

JFE Holdings' Financial Results through Third Quarter of Fiscal Year 2018 Ending March 31, 2019

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —
(Note: The following is an English translation of an original Japanese document)

February 1, 2019

Official name:	JFE Holdings, Inc.
Listings:	Tokyo and Nagoya stock exchanges
Code:	5411
English URL:	www.jfe-holdings.co.jp/en
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Scheduled date to submit Quarterly Securities Report:	February 6, 2019
Dividend payment starting date:	-
Preparation of supplementary materials for quarterly results:	Yes
Quarterly results briefing:	Yes

(Figures are rounded down to the nearest million yen.)

1. Consolidated Results through Third Quarter of Fiscal 2018 (April 1 to December 31, 2018)

(1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary Income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)	Net income per share [fully diluted] (yen)
3Q FY 2018	2,939,182	10.0	170,825	(0.9)	201,238	18.1	151,060	9.0	262.17	-
3Q FY 2017	2,670,820	15.5	172,318	373.2	170,440	285.7	138,620	316.3	240.42	-

Note: Comprehensive income: 119,006 million yen in 3Q FY 2018 (down 23.4%)
155,399 million yen in 3Q FY 2017 (-%)

(2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio(%)
End 3Q FY 2018	4,583,513	2,071,687	43.8
End FY 2017	4,440,910	2,009,911	43.9

Note: Shareholders' equity: 2,006,168 million yen as of December 31, 2018
1,949,574 million yen as of March 31, 2018

2. Dividends

	Dividend per share (yen)		
		Interim	Year-end
FY 2017	80.00	30.00	50.00
FY 2018	95.00*	45.00	50.00*

*estimate

Note: Revisions to dividend forecast announced most recently: No

3. Forecasts of Consolidated Financial Results in Fiscal 2018 (April 1, 2018 to March 31, 2019)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)
JGAAP:FY 2018	3,900,000	6.0	190,000	(23.0)	220,000	1.7	160,000	10.6	277.72

Note: Revisions to consolidated financial results forecasts announced most recently: Yes

	Sales revenue (million yen)	Year-on-year change (%)	Business Income* (million yen)	Year-on-year change (%)	Profit before income taxes (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)	Net income per share (yen)
IFRS:FY 2018	3,800,000	-	233,000	-	210,000	-	160,000	-	277.72

Note: In accordance with JFE Holdings, Inc.'s decision to adopt the optional application of International Financial Reporting Standards (IFRS), the company will release calculations based on IFRS in addition to forecasts of consolidated financial results based on Japanese Generally Accepted Accounting Principles (JGAAP). For the fiscal year ending March 31, 2018 for which JGAAP is being applied, the company has not stated the year-on-year change.

* Business Income: Income that excludes financial income and items with transient nature of importance to the amount from profit before income taxes. Representative index of the company's consolidated results.

Notes

1. Significant changes in subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No
2. Application of special accounting methods in the preparation of quarterly consolidated financial statements: No
3. Changes in accounting policies, accounting estimates and restatements
 - 1) Changes in the accounting policies resulting from amendments to accounting standards: Yes
 - 2) Changes other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: NoNote: For more details, see "Change in Accounting Policies" on page 6 of the attached document.
4. Number of outstanding shares (common stock)
 - 1) Outstanding shares at the end of term (including treasury stock)
 - As of December 31, 2018: 614,438,399 shares
 - As of March 31, 2018: 614,438,399 shares
 - 2) Treasury stock at the end of term
 - As of December 31, 2018: 38,575,878 shares
 - As of March 31, 2018: 37,919,494 shares
 - 3) Average number of shares during the term (quarterly consolidated cumulative period)
 - 3Q FY 2018: 576,196,515 shares
 - 3Q FY 2017: 576,587,604 shares

This document is not subject to quarterly review procedures.

Explanation of Appropriate Use of Results Forecasts, and Other Matters of Note

1. Forecasts are based on information available on the date of publication of this document as well as rational assumptions that we have made regarding certain factors. Actual results may vary significantly from these forecasts due to a wide range of circumstances.
2. Notes to the financial results can be viewed at the JFE Holdings website.

Attachments

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1. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2018	As of December 31, 2018
Asset		
Current assets:		
Cash and deposits	76,111	86,028
Notes and accounts receivable – trade	855,730	816,801
Merchandise and finished goods	351,961	389,683
Work in progress	60,292	92,589
Raw materials and supplies	438,086	478,870
Other current assets	148,125	165,394
Allowance for doubtful accounts	(2,188)	(1,730)
Total current assets	1,928,119	2,027,637
Non-current assets:		
Property, plant and equipment:		
Machinery and equipment and vehicles, net	699,324	731,178
Land	489,588	490,905
Other, net	513,335	520,369
Total property, plant and equipment	1,702,248	1,742,453
Intangible assets	83,724	88,914
Investments and other assets:		
Investments securities	325,413	298,004
Shares of subsidiaries and associates	312,880	334,482
Other assets	90,216	93,807
Allowance for doubtful accounts	(1,691)	(1,785)
Total investments and other assets	726,818	724,508
Total non-current assets	2,512,791	2,555,875
Total assets	4,440,910	4,583,513

(million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	471,897	481,822
Short-term loans payable	285,542	242,625
Commercial papers	6,000	71,000
Current portion of bonds	15,000	-
Provision	8,918	14,172
Other current liabilities	402,927	359,209
Total current liabilities	1,190,286	1,168,830
Non-current liabilities:		
Bonds payable	80,000	110,000
Long-term borrowings	944,376	1,023,356
Provision	39,348	36,347
Net defined benefit liabilities	127,435	127,786
Other non-current liabilities	49,552	45,504
Total non-current liabilities	1,240,712	1,342,995
Total liabilities	2,430,999	2,511,825
Net assets		
Shareholders' equity:		
Capital stock	147,143	147,143
Capital surplus	646,639	646,648
Retained earnings	1,211,796	1,307,061
Treasury shares	(179,070)	(180,651)
Total shareholders' equity	1,826,508	1,920,200
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	91,359	73,590
Deferred gains (losses) on hedges	(186)	(2,342)
Revaluation reserve for land	16,288	15,810
Foreign currency translation adjustment	9,791	(7,179)
Remeasurements of defined benefit plans	5,812	6,088
Total accumulated other comprehensive income	123,065	85,967
Non-controlling interests	60,337	65,519
Total net assets	2,009,911	2,071,687
Total liabilities and net asset	4,440,910	4,583,513

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (First Three Quarters)

	Through Third Quarter of Fiscal 2017	(million yen) Through Third Quarter of Fiscal 2018
Net sales	2,670,820	2,939,182
Cost of sales	2,252,113	2,505,028
Gross profit	418,706	434,153
Selling, general and administrative expenses	246,387	263,328
Operating income	172,318	170,825
Non-operating income:		
Interest income	962	1,306
Dividend income	7,482	8,271
Share of profit of entities accounted for using equity method	7,778	36,113
Other	15,416	16,262
Total non-operating income	31,638	61,954
Non-operating expenses:		
Interest expense	9,826	9,446
Loss on retirement of non-current assets	12,357	9,639
Other	11,332	12,455
Total non-operating expenses	33,517	31,541
Ordinary income	170,440	201,238
Extraordinary income:		
Gain on sales of investment securities	29,264	-
Total extraordinary income	29,264	-
Extraordinary losses:		
Impairment loss	3,244	5,780
Expenses for treatment of PCB waste	3,850	-
Total extraordinary loss	7,094	5,780
Profit before income taxes	192,609	195,457
Income taxes	49,741	39,392
Profit	142,868	156,065
Profit attributable to non-controlling interests	4,248	5,004
Profit attributable to owners of parent	138,620	151,060

Consolidated Statements of Comprehensive Income (First Three Quarters)

	Through Third Quarter of Fiscal 2017	(million yen) Through Third Quarter of Fiscal 2018
Profit	142,868	156,065
Other comprehensive income:		
Valuation difference on available-for-sale securities	(3,465)	(17,529)
Deferred gains or losses on hedges	1,004	(1,920)
Foreign currency translation adjustment	(287)	(5,267)
Remeasurements of defined benefit plans, net of tax	2,033	310
Share of other comprehensive income of entities accounted for using equity method	13,246	(12,651)
Total other comprehensive income	12,531	(37,058)
Comprehensive income:	155,399	119,006
(breakdown)		
Comprehensive income attributable to owners of parent	150,539	114,440
Comprehensive income attributable to non-controlling interests	4,859	4,565

(3) Notes to Consolidated Financial Statements

Notes Pertaining to the Presumption of a Going Concern

There is no item for this period.

Notes In Case of Significant Changes in Stockholders' Equity

There is no item for this period.

Change in Accounting Policies

Implementation of partial amendments to accounting standards used in the tax effect accounting system.

Effective from the first quarter of fiscal 2018, JFE Holdings applied revisions to the accounting standards used in its tax effect accounting system (Corporate Accounting Standard Application Guideline No.28, February 16, 2018); these amended the way in which temporary differences in future taxable amounts, such as the stocks of affiliated firms, were handled. These changes were applied retroactively; quarterly consolidated financial statements and consolidated financial statements for the last quarter and for fiscal 2017 were created after application of these changes.

As the result, the balance sheet entry for the previous fiscal year's other non-current liabilities decreased by 3,347 million yen.

This also affected the net capital amount shown at the beginning of the previous fiscal year; retained earnings at the beginning of the previous fiscal year increased by 3,347 million yen.

These changes had no effect on profit before income taxes in the first half of fiscal 2017.

Additional Information

Due to JFE Holdings applying revisions to the accounting standards used in its tax effect accounting system (Corporate Accounting Standard Application Guideline No.28, February 16, 2018) effective from the first quarter of fiscal 2018, deferred tax assets were categorized under "investment and other assets", and deferred tax liabilities were categorized under "non-current liabilities".

2. Reference

(1) Consolidated Results in First Three Quarters for Fiscal 2018 (JGAAP)

(billion yen)

	FY2017	FY2018	Change
	First Three Quarters (April-December)	First Three Quarters (April-December)	First Three Quarters (April-December)
Steel Business	1,991.9	2,126.2	134.3
Engineering Business	256.6	317.9	61.3
Trading Business	1,410.5	1,558.6	148.1
Adjustments	(988.2)	(1,063.6)	(75.4)
Net Sales	2,670.8	2,939.1	268.3
Operating Income	172.3	170.8	(1.5)
Non-operating Income (Expenses)	(1.8)	30.4	32.2
Steel Business	150.2	157.0	6.8
Engineering Business	6.0	11.8	5.8
Trading Business	26.0	28.4	2.4
Adjustments	(11.9)	3.8	15.7
Ordinary Income (Loss)	170.4	201.2	30.8
Extraordinary Income (Loss)	22.1	(5.7)	(27.8)
Profit Before Income Taxes	192.6	195.4	2.8
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(53.9)	(44.3)	9.6
Profit Attributable to Owners of Parent	138.6	151.0	12.4

(2) Consolidated Earnings Forecasts for Fiscal 2018

(billion yen)

JGAAP					IFRS	
	FY2017	FY2018	Change	(Reference) Full-year forecasts announced on October 30, 2018		FY2018
	Full year	Full year*	Full year*			Full year*
Steel Business	2,715.4	2,830.0	114.6	2,880.0	Steel Business	2,830.0
Engineering Business	391.3	480.0	88.7	480.0	Engineering Business	480.0
Trading Business	1,907.9	2,050.0	142.1	2,120.0	Trading Business	1,090.0
Adjustments	(1,336.1)	(1,460.0)	(123.9)	(1,480.0)	Adjustments	(600.0)
Net Sales	3,678.6	3,900.0	221.4	4,000.0	Sales Revenue	3,800.0
Operating Income	246.6	190.0	(56.6)	220.0	Business Income¹ A	233.0
Non-operating Income (Expenses)	(30.3)	30.0	60.3	30.0	Financial Income (Expenses) B	(13.0)
Steel Business	198.8	160.0	(38.8)	190.0	Steel Business	160.0
Engineering Business	19.3	22.0	2.7	22.0	Engineering Business	22.0
Trading Business	33.0	35.0	2.0	35.0	Trading Business	35.0
Adjustments	(34.9)	3.0	37.9	3.0	Adjustments	3.0
Ordinary Income (Loss)	216.3	220.0	3.7	250.0	Segment Income A+B	220.0
Extraordinary Income (Loss)	(2.9)	(10.0)	(7.1)	-	Exceptional Items ²	(10.0)
Profit Before Income Taxes	213.3	210.0	(3.3)	250.0	Profit Before Income Taxes	210.0
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(68.7)	(50.0)	18.7	(75.0)	Tax Expense and Profit (Loss) Attributable to Non-controlling Interests	(50.0)
Profit Attributable to Owners of Parent	144.6	160.0	15.4	175.0	Profit Attributable to Owners of Parent	160.0

*estimate

¹ Business Income: Income that excludes financial income and exceptional items from profit before income taxes

² Exceptional Items: Items with transient nature of importance to the amount

(3) Consolidated Financial Indices

JGAAP				
	Fiscal 2017	Fiscal 2018	Change	Full-year forecasts announced on October 30, 2018
Return on Sales (ROS) ¹	5.9%	5.6%	(0.3%)	6.3%
Return on Assets (ROA) ²	5.2%	5.1%	(0.1%)	5.8%
Return on Equity (ROE) ³	7.6%	8.1%	0.5%	8.7%
EBITDA ⁴	388.8 billion yen	410.0 billion yen	21.2 billion yen	440.0 billion yen
Debt Outstanding	1,330.9 billion yen	1,490.0 billion yen	159.1 billion yen	1,450.0 billion yen
Shareholders' Equity	1,949.5 billion yen	2,010.0 billion yen	60.5 billion yen	2,055.0 billion yen
D/E Ratio ⁵	58.1%	63.9%	5.8%	60.8%

¹ ROS = Ordinary income / net sales

² ROA = Ordinary income before interest expenses / Total assets (average)

³ ROE = Profit attributable to owners of parent / Shareholders' equity

⁴ EBITDA = Ordinary income + Interest expenses + Depreciation

⁵ D/E ratio = Debt outstanding / Shareholders' equity. For debt having a capital component*, a portion of its issue price is deemed to be capital, as assessed by rating agencies.

*Debt having a capital component (subordinated borrowings)

Borrowing Execution Date	Amount Borrowed	Assessment of Equity Content	Amount Deemed to be Capital
June 30, 2016	200.0 billion yen	25%	50.0 billion yen
March 19, 2018	300.0 billion yen	25%	75.0 billion yen

(4) Difference between JGAAP and IFRS

(billion yen)

	Net Sales / Sales Revenue	Ordinary Income (Loss) / Business Income
JGAAP	3,900.0	220.0
Difference in Awareness and Measurement Dealings with Agents etc.	(100.0)	0
Display Change	-	13.0
Financial Income etc.	-	13.0
IFRS	3,800.0	233.0

(5) Crude Steel Production (JFE Steel) (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017	Non-consolidated	7.12	6.98	14.10	7.23	7.14	14.37	28.46
	Consolidated	7.53	7.38	14.91	7.63	7.52	15.15	30.06
FY 2018	Non-consolidated	7.10	6.94	14.04	6.39			27.0*
	Consolidated	7.51	7.33	14.84	6.79			28.5*

*Approximate estimate

(6) Shipments (JFE Steel on non-consolidated basis) (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		6.14	6.28	12.42	6.38	6.50	12.88	25.30
FY 2018		6.13	5.93	12.06	6.24			24.30*

*Approximate estimate

(7) Export Ratio on Value Basis (JFE Steel on non-consolidated basis) (%)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		42.1	44.2	43.2	45.1	45.9	45.5	44.4
FY 2018		42.4	44.2	43.3	43.5	39*	41*	42*

*estimate

(8) Foreign Exchange Rate (Yen/US dollar) (JPY/USD)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		111.5	110.9	111.2	112.6	109.7	111.2	111.2
FY 2018		108.1	110.9	109.5	113.4	110*	112*	111*

*estimate

(9) Average Selling Price (JFE Steel on non-consolidated basis) (thousand yen/ton)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2017		74.4	73.3	73.8	77.0	76.5	76.8	75.3
FY 2018		79.3	81.9	80.6	82.9	80*	81*	81*

*estimate

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

(billion yen)

Field	FY2017	FY2018	Change
Environment	234.2	210.0*	(24.2)
Energy	126.9	130.0*	3.1
Infrastructure, others	134.4	160.0*	25.6
Total	495.5	500.0*	4.5

*estimate

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

(JFE Holdings, JGAAP consolidated basis)

Debt outstanding

As of	(billion yen)
March 31, 2018	1,330.9
March 31, 2019	1,490.0*

Interest expense

	(billion yen)
FY 2017	13.0
FY 2018	13.0*

Cash and deposits

As of	(billion yen)
March 31, 2018	76.1
March 31, 2019	65.0*

*estimate

(12) Capital Investment and Depreciation Cost (JFE Holdings, JGAAP consolidated basis)

(billion yen)

	FY 2017	FY 2018
Capital investment	257.2	270.0*
Depreciation	159.5	180.0*

(on construction basis)

*Approximate estimate

(13) Breakdown of Changes in Ordinary Income (JGAAP)

a. First three quarters of FY 2018, compared to same period of FY 2017

	<u>Change</u>	<u>1Q-3Q of FY</u> <u>2017</u>	<u>(billion yen)</u> <u>1Q-3Q of FY</u> <u>2018</u>
Ordinary income	30.8	170.4➔	201.2
Steel business			
- Cost	0	Cost reduction 12.0, One-off effect due to operational troubles (12.0)	
- Sales volume and mix	(17.0)		
- Sales prices and raw materials prices	71.0		
- Metals and materials	(42.0)		
- Unrealized gains on inventories	11.0		
- Others	(16.2)	Increase in depreciation cost, etc	
<hr/> Total steel business	<hr/> 6.8		
Engineering business, Trading business, Adjustment	23.9		

b. FY 2018 forecast, compared to FY 2017

	<u>Change</u>	<u>FY 2017</u>	<u>(billion yen)</u> <u>FY 2018</u>
Ordinary income	3.7	216.3➔	220.0*
Steel business			
- Cost	0	Cost reduction 20.0, One-off effect due to operational troubles (20.0)	
- Sales volume and mix	(30.0)		
- Sales prices and raw materials prices	72.0		
- Metals and materials	(55.0)		
- Infrastructure maintenance cost	(30.0)		
- Unrealized gains on inventories	6.0		
- Others	(1.8)		
<hr/> Total steel business	<hr/> (38.8)		
Engineering business, Trading business, Adjustment	42.6		

*estimate

c. FY 2018 revised forecasts, compared to previous forecasts

	<u>Change</u>	<u>FY 2017</u>	<u>(billion yen)</u> <u>FY 2018</u>
Ordinary income	(30.0)	250.0→	220.0*
Steel business			
- Cost	(15.0)		
- Sales volume and mix	(20.0)		
- Sales prices and raw materials prices	(10.0)		
- Unrealized gains on inventories	16.0		
- Others	(1.0)		
Total steel business	(30.0)		
Engineering business, Trading business, Adjustment	0		

*estimate

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