

JFE Holdings' Financial Results for Fiscal Year 2019 ended March 31, 2020

— 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 12, 2020

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 19, 2020 - June 19, 2020 Yes Yes
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(Figures are rounded down to the nearest million yen)

1. Consolidated Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(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 2019	3,729,717	(3.7)	37,899	(83.7)	213,473	-	(193,290)	-	(197,744)	-	(259,172)	-
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

	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 2019	(343.39)	(343.39)	(11.1)	(4.6)	1.0
FY 2018	283.81	283.76	8.6	4.6	6.0

(Reference): Equity in earnings of affiliates: FY 2019: 8,782 million yen FY 2018: 42,685 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 2019	4,646,120	1,706,552	1,627,026	35.0	2,825.50
FY 2018	4,709,201	1,991,759	1,926,337	40.9	3,345.22

(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 2019	261,070	(358,378)	103,900	86,704
FY 2018	268,251	(313,351)	51,882	82,288

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 %)
	Annual	End on 1st quarter	Interim	End on 3rd quarter	Yearend			
FY 2018	95.00	-	45.00	-	50.00	54,781	33.5	2.9
FY 2019	20.00	-	20.00	-	0.00	11,532	-	0.6
FY 2020 (forecast)	-	-	-	-	-		-	

Note: Fiscal 2020 dividends are yet to be determined.

3. Forecasts of Consolidated Financial Results in Fiscal 2020 (April 1, 2020 to March 31, 2021)

Forecasts of consolidated financial results for the full fiscal year ending in March 2021 are not provided herein because the company has determined that it is not possible to calculate reasonable financial forecasts at this time. The reasons for this are described in "1. Qualitative Information (4) Outlook for Fiscal 2020" on page 3 of the attached document.

Notes

1. Changes in significant subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No
2. Changes in accounting policies and accounting estimates
 - 1) Changes in the accounting policies required by IFRS: Yes
 - 2) Changes in the accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: NoFor details, see "Change in Accounting Policies" under "(5) Notes to Consolidated Financial Statements" on Page 12 of the attachments.
3. Number of outstanding shares (common stock)
 - 1) Outstanding shares at the end of the term (including treasury stock)
 - As of March 31, 2020: 614,438,399 shares
 - As of March 31, 2019: 614,438,399 shares
 - 2) Treasury stock at the end of the term
 - As of March 31, 2020: 38,601,655 shares
 - As of March 31, 2019: 38,590,471 shares
 - 3) Average number of shares during the term
 - FY 2019: 575,854,137 shares
 - FY 2018: 576,117,212 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

1. 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 "1. Qualitative Information (4) Outlook for Fiscal 2020" on Page 3 of the attachments.
2. The supplementary financial data will be published on our website.

Attachments

1. Qualitative Information	2
(1) Overview of Business Results	2
(2) Overview of Financial Position	3
(3) Overview of Cash Flow in Fiscal 2019	3
(4) Outlook for Fiscal 2020	3
2. Basic Rationale for Selection of Accounting Standards	3
3. Consolidated Financial Statements	4
(1) Consolidated Statement of Financial Position	4
(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	6
(3) Consolidated Statement of Changes in Equity	8
(4) Consolidated Statement of Cash Flow	10
(5) Notes to Consolidated Financial Statements	12
Notes pertaining to the presumption of a going concern	12
Change in accounting policies	12
Segment information	13
Per-share information	15
Material subsequent events	15
4. Supplementary Information	16

1. Qualitative Information

(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.

The Japanese economy recovered moderately in the first half of fiscal 2019, but exports and production gradually began to decline in the second fiscal half. Economic conditions overseas were weak, particularly in Asia and Europe, amid global trade friction due to protectionism. Additionally, the impact of the COVID-19 outbreak depressed economic conditions substantially and persistently both in Japan and overseas.

Under the circumstances, JFE carried out key measures set out in its sixth medium-term business plan: pursue growth through leading-edge technologies, expand the profit base and strengthen manufacturing capabilities in Japan, advance overseas business and expand the overseas profit base, and strengthen business structure overall for sustainable growth. However, the operating environment was unprecedented and extremely challenging—steel demand slumped primarily in the manufacturing sector due to U.S.–China trade tensions, iron ore prices increased as a result of China's growing crude steel output, and prices for materials, logistics and other commodities and services all rose. Consequently, business profit declined substantially from the previous fiscal year. We also recognized impairment losses associated with the restructuring of JFE Steel Corporation's East Japan Works, which were undertaken in response to structural demand changes envisioned in the medium and long terms and the need for considerable investments to renew aging domestic facilities and equipment. Profit attributable to owners of the parent company also fell sharply from the previous fiscal year to end in the red.

Operating results by segment are presented below.

Steel business: Despite overcoming blast-furnace operating problems that had occurred in the previous fiscal year, the steel business was impacted by declining demand both in Japan and overseas as a result of the global economic slowdown and the spread of the COVID-19 in March. Consolidated annual crude steel production was 28.09 million tons, a slight increase from the previous fiscal year. Revenue contracted to 2,681.3 billion yen owing to falling prices overseas and declining sales volumes due to trade friction. Despite continued efforts to raise steel sales prices and improve earnings, our steel business recorded a segment loss of 8.7 billion yen. Costs were driven up substantially in terms of iron ore prices and materials, logistics and other costs. Additional factors included weakened sales prices overseas and a one-time reduction of profits due to an unrealized gain on inventories.

Engineering business: Revenue increased to 512.2 billion yen as a result of smoothly executed existing orders for environmental, energy and infrastructure building projects in Japan and overseas. Also, efforts to expand operating businesses were effective. Segment profit increased to 23.1 billion yen as revenue grew.

Trading business: Revenue fell to 1,084.1 billion yen owing to weakened demand in all regions as the impact of trade frictions from around the middle of the fiscal year was felt worldwide, beyond just the United States and China. Segment profit fell to 27.0 billion yen. Revenue declined and earnings at group companies both in Japan and abroad shrank due to declines in steel prices up to the fiscal yearend.

Our equity-method affiliate Japan Marine United Corporation recorded an equity-method loss of 17.9 billion yen due to work process delays resulting from bad weather, natural disasters, etc. as well as increases in materials and equipment costs and business restructuring.

Revenue of 3,729.7 billion yen and business income 37.8 billion yen both were down on a consolidated basis including earnings of the parent. JFE recorded a loss before tax of 213.4 billion yen and a loss attributable to owners of the parent company of 197.7 billion yen, reflecting impairment losses from the restructuring of JFE Steel Corporation's East Japan Works and other factors.

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 2019 (March 31, 2020) fell 63.1 billion yen from the previous fiscal yearend to 4,646.1 billion yen, mainly owing to declines in trade and other receivables. Total liabilities were up 222.1 billion yen from the previous yearend to 2,939.5 billion yen, mainly due to an increase in bonds payable and the recognition of lease liabilities in accordance with the adoption of the IFRS 16 standard. Total equity fell 285.2 billion yen from the previous yearend to 1,706.5 billion yen, mainly owing to a decline in retained earnings

(3) Overview of Cash Flow in Fiscal 2019

Net cash due to the operating loss came to 261.0 billion yen. Net cash used in investing activities was 358.3 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 97.3 billion yen.

Net cash provided by financing activities was 103.9 billion yen, primarily reflecting long-term borrowings.

Interest-bearing liabilities outstanding at fiscal yearend rose 290.5 billion yen to 1,814.3 billion yen. The balance of cash and cash equivalents rose 4.5 billion yen to 86.7 billion yen.

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

(4) Outlook for Fiscal 2020

Steel business: The impact of COVID-19 in Japan has forced companies to suspend certain operations, even in the relatively solid automotive field, and also has further weakened demand in shipbuilding, construction & industrial machinery, and building construction, with no sign yet of bottoming out. Overseas, national economies are slowing due to COVID-19 and demand for steel products is falling. In response to the large and rapid drop in demand, JFE Steel Corporation shut down blast furnace No. 4 at its West Japan Works (Kurashiki District) at the end of April and commenced work on a refit. The company has also started preparing for the banking of the West Japan Works (Fukuyama District) No. 4 blast furnace by the end of June. It is difficult to forecast crude steel production volumes for fiscal 2020 given the lack of clarity on demand trends in customer industries including automobiles. We will continue to monitor demand trends in these industries closely and respond flexibly to significant changes.

Due to unprecedented uncertainties and considering the severity of the operating environment, we will implement cash-flow measures in addition to temporarily shutting down two blast furnaces. The measures will include rigorous cost reduction mainly by cutting fixed costs, such as for repairs, emergency labor-reduction measures, extra stringent screening of investments, substantial reduction of inventories, and sales of assets.

Engineering business: Demand related to energy liberalization and infrastructure-construction projects remains solid in Japan. Overseas, we anticipate increases in steel-structure business in South Asia and waste-to-energy power generation demand in Europe. Nevertheless, concerns remain in regard to the rising impact of COVID-19, including the interruption or postponement of construction work currently underway and revisions in the timing or postponement of orders.

Trading business: We are working to strengthen our supply chain in priority areas, such as electrical steel sheets for electric vehicles and high-efficiency transformers, but the outlook is unclear due to expectations of a slower global economy and declines in demand both in Japan and overseas owing to COVID-19.

Given this environment, our consolidated financial results forecasts for fiscal 2020 remain pending because of uncertainties surrounding COVID-19, which make it impossible to form reasonable demand estimates, particularly in the steel business, at this point in time.

JFE, viewing this as the greatest challenge since the company's establishment, is determined to overcome the crisis by carefully analyzing the situation and then implementing all possible measures.

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

	As of March 31, 2018	(million yen) As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	82,288	86,704
Trade and other receivables	754,679	678,098
Contract assets	124,039	142,075
Inventories	917,812	872,602
Income taxes receivable	19,076	20,946
Other financial assets	4,471	6,307
Other current assets	86,290	108,410
Total current assets	1,988,658	1,915,146
Non-current assets		
Property, plant and equipment	1,835,229	1,717,751
Goodwill	4,445	6,497
Intangible assets	82,567	88,802
Right-of-use asset	-	102,322
Investment property	59,425	58,158
Investments accounted for using equity method	315,064	336,040
Retirement benefit asset	16,380	15,520
Deferred tax assets	36,609	94,930
Other financial assets	360,133	296,004
Other non-current assets	10,686	14,946
Total non-current assets	2,720,543	2,730,974
Total assets	4,709,201	4,646,120

	As of March 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	584,939	557,252
Bonds payable, borrowings, and lease obligations	329,400	376,473
Contract liabilities	59,060	44,813
Income taxes payable, etc.	16,399	13,249
Provisions	14,336	12,507
Other financial liabilities	99,097	89,465
Other current liabilities	222,705	210,543
Total current liabilities	1,325,938	1,304,306
Non-current liabilities		
Bonds payable, borrowings, and lease obligations	1,194,478	1,437,835
Retirement benefit liability	133,999	143,316
Provisions	30,438	25,740
Deferred tax liabilities	3,550	3,723
Other financial liabilities	17,140	16,246
Other non-current liabilities	11,895	8,398
Total non-current liabilities	1,391,503	1,635,261
Total liabilities	2,717,442	2,939,568
Equity		
Share capital	147,143	147,143
Capital surplus	646,793	652,430
Retained earnings	1,241,420	1,002,076
Treasury shares	(180,670)	(180,637)
Other components of equity	71,650	6,012
Equity attributable to owners of parent	1,926,337	1,627,026
Non-controlling interests	65,422	79,526
Total equity	1,991,759	1,706,552
Total liabilities and equity	4,709,201	4,646,120

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

Consolidated statement of profit or loss

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	(million yen) Fiscal 2019 (April 1, 2019 – March 31, 2020)
Revenue	3,873,662	3,729,717
Cost of sales	(3,328,475)	(3,334,103)
Gross profit	545,186	395,614
Selling, general and administrative expenses	(357,323)	(356,992)
Share of profit of entities accounted for using equity method	42,685	8,782
Other income	30,877	30,818
Other expenses	(29,355)	(40,323)
Business profit	232,070	37,899
Impairment losses	(10,252)	(238,826)
Operating profit	221,818	(200,927)
Finance income	2,083	2,727
Finance costs	(14,588)	(15,273)
Profit (loss) before tax	209,313	(213,473)
Income tax expense	(39,488)	20,183
Profit (loss)	169,825	(193,290)
Profit (loss) attributable to		
Owners of parent	163,509	(197,744)
Non-controlling interests	6,315	4,454
Profit	169,825	(193,290)
Basic earnings per share		
Basic earnings (losses) per share (yen)	283.81	(343.39)
Diluted earnings (losses) per share (yen)	283.76	(343.39)

Consolidated statement of comprehensive income

	(million yen)	
	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Profit (loss)	169,825	(193,290)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(4,270)	(4,975)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(23,091)	(49,143)
Share of other comprehensive income of investments accounted for using equity method	(430)	3,148
Total of items that will not be reclassified to profit or loss	(27,793)	(50,971)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,445)	(3,080)
Effective portion of cash flow hedges	(383)	(44)
Share of other comprehensive income of investments accounted for using equity method	(10,824)	(11,786)
Total of items that may be reclassified to profit or loss	(15,653)	(14,911)
Total other comprehensive income	(43,446)	(65,882)
Comprehensive income	126,378	(259,172)
Comprehensive income attributable to		
Owners of parent	120,693	(263,243)
Non-controlling interests	5,685	4,070
Comprehensive income	126,378	(259,172)

(3) Consolidated statement of changes in equity

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

(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, 2018	147,143	646,634	1,138,091	(179,070)	–	113,073
Profit (loss)	–	–	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	–	–
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
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

	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, 2019	147,143	646,793	1,241,420	(180,670)	—	90,730
Cumulative effects of changes in accounting policies	—	—	(1,302)	—	—	—
Retroactively adjusted balance	147,143	646,793	1,240,117	(180,670)	—	90,730
Profit (loss)	—	—	(197,744)	—	—	—
Other comprehensive income	—	—	—	—	(4,765)	(46,129)
Comprehensive income	—	—	(197,744)	—	(4,765)	(46,129)
Purchase of treasury shares	—	—	—	(73)	—	—
Disposal of treasury shares	—	(12)	—	17	—	—
Dividends	—	—	(40,363)	—	—	—
Share-based payment transactions	—	(34)	—	88	—	—
Changes in ownership interest in subsidiaries	—	5,684	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	67	—	4,765	(4,832)
Transfer to non-financial assets	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total transactions with owners	—	5,637	△40,296	33	4,765	(4,832)
Balance as of March 31, 2020	147,143	652,430	1,002,076	(180,637)	—	39,768

	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, 2019	(16,547)	(2,532)	71,650	1,926,337	65,422	1,991,759
Cumulative effects of changes in accounting policies	—	—	—	(1,302)	—	(1,302)
Retroactively adjusted balance	(16,547)	(2,532)	71,650	1,925,034	65,422	1,990,456
Profit	—	—	—	(197,744)	4,454	(193,290)
Other comprehensive income	(15,393)	790	(65,498)	(65,498)	△384	(65,882)
Comprehensive income	(15,393)	790	(65,498)	(263,243)	4,070	(259,172)
Purchase of treasury shares	—	—	—	(73)	—	(73)
Disposal of treasury shares	—	—	—	5	—	5
Dividends	—	—	—	(40,363)	(2,559)	(42,922)
Share-based payment transactions	—	—	—	54	—	54
Changes in ownership interest in subsidiaries	—	—	—	5,684	12,287	17,971
Transfer from other components of equity to retained earnings	—	—	(67)	—	—	—
Transfer to non-financial assets	—	(71)	(71)	(71)	—	(71)
Other	—	—	—	—	306	306
Total transactions with owners	—	(71)	(138)	(34,764)	10,034	(24,730)
Balance as of March 31, 2020	(31,941)	(1,813)	6,012	1,627,026	79,526	1,706,552

(4) Consolidated Statement of Cash Flow

	(million yen)	
	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Profit (loss) before tax	209,313	(213,473)
Depreciation and amortization	196,243	231,577
Changes in allowance	(23)	(6,601)
Interest and dividend income	(10,627)	(12,205)
Interest expenses	13,648	14,486
Decrease (increase) in trade and other receivables	2,533	86,357
Decrease (increase) in inventories	(82,525)	42,559
Increase (decrease) in trade and other payables	19,691	(52,338)
Other	(669)	184,494
Subtotal	347,585	274,856
Interest and dividends received	19,014	24,192
Interest paid	(12,606)	(13,241)
Income taxes paid	(85,741)	(24,736)
Cash flows from operating activities	268,251	261,070
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets, and investment property	(312,578)	(352,842)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property	488	3,357
Purchase of investments	(8,394)	(35,299)
Proceeds from sale of investments	6,889	23,530
Other	243	2,875
Cash flows from investing activities	(313,351)	(358,378)

	(million yen)	
	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	18,752	(11,500)
Increase (decrease) in commercial papers	77,000	5,999
Proceeds from long-term borrowings	213,499	183,529
Repayments of long-term borrowings	(200,487)	(104,825)
Proceeds from issuance of bonds	30,000	120,000
Redemption of bonds	(15,000)	-
Payments for purchase of treasury shares	(1,627)	(73)
Dividends paid to owners of parent	(54,640)	(40,363)
Other	(15,614)	(48,865)
Cash flows from financing activities	51,882	103,900
Effect of exchange rate change on cash and cash equivalents	388	(2,176)
Net increase (decrease) in cash and cash equivalents	7,170	4,416
Cash and cash equivalents at beginning of period	75,117	82,288
Cash and cash equivalents at end of period	82,288	86,704

(5) Notes to Consolidated Financial Statements

Notes Pertaining to the Presumption of a Going Concern

There is no item for this period.

Changes in accounting policies

Application of IFRS 16 Leases

Effective from the first quarter of the fiscal year ending March 31, 2020, we have adopted IFRS 16 Leases (issued January 2016).

(i) Leases as a lessee

IFRS 16 introduces a single accounting model for a lessee's leases, rather than classifying them into finance leases and operating leases. In general under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. However, we use the exemption for short-term leases and leases of low-value assets; instead of recognizing right-of-use assets and lease liabilities for such leases, it expenses the lease payments on a straight-line basis over the lease term. After recognizing a right-of-use asset and a lease liability, we subsequently recognize depreciation of the right-of-use asset and interest on the lease liability. In applying IFRS 16, we use the transition method described in paragraph C5(b) of IFRS 16 and thus recognize the cumulative effects of initially applying the standard at the date of initial application (April 1, 2019). We have not restated comparative information for the consolidated financial statements under review. In applying IFRS 16, we selected the practical expedient detailed in paragraph C3 of IFRS 16 for the purpose of assessing whether a contract is, or contains, a lease and thus continue to use the assessments previously made under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For such assessments made on or after the date of initial application, we apply the provisions of IFRS 16.

(ii) Leases as a lessor

Leases entered into as a lessor are classified as either finance leases or operating leases according to the substance of the transaction rather than the form of the contract. Assets held under finance leases are presented as receivables in an amount equal to the net investment in the lease.

In the case of subleases, the intermediate lessor classifies the sublease with reference to the right-of-use asset arising from the head lease.

In the case of operating leases, we record the leased assets on the condensed consolidated statement of financial position and recognize lease payments as income on a straight-line basis over the lease term.

The adoption of IFRS 16 resulted in a 104,408-million-yen increase in total assets, a 105,711-million-yen increase in total liabilities and a 1,302-million-yen decrease in retained earnings as of the beginning of the fiscal year ending March 31, 2020. The weighted average of the lessee's incremental borrowing rate applied to lease liabilities at the date of initial application (April 1, 2019) is 0.6%.

The following shows the adjustments between total future minimum lease payments under non-cancellable operating lease agreements as of the end of the fiscal year ended March 31, 2019 disclosed in accordance with IAS 17 and lease liabilities recognized on the condensed quarterly consolidated statement of financial position at the date of initial application.

Future minimum lease payments under non-cancellable operating lease agreements as of March 31, 2019 (after discount at the incremental borrowing rate)	32,974
Finance lease liabilities recognized as of March 31, 2019	51,375
Operating lease agreements, etc. that are not non-cancellable, recognized as of the date of initial application	72,738
Lease liabilities recognized on the condensed quarterly consolidated statement of financial position as of the date of initial application	157,087

We use the following practical expedients in applying IFRS 16.

- We adopt a single discount rate for portfolios of leases that have reasonably similar characteristics
- We exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- We use hindsight when, for example, calculating the lease term for contracts that include an extension or cancellation option

With the adoption of IFRS 16, we have renamed "Bonds payable, borrowings, and lease obligations" on the consolidated statement of financial position for the previous fiscal year as "Bonds payable, borrowings, and lease liabilities".

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 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.

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 follow:

- (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 loss 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 include 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.

Fiscal 2019 (April 1, 2019 to March 31, 2020)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments ¹	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,311,251	498,629	919,836	3,729,717	—	3,729,717
Intersegment revenue	370,098	13,666	164,301	548,065	(548,065)	—
Total	2,681,350	512,295	1,084,137	4,277,783	(548,065)	3,729,717
Segment profit	(8,783)	23,118	27,016	41,351	(15,998)	25,353
Impairment losses						(238,826)
Profit before tax						(213,473)

Segment assets	3,836,847	465,734	756,141	5,058,723	(412,602)	4,646,120
Other items						
Depreciation and amortization	209,031	13,302	10,244	232,578	(1,000)	231,577
Impairment losses	(233,144)	(356)	(5,325)	(238,826)	—	(238,826)
Finance income	1,437	140	1,354	2,932	(205)	2,727
Finance costs	(11,721)	(697)	(3,492)	(15,910)	636	(15,273)
Share of profit of entities accounted for using equity method	25,518	477	558	26,554	(17,772)	8,782
Investments accounted for using equity method	289,406	11,562	14,909	315,878	20,162	336,040
Capital expenditures	362,741	11,892	17,986	392,621	(1,265)	391,356

¹ Adjustments are as follows.

- (1) Adjustments to segment profit include corporate profit not allocated to a reportable segment: 48,548 million yen, elimination of dividend income from each reportable segment: -48,365 million yen, and share of profit of entities accounted for using equity method related to Japan Marine United Corporation: -17,995 million yen; elimination of other intersegment transactions: 1,813 million yen. Corporate profit is profit of the Company.
- (2) Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 45,607 million yen and elimination of intersegment receivables and payables, etc.: -458,210 million yen. Corporate assets are assets of the Company.

Per-share information

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

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Basic earnings (losses) per share (yen)	283.81	(343.39)
Diluted earnings (losses) per share (yen)	283.76	(343.39)

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

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Profit used in calculation of basic earnings per share and diluted earnings per share		
Profit(loss) attributable to owners of the parent company (million yen)	163,509	(197,744)
Amount not attributable to common shareholders of the parent company (million yen)	-	—
Profit(loss) used in calculation of basic earnings per share (million yen)	163,509	(197,744)
Profit adjustments (million yen)	-	—
Profit (loss) used in calculation of diluted earnings per share (million yen)	163,509	(197,744)
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)	576,117	575,854
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)	576,231	575,854

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 previous and current consolidated fiscal years are 378,000 and 589,000, respectively. A total of 118,000 shares of stock compensation have a reverse dilution effect and are not included in the calculation of diluted earnings per share for the current fiscal year

Material subsequent events

There is no item for this period.

4. Supplementary information

(1) Consolidated financial performance

		FY 2018	FY 2019	Change	
		Full year (billion yen)	Full year (billion yen)	Full year (billion yen)	Full year (%)
Steel Business		2,830.6	2,681.3	(149.3)	(5.3)
Engineering Business		485.8	512.2	26.4	5.4
Trading Business		1,125.8	1,084.1	(41.7)	(3.7)
Adjustments		(568.6)	(548.0)	20.6	-
Revenue		3,873.6	3,729.7	(143.9)	(3.7)
Business profit¹	A	232.0	37.8	(194.2)	(83.7)
Finance income / costs	B	(12.5)	(12.5)	0.0	-
Segment Profit					
Steel Business		161.3	(8.7)	(170.0)	-
Engineering Business		20.1	23.1	3.0	14.9
Trading Business		35.7	27.0	(8.7)	(24.4)
Adjustments		2.3	(15.9)	(18.2)	-
Total	A+B	219.5	25.3	(194.2)	(88.5)
Exceptional Items ²		(10.2)	(238.8)	(228.6)	-
Profit before tax		209.3	(213.4)	(422.7)	-
Tax Expense and Profit (Loss) Attributable to Non-controlling Interests		(45.8)	15.7	61.5	-
Profit Attributable to Owners of Parent		163.5	(197.7)	(361.2)	-

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.

(2) Consolidated Financial Indices

	Fiscal 2018	Fiscal 2019	Change
Return on Sales (ROS) ¹	6.0%	1.0%	(5.0%)
Return on Assets (ROA) ²	5.0%	0.8%	(4.2%)
Return on Equity (ROE) ³	8.6%	(11.1%)	(19.7%)
EBITDA ⁴	428.2 billion yen	269.4 billion yen	(158.8 billion yen)
Interest-bearing debt outstanding	1,523.8 billion yen	1,814.3 billion yen	290.5 billion yen**
Debt / EBITDA multiple ⁵	3.6x	6.7x	3.1x
Equity attributable to owners of parent	1,926.3 billion yen	1,627.0 billion yen	(299.3 billion yen)
D/E Ratio ⁶	68.2%	96.4%	28.2%

¹ ROS = Business profit / Revenue

² ROA = Business profit / Total assets

³ ROE = Profit attributable to owners of parent / Equity attributable to owners of parent

⁴ EBITDA = Business profit + Depreciation and amortization

⁵ Debt / EBITDA multiple = Interest-bearing debt outstanding / EBITDA

⁶ D/E ratio = Debt outstanding / Equity attributable to owners of parent. For debt having a capital component*, a portion of its issue price is deemed to be capital, as assessed by rating agencies.

* For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agencies.

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

** Impact of application of IFRS 16 Lease

Amount increased at beginning of FY2019	
Lease liabilities	105.7 billion yen

(3) Crude Steel Production (JFE Steel)

(million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
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
FY 2019	Non-consolidated	7.00	6.79	13.79	6.24	6.70	12.94	26.73
	Consolidated	7.36	7.13	14.50	6.59	7.00	13.59	28.09

(4) Shipments (JFE Steel on non-consolidated basis)

(million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2018		6.13	5.93	12.06	6.24	5.48	11.72	23.78
FY 2019		5.85	5.94	11.80	5.59	6.09	11.68	23.47

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

(%)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2018		42.4	44.2	43.3	43.5	36.0	40.1	41.7
FY 2019		39.9	42.1	41.0	39.7	44.4	42.1	41.5

(6) Foreign Exchange Rate (Yen/US dollar)

(JPY/USD)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2018		108.1	110.9	109.5	113.4	110.3	111.9	110.7
FY 2019		110.7	107.6	109.2	108.8	109.4	109.1	109.1

(7) Average Selling Price (JFE Steel on non-consolidated basis)

(thousand yen/ton)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2018		79.3	81.9	80.6	82.9	82.0	82.5	81.5
FY 2019		80.4	79.4	79.9	79.6	76.1	77.8	78.8

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

a. Actual order received

(billion yen)

Field	FY2018	FY2019	Change
Environment	212.6	187.1	(25.5)
Energy	132.8	109.8	(23.0)
Infrastructure, others	137.4	116.1	(21.3)
Total	482.8	413.0	(69.8)

(billion yen)

b. Order backlog

FY2018 yearend	FY2019 yearend	Change
614.5	525.9	(88.6)

(9) Capital Investment and Depreciation and Amortization (JFE Holdings)

(billion yen)

	FY 2018	FY2019
Capital Investment	329.5	391.3
Depreciation & Amortization	196.2	231.5

(on construction basis)

(10) Breakdown of Changes in Segment Profit

FY 2019, compared to FY 2018

	(billion yen)	
	<u>Change</u>	
Steel Business		
- Cost	42.0	Cost reductions of +20.0 and one-time effects of +22.0 in FY 2018
- Sales volume and mix	(6.0)	
- Sales prices and raw materials	(81.0)	
- Unrealized gains (losses) on inventories	(67.0)	
- Materials prices etc.	(15.0)	Increased costs of materials, distribution, subcontracting, etc.
- Others	(43.0)	Increased depreciation costs related to infrastructure maintenance, group companies, etc.
- Total	<u>(170.0)</u>	
Engineering Business	3.0	Increased sales revenue
Trading Business	(8.7)	Worsening trade friction between United States and China and falling steel prices
Adjustment	(18.2)	Losses on equity-method shipbuilding affiliates due to construction delays caused by bad weather or natural disasters

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