

(Translation for reference only)

Notice of the 13th Ordinary General Meeting of Shareholders

Materials Published on our Website

13th Fiscal Year

(From April 1, 2014 to March 31, 2015)

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

JFE Holdings, Inc.

These Notes are published on our website (<http://www.jfe-holdings.co.jp/en/>) in accordance with the applicable laws and regulations and the Articles of Incorporation.

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Notes to the Consolidated Financial Statements

Significant Matters on the Basis of the Preparation of the Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 328

The names of significant consolidated subsidiaries are as stated in “Significant subsidiaries” of the Business Report. Accordingly, listing of these companies is omitted.

34 companies have been newly included in the scope of consolidation for the consolidated fiscal year under review from the viewpoint of importance and other factors.

Nine companies have been excluded from the scope of consolidation. This is due to merger (seven companies) and liquidation (two companies).

(2) Names, etc., of primary non-consolidated subsidiary

Jiaxing JFE Precision Steel Pipe Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiary is excluded from the scope of consolidation because the exclusion has no significant impact on a rational evaluation of the financial condition and the operating results of the Group, based on their respective total assets, net sales, net income (loss) (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company), etc.

2. Application of the equity method

(1) Number of equity method affiliates: 65

The names of significant equity method affiliates are as stated in “Significant affiliates” of the Business Report. Accordingly, listing of these companies is omitted.

Five companies have been newly included in the scope of application of the equity method for the consolidated fiscal year under review from the viewpoint of importance and other factors.

Two companies have been excluded from the scope of application of the equity method for the consolidated fiscal year under review from the viewpoint of importance.

(2) Names, etc. of primary non-consolidated subsidiaries and affiliates not accounted for by the equity method

(Non-consolidated subsidiary) Jiaxing JFE Precision Steel Pipe Co., Ltd.

(Affiliate) NISSIN-UNYU CO., LTD.

(Reason for non-application of the equity method)

The equity method is not applied for these subsidiary and affiliate because their respective net income (loss) (corresponding to the equity ratio owned by the Company) and retained earnings (corresponding to the equity ratio owned by the Company) have no significant impact on the consolidated financial statements.

3. Fiscal years, etc., of consolidated subsidiaries, etc.

The closing date of some of the consolidated subsidiaries (12 domestic companies and 126 overseas companies), including THAI COATED STEEL SHEET CO., LTD., is December 31 or January 31.

Since the difference between the closing dates of said companies and the consolidated closing date is not more than three months, their respective financial statements as of and for the year ended respective closing dates of these companies are used in preparing the consolidated financial statements.

In preparing the consolidated financial statements, the financial statements as of and for the year ended respective closing dates are used for these companies, with necessary adjustments provided for consolidation purposes with regard to material transactions between their closing dates and the consolidated closing date.

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4. Accounting policies

(1) Valuation basis and method for assets

1) Short-term investment securities

Available-for-sale securities for which the market values are readily determinable:

Mainly valued at market determined by the average of market prices for one month prior to the consolidated closing date

(Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined mainly by the moving-average method.)

Available-for-sale securities for which the market values are not readily determinable:

Mainly valued at cost determined by the moving-average method

2) Inventories

Mainly valued at cost determined by periodic average method. (The amount posted in the consolidated balance sheet is computed by writing down the book value with regard to the inventories for which profitability was clearly declining.)

(2) Depreciation method of depreciable assets

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

Mainly computed by the declining balance method

2) Intangible assets (excluding leased assets)

Mainly computed by the straight-line method

Capitalized software for internal use is amortized by the straight-line method over the internal useful life (mainly five years).

3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values (Specific amount of residual value be applied instead where the relevant lease agreement stipulates the amount).

(3) Accounting basis of provisions and allowances

1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for possible losses from uncollectible claims, at the amount calculated based on the actual rate of loss from the bad debt for ordinary claims, and on the estimated recoverability for specific receivables such as doubtful claims.

2) Provision for special repairs

A provision for special repairs is provided at an amount of the estimated expense to prepare for the repair necessary for upgrading blast furnaces and blast furnace stoves.

3) Provision for loss on specified business

A provision for loss on specified business is provided at the estimated amount of the possible loss on specific disposal of industrial waste business, which from the following consolidated fiscal year under review.

(4) Revenue recognition

The percentage-of-completion method is applied to constructions for which certainty of performance regarding the portion in progress before the end of the consolidated fiscal year under review can be recognized (cost percentage method is used for estimating a percentage of completion of work), while the completed-contract method is applied to any other constructions.

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- (5) Other significant matters for the preparation of the consolidated financial statements
- 1) Accounting for consumption taxes, etc.
Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.
 - 2) Application of consolidated tax reporting
Consolidated tax reporting is applied.
 - 3) Goodwill write-off method and period
Goodwill is equally amortized over five years whereas it is amortized for one time if the amount is small.
 - 4) Accounting basis of net defined benefit asset/liability
Net defined benefit asset/liability is reported for employees' retirement benefits at the amount of retirement benefit obligations after deducting the plan assets, which is calculated based on the estimated amounts at the end of the consolidated fiscal year under review. Prior service cost is amortized on a straight-line basis over a certain period within an average remaining service period of employees at the time of its occurrence. Actuarial differences are amortized for the pro-rata amount computed by the straight-line basis from the following consolidated fiscal year over a certain period within an average remaining service period of employees at the time of its occurrence. Unrecognized actuarial differences and unrecognized prior service cost after adjusting tax effects are reported as "Remeasurements of defined benefit plans" under net assets.

Notes to Changes in Accounting Policies

(Application of the Accounting Standard for Retirement Benefits, etc.)

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012; hereinafter the "Guidance") have been applied effective from the consolidated fiscal year under review, with regard to the provisions set forth in Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance. Consequently, we reviewed the calculation method of projected benefit obligations and service cost. We also have changed the decision procedure of the discount rate from the previous method, according to which the discount rate is determined based on the number of service years similar to those within the employees' average remaining service period, to a single, weighted average discount rate, in which the projected payment period for retirement benefits and the amount for each projected payment period are reflected.

The application of the Accounting Standard for Retirement Benefits complies with provisional accounting treatment, which is set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and accordingly the effects of this change in accounting method of projected benefit obligations and service cost are adjusted as retained earnings at the beginning of the consolidated fiscal year under review.

As a result, net defined benefit liability at the beginning of the consolidated fiscal year under review increased by ¥15,717 million, whereas net defined benefit asset decreased by ¥6,363 million and retained earnings decreased by ¥14,867 million.

Operating income, ordinary income and income before income taxes and minority interests for the consolidated fiscal year under review increased by ¥1,182 million each.

Net assets per share decreased by ¥25.78 and net income per share increased by ¥2.05 for the consolidated fiscal year under review.

Notes to Changes in the Method of Presentation

"Deferred tax assets," which was separately presented under current assets in the consolidated balance sheet of the previous consolidated fiscal year, has been included in "Other" under current assets as its amount accounted for less than 1/100 of total assets in the consolidated fiscal year under review. Said deferred tax assets for the consolidated fiscal year under review were ¥45,202 million. "Deferred tax assets," which was separately presented under investments and other assets in the consolidated balance sheet of the previous consolidated fiscal year, has been included in "Other"

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under investments and other assets as its amount accounted for less than 1/100 of total assets in the consolidated fiscal year under review. Said deferred tax assets for the consolidated fiscal year under review were ¥22,355 million.

Notes to the Consolidated Balance Sheet

1. Assets pledged as collateral and corresponding secured obligations

(1) Assets pledged as collateral

Notes receivable - trade	¥945 million
Property, plant and equipment	¥4,649 million
Intangible assets	¥144 million
Investment securities	¥713 million
“Other” under investments and other assets	¥144 million
(Note) Industrial foundation’s assets of property, plant and equipment as mortgage	¥2,180 million

(2) Corresponding secured obligations

Accounts payable - trade	¥145 million
Short-term loans payable	¥1,300 million
Long-term loans payable	¥669 million
(Note) Those of above corresponding to the industrial foundation’s assets	
Short-term loans payable	¥304 million

In addition to the above, deposits in the Company from the consolidated subsidiaries (¥7,300 million on the financial statements thereof) are secured against the obligations for guarantees on facility capabilities.

2. Accumulated depreciation for property, plant and equipment ¥6,418,937 million

3. Liabilities on guarantees and commitments to guarantees

Guarantees on the loans payable to financial institutions, etc., of the following companies

Japan-Brazil Niobium Co., Ltd.	¥10,389 million
Japan Tunnel Systems Corporation	¥1,770 million
Kawarin Enterprise Pte Ltd.	¥1,134 million
Other	¥2,039 million
Total	¥15,333 million

Other than the above, the Company offers a guarantee on an obligation that may arise in the future to Byerwen Coal Pty Ltd and Mizushima Eco-works Co., Ltd.

Limit on amount of guarantees for the consolidated fiscal year under review	¥12,066 million
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4. Amounts of discounts on notes receivable - trade and endorsement for transfer
¥2,922 million

Notes to the Consolidated Statement of Changes in Equity

1. Type and total number of issued shares as of the end of the fiscal year under review

Common stock	614,438,399
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2. Dividends

(1) Amounts of dividends paid

Date of resolution	Type of share	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2014	Common stock	11,543	20	March 31, 2014	June 20, 2014
Meeting of the Board of Directors held on October 28, 2014	Common stock	11,543	20	September 30, 2014	November 28, 2014

(2) Of the dividends for which the record date belongs to the fiscal year under review, those dividends for which the effective date will be after the end of the fiscal year under review

Date of proposal for resolution	Type of share	Total amount of dividends (Millions of yen)	Source of funds for dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 25, 2015	Common stock	23,080	Retained earnings	40	March 31, 2015	June 26, 2015

Notes to Financial Instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Group raises the necessary funds mainly through bank loans, commercial papers and bond issuance, taking into consideration the stability and cost of funds. Temporary surplus funds are being managed with short-term financial instruments. The Group uses derivatives as a hedge against risks described below and not for speculative transactions.

(2) Content and risks of financial instruments, and the risk management systems relating to financial instruments

Notes and accounts receivable - trade, which are trade claims, are exposed to the credit risks of customers. To manage such risks, each company of the JFE Group conducts regular reassessments of the financial standing of business partners. In addition, some of the claims were sold before due dates.

For notes and accounts payable - trade, which are trade obligations, payment due dates are usually within one year.

Trade claims and obligations in foreign currencies are exposed to risks of currency fluctuations. Hedge transactions, including forward exchange contracts, are conducted as necessary for the parts that were not balanced out by the offsets between receipts of foreign currencies through transactions denominated in the relevant foreign currencies (exports of products, etc.), and payments of foreign currencies through transactions denominated in the relevant foreign currencies (imports of raw materials, etc.).

Equities, which correspond to investment securities, are exposed to risks of market price fluctuations. Investment securities denominated in foreign currencies are exposed to risks of currency fluctuations. Most of the investment securities are equities of the companies with which business relationships are maintained, and the actual market values of such equities are regularly determined.

Taking into consideration the liquidity risk of loans and bonds payable, due dates of these obligations are set not to fall on the same day. Loans and bonds payable with floating interest rates are exposed to risks of interest-rate fluctuations. Some loans and bonds payable are hedged through interest rate swaps, etc., to cope with risks of interest-rate fluctuations and to reduce interest payments.

Derivative transactions used by the JFE Group carry risks of market price fluctuations in the

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future, including that of currencies, interest-rates, etc. The JFE Group uses derivatives that are only based on actual demand, such as export and import transactions, loans and bonds payable. Accordingly, these risks are limited within the scope of loss of opportunity gains.

Furthermore, as the JFE Group only conducts derivative transactions with financial institutions with high credit ratings, the credit risk of failure to perform contracts due to bankruptcy of the counterparty, etc., is considered to be close to non-existent. The Company has established the internal rule on derivative transactions, and conducts transactions related to derivatives pursuant to the rule. On each actual transaction, the Company conducts a transaction upon authority by the Corporate Officer for Finance pursuant to the rule stated above. Balances, market values and losses/gains on valuation of derivatives are to be reported to the management council regularly. The consolidated subsidiaries also conduct derivative transactions pursuant to the respective internal rules.

- (3) Supplemental explanation for matters relating to market values, etc., of financial instruments
Market values of financial instruments include values based on market prices and values reasonably calculated if they have no market prices. Since calculations of the relevant values adopt certain assumptions, etc., the relevant values may vary depending on the assumptions applied.

2. Market values, etc., of financial instruments

Amounts on the consolidated balance sheet, market values, and their differences as of March 31, 2015 are shown as follows. Items whose market values are considered extremely difficult to determine are not included in the table below (see Note 2).

(Millions of yen)

	Amounts on the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	85,889	85,889	—
(2) Notes and accounts receivable - trade	771,574	771,574	—
(3) Short-term investment securities and investment securities			
Other securities	508,875	508,875	—
Total assets	1,366,339	1,366,339	—
(1) Notes and accounts payable - trade	469,107	469,107	—
(2) Short-term loans payable	288,004	288,004	—
(3) Current portion of bonds	80,000	80,036	36
(4) Bonds payable	145,000	146,170	1,170
(5) Long-term loans payable	988,756	991,697	2,941
Total liabilities	1,970,868	1,975,015	4,147
Derivative transactions (*1)			
1) Hedge accounting not applied	(184)	(184)	—
2) Hedge accounting applied	(286)	(286)	—
Total derivative transactions	(470)	(470)	—

(*1) Net claims and obligations resulting from derivative transactions are indicated as net amounts.

Figures of total net obligations are indicated in parentheses.

(Note 1) Methods of calculating market values of financial instruments

Assets

- (1) Cash and deposits and (2) Notes and accounts receivable - trade

They are based on the relevant book values, as they are quickly settled and their market values are close to their book values. In addition, some of the accounts receivable - trade are subject to appropriation treatment (please refer to 2) of “Derivative transactions” below).

- (3) Short-term investment securities and investment securities

The market values of equities are based on the prices on stock exchanges and those

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of bonds receivable are based on the prices presented by correspondent financial institutions.

Liabilities

- (1) Notes and accounts payable - trade and (2) Short-term loans payable
They are based on the relevant book values, as they are quickly settled and their market values are close to their book values. In addition, some of the accounts payable - trade are subject to appropriation treatment (please refer to 2) of “Derivative transactions” below).
- (3) Current portion of bonds and (4) Bonds payable
The market value of bonds issued by the Company is stated as the market price. The market value of bonds payable subject to special treatment such as interest rate swaps (please refer to 2) of “Derivative transactions” below) is determined by discounting the total of principal and interest stated in association with the interest rate swap by an interest rate reasonably estimated from that applied to similar bonds payable.
- (5) Long-term loans payable
The market value of long-term loans payable is determined by discounting the total of principal and interest by the estimated interest rate on similar new loans payable. The market value of long-term loans payable subject to special treatment such as interest rate swaps (please refer to 2) of “Derivative transactions” below) is determined by discounting the total of principal and interest stated in association with the interest rate swap by an interest rate reasonably estimated from that applied to similar loans payable.

Derivative transactions

- 1) Hedge accounting not applied
The market value of derivative transactions to which hedge accounting is not applied is based on the prices presented by correspondent financial institutions with which the relevant contract is concluded.
- 2) Hedge accounting applied
The market value of derivative transactions to which basic hedge accounting is applied is based on the prices presented by correspondent financial institutions with which the relevant contract is concluded.
Instruments subject to special treatment such as interest rate swaps are stated in association with hedged bonds payable and long-term loans payable, and their market value is therefore included in the market value of the relevant bonds payable and long-term loans payable (please refer to (2), (3), (4) and (5) of “Liabilities” above).
Instruments subject to appropriation treatment such as forward exchange contracts are stated in association with hedged items, and their market value is therefore included in the market value of the relevant accounts receivable - trade and accounts payable - trade (please refer to (2) of “Assets” and (1) of “Liabilities” above).

(Note 2) Financial instruments whose market values are considered extremely difficult to determine

Category	Amounts on the consolidated balance sheet (Millions of yen)
Unlisted equities	23,952
Investment securities	223

The items above are not included in “Other securities” of “(3) Short-term investment securities and investment securities,” as they have no market prices and their market values are considered extremely difficult to determine.

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Notes to Per-share Information

1. Net assets per share	¥3,362.22
2. Net income per share	¥241.60

Notes to the Non-consolidated Financial Statements

1. Significant accounting policies

- (1) Equities of affiliated companies are valued at cost by the moving-average method.
- (2) Depreciation of property, plant and equipment is computed by the declining balance method.
- (3) Provision for bonuses for Directors and Audit & Supervisory Board Members is provided at the amount estimated to be paid.
- (4) Allowance for corporate officers' retirement benefits is posted at the amount that would be required at the end of the fiscal year under review in accordance with internal rules.
- (5) Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.
- (6) Consolidated tax reporting is applied.

2. Notes to the non-consolidated balance sheet, etc.

- (1) Accumulated depreciation for property, plant and equipment ¥6 million
- (2) Liabilities on guarantees, etc.
The Company provides a guarantee for the trade payables of the following company.
JFE Shoji Trade Corporation ¥230 million
In addition to the above, the Company provides a guarantee for obligations that may arise in the future in relation to JFE Engineering Corporation.
Limit on amount of guarantees for the year under review ¥969 million
- (3) Short-term monetary receivables from affiliated companies ¥487,176 million
Long-term monetary receivables from affiliated companies ¥1,126,040 million
Short-term monetary payables to affiliated companies ¥174,915 million

3. Note to the non-consolidated statement of income

Transaction balance with affiliated companies	Operating revenue	¥40,737 million
	Operating expenses	¥832 million

4. Note to the non-consolidated statement of changes in equity

Type and total number of shares of treasury stock as of the end of the fiscal year under review	
Common stock	37,429,117

5. Note to tax-effect accounting

Tax loss carryforwards constitute a primary factor of deferred tax assets, less valuation allowance.

6. Notes to per-share information

Net assets per share	¥1,827.67
Net income per share	¥44.20

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(English Translation of the Japanese original)

This translation has been prepared for reference only. The Japanese language version will control if any discrepancy arises.