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JFE Holdings, Inc.

JFE Group's Fifth Medium-term Business Plan

Aiming to Become a Global Company Supplying Innovative World-class Technologies and Services

This is an overview of the JFE Group's fifth medium-term business plan, which establishes strategic operating guidelines for the period from April 1, 2015 to March 31, 2018.

I. Overview

In the last medium term, the Group worked to strengthen its business structure for sustainable growth, realigned its business portfolio by acquiring 100% ownership of its trading business, restructured its shipbuilding business and divested its semiconductor business. The Group also established a structure to steadily secure profits by cutting costs, strengthening production in Japan and expanding overseas projects.

The JFE Group foresees many business opportunities ahead. In Japan, we forecast considerable demand to be generated by the Japanese government's efforts to improve national resilience to natural disasters and to prepare for the Tokyo 2020 Olympic and Paralympic Games. Overseas, we expect growing demand for infrastructure projects and technologies for energy saving and environmental protection, particularly in emerging countries. In Japan, many changes are taking place, including a falling birth rate, an aging population, large fluctuations in prices for crude oil and other natural resources, as well as foreign exchange rates, along with the impact of changing political and economic situations in foreign countries, all of which must be accurately assessed to ensure that JFE responds appropriately and promptly.

In this fifth medium-term business plan, the Group will adapt to its changing business environment by strengthening its technological advantages, diversifying its workforce and improving its comprehensive strengths. By strengthening its profit base in Japan and improving the profitability of its overseas businesses, the Group will strive to achieve sustainable growth and improve its corporate value with the aim of becoming a global company supplying innovative world-class technologies and services.

II. Main Measures

1. Group-wide Measures

1) Strengthen Domestic Profit Base

In addition to meeting demand generated by the Japanese government's national resilience improvement plans and preparations for the Tokyo 2020 Olympic and Paralympic Games, JFE will strive to improve the quality of its services by facilitating increased coordination

among Group companies and making its business system more adaptable and responsive to the changing needs of customers and markets.

JFE has been renewing and repairing its manufacturing facilities since the last medium term. In this new term, facilities in Japan will be upgraded to achieve cost reductions and to focus the product mix on high-grade steel.

2) Enhance Corporate Value through Technological Advantages

JFE will improve its competitiveness by broadening its world-class technologies with innovative technologies. The company will rapidly commercialize newly researched and developed products that better meet market needs, as well as improve the competitiveness of existing products.

In addition, JFE will continue to focus on developing advanced technologies to save resources and energy. The company aims to provide world-class technologies and products to the environmental and energy sectors—two promising areas where demands are expected to increase.

3) Increase Overseas Business Profitability

The JFE Group invested in multiple overseas projects, mainly in Asia, through the end of the last medium term. The Group is now improving profitability of these projects by capturing local demand and managing the projects according to local needs. In addition, the Group will take full advantage of its technical capabilities and global network to invest in new projects in strategic fields and regions with growth potential. The JFE Group plans to invest 200 billion yen in overseas projects over the next three years.

4) Secure and Nurture Diverse Human Resources

To best implement this fifth medium-term business plan, the JFE Group will recruit and steadily nurture more diverse people. Group-wide measures for human-resource management will create workplaces where employees can demonstrate their full potential.

JFE Group's Basic Policy on Human Resource Management

1. Respect Human Rights and Facilitate Fair Management of Human Resource

The Group manages human resources fairly by respecting the human rights of all employees and nurturing employees who embrace the Group's corporate values and standards of business conduct.

2. Foster Corporate Culture that Nurtures People and Promotes Satisfying Workplaces

The Group facilitates interactive communication among employees to cultivate a corporate culture that nurtures human resources and creates safe, attractive environments where everyone can enjoy working.

3. Diversify Human Resources

The Group ensures that diverse people, including women, non-Japanese, the elderly and

the disabled, can demonstrate their full potential.

4. Recruit and Steadily Nurture Excellent Human Resources

To survive in an increasingly complicated and diversified global environment, the Group steadily recruits diverse, high-quality human resources, ensures that they receive the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities.

Approximate New Recruits over Next Three Years

(nonconsolidated basis)

JFE Steel	1,000 per year (of which, 200 with potential for eventual promotion to general management positions.)
JFE Engineering	300 per year
JFE Shoji Trade	70 per year

5) Establish Corporate Structure for Sustainable Growth

a. Strengthen Corporate Governance

The JFE Group will pursue more efficient and effective operations, as well as improve its management transparency, fairness and objectivity. Also, measures will be taken to facilitate more interactive communication with diverse stakeholders, including by creating an Investor Relations and Corporate Communications Department to collect and disseminate information in a more centralized manner than before.

b. Strengthen Environmental Management

With global environmental protection as one of its top business priorities, JFE will work to help reduce environmental loads by developing environment-friendly products and process technologies, and by providing resource-recycling solutions based on world-class technologies.

c. Improve Financial Position

The JFE Group will invest in new growth initiatives and continue to work toward improved earnings and cash flow to achieve financial strength deserving of A-grade ratings by international credit rating agencies, including a debt-equity ratio of about 50%, which is typical of A-grade companies. The Group aims to raise its return on equity (ROE) to over 10% by increasing profitability through a strengthened profit base in Japan and expanded profitability overseas.

d. Return Profits to Shareholders

The JFE Group aims to raise its dividend payout from the current rate of 25% to somewhere between 25% and 30%

2. Basic policies and measures for operating companies

1) JFE Steel Corporation (steel business)

JFE Steel aims to become a global steel supplier that steadily creates new value and grows with its customers. Basically, this will be done by enhancing the company's production capability, a task it has been undertaking since the last medium term. JFE Steel aims to increase its annual steel sales to 40 million tons in the fifth medium term, and then to 50 million tons thereafter, by taking a more customer-oriented approach to selling products in both Japan and overseas, as well as by raising awareness of the JFE brand. Also, JFE Steel will focus on improving profitability to raise its return on sales (ROS) to 10% in the fiscal year ending March 2018, the final year of the fifth medium-term business plan.

a. Enhance production capabilities

JFE Steel will make capital investments to further strengthen its manufacturing base in Japan with stable production, reduced costs and a product mix that puts more focus on high-grade steel. By investing in molten iron pre-treating facilities and new coke ovens, as well as by improving various work procedures, JFE Steel aims to achieve accumulative cost reductions of more than 110 billion yen over the three years. Also, the company will replace its existing ICT systems at steelworks with advanced systems that facilitate business reforms. Overall, such measures are expected to help maintain and improve the company's world-class production capabilities. Planned capital investment in Japan for during the fifth medium term will amount to approximately 650 billion yen, up 170 billion yen from the previous three-year period.

b. Reinforce world-class technological development

JFE Steel aims to reduce its costs with innovative process technologies for upstream processes. Also, production capacities will be improved by stabilizing production with data-based process control technologies. In addition, the company will continue to develop next-generation process technologies, including ferro coke and innovative thermo-mechanical control process (TMCP) technology to produce high-quality steel while achieving savings in alloys and processes.

To increase sales volume, JFE Steel will better grasp customer needs by reinforcing initiatives for early vendor involvement (EVI), and by leveraging advanced evaluation technologies and innovative manufacturing processes to develop products. EVI is a concept that facilitates collaboration between suppliers and customers by involving the suppliers in the customers' product-development processes from an early stage, thereby enabling the suppliers to choose methods for steel usage, processing and performance evaluation that are most appropriate for the customers' products.

To develop such technologies for enhanced customer satisfaction, JFE Steel will increase its research and development expenditures by 10% and researchers by 7%.

Developmental Policies for Prioritized Business Fields

- Automobiles: Ultra-high tensile strength steel and production technologies for overseas steel plants
- Energy: High-quality thick steel plates utilizing innovative TMCP technology; and electrical steel sheets offering superior magnetic characteristics

- Infrastructure materials: Materials that combine good appearance, functionality, quake-resistance and easy-to-process steel for buildings

c. Strengthen customer-oriented marketing

To offer more attractive services, JFE Steel will improve its ability to develop proactive proposals by coordinating product development and sales activities, and by facilitating greater collaboration among its group companies.

d. Promote business overseas

JFE Steel will strive to increase the profitability of overseas projects in which it invested in the previous medium term. Technological advantages will be leveraged to expand business in priority sectors, such as automobiles and energy. Opportunities to secure interests in upstream facilities overseas will continue to be sought.

e. Passing on technical skills and developing human resources

JFE Steel will ensure that the knowledge, technical skills and expertise accumulated by senior employees will be passed on to younger employees in workplaces, including steel plants of JFE Steel, group companies and subcontractors. Also, initiatives will be taken to improve technological and production capabilities by leveraging a more diversified workforce and promoting the increased introduction of information technology.

2) JFE Engineering Corporation (engineering business)

JFE Engineering plans to expand the scale of its business by grasping the needs in Japan for greater national resilience to natural disasters and preparations for the Tokyo 2020 Summer Olympic and Paralympic Games, as well as by enhancing the company's overseas presence mainly in the fields of urban infrastructure, energy and the environment. JFE Engineering will respond to customer needs for total solutions covering everything from proposals to construction to operation. JFE Engineering is targeting consolidated net sales of 500 billion yen and consolidated ordinary income of 30 billion yen in fiscal year 2017.

a. Expand overseas business

JFE Engineering aims to win more overseas infrastructure-related orders, including for waste-to-energy plants, wastewater treatment plants and steel structures. This will be done by localizing business at an accelerated pace, and by leveraging corporate resources acquired through M&As and other activities over the last three years.

b. Support electric energy generation at various plants

JFE Engineering will meet customer for products suited to various energy resources, including coal, waste, biomass energy, geothermal power or solar power, and to power capacities ranging from 5 to 100 megawatts.

c. Offer proposal-based services

JFE Engineering will expand its services by proactively proposing plans for engineering, procurement and construction (EPC), as well as operations. New total solutions will incorporate new technologies and construction method to meet demands for the upgrading of infrastructure.

d. Develop and promptly launch products and services

JFE Engineering aims to launch products and services by leveraging new technologies in various fields, such as ship ballast-water treatment systems, smart-agriculture incorporating optimal models for production suited to specific regional characteristics, and healthcare.

3) JFE Shoji Trade (trading business)

JFE Shoji Trade will continue to follow a market-oriented approach to expand its business and profitability and enhance its functions as the core trading company of the JFE Group. The company aims to post consolidated ordinary income of 30 billion yen in fiscal 2017.

a. Develop New Markets and Increase Steel Sales Volume

JFE Shoji Trade will strive to increase steel sales volume by developing new markets. To do so, the company will make full use of its existing sales bases in Asia, expand sales bases in the Americas, and proactively develop business in India and markets in Western Asia. In addition, the company will enhance its regional strategies to create a structure that allows its regional subsidiaries to serve all local customers.

b. Create Added Value

By grasping customer needs and strategically combining storing, processing, retailing and other functions of its group companies, JFE Shoji Trade will offer solutions that improve the value of customers' total supply chains.

c. Improve Overall Strengths

For companies in which investments were made in the last medium term, increased contributions to JFE Shoji Trade's financial performance will be sought. For improved profitability, investments will be made to improve the market presence of companies under JFE Shoji Trade, both those in Japan and overseas.

Main Financial Performance Targets and Dividend Policy of Fifth Medium-term Business Plan

		FY 2017 (Last year of fifth Medium-term Plan)	FY 2014 (Actual)
Financial Targets (entire JFE Group)	ROE	More than 10%	7.7%
	Financial Position	Equivalent of A-grade ratings by international credit rating agencies (D/E ratio of approximately 50%)	Baa1 (59.0%)
Profitability Targets (by operating company)	Steelmaking Business	ROS 10%	ROS 6.6%
	Engineering Business	Consolidated ordinary income of 30 billion yen (Revenue of 500 billion yen)	Consolidated ordinary income of 18 billion yen
	Trading Business	Consolidated ordinary income of 30 billion yen	Consolidated ordinary income of 24 billion yen

	Fifth Medium-term Plan	Fourth Medium-term Plan
Dividend Policy (dividend payout ratio)	Approximately 25-30%	25%

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