

JFE Holdings' Financial Results for Fiscal Year 2018 ended March 31, 2019

— All financial information has been prepared in accordance with
International Financial Reporting Standards (IFRS) —
(Note: The following is an English translation of an original Japanese document)

May 14, 2019

Official name: Listings: Code: English URL: Representative: Contact: Phone: Annual shareholders meeting (planned): Dividend payment starting date: Scheduled date to submit securities report: Preparation of supplementary materials on results: Results briefing:	JFE Holdings, Inc. Tokyo and Nagoya stock exchanges 5411 www.jfe-holdings.co.jp/en Koji Kakigi, President and CEO Hidetsugu Tawara, Manager, Public Relations Section Investor Relations and Corporate Communications Department +81-3-3597-3842 June 21, 2019 June 24, 2019 June 21, 2019 Yes Yes
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(Figures are rounded down to the nearest million yen)

1. Consolidated Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results (cumulative total)

(Percentages indicate year on year change)

	Revenue (million yen)	%	Business profit (million yen)	%	Profit before tax (million yen)	%	Profit (million yen)	%	Profit attributable to owners of parent (yen)	%	Compre- hensive income	%
FY 2018	3,873,662	6.8	232,070	6.3	209,313	36.9	169,825	64.6	163,509	67.5	126,378	1.8
FY 2017	3,627,248	-	218,378	-	152,877	-	103,153	-	97,635	-	124,104	-

	Basic earnings per share (yen)	Diluted earnings per share (yen)	Profit ratio to equity attributable to owners of parent (%)	Profit before tax ratio to total assets (%)	Business profit ratio to revenue (%)
FY 2018	283.81	283.76	8.6	4.6	6.0
FY 2017	169.34	169.34	5.4	3.5	6.0

(Reference): Equity in earnings of affiliates: FY 2018: 42,685 million yen FY 2017: (10,173 million yen)

Note: Business profit is profit before tax excluding financial income and one-time items of a materially significant value.

(2) Consolidated Financial Position

	Total assets (million yen)	Total equity (million yen)	Equity attributable to owners of parent (million yen)	Total equity attributable to owners of parent (%)	Equity attributable to owners of parent per share (yen)
FY 2018	4,709,201	1,991,759	1,926,337	40.9	3,345.22
FY 2017	4,487,173	1,922,065	1,862,707	41.5	3,230.96

(3) Consolidated Cash Flows

	Cash flows from operating activities (million yen)	Cash flows from investing activities (million yen)	Cash flows from financing activities (million yen)	Cash and cash equivalents at end of year (million yen)
FY 2018	268,251	(313,351)	51,882	82,288
FY 2017	328,358	(216,454)	(99,828)	75,117

2. Dividends

	Dividend per share (yen)		Total dividend payout (million yen)	Dividend payout ratio (consolidated, %)	Dividend ratio of equity attributable to owners of parent (consolidated %)
	Interim	Year-end			
FY 2017	80.00	30.00	46,136	47.2	2.5
FY 2018	95.00	45.00	54,781	33.5	2.9
FY 2019 (forecast)	-	-	-	-	-

Note: Fiscal 2019 dividends are yet to be determined.

3. Forecasts of Consolidated Financial Results in Fiscal 2019 (April 1, 2019 to March 31, 2020)

(Percentages indicate year on year changes)

	Revenue (million yen)	%	Business profit (million yen)	%	Profit before tax (million yen)	%	Profit attributable to owners of parent (yen)	%	Basic earnings per share (yen)
FY 2019	-	-	180,000	(22.4)	-	-	-	-	-

Notes

- Changes in significant subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No
- Changes in accounting policies and accounting estimates
 - Changes in the accounting policies required by IFRS: No
 - Changes in the accounting policies other than 1) above: No
 - Changes in accounting estimates: No
- Number of outstanding shares (common stock)
 - Outstanding shares at the end of the term (including treasury stock)
 - As of March 31, 2019: 614,438,399 shares
 - As of March 31, 2018: 614,438,399 shares
 - Treasury stock at the end of the term
 - As of March 31, 2019: 38,590,471 shares
 - As of March 31, 2018: 37,919,494 shares
 - Average number of shares during the term
 - FY 2018: 576,117,212 shares
 - FY 2017: 576,572,979 shares

This report is not subject to auditing by a certified public accountant or an audit corporation.

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

- As of the fiscal year under review, the Company adopted International Financial Reporting Standards ("IFRS") in place of Japanese generally accepted accounting principles (J-GAAP). Consolidated figures for the previous fiscal year are therefore also presented on an IFRS basis. For differences between IFRS and Japanese GAAP, please refer to the attachments under First-time adoption (Page 23) in the Notes to Consolidated Financial Statements.
- Forecasts and other forward-looking statements herein 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. For a description of the results forecasts, see (4) Outlook for Fiscal 2019 on Page 3 of the attachments.
- The supplementary financial data will be published on our website.

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1. Qualitative Information

The JFE Group adopted IFRS from the fiscal year that ended on March 31, 2019. For the purposes of comparison, figures for previous fiscal years appearing here have been converted to IFRS.

(1) Overview of Business Results

JFE Holdings, Inc., guided by its corporate mission of contributing to society with world-leading technology, continued to achieve sustainable growth and improved corporate value for shareholders and other stakeholders.

In fiscal 2018, the Japanese economy recovered moderately overall, supported by increases in exports and capital investment, but signs of weakness in production and other areas have recently appeared. Overseas, the global economy recovered modestly as a whole and in the United States in particular, but the outlook has grown increasingly uncertain amid rising global trade tensions due to protectionism, the risk of an economic downturn in China and other emerging economies, developments surrounding the UK's exit from the EU, and so on.

Both business income and profit attributable to owners of the parent company increased year over year as the JFE Group carried out the key measures set out under its sixth medium-term business plan: pursue growth with leading-edge technologies, expand the profit base in Japan and strengthen manufacturing capabilities, advance overseas business and expand the overseas profit base, and strengthen business structure for sustainable growth.

Operating results by segment were as follows.

Steel business: Consolidated annual crude steel production was 27.88 million tons, down from the previous fiscal year owing to operating issues affecting blast furnace operations, natural disasters, and other factors. Revenue increased to 2,830.6 billion yen, reflecting higher steel sales prices and despite lower sales volumes. Although the business continued working to raise steel selling prices and improve earnings, segment profit was down to 161.3 billion yen owing to the impact of operating issues and a sharp increase in costs due to rising prices of metals and other auxiliary raw materials, materials costs, distribution costs, and the like.

Engineering business: Revenue increased sharply to a record high of 485.8 billion yen, reflecting aggressive efforts to win orders for environmental, energy, and infrastructure building projects in Japan and overseas, as well as the smooth execution of project orders already received. Segment profit rose to 20.1 billion yen.

Trading business: Despite a decline in crude steel production volume, revenue increased to 1,125.8 billion yen, driven by efforts to capture solid demand from the automotive field and Greater Tokyo area redevelopment projects as well as better unit sales prices both in Japan and abroad. Segment profit increased to 35.7 billion yen on increased revenue and expanding profitability at Group companies abroad, particularly in the United States.

Although Japan Marine United Corporation, which is accounted for using the equity method, recorded a significant deficit in the last term, recorded profit in this term

On a consolidated basis incorporating earnings of the parent entity, both revenue and profits were up, with revenue of 3,873.6 billion yen and business income of 232.0 billion yen. Impairment losses also were booked, resulting in profit before tax of 209.3 billion yen and profit attributable to owners of the parent company of 163.5 billion yen.

Note: Business income is profit before tax excluding financial income and one-time items of a materially significant value. It is a benchmark indicator of the company's consolidated earnings. The operating performance of each segment is presented in terms of segment profit, a measure including financial income in business profit.

(2) Overview of Financial Position

Total assets at the end of fiscal 2018 (March 31, 2019) rose 222.0 billion yen from the previous yearend to 4,709.2 billion yen, mainly due to an increase in property, plant and equipment. Total liabilities rose 152.3 billion yen from the previous yearend to 2,717.4 billion yen, mainly due to increases in bonds payable, borrowings, and lease obligations. Total equity rose 69.6 billion yen from the previous yearend to 1,991.7 billion yen, mainly due to an increase in retained earnings.

(3) Overview of Cash Flow in Fiscal 2018

Net cash provided by operating activities was 268.2 billion yen. Net cash used in investing activities was 313.3 billion yen, largely for the purchase of property, plant and equipment, intangible assets, and investment property. Aggregate free cash flow thus came to an outflow of 45.1 billion yen.

Net cash provided by financing activities was 51.8 billion yen, primarily reflecting long-term borrowings.

Interest-bearing liabilities outstanding at fiscal year-end rose 132.6 billion yen to 1,523.8 billion yen. The balance of cash and cash equivalents rose 7.1 billion yen to 82.2 billion yen.

Note: Interest-bearing liabilities are bonds payable, borrowings, and lease obligations.

(4) Outlook for Fiscal 2019

Steel business:

In Japan, we expect demand to remain solid overall with moderate economic growth. Internationally, we expect demand to remain solid overall in view of firm growth in many overseas economies, but the risks posed by trade frictions will continue to bear close watching. Crude steel production dropped sharply in fiscal 2018 owing to issues at blast furnace facilities, but in fiscal 2019 we will work to stabilize production and restore crude steel production levels.

Rising costs have had a major impact on earnings in recent years. Not only have costs been rising for key raw materials, namely, iron ore and coking coal, costs also have risen for auxiliary raw materials and other materials as well as for distribution and subcontracting. As we work to improve selling prices in this environment, we will be working closely with customers to gain their understanding and agreement. All told, we forecast segment profit of 105.0 billion yen in fiscal 2019.

In accordance with measures specified in our sixth medium-term business plan, we also will continue to focus on strengthening our manufacturing capabilities to stabilize production and continue working resolutely to advance overseas business.

Engineering business:

We expect revenue to rise as we steadily execute existing project orders, and segment profit is forecast to increase to 23.0 billion yen.

Trading business:

Although fiscal 2018's one-time gains, primarily in the United States, will fall away, we forecast segment profit of 36.0 billion yen. This will be driven by a recovery in crude steel production as well as efforts to capture construction demand, including that related to the Tokyo 2020 Olympic and Paralympic Games and strong demand from the automotive field.

JFE Group forecasts group-wide business income of 180.0 billion yen in fiscal 2019.

2. Basic Rationale for Selection of Accounting Standards

JFE voluntarily adopted IFRS starting with full-year results for the fiscal year that ended on March 31, 2019. The JFE Group does business globally, so by adopting IFRS it aims to improve the international comparability of its financial statements in capital markets and improve group management through standardized accounting methods.

3. Consolidated Financial Statements

(1) Consolidated statement of financial position

	Transition date (April 1, 2017)	As of March 31, 2018	(million yen) As of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	70,209	75,117	82,288
Trade and other receivables	685,295	758,029	754,679
Contract assets	132,500	126,935	124,039
Inventories	757,793	836,865	917,812
Income taxes receivable	6,796	1,766	19,076
Other financial assets	4,912	7,157	4,471
Other current assets	68,871	77,684	86,290
Total current assets	1,726,379	1,883,556	1,988,658
Non-current assets			
Property, plant and equipment	1,661,123	1,732,154	1,835,229
Goodwill	5,137	4,473	4,445
Intangible assets	66,918	73,163	82,567
Investment property	60,403	59,682	59,425
Investments accounted for using equity method	332,428	289,223	315,064
Retirement benefit asset	11,224	16,459	16,380
Deferred tax assets	27,674	24,467	36,609
Other financial assets	426,418	393,668	360,133
Other non-current assets	11,523	10,322	10,686
Total non-current assets	2,602,853	2,603,616	2,720,543
Total assets	4,329,232	4,487,173	4,709,201

	Transition date (April 1, 2017)	As of March 31, 2018	(million yen) As of March 31, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	524,727	560,381	584,939
Bonds payable, borrowings, and lease obligations	271,767	317,494	329,400
Contract liabilities	33,465	53,588	59,060
Income taxes payable, etc.	16,155	43,601	16,399
Provisions	8,622	8,594	14,336
Other financial liabilities	89,884	92,612	99,097
Other current liabilities	187,016	213,876	222,705
Total current liabilities	1,131,639	1,290,149	1,325,938
Non-current liabilities			
Bonds payable, borrowings, and lease obligations	1,153,753	1,073,734	1,194,478
Retirement benefit liability	123,989	128,341	133,999
Provisions	36,537	35,914	30,438
Deferred tax liabilities	10,279	5,162	3, 550
Other financial liabilities	27,588	22,109	17,140
Other non-current liabilities	9,197	9,696	11,895
Total non-current liabilities	1,361,346	1,274,959	1,391,503
Total liabilities	2,492,986	2,565,108	2,717,442
Equity			
Share capital	147,143	147,143	147,143
Capital surplus	646,582	646, 634	646,793
Retained earnings	1,050,635	1,138,091	1,241,420
Treasury shares	(178,853)	(179,070)	(180,670)
Other components of equity	115,941	109, 907	71,650
Equity attributable to owners of parent	1,781,449	1,862,707	1,926,337
Non-controlling interests	54,796	59,357	65,422
Total equity	1,836,245	1,922,065	1,991,759
Total liabilities and equity	4,329,232	4,487,173	4,709,201

(2) Consolidated statement of profit or loss and consolidated statement of comprehensive income

Consolidated statement of profit or loss

	(million yen)	
	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Revenue	3,627,248	3,873,662
Cost of sales	(3,054,388)	(3,328,475)
Gross profit	572,860	545,186
Selling, general and administrative expenses	(336,949)	(357,323)
Share of profit (loss) of entities accounted for using equity method	(10,173)	42,685
Other income	30,619	30,877
Other expenses	(37,979)	(29,355)
Business profit	218,378	232,070
Impairment losses	(28,453)	(10,252)
Loss on remeasurement of retained interest	(18,717)	–
Expenses for treatment of PCB waste	(3,850)	–
Operating profit	167,357	221,818
Finance income	1,546	2,083
Finance costs	(16,026)	(14,588)
Profit before tax	152,877	209,313
Income tax expense	(49,723)	(39,488)
Profit	103,153	169,825
Profit attributable to		
Owners of parent	97,635	163,509
Non-controlling interests	5,518	6,315
Profit	103,153	169,825
Basic earnings per share		
Basic earnings per share (yen)	169.34	283.81
Diluted earnings per share (yen)	169.34	283.76

Consolidated statement of comprehensive income

	(million yen)	
	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Profit	103,153	169,825
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	4,510	(4,270)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	13,751	(23,091)
Share of other comprehensive income of investments accounted for using equity method	602	(430)
Total of items that will not be reclassified to profit or loss	18,864	(27,793)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,098)	(4,445)
Effective portion of cash flow hedges	2,649	(383)
Share of other comprehensive income of investments accounted for using equity method	1,535	(10,824)
Total of items that may be reclassified to profit or loss	2,086	(15,653)
Total other comprehensive income	20,950	(43,446)
Comprehensive income	124,104	126,378
Comprehensive income attributable to		
Owners of parent	117,483	120,693
Non-controlling interests	6,621	5,685
Comprehensive income	124,104	126,378

(3) Consolidated statement of changes in equity

Fiscal 2017 (April 1, 2017 – March 31, 2018)

(million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2017	147,143	646,582	1,050,635	(178,853)	–	119,153
Profit	–	–	97,635	–	–	–
Other comprehensive income	–	–	–	–	4,527	13,819
Comprehensive income	–	–	97,635	–	4,527	13,819
Purchase of treasury shares	–	–	–	(226)	–	–
Disposal of treasury shares	–	(4)	–	10	–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	0	–	–
Dividends	–	–	(34,605)	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	56	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	24,427	–	(4,527)	(19,900)
Transfer to non-financial assets	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	–	52	(10,178)	(216)	(4,527)	(19,900)
Balance as of March 31, 2018	147,143	646,634	1,138,091	(179,070)	–	113,073

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity			Total	Total equity			
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total					
Balance as of April 1, 2017	–	(3,212)	115,941	1,781,449	54,796	1,836,245		
Profit	–	–	–	97,635	5,518	103,153		
Other comprehensive income	(1,805)	3,307	19,847	19,847	1,102	20,950		
Comprehensive income	(1,805)	3,307	19,847	117,483	6,621	124,104		
Purchase of treasury shares	–	–	–	(226)	–	(226)		
Disposal of treasury shares	–	–	–	5	–	5		
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	0	–	0		
Dividends	–	–	–	(34,605)	(2,176)	(36,781)		
Share-based payment transactions	–	–	–	–	–	–		
Changes in ownership interest in subsidiaries	–	–	–	56	(56)	–		
Transfer from other components of equity to retained earnings	–	–	(24,427)	–	–	–		
Transfer to non-financial assets	–	(1,454)	(1,454)	(1,454)	–	(1,454)		
Other	–	–	–	–	172	172		
Total transactions with owners	–	(1,454)	(25,882)	(36,224)	(2,060)	(38,285)		
Balance as of March 31, 2018	(1,805)	(1,359)	109,907	1,862,707	59,357	1,922,065		

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2018	147,143	646,634	1,138,091	(179,070)	—	113,073
Profit	—	—	163,509	—	—	—
Other comprehensive income	—	—	—	—	(4,630)	(23,108)
Comprehensive income	—	—	163,509	—	(4,630)	(23,108)
Purchase of treasury shares	—	—	—	(1,627)	—	—
Disposal of treasury shares	—	(16)	—	27	—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—
Dividends	—	—	(54,784)	—	—	—
Share-based payment transactions	—	170	—	—	—	—
Changes in ownership interest in subsidiaries	—	4	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(5,396)	—	4,630	766
Transfer to non-financial assets	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total transactions with owners	—	158	(60,181)	(1,600)	4,630	766
Balance as of March 31, 2019	147,143	646,793	1,241,420	(180,670)	—	90,730

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2018	(1,805)	(1,359)	109,907	1,862,707	59,357	1,922,065
Profit	—	—	—	163,509	6,315	169,825
Other comprehensive income	(14,742)	(334)	(42,816)	(42,816)	(630)	(43,446)
Comprehensive income	(14,742)	(334)	(42,816)	120,693	5,685	126,378
Purchase of treasury shares	—	—	—	(1,627)	—	1,627
Disposal of treasury shares	—	—	—	10	—	10
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—
Dividends	—	—	—	(54,784)	(1,972)	(56,756)
Share-based payment transactions	—	—	—	170	—	170
Changes in ownership interest in subsidiaries	—	—	—	4	(4)	—
Transfer from other components of equity to retained earnings	—	—	5,396	—	—	—
Transfer to non-financial assets	—	(838)	(838)	(838)	—	(838)
Other	—	—	—	—	2,356	2,356
Total transactions with owners	—	(838)	4,558	(57,064)	379	(56,684)
Balance as of March 31, 2019	(16,547)	(2,532)	71,650	1,926,337	65,422	1,991,759

(4) Consolidated Statement of Cash Flow

	(million yen)	
	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Profit before tax	152,877	209,313
Depreciation and amortization	182,646	196,243
Changes in allowance	(724)	(23)
Interest and dividend income	(9,427)	(10,627)
Interest expenses	15,446	13,648
Decrease (increase) in trade and other receivables	(72,082)	2,533
Decrease (increase) in inventories	(78,270)	(82,525)
Increase (decrease) in trade and other payables	30,010	19,691
Other	132,500	(669)
Subtotal	352,977	347,585
Interest and dividends received	16,355	19,014
Interest paid	(12,906)	(12,606)
Income taxes paid	(28,067)	(85,741)
Cash flows from operating activities	328,358	268,251
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets, and investment property	(268,379)	(312,578)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property	2,994	488
Purchase of investments	(10,847)	(8,394)
Proceeds from sale of investments	64,798	6,889
Other	(5,020)	243
Cash flows from investing activities	(216,454)	(313,351)

	(million yen)	
	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,556	18,752
Increase (decrease) in commercial papers	(1,999)	77,000
Proceeds from long-term borrowings	378,474	213,499
Repayments of long-term borrowings	(398,061)	(200,487)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(50,000)	(15,000)
Payments for purchase of treasury shares	(226)	(1,627)
Dividends paid to owners of parent	(34,510)	(54,640)
Other	(18,060)	(15,614)
Cash flows from financing activities	(99,828)	51,882
Effect of exchange rate change on cash and cash equivalents	(7,167)	388
Net increase (decrease) in cash and cash equivalents	4,908	7,170
Cash and cash equivalents at beginning of period	70,209	75,117
Cash and cash equivalents at end of period	75,117	82,288

(5) Notes to Consolidated Financial Statements

Notes Pertaining to the Presumption of a Going Concern

There is no item for this period.

Reporting entity

JFE Holdings, Inc. (the "Company") is an incorporated company established under Japan's Companies Act and is located in Japan.

The consolidated financial statements of the Company, as of March 31, 2019, encompass the Company and its subsidiaries (the "Group") and its interests in affiliates and joint arrangements of the Company.

Details of the Group's business are described in "Segment Information."

Basis of preparation

(1) Statement of compliance with IFRS and notes on first-time adoption

The Company meets the requirements of a "specified company complying with designated international accounting standards" as specified in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of October 30, 1976; "Consolidated Financial Statements Regulations"), and the Company therefore prepares its consolidated financial statements in accordance with IFRS, in accordance with Article 93 of the Consolidated Financial Statements Regulations.

The Group adopted IFRS for the first time in the fiscal year ended March 31, 2019. The date of transition to IFRS ("transition date") is April 1, 2017. The effects of the transition to IFRS on the financial position, business results, and cash flows of the Group as of the transition date and comparative year are described in "First-time adoption."

With the exception of IFRSs not adopted early and the exemptions permitted under IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Group's accounting practices are in compliance with IFRS effective as of March 31, 2019. Exemptions used are described in "First-time adoption"

(2) Basis of measurement

The Group's consolidated financial statements have been prepared based on acquisition cost, with the exception of financial instruments, etc., described in "Significant accounting policies."

(3) Functional currency and reporting currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts less than one million yen are rounded down.

Significant accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those companies over which the Company has control. If the Group has an exposure or right to variable returns from involvement in the investee, and has the ability to use its power over the investee to affect the amount of returns, then it is regarded as controlling the investee.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date of acquisition of control to the date of loss of control.

If there is a change in equity interest in a subsidiary without loss of control, it is accounted for as a capital transaction.

If there is a change in equity interest in a subsidiary accompanied by a loss of control, the subsidiary's assets and liabilities, non-controlling interests related to the subsidiary, and other components of equity are derecognized, with any gain or loss resulting therefrom recognized in profit or loss.

For subsidiaries whose reporting periods end on a date that differs from that of the parent entity, provisional financial statements as of the consolidated reporting date are used.

(ii) Associates and joint arrangements

Associates: An entity in which the Group owns at least 20% and at most 50% of the voting rights is considered an associate unless it can be clearly demonstrated that the Company cannot exercise influence over financial and operating policy decisions of the entity. An entity in which the Group owns less than 20% of the voting rights is considered an associate if the Company can exercise influence over financial and operating policy decisions of the entity. Investments in associates are accounted for using the equity accounting method.

A joint arrangement is an arrangement in which two or more parties have joint control such that decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the parties that share joint control have rights to the assets and obligations for the liabilities relating to the arrangement, it is called a joint operation. If the parties that share joint control have rights to the net assets of the arrangement, it is called a joint venture. In relation to its interest in a joint operation, the Group recognizes its share of assets, liabilities, revenue, and expenses. Joint ventures are accounted for using the equity accounting method.

For associates whose reporting periods end on a date that differs from that of the parent entity, provisional financial statements as of the consolidated reporting date are prepared.

For JSW Steel Limited, provisional financial statements are prepared based on December 31 as the reporting date because local legislation imposes restrictions on when certain information becomes available to the Company. Necessary adjustments have been made for material transactions or events disclosed between JSW Steel Limited's provisional reporting date and the consolidated reporting date.

(iii) Consolidation eliminations

The balances of receivables and payables and transactions within the Group, and unrealized gains and losses arising

from transactions within the Group, have been eliminated when preparing consolidated financial statements.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

Identifiable assets acquired through business combinations, liabilities assumed, non-controlling interests of the acquiree, and goodwill are recognized on the acquisition date (the date on which the acquirer obtains control of the acquiree). As a general rule, identifiable assets acquired and liabilities assumed are measured at fair value.

If the total value of the fair value of consideration (including contingent consideration) transferred in the business combination, the amount of any non-controlling interests of the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree ("Value A") exceeds the net value (usually the fair value) of the acquiree's identifiable assets and liabilities assumed ("Value B"), the excess is recognized as goodwill. If, on the other hand, Value A is less than Value B, the difference is recognized in profit or loss as of the acquisition date.

Acquisition costs incurred are recognized as expenses when incurred.

For each individual transaction, the Company chooses to measure non-controlling interests at fair value or as a proportionate share of the fair value of identifiable net assets of the acquiree.

(3) Foreign currency translation

(i) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company using the exchange rate or similar rate prevailing on the transaction date. Monetary items denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate prevailing at the end of the reporting period, and the resulting exchange differences are recognized in profit or loss. When the valuation difference of a non-monetary item is recognized in other comprehensive income, any exchange component is recognized in other comprehensive income, and when a non-monetary item is recognized in profit or loss, any exchange component is recognized in profit or loss.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the exchange rates prevailing at the end of the reporting period. In addition, revenues and expenses of foreign operations are translated at the average exchange rates for the reporting period unless exchange rates fluctuated significantly during the period. Exchange differences arising from translation are recognized in other comprehensive income, and the accumulated amount is included in other components of equity.

When disposing of foreign operations, the cumulative amount of exchange differences related to the foreign operations is recognized in profit or loss at the time of disposal. Note that the Group has used the exemption specified in IFRS 1 that permits it to transfer the cumulative exchange differences that existed at the IFRS transition date to retained earnings.

(4) Financial instruments

(i) Financial assets

a. Initial recognition and measurement

Financial assets are classified either as financial assets measured at amortized cost at the time of initial recognition or as financial assets measured at fair value. The Group recognizes a financial asset on the transaction date on which it becomes a party to the contractual provisions of the financial asset.

Financial assets that meet the following conditions are classified as financial assets measured at amortized cost:

- The asset is held in a business model of which the objective is to hold the asset in order to collect its contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

With the exception of equity financial assets held for trading purposes that must be measured at fair value through profit or loss, equity financial assets measured at fair value are individually classified either as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, with that classification being made when the asset is initially recognized and applying continuously thereafter.

With the exception of financial assets measured at fair value through profit or loss, financial assets are measured at fair value at initial recognition plus transaction costs directly attributable to the acquisition. Financial assets measured at fair value through profit or loss are measured at fair value at initial recognition, and transaction costs directly attributable to the transaction are recognized in profit or loss.

b. Measurement subsequent to initial recognition

(a) Financial assets measured at amortized cost

After initial recognition, measurement is the amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss

After initial recognition, measurement is the fair value with subsequent changes recognized in profit or loss.

(c) Equity financial assets measured at fair value through other comprehensive income

After initial recognition, measurement is the fair value with subsequent changes recognized in other comprehensive income.

Amounts recognized in other comprehensive income are transferred to retained earnings when an asset is derecognized or its fair value declines significantly (except when recovery is deemed probable); they are not transferred to profit or loss. Dividends derived from such financial assets are recognized as profit or loss.

c. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the contractual rights to receive cash flows have been transferred and substantially all risks and rewards of ownership of the financial asset are transferred to another entity.

d. Impairment

For financial assets measured at amortized cost, the Company recognizes allowances for doubtful accounts based on expected credit losses.

Allowances for doubtful accounts are calculated as the present value of the difference between the contractual cash flows due to the Group and the cash flows that the Group expects to receive.

The Group determines whether the credit risk on each financial asset has increased significantly since initial recognition on each reporting date, and if the credit risk has not increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses (expected credit losses over 12 months) resulting from default events that may occur within 12 months. If, on the reporting date, credit risk on a financial asset has increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses arising from all possible default events over the expected lifetime of the financial asset (expected credit losses over full lifetime). However, in the case of trade receivables, contract assets, and lease receivables that do not contain a significant financing component, regardless of the above, the amount of the allowance for doubtful accounts is always measured using the expected credit losses for the instrument's full lifetime.

Provisions for allowances for loan losses on financial assets are recognized in profit or loss. In the case of events that reduce the allowance for loan losses, reversals of allowances for loan losses are recognized in profit or loss.

Estimates of allowances for doubtful accounts relating to financial assets reflect the following.

- Unbiased probability-weighted amounts calculated by evaluating a range of possible outcomes
- Time value of money
- Rational and supportable information about past events, current conditions, and forecasts of future economic conditions, available at the reporting date without undue cost or effort

(ii) Financial liabilities

a. Initial recognition and measurement

Financial liabilities are classified either as financial liabilities measured at amortized cost at the time of initial recognition or as financial liabilities measured at fair value through profit or loss. The Group initially recognizes issued debt securities on the date of issue, and other financial liabilities are initially recognized on the transaction date on which the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities measured at amortized cost are measured at fair value at the time of initial recognition minus transaction costs directly attributable to the issue of the instruments. However, financial liabilities measured at fair value through profit or loss are measured at fair value at the time of initial recognition.

b. Measurement subsequent to initial recognition

(a) Financial liabilities measured at amortized cost

After initial recognition, measurement is the amortized cost using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

After initial recognition, measurement is the fair value with subsequent changes recognized in profit or loss.

c. Derecognition

Financial liabilities are derecognized when the financial liabilities expire; that is, when the liabilities are discharged, are cancelled, or expire.

(iii) Derivative and hedge accounting

The Group enters into derivative transactions such as forward exchange contracts and interest rate swaps in order to hedge foreign exchange risk, interest rate risk, and the like.

At the inception of the hedge, the Group formally designates and documents the risk management purpose and strategy for the hedging relationship and the implementation of the hedge. This documentation identifies the hedging instrument, the item or transaction being hedged, the nature of the risk being hedged, and the method of evaluating the effectiveness of the hedging instrument in offsetting the exposure to changes in the fair value or cash flows of the hedged item due to the risk being hedged. The Group expects these hedges to be highly effective in offsetting changes in fair value or cash flows due to the risks being hedged; however, the hedges are assessed on an ongoing basis to determine whether they have actually been highly effective or not throughout the hedging periods.

Derivatives are initially recognized at fair value. After initial recognition, fair value is measured and subsequent changes are treated as shown immediately below.

a. Fair value hedges

Changes in the fair value of derivatives used as hedging instruments are recognized in profit or loss or other comprehensive income. Changes in the fair value of the hedged item corresponding to the hedged risk are recognized in profit or loss or other comprehensive income, with the carrying amount of the hedged item being adjusted.

b. Cash flow hedges

The portion of the change in the fair value of derivatives used as hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income, and the cumulative amount is included in other

components of equity. The portion of hedges that is ineffective is recognized in profit or loss. Amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the accounting period in which the transaction being hedged affects profit or loss. However, if the forecast transaction being hedged subsequently results in the recognition of a non-financial asset or non-financial liability, the amount accumulated in other components of equity is treated as an adjustment to the initial book value of that non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the hedging instrument expires, is sold, or is terminated or exercised, or if the derivative no longer meets the requirements for hedge accounting. When the forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is immediately reclassified from other components of equity to profit or loss.

c. Derivatives not designated as hedges

Changes in the fair value of such derivatives are recognized in profit or loss.

(iv) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented at net when the Group has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or intends to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, readily available deposits, and short-term investments maturing within three months that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost consists of material costs, direct labor costs, other direct costs, and an appropriate allocation of related manufacturing overhead costs. Net realizable value is calculated by deducting the estimated selling costs from the estimated selling price. Cost is mainly calculated based on the weighted-average method.

(7) Property, plant and equipment (excluding leased assets)

The Group uses the cost model to measure the carrying value of property, plant and equipment subsequent to its recognition. Under this model, property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment other than land and construction in progress are mainly depreciated using the straight-line method.

The estimated useful lives of major asset items are as follow:

- Buildings and structures: 2–75 years
- Machinery and vehicles: 2–27 years

The estimated useful lives, depreciation methods, and residual values of property, plant and equipment are reviewed at the end of each fiscal year.

(8) Goodwill and intangible assets

(i) Goodwill

Goodwill is not amortized; it is tested for impairment annually or whenever an indication of impairment exists. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and are not subsequently reversed.

Goodwill is carried at book value less accumulated impairment losses.

(ii) Intangible assets (excluding leased assets)

Intangible assets acquired separately are measured at cost at the time of initial recognition. Intangible assets acquired in business combinations are measured at fair value as of the acquisition date.

The Group uses the cost model to measure the carrying value of intangible assets subsequent to their recognition. Under this model, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets whose useful lives can be determined are amortized using the straight-line method over their estimated useful lives. Intangible assets mainly comprise software for internal use and have estimated useful lives of 2–10 years.

(9) Leases

Leases for which all risks and rewards of ownership have effectively been transferred to the Group are classified as finance leases, and leases other than finance leases are classified as operating leases.

(i) Finance leases

Assets and lease liabilities related to finance leases are recognized at the commencement date of the lease based on the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired as a finance lease are depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Lease payments are allocated to finance costs and repayments of lease obligations based on the interest method, and finance costs are recognized in the consolidated statement of profit or loss.

(ii) Operating leases

Operating lease payments are recognized on a straight-line basis over the lease term.

(10) Investment property

Investment property is real estate held for the purpose of earning rental income, capital gains, or both.

The Group uses the cost model to measure the carrying value of investment property subsequent to its recognition. Under this model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property other than land is depreciated mainly using the straight-line method over the estimated useful life. The estimated useful life of the Company's main investment properties is 26 years.

The estimated useful lives, depreciation methods, and residual values of investment properties are reviewed at the end of each fiscal year.

(11) Impairment of non-financial assets

For property, plant and equipment and intangible assets, if there is any indication at the end of each reporting period that an asset may be impaired, the asset is assessed based on its recoverable value, being the higher of fair value less costs to sell and its value in use; if the carrying value of the asset exceeds its recoverable value, then the asset is impaired and is written down to its recoverable value.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is any indication of impairment.

Impairment losses recognized on assets other than goodwill in previous years are assessed at the end of each reporting period to determine whether there is any indication that the recognized impairment loss may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit to which the asset belongs, an impairment reversal is recognized and the carrying amount is increased to the recoverable amount subject to the condition that the carrying amount of the asset may not exceed the carrying amount (net of accumulated depreciation or accumulated amortization) that would have been determined had no impairment loss been previously recognized. Impairment losses recognized on goodwill are not reversed in subsequent periods.

(12) Post-employment benefits

(i) Defined benefit plans

Defined benefit plans are any retirement benefit plans other than defined contribution plans. For each separate plan, the defined benefit obligation is calculated by estimating the future benefits earned as compensation for services provided by employees in previous and current fiscal years, and discounting that amount to the present value. The fair value of plan assets is deducted from the result of that calculation. The discount rate is determined with reference to the market yields of high quality corporate bonds that are denominated in the same currency as the expected benefit payment and that have approximately the same maturity as the Group's defined benefit obligation.

If a retirement benefit plan is revised, costs related to the variable portion of benefits related to employees' past service are immediately recognized in profit or loss.

The Group recognizes changes in net defined benefit liability (asset) due to remeasurement in other comprehensive income and immediately transfers the amounts to retained earnings.

(ii) Defined contribution plans

Expenses related to defined contribution plans are recognized as expenses in the period in which the employees provide the services.

(13) Share-based payment

The Company has instituted share-based payment plans through which a portion of the compensation of directors (excluding outside directors) and executive officers (excluding non-residents under income tax law) of the Company and its operating companies is provided in the form of cash-settled share-based payments and equity-settled share-based payments through employee stock ownership plans. The Group's objective is to establish a clear link between compensation and the Group's operating performance and equity value and encourage the sharing of value with shareholders, thereby creating a greater incentive to contribute toward enhancing shareholder value over the medium and long term.

For equity-settled share-based payments, compensation for services received is measured with reference to the fair value of Company shares granted. The calculated consideration for services is recognized as an expense, and the same amount is recognized as an increase in equity.

For cash-settled share-based payments, the fair value of the amount paid is recognized as a liability, and changes in the fair value of the liability are recognized in profit or loss over the period up until an unconditional right to compensation is established.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal obligation or constructive obligation) resulting from past events, it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the impact of the time value of money is material, provisions are measured at a discounted amount calculated using a discount rate that reflects the risks specific to the liability.

(15) Revenue

With the exception of interest, dividend income, etc., under IFRS 9 Financial Instruments, the Group uses the following five-step approach in recognizing revenue that reflects the amount of consideration to which the Company

expects to be entitled in exchange for the transfer of goods and services to customers:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to a distinct performance obligation of the contract
- Step 5: Recognize revenue when the performance obligation is fulfilled (or as it is fulfilled).

With respect to sales of steel products, etc. in the steel business, revenues mainly are recognized at the point of shipment, when the customer assumes the significant risk and economic value of ownership of the product being physically transferred and the right to receive payment is confirmed.

With regard to construction contracts, etc. in the engineering business, we mainly estimate the progress of fulfilling performance obligations, and revenue is recognized over a fixed period based on the degree of progress.

With respect to the sale of steel products, etc. in the trading business, revenues are recognized at the point of physical transferring ownership rights and physical ownership of the product to the customer, and the significant risk and economic value associated with ownership, and the right to receive payment is confirmed. In addition, for certain transactions in the trading business, the company has the responsibility to carry out work as an agent.

Revenue is measured at the amount that deducts price reduction and rebates, etc. from the promised value in the contract with the customer.

When the Group is engaged in a transaction as a party to the transaction, revenue is presented as the total consideration received from the customer. When the Group is engaged in transactions as an agent for a third party, revenue is presented as a fee, calculated as the total amount of consideration received from the customer minus the amount collected for the third party.

(16) Business profit

Business profit is profit before income taxes excluding financial income and one-time items of materially significant value. It is a benchmark indicator of the Company's consolidated earnings.

(17) Finance income and costs

Finance income consists mainly of interest income, and finance costs consist mainly of interest expenses. Interest income is recognized as income when it is incurred using the effective interest method. Interest expense is recognized as an expense when it is incurred using the effective interest method.

(18) Dividend income

Dividend income is recognized in profit or loss when the right to receive the dividend is established.

Of the shares and investments held by the Group, dividends received on those held for the purpose of facilitating business transactions are included in other income.

(19) Income taxes

Income tax expense consists of current tax expense and deferred tax expense. These items are recognized in profit or loss except when they arise from items that are directly recognized in other comprehensive income or equity and when they arise from business combinations.

Current tax expense is measured in an amount that reflects the amount the Company expects the tax authorities to refund or expects to pay to the tax authorities. The tax rate and tax law used to calculate the amount of tax are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences, which are the differences between the carrying amounts and tax bases of assets and liabilities, and for unused tax losses and unused tax credits. They are measured using the tax rate and tax law applicable to the fiscal year in which the temporary difference, etc., is expected to be resolved.

Deferred tax liabilities are recognized for taxable temporary differences excluding the following:

- Temporary differences arising from initial recognition of goodwill
- Temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits, but only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, etc., can be utilized, except when the deductible temporary difference, etc., results from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction.

Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, only when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset only there is a legally enforceable right to offset income taxes payable and income taxes receivable and either of the following criteria is met:

- The deferred tax assets and the deferred tax liabilities relate to income tax levied on the same taxable entity

by the same tax authority

- The deferred tax assets and deferred tax liabilities relate to income tax levied on separate taxable entities by the same tax authority, and the taxable entities intend to settle income taxes receivable and income taxes payable on a net basis or realize the assets and settle the liabilities simultaneously.

(20) Equity

(i) Share capital and capital surplus

Capital paid in by shareholders is recognized in share capital or capital surplus.

(ii) Treasury shares

When treasury shares are acquired, the consideration paid, including direct transaction costs, is recognized as contra-equity.

(21) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of common shares on issue during the fiscal year.

Diluted earnings per share is calculated by adjusting for the impact of all dilutive potential shares.

Segment information

(1) Overview of reportable segments

The Group organized under JFE Holdings executed commercial activities through three operating companies—JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation—in accordance with the characteristics of their respective businesses. Consolidated reporting segments, one for each operating company, were characterized by their constituent products and services.

Each segment had its own respective products and services. The steel business produced and sold various steel products, processed steel products and raw materials, and provided transportation and other related businesses such as facility maintenance and construction. The engineering business handled engineering for energy, urban environment, steel structures and industrial machines, recycling and electricity retailing. The trading business purchased, processed and distributed steel products, raw materials for steel production, nonferrous metal products, and food, etc.

(2) Information on reportable segments

The accounting treatments for the Group's reported business segments are generally the same as described in the section "Significant accounting policies."

The Group assesses segment performance on the basis of segment profit. Segment profit is profit before tax excluding one-time items of a materially significant value.

Intersegment transactions are based on market prices and the like.

Transition date (April 1, 2017)

	(million yen)					
	Steel	Engineering	Trading	Total	Adjustments ¹	Amount recorded in consolidated financial statements
Segment assets	3,713,843	387,541	630,927	4,732,313	(403,080)	4,329,232
Other assets						
Investments accounted for using equity method	257,164	9,537	10,460	277,162	55,265	332,428

¹ Adjustments to segment assets include corporate assets not allocated to a reportable segment: 116,803 million yen and elimination of intersegment receivables and payables, etc.: -519,884 million yen. Corporate assets are assets of the Company.

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments ¹	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,378,107	391,223	857,917	3,627,248	-	3,627,248
Intersegment revenue	357,669	10,296	141,451	509,417	(509,417)	-
Total	2,735,777	401,519	999,368	4,136,666	(509,417)	3,627,248
Segment profit	187,240	18,736	35,186	241,163	(37,264)	203,898
Impairment losses						(28,453)
Loss on remeasurement of remaining interest						(18,717)
Expenses for treatment of PCB waste						(3,850)
Profit before tax						152,877

Segment assets	3,826,432	384,232	711,849	4,922,513	(435,340)	4,487,173
Other items						
Depreciation and amortization	168,985	7,540	6,117	182,643	3	182,646
Impairment losses	(23,071)	(2,797)	(2,584)	(28,453)	-	(28,453)
Finance income	1,151	111	510	1,772	(226)	1,546
Finance costs	(13,888)	(704)	(2,010)	(16,603)	577	(16,026)
Share of profit of entities accounted for using equity method	20,087	1,051	1,439	22,577	(32,751)	(10,173)
Investments accounted for using equity method	243,505	9,648	12,787	265,941	23,281	289,223
Capital expenditures	282,245	11,495	6,570	300,310	1	300,311

¹ Adjustments are as follow:

- (1) Adjustments to segment profit include corporate profit not allocated to a reportable segment: 18,010 million yen, elimination of dividend income from each reportable segment: -17,780 million yen, and share of loss of entities accounted for using equity method related to Japan Marine United Corporation: -31,827 million yen; elimination of other intersegment transactions: -5,667 million yen. Corporate profit is profit of the Company.
- (2) Adjustments to segment assets include corporate assets not allocated to a reportable segment: 41,866 million yen and elimination of intersegment receivables and payables, etc.: -477,207 million yen. Corporate assets are assets of the Company.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments ¹	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,441,696	471,673	960,292	3,873,662	-	3,873,662
Intersegment revenue	388,953	14,142	165,568	568,663	(568,663)	-
Total	2,830,649	485,815	1,125,861	4,442,326	(568,663)	3,873,662
Segment profit	161,383	20,104	35,761	217,250	2,315	219,566
Impairment losses						(10,252)
Profit before tax						209,313

Segment assets	3,951,109	416,079	756,258	5,123,448	(414,246)	4,709,201
Other items						
Depreciation and amortization	182,343	7,878	6,020	196,241	2	196,243
Impairment losses	(9,736)	(470)	(44)	(10,252)	-	(10,252)
Finance income	1,451	141	717	2,311	(228)	2,083
Finance costs	(11,399)	(701)	(2,885)	(14,986)	398	(14,588)
Share of profit of entities accounted for using equity method	38,777	1,351	1,075	41,205	1,480	42,685
Investments accounted for using equity method	268,568	10,415	13,814	292,798	22,265	315,064
Capital expenditures	306,285	11,648	11,571	329,504	1	329,505

¹ Adjustments are as follows.

- (1) Adjustments to segment profit include corporate profit not allocated to a reportable segment: 104,233 million yen, elimination of dividend income from each reportable segment: -103,928 million yen, and share of profit of entities accounted for using equity method related to Japan Marine United Corporation: 219 million yen; elimination of other intersegment transactions: 1,791 million yen. Corporate profit is profit of the Company.
- (2) Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 61,666 million yen and elimination of intersegment receivables and payables, etc.: -475,913 million yen. Corporate assets are assets of the Company.

Per-share information

(1) Basic earnings per share and diluted earnings per share

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Basic earnings per share (yen)	169.34	283.81
Diluted earnings per share (yen)	169.34	283.76

(2) Basis for calculation of basic earnings per share and diluted earnings per share

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Profit used in calculation of basic earnings per share and diluted earnings per share		
Profit attributable to owners of the parent company (million yen)	97,635	163,509
Amount not attributable to common shareholders of the parent company (million yen)	-	-
Profit used in calculation of basic earnings per share (million yen)	97,635	163,509
Profit adjustments (million yen)	-	-
Profit used in calculation of diluted earnings per share (million yen)	97,635	163,509
Weighted average number of common shares used in calculation of basic earnings per share and diluted earnings per share		
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	576,572	576,117
Impact of dilutive potential common shares (thousand shares)		
Share-based payments	-	114
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	576,572	576,231

Note: Company shares held in trust accounts for employee stock ownership plans are included in treasury shares, which are excluded from the calculation of the weighted average number of shares used in the calculation of basic earnings per share. The weighted average number of treasury shares excluded from the calculation of basic earnings per share for the current consolidated fiscal year is 378,000.

Material subsequent events

There is no item for this period.

First-time adoption

Starting from the fiscal year ended March 31, 2019, the Group is disclosing IFRS-compliant consolidated financial statements. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the year ended March 31, 2018, and the date of transition to IFRS is April 1, 2017.

(1) Exemptions under IFRS 1

In principle, IFRS 1 requires companies applying IFRS for the first time to apply IFRS retrospectively, but some option exemptions are available.

Of the exemptions from retrospective application of IFRSs permitted by IFRS 1, the Group has elected the following:

(i) Business combinations

An entity may elect not to retrospectively apply IFRS 3 Business Combinations to business combinations that occurred before the date of transition to IFRS. The Group has elected not to apply IFRS 3 retroactively. The amount of goodwill arising from business combinations before the transition date is based on the carrying amount under Japanese GAAP, and that goodwill has been tested for impairment as of the transition date regardless of whether any indications of impairment exists.

(ii) Deemed cost

An entity may measure property, plant and equipment and investment property at fair value at the date of transition to IFRS. The Group uses the fair value as of the transition date as the deemed cost under IFRS for certain property, plant and equipment and certain investment properties.

(iii) Exchange differences on translation of foreign operations

An entity may elect to reset cumulative exchange differences on translation of foreign operations to zero as of the transition date. The Group has reset its cumulative exchange differences on translation of foreign operations to zero as of the transition date, with the entire amount being transferred to retained earnings.

(iv) Leases

An entity may elect to determine whether any arrangement contains a lease based on the facts and circumstances existing at the transition date. The Group has made such determinations based on the facts and circumstances existing at the transition date.

(v) Borrowing costs

An entity may elect to start capitalization of borrowing costs relating to qualifying assets on the date of transition to IFRS. The Group has elected to start capitalization of borrowing costs relating to qualifying assets on the transition date.

(vi) Designation of financial instruments recognized before the transition date

An entity may elect to make designations in accordance with IFRS 9 Financial Instruments based on the facts and circumstances existing at the transition date. The Group has made such designations based on the facts and circumstances existing at the transition date.

(2) Reconciliations

The following reconciliations are required for first-time adoption of IFRS:

Items that do not affect retained earnings and comprehensive income are shown under “Reclassifications” and items that affect retained earnings or comprehensive income are shown under “Recognition and measurement differences.”

Figures based on Japanese GAAP (J-GAAP) as of the date of transition to IFRS and for the previous fiscal year reflect the retroactive application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018).

Reconciliation of equity as of April 1, 2017 (transition date)

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Assets						Assets
Current assets						Current assets
Cash and deposits	69,936	(553)	825	70,209	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	798,058	(91,762)	(21,000)	685,295	(2)(4)(6)	Trade and other receivables
		122,985	9,514	132,500	(4)	Contract assets
Merchandise and finished goods	313,368	459,562	(15,138)	757,793	(3)(16)	Inventories
Work in progress	50,834	(50,834)			(3)	
Raw materials and supplies	408,728	(408,728)			(3)	
		6,827	(30)	6,796		Income taxes receivable
		4,106	805	4,912	(1)(5)(6)	Other financial assets
Other	131,625	(43,021)	(19,732)	68,871	(2)	Other current assets
Allowance for doubtful accounts	(1,416)	1,416			(6)	
Total current assets	1,771,135	-	(44,755)	1,726,379		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,650,879	(63,001)	73,246	1,661,123	(7)(9)(14)(16)	Property, plant and equipment
		5,137	-	5,137		Goodwill
Intangible assets	78,368	(7,916)	(3,533)	66,918		Intangible assets
		63,001	(2,598)	60,403	(7)(9)	Investment property
Investments and other assets						
Investments securities	372,196	(372,196)				
Shares of subsidiaries and associates	349,864	(876)	(16,559)	332,428	(14)	Investments accounted for using equity method
Net defined benefit assets	13,067	-	(1,843)	11,224		Retirement benefit asset
		32,011	(4,337)	27,674	(12)	Deferred tax assets
		403,537	22,881	426,418	(5)(6)(15)	Other financial assets
Other	78,591	(62,650)	(4,417)	11,523		Other non-current assets
Allowance for doubtful accounts	(2,953)	2,953			(6)	
Non-current assets	2,540,014	-	62,838	2,602,853		Total non-current assets
Total assets	4,311,149	-	18,083	4,329,232		Total assets

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and accounts payable – trade	446,645	53,597	24,484	524,727	(8)	Current liabilities
Short-term loans payable	204,379	59,396	7,991	271,767		Trade and other payables
Commercial papers	8,000	(8,000)				Bonds payable, borrowings, and lease obligations
Current portion of bonds	50,000	(50,000)				
		33,569	(103)	33,465	(4)	Contract liabilities
		15,346	809	16,155		Income taxes payable, etc.
		8,561	61	8,622		Provisions
		88,347	1,536	89,884	(5)	Other financial liabilities
Other	330,432	(200,818)	57,402	187,016	(4)(8)(10)	Other current liabilities
Total current liabilities	1,039,457	-	92,182	1,131,639		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	75,000	1,050,012	28,741	1,153,753		Bonds payable, borrowings, and lease obligations
Long-term borrowings	1,038,089	(1,038,089)				
Net defined benefit liabilities	123,745	-	244	123,989		Retirement benefit liability
		50,483	(13,945)	36,537	(11)	Provisions
		18,941	(8,662)	10,279	(14)	Deferred tax liabilities
Deferred tax liabilities for land revaluation	9,118	(9,118)				
		25,177	2,410	27,588	(5)	Other financial liabilities
Other	100,581	(97,407)	6,023	9,197	(10)	Other non-current liabilities
Total non-current liabilities	1,346,534	-	14,812	1,361,346		Total non-current liabilities
Total liabilities	2,385,991	-	106,994	2,492,986		Total liabilities
Net assets						Equity
Share capital	147,143	-	-	147,143		Share capital
Capital surplus	646,582	-	-	646,582		Capital surplus
Retained earnings	1,129,981	-	(79,346)	1,050,635	(13)(17)	Retained earnings
Treasury shares	(178,853)	-	-	(178,853)		Treasury shares
Accumulated other comprehensive income	124,330	-	(8,388)	115,941	(13)(14)(15)	Other components of equity
				1,781,449		Total equity attributable to owners of parent
Non-controlling interests	55,972	-	(1,176)	54,796		Non-controlling interests
Total net assets	1,925,157	-	(88,911)	1,836,245		Total equity
Total liabilities and net assets	4,311,149	-	18,083	4,329,232		Total liabilities and equity

Reconciliation of equity as of March 31, 2018 (previous fiscal year)

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Assets						Assets
Current assets						Current assets
Cash and deposits	76,111	(886)	(107)	75,117	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	855,730	(78,251)	(19,449)	758,029	(2)(4)(6)	Trade and other receivables
		110,491	16,443	126,935	(4)	Contract assets
Merchandise and finished goods	351,961	498,378	(13,474)	836,865	(3)(16)	Inventories
Work in progress	60,292	(60,292)			(3)	
Raw materials and supplies	438,086	(438,086)			(3)	
		1,127	639	1,766		Income taxes receivable
		4,976	2,181	7,157	(1)(5)(6)	Other financial assets
Other	148,125	(39,644)	(30,795)	77,684	(2)	Other current assets
Allowance for doubtful accounts	(2,188)	2,188			(6)	
Total current assets	1,928,119	-	(44,562)	1,883,556		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,702,248	(62,280)	92,187	1,732,154	(7)(9)(14)(16)	Property, plant and equipment
		3,157	1,316	4,473		Goodwill
Intangible assets	83,724	(6,232)	(4,328)	73,163		Intangible assets
		62,280	(2,598)	59,682	(7)(9)	Investment property
Investments and other assets						
Investments securities	325,413	(325,413)				
Shares of subsidiaries and associates	312,880	(1,662)	(21,994)	289,223	(14)	Investments accounted for using equity method
Net defined benefit assets	18,082	-	(1,622)	16,459		Retirement benefit asset
		29,296	(4,828)	24,467	(12)	Deferred tax assets
		354,102	39,566	393,668	(5)(6)(15)	Other financial assets
Other	72,134	(54,939)	(6,872)	10,322		Other non-current assets
Allowance for doubtful accounts	(1,691)	1,691			(6)	
Non-current assets	2,512,791	-	90,825	2,603,616		Total non-current assets
Total assets	4,440,910	-	46,262	4,487,173		Total assets

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Liabilities						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable – trade	471,897	55,938	32,546	560,381	(8)	Trade and other payables
Short-term loans payable	285,542	22,421	9,530	317,494		Bonds payable, borrowings, and lease obligations
Commercial paper	6,000	(6,000)				
Current portion of bonds	15,000	(15,000)				
		52,547	1,040	53,588	(4)	Contract liabilities
		44,051	(450)	43,601		Income taxes payable, etc.
		8,148	446	8,594		Provisions
		90,713	1,898	92,612	(5)	Other financial liabilities
Other	411,846	(252,820)	54,850	213,876	(4)(8)(10)	Other current liabilities
Total current liabilities	1,190,286	-	99,862	1,290,149		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	80,000	956,474	37,259	1,073,734		Bonds payable, borrowings, and lease obligations
Long-term borrowings	944,376	(944,376)				
Net defined benefit liabilities	127,435	-	905	128,341		Retirement benefit liability
		41,394	(5,479)	35,914	(11)	Provisions
Deferred tax liabilities for land revaluation	9,113	(9,113)			(14)	Deferred tax liabilities
		18,451	3,658	22,109	(5)	Other financial liabilities
Other	79,786	(76,454)	6,363	9,696	(10)	Other non-current liabilities
Total non-current liabilities	1,240,712	-	34,246	1,274,959		Total non-current liabilities
Total liabilities	2,430,999	-	134,109	2,565,108		Total liabilities
Net assets						Equity
Share capital	147,143	-	-	147,143		Share capital
Capital surplus	646,639	-	(4)	646,634		Capital surplus
Retained earnings	1,211,796	-	(73,704)	1,138,091	(13)(17)	Retained earnings
Treasury shares	(179,070)	-	-	(179,070)		Treasury shares
Accumulated other comprehensive income	123,065	-	(13,157)	109,907	(13)(14)(15)	Other components of equity
				1,862,707		Total equity attributable to owners of parent
Non-controlling interests	60,337	-	(980)	59,357		Non-controlling interests
Total net assets	2,009,911	-	(87,846)	1,922,065		Total equity
Total liabilities and net assets	4,440,910	-	46,262	4,487,173		Total liabilities and equity

Notes to reconciliation of equity

Reclassifications

Reclassifications consist mainly of the following:

(1) Cash and cash equivalents

Time deposits with a term of more than three months, which were included in “Cash and deposits” under Japanese GAAP, are included in “Other financial assets (current)” under IFRS.

(2) Trade and other receivables

Accounts receivable included in “Other” in current assets under Japanese GAAP are included in “Trade and other receivables” under IFRS.

(3) Inventories

“Merchandise and finished goods”, “Work in progress,” and “Raw materials and supplies” were presented as separate items under Japanese GAAP; under IFRS, they are presented in “Inventories.”

(4) Contract assets and contract liabilities

Some receivables included in “Notes and accounts receivables - trade” under Japanese GAAP are reclassified to “Contract assets” under IFRS; and advances received included in “Other” in current liabilities under Japanese GAAP are reclassified to “Contract liabilities” under IFRS.

(5) Other financial assets and other financial liabilities

In accord with IFRS presentation requirements, “Other financial assets” and “Other financial liabilities” are presented as separate items.

(6) Allowance for doubtful accounts

“Allowance for doubtful accounts (current)” was presented as a separate item under Japanese GAAP; under IFRS, it is deducted directly from “Trade and other receivables” and “Other financial assets (current)” and thus presented on a net basis. Similarly, “Allowance for doubtful accounts (non-current)” is deducted directly from “Other financial assets (non-current)” and thus presented on a net basis.

(7) Investment property

In accord with IFRS presentation rules, “Investment property” has been reclassified from “Property, plant and equipment.”

(8) Trade and other payables

Accounts payable included in “Other” in current liabilities under Japanese GAAP are included in “Trade and other payables” under IFRS.

Recognition and measurement differences

Recognition and measurement differences consist mainly of the following:

(9) Deemed cost

The Group has elected to use the exemption that permits it to measure some property, plant and equipment and some investment property at fair value at the date of transition to IFRS. “Property, plant and equipment” and “Investment property” decreased as a result.

The fair value at the transition date and the Japanese-GAAP carrying amounts for property, plant and equipment and investment property for which deemed cost is used are, respectively, 42,047 million yen and 83,425 million yen. Fair value is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification, and is classified as Level 3.

(10) Paid leave payable, etc.

Paid leave payable was not recognized as a liability under Japanese GAAP; under IFRS, it is recognized as a liability and “Other current liabilities” has therefore increased. Rewards and the like granted based on years of service were not recognized as a liability under Japanese GAAP; under IFRS, they are recognized as a liability and “Other non-current liabilities” has therefore increased.

(11) Provisions

Under Japanese GAAP, future expenses that met certain requirements were recognized as provisions; some of these provisions have been cancelled because they did not meet the IFRS requirements for provisions. Also, some future expenses that were not recognized as provisions under Japanese GAAP meet the IFRS requirements for provisions and are therefore now recognized as provisions. All told, these changes have caused “Provisions” to decrease.

(12) Deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the deferred method was applied to the tax effects of eliminations of internal unrealized gains; under IFRS, the asset-liability method is applied. Also, in conjunction with its adoption of IFRS, the Company has reevaluated the recoverability of deferred tax assets. As a result of the above, “Deferred tax assets” has

decreased.

(13) Other components of equity

The Group has elected to use the exemption for first-time adopters specified in IFRS 1 that permits it to transfer the cumulative exchange differences on translation of foreign operations as of the date of transition to IFRS to retained earnings. Also, under Japanese GAAP, actuarial differences arising from defined benefit plans are amortized over a fixed period starting from the year following that in which they occurred; under IFRS, they are recognized in other comprehensive income when they occur and immediately transferred to retained earnings.

(14) Revaluation reserve for land

Under Japanese GAAP, some land for business purposes was revaluated based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for the Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), with the amount equivalent to the tax on the valuation difference recognized in "Deferred tax liabilities for revaluation" in liabilities, and the "Land revaluation difference" recognized as a component of net assets. On the date of transition to IFRS, "Deferred tax liabilities for revaluation" and "Land revaluation difference" were reversed and the book value of the land reverted to its book value before revaluation. As a result, "Property, plant and equipment," "Investments accounted for using equity method," "Deferred tax liabilities," and "Other components of equity" decreased.

(15) Unlisted equity securities and investments

Under Japanese GAAP, unlisted equity securities and investments were valued using the moving-average cost method; under IFRS, they are measured at fair value, and thus "Other financial assets (non-current)" and "Other components of equity" have increased.

(16) Replacement parts, spare equipment, and maintenance equipment

Some replacement parts, spare equipment, and maintenance equipment included in "Supplies" under Japanese GAAP meet the definition of property, plant and equipment under IFRS and are therefore recognized in "Property, plant and equipment." As a result, "Production supplies" has decreased and "Property, plant and equipment" has increased.

(17) Retained earnings

(million yen)

	Transition date April 1, 2017	Previous fiscal year March 31, 2018
Deemed cost	(40,866)	(40,866)
Reconciliation of paid leave payable, etc.	(21,002)	(22,716)
Reconciliation of provisions	14,858	7,488
Reconciliation of deferred tax assets and deferred tax liabilities	(13,450)	(11,396)
Reconciliation of other components of equity	(8,558)	4,526
Other	(10,326)	(10,739)
Total reconciliations to retained earnings	(79,346)	(73,704)

Note: The reconciliation amounts for each items reflect tax effects.

Reconciliation of profit/loss and comprehensive income for the previous fiscal year (April 1, 2017 – March 31, 2018)

Consolidated statement of profit or loss items

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Net sales	3,678,612	(337)	(51,025)	3,627,248	(3)	Revenue
Cost of sales	(3,096,019)	230	41,400	(3,054,388)	(3)	Cost of sales
Gross profit	582,592	(107)	(9,624)	572,860		Gross profit
Selling, general and administrative expenses	(335,923)	(756)	(269)	(336,949)		Selling, general and administrative expenses
		(8,732)	(1,441)	(10,173)	(1)	Share of loss of entities accounted for using the equity method
		30,811	(191)	30,619	(1)	Other income
		(38,455)	476	(37,979)	(1)	Other expenses
				218,378		Business profit
		(28,496)	43	(28,453)	(1)	Impairment losses
		-	(18,717)	(18,717)	(4)	Loss on remeasurement of retained interest
		(3,850)	-	(3,850)	(1)	Expenses for treatment of PCB waste
Operating income	246,669	(49,586)	(29,725)	167,357		Operating profit
Non-operating income	32,303	(32,303)			(1)	
Non-operating expenses	(62,633)	62,633			(1)	
Ordinary income	216,339					
Extraordinary income	29,388	(29,388)			(1)	
Extraordinary losses	(32,346)	32,346			(1)	
		30,880	(29,334)	1,546	(1)(5)	Finance income
		(15,338)	(687)	(16,026)	(1)	Finance costs
Profit before income taxes	213,381	(756)	(59,747)	152,877		Profit before tax
Income taxes - current	(60,616)	(2,021)	12,913	(49,723)	(2)(6)	Income tax expense
Income taxes - deferred	(2,777)	2,777			(2)	
Profit	149,987	-	(46,834)	103,153		Profit
Profit attributable to owners of parent	144,638	-	(47,003)	97,635		Profit attributable to Owners of parent
Profit attributable to non-controlling interests	5,349	-	169	5,518		Non-controlling interests

Consolidated statement of comprehensive income items

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Profit	149,987	-	(46,834)	103,153		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	5,657	-	(1,146)	4,510		Remeasurements of defined benefit plans
Valuation difference on available-for-sale securities	(21,736)	-	35,487	13,751	(5)	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
		1,380	(778)	602		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	234	-	(2,332)	(2,098)		Exchange differences on translation of foreign operations
Deferred gains (losses) on hedges	(286)	-	2,935	2,649		Effective portion of cash flow hedges
Share of other comprehensive income of investments accounted for using the equity method	15,745	(1,380)	(12,829)	1,535		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(385)	-	21,336	20,950		Total other comprehensive income
Comprehensive income	149,602	-	(25,498)	124,104		Comprehensive income

Notes to reconciliation of profit/loss and comprehensive income

Reclassifications

Reclassifications consist mainly of the following:

(1) Reconciliation of display items

Of those items presented in “Non-operating income,” “Non-operating expenses,” and “Extraordinary income” under Japanese GAAP, finance-related gains and losses are recognized in “Finance income” and “Finance costs” under IFRS, and other items are presented in “Other income,” “Other expenses” and “Share of loss of entities accounted for using the equity method.” Items presented in “Extraordinary loss” under Japanese GAAP are presented in “Impairment losses” and “Expenses for treatment of PCB waste” under IFRS.

(2) Income tax expense

Under Japanese GAAP, “Income taxes - current” and “Income taxes - deferred” were presented as separate items; under IFRS, they are presented collectively in “Income tax expense.”

Recognition and measurement differences

Recognition and measurement differences consist mainly of the following:

(3) Revenue and cost of sales

Under Japan GAAP, the total amount of transactions in which the Group is involved as an agent is presented as sales; under IFRS, revenue is presented on a net basis for transactions in which the Group is determined to be involved as an agent. As a result, “Revenue” and “Cost of sales” have decreased. In adopting IFRS, the Group also reviewed the scope of application of the equity method. Some companies to which the equity method was applied under Japanese GAAP are now recognized as joint operations, resulting in an increase in “Revenue” and “Cost of sales.”

(4) Loss on remeasurement of remaining interest

Under Japanese GAAP, remaining interests in investments for which application of the equity method was discontinued were accounted for by recognizing the difference between the carrying amount and the carrying amount on the separate balance as a decrease in retained earnings. Under IFRS, such residual interests are measured fair value, and difference versus the carrying amount is recognized in profit or loss.

(5) Finance income

Under Japanese GAAP, gains and losses on sales of equity financial assets were recognized in net profit and loss. Under IFRS, changes in fair value are recognized in other comprehensive income, resulting in a decrease in “Finance income.”

(6) Income tax expense

The amount of “Income tax expense” has been adjusted owing to temporary differences arising from the transition from Japanese GAAP to IFRS. This resulted in a decrease in “Income tax expense.”

Reconciliation of cash flows for the previous fiscal year (April 1, 2017 – March 31, 2018)

The differences between the consolidated cash flow statements disclosed under Japanese GAAP and the consolidated cash flow statements disclosed under IFRS are mainly attributable to some replacement parts, spare equipment, and maintenance equipment included in “Supplies” under Japanese GAAP being recognized in “Property, plant and equipment” under IFRS because they meet the definition of property, plant and equipment under IFRS. As a result, cash flow from operating activities increased and cash flows from investing activities decreased.

4. Supplementary information

(1) Consolidated financial performance

IFRS				
	Fiscal 2017 Actual Full year (billion yen)	Fiscal 2018 Actual Full year (billion yen)	Change Full year (billion yen)	Fiscal 2019 Forecast Full year (billion yen)
Steel Business	2,735.7	2,830.6	94.9	
Engineering Business	401.5	485.8	84.3	
Trading Business	999.3	1,125.8	126.5	
Adjustments	(509.4)	(568.6)	(59.2)	
Revenue* ¹	3,627.2	3,873.6	246.4	
Business profit ^{1*2} A	218.3	232.0	13.7	180.0
Finance income/costs B	(14.4)	(12.5)	1.9	
Segment profit				
Steel Business	187.2	161.3	(25.9)	105.0
Engineering Business	18.7	20.1	1.4	23.0
Trading Business	35.1	35.7	0.6	36.0
Adjustments	(37.2)	2.3	39.5	1.0
Total A+B	203.8	219.5	15.7	165.0
Exceptional Items ²	(51.0)	(10.2)	40.8	
Profit before tax	152.8	209.3	56.5	
Tax expense and Profit (loss) attributable to non-controlling interests	(55.2)	(45.8)	9.4	
Profit attributable to owners of parent	97.6	163.5	65.9	

For reference

J-GAAP	
	Fiscal 2018 Actual Full year (billion yen)
Steel Business	2,808.3
Engineering Business	485.6
Trading Business	2,060.0
Adjustments	(1,392.3)
Net sales* ¹	3,961.7
Operating income	191.2
Non-operating income	29.9
Steel Business	164.6
Engineering Business	20.2
Trading Business	35.7
Adjustments	0.6
Ordinary income ²	221.1
Extraordinary income (loss)	(11.2)
Profit before income taxes	209.9
Tax expense and profit (loss) attributable to non controlling interests	(45.7)
Profit attributable to owners of parent	164.2

1. Business profit: Profit that excludes financial income and exceptional items from profit before tax. It is a benchmark indicator of the company's consolidated earnings.

2. Exceptional Items: One-time items of a materially significant value.

Transition from J-GAAP to IFRS

	*1 Net sales / Revenue	*2 Ordinary income / Business profit
Japanese GAAP	3,961.7	221.1
Reclassifications		
Finance income	-	12.5
Recognition and measurement differences		
Transactions as agent etc.	(88.1)	-
Retirement benefit liability etc.	-	(1.6)
IFRS	3,873.6	232.0

(2) Consolidated Financial Indices

IFRS			
	Fiscal 2017 Actual	Fiscal 2018 Actual	Change
Return of Sales (ROS)	6.0%	6.0%	0.0%
Return on Assets (ROA)	5.0%	5.0%	0.0%
Return on Equity (ROE)	5.4%	8.6%	3.3%
EBITDA	400.9 billion yen	428.2 billion yen	27.3 billion yen
Interest-bearing debt outstanding ¹	1,391.2 billion yen	1,523.8 billion yen	132.6 billion yen
Equity attributable to owners of parent ²	1,862.7 billion yen	1,926.3 billion yen	63.6 billion yen
D/E Ratio	63.7%	68.2%	4.5%

Notes: ROS: Business income / Revenue
 ROA: Business Income / Total assets
 ROE: Profit attributable to owners of the parent company / Equity
 EBITDA: Business income + Depreciation and Amortization
 D/E ratio: Interest-bearing debt / Equity attributable to owners of parent

For reference

J-GAAP	
	Fiscal 2018 Actual
Return of Sales (ROS)	5.6%
Return on Assets (ROA)	5.1%
Return on Equity (ROE)	8.3%
EBITDA	405.9 billion yen
Debt outstanding ¹	1,449.9 billion yen
Shareholders' equity ²	2,012.7 billion yen
D/E Ratio	62.0%

ROS: Ordinary income / Net sales
 ROA: (Ordinary income + Interest expense) / Total assets
 ROE: Profit attributable to owners of the parent company / Shareholders' equity
 EBITDA: Ordinary income + Interest expenses + Depreciation
 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 with an equity component (subordinated borrowings)

Borrowing date	Amount borrowed	Assessment of equity content	Amount deemed to be equity
June 30, 2016	200.0 billion yen	25%	50.0 billion yen
March 19, 2018	300.0 billion yen	25%	75.0 billion yen

Transition from J-GAAP to IFRS

	*1 Borrowings, bonds payable, etc. / Balance of interest- bearing debt	*2 Shareholders' equity / Equity attributable to owners of the parent
Japanese GAAP	1,449.9	2,012.7
Lease obligations	51.3	
Change in scope of consolidation etc.	22.6	
Deemed cost of fixed assets		(40.1)
Paid leave payable etc.		(46.3)
IFRS	1,523.8	1,926.3

(3) Key financial/revenue targets under sixth medium-term business plan

IFRS		
Group-wide	Business profit	290.0 billion yen / year
	Profit attributable to owners of the parent	200.0 billion yen / year
	Debt / EBITDA multiple	Approximately 3x
Operating companies	Segment profit	
	Steel Business	220.0 billion yen / year
	Engineering Business	30.0 billion yen / year
	Trading Business	35.0 billion yen / year

For reference

Japanese GAAP	
Consolidated ordinary income	280.0 billion yen / year
Profit attributable to owners of the parent	200.0 billion yen / year
Debt / EBITDA multiple	Approximately 3x
Consolidated ordinary income	
Steel Business	220.0 billion yen / year
Engineering Business	30.0 billion yen / year
Trading Business	35.0 billion yen / year

(4) 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	5.88	12.27	26.31
Consolidated	7.51	7.33	14.84	6.79	6.25	13.04	27.88

(5) 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	5.48	11.72	23.78

(6) 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	36.0	40.1	41.7

(7) Foreign Exchange Rate

(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	110.3	111.9	110.7

(8) 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	82.0	82.5	81.5

(9) Engineering Business Orders (including intersegment transactions, IFRS basis)

a. Orders		(billion yen)		
Field	Fiscal 2017 Actual	Fiscal 2018 Actual	Change	
Environment	227.3	212.6	(14.7)	
Energy	126.9	132.8	5.9	
Infrastructure and other	134.4	137.4	3.0	
Total	488.7	482.8	(5.9)	

b. Order backlog

(billion yen)

End-Fiscal 2017	End-Fiscal 2018	Change
673.4	614.5	(58.9)

(10) Capital Investment and Depreciation and Amortization Cost (JFE Holdings, billion yen)

	IFRS		(For reference)
	FY 2017 Actual	FY 2018 Actual	J-GAAP FY 2018 Actual
Capital investment	300.3	329.5	287.6
Depreciation and amortization	182.6	196.2	172.1

Transition from J-GAAP to IFRS:

Changes due to the transfer of production supplies to be used for over one year to fixed assets, recording of leased equipment in non-current assets, and changes in scope of consolidation

For reference: Amount of investment under sixth medium-term business plan

	IFRS	J-GAAP
Group-wide, total investment	Approximately 1,200.0 billion yen / 3 years	Approximately 1,000.0 billion yen / 3 years
Steel Business, domestic capital investment	Approximately 1,000.0 billion yen / 3 years	Approximately 850.0 billion yen / 3 years

(11) Breakdown of Changes in Segment Profit (IFRS)

a. FY 2018 actual vs. FY 2017 actual

Steel Business	(billion yen)	
Cost	0.0	Cost reductions +22.0, One-off effect due to operational troubles -22.0
Sales volume and mix	(40.0)	Crude steel production -2.15 million tons (28.46 million → 26.31 million)
Sales prices and raw materials	72.0	
Metals and minerals	(55.0)	
Infrastructure maintenance cost	(30.0)	
Unrealized gains on inventories	10.0	
Other	17.1	Group companies abroad etc.
Total for Steel Business	(25.9)	
Engineering Business	1.4	
Trading Business	0.6	
Adjustments	39.5	Significant deficit of shipbuilding and other affiliated companies accounted for by equity method in FY 2017

b. FY 2019 forecast vs. FY 2018 actual

Steel Business		
Cost	60.0	Cost reductions +38.0, No one-off effects +22.0 in FY 2018
Sales volume and mix	50.0	
Sales prices and raw materials	(75.0)	
Unrealized gains on inventories	(40.0)	
Materials prices etc.	(15.0)	Increased costs of materials, distribution, subcontracting, etc.
Other	(36.3)	Increased depreciation costs related to infrastructure maintenance, group companies, etc.
Total for Steel Business	(56.3)	
Engineering Business, Trading Business, Adjustments	1.8	