



Integrated Report

JFE GROUP REPORT 2018

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Editorial Policy

JFE Group has published JFE GROUP REPORT this year for the first time to replace JFE Group TODAY, which had been released annually until last year. This new, integrated report is created and published with the aim of having all stakeholders, including shareholders and investors, understand the medium- to long-term value creation narrative within JFE Group.

JFE GROUP REPORT provides information on JFE Group's value creation process by including a consolidated overview of medium- to long-term growth strategy together with financial information (such as results and management strategies), non-financial information (such as ESG) and the Group's policy, which is "creating new value through technologies and providing solutions for social and environmental issues with the aim of improving sustainable corporate value."

Our intention is to communicate more comprehensively with all our stakeholders, and then to use your feedback to provide even better content in future reports.

Reporting period	FY 2017 (April 1, 2017, to March 31, 2018) Reports on some activities undertaken outside this period are included
Organizations covered	The holding company JFE Holdings, Inc. and its three operating companies JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation. Additionally, some reports may include the equity-method affiliate Japan Marine United Corporation and operating companies affiliated with Group companies (consolidated subsidiaries and equity-method affiliates).

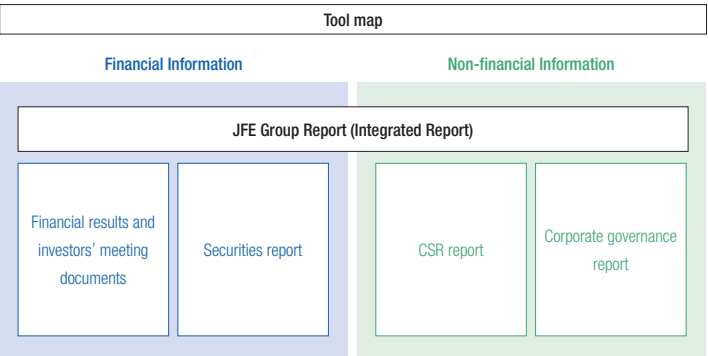
Guidelines

- International Integrated Reporting Council (IIRC) Guidelines
International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry
Guidance for Collaborative Value Creation
- GRI
Sustainability Reporting Guidelines GRI Standards



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(Next issue (planned): December 2019)



Disclaimer

All current plans, strategies and beliefs published in this report that are not historical facts contain forecasts about future performance, which are subject to risks and uncertainties.

Actual results may greatly differ from those forecast due to various factors including future trends in the global and Japanese economies, and in related industries.

Accordingly, please note that we do not guarantee the reliability of such forward-looking information.



Corporate Vision

The JFE Group will contribute to society with the world's most innovative technology.

Corporate Values

Challenging Spirit, Flexibility & Sincerity

JFE GROUP REPORT is published for all stakeholders.

JFE Group conducts its business by broadly leveraging the potential of various materials, especially steel, in society. We operate globally across a broad range of fields centered around our steel business, which provides world-class production scale and leading technological development capabilities; the engineering business, which supports not only people's lives but also entire industries with products and services based on leading-edge technologies; the trading business, which seeks new markets for the Group and creates new value; and the shipbuilding business (an equity-method affiliate), which has strengths in energy-saving technology. In promoting these activities and growing sustainable businesses to increase corporate value for all stakeholders, we never lose sight of our policies of protecting the environment; coexisting in harmony with local communities; and thoroughly adhering to corporate ethical standards.

This year, we have published the integrated JFE GROUP REPORT, which offers information on management strategies, business activities, the group's financial condition and ESG (Environment, Society, and

Governance) initiatives in what we hope is an easy-to-understand way. Our intention is to help you to understand the Group's medium- to long-term growth strategy and value creation narratives.

JFE Group pledges that as we pursue our corporate vision to "contribute to society with the world's most innovative technology," we will be "fair, just and transparent" at all times, in accordance with our principle of business management, and our activities will always reflect our corporate values of "Challenging Spirit, Flexibility & Sincerity". While we take this path toward contributing to medium- to long-term growth, enhancing corporate value and realizing a sustainable society, we also seek long-term relationships of trust with all our stakeholders.

Eiji Hayashida

JFE Holdings, Inc.
Representative Director, President and CEO

JFE Steel

Leveraging Our Manufacturing Power to Open Up New Horizons

Under the Sixth Medium-term Business Plan, JFE Steel will make capital investments totaling 850 billion yen over three years, an increase over the previous plan. By establishing leading-edge facilities through renovation and new production processes, the company aims to increase production efficiency, reinforce cost competitiveness and realize the stable production of products with high added value. Maximized manufacturing capabilities will enable JFE Steel to triumph against global competition and ensure a solid earnings base for the future.

West Japan Works (Fukuyama)
Continuous casting machine



JFE Engineering

Increase revenue sources by developing operating business

The Global Remote Center (GRC) offers 24-hour remote surveillance for plants constructed by JFE Engineering. Operating conditions of the plants around the world are monitored from Yokohama Head Office and from a branch of the GRC in Manila. Our experienced staff supports to ensure operational safety. The system provides a variety of services, including AI and Big Data diagnoses to prevent accidents, prompt support for troubleshooting. GRC serves as an operating business control center to contribute to the increase of earnings.

JFE Shoji Trade

Workforce diversity as a driving force

We are now pursuing regional strategies under a four-region structure comprising Japan (main focus), China, the Americas and ASEAN, emphasizing cooperation between Japan and each other region. Employees are cooperating with each other on a global scale to pioneer new businesses by leveraging our global network spanning 19 countries as well as our workforce diversity, the true driving force behind this strategy.



Japan Marine United

Reinforcing competitive strengths through superior technologies

Japan Marine United satisfies customer needs by applying superior research and development, technological and manufacturing capabilities to build the finest ships and other marine products noted for energy-savings and environmentally friendly performance. Japan Marine United continues to contribute to industry and society as a whole as it strives to become a world-top-class shipbuilding company.

Ariake Shipyard
(Nagasu-machi, Tamana-gun, Kumamoto Prefecture)

A Tradition of Value Creation

JFE Holdings ■ JFE Steel ■ JFE Engineering ■ JFE Shoji Trade ■

Meeting Challenges throughout JFE's History

Kawasaki Steel Corporation

1896
Kawasaki Dockyard Company, Ltd. established (later renamed Kawasaki Heavy Industries, Ltd.)

1950
Steel division of Kawasaki Heavy Industries spun off as independent organization Kawasaki Steel Corporation established

Nippon Kokan K.K. (NKK)

1912
Nippon Kokan K.K. established

1916
Yokohama Shipyard launched (later renamed Asano Shipyard Co., Ltd.)

1940
NKK acquires and absorbs Tsurumi Steelmaking and Shipbuilding Company (formerly Asano Shipyard)

2001

Merger announced

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017



Presidents of both companies agree to merger (2001)

Established JFE Holdings

- JFE Holdings operating companies established
 - JFE Steel Corporation
 - JFE Engineering Corporation
 - JFE Urban Development Corporation (merged into JFE Steel in 2011)
 - Kawasaki Microelectronics, Inc. (sold to MegaChips Corporation in 2012)
 - JFE R&D Corporation (consolidated with JFE Steel in 2009)

- Universal Shipbuilding Corporation becomes subsidiary (stock acquired from Hitachi Zosen Corporation and JFE Engineering)



Strategic collaboration agreement concluded with JSW Steel (2009)

- Strategic collaboration agreement concluded in India with JSW Steel Ltd. (capital participation and technical cooperation agreement concluded in 2010)



Basic agreement on merger reached (2012)

- Japan Marine United Corporation established as equity-method affiliate through merger of Universal Shipbuilding Corporation and IHI Marine United Inc.



Waste-fueled power plant constructed in United Kingdom

- German engineering company Standardkessel Power Systems Holding GmbH acquired



Groundbreaking ceremony (2017)

- NUCOR-JFE STEEL MEXICO established to manufacture and sell automotive steel sheets

- Guangzhou JFE Steel Sheet Co., Ltd. established to manufacture and sell automotive steel sheets



Merger conclusion ceremony held (2003)

- JFE Steel Galvanizing (Thailand) Ltd. established to manufacture and sell automotive steel sheets



Manufacturing line established for automotive steel sheets

- JFE Steel subsidiary JFE Shoji Trade turned into operating company of JFE Holdings

- PT. JFE STEEL GALVANIZING INDONESIA established to manufacture and sell automotive steel sheets

- U.S. pipe distributor Kelly Pipe Co., LLC acquired



Kelly Pipe (U.S.)

- Al Gharbia Pipe Company established in United Arab Emirates to manufacture and sell large-diameter welded pipes for energy companies

- Took a stake in an integrated steelworks project (FHS) initiated by Formosa Plastics Group, and entered into agreements, including the licensing of technologies.



First blast furnace for FHS (2017)

- Zinc-coated plating and colored sheets operations for construction materials launched in Myanmar



Groundbreaking ceremony (2018)

Growing together with Japanese industry

The predecessors of the JFE Group, the former NKK (Nippon Kokan) and Kawasaki Steel Corporation, were major privately established steel manufacturers. Both companies grew together with Japanese industry through their steelmaking and shipbuilding (NKK) businesses as well as engineering services that applied steel-processing and combustion-control technologies from these businesses.

Making a fresh start as JFE

The Japanese steel industry peaked in the 1960s when the country entered a phase of rapid economic growth after World War II. Thereafter, the global oil shocks and the collapse of Japan's bubble economy led to a period of change. Reorganization took hold in many industries from the 1990s, including steel users such as the automotive industry, suppliers of raw materials including iron ore, and steel manufacturers worldwide. Intense competition among steel companies intensified and plummeting prices significantly reduced the competitive strength of Japanese steelmakers. NKK and Kawasaki Steel Corporation, seeking to ensure their long-term viability in this difficult environment, decided to merge as JFE Holdings in 2002.

Successful evolution

The new JFE substantially increased earnings thanks to the beneficial effects of facilities consolidation and rising global demand for steel materials, especially due to China's rapid economic development. After the fall of Lehman Brothers in 2008, however, the company encountered a contracting steel market due to overproduction in China and violent fluctuations in the costs of raw materials. JFE pursued stronger earnings and more sustainable growth by reorganizing its business portfolio, upgrading manufacturing capabilities in Japan and accelerating global development.

Sixth Medium-term Business Plan

JFE launched its Sixth Medium-term Business Plan in April 2018, setting out its corporate strategies from fiscal 2018 to 2020. Seeing opportunities in trends such as structural changes in the automotive and environmental energy fields and the rapid development of digital technologies, JFE is now pursuing new technologies to satisfy new needs. As it works to reinforce manufacturing capabilities in Japan and increase earnings overseas, JFE looks forward to enhancing its corporate value and contributing to more sustainable societies over the medium to long term.

Steel, Material for a New Future

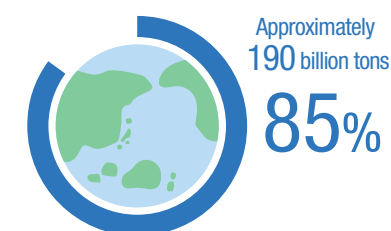
Since there are rich reserves of iron ore, there is little risk of depletion. It can also be mass produced at low cost. Steel has an extremely low impact on the environment at the manufacturing stage when compared to other materials, and has an excellent recyclability. These factors enable high function and quality at reasonable prices, making it an essential and fundamental material for a civilized society. There is no other material that possesses all of these features.

Steel, a sustainable material

Rich iron ore reserves

An incredible 85% (190 billion tons) of the Earth's metal resources are iron ore. Although the supply is not inexhaustible, there is little risk of depletion when compared to other resources, ensuring a stable supply.

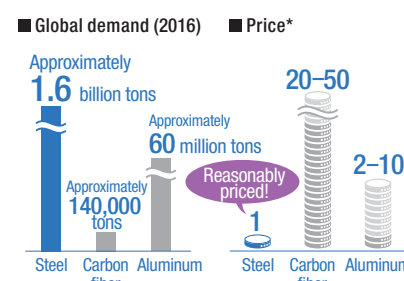
Recoverable reserves of iron ore on the Earth



Source: Mineral Commodity Summaries (2016)

Mass production at low cost

Steel is a material with rich reserves and a long history of development. It can be mass produced at low cost and supplied stably. It can also provide various functions at a reasonable price.

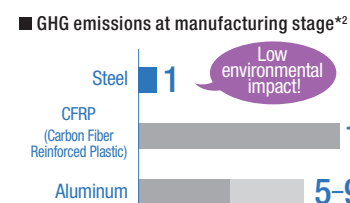


Created by JFE Holdings with documents from Mizuho Bank Industry Research Division and economic forecasts by Fuji Keizai Co., Ltd.

An internal investigation. *Comparisons with other materials' price per unit weight, with steel as 1

Extremely low environmental impact at the manufacturing stage when compared to other materials

Steel has extremely low environmental impact at the manufacturing stage when compared to other materials. For example, the GHG (greenhouse gasses) emission of steel at the manufacturing stage*1 is 1/5 to 1/9 of that of aluminum, and approximately 1/11 of that of carbon fiber.

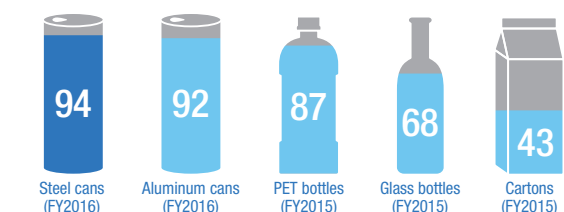


Source: Steel Recycling Institute
*1 From mining raw materials to factory shipment
*2 *Comparisons with other materials' GHG emissions per unit weight, with steel as 1

Excellent recyclability

Iron can be separated by magnets and is a material that can be recycled easily. After final product made of steel ends its life, steel scrap returns to the steelmaking process to be reborn as various products over and over again, with no change in its intrinsic quality (closed-loop recycling).

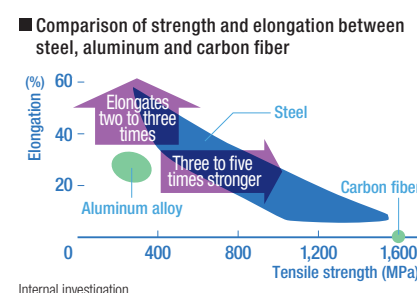
Recycle ratio per item (%)



Source: Japan Steel Can Recycling Association

Potential for evolution

Steel is processed into such as rods and sheets, its strength can be increased up to 40 times as its original. Steel can be elongated two to three times more than aluminum at the same strength, and is three to five times stronger at the same extended rate, making it the optimal material for the world-class structures of the times, such as Tokyo Skytree. Steel can be stronger by heating until it turns red and swiftly cooling. Just this method alone has the potential to create features we have never seen before. Steel has been developed alongside society. Emerging needs of society will open up the future of steel, and the evolution of steel will contribute to a productive future.



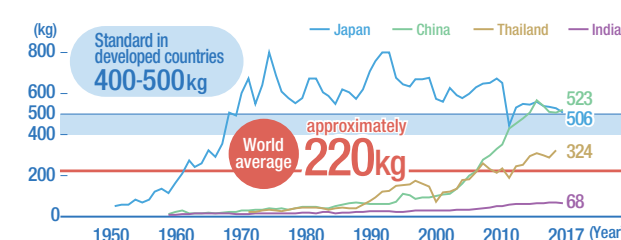
Internal investigation

Global demand for steel continues to grow

The potential to grow on a global level

The long-term global demand for steel is expected to keep growing alongside the economic development of emerging countries. The annual consumption of steel per capita in developed countries is approximately 400 to 500 kg. This level has been roughly unchanged, but as the world average currently stands at 220 kg per capita, there is still an underlying potential for growth.

Trends in annual steel consumption per capita by country (kg per capita, year)



Source: World Steel Association

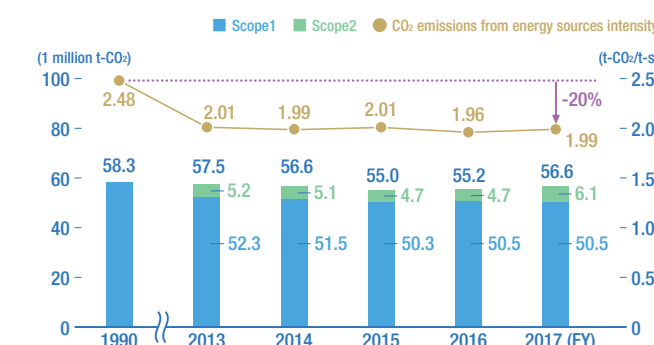
Energy-saving and CO₂ reduction initiatives

Efforts toward becoming a steel manufacturer with low environmental impact (responding to climate change risks)

Japanese steel industry including JFE Steel has actively been working over the years on technological development and environmental conservation measures. As a result, Japan has the best energy-saving and CO₂ emission reduction technologies in the world, and JFE Steel applies these technologies to properly control environmental risks. Furthermore, we see these technologies as a competitive advantage and hope to expand them all over the world to attain sustainable growth.

On the other hand, coal must be used as a reducing agent to remove oxygen from iron ore, not as a fuel, when mass producing steel under the current process. There is no substitute for this method, meaning emission of CO₂ is inevitable. This is why we have positioned the mitigation of environmental impact as the most important management issue in ensuring sustainability of our business. JFE Steel applies world-class technologies for innovative steelmaking processes and contribute to resolve global environmental issues such as climate change.

CO₂ emissions from energy sources and CO₂ emission intensity of JFE Steel



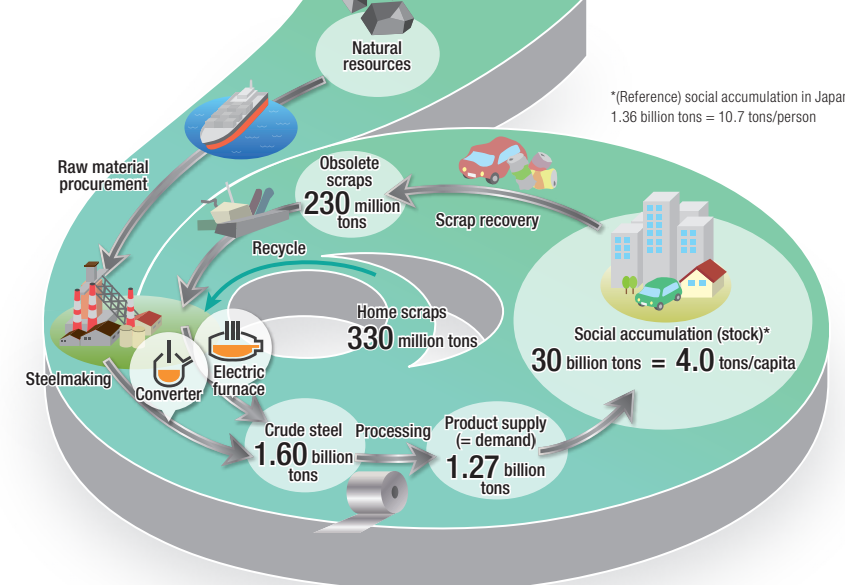
Sustainability of steel from its lifecycle

Steel contributes to world's sustainable growth with its low environmental impact in production, use and recycling

Steel can be recycled over and over again even after a final product made of steel ends its life. Steel products manufactured from natural resources (iron ore and coal) in integrated process are essential to meet the increasing demand associated the world's growing population and social stock due to the economic development of emerging countries. As a Japanese steel manufacturer that can produce steel with the lowest

environmental impact in the world, JFE Steel continues improving energy efficiency (Eco-Processes), spreads our superior processing technologies globally (Eco-Solutions) and supplies environmentally-friendly products (Eco-Products), toward realizing a sustainable society.

The world's steel cycle (2015)



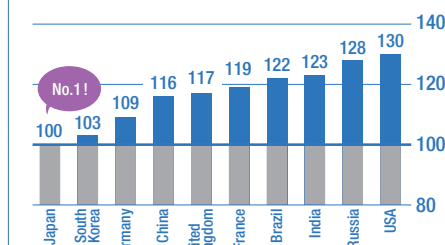
* (Reference) social accumulation in Japan 1.36 billion tons = 10.7 tons/person

Source: Japan Steel Can Recycling Association and Bureau of International Recycling AISBL (Some contents on losses and breakdowns of scraps have been omitted)

Japan's steel industry keeps the top energy efficiency in the world

Japan's steel industry (integrated mill) produces steel with the lowest environmental impact when compared to other major steel-producing countries in the world as a result of its longstanding efforts towards environmental conservation, including developing and spreading the use of energy-saving technologies.

The world's quotient, with Japan as 100 (2015)



Source: Research Institute of Innovative Technology for the Earth (RITE)

Input

Business growth drivers

Business model

Output into market

Outcome

Intellectual capital

World-class technologies that have been developed and accumulated in long-term relationships with our customers

1,178 patents (entire Group)

*Total patents published in Japan and patents published under PCT, designated to be transferred to Japan

Domestic patent publications (FY2017)

34.7 billion yen (Group consolidated)

Manufacturing capital

Two major, consolidated and highly efficient steelworks and bases for production and process engineering across the globe

30.06 million tons (consolidated JFE Steel) (FY2017)

108 bases in **22** countries and regions (entire Group)

Natural capital

Realizing a recycling-oriented society and reduction of negative environmental impact through leading-edge, energy-saving and resource conservation technologies

Comparison with FY1990

21 % reduction (22.6 GJ/t)

93.5 % (steelmaking process)

Social and other related capital

Relationships of trust established over many years with our customers and stakeholders

24,000 customers

*Total of JFE Steel, JFE Engineering and JFE Shoji Trade (FY2017)

Human capital

Diverse human resources with abundant experience and a high levels of knowledge and expertise that support our wide range of operations

61,234 persons (Group consolidated) (as of the end of March 2018)

1.38 million hours a year (FY2017)

(total of operating companies: 67 hours a year per employee)

Financial capital

A sound financial base that enables further investment for growth

43.6 %

2,006.5 billion yen

Business development with the Group as one

Engineering Business

In addition to the urban environment and steel structure sectors, we also focus on renewable energy and resource recycling solutions to support a sustainable society.

► P.45

Steel Business

We possess two major integrated steelworks in Japan along with global manufacturing and processing bases, which allow us to incorporate world-class technologies to supply products with the high-added value that meets our customers' evolving requirements.

► P.39

Trading Business

Supplying steel products with added value globally, this business operates in a broad range of sectors, including food and electronics, as well as handling iron and steel raw materials.

► P.51

Shipbuilding Business

(Equity-method affiliate)

Building a wide range of vessels, this business possesses advanced technologies and one of the strongest construction capabilities in Japan.

► P.55

Building a foundation for sustainable growth

(ESG Initiatives)

► P.57

Creating new value by providing solutions that meet the needs of society in general, and also of our customers

Improving medium- to long-term corporate value

Making efforts to resolve social issues

Using our operations to make progress possible in diverse industries and lifestyles

- Realizing comfortable lifestyles through supply of automobiles, ships, and household appliances with advanced functions
- Constructing a strong infrastructure through development in the civil engineering and construction fields
- Ensuring a stable energy supply and spreading the use of renewable energy toward a sustainable society
- Developing and supplying environmentally friendly products and promoting resource recycling
- Creating jobs and enhancing job satisfaction

Securing profits from sustainable growth

Returning the economic value created through business operations into investments and to shareholders

- Sustainable cash flow growth
- Investment for further growth
- Return of profit to shareholders
- Dividend payout ratio of approximately 30%



Steel sheets for automobiles



Bridges and steel for bridges



Steel sheets for tableware and kitchenware



Urban environmental plants



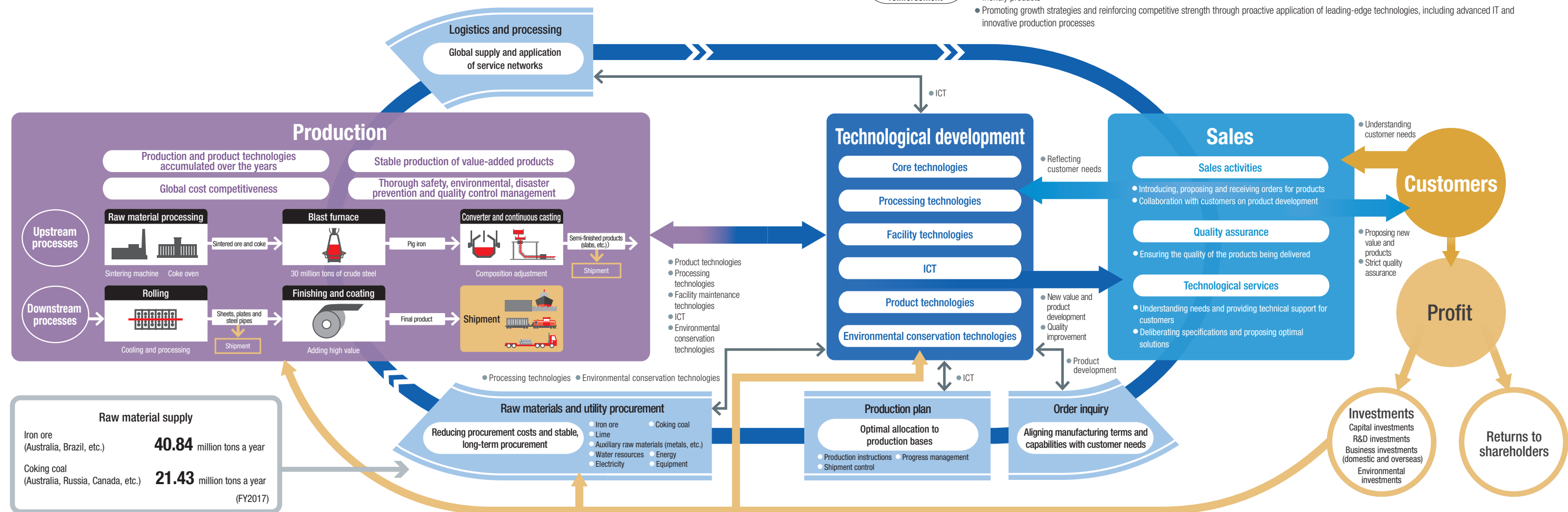
Biomass power generation facilities



Very large crude oil carrier (VLCC)

A business model that creates a JFE brand associated with high-added value

The competitive advantages of our steel and trading businesses have three fundamental sources: **(1) leading-edge technological development capabilities mobilized by customer needs**, **(2) production capabilities constantly developed and enhanced at production sites**, and **(3) sales capabilities underpinned by firm relationships of trust with customers** established over years by JFE Steel and JFE Shoji Trade. We have created new value tailored to customer needs and provided optimized solutions based on these three factors. Our competitive advantages are treasured assets created through many years of effort. They are also the driving force behind our sustainable growth and cannot easily be matched by other companies.



The source of competitive advantages that reinforce our business model

Two major, integrated steelworks with excellent competitive strength

Production



The primary source of our competitive strength in the steel business are two major steelworks located in east and west Japan, both with world-class production scale. Consolidating manufacturing bases reduces fixed costs and enables highly-efficient production. West Japan Works can produce 20 million tons of steel materials annually and, by international standards, is among the best in terms of cost, product lineup and technological capabilities. Leading production and product technologies, intellectual property, expertise and other strengths accumulated over many years in service provide the company with a unique source of competitive strength.

Initiatives and investments for reinforcement

- Major renovation of facilities to reinforce manufacturing capabilities, along with strategic capital investment and development of innovative production processes
- Application of advanced IT and development of diverse human resources so that skills and technologies are effectively handed down, and dramatic increases in productivity can be realized
- Investment for overseas growth to expand global production systems using technologies and skills constantly developed and enhanced at domestic steelworks
- Stable procurement of raw materials and cost reduction utilizing technologies for low-cost raw materials and networks, including JFE Shoji Trade

The source of competitive advantages that reinforce our business model

Ability to respond to customer needs and a stable customer base

Sales



We have established relationships of trust through two-way communications with many customers during our long years in business. We have created new value by closely communicating with customers to accurately meet their evolving requirements and through other activities, including cooperation from the initial development stage which helps us to contribute to the resolution of customer issues. As a result, we have created a solid customer base that cannot be easily or quickly built by other companies and, at the same time, gained global competitive strength (non-price competition).

Initiatives and investment for reinforcement

- Consolidating product development and sales as well as understanding the needs of customers in an appropriate way and in a timely manner through close communication with them
- EVI (Early Vendor Involvement): Fine-tuning technologies with customers from the initial stage of new product development, to create the finest products possible with the available technologies
- Accurately responding to customer expectations and creating a global network that can deliver products and services in a timely manner

Business models that support society and create the future

The main focus of the engineering business is infrastructure construction that supports people's lives and society, providing products and services based on the Group's comprehensive strengths and advanced technologies. As long as people in the world long for more comfortable and abundant lives, there will never be an end to our mission.

We will provide optimal solutions for society and strive to realize a sustainable society to "create" and continue to "Ni-na-u*" the foundations for life.

*"Ni-na-u" is a Japanese word meaning supporting and remaining responsible. We aim to provide solutions with our engineering and manufacturing know-how.

The source of competitive advantages that reinforce our business model



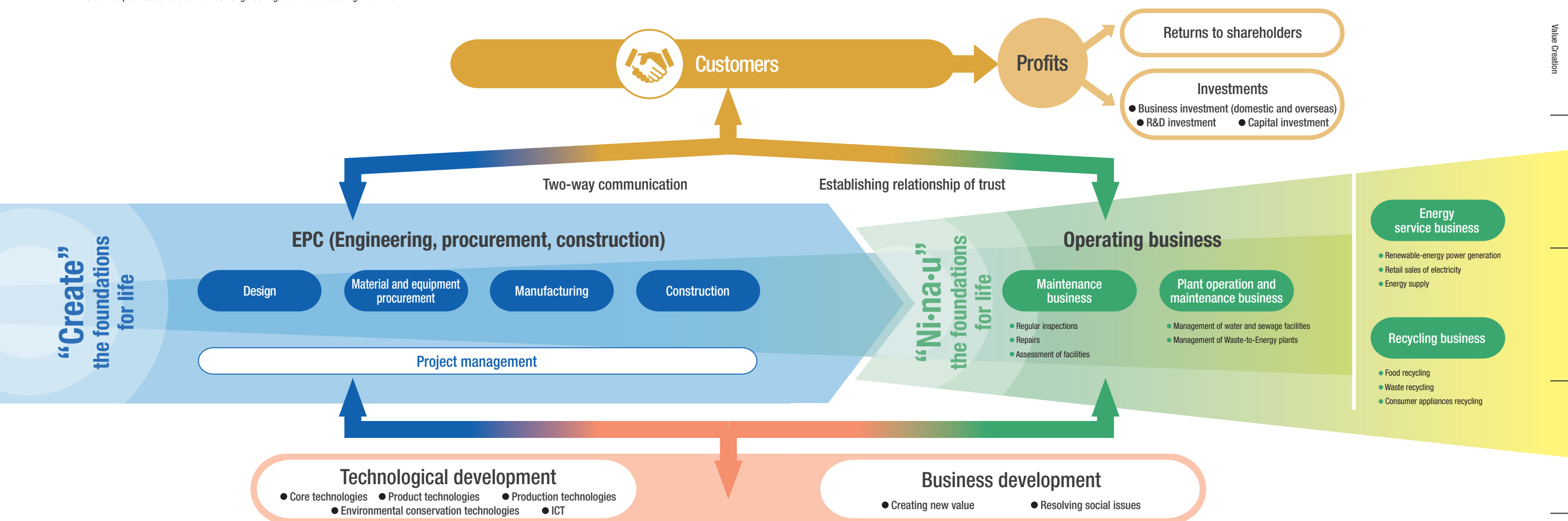
Advanced core technologies and diverse product technological capabilities

We have conducted business in diverse fields such as energy, environment and bridges, taking advantage of our advanced technological capabilities, which combine and take to a new level the processing and assembly technologies based on our shipbuilding business, and the material and combustion technologies based on our steel business. We especially possess many technologies that support society, including those for the creation of next-generation energy and solutions for environmental issues. We will make every possible effort to plan, design and promote new business models and develop new technologies based on these technologies.

Technological development

Initiatives and investments for reinforcement

- Enhancing existing products with a focus on the energy and environment fields, along with developing new products that meet the needs
- Accelerating the creation and expansion of new businesses by consolidating existing businesses toward a recycling-oriented and sustainable society
- Continued investment and reinforcement of human resources to accelerate the enhancement of products and services, including through application of AI and IoT



The source of competitive advantages that reinforce our business model



Proven track record and project execution capabilities enabled by diverse human resources

We have constructed many high-performance, high-quality facilities that meet customer needs in fields such as energy, environment and bridges, from design to completion. Furthermore, we possess Japan's largest steel structure manufacturing plant and other production bases, allowing us to provide high-quality products at low cost. We also have built global engineering structure in overseas bases, centered in Asia, to further reinforce our competitive strength.

Engineering, procurement and construction

Initiatives and investments for reinforcement

- Enhancing quality and productivity through active application of advanced IT at construction and manufacturing sites
- A global engineering structure that enables the supply of optimal products for each country
- Further enhancement of project management systems to ensure projects are thoroughly implemented and earnings is secured

The source of competitive advantages that reinforce our business model



Business management capabilities with strengths in manufacturing expertise

We have nurtured our expertise in operation and maintenance over the years at environmental and water and sewage plants, and conduct various projects collaborating with public and private sectors in the civil service field. Our plants undertake recycling and renewable energy generation businesses for a recycle-oriented and sustainable society. We will strive to further expand our operating business, including public and private sector collaborations and energy service operations, applying our strengths in manufacturing and management expertise.

Business management

Initiatives and investments for reinforcement

- Active investment toward expanding operating business, such as public and private sector collaborations in the civil service field, energy services, and recycling
- Establishing a system that provides management solutions with remote monitoring of various plants using AI and IoT
- Active business investment, including collaborations with local overseas partners, to enhance our overseas business

Message from the CEO

Eiji Hayashida

Representative Director, President and CEO
JFE Holdings, Inc.



The JFE Group will continue to leap forward by tackling challenges

JFE's mission is clearly stated in its corporate vision of contributing to society with the world's most innovative technology. Our core purpose and focus is to contribute to social development, by providing high-performance and high-quality products and services that meet customer requirements and social needs, with minimal negative impact on the environment. We are determined to continue drawing on our technological strengths to provide solutions that make us customers' supplier of choice, and to remain a company that is recognized and known for its contribution to society.

To achieve our mission, and increase corporate value over the medium- to long-term, we must increase profitability and respond appropriately to environmental and social issues to enable sustainable growth — governed always by principles that ensure all we do is fair, just and transparent.

The wonder and potential of steel, an early and enduring foundation of civilization

Steel, the basic material behind all JFE Group does, has been an essential building block in the foundation of civilized societies and the evolution of lifestyles over time. Rich reserves of iron ore enable mass production of steel at low cost and as a material steel offers both strength and formability. At the production stage it has relatively low environmental impact, and it is easy to recycle and transform into new products any number of times without losing its high quality. No other material has all these characteristics, and no other material can challenge steel's importance as a key building block of civilization. In recent years changing trends, including reduction in product weight — especially for automobiles, are driving calls for the replacement of iron with lighter materials like aluminum and carbon fiber.

However, in practice, I feel that efforts to do so have only made the superiority of steel stand out all the more.

As a building block for the sustainable growth of society and in the evolution of lifestyles, we are convinced steel is as much a material of the future as the past. Ongoing R&D will surely discover other latent properties of steel that will create new and innovative uses for it in products, while the economic growth of emerging countries will almost certainly ensure a steady, long-term increase in global demand for the raw material too.

JFE Group will continue to build and operate its businesses by using steel, an incredibly useful and strong material with significant cost advantages, in its various forms, at the core.

The strengths of the JFE Group, offering solutions through the world's most innovative technology

Among the world's steel producers, JFE believes its strength lies in superior quality made possible by its product development expertise, rooted in cutting-edge technologies, and by its production capabilities, refined over a long history of production on site. Everything we do is driven by the goals of meeting evolving customers' requirements and usability.

Our innovative steel products include high-tensile steels — strong steel sheets that are light, thin, and effective in reducing the weight for end products like automobiles, and steel plates which are quick and easy to use when constructing high-rise buildings and bridges. Japanese steel producers have maintained a competitive advantage over overseas rivals in terms of product performance and quality, and we are confident that JFE is one of the best. However, with competitors in China and South Korea, for example, striving to close this gap through heavy investment in cutting-edge facilities and technological development, we must work hard to stay at least one step ahead with our R&D and continue to hone our state-of-the-art technologies. For instance, the tensile strength of high-tensile steel produced by companies in emerging countries has at last reached the 50-60 kg range, but ours is already at 150 kg. It is essential that we are persistent in our day to day research, so that when our competitors can offer tensile strength of 100 kg, we will be able to provide 200 kg.

Our main customers are Japanese manufacturers with the world's strictest quality standards. To comply with their high-level requirements, our product development is attuned to their needs from the earliest stages and we jointly engage in R&D activities. Through such long-term cooperation with customers, the quality of our products is being constantly refined and our competitive edge is continually improved.

Production capabilities are measured by a producer's ability to produce steel in a stable and cost competitive way, and to maintain productivity even when complex, high added value products are being produced. Our production bases, consolidated into two large-scale operations in the east and west, are able to very efficiently produce high-quality steel at relatively low cost. Our West Japan Works is capable of manufacturing over 20 million tons of steel each year and boasts a scale and competitive strength on a par with the world's leading companies. The East Japan Works benefits from a location near the Tokyo metropolitan area, which generates Japan's greatest demand, and provides an array of products in a timely manner. The competitive strengths of these steelworks are supported by the knowledge and expertise of the human resources developed on the job at these sites over many years.

Another of JFE Group's special strengths is sales and marketing. JFE Steel and JFE Shoji Trade work together to create a global network for timely deliveries and services. It has come to be trusted by and has earned praise from our customers.

We consider these strengths to be important assets accumulated over many years and the competitive edge they give us cannot be quickly and easily matched by other companies.

Furthermore, in addition to steelmaking and sales, the JFE Group also engages in the engineering business, with special strength in the environment and energy sectors. By applying our steel fabrication, assembly, combustion and environmental management technologies as a foundation we can contribute to social infrastructure including bridges, waste power generation, and water and sewage treatment plants. We believe that our technology in waste treatment and

waste-to-energy power generation is world class, and provides a wonderful opportunity for our business to grow by responding to an increase in demand for infrastructure along with the economic development of emerging countries, and to ongoing demand for better environmental protection.

The diverse business opportunities that grow out of the application of our steel-related technologies in various ways also represent one of JFE Group's strengths.



The current economic conditions are steady, but long-term prospects are unclear and global competition is heating up

The current business atmosphere is influenced by apprehension over the risk of protective trade stemming from U.S. politics, but business performance has remained strong, both in Japan and overseas. The impact of China's overcapacity issue in the market has subsided when compared to the past as some progress has been seen in the disposal of aged facilities and the streamlining of businesses thanks to guidance by the Chinese government, and domestic demand is stable. Although in the long term, steady growth in demand may be expected from the economic growth of emerging countries overseas, the gradual decline in demand due to Japan's contracting population is a concern.

Turning our eyes to overseas competitors, companies are being

consolidated through business integration, and producers in emerging countries are investing heavily in production facilities and R&D to enhance their competitive strength. Global competition is intensifying by the day.

On the other hand, changes in social needs will prompt marked changes in social arrangements, including a conversion to electric vehicles (EV), the reduction of automobile weight, structural changes in the environmental energy sector, and progress made in innovative digital technologies. We believe that providing solutions to meet social and consumer needs in line with these emerging and growing trends will create new business opportunities for us.

Promoting growth strategies to win out over global competition, aiming for a sustainable increase in profitability

Reinforcing production facilities in Japan

In this business environment, the first policy the JFE Group should emphasize towards realizing sustainable growth, expanding profitability and improving global competitiveness is to reinforce production bases in Japan and optimize production capabilities. Most Japanese steelworks were built over half a century ago, and the time for major renovation work is at hand. Although doing so will require several hundred billion yen investment, our domestic steelworks are and will continue to be crucial production bases. Renovation must be undertaken if we are to maintain global competitive strength through the next half-decade. Therefore, in the Sixth Medium-term Business Plan formulated this year, we have planned for investment on a scale of 900 billion yen over the next three years.

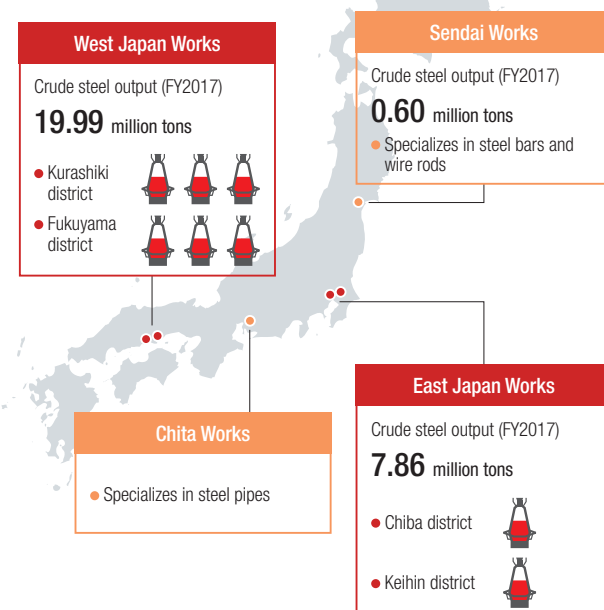
Developing and enhancing global bases

The second policy is to develop steel supply bases globally. Although Japan as a market for steel is expected to shrink gradually due to the contracting population, it will remain a major production base for the steel industry. We will realize sustainable growth and secure stable profit by seeking to be the supplier of choice for customers and providing them with products with high-added value in a timely manner.

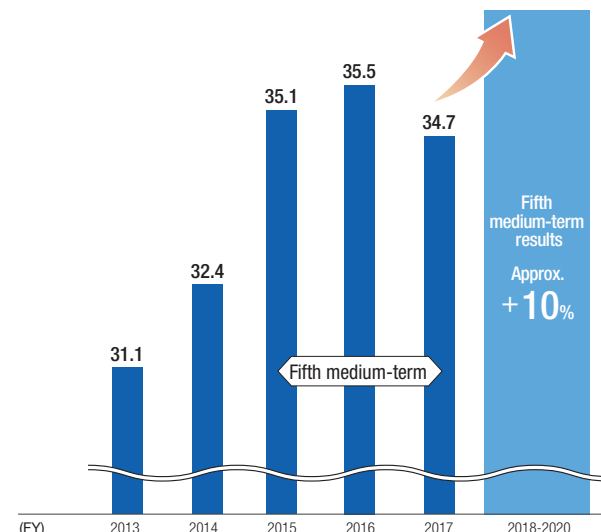
It is important for us to steadily grasp growth in demand, especially in emerging countries. Two of our major strategies are to build a supply system for high added value products such as steel sheets for automobiles and to develop steel supply bases to enhance the social infrastructure.

The first strategy involves traditional vertical specialization. Steelworks in Japan will produce steel products to a certain point, after

Steel business production bases in Japan



Trends in JFE Group R&D expenses (billion yen)



which galvanizing and processing will be completed locally at overseas bases prior to delivery to customers. In order to expand profitability, we will further reinforce production capabilities and promote cutting-edge technological development of steelworks in Japan, aim to provide a stable competitive supply of raw steel sheets, and stabilize local production capabilities overseas.

The second strategy involves developing steel supply bases to enhance the social infrastructure, focusing on Southeast Asia. As the steel material in this category is a commodity, we need a new business model with a focus on lower costs. Instead of shipping substrates from Japan, we need to build integrated production operations in high-demand markets to make use of upstream facilities and secure cost competitiveness. We have taken a stake in the first integrated steelworks in Vietnam (FHS), which commenced operations last year. We will further capitalize on this facility to meet the needs and capture demand for infrastructure in Asia and expand the presence of the JFE brand. This strategy enables us to use our steelworks in Japan to specialize in high-end products with higher profitability.

The engineering business also draws on advanced technological capabilities cultivated in our fields of expertise in Japan and applies them to overseas development. As demand varies depending on the maturity of each country or region, our contribution may vary from building fundamental infrastructure such as bridges or ports, to water treatment plants or waste-to-energy plants, according to regional needs. Through these efforts, we will contribute to the development of infrastructure in Asia.

Boldly taking on challenges in new growth areas

The third policy is to acquire business opportunities in new growth areas. For instance, environmental and social problems, such as global warming, are becoming an increasingly pressing issues. We can transform these challenges into business opportunities for both our steel and engineering businesses by providing products that meet environmental needs.

Responding to the electrification of automobiles is one example for the steel and trading businesses. For example, high performance electrical steel sheets, one of the products we specialize in, are commonly used in motors and batteries. EVs require high-strength steel material that is thin and lightweight, as their batteries are very heavy. The energy sector is shifting away from conventional fossil fuels to greater use of new energy sources such as solar and wind power generation, which call for steel materials that are resistant to weather and corrosion, and can withstand extreme environments. We will boldly invest in these fields and develop products that customers will choose because they best meet their needs, leading to profitability that then enables investment which is crucial for sustainable growth.

Currently, the main method of waste treatment in emerging countries is to create landfills. If pollutants can be eliminated from waste combustion and the heat generated can be used to generate power, we would contribute to both environmental protection and the development of society. We are also focusing on contracted plant operations and maintenance. Through the efficient management of operations, we will realize lower running costs for the customer and long-term stable profit for the company. This field is one with the greatest potential, so we intend to steadily accumulate achievements overseas as well by assessing which risks to take.

The Sixth Medium-term Business Plan focuses on ability to generate profit and cash flow

In order to realize our growth strategies, we created the Sixth Medium-term Business Plan in April 2018 to guide business operations from 2018 to 2020. We are steadily implementing various initiatives toward achieving the earnings targets (annual consolidated ordinary income of 280 billion yen, average basis). Conventionally in the past we have set earnings targets to be reached in the final fiscal year but in this plan we have established an average-basis target for the first time.

Steel, our core business, is susceptible to transitions in global business cycles and the future business environment, even in the short term, is extremely difficult to forecast. In the previous medium term period, this fact was one of the reasons that profit fluctuated and fell short of the level initially estimated. However, for future growth, considerable ongoing capital and project investments to capitalize on

growth opportunities are crucial. We must generate profit and cash flow in order to steadily put our investments plans into action. Thus, for the current plan, we have focused on a management policy that prioritizes generating profit and cash flow and established an earnings target on an average basis that should be attained over the three-year period. Although the road to achieving future growth might be bumpy at times, we must acknowledge that we should secure this profit level on average. It is a very challenging target with no room for excuses, but it is one that we are committed to.

▶ For details of the Medium-term Business Plan, please refer to the Business Strategy section for each operating company (from page 39).

Major policies and financial/earnings targets for the Sixth Medium-term Business Plan

Group-wide measures

- 1 Pursue growth by meeting social needs with leading-edge technologies
- 2 Continue to expand domestic profit base and strengthen manufacturing capabilities
- 3 Advance overseas business and expand overseas profit
- 4 Strengthen business structure for sustainable growth

Total investment (Three-year period, decision basis)

Total investment	1 trillion yen
Of which, domestic investment	900 billion yen
Of which, overseas investment	100 billion yen

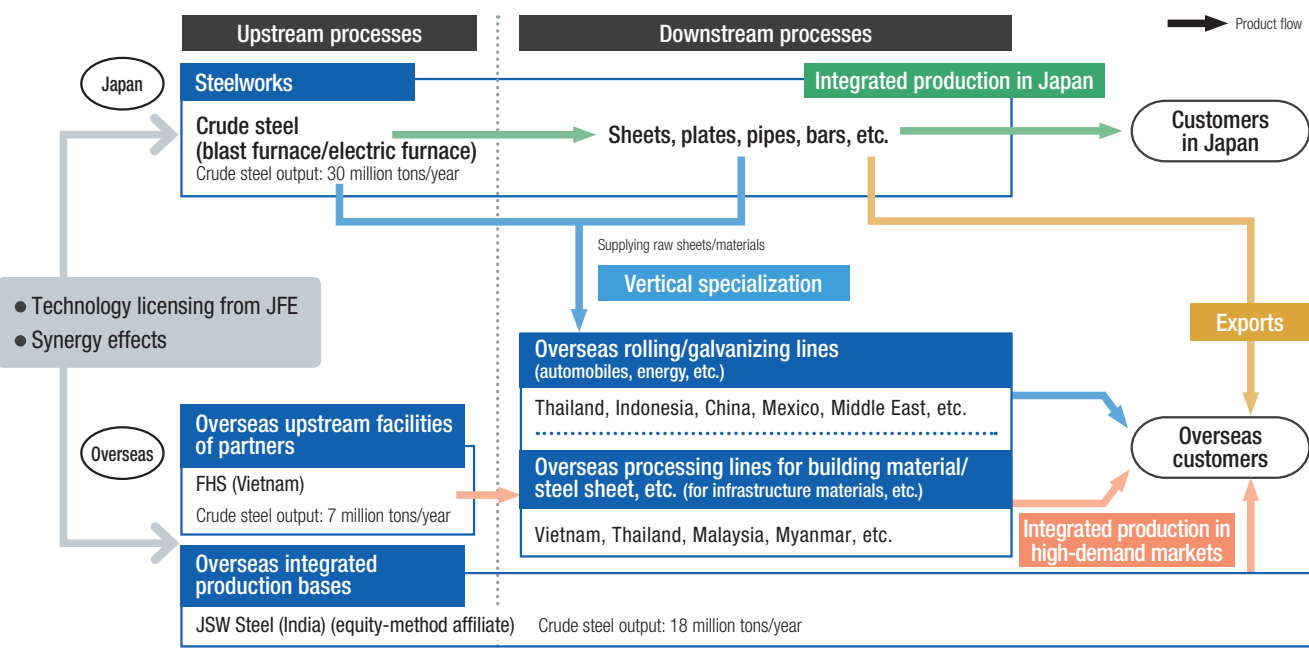
Financial targets

Capital efficiency	ROE 10%
Financial standing	A-grade rating by international credit agencies

Financial/earnings targets (Average basis during the sixth medium-term)

Consolidated ordinary income	280 billion yen/year
Net income attributable to shareholders of the parent	200 billion yen/year
Debt/EBITDA ratio	Approx. 3 times

Global steel supply strategy



Environmental and social initiatives to ensure sustainability

Environmental initiatives

As mentioned in the beginning, CO₂ emission intensity of steel production is quite small compared to those of other materials. However, as the production volume is so immense, the steel industry has the second largest CO₂ emissions after the electricity industry. Although Japan's steel companies produce steel products with the lowest environmental impact in the world, it is impossible to produce steel without any CO₂ emissions. In order to continue our business into

the future, there is a need to reduce CO₂ emissions as much as possible through the development of environmentally-friendly sound production processes and products.

JFE steel is implementing three initiatives to reduce greenhouse gasses. The first is reduction of greenhouse gas emissions during the production process (Eco-Processes), which include the development of environmentally harmonized processing of raw materials. The second is supplying high quality and functional products such as high-tensile

steel that reduces the weight of automobiles (Eco-Products). The third is spreading JFE Steel's environmental technologies world-wide (Eco-Solutions). JFE Steel contributes to the circular economy through other initiatives including reuse of almost all water used in steel processing and improvement of marine environments with products from steel slag. Through these efforts, we strive for a recycling-oriented society.

Social initiatives

We believe that it is our mission to contribute to social initiatives through products and services with superior performance and quality. Securing and training human resources is very important. Currently, we are in the process of a large shift to a younger generation of employees. We need to focus on their development over the next three years to prepare for the future. As it is difficult to transfer vast amounts of knowledge in a short period of time, we will steadily enhance employee skills through training and education. We will also apply cutting-edge IT technologies to enhance productivity and reduce workloads with work style reforms, all in an effort to create an environment in which employees will be able to fully focus on the creative aspects of their work.

We also believe that prosperous coexistence with local communities is very important. As we have many large-scale manufacturing bases, good communication with local governments and

citizens is essential for stable operations. Our goal is to continue to grow with local communities while contributing to efforts to revitalize regional economies and by providing stable employment.

Efforts towards attaining Sustainable Development Goals

The Sustainable Development Goals (SDGs), 17 goals to be shared by the world toward sustainable growth, were adopted at the September 2015 United Nations Summit.

Environmental and social issues pose risks, but they also offer opportunities. Responding to the electrification of automobiles and supporting the spread of waste-to-energy plants are potential ways for us to grow our business by providing solutions that reduce environmental impact. We want to help resolve climate change and other global environmental issues as well as social issues through these activities.

In addition, in the current medium-term, we have established key performance indicators (KPI) for these major environmental and social issues. Each operating company will strengthen their specific activities towards their target KPI to steadily advance towards sustainability. This will be our response toward global social demand and our initiatives towards attaining SDGs.

For details on our efforts on major issues, KPI and their relation to SDGs, please refer to the ESG initiatives section (from page 57).

Status of the Japan Iron and Steel Federation's "Commitment to a Low Carbon Society"

The Three Ecos		Eco-Processes	Eco-Products	Eco-Solutions
Goals		Improvement of energy efficiency by taking full advantage of cutting-edge technologies	Reduction of CO ₂ emissions at the final-product stage by providing high-performance steel materials	Reduction of CO ₂ worldwide, particularly in developing countries through the transfer and application of world-leading, energy-saving technologies
Plans	FY2020 (Phase I)	Reduction of 5 million t-CO ₂ on BAU* emissions benchmark <ul style="list-style-type: none">Energy conservation, etc.: 3 million t-CO₂ reductionReuse of waste plastics, etc.: 2 million t-CO₂ reduction	To cut approx. 34 million t-CO ₂ through the use of major high-performance sheet materials	Forecast to reduce approx. 70 million t-CO ₂
	FY2030 (Phase II)	Reduction of 9 million t-CO ₂ on BAU emissions benchmark	To cut approx. 42 million t-CO ₂ through the use of major high-performance sheet materials	Forecast to reduce approx. 80 million t-CO ₂
Progress as of the end of FY2016		Reduction of 2.46 million t-CO ₂ on BAU emissions benchmark (by Energy conservation, etc.)	Domestic and export businesses cut 28.47 million t-CO ₂	Effectively cut 60.01 million t-CO ₂

*Business As Usual emissions: Estimated level of emissions in the absence of any special measures
Source: Based on information published by the Japan Iron and Steel Federation

Effective corporate governance to improve corporate value in the medium- to long-term

We have conducted various initiatives to enhance corporate governance to date, including establishing the Basic Policy on Corporate Governance and the Nomination and Remuneration Committees, evaluating the effectiveness of the Board of Directors and reviewing the structure of the Board along with the Audit & Supervisory Board based on its results, and introducing a medium- to long-term performance-linked stock remuneration plan for directors.

The structure of the Board of Directors and Audit & Supervisory Board was reviewed focusing on reinforcing it with members from diverse backgrounds. Officers with expertise and knowledge in various fields have been elected following deliberations by the Nomination

Committee. In order to appoint more female and foreign officers, we took a systematic approach in developing candidates. An example of our goals is to triple the appointment of female managers group-wide by 2020 compared to in 2014. We have already reached a point where this target is feasible. In April 2018, the first female corporate officer was appointed at JFE Engineering. We will continue our efforts to enhance executive candidates to promote future appointments.

I feel that corporate governance necessary to attain the goals in the Medium-term Business Plan has been developed at this stage, but we will conduct reviews as needed, based on the results of the effectiveness evaluation conducted each year.

Towards a further leap forward — to all stakeholders

In closing, I would like to share my philosophy on business management.

Although the business environment that surrounds the company is currently fairly stable, in the medium- to long-term, demand is expected to decrease, especially in Japan with its contracting population. There are concerns over various large shifts expected after 2020. Intensifying global competition, evolving social needs and regulations, and developments in protective trade, all point to the risk of dramatic changes to the business environment.

Regardless, I personally intend to further boost the growth of the company overseas as well to create a larger, stronger corporation – not only in terms of production volume and net sales, but from a profit viewpoint and based on our social and environmental contribution. We will continue to take these steps because we believe our stakeholders share our belief they are necessary and worth pursuing.

Investment to renew our production bases in Japan and establish them overseas, and to actively develop cutting-edge technology are essential to make our goals a reality. It is also important to create a competitive and sustainable business model, that can provide a stable supply of products and services that meet the needs and address the characteristics of each region, as soon as possible. Our financial foundation has improved to a certain degree, and we have secured enough reserves to implement flexible investment for growth.

Although we may appear conservative, we have consistently developed and refined our technologies and human resources with a strong commitment towards establishing the JFE Group as a star that will continue to shine decades into the future. JFE Steel, JFE Engineering and JFE Shoji Trade are united as a group to thoroughly

implement the Sixth Medium-term Business Plan, so we can take aggressive moves for future growth in the next three years of the Plan, while domestic demand remains comparatively stable.

I ask for the stakeholders' continued understanding and support for these policies that aim to develop the corporation in the medium- to long-term.



Message from the CFO

Strengthening cash flow to develop new manufacturing facilities, make strategic investments and enhance our good financial standing

Shinichi Okada
Representative Director, Executive Vice President and CFO



Q.1 What are your basic financial strategies?

The JFE Group is reinforcing its good financial standing by prioritizing cash flow. We require vast amounts of stable funding over the long-term for the large-scale capital needed to maintain the integrated steelworks of our mainstay steel business and to invest in growth. We also need to maintain a robust financial standing to manage our investments and risks associated with business opportunities spanning the globe. Furthermore, steel business proceeds tend to fluctuate quite dramatically, so precisely controlling our financial

condition helps us to establish stable equity for our debt levels and cash flow.

We have set a target ROE of 10%, which matches our estimated shareholders' equity cost, as we continue to strive for improved corporate value. I believe that by implementing the various measures of our Sixth Medium-term Business Plan we will be able to achieve this figure in the final year of the plan.

Major indicators	FY2013	FY2014	FY2015	FY2016	FY2017
ROE (%)	6.3	7.7	1.8	3.7	7.6
Ordinary income (billion yen)	173.6	231.0	64.2	84.7	216.3
Capital investment (billion yen; construction basis)	175.7	225.9	212.5	234.7	257.2
Debt/EBITDA ratio (multiples)	4.2	3.6	5.4	4.9	3.4
D/E ratio (%)	67.9	59.0	56.9	51.4	58.2
Net income per share (yen)	177	242	58	118	251
Payout ratio (%)	22.5	24.8	51.4	25.5	31.9

Q.2 How did the Fifth Medium-term Business Plan go, and what are your priorities in the Sixth Medium-term Business Plan?

We set a target ROE increase of 10% from our previous plan. However, due to the sluggish business environment and other factors, we were not able to achieve this target. On the other hand, we held our D/E ratio to a low 0.5x, which supported our financial strength to a certain extent. We actively developed steel manufacturing facilities in Japan, which led to funding requirements for capital investment exceeding our initial plan by over 100 billion yen, but sales of assets totaling around 240 billion yen, mainly comprising shares, enabled us to strike a balance between enhancing our competitive strength and our financial standing.

We will maintain a sound financial standing under our Sixth Medium-term Business Plan to ensure that we have financial reserves for strategic investment including M&A. Generating cash flow is a key focus of our plan, and we have adopted the debt/EBITDA ratio as a new indicator to show how many years' of operating cash flow our debt amounts to. If we achieve our earnings target under the plan — 280 billion yen/average basis for consolidated ordinary income — our target debt/EBITDA ratio of around 3x would be achievable and would make it possible for JFE to receive an A rating by international credit agencies.

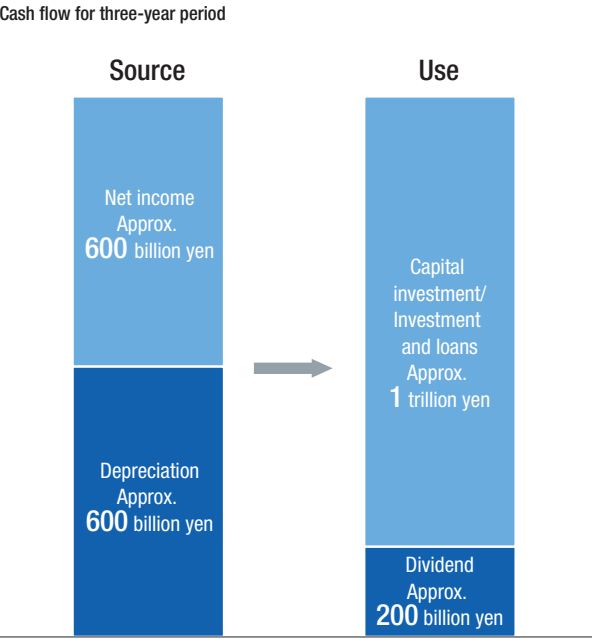
Q.3 What is your cash flow outlook over the next three years and what is your policy on return to shareholders?

We forecast operating cash flow of approximately 1.2 trillion yen for the three-year period. Our policy will be to make investments aimed at increasing corporate value and paying returns to shareholders within the range of this inflow.

Investments will focus on enhancing the resilience of our steel manufacturing capabilities. We built up our base in the previous medium term and will continue to do so, as well as strive to cut costs on a scale of 100 billion yen and expand both capacity and new product development. These add up to a planned capital investment in Japan of 850 billion yen, up 10% from the previous plan. Including group-wide project investment overseas of 100 billion yen, the Sixth Medium-term Business Plan calls for investment on the scale of one trillion yen to support our sustainable growth.

Returns to shareholders will take the form of dividends, which we position as one of our top priorities. Our policy will be to increase the payout ratio to around 30%. We do not plan to buy back shares because we will need stable capital for aggressive capital investment in the foreseeable future.

During the current plan, we foresee working capital increasing as a result of enhanced net sales, which in turn will expand borrowings. Our operating companies will use the cash conversion cycle (CCC)* and other measures to cope with this and improve capital efficiency.

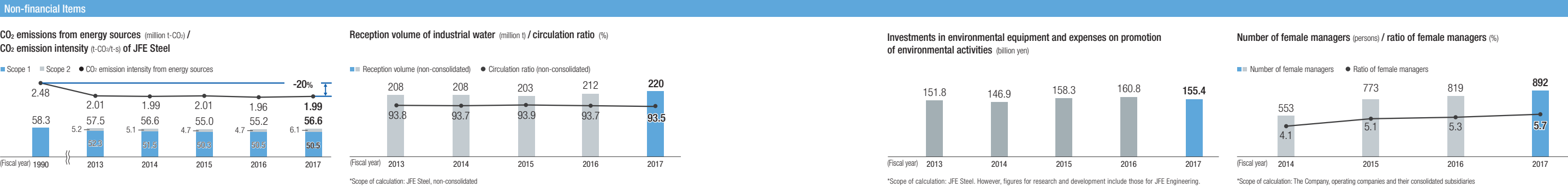


We believe that capital investment is crucial for enhancing future profitability, even if risks arise in the business environment. Initiatives such as asset reduction through the disposal of shareholdings and shifting the timing of capital investment will help to generate cash flow.

*The number of days from investment such as for purchasing materials or products to the final point of cash inflow, which serves as an indicator of fund efficiency

Financial and Non-financial Highlights

Financial Items												(Billions of yen)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Management Performance												
Net sales	3,539	3,908	2,844	3,195	3,166	3,189	3,666	3,850	3,431	3,308	3,678	
Operating income	510	407	88	182	44	39	153	222	90	96	246	
Ordinary income	502	400	69	165	52	52	173	231	64	84	216	
Income before income taxes	447	331	70	115	(71)	75	160	226	74	105	213	
EBITDA*1	741	670	337	428	306	260	368	421	254	279	388	
Net income attributable to shareholders of the parent	261	194	45	58	(36)	39	102	139	33	67	144	
Capital investment (construction basis)	223	289	225	180	197	179	175	225	212	234	257	
Depreciation	220	247	248	246	238	194	181	176	177	182	159	
Research and development expenses	39	41	36	33	34	33	31	32	35	35	34	
Financial Position												
Total assets	4,170	4,328	3,918	3,976	4,007	4,107	4,241	4,639	4,234	4,336	4,460	
Property, plant and equipment	1,843	1,843	1,800	1,712	1,644	1,606	1,599	1,629	1,627	1,650	1,702	
Equity capital	1,496	1,335	1,422	1,437	1,414	1,558	1,702	1,938	1,804	1,865	1,946	
Net assets	1,541	1,378	1,465	1,478	1,456	1,596	1,745	1,990	1,857	1,921	2,006	
Interest-bearing liabilities (Loans payable, bonds payable, etc.)	1,281	1,768	1,468	1,496	1,593	1,596	1,534	1,501	1,379	1,375	1,330	
Cash Flows												
Cash flows from operating activities	438	243	389	302	110	287	254	297	267	185	298	
Cash flows from investing activities	(297)	(350)	(236)	(302)	(205)	(163)	(164)	(216)	(137)	(163)	(194)	
Free cash flows*2	141	(106)	152	0	(95)	123	90	81	129	21	103	
Cash flows from financing activities	(125)	260	(321)	23	96	(147)	(105)	(78)	(144)	(18)	(90)	
Per Share Information												
Net income	451	356	86	111	(69)	71	177	242	58	118	251	(Yen)
Net assets	2,619	2,526	2,690	2,709	2,628	2,701	2,951	3,362	3,128	3,236	3,376	
Cash dividends	120	90	20	35	20	20	40	60	30	30	80	
Dividend payout ratio (%)	26.6	25.3	23.2	31.6	—	28.1	22.5	24.8	51.4	25.5	31.9	
Financial Indicators												
Debt/EBITDA ratio (times)*3	1.7	2.6	4.4	3.5	5.2	6.1	4.2	3.6	5.4	4.9	3.4	(%)
ROE*4	17.5	13.7	3.3	4.1	(2.6)	2.7	6.3	7.7	1.8	3.7	7.6	
ROA*5	13.0	10.0	2.2	4.6	1.7	1.6	4.5	5.5	1.7	2.3	5.2	
Equity capital ratio	35.9	30.9	36.3	36.2	35.3	37.9	40.1	41.8	42.6	43.0	43.6	
D/E ratio*6	61.4	98.9	75.5	76.5	83.5	76.9	67.9	59.0	56.9	51.4	58.2	
Year-end share price (yen)	4,420	2,145	3,765	2,434	1,778	1,767	1,943	2,654	1,516	1,909	2,144	
Information by Reportable Segment												
Net sales												
Steel business	3,203	3,423	2,281	2,747	2,714	2,499	2,691	2,873	2,445	2,349	2,715	
Engineering business	314	338	294	265	278	267	284	367	397	426	391	
Trading business						785	1,781	1,934	1,756	1,671	1,907	
Ordinary income												
Steel business	508	412	32	134	25	15	126	188	27	40	198	
Engineering business	(11)	9	13	12	14	16	18	18	20	26	19	
Trading business						7	21	24	15	21	33	
Other												
Crude steel output (JFE Steel Corporation, non-consolidated) (thousand t)	30,520	26,550	25,830	28,800	26,900	27,970	28,670	28,440	27,360	28,140	28,460	
Crude steel output (JFE Steel Corporation, consolidated) (thousand t)	34,270	29,280	28,350	31,470	29,240	30,690	31,580	31,040	29,750	30,410	30,060	
Shipment of steel products (JFE Steel Corporation, non-consolidated) (thousand t)	28,020	25,060	23,180	26,250	24,670	25,230	25,520	26,070	25,390	25,700	25,300	
Average price of steel products (JFE Steel Corporation, non-consolidated) (thousand yen/t)	79.2	100.8	70.2	77.9	82	70.6	75.7	77.1	66.8	62.8	75.3	
Export ratio of steel products (JFE Steel Corporation, non-consolidated; in value terms) (%)	43.9	41.6	45.6	46.5	45	49.9	48.4	48.1	45.8	44	44.4	
Number of employees (JFE Holdings, Inc., consolidated) (persons)	56,688	56,547	53,892	54,400	54,133	57,044	57,210	58,856	59,460	60,439	61,234	
*1 EBITDA: Ordinary income + depreciation + interest expenses					*4 ROE: Net income attributable to shareholders of the parent / equity capital							
*2 Free cash flows: Cash flows from operating activities + cash flows from investing activities					*5 ROA: (Ordinary income + interest expenses) / total assets							
*3 Debt/EBITDA ratio: Loans payable, bonds payable, etc. / EBITDA					*6 D/E ratio: Loans payable, bonds payable, etc./equity capital However, liabilities that have been approved by rating institutions as having equity credit attributes are included in capital based on the rating.							





Governance that shapes the future of the JFE Group

Independent executives' perspective on the effectiveness of the Board of Directors and the Medium-term Business Plan

The three-year Sixth Medium-term Business Plan started from fiscal year 2018. The current plan incorporates more suggestions from outside executives than ever before, and active discussions were held at the Board of Directors meetings. We interviewed the four outside executives, who each played a major part in establishing the Sixth Medium-term Business Plan, to review the formulation process of the Plan as well as to hear their views on the company's corporate governance.

To begin with, what is your impression of the company's Board of Directors?

Yamamoto One year has passed since I became Director in 2017. I feel that the meetings have been extremely productive, with active discussions and management taking new directions. Both the Directors and the Audit & Supervisory Board Members are equally entitled to their frank opinion, answers to questions are on the mark and discussions are lively. In a word, it is a well-balanced Board. I think it has a positive influence on the overall company atmosphere and its governance.

Saiki I had the experience of filling in as JFE's Audit & Supervisory Board Member as a substitute four years ago, for two months. Discussions have become much more active, and the degree of freedom in the meetings is very high compared to the situation at other companies. Discussions at the briefings for outside executives are also extremely lively, and any input is immediately reflected on the Board agenda briefing. This is a display of how everyone, from the Board members to the secretariat staff, proactively assists the active discussions and strives to respond to them.

Yoshida It has been three years since I was appointed in 2015. Compared to the company's scale of sales, the Board of Directors was a very compact organization at that time. I remember offering advice at the effectiveness evaluation in 2017, suggesting that the discussions should be enhanced from the diverse viewpoints of engineers and operating companies. This idea was put into



action immediately, and Mr. Masami Yamamoto, who is an executive with an engineering background, joined us as an independent Director, in addition to another from an operating company other than JFE Steel. An independent Audit & Supervisory Board Member was also added: Mr. Isao Saiki, a lawyer. A glance at the people who make up the Board shows that the company responds flexibly and swiftly to change and that it evolves positively without being constrained by the past.

Ohyagi As Mr. Yoshida mentioned, there is a sense of speedy evolution in the company, and I believe it has the power to successfully realize policies for improvement. The committees such as the nomination and remuneration committees usually comprise Directors and top management in charge of execution.



Masao Yoshida

Senior Advisor
Furukawa Electric Co., Ltd.

Mr. Yoshida joined Furukawa Electric Co., Ltd. in 1972. He was appointed to his current post in July 2018, after serving as President and Representative Director and Chairman and Representative Director of Furukawa Electric. He is also an independent Director for FURUKAWA CO., LTD., and External Director of Tokyo Century Corporation. He was appointed a Director of the company in June 2015.



Masami Yamamoto

Chairman and Director
Fujitsu Limited

Mr. Yamamoto joined Fujitsu Limited in 1976. He was appointed to his current post in June 2017, after serving as President and Representative Director and Chairman and Representative Director of Fujitsu. He was appointed Director of the company in June 2017.



Shigeo Ohyagi

Senior Advisor
Teijin Limited

Mr. Ohyagi joined Teijin Limited in 1971. He was appointed to his present post in June 2018, after serving as Representative Director, President, and Chairman of the Board of Teijin. He is also independent Director of KDDI Corporation and MUFG Bank, Ltd. He was appointed Audit & Supervisory Board Member of the company in June 2014.



Isao Saiki

Partner Lawyer
Abe, Ikubo & Katayama Law Firm

Mr. Saiki was admitted to the bar in 1989 and joined the Ginza Law Office (now Abe, Ikubo & Katayama Law Firm). He has held his current post since January 1998 and was appointed Audit & Supervisory Board Member of the company in June 2017.

However, I am an independent Audit & Supervisory Board Member, and the company chose to embrace diversity and had me take part in the discussion of its committees. I dare say this company has evolved to be the most advanced company with an Audit & Supervisory Board system in Japan during the four years I have been serving as an independent member. Fairness and transparency is ensured in the remuneration system as well as the operation of the Nomination Committee. As far as outside executives are concerned, the company has established an environment in which each individual is free to express a range of opinions.



Has your understanding of the business changed and has the effectiveness of the Board of Directors improved?

Yamamoto As the company is a manufacturer, fully understanding the manufacturing sites is essential for Board of Directors discussions. My request to learn more was met and I was given the opportunity to visit many business sites last year, such as at Tsurumi, Chiba, Fukuyama, Kurashiki, Chita and Tsu. Thanks to these visits, I was able to smoothly participate in discussions despite being a newly appointed member. I keenly felt the consideration and attitude the corporation has towards allowing each Director to visit sites to enable them to discover firsthand how business is conducted and what issues are present. Visiting the sites was an eye-opener for me, and I strongly felt that these manufacturing sites are, in a sense, the lifeline of the entire company.

Saiki I visited a local subsidiary in Myanmar at the beginning of this year. I was able to visit many worksites, including one where a wharf was being constructed. I was impressed by the many hard-working younger staff, especially at the manufacturing sites, and the powerful energy there. Directly experiencing situations like these and deepening my understanding will have a positive effect on my job as an Audit & Supervisory Board Member.

Ohyagi Various improvements have been made based on the results of the effectiveness evaluation of the Board of Directors during the four years I have been here. Operation methods and organizational designs have also evolved. However, the company's culture of valuing the manufacturing sites has not changed. As the company is extremely large in scale and places huge value on the manufacturing sites, the Board of Director meetings are held on-site at least once every year. We also conduct questionnaires, asking how on-site employees feel about the management. I believe that the company's attitude, which values the on-site employees' viewpoint on changes within the company and how it is understood on-site, is deeply rooted in the corporate culture. Management discussions are based on this information, to change company structures. In this way, I believe that this company is established on a system of trust, in which employees and management both fully understand each other.

Yoshida There are pre-meeting briefings and documents are supplied before a Board of Directors meeting. The support and work put into this preparation are also excellent compared to in other companies. If you were to point out something beforehand, not only would verbal statements be corrected but the documents would be thoroughly corrected as well, eliminating the necessity to ask the same question over again. This practice allows more time for discussions on substantial issues on the day and is an example of the company's effort toward holding meaningful discussions at the Board of Directors meetings. There used to be cases of insufficient explanations on the agenda such as its background, circumstances and assessments. However, there have been great improvements after deficiencies were pointed out at the effectiveness evaluation, and it worked well at the discussions for the current Medium-term Business Plan. It is wonderful how our opinions and requests are heard by the management and applied for practical use.

Do you have any comments on the discussions and evaluations when formulating the Medium-term Business Plan at the Board of Directors meeting?

Yamamoto As Mr. Yoshida mentioned a moment before, I believe that the holding company functions worked extremely well when establishing the Sixth Medium-term Business Plan, and the company did its job. Usually, in discussions at a holding company, meetings do not proceed beyond deliberating issues within the plans created by the operating company. However, in this company, while being receptive to business plans from each operating company, the holding company maintains a stance of taking the lead to conduct thorough discussions in the Board of Directors meetings. This allows the Board to really take a close look at management strategies and policies.



Saiki I felt that it would have been better if it there was a discussion on how the holding company should instruct the operating companies beforehand when establishing the Medium-term Business Plan. The holding company should provide instructions from a wider perspective through a group-management viewpoint, in contrast to the more practical and conservative plans and figures from the operating companies. I thought that issues on the holding company's role in the creation of medium-term business plans should be topics of expansive discussions in future meetings.

Ohyagi The Board of Directors did not have much say during the creation of the previous Fifth Medium-term Business Plan. Learning from this experience, the Board of Directors held

discussions from the planning stages for the current Business Plan.

The company has established upstream production capabilities and has been successfully creating low-cost, high-quality products that cannot be matched by overseas competitors. This allows for a shared awareness that we can attain the number one position through our high business efficiency and innovative technologies. However, I stated my opinion that, even if so, there should be more focus on how we should respond to social needs and how we should cultivate social needs to create a plan that makes more sense to the employees. My opinion was successfully reflected in the Plan.

Furthermore, because the steel industry is easily affected by changes in energy and raw material prices, which leads to great fluctuations in business results, the current earnings target incorporates this characteristic and presents a target figure that can be clearly committed to as a "level to be attained stably in three years (average basis)." I believe this is a result of the thorough discussions at the meetings.

Yoshida As he was saying, there was an understanding that there was not enough prior discussion at the Board of Directors meetings on the previous Medium-term Business Plan, and this situation needed improvement. For the current Medium-term Business Plan, we challenged ourselves to transform the steps from the deliberation process. There is one point that I feel is necessary for a better process, which is that there should be an initial rough design prior to the planning stage with outside executive participation that expresses what management issues exist and how they should be resolved to make the company come nearer to its ideal state. This change would help show the overall direction to other employees before tackling the detailed policies of a medium-term business plan. Furthermore, because the scale of the steel business and investment are very large, understanding the reasoning behind investment or regional strategies according to domestic and overseas bases is not an easy task. For this reason, I felt that for the steel business, it would be better if we had more detailed discussions.

One more point I would like to state is that, in the Board of Directors of this company, the role outside Audit & Supervisory Board Members are expected to play is practically the same as those of outside Directors. This means that it is almost like having six outside Directors, which leads to extremely lively and deep discussions from various viewpoints, while at the same time embodying the strengths of the Audit & Supervisory Board system. I believe this characteristic has a positive effect on the company's governance.

Ohyagi When I first took this post, I stated that, “Independent Audit & Supervisory Board Members should comment from a risk point-of-view.” However, the other Audit & Supervisory Board Members told me that this viewpoint was fundamentally wrong. They said that independent Audit & Supervisory Board Members are looked upon as independent auditors, and that the company wanted us to actively state opinions and thoroughly contribute to management, and I could freely say what I felt. With this encouragement, I threw myself into meetings while listening to the opinions of many people, which enabled me to participate in the lively discussions as well.

The company has set up-front investment toward enhancing technological developments as the foundation of the current Medium-term Business Plan. The success of the current Plan will depend on how accurately this is implemented, because on-track execution will dramatically boost our capabilities in new creations and cost competitiveness at the next step.

Based on your knowledge and experience, what points do you pay attention to when offering advice and supervision?

Yoshida The Board of Directors held discussions on applying overseas knowledge as well, without focusing only on R&D systems developed by Japanese nationals. In my experience, this idea is extremely helpful for factors such as product concept-making, as we will be able to anticipate proposals that transcend ideas from Japanese minds. The company is continuing to expand its overseas business, so there must be a shift to foreign users as well. In this sense, I believe that research systems should put more weight overseas and cooperate with local marketing and user development overseas.

Yamamoto Another initiative we need to embark as an essential requirement for the next step forward is to effectively apply advanced technologies such as AI, IoT and big data to our manufacturing operations. From my point-of-view, as a former member of an ICT corporation, I believe this company’s R&D department is advanced in this sense and has been keeping up with market trends. However, this area is one that evolves quickly, and I advised the company not to take matters only in their own hands, but to collaborate and make the most of external knowledge. There is a need for efficient and speedy action, or the world will go ahead without us.

Ohyagi I agree. From now on, digitalization and product simulation in advance will become possible, in addition to conventional manufacturing. We need to properly address these technologies, as they will be the source of cost competitiveness, quality, new products, and more.

The strategy on how a manufacturing company expands its business varies depending on the industry. I have a background in the fiber and resin businesses, and in that industry, manufacturers expand the supply chain toward end users. In the steel industry, manufacturers thoroughly enhance upstream manufacturing capabilities to create products unequaled by international competitors at low costs. Deliberating on overall corporate models such as these is something we all can discuss with great interest. In this context, what is most important for the Board of Directors is to provide diverse suggestions such as “How about using this method instead?”

Saiki In addition to legal risk management, which is my specialty as a lawyer, I want to view risks by asking myself whether there is anything odd from the viewpoint of general investors and consumers. Some factors that are naturally accepted by company staff may seem unnatural to the general public. I want to continue stating my opinions and hold discussions with these factors in mind.

What are your thoughts on the ESG initiatives?

Yamamoto I believe ESG has two benefits for the company. One is that it is a defensive measure to manage risks in serious issues such as reducing CO₂ emissions. Another is that it is an aggressive measure to view the solving of social issues including energy issues as business opportunities for the company. JFE Engineering especially has been tackling various challenges in the environment and energy sectors.

Ohyagi The steel business inevitably involves a large amount of CO₂ emission in the manufacturing process. Reducing CO₂ emissions is also a countrywide task for Japan, resulting in R&D investment toward improving processes, raw material application technologies, and large-scale capital investment in various areas. I was surprised to see that not only was the company conducting capital investment for improved productivity, it was also continuously conducting new capital investment focused on

sustainability in the environmental area. I believe that these types of initiatives should actively be pursued in the future as well.

Yoshida I hope that the world-class results of efforts toward reducing environmental impact, established across the company’s long history of development, will spread out to the world in a sense as public goods or common property, within the reach of everyone. Doing so will establish the company as one that excels in the E (environmental) aspects of ESG. The recycling, environmental and energy-related businesses of JFE Engineering also have the potential to grow and play a positive part in society.

Yamamoto I give this company a high rating when seen from a governance viewpoint. This company was strongly motivated to be one of the first to introduce a remuneration plan for Directors linked to medium- to long-term performance.

Saiki Linking performance to remuneration involves many complicated parameters. We have yet to see if the system works properly. There is a need to closely watch and see if this system actually does work as an incentive for executives.

Ohyagi This system attempts to redesign the conventional fixed remuneration structure from its foundation and divides it into three stages, devoting the portion linked to medium- to long-term performance as stock remuneration. I feel that this new remuneration system is not only about motivating executives, but also how to stimulate the motivation of the entire company.

In closing, what are the challenges towards enhanced corporate value and sustainable growth?

Yamamoto Although we have established the Sixth Medium-term Business Plan and drawn up future prospects with detailed targets, the global environment has seen vast transformation after the change in the U.S. administration, and we cannot expect smooth sailing ahead. Under these circumstances, we Directors must make keen observations on what kind of corrections are to be made to realize the Medium-term Business Plan. I would also like to offer the advice of speeding things up, if actions start to become sluggish.



Saiki Diversity is also a major ongoing issue. Currently, discussions are underway within the Board of Directors and the company on how diversity should be accelerated. As Mr. Yamamoto stated, I also want to keep close track on the ability to respond immediately when corrections are required for the Medium-term Business Plan, as there were drastic changes in the external environment even in the 12 months so far.

Ohyagi I still think there is an advantage in R&D initiated in Japan as a key to winning out over the intense global competition of the steel industry. It will be increasingly important to cover trends not only in the physical domain but also in the digital domain, always making sure to stay one step ahead. To that end, while ensuring firm governance, the company should move ahead with delegating decision-making authority so that everyone on-site can take the initiative.

Yoshida A corporation needs profit to stay in business, but merely generating profits will not make it a respected company. I believe that the ideal state of a company is one in which it contributes to the world through its business. In this sense, the company supports society through supplying the material steel and its efforts in the engineering field also greatly benefits the public. This company is one everyone should be proud of, as it certainly contributes to society through its business activities. I hope that it will proceed with an enthusiasm that will change steelmaking as we know it, and that it will aim high as if to leave a mark on history with its environmental responses and change the steel industry itself. This is my wish for the company’s future.

Steel Business

Responding to new needs with advanced steel and an evolving workforce

We refine steel with advanced technologies and respond flexibly to changing needs as a company valued by society.

Steel's power to respond

Steel has supported the development of civilization with its unparalleled advantages, including relatively low manufacturing costs, wide availability, tremendous strength, easy processing, and easy recycling. Going forward, I believe that expectations for steel will increase as the world continues to undergo dramatic changes. Steel's power to respond is evident, for example, in thin but strong high-tensile steel that is helping to reduce the weight of electric vehicles and construction materials that are enabling customers to save labor in response to Japan's shrinking workforce. JFE will continue to provide new value and respond flexibly to ever-changing needs by developing products and technologies that leverage steel's infinite potential.

The driving force behind such initiatives is our highly competitive production system, which is consolidated into two large-scale steelworks in east and west Japan. We continue to make strategic investments to dramatically increase our productivity and enhance our cost competitiveness. We are also establishing a robust system to manufacture 30 million tons of crude steel (non-consolidated), including by incorporating advanced IT technologies for significantly improved productivity.

Furthermore, the technological and quality capabilities that we nurture in Japan are also being applied to our overseas operations. We continue to expand our business globally through new investment and use of raw materials from overseas sources to ensure our sustainable growth in the face of declining demand in Japan.

Flexible workforce and a willingness to accept challenges

To bring out the full potential of steel and contribute to society, diverse human resources are essential. JFE is responding to dramatic global changes with flexibility and speed by establishing workplaces where employees can work comfortably and are encouraged to take on new challenges. Technologies are being passed down to younger workers through the application of artificial intelligence (AI) and the Internet of Thing (IoT), which is facilitating the transfer of on-site skills and expertise, one of the sources of our strength in manufacturing.

JFE Steel JFE Engineering JFE Shoji Trade Japan Marine United

Business Overview

JFE Steel is an integrated steel manufacturer that possesses world-class production scale and advanced capabilities for technological development. The company supplies steel products that meet the diverse needs of global customers.

Competitive production centered on two large-scale steelworks

The production bases of JFE Steel consist of two large coastal steelworks—the East Japan Works comprising the Chiba and Keihin districts and the West Japan Works comprising the Kurashiki and Fukuyama districts. The company also operates the Chita Works specializing in steel pipes and the Sendai Works to produce steel bars and wire rods. JFE Steel's highly efficient and competitive production system makes extensive use of leading-edge technologies for the manufacture and sale of high-quality steel products.



Global supply system that fully responds to worldwide steel demand

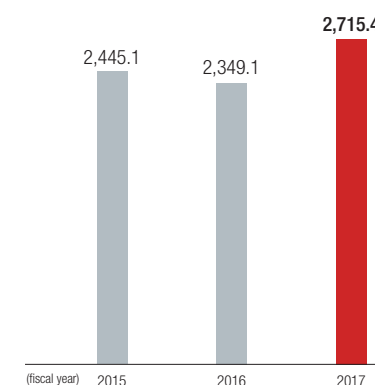
JFE Steel has actively expanded its business globally in response to growing demands for steel, especially in Asia. In recent years, the company has prioritized automobiles, energy and infrastructure materials and has expanded operations into Mexico, the UAE and Myanmar. JFE Steel leverages its advanced technologies and expertise cultivated in Japan to sell high-quality steel materials that respond to local needs.



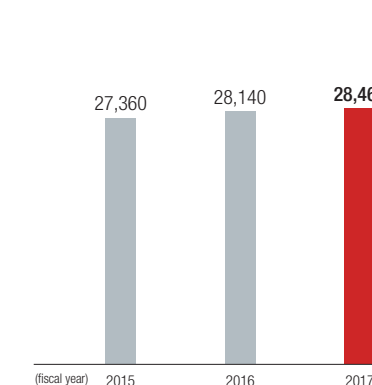
June 2017 NUCOR-JFE STEEL MEXICO groundbreaking ceremony

FY2017 Results

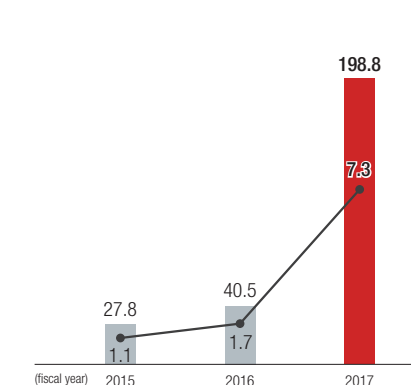
Net sales (billion yen)



Non-consolidated crude steel output (1,000 tons)



Ordinary income (billion yen) and return on sales (%)

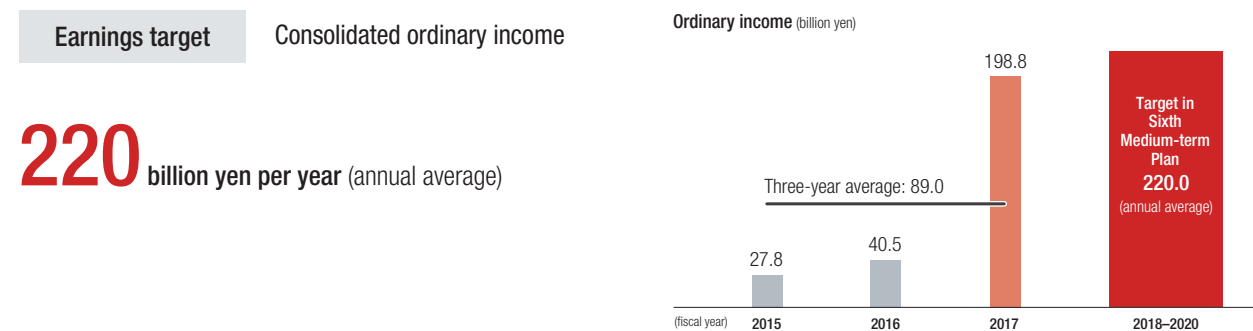


Sixth Medium-term Business Plan

Pursuing growth through advanced technologies and strengthened manufacturing capabilities

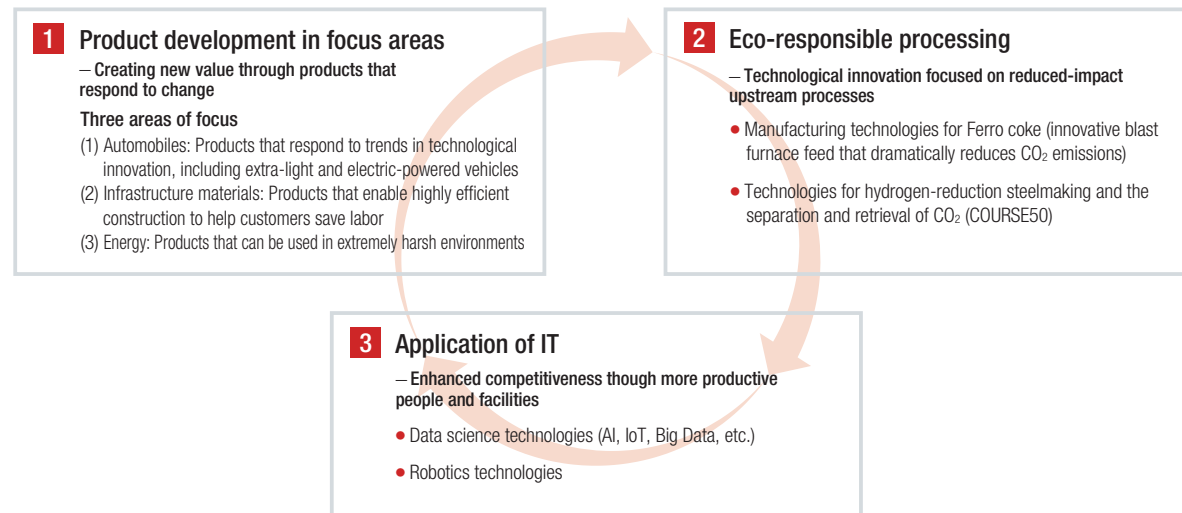
We will develop technologies to meet the needs of society and conduct highly customer-oriented sales.

By expanding the JFE brand through leading-edge technologies, we aim to steadily create new value and grow with customers.



Core Strategy 1 Pursue growth through advanced technologies

We will actively apply IT to develop products focused on automobiles, infrastructure materials and energy as well as technologies for environmentally friendly production, responding to the needs of society and customers.



R&D costs

110 billion yen over three years (up 10% from previous medium-term plan)

Core Strategy 2 Strengthening manufacturing capabilities

We will strengthen manufacturing capabilities, including by focusing investment on our West Japan Works, which possesses world-class scale and cost competitiveness.

Capital investment in Japan

About **850 billion yen** over three years (up 10% from previous medium-term plan; decision making basis)

*Based on decisions made

- Investments mainly in West Japan Works to boost capabilities and maximize performance
- Investments focused on upstream processes for cost advantages
- Continued development of manufacturing base
- Strategic investments to enhance product mix
- Continuous investments in systems, including to update steelworks

Stable production of crude steel, targeting **30 million tons** (non-consolidated)

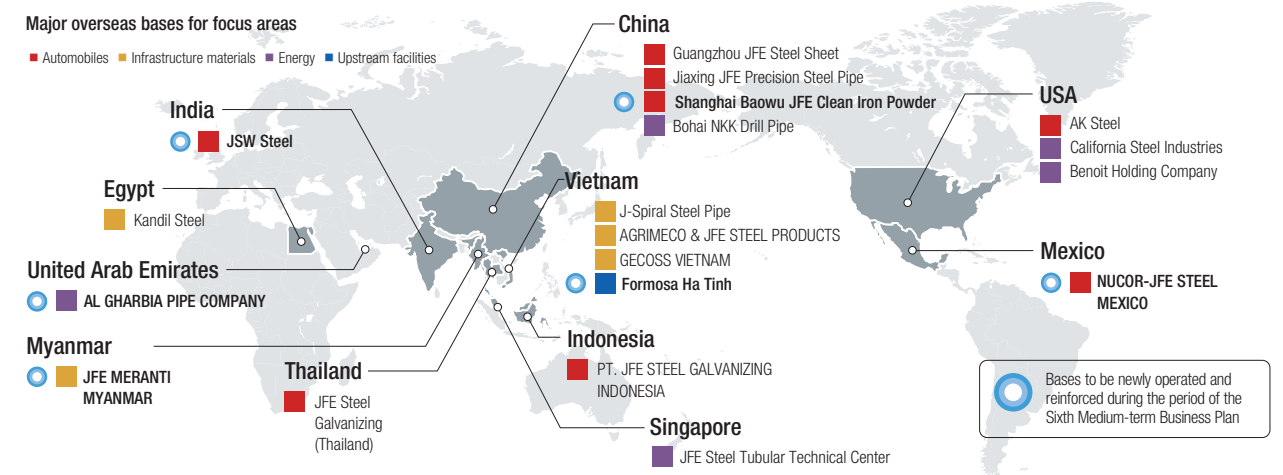
Cost reductions: at least **105 billion yen** (over three years)

- Effects of investments
- Reduction of external-procurement costs due to reinforced sintering
- Increased application of technologies involving low-cost materials

Improved product mix

Core Strategy 3 Leverage overseas business as the core of long-term growth

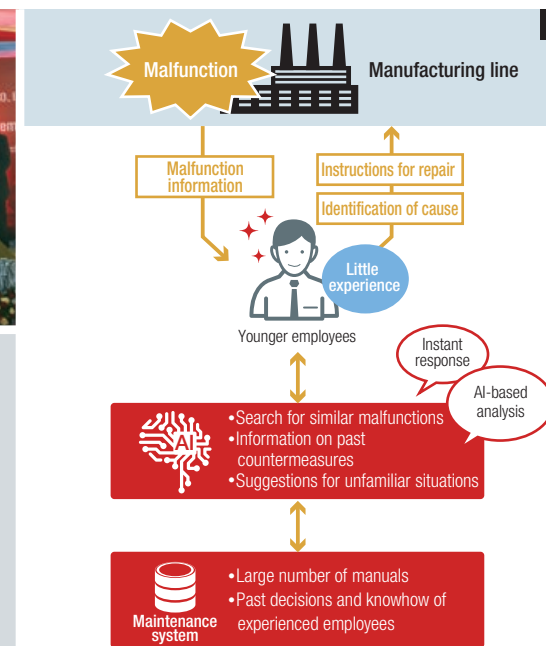
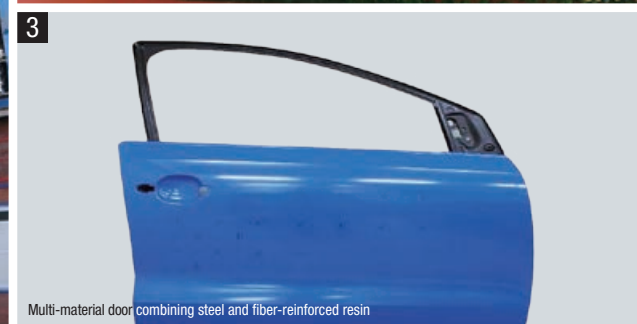
We will work to increase profitability, mainly in our focus areas, by enhancing production systems, ultimately for sustainable growth. We will also enter growing markets directly with business models designed to expand our business income, including from integrated steel manufacturing, in parallel with our traditional vertical-specialization model.



Core Strategy 4 Focus sales and other initiatives on customer needs

We will provide solutions that help customers resolve specific issues. This will be done by strengthening manufacturing capabilities to handle high-volume orders and by integrating product development and sales to strengthen proposals to customers. By making the JFE brand better known around the world through such initiatives, we expect to increase earnings on a sustainable basis.

Overview



1 Strengthening manufacturing capabilities

In December 2017, JFE Steel invested 27 billion yen to renovate Fukuyama coke oven's A and B batteries. The renovation, which follows similar renovations in Kurashiki and Chiba facilities, is scheduled for completion in fiscal 2021. The benefits will include more efficient and environmentally friendly operations. In the same month, 40 billion yen was invested to begin constructing a new continuous casting machine in Kurashiki, which will further strengthen the company's manufacturing capabilities.

2 Thin steel sheets for construction materials in Myanmar

In October 2017, JFE Shoji Trade Corporation formed a joint venture with Marubeni-Itochu Steel Inc., HANWA Co., Ltd., and MERANTI STEEL PTE. LTD. (Singapore) to construct Myanmar's first factory for high-grade construction materials. The facility, which is scheduled to start operating in 2020, will respond to the country's dramatic increase in demand for thin sheets needed for construction materials.

3 Multi-material initiatives

Reduced-weight vehicles are being designed to reduce CO₂ emissions and improve fuel efficiency. In December 2017, JFE Steel and Mitsubishi Chemical Corporation introduced a lightweight, high-rigidity steel door that combines the high cost performance and superior press formability of steel with the low weight and high rigidity of fiber-reinforced resin. JFE continues to develop multi-material products that leverage the many advantages of steel for reduced-weight vehicles.

4 Application of data science

In October 2017, AI was adopted for facility maintenance tasks to support the transfer of skills at manufacturing sites. The initiative has created a system in which the expertise of experienced employees can be accessed and applied swiftly. JFE Steel is utilizing IT to pass down technologies, boost productivity and increase its competitiveness. Data bases and other data sciences are being integrated into the steelworks' core system, which has been steadily overhauled since 2015.

5 Seventh Monozukuri Nippon Grand Awards

Super-SINTER™, which dramatically reduces the amount of CO₂ emissions when manufacturing sintered ore, and mega-container carrier incorporating brittle-crack arrest technology for enhanced safety and environmental protection, were both awarded a Prime Minister's Prize in the Seventh Monozukuri Nippon Grand Awards. The Prime Minister's Prize is the highest award in all categories. JFE continues to develop breakthrough technologies and products based on world-class technologies.

6 Work-style reform initiatives

JFE began reforming its workstyles in 2017 by introducing designated no-overtime days and minimum intervals between work hours on a trial basis. Moreover, the company has begun incorporating IT such as robotic process automation. The aims include improving labor productivity and shifting to working styles that generate higher added value. The company also is striving to establish workplaces where employees can work comfortably and with vitality, such as by launching in-house childcare facilities in Kurashiki and Fukuyama, similar to a facility operating in Chiba.

2017 Highlights

2017	
April	<ul style="list-style-type: none"> Started operating No. 2 coke oven in Kurashiki No. 5 CAL in Fukuyama broke Japanese record for monthly production volume Development and manufacturing started for ECOGAL-Neo®, a hot-dip 5%-zinc Al steel sheet offering high corrosion resistance Introduced JEFORMA™ as Japan's first high-tensile-sheet series for automobiles Awarded 49th Ichimura Prize in Industry for Distinguished Achievement for JNHF-Core® and JNSF-Core® resource-saving silicon-gradient steel sheets
May	<ul style="list-style-type: none"> Started developing Byerwen mine in Australia Held festivals in Fukuyama and Keihin Awarded Minister of Education, Culture, Sports, Science and Technology Award in 2017 National Commendations for Inventions for ultrasound online inspection technology using electric-resistance welded pipe made with extra-tough Mighty Seam®

May	<ul style="list-style-type: none"> Acquired rating for new Kongo-pile® method featuring Japan's highest bearing capacity (pile-based construction for foundations featuring enlarged tip foot protection) Ignited first blast furnace in FHS integrated steelworks project in Vietnam
June	<ul style="list-style-type: none"> Started full-scale operation of JFE Integrated Database for Supply Chain Management Received order for 230,000 tons of line pipes for PTT Public natural gas transport project in Thailand
July	<ul style="list-style-type: none"> Started constructing pilot plant to produce Ferro-coke in Fukuyama
August	<ul style="list-style-type: none"> Developed stud-type damper composed of visco-elastic materials and two steel columns for vibration damping in buildings
September	<ul style="list-style-type: none"> Developed FM1000S nickel-free alloy steel powder for metallurgy offering high strength and toughness

October	<ul style="list-style-type: none"> Started offering hot-dip coated and color steel sheets for construction materials in Myanmar
November	<ul style="list-style-type: none"> Held festivals in Kurashiki and at Chita Works Introduced AI technologies for steelmaking-facility maintenance
December	<ul style="list-style-type: none"> Developed high-function spot-welding technologies Renovated Batteries A and B of No. 3 coke oven in Fukuyama JFE topology optimization technologies adopted for use by Mitsubishi Motors Corporation Developed lightweight, high-rigidity steel door combining fiber-reinforced resin Began constructing new continuous casting machine in Kurashiki

2018	
January	<ul style="list-style-type: none"> Awarded Prime Minister's Prizes in Seventh Monozukuri Nippon Grand Awards for development of Super-SINTER™, which reduces CO₂ emissions when producing raw materials for steelmaking, and mega-container carriers incorporating brittle-crack arrest technology for enhanced safety and environmental protection
February	<ul style="list-style-type: none"> Received 2017 Energy-Efficient Machinery Awards' Agency of Natural Resources and Energy Director General Prize for two-step jet burner used to ignite sintering machines Received Japan Machinery Federation Chairman Award for self-exhaust emission-recirculating radiant tube burner
March	<ul style="list-style-type: none"> Established company-led childcare facilities in Kurashiki and Fukuyama

Engineering Business

An engineering company that “Creates” and “Ni-na-u*” the foundation for life

Under our Fifth Medium-term Business Plan, we achieved annual net sales of 400 billion yen and ordinary income of 20 billion yen. Under our new Sixth Medium-term Business Plan, we are now targeting stable ordinary income of 30 billion yen through profitable creation (construction) businesses and a full-fledged entry into the field of “Ni-na-u” business.

*“Ni-na-u” is a Japanese word meaning supporting and remaining responsible. We aim to provide solutions with our engineering and manufacturing know-how.

Ensure revenue increase in domestic and in overseas projects

Earnings of the company are the accumulation of profits generated from each project, and we view securing profitability per project as an important management issue. We will address this issue by appointing experienced members and working as an organization to detect risks at an early stage and implement effective countermeasures.

The development of infrastructure such as urban environments, water treatment plants and bridges is our mission and it is deeply rooted in the lives of people in the world. In pursuit of this mission, we are focusing on emerging market, primarily in Asia, to steadily expand through our bases we have built so far and increase earnings of our overseas businesses.

Combining products and services for expansion

Ever since the establishment, we have engaged in the “creation” business in diverse fields, from the planning and designing of various plants and infrastructure facilities through to construction. In particular, our development initiatives in Japan have directly addressed vital environmental and energy issues, resulting in our accumulation of extensive expertise.

In recent times, private companies have become increasingly involved in the management of infrastructure on behalf of local governments. We worked on this trend by engaging in infrastructure operation, maintenance and related undertakings. In addition, we launched business for renewable-energy power generation and waste recycling.

JFE Engineering is now applying its vast expertise in a full-fledged expansion into “Ni-na-u” businesses, which is a combination of plant facilities built by us and daily operation management services. This will serve to reduce the risk where business performance is largely affected by the volatile order intakes. We will also build earning structure that can stably secure 30 billion yen in ordinary income.

Hajime Oshita

President and CEO
JFE Engineering

JFE Steel

JFE Engineering

JFE Shoji Trade

Japan Marine United

Business Overview

JFE Engineering's core business is the construction of essential infrastructure, including waste-to-energy plants, water treatment plants and bridges. By focusing on these business fields, we propose integrated services that include business planning, and operating business covering from EPC to O&M (Operation and Maintenance) stage.

Environment

- Waste-to-Energy Plants
- Recycling industrial waste, food and consumer appliances



Photo courtesy of Clean Authority of TOKYO

Aqua

- Water treatment plants (water and sewage)
- Water pipelines



Energy

- Natural gas treatment plants
- LNG bases
- Pipelines



Infrastructure

- Transportation and logistics infrastructure (bridges, ports and harbor facilities)
- Disaster-prevention infrastructure (seawalls and breakwaters)



Machinery and systems

- Industrial machinery (cranes and steam turbines)
- Environmental equipment for ships
- Logistics systems



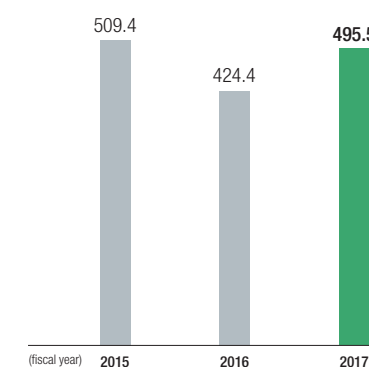
Power generation and electricity

- Retail sales of electricity and regional new power systems
- Renewable-energy power generation (biomass, geothermal, wind and solar)
- Energy Service Provider (comprehensive energy supply to corporations or regions)

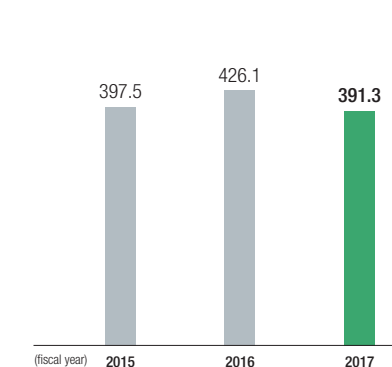


FY2017 Results

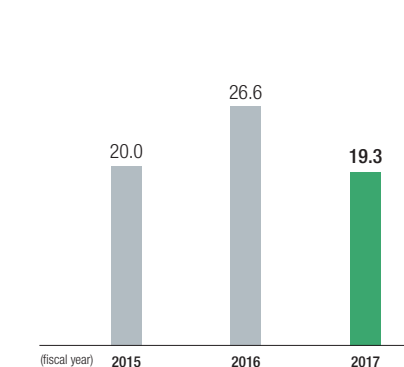
Orders received (billion yen)



Net sales (billion yen)



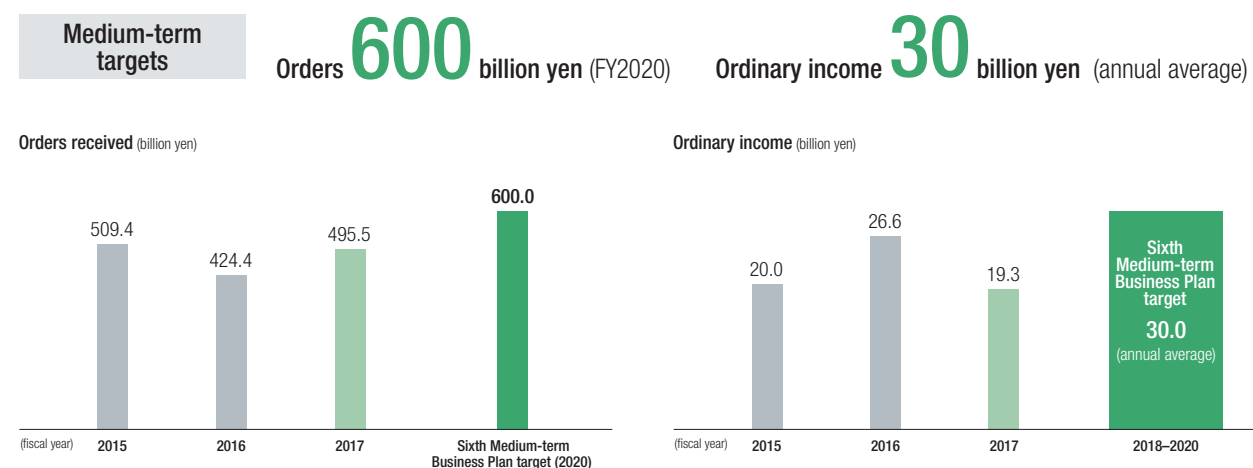
Ordinary income (billion yen)



Sixth Medium-term Business Plan

To build earning structure that can stably secure 30 billion yen in ordinary income

Our current Medium-term Business Plan is focused on expanding operating business, increasing revenue in overseas businesses and research and development and investment for the future. To build earning structure of both domestic and overseas projects, we are applying capital resources toward production and investments that anticipate our next medium-term business plan, aiming to make a dramatic leap forward.



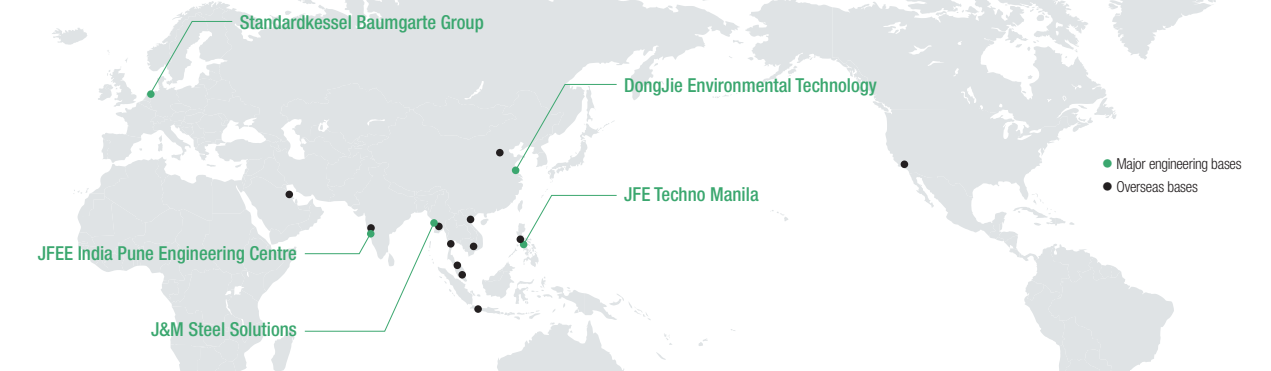
Core Strategy 1 Expansion of operating business

We aim to expand operating business, which include Public and Private Partnership (PPP) business, recycling business, power generation and electric power businesses, in addition to EPC which we have pursued. By applying diverse energy sources, such as biomass energy, geothermal power and LNG, we will meet our customer needs by proposing integrated services that cover business planning to management, aiming to expand a stable source of earnings.



Core Strategy 2 Profitable overseas businesses

Centering on bases outside of Japan, we will steadily achieve profitable overseas businesses by focusing on product fields in which we excel, such as waste-to-energy plants, water treatment plants and steel structures. The effort will involve accelerated localization through the transfer of technologies and designs, and reinforcement of our global engineering structure.



Base	Business	Initiative(s) under Sixth Medium-term Business Plan
Standardkessel Baumgarte Group	Comprehensive engineering for Waste-to-Energy plants	Focus on large scale Waste-to-Energy plants in Europe and Asia
J&M Steel Solutions	Designing and manufacturing steel structures	Acquire more orders from outside of Myanmar Develop new product fields
JFE Techno Manila	Planning, designing and project management in all product fields	Reinforce human resources for overseas project Enhance functions as a branch of Global Remote Center
JFEE India Pune Engineering Centre	Planning and designing of Waste-to-Energy plants	Become a design hub for overseas projects: e.g. Waste-to-Energy plants
DongJie Environmental Technology	Comprehensive engineering for Waste-to-Energy plants	Focus on Waste-to-Energy plants in China

Core Strategy 3 Development and investments for the future

We will invest 50 billion yen intensively in the fields that will support the next medium-term business plan, such as operating business, overseas businesses and AI and IoT. We aim to increase the number of orders by speedily developing and supplying new products that meet the needs of customers and markets.

Investment targets	Major development themes		
<ul style="list-style-type: none"> Operating business Overseas businesses AI and IoT 	Highly efficient waste power generation	Sludge incinerator power generation	Electricity storage systems
	Automated plant operations	ICT-supported smart manufacturing	Robot-supported plant construction

Automated plant operations

Vigorous investment in AI-supported automated-operation technologies for Waste-to-Energy Plants





1 Completion of Toyohashi Biomass Utilization Center

This facility, one of the largest composite-biomass facilities in Japan, generates electricity with biogas generated from methane derived from sewage and septic tank sludge and raw garbage. Previously, these three biomass sources had been processed separately. The residue generated from methane fermentation is also carbonized into fuel. Toyohashi Bio-will, a private-finance-initiative (PFI) operator, has commissioned JFE Engineering to construct, operate and maintain the facility for the next 20 years.

2 Completion of Kesennuma Oshima Bridge, one of the East Japan's longest arch bridges

The Kesennuma Oshima Bridge (also known as Tsurukame Ohashi), one of the longest (356m) arch bridges in East Japan, was completed to connect Kesennuma, Miyagi Prefecture, with Oshima Island. JFE Engineering employed a single-operation erection, drawing on extensive know-how it has cultivated in domestic and overseas construction business. The much-anticipated bridge has been long awaited by local residents, who have had to use boats for the journey up to this time. This is the first-ever island bridge in the Tohoku area and a symbol of the Tohoku's recovery from the Great East Japan Earthquake in 2011.

3 Installation of pier jacket begun at Thilawa Port in Myanmar

Installation work on a pier jacket at Thilawa Port began through a joint venture with TOYO CONSTRUCTION. Myanmar Port Authority placed the order as part of the country's build-up of port facilities in the Thilawa Special Economic Zone (SEZ) of Yangon. The installation work is being implemented as Official Development Assistance (ODA) from the Government of Japan. The pier was manufactured by J&M Steel Solutions, a joint venture between Myanmar and JFE Engineering that is creating jobs for local citizens.

4 Installation of giant crane in Tokyo port

At the Port of Tokyo, which handles more containers than any other port in Japan, JFE Engineering has installed three container cranes, each with a total length of 108m and height of 53m. They are located in the Y1 berth area near Haneda International Airport, so they feature center-folding mechanisms to conform to aviation-related height regulations. For maintenance and inspections, the cranes incorporate a surveillance system to monitor cargo from the company's Yokohama Head Office.

5 Steady progress in processing disaster waste from Fukushima

JFE Engineering has been incinerating and otherwise processing waste related to the 2011 disaster in Fukushima Prefecture. Five temporary incinerators have been installed in the prefecture to process waste at Katsurao, Minamisoma (furnaces 1 and 2), Date and Naraha. A sixth facility is currently under construction in Futaba. The company is applying its total know-how based on extensive experience to contribute to the reconstruction of Fukushima.

(Photo) Temporary incinerator facility in Naraha

6 Completion of submarine shield pipeline across Nagoya Port

JFE Engineering completed a 5km submarine shield tunnel that supplies natural gas to the West Nagoya Thermal Power Plant for Chubu Electric Power. The plant, which had previously used petroleum as fuel, has been relaunched as an efficient natural-gas power plant with reduced CO₂ emissions. All Chubu Electric Power thermal power plants in Ise Bay have been connected to the natural gas supply network, aiming to realize more stable fuel supplies and more efficient operations.

2017 Highlights

2017

- April**
 - Started operation of two new Cycle Tree® automated bicycle-parking structures in Tokyo
 - Introduced telework system
 - Began developing BOG re-liquefaction device in partnership with AG&P in Philippines
 - Started operation, maintenance and management services for water facilities throughout Fukuyama city
 - Completed 50MW biomass power plant for SIGMA POWER Ariake
 - Started operation of center-folding container cranes at Matsuyama Port
 - Received order from Morioka Shiwa Environmental Facilities Association to improve principal waste-incineration facilities
 - Delivered PET diagnosis system to Yamanashi PET imaging clinic
- May**
 - Started operation of smart agriculture plants in Sapporo city
 - Received an order for two container cranes to be installed in the Oi Container Terminal in Tokyo
 - Completed the first Waste-to-Energy plant in Myanmar
- June**
 - Completed LNG reload facilities in Sodeshi
 - Received order for Meguro Clean Plant from Clean Authority of Tokyo

- July**
 - Completed steam turbine for Ube Industries
 - Received order for an expansion of chemical plant in Singapore
- August**
 - Formed partnership with The Nisshin OilIIO Group to optimize energy at its Japan bases
- September**
 - Completed submarine shield pipeline for Chubu Electric Power
 - Signed memorandum to promote smart agriculture business with Russia's state-owned Sberbank
 - Completed second Kuchidaki elevated bridge for Sanindo Taki/Asayama Road
- October**
 - Completed construction of composite biomass energy facility in Toyohashi
 - Received order from Imaizumi Factory in Sendai to improve principal facilities
 - Received order from Thailand for industrial waste power plant
 - Signed contract with Hamamatsu to operate public sewage treatment plants
 - Completed container cranes at Y1 berth in Port of Tokyo
 - Completed Kesennuma Oshima Bridge

- November**
 - Awarded 2017 Good Design Award for water steel pipe for crossing faults
 - Received order from Sri Lanka for elevated bridge
 - Completed first smart agriculture plant in Niigata Prefecture
 - Started talks with Tokorozawa city, etc. for regional power system using renewable energy
 - SBG: Received order in Germany for waste-heat recovery boilers
 - Received order from Sasayama Clean Center to improve facilities for waste incineration
 - SBG: Received order in Scotland for Waste-to-Energy plant
- December**
 - JFE Kankyo: Started operation of plastic pallet recycling factory
 - Received order from Tokorozawa East Clean Center to refurbish and operate facility long-term

2018

- January**
 - MiReLIS® BOG re-liquefaction facilities received Energy Conservation Grand Prize's Minister of Economy, Trade and Industry Prize for excellent energy conservation equipment
 - Received order from Tokyo Gas to construct principal gas pipelines in Ibaraki Prefecture
- February**
 - Awarded Japan Institute of Energy Award for application of counterflow combustion to waste power generation
- March**
 - Received order to construct city-gas distribution facilities for Ohgishima
 - Received order from Futaba, Fukushima Prefecture for disaster-waste processing
 - Released Japan's first explosion-proof access point for advanced radio communication
 - Established Global Remote Center in Yokohama Head Office
 - Completed seismic retrofitting work for receiving pier at Chita LNG base

Naosuke Oda

President & CEO
JFE Shoji Trade Corporation

Trading Business

Growing sustainably with customers as a company with presence

JFE Shoji Trade reinforced its corporate culture while working to boost the profitability of its domestic and overseas companies during the Fifth Medium-term Business Plan. Our overseas profitability increased dramatically, backed by the stable foundation of our domestic core, and we achieved our profits targets for the medium term. Although profits were focused on trading income, including sales and procurements of steel products, raw materials and equipment, consolidated income amounted to more than double non-consolidated income, reflecting our greatly expanded business income in the processing and distribution fields, especially among our group companies. Such positive results were a clear sign that our profits structure is evolving favorably.

Creating a stable profits base and striving to boost profits

We will strive to establish a solid footing under current conditions while also moving aggressively to realize future growth, stabilize our profits base and increase profits through trading and other business activities under the Sixth Medium-term Business Plan.

Regarding our core profits—trading income—we will make the best possible use of the JFE Group's resources as well as expand transactions outside the Group.

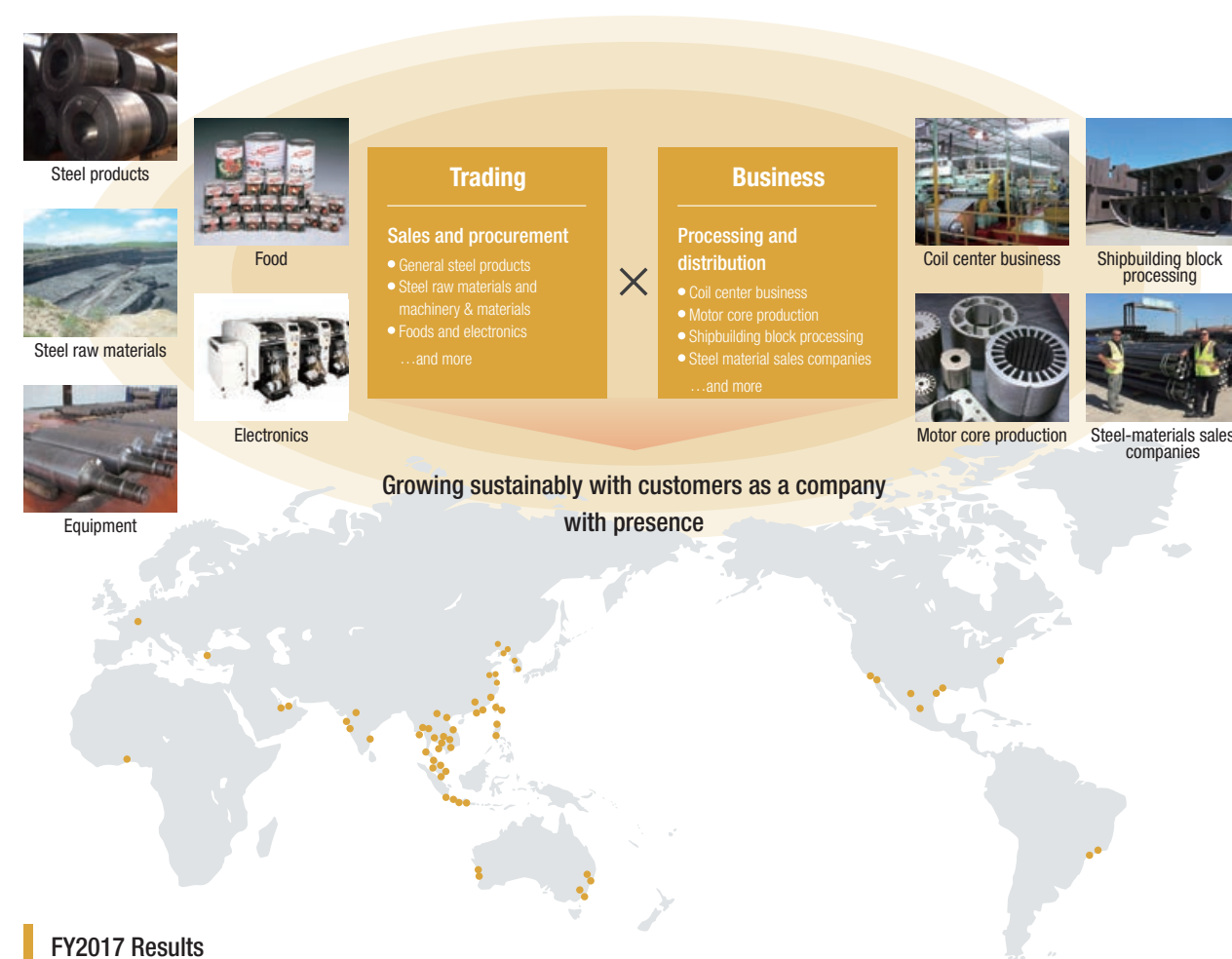
For business income, in addition to strengthening both upstream and downstream factors and reinforcing processing and distribution operations, we will use M&A to expand the scope of our activities.

Although the Japanese business environment is expected to remain firm and stable, demand will decrease over the medium to long term. For this reason, we will optimize our processing and sales systems, including through reorganization and consolidation in non-conventional areas. A four-region structure centering on Japan but also including China, the Americas and ASEAN will be introduced to ensure that we can respond to growing overseas demand and generate well-balanced global profits.

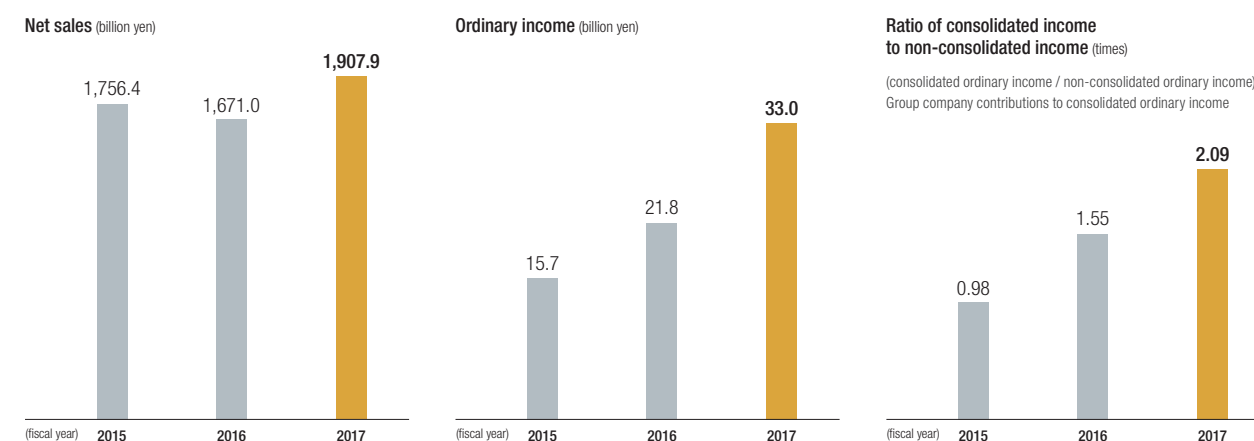
We aim to establish a stable profits base, both domestically and overseas, by implementing such measures to be a company of presence for our customers.

Business Overview

JFE Shoji Trade focuses on steel products but also handles steel materials, non-ferrous metals, chemicals, fuels, equipment, marine vessels and even food and electronics. The company provides global services that add value to supply chain operations including inventory, processing and retail sales. Its global network encompasses 94 companies in 19 countries.



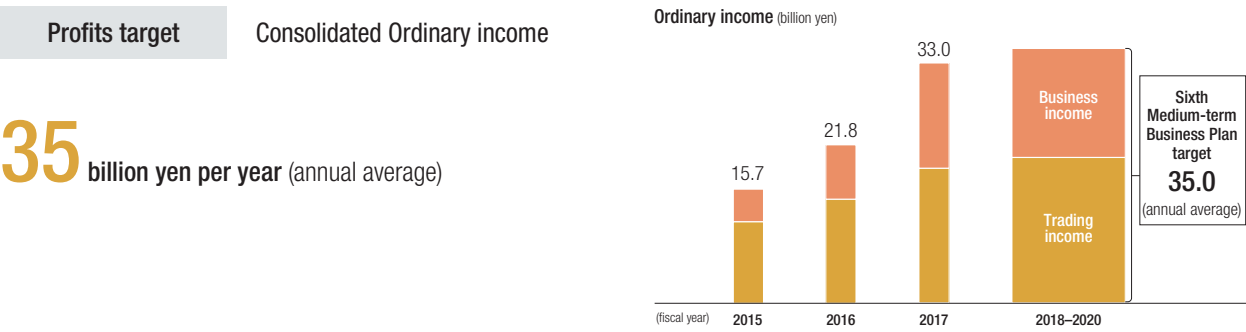
FY2017 Results



Sixth Medium-term Business Plan

Establish a stable profits base and increase profits through trading and business

We aim to grow sustainably with customers as a company with presence. We will firmly respond to market needs by enhancing our proposal and communication capabilities, establishing a stable profits base and reinforcing our global and regional strategies centered on Japan.



Core Strategies

1

Establish a stable Profits base (trading income + business income)

2

Reinforce global and regional initiatives (Japan, China, Americas and ASEAN)

3

Strengthen capabilities through increased training for core personnel and adoption of IT

Reinforce the global four-pillar system (Japan, China, the Americas, ASEAN) centered on Japan

We will boost trading and business income through increased collaboration between overseas bases, along with collaboration between our headquarters and divisions

Key themes		Region				
		Japan	China	Americas	ASEAN	Other regions
Trading income	Make full use of JFE Group resources <small>(materials from FHS, JFE Meranti, JSW India, etc.)</small>		Increase transaction amount for handling materials from overseas alliances			
	Boost transactions outside of JFE Group <small>(leverage knowledge and expertise regarding internal transactions)</small>	Expand sales into electricity field		Increase transactions with steel manufacturers outside of Group		
Business income	Increased downstream initiatives <small>(detailed analyses of growing fields for secondary and tertiary processing, and new retail sale systems)</small>	Added-value processing of construction materials and steel pipe	Electrical steel sheet press processing (in-vehicle motor cores)		Secondary and tertiary processing for electrical steel sheets (iron cores for transformers)	
	Reinforce existing operations <small>(enhance and complement functions for maintaining and boosting profitability)</small>	Enhance processing and distribution businesses				
		Reinforce food and electronics businesses				
	Enter new fields <small>(expand regions, merchandise and grades, and participate in local supply chains)</small>			Construction material field		
				Energy field		
				Expand business scope through M&A		

Overview



1 Major reinforcement of motor-core compress capacity to enhance downstream factors

Our operating company in China, Zhejiang JFE Shoji Steel Products (KSZ), reinforced its press and peripheral equipment from 2017 to 2018 to increase its production of motor cores, the main component of high-efficiency motors for vehicles, etc., for which demand is rapidly increasing. It has established a motor-core manufacturing base with a monthly production capacity of over 4,000 tons, making this plant one of the top producers in the world. KSZ is now striving for stable mass production and sales of these motor cores, which are difficult to manufacture. It also is considering production of driving motors for electric vehicles.



2 Invested in Suga Steel's Thai plate processing and sales company

We acquired shares in Suga Steel (Thailand) Co., Ltd., a subsidiary of plate processor Suga Steel Co., Ltd., our first such investment in Thailand. The company was founded in 2012 and has been processing and selling plate-fusing products, mainly for Japanese construction equipment manufacturers in Thailand. In view of the expected increase in demand for construction equipment, we will coordinate sales strategies with Suga Steel (Thailand) to respond effectively to the needs of our customers in Thailand.



2017 Highlights

2017

April

Established ASEAN Business Division
Qualified as Premier Partner of Fuji Xerox for sixth consecutive year
JFE Shoji Steel Indonesia received Best Partner Prize from PT. Suzuki IndoMobil Motor, automaker Suzuki's manufacturing base in Indonesia

May

JFE Shoji Electronics formed capital alliance with Routrek Networks to develop ZeRo. Agri soil hydroponic system for greenhouse digital farming

July

Reinforced motor core press capabilities at KSZ

August

JFE Shoji Steel Malaysia named Best Partner by Panasonic Appliances Airconditioning Malaysia

October

Tohsen and JFE Shoji Trade Steel Construction Materials invested in Mitsuwa Tekken steel materials processing company
Niigata Steel's plate operations (Kashiwazaki Plant) transferred to Hokuriku Steel
JFE Steel, Meranti Steel and two other trading companies established JFE Meranti Myanmar
Kitakanto Steel updated its fusing facilities and reinforced its extra-thick plate processing functions

November

JFE Shoji Trade America, Prolamsa and Sankin Corporation and Pro-SANKIN Tuberia de Precision celebrated the start of their cold-drawn tube joint venture

December

Steel materials processor Thailand Steel Alliance Service Center acquired inspection certificate from JFE Steel Galvanizing (Thailand)
Mizushima Steel Corporation installed new slitter line and reinforced sheet processing capabilities

2018

January

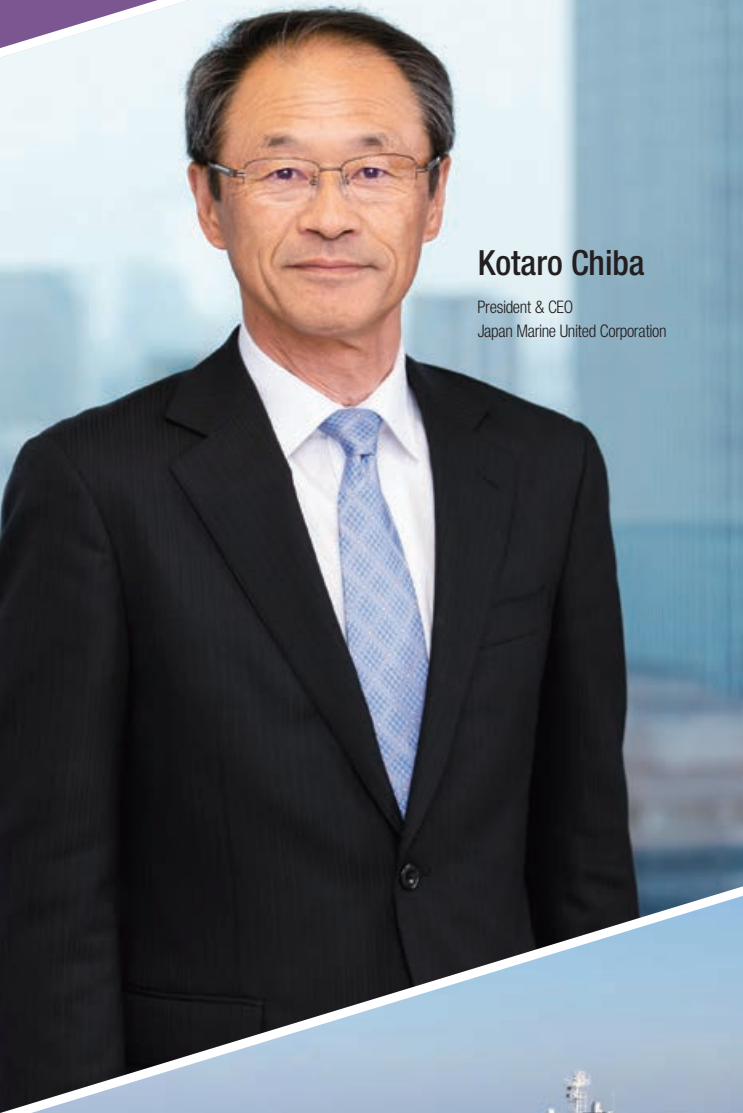
Invested in Suga Steel (Thailand), Suga Steel's subsidiary for plate processing and sales

February

Celebrated JFE Shoji Usuitakenzai's 10th anniversary
Named to 2018 Certified Health and Productivity Management Organization Recognition Program's "White 500" large enterprise category

March

Kawasho Food Corporation's imported Chilean wine, Caleuche Classic Carmenera 2016, received Diamond Trophy from SAKURA Japan Women's Wine Awards 2018
Wound iron-core manufacturer JFE Shoji Cormec celebrated 50th anniversary



Kotaro Chiba

President & CEO
Japan Marine United Corporation



First Malaccamax-type very large crude oil carrier (VLCC),
“Eneos Arrow”, completed in December 2017



500-ton patrol vessel, “HITACHI” for
Japan Coast Guard, completed in
February 2018

Established shipbuilding

Business as equity-method affiliate

Contributing to the ship and offshore field with the finest products and services

Japan Marine United Corporation was founded in 2013 by consolidating the shipbuilding divisions of four steel or heavy-industry companies. As Japan’s top shipbuilding company boasting a leading combination of engineers and research facilities, we can respond with unmatched skill to demands for advanced merchant vessels, naval ships and other offshore undertakings. To fulfill our mission of supplying customers with newest and best ships, we are continually reinforcing our development, technological and manufacturing capabilities as well as swiftly adopting the latest environmental and ICT technologies.

Upgrading our business performance as the shipbuilding market recovers

Although a perception of over-tonnage persisted in the market due to expanding construction capabilities and mass-construction initiatives in China and South Korea, the market for new merchant vessels is gradually recovering. The most pressing issue for our company, which has continued to struggle, is to recover our business performance in an upward-trending market. We will channel all of our efforts into achieving this goal, including by reinforcing our competitive power through employee education, work reviews and deepened communication not only internally but also with our client, Maritime Cluster.

Reaching new heights with leading environmental and energy-saving technologies

Many technologies are transcending industrial boundaries. This is also true in the world of shipbuilding. Through research, we are working to lower environmental impact through highly fuel-efficient ships and to automate ship operations for increased marine-transport safety. We believe that these and other initiatives hold great promise for our future business. Meanwhile, in our journey to become a world-class company we will leverage our proven shipbuilding technologies to swiftly meet needs for ships equipped with leading environmental and energy-saving technologies.

Overview



1



2

1 Completion of a large passenger/car ferry “SUNFLOWER FURANO”

Japan Marine United completed the large passenger/car ferry “SUNFLOWER FURANO” at its Yokohama Shipyard (Isogo Works) and delivered to MOL Ferry Co. in April 2017. Entered service between Oarai, Ibaraki Prefecture, and Tomakomai, Hokkaido Prefecture, the vessel carries 590 passengers, 160 large trucks and 100 passenger cars. Its optimized design incorporates greenhouse gas-reduction and excellent fuel-saving technologies such as contra-rotating propellers. Also, its hybrid propulsion system uses both engines and motors as driving sources to ensure that the vessel is highly maneuverable, a vital attribute for a large ferry. It also offers special features for extra-comfortable passenger cabins. Going forward, the “SUNFLOWER FURANO” is expected to enjoy a long life as a cherished ferry that is both friendly to the environment and passengers.

2 Completion of “JFE VENUS” product transport vessel for JFE Steel

Japan Marine United also constructed , “JFE VENUS”, cargo ship at its Yokohama Shipyard (Isogo Works) and delivered it to Toyokaiun Co., Ltd. in January 2018. The “JFE VENUS” is chartered by JFE Logistics Corporation to transport products for JFE Steel Corporation. As a Ro-Ro (roll-on/roll-off) vessel, it is equipped with special ramps that connect to berths to allow wheeled vehicles with products to be driven directly on and off the vessel. Designed and built with JMU’s world-top class technological capabilities, it incorporates advanced features for energy savings, safety and operability. Excellent fuel efficiency is achieved with an improved stern shape and low-friction hull coating paint. Enhanced maintenance and operability promote extra-efficient loading/ unloading operations and the crew cabins are also improved more comfortably.

Vessel overview

Principal dimensions	Length (o.a.) 199.7m x Breadth 27.2m
Gross Tonnage	13,816
Service speed	24 knots

Vessel overview

Principal dimensions	Length (o.a.) 151.3m x Breadth 30.0m
Deadweight	6,200 tons
Gross Tonnage	9,378
Main engine	Two Hanshin Diesel Works LA34G diesel engines
Service speed	11 knots
Complement	15

2017 Highlights

2017		2018	
April	Delivered the first ship, “SUNFLOWER FURANO”, a large passenger/car ferry	December	Delivered “ENEOS ARROW”, Malaccamax-type very-large crude oil carrier, the first design of JMU’s latest energy-efficient oil tanker
July	“DRIVE GREEN HIGHWAY”, a large car-carrier received the Ship of the Year 2016’s Grand Award “NYK BLUE JAY”, a mega-container ship received Ship of the Year 2016’s award in Large Cargo Ship category	January	JMU, JFE Steel Corporation and IHI Corporation received the Seventh Monozukuri Nippon Grand Award’s Prime Minister’s Prize for brittle-crack arrest technology applied to mega-container carriers Delivered “JFE VENUS”, Ro-Ro cargo ship chartered by JFE Logistics for transportation of JFE Steel’s products
October	Participated in Project for Ship Performance Evaluation on Actual Seas, a joint research project hosted by multiple marine organizations in Japan	March	Delivered “HIRADO”, the largest FRP minesweeper to Japan Maritime Self-Defense Force
December	JMU employee awarded nation’s The Order of the Sacred Treasure, Silver Rays during Autumn Conferment of Decorations for contribution to steel stress relief skills		

ESG Initiatives

The JFE Group designates contributing towards realization of sustainable society as an important management issue and promotes various ESG initiatives. For the Sixth Medium-term Business Plan, along with continuing the conventional activities, we have newly set key performance indicators (KPI) for major Group material CSR issues, and are working towards attaining the targets.

17 Sustainable Development Goals (SDGs)



Identifying processes for material CSR issues (FY2016 to 2017)

We have identified material CSR issues to respond to the expectations and requests of our many stakeholders and to create social value. We have identified and determined order of priority for the most pressing items in accordance with the following process, from a viewpoint of risk-reduction and opportunity-creation to realize sustainable growth for the Group.



Material CSR issues identified

Corporate Vision
Contributing to society with the world's most innovative technology

Areas of focus		Contents	Material CSR Issues	KPIs for Material CSR Issues		JFE Engineering		JFE Shoji Trade	Relevant SDGs	
				JFE Steel						
Activity	Provide quality products (customer satisfaction)	■ Provide products and services based on advanced technologies - Continue stable supply of safe, high-quality products - Solve customer's problems	Stable products supply	■ Make steady progress on strengthening its manufacturing base to ensure stable supply	■ Secure stable number of certificated managing engineers		■ Make consistent investment in processing and distribution operations		791011 121317	
			Ensure quality	■ Improve the level of quality assurance and product testing	■ No major quality problems		■ Conduct quality audits on affiliate companies			
			Pursue research and development	■ Make consistent or increased investment in research and development	■ Make consistent or increased investment in research and development		—			
			Respond to customer needs	■ Build infrastructure that improves customer satisfaction, and strengthen training for sales personnel	■ Use data collected from customer surveys to enhance customer satisfaction		■ Invest in the development of strong sales personnel			
	Protect the global environment	■ Mitigate environmental impact ■ Contribute to circular society ■ Utilize Group technologies to develop products that contribute to environmental protection	Develop and provide eco-friendly products	■ Expand the eco-friendly products and technological offerings	■ Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (t) reduced per year)		—		679 121314	
			Mitigate climate change	■ CO ₂ reduction goal defined in the Japan Iron and Steel Federation's "Low-Carbon Society Implementation Plan"						
				■ Continue to invest in energy conservation						
			Protect the global atmosphere	■ Continue to work on keeping NOx and SOx emissions at low levels	—		—			
		Pursue resource recycling	■ Maintain the efficient use of water	■ Recycle at least 99.5% of rubble ■ Recycle at least 95.0% of sludge ■ Recycle at least 85.0% of industrial waste		■ Global recycling of steel scraps				
	Ensure occupational safety and health	■ Prioritize safety first ■ Maintain the physical and mental health of employees and their families and create rewarding workplaces	Prevent workplace accidents	■ Workplace fatalities: zero occurrences				38		
			Ensure the health of employees and their families	Provision rates of health guidance* (by 2020) ■ 35% ■ Rate of health examination for dependents: 60% (by 2020)		■ 35% ■ 40%				
	Recruit and nurture diverse human resources	■ Maintain work environments where all personnel can show their full abilities ■ Accumulate technologies and skills and hand down them to younger generations	Pursue diversity and inclusion	Ratio of female recruits ■ At least 35% in career-track white-collar positions, more than 10% in career-track technical positions, more than 10% in on-site positions ■ Females in managerial positions: triple the 2014 figure (by 2020)		■ At least 20% in career-track positions, at least 5% in production/construction positions (technical)		■ At least 25% in career-track positions		458 910
Strengthen personnel development programs			■ Improve technical skills and conduct high-quality training programs		■ 100% attendance from the target audience for human rights awareness training					
Basis of activity			Thoroughly enforce compliance	Ensure adherence to corporate ethical standards and compliance	■ Steady execution of training to foster and maintain a sense of compliance		■ Improve employee awareness of ethics reflected in JFE's Corporate Ethics Awareness Survey			

KPIs for Material CSR issues

The JFE Group has set KPIs since this year to assess steady progress for the 13 material CSR issues in five focus areas we identified.

We configured the KPI from standpoints such as their appropriateness for various issues or consideration on which issues need to be addressed at operating companies and as a Group, while also listening to the opinions of outside experts. Multiple discussions were held towards the final decision at the Group's CSR Council chaired by the president of JFE Holdings.

Going forward, we will regularly follow these KPIs and publicly disclose our results. Additionally, we will review these KPI indicators as needed as part of our efforts toward achieving sustainable growth as a Group and increasing corporate value as well as contributing towards realizing a sustainable society.

Increased corporate value and sustainable growth

Main Goals

Help realize sustainable societies

Corporate Governance (Ensure Fairness, Objectivity and Transparency)

Respect and Maintain Awareness of Human Rights

Provide Quality Products
(Customer Satisfaction)

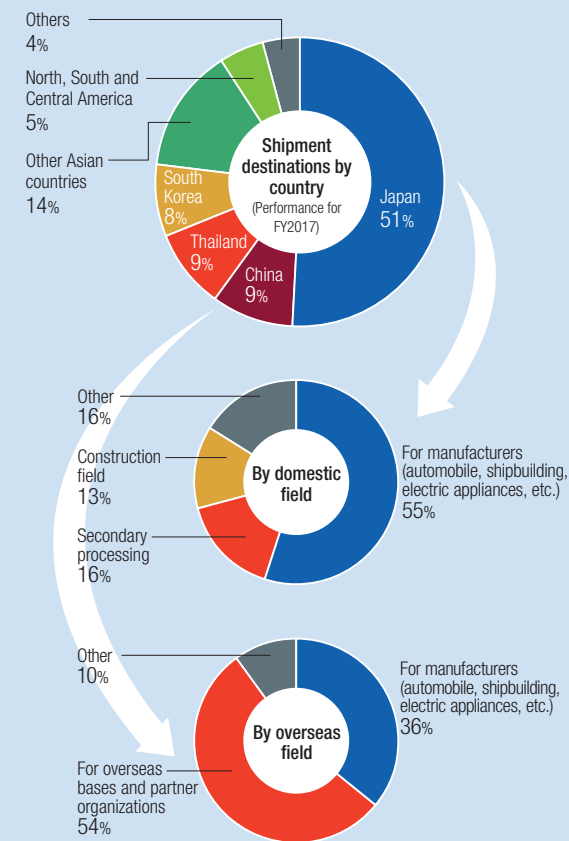


Basic Policy The JFE Group believes that providing a stable supply of products and services, thorough quality assurance and promoting R&D with world-class technological capacities to meet customer needs are the necessary requirements to be a company chosen by customers. The Group will continue to create new value based on reliable quality. We will also respond to the trust placed in us by our worldwide customers by expanding our services and supply network globally to provide a stable supply of products, services and technologies.

By continuing to respond to the trust customers place in us, we will realize long-lasting growth of customers and reinforcement of the competitive strengths of the Group. We will aim for the medium- to long-term improvement of corporate value and the reinforcement of the earnings base through establishing this type of win-win relationship.

Stable customer base of the steel business

JFE Steel is a global steel supplier that provides high-performance products with high added value to customers throughout the world. Our strength is the stable customer base we have established through many years of business in Japan and overseas.



Quality assurance system of the JFE Group

We believe that a reliable quality assurance system is the foundation for the supply of quality products and improved customer satisfaction.

JFE Steel has received all quality assurance certifications required for steel products, including the JIS mark and approvals from ship classification bodies regarding its quality management system based on ISO 9001. In response to customer demands, the company has also received certification under the national standards of relevant foreign countries.

To meet customer quality needs, the company established a quality assurance system that includes advanced sensors for manufacturing process monitoring and high precision equipment for product testing.

JFE Steel also develops advanced products and manufacturing technologies that help to improve quality.

JFE Engineering has acquired ISO 9001 certification per product category, and it has designated a quality manual according to the characteristics of the company's diverse product lineup, to ensure optimal quality management. We also aim to heighten employee awareness of quality through activities including in-house training. Currently, we are establishing a tamper-proof system that instantly digitizes inspection data for digital transfer and saving.

JFE Shoji Trade has been striving to improve the quality assurance level of various processes of steel processing and logistics.

Its processing centers in Japan and abroad are systematizing and automating processing sites to eliminate human error caused by manual procedures.

In addition, since raising employee awareness is essential in preventing human error at every stage, including receiving orders, instructing processing works and shipping, the company works to strengthen quality education for employees by introducing internal and external case studies of non-conformance.

CSR Issues

Stable supply of products

We believe that it is our responsibility to provide a stable supply of products to ensure stable operation of customers in Japan and overseas as well as to make sure that customer projects are on schedule.

By establishing an optimized manufacturing, distribution and processing supply chain, we can realize a stable supply of products to reinforce our competitive strength based on our relationship of trust with our customers.

Configured KPI	
JFE Steel	■ Make steady progress on strengthening its manufacturing base to ensure stable supply
JFE Engineering	■ Secure stable number of certificated managing engineers
JFE Shoji Trade	■ Make consistent investment in processing and distribution operations

In accordance with the Sixth Medium-term Business Plan, **JFE Steel** will reinforce its manufacturing capability by steadily developing its manufacturing bases, along with enhancing capabilities and maximizing its performance centered on West Japan Works. With strategic investments that exceed the amount in the previous medium-term plan, and through renewing old facilities and conducting repairs without fail, the company will realize stable operation and production to establish a production system that will steadily produce 30 million tons (JFE Steel, non-consolidated) of crude steel.

JFE Engineering is the designated construction firm for machinery, civil engineering and building construction, and it is required by construction laws to dispatch a dedicated managing engineers to each site for construction management. Securing a certain number of these certified managing engineers is essential in order to conduct stable plant construction work.

Acquiring young and skilled engineers has recently become a major issue in Japan, due to the low birthrate and aging population as well as generational change. JFE Engineering strives to acquire certified employees through mid-career hiring and by paying awards to encourage employees to acquire certifications.

JFE Shoji Trade has identified the distribution processing functions as the key factor for stable product supply, and will work to steadily conduct capital investment toward reinforcing these functions.

Ensure quality

As a supplier with strengths in high technology and quality, our top priority is providing the world's top-quality products to our customers who have selected us for their businesses. We believe that having reliable quality management and inspection systems is essential toward solidifying trust and reliability and establishing a strong customer base.

Configured KPI	
JFE Steel	■ Improve the level of quality assurance and product testing
JFE Engineering	■ No major quality problems
JFE Shoji Trade	■ Conduct quality audits on affiliate companies

JFE Steel aims to improve product quality with activities such as technological development for quality assurance and by proceeding with measures according to the Guidelines for Enhancing Quality Assurance Systems of the Japan Iron and Steel Federation.

Within these activities, we will work for automation in all processes, from testing through to result reporting, to improve testing and inspection reliability and to eliminate any intentional acts by humans.

JFE Engineering's policy on quality is that "The quality of our company's designed, procured, manufactured and constructed products and service quality must meet customer requirements, comply with applicable laws and regulations and offer customer satisfaction," and is proceeding with quality assurance measures based on this policy. Specifically, we implement inspections with certified inspectors at every plant construction stage, including design, construction and trial operations. Inspections will also be made at the time of delivery with customers as witnesses, allowing customers to confirm performance with their own eyes.

JFE Shoji Trade believes that maintaining and improving quality management levels related to processing is an important factor for quality assurance. Quality checks for processing centers and quality audits that offer advice to Group companies in Japan and overseas are held at least once a year.

Promote research and development

To always be the company that is chosen by customers, we solve customer issues with world-class technologies. We will contribute to the evolution and development of people's lives and society while surviving the harsh competition with our competitors, through developing technologies and products that cannot be easily imitated by others and creating new value.

We believe that reinforcing research and development systems to always provide new technologies is essential to make this a reality.

Configured KPI	
JFE Steel	■ Make consistent or increased investment in research and development
JFE Engineering	

JFE Steel regards automobiles, infrastructure materials and energy as the three major fields for research and development, and will

accelerate the development of new products and solutions in these categories. In terms of manufacturing processes, we will promote the development of innovative production technologies, such as environmentally-friendly material processing technologies. The company will actively apply data science and robotic technologies to meet the needs of society and customers.

Over the three years from 2018, we plan to invest 110 billion yen in R&D expenses.

JFE Engineering conducts technological development as a company that "creates" and bears the foundations for life. In terms of technologies that "create," it has developed unique incineration technologies for waste incineration and power generation facilities. This has enabled it to attain stable and clean incineration, along with top power efficiency in Japan. For technologies that bears JFE Engineering is progressing developments of technologies to gather and analyze data from plants operated all over Japan as well as automated plant operation technology using AI.

Respond to customer needs

Our company discovers customer needs through active communication and provides a level of customer satisfaction that surpasses that of our competitors through creating new value. We believe that establishing problem-solving systems and processes that allows us to cooperate with customers is important to understand their needs and accurately meet their expectations.

Configured KPI	
JFE Steel	■ Build infrastructure that improves customer satisfaction, and strengthen training for sales personnel
JFE Engineering	■ Use data collected from customer surveys to enhance customer satisfaction
JFE Shoji Trade	■ Invest in the development of strong sales personnel

JFE Steel regularly conducts customer surveys and interviews and applies this data to establish strategies to increase customer satisfaction. The information gathered is also shared with the sales, manufacturing, research and development departments to enhance proposal capabilities leveraging the strengths of the JFE Group as a whole under an integrated and efficient customer support system.

The sales department is enhancing sales trainings by conducting training sessions by position for sales staff at the headquarters and company branches, in an effort to enhance customer-oriented sales.

Staff at overseas subsidiaries also participate in group trainings in Japan, in order to realize uniform support to customers as the JFE Group.

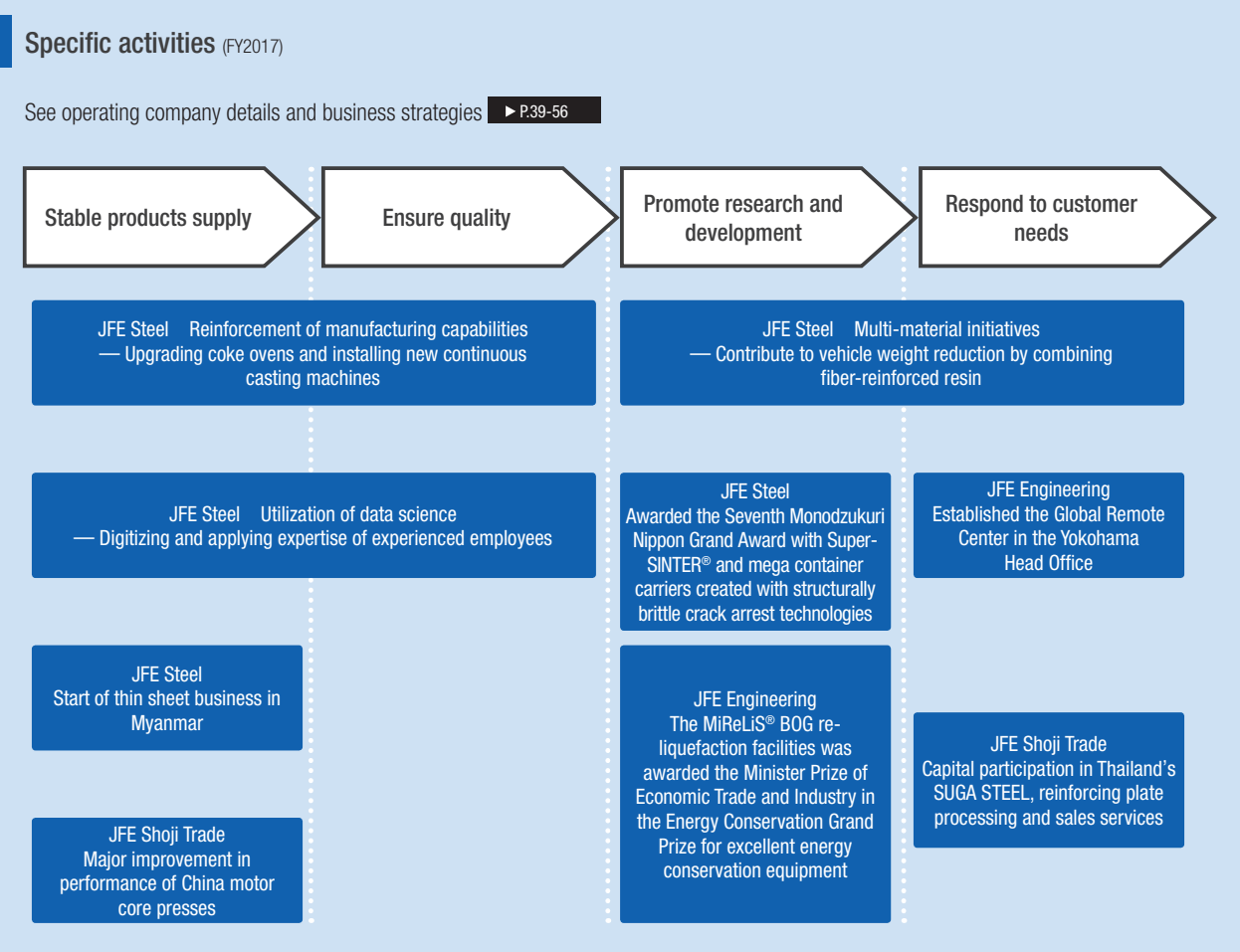
The company also focuses on creating research facilities for product development together with its customers. The Customers' Solutions Lab (CSL) has been established for automobiles, along with THINK SMART, a steel structure materials solutions center in eastern Japan.

Western Japan is the home of Customer Center Fukuyama (CCF) that develops materials and research-use technologies. Joining forces with customers to reinforce EVI* activities using these shared research facilities will allow us to understand customer needs and implement new product development with leading-edge evaluation techniques and innovative manufacturing processes.

* Abbreviation for Early Vendor Involvement. Customer participation product development from an early stage to facilitate innovative new methods, functions, processes and evaluations for new steel materials.

JFE Engineering uses customer surveys, interviews and construction evaluation forms to collect and assess the company's construction management, product quality, advanced technologies and innovation. Each division analyzes this information and uses it for quality improvement, new product development and overall strengthening of after-sales service, ultimately for the maximization of customer satisfaction.

JFE Shoji Trade believes that enhancing response capabilities to provide information and proposals for customers is an important factor in responding to customer needs. Based on this belief, we have been focusing on employee education, such as skill training. We also select staff from overseas offices to offer group trainings in Japan, in order to realize further customer satisfaction not only in Japan, but at overseas bases as well.



Customers' Solutions Lab (CSL)

Global Environmental Protection

Please refer to the JFE Group CSR REPORT 2018 for details.



Basic Policy The JFE Group's business involves steel manufacturing, which consumes a large amount of resources and energy and emits CO₂. That is why global environmental issues such as climate change due to global warming, pollution and depletion of resources are serious management issues from the viewpoint of business continuity. However, we believe it is the JFE Group's mission to further evolve and steadily supply steel, which has supported development of human beings with its excellent processability and recycling properties, to help realize sustainable society.

To resolve these issues and succeed in our mission, the JFE Group continues to implement large-scale research, development, and capital investment in technologies for energy saving and environmental impact reduction in order to produce steel with the lowest environmental impact among all the integrated steel mills in the world. We are also working towards resolving global warming and other environmental issues through steel products and plants and operation technologies provided by JFE Engineering that reduce environmental impact while customer's usage or plant operations.

We will further evolve these advanced processing technologies and products and develop them globally in order to contribute to environmental protection, while at the same time create opportunities for growth and enhance our competitive advantages.

Environmental Philosophy

JFE puts top priority on protecting and enhancing the global environment to maintain its business in harmony with the environment, ultimately for the prosperity of society as a whole.

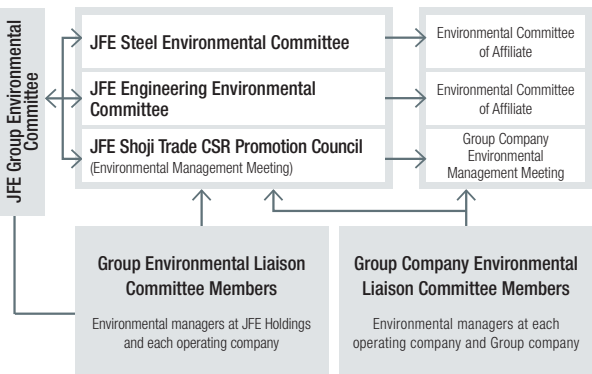
Environmental Strategies

- 1 Reduce the environmental impact of all JFE businesses
- 2 Contribute through technologies and products
- 3 Conserve resources and energy
- 4 Communicate with society
- 5 Facilitate international cooperation

Framework for environmental management

The JFE Group Environmental Committee, chaired by the president of JFE Holdings and operating under the JFE Group CSR Council, sets goals for environmental protection, monitors the progress of such initiatives and works to improve JFE's overall environmental performance. Specialized committees set up by the company's operating companies and group companies implement specific activities as well.

Environmental Management System



Implement the framework for environmental management

Acquisition of ISO 14001 certification is an important part of every JFE company's environmental program. All production sites of JFE Steel and JFE Engineering and major offices of JFE Shoji Trade have received certification, encompassing 70% of 41,000 employees at 79 companies covered in this report.

Environmental auditing

In addition to external and internal audits for ISO 14001 certified business offices, an independent environmental auditing is also implemented at manufacturing bases by the headquarters' audit and environmental departments.

Environmental education

We actively provide education to foster a corporate culture of environmental protection. Education at operating companies starts with the training for new recruits, followed by specific environmental-protection education by position and job.

JFE Steel JFE Engineering JFE Shoji Trade

Develop and provide eco-friendly products

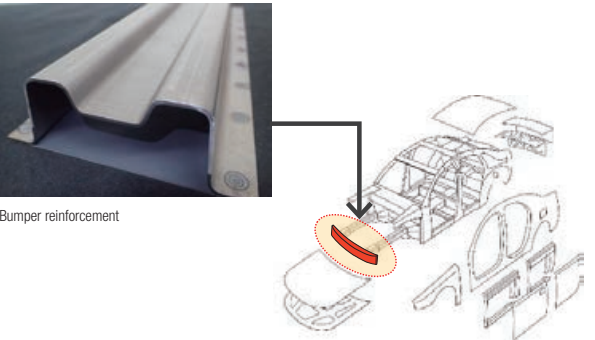
Conserving the global environment is a critical issue for all of society. The JFE Group develops and possesses many eco-friendly products and technologies, which the Group has strengths in, and works to contribute to solving these social issues, recognizing them as a major business opportunity. For instance, we already provide high-performance steel products, power generation using renewable energy,

iron slag products that improve ocean environments and maintain biological diversity and ship ballast water quality improvement systems. From a medium- to long-term viewpoint, the Group will develop next-generation steel manufacturing process technologies and continue to work in its areas of focus, such as automobile, energy and infrastructure, to develop product technologies.

Configured KPI	
JFE Steel	Expand the lineup of eco-friendly products and technologies
JFE Engineering	Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (tons) reduced per year)

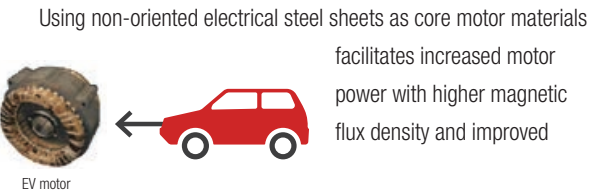
1.5 GPa-grade cold-rolled automotive steel sheets

JFE Steel has developed a 1.5 GPa-grade cold-rolled steel sheet, offering the world's highest tensile strength for automotive cold-pressed parts, and has commercialized it for bumper reinforcement components. This material is extremely strong, and its use in vehicle parts will contribute to weight reduction while maintaining excellent crash performance. This sheet received the Director General Prize of Agency of Natural Resources and Energy of Energy Conservation Grand Prize 2017 in recognition of its energy-conservation effect.



JNP® series electrical steel sheet

The JNP® series non-oriented electrical steel sheet is used for electric motors powering hybrid vehicles and electric vehicles (EV) and help to reduce CO₂ emissions.



The JNP® series achieve higher motor power and greater efficiency with high magnetic flux density and low iron loss, and furthermore improves magnetic flux density compared to conventional products, and the company offers a product lineup for a wide range of motors.

JNP® was awarded the 34th Technological Development Prize from The Japan Institute of Metals.

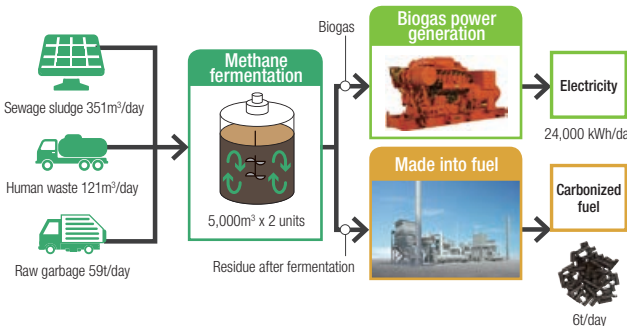
Business utilizing and applying composite biomass energy

In October 2017, JFE Engineering completed construction of composite biomass energy facility, one of the of its type in Japan, located in

Toyohashi City, Aichi Prefecture.

The facility generates electricity using biogas from methane fermentation-processed sewage sludge, human waste, septic tank sludge and raw garbage, which were processed separately up to this point. The generated electricity (24MWh/day) is sold using feed-in tariff mechanism.

The plant is managed by a PFI operator, and Toyohashi Bio-will, which was jointly established by JFE Engineering, Kajima Group and OTEC, will be responsible for facility maintenance and management for the next 20 years.



Mitigate climate change **CO₂ reduction initiatives**

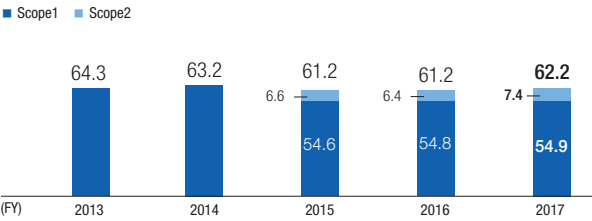
The steel business accounts for 99.9% of the JFE Group's CO₂ emissions, and these emissions are a major risk for the company's ability to realize sustainable operations as well as an extremely pressing management issue. For this reason, we have developed technologies that enable the world's highest levels of energy saving and CO₂ reduction, and we are applying them to our steelmaking processes. These initiatives allow the JFE Group to manufacture steel with the smallest environmental impact among all the integrated steel mills in the world. We will continue developing processes to reduce environmental impact and spread our vast accumulated technologies globally for new opportunities to grow, in order to contribute to preventing global warming and improving our competitive advantages.

Configured KPI	
JFE Steel	■ CO ₂ reduction goal defined in the Japan Iron and Steel Federation's "Low-Carbon Society Implementation Plan" ■ Continue to invest in energy conservation
JFE Engineering	■ Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (t) reduced per year)

CO₂ emissions of the JFE Group

The JFE Group's CO₂ emissions are mainly generated from steel business. However, beyond reducing CO₂ emissions from steel making, each company sets specific targets corresponding with their operations to further save energy and reduce CO₂ emissions.

CO₂ emissions of the JFE Group (million t-CO₂)



* Data covers 75 companies, including JFE Steel and 29 major domestic and overseas subsidiaries, JFE Engineering and 10 major domestic subsidiaries, and JFE Shoji Trade and 33 major domestic and overseas subsidiaries.
* JFE Steel emissions include CO₂ emissions from non-energy sources.
* Data for certain fiscal years have been recalculated retroactively for improved accuracy.

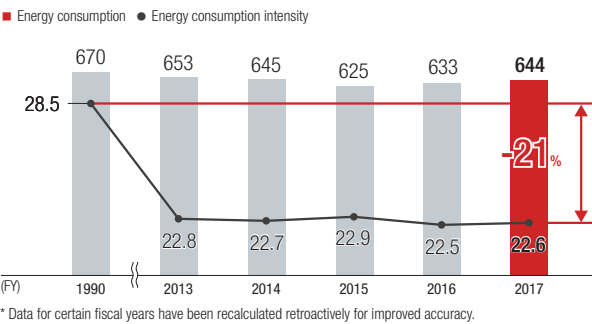
CO₂ emission intensity from energy sources (FY2017)

JFE Steel	JFE Engineering	JFE Shoji Trade
62,147 thousand t-CO ₂	57 thousand t-CO ₂	35 thousand t-CO ₂
99.85%	0.09%	0.06%

Energy savings and CO₂ reduction in steelmaking

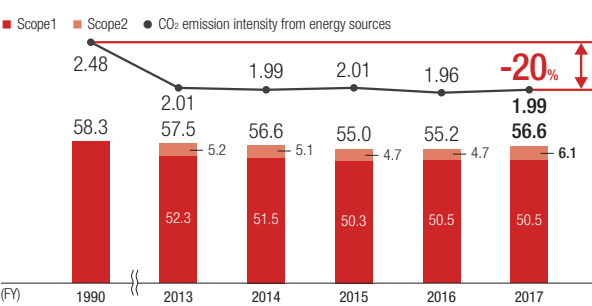
JFE Steel has been pursuing CO₂ reduction and energy savings, including the introduction of energy saving equipment, since before the Japan Iron and Steel Federation introduced its voluntary action plan.

Energy consumption (PJ) and energy consumption intensity (GJ/t-s) of JFE Steel



* Data for certain fiscal years have been recalculated retroactively for improved accuracy.

CO₂ emissions from energy sources (million t-CO₂) and CO₂ emission intensity (t-CO₂/t-s) of JFE Steel

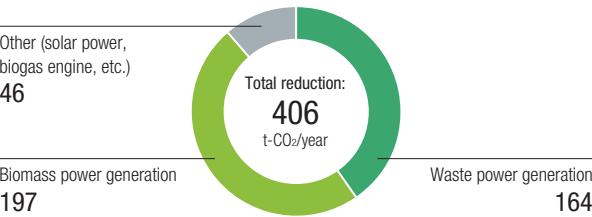


Energy consumption and CO₂ emissions in steelmaking are greatly influenced by production volume. To accurately assess the effects of improvements due to operational technologies and capital investments, JFE Steel is conducting energy-conservation activities focusing on the reduction of its intensity (energy consumption and CO₂ emissions per unit of production). As a result, energy consumption in FY2017 was 4% less than in 1990, and CO₂ emissions decreased 3%. JFE Steel's energy consumption intensity in FY2017 was 21% less than in 1990 at 22.6 GJ/t-s, and CO₂ emission intensity was 1.99 t-CO₂/t-s, which is 20% less than in 1990. This is the result of energy saving activities, such as capital investment in energy-saving facilities and making visible the reheat furnace fuel intensity to promote energy saving.

CO₂ reduction initiatives

JFE Engineering's renewable energy-related plants, such as biomass power generation plants and waste power generation plants, including those still under construction in 2017, contribute to annual reduction of 4.06 million t-CO₂. JFE Engineering aims to contribute towards CO₂ reduction for society as a whole by supplying eco-friendly products and technologies, including energy-saving products, to customers' operations.

Contribution to CO₂ emission reductions by renewable-energy plants (10,000t-CO₂/year)



Protect the global atmosphere **Controlling air emissions**

Realizing co-existence and prosperity with regional communities is an important factor in terms of business continuity. The JFE Group has continued to actively investment in environmental conservation facilities and has also worked to enhance its internal governance and provide environmental education. The Group has also been contributing to preventing pollution on a global scale by transferring and disseminating its environmental conservation technologies to emerging countries.

Configured KPI	
JFE Steel	■ Continue to work on keeping NOx and SOx emissions at low levels

Controlling air emissions

JFE Steel is working to control air emissions by installing low-NOx burners in reheat furnaces, switching to low-sulfur fuels and deploying desulfurization and denitration devices in sintering plants, all major sources of SOx or NOx emissions.

Breakdown of environmental costs in FY2017

Main items			Investment (100 million yen)	Cost (100 million yen)
JFE-related	Management	Impact monitoring and measurement, EMS expenses, education, awareness raising	2 (1)	25 (24)
	Global warming countermeasures	Saving and efficiently use energy	180 (88)	278 (295)
	Conservation of natural resources	Recycling industrial water	28 (20)	171 (174)
		Recycling and waste management of internally generated materials	0.9 (0.3)	53 (51)
	Environmental conservation	Air pollution countermeasures	191 (272)	356 (368)
		Water pollution countermeasures	16 (46)	92 (97)
	Other	Prevention of soil contamination, noise, vibration and subsidence	0.2 (5)	7 (8)
Customer and general society-related	Charges			14 (14)
	R&D	Technologies for protecting the environment, saving energy and preventing global warming	14 (12)	117 (126)
	Social activities	Support for nature preservation and forestation, information disclosure, exhibitions and public relations, etc.		7 (7)
Total			433 (444)	1,121 (1,164)

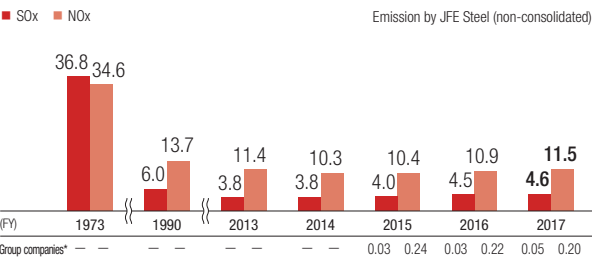
*Scope of data collection: JFE Steel; however, R&D includes JFE Engineering

The company also works to reduce dust dispersion through measures such as enhancing on-premises cleaning, installation of sprinklers and wind-break fences in raw material yards, and improving and strengthening the power of dust collectors.

To ensure compliance with the Air Pollution Control Law and local regulations on soot- and smoke-emitting facilities, JFE Engineering regularly measures and strictly controls nitrogen oxide emissions, etc., at its Tsurumi and Tsu works.

In addition, efforts are being made at construction sites to reduce the environmental impact of construction machinery and on-site vehicles in compliance with the NOx Law, PM Law and the Off-Road Vehicle Law.

NOx and SOx emissions (million Nm³)



*13 JFE Steel consolidated subsidiaries in Japan

Environmental accounting

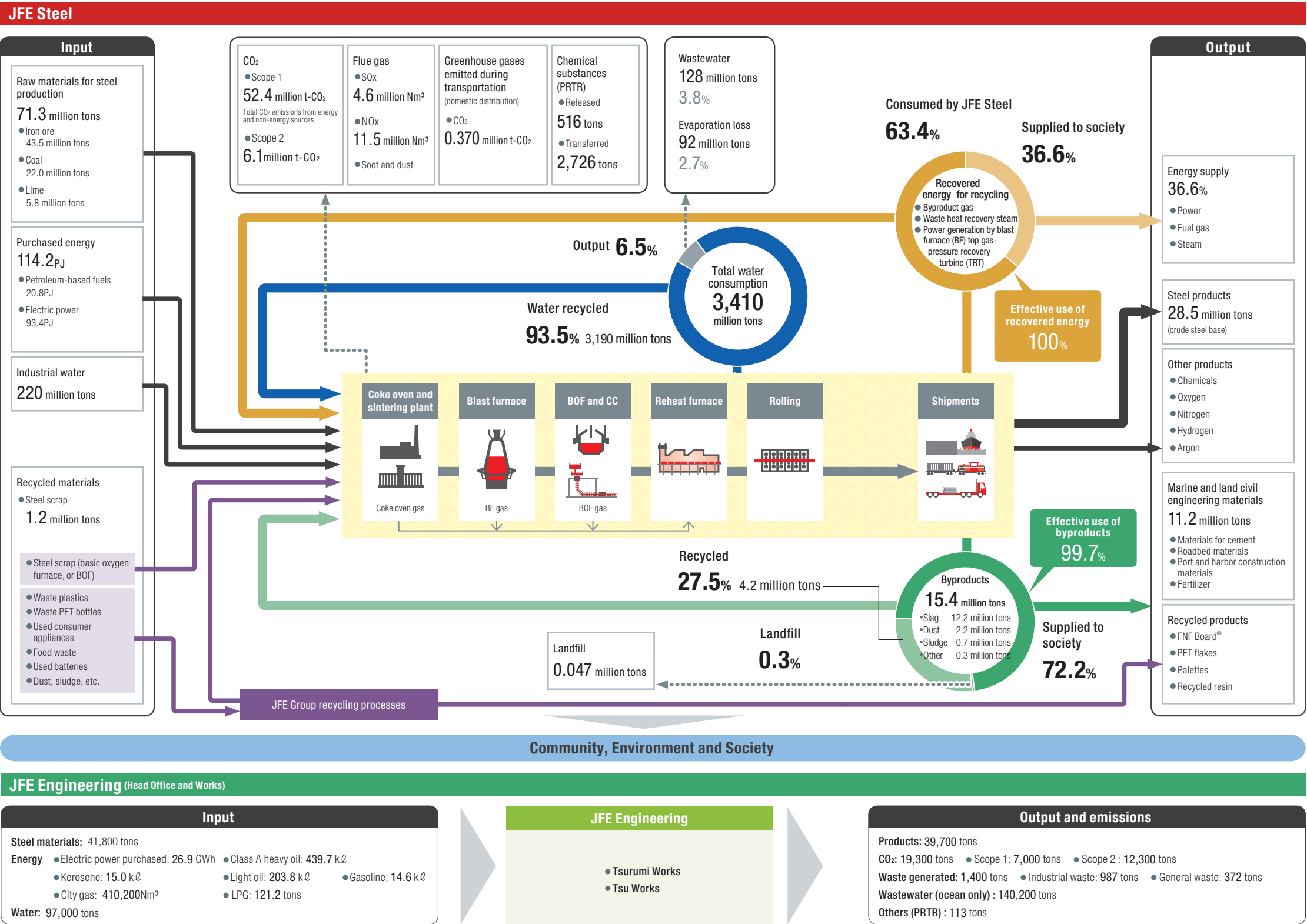
The JFE Group is saving energy and reducing its environmental impacts by making its production facilities increasingly efficient and introducing more environmentally friendly equipment. Such investments, which are categorized as environmental costs, cover equipment, facilities and related expenditures for environmental protection and impact reduction. The ratio of environmental capital investment to total capital investment was approximately 24%.

The JFE Group's active investments towards energy conservation has reached a total of 492.9 billion yen since 1990, enabling the company to attain energy efficiency that is among the highest in the world.

Furthermore, its total amount of investment toward environmental conservation since 1973 has reached 692.4 billion yen. Effects from energy conservation in FY2017 were approximately 1.3 billion yen.

Material flow

JFE Steel works to reduce the environmental impact and effectively use resources in its steelmaking processes. The company recycles 93.5% of the water it uses for production and reuses 99.7% of its byproducts, such as iron-steel slag. In addition, 100% of gas byproducts generated during production is reused as fuel for reheating slabs, generating power for internal use and supplying power to the public.



Promote resource recycling

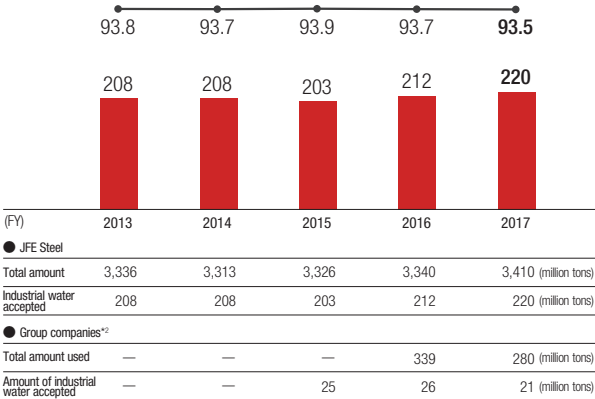
Issues such as resource depletion and environmental pollution are expected to become increasingly severe alongside the economic growth of emerging countries. Steel is easily collected, has high recycling efficiency, and can be recycled unlimited times as a raw material for the same material product (a closed loop recycling).

The JFE Group contributes toward resource recycling according to each Group company's business activities, such as resource recovery of byproducts in the steelmaking process, reducing waste at construction sites, and the global recycling of steel scraps.

Configured KPI	
JFE Steel	■ Maintain the efficient use of water
JFE Engineering	■ Recycle at least 99.5% of rubble ■ Recycle at least 95.0% of sludge ■ Recycle at least 85.0% of industrial waste
JFE Shoji Trade	■ Global resource recycling of steel scraps

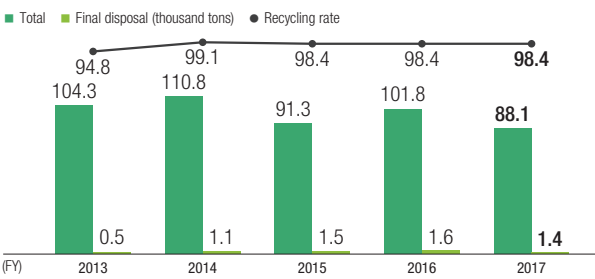
Industrial water accepted (million tons) and circulated*1 (%) of JFE Steel

■ Industrial water accepted by JFE Steel (non-consolidated)
● Industrial water circulated by JFE Steel (non-consolidated)



*1 Industrial water circulated (%) = (Total amount - industrial water accepted) / total amount x 100
*2 Data cover 25 domestic consolidated subsidiaries of JFE Steel

Waste generated at construction sites and recycling rate (%) of JFE Engineering



Occupational Safety and Health

Please refer to the JFE Group CSR REPORT 2018 for details.

Basic Policy

The JFE Group is branching outward with a diverse array of operations, the core of which are the steel business which requires huge equipment in conducting its business, the trading business which supports the foregoing, and the engineering business which conducts a wide range of construction works. Having safe and healthy workplaces is essential to attaining sustainable business operations and is also the foundation of corporate longevity. The JFE Group promotes the autonomous resolution of safety activities for all employees with the conviction that all accidents can be prevented. It has set workplace health, mental health and physical health as the three pillars on which activities to ensure the health of employees and their families are based, and aims to become a safe and healthy company that is full of energy.

JFE Group Health Declaration

- 1 JFE, recognizing that safety and health are fundamental for fulfilling its mission, creates workplaces in which every employee can work with vigor.
- 2 JFE and its health insurance union work together to advance initiatives for maintaining and upgrading the physical and mental health of employees and their families.
- 3 JFE gives top priority to safety and health and to creating a health culture in which each employee takes personal responsibility.

Prevent occupational accidents

Configured KPI	
Group-wide	■ Workplace fatalities: zero occurrences

Some work areas in the JFE Group's diverse scope of business require tasks with a comparatively high risk of accidents, including activities in elevated or hot environments, and the transportation of heavy objects. Having a safe work environment is crucial, and preventing workplace accidents is a fundamental requirement to provide peace of mind for employees, which include diverse human resources such as elderly people and women.

JFE Steel follows three basic strategies: promote the autonomous resolution of issues, strengthen health and safety at

Lost-work injuries and severity (Rates)

		FY2013	FY2014	FY2015	FY2016	FY2017
JFE Steel	Lost-work injuries	0.06	0.15	0.15	0.21	0.17
	Severity	0.01	0.09	0.16	0.15	0.15
JFE Engineering	Lost-work injuries	0.73	0.42	0.28	0.19	0.71
	Severity	0.03	0.40	0.01	0.30	0.02
JFE Shoji Trade Group	Lost-work injuries	0.26	0.65	0.67	1.16	1.22
	Severity	0.08	0.07	1.02	0.41	0.97
Manufacturing industry average	Lost-work injuries	0.94	1.06	1.06	1.15	1.02
	Severity	0.10	0.09	0.06	0.07	0.08

Lost-work injuries: Indicator of accident possibilities Severity: Indicator of accident severity
* JFE Steel and JFE Engineering: parent company, business associates and contractors; JFE Shoji Trade: domestic parent and group companies, business associates and contractors

business associates and Group companies, and develop activities in line with the Group's Health Declaration. By adopting specialized safety know-how developed by DuPont, JFE Steel is building a new safety culture, changing the focus away from the dependency of people doing only what they are told to do and toward the autonomy of people exercising their own initiative.

Ensure the health of employees and their families

Configured KPI	
Provision rates of health guidance* (by 2020)	
JFE Steel	35%
JFE Engineering	35%
JFE Shoji Trade	40%
Rate of health examination for dependents: 60% (by 2020)	
Group-wide	60%

* The execution ratio of six-month programs to prevent and resolve lifestyle diseases of employees aged 40 years old and above and their spouses. The goals for Japan are 45% or above (for 2023)

Ensuring the physical and mental health of employees and their families is essential in maximizing the potential of each employee and creating workplaces that are full of vitality.

The JFE Group helps employees maintain and improve their health with the cooperation of health insurance unions and industrial health staff to ensure that all employees are able to work with vigor.

Recruitment and Development of Diverse Human Resources

Please refer to the JFE Group CSR REPORT 2018 for details.

Basic Policy

As we state in the JFE Group's Basic Policy on Human Resource Management, the Group steadily recruits diverse and skilled human resources, ensures that they acquire the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities in order for the Group to survive in an increasingly complicated and diversified global environment.

JFE Group's Basic Policy on Human Resource Management

- 1 **Respect Human Rights and Facilitate Fair Management of Human Resources**
The Group manages human resources fairly by respecting the human rights of all employees and nurturing employees who embrace the Group's corporate values and standards of business conduct.
- 2 **Foster a Corporate Culture that Nurtures People and Promotes Satisfying Workplaces**
The Group facilitates interactive communication among employees to cultivate a corporate culture that nurtures human resources and creates safe, attractive environments where everyone can enjoy working.
- 3 **Diversify Human Resources**
The Group ensures that diverse all people, including women, non-Japanese, the elderly and the disabled, can demonstrate their full potential.
- 4 **Recruit and Steadily Nurture Excellent Human Resources**
To survive in an increasingly complicated and diversified global environment, the Group steadily recruits diverse, high-quality skilled human resources, ensures that they receive the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities.

Pursue diversity and inclusion

Configured KPI	
Ratios for female recruits	
JFE Steel	■ At least 35% in career-track white-collar positions, more than 10% in career-track technical positions, more than 10% in on-site positions
JFE Engineering	■ At least 20% in career-track positions, at least 5% in production/construction positions (technical)
JFE Shoji Trade	■ At least 25% in career-track positions
Females in managerial positions (by 2020)	
Group-wide	■ Triple the 2014 figure

Workforce diversity

The JFE Group views the promotion of diversity as a key business issue. Promoting diversity and inclusion to ensure the employees maximize their potential in terms of abilities, regardless of their gender, nationality, creed, lifestyle or family background, is essential to have quality human resources actively take part in businesses at manufacturing and sales bases in Japan and overseas for long periods of time.

As a result of a broad range of initiatives to support female employees, the ratio of female recruits for FY2018 for the three operating companies was 31.8% for career-track white-collar positions, 9% for career-track technical positions, and 11.9% for on-site and clerical positions. As of the end of August 2014, the ratio of women in

management positions for JFE Holdings and 3 operating companies was 1.8% (94 females). However, this had grown to 4.9% (274 females) by April 2018, over two times more than before.

* Please refer to the CSR REPORT for details on employee status.

[The JFE Group CSR REPORT
https://www.jfe-holdings.co.jp/en/csr/index.html](https://www.jfe-holdings.co.jp/en/csr/index.html)

Promote human resource development

Configured KPI	
Group-wide	■ Improve technical skills and conduct high-quality training programs

Human resource development and transfer of technologies and skills

The technologies and skills accumulated at manufacturing sites are one of the sources of our competitive strength in our steel business, the core of the Group. It is important to train human resources with a focus on the transfer and accumulation of skills to counter the significant generational changeover due to the change in the age structure of employees.

Furthermore, the training of global human resources that targets not only Japanese employees but also foreign employees and local staff is necessary to achieve further overseas development.

The JFE Group actively nurtures the abilities of each employee and facilitates the transfer of their technologies and skills to counter the significant generational changeover that occurs as baby-boomer personnel retire.

Thorough Compliance



Basic Policy In expanding our businesses in Japan and abroad, it is important that JFE maintains relationships of trust with all stakeholders, including its customers, shareholders and local communities. Trust can only be built upon a strong foundation of “Ensuring Thorough Compliance.” Misconduct and scandals resulting from compliance violations can instantly shatter the trust that has taken many years to establish. Therefore, JFE believes extremely importance that all members of the organization deepen their knowledge and awareness of compliance and perform their jobs accordingly.

Compliance System

The JFE Group's Standards of Business Conduct and Corporate Vision guide employees in the conduct of their daily activities. They also help to strengthen awareness among all JFE Group executives and employees and ensure adherence to corporate ethics.

The Compliance Committee chaired by the president generally convenes every quarter to deliberate basic policies and issues and then supervise their implementation. Each operating company has a similar in-house system for promoting and supervising compliance. In addition, operating companies have introduced a Corporate Ethics Hotline to ensure that crucial information regarding compliance can be communicated directly from the front lines to top management.

Ensure adherence to corporate ethical standards and compliance

Configured KPI (Group-wide)

- Steady execution of training to foster and maintain a sense of compliance
- Improve employee awareness of ethics reflected in JFE's Corporate Ethics Awareness Survey

Thorough compliance

The JFE Group conducts training on the Antimonopoly Act, insider-trading restrictions, security export controls, the Construction Business Act, laws against bribery of public officials, etc.

The Group has also compiled a Compliance Guidebook and distributed to employees and executives (domestic and overseas), to be used in activities such as collation, to ensure that the content is fully communicated and informed.

Furthermore, a Corporate Ethics Hotline has been established to ensure that crucial information regarding compliance are communicated directly from the front lines to top management. The hotline is operated under rules and regulations that protect people who report information or seek advice, and enable users to directly report to or seek advice from Audit & Supervisory Board Members. Whistleblowing and requests for advice are regularly reported to the full-time Audit & Supervisory Board Members, and the operational status of the system is reviewed by the Board of Directors.

Cases handled by the Corporate Ethics Hotline

Company	FY2015	FY2016	FY2017
JFE Holdings and operating companies	62	62	89

Antimonopoly Law compliance

The JFE Group views past violations of the Antimonopoly Law seriously

and continues to implement thorough measures to eliminate the possibility of future infringements.

Prevention of bribery

The JFE Group uses the Compliance Guidebook to ensure that the rules concerning bribery of public servants are communicated and informed to its employees.

Furthermore, the Group issued the Group Basic Policy on Preventing Bribery of Public Officials for dissemination throughout the global Group. Operating companies are also developing their own systems to avoid any bribery of foreign public servants.

Resisting organized crime

The JFE Group declares in its standards of business conduct that it will firmly resist all antisocial forces, and has established the JFE Group Policies for Addressing Antisocial Forces and Regulations for Addressing Violence Directed at Companies to clarify the measures to be taken in response to any issues.

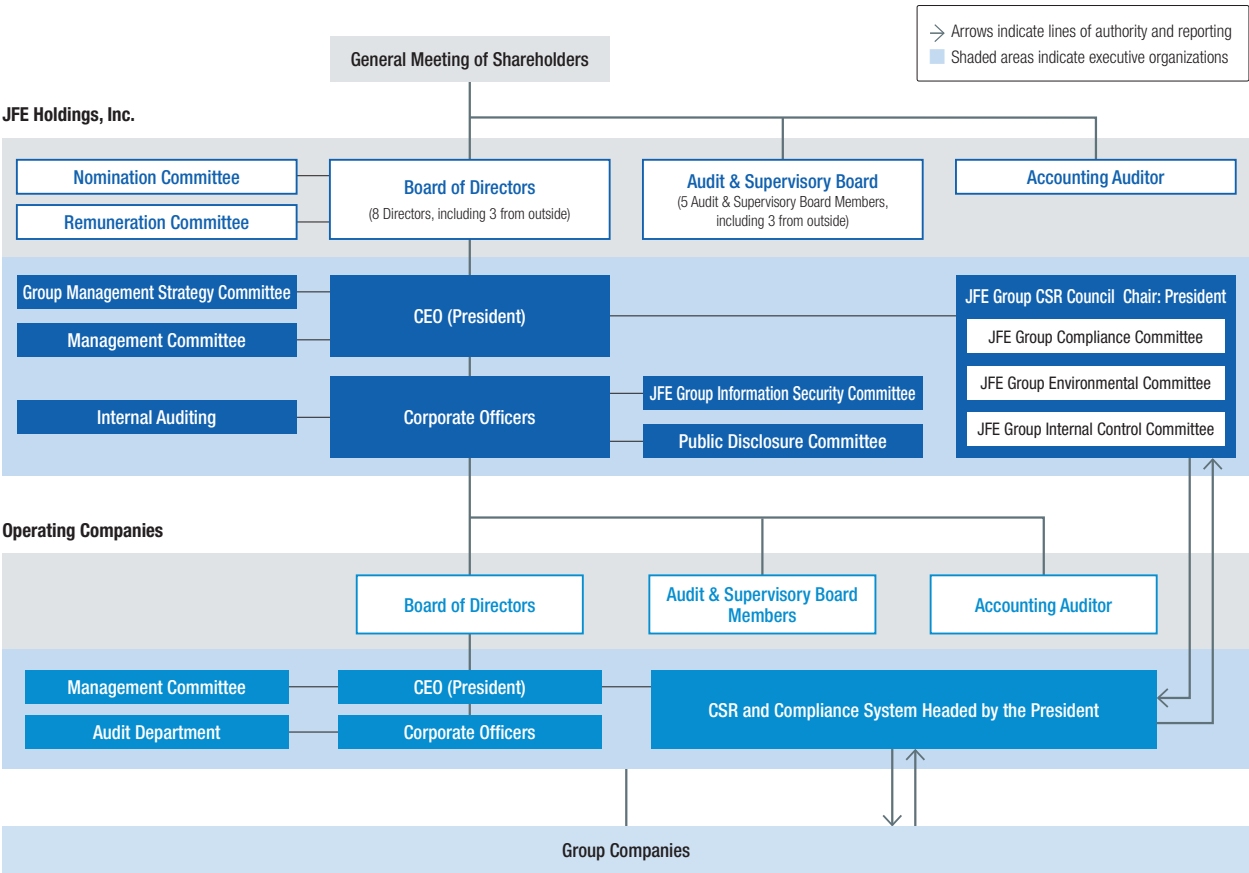
Employee ethics awareness surveys

The JFE Group regularly conducts Corporate Ethics Awareness Surveys to quantitatively assess employees' awareness of ethics and help employees stay informed about JFE's corporate vision. The survey conducted in FY2016 confirmed that many employees were aware of company policies and ethics and were carrying out tasks with compliance in mind, while also revealing the issues that needed to be addressed. The results of this survey are reported to the Board of Directors and the JFE Group CSR Council, and they are also applied to initiatives in each operating company.

Corporate Governance

Basic Policy With the steel business, engineering business and trading business at its core, the JFE Group develops a broad range of businesses in a wide range of areas together with many group companies and partners. Establishing a proper governance system is essential towards improving independence and raising efficiency in each operating company, along with the optimal management of risks, which include those related to the environment, safety and disaster prevention in the Group. It is also necessary for the sustainable growth of the Group and the medium- to long-term improvement of its corporate value.

Corporate Governance System



Basic Policy

The JFE Holdings, Inc. Basic Policy on Corporate Governance was established in October 2015 to strengthen efforts to achieve sustainable growth and increased corporate value over the medium to long term. Please review the Corporate Governance Report for more information.



JFE Holdings, Inc. Basic Policy on Corporate Governance
<https://www.jfe-holdings.co.jp/en/company/info/pdf/basic-policy.pdf>

Corporate Governance Report
<https://www.jfe-holdings.co.jp/en/company/info/pdf/corporate-governance.pdf>

Overview of the corporate governance system

Group governance system

The JFE Group comprises a holding company and three operating companies JFE Steel, JFE Engineering and JFE Shoji Trade.

JFE Holdings, a pure holding company at the core of the Group's integrated governance system, guides Group-wide strategy, risk management and public accountability.

Each operating company has developed its own system suited to its respective industry, ensuring the best course of action for competitiveness and profitability.

Overview of the corporate governance system

Organizational design type	Company with an Audit & Supervisory Board
Number of Directors (Of which, the number of Independent Outside Directors)	8 members (3 members)
Number of Audit & Supervisory Board Members (Of which, the number of Independent Outside Audit & Supervisory Board Members)	5 members (3 members)
Term for Directors	1 year (The same for Outside Directors)
Corporate Officer System	Adopted
Voluntary advisory committees of the Board of Directors	Nomination Committee and Remuneration Committee

Major topics discussed at the FY2017 Board of Directors meeting

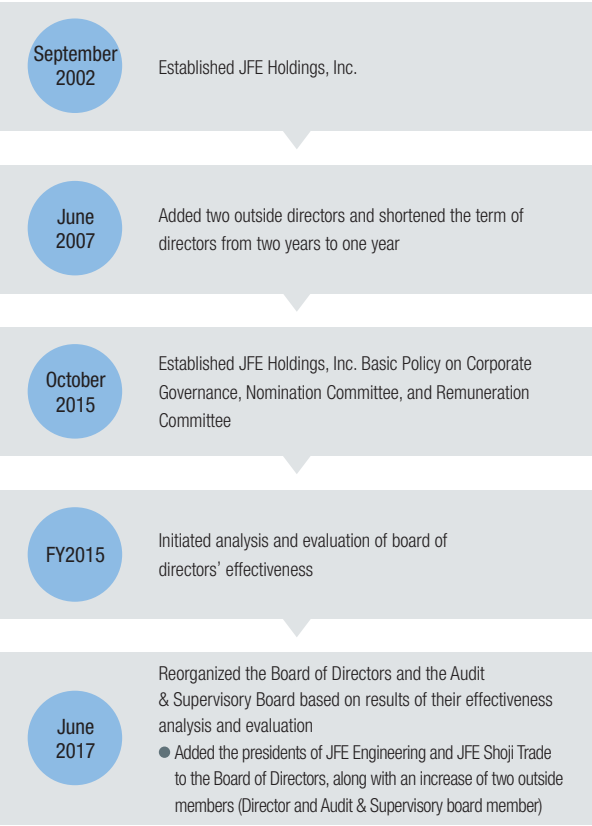
- Introduction of the medium- to long-term performance-linked remuneration system
- Sixth Medium-term Business Plan
- Follow-up for investment and lending and capital investment for operating companies

Governance system

JFE Holdings and each operating company have their respective Audit & Supervisory Board Members. The companies are crosschecked by the Board of Directors, which supervises operational execution, and the Audit & Supervisory Board Members, which conducts audits. Also, a corporate officer system separates decision making and execution to clarify authority and responsibility, as well as to accelerate execution.

JFE Holdings' Board of Directors is responsible for maintaining and enhancing management efficiency and passing resolutions as legally required, laying down key management policies and strategies and supervising operational execution. The Audit & Supervisory Board oversees management for the purpose of strengthening its soundness.

Major initiatives to strengthen the governance system



Independent Outside Directors


We elect Independent Outside Directors with the aim of composing one-third or more of the Directors by Independent Outside Directors.

Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards. Currently, of the eight Directors, three are Independent Outside Directors.

Independent Outside Audit & Supervisory Board Members

More than half of the Audit & Supervisory Board Members are from outside. Independent Outside Audit & Supervisory Board Members will be elected from persons who are appropriate to bear the role of enhancing the auditing function such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards.

Currently, of the five Audit & Supervisory Board Members, three are Independent Outside Audit & Supervisory Board Members.

 Standards for Independence of Outside Directors/Audit & Supervisory Board Members of JFE Holdings, Inc.
<https://www.jfe-holdings.co.jp/en/company/info/pdf/independence.pdf>

JFE Holdings Outside Directors and Outside Audit & Supervisory Board Members

(as of July 1, 2018)

Position	Name	Major Concurrent Positions	Independent Executive	Participation in FY2017 Board of Directors Meetings	Participation in FY2017 Audit & Supervisory Board Meetings
Outside Director	Masao Yoshida	Senior Advisor of Furukawa Electric Co., Ltd. Outside Director of FURUKAWA CO., LTD. External Director of Tokyo Century Corporation	○	12 out of 13 times (92%)	—
Outside Director	Masami Yamamoto	Chairman and Director of Fujitsu Limited	○	9 out of 10 times (90%) *1	—
Outside Director	Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd. Outside Director of NAGASE & CO., LTD.	○	—	—
Outside Audit & Supervisory Board Member	Shigeo Ohyagi	Senior Advisor of Teijin Limited Outside Director of KDDI Corporation Outside Director of MUFG Bank, Ltd.	○	12 out of 13 times (92%)	19 out of 19 times (100%)
Outside Audit & Supervisory Board Member	Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm	○	10 out of 10 times (100%) *2	13 out of 13 times (100%) *2
Outside Audit & Supervisory Board Member	Tsuyoshi Numagami	Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY	○	—	—

* 1 Newly elected as a Director in the previous year's Ordinary General Meeting of Shareholders (held on June 23, 2017); therefore, the number of meetings of the Board of Directors differs.

* 2 Newly elected as an Audit & Supervisory Board Member in the previous year's Ordinary General Meeting of Shareholders (held on June 23, 2017); therefore, the number of meetings of the Board of Directors and the Audit & Supervisory Board differs.

Nomination Committee and Remuneration Committee

In October 2015, JFE Holdings set up the Nomination Committee and the Remuneration Committee as advisory bodies to the Board of Directors to secure fairness, objectivity and transparency in the appointment of and remuneration for Directors and Audit & Supervisory Board Members. For both committees, the majority of committee members are Outside Directors/Audit & Supervisory Board Members and the chairs are chosen from among these people.

The Nomination Committee reports to the Board of Directors on matters related to CEO succession, selection of the Representative Directors and other Directors with special titles, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members. Four meetings were held in FY2017.

The Remuneration Committee discusses matters related to basic policies on executive compensation for JFE Holdings as well as each operating company and also reports to the Board of Directors. Seven meetings were held in FY2017.

Nomination Committee and Remuneration Committee structure (as of July 1, 2018)

Committee	Inside Director	Outside Director	Outside Audit & Supervisory Board Member	Chair
Nomination Committee	2	2	2	Masami Yamamoto, Outside Director
Remuneration Committee	2	2	2	Nobumasa Kemori, Outside Director

Support for Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members are provided with opportunities and funding to receive training in legal matters, corporate governance, risk management and other subjects that help them fulfill their roles and duties.

In addition, a briefing is held for Outside Directors and Outside Audit & Supervisory Board Members prior to Board of Directors meetings.

Furthermore, Outside Directors and Outside Audit & Supervisory Board Members are provided with relevant information and opportunities to exchange opinions with the president and other top managers, attend key hearings on the operational status of individual departments, and inspect business sites and Group companies.

Analysis and evaluation of effectiveness

In FY2015, JFE Holdings began evaluating the overall effectiveness of its Board of Directors.

In FY2017, as a result of the discussions at the Board of Directors based on the review of the questionnaires sent to all Directors and Audit & Supervisory Board Members, it was agreed that overall efficiency was ensured, confirming that prior briefings for all Outside Directors and Audit & Supervisory Board Members led to more active discussions centering around the outside members. In June of last year, we added the presidents of JFE Engineering and JFE Shoji Trade as well as additional outside members to the Board of Directors. With this, we are now able to further enhance discussions at the meetings.

Furthermore, in addition to accurate and fair audits performed by the Audit & Supervisory Board Members, the members also express opinions and actively ask questions at Board of Directors meetings to further invigorate deliberations. Such outcomes support the conclusion that JFE functions more efficiently as a company with an Audit & Supervisory Board.

Meanwhile, we are implementing measures to further improve the effectiveness of the Board of Directors, including by enhancing discussions, such as on ESG issues essential for sustainable growth.

Operating system

Key decision making

JFE companies are responsible for business decisions in accordance with their respective rules and procedures, whereas JFE Holdings makes decisions about Group-wide matters. Each operating company determines key matters through a deliberative process by its own Management Committee and Board of Directors. In April 2017, JFE Holdings changed the operating structure of key committees.

Management strategies involving the entire group are now deliberated by the Group Management Strategy Committee and core issues of JFE holdings, the operating companies and the Group are deliberated by the Management Committee before they are submitted to the Board of Directors for resolution.

Structure of Group Management Strategy Committee and Management Committee

Committee	Company	Chairperson	Attendees
Group Management Strategy Committee	JFE Holdings	President	Inside Directors (including 3 operating company Presidents), corporate officers and full-time Audit & Supervisory Board Members
	JFE Holdings	President	Inside Directors (excluding 3 operating company Presidents), corporate officers and full-time Audit & Supervisory Board Members
Management Committee	Each operating company	President	Directors, major corporate officers and Audit & Supervisory Board Members

Executive compensation

Executive compensation is based on the basic policies founded on discussions and reports by the Remuneration Committee, and it is decided through either a resolution of the Board of Directors or deliberations by the Audit & Supervisory Board Members, for an amount within the total limit approved at the General Meeting of Shareholders.

Executive compensation (FY2017)

Position	Total Compensation, etc. (thousand yen)	Number of Executives
Directors (excluding Outside Directors)	288,020	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	78,334	3
Outside Directors/Audit & Supervisory Board Members	67,697	6

Officers whose consolidated remuneration exceeded 100 million yen (FY2017)

Name	Position	Company	Per Company (thousand yen)	Total (thousand yen)
Eiji Hayashida	Director	JFE Holdings	170,135	170,135
	Director	JFE Holdings	12,000	174,212
Koji Kakigi	Director	JFE Steel	162,212	

Basic policy on determination of remuneration for Directors and Audit & Supervisory Board Members and Corporate Officers

- The Board of Directors shall determine remuneration system for Directors and Corporate Officers based on deliberations regarding its appropriateness by the Remuneration Committee to ensure fairness, objectiveness and transparency.
- The remuneration level for Directors and Corporate Officers shall be determined to secure excellent human resources who are able to put the Group's corporate vision into practice, taking into consideration the business environment of the Group and remuneration levels at other companies in the same industry or of the same scale.
- The ratio between basic remuneration and performance-linked remuneration (annual bonus and stock remuneration) shall be properly established according to the roles and responsibilities, etc. of each Director and Corporate Officer so as to function as sound incentives toward the sustainable growth of the Group.

The Company pays only basic remuneration to Outside Directors and Audit & Supervisory Board Members, given their respective roles of supervising and auditing management from an independent and objective standpoint.

Composition of Directors and Audit & Supervisory Board Members and Corporate Officers compensation

Medium- to long-term performance-linked remuneration for Directors and Audit & Supervisory Board Members has been introduced from FY2018. Remuneration for Directors and Audit & Supervisory Board Members after the introduction of this system is as follows.

Basic remuneration

A fixed amount is paid every month according to positions and other factors.

Annual bonus

Directors and Corporate Officers, excluding Outside Directors, receive cash bonuses once a year, based on a standard determined according to single-year consolidated results.

Medium- to long-term performance-linked remuneration

The stock remuneration plan is a plan that provides the company's shares and an amount of cash equivalent to the market price of the company's shares to Directors (excluding Outside Directors) and Corporate Officers.

Remuneration based on this system is paid based on the payment level, which is determined in accordance with the performance targets, etc. in the Group's medium-term business plan, and as a rule, it is provided at retirement through a trust in the form of the company's shares or cash.

For FY2018 to FY2020, the payment level is determined according to the level of achievement of the target net income attributable to shareholders of the parent of 200 billion yen per year, set under the Sixth Medium-term Business Plan. Furthermore, 5% or more return on equity (ROE) is the minimal requirement for the payment.

Remuneration for the company president when the target goals have been attained is set so that the ratio of basic remuneration (fixed

remuneration), annual bonus (short-term performance-linked) and stock remuneration (middle- to long-term business performance-linked) roughly stands at 6:2:2.

Internal control

The JFE Group's internal control system, in accordance with the Basic Policy for Building an Internal Control System, is maintained through various committee regulations including the Rules of the Board of Directors, Regulations for Group Management Strategy Committee, Regulations for Management Committee, Regulations for the JFE Group CSR Council, Regulations for Organization and Operations, Regulations for Document Management, Regulations for Addressing Violence Directed at Companies, and the installation of Corporate Ethics Hotline. The Basic Policy for Building Internal Control Systems is revised and improved from time to time to boost sustainable corporate value.

Strengthening internal control

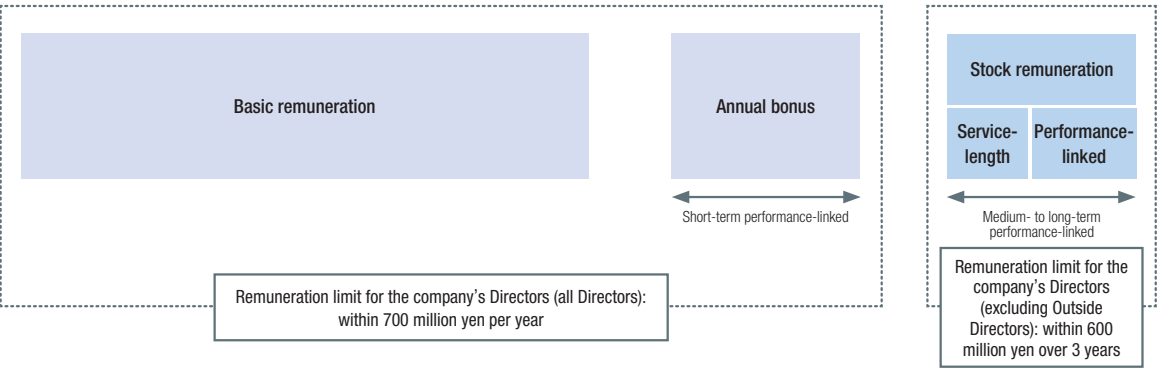
Internal audits

JFE Holdings, its operating companies and key Group companies had internal audit organizations comprising 161 people as of April 1, 2018. These organizations share information to enhance overall auditing within the Group.

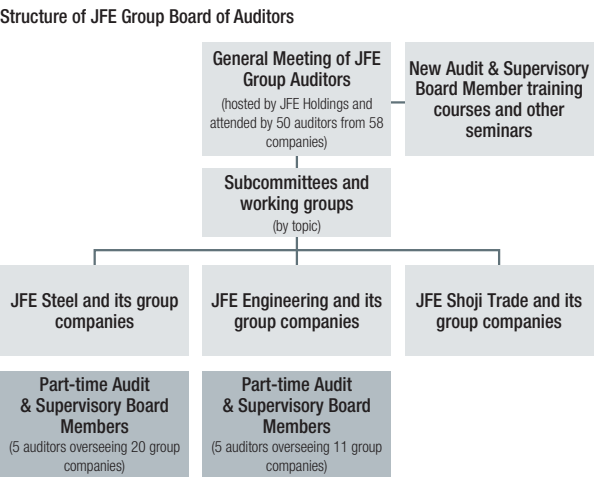
Audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend meetings of the Board of Directors, Group Management Strategy Committee and Management Committee as well as other important meetings. To audit how Directors execute their responsibilities, they conduct hearings with Directors and corporate officers regarding operational status and receive operational reports from subsidiaries. In addition to undergoing statutory audits, JFE companies take the following initiatives to ensure the effectiveness of internal auditing by the Audit & Supervisory Board Members and to strengthen coordination among the Members.

Composition of remuneration for the company's Directors and part-time Audit & Supervisory Board Members



- A total of 40 full-time Audit & Supervisory Board Members have been appointed to 32 companies, including JFE Holdings. Operating company personnel are dispatched to Group companies as part-time Outside Audit & Supervisory Board Members. Each absentee Audit & Supervisory Board Member serves one to five subsidiaries to raise the quality of the audits by their Audit & Supervisory Board Members and enhance Group governance. Ten absentee Audit & Supervisory Board Members served 31 companies in total.
- The JFE Group Board of Auditors includes both full-time Audit & Supervisory Board Members of each Group company and part-time Audit & Supervisory Board Members. Subcommittees and working groups created to address specific issues meet autonomously throughout the year to share information, investigate issues and enhance understanding. The findings are presented at the general meeting of JFE Group Auditors and used for audits.



Cooperation between Audit & Supervisory Board Members and Accounting Auditor

In FY2017, the Audit & Supervisory Board Members held 11 scheduled or unscheduled meetings with Ernst & Young ShinNihon, JFE’s outside accounting auditor, in which the latter presented its audit plan, completed work and detailed results. The firm also presented a detailed explanation of its quality management system to confirm its validity. In turn, the Audit & Supervisory Board Members explained their own audit plans and other matters to the firm. The two sides also shared opinions on related matters.

Cooperation between Audit & Supervisory Board Members and Internal Auditing Department

In FY2017, the Audit & Supervisory Board Members held five scheduled or unscheduled meetings with the internal auditing department, in which the latter presented its internal audit plan, work status and

detailed results. During the meetings, the Audit & Supervisory Board Members also shared opinions with the department.

Operating company governance

Some Directors, Corporate Officers and Audit & Supervisory Board Members of JFE Holdings serve concurrently as the Directors or Audit & Supervisory Board Members of operating companies to strengthen governance and information sharing across the Group. To strengthen governance, JFE Holdings’ managers attend each operating company’s General Meeting of Shareholders and Management Planning Briefing, receive reports on their activities and discuss the managerial policies of subsidiaries.

Basic policies for strategic shareholdings and exercise of related voting rights

All shares held by the company are the shares of subsidiaries or affiliates.

The company’s wholly owned subsidiaries and operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation (hereinafter the “Operating Companies”), hold stocks as strategic shareholdings for the aim of facilitating the promotion of business transactions and financial transactions, etc.

The company and the Operating Companies regularly review at the Board of Directors meeting the significance of major strategic shareholdings and the return on investment such as dividend yields, and consider from a comprehensive viewpoint, whether to sell the shares which have become insignificant or may cause damage to shareholder interest.

The exercise of voting rights of strategic shareholdings is decided upon reviews by Operating Companies on the content of the proposal and is appropriately implemented in a way that will maximize shareholder interest. To be specific, the content of the proposal is to be checked by the investment application department and the investment control department, and approval will be given to proposals which are considered not to pose any threat to the maximization of interest of these Operating Companies as shareholders.

Of the shares for investment purposes held by JFE Steel, which has the largest balance sheet amount and account for the majority of the shares for investment purposes posted in the consolidated financial statements of the company, those shares of JFE Steel that are held for purposes other than pure investments are shown below.

	End of FY2017	End of FY2016	End of FY2015
Number of issues	242	243	254
Total balance sheet amount (billion yen)	259.1	314.4	332.7

Messages from New Outside Executives



Nobumasa Kemori
Outside Director

Executive Advisor of Sumitomo Metal Mining Co., Ltd.
Mr. Kemori joined Sumitomo Metal Mining Co., Ltd. in 1980 and was appointed Representative Director and President in 2007. He was appointed Representative Director and Chairman of the Board in 2013 and Director and Chairman of the Board in 2016, before taking his current post in 2017. He was appointed Director of the company in June 2018.

The major prerequisites in business management are maintaining pollution-free operations and ensuring safety

Since I graduated from the faculty of metallurgy in the department of engineering, I am well versed in the operations of JFE, its predecessor Kawasaki Steel Corporation and NKK. After I received my doctorate, I was hired by Sumitomo Metal Mining and went on to work in the smelting of nonferrous metals and mine development.

The amount of steel manufactured all over the world is approximately 100 times more than that of copper.

Although steel has a staggering scale when compared to nonferrous metals, I believe that the issues in Japan’s steel industry and nonferrous metal industry are quite similar.

For companies that produce steel and copper, which are basic materials that are essential in our lives and for industries, the most important factor is maintaining a stable supply of quality products. It is therefore necessary to secure profits in any type of external climate to steadily conduct business. For large-equipment industries, stable profit growth is directly linked with the capability to reduce costs for product manufacturing by maintaining production capabilities and operating ratios of old equipment for which depreciation has ended, and to introduce world-class equipment through research and development when processes and facilities become obsolete. Many are aware about this, but it is not an easy thing to do.

Corporate activities must lead to the genuine happiness of everyone, including all stakeholders. I believe that the enhancement of corporate value and reinforcement of governance start only when we can ensure zero accidents of employees and maintain pollution-free operations at business office areas. With this basic thought in mind, I would like to strive to contribute to the JFE Group as a member of the Board of Directors.

Supporting management with academic expertise in business administration

As a specialist in business administration, I mainly take part in empirical studies on strategic management and organization theory as well as training. I used to doubt that studies in business administration had no practical use. However, through my experience in executive training as well as education, student, and administrative strategies as a university director and vice-president, I feel that the studies of business administration can be used in actual business settings as well. For instance, what type of overlapping condition causes shortsighted decisions, or in what type of situation will multiple check outlets face a greater risk of accidents? In this way, studies in business organization fields have accumulated an abundance of knowledge. Additionally, there are also many business strategy studies that touch on such knowledge, such as what type of industry structure is prone to having business problems, or what types of business resources should one’s company focus on.

I look forward to contributing to the JFE Group, which has high aspirations to apply its world-class technologies to contribute to society, by applying academic wisdom in the business administration field to the business decision making of JFE Holdings. Deep discussions from broad viewpoints are important to realize the sound governance of the JFE Group. I will strive sincerely using my unique viewpoint to support the development of the JFE Group.



Tsuyoshi Numagami
Outside Audit & Supervisory Board Member

Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY
Mr. Numagami was appointed Professor of Graduate School of Commerce and Management of HITOTSUBASHI UNIVERSITY in 2000. He was appointed to his present position in 2014, after becoming the Dean of the said school in 2011. He was appointed Professor of Graduate School of Business Administration of HITOTSUBASHI UNIVERSITY in 2018, and he took his position as Audit & Supervisory Board Member of the company in June 2018.

Risk Management

Risk Management System

JFE Holdings is responsible for comprehensive risk management in accordance with its Basic Policy for Building an Internal Control System. The JFE Group CSR Council collects specific information for the purpose of reducing the frequency and impact of risks. The executive officers responsible for risk works to identify potential risks associated with their business activities, ethical and regulatory compliance, and the disclosure of financial reports and information. If potential risks are identified, they are assessed to determine if there is a need for further examination or the deployment of countermeasures.

Response to risks

Intellectual property management

JFE meticulously manages intellectual property across its diverse business activities. To prevent infringement on third-party intellectual property, JFE constantly monitors the latest information on intellectual property and implements all necessary measures.

Privacy protection

JFE has established the JFE Group Privacy Statement for managing information including “My Numbers,” which are personally identifiable numbers under Japan’s social security and tax number systems.

To maintain the appropriate protection of personal information, employee trainings on the rules, which have been set in place in accordance with the privacy statement, have been conducted as stipulated in applicable laws of each country related to businesses and guidelines.

 **JFE Group Privacy Statement**
<https://www.jfe-holdings.co.jp/en/privacy.html>

Information security

The JFE Group formulates various rules on information security management to prevent information leakage and system failures due to cyber-attacks and improper system use. Efforts are made to enhance information-security knowledge and awareness of rules among employees through training and education. Additionally, shared IT measures are applied in each Group company and regular information security audits are conducted to reinforce the overall information security management level in the Group.

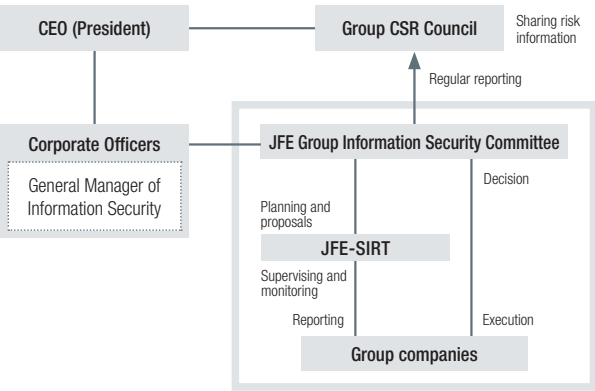
Key issues related to information security are deliberated by the JFE Group Information Security Committee to determine Group policy.

Based on policies set by the committee, the JFE-SIRT* formulates and implements information-security measures, performs information

security audits, offers guidance on responding to incidents and generally enhances the level of Group-wide information security management.

* JFE-Security Integration and Response Team established in April 2016.

JFE Group Information Security Governance System



Disaster response

The JFE Group aims to be a resilient company in times of disaster when seen from a business continuity planning (BCP) viewpoint. It conducts emergency drills for large earthquakes and tsunamis and has introduced a system to confirm people’s safety, along with formulating emergency manuals and diversifying suppliers of procurement.

Awareness of and Respect for Human Rights

Basic Policy

The JFE Group has for many years observed human rights through its Standards of Business Conduct, which mandate respect for individuals in the Group and greater society as well as nondiscrimination in all corporate activities.

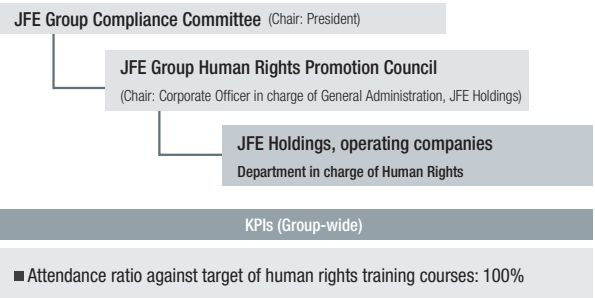
Alongside the globalization in recent years, companies must act to respect the human rights in not only their employees, but also the supply chain members. In view of the overseas projects increasingly pursued by Group companies, additional provisions are now required to ensure that we respond to the needs of our many stakeholders and conduct our business in line with international norms, such as the United Nations’ Guiding Principles on Business and Human Rights.

JFE Group Human Rights Basic Policy

(Established in FY2018. Posters were made to spread awareness in domestic and overseas offices.)

- 1 Respect for basic human rights**
We recognize the diverse values of individuals in all aspects of corporate activities and respect and defend all human rights in accordance with international norms.
- 2 Abolition of discrimination**
We respect each person as an individual in corporate activities and shall not discriminate in any way with regard to race, nationality, ethnicity, creed, religion, social status, family origin, age, gender, sexual orientation, gender identity, or presence or absence of any disability.
- 3 Prohibition of harassment**
We shall not engage in harassment with respect to gender, position or in any other way, or by any behavior that demeans degrades the dignity of others or causes mental discomfort.
- 4 Respect for fundamental labor rights**
We value healthy labor-management relations and work to solve problems through constant dialogue between management and employees in good faith and in accordance with international norms, taking into account the laws and labor practices of each country. In addition, we always strive to upgrade worker safety and work environments that are rewarding for all employees.
- 5 Prohibition of child labor and forced labor**
We shall not engage in any way in child labor or forced labor in any country or region.
- 6 Seek the cooperation to all stakeholders**
Respecting and defending human rights is not only mandatory of all officers and employees of the JFE Group, we also seek the cooperation of our supply chain members and all other stakeholders to observe these principles and practices.

Human rights promotion structure



Human rights initiatives

We established the JFE Group Human Rights Promotion Council, which reports to the JFE Group Compliance Committee, chaired by the president of JFE Holdings, in order to define Group-wide policies and share information related to human rights.

In FY2018, the company formulated the JFE Group Human Rights Basic Policy to supplement the JFE Group Standards of Business

Conduct. We have been carrying out various initiatives along with this policy, such as (1) human rights awareness training and (2) ensuring equal employment opportunities and fair human resource management. Within these activities, measures to prevent sexual harassment and abuses of authority have been taken through stipulations in work regulations, training, displaying posters and establishing a help desk. Furthermore, information on human rights trends and issues found only in Japanese corporations have been acquired through participating in organizations such as the Industrial Federation for Human Rights, Tokyo, and this information is being applied to human rights awareness training. We have designated the respect for human rights that is necessary for corporate activities on an international scale as an area of focus, as is necessary for the further globalization of our corporate businesses.

Additionally, JFE Steel purchases raw materials after confirming that suppliers are not using conflict minerals.

Stakeholder Relationships

Promotion of interactive communication

The JFE Group strives to maintain agreeable and favorable relationships with all stakeholders, including shareholders, customers, clients, employees and local communities, for the sustainable growth and medium- to long-term increase of corporate value.

Major activities

Stakeholders	Approach	Major communication methods, etc.	Others	
			Frequency (per year)	Scale, etc.
Shareholders/ Investors	We work to disclose information accurately, fairly and in a timely and appropriate manner as well as strive for active communication. We established the Investor Relations and Corporate Communications Department as an organization responsible for communication with domestic and international shareholders and investors, and promote constructive dialogue as well as provide management with the information acquired, with the aim of maintaining and improving the relationship of trust.	Ordinary general meeting of shareholders (convocation notices, notices of resolutions, etc.)	1	Approx. 150,000 persons (Unit shareholders)
		Investors meeting (financial results, medium-term business plans, etc.)	4	Approx. 600 persons in total
		Individual meetings (financial results, medium-term business plans, etc.)	As needed	Approx. 400 persons in total
		Briefings (at the branch offices of securities firms, etc.)	14	Approx. 1,000 persons
		Plant tours for shareholders (steel, engineering, shipbuilding bases, etc.)	26	Approx. 2,200 persons
		Publishing shareholder newsletters (JFE Dayori)	2 (Mid-year and annual)	Approx. 220,000 copies/issue
		Various reports, including integrated reports and CSR reports	1	Approx. 30,000 copies
		Information via websites (for shareholders and investors), etc.	As needed	
Customers	The Group believes that the stable supply of products and services and reliable quality assurance, along with advancing research and development, are necessary to meet customer needs. We will work to establish win-win relationships by continuously meeting customer needs and the trust they place in us.	Communication through sales activities and support for quality assurance	As needed	Conducted at each operating company
		Interviews and questionnaires, such as that on customer satisfaction	As needed	Conducted at each operating company
		Information via websites (product information), etc.	As needed	
Clients	CSR initiatives are being actively pursued together with our clients, who are important business partners. We have established Purchasing and Procurement Policies to promote fair and sincere procurement activities and to construct healthy relationships with clients.	Communication through purchasing activities	As needed	Conducted at each operating company
		Briefings and discussions	As needed	Conducted at each office
		Information via websites, etc.	As needed	
Employees	With the recognition of top management that creating workplaces to provide dignity and job satisfaction for all is essential for maximizing the potential of individuals, we have formulated the Basic Policy on Human Resource Management and Health Declaration and are conducting various activities toward attaining the goals.	Communication through daily operations and in the workplace	As needed	
		Internal newsletters and intranet	As needed	
		Various labor-management committees	2 to 4	Management and labor unions at each operating company
		Corporate Ethics Hotline	As needed	89 calls in FY2017
		Various training sessions	As needed	Position-specific, compliance, human rights, etc.
		Family days (visits by employee families, lunch at employees' cafeterias, etc.)	1	Conducted at each operating company
		Corporate Ethics Awareness Survey	1(every 3 years)	At the company and operating companies
Local communities	To ensure business continuity at manufacturing bases where steelworks are located and elsewhere, constructing a relationship of trust with citizens in local communities and realizing co-existence and prosperity are crucial. We will pursue various activities with the aim of realizing sustainable growth and regional development, including continued initiatives toward ensuring safety and reducing our environmental impact.	Communication through local residents' associations, events, etc.	As needed	
		Events at manufacturing bases (festivals, etc.)	Approx. once in each region	Approx. 250,000 persons a year
		Plant tours	As needed	100,000 or more persons a year
		Clean-up activities (vicinity of manufacturing bases, regional cleaning, etc.)	As needed	
		Sports promotion (baseball or jogging workshops, sports competitions, etc.)	As needed	
		Others (education at elementary schools, craft workshops, workplace experience events, etc.)	As needed	
		Information via websites (environmental information, etc.)	As needed	
		Social contribution through the JFE 21st Century Foundation (various research support, regional activity support, etc.)	As needed	
<div><div>Web</div><div>The JFE 21st Century Foundation ▶ https://www.jfe-21st-cf.or.jp/eng/</div></div>				

External recognition in recent years

Name of SRI index, etc.	Content for selection, etc.	Evaluation/selection period
MSCI Japan Empowering Women Index	This index consists of companies that are recognized as having outstanding gender diversity per industry within the MSCI Japan IMI Top 500 Index, which consists of corporations with outstanding ESG evaluations. MSCI calculates multifaceted gender diversity scores based on data disclosed in accordance with the Act on the Promotion of Women's Participation and Advancement in the Workplace. (As of June 2018: 215 companies)	At June 2018
SNAM Sustainability Index	For this index, Sampo Japan Nipponkoa Asset Management (SNAM) applies a unique evaluation system that utilizes the experience and knowledge of SOMPO RISK MANAGEMENT (environmental investigations) and IntegreX (social and governance investigations). The Company has been included in this index for seven consecutive years.	2012 to 2018
Euronext Vigeo Index World 120	This index consists of top 120 companies in Europe, North America, Asian-Pacific regions, recognized as having excellent performance in terms of the environment, society and governance. The constituent companies are selected by NYSE Euronext and Vigeo Eiris, an ESG research company.	2017
Certified Health and Productivity Management Organization Recognition Program, large enterprise category (White 500)	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select, in principle, one company per industry that has been strategically implementing employee health management from a business management viewpoint. The company was selected for the Health & Productivity Stock Selection for the first time in 2018. (2018 Health & Productivity Stock Selection: 26 companies)	2018
Competitive IT Strategy Company Stock Selection	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select companies actively applying IT to realize management innovation and enhanced earnings levels and productivity that will lead to medium- to long-term increase in corporate value and reinforced competitive strength. Selections are made per industry type, and the company has been selected for this index for four consecutive years. (2018 Competitive IT Strategy Company Stock Selection: 32 companies)	2015 to 2018
Nadeshiko Brand	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select one to three companies per industry that have demonstrated outstanding achievement for the advancement of women. The company has been selected for this index three times up to this year.	2014 2015 2017
DBJ Environmentally Rated Loan Program	This is the first financing system in the world to incorporate special environmental ratings, which uses a screening system developed by the Development Bank of Japan (DBJ) to evaluate environmental management levels and select outstanding companies with three interest stages according to evaluation points. Our company was rated as a top-ranking company that pursues excellent and advanced environmental initiatives in recognition of our advanced environmental management which we have pursued.	2016

JFE Steel (FY2017)

Award name		Target	Sponsor
Monodzukuri Nippon Grand Award	Prime Minister's Prize	Development of Super-SINTER®, which reduces CO ₂ emissions in the process of manufacturing raw materials for steelmaking	Ministry of Economy, Trade and Industry
Monodzukuri Nippon Grand Award	Prime Minister's Prize	Mega container carriers with excellent safety and environmental features, created with structurally brittle crack arrest technologies, which apply innovative structure and construction technologies	Ministry of Economy, Trade and Industry
Energy Conservation Grand Prize	Director-General of the Agency for Natural Resources and Energy Prize	1.5 GPa-grade cold-rolled automotive steel sheets that possess energy-saving features and excellent crash performance	The Energy Conservation Center, Japan
Energy-Efficient Machinery Award	Director-General of the Agency for Natural Resources and Energy Prize	A two-stage jet burner for igniting sintering machines	The Japan Machinery Federation
Invention Award	National Commendation for Invention	Invention of shipbuilding plates with excellent brittle crack propagation resistance	Japan Institute of Invention and Innovation

JFE Engineering (FY2017)

Award name		Target	Sponsor
Japan Construction International Award (Minister of Land, Infrastructure, Transport and Tourism Award)		Elevated bridge construction plan in Ulaanbaatar City	Ministry of Land, Infrastructure, Transport and Tourism
Commendation Program to Excellent Energy Conservation Equipment	Minister of Economy, Trade and Industry Prize	Waste incinerators with a counterflow combustion system	The Japan Society of Industrial Machinery Manufacturers
Energy Conservation Grand Prize	Minister of Economy, Trade and Industry Prize	The MiReLiS® BOG re-liquefaction facility	The Energy Conservation Center, Japan
Engineering Advancement Association of Japan Distinguished Service Award		The project team that contributed to technology transfer and infrastructure development, centered on the Myanmar steel structure manufacturing base	Engineering Advancement Association of Japan

Management Organization



Executive Structure (as of July 1, 2018)

Category	Name	Career, experience and knowledge	Appointment as members of advisory bodies to the Board of Directors		
			Nomination Committee	Remuneration Committee	Special Committee
Directors	Eiji Hayashida	1973 Joined Kawasaki Steel Corporation 2010 Representative Director, President and CEO of JFE Steel Corporation, Representative Director of JFE Holdings, Inc. 2015 Representative Director, President and CEO of JFE Holdings, Inc. (current post) Mr. Hayashida has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in overseas business, new business development, corporate planning and administration, and financial operations in the company and JFE Steel Corporation as well as execution of duties as Corporate Officer.			
	Koji Kakigi	1977 Joined Kawasaki Steel Corporation 2015 Representative Director, President and CEO of JFE Steel Corporation (current post), Representative Director of JFE Holdings, Inc. (current post) Mr. Kakigi has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations in human resource and labor administration departments, and execution of duties as Corporate Officer such as in general administration, legal, accounting, finance, and procurement departments in the company and JFE Steel Corporation.			
	Shinichi Okada	1975 Joined NKK Corporation 2012 Representative Director and Executive Vice President of JFE Holdings, Inc. (current post) Mr. Okada has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in financial operations such as fund-raising and project financing, and execution of duties as Corporate Officer in corporate planning and administration departments.			
	Naosuke Oda	1977 Joined NKK Corporation 2012 Representative Director and Executive Vice President of JFE Steel Corporation 2016 Representative Director, President and CEO of JFE Shoji Trade Corporation (current post) 2017 Director of JFE Holdings, Inc. (current post) Mr. Oda has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations related to sales of automotive steel at JFE Steel Corporation, and supervising sales divisions as Corporate Officer.			
	Hajime Oshita	1982 Joined NKK Corporation 2017 Representative Director, President and CEO of JFE Engineering Corporation (current post) Director of JFE Holdings, Inc. (current post) Mr. Oshita has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in corporate planning, accounting and finance, and a wide range of duties as Corporate Officer, including overseeing domestic and overseas businesses at JFE Engineering Corporation.			
Audit & Supervisory Board Members	Shotaro Tsumura	1982 Joined Kawasaki Steel Corporation 2014 Audit & Supervisory Board Member of JFE Steel Corporation 2016 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post) Mr. Tsumura has abundant experience and knowledge that he has accumulated through operations related to general administration and human resources that involve responsibilities in compliance and risk management as well as duties as Audit & Supervisory Board Member at JFE Steel Corporation.			
	Nobuya Hara	1984 Joined NKK Corporation 2016 Audit & Supervisory Board Member of JFE Steel Corporation (current post) 2017 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post) Mr. Hara has abundant experience and knowledge in finance and accounting that he has accumulated through operations related to corporate planning, accounting and finance at JFE Steel Corporation as well as accounting operations at the company. He also has abundant experience and knowledge gained through corporate management operations at the group companies of JFE Steel Corporation, in addition to duties as its Audit & Supervisory Board Member.			

Outside Executive Structure (as of July 1, 2018)

Category	Name	Main concurrent positions	Independent executive	Expertise and background						Appointment as members of advisory bodies to the Board of Directors		
				Corporate management/Management strategy	Engineering	Global management	Finance and accounting	Legal	Academic	Nomination Committee	Remuneration Committee	Special Committee
Directors	Masao Yoshida	Senior Advisor of Furukawa Electric Co., Ltd.										
	Masami Yamamoto	Chairman and Director of Fujitsu Limited										
	Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd.										
Audit & Supervisory Board Members	Shigeo Ohyagi	Senior Advisor of Teijin Limited										
	Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm										
	Tsuyoshi Numagami	Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY										

* Chair

Corporate Profile / Share Information

Corporate Profile

(As of March 31, 2018)

Company Name (Trade Name)	JFE Holdings, Inc.
Head Office	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan TEL: +81-3-3597-4321
Established	September 27, 2002
Capital	147.1 billion yen
Number of Employees	61,234 (Consolidated)

Share Data

(As of March 31, 2018)

Total Number of Shares Authorized to Be Issued	2,298,000,000 shares
Total Number of Shares Issued	614,438,399 shares
Total Number of Shareholders	215,103 persons

Share Information

(As of March 31, 2018)

Minimum Trading Unit	100 shares
Fiscal Period	March 31 of each year
Stock Exchange Listing	Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.
Security Code	5411
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Major Shareholders

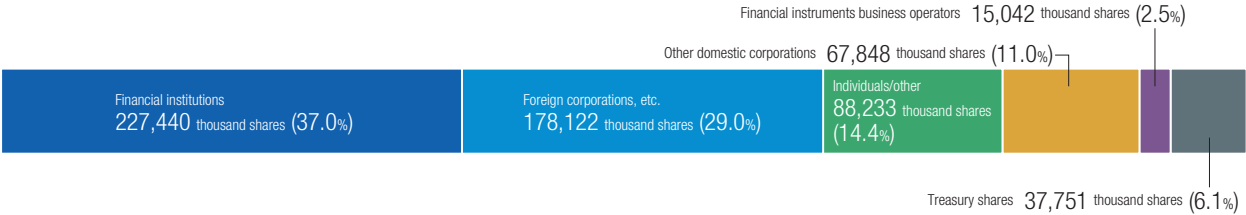
(As of March 31, 2018)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	36,834	6.4
Japan Trustee Services Bank, Ltd (trust account)	30,487	5.3
Nippon Life Insurance Company	20,821	3.6
Mizuho Bank, Ltd.	13,403	2.3
The Dai-ichi Life Insurance Company, Limited	13,127	2.3
Japan Trustee Services Bank, Ltd. (trust account 9)	10,974	1.9
Japan Trustee Services Bank, Ltd. (trust account 5)	10,206	1.8
STATE STREET BANK WEST CLIENT-TREATY 505234	10,204	1.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,006	1.6
Japan Trustee Services Bank, Ltd (trust account 1)	7,575	1.3

Note: In addition to the above, the Company retains 37,751 thousand shares as treasury shares. The treasury shares are not included in the shareholding ratio calculation.

Distribution of Shareholders

(As of March 31, 2018)



Changes in Share Prices, Trading Volume and Dividends

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Share price (Yen) (As of year-end)	4,420	2,145	3,765	2,434	1,778	1,767	1,943	2,654	1,516	1,909	2,144
Trading volume (Million shares) (Fiscal year)	880	1,035	814	760	722	1,206	1,113	799	1,080	1,141	896
Annual dividends per share (Yen)	120	90	20	35	20	20	40	60	30	30	80

Employee Data

(Non-consolidated: Actual figures for Fiscal 2017)

Category	JFE Steel	JFE Engineering	JFE Shoji Trade
Number of employees (persons)	15,578	3,752	955
(March 31, 2018)			
Male	14,327	3,267	606
Female	1,251	485	349
Number of recruits (persons)	837	147	66
Male	734	127	39
Female	103	20	27
New graduates	732	77	57
Mid-career	105	70	9
Average years employed (years)	16.5	13.6	12.1
Male	16.3	13.6	12.1
Female	18.5	13.6	11.9
Annual turnover rate (%)*	2.0	0.9	2.1

*Ratio of the number of those who retired voluntarily to the enrollment

URL of the Company's website >> <https://www.jfe-holdings.co.jp/en/>



Investor Information
<https://www.jfe-holdings.co.jp/en/investor/>



CSR (Environment and Society)
<https://www.jfe-holdings.co.jp/en/csr/>



Operating and Main Group Companies

(As of April 1, 2018)

*Net sales: Results for Fiscal 2017

*Number of employees: As of March 31, 2018

JFE Steel Corporation

*Equity-method affiliate

Head officeChiyoda-ku, Tokyo

Net sales2,715.4 billion yen

Number of employees44,554 (male: 39,207; female: 5,347)

Steel business

- Domestic group companies
- JFE Mineral Company, Ltd.

●

Mizushima Ferroalloy Co., Ltd.

●

JFE Material Co., Ltd.

●

Chiba Riverment and Cement Corporation

●

Mizushima Riverment Corporation
- JFE Precisions Co., Ltd.

●

JFE Plastic Resource Corporation

●

JFE Bars & Shapes Corporation

●

JFE Metal Products & Engineering, Inc.
- JFE Galvanizing & Coating Co., Ltd.

●

JFE Welded Pipe Manufacturing Co., Ltd.

●

JFE Container Co., Ltd.

●

JFE Steel Pipe Co., Ltd.

●

Galvatex Corporation
- JFE Pipe Fitting Mfg. Co., Ltd.

●

JFE Tubic Corporation

●

JFE Techno-Wire Corporation

●

JFE Kozai Corporation

●

Daiwa Kohtai Co., Ltd.

●

GECOSS Corporation
- JFE Plant Engineering Co., Ltd.

●

JFE Advantech Co., Ltd.

●

JFE Civil Engineering & Construction Corporation

●

JFE Sekkei Ltd.

●

JFE Logistics Corporation
- JFE West Technology Corporation

●

JFE Wing Corporation

●

JFE Techno-Research Corporation

●

JFE Systems, Inc.

●

JFE Chemical Corporation
- JFE Life Corporation

●

JFE East Japan GS Co., Ltd.

●

JFE West Japan GS Co., Ltd.

●

JFE Apple East Corporation

●

JFE Apple West Corporation
- Shinagawa Refractories Co., Ltd.*

●

Nippon Chuzo K.K.*

●

Nippon Chutetsukan K.K.*

●

EXA Corporation*

●

Setouchi Joint Thermal Power Co., Ltd.*
- K.K. JFE Sanso Center*

●

Mizushima Eco-Works Co., Ltd.*

●

NKK Seamless Steel Pipe K.K.

- Overseas group companies
- Nova Era Silicon S.A.

●

Thai Coated Steel Sheet Co., Ltd.

●

Thai Tinplate Manufacturing Co., Ltd.*
- JFE Steel Galvanizing (Thailand) Ltd.

●

Philippine Sinter Corporation

●

PT.JFE Steel Galvanizing Indonesia
- JFE Steel Australia Resources Pty. Ltd.

●

Nucor-JFE Steel Mexico, S. Der. L. Dec.V.*

●

California Steel Industries, Inc.*
- Hojalata Y Laminados S.A.*

●

Fujian Sino-Japan Metal Co., Ltd.*

●

Bohai NKK Drill Pipe Co., Ltd.*

●

Guangzhou JFE Steel Sheet Co., Ltd.*
- Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd.*

●

Jiaxing JFE Precision Steel Pipe Co., Ltd.*

●

Shanghai Baowu JFE Clean Iron Powder Co., Ltd.*
- JSW Steel Ltd.*

●

Thai Cold Rolled Steel Sheet Public Co., Ltd.*

●

P.T. Sermani Steel*

●

Perusahaan Sadur Timah Malaysia (Perstima) Bhd.*
- JFE Steel Tubular Technical Center Pte. Ltd.*

●

J-Spiral Steel Pipe Co., Ltd.*

●

Agrimeco & JFE Steel Products Co., Ltd.*
- Al Gharbia Pipe Company*

●

JFE MERANTI MYANMAR Co., Ltd.

JFE Engineering Corporation

Engineering business

Head officeChiyoda-ku, Tokyo

Yokohama head officeYokohama, Kanagawa Prefecture

Net sales391.3 billion yen

Number of employees9,307 (male: 8,089; female: 1,218)

- Domestic group companies
- Asukasoken Co., Ltd.

●

Urban Energy Corporation

●

Kitanihon Industrial Co., Ltd.

●

JFE Aqua Machine and Service Corporation

●

JFE Kankyo Corporation
- JFE Environmental Service Corporation

●

JFE Career Navi Corporation

●

JFE Technos Corporation

●

JFE Pipeline Engineering Corporation
- JFE Business Support Yokohama Corporation

●

J Farm Corporation

●

Japan Tunnel Systems Corporation*

●

JP Steel Plantech Co.*

●

Tohoku Dock Tekko K.K.
- Fujikako Inc.

●

Mie Data Craft Co., Ltd.

- Overseas group companies
- JFE Techno Manila, Inc.

●

JFE Engineering (M) Sdn. Bhd.

●

PT. JFE Engineering Indonesia
- JFE Engineering India Private Limited

●

Standardkessel Baumgarte Holding GmbH

●

J&M Steel Solutions Co., Ltd
- DongJie Environmental Technology Co., Ltd.*

JFE Shoji Trade Corporation

Trading business

Head officeKita-ku, Osaka

Tokyo head officeChiyoda-ku, Tokyo

Net sales1,907.9 billion yen

Number of employees7,333 (male: 5,339; female: 1,994)

(To be relocated to Chiyoda-ku, Tokyo in October 2018)

- Domestic group companies
- JFE Shoji Trade Steel Construction Materials Corporation

●

JFE Shoji Pipe & Fitting Trade Corporation

●

JFE Shoji Electrical Steel Co., Ltd.

●

JFE Shoji Usuitakenzai Corporation
- Kawasho Foods Corporation

●

JFE Shoji Electronics Corporation

●

JFE Shoji Coil Center Corporation

●

Niigata Steel Corporation

●

Nagano Can Corporation
- Toyo Kinzoku Corporation

●

JFE Shoji Terre One Corporation

●

Tochigi Shearing Corporation

●

Hokuriku Steel Co., Ltd

●

K&I Tubular Corporation

●

Taisei Kogyo Corporation
- Kadota Kozai Corporation

●

JFE Shoji Zosen Kako Corporation

●

JFE Shoji Kohnan Steel Center Co., Ltd

●

Naigai Steel Corporation

●

JFE Shoji Buriki Center Co., Ltd.
- Mizushima Steel Corporation

●

Mizushima Metal Products Corporation

●

Nihon Jiseizai Kogyo Co., Ltd.

●

Kyushu-Tech Corporation

●

JFE Shoji Oil Co., Ltd
- JFE Shoji Trade Matech Inc.

●

JFE Shoji Machinery & Materials Corporation

●

JFE Shoji Business Support, Inc.

●

JFE Shoji Service Corporation
- Kadowaki Steel Material's Corporation

●

Tohsen Corporation

●

Shin Nihon Kogyo Corporation

●

Yashimanada Corporation

●

Aichi Kanzai Kogyo Corporation
- Hoshi Kinzoku Corporation

●

Showa Kigyo Corporation

●

JFE Shoji Cormec Co., Ltd.

●

Hanwa Kozai Co., Ltd.*

●

Kita-Kanto Steel Corporation*

●

Ohmi sangyo Co., Ltd.*

- Overseas group companies
- Guangzhou JFE Shoji Steel Products Co., Ltd.

●

Dongguan JFE Shoji Steel Products Co., Ltd.

●

Zhejiang JFE Shoji Steel Products Co., Ltd.
- Jiangsu JFE Shoji Steel Products Co., Ltd.

●

JFE Shoji Steel Philippines, Inc.

●

Central Metals (Thailand) Ltd.

●

Steel Alliance Service Center Co., Ltd.
- New Bangpoo Manufacturing Co., Ltd.

●

JFE Shoji Steel Vietnam Co., Ltd.

●

JFE Shoji Steel Hai Phong Co., Ltd.
- JFE Shoji Steel Malaysia Sdn. Bhd.

●

PT. JFE Shoji Steel Indonesia

●

JFE Shoji Steel India Private Limited

●

Vest Inc.
- JFE Shoji Steel America Inc.

●

JFE Shoji Steel de Mexico, S.A. de C.V.

●

Kelly Pipe Co., LLC
- Marushin Canneries (Malaysia) Sdn. Bhd.

●

JY Steel Processing Co.,Ltd.

●

Kawarin Enterprise Pte. Ltd.*
- r.bourgeois JFE Shoji Magnetic Lamination, Inc.*

Japan Marine United Corporation

Shipbuilding business

Head officeYokohama, Kanagawa Prefecture

Net sales284.4 billion yen

Number of employees6,068 (male: 5,782; female: 286)

- Domestic group companies
- JMU AMTEC Co., Ltd.

●

MC Co., Ltd.

●

JMU Defense Systems Co., Ltd.

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

Financial information URL www.jfe-holdings.co.jp/en/investor

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%	35%
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%	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:

	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	

	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:	
<u>Cash and deposits and Notes and accounts receivable</u>	<u>Bonds and bonds due within one year (included in current portion of long-term debt)</u>
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.	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.
<u>Securities</u>	<u>Long-term borrowings</u>
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.	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.
	<u>Derivative transactions</u>
	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



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Issued in December 2018

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