



JFE Group

***Financial Results for Third Quarter of
Fiscal Year 2020 ending March, 31, 2021***

JFE Holdings, Inc.

February 9, 2021



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Any statements in the presentation which are not historical facts are future projections based on certain assumptions and currently available information. Please note that actual performance may vary significantly due to various factors

**Consolidated Results for
Third Quarter of Fiscal Year 2020
(April 1 to December 31, 2020)**




Financial Results for Third Quarter of Fiscal Year 2020

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Business profit for 3rd Quarter (Oct-Dec) was 53.1 billion yen, significantly increased by 50.2 billion yen year-on-year, due to recovery of both steel demand and steel market price from the latter part of the 1H in FY2020, and promotion of profit improvement measures.

(billion yen)	FY2019		FY2020		Change Apr-Dec
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	
Revenue	920.2	2,791.5	826.1	2,318.4	(473.1)
Business Profit	2.9	52.0	53.1	(61.1)	(113.1)
Finance Income/costs	(3.1)	(9.4)	(3.0)	(9.4)	0.0
Segment Profit	(0.1)	42.6	50.1	(70.6)	(113.2)
Exceptional Items	—	—	—	—	0.0
Profit before Tax	(0.1)	42.6	50.1	(70.6)	(113.2)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(4.8)	(15.6)	(14.0)	0.9	16.5
Profit Attributable to Owners of Parent	(5.0)	26.9	36.0	(69.6)	(96.5)

Business profit is profit before tax excluding financial income and one-time items of a materially significant value. Segment profit is profit including financial income in business profit.



Financial Results for Third Quarter of Fiscal Year 2020 (by Segment)

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(billion yen)	FY2019		FY2020		Change Apr-Dec
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	
Revenue					
Steel Business	652.7	2,005.8	580.2	1,607.5	(398.3)
Engineering Business	125.8	364.7	129.2	351.2	(13.5)
Trading Business	271.8	829.3	224.9	676.6	(152.7)
Adjustments	(130.1)	(408.4)	(108.2)	(316.9)	91.5
Total	920.3	2,791.5	826.1	2,318.4	(473.1)
Business Profit (A)	3.0	52.0	53.1	(61.1)	(113.1)
Finance Income/Costs (B)	(3.1)	(9.4)	(3.0)	(9.4)	0.0
Segment Profit					
Steel Business	(6.4)	11.3	34.3	(101.9)	(113.2)
Engineering Business	7.6	19.5	10.9	19.6	0.1
Trading Business	6.6	21.2	6.5	13.7	(7.5)
Adjustments	(8.1)	(9.6)	(1.6)	(2.1)	7.5
Total (A+B)	(0.1)	42.6	50.1	(70.6)	(113.2)

**Consolidated Financial Forecast for
Fiscal Year 2020
(April 1, 2020 to March 31, 2021)**



Financial Forecast for Fiscal Year 2020

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Business Profit for FY2020 is expected to increase by 58.0 billion yen from the previous forecast due to a further recovery in demand for steel, a significant rise in the steel market price in the steel business, and a recovery in earnings in both the engineering and trading businesses.

(billion yen)	FY2020 (Previous Forecast Nov. 9, 2020) Full Year	FY2020 (Updated Forecast Feb. 9, 2021)			Change Full Year
		1H (Actual)	2H (Forecast)	Full Year	
Revenue	3,170.0	1,492.2	1,747.8	3,240.0	70.0
Business Profit	(90.0)	(114.3)	82.3	(32.0)	58.0
Finance Income/ Costs	(15.0)	(6.4)	(6.6)	(13.0)	2.0
Segment Profit	(105.0)	(120.7)	75.7	(45.0)	60.0
Exceptional Items	—	—	22.0*	22.0	22.0
Profit before Tax	(105.0)	(120.7)	97.7	(23.0)	82.0
Tax Expense and Profit (Loss) Attributable to Non- Controlling Interests	5.0	15.0	(30.0)	(15.0)	(20.0)
Profit Attributable to Owners of Parent	(100.0)	(105.7)	67.7	(38.0)	62.0

*Gain on sale of land (JFE Engineering) etc.



Financial Forecasts for Fiscal Year 2020 (by Segment)

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(billion yen)	FY2020 (Previous Forecast)	FY2020 (Updated Forecast)			Change
	Full Year	1H	2H	Full Year	Full Year
Revenue					
Steel Business	2,200.0	1,027.2	1,232.8	2,260.0	60.0
Engineering Business	490.0	221.9	268.1	490.0	0.0
Trading Business	930.0	451.7	488.3	940.0	10.0
Adjustments	(450.0)	(208.6)	(241.4)	(450.0)	0.0
Total	3,170.0	1,492.2	1,747.8	3,240.0	70.0
Business Profit (A)	(90.0)	(114.3)	82.3	(32.0)	58.0
Finance Income/Costs (B)	(15.0)	(6.4)	(6.6)	(13.0)	2.0
Segment Profit					
Steel Business	(135.0)	(136.2)	56.2	(80.0)	55.0
Engineering Business	21.0	8.7	13.3	22.0	1.0
Trading Business	13.0	7.2	9.8	17.0	4.0
Adjustments	(4.0)	(0.4)	(3.6)	(4.0)	0.0
Total (A+B)	(105.0)	(120.7)	75.7	(45.0)	60.0



Financial Forecast for Fiscal Year 2020

JFE

Business profit for 2H is expected to move into black (82.3 billion yen), and business profit for full year is expected to be -32.0 billion yen.

(billion yen)	FY2019 (Actual) Full Year	FY2020 (Updated Forecast)			Change Full Year
		1H (Actual)	2H (Forecast)	Full Year	
Revenue	3,729.7	1,492.2	1,747.8	3,240.0	(489.7)
Business Profit	37.8	(114.3)	82.3	(32.0)	(69.8)
Finance Income/costs	(12.5)	(6.4)	(6.6)	(13.0)	(0.5)
Segment Profit	25.3	(120.7)	75.7	(45.0)	(70.3)
Exceptional Items	(238.8)	—	22.0*	22.0	260.8
Profit before Tax	(213.4)	(120.7)	97.7	(23.0)	190.4
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	15.7	15.0	(30.0)	(15.0)	(30.7)
Profit Attributable to Owners of Parent	(197.7)	(105.7)	67.7	(38.0)	159.7

*Gain on sale of land (JFE Engineering) etc.



Financial Forecasts for Fiscal Year 2020 (by Segment)

JFE

(billion yen)	FY2019 (Actual) Full Year	FY2020 (Updated Forecast)			Change Full Year
		1H	2H	Full Year	
Revenue					
Steel Business	2,681.3	1,027.2	1,232.8	2,260.0	(421.3)
Engineering Business	512.2	221.9	268.1	490.0	(22.2)
Trading Business	1,084.1	451.7	488.3	940.0	(144.1)
Adjustments	(548.0)	(208.6)	(241.4)	(450.0)	98.0
Total	3,729.7	1,492.2	1,747.8	3,240.0	(489.7)
Business Profit (A)	37.8	(114.3)	82.3	(32.0)	(69.8)
Finance Income/Costs (B)	(12.5)	(6.4)	(6.6)	(13.0)	(0.5)
Segment Profit					
Steel Business	(8.7)	(136.2)	56.2	(80.0)	(71.3)
Engineering Business	23.1	8.7	13.3	22.0	(1.1)
Trading Business	27.0	7.2	9.8	17.0	(10.0)
Adjustments	(15.9)	(0.4)	(3.6)	(4.0)	11.9
Total (A+B)	25.3	(120.7)	75.7	(45.0)	(70.3)



Measures for Maintaining Financial Strength and Profit Improvement

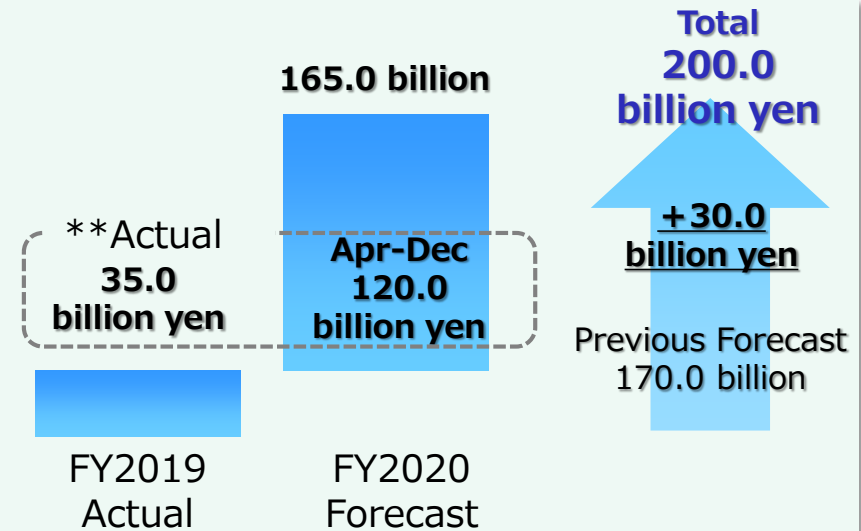
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◆ JFE Group: Asset Compression

- **Asset compression of 200.0 billion yen** mainly sourced from sales of cross-holding shares and lands* etc. (**30.0 billion yen increase from previous forecast**)

*including sale of land of JFE Engineering

- **Achieved approx. 160.0 billion yen**** by Dec. 2020



◆ Steel Business : steadily promoting the following measures

- **Domestic CAPEX compression : 130.0 billion yen** (decision-making basis)
- **Cost reduction : 100.0 billion yen in FY2020** including variable cost increase amid production reduction
- **Improve sales prices :**
Continuing to making effort to
 - reflect increase of raw material costs and various commodity prices
 - realize appropriate sales price which meets product value and added value



Progress of Cash Flow Improvements

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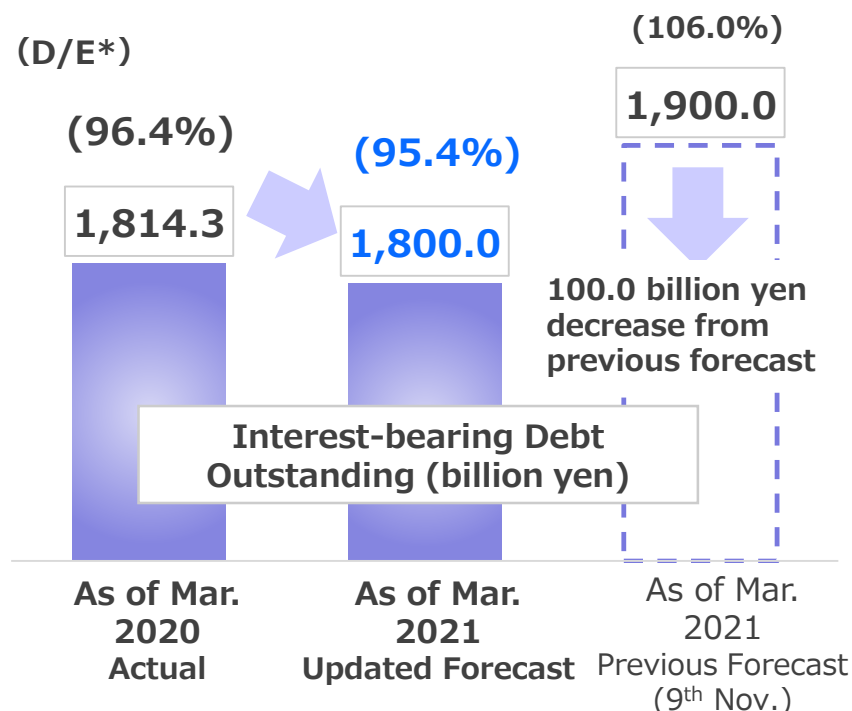
- Improve cash flow through profit recovery and additional asset compression
- Expected Interest-bearing Debt Outstanding as of Mar. 2021 is **1.8 trillion yen (D/E 95.4%), decreased from previous year**

Consolidated Cash Flow Forecast in FY2020

(billion yen)

Cash-in	Cash-out
Depreciation and Amortization 240.0	Net Loss 38.0
Asset compression 165.0	CAPEX & Investments 390.0
Working Capital etc. 37.0	Interest-bearing Debt Outstanding 14.0

Interest-bearing Debt Outstanding & D/E



*D/E ratio = Interest-bearing debt outstanding / Equity attributable to owners of parent For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agencies

Dividends

Dividends

The company intends to propose a per-share dividend of 10 yen (total annual dividend of 10 yen) at the upcoming general meeting of shareholders, in light of the substantial improvement in earnings in the second half, particularly in the steel business, as well as prospects for improved performance in the coming fiscal year.

JFE Steel

Financial Results for Third Quarter and Financial Forecast for Fiscal Year 2020

Financial Results for Third Quarter of Fiscal Year 2020



JFE

	Unit	FY2019					FY2020		
		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full year	Apr-Jun	Jul-Sep	Oct-Dec
Revenue	billion yen	666.6	686.5	652.7	675.5	2,681.3	508.7	518.6	580.2
Segment Profit	billion Yen	14.5	3.2	(6.3)	(20.1)	(8.7)	(57.8)	(78.4)	34.3
Excluding Inventory Valuation etc.*	billion yen	22.5	(0.8)	8.7	(9.1)	21.3	(34.8)	(33.4)	14.3
Crude Steel (Standalone)	Mt	7.00	6.79	6.24	6.70	26.73	4.79	5.38	6.27
Crude Steel (Consolidated)	Mt	7.36	7.13	6.59	7.00	28.09	5.09	5.68	6.59
Shipment (Standalone)	Mt	5.85	5.94	5.59	6.09	23.47	4.59	4.75	5.42
Export Ratio on Value Basis (Standalone)	%	39.9	42.1	39.7	44.4	41.5	44.2	40.2	40.3
Average Sales Price (Standalone)	000 yen / t	80.4	79.4	79.6	76.1	78.8	75.3	71.0	73.4
Exchange Rate	¥/\$	110.7	107.6	108.8	109.4	109.1	107.7	105.9	104.8
Exchange Rate (End of Term)	¥/\$	107.8	107.9	109.6	108.8	108.8	107.7	105.8	103.5

* Excluding inventory valuation, carry over of raw materials and foreign exchange valuation from segment profit

113.2 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 Apr-Dec vs. FY2020 Apr-Dec)

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- Segment profit decreased from the previous fiscal year amid decrease in production, sales volume, and profit of domestic and overseas subsidiary companies due to spread of COVID-19
- Segment profit for 3Q (Oct to Dec) was 34.3 billion yen through recovery of steel demand and market prices as well as efforts to improve profit.

JFE Steel	FY2019 Apr-Dec	FY2020				Change
		Apr-Jun	Jul-Sep	Oct-Dec	Apr-Dec	
Segment profit	11.3	(57.8)	(78.4)	34.3	(101.9)	(113.2)

(billion yen)

1. Cost**+76.0**

- Fixed cost reduction mainly sourced from repairing cost and labor cost
- Capital investment effect etc.

2. Volume and Mix**(92.0)**

- Decrease in volume due to decline in demand (Crude steel (Standalone): 20.03⇒16.44Mt -3.59Mt)
- Deterioration of product mix

3. Sales and raw materials**(7.0)**

- (-500 yen/t-shipment)
- Narrowed metal spread with decreased domestic and overseas steel prices despite decrease in coking coal prices

4. Inventory valuation etc.**(29.0)**

- Inventory valuation -24.0 (-17.0→-41.0)
- Carry over of raw materials -1.0 (-1.0→-2.0)
- Foreign exchange valuation -4.0(-1.0→-5.0)

5. Others**(61.2)**

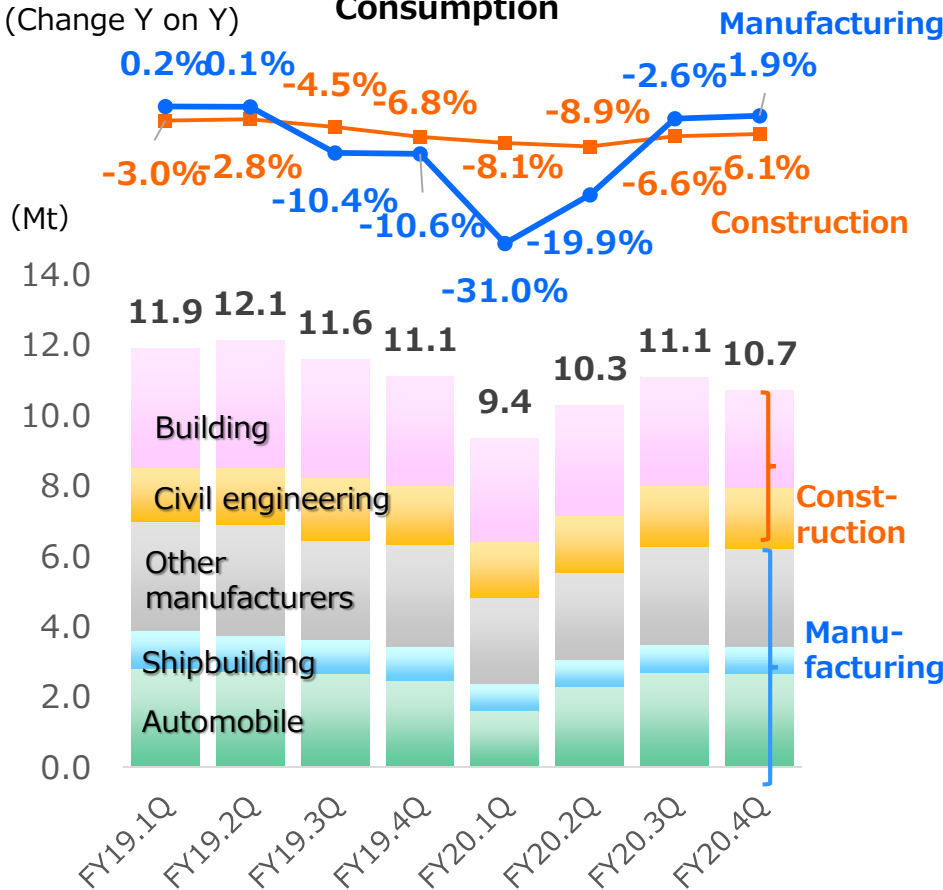
- Decrease in profit of domestic and overseas subsidiary companies etc.

Current Business Environment (Domestic)



- **Domestic steel demand continues to recover on the whole** due to **recovery in activity levels of customers**
- Automobile production has already recovered to the same level as the previous year. Demand of other manufacturers are also expected to recover gradually.

Outlook for Domestic Ordinary Steel Consumption



Sector	Outlook
Automobile	<ul style="list-style-type: none"> • Domestic automobile production turned positive Y on Y from October, and finished vehicle exports recovers mainly to North America. • Need to pay attention to factors such as the re-spread of COVID-19 and the global semiconductor shortage.
Ship building	<ul style="list-style-type: none"> • Low construction level continues due to sluggish orders for new ships. Recovery in steel demand will take time.
Other manufacturers	<ul style="list-style-type: none"> • Activity levels of construction and industrial machinery are in recovery trend, and steel demand is expected to recover gradually
Civil engineering	<ul style="list-style-type: none"> • Steel demand is expected to remain firm due to the prospect of securing a high budget for public works projects
Building	<ul style="list-style-type: none"> • Environment is still severe except for large-scale redevelopment projects and logistics warehouses, steel demand is expected to recover moderately as CAPEX recovers

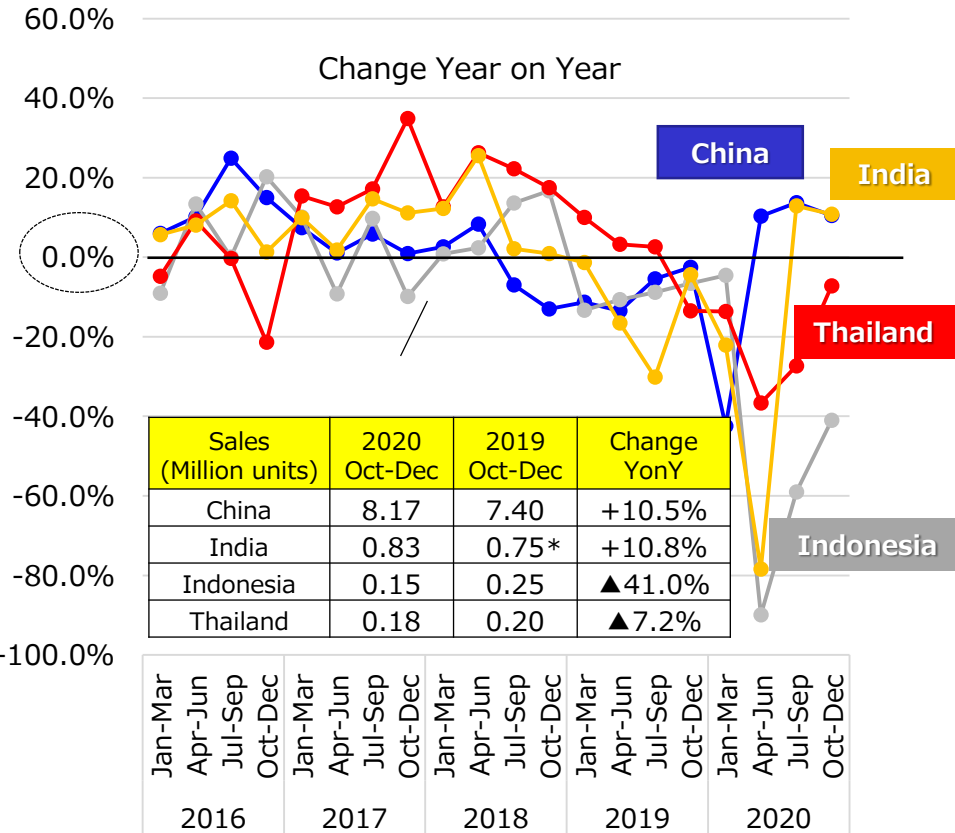
Source : Ministry of Economy, Trade and Industry, "Outlook for Steel Consumption" 22th Dec. 2020, (FY20.1-3Q:estimated results, 4Q:forecast)

Current Business Environment (Overseas)

- **Overseas steel demand continues to recover on the whole** though there are some differences in each field.
- In addition to the recovery of demand, limited supply capacity of mills in each country keeps **global supply and demand tight, rising steel market prices**.

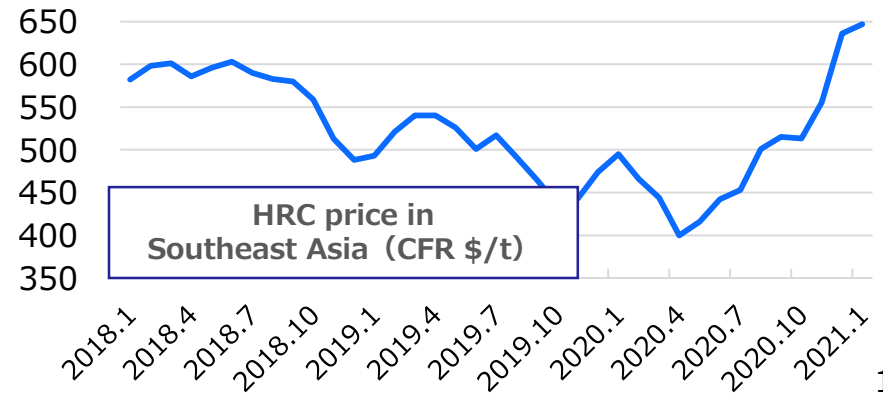
【Automobile Sales】

Change Year on Year



*Estimates

Sector	Outlook
Auto mobile	<ul style="list-style-type: none"> • Recovery trend in each country & region • Need to pay attention to re-spread of COVID-19 and the global semiconductor shortage etc.
Steel Sheets	<ul style="list-style-type: none"> • Currently tight supply & demand and rising market prices • Need to pay attention to risk of softening market prices due to re-spread of COVID-19 etc.
Ship building	<ul style="list-style-type: none"> • Although severe environment continues due to global overtonnage and COVID-19, steel demand is expected to recover gradually onward.
Energy	<ul style="list-style-type: none"> • WTI crude oil prices are on a moderate recovery path, but it will take time for steel demand to recover.



Assumptions for Financial Forecast

Crude Steel Production

- Due to recovery in domestic and overseas steel demand, **crude steel production (standalone) in FY2020** is expected to be approx. 22.70 M tons (approx. 12.50 M tons in 2H) (0.2 M tons increase from the previous forecast)

Metal Spread

• Raw Material Prices (Jan-Mar)

Iron ore : Approx. \$10 increase from Oct-Dec against the background of China's active crude steel production etc.

Coking coal : Expect a certain level of price increase from Oct-Dec due to strong demand in regions other than China and seasonal factors

⇒ Reflect raw materials cost push in steel prices steadily and speedy

- Metal spread of export HRC : Expect recovery in 2H due to rising export market price

- Domestic and overseas metal spread in total is expected to improve by 23.0 billion yen from the previous forecast



Financial Forecast for Fiscal Year 2020

JFE

	Unit	FY2019 Full year Actual	FY2020					FY2020 Full year (previous forecast)
			1H Actual			2H Forecast	Full year Forecast	
				Oct-Dec Actual	Jan-Mar Forecast			
Revenue	Billion yen	2,681.3	1,027.2	580.2	652.5	1,232.8	2,260.0	2,200.0
Segment profit	Billion yen	(8.7)	(136.2)	34.3	21.8	56.2	(80.0)	(135.0)
Excluding Inventory Valuation etc.*	Billion yen	21.3	(68.2)	14.4	14.8	29.2	(39.0)	(90.0)
Crude Steel (Standalone)	Mt	26.73	10.17	6.27	6.26	12.53	22.70	22.50
					Approx.			Approx.
Crude Steel (Consolidated)	Mt	28.09	10.77	6.59	6.53	13.13	23.90	
					Approx.			
Shipment (Standalone)	Mt	23.47	9.34	5.42	5.74	11.16	20.50	
					Approx.			
Export Ratio on Value Basis (Standalone)	%	41.5	42.2	40.3	46	43	43	
Average Sales Price (Standalone)	000/ t	78.8	73.1	73.4	78	76	75	
Exchange Rate	¥/\$	109.1	106.8	104.8	105	105	106	106
								Approx.

※ Excluding inventory valuation, carry over of raw materials and foreign exchange valuation from segment profit



55.0 Billion Yen Increase in JFE Steel's Segment Profit (FY2020 (Previous Forecast) vs. FY2020(Updated Forecast))

JFE

Segment profit is expected to improve by 55.0 billion yen from the previous forecast due to increase in crude steel production volume with recovery of demand in automobile sector etc., recovery of steel prices, and increase in profit of subsidiary companies.

			(billion yen)
JFE Steel	FY2020 Previous Forecast	FY2020 Updated Forecast	Change
Segment profit	(135.0)	(80.0)	+55.0

1. Cost	±0.0	
2. Volume and Mix	+4.0	<ul style="list-style-type: none"> Increase in volume with recovery of demand in automobile sector etc. (Crude steel (Standalone): 22.50⇒22.70Mt +0.20Mt)
3. Sales and raw materials	+23.0	(+1,100 yen/t-shipment) <ul style="list-style-type: none"> Improve metal spread with overseas steel price recovery etc.
4. Inventory valuation etc.	+4.0	<ul style="list-style-type: none"> Inventory valuation +7.0 (-45.0→-38.0) Carry over of raw materials -2.0 (+4.0→+2.0) Foreign exchange valuation-1.0(-4.0→-5.0)
5. Others	+24.0	<ul style="list-style-type: none"> Increase in profit of domestic and overseas subsidiary companies etc.

71.3 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 Actual vs. FY2020 Forecast)

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Segment profit is expected to decrease from the previous fiscal year amid decrease in 1H in production and sales volume, and decrease in profit of domestic and overseas subsidiary companies due to spread of COVID-19, although cost reduction of 100.0 billion yen is expected to be achieved.

(billion yen)

JFE Steel	FY2019 Actual	FY2020 Forecast	Change
Segment profit	(8.7)	(80.0)	(71.3)

1. Cost**+100.0**

- Fixed cost reduction mainly sourced from repairing cost and labor cost
- Capital investment effect etc.

2. Volume and Mix**(105.0)**

- Decrease in volume due to decline in demand
(Crude steel (Standalone): 26.73→22.70Mt -4.03Mt)
- Deterioration of product mix

3. Sales and raw materials**±0.0****4. Inventory valuation etc.****(11.0)**

- Inventory valuation -16.0 (-22.0→-38.0)
- Carry over of raw materials +9.0 (-7.0→+2.0)
- Foreign exchange valuation -4.0 (-1.0→-5.0)

5. Others**(55.3)**

- Decrease in profit of domestic and overseas subsidiary companies etc.



192.4 Billion Yen Increase in JFE Steel's Segment Profit (FY2020.1H vs. FY2020.2H)

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Segment profit in 2H is expected to be 56.2, remarkably improve from 1H due to increase in crude steel production with recovery of demand mainly in automobile sector, steel price recovery, and cancellation of the loss in inventory valuation in 1H etc.

JFE Steel	FY2020			(billion yen)
	1H Actual	2H Forecast	Full year Forecast	Change
Segment profit	(136.2)	56.2	(80.0)	+192.4

1. Cost

+15.0

- Curb variable cost increase amid production reduction
- Fixed cost reduction mainly sourced from repairing cost and labor cost

2. Volume and Mix

+46.0

- Increase in volume with recovery of demand mainly in automobile sector
(Crude steel (Standalone): 10.17⇒12.53Mt +2.36Mt)

3. Sales and raw materials

+18.0

- (+1,600 yen/t-shipment)
- Improve metal spread with overseas steel price recovery etc.

4. Inventory valuation etc.

+95.0

- Inventory valuation +78.0 (-58.0→+20.0)
- Carry over of raw materials +14.0 (-6.0→+8.0)
- Foreign exchange valuation +3.0 (-4.0→-1.0)

5. Others

+18.4

- Increase in profit of domestic and overseas subsidiary companies etc.

Initiatives for Further Profits Improvement in FY2021

Segment Profit excluding Inventory Valuation etc. in **2H FY2020** : **29.2 billion yen**

- Based on further demand recovery, **expected crude steel production (standalone) in 2H FY20 is approx. 12.50 Mt**
- Profit is expected to be a surplus in 2H FY20 due to increase in crude steel production and metal spread mainly in export, and cost reduction etc.
- Profit level of subsidiary companies is expected to recover to approx. 70% annual basis

Achieve a surplus in standalone basis and steadily improve profitability through following initiatives

◆ Main initiatives

□ Optimum production	<ul style="list-style-type: none"> • Continuous optimum production by cost-minimum operation in line with demand level
□ Cost reduction	<ul style="list-style-type: none"> • Capital investment effects and fixed cost reductions (New continuous casting machine in Kurashiki, No.3 coke oven B in Fukuyama etc.)
□ Sales price improvement	<ul style="list-style-type: none"> • Prompt reflect of raw material costs, continuous efforts to reflect increase in various commodity prices, and comprehensive review of price extras etc.

◆ Business environment (variable factor)

- Steel demand : impact of COVID-19, future trends of demand recovery by sector
- Market prices : future trends of raw material prices and steel prices etc.

JFE Engineering

Financial Forecast for Fiscal Year 2020



Financial Forecast for Fiscal Year 2020

JFE Overview

- Segment profit is expected to achieve the same level of the previous fiscal year even under the spread of COVID-19 (increase by 10.0 billion yen from the previous forecast) , maintaining stable earnings.
- Domestic demands in environmental sector and social infrastructure sector such as steel structures are expected to remain solid.
 - Due to the impact of COVID-19, there were cancellations of overseas projects and postponements of construction. However, the impact on earnings has been limited.

(billion yen)	FY2019 (Actual)		FY2020 (Updated Forecast)		Change (FY2019 vs FY2020)		FY2020 (Previous Forecast) Full Year
	2H	Full Year	2H	Full Year	2H	Full Year	
Orders	223.5	413.0	201.1	500.0	(22.4)	87.0	500.0
Revenue	273.3	512.2	268.1	490.0	(5.2)	(22.2)	490.0
Segment Profit	11.2	23.1	13.3	22.0	2.1	(1.1)	21.0

Compared to FY2019

- <Full Year> •Orders +87.0 Increase in large-scale orders for public works in sectors related to the environment and infrastructure
- Revenue (22.2) Decrease in work volume and impact of COVID-19
- Segment Profit (1.1) Decrease in revenue

Compared to the previous forecast of FY2020

- <Full Year> •Segment Profit +1.0 Cost reduction

JFE Shoji

Financial Forecast for Fiscal Year 2020



Financial Forecast for Fiscal Year 2020

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Overview

- Segment profit for FY2020 is expected to increase by 4.0 billion yen compared with the previous forecast amid the recovery of steel demand in both domestic and overseas market from the 2H, although the level of business activities varies by regions and industries.
 - In domestic market, the entire business activities such as in automobile sector will exceed the 1H.
 - In China and ASEAN, steel demand for automobile sectors etc. has recovered.
 - In North America, steel demand for construction remains strong despite no clear signs of recovery in the energy sector.

Financial Forecast

(billion yen)	FY2019 (Actual)		FY2020 (Updated Forecast)		Change (FY2019 vs FY2020)		FY2020 (Previous Forecast)	
	2H	Full Year	2H	Full Year	2H	Full Year	2H	Full Year
Revenue	526.6	1,084.1	488.3	940.0	(38.3)	(144.1)	478.3	930.0
Segment Profit	12.4	27.0	9.8	17.0	(2.6)	(10.0)	5.8	13.0

Financial Forecast (Full year)

<Compared to FY2019>

Both Revenue and Segment profit are expected to decrease due to the significant decrease of steel demand in domestic and overseas market under the spread of COVID-19 in 1H, even though Segment Profit in 2H is expected to remarkably recover amid the recovery of business activity level in the automobile sectors etc.

<Compared to the previous forecast of FY2020>

Segment profit is expected to be 17.0 billion yen (up 4.0 billion yen from the previous forecast), reflecting unexpectedly strong recoveries in demand for automobiles and other goods both in Japan and abroad in the 2H.

ESG Initiatives

JFE Group's Eco Products (Develop Environmentally Friendly Products)

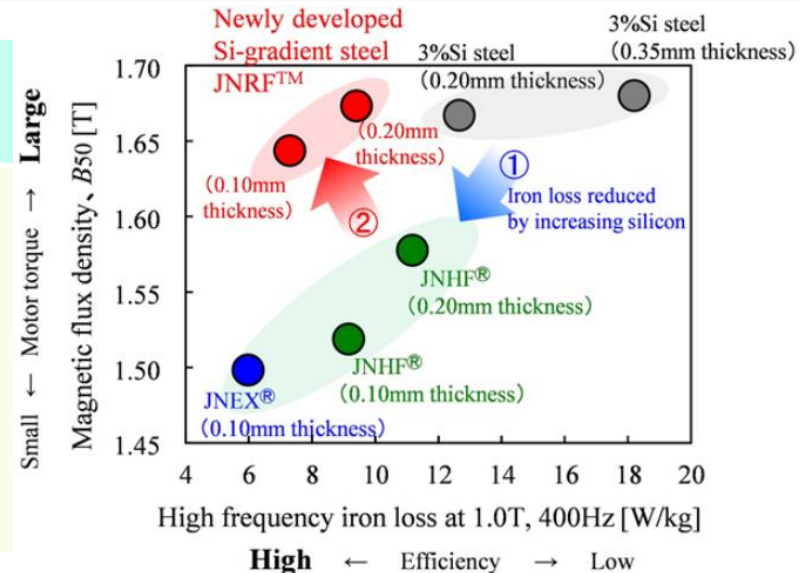
JFE

Contribute to the realization of a sustainable society
through the development of environmentally friendly products

Released on December 3rd, 2020

JFE Steel Develops JNRF™ Silicon-gradient Steel Sheet for High-speed Motors —Minimizes high-frequency iron loss and improves high magnetic flux density—

- Recently developed **JNRF™ silicon-gradient steel sheet which significantly increases motor efficiency for energy conservation** while maintaining magnetic flux density equivalent to that of conventional non-oriented electrical steel sheets (3% silicon steel sheets)
- Expand the applications for its electrical steel sheets products to help realize more compact and higher speed motor designs, such as drive motors for electric vehicles, motors for consumer electronics and drone motors.



JFE Steel 1.5 GPa-Grade High-Tensile Strength Cold-Rolled Steel Sheets

Released on December 23rd, 2020

Adopted for First Time in Vehicle Body Structural Parts

◆ Hot press forming process of 1.5 GPa-Grade High-Tensile Strength steel sheets

- Requires the steel to be high temperature, which increases the number of processes for pressing
- Decreases the number of parts that can be pressed per unit of time
- **Makes manufacturing costs higher**

◆ Effects of using 1.5 GPa-Grade high-tensile strength cold-rolled steel sheets

- Realized a low-cost and energy-efficient cold press forming process while maintaining cold press formability equivalent to that of 1310 MPa-grade sheets
- Particularly high yield strength and delayed fracture resistance were simultaneously realized even with the 1.5 GPa-grade high-tensile strength steel sheets

JFE Steel is pleased to contribute to the realization of a sustainable society by supporting the development of safe, environmentally friendly vehicles by further developing high-performance high-tensile strength steel sheets

JFE Group's Eco Solution (Develop Environmentally Friendly Technologies)

Launch Oil Sludge Treatment Demonstration Project in China

Released on December 24th, 2020

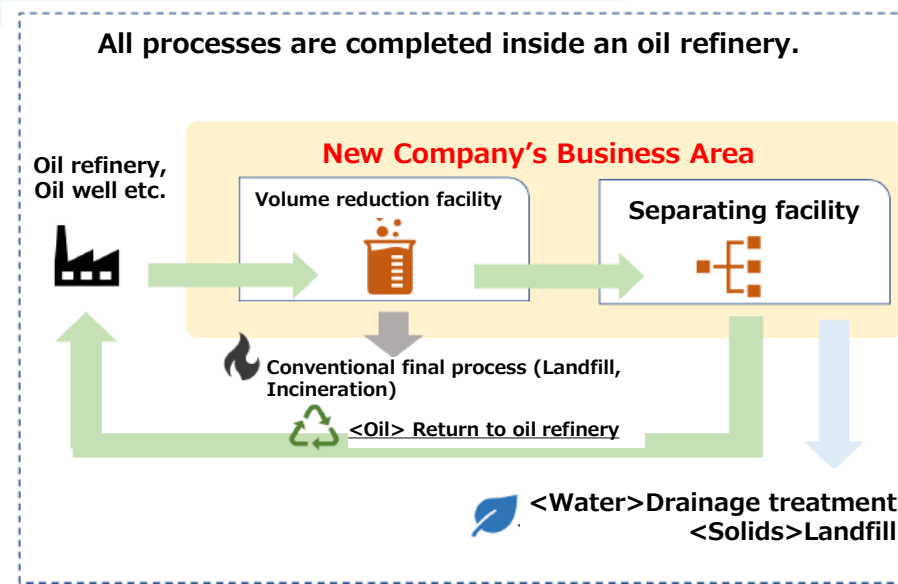
- In China, companies that discharge oil sludge store, landfill, and incinerate the sludge as industrial waste.
- Recently, environmentally friendly treatment methods are attracting attention.

- In this project, oil sludge can be separated into oil, water, and solids in the treatment processes, resulting in detoxification.
- This method can reduce CO₂ emission and processing costs compared with incineration.
- JFE Engineering contributes to this project by drawing on its experience in industrial waste disposal business in Japan.

JFE Engineering contributes to the realization of recycling-based society along SDGs by exploring new business models and meeting global needs.

Company Name	北京和荣丰盛环保科技有限公司
Established	February, 2021 (Estimated registration month)
Capital	30 million RMB Yuan/ ¥
Share Holders	Beijing Heron Engineering Co.,Ltd. 66% JFE Engineering 17% Tokyo Century Corporation 17%
Business	Oil sludge treatment Technology development and sales of oil sludge treatment facilities

*Oil sludge : Sediment discharged from oil refineries, such as oil residue inside oil tanks.



JFE Group's Eco Solution (Develop Environmentally Friendly Technologies)

Start Demonstration Testing to Capture CO₂ from Exhaust Gas emitted from Waste Treatment Plant

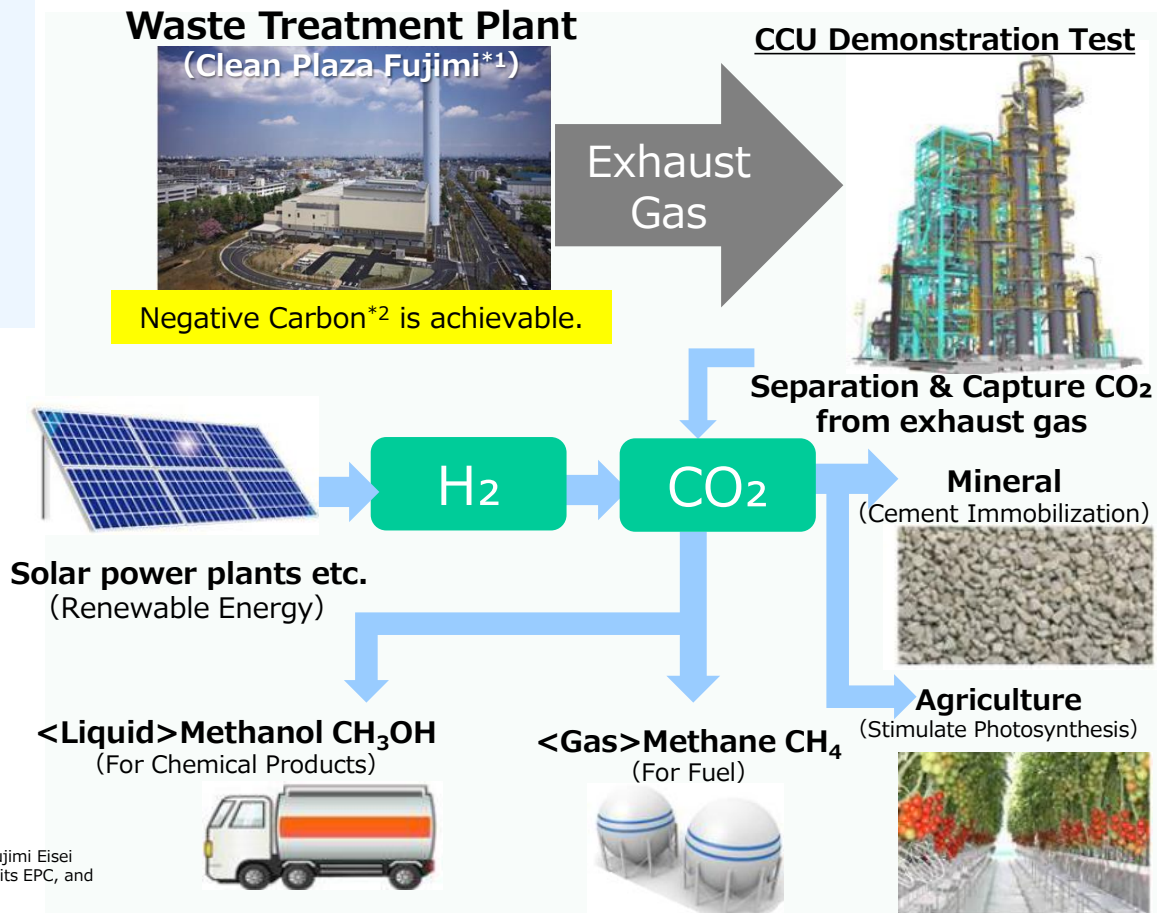
Released on January 20th, 2021

~ Standardization of CO₂ capture proposal (JFE CCU-Ready) ~

- Started demonstration testing of **CCU(Carbon Capture and Utilization) processes** which capture and utilize CO₂ from exhaust gas emitted from waste treatment plant
- In addition to CO₂ capture technology, demonstration testing for **CO₂ utilization technology (chemical recycling)** will also be launched.

- JFE Engineering has **established technology to reduce greenhouse gas emissions** through significantly efficient power generation system and full automation in EPC business of waste treatment plant
- When constructing new waste treatment plants, JFE Engineering will propose appropriate CO₂ capture methods that match the characteristics in each region, along with the standardized **CCU-Ready Plant**.
- Contributing to the realization of low-carbon society**

CO₂ Effective Utilization Flow Chart



*1) Clean Plaza Fujimi is a waste treatment plant founded by the special district authority, Fujimi Eisei Kumiai established by Mitaka city and Chofu city in Tokyo. JFE Engineering was in charge of its EPC, and has participated in its operating business for 20 years.

*2) Negative carbon is achievable by introducing CO₂ capture technology into waste treatment plants. Negative carbon refers to the condition in which the amount of CO₂ captured exceeds the amount of CO₂ emitted by adding the CO₂ contained in the biomass contained in the waste.

JFE Group's Eco Solution (Develop Environmentally Friendly technologies)

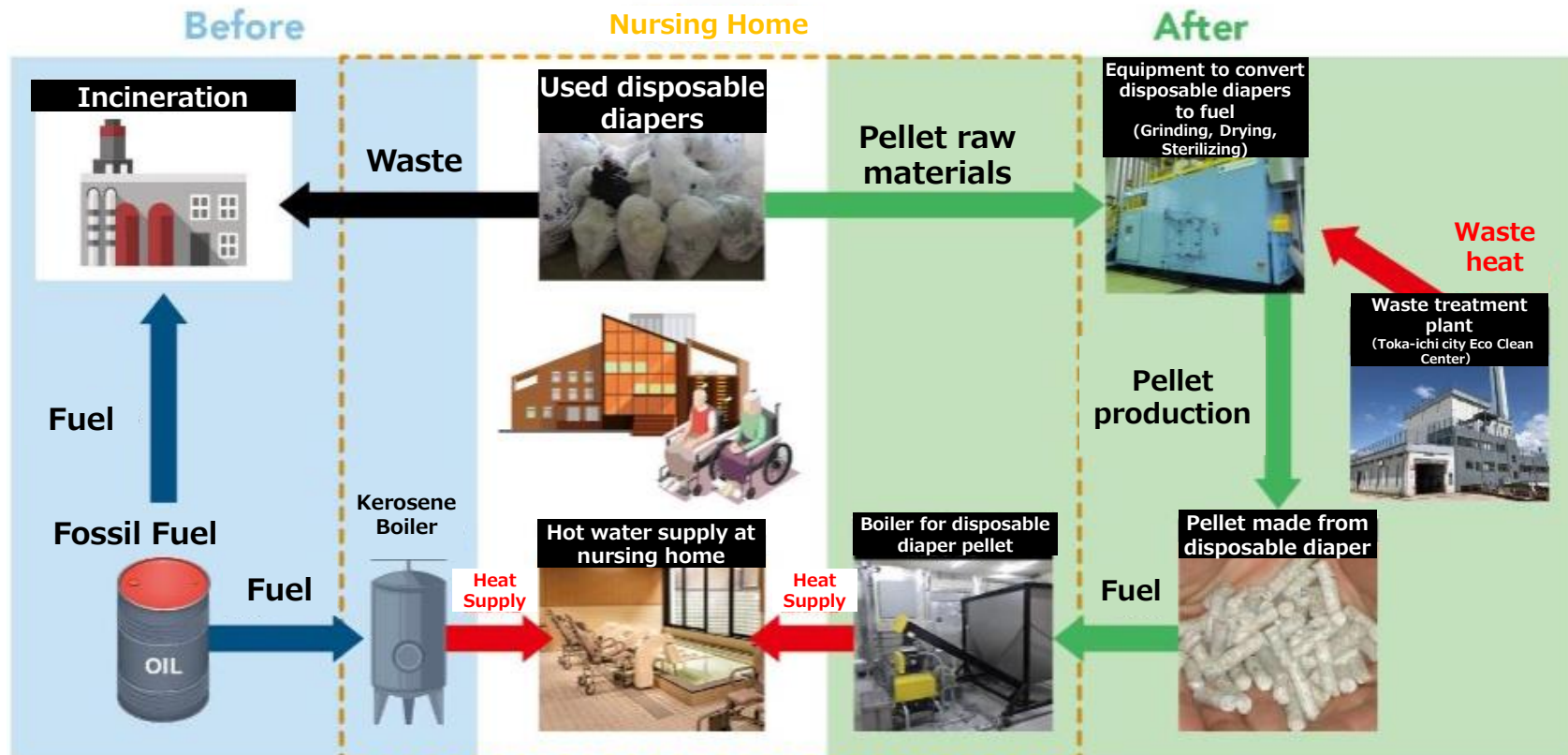
Released on December 23rd, 2020

Completion of Facilities to Convert Used Disposable Diapers into Fuel

The amount of **disposable diapers** in general waste currently accounts for **approximately 4%**. It is expected to increase more in the future as the aging society progresses.
At this plant, used disposable diapers are **recycled as fuel instead of being incinerated**.

<Expected Effects>

- Reduce the amount of combustible wastes
- Reduce the amount of landfill incineration ash and CO₂ emissions
- Local production and consumption of energy



Capital and Business Alliance between Japan Marine United and Imabari Shipbuilding



Capital and Business Alliance between Japan Marine United and Imabari Shipbuilding

Established Nihon Shipyard Co., Ltd. a JV between JMU and Imabari Shipbuilding

Overview of the equity and business alliance

- **Imabari Shipbuilding's equity participation into JMU** by accepting new ordinary shares of JMU (Shareholders composition: JFE Holdings 35%, IHI 35%, Imabari Shipbuilding 30%)
- **Establishment of a joint sales and design company**
- **Pursuit of mass-production effect** by unifying specification
- **Cooperation in manufacturing such as intensive production** of blocks and large-scale equipment

Overview of the JV

Name	Nihon Shipyard Co., Ltd.
Representatives	President and CEO: Yoshinori Maeta (JMU) Executive Vice President: Kiyoshi Higaki (Imabari Shipbuilding)
Businesses	Sales and design etc. of ordinary commercial ships and offshore floating structures except for liquefied gas carriers
Capital	100 million yen
Investment ratio	Imabari Shipbuilding 51% , JMU 49%
Employees	Approximately 510
Establishment	January 1, 2021

7th Medium-Term Business Plan

7th Medium-Term Business Plan

- ◆ **Schedule : to be released in May, 2021**
with financial results for Fiscal Year 2020 ending March 2021

- ◆ **Planning Period of 7th Medium-Term Business Plan :**
To be formulated 4 years from Fiscal Year 2021 to 2024, when the structural reform effects of steel business will be fully realized

Appendix



Main Financial Data

JFE

J-GAAP

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
(bn. Yen, times)							
Ordinary Income	52.2	173.6	231.0	64.2	84.7	216.3	221.1
EBITDA	260.6	368.9	421.5	254.4	279.9	388.8	405.9
ROS	1.6%	4.7%	6.0%	1.9%	2.6%	5.9%	5.6%
ROE	2.7%	6.3%	7.7%	1.8%	3.7%	7.6%	8.3%
ROA	1.6%	4.5%	5.5%	1.7%	2.3%	5.2%	5.1%
Debt Outstanding	1,596	1,534	1,501	1,379	1,375	1,331	1,450
Debt/EBITDA Ratio	x6.1	x4.2	x3.6	x5.4	x4.9	x3.4	x3.6
D/E Ratio	76.9%	67.9%	59.0%	56.9%	51.4%	58.1%	62.0%
Profit attributable to owners of parent (yen/share)	71.2	177.4	241.6	58.4	117.8	250.8	285.0
Dividend (yen/share)	20	40	60	30	30	80	95
Pay-out Ratio	28.1%	22.5%	24.8%	51.4%	25.5%	31.9%	33.3%

IFRS

Forecast

	FY18	FY19	FY20
(bn. Yen, times)			
Business profit	232.0	37.8	-32.0
EBITDA * 1	428.2	269.4	208.0
ROS * 2	6.0%	1.0%	-1.0%
ROE * 3	8.6%	-11.1%	-2.3%
ROA * 4	5.0%	0.8%	-0.7%
Interest-bearing debt outstanding	1,524	1,814	1,800
Debt/EBITDA multiple	x3.6	x6.7	x8.7
D/E Ratio * 6	68.2%	96.4%	95.4%
Profit attributable to owners of parent (yen/share)	283.8	-343.4	-66
Dividend (yen/share)	95	20	10
Pay-out Ratio	33.5%	—	—

Notes
[IFRS]

* 1 EBITDA = Business profit + Depreciation and Amortization

* 2 ROS = Business profit / Revenue

* 3 ROE = Profit attributable to owners of parent company / Equity

* 4 ROA = Business profit / Total assets

* 5 Debt/EBITDA ratio = Interest-bearing debt outstanding / EBITDA

* 6 D/E ratio = Interest-bearing debt outstanding / Equity attributable to owners of parent

For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agencies.

(billion yen)

JFE Steel	FY2020					Change
	Apr-Jun Actual	Jul-Sep Actual	Oct-Dec Actual	Jan-Mar Forecast	Full year Forecast	
Segment profit	(57.8)	(78.4)	34.3	21.8	(80.0)	+112.7

1. Cost **±0.0**

2. Volume and Mix **+20.0** • Increase in volume with recovery of demand
(Crude steel (Standalone): 5.38 ⇒ 6.27Mt +0.89Mt)

3. Sales and raw materials **+11.0** (+2,000 yen/t-shipment)
• Improved with overseas steel price recovery though iron ore price rose

4. Inventory valuation etc. **+65.0**
• Inventory valuation +54.0 (-37.0⇒+17.0)
• Carry over of raw materials +10.0 (-6.0⇒+4.0)
• Foreign exchange valuation +1.0 (-2.0⇒-1.0)

5. Others **+16.7** • Increase in profit of domestic and overseas subsidiary companies etc.



12.5 Billion Yen Decrease in JFE Steel's Segment Profit (FY2020.3Q(Actual) vs. FY2020.4Q(Forecast))

JFE

(billion yen)

JFE Steel	FY2020					Change
	Apr-Jun Actual	Jul-Sep Actual	Oct-Dec Actual	Jan-Mar Forecast	Full year Forecast	
Segment profit	(57.8)	(78.4)	34.3	21.8	(80.0)	(12.5)

1. Cost

±0.0

2. Volume and Mix

±0.0

3. Sales and raw materials

+8.0

(+1,400 yen/t-shipment)

- Improve with overseas and domestic steel price recovery though iron ore price is expected to rise

4. Inventory valuation etc.

-13.0

- Inventory valuation -14.0 (+17.0→+3.0)
- Carry over of raw materials ±0.0 (+4.0→+4.0)
- Foreign exchange valuation +1.0 (-1.0→±0)

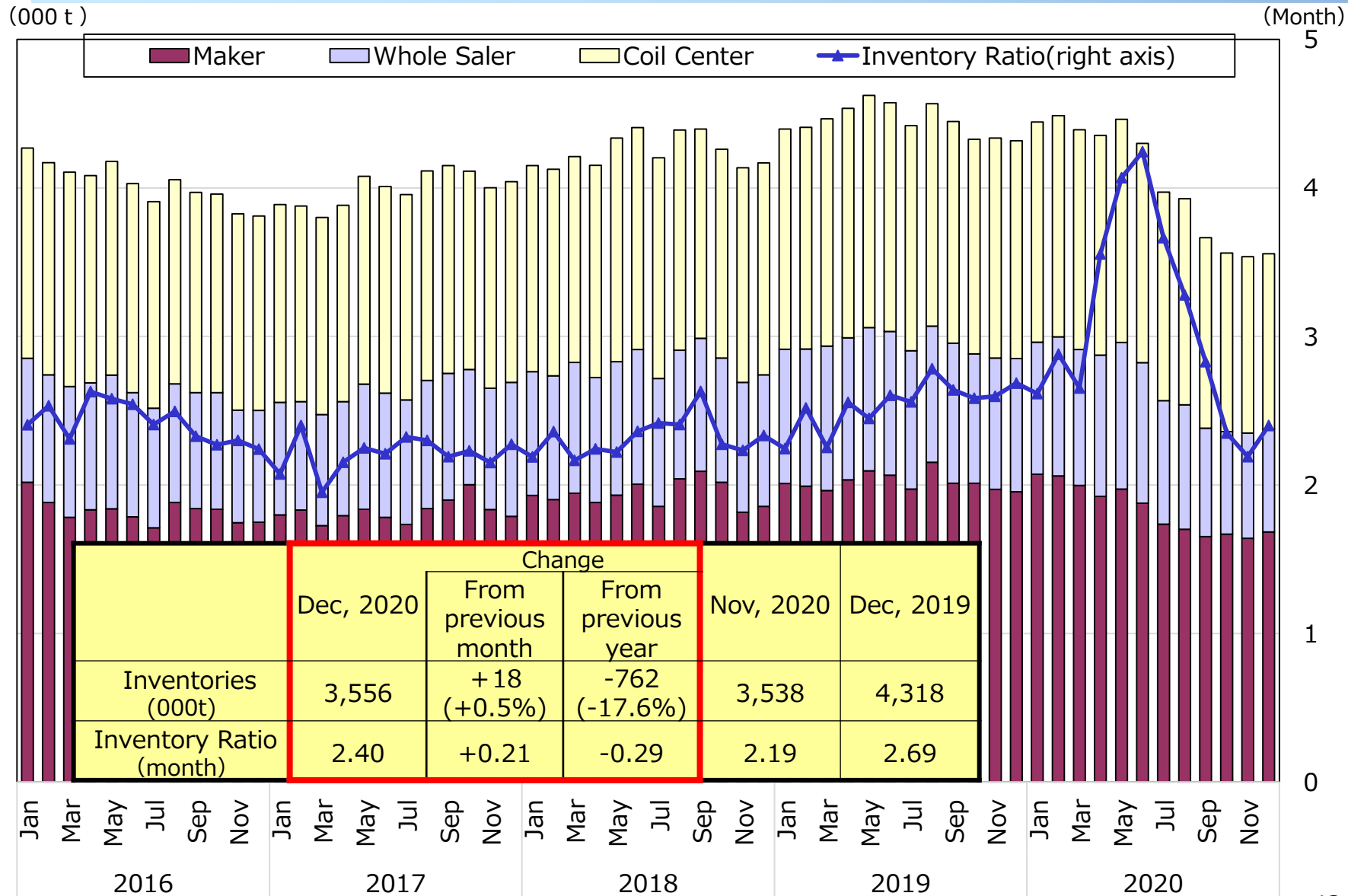
5. Others

-7.5

- Increase in scrap price, depreciation, and general expenses etc.

Domestic
Market EnvironmentCombined Inventories of HR,
CR and Coated Steel Sheet

JFE



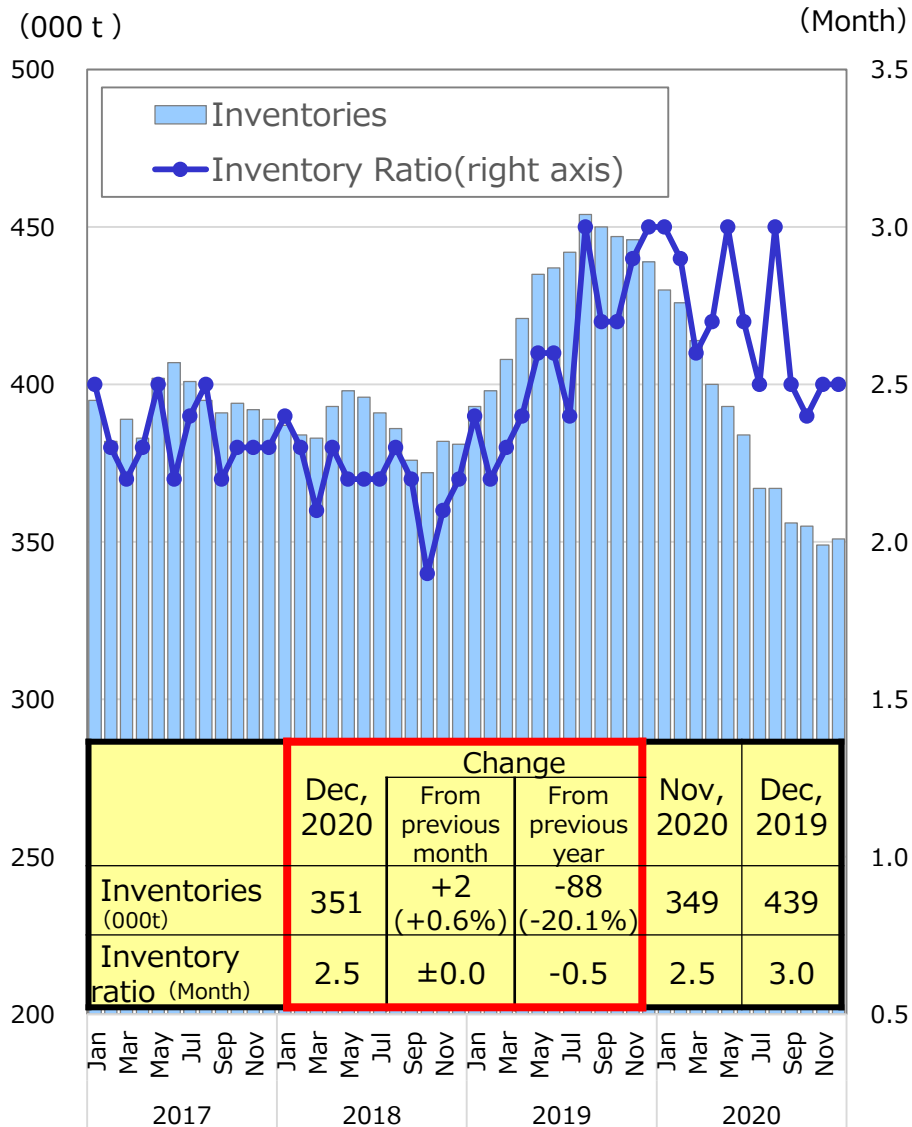


Domestic
Market Environment

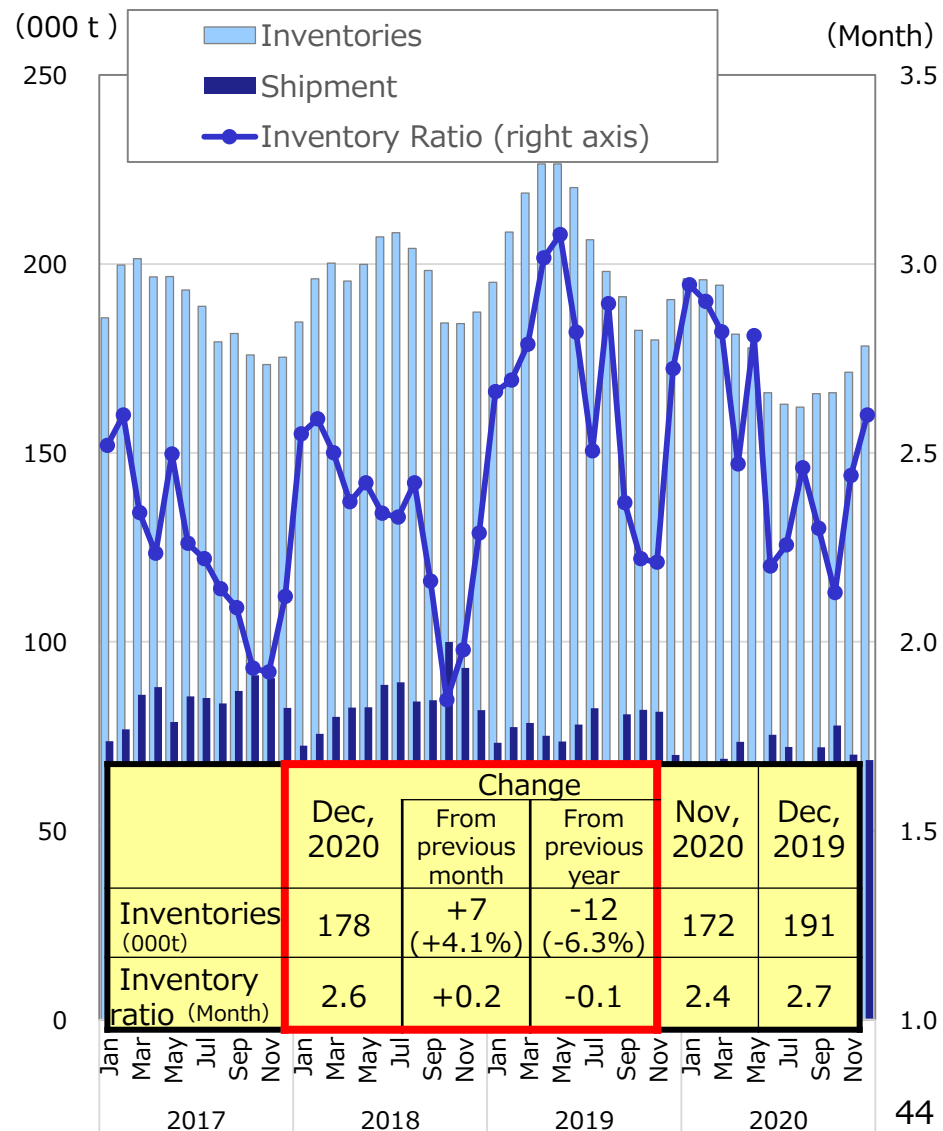
Inventories of Plate (Plate Shear) and Wide Flange Shapes

JFE

Inventories of Plate (Plate Shear)



Inventories of Wide Flange Shapes

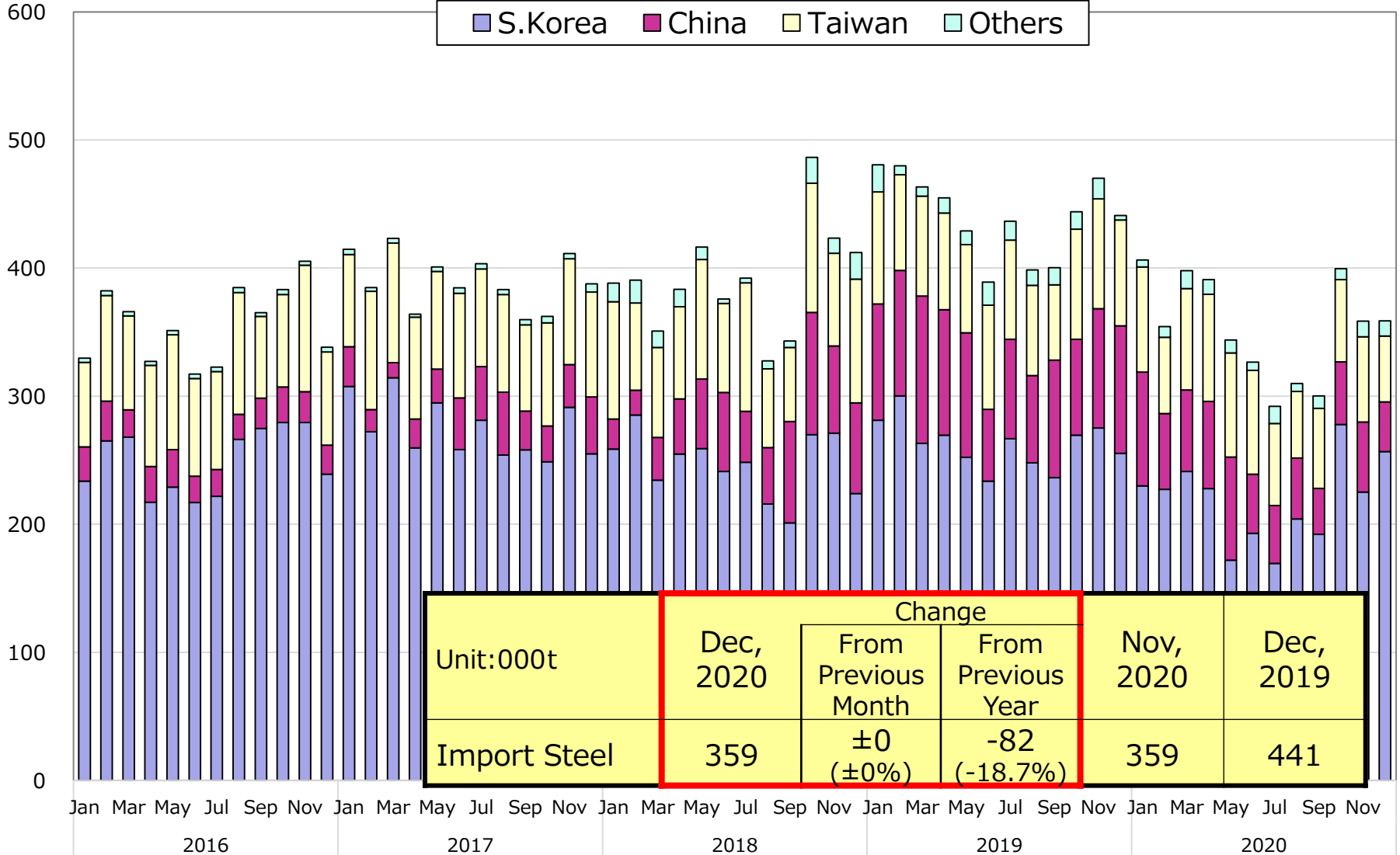


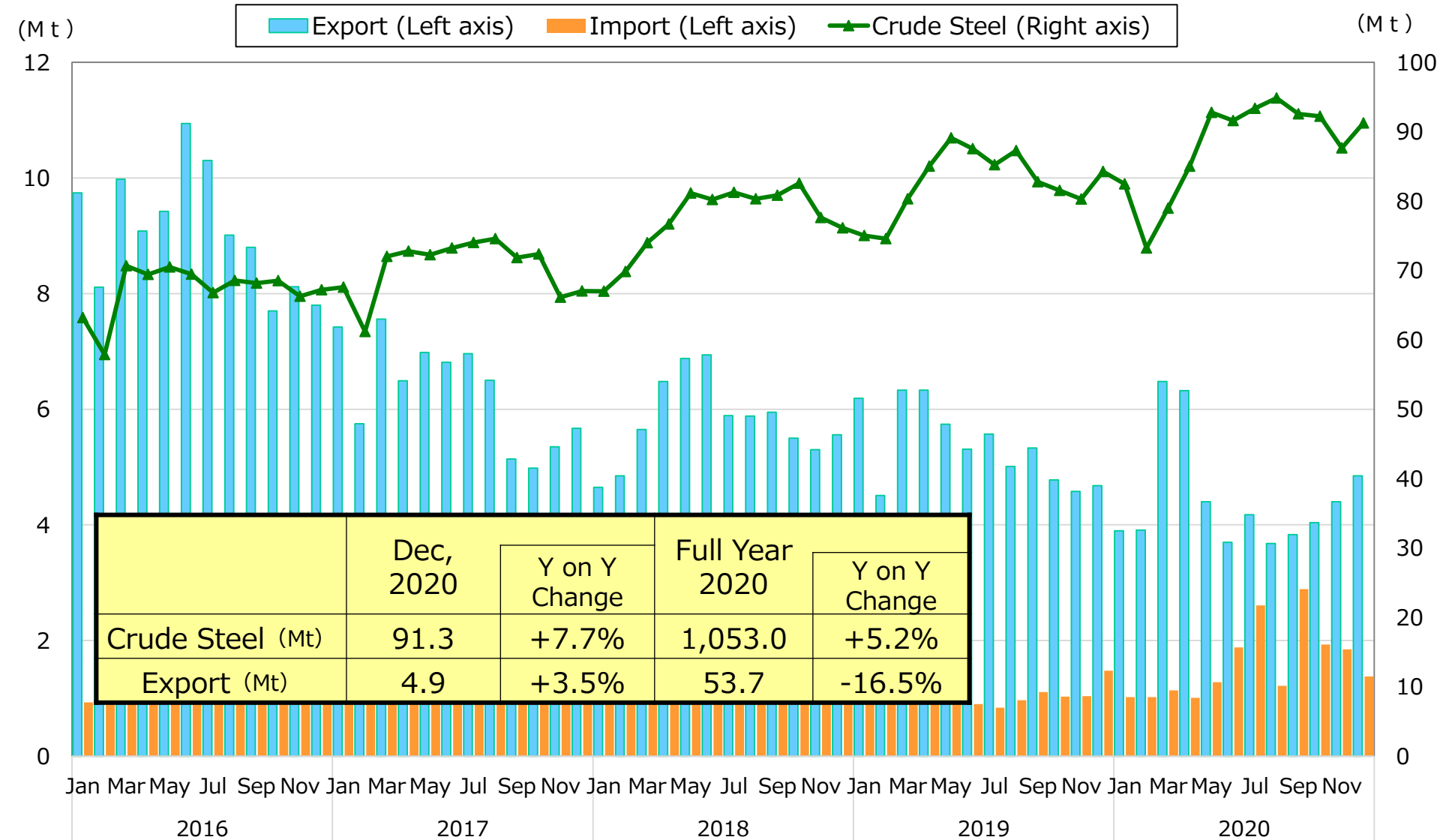
Domestic Market Environment

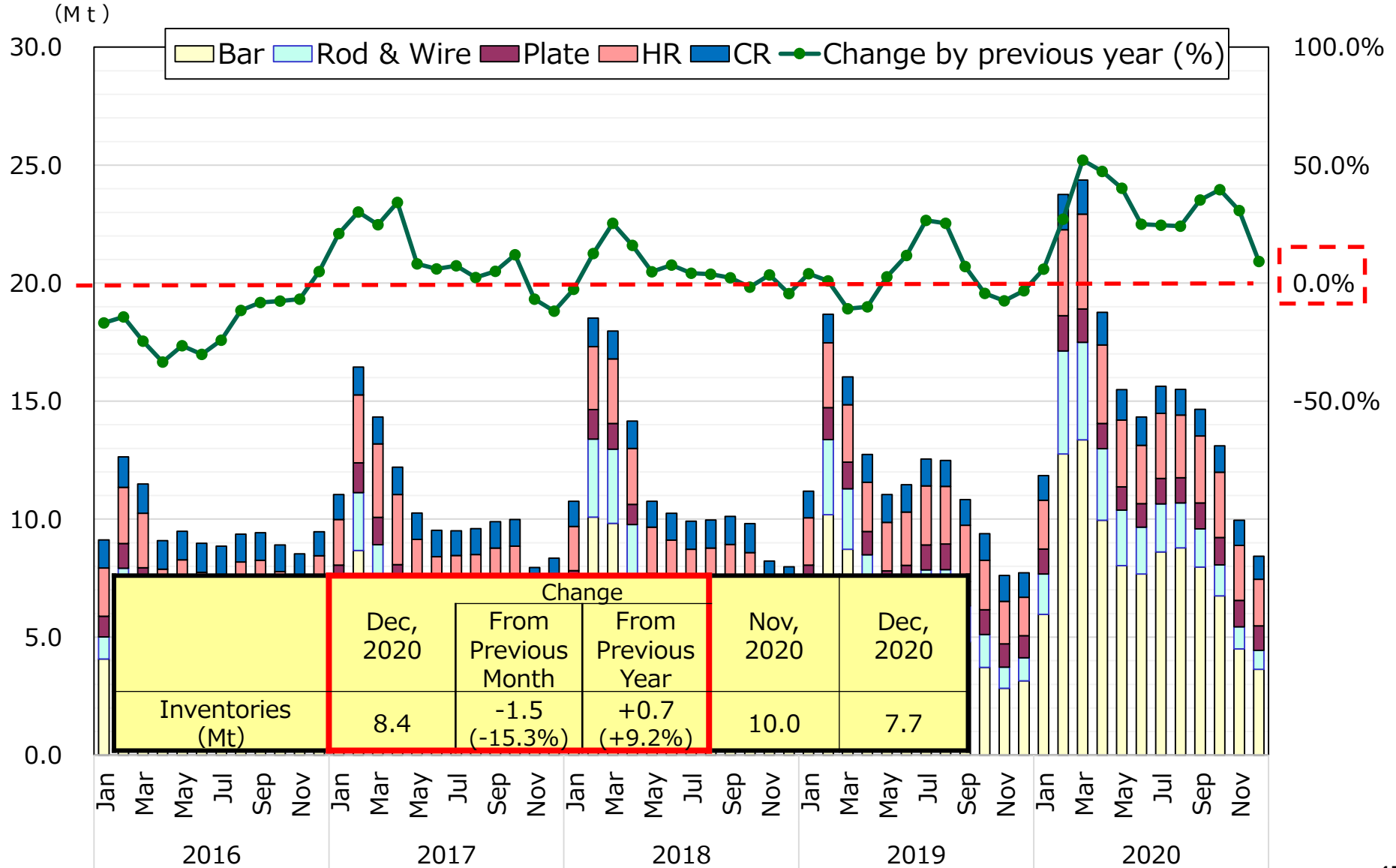
Trend of Import Steel (Ordinary Steel)

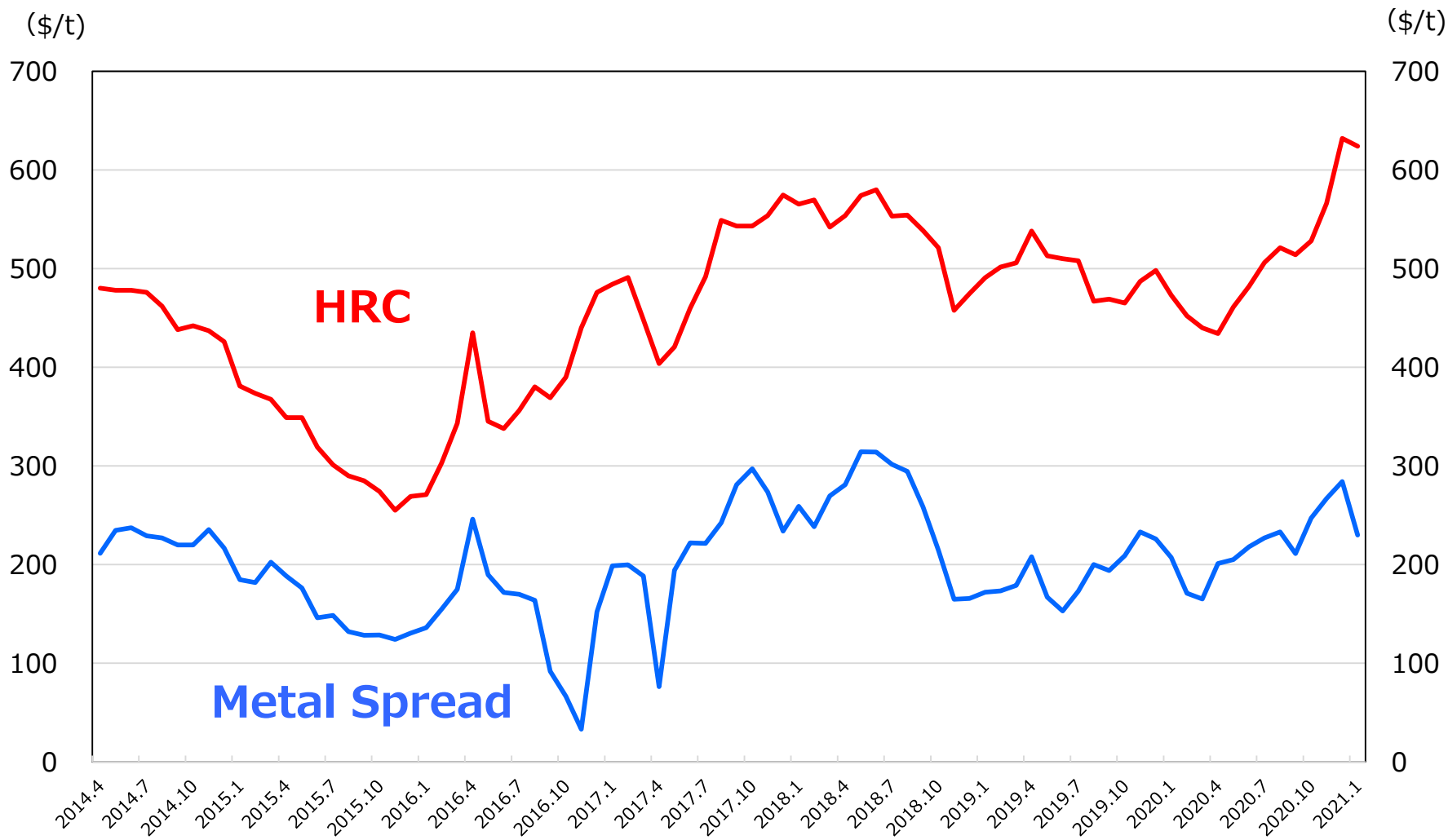
JFE

(000 t)









Metal Spread = HRC Price – Raw Materials Cost

*HRC Price : Chinese Spot basis

Raw Materials Cost : Calculated from market price of Iron Ore and Hard Coking Coal

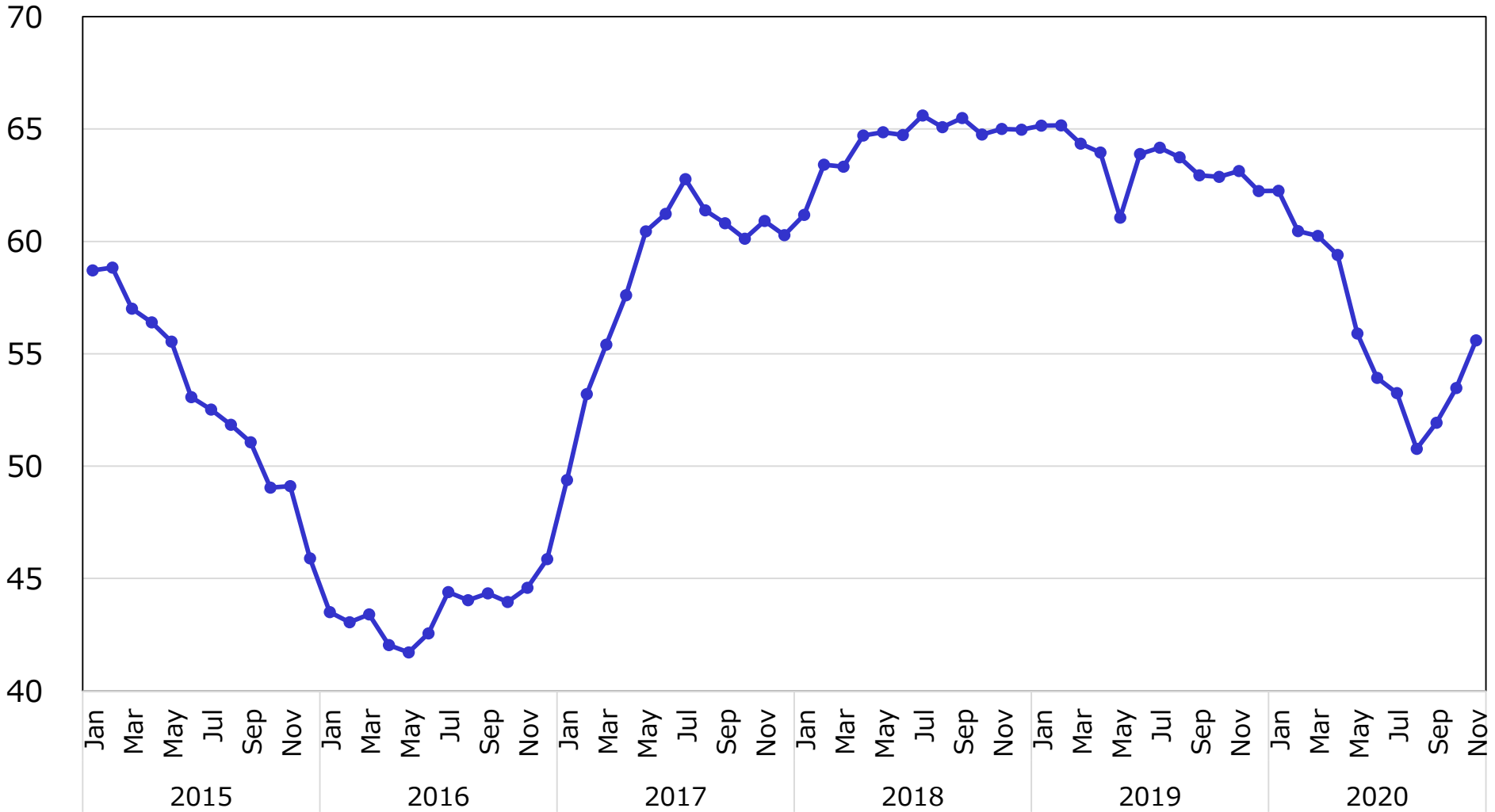


Domestic
Market Environment

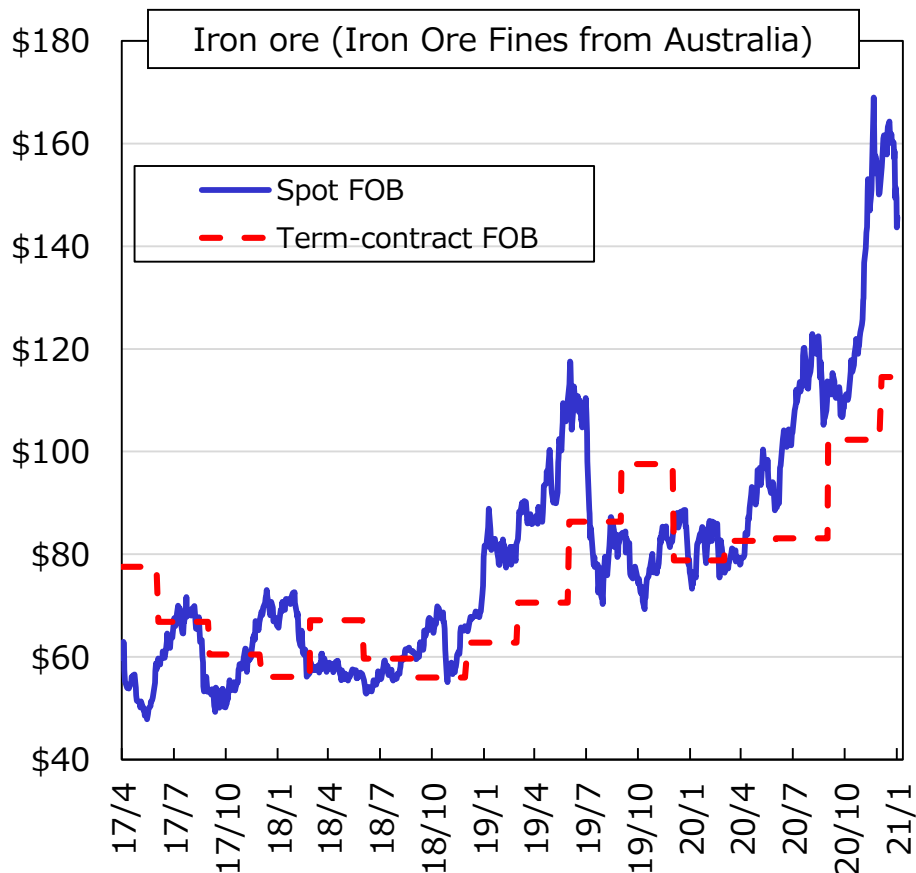
Price Trend of Import Steel

JFE

(000 yen/ ton)

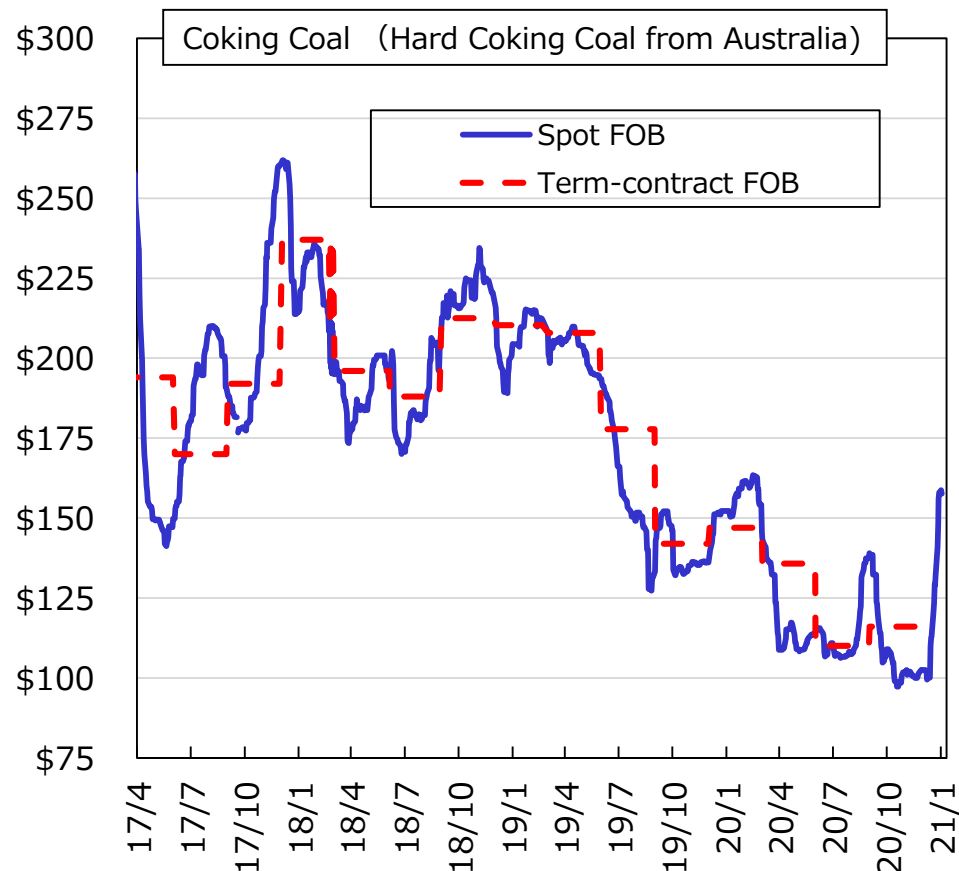


(\$/DMT)



Term-contract FOB	FY2020			
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
\$/DMT	83	83	102	115

(\$/WMT)

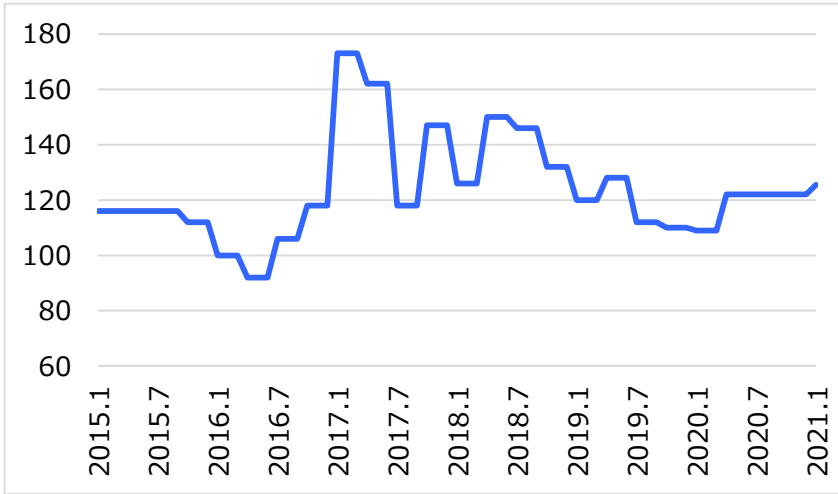


Term-contract FOB	FY2020		
	Apr-Jun	Jul-Sep	Oct-Dec
\$/WMT	136	110	116

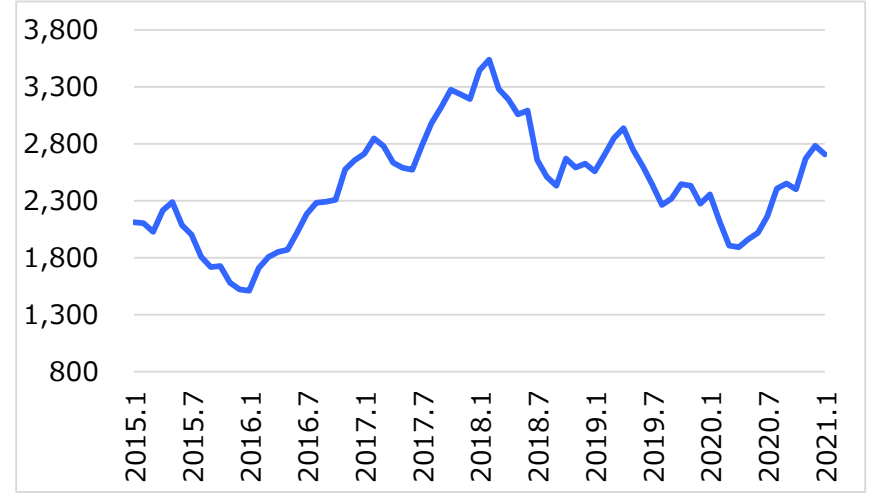
Raw Materials

Trend of Metal's Market Price

(¢ /lb) FeCr



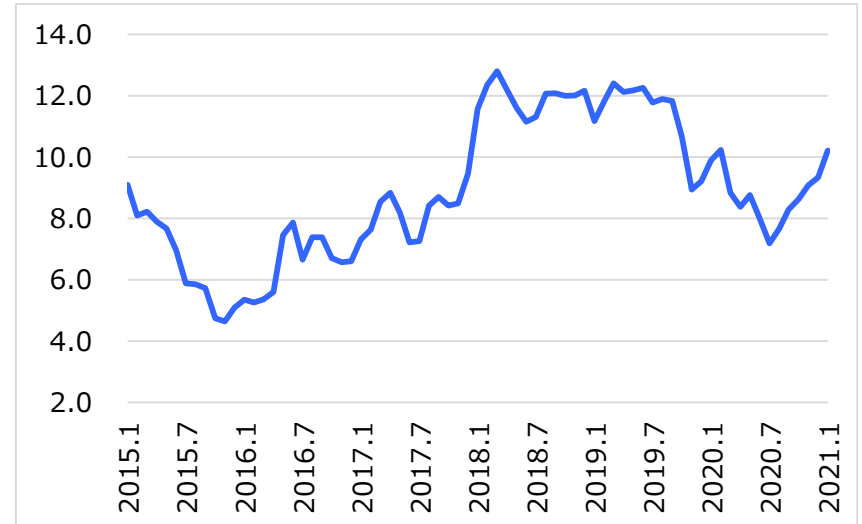
(U\$/t) Zn



(U\$/t) FeMn



(U\$/lb) Mo



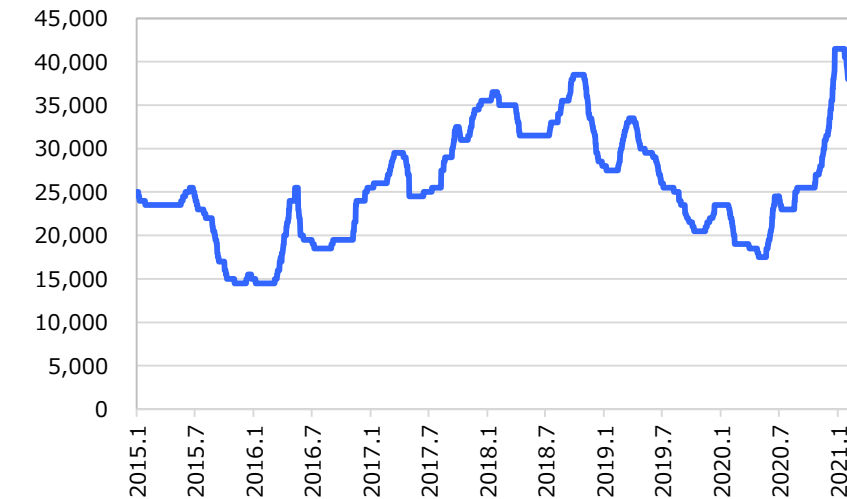


Raw Materials

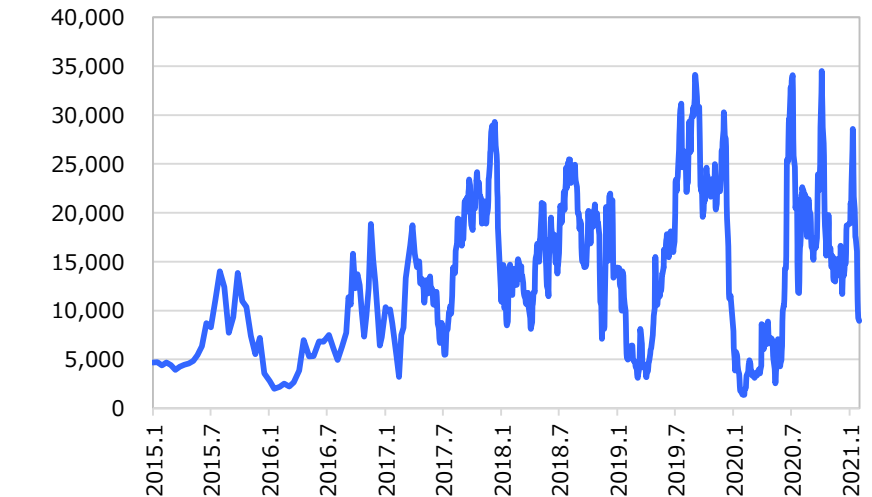
Trend of Sub Material's Market Price

JFE

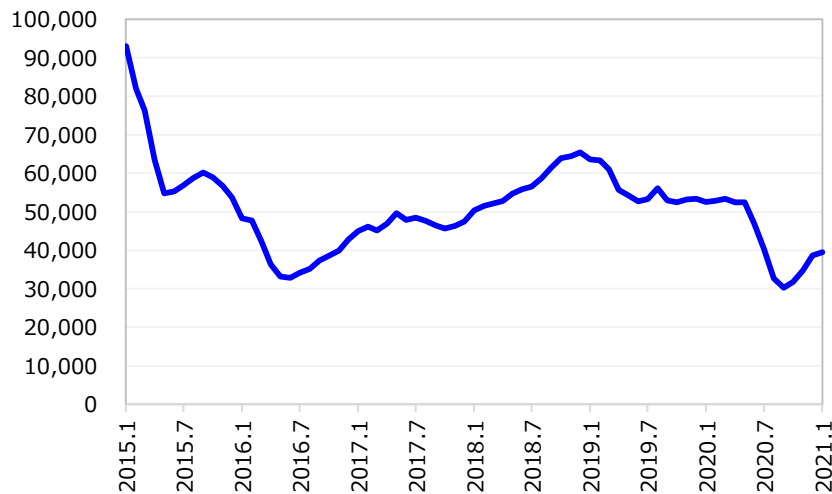
Scrap



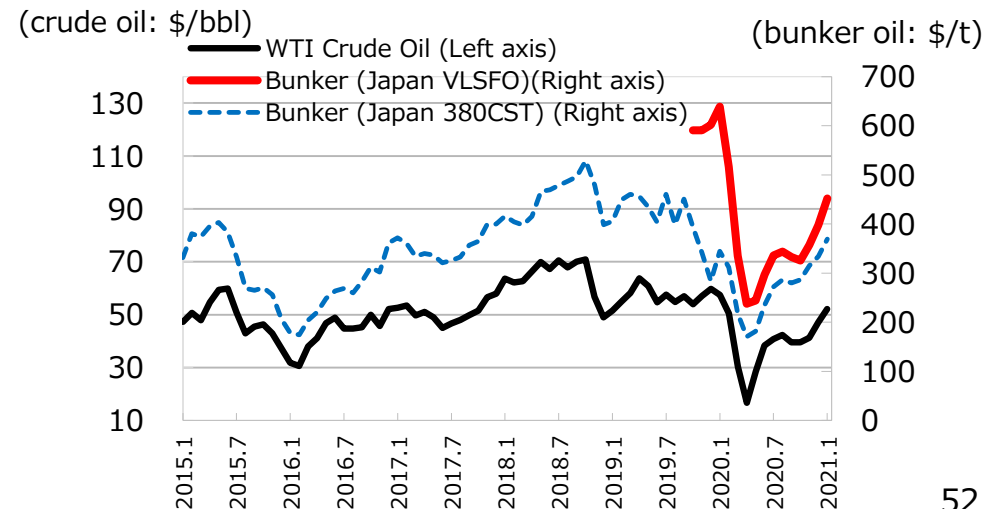
Spot Bulker



LNG



Oil








Orders by Business Field

JFE

(billion yen)

Business Field	FY2019 Actual	FY2020 Forecast	Change	Main orders received in FY2020 1H ★...New projects received in FY2020 3Q
Environment	187.1	260.0	72.9	<ul style="list-style-type: none"> ➤ Construction of waste treatment plant [Fukui, Fukuyama, Kurashiki, Okayama] ➤ Improvement works of waste treatment plant [Hiroshima, Yamato] ➤ Construction of waste power generation plant overseas [★Belgium, ★UK] ➤ Improvement works of Tsubame-Yahiko water purification plant [Niigata]
Energy	109.8	120.0	10.2	<ul style="list-style-type: none"> ➤ Construction of BOG treatment related facility [Sakai, Osaka]
Social infrastructure etc.	116.1	120.0	3.9	<ul style="list-style-type: none"> ➤ Reconstruction works of domestic bridges [No.1 Shimizu grade Yasaka viaduct, Shizuoka]
Total	413.0	500.0	87.0	

Links to the reports published during FY2020

Report	URL	QR code
JFE Group REPORT 2020	https://www.jfe-holdings.co.jp/en/investor/library/group-report/index.html	
JFE Group CSR REPORT 2020	https://www.jfe-holdings.co.jp/en/csr/index.html	
JFE Group CSR REPORT 2020 ESG Data	https://www.jfe-holdings.co.jp/en/csr/esg_data/	
IT REPORT 2020	Coming soon.	



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