



Having assumed the office of president of JFE Holdings, Inc. on April 1, 2015, I am pleased to extend these greetings to all stakeholders, especially those who have been with us since our rebirth as JFE since 2002.

JFE strives to maximize the potential of steel and related materials for the benefit of society. Over the years, we have steadily pursued growth in a sustainable manner, adhering to policies for harmonious coexistence with the global environment and strict compliance with standards for corporate ethics. We strive continuously to enhance our value for all stakeholders.

Fifth Medium-term Business Plan

In April 2015, the JFE Group announced its fifth medium-term business plan, which will guide operations over the three-year period from fiscal 2015 to 2017.

Demand in Japan is showing growth potential due to government policies to strengthen economic resilience and preparations for the upcoming 2020 Summer Olympics and Paralympics in Tokyo. Outside Japan, particularly in emerging nations, demands continue to grow for infrastructure development and energy-saving, eco-friendly technologies. On the opposing side, however, business may be affected negatively by factors such as demographic aging in Japan, major fluctuations in the prices of resources such as crude oil, rapidly shifting foreign currency exchange rates, and political and economic uncertainty in many countries. It has become increasingly important to accurately assess the potential impact of such changes and then quickly implement appropriate countermeasures.

In its fifth medium-term business plan, JFE has set forth initiatives to enhance technological advantages, diversify human resources and boost comprehensive strengths, aiming to make the JFE Group more responsive to fast-changing external factors. At the same time, we are strengthening

our profit base in Japan and improving the profitability of our overseas businesses, aiming to achieve more sustainable growth and higher corporate value.

Main Initiatives of New Business Plan

- Strengthen JFE's domestic profit base
- Enhance corporate value by leveraging technological advantages
- Increase overseas business profitability
- Secure and nurture diverse human resources
- Strengthen corporate structure for sustainable growth

Growing with Stakeholders

An unwavering commitment to equity, fairness and transparency has always been a cornerstone of our operations. Under the slogan "Challenging Spirit, Flexibility, Sincerity," an avowal of our most dearly held values, we work tirelessly to fulfill our corporate vision of contributing to society with the world's most innovative technology while striving toward excellence as a 21st-century corporate group.

We aspire to maintain longstanding relationships of trust with our customers, shareholders, employees, local communities and other stakeholders. I sincerely ask for your support as we pursue initiatives to grow with our stakeholders.

June 2015

林田 英治

Eiji Hayashida
President and CEO
JFE Holdings, Inc.

Q.1 What was the outcome of the fourth medium-term business plan and what are your upcoming challenges?

Under our recently completed business plan, we sought to establish a stronger corporate structure by taking steps such as reviewing our business portfolio, reducing costs, augmenting domestic manufacturing platforms and increasing overseas projects. We succeeded in these initiatives while steadily improving profitability.

However, due to the oversupply of steel world-wide, the overseas market for steel has become harsher than expected. To best address this situation, we have focused on improving the cost-effectiveness of our production and marketing activities. While the resulting savings have been far greater than what similar efforts had netted us in the past, we were not able to raise our return on sales (ROS) to 10%, which was one of the targets of the plan. Nevertheless, we succeeded in building a structure for securing greater and more stable profits by developing our domestic manufacturing platforms from a medium- to long-term perspective.

Q.2 What are main aims of the fifth medium-term business plan?

We have set forth five key initiatives.

(1) Strengthen JFE's Domestic Profit Base

In Japan, we are striving to fully accommodate market demands. We are enhancing customer services by developing a more robust sales structure, one that is capable of addressing customer needs more accurately and promptly than before. To improve the profitability of our manufacturing bases, we are enhancing platforms in each base through facility upgrades and repairs aimed at stabilizing operations even further. In addition, we are renovating facilities to reduce manufacturing costs and to accommodate a product mix that is increasingly focused on high-end steel. We expect these measures to boost our competitiveness.

(2) Enhance Corporate Value by Leveraging Technological Advantages

To enhance our competitiveness and maintain our position in the vanguard of global technological innovation, we are working hard to develop new technologies. This includes relentlessly pursuing ever more sophisticated resource- and energy-saving technologies to raise our profile as a supplier of cutting-edge technologies and products that offer world-leading quality.

(3) Increase Overseas Business Profitability

JFE Group Overseas Investment

¥200 billion over three years (planned)

To enhance the profitability of our ongoing overseas investment projects, we are sharpening our attentiveness to local demands and optimizing our operations in line with the characteristics of each region. At the same time, we are fully leveraging our technical capabilities and global network to invest in projects in strategic fields and regions that have growth potential.

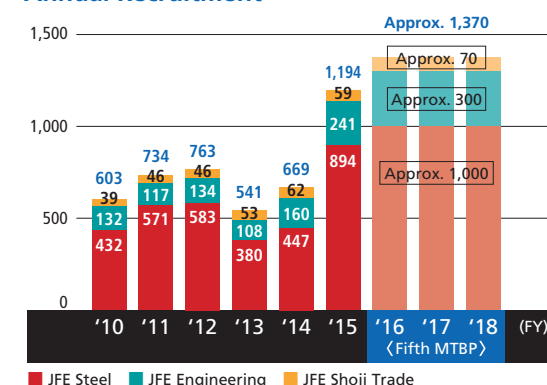
(4) Secure and Nurture Diverse Human Resources

Recruitment Plan (by Group company)

JFE Steel:	1,000 employees/year
JFE Engineering:	300 employees/year
JFE Shoji Trade:	70 employees/year

To carry out our fifth medium-term business plan, we will steadily recruit and nurture diverse human resources.

Annual Recruitment



(5) Strengthen Corporate Structure for Sustainable Growth

Financial Targets in Plan's Final Year (Fiscal 2017)

ROE: 10% or greater

Financial position: "A" rating equivalency

Basic Policy for Shareholder Returns

Dividend payout ratio: 25% to 30%

We aim to improve our financial position, profitability and cash flow by undertaking investments that facilitate business expansion, strengthen our profit base in Japan and raise the profitability of our overseas businesses.

With regard to shareholder returns, we will increase the dividend payout ratio from the current 25%. At the same time, we will strengthen corporate governance while developing more eco-friendly operations.

Q.3 Please explain the details of your initiatives by business segment.

Steel Business

JFE Steel aims to become a global steel supplier that steadily creates new value and grows with its customers. To this end, we will enhance production capabilities and take a more customer-

oriented approach to domestic and overseas marketing. In these ways, we aim to secure a stronger market presence and greater recognition of JFE-brand steel products, ultimately to generate higher profits. JFE Steel is targeting annual steel sales increasing to 40 million tons by the end of the medium-term plan and 50 million tons thereafter.

Profit Target in Plan's Final Year (Fiscal 2017)

ROS: 10%

Concrete Initiatives

• Enhance production capabilities

We will augment our domestic manufacturing platforms to improve manufacturing cost-effectiveness and accommodate demand focused on high-end steel. Such moves are expected to secure steady reductions in costs. In addition, JFE Steel will replace the ICT systems at its steelworks with advanced systems that facilitate operational reforms. Overall, this is expected to further upgrade JFE Steel's world-class production capabilities.

Cost reductions: ¥110 billion/3 years
Domestic capital expenditures: ¥650 billion/3 years

(up ¥170 billion from previous plan)

• **Reinforce technological development**
To address customer needs, we will develop new products that incorporate cutting-edge technologies and innovative manufacturing processes, ultimately to boost sales. We will also reduce costs and enhance production capabilities by improving process technologies. To this end, we have allocated increases of 10% in our R&D budget and 7% in our researcher workforce.

• **Strengthen customer-oriented marketing**
To offer more attractive services, JFE Steel will improve its proposal-development capabilities by better coordinating product R&D and sales functions and by facilitating more collaboration among Group companies.

• **Develop business overseas**
JFE Steel will strive to increase the profitability of its ongoing overseas investment projects. Also, technological advantages will be leveraged to expand businesses in priority sectors, such as automobiles and energy.

• **Passing on technical skills and developing human resources**
To nurture human resources, we will ensure that the knowledge, technical skills and expertise accumulated by senior employees are passed on to younger employees, including at JFE Steel steel-works, Group companies and subcontractors. Also, we will improve technological and onsite capabilities by further diversifying our workforce and introducing more information technology.

Engineering Business
JFE Engineering will strive to develop as many business opportunities as possible in the Japanese market. The company's business expansion will also involve securing a greater global presence in the fields of urban infrastructure, the environment and energy, to be accomplished by leveraging competitive advantages as a producer of waste incineration facilities, water treatment facilities and steel structures. Moreover, JFE Engineering will provide customers with more

comprehensive solutions, including undertaking projects encompassing construction, facility operation and other wide-ranging services.

Profit Targets in Plan's Final Year (Fiscal 2017)	
Net sales:	¥500 billion
Ordinary income:	¥30 billion

- Concrete Initiatives in Engineering Business**
- a. Expand overseas business
 - b. Support electricity generation from various energy resources
 - c. Offer proposal-based services
 - d. Develop and promptly launch products and services

Trade Business
The JFE Shoji Trade Group adapts its strategies to conditions in specific markets, particularly the trend toward local procurement in emerging markets. The company is boosting sales of steel materials while strategically coordinating the JFE Group's storage, processing, retailing and marketing functions. As a result, we are positioned to propose solutions that enhance the value of customers' entire supply chains. We will also improve the profitability of ongoing investments overseas and invest in new projects aimed at securing a stronger presence for JFE Shoji Trade.

Profit Target in Plan's Final Year (Fiscal 2017)	
Ordinary income	¥30 billion

- Concrete Initiatives in Trade Business**
- a. Develop new markets and increase steel sales volume
 - b. Create added value
 - c. Improve overall strengths

Q.4 Please discuss your newly formulated Basic Policy on Human Resource Management.

When we announced our fifth medium-term business plan, at the same time we introduced JFE Group's Basic Policy on Human Resource Management with the aim of developing workplaces in which all Group members can realize their full potential.

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

Q.5 What is your main goal as the president of JFE Holdings?

For the JFE Group to secure sustainable growth, I believe that every business segment should embrace a combination of individuality and a sense of unity. This means that I expect each business segment to hone its individual strengths and utilize them to drive growth. The Group will spare no effort in encouraging such efforts. At the same time, however, as a corporate leader, in addition to managing our financial discipline, I must ensure that everyone adheres to the common values, policies and philosophy that form our unified core. By striking a balance between the two, I intend to do my best to enhance JFE's overall corporate value.

Q.6 Lastly, could you share your future vision of the JFE Group and explain your thoughts about the human resources that will be needed?

I want us to be a corporate group capable of growing sustainably as we pursue ever loftier goals. Of course, our growth is dependent on the technologies possessed by our individual operating companies. In addition to our expertise in steel and engineering, we should be able to further leverage our specialized trade-related knowledge and know-how to create new businesses tailored to customer needs. We are confident that by following this course we can expand.

But I also believe that our vision of contributing to society with the world's most innovative technology will remain unchanged, even after a decade.

Finally, I ask each employee to clearly identify their mission, remain passionate about their duties and act proactively. I also ask everyone to broaden their perspective and be even more attentive to emerging customer and social needs, so that they can determine for themselves whether they are on the right track or not.