



JFE

JFE Group

*Financial Results in Fiscal Year 2019
ended March 31, 2020*

JFE Holdings, Inc.

May 12, 2020



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This presentation material is for information and discussion purpose only.

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
Fiscal Year 2019
(April 1, 2019 to March 31, 2020)**



Financial Results in Fiscal Year 2019

JFE

(billion yen)	FY2018 Full Year(A)	FY2019 Full Year(B)	Change (B-A)	FY2019 Forecast(C) ^{*2}	Change (B-C)
Revenue	3,873.6	3,729.7	(143.9)	3,720.0	9.7
Business Profit	232.0	37.8	(194.2)	45.0	(7.2)
Finance Income/costs	(12.5)	(12.5)	0.0	(13.0)	0.5
Segment Profit	219.5	25.3	(194.2)	32.0	(6.7)
Exceptional Items	(10.2)	(238.8) ^{*1}	(228.6)	(220.0)	(18.8)
Profit before Tax	209.3	(213.4)	(422.7)	(188.0)	(25.4)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(45.8)	15.7	61.5	(2.0)	17.7
Profit Attributable to Owners of Parent	163.5	(197.7)	(361.2)	(190.0)	(7.7)

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.

*1) Details of Exceptional Items: Impairment losses of East Japan Works Chiba district -146.6 billion yen, impairment losses of Keihin district -85.8 billion yen, Other impairment losses -6.4 billion yen *2) Revision of Financial Forecast of FY2019 announced in March 27, 2020



Financial Results in Fiscal Year 2019 (by Segment)

JFE

(billion yen)	FY2018 Full Year(A)	FY2019 Full Year(B)	Change (B-A)	FY2019 Forecast(C)	Change (B-C)
Steel Business	2,830.6	2,681.3	(149.3)	2,700.0	(18.7)
Engineering Business	485.8	512.2	26.4	520.0	(7.8)
Trading Business	1,125.8	1,084.1	(41.7)	1,090.0	(5.9)
Adjustments	(568.6)	(548.0)	20.6	(590.0)	42.0
Revenue	3,873.6	3,729.7	(143.9)	3,720.0	9.7
Business Profit (A)	232.0	37.8	(194.2)	45.0	(7.2)
Finance Income/Costs(B)	(12.5)	(12.5)	0.0	(13.0)	0.5
Segment Profit					
Steel Business	161.3	(8.7)	(170.0)	0.0	(8.7)
Engineering Business	20.1	23.1	3.0	23.0	0.1
Trading Business	35.7	27.0	(8.7)	29.0	(2.0)
Adjustments	2.3	(15.9)*	(18.2)	(20.0)	4.1
Total (A+B)	219.5	25.3	(194.2)	32.0	(6.7)

*Including share of loss of entities accounted for using equity method related to Japan Marine United Corporation, -17.9 billion yen.

JFE Steel
Financial Results for
Fiscal Year 2019



Production and Shipment

JFE

	Unit	FY2018	FY2019			Full Year (B)	Change (B-A)	FY2019 Forecast (C)
		Full Year (A)	1H	2H				
				3Q	4Q			
Crude Steel (Standalone)	Mt	26.31	13.79	6.24	6.70	26.73	0.42	Approx. 27.00
Crude Steel (Consolidated)	Mt	27.88	14.50	6.59	7.00	28.09	0.21	Approx. 28.40
Shipment (Standalone)	Mt	23.78	11.80	5.59	6.09	23.47	(0.31)	Approx. 23.80
Export Ratio on Value Basis (Standalone)	%	41.7	41.0	39.7	44.4	41.5	(0.2)	41
Average Sales Price (Standalone)	000 yen/t	81.5	79.9	79.6	76.1	78.8	(2.7)	79
Exchange Rate	¥/\$	110.7	109.2	108.8	109.4	109.1	(1.6)	109
Exchange Rate (End of Term)	¥/\$	111.0	107.9	109.6	108.8	108.8	(2.2)	



8.7 Billion Yen Decrease in JFE Steel's Segment Profit (FY19(Forecast) vs. FY19(Actual))

JFE

				(billion yen)	
JFE Steel	FY2018 Actual (A)	FY2019 Forecast (B)	FY2019 Actual (C)	Change FY2018 →FY2019 (C-A)	Change Forecast → Actual (C-B)
Segment Profit	161.3	0.0	(8.7)	(170.0)	(8.7)

- **Cost** - 3.0
- **Volume and Mix** - 6.0
- **Sales and Raw materials** + 5.0
- **Inventory valuation** + 1.0
- **Others** - 5.7

- Inventory valuation + 1.0 (-23.0→-22.0)
- Carry over of raw materials - 2.0(-5.0→-7.0)
- Foreign exchange valuation +2.0 (-3.0→-1.0)

TOTAL - 8.7

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Segment profit for FY2019 was -8.7 billion yen, decreased from the previous forecast 0 billion yen.

◆ **Cost : -3.0 billion yen**

Cost increased due to the raw material mix (-2.0 billion yen) and increased repairing costs by having furnace repairing done ahead of schedule (-1.0 billion yen).

◆ **Sales Volume and Mix: -6.0 billion yen**

Production and sales volume decreased amid the spread of COVID-19 for the following reasons.

- Direct impact from customers who suspended their operation from March 2020.
- Indirect impacts amid economic slowdown, such as decreasing the level of production activity, delay of construction works, inventory adjustment, and dropping steel market price

- Crude steel (Standalone) 27.00 Mt → 26.73 Mt (-0.27 Mt)
- Shipment (Standalone) 23.80 Mt → 23.47 Mt (-0.33 Mt)

◆ **Sales Prices and Raw Materials (Metal Spread) : +5.0 billion yen**

(+200 yen/t-shipment)

Metal spread improved through drop in raw material price and increased in sales price for exports.

◆ **Inventory valuation etc.: +1.0 billion yen**

◆ **Others : -5.7 billion yen**

- Foreign exchange valuation in overseas subsidiaries
- Increase in loss of disposal and sales of assets etc.



170.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY18 (Actual) vs. FY19 (Actual))

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JFE Steel	FY2018 Actual (A)	FY2019 Forecast (B)	FY2019 Actual (C)	Change FY2018 → FY2019 (C-A)	Change Forecast → Actual (C-B)
Segment Profit	161.3	0.0	(8.7)	(170.0)	(8.7)

(billion yen)

■ Cost	+ 42.0	⇒	• Cost reduction +20.0 • One-off effect in FY2018 +22.0
■ Volume and Mix	- 6.0		
■ Sales and Raw material	- 81.0		• Inventory valuation -57.0 (+35.0→-22.0) • Carry over of raw materials -6.0(-1.0→-7.0) • Foreign exchange valuation -4.0 (+3.0→-1.0)
■ Inventory valuation	- 67.0	⇒	
■ Sub materials cost etc.	- 15.0	⇒	Increase in sub materials, logistics, and outsourcing costs etc.
■ Others	- 43.0	⇒	• Increase in depreciation with strengthening manufacturing capabilities • Decrease in profit of subsidiary companies etc.
Total	- 170.0		

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Segment profit for FY2019 was -8.7 billion yen, decreased by 170.0 billion yen year on year.

◆ **Cost: +42.0 billion yen**

Cost reduction: +20.0 billion yen: Cost effects of investment in spite of the negative impacts from reduction of production, typhoons and raw material mix.
One-off effect in FY2018: +22.0 billion yen

◆ **Sales Volume and Mix : -6.0 billion yen**

While sales volume increased due to one-off effect in FY2018, product mix deteriorated both overseas and domestic.

- Crude steel (Standalone) 26.31 Mt → 26.73 Mt (+0.41 Mt)
- Shipment (Standalone) 23.78 Mt → 23.47 Mt (-0.31 Mt)

◆ **Steel Prices and Raw materials (Metal Spread) : -81.0 billion yen**

(-3,500 yen/t-shipment)

Metal spread shrank with decreased steel prices in overseas market and increased prices of iron ore.

◆ **Inventory valuation etc. : -67.0 billion yen**

◆ **Sub materials cost etc. : -15.0 billion yen**

• Sub materials: -5.0 billion yen • Logistics: -4.0 billion yen • outsourcing: -5.0 billion yen

◆ **Others: -43.0 billion yen**

- Decrease in profit of subsidiary companies
- Increase in depreciation and loss of asset disposal cost with strengthening manufacturing capabilities

JFE Engineering
Financial Results
for Fiscal Year 2019



Financial Results in FY2019 of JFE Engineering

JFE

(billion yen)

	FY2018 (Actual) A	FY2019 (Forecast) B	FY2019 (Actual) C	Change (C-A)	Change (C-B)
Orders	482.8	450.0	413.0	(69.8)	(37.0)
Revenue	485.8	520.0	512.2	26.4	(7.8)
Segment Profit	20.1	23.0	23.1	3.0	0.1

【Change: FY2019 Forecast vs FY2019 Actual】

Orders (37.0) Decrease with change in schedule of large-scale orders etc.

【Change: FY2018 vs FY2019】

Orders (69.8) Large-scale orders were concentrated in the previous year etc.

Revenue 26.4 Increase with increase in orders in the previous year

Segment Profit 3.0 Increase with increase in revenue

JFE Shoji
Financial Results
for Fiscal Year 2019



Financial Results in FY2019 of JFE Shoji

JFE

(billion yen)

	FY2018 (Actual) A	FY2019 (Forecast) B	FY2019 (Actual) C	Change (C-A)	Change (C-B)
Revenue	1,125.8	1,090.0	1,084.1	(41.7)	(5.9)
Segment Profit	35.7	29.0	27.0	(8.7)	(2.0)

【Change: FY2019 Forecast vs FY2019 Actual】

Segment profit: decrease with change in schedule of receiving dividend and decrease in demand due to downturn of business environment etc.

【Change: FY2018 vs FY2019】

Segment profit: decrease with slowdown of steel demand and prices in global market due to prolonged trade friction between US and China since 2H in FY2019, as well as decline in steel prices in US market through FY2019.

Dividends



- Based on the current business condition, JFE Holdings decided not to implement its year-end dividend policy.

Interim dividend : 20 yen per share
Year-end dividend : (no dividend)
Annual dividend : 20 yen per share

- JFE Holdings and JFE Steel implemented a return of compensation paid to the presidents, the vice presidents and executive officers. As the business condition can be further deteriorated, we will increase the proportion of compensation returned for the foreseeable future from May 2020.

JFE Holdings
Financial Forecasts
for Fiscal Year 2020



Our consolidated financial results forecasts for fiscal 2020 remain pending because of uncertainties surrounding COVID-19, which make it impossible to form reasonable demand estimates, particularly in the steel business, at this point in time.

**Impacts from
the spread of COVID-19
and our countermeasures**



JFE's Situation amid the Spread of COVID-19

JFE

To ensure employees' safety and health as top priority,
the following countermeasures are implemented.

□ Domestic Situation

- JFE Holdings and its operating companies have introduced teleworking until May 31, 2020, based on the state of emergency over COVID-19.
- JFE's works and plants have kept in operation. Necessary measures to prevent infection and contagion are thoroughly undertaken for employees on production sites.

□ Overseas Situation : Carry out optimal working and operational structure in response to the governments' orders in each country.

Main Areas	Operational Status	Note
China	Restarted operation	The level of customers' business activity differs.
Other Asia	Steel business: all of its offices and main JV companies have restarted their operation.	Some subsidiary companies of trading business have been in partial operation or stopped operation in accordance with the declaration of state of emergency or lockdowns in each area.
North America	Mexico : NJSM* etc. have stopped operation Others : have been in normal operation	NJSM : Shutting down of its operation in accordance with the authority's request has no impact on product delivery because NJSM has not yet started its full commercial production.

*NJSM : NUCOR-JFE STEEL MEXICO



Current Business Environment

JFE

□ Domestic

- Spread of COVID-19 has significantly deteriorated the domestic economic activity.
- Signs of bottom-out have not yet seen as the automotive industry, which had performed strongly, has partially stopped operation, and the demand for shipbuilding, industrial and construction machinery, and building has weakened furthermore.
- Negative impacts on Engineering business, such as interruption or postponement of undergoing project and rescheduling or postponement of orders, are concerned.

□ Overseas

- The global economy has shown significant decrease, and steel demand has been declining.
- Worsened supply/demand balance for steel has decreased steel market price overseas, and the current metal spread is the lowest level ever.
- Same as domestic situation, negative impacts on Engineering business such as postponement of projects and orders are concerned.

JFE takes the current situation as the greatest challenge since the company's establishment, and will implement countermeasures to overcome this crisis. 20



◆ Measures

In response to the current significant decrease of steel demand, JFE steel has decided to implement the following measures in a view of both pursuing effective operating structure and maintaining employment. (Announced in April 15, 2020)

1. Stopping Blast Furnace (Refitting), Banking*

• West Japan Works (Kurashiki district) No.4 BF

Was shut down at the end of April 2020 and commenced work on a refit.

• West Japan Works (Fukuyama district) No.4 BF

has begun to prepare for banking starting from the end of June 2020

(*banking : to stop operating BF by stopping the air blast flow, but making it possible to restart production a while later)

2. Temporary off-days for employees

Implement temporary off-days to cut payable salary from May 2020

JFE Steel will continue to monitor steel demand trends and carry out flexible and agile measures to respond to it.



In addition to temporarily shutting down two blast furnaces, JFE Steel will consider and carry out the following measures to improve profitability.

1. Rigorous cost reduction mainly sourced from fixed cost reduction

: Aiming for cost reduction of approx. 100.0 billion yen through repairing cost reduction, emergency labor-cost-reduction measures etc.

2. Extra careful screening of investments

: Screening of new investment, revision of already decided investments including reschedules of execution

3. Substantial reduction in inventories

(steel products, raw materials, and sub materials)

: Further steps such as revision of standard inventory level etc.

4. Sales of assets

: Considering & implementing sale of all the cross-holding shares in principal and every type of the assets including real estate

etc.

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Cost reduction of approx. 100.0 billion yen is almost equally divided into fixed cost reduction and variable cost reduction.

- Fixed cost reduction : mainly repairing cost reduction and emergency labor-cost-reduction measures
- Variable cost reduction : full-year effects coming from large-scale CAPEX such as No.3 Coke Oven (A) and No,3 sintering machine in Fukuyama district, both of which has started operation in FY2019, and execution of extra measures.



Domestic: Spread of COVID-19 is causing temporary postponement of some undergoing construction work, though demand relating liberalization of energy and projects of infrastructure are expected to be solid.

Expansion of impact on new orders and construction progress are concerned.

Overseas: Postponement and rescheduling of undergoing construction and new orders are concerned as well as domestic, though demands for steel structure business in South Asia and waste-to-energy power plant business in Europe are expected to increase.

Aim to minimize the impact of spread of COVID-19 by prompt actions such as implementing optimum procurement in accordance with construction progress and flexible adjustment of operations.



- **Domestic and overseas steel demand is expected to decrease due to slowdown of global economy and it is still uncertain,** though strengthening supply chain is steadily progressing in priority fields such as electrical steel processing for electric vehicle and high efficiency transformer.
- Sales of raw materials and machineries is also expected to decrease as well as steel products.
- In addition, **impact** of spread of COVID-19 **on logistics and operations of steel processing centers are concerned.**

Place the top priority on safety of employees and take appropriate and prompt counteractions in accordance with every region's infection status, government's policy, medical status, procurement of goods and aviation operation etc.



Measures for Maintaining Financial Strength

JFE

1. Compression of assets to generate cash flows

<Sale of cross-holding shares, compression of inventories

: approx. 150 billion yen from FY19 to FY20>

Achieved **approx. 35 billion yen** during FY19. Selling shares step-by-step based on no-shareholding policy in principle.

2. Compressing the domestic CAPEX of Steel Business

<Approx. 100 billion yen (approx. 10%), compared to the CAPEX plan, 1 trillion yen (based on decision-making), referred in 6th medium-term business plan>

<Measures amid the impact from spread of COVID-19>

- **Extra careful screening of investments**: Screening of new investment, revision of already decided investments including rescheduling of execution
- **Substantial reduction in inventories (steel products, raw materials, and sub materials)** : Further steps such as revision of standard inventory level etc.
- **Sale of assets** : Considering & implementing sale of all the cross-holding shares in principal and every type of the assets including real estate
- **Financing** : Have already secured adequate liquidity by commitment line agreements approx. 700.0 billion yen with several financial institutions

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Initiatives for mid-and-long-term growth



Measures to Aim Sustainable Growth

JFE

■ Current Business Environment

- **Slump in steel demand** among manufacturing industries, due to US-China trade tensions
- **Rising raw-material prices** driven by China's increased output of crude steel
- **Rising prices for various commodities and services** including auxiliary raw materials, sub materials and logistics

■ Mid/Long-term Forecast

Domestic

Decline in domestic demand amid population decrease and other factors

Overseas

Increasingly intense competition due to expanding steel-production capacity in developing economies and the growth of Chinese exports due to falling domestic demand in China

In-house

Continuous large-scale investment to renew aging facilities and equipment will be needed over the long term in order to strengthen domestic manufacturing bases as well as overall manufacturing capabilities

These risks have become apparent earlier than expected when the 6th medium-term business plan was determined.

Due to the structural and rapid changes taking place especially in steel business,

- **It is difficult to achieve the targets in 6th mid-term business plan. However, JFE will make step-by-step implementation of each measure.**
- **Steel business has decided to optimize domestic production operations through structural reforms.**



Main Structural Reforms (announced in FY2019)

JFE

Review production operations by strategically focusing resources on key products and production operations to enhance competitiveness

- Transition to a domestic operating configuration based on **7 BFs, down from 8 at present**: production capacity to be reduced by around 4 million tons (about 13%)
- By FY2023 or thereabouts, **upstream processes including iron making, steelmaking and hot rolling equipment in East Japan Works (Keihin)** will be shut down, and the East Japan Works' production of steel sheet, with the exclusion of some products, will be consolidated in Chiba (No.6 BF in Chiba to be refitted by 2023 or thereabouts)

<Main facilities to be shut down in Keihin and Chiba>

Keihin

Blast Furnace, Shaft Furnace, Sintering Machine, Coke Ovens, Converter, Electric Arc Furnace, Continuous Casting Machines, Hot Rolling Equipment (excluding pickling line and skinpass mill), some of the production lines for cold-rolled steel sheets*

Chiba

Tin mill product manufacturing lines*

*PLTCM&3CGL in Keihin and 2ETL&2CAL in Chiba have already been shut down in FY2019.

- Planning to reinforce the capacity for both **upstream facilities** and **electrical steel sheet manufacturing facilities** until FY2023 in the West Japan Works as JFE's mainstay steelworks.

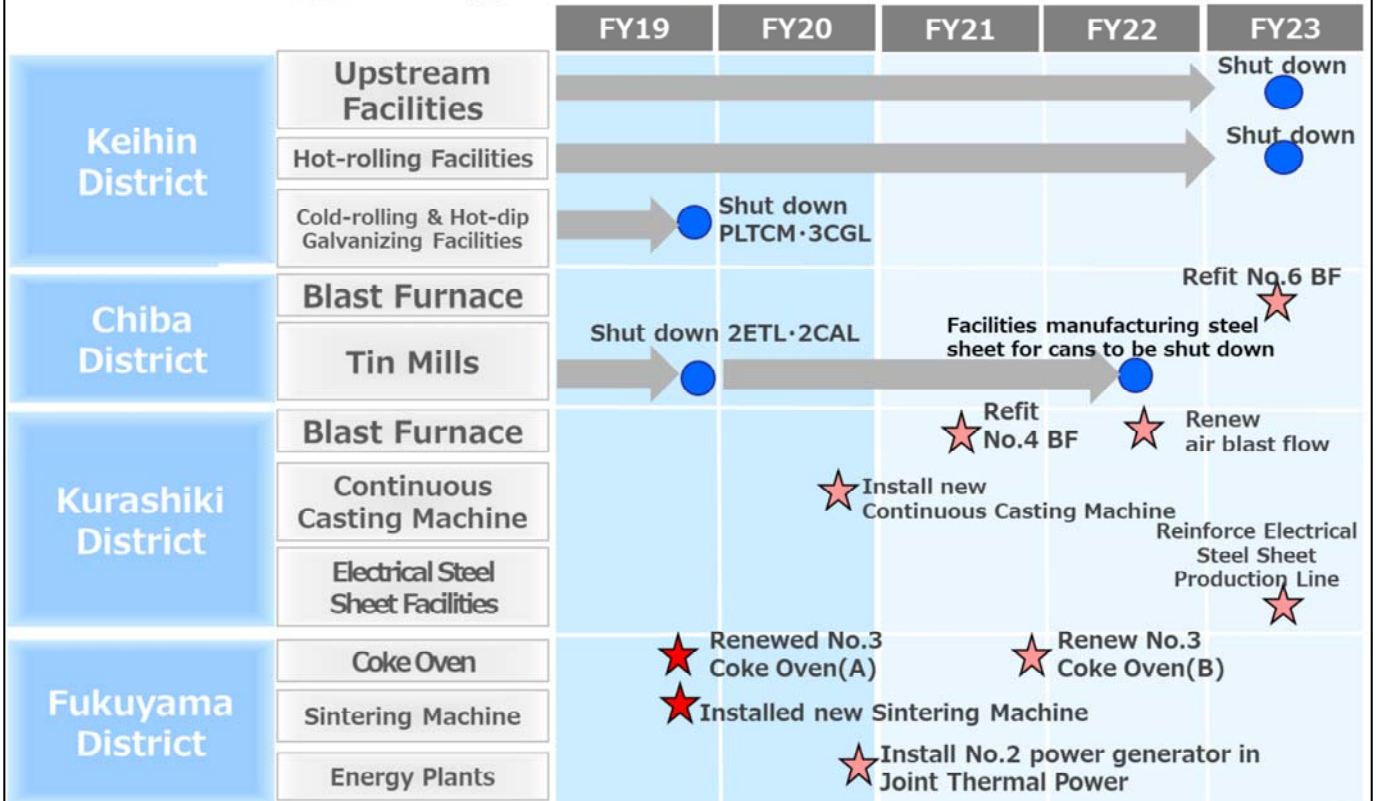


Progress of Initiatives of Steel Business (Domestic)

(Structural Reforms and Initiatives to Reinforce Manufacturing Capabilities in Japan)

JFE

● Shut down ★ In operation ★ Planning to operate (in progress)






Progress of Initiatives of Steel Business (Overseas)

JFE

● Done ◆ Plan (in progress)

	FY18	FY19	FY20	FY21	FY22	FY23
Head			● Established the new Global Business Development Center			
Auto-mobile		● [China·Iron powder] BJCMX started commercial production ● [China·Specialty steel for bars and wire rods] Signed contract of JV, BJSS ● [Mexico·Steel sheets for automobiles] Started NJSM commercial production				
Infra-structure materials	 <p>JMM plant located in Thilawa industrial zone</p>		◆ [China·Materials for lithium-ion batteries] Anode materials to start commercial production Started Color-coating Line operation ●.....◆ [Myanmar·Flat-steel products for building and construction] JMM to start commercial production			
Energy		● [UAE· Large-diameter welded pipe] AGPC started commercial production				
Partners' upstream facilities etc.	● [Vietnam] FHS No.2 BF started operation	● [Australia·Coking Coal] Byerwen Coal Pty Ltd started shipment of hard coke		◆ [India] Expansion in JSW Dolvi steelworks to be completed		

•BJCMX : Shanghai Baowu JFE Clean Iron Powder Co., Ltd. •BJSS : BaoWu JFE Special Steel Co., Ltd.
 •JMM: JFE MERANTI MYANMAR CO., Ltd. •NJSM : NUCOR-JFE STEEL MEXICO •AGPC : AL GHARBIA PIPE COMPANY



Progress of Initiatives of Engineering Business

JFE

Strengthen business structure by expanding operation businesses and increasing profitability of overseas business

Progress of major initiatives

Sales of operation businesses (Billion yen)



Expand operation business

Expanding mainly recycling and electricity business

- Established J&T Recycling, a largest-class recycling company around the Tokyo metropolitan area
- Promoting electricity business under public and private partnership [Kumamoto, Nigata etc.]

Orders and sales of overseas businesses (billion yen)



Increase profitability of overseas business

Expanding overseas sales by expansion of SBG*'s orders

- **Belgium:** Biomass power generation plant [Order approx. 10.0 billion yen]
- **Scotland:** Waste power generation plant [Order approx. 4.0 billion yen]
- **Germany:** Waste heat recovery boilers for the Industriepark Hoechst [Order approx. 10.0 billion yen]
*Standardkessel Baumgarte GmbH

Develop new product - Expand business fields

Utilizing advanced technology, creating and expanding business fields

- Realized fully-automatic operation of waste incinerator, promoting commercialization
- Acquired all shares of AnyTech –utilize the world-first technology of anomaly detection by AI
- Acquired all shares of Mitsui E&S Plant Engineering [New company name: JFE Project One]



Progress of Initiatives of Trading Business

JFE

Build a stable profit base and strengthen global and regional strategy

Progress of major initiatives

Americas	<ul style="list-style-type: none"> ■ Acquired all shares of Cogent in Canada, an electrical steel processing company including core processing for transformers etc. ■ Established JSSB in Mexico, a steel processing center for automobile industry etc. ■ Established JFE Shoji America Holdings ~ developing a center of planning and executing strategies of North America business~
China	<ul style="list-style-type: none"> ■ Invested in Zhejiang r. bourgeois mechanics [RBZ], a motor lamination core manufacturer ~Expand an alliance with r. bourgeois S.A in France (RBB, a parent company) from US to China
ASEAN	<ul style="list-style-type: none"> ■ Invested in I.M.E.(THAILAND), a manufacturer of precision parts of motor for electronics manufacturer and automotive industry
Japan	<ul style="list-style-type: none"> ■ Strengthen the group's business base of construction fields Merger of JFE Shoji Trade Steel Construction Materials Corporation and JFE Shoji Usuitakenzai Corporation ■ Established Chubu Shinkan Kogyo, a manufacturer of drawn steel tubes and precision parts. Strengthen tubes and precision parts business ■ Promoting IT initiatives such as introducing Robotics Process Automation (RPA) throughout the company, and core system refreshment of group companies.

Maintaining a solid footing while aggressively pursuing future growth



Strengthen Supply Chain Management based on global 4 pillars
Develop a stable profit base



ESG Initiatives (1)

JFE

Major Initiatives in FY2019

- Declared agreement with the summary of the Final TCFD Report, and conducted information disclosure following TCFD recommendations including scenario analysis E
- Achieved a target to increase the number of female employees in management positions ahead of initial plan S
 (Achieved 3 times increase in the number from that as of Aug. 2014
 → Revised the target to increase 5 times from that as of Aug.2014, by 2025)
- Appointed a female Audit & Supervisory Board Member G
- Partially revised KPIs for material issues based on the performance and efforts implemented in FY2018 E S G
- Improved information disclosure and external recognition etc. E S G

External Recognition

JFE Group Report 2019 was elected as **Outstanding Integrated Report** and **Highly-Improved Integrated Report** by asset management funds of GPIF

JFE Group CSR Report 2019 received **the 23rd Environment Communication Award** held by Ministry of the Environment and Global Environmental Forum





ESG Initiatives (2)

JFE

Major Initiatives in FY2020

- E
■ **Promote initiatives to ultimately achieve Zero Carbon Steel Production** (Promote the development of Ferro Coke, an innovative iron making process etc.)
- E
■ **Promote initiatives to expand utilization of renewable energy** (Expand waste, biomass, thermal, and solar power generation businesses etc.)
- E
■ **Promote recycling and contribute to establishing recycling-based society** (refer to the next page)
- S
■ **Respond to the spread of COVID-19** (Secure safety and health of employees)
- G
■ **Further improve the effectiveness of the Board of Directors** (ESG, mid and long-term investment strategy etc.)
- G
■ **Appoint a female director** (Scheduled in June 2020) etc.

Contribute to the Group’s sustainable growth and the establishment of sustainable society through business



ESG Initiatives (3)

JFE

Initiatives for recycling and reduction of CO2 emission

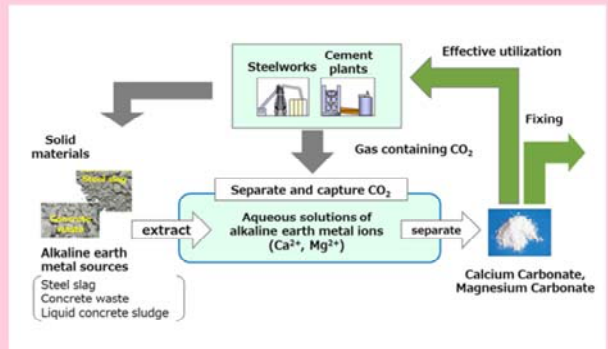
Released on 20 Apr. 2020

R&D for carbonate fixing technology by using steel slags and concrete wastes

Establish a research group between JFE Steel, Taiheiyo Cement, and Research Institute of Innovative Technology for the Earth [RITE] ⇒ Aim to develop practical realization of the technology

RITE's high R&D capability of carbonate fixing technology

Technology and knowledge of two companies leading steel and cement



Capture CO2 generated from plants as carbonate by using steel slags and concrete waste and utilize carbonate

Released on 7 May. 2020

J&T Recycling and Kyoei Sangyo established a JV ~Build a largest-level factory in Japan to manufacture plastic bottle recycled resin to contribute to the shift toward bottle to bottle~

Contribute to reduction of CO2 emission and consumption of natural resources by supporting recycled raw material supply for expanding domestic plastic recycling business

Overview of the JV
 Name : Kyoei J&T Recycling
 Business : Manufacturing recycle plastic raw materials
 Equity Ratio : J&T Recycling 51%
 Kyoei Sangyo 49%
 Capacity : 40-50 Kt/year
 Schedule : to be operational in Sep. 2021
 Investment : approx. 10.0 billion yen

Appendix



Cash Flow Results for FY2019

JFE

(billion yen)

Source		Usage	
Net income	37.8	Dividends & Tax & Interest Payment	78.3
Depreciation and Amortization	231.5	CAPEX & Investments	388.1
Asset Compression ^{*1}	35.8		
Interest-bearing Debt Outstanding ^{*2}	184.7	Working Capital etc.	23.4

*1 Sales of shareholdings, compression of inventories etc.

*2 Excluding application of IFRS 16 Lease: 105.7 billion yen



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)							
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

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

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



13.8 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 3Q (Actual) vs. FY2019 4Q (Actual))

JFE

JFE Steel	FY2019					Change 3Q →4Q
	1H	3Q		2H	Full Year	
		Oct-Dec	4Q Jan-Mar			
Segment Profit	17.7	(6.3)	(20.1)	(26.4)	(8.7)	(13.8)

■ **Cost** + 7.0

■ **Volume and Mix** + 4.0

■ **Sales and Raw material** + 6.0

■ **Inventory valuation** + 4.0 ⇨

■ **Others** - 34.8 ⇨

• Inventory valuation +6.0 (-11.0→-5.0)
• Carry over of raw materials ±0.0(-6.0→-6.0)
• Foreign exchange valuation -2.0 (+2.0→±0.0)

• Increase in loss on disposal of assets
• Decrease in profit of subsidiary companies etc.

Total - 13.8

39

Segment profit for 4Q of FY2019 was -20.1 billion yen, decreased by 13.8 billion yen from 3Q of FY2019.

◆ **Cost : +7.0 billion yen**

Cost reduction: Cost effects of investments in West Japan works, one-off effect of FY2018

Cost increase: Raw material mix (-2.0 billion yen) , rescheduling ahead of repairing (-1.0 billion yen) during 4Q

◆ **Sales and Raw material : +4.0 billion yen**

Crude steel production and shipment recovered in 4Q as a result of the rebound of steel price in overseas market.

- Crude steel (Standalone) 6.24 Mt → 6.70 Mt (+0.46 Mt)
- Shipment (Standalone) 5.59 Mt → 6.09 Mt (+0.51 Mt)

◆ **Sales Prices and Raw materials (Metal spread) : +6.0 billion yen**

(+1,000 yen/t-shipment)

Metal spread improved due to drop in iron ore price and recovery of steel price in overseas market.

◆ **Inventory valuation etc. : +4.0 billion yen**

◆ **Others : -34.8 billion yen**

- Increase in loss on disposal of assets
- Decrease in profit of subsidiary companies etc.



JFE

44.1 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 1H (Actual) vs. 2H (Actual))

JFE Steel	FY2019			Change 1H →2H
	1H	2H	Full Year	
Segment Profit	17.7	(26.4)	(8.7)	(44.1)

■ Cost	+ 6.0	
■ Volume and Mix	- 16.0	
■ Sales and Raw material	+ 1.0	<ul style="list-style-type: none"> • Inventory valuation -10.0 (-6.0→-16.0) • Carry over of raw materials -17.0(+5.0→-12.0) • Foreign exchange valuation +5.0 (-3.0→+2.0)
■ Inventory valuation	- 22.0	⇒
■ Others	- 13.1	⇒
Total	- 44.1	

Segment profit for 2H of FY2019 was -26.4 billion yen, decreased by 44.1 billion yen from 1H of FY2019.

◆Cost : +6.0 billion yen

Cost reduction: Cost effects of investments in West Japan works

Cost increase: Impacts from typhoons and rapid decrease in production amount (-5.0 billion yen), raw material mix (-2.0 billion yen) , rescheduling ahead of repairing (-1.0 billion yen)

◆Sales Volume and Mix: -16.0 billion yen

Crude steel production decreased with the fall of both domestic and overseas steel demand and sluggish steel price in overseas market. Additionally, the spread of COVID-19 decreased domestic and overseas demand.

- Crude steel (Standalone) 13.79 Mt → 12.94 Mt (-0.85 Mt)
- Shipment (Standalone) 11.80 Mt → 11.68 Mt (-0.12 Mt)

◆Sales Prices and Raw materials (Metal spread): +1.0 billion yen

(+100 yen/t-shipment)

Metal spread improved due to significant drop of coal price although the steel price in overseas market fell and iron ore price stayed high.

◆Inventory valuation etc. : -22.0 billion yen

◆Others; -13.1 billion yen

- Increase in depreciation cost with strengthening manufacturing capabilities
- Increase in loss on disposal of assets etc.



Orders by Business Field

JFE

(billion yen)

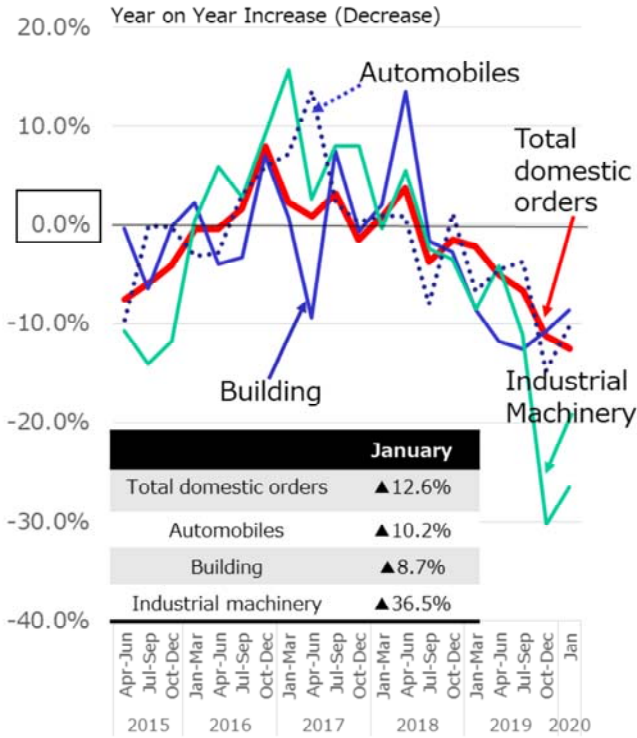
Business Field	FY2018 Actual	FY2019 Actual	Change	Main Orders ★...New projects received in FY2019 4Q
Environment	212.6	187.1	(25.5)	<ul style="list-style-type: none"> ➤ Reconstruction of domestic facility of water purification plant ➤ Power generation using digestion gas of sewage treatment plant [Chiba★] ➤ Improvement works of waste treatment plants [Shizuoka, Kawasaki, Ibaraki] ➤ Construction of waste-to-energy power plant [UK] ➤ Construction of heat recovery plant [Germany]
Energy	132.8	109.8	(23.0)	<ul style="list-style-type: none"> ➤ Reconstruction of facility of geothermal power plant ➤ Construction of gas pipeline ➤ Construction of gas calorific value controlling facility ➤ Construction of BOG treatment related facility [Sodegaura in Chiba★] ➤ Construction of pipeline gas receiving facility [Anesaki in Chiba★]
Social infrastructure etc.	137.4	116.1	(21.3)	<ul style="list-style-type: none"> ➤ Reconstruction of domestic bridges [Kawaguchi Line: Metropolitan Expressway, :Sonohara Bridge in Gifu: Chuo Expressway★] ➤ Construction of bridge [Bangladesh★]
Total	482.8	413.0	(69.8)	



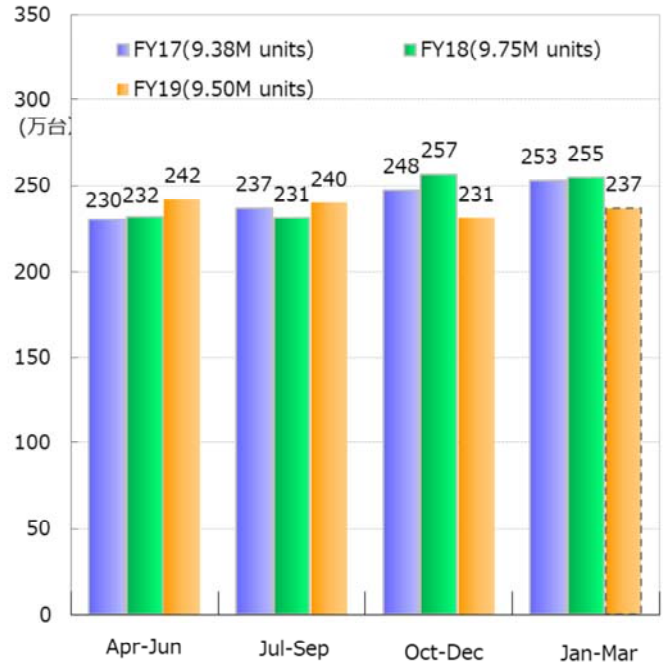
Current Business Environment (Domestic)

JFE

【Trend of Ordinary Steel Orders】

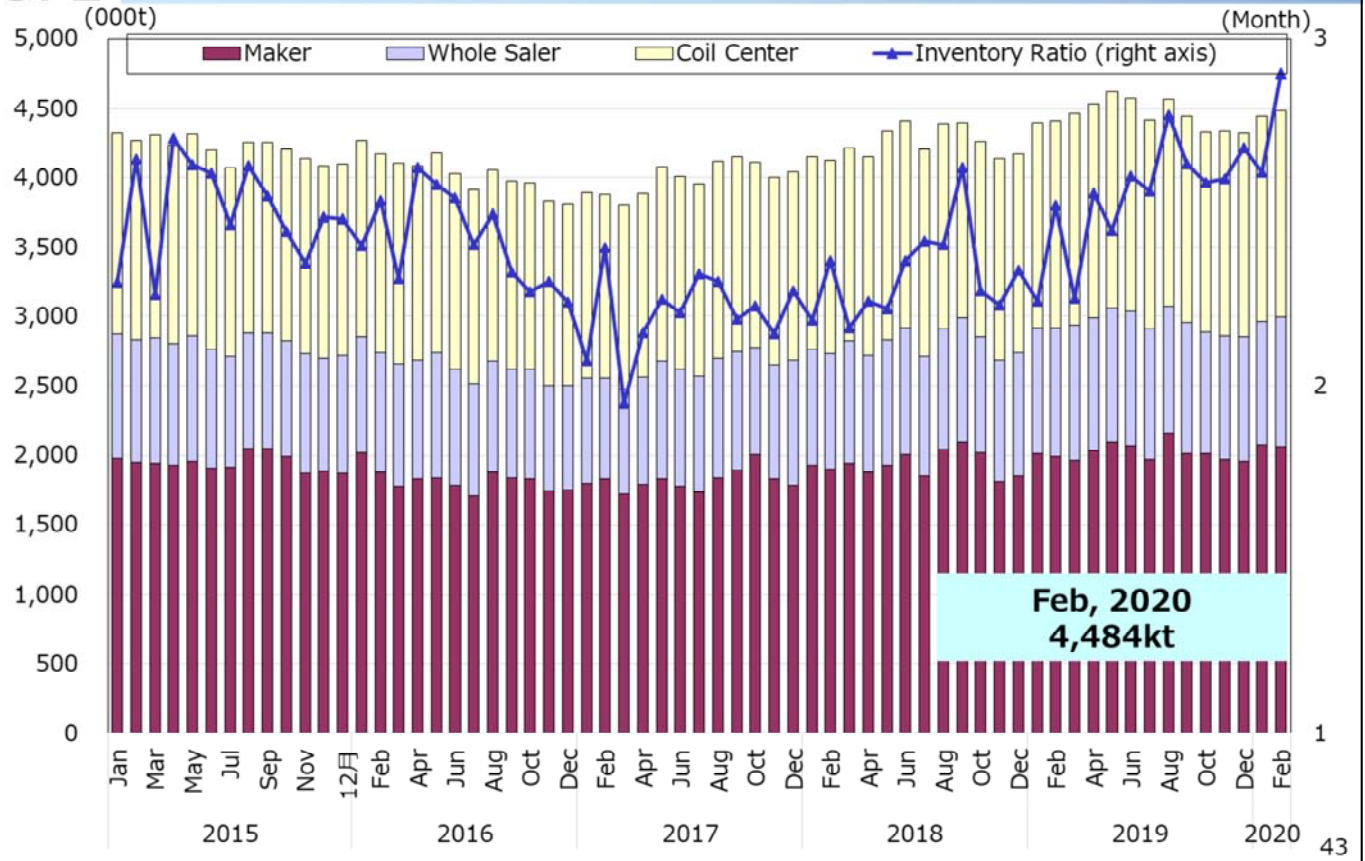


【Outlook for Domestic Auto Production】





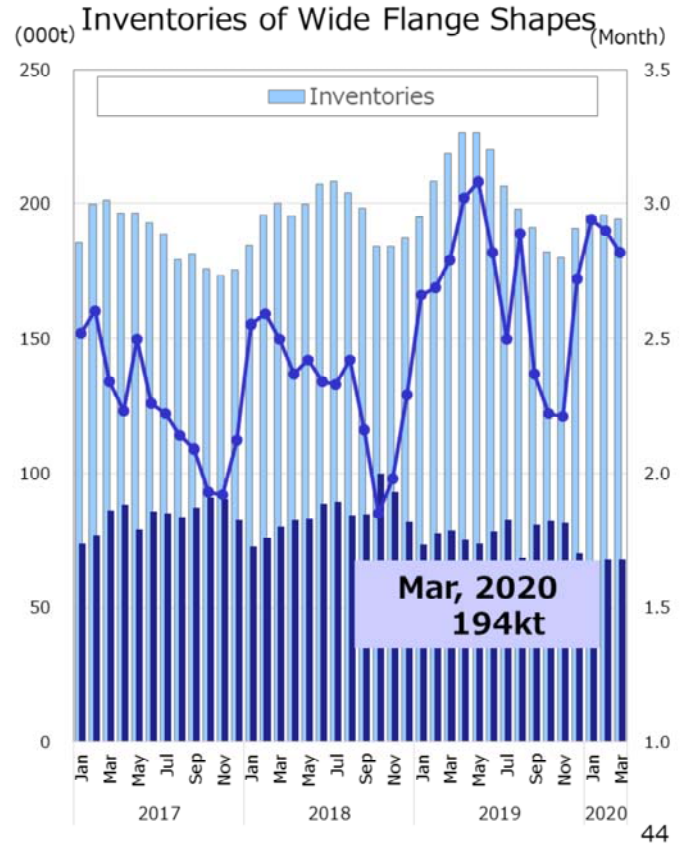
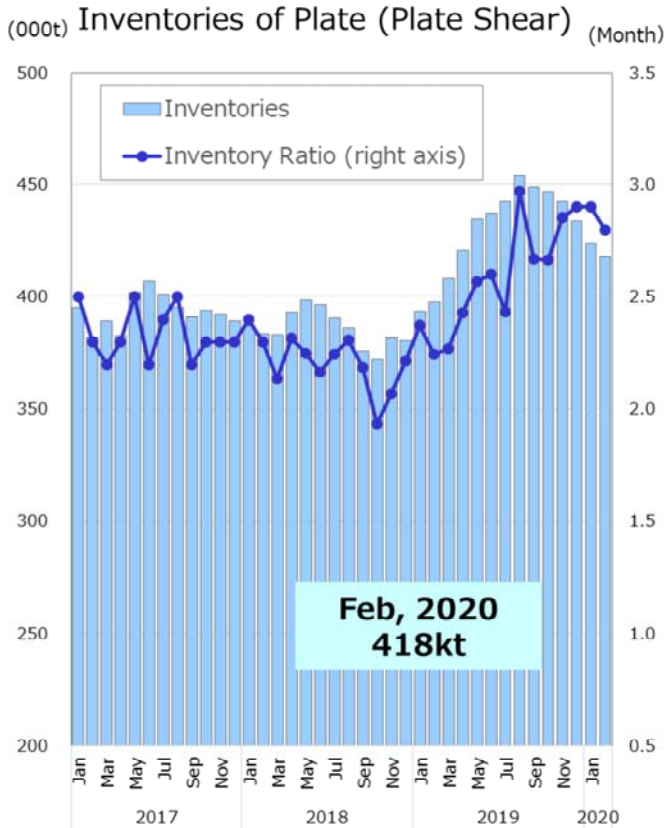
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- ◆ Combined inventories of HR, CR and Coated Steel as of the end of February 2020 were 4,484K tons.
 - From January 2020: 40K tons increase
 - From February 2019: 76K tons increase



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[Inventories of Plate (Plate Shear)]

Inventories of plate shear as of the end of February 2020 was 418K tons.

From January 2020 : 5K tons decrease
From February 2019: 20K tons increase

Since the end of August 2019, the amount of inventory has decreased slightly. Although the shipment activity level for the construction and industry machinery and building industry has kept sluggish, plate shear companies have reduced buying-in level, which decreased the amount of inventories.

[Inventories of Wide Flange Shapes]

Inventories of wide flange shapes as of the end of March 2020 was 194Ktons.

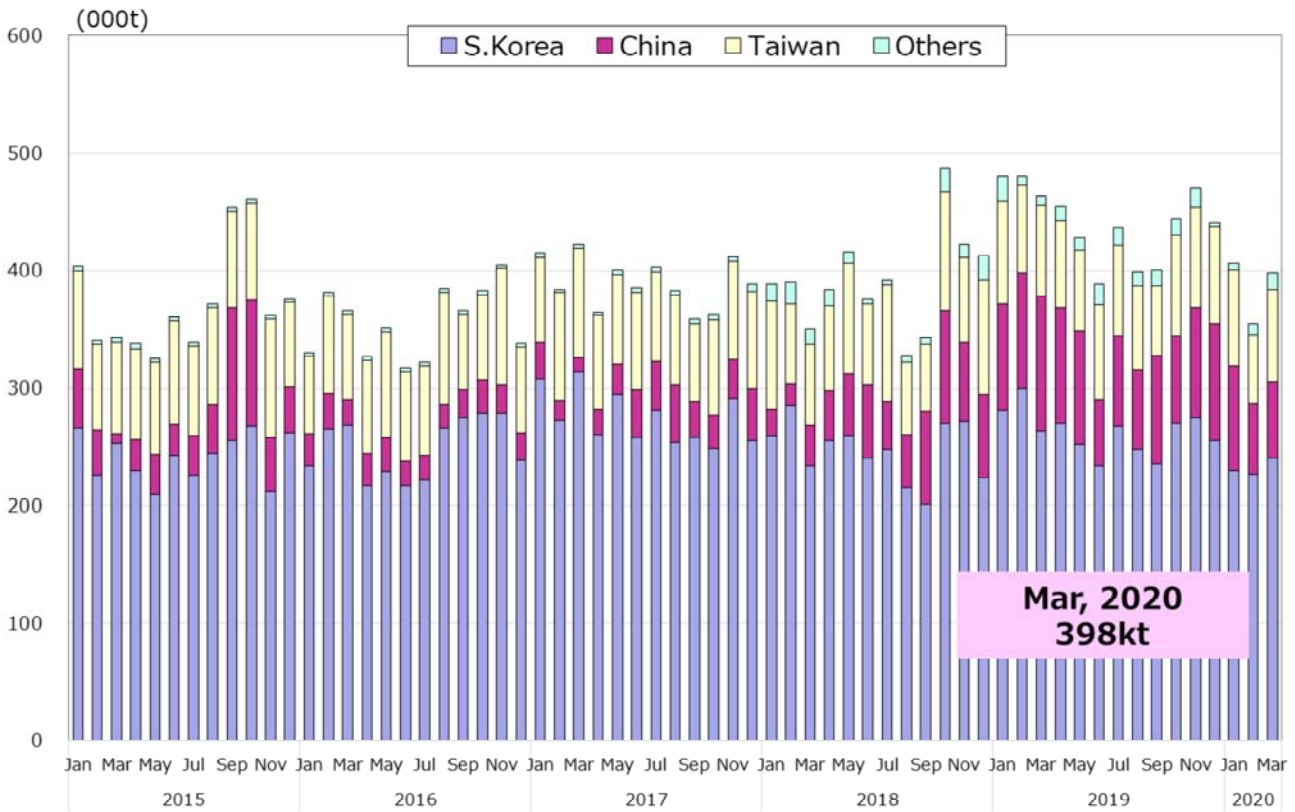
From February 2020 : 1K tons decrease
From March 2019 : 25K tons decrease

The amount of inventory has decreased for 2 months sequentially. The reduced buying-in level made the inventory level in March the same as that in the previous month. It is necessary to carefully monitor the demand trends because of the market uncertainty coming from the spread of COVID-19 and the postponement of Tokyo Olympics.



Trend of Import Steel (Ordinary Steel)

JFE



The volume of imported ordinary steel in March 2020 was 398K tons.

From February 2020: 44K tons increase

From March 2019: 65K tons decrease

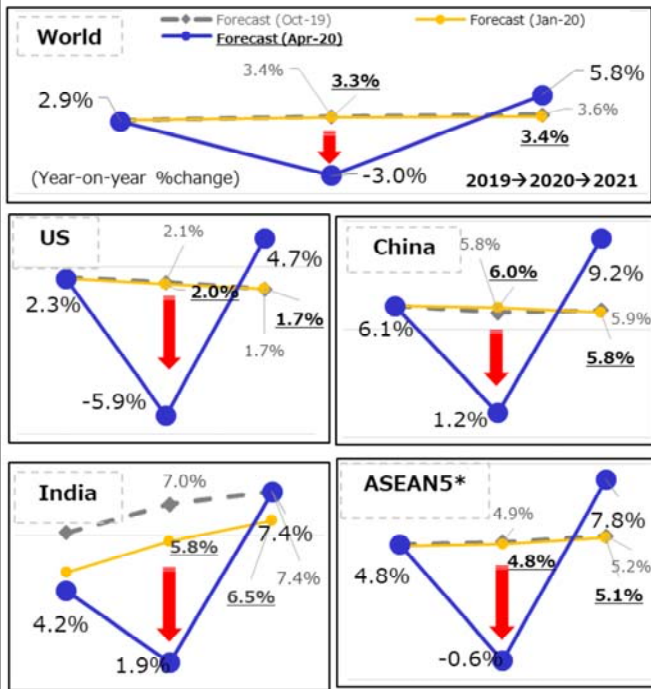
The deteriorated demand for steel in each country due to the spread of COVID-19 has decreased the imported steel prices, which widened the deference between the domestic steel price and imported steel price in some areas. It should be monitored more cautiously.



Current Business Environment (Overseas)

JFE

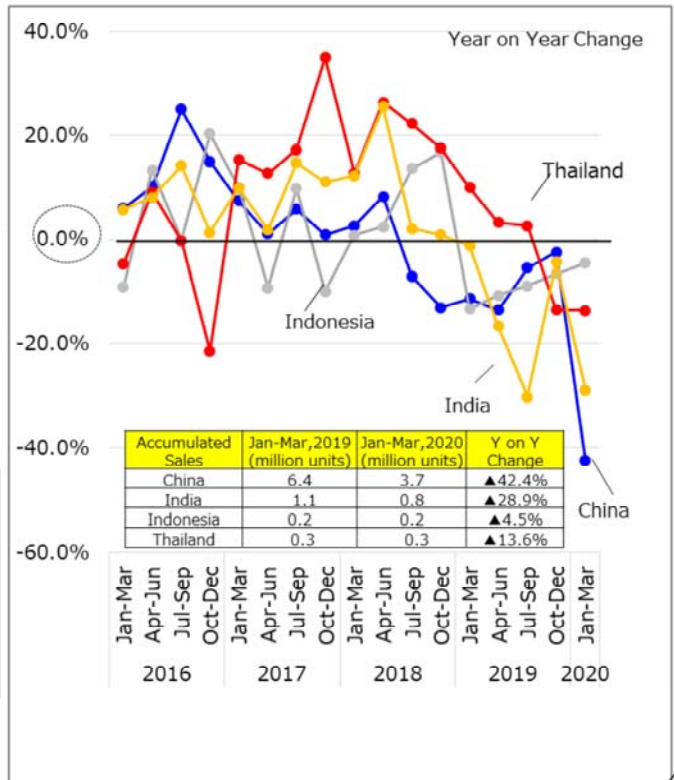
[Real GDP growth forecast 2019→2021]



Source : IMF World Economic Outlook Update 15/10/2019-20/1/2020-14/4/2020

*ASEAN5 : Thailand, Malaysia, Indonesia, Philippine, Vietnam

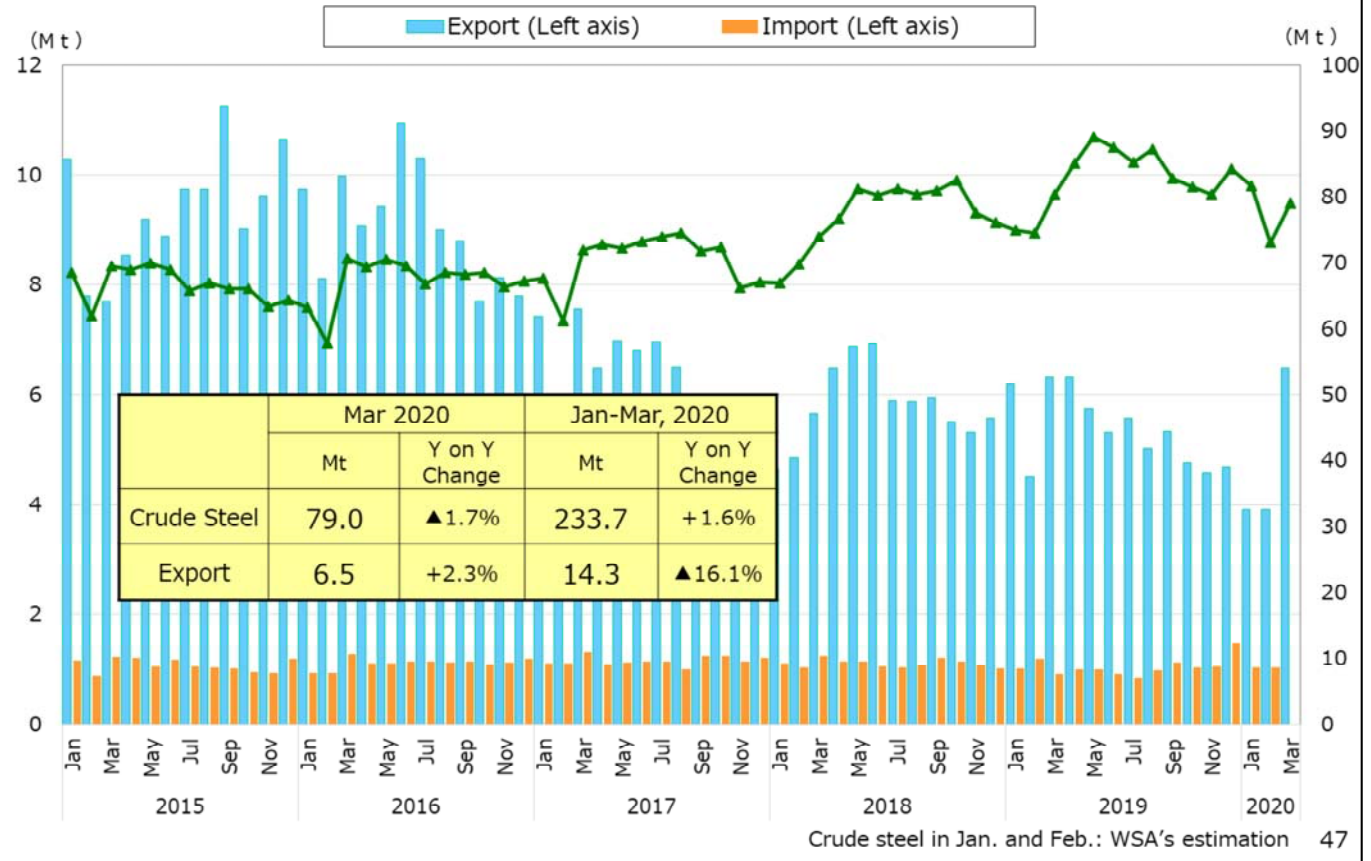
[Automobile Sales]





Crude Steel & Im/Export, China

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Crude steel production in March 2020 in China was 79.0M tons (2.55M tons on daily basis, which was lower than the average of the previous two months, 2.58M tons.). While the figure shows the decrease trends compared to the previous months, the reduction level stays small.

From February 2020: 5.9M tons increase
 From March 2019: 1.4M tons decrease

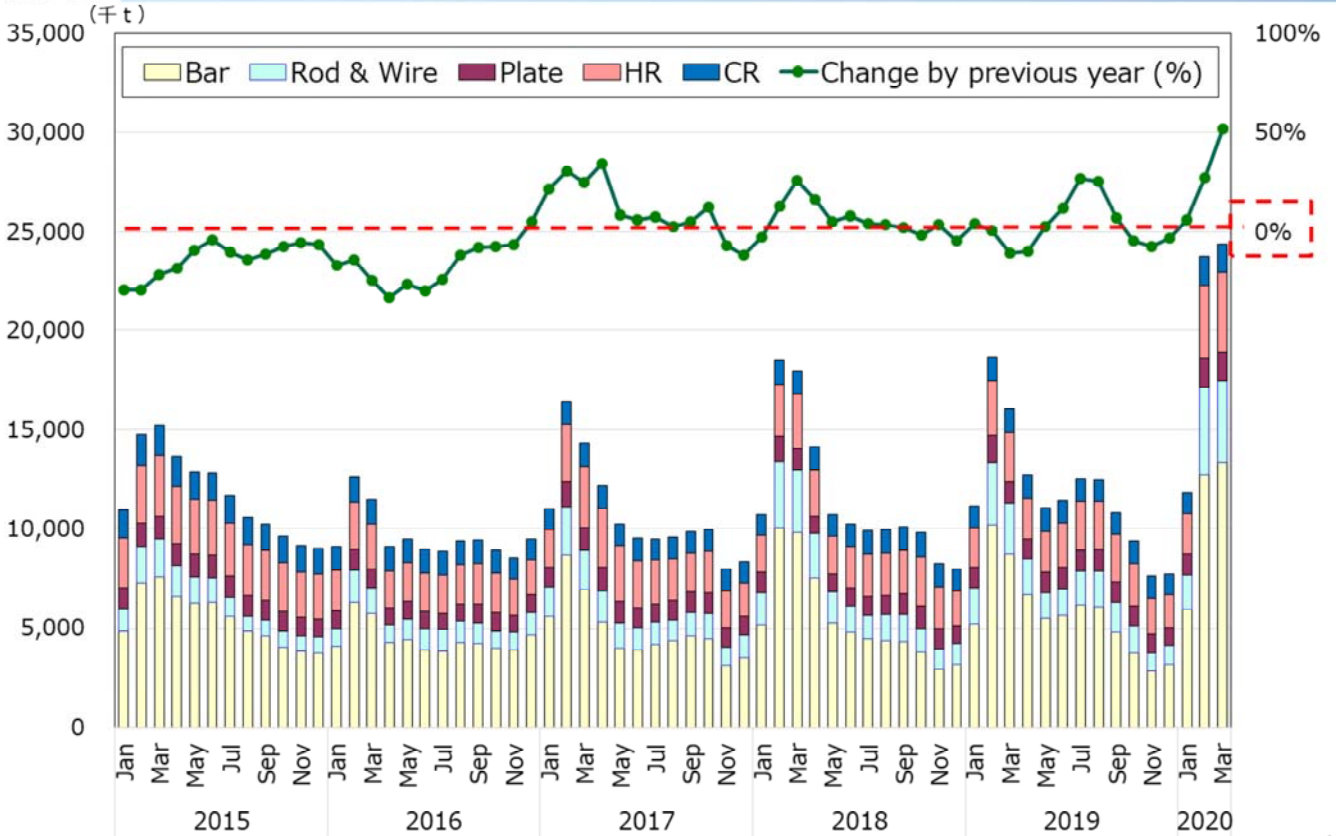
Export of steel from China in March 2020 was 6.5M tons.

From February 2020: 2.6M tons increase
 From March 2019: 0.2M tons decrease

Export of steel from China in March increased though the trends until February had kept showing decrease year-on-year. It should be monitored carefully including the domestic demand trends that have declined due to the impact of COVID-19.



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Inventories in China as of the end of March 2020 was 24.37M tons.

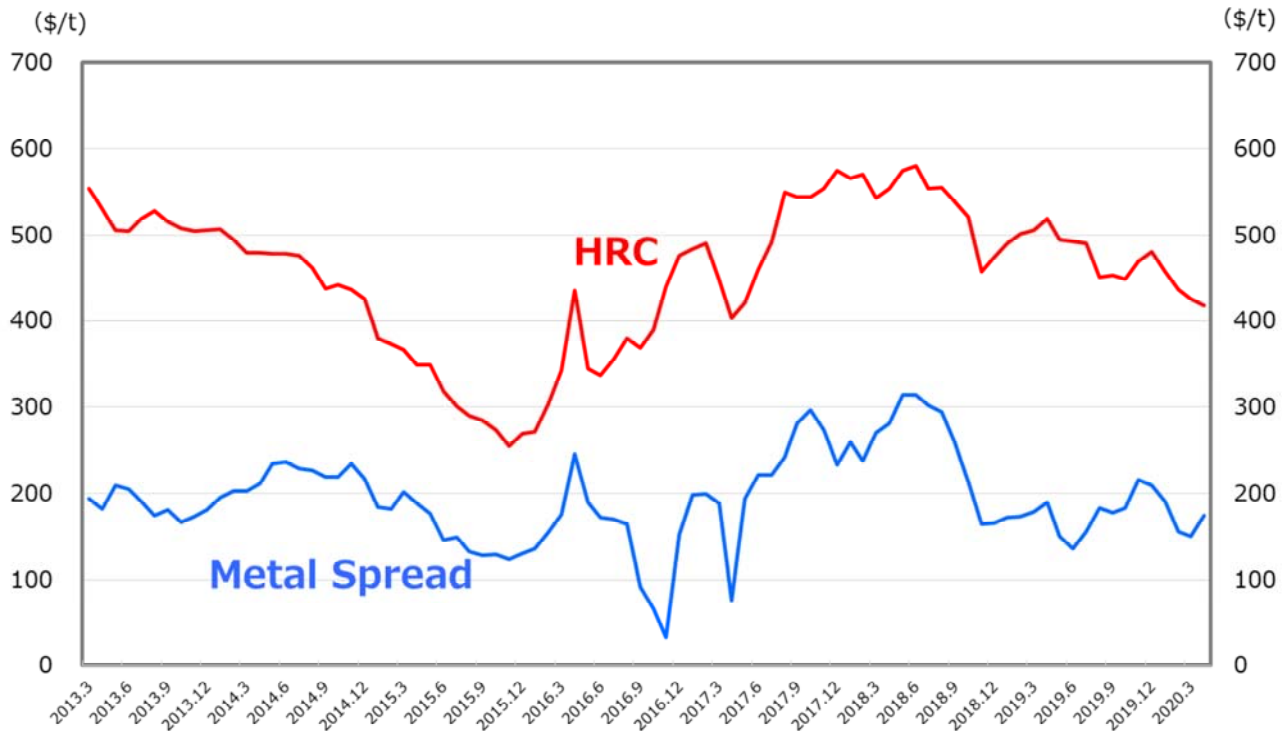
From February 2020: 2.5% increase

From March 2019: 52.1% increase

In addition to the seasonal change during and after Chinese new year, inventories both in market and steel plants increased until the end of March because the steel demand and supply chains had stagnated due to the spread of COVID-19.



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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

Metal spread, calculated based on Chinese spot market price of HRC and international spot market prices of iron ore and hard coking coal, dropped below \$150/t in the first half of FY2019 due to the decrease of HRC price and the rise of the iron ore price. Afterwards, in the second half of FY2019, metal spread rebounded due to decrease of the raw material price. After November 2019, the steel market price has shown the signs of recovery, and the metal spread remained around \$200/t.

From the mid January in 2020, the Chinese economic activity stopped due to the spread of COVID-19, which made the HR price dropped. Therefore, the metal spread also dropped to around \$150/t. Additionally, coking coal prices decreased as steel industry declined its production. Although the metal spread slightly improved at the end of March 2020, the steel market price is still showing downward trend.

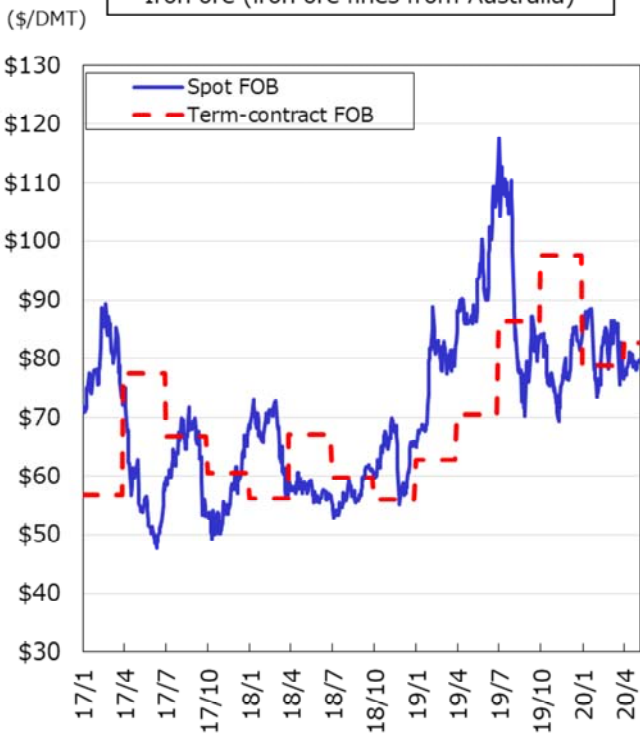


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Raw Materials

Raw Materials Price

Iron ore (iron ore fines from Australia)



Coking Coal (Hard Coking Coal from Australia)

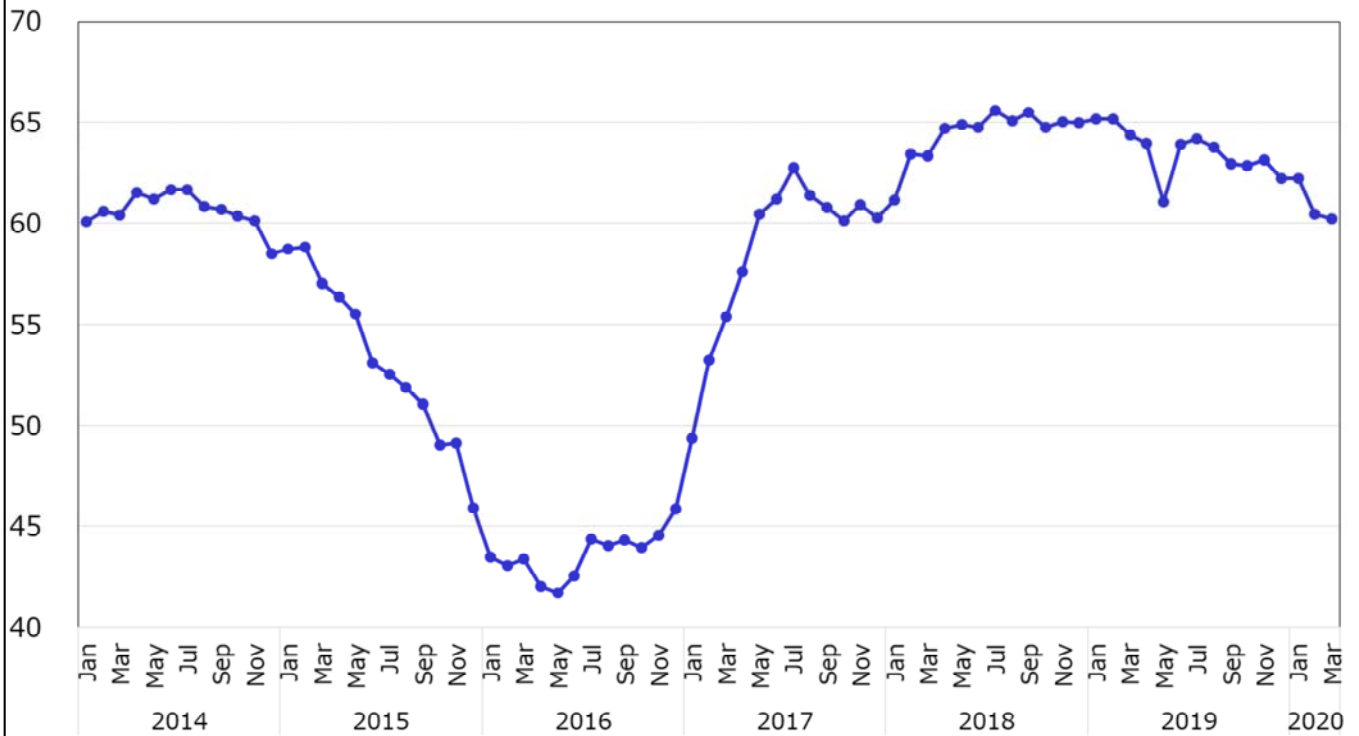




Price Trend of Import Steel

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(000 yen/ton)

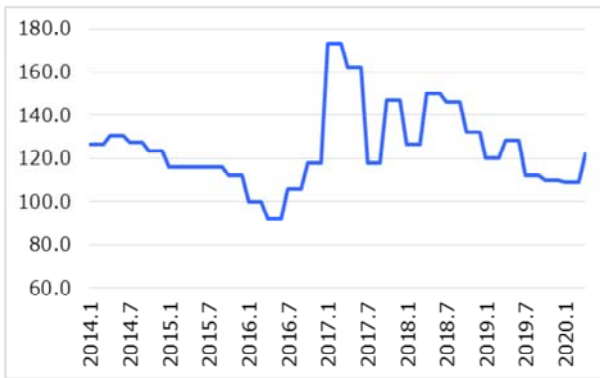


Data: The Japan Iron and Steel Federation Import Steel from S. Korea

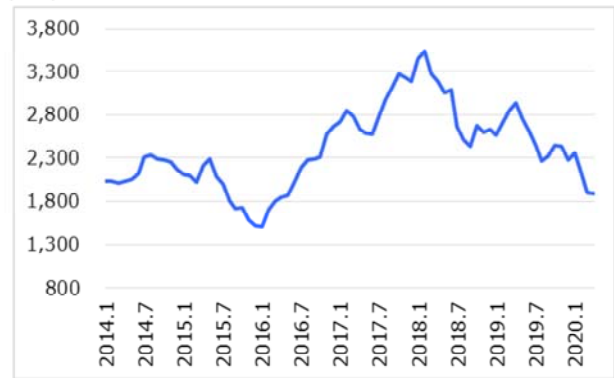


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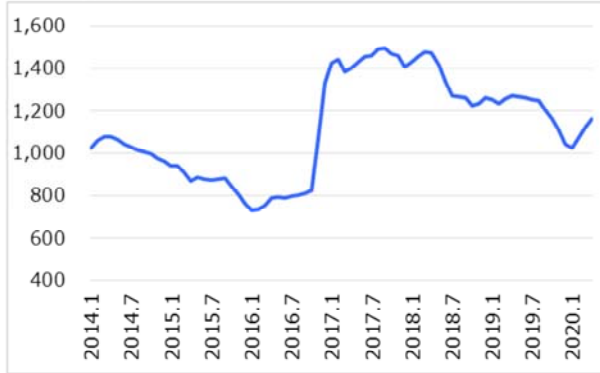
(¢/lb) FeCr



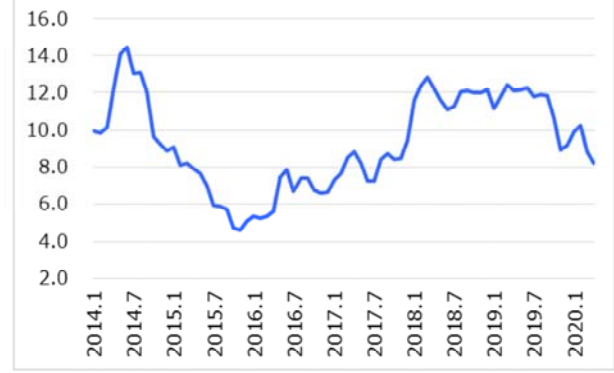
(US\$/t) Zn



(US\$/t) FeMn



(US\$/lb) Mn

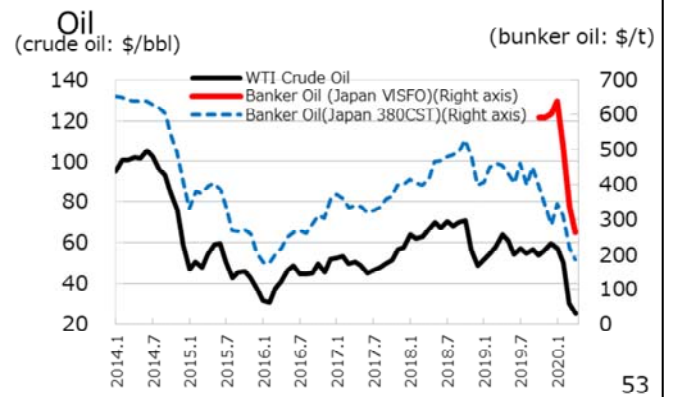
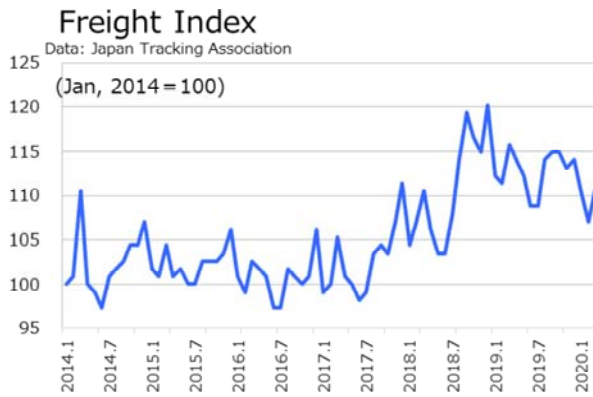
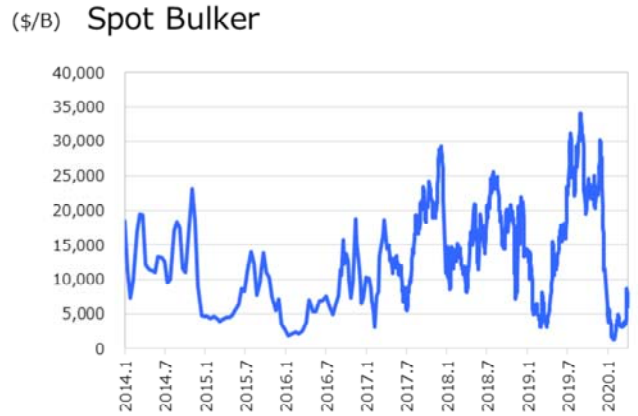




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Raw Materials





Trend of Sub Material's Market Price





Links to the reports published during FY2019

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Report	URL	QR code
JFE Group REPORT 2019	https://www.jfe-holdings.co.jp/en/investor/library/group-report/index.html	
JFE Group CSR REPORT 2019	https://www.jfe-holdings.co.jp/en/csr/pdf/csr2019e.pdf	
JFE Group CSR REPORT 2019 Environmental Data Book	https://www.jfe-holdings.co.jp/en/csr/pdf/environment2019e.pdf	
IT REPORT 2019	https://www.jfe-holdings.co.jp/en/investor/library/itreport/index.html	



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