

Financial Information

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Note: Fiscal Year (FY) 2015 in the following pages refers to the period beginning
April 1, 2015 and ended March 31, 2016

JFE Holdings, Inc. and Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Assets			
Current assets:			
Cash and deposits (Notes 5 and 13)	¥ 64,654	¥ 85,889	\$ 573,784
Notes and accounts receivable (Notes 8 and 13)	720,639	771,574	6,395,447
Allowance for doubtful accounts	(1,434)	(2,326)	(12,726)
Merchandise and finished goods	311,234	357,733	2,762,105
Work in process	43,657	45,798	387,442
Raw materials and supplies	402,406	408,871	3,571,228
Other current assets (Note 8)	166,672	203,739	1,479,162
Total current assets	1,707,829	1,871,280	15,156,451
Property, plant and equipment (Note 8):			
Land (Note 9)	497,285	499,512	4,413,249
Buildings and structures	1,806,573	1,790,227	16,032,774
Machinery and equipment	5,719,146	5,678,123	50,755,644
Construction in progress	85,981	80,664	763,054
Subtotal	8,108,986	8,048,528	71,964,731
Accumulated depreciation	(6,481,800)	(6,418,937)	(57,523,961)
Property, plant and equipment, net	1,627,186	1,629,591	14,440,770
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 13)	354,639	437,199	3,147,310
Investments in securities (Notes 6, 8 and 13)	394,538	533,051	3,501,402
Allowance for doubtful accounts	(4,521)	(6,152)	(40,122)
Net defined benefit asset (Note 10)	9,103	13,231	80,786
Other assets (Note 8)	146,108	161,211	1,296,663
Total investments and other assets	899,868	1,138,540	7,986,048
Total assets	¥ 4,234,884	¥ 4,639,412	\$ 37,583,280

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Liabilities			
Current liabilities:			
Short-term borrowings (Note 13)	¥ 116,759	¥ 128,761	\$ 1,036,199
Current portion of long-term debt (Notes 7 and 13)	256,623	239,243	2,277,449
Commercial paper (Note 13)	36,000	--	319,488
Notes and accounts payable (Note 13)	422,331	469,107	3,748,056
Other current liabilities	326,471	378,540	2,897,328
Total current liabilities	1,158,185	1,215,653	10,278,532
Long-term liabilities:			
Long-term debt (Notes 7 and 13)	969,990	1,133,756	8,608,359
Deferred tax liabilities on revaluation reserve for land (Note 9)	9,121	9,774	80,946
Allowance for losses on specific waste disposal business	21,402	24,112	189,936
Net defined benefit liability (Note 10)	125,283	119,331	1,111,847
Other long-term liabilities	92,979	146,760	825,159
Total long-term liabilities	1,218,776	1,433,735	10,816,258
Total liabilities	2,376,962	2,649,388	21,094,799
Contingencies (Note 11)			
Net assets			
Shareholders' equity:			
Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2016			
614,438,399 shares as of March 31, 2015	147,143	147,143	1,305,848
Capital surplus	646,380	647,121	5,736,421
Retained earnings	1,065,037	1,066,517	9,451,872
Treasury stock, at cost:			
37,714,629 shares as of March 31, 2016			
37,754,166 shares as of March 31, 2015	(178,654)	(179,430)	(1,585,498)
Total shareholders' equity	1,679,906	1,681,350	14,908,643
Accumulated other comprehensive income:			
Net unrealized gains and losses on securities	101,709	194,733	902,635
Net unrealized gains and losses on hedges	(3,119)	(535)	(27,680)
Revaluation reserve for land, net of tax (Note 9)	16,328	15,654	144,905
Translation adjustments	14,503	41,107	128,709
Remeasurements of defined benefit plans (Note 10)	(5,130)	6,626	(45,527)
Total accumulated other comprehensive income	124,290	257,587	1,103,035
Total net assets	1,857,921	1,990,023	16,488,471
Total liabilities and net assets	¥ 4,234,884	¥ 4,639,412	\$ 37,583,280

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Net sales	¥ 3,431,740	¥ 3,850,355	\$ 30,455,626
Cost of sales	3,017,757	3,312,981	26,781,656
Gross profit	413,982	537,373	3,673,961
Selling, general and administrative expenses	323,343	314,774	2,869,568
Operating income.....	90,638	222,599	804,384
Non-operating income (expenses):			
Interest income	1,190	1,078	10,560
Interest expense	(12,279)	(14,532)	(108,972)
Dividends received	10,438	10,544	92,634
Foreign exchange gains	--	12,267	--
Equity in earnings (losses) of affiliates	(8,821)	18,280	(78,283)
Other, net	(16,927)	(19,235)	(150,221)
Ordinary income	64,239	231,001	570,101
Extraordinary income (loss) (Note 20)	10,097	(4,309)	89,607
Income before income taxes	74,337	226,692	659,717
Income taxes (Note 16):			
Current	21,629	34,936	191,950
Deferred	15,054	47,642	133,599
	36,684	82,579	325,559
Net income	37,652	144,112	334,149
Net income attributable to noncontrolling interests	(3,995)	(4,754)	(35,454)
Net income attributable to shareholders of the parent	¥ 33,657	¥ 139,357	\$ 298,695

	yen		U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Net income per share	¥ 58.36	¥ 241.60	\$ 0.51
Cash dividends per share	30	60	0.26

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Net income	¥ 37,652	¥144,112	\$ 334,149
Other comprehensive income (Note 17):			
Net unrealized gains and losses on securities	(90,438)	90,808	(802,609)
Net unrealized gains and losses on hedges	(2,429)	(232)	(21,556)
Revaluation reserve for land	648	1,012	5,750
Translation adjustments	(12,208)	12,712	(108,342)
Remeasurements of defined benefit plans	(11,967)	11,905	(106,203)
Share of other comprehensive income of affiliates accounted for using equity method	(18,418)	21,617	(163,454)
Total other comprehensive income	(134,814)	137,823	(1,196,432)
Comprehensive income	¥ (97,161)	¥281,936	\$ (862,273)
Total comprehensive income attributable to:			
Shareholders of the parent	¥ (99,629)	¥275,304	\$ (884,176)
Noncontrolling interests	2,467	6,631	21,893

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	¥ 147,143	¥ 647,121	¥ 965,204	¥ (178,977)	¥ 1,580,491
Cumulative effects of changes in accounting policies			(14,867)		(14,867)
Restated balance at April 1, 2014	147,143	647,121	950,337	(178,977)	1,565,623
Cash dividends			(23,086)		(23,086)
Net income attributable to shareholders of the parent			139,357		139,357
Acquisition of treasury stock				(498)	(498)
Disposal of treasury stock			(16)	45	29
Decrease by change of scope of consolidation			(63)		(63)
Transfer from land revaluation account			(11)		(11)
Net changes in items other than shareholders' equity					--
Total changes in items during the year			116,179	(452)	115,727
Balance at March 31, 2015	¥ 147,143	¥ 647,121	¥ 1,066,517	¥ (179,430)	¥ 1,681,350

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2014	¥ 102,574	¥ (411)	¥ 14,541	¥ 9,949	¥ (5,024)	¥ 121,628	¥ 43,810	¥ 1,745,930
Cumulative effects of changes in accounting policies								(14,867)
Restated balance at April 1, 2014	102,574	(411)	14,541	9,949	(5,024)	121,628	43,810	1,731,063
Cash dividends								(23,086)
Net income attributable to shareholders of the parent								139,357
Acquisition of treasury stock								(498)
Disposal of treasury stock								29
Decrease by change of scope of consolidation								(63)
Transfer from land revaluation account								(11)
Net changes in items other than shareholders' equity	92,159	(123)	1,113	31,157	11,651	135,958	7,275	143,233
Total changes in items during the year	92,159	(123)	1,113	31,157	11,651	135,958	7,275	258,960
Balance at March 31, 2015	¥ 194,733	¥ (535)	¥ 15,654	¥ 41,107	¥ 6,626	¥ 257,587	¥ 51,085	¥ 1,990,023

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	¥ 147,143	¥ 647,121	¥ 1,066,517	¥ (179,430)	¥ 1,681,350
Cash dividends			(34,619)		(34,619)
Net income attributable to shareholders of the parent			33,657		33,657
Acquisition of treasury stock				(273)	(273)
Disposal of treasury stock			(527)	1,049	521
Change in shares of parent arising from transactions with noncontrolling shareholders		(740)			(740)
Transfer from land revaluation account			10		10
Net changes in items other than shareholders' equity					-
Total changes in items during the year		(740)	(1,479)	775	(1,444)
Balance at March 31, 2016	¥ 147,143	¥ 646,380	¥ 1,065,037	¥ (178,654)	¥ 1,679,906

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2015	¥ 194,733	¥ (535)	¥ 15,654	¥ 41,107	¥ 6,626	¥ 257,587	¥ 51,085	¥ 1,990,023
Cash dividends								(34,619)
Net income attributable to shareholders of the parent								33,657
Acquisition of treasury stock								(273)
Disposal of treasury stock								521
Change in shares of parent arising from transactions with noncontrolling shareholders								(740)
Transfer from land revaluation account								10
Net changes in items other than shareholders' equity	(93,023)	(2,584)	673	(26,604)	(11,757)	(133,296)	2,639	(130,657)
Total changes in items during the year	(93,023)	(2,584)	673	(26,604)	(11,757)	(133,296)	2,639	(132,102)
Balance at March 31, 2016	¥ 101,709	¥ (3,119)	¥ 16,328	¥ 14,503	¥ (5,130)	¥ 124,290	¥ 53,724	¥ 1,857,921

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	\$ 1,305,848	\$ 5,742,997	\$ 9,465,007	\$ (1,592,385)	\$ 14,921,458
Cash dividends			(307,232)		(307,232)
Net income attributable to shareholders of the parent ...			298,695		298,695
Acquisition of treasury stock				(2,422)	(2,422)
Disposal of treasury stock			(4,676)	9,309	4,623
Change in shares of parent arising from transactions with noncontrolling shareholders		(6,567)			(6,567)
Transfer from land revaluation account			88		88
Net changes in items other than shareholders' equity ...					--
Total changes in items during the year		(6,567)	(13,125)	6,877	(12,815)
Balance at March 31, 2016	\$ 1,305,848	\$ 5,736,421	\$ 9,451,872	\$ (1,585,498)	\$ 14,908,643

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains and losses on securities	Net unrealized gains and losses on hedges	Revaluation reserve for land, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
Balance at April 1, 2015	\$ 1,728,194	\$ (4,747)	\$ 138,924	\$ 364,811	\$ 58,803	\$ 2,286,004	\$ 453,363	\$ 17,660,835
Cash dividends								(307,232)
Net income attributable to shareholders of the parent ...								298,695
Acquisition of treasury stock								(2,422)
Disposal of treasury stock								4,623
Change in shares of parent arising from transactions with noncontrolling shareholders								(6,567)
Transfer from land revaluation account								88
Net changes in items other than shareholders' equity ...	(825,550)	(22,932)	5,972	(236,102)	(104,339)	(1,182,960)	23,420	(1,159,540)
Total changes in items during the year	(825,550)	(22,932)	5,972	(236,102)	(104,339)	(1,182,960)	23,420	(1,172,364)
Balance at March 31, 2016	\$ 902,635	\$ (27,680)	\$ 144,905	\$ 128,709	\$ (45,527)	\$ 1,103,035	\$ 476,783	\$ 16,488,471

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Cash flows from operating activities:			
Income before income taxes	¥ 74,337	¥ 226,692	\$ 659,717
Adjustments for:			
Depreciation and amortization	177,946	176,017	1,579,215
Decrease in reserves	(15,142)	(2,772)	(134,380)
Interest and dividend income	(11,628)	(11,623)	(103,194)
Interest expense	12,279	14,532	108,972
Changes in assets and liabilities:			
Changes in notes and accounts receivable	50,355	(105,365)	446,884
Changes in inventories	52,960	(27,866)	470,003
Changes in notes and accounts payable	(24,064)	61,020	(213,560)
Other, net	(16,989)	(2,111)	(150,772)
Subtotal	300,053	328,524	2,662,877
Interest and dividend income received	17,244	18,396	153,035
Interest paid	(12,673)	(14,684)	(112,468)
Income taxes paid	(37,521)	(34,856)	(332,987)
Net cash provided by operating activities	267,102	297,380	2,370,447

Cash flows from investing activities:

Payments for purchases of property, plant and equipment	(205,992)	(220,809)	(1,828,115)
Proceeds from sales of property, plant and equipment	4,155	17,239	36,874
Payments for purchases of investments in securities	(29,874)	(5,491)	(265,122)
Proceeds from sales of investments in securities	50,051	23,655	444,187
Proceeds from capital reduction of investments	30,240	--	268,370
Other, net	14,097	(30,908)	125,106
Net cash used in investing activities	(137,321)	(216,313)	(1,218,681)

Cash flows from financing activities:

Increase (decrease) in short-term borrowings, net	29,105	(16,771)	258,297
Increase in long-term debt	115,249	226,429	1,022,799
Repayments of long-term debt	(262,428)	(262,113)	(2,328,966)
Payments for purchases of treasury stock	(258)	(483)	(2,289)
Payments for dividends by parent company	(34,551)	(23,034)	(306,629)
Other, net	8,322	(2,275)	73,855
Net cash used in financing activities	(144,561)	(78,247)	(1,282,933)

Effects of exchange rate change on cash and cash equivalents	(6,038)	15,247	(53,585)
Net (decrease) increase in cash and cash equivalents	(20,819)	18,066	(184,762)
Cash and cash equivalents at beginning of the year	83,542	62,318	741,409
Increase in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	1,150	3,157	10,205
Cash and cash equivalents at end of the year (Note 5)	¥ 63,873	¥ 83,542	\$ 566,853

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries
Years ended March 31, 2016 and 2015

1. Basis of Presentation

The accompanying consolidated financial statements of JFE Holdings, Inc. (the “Company” hereinafter) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company’s overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The notes to the consolidated financial statements include information that is not required under the Japanese GAAP but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior years’ financial statements have been reclassified to conform to the 2016 presentation.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2016, which was ¥112.68 to US\$1.00. These convenient translations should not be construed as representations that the Japanese yen amounts have been could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation principles

The consolidated financial statements include the accounts of the Company’s 322 domestic and foreign subsidiaries (the “Group” as JFE Holdings, Inc. consolidated group, hereinafter). All significant inter-company transactions and accounts are eliminated in consolidation.

62 affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

(b) Translation of foreign currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made, and assets and liabilities are translated into Japanese yen at the exchange rates in effect on the respective balance sheet date.

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates at the balance sheet dates except for shareholders’ equity, which is translated at historical rates. Differences arising from such translation are shown as “translation adjustments” in a separate component of net assets in the balance sheets.

(c) Valuation of securities

Available-for-sale securities

Marketable:

Valued primarily at market based on an average of the market prices for a period of one month prior to the settlement date. (Valuation differences are recorded as net unrealized gains and losses on securities, net of tax, in net assets in the balance sheets by the direct capitalization method, with the costs of sales calculated primarily by the moving average method.)

Non-marketable:

Valued primarily at cost by the moving average method.

(d) Valuation of inventories

Inventories are stated at cost determined by the weighted average method. These inventories with lower profitability are written down to their net realizable value.

(e) Depreciation method for property, plant and equipment (except for leased assets)

Depreciation is calculated primarily by the declining balance method.

(f) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated primarily by the straight-line method.

Amortization of the software for internal use is computed by the straight-line method based on the estimated useful lives (primarily 5 years).

(g) Allowance for doubtful accounts

The projected uncollectible amount is provided as the allowance using historical default rates in the past for ordinary credits and individual collectability assessments for credits deemed to have high likelihood of default and for other specific credits.

(h) Allowance for losses on specific waste disposal business

Allowance for losses on specific waste disposal business is provided based on the estimated amount sufficient to cover probable loss that will be incurred in the following fiscal years.

(i) Retirement benefits

The straight-line method is used to attribute expected retirement benefits to each period through the end of the year in calculating retirement benefit obligation.

Prior service cost is primarily amortized in projected average years of service of the employees.

Actuarial losses are primarily amortized in projected average years of service of the employees from the following fiscal year after the year in which they occurred.

(j) Leases

Leased assets under finance leases that do not transfer ownership to the lessees are capitalized and depreciated to a residual value of zero using the straight-line method with useful life defined by the terms of the contract.

(k) Revenue recognition for long-term construction-type contracts

The percentage-of-completion method (cost-comparison method to estimate the percentage of completion) is applied for construction contracts where the percentage of completion can be reliably estimated. For other contracts, the completed-contract method is applied.

(l) Consolidated tax return

The Company files a consolidated tax return with certain domestic subsidiaries.

(m) Per share information

Basic net income per share is computed by dividing net income attributable to shareholders of the parent available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Net income attributable to shareholders of the parent used in the computation was ¥33,657 million (\$298,695 thousand) and ¥139,357 million, and the average number of shares used in the computation was 576,740 thousand and 576,806 thousand for the years ended March 31, 2016 and 2015, respectively.

Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective year.

3. Changes in Accounting Policies and Adoption of New Accounting Standards

Accounting standards for business combinations

Effective from the year ended March 31, 2016, the Company has adopted “Accounting Standard for Business Combinations” (the Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, issued on September 13, 2013 (hereinafter, “Statement No.21”)), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013 (hereinafter, “Statement No.22”)) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”). As a result, the difference relating to change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary is recorded in “capital surplus” and acquisition-related costs are accounted for as expenses in the year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term “noncontrolling interests” is used instead of “minority interests”. Certain amounts in the prior year comparative information were reclassified to conform to such changes in

the current year presentation.

The Company followed the transitional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 to apply the Business Combination Accounting Standards from the beginning of the current fiscal year prospectively.

As a result, ordinary income and income before income taxes increased by ¥740 million (\$6,567 thousand) for the year ended March 31, 2016 and capital surplus decreased by ¥740 million (\$6,567 thousand) at March 31, 2016.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.

Capital surplus on the consolidated statement of changes in net assets decreased by ¥740 million (\$6,567 thousand) at March 31, 2016. Also, net income per share increased by ¥1.28 (\$0.01) for the year ended March 31, 2016.

4. Accounting Standard Issued But Not Yet Adopted

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

(1) Overview

Implementation Guidance on Recoverability of Deferred Tax Assets stipulates guidance for the treatment of the recoverability of deferred tax assets when applying “Standards for Tax Effect Accounting” issued by Business Accounting Council. When transferring such guidance from Japanese Institute of Certified Public Accountants (“JICPA”) to ASBJ, while ASBJ followed the framework of JICPA Audit Committee Report No. 66 “Audit Treatment on Determining the Recoverability of Deferred Tax Assets”, whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories, certain necessary revisions were made for category requirements and treatment of amounts recorded as deferred tax assets.

(2) Expected adoption date

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Effects of the adoption of these standard and related guidance

The Company is currently evaluating the effect that these revisions will have on its consolidated results of operations and financial position.

5. Cash and Cash Equivalents and Nonmonetary Transactions

Cash and cash equivalents at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Cash and deposits	¥ 64,654	¥ 85,889	\$ 573,784
Time deposits with a maturity of more than three months	(780)	(2,346)	(6,922)
	¥ 63,873	¥ 83,542	\$ 566,853

6. Securities

The following is a summary of available-for-sale securities at March 31, 2016 and 2015:

Marketable:

	Millions of yen					
	Available-for-sale securities					
	FY2015			FY2014		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:						
Equity securities	¥ 319,016	¥ 159,513	¥ 159,502	¥ 486,045	¥ 195,741	¥ 290,304
Bonds	—	—	—	20	19	0
Sub total	319,016	159,513	159,502	486,065	195,761	290,304
Cost exceeding book value:						
Equity securities	33,994	40,927	(6,933)	18,048	19,584	(1,535)
Other	—	—	—	594	602	(8)
Sub total	33,994	40,927	(6,933)	18,643	20,187	(1,543)
Total	¥ 353,010	¥ 200,440	¥ 152,569	¥ 504,709	¥ 215,949	¥ 288,760

	Thousands of U.S. dollars		
	Available-for-sale securities		
	FY2015		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$ 2,831,167	\$ 1,415,628	\$ 1,415,530
Bonds	—	—	—
Sub total	2,831,167	1,415,628	1,415,530
Cost exceeding book value:			
Equity securities	301,686	363,214	(61,528)
Other	—	—	—
Sub total	301,686	363,214	(61,528)
Total	\$ 3,132,854	\$ 1,778,842	\$ 1,354,002

The impairment losses on available-for-sale securities for the years ended March 31, 2016 and 2015 were ¥1,429 million (\$12,681 thousand) and ¥237 million, respectively.

7. Long-term Debt

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
1.351% yen bonds, due September 2015	¥ —	¥ 20,000	\$ —
0.572% yen bonds, due May 2015	—	60,000	—
0.858% yen bonds, due May 2017	20,000	20,000	177,493
1.326% yen bonds, due June 2021	30,000	30,000	266,240
0.455% yen bonds, due September 2016	20,000	20,000	177,493
0.686% yen bonds, due September 2018	15,000	15,000	133,120
0.453% yen bonds, due April 2017	30,000	30,000	266,240
0.804% yen bonds, due March 2024	10,000	10,000	88,746
0.703% yen bonds, due September 2024	20,000	20,000	177,493
Loans, principally from banks and insurance companies, due 2017-2073	1,081,613	1,147,999	9,598,979
Less current portion	(256,623)	(239,243)	(2,277,449)
Total long-term debt	¥ 969,990	¥ 1,133,756	\$ 8,608,359

8. Pledged Assets

At March 31, 2016 and 2015, pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
Notes receivable	¥ —	¥ 945	\$ —
Property, plant and equipment	3,359	4,649	29,810
Investments in securities	334	713	2,964
Other assets	354	288	3,141

The Company sets pledges as collateral on the consolidated subsidiaries' short-term loans receivable from the Company related to warranty for equipment performance (book value of ¥7,300 million on the financial statements of individual consolidated subsidiaries at March 31, 2015). There was no such collateral at March 31, 2016.

9. Revaluation of Land for Business

In the years ended March 31, 2001 and 2002, part of the subsidiaries and affiliates revaluated the land for business purposes based on the Law Concerning Revaluation of Land and its amendment issued on March 31, 2001 and 2002, respectively. Revaluation differences, net of the portion charged to “deferred tax liabilities on revaluation reserve for land” and “noncontrolling interests,” were recorded as “revaluation reserve for land, net of tax” in net assets.

The fair value of these lands is lower than the revaluated book value, and the difference was ¥16,772 million (\$148,846 thousand) and ¥16,630 million on March 31, 2016 and 2015, respectively.

10. Retirement Benefits

Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Balance at beginning of year	¥ 284,702	¥ 271,032	\$ 2,526,641
Cumulative effects of changes in accounting policies ...	—	22,080	—
Restated balance at beginning of year ..	¥ 284,702	¥ 293,112	\$ 2,526,641
Service cost	13,907	14,074	123,420
Interest cost	1,522	1,629	13,507
Actuarial losses	3,824	3,543	33,936
Retirement benefits paid	(27,007)	(30,386)	(239,678)
Prior service cost	307	283	2,724
Other	(136)	2,445	(1,206)
Balance at end of year	¥ 277,121	¥ 284,702	\$ 2,459,362

The changes in plan assets for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Balance at beginning of year	¥ 178,601	¥ 167,626	\$ 1,585,028
Expected return on plan assets	3,025	2,777	26,845
Actuarial losses	(13,748)	18,721	(122,009)
Contributions from the employer	6,405	3,629	56,842
Retirement benefits paid	(13,149)	(13,846)	(116,693)
Other	(193)	(306)	(1,712)
Balance at end of year	¥ 160,941	¥ 178,601	\$ 1,428,301

Reconciliation between the balances of retirement benefit obligation and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets at March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Funded retirement benefit obligation ...	¥ 231,854	¥ 240,996	\$ 2,057,632
Fair value of plan assets	(160,941)	(178,601)	(1,428,301)
	70,912	62,394	629,321
Unfunded retirement benefit obligation	45,266	43,706	401,721
Net liability and asset recorded on the consolidated balance sheet ..	¥ 116,179	¥ 106,100	\$ 1,031,052

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Net defined benefit liability	¥ 125,283	¥ 119,331	\$ 1,111,847
Net defined benefit asset	(9,103)	(13,231)	(80,786)
Net liability and asset recorded on the consolidated balance sheet ..	¥ 116,179	¥ 106,100	\$ 1,031,052

The components of retirement and pension costs for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Service cost	¥ 13,907	¥ 14,074	\$ 123,420
Interest cost	1,522	1,629	13,507
Expected return on plan assets	(3,025)	(2,777)	(26,845)
Recognized actuarial losses	554	2,938	4,916
Amortization of prior service cost	169	(52)	1,499
Other	655	415	5,812
Total	¥ 13,783	¥ 16,226	\$ 122,319

The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Prior service cost	¥ 132	¥ 144	\$ 1,171
Actuarial losses (gains)	17,566	(17,959)	155,892
Other	—	20	—
Total	¥ 17,698	¥ (17,795)	\$ 157,064

The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Unrecognized prior service cost	¥ 10	¥ 27	\$ 88
Unrecognized actuarial losses (gains) ..	7,194	(10,151)	63,844
Total	¥ 7,204	¥ (10,123)	\$ 63,933

The components of plan assets at March 31, 2016 and 2015 were as follows:

	FY2015	FY2014
General account	37%	37%
Equity securities	44	46
Bonds	16	15
Cash and deposits	2	1
Others	1	1
Total	100%	100%

36% and 37% of the total plan assets is retirement benefit trust at March 31, 2016 and 2015, respectively.

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of the plan assets.

Principal assumptions used for the actuarial calculation for the years ended March 31, 2016 and 2015 were as follows:

	FY2015	FY2014
Discount rate	Primarily 0.3%	Primarily 0.3%
Expected long-term rate of return on plan assets	Primarily 1.5%	Primarily 1.5%
Expected rate of salary increase	Primarily 0.9 - 3.0%	Primarily 0.9 - 3.0%

Defined contribution plans

The required contribution amount to the defined contribution plan by the Group was ¥3,412 million (\$30,280 thousand) and ¥3,652 million for the years ended March 31, 2016 and 2015, respectively.

11. Contingencies

At March 31, 2016 and 2015, the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Guarantees of debt	¥ 25,895	¥ 27,399	\$ 229,810
Trade notes discounted	2,132	2,171	18,920
Trade notes endorsed	466	751	4,135

At March 31, 2016 and 2015, commitments outstanding for loan commitments were ¥601 million (\$5,333 thousand).

12. Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets.

As discussed in Note 2 (j), lease assets under finance leases that do not transfer ownership to lessees are capitalized and depreciated to residual value of zero using the straight-line method with useful life defined by the terms of the contract.

Future minimum lease payments subsequent to March 31, 2016 and 2015 for non-cancelable operating leases are summarized as follows:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
2016		
2017	¥ 2,384	\$ 21,157
2018 and thereafter	15,370	136,403
Total	¥ 17,754	\$ 157,561
2015		
2016	¥ 3,282	
2017 and thereafter	11,990	
Total	¥ 15,272	

13. Financial Instruments

(a) Overview

(1) Group policy for financial instruments

The Group raises funds mainly through the bank loans or by commercial paper/ bond issues based on the capital investment plans considering the stability of the fund and financing costs. Temporary surplus of funds are operated only for short-term investments. Derivative transactions are only utilized to hedge the following risks and the Group does not enter into derivative transactions for trading or speculative purposes.

(2) Types of financial instruments and related risk and risk management

Trade receivables such as notes and accounts receivable are exposed to credit risk. The Group manages this risk by monitoring the financial conditions of its customers periodically. Some trade receivables are sold before their maturities.

Trade payables such as notes and accounts payable are due within one year. Some accounts receivable and accounts payable are denominated in foreign currency and exposed to foreign currency risk. Foreign exchange forward contracts are utilized in a timely manner to hedge the net balance of foreign currencies received from export and foreign currencies paid for raw material purchase.

Stocks as investment securities are exposed to market fluctuation risk. Investment securities denominated in foreign currencies are exposed to foreign currency risk. Investment securities mainly consist of securities of companies with which a business relationship has been established and the Group reviews these fair values periodically.

Debts and bonds are managed so as not to concentrate the maturities

considering the liquidity risk. Variable interest rate debts are exposed to interest fluctuation risk. Some of the debts and bonds, which are exposed to interest fluctuation risk, are hedged by the interest rate swap agreements to correspond with and to decrease interest payments.

Derivative transactions are exposed to market fluctuation risk of future foreign exchange and interest rates. However, the Group utilizes the derivative transactions to correspond with the actual demands of imports and exports, debts and bonds, and thus the risk is limited to the extent of opportunity loss. The Group enters into derivative transactions only with financial institutions with high credit ratings, and thus there is almost no credit risk, which is the risk of default by the counterparties' bankruptcy, etc. The Group implemented the internal rules of derivative transactions and transactions are operated based on these rules. Derivative transactions are executed based on the above internal rules, which require getting the approval from the financial operating officer. The balances, fair values and valuation differences are reported to the management meetings periodically. Consolidated subsidiaries operate the derivative transactions based on the internal rules.

(3) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values, which are reasonably calculated in cases where market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in cases where different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 14. "Derivatives and Hedging Activities," the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair value of financial instruments

Carrying value on the consolidated balance sheets, fair value and difference at March 31, 2016 and 2015 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of yen					
	FY2015			FY2014		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥ 64,654	¥ 64,654	¥ –	¥ 85,889	¥ 85,889	¥ –
Notes and accounts receivable	720,639	720,639	–	771,574	771,574	–
Investments in securities:						
Available-for-sale securities	353,010	353,010	–	504,709	504,709	–
Total assets	¥ 1,138,303	¥ 1,138,303	¥ –	¥ 1,362,173	¥ 1,362,173	¥ –
Notes and accounts payable	¥ 422,331	¥ 422,331	¥ –	¥ 469,107	¥ 469,107	¥ –
Short-term borrowings	116,759	116,759	–	128,761	128,761	–
Commercial paper	36,000	36,000	–	–	–	–
Current portion of long-term debt	256,623	256,795	172	239,243	239,279	36
Long-term debt:						
Bonds	125,000	125,938	938	145,000	146,170	1,170
Long-term borrowings	844,990	853,404	8,413	988,756	991,697	2,941
Total liabilities	¥ 1,801,705	¥ 1,811,229	¥ 9,524	¥ 1,970,868	¥ 1,975,015	¥ 4,147
Derivative transactions*1:						
Hedge accounting not applied	¥ 403	¥ 403	¥ –	¥ (184)	¥ (184)	¥ –
Hedge accounting applied	(3,708)	(3,708)	–	(286)	(286)	–
Total derivative transactions	¥ (3,305)	¥ (3,305)	¥ –	¥ (470)	¥ (470)	¥ –

	Thousands of U.S. dollars		
	FY2015		
	Carrying value	Fair value	Difference
Cash and deposits	\$ 573,784	\$ 573,784	\$ –
Notes and accounts receivable	6,395,447	6,395,447	–
Investments in securities:			
Available-for-sale securities	3,132,854	3,132,854	–
Total assets	\$ 10,102,085	\$ 10,102,085	\$ –
Notes and accounts payable	\$ 3,748,056	\$ 3,748,056	\$ –
Short-term borrowings	1,036,199	1,036,199	–
Commercial paper	319,488	319,488	–
Current portion of long-term debt	2,277,449	2,278,975	1,526
Long-term debt:			
Bonds	1,109,336	1,117,660	8,324
Long-term borrowings	7,499,023	7,573,695	74,662
Total liabilities	\$ 15,989,572	\$ 16,074,094	\$ 84,522
Derivative transactions*1:			
Hedge accounting not applied	\$ 3,576	\$ 3,576	\$ –
Hedge accounting applied	(32,907)	(32,907)	–
Total derivative transactions	\$ (29,330)	\$ (29,330)	\$ –

*1 Derivative transactions are presented on a net basis and net liability position is shown in parenthesis.

Note 1. Valuation method for financial instruments and information of investments in securities and derivative transaction

Assets:

Cash and deposits and Notes and accounts receivable

These are paid in short-term and the fair value approximates carrying value.

Some accounts receivable are subject to the allocation treatment of the foreign exchange forward contracts.

Securities

Fair value of stocks is based on the quoted price on stock exchanges and that of bonds is based on the quoted price on bond markets or price presented by the counter party financial institutions. Please see Note 6. "Securities" regarding the information of the fair value for the investment in securities by classification.

Liabilities:

Notes and accounts payable, Short-term borrowings, Current portion of long-term debt (except for bonds due within one year) and Commercial paper

These are paid in short-term and the fair value approximates the equivalent of carrying value. Some accounts payable are subject to the allocation treatment of

the foreign exchange forward contracts.

Bonds and bonds due within one year (included in current portion of long-term debt)

Fair value of bonds is based on the quoted market price. Fair value of the bonds subject to the special treatment of the interest rate swaps are calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of bond issues.

Long-term borrowings

Fair value of long-term borrowings is estimated by discounting the sum of principal and interest, using the reasonable interest rate applied to the same kind of new borrowings. Fair value of the long-term borrowings subject to the special treatment of the interest rate swaps is calculated by discounting the sum of principal and interest including the interest swap, using the reasonable interest rate applied to the same kind of long-term debt.

Derivative transactions

Please see Note 14. "Derivatives and Hedging Activities."

Note 2. Financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2015	FY2014	FY2015
	Carrying value		
Unlisted stock	¥ 41,281	¥ 28,118	\$ 366,356
Subscription certificates	246	223	2,183

Financial instruments above are not included in securities on the table in (b) "Fair value of financial instruments" because there are no market prices available and it is extremely difficult to determine the fair value.

Note 3. The redemption schedule for financial instruments and securities with maturities

	Millions of yen							
	FY2015				FY2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 64,654	¥ –	¥ –	¥ –	¥ 85,889	¥ –	¥ –	¥ –
Notes and accounts receivable	565,478	–	–	–	616,505	–	–	–
Securities:								
Available-for-sale securities with maturities	–	–	–	–	20	–	–	–
Total	¥ 630,132	¥ –	¥ –	¥ –	¥ 702,415	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	FY2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 573,784	\$ –	\$ –	\$ –
Notes and accounts receivable	5,018,441	–	–	–
Securities:				
Available-for-sale securities with maturities	–	–	–	–
Total	\$ 5,592,225	\$ –	\$ –	\$ –

Note 4. Scheduled maturities of short-term borrowings, current portion of long-term debt and long-term deb

	Millions of yen					
	FY2015					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 116,759	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	36,000	–	–	–	–	–
Current portion of long-term debt	256,623	–	–	–	–	–
Long-term debt:						
Bonds	–	50,000	15,000	–	–	60,000
Long-term borrowings	–	97,402	169,594	13,888	64,468	499,636
Total	¥ 409,382	¥ 147,402	¥ 184,594	¥ 13,888	¥ 64,468	¥ 559,636

	Millions of yen					
	FY2014					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 128,761	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	–	–	–	–	–	–
Current portion of long-term debt	239,243	–	–	–	–	–
Long-term debt:						
Bonds	–	20,000	50,000	15,000	–	60,000
Long-term borrowings	–	238,395	98,390	118,326	7,368	526,275
Total	¥ 368,004	¥ 258,395	¥ 148,390	¥ 133,326	¥ 7,368	¥ 586,275

	Thousands of U.S. dollars					
	FY2015					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 1,036,199	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial paper	319,488	–	–	–	–	–
Current portion of long-term debt	2,277,449	–	–	–	–	–
Long-term debt:						
Bonds	–	443,734	133,120	–	–	532,481
Long-term borrowings	–	864,412	1,505,094	123,251	572,133	4,434,114
Total	\$ 3,633,138	\$ 1,308,146	\$ 1,638,214	\$ 123,251	\$ 572,133	\$ 4,966,595

14. Derivatives and Hedging Activities

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	FY2015		FY2014		FY2015	
	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)
Foreign exchange forward contracts:						
USD (Selling)	¥ 11,044	¥ 446	¥ 10,781	¥ (342)	\$ 98,012	\$ 3,958
EUR (Selling)	123	0	125	3	1,091	0
THB (Selling)	2	0	6	(0)	17	0
MYR (Selling)	588	17	191	(1)	5,218	150
USD (Buying)	6,292	(19)	1,673	44	55,839	(168)
EUR (Buying)	1,006	(41)	67	(0)	8,927	(363)
GBP (Buying)	6	0	2	(0)	53	0
CHF (Buying)	3	0	—	—	26	0
THB (Buying)	2	(0)	24	0	17	(0)
JPY (Buying)	9	(0)	5	(0)	79	(0)
Total	¥404		¥ (296)		\$ 3,585	
Interest rate swap agreements:						
To receive floating and pay fixed rates	¥ —	¥ —	¥ 20,000	¥ (6)	\$ —	\$ —
To receive fixed rates and pay floating	—	—	20,000	112	—	—
Total	¥ —		¥ 105		\$ —	
"Commodity forward contracts:						
Nonferrous metal (Selling)	¥148	¥ (0)	¥213	¥ 9	\$ 1,313	\$ (0)
Nonferrous metal (Buying)	50	0	142	(3)	443	0
Total	¥(0)		¥ 6		\$ (0)	

Derivative transactions for which hedge accounting is applied for the years ended March 31, 2016 and 2015 were as follows:

(a)Currency related

Hedged item		Millions of yen				Thousands of U.S. dollars	
		FY2015		FY2015		FY2015	
		Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Benchmark method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 2,413	¥ 106	¥ 1,613	¥ (59)	\$ 21,414	\$ 940
EUR (Selling)	Accounts receivable (forecasted transactions)	222	14	298	15	1,970	124
GBP (Selling)	Accounts receivable (forecasted transactions)	522	(53)	4,292	(136)	4,632	(470)
CAD (Selling)	Accounts receivable (forecasted transactions)	—	—	44	(1)	—	—
SAR (Selling)	Accounts receivable (forecasted transactions)	1,796	(311)	2,698	(139)	15,938	(2,760)
KWD (Selling)	Accounts receivable (forecasted transactions)	661	(65)	859	(52)	5,866	(576)
USD (Buying)	Accounts payable (forecasted transactions)	85,512	(2,489)	120,573	564	758,892	(22,089)
EUR (Buying)	Accounts payable (forecasted transactions)	656	(28)	446	(25)	5,821	(248)
GBP (Buying)	Accounts payable (Forecasted transactions)	1,092	(24)	620	9	9,691	(212)
CNY (Buying)	Accounts payable (forecasted transactions)	215	0	300	12	1,908	0
THB (Buying)	Accounts payable (forecasted transactions)	58	(0)	62	0	514	(0)
JPY (Buying)	Accounts payable (forecasted transactions)	—	—	33	0	—	—
KRW (Buying)	Accounts payable (forecasted transactions)	297	10	—	—	2,635	88
SEK (Buying)	Accounts payable (forecasted transactions)	8	0	—	—	70	0
Allocation method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable	635	Note 1	291	Note 1	5,635	Note 1
EUR (Selling)	Accounts receivable	3	Note 1	5	Note 1	26	Note 1
THB (Selling)	Accounts receivable	5	Note 1	7	Note 1	44	Note 1
USD (Buying)	Accounts payable and deposits received	25,597	Note 1	44,816	Note 1	227,165	Note 1
EUR (Buying)	Accounts payable and deposits received	38	Note 1	21	Note 1	337	Note 1
THB (Buying)	Accounts payable and deposits received	—	—	12	Note 1	—	—
Cross currency swap contracts:							
To receive USD floating and pay JPY fixed rates	Long-term Debt	60,997	Note 1	56,527	Note 1	541,329	Note 1
To receive USD floating and pay JPY floating rates	Long-term Debt	6,000	Note 1	6,000	Note 1	53,248	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the foreign exchange forward contracts to which allocation treatment has been applied is included in the fair value of corresponding accounts receivable, accounts payable and long-term debt as hedged item.

(b) Interest rate related

			Millions of yen		Thousands of U.S. dollars	
			FY2015	FY2014	FY2015	
			Contract amount	Fair value	Contract amount	Fair value
Benchmark method						
Interest rate swap agreements:						
To receive floating and pay fixed rates	Long-term debt	.....	¥ 110,669	¥ (866)	¥ 123,719	¥ (473)
					\$ 982,152	\$ (7,685)
Special treatment						
Interest rate swap agreements:						
To receive floating and pay fixed rates	Bonds and long-term debt	---	234,050	Note 1	235,000	Note 1
To receive fixed rates and pay floating	.....		60,000	Note 1	100,727	Note 1

Fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

Note 1. Fair value of the interest rate swap agreements to which special treatment method has been applied is included in the fair value of corresponding bonds and long-term debt as hedged item.

15. Research and Development Expenses

Research and development expenses charged to income were ¥35,153 million (\$311,971 thousand) and ¥32,488 million for the years ended March 31, 2016 and 2015, respectively.

16. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2016 and 2015 are presented below:

			Millions of yen	Thousands of U.S. dollars
			FY2015	FY2015
Deferred tax assets:				
Loss carry-forwards	.....		¥ 46,547	¥ 55,485
Net defined benefit liability	.....		32,784	32,426
Loss on impairment of property, plant and equipment	.....		16,604	18,442
Accrued bonuses	.....		11,432	14,072
Elimination of unrealized gains on property, plant and equipment	.....		7,951	8,042
Others	.....		46,379	57,586
Total deferred tax assets	.....		161,699	186,056
Valuation allowance	.....		(59,859)	(65,858)
Deferred tax assets net of valuation allowances	.....		101,840	120,198
Deferred tax liabilities:				
Net unrealized gains and losses on securities	.....		(46,191)	(93,577)
Reserve for advanced depreciation of property, plant and equipment	.....		(6,659)	(7,148)
Others	.....		(13,336)	(21,194)
Total deferred tax liabilities	.....		(66,187)	(121,920)
Net deferred tax assets (liabilities)	.....		¥ 35,652	¥ (1,722)

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2016 was as follows:

	FY2015
Statutory tax rate	33.0%
Valuation allowance	16.3
Effective tax rate	49.3%

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2015 was not presented since the difference was less than 5% of the statutory tax rate.

The “Act on Partial Revision of the Income Tax Act” (Act No. 15 of 2016) and the “Act on Partial Revision of the Local Income Tax Act” (Act No. 13 of 2016) were passed by the National Diet on March 29, 2016. Accordingly, the statutory tax rate used to calculate deferred tax assets and liabilities was changed from 32.0% to 31.0% and 30.0% for temporary differences which are expected to reverse in the years beginning on April 1, 2016 and temporary differences

which are expected to reverse from the years beginning on April 1, 2018, respectively. As a result, deferred tax assets, net of deferred tax liabilities, income taxes – deferred and net unrealized gains and losses on securities increased by ¥1,427 million (\$12,664 thousand), ¥1,560 million (\$13,844 thousand) and ¥3,096 million (\$27,476 thousand), respectively, and net unrealized gains and losses on hedges and remeasurements of defined benefit plans decreased by ¥15 million (\$133 thousand), and ¥92 million (\$816 thousand), respectively, at and for the year ended March 31, 2016. Also, deferred tax liabilities on revaluation reserve for land decreased by ¥648 million (\$5,750 thousand) and revaluation reserve for land, net of tax, increased by the same amount at March 31, 2016.

17. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

			Millions of yen	Thousands of U.S. dollars
			FY2015	FY2015
Net unrealized gains and losses on securities:				
Gains and losses arising during the year	.....		¥ (124,398)	¥ 135,075
Reclassification adjustments	.....		(12,505)	(8,327)
Amounts before income tax effects	.....		(136,903)	126,748
Income tax effects	.....		46,465	(35,939)
Net unrealized gains and losses on securities	.....		(90,438)	90,808
Net unrealized gains and losses on hedges:				
Gains and losses arising during the year	.....		(3,042)	158
Reclassification adjustments	.....		(518)	(514)
Amounts before income tax effects	.....		(3,561)	(356)
Income tax effects	.....		1,132	123
Net unrealized gains and losses on hedges	.....		(2,429)	(232)
Revaluation reserve for land:				
Income tax effects	.....		648	1,012
Revaluation reserve for land	.....		648	1,012
Translation adjustments:				
Adjustments arising during the year	.....		(12,241)	13,482
Reclassification adjustments	.....		32	(770)
Amounts before income tax effects	.....		(12,208)	12,712
Income tax effects	.....		—	—
Translation adjustments	.....		(12,208)	12,712
Remeasurements of defined benefit plans:				
Adjustments arising during the year	.....		(18,267)	15,422
Reclassification adjustments	.....		568	2,372
Amounts before income tax effects	.....		(17,698)	17,795
Income tax effects	.....		5,731	(5,890)
Remeasurements of defined benefit plans	.....		(11,967)	11,905
Share of other comprehensive income of affiliates accounted for using equity method:				
Gains and losses arising during the year	.....		(18,186)	21,067
Reclassification adjustments	.....		(231)	549
Share of other comprehensive income of affiliates accounted for using equity method	----		(18,418)	21,617
Total other comprehensive income	.....		¥ (134,814)	¥ 137,823

18. Segment Information

(a) Overview of reportable segments

The Group places three operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji, and executes business based on an operating system specifically designed for its industry under the Company as a holding company. The reportable segments are identified by products and services belonging to the operating companies.

Products and services for each reportable segment are as follows:

“Steel” produces and sells a wide range of steel products, steel processed products and raw materials and operates peripheral business, such as transporting, and maintenance and construction of equipment.

“Engineering” provides engineering services for energy, urban environment, steel construction, industrial machines and systems, recycle service and electric

power retail service.

“Trading” purchases, processes and sells steel products, raw materials for steel production, nonferrous metal products, food, etc.

(b) Method of calculating net sales, income (loss), assets, liabilities and other items by reportable segment

Accounting policies of the reportable segments are consistent with those described in Note 2. “Summary of Significant Accounting Policies.” Income by reportable segment is based on ordinary income. Intersegment transactions are based on prevailing market price.

(c) Net sales, income (loss), assets, liabilities and other items by reportable segment

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Sales:			
Steel			
Sales to customers	¥ 1,569,518	¥ 1,857,878	\$ 13,928,984
Intersegment sales or transfers	875,655	1,015,961	7,771,166
Total	¥ 2,445,173	¥ 2,873,839	\$ 21,700,150
Engineering			
Sales to customers	¥ 387,750	¥ 359,007	\$ 3,441,160
Intersegment sales or transfers	9,826	8,380	87,202
Total	¥ 397,577	¥ 367,388	\$ 3,528,372
Trading			
Sales to customers	¥ 1,474,471	¥ 1,633,469	\$ 13,085,472
Intersegment sales or transfers	281,973	301,001	2,502,422
Total	¥ 1,756,445	¥ 1,934,470	\$ 15,587,903
Total			
Sales to customers	¥ 3,431,740	¥ 3,850,355	\$ 30,455,626
Intersegment sales or transfers	1,167,455	1,325,343	10,360,800
Total	¥ 4,599,195	¥ 5,175,698	\$ 40,816,427
Adjustments			
Sales to customers	¥ –	¥ –	\$ –
Intersegment sales or transfers	(1,167,455)	(1,325,343)	(10,360,800)
Total	¥ (1,167,455)	¥ (1,325,343)	\$ (10,360,800)
Consolidated			
Sales to customers	¥ 3,431,740	¥ 3,850,355	\$ 30,455,626
Intersegment sales or transfers	–	–	–
Total	¥ 3,431,740	¥ 3,850,355	\$ 30,455,626

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Segment income:			
Steel	¥ 27,817	¥ 188,574	\$ 246,867
Engineering	20,030	18,025	177,760
Trading	15,760	24,668	139,865
Total	63,608	231,267	564,501
Adjustments	630	(266)	5,591
Consolidated	¥ 64,239	¥ 231,001	\$ 570,101

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Segment assets:			
Steel	¥ 3,596,123	¥ 3,911,913	\$ 31,914,474
Engineering	370,767	396,075	3,290,441
Trading	619,783	701,768	5,500,381
Total	4,586,674	5,009,757	40,705,307
Adjustments	(351,790)	(370,345)	(3,122,026)
Consolidated	¥ 4,234,884	¥ 4,639,412	\$ 37,583,280

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Depreciation:			
Steel	¥ 164,952	¥ 164,738	\$ 1,463,897
Engineering	7,037	6,104	62,451
Trading	5,950	5,167	52,804
Total	177,940	176,010	1,579,162
Adjustments	5	6	44
Consolidated	¥ 177,946	¥ 176,017	\$ 1,579,215

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Amortization of goodwill:			
Steel	¥ 119	¥ 124	\$ 1,056
Engineering	1,876	507	16,648
Trading	1,728	155	15,335
Total	3,724	788	33,049
Adjustments	15	–	133
Consolidated	¥ 3,739	¥ 788	\$ 33,182

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Interest income:			
Steel	¥ 1,051	¥ 1,043	\$ 9,327
Engineering	127	120	1,127
Trading	467	403	4,144
Total	1,646	1,567	14,607
Adjustments	(455)	(489)	(4,037)
Consolidated	¥ 1,190	¥ 1,078	\$ 10,560

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Interest expense:			
Steel	¥ 11,132	¥ 13,130	\$ 98,793
Engineering	320	207	2,839
Trading	1,783	2,258	15,823
Total	13,236	15,595	117,465
Adjustments	(957)	(1,063)	(8,493)
Consolidated	¥ 12,279	¥ 14,532	\$ 108,972

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Equity in earnings and loss of affiliates:			
Steel	¥ (10,923)	¥ 14,586	\$ (96,938)
Engineering	295	16	2,618
Trading	890	539	7,898
Total	(9,737)	15,142	(86,412)
Adjustments	915	3,137	8,120
Consolidated	¥ (8,821)	¥ 18,280	\$ (78,283)

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Investment in affiliates accounted for using equity method:			
Steel	¥ 272,123	¥ 355,458	\$ 2,415,007
Engineering	7,028	6,709	62,371
Trading	11,874	12,779	105,378
Total	291,027	374,947	2,582,774
Adjustments	60,765	59,764	539,270
Consolidated	¥ 351,792	¥ 434,712	\$ 3,122,044

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Increase in property, plant and equipment and intangible assets:			
Steel	¥ 197,786	¥ 207,286	\$ 1,755,289
Engineering	9,001	12,366	79,881
Trading	5,727	6,249	50,825
Total	212,514	225,902	1,885,995
Adjustments	0	0	0
Consolidated	¥ 212,515	¥ 225,902	\$ 1,886,004

(d) Information about products and services

Information about products and services has not been disclosed since the classification by products and services is the same as the reportable segment.

(e) Information by geographical area

	Millions of yen						Thousands of U.S. dollars		
	FY2015			FY2014			FY2015		
	Japan	Others	Total	Japan	Others	Total	Japan	Others	Total
Sales	¥ 2,252,169	¥ 1,179,570	¥ 3,431,740	¥ 2,499,854	¥ 1,350,500	¥ 3,850,355	\$ 19,987,300	\$ 10,468,317	\$ 30,455,626

(2) Property, plant and equipment

Information about property, plant and equipment has not been disclosed since property, plant, and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheets.

(f) Information about major customers

Information about major customer has not been disclosed since there were no external customers who constituted more than 10% of net sales on the consolidated statements of income.

(g) Information about impairment loss by reportable segment

	Millions of yen			
	FY2015			
	Steel	Engineering	Trading	Total
Impairment loss	¥ 3,115	¥ 197	¥ 1,680	¥ 4,993

	Millions of yen			
	FY2014			
	Steel	Engineering	Trading	Total
Impairment loss	¥ 3,234	¥ –	¥ 8,928	¥ 12,162

	Thousands of U.S. dollars			
	FY2015			
	Steel	Engineering	Trading	Total
Impairment loss	\$ 27,644	\$ 1,748	\$ 14,909	\$ 44,311

(h) Information on unamortized balance of goodwill by reportable segment

	Millions of yen			
	FY2015			
	Steel	Engineering	Trading	Total
Unamortized balance	¥ 1	¥ 7,139	¥ 6,374	¥ 13,515

	Millions of yen			
	FY2014			
	Steel	Engineering	Trading	Total
Unamortized balance	¥ 189	¥ 12,196	¥ 17,009	¥ 29,395

	Thousands of U.S. dollars			
	FY2015			
	Steel	Engineering	Trading	Total
Unamortized balance	\$ 8	\$ 63,356	\$ 56,567	\$ 119,941

**(i) Information about gain on negative goodwill
by reportable segment**

No gain on negative goodwill was recognized for the years ended March 31, 2016 and 2015.

19. Impairment Loss

The Company classified long-lived assets as idle assets, leased assets, project-oriented assets and business-oriented assets and grouped each of those classified assets into the minimum unit which will generate cash flows independent of other assets or group of assets.

For the year ended March 31, 2016, primarily the book value of the interest in natural resources in Australia and the business assets, etc. in China were reduced to the recoverable amount because of the deteriorated business environment. The Company recognized loss on impairments of long-lived assets totaling ¥4,993 million (\$44,311 thousand), including ¥1,638 million (\$14,536

thousand) for investments and other assets, ¥1,195 million (\$10,605 thousand) for land, ¥1,034 million (\$9,176 thousand) for machinery and equipment and ¥1,125 million (\$9,984 thousand) for buildings and structures. The recoverable amounts for the interest in natural resources and the business assets, etc. are principally measured at their values in use, which were calculated by discounting the future cash flows at discount rates of 6.4% and 6.0%, respectively.

For the year ended March 31, 2015, primarily the book value of the interest in natural resources in Australia was reduced to the recoverable amount due to the decision to withdraw the project because of the deteriorated business environment. The Company recognized loss on impairments of long-lived assets totaling ¥12,162 million, including ¥8,708 million for investments and other assets, ¥1,554 million for machinery and equipment, ¥770 million for land and ¥1,128 million for buildings and structures. The recoverable amount is principally based on the estimated value of disposition.

20. Extraordinary Loss

For the years ended March 31, 2016 and 2015, extraordinary loss consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Gain on sales of property, plant and equipment	¥ –	¥ 4,134	\$ –
Gain on sales of investments in securities	15,090	8,495	133,919
Loss on impairment of property, plant and equipment	(4,993)	(12,162)	(44,311)
Loss on valuation of investments in capital	–	(4,776)	–

21. Net Income per Share

Diluted net income per share is not shown due to no dilutive stocks for the years ended March 31, 2016 and 2015.

(Year ended March 31, 2016)	Millions of yen	Thousands of shares	Yen	U.S. Dollars
	Net Income attributable to shareholders of the parent	Weighted average shares	Net income per share	
Net income attributable to shareholders of the parent available to common shareholders	¥ 33,657	576,740	¥ 58.36	\$ 0.51

(Year ended March 31, 2015)	Millions of yen	Thousands of shares	Yen	
	Net Income attributable to shareholders of the parent	Weighted average shares	Net income per share	
Net income attributable to shareholders of the parent available to common shareholders	¥ 139,357	576,806	¥ 241.60	

22. Subsequent Event

The Company entered into agreements related to fund procurement of ¥200,000 million (\$1,774,937 thousand) by subordinated loan (the “Loan”) at June 15, 2016.

(a) Purpose and background of the fund procurement

While classified as a debt on the consolidated balance sheets, the loan has characteristics similar to capital and is eligible for equity treatment by rating agencies. Accordingly, the Loan contributes to substantial enhancement of the Company’s finance structure without dilutive effects of stock.

The Company strengthens its earnings platform by steadily executing investments in domestic manufacturing base and overseas growing which is set out in the fifth mid-term business plan. On this occasion, fund procurement by the Loan is determined to achieve both growth strategy and financial soundness with maintaining the capital efficiency.

(b) Overview of the Loan

- (1) Amount of the Loan : ¥200,000 million (\$1,774,937 thousand)
(2) Date of the agreement : June 15, 2016
(3) Date of loan execution : June 30, 2016
(4) Date of loan maturity : June 30, 2076

However, the Company may repay all or part of the principal before the date of loan maturity on or after 5 or 10 years from the date of loan execution.

- (5) Purpose of the Loan : Capital investment
(6) Equity content rating : Moody’s Investors Service, Inc. : 50%
Rating and Investment Information, Inc. : 30%
Japan Credit Rating Agency, Ltd. : 25%

- (7) Terms regarding the equity content

Terms regarding the equity content are as follows:

- a. Subordination clause:
If decisions are made on commencement of liquidation proceedings, bankruptcy proceedings, reorganization proceedings or rehabilitation proceedings against the Company, the lender of the Loan has the right to receive repayment after all claims except for the Loan and other subordinated loans which have the same priority as the Loan are repaid.
Contracts regarding the Loan should not be changed in any sense that may cause disadvantages to creditors of the Company other than the creditor of the subordinated loans.
- b. Restrictions on interest:
Optional deferral of interest payments is available.
- c. Restrictions on refinance clause (*): None
(*): Clause which expresses intention to procure funds that have equity content equivalent to or higher than the Loan at the premature repayment.

- (8) Lenders : Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation,
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd.,
Development Bank of Japan Inc., Sumitomo Mitsui Trust Bank, Limited,
Mitsubishi UFJ Trust and Banking Corporation, Nippon Life Insurance Company,
The Dai-ichi Life Insurance Company, Limited, Meiji Yasuda Life Insurance Company

(c) Effects on the operating results

The effect of the fund procurement by the Loan on the Company’s operating results is immaterial.

Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 22 to the consolidated financial statements, which describes that the Company entered into agreement related to fund procurement by subordinated loan at June 15, 2016. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 23, 2016

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited



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