ 1,391,842	¥ 3,308,992	¥ –	¥ 3,308,992
Intersegment sales or transfers	848,199	9,916	279,189	1,137,305	(1,137,305)	–
Total	¥ 2,349,129	¥ 426,136	¥ 1,671,032	¥ 4,446,298	¥ (1,137,305)	¥ 3,308,992
Segment income	¥ 40,544	¥ 26,616	¥ 21,834	¥ 88,996	¥ (4,260)	¥ 84,735
Segment assets	¥ 3,723,479	¥ 390,445	¥ 643,273	¥ 4,757,198	¥ (421,129)	¥ 4,336,069
Other items:						
Depreciation	¥ 169,639	¥ 7,536	¥ 5,457	¥ 182,633	¥ 5	¥ 182,638
Amortization of goodwill	0	1,331	1,815	3,146	–	3,146
Interest income	1,334	71	405	1,811	(336)	1,474
Interest expense	11,375	352	1,533	13,261	(647)	12,613
Equity in earnings and losses of affiliates	13,539	970	1,225	15,735	(3,729)	12,006
Investment in affiliates accounted for using equity method	268,161	8,351	10,454	286,968	56,661	343,630
Increase in property, plant and equipment and intangible assets	217,443	10,820	6,502	234,766	1	234,768

	Thousands of U.S. dollars					
	FY2017					
	Reportable segment				Adjustments (Note 1)	Consolidated
Steel	Engineering	Trading	Total			
Sales:						
Sales to customers	\$ 16,161,878	\$ 3,586,041	\$ 14,877,560	\$ 34,625,489	\$ –	\$ 34,625,489
Intersegment sales or transfers	9,397,929	97,580	3,080,864	12,576,374	(12,576,374)	–
Total	\$ 25,559,807	\$ 3,683,621	\$ 17,958,433	\$ 47,201,873	\$ (12,576,374)	\$ 34,625,489
Segment income	\$ 1,871,705	\$ 182,473	\$ 311,276	\$ 2,365,474	\$ (329,141)	\$ 2,036,323
Segment assets	\$ 35,779,969	\$ 3,594,898	\$ 6,688,817	\$ 46,063,685	\$ (4,074,764)	\$ 41,988,921
Other items:						
Depreciation	\$ 1,375,781	\$ 70,943	\$ 55,139	\$ 1,501,873	\$ 28	\$ 1,501,901
Amortization of goodwill	0	2,767	14,570	17,338	–	17,338
Interest income	10,448	997	4,725	16,170	(2,127)	14,043
Interest expense	106,560	3,727	18,505	128,802	(6,184)	122,609
Equity in earnings and losses of affiliates	193,392	9,779	13,422	216,603	(298,795)	(82,191)
Investment in affiliates accounted for using equity method	2,472,307	89,561	115,935	2,677,804	246,856	2,924,670
Increase in property, plant and equipment and intangible assets	2,248,315	111,624	61,831	2,421,780	9	2,421,790

Note 1. (1) The adjustments in segment income for the years ended March 31, 2018 and 2017 include corporate income of ¥18,010 million (\$169,521 thousand) and ¥8,585 million, respectively, which were not allocated to each reportable segment, elimination of dividend income from each reportable segment of ¥(17,780) million (\$167,356 thousand) and ¥(7,995) million, respectively, loss on investment in Japan Marine United Corporation, which was accounted for using equity method, of ¥(31,827) million (\$299,576 thousand) and ¥(4,277) million, respectively, and elimination of intersegment transactions of ¥(3,371) million (\$31,730 thousand) and ¥(573) million, respectively.

Corporate income is income of the Company.

(2) The adjustments in segment assets as of March 31, 2018 and 2017 include corporate assets of ¥30,537 million (\$287,434 thousand) and

¥101,931 million, respectively, which were not allocated to each reportable segment, and elimination of intercompany receivables and payables of ¥(463,440) million (\$4,632,198 thousand) and ¥(523,060) million, respectively. Corporate assets are assets of the Company.

Note 2. As described in Note 5. "Changes in Accounting Policies Difficult to Distinguish from Changes in Accounting Estimates," the Company changed its method to depreciate property, plant and equipment (excluding leased assets) from primarily the declining-balance method to primarily the straight-line method from the year ended March 31, 2018. As a result, segment income of Steel segment increased by ¥27,399 million (\$257,897 thousand) for the year ended March 31, 2018.

(d) Information about products and services

Information about products and services has not been disclosed since the classification by products and services is the same as the reportable segment.

(e) Information by geographical area

(1) Sales

	Millions of yen						Thousands of U.S. dollars		
	FY2017			FY2016			FY2017		
	Japan	Others	Total	Japan	Others	Total	Japan	Others	Total
Sales	¥ 2,444,712	¥ 1,233,900	¥ 3,678,612	¥ 2,251,636	¥ 1,057,356	¥ 3,308,992	\$ 23,011,219	\$ 11,614,269	\$ 34,625,489

(2) Property, plant and equipment

Information about property, plant and equipment has not been disclosed since property, plant, and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheets.

(f) Information about major customers

Information about major customer has not been disclosed since there were no external customers who constituted more than 10% of net sales on the consolidated statements of income.

(g) Information about impairment loss by reportable segment

	Millions of yen			
	FY2017			
	Steel	Engineering	Trading	Total
Impairment loss	¥ 23,114	¥ 2,797	¥ 2,584	¥ 28,496

	Millions of yen			
	FY2016			
	Steel	Engineering	Trading	Total
Impairment loss	¥ 726	¥ 8,009	¥ 673	¥ 9,408

	Thousands of U.S. dollars			
	FY2017			
	Steel	Engineering	Trading	Total
Impairment loss	\$ 217,564	\$ 26,327	\$ 24,322	\$ 268,222

(h) Information on unamortized balance of goodwill by reportable segment

	Millions of yen			
	FY2017			
	Steel	Engineering	Trading	Total
Unamortized balance	¥ 3	¥ 271	¥ 2,882	¥ 3,157

	Millions of yen			
	FY2016			
	Steel	Engineering	Trading	Total
Unamortized balance	¥ 0	¥ 565	¥ 4,570	¥ 5,137

	Thousands of U.S. dollars			
	FY2017			
	Steel	Engineering	Trading	Total
Unamortized balance	\$ 28	\$ 2,550	\$ 27,127	\$ 29,715

(i) Information about gain on negative goodwill by reportable segment

No gain on negative goodwill was recognized for the years ended March 31, 2018 and 2017.

20. Impairment Loss

The Company classified long-lived assets as idle assets, leased assets, project-oriented assets and business-oriented assets and grouped each of those classified assets into the minimum unit which will generate cash flows independent of other assets or group of assets.

For the year ended March 31, 2018, primarily the book value of the business assets of JFE Steel Chita Works was reduced to the recoverable amount because of the deteriorated business environment. The Company recognized loss on impairments of long-lived assets totaling ¥28,496 million (\$268,222 thousand), including ¥10,521 million (\$99,030 thousand) for machinery and equipment, ¥6,317 million (\$59,459 thousand) for land, ¥5,609 million (\$52,795 thousand) for buildings and structures, ¥2,422

million (\$22,797 thousand) for investments and other assets and ¥3,625 million (\$34,120 thousand) for construction in progress. The recoverable amounts for the business assets are principally measured at their values in use, which were calculated by discounting the future cash flows at discount rate of 8.8%.

For the year ended March 31, 2017, primarily the book value of the goodwill and intangible assets recorded in accordance with acquisition of plant engineering company in Germany were fully written down because the originally planned income is not expected any longer. The Company recognized loss on impairments of ¥9,408 million, including ¥4,236 million for goodwill, ¥2,619 million for other intangible assets and ¥2,553 million for buildings and structures.

21. Extraordinary Income

For the years ended March 31, 2018 and 2017, extraordinary income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2016	FY2017
Gain on sales of investments in securities	¥ 29,388	¥ 30,145	\$ 276,618
Loss on impairment of property, plant and equipment	(28,496)	(9,408)	(268,222)
Expenses for treatment of PCB waste	(3,850)	—	(36,238)

22. Per Share Information

(1) Net assets per share

(At March 31, 2018)	Millions of yen		Thousands of shares	Yen	U.S. Dollars
	Net assets	Amount excluded from net assets (noncontrolling interests)	Number of common stock outstanding at year-end used for calculation of net assets per share	Net assets per share	
Net assets per share	¥ 2,006,563	¥ 60,337 ¥ (60,337)	576,518	¥ 3,375.82	\$ 31.77

(At March 31, 2017)	Millions of yen		Thousands of shares	Yen
	Net assets	Amount excluded from net assets (noncontrolling interests)	Number of common stock outstanding at year-end used for calculation of net assets per share	Net assets per share
Net assets per share	¥ 1,921,809	¥ 55,972 ¥ (55,972)	576,608	¥ 3,235.88

(2) Net income per share

Diluted net income per share is not shown due to no dilutive stocks for the years ended March 31, 2018 and 2017.

(Year ended March 31, 2018)	Millions of yen	Thousands of shares	Yen	U.S. Dollars
	Net income attributable to shareholders of the parent	Weighted average shares	Net income per share	
Net income attributable to shareholders of the parent available to common shareholders	¥ 144,638	576,572	¥ 250.86	\$ 2.36

(Year ended March 31, 2017)	Millions of yen	Thousands of shares	Yen
	Net income attributable to shareholders of the parent	Weighted average shares	Net income per share
Net income attributable to shareholders of the parent available to common shareholders	¥ 67,939	576,686	¥ 117.81



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Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 5 to the consolidated financial statements, which describes that the Company changed the depreciation method of property, plant and equipment (excluding leased assets) from primarily the declining-balance method to primarily the straight-line method from the year ended March 31, 2018. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 21, 2018

A member firm of Ernst & Young Global Limited