

# JFE Holdings' Financial Results for Fiscal Year 2015 ended March 31, 2016

— All financial information has been prepared in accordance with generally accepted accounting principles in Japan —  
(Note: The following is an English translation of an original Japanese document)

April 26, 2016

Official name:	JFE Holdings, Inc.
Listings:	Tokyo and Nagoya stock exchanges
Code:	5411
English URL:	<a href="http://www.jfe-holdings.co.jp/en">www.jfe-holdings.co.jp/en</a>
Representative:	Eiji Hayashida, President and CEO
Contact:	Moriyoshi Hara, Manager, Public Relations Section Investor Relations and Corporate Communications Department
Phone:	+81-3-3597-3842
Annual shareholders meeting (planned)	June 23, 2016
Dividend payment starting date:	June 24, 2016
Scheduled date to submit securities report:	June 23, 2016
Preparation of supplementary materials for quarterly results:	Yes
Quarterly results briefing:	Yes

(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Results in Fiscal 2015 (April 1, 2015 to March 31, 2016)

### (1) Consolidated Operating Results (cumulative total)

	Net sales (million yen)	Year-on-year change (%)	Operating income (million yen)	Year-on-year change (%)	Ordinary income (million yen)	Year-on-year change (%)	Profit attributable to owners of parent (million yen)	Year-on-year change (%)
FY 2015	3,431,740	(10.9)	90,638	(59.3)	64,239	(72.2)	33,657	(75.8)
FY 2014	3,850,355	5.0	222,599	45.2	231,001	33.0	139,357	36.1

Note: Comprehensive income: -97,161 million yen in FY 2015 (-)  
281,936 million yen in FY 2014 (up 58.4 %)

	Net income per share (yen)	Net income per share (fully diluted; yen)	ROE (%)	ROA (ordinary income divided by total assets; %)	ROS (operating income divided by net sales; %)
FY 2015	58.36	-	1.8	1.4	2.6
FY 2014	241.60	-	7.7	5.2	5.8

Note: Equity in earnings of affiliates: -8,821 million yen as of March 31, 2016  
18,280 million yen as of March 31, 2015

### (2) Consolidated Financial Position

	Total assets (million yen)	Net assets (million yen)	Equity capital ratio (%)	Net assets per share (yen)
FY 2015	4,234,884	1,857,921	42.6	3,128.36
FY 2014	4,639,412	1,990,023	41.8	3,362.22

Note: Shareholders' equity: 1,804,196 million yen as of March 31, 2016  
1,938,938 million yen as of March 31, 2015

### (3) Consolidated Statements of Cash Flows

(million yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year
FY 2015	267,102	(137,321)	(144,561)	63,873
FY 2014	297,380	(216,313)	(78,247)	83,542

## 2. Dividends

	Dividend per share (yen)		Total dividend payout (million yen)	Dividend payout ratio (consolidated; %)	Dividend per net assets (consolidated; %)
	Interim	Year-end			
FY 2014	60.00	20.00	34,623	24.8	1.9
FY 2015	30.00	20.00	17,308	51.4	0.9
FY 2016 (forecast)	-	-	-	-	-

Note: Total dividend payout for fiscal 2016 is yet to be determined.

## 3. Forecasts of Consolidated Financial Results in Fiscal 2016 (April 1, 2016 to March 31, 2017)

Given that it is difficult to forecast future trends due to various uncertainties, such as the prices of key raw materials used in steel production and steel sales prices, the company forecasts ordinary income of approximately 65.0 billion yen in fiscal 2016, a figure close to that of fiscal 2015, on the premise that main raw material prices and steel selling prices will maintain their current levels. For details, please refer to "Forecast for Fiscal 2016" on page 3 of the attached document.

## Notes

- Significant changes in subsidiaries during the term (changes in designated subsidiaries resulting in changes in consolidated structure): No
- Changes in accounting policies, accounting estimates and restatements
  - Changes in the accounting policies resulting from amendments to accounting standards: Yes
  - Changes other than 1) above: No
  - Changes in accounting estimates: No
  - Restatements: No
- Number of outstanding shares (common stock)
  - Outstanding shares at the end of term (including treasury stock)
    - As of March 31, 2016: 614,438,399 shares
    - As of March 31, 2015: 614,438,399 shares
  - Treasury stock at the end of term
    - As of March 31, 2016: 37,714,629 shares
    - As of March 31, 2015: 37,754,166 shares
  - Average number of shares during the term (quarterly consolidated cumulative period)
    - FY 2015: 576,740,541 shares
    - FY 2014: 576,806,134 shares

## Status of Quarterly Review

At the point of disclosing these quarterly financial results, the review of consolidated financial statements in accordance with the Financial Instruments and Exchange Act was still underway.

## Explanation of Appropriate Use of Results Forecasts, and Other Matters of Note

- Forecasts are based on information available on the date of publication of this document as well as rational assumptions that we have made regarding certain factors. Actual results may vary significantly from these forecasts due to a wide range of circumstances. For a description of the results forecasts, see "(1) Consolidated Business Results" on page 2 of the attached document.
- Notes to the financial results can be viewed at the JFE Holdings website.

## Attachments

1. Qualitative Information.....	2
(1) Consolidated Business Results .....	2
(2) Analysis of Financial Position .....	3
(3) Basic Guidelines on Profit Distributions and Dividends for Fiscal 2013 and 2014.....	4
2. Business Plan.....	5
(1) Basic Management Policy.....	5
(2) Indicators Serving as Business Targets.....	5
(3) Medium- and Long-term Business Strategies .....	5
(4) Corporate Tasks Requiring Attention .....	5
3. Basic Rationale for Selection of Accounting Standards .....	8
4. Consolidated Financial Statements.....	9
(1) Consolidated Balance Sheets .....	9
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	11
Consolidated Statements of Income .....	11
Consolidated Statements of Comprehensive Income.....	12
(3) Consolidated Statements of Changes in Net Assets .....	13
(4) Consolidated Statements of Cash Flow .....	15
(5) Notes Pertaining to the Presumption of a Going Concern .....	16
(6) Significant Accounting Policies for Preparing Consolidated Financial Statements.....	16
(7) Changes in Accounting Policies.....	16
(8) Notes to Consolidated Financial Statements.....	18
Segment Information .....	18
Per-share Information .....	20
Major Subsequent Events.....	20
5. Reference.....	21

## 1. Qualitative Information

### (1) Consolidated Business Results

The JFE Group, guided by its corporate mission of contributing to society with world-leading technology, continued to achieve sustainable growth and improved corporate value for shareholders and other stakeholders.

The Japanese economy in fiscal 2015 saw improvements in capital investment and employment conditions underpinned by strong corporate performance. Economic growth in the latter half of the fiscal year came to a standstill, however, with slowdowns in emerging economies negatively impacting production and exports. Meanwhile, the global economy initially got on a recovery track with the help of the relatively strong economies of the United States and other developed countries, but uncertainty persisted, including economic slowdowns in China and other emerging countries in the latter half of the year, and geopolitical risks in some regions.

The JFE Group made consistent efforts to increase profits. Efforts in Japan included improving its manufacturing base and leveraging its technological superiority to develop new products and cut costs. Overseas, the JFE Group made consistent efforts to expand businesses based on a mid- and long-term strategy. Despite these efforts, the persistent oversupply of steel led to deteriorating global market conditions, resulting in decreases both in ordinary income and in profit attributable to owners of the parent company, compared to the previous year.

As a result, on a consolidated basis net sales decreased to 3,431.7 billion yen. Operating income fell to 90.6 billion yen and ordinary income fell to 64.2 billion yen. An extraordinary income of 10.0 billion yen was recorded. Profit before income taxes came to 74.3 billion yen and profit attributable to owners of the parent company was 33.6 billion yen.

By segment, the production of crude steel by the steel business decreased to 29.75 million tons in the face of domestic inventory adjustment. Net sales dropped to 2,445.1 billion yen due to lower sales prices resulting from an excessive supply of steel in Asia. Although the business made continuous efforts to improve profitability, ordinary income decreased to 27.8 billion yen due to a decline in sales volume and a deterioration in export conditions.

Engineering business net sales rose substantially, to 397.5 billion yen. This segment posted ordinary income of 20.0 billion yen, reflecting efforts to ensure profitability of projects awarded in previous years, as well as sales targeting the environmental and energy sectors, and infrastructure projects. Orders received, an index of future sales, were 509.4 billion yen. Orders received, net sales and ordinary income all reached record highs.

The group's trading business generated net sales of 1,756.4 billion yen and ordinary income of 15.7 billion yen, both decreases on the previous year. JFE Shoji Trade strived to capture domestic demand for building materials while leveraging its processing and marketing networks outside Japan for more proactive sales. However, the business was negatively impacted by falling steel sales prices in domestic and overseas markets, a decline in sales volume caused by a delay in inventory adjustments, and an impairment loss in inventory at a group company in North America.

## Forecasts for Fiscal 2016

The steel business is forecast to remain robust, backed by a recovery in capital investment and urban development projects in connection with the 2020 Tokyo Olympics and Paralympics. Meanwhile, the outlook in overseas markets remains unclear, although steel prices show signs of having finally bottomed out and some areas are actually seeing increases. The prices of key raw materials also need to be monitored to ascertain whether the current upward trend continues. It is difficult to forecast future trends due to various uncertainties, such as the prices of raw materials used in steel production, and steel sale prices. If prices were to remain at current levels, however, JFE Steel forecasts ordinary income to decrease by approximately 10.0 billion yen from fiscal 2015. Although the business environment is harsh, the company will strengthen its profit base by steadily implementing the measures set out in the fifth mid-term business plan—strengthening the manufacturing base, improving the product mix and promoting business overseas.

The engineering business is expected to increase sales given the high value of orders placed, and the trading business is expected to improve profitability overseas. As a result, these two businesses are expected to increase their combined ordinary income by 10.0 billion yen. The JFE Group forecasts consolidated ordinary income to be around 65.0 billion yen, similar to that of fiscal 2015.

## (2) Analysis of Financial Position

Total assets at the end of fiscal 2015 (March 31, 2016) decreased from the previous year-end by 404.6 billion yen to 4,234.8 billion yen. This was mainly due to a decrease in the value of investment securities. Liabilities reduced by 272.4 billion yen to 2,376.9 billion yen. Net assets decreased by 132.1 billion yen to 1,857.9 billion yen, mainly due to a drop in net unrealized gains on securities.

Net cash provided by operating activities amounted to 267.1 billion yen. Net cash used for investment activities totaled 137.3 billion yen, largely for the acquisition of fixed assets. Aggregate free cash flow totaled 129.7 billion yen of income. Cash flow for financing activities came to 144.5 billion yen, primarily to repay long-term borrowings.

Outstanding debt at the fiscal year-end was 1,379.3 billion yen, down 122.4 billion yen. Outstanding cash and deposits decreased by 21.2 billion yen to 64.6 billion yen.

## Cash Flow and Other Financial Indicators

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Return on sales (ROS)	1.7%	1.6%	4.7%	6.0%	1.9%
Return on assets (ROA)	1.7%	1.6%	4.5%	5.5%	1.7%
Return on equity (ROE)	(2.6%)	2.7%	6.3%	7.7%	1.8%
Outstanding debt	1,593.6 bil. yen	1,596.3 bil. yen	1,534.0 bil. yen	1,501.7 bil. yen	1,379.3 bil. yen
D/E ratio	83.5%	76.9%	67.9%	59.0%	56.9%
Shareholders' equity ratio	35.3%	37.9%	40.1%	41.8%	42.6%
Shareholders' equity ratio at market prices	23.9%	24.8%	26.4%	33.0%	20.6%
Debt redemption term	14.5 years	5.6 years	6.0 years	5.0 years	5.2 years
Interest coverage ratio	7.2 times	17.6 times	18.0 times	20.3 times	21.1 times

Notes:

- Return on sales (ROS) = Ordinary income/Net sales
- Return on assets (ROA) = (Ordinary income + Interest expense)/Total assets<sup>1</sup>
- Return on equity (ROE) = Profit attributable to owners of the parent/Shareholders' equity<sup>2</sup>
- Outstanding debt = Total amount of borrowings, bonds and commercial paper
- D/E ratio = Outstanding debt/Shareholders' equity. Of bonds having a capital component, 75% of the 300 billion yen issue price is deemed to be capital, as assessed by rating agencies
- Shareholders' equity ratio = Shareholders' equity/Total assets
- Shareholders' equity ratio at market prices = Market capitalization<sup>3</sup>/Total assets
- Debt redemption term = Outstanding debt/Operating cash flow<sup>4</sup>
- Interest coverage ratio = Operating cash flow<sup>4</sup>/Interest expense<sup>5</sup>

<sup>1</sup> (Total assets at beginning of term + Total assets at end of term)/2

<sup>2</sup> (Shareholders' equity at beginning of term + shareholders' equity at end of term)/2

<sup>3</sup> Market capitalization is calculated as term-end market prices multiplied by term-end outstanding shares (excluding treasury stock).

<sup>4</sup> Operating cash flow corresponds to cash flow from operating activities on the consolidated cash flow statement.

<sup>5</sup> Interest expense corresponds to interest payments on the consolidated cash flow statement.

### **(3) Basic Guidelines on Profit Distribution and Dividends for Fiscal Years 2015 and 2016**

Returning profits to shareholders is one of JFE Holdings' top priorities. The company's policy is to distribute dividends vigorously while maintaining a sound and sustainable operational basis for the Group.

In general, the company's basic target is a consolidated payout ratio of somewhere between 25% and 30%. JFE Holdings paid an interim dividend of 20 yen per share for the current fiscal year. In the second half of the fiscal year, the company saw profitability decline due to a further drop in steel sales prices and a deterioration of the business environment. JFE Holdings will, however, propose at its forthcoming General Meeting of Shareholders a payment of 10 yen per share for the year-end dividend to return some profit to shareholders. That will result in a dividend for the year totaling 30 yen per share.

JFE Holdings is not issuing a dividend forecast for fiscal 2016 at this time, as it is still determining its earnings outlook.

## **2. Business Plan**

### **(1) Basic Management Policy**

### **(2) Indicators Serving as Business Targets**

### **(3) Medium- and Long-term Business Strategies**

### **(4) Corporate Tasks Requiring Attention**

#### **Business Environment and Related Efforts**

The JFE Group expects steady domestic demand generated by the Japanese government's efforts to improve the nation's resilience to natural disasters and by preparations ahead of the 2020 Tokyo Olympics and Paralympics. Overseas, the group expects increasing demand driven by infrastructure projects, and by efforts to save energy and make businesses more environmentally friendly. However overseas businesses also face a harsh business environment due to a widening demand-supply gap in the global economy and falling prices of natural resources, both caused by slowdowns in emerging economies, and due to volatile exchange rates and geopolitical risks in various regions.

To cope with this business environment, JFE Holdings has been steadily implementing its fifth mid-term business plan, a guideline for business operations for the period from fiscal 2015 to fiscal 2017. Leveraging its technological advantages, diverse workforce and comprehensive strengths, the company will strive to grow sustainably and improve its corporate value by strengthening its domestic profit base and improving the profitability of overseas businesses.

#### **Goals Set By Fifth Mid-term Business Plan**

##### **Steel Business**

- ROS of 10%

##### **Engineering Business**

- Net sales of 500.0 billion yen
- Ordinary income of 30.0 billion yen

##### **Trading Business**

- Ordinary income of 30.0 billion yen

##### **Group Financial Position**

- ROE higher than 10%
- Equivalent of A-grade ratings by international credit rating agencies (D/E ratio of approximately 50%)

#### **Measures to be Taken by JFE Operating Companies**

JFE Steel aims to become a global steel supplier that steadily creates new value and grows with its customers. This will be achieved by enhancing production capabilities, a task that the company is already engaged in. JFE Steel will satisfy the diverse needs of its customers with world-leading technology. Service and support will be strengthened through the offering of unified services at each phase, ranging from manufacturing and delivery to quality assurance, with the aim of establishing the JFE brand as its customers' default choice. Overseas, the company will continue its efforts to improve the profitability of existing projects and to expand business into new regions and new business areas.

To establish a structure that can generate stable profits on a mid- and long-term basis, JFE Steel

will steadily implement a domestic capital investment plan with a value of 650.0 billion yen, as set out in the fifth mid-term business plan. This includes renewing coke ovens, improving power plant efficiency and renovating steelworks' systems. The renewal of coke ovens in Japan will help steelworks become more competitive, and the renovation of steelworks' systems will improve business efficiency and create facilities that can respond to customer requests more quickly. Acceleration of the development of new products and processes for future use will bring further technological advantages, leading to an increase in sales volume, improvements in the product mix and cost reductions, and thereby a strengthening of the profit base.

JFE Steel will additionally work aggressively to secure and nurture human resources to enhance its competitiveness. As a significant generational turnover approaches, the company will take measures to ensure technical skills are passed on from senior employees to younger employees.

At JFE Engineering, the total value of orders received remains at record levels. The company is working steadily to fill these orders, which will contribute to overall financial performance. In the public works sector, JFE Engineering aims to achieve further growth by implementing a business model for end-to-end participation in projects, from proposing solutions through to actually operating the facilities. The company additionally aims to expand the profit base of its renewable energy-based power generation business by building a track record in design, procurement and construction, and through other business investments. Overseas, JFE Engineering will make full use of the corporate resources it has acquired to date, including sales, design, procurement and construction bases, to enhance its global engineering capabilities. The company will strive to expand overseas businesses, predominantly in the areas of environmental energy and infrastructure, including bridge construction.

JFE Shoji Trade will enhance its role as the core trading entity of the JFE Group, while playing a role as an autonomous trading company. This will increase the trading company's contribution to the JFE Group. Overseas, JFE Shoji Trade will enhance its cooperation with JFE Steel to further synchronize their export strategies. This will increase sales volume and expand local-production-for-local-consumption-based businesses satisfying local demand. In Japan, the company will strive to meet demand by offering services combining the capabilities of various JFE group companies. This includes the demand for steel, which is expected to expand in the run-up to the 2020 Tokyo Olympics and Paralympics. JFE Shoji Trade will seek to increase its presence by enhancing the profitability of the projects it has invested in, both in Japan and overseas.

As stated above, the JFE operating companies have been steadily implementing measures to achieve the goals set out in the fifth mid-term business plan. But the environments in which the steelmaking business operates continue to be harsher than those predicted in the business plan, given that the widening supply-demand gap triggered by overcapacity in China and other Asian countries is causing a drop in steel prices. To cope with the current business environment, JFE Holdings is renewing various facilities, in particular steelmaking facilities in the upstream process. This will have a significant positive impact on the company's mid- and long-term competitiveness and improve its manufacturing capabilities. JFE Holdings will continue to strengthen its manufacturing base to further cut costs and to ensure stable supplies. The company will additionally invest aggressively in business resources that facilitate the development of new products and process technologies. This will help maintain and extend JFE's technological superiority and create a structure that can generate stable profits on a mid- and long-term basis. The necessary funds for these actions will be secured by asset compression and other measures.



Returning profits to shareholders is one of JFE Holdings' top priorities. The company is making dividend payment proactively, with the aim of maintaining its dividend payout ratio at somewhere between 25% and 30%.

In October 2015, JFE Holdings established a basic corporate governance policy. This policy is designed to guide the company and its group companies to establish the best-possible corporate governance, helping the companies to grow sustainably, to improve corporate value on a mid- and long-term basis and to undertake the missions set out in the group's corporate vision.

JFE Holdings, which is responsible for the JFE Group's management and corporate governance, will strive to perform its role more efficiently to help maximize shareholder profit.

To strengthen its trust-based relationship with society, the JFE Group will continue to diligently implement comprehensive compliance measures, environmental initiatives and safety measures that support sustainable growth, aiming at achieving maximum corporate value for shareholders and all other stakeholders.

### **3. Basic Rationale for Selection of Accounting Standards**

The JFE Group is reviewing and evaluating the differences between the International Financial Reporting Standards (IFRS) and the Japan Generally Accepted Accounting Principles (JGAAP), as well as the possible effects that adopting the IFRS might have on the Group, and the creation of systems to ensure IFRS implementation.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

	As of March 31, 2015	(million yen) As of March 31, 2016
Asset		
Current assets:		
Cash and deposits	85,889	64,654
Notes and accounts receivable	771,574	720,639
Merchandise and finished goods	357,733	311,234
Work in progress	45,798	43,657
Raw materials and supplies	408,871	402,406
Other current assets	203,739	166,672
Allowance for doubtful accounts	(2,326)	(1,434)
Total current assets	1,871,280	1,707,829
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	410,767	404,636
Machinery and equipment, net	603,538	606,546
Land	499,512	497,285
Construction in progress	80,664	85,981
Other, net	35,108	32,736
Total property, plant and equipment	1,629,591	1,627,186
Intangible assets	83,979	81,403
Investments and other assets:		
Investments in securities	970,250	749,177
Net defined-benefit assets	13,231	9,103
Other assets	77,231	64,705
Allowance for doubtful accounts	(6,152)	(4,521)
Total investments and other assets	1,054,560	818,465
Total non-current assets	2,768,131	2,527,054
Total assets	4,639,412	4,234,884

	As of March 31, 2015	(million yen) As of March 31, 2016
Liabilities and shareholders' equity		
Current liabilities:		
Notes and accounts payable	469,107	422,331
Short-term borrowings	288,004	353,382
Commercial paper	-	36,000
Current portion of corporate bonds	80,000	20,000
Other current liabilities	378,540	326,471
Total current liabilities	1,215,653	1,158,185
Long-term liabilities:		
Corporate bonds	145,000	125,000
Long-term borrowings	988,756	844,990
Deferred tax liabilities on revaluation reserve	9,774	9,121
Allowance for losses on specific business	24,112	21,402
Net defined-benefit liabilities	119,331	125,283
Other	146,760	92,979
Total long-term liabilities	1,433,735	1,218,776
Total liabilities	2,649,388	2,376,962
Net assets		
Shareholders' equity:		
Common stock	147,143	147,143
Capital surplus	647,121	646,380
Retained earnings	1,066,517	1,065,037
Treasury stock, at cost	(179,430)	(178,654)
Total shareholders' equity	1,681,350	1,679,906
Accumulated other comprehensive income:		
Net unrealized gains on securities	194,733	101,709
Deferred earnings on hedges	(535)	(3,119)
Net unrealized gains on revaluation of land	15,654	16,328
Translation adjustments	41,107	14,503
Accumulated adjustments for retirement benefits	6,626	(5,130)
Total accumulated other comprehensive income	257,587	124,290
Non-controlling interests	51,085	53,724
Total net assets	1,990,023	1,857,921
Total liabilities and net asset	4,639,412	4,234,884

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

	Fiscal 2014	(million yen) Fiscal 2015
Net sales	3,850,355	<b>3,431,740</b>
Cost of sales	3,312,981	<b>3,017,757</b>
Gross profit	537,373	<b>413,982</b>
Selling, general and administrative expenses	314,774	<b>323,343</b>
Operating income	222,599	<b>90,638</b>
Non-operating income:		
Interest income	1,078	<b>1,190</b>
Dividend income	10,544	<b>10,438</b>
Foreign currency exchange gain	12,267	-
Rent receivable	7,516	<b>7,318</b>
Equity in earnings of affiliate	18,280	-
Other	14,839	<b>16,651</b>
Total non-operating income	64,527	<b>35,598</b>
Non-operating expenses:		
Interest expense	14,532	<b>12,279</b>
Loss on disposal of fixed assets	15,263	<b>14,446</b>
Equity in loss of affiliates	-	<b>8,821</b>
Other	26,329	<b>26,449</b>
Total non-operating expenses	56,125	<b>61,996</b>
Ordinary income	231,001	<b>64,239</b>
Extraordinary income:		
Profit on sales of property, plant and equipment, etc.	4,134	-
Profit on sales of investments in securities	8,495	<b>15,090</b>
Total extraordinary income	12,630	<b>15,090</b>
Extraordinary losses:		
Impairment loss	12,162	<b>4,993</b>
Loss on liquidation of subsidiaries and affiliates	4,776	-
Total extraordinary loss	16,939	<b>4,993</b>
Profit before income taxes	226,692	<b>74,337</b>
Income taxes		
Current	34,936	<b>21,629</b>
Deferred	47,642	<b>15,054</b>
Total income taxes	82,579	<b>36,684</b>
Profit	144,112	<b>37,652</b>
Profit attributable to non-controlling interests	4,754	<b>3,995</b>
Profit attributable to owners of parent	139,357	<b>33,657</b>

## Consolidated Statements of Comprehensive Income

	Fiscal 2014	(million yen) Fiscal 2015
Profit	144,112	<b>37,652</b>
Other comprehensive income:		
Net unrealized gains on securities	90,808	<b>(90,438)</b>
Deferred gains on hedges	(232)	<b>(2,429)</b>
Revaluation reserve for land	1,012	<b>648</b>
Translation adjustments	12,712	<b>(12,208)</b>
Adjustments for retirement benefits	11,905	<b>(11,967)</b>
Share of other comprehensive income of affiliates accounted for using equity method	21,617	<b>(18,418)</b>
Total other comprehensive income	137,823	<b>(134,814)</b>
Comprehensive income:	281,936	<b>(97,161)</b>
(breakdown)		
Comprehensive income attributable to owners of parent	275,304	<b>(99,629)</b>
Comprehensive income attributable to non-controlling interests	6,631	<b>2,467</b>

### (3) Consolidated Statements of Changes in Net Assets

**Fiscal 2014**

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at beginning of period	147,143	647,121	965,204	(178,977)	1,580,491
- Cumulative effects of changes in accounting policies			(14,867)		(14,867)
Restated balance	147,143	647,121	950,337	(178,977)	1,565,623
Changes during current period					
- Dividends			(23,086)		(23,086)
- Profit attributable to owners of parent			139,357		139,357
- Acquisition of treasury stock				(498)	(498)
- Disposal of treasury stock			(16)	45	29
- Decrease by change in consolidation scope			(63)		(63)
- Change in treasury shares of parent arising from transactions with non-controlling shareholders			-		-
- Transfer from land revaluation account			(11)		(11)
- Net changes of items other than shareholders' equity					
Total current changes	-	-	116,179	(452)	115,727
Balance at end of period	147,143	647,121	1,066,517	(179,430)	1,681,350

	Accumulated other comprehensive income						Non-controlling interests	Total net asset
	Net unrealized gains on securities	Deferred earnings on hedges	Revaluation reserve for land	Translation adjustments	Accumulated adjustments for retirement benefit	Total		
Balance at beginning of period	102,574	(411)	14,541	9,949	(5,024)	121,628	43,810	1,745,930
- Cumulative effects of changes in accounting policies								(14,867)
Restated balance	102,574	(411)	14,541	9,949	(5,024)	121,628	43,810	1,731,063
Changes during current period								
- Dividends								(23,086)
- Profit attributable to owners of parent								139,357
- Acquisition of treasury stock								(498)
- Disposal of treasury stock								29
- Decrease by change in consolidation scope								(63)
- Change in treasury shares of parent arising from transactions with non-controlling shareholders								-
- Transfer from land revaluation account								(11)
- Net changes of items other than shareholders' equity	92,159	(123)	1,113	31,157	11,651	135,958	7,275	143,233
Total current changes	92,159	(123)	1,113	31,157	11,651	135,958	7,275	258,960
Balance at end of period	194,733	(535)	15,654	41,107	6,626	257,587	51,085	1,990,023

**Fiscal 2015**

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total
Balance at beginning of period	147,143	647,121	1,066,517	(179,430)	1,681,350
- Cumulative effects of changes in accounting policies			-		-
Restated balance	147,143	647,121	1,066,517	(179,430)	1,681,350
Changes during current period					
-Dividends			(34,619)		(34,619)
- Profit attributable to owners of parent			33,657		33,657
- Acquisition of treasury stock				(273)	(273)
- Disposal of treasury stock			(527)	1,049	521
- Decrease by change in consolidation scope			-		-
-Change in treasury shares of parent arising from transactions with non-controlling shareholders		(740)			(740)
- Transfer from land revaluation account			10		10
- Net changes of items other than shareholders' equity					
Total current changes	-	(740)	(1,479)	775	(1,444)
Balance at end of period	147,143	646,380	1,065,037	(178,654)	1,679,906

	Accumulated other comprehensive income						Non-controlling interests	Total net asset
	Net unrealized gains on securities	Deferred earnings on hedges	Revaluation reserve for land	Translation adjustments	Accumulated adjustments for retirement benefit	Total		
Balance at beginning of period	194,733	(535)	15,654	41,107	6,626	257,587	51,085	1,990,023
- Cumulative effects of changes in accounting policies								-
Restated balance	194,733	(535)	15,654	41,107	6,626	257,587	51,085	1,990,023
Changes during current period								
-Dividends								(34,619)
- Profit attributable to owners of parent								33,657
- Acquisition of treasury stock								(273)
- Disposal of treasury stock								521
- Decrease by change in consolidation scope								-
- Change in treasury shares of parent arising from transactions with non-controlling shareholders								(740)
- Transfer from land revaluation account								10
- Net changes of items other than shareholders' equity	(93,023)	(2,584)	673	(26,604)	(11,757)	(133,296)	2,639	(130,657)
-Total current changes	(93,023)	(2,584)	673	(26,604)	(11,757)	(133,296)	2,639	(132,102)
Balance at end of period	101,709	(3,119)	16,328	14,503	(5,130)	124,290	53,724	1,857,921



#### (4) Consolidated Statements of Cash Flow

(million yen)

	Fiscal 2014	Fiscal 2015
Cash flows from operating activities:		
Profit before income taxes	226,692	<b>74,337</b>
Depreciation and amortization	176,017	<b>177,946</b>
Changes in allowance	(2,772)	<b>(15,142)</b>
Interest and dividend income	(11,623)	<b>(11,628)</b>
Interest expense	14,532	<b>12,279</b>
Changes in notes and accounts receivable	(105,365)	<b>50,355</b>
Changes in inventories	(27,866)	<b>52,960</b>
Changes in notes and accounts payable	61,020	<b>(24,064)</b>
Other	(2,111)	<b>(16,989)</b>
Sub total	328,524	<b>300,053</b>
Interest and dividend income received	18,396	<b>17,244</b>
Interest paid	(14,684)	<b>(12,673)</b>
Income taxes paid	(34,856)	<b>(37,521)</b>
Net cash provided by operating activities	297,380	<b>267,102</b>
Cash flows from investing activities:		
Payments for purchase of property, plant, equipment and intangible assets	(220,809)	<b>(205,992)</b>
Proceeds from sales of property, plant, equipment and intangible assets	17,239	<b>4,155</b>
Purchase of investment securities	(5,491)	<b>(29,874)</b>
Proceeds from sales of investments in securities	23,655	<b>50,051</b>
Proceeds from capital reduction	-	<b>30,240</b>
Other	(30,908)	<b>14,097</b>
Net cash used in investing activities	(216,313)	<b>(137,321)</b>
Cash flows from financing activities:		
Net income (decrease) in short-term borrowings	6,227	<b>(6,895)</b>
Changes in commercial paper	(22,998)	<b>36,000</b>
Proceeds from long-term borrowings	206,429	<b>115,249</b>
Repayments of long-term borrowings	(182,113)	<b>(182,428)</b>
Issuance of corporate bond	20,000	-
Redemption of corporate bonds	(80,000)	<b>(80,000)</b>
Acquisition of treasury stock	(483)	<b>(258)</b>
Payments for dividends by parent company	(23,034)	<b>(34,551)</b>
Other	(2,275)	<b>8,322</b>
Net cash used in financing activities	(78,247)	<b>(144,561)</b>
Effect of exchange rate change on cash and cash equivalents	15,247	<b>(6,038)</b>
Net increase (decrease) in cash and cash equivalents	18,066	<b>(20,819)</b>
Cash and cash equivalents at beginning of year	62,318	<b>83,542</b>
Changes in cash and cash equivalents by newly consolidated or deconsolidated subsidiaries	3,157	<b>1,150</b>
Cash and cash equivalents at end of year	83,542	<b>63,873</b>

## **(5) Notes Pertaining to the Presumption of a Going Concern**

There is no item for this period.

## **(6) Significant Accounting Policies for Preparing Consolidated Financial Statements**

Changes in consolidation scope and application of the equity method

a) Number of consolidated subsidiaries: 322

Added:	4
Excluded:	10

b) Companies accounted for by the equity method: 62

Added:	2
Excluded:	5

Except for “Changes in consolidation scope and application of the equity method” above and in (7) below, items are omitted for any information that did not change significantly in the period since the annual securities report was submitted on June 25, 2015.

## **(7) Changes in Accounting Policies**

### **Application of the Accounting Standard for Business Combinations**

Effective fiscal 2015, JFE Holdings began applying the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan [ASBJ] Statement No. 21 of September 13, 2013, hereinafter referred to as the Business Combinations Accounting Standard), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013, hereinafter referred to as the Consolidation Accounting Standard), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013, hereinafter referred to as the Business Divestitures Accounting Standard). The standards were adopted to change the method of accounting and thereby record as a capital surplus any difference arising from changes in equity in subsidiaries that remain under the control of JFE Holdings, and to record the corresponding acquisition-related costs as expenses for the fiscal year in which the costs are incurred. For business combinations implemented in or after the first quarter of fiscal 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs in the finalization of provisional accounting treatment in the consolidated financial statements for the quarter containing the date of the combinations. In addition, the presentation method of net income has been revised, and the reference to “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, consolidated financial statements have been reclassified for the fiscal year ended March 31, 2015.

To apply the accounting standards for business combinations effective the beginning of fiscal 2015, the transitional treatment as prescribed in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard was applied.

As a result, both ordinary income and profit before income taxes for fiscal 2015 increased by 740 million yen.

In the Consolidated Statements of Cash Flows for fiscal 2015, cash flows related to an acquisition

or sale of ownership interests in subsidiaries that does not result in a change in the scope of consolidation are recorded under "Cash flows from financing activities." Cash flows relating to expenses incurred in connection with the acquisition of ownership interests in subsidiaries that does result in a change in the scope of consolidation, or expenses incurred in connection with the acquisition or sale of equity in subsidiaries that does not result in a change in the scope of consolidation, are recorded under "Cash flows from operating activities."

The capital surplus as of the end of fiscal 2015 decreased by 740 million yen. Net income per share for fiscal 2015 increased by 1.28 yen.

## (8) Notes to Consolidated Financial Statements

### Segment Information

#### 1. Segment Information

##### I. Previous fiscal year (April 1, 2014 to March 31, 2015)

###### ① Overview

The Group organized under JFE Holdings executed commercial activities through three operating companies—JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation—in accordance with the characteristics of their respective businesses. Consolidated reporting segments, one for each operating company, were characterized by their constituent products and services.

Each segment had its own respective products and services. The steel business handled various steel products, processed steel products and raw materials, and provided transportation and other related businesses, such as facility maintenance and construction. The engineering business handled engineering in the fields of energy, urban environments, recycling, steel structures and industrial machines. The trading business purchased, manufactured and distributed steel products, raw materials for steel production, nonferrous metal products, and food, etc.

② Calculation methods for each reporting segment's net sales, profit (loss), assets, etc. Profits for each reporting segment shown below are ordinary income. Inter-segment transactions are those conducted between companies at market prices.

###### ③ Net sales, profit (loss), asset and other categories

(million yen)

	Reporting segment				Adjustments	Amount in consolidated statement
	Steel	Engineering	Trading	Total		
-Sales to external clients	1,857,878	359,007	1,633,469	3,850,355	-	3,850,355
-Internal sales or transfer among segments	1,015,961	8,380	301,001	1,325,343	(1,325,343)	-
Net sales	2,873,839	367,388	1,934,470	5,175,698	(1,325,343)	3,850,355
Profit	188,574	18,025	24,668	231,267	(266)	231,001
Assets	3,911,913	396,075	701,768	5,009,757	(370,345)	4,639,412
Others:						
-Depreciation	164,738	6,104	5,167	176,010	6	176,017
-Depreciation of goodwill	124	507	155	788	-	788
-Interest revenue	1,043	120	403	1,567	(489)	1,078
-Interest expense	13,130	207	2,258	15,595	(1,063)	14,532
-Equity method investment gain	14,586	16	539	15,142	3,137	18,280
-Investment in equity method affiliates	355,458	6,709	12,779	374,947	59,764	434,712
-Increased amount of tangible and intangible assets	207,286	12,366	6,249	225,902	0	225,902

## II. Current fiscal year (April 1, 2015 to March 31, 2016)

### ① Overview

The Group organized under JFE Holdings executed commercial activities through three operating companies—JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation—in accordance with the characteristics of their respective businesses. Consolidated reporting segments, one for each operating company, were characterized by their constituent products and services.

Each segment had its own respective products and services. The steel business produced and sold various steel products, processed steel products and raw materials, and provided transportation and other related businesses, such as facility maintenance and construction. The engineering business handled engineering for energy, urban environments, steel structures and industrial machines, recycling and electricity retailing. The trading business purchased, processed and distributed steel products, raw materials for steel production, nonferrous metal products, and food, etc.

② Calculation methods for each reporting segment's net sales, profit (loss), assets, etc.  
There is no item for this period.

### ③ Net sales, profit (loss), asset and other categories

	Reporting segment				Adjustments	Amount in consolidated statement
	Steel	Engineering	Trading	Total		
-Sales to external clients	1,569,518	387,750	1,474,471	3,431,740	-	3,431,740
-Internal sales or transfer among segments	875,655	9,826	281,973	1,167,455	(1,167,455)	-
Net sales	2,445,173	397,577	1,756,445	4,599,195	(1,167,455)	3,431,740
Profit	27,817	20,030	15,760	63,608	630	64,239
Assets	3,596,123	370,767	619,783	4,586,674	(351,790)	4,234,884
Others:						
-Depreciation	164,952	7,037	5,950	177,940	5	177,946
-Depreciation of goodwill	119	1,876	1,728	3,724	15	3,739
-Interest revenue	1,051	127	467	1,646	(455)	1,190
-Interest expense	11,132	320	1,783	13,236	(957)	12,279
-Equity method investment gain (loss)	(10,923)	295	890	(9,737)	915	(8,821)
-Investment in equity method affiliates	272,123	7,028	11,874	291,027	60,765	351,792
-Increased amount of tangible and intangible assets	197,786	9,001	5,727	212,514	0	212,515

## Per-share Information

	FY 2014	FY 2015
Net assets per share	3,362.22 yen	3,128.36 yen
Net income per share	241.60 yen	58.36yen

Note 1: Adjusted diluted per-share earnings were not listed since there were no diluted shares.

Note 2: Basis for calculations (Yen, unless indicated otherwise)

	FY 2014	FY 2015
Total net assets	1,990,023 million	1,857,921 million
Amounts deducted from total net assets	51,085 million	53,724 million
Attributable to: Non-controlling interests portion	51,085 million	53,724 million
Net assets at fiscal year-end applicable to common shares	1,938,938 million	1,804,196 million
Number of common shares at fiscal year-end used in calculating net assets per share	576,684 thousand shares	576,723 thousand shares
Profit attributable to owners of parent	139,357 million	33,657 million
Value not attributed to common shares	-	-
Profit attributable to owners of parent attributed to common shares	139,357 million	33,657 million
Average number of outstanding common shares during period	576,806 thousand shares	576,740 thousand shares

## Major Subsequent Events

There is no item for this period.

## 5. Reference

### (1) Consolidated Results

	Fiscal 2014	Fiscal 2015	Change		(billion yen) Forecast for Fiscal 2016
Net sales	3,850.3	3,431.7	(418.6)	(10.9%)	65.0
Steel business	2,873.8	2,445.1	(428.7)	(14.9%)	
Engineering business	367.3	397.5	30.2	8.2%	
Trading business	1,934.4	1,756.4	(178.0)	(9.2%)	
Adjustments and others	(1,325.3)	(1,167.4)	157.9	-	
Operating income	222.5	90.6	(131.9)	(59.3%)	
Non-operating income	8.4	(26.3)	(34.7)	-	
Ordinary Income	231.0	64.2	(166.8)	(72.2%)	
Steel business	188.5	27.8	(160.7)	(85.2%)	
Engineering business	18.0	20.0	2.0	11.1%	
Trading business	24.6	15.7	(8.9)	(36.1%)	
Adjustments and others	(0.2)	0.6	0.8	-	
Extraordinary profit (loss)	(4.3)	10.0	14.3	-	
Profit before income taxes	226.6	74.3	(152.3)	(67.2%)	
Tax expense and profit attributable to non-controlling interests	(87.3)	(40.6)	46.7	-	
Profit attributable to owners of parent	139.3	33.6	(105.7)	(75.8%)	

### (2) Consolidated Financial Indices

	Fiscal 2014	Fiscal 2015	Change
Return on Sales (ROS) <sup>1</sup>	6.0%	1.9%	(4.1%)
Return on Assets (ROA) <sup>2</sup>	5.5%	1.7%	(3.8%)
Return on Equity (ROE) <sup>3</sup>	7.7%	1.8%	(5.9%)
Debt Outstanding	1,501.7 billion yen	1,379.3 billion yen	(122.4 billion yen)
Shareholders' Equity	1,938.9 billion yen	1,804.1 billion yen	(134.8 billion yen)
D/E Ratio <sup>4</sup>	59.0%	56.9%	(2.1%)

<sup>1</sup> ROS = Ordinary income / Net sales

<sup>2</sup> ROA = Ordinary income before interest expenses / Total assets (average)

<sup>3</sup> ROE = Profit attributable to owners of parent / Shareholders' equity

<sup>4</sup> D/E ratio = Debt outstanding / Shareholders' equity. For debt having a capital component, 75% of the 300 billion yen issue price is deemed to be capital, as assessed by rating agencies.

**(3) Crude Steel Production (JFE Steel)** (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014	Non-consolidated	7.14	7.35	14.50	6.94	7.00	13.94	28.44
	Consolidated	7.87	8.01	15.88	7.61	7.56	15.16	31.04
FY 2015	Non-consolidated	6.54	6.91	13.45	6.98	6.93	13.91	27.36
	Consolidated	7.19	7.50	14.69	7.57	7.48	15.06	29.75

**(4) Shipments (JFE Steel on non-consolidated basis)** (million tons)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		6.41	6.62	13.04	6.53	6.51	13.04	26.07
FY 2015		5.98	6.39	12.37	6.45	6.56	13.02	25.39

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

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		46.2	49.3	47.8	48.1	48.6	48.4	48.1
FY 2015		46.2	48.6	47.4	44.8	43.3	44.0	45.8

**(6) Foreign Exchange Rate (Yen/US dollar)** (JPY/USD)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		102.4	102.7	102.5	112.3	119.4	115.9	109.2
FY 2015		121.0	122.6	121.8	121.2	117.7	119.5	120.6

**(7) Average Selling Price (JFE Steel on non-consolidated basis)** (thousand yen/ton)

		1Q	2Q	1H	3Q	4Q	2H	Full year
FY 2014		77.9	75.6	76.7	77.9	77.3	77.6	77.1
FY 2015		73.5	68.8	71.0	65.1	60.6	62.8	66.8

**(8) Engineering Business Orders** (including inter-segment transactions)

(billion yen)

Orders received	509.4	10.9% increase from previous year
Orders backlog	614.7	19.6% increase from previous year

**(9) Debt Outstanding, Interest Expense, and Cash and Deposits**

(JFE Holdings, consolidated basis)

Debt outstanding

As of	(billion yen)
March 31, 2015	1,501.7
March 31, 2016	1,379.3

Interest expense

	(billion yen)
FY 2014	-14.5
FY 2015	-12.2

Cash and deposits

As of	(billion yen)
March 31, 2015	85.8
March 31, 2016	64.6



**(10) Capital Investment and Depreciation Cost** (JFE Holdings on consolidated basis)  
(billion yen)

	FY 2015	
Capital investment	212.5	(on construction basis)
Depreciation	177.9	

**(11) Breakdown of Changes in Ordinary Income**

	<u>Change</u>	<u>FY 2014</u>	(billion yen) <u>FY 2015</u>
a. Steel business (FY 2015 compared to FY 2014)	-160.7	188.5➔	27.8
- Sales volume, sales prices and raw materials prices	-120.0		
- Cost reductions	35.0		
- Unrealized gains on inventories and others	-75.7		
b. Entire JFE Group (Forecast for FY 2016 compared to FY 2015)	<u>Change</u> Roughly unchanged	<u>FY 2015</u> 64.2➔	<u>FY 2016</u> 65.0*
- Sales volume and Sales prices and raw materials prices	-60.0*		
- Cost reductions	30.0*		
- Unrealized gains on inventories and others	20.0*		
- Sub Total of Steel	-10.0*		
- Sub Total of Engineering and Trading	10.0*		

\*Approximate estimate

###