

# Financial Information

Consolidated Balance Sheets	61
Consolidated Statements of Income	63
Consolidated Statements of Comprehensive Income	64
Consolidated Statements of Changes in Net Assets	65
Consolidated Statements of Cash Flows	68
Notes to Consolidated Financial Statements	69
Independent Auditor's Report	88

Note: Fiscal Year (FY) 2016 in the following pages refers to the period beginning  
April 1, 2016 and ended March 31, 2017

Consolidated Balance Sheets

JFE Holdings, Inc. and Subsidiaries  
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 5 and 13)	69,936	¥ 64,654	\$ 623,371
Notes and accounts receivable (Note 13)	798,058	720,639	7,113,450
Allowance for doubtful accounts	(1,416)	(1,434)	(12,621)
Merchandise and finished goods	313,368	311,234	2,793,190
Work in process	50,834	43,657	453,106
Raw materials and supplies	408,728	402,406	3,643,176
Other current assets (Note 8)	169,336	166,672	1,509,368
<b>Total current assets</b>	<b>1,808,846</b>	<b>1,707,829</b>	<b>16,123,059</b>
<b>Property, plant and equipment (Note 8):</b>			
Land (Note 9)	496,678	497,285	4,427,114
Buildings and structures	1,827,845	1,806,573	16,292,405
Machinery and equipment	5,811,748	5,719,146	51,802,727
Construction in progress	59,982	85,981	534,646
Subtotal	8,196,255	8,108,986	73,056,912
Accumulated depreciation	(6,545,376)	(6,481,800)	(58,341,884)
<b>Property, plant and equipment, net</b>	<b>1,650,879</b>	<b>1,627,186</b>	<b>14,715,028</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Notes 8 and 13)	349,864	354,639	3,118,495
Investments in securities (Notes 6, 8 and 13)	372,196	394,538	3,317,550
Allowance for doubtful accounts	(2,953)	(4,521)	(26,321)
Net defined benefit asset (Note 10)	13,067	9,103	116,472
Other assets (Note 8)	144,168	146,108	1,285,034
<b>Total investments and other assets</b>	<b>876,343</b>	<b>899,868</b>	<b>7,811,239</b>
<b>Total assets</b>	<b>¥ 4,336,069</b>	<b>¥ 4,234,884</b>	<b>\$ 38,649,335</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 13)	¥ 106,966	¥ 116,759	\$ 953,436
Current portion of long-term debt (Notes 7 and 13)	147,412	256,623	1,313,949
Commercial paper (Note 13)	8,000	36,000	71,307
Notes and accounts payable (Note 13)	446,645	422,331	3,981,148
Other current liabilities	330,433	326,471	2,945,298
<b>Total current liabilities</b>	<b>1,039,458</b>	<b>1,158,185</b>	<b>9,265,157</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 13)	1,113,089	969,990	9,921,463
Deferred tax liabilities on revaluation reserve for land (Note 9)	9,118	9,121	81,272
Net defined benefit liability (Note 10)	123,745	125,283	1,102,994
Other long-term liabilities	128,848	114,381	1,148,480
<b>Total long-term liabilities</b>	<b>1,374,801</b>	<b>1,218,776</b>	<b>12,254,220</b>
<b>Total liabilities</b>	<b>2,414,259</b>	<b>2,376,962</b>	<b>21,519,377</b>

Contingencies (Note 11)

Net assets

Shareholders' equity:

Common stock:			
Authorized 2,298,000,000 shares			
Issued 614,438,399 shares as of March 31, 2017			
614,438,399 shares as of March 31, 2016	147,143	147,143	1,311,551
Capital surplus	646,582	646,380	5,763,276
Retained earnings	1,126,633	1,065,037	10,042,187
Treasury stock, at cost:			
37,829,548 shares as of March 31, 2017			
37,714,629 shares as of March 31, 2016	(178,853)	(178,654)	(1,594,197)
<b>Total shareholders' equity</b>	<b>1,741,505</b>	<b>1,679,906</b>	<b>15,522,818</b>

Accumulated other comprehensive income:

Net unrealized gains and losses on securities	112,545	101,709	1,003,164
Net unrealized gains and losses on hedges	(544)	(3,119)	(4,848)
Revaluation reserve for land, net of tax (Note 9)	16,321	16,328	145,476
Translation adjustments	(3,596)	14,503	(32,052)
Remeasurements of defined benefit plans (Note 10)	(395)	(5,130)	(3,520)
<b>Total accumulated other comprehensive income</b>	<b>124,330</b>	<b>124,290</b>	<b>1,108,209</b>

Noncontrolling interests (Note 9)	55,972	53,724	498,903
<b>Total net assets</b>	<b>1,921,809</b>	<b>1,857,921</b>	<b>17,129,949</b>
<b>Total liabilities and net assets</b>	<b>¥ 4,336,069</b>	<b>¥ 4,234,884</b>	<b>\$ 38,649,335</b>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
Net sales .....	¥ 3,308,992	¥ 3,431,740	\$ 29,494,536
Cost of sales .....	2,889,652	3,017,757	25,756,769
Gross profit .....	419,339	413,982	3,737,757
Selling, general and administrative expenses .....	322,593	323,343	2,875,416
Operating income.....	96,746	90,638	862,340
Non-operating income (expenses):			
Interest income .....	1,474	1,190	13,138
Interest expense .....	(12,613)	(12,279)	(112,425)
Dividends received .....	9,566	10,438	85,266
Inventory related income .....	5,521	--	49,211
Equity in earnings (losses) of affiliates .....	12,006	(8,821)	107,014
Foreign exchange losses .....	(6,039)	(5,914)	(53,828)
Other, net .....	(21,926)	(11,012)	(195,436)
Ordinary income .....	84,735	64,239	755,281
Extraordinary income (Note 20) .....	20,737	10,097	184,838
Income before income taxes .....	105,472	74,337	940,119
Income taxes (Note 16):			
Current .....	23,359	21,629	208,209
Deferred .....	9,487	15,054	84,561
	32,846	36,684	292,771
Net income .....	72,625	37,652	647,339
Net income attributable to noncontrolling interests .....	(4,685)	(3,995)	(41,759)
Net income attributable to shareholders of the parent .....	¥ 67,939	¥ 33,657	\$ 605,570

	yen		U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
Net income per share .....	¥ 117.81	¥ 58.36	\$ 1.05
Cash dividends per share .....	30	30	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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
<b>Net income</b>	¥ 72,625	¥ 37,652	\$ 647,339
Other comprehensive income (Note 17):			
Net unrealized gains and losses on securities .....	10,549	(90,438)	94,027
Net unrealized gains and losses on hedges .....	3,192	(2,429)	28,451
Revaluation reserve for land .....	--	648	--
Translation adjustments .....	(6,747)	(12,208)	(60,139)
Remeasurements of defined benefit plans .....	4,436	(11,967)	39,540
Share of other comprehensive income of affiliates accounted for using equity method	(11,704)	(18,418)	(104,323)
Total other comprehensive income .....	(273)	(134,814)	(2,433)
<b>Comprehensive income</b> .....	¥ 72,352	¥ (97,161)	\$ 644,905
Total comprehensive income attributable to:			
Shareholders of the parent .....	¥ 67,988	¥ (99,629)	\$ 606,007
Noncontrolling interests .....	4,363	2,467	38,889

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, 2017 and 2016

	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

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016 .....	¥ 147,143	¥ 646,380	¥ 1,065,037	¥ (178,654)	¥ 1,679,906
Cash dividends .....			(5,768)		(5,768)
Net income attributable to shareholders of the parent .....			67,939		67,939
Acquisition of treasury stock .....				(216)	(216)
Disposal of treasury stock .....			(10)	16	6
Change in treasury shares arising from change in equity in entities accounted for using equity method .....				0	0
Change in scope of equity method .....			(572)		(572)
Change in shares of parent arising from transactions with noncontrolling shareholders .....		202			202
Transfer from land revaluation account .....			8		8
Net changes in items other than shareholders' equity .....					--
Total changes in items during the year .....		202	61,596	(199)	61,599
Balance at March 31, 2017 .....	¥ 147,143	¥ 646,582	¥ 1,126,633	¥ (178,853)	¥ 1,741,505

	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, 2016 .....	¥ 101,709	¥ (3,119)	¥ 16,328	¥ 14,503	¥ (5,130)	¥ 124,290	¥ 53,724	¥ 1,857,921
Cash dividends .....								(5,768)
Net income attributable to shareholders of the parent .....								67,939
Acquisition of treasury stock .....								(216)
Disposal of treasury stock .....								6
Change in treasury shares arising from change in equity in entities accounted for using equity method .....								0
Change in scope of equity method .....								(572)
Change in shares of parent arising from transactions with noncontrolling shareholders .....								202
Transfer from land revaluation account .....								8
Net changes in items other than shareholders' equity .....	10,835	2,575	(6)	(18,099)	4,735	40	2,248	2,288
Total changes in items during the year .....	10,835	2,575	(6)	(18,099)	4,735	40	2,248	63,887
Balance at March 31, 2017 .....	¥ 112,545	¥ (544)	¥ 16,321	¥ (3,596)	¥ (395)	¥ 124,330	¥ 55,972	¥ 1,921,809

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, 2016	\$ 1,311,551	\$ 5,761,476	\$ 9,493,154	\$ (1,592,423)	\$ 14,973,758
Cash dividends			(51,412)		(51,412)
Net income attributable to shareholders of the parent			605,570		605,570
Acquisition of treasury stock				(1,925)	(1,925)
Disposal of treasury stock			(89)	142	53
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in scope of equity method			(5,098)		(5,098)
Change in shares of parent arising from transactions with noncontrolling shareholders		1,800			1,800
Transfer from land revaluation account			71		71
Net changes in items other than shareholders' equity					--
Total changes in items during the year		1,800	549,032	(1,773)	549,059
Balance at March 31, 2017	\$ 1,311,551	\$ 5,763,276	\$ 10,042,187	\$ (1,594,197)	\$ 15,522,818

	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, 2016	\$ 906,578	\$ (27,801)	\$ 145,538	\$ 129,271	\$ (45,726)	\$ 1,107,852	\$ 478,866	\$ 16,560,486
Cash dividends								(51,412)
Net income attributable to shareholders of the parent								605,570
Acquisition of treasury stock								(1,925)
Disposal of treasury stock								53
Change in treasury shares arising from change in equity in entities accounted for using equity method								0
Change in scope of equity method								(5,098)
Change in shares of parent arising from transactions with noncontrolling shareholders								1,800
Transfer from land revaluation account								71
Net changes in items other than shareholders' equity	96,577	22,952	(53)	(161,324)	42,205	356	20,037	20,393
Total changes in items during the year	96,577	22,952	(53)	(161,324)	42,205	356	20,037	569,453
Balance at March 31, 2017	\$ 1,003,164	\$ (4,848)	\$ 145,476	\$ (32,052)	\$ (3,520)	\$ 1,108,209	\$ 498,903	\$ 17,129,949

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2016	FY2015	FY2016
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 105,472	¥ 74,337	\$ 940,119
Adjustments for:			
Depreciation and amortization	182,638	177,946	1,627,934
Decrease in reserves	(6,241)	(15,142)	(55,628)
Interest and dividend income	(11,041)	(11,628)	(98,413)
Interest expense	12,613	12,279	112,425
Changes in assets and liabilities:			
Changes in notes and accounts receivable	(90,601)	50,355	(807,567)
Changes in inventories	(17,070)	52,960	(152,152)
Changes in notes and accounts payable	16,262	(24,064)	144,950
Other, net	2,033	(16,989)	18,121
Subtotal	194,066	300,053	1,729,797
Interest and dividend income received	16,324	17,244	145,503
Interest paid	(12,486)	(12,673)	(111,293)
Income taxes paid	(12,421)	(37,521)	(110,713)
Net cash provided by operating activities	185,481	267,102	1,653,275

<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(226,327)	(205,992)	(2,017,354)
Proceeds from sales of property, plant and equipment	1,992	4,155	17,755
Payments for purchases of investments in securities	(9,676)	(29,874)	(86,246)
Proceeds from sales of investments in securities	69,900	50,051	623,050
Proceeds from capital reduction of investments	--	30,240	--
Other, net	310	14,097	2,763
Net cash used in investing activities	(163,799)	(137,321)	(1,460,014)

<b>Cash flows from financing activities:</b>			
(Decrease) increase in short-term borrowings, net	(33,425)	29,105	(297,932)
Increase in long-term debt	291,232	115,249	2,595,881
Repayments of long-term debt	(256,944)	(262,428)	(2,290,257)
Payments for purchases of treasury stock	(216)	(258)	(1,925)
Payments for dividends by parent company	(5,795)	(34,551)	(51,653)
Other, net	(13,010)	8,322	(115,963)
Net cash used in financing activities	(18,159)	(144,561)	(161,859)

Effects of exchange rate change on cash and cash equivalents	1,861	(6,038)	16,587
Net increase (decrease) in cash and cash equivalents	5,384	(20,819)	47,990
Cash and cash equivalents at beginning of the year	63,873	83,542	569,328
Increase in cash and cash equivalents at beginning of the year by newly consolidated or deconsolidated subsidiaries	125	1,150	1,114
Cash and cash equivalents at end of the year (Note 5)	¥ 69,383	¥ 63,873	\$ 618,441

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

JFE Holdings, Inc. and Subsidiaries  
Years ended March 31, 2017 and 2016

## 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 2017 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, 2017, which was ¥112.19 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 315 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) 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.

### (i) 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.

### (j) 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.

### (k) Consolidated tax return

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

### (l) 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 ¥67,939 million (\$605,570 thousand) and ¥33,657 million, and the average number of shares used in the computation was 576,686 thousand and 576,740 thousand for the years ended March 31, 2017 and 2016, 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

### Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Pursuant to revisions to corporate tax law in Japan, effective from the year ended March 31, 2017, the Company has adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Issues Task Force No. 32, issued on June 17, 2016) and changed the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.  
As a result, operating income increased by ¥397 million (\$3,538 thousand) and ordinary income and income before income taxes increased by ¥399 million (\$3,556 thousand) for the year ended March 31, 2017.

## 4. Additional Information

### Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the year ended March 31, 2017, the Company has adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, issued on March 28, 2016).

## 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Cash and deposits	¥ 69,936	¥ 64,654	\$ 623,371
Time deposits with a maturity of more than three months	(553)	(780)	(4,929)
	¥ 69,383	¥ 63,873	\$ 618,441



6. Securities

The following is a summary of available-for-sale securities at March 31, 2017 and 2016:

Marketable:	Millions of yen					
	Available-for-sale securities					
	FY2016			FY2015		
	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	¥ 325,545	¥ 156,161	¥ 169,383	¥ 319,016	¥ 159,513	¥ 159,502
Bonds	—	—	—	—	—	—
Sub total	325,545	156,161	169,383	319,016	159,513	159,502
Cost exceeding book value:						
Equity securities	4,446	6,654	(2,207)	33,994	40,927	(6,933)
Other	—	—	—	—	—	—
Sub total	4,446	6,654	(2,207)	33,994	40,927	(6,933)
Total	¥ 329,992	¥ 162,815	¥ 167,176	¥ 353,010	¥ 200,440	¥ 152,569

	Thousands of U.S. dollars		
	Available-for-sale securities		
	FY2016		
	Book value (Estimated fair value)	Cost, net of accumulated impairment losses	Unrealized gain (loss)
Cost lower than book value:			
Equity securities	\$ 2,901,729	\$ 1,391,933	\$ 1,509,786
Bonds	—	—	—
Sub total	2,901,729	1,391,933	1,509,786
Cost exceeding book value:			
Equity securities	39,629	59,310	(19,671)
Other	—	—	—
Sub total	39,629	59,310	(19,671)
Total	\$ 2,941,367	\$ 1,451,243	\$ 1,490,114

Available-for-sale securities that the Group sold during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Equity securities:			
Proceeds from sales	¥ 70,438	¥ 30,548	\$ 627,845
Aggregate gain on sales	33,495	15,895	298,556
Aggregate loss on sales	(3,349)	(804)	(29,851)

The impairment losses on available-for-sale securities for the years ended March 31, 2017 and 2016 were ¥160 million (\$1,426 thousand) and ¥1,429 million, respectively.

7. Long-term Debt

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
0.858% yen bonds, due May 2017	¥ 20,000	¥ 20,000	\$ 178,269
1.326% yen bonds, due June 2021	30,000	30,000	267,403
0.455% yen bonds, due September 2016	—	20,000	—
0.686% yen bonds, due September 2018	15,000	15,000	133,701
0.453% yen bonds, due April 2017	30,000	30,000	267,403
0.804% yen bonds, due March 2024	10,000	10,000	89,134
0.703% yen bonds, due September 2024	20,000	20,000	178,269
Loans, principally from banks and insurance companies, due 2018-2076	1,135,501	1,081,613	10,121,231
Less current portion	(147,412)	(256,623)	(1,313,949)
Total long-term debt	¥ 1,113,089	¥ 969,990	\$ 9,921,463

8. Pledged Assets

At March 31, 2017 and 2016, pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Property, plant and equipment	¥ 3,149	¥ 3,359	\$ 28,068
Investments in securities	113	334	1,007
Investments in unconsolidated subsidiaries and affiliates	200	—	1,782
Other assets	331	354	2,950

The Company sets up collateral on the shares of consolidated subsidiaries of ¥242 million (\$2,157 thousand), which is carrying value on the non-consolidated financial statements of consolidated subsidiaries at March 31, 2017. 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 ¥16,756 million (\$149,353 thousand) and ¥16,772 million on March 31, 2017 and 2016, respectively.

10. Retirement Benefits

Defined benefit plans

The changes in retirement benefit obligation for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Balance at beginning of year	¥ 277,121	¥ 284,702	\$ 2,470,104
Service cost	13,703	13,907	122,141
Interest cost	1,391	1,522	12,398
Actuarial losses	2,015	3,824	17,960
Retirement benefits paid	(28,975)	(27,007)	(258,267)
Prior service cost	346	307	3,084
Other	(2,313)	(136)	(20,616)
Balance at end of year	¥ 263,288	¥ 277,121	\$ 2,346,804

The changes in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Balance at beginning of year	¥ 160,941	¥ 178,601	\$ 1,434,539
Expected return on plan assets	2,899	3,025	25,840
Actuarial losses	5,881	(13,748)	52,420
Contributions from the employer	2,829	6,405	25,216
Retirement benefits paid	(18,293)	(13,149)	(163,053)
Other	(1,646)	(193)	(14,671)
Balance at end of year	¥ 152,611	¥ 160,941	\$ 1,360,290

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, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Funded retirement benefit obligation	¥ 217,951	¥ 231,854	\$ 1,942,695
Fair value of plan assets	(152,611)	(160,941)	(1,360,290)
	65,340	70,912	582,404
Unfunded retirement benefit obligation	45,337	45,266	404,109
Net liability and asset recorded on the consolidated balance sheet	¥ 110,677	¥ 116,179	\$ 986,513

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Net defined benefit liability	¥ 123,745	¥ 125,283	\$ 1,102,994
Net defined benefit asset	(13,067)	(9,103)	(116,472)
Net liability and asset recorded on the consolidated balance sheet	¥ 110,677	¥ 116,179	\$ 986,513

The components of retirement and pension costs for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Service cost	¥ 13,703	¥ 13,907	\$ 122,141
Interest cost	1,391	1,522	12,398
Expected return on plan assets	(2,899)	(3,025)	(25,840)
Recognized actuarial losses	2,765	554	24,645
Amortization of prior service cost	132	169	1,176
Other	334	655	2,977
Total	¥ 15,428	¥ 13,783	\$ 137,516

The components of remeasurements of defined benefit plans (before income tax effect) in other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Prior service cost	¥ 161	¥ 132	\$ 1,435
Actuarial (gains) losses	(6,723)	17,566	(59,925)
Total	¥ (6,561)	¥ 17,698	\$ (58,481)

The components of remeasurements of defined benefit plans (before income tax effect) in accumulated other comprehensive income at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Unrecognized prior service cost	¥ (295)	¥ 10	\$ (2,629)
Unrecognized actuarial losses	530	7,194	4,724
Total	¥ 235	¥ 7,204	\$ 2,094

The components of plan assets at March 31, 2017 and 2016 were as follows:

	FY2016	FY2015
General account	35%	37%
Equity securities	43	44
Bonds	16	16
Cash and deposits	5	2
Others	1	1
Total	100%	100%

38% and 36% of the total plan assets is retirement benefit trust at March 31, 2017 and 2016, 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, 2017 and 2016 were as follows:

	FY2016	FY2015
Discount rate	Primarily 0.3%	Primarily 0.3%
Expected long-term rate of return on plan assets	Primarily 1.8%	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 ¥3,609 million (\$32,168 thousand) and ¥3,412 million for the years ended March 31, 2017 and 2016, respectively.

11. Contingencies

At March 31, 2017 and 2016, trade notes discounted or endorsed were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Trade notes discounted	¥ 8,686	¥ 2,132	\$ 77,422
Trade notes endorsed	1,073	466	9,564

At March 31, 2017 and 2016, commitments outstanding for loan commitments were ¥281 million (\$2,504 thousand) and ¥601 million, respectively.

At March 31, 2017 and 2016, the Group provided the guarantees of bank loans and others for the following companies:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Formosa Ha Tinh (Cayman) Limited	¥ 18,960	¥ –	\$ 168,999
Japan-Brazil Niobium Corporation	8,512	9,491	75,871
Kawarin Enterprise Pte. Ltd.	2,832	1,281	25,242
Al Gharbia Pipe Company	2,477	–	22,078
JIM Technology Corporation	2,230	–	19,876
Japan Tunnel Systems Corporation	–	2,999	–
Others	944	1,223	8,414
Total	¥ 35,957	¥ 14,995	\$ 320,500

In addition to above, at March 31, 2017 and 2016, the Group provided the following guarantees of the possible obligations in the future for Byerwen Coal Pty. Ltd. and MIZUSHIMA ECO-WORKS CO., LTD.:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Guarantee limit	¥ 10,291	¥ 10,900	\$ 91,728



12. Leases

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

As discussed in Note 2 (i), 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, 2017 and 2016 for non-cancelable operating leases are summarized as follows:

As a lessee:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
2017		
2018	¥ 3,281	\$ 29,245
2019 and thereafter	19,406	172,974
Total	¥ 22,688	\$ 202,228
2016		
2017	¥ 2,384	
2018 and thereafter	15,370	
Total	¥ 17,754	

As a lessor:

(Year ending March 31)

	Millions of yen	Thousands of U.S. dollars
2017		
2018	¥ 143	\$ 1,274
2019 and thereafter	637	5,677
Total	¥ 780	\$ 6,952
2016		
2017	¥ –	
2018 and thereafter	–	
Total	¥ –	

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, 2017 and 2016 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

	Millions of yen					
	FY2016			FY2015		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥ 69,936	¥ 69,936	¥ –	¥ 64,654	¥ 64,654	¥ –
Notes and accounts receivable	798,058	798,058	–	720,639	720,639	–
Investments in securities:						
Available-for-sale securities	329,992	329,992	–	353,010	353,010	–
Total assets	¥ 1,197,986	¥ 1,197,986	¥ –	¥ 1,138,303	¥ 1,138,303	¥ –
Notes and accounts payable	¥ 446,645	¥ 446,645	¥ –	¥ 422,331	¥ 422,331	¥ –
Short-term borrowings	106,966	106,966	–	116,759	116,759	–
Commercial paper	8,000	8,000	–	36,000	36,000	–
Current portion of long-term debt	147,412	147,439	27	256,623	256,795	172
Long-term debt:						
Bonds	75,000	75,739	739	125,000	125,938	938
Long-term borrowings	1,038,089	1,041,858	3,768	844,990	853,404	8,413
Total liabilities	¥ 1,822,113	¥ 1,826,648	¥ 4,534	¥ 1,801,705	¥ 1,811,229	¥ 9,524
Derivative transactions*1:						
Hedge accounting not applied	¥ 141	¥ 141	¥ –	¥ 403	¥ 403	¥ –
Hedge accounting applied	1,207	1,207	–	(3,708)	(3,708)	–
Total derivative transactions	¥ 1,349	¥ 1,349	¥ –	¥ (3,305)	¥ (3,305)	¥ –

	Thousands of U.S. dollars		
	FY2016		
	Carrying value	Fair value	Difference
Cash and deposits	\$ 623,371	\$ 623,371	\$ –
Notes and accounts receivable	7,113,450	7,113,450	–
Investments in securities:			
Available-for-sale securities	2,941,367	2,941,367	–
Total assets	\$ 10,678,188	\$ 10,678,188	\$ –
Notes and accounts payable	\$ 3,981,148	\$ 3,981,148	\$ –
Short-term borrowings	953,436	953,436	–
Commercial paper	71,307	71,307	–
Current portion of long-term debt	1,313,949	1,314,190	240
Long-term debt:			
Bonds	668,508	675,095	6,587
Long-term borrowings	9,252,954	9,286,549	33,585
Total liabilities	\$ 16,241,313	\$ 16,281,736	\$ 40,413
Derivative transactions*1:			
Hedge accounting not applied	\$ 1,256	\$ 1,256	\$ –
Hedge accounting applied	10,758	10,758	–
Total derivative transactions	\$ 12,024	\$ 12,024	\$ -

\*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 transactions

<b>Assets:</b>	the foreign exchange forward contracts.
<u>Cash and deposits and Notes and accounts receivable</u>	<u>Bonds and bonds due within one year (included in current portion of long-term debt)</u>
These are paid in short-term and the fair value approximates carrying value.	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.
Some accounts receivable are subject to the allocation treatment of the foreign exchange forward contracts.	<u>Long-term borrowings</u>
<u>Securities</u>	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.
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.	<u>Derivative transactions</u>
	Please see Note 14. "Derivatives and Hedging Activities."
<b>Liabilities:</b>	
<u>Notes and accounts payable, Short-term borrowings, Current portion of long-term debt (except for bonds due within one year) and Commercial paper</u>	
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	

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

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
	Carrying value		
Unlisted stock	¥ 41,605	¥ 41,281	\$ 370,844
Subscription certificates	599	246	5,339

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							
	FY2016				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	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	¥ 69,936	¥ –	¥ –	¥ –	¥ 64,654	¥ –	¥ –	¥ –
Notes and accounts receivable	648,748	–	–	–	565,478	–	–	–
Securities:								
Available-for-sale securities with maturities	–	–	–	–	–	–	–	–
Total	¥ 718,685	¥ –	¥ –	¥ –	¥ 630,132	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	FY2016			
	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	\$ 623,371	\$ –	\$ –	\$ –
Notes and accounts receivable	5,782,583	–	–	–
Securities:				
Available-for-sale securities with maturities	–	–	–	–
Total	\$ 6,405,963	\$ –	\$ –	\$ –

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

	Millions of yen					
	FY2016					
	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	¥ 106,966	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	8,000	–	–	–	–	–
Current portion of long-term debt	147,412	–	–	–	–	–
Long-term debt:						
Bonds	–	15,000	–	–	30,000	30,000
Long-term borrowings	–	170,724	52,119	74,477	46,437	694,331
Total	¥ 262,379	¥ 185,724	¥ 52,119	¥ 74,477	¥ 76,437	¥ 724,331

	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

	Thousands of U.S. dollars					
	FY2016					
	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	\$ 953,436	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial paper	71,307	–	–	–	–	–
Current portion of long-term debt	1,313,949	–	–	–	–	–
Long-term debt:						
Bonds	–	133,701	–	–	267,403	267,403
Long-term borrowings	–	1,521,739	464,560	663,847	413,913	6,188,884
Total	\$ 2,338,702	\$ 1,655,441	\$ 464,560	\$ 663,847	\$ 681,317	\$ 6,456,288

14. Derivatives and Hedging Activities

Derivative transactions for which hedge accounting is not applied for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	FY2016		FY2015		FY2016	
	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)	Contracted amount	Recognized gain (loss)
Foreign exchange forward contracts:						
USD (Selling)	¥ 9,233	¥ 146	¥ 11,044	¥ 446	\$ 82,297	\$ 1,301
EUR (Selling)	122	1	123	0	1,087	8
THB (Selling)	—	—	2	0	—	—
MYR (Selling)	503	1	588	17	4,483	8
CNY (Selling)	256	(22)	—	—	2,281	(196)
USD (Buying)	2,979	41	6,292	(19)	26,553	365
EUR (Buying)	171	(10)	1,006	(41)	1,524	(89)
GBP (Buying)	4	0	6	0	35	0
CHF (Buying)	—	—	3	0	—	—
THB (Buying)	1	0	2	(0)	8	0
JPY (Buying)	6	(0)	9	(0)	53	(0)
Total		¥ 158		¥ 404		\$ 1,408
Commodity forward contracts:						
Nonferrous metal (Selling)	¥ 237	¥ (26)	¥ 148	¥(0)	\$ 2,112	\$ (231)
Nonferrous metal (Buying)	112	8	50	0	998	71
Total		¥ (17)		¥ (0)		\$ (151)

Derivative transactions for which hedge accounting is applied for the years ended March 31, 2017 and 2016 were as follows:

(a)Currency related

Hedged item		Millions of yen				Thousands of U.S. dollars	
		FY2016		FY2015		FY2016	
		Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Benchmark method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable (forecasted transactions)	¥ 3,719	¥ 47	¥ 2,413	¥ 106	\$ 33,149	\$ 418
EUR (Selling)	Accounts receivable (forecasted transactions)	63	7	222	14	561	62
GBP (Selling)	Accounts receivable (forecasted transactions)	584	7	522	(53)	5,205	62
SAR (Selling)	Accounts receivable (forecasted transactions)	3,688	(302)	1,796	(311)	32,872	(2,691)
KWD (Selling)	Accounts receivable (forecasted transactions)	429	(17)	661	(65)	3,823	(151)
THB (Selling)	Accounts receivable (forecasted transactions)	10	(0)	—	—	89	(0)
USD (Buying)	Accounts payable (forecasted transactions)	61,287	1,175	85,512	(2,489)	546,278	10,473
EUR (Buying)	Accounts payable (forecasted transactions)	13,469	604	656	(28)	120,055	5,383
GBP (Buying)	Accounts payable (Forecasted transactions)	344	(5)	1,092	(24)	3,066	(44)
CNY (Buying)	Accounts payable (forecasted transactions)	203	(2)	215	0	1,809	(17)
THB (Buying)	Accounts payable (forecasted transactions)	70	0	58	(0)	623	0
SAR (Buying)	Accounts payable (forecasted transactions)	614	(6)	—	—	5,472	(53)
KWD (Buying)	Accounts payable (forecasted transactions)	229	(1)	—	—	2,041	(8)
JPY (Buying)	Accounts payable (forecasted transactions)	7	(0)	—	—	62	(0)
SGD (Buying)	Accounts payable (forecasted transactions)	18	(0)	—	—	160	(0)
KRW (Buying)	Accounts payable (forecasted transactions)	—	—	297	10	—	—
SEK (Buying)	Accounts payable (forecasted transactions)	—	—	8	0	—	—
Allocation method							
Foreign exchange forward contracts:							
USD (Selling)	Accounts receivable	1,260	Note 1	1,135	Note 1	11,230	Note 1
EUR (Selling)	Accounts receivable	2	Note 1	3	Note 1	17	Note 1
THB (Selling)	Accounts receivable	5	Note 1	5	Note 1	44	Note 1
USD (Buying)	Accounts payable and deposits received	33,872	Note 1	25,743	Note 1	301,916	Note 1
EUR (Buying)	Accounts payable and deposits received	222	Note 1	38	Note 1	1,978	Note 1
Cross currency swap contracts:							
To receive USD floating and pay JPY fixed rates		70,758	Note 1	60,997	Note 1	630,697	Note 1
To receive USD floating and pay JPY floating rates		6,000	Note 1	6,000	Note 1	53,480	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	
			FY2016		FY2015		FY2016	
			Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
<b>Benchmark method</b>								
<b>Interest rate swap agreements:</b>								
To receive floating and pay fixed rates	Long-term debt	.....	¥ 90,623	¥ (300)	¥ 110,669	¥ (866)	\$ 807,763	\$ (2,674)
<b>Special treatment</b>								
<b>Interest rate swap agreements:</b>								
To receive floating and pay fixed rates	Bonds and long-term debt	---	101,200	<b>Note 1</b>	234,050	Note 1	902,041	<b>Note 1</b>
To receive fixed rates and pay floating	.....		58,000	<b>Note 1</b>	60,000	Note 1	516,980	<b>Note 1</b>

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 ¥35,536 million (\$316,748 thousand) and ¥35,153 million for the years ended March 31, 2017 and 2016, respectively.

16. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2017 and 2016 are presented below:

			Millions of yen	Thousands of U.S. dollars
			FY2016	FY2015
				FY2016
Deferred tax assets:				
Loss carry-forwards	.....		¥ 32,756	¥ 46,547
Net defined benefit liability	.....		32,362	32,784
Loss on impairment of property, plant and equipment	.....		13,952	16,604
Accrued bonuses	.....		13,059	11,432
Elimination of unrealized gains on property, plant and equipment	.....		7,802	7,951
Provision for special repairs	.....		5,732	5,876
Others	.....		44,117	40,503
Total deferred tax assets	.....		149,782	161,699
Valuation allowance	.....		(60,730)	(59,859)
Deferred tax assets net of valuation allowances	.....		89,052	101,840
Deferred tax liabilities:				
Net unrealized gains and losses on securities	.....		(49,552)	(46,191)
Others	.....		(20,659)	(19,996)
Total deferred tax liabilities	.....		(70,212)	(66,187)
Net deferred tax assets	.....		¥ 18,840	¥ 35,652

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

	FY2016
Statutory tax rate	33.0%
Entertainment and other non-deductible expenses	4.1
Dividend income and other non-taxable income	(0.7)
Valuation allowance	10.1
Equity in earnings of affiliates	3.9
Other	(1.0)
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, 2017 was not presented since the difference was less than 5% of the statutory tax rate.

“Act for partial amendment of the consumption tax act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” and “Act for partial amendment of the local tax act and the local allocation tax act and others for the drastic reform of the taxation system for ensuring stable financial resources for social security” were enacted into law on November 18, 2016, and a scheduled increase in the consumption tax rate to

10 percent was postponed from April1, 2017 to October 1, 2019. Accordingly, scheduled abolishment of special local corporation tax, reimposition of corporate enterprise tax, amendment of local corporation tax rate and amendment of corporation tax rate for inhabitant tax were also postponed from the years beginning on or after April1, 2017 to the years beginning on or after October 1, 2019. There was no change on the effective statutory tax rate that was utilized for the measurement of deferred tax assets and deferred tax liabilities. However, the reclassification of national tax rate and local tax rate was made. As a result, deferred tax assets, net of deferred tax liabilities, increased by ¥86 million (\$766 thousand) and income taxes – deferred decreased by the same amount for the year ended March 31, 2017.

17. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

			Millions of yen	Thousands of U.S. dollars
			FY2016	FY2015
				FY2016
Net unrealized gains and losses on securities:				
Gains and losses arising during the year	.....		¥ 44,509	¥ (124,398)
Reclassification adjustments	.....		(30,067)	(12,505)
Amounts before income tax effects	.....		14,441	(136,903)
Income tax effects	.....		(3,892)	46,465
Net unrealized gains and losses on securities	.....		10,549	(90,438)
Net unrealized gains and losses on hedges:				
Gains and losses arising during the year	.....		(1,673)	(3,042)
Reclassification adjustments	.....		6,413	(518)
Amounts before income tax effects	.....		4,739	(3,561)
Income tax effects	.....		(1,547)	1,132
Net unrealized gains and losses on hedges	.....		3,192	(2,429)
Revaluation reserve for land:				
Income tax effects	.....		—	648
Revaluation reserve for land	.....		—	648
Translation adjustments:				
Adjustments arising during the year	.....		(6,713)	(12,241)
Reclassification adjustments	.....		(33)	32
Amounts before income tax effects	.....		(6,747)	(12,208)
Income tax effects	.....		—	—
Translation adjustments	.....		(6,747)	(12,208)
Remeasurements of defined benefit plans:				
Adjustments arising during the year	.....		3,791	(18,267)
Reclassification adjustments	.....		2,770	568
Amounts before income tax effects	.....		6,561	(17,698)
Income tax effects	.....		(2,125)	5,731
Remeasurements of defined benefit plans	.....		4,436	(11,967)
Share of other comprehensive income of affiliates accounted for using equity method:				
Gains and losses arising during the year	.....		(12,250)	(18,186)
Reclassification adjustments	.....		545	(231)
Share of other comprehensive income of affiliates accounted for using equity method	----		(11,704)	(18,418)
Total other comprehensive income	.....		¥ (273)	¥ (134,814)

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
	FY2016	FY2015	FY2016
Sales:			
Steel			
Sales to customers	¥ 1,500,929	¥ 1,569,518	\$ 13,378,456
Intersegment sales or transfers	848,199	875,655	7,560,379
Total	¥ 2,349,129	¥ 2,445,173	\$ 20,938,844
Engineering			
Sales to customers	¥ 416,220	¥ 387,750	\$ 3,709,956
Intersegment sales or transfers	9,916	9,826	88,385
Total	¥ 426,136	¥ 397,577	\$ 3,798,342
Trading			
Sales to customers	¥ 1,391,842	¥ 1,474,471	\$ 12,406,114
Intersegment sales or transfers	279,189	281,973	2,488,537
Total	¥ 1,671,032	¥ 1,756,445	\$ 14,894,660
Total			
Sales to customers	¥ 3,308,992	¥ 3,431,740	\$ 29,494,536
Intersegment sales or transfers	1,137,305	1,167,455	10,137,311
Total	¥ 4,446,298	¥ 4,599,195	\$ 39,631,856
Adjustments			
Sales to customers	¥ –	¥ –	\$ –
Intersegment sales or transfers	(1,137,305)	(1,167,455)	(10,137,311)
Total	¥ (1,137,305)	¥ (1,167,455)	\$ (10,137,311)
Consolidated			
Sales to customers	¥ 3,308,992	¥ 3,431,740	\$ 29,494,536
Intersegment sales or transfers	–	–	–
Total	¥ 3,308,992	¥ 3,431,740	\$ 29,494,536

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Segment income:			
Steel	¥ 40,544	¥ 27,817	\$ 361,386
Engineering	26,616	20,030	237,240
Trading	21,834	15,760	194,616
Total	88,996	63,608	793,261
Adjustments	(4,260)	630	(37,971)
Consolidated	¥ 84,735	¥ 64,239	\$ 755,281

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Segment assets:			
Steel	¥ 3,723,479	¥ 3,596,123	\$ 33,189,045
Engineering	390,445	370,767	3,480,212
Trading	643,273	619,783	5,733,781
Total	4,757,198	4,586,674	42,403,048
Adjustments	(421,129)	(351,790)	(3,753,712)
Consolidated	¥ 4,336,069	¥ 4,234,884	\$ 38,649,335

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Depreciation:			
Steel	¥ 169,639	¥ 164,952	\$ 1,512,068
Engineering	7,536	7,037	67,171
Trading	5,457	5,950	48,640
Total	182,633	177,940	1,627,890
Adjustments	5	5	44
Consolidated	¥ 182,638	¥ 177,946	\$ 1,627,934

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Amortization of goodwill:			
Steel	¥ 0	¥ 119	\$ 0
Engineering	1,331	1,876	11,863
Trading	1,815	1,728	16,177
Total	3,146	3,724	28,041
Adjustments	–	15	–
Consolidated	¥ 3,146	¥ 3,739	\$ 28,041

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Interest income:			
Steel	¥ 1,334	¥ 1,051	\$ 11,890
Engineering	71	127	632
Trading	405	467	3,609
Total	1,811	1,646	16,142
Adjustments	(336)	(455)	(2,994)
Consolidated	¥ 1,474	¥ 1,190	\$ 13,138



	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Interest expense:			
Steel .....	¥ 11,375	¥ 11,132	\$ 101,390
Engineering .....	352	320	3,137
Trading.....	1,533	1,783	13,664
Total .....	13,261	13,236	118,201
Adjustments .....	(647)	(957)	(5,767)
Consolidated .....	¥ 12,613	¥ 12,279	\$ 112,425

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Equity in earnings and loss of affiliates:			
Steel .....	¥ 13,539	¥ (10,923)	\$ 120,679
Engineering .....	970	295	8,646
Trading.....	1,225	890	10,918
Total .....	15,735	(9,737)	140,253
Adjustments .....	(3,729)	915	(33,238)
Consolidated .....	¥ 12,006	¥ (8,821)	\$ 107,014

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Investment in affiliates accounted for using equity method:			
Steel .....	¥ 268,161	¥ 272,123	\$ 2,390,239
Engineering .....	8,351	7,028	74,436
Trading.....	10,454	11,874	93,181
Total .....	286,968	291,027	2,557,875
Adjustments .....	56,661	60,765	505,045
Consolidated .....	¥ 343,630	¥ 351,792	\$ 3,062,928

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Increase in property, plant and equipment and intangible assets:			
Steel .....	¥ 217,443	¥ 197,786	\$ 1,938,167
Engineering .....	10,820	9,001	96,443
Trading.....	6,502	5,727	57,955
Total .....	234,766	212,514	2,092,575
Adjustments .....	1	0	8
Consolidated .....	¥ 234,768	¥ 212,515	\$ 2,092,592

(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

(1) Sales	Millions of yen						Thousands of U.S. dollars		
	FY2016			FY2015			FY2016		
	Japan	Others	Total	Japan	Others	Total	Japan	Others	Total
Sales .....	¥ 2,251,636	¥ 1,057,356	¥ 3,308,992	¥ 2,252,169	¥ 1,179,570	¥ 3,431,740	\$ 20,069,845	\$ 9,424,690	\$ 29,494,536

(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			
	FY2016			
	Steel	Engineering	Trading	Total
Impairment loss .....	¥ 726	¥ 8,009	¥ 673	¥ 9,408

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

	Thousands of U.S. dollars			
	FY2016			
	Steel	Engineering	Trading	Total
Impairment loss .....	\$ 6,471	\$ 71,387	\$ 5,998	\$ 83,857

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

	Millions of yen			
	FY2016			
	Steel	Engineering	Trading	Total
Unamortized balance .....	¥ 0	¥ 565	¥ 4,570	¥ 5,137

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

	Thousands of U.S. dollars			
	FY2016			
	Steel	Engineering	Trading	Total
Unamortized balance .....	\$ 0	\$ 5,036	\$ 40,734	\$ 45,788

(i) Information about gain on negative goodwill by reportable segmen

No gain on negative goodwill was recognized for the years ended March 31, 2017 and 2016.

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, 2017, primarily the book value of the goodwill and intangible assets recorded in accordance with acquisition of plant engineering company in Germany were totally written down because the originally planned income is not expected any longer. The Company recognized

loss on impairments of ¥9,408 million (\$83,857 thousand), including ¥4,236 million (\$37,757 thousand) for goodwill, ¥2,619 million (\$23,344 thousand) for other intangible assets and ¥2,553 million (\$22,756 thousand) for buildings and structures.

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, including ¥1,638 million for investments and other assets, ¥1,195 million for land, ¥1,034 million for machinery and equipment and ¥1,125 million 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.

20. Extraordinary Income

For the years ended March 31, 2017 and 2016, extraordinary income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2016	FY2015	FY2016
Gain on sales of investments in securities .....	¥ 30,145	¥ 15,090	\$ 268,695
Loss on impairment of property, plant and equipment .....	(9,408)	(4,993)	(83,857)

21. Net Income per Share

Diluted net income per share is not shown due to no dilutive stocks for the years ended March 31, 2017 and 2016.

(Year ended March 31, 2017)	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 .....	¥ 67,939	576,686	¥ 117.81	\$ 1.05

(Year ended March 31, 2016)	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 .....	¥ 33,657	576,740	¥ 58.36	



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

Ernst & Young Shinnihon LLC

June 23, 2017



## JFE Holdings, Inc.

2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan

<http://www.jfe-holdings.co.jp/en/>

Copyright © 2017 JFE Holdings, Inc. All Rights Reserved.

