



**JFE**

# **JFE Group**

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

**JFE Holdings, Inc.**

**August 12, 2020**



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This presentation material is for information and discussion purpose only.

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**Consolidated Results for First  
Quarter of Fiscal Year 2020  
(April 1 to June 30, 2020)**



# Financial Results for First Quarter of Fiscal Year 2020

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The impact of the COVID-19 outbreak depressed economic conditions substantially both in Japan and overseas.

Revenue was 743.9 billion yen, decreased by 183.5 billion yen from 1Q of FY2019.

Business profit was -47.2 billion yen, decreased by 77.9 billion yen.

Profit attributable to owners of parent was -39.1 billion yen, decreased by 58.8 billion yen.

(billion yen)	FY2019 1Q (Apr-Jun)	FY2020 1Q (Apr-Jun)	Change
Revenue	927.4	743.9	(183.5)
<b>Business Profit</b>	<b>30.7</b>	<b>(47.2)</b>	<b>(77.9)</b>
Finance Income/costs	(3.2)	(3.2)	0.0
Segment Profit	27.5	(50.4)	(77.9)
Exceptional Items	-	-	-
Profit before Tax	27.5	(50.4)	(77.9)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(7.7)	11.2	18.9
Profit Attributable to Owners of Parent	19.7	(39.1)	(58.8)

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 First Quarter of Fiscal Year 2020 (by Segment)

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(billion yen)		FY2019 1Q (Apr-Jun)	FY2020 1Q (Apr-Jun)	Change
<b>Revenue</b>				
Steel Business		666.6	508.7	(157.9)
Engineering Business		113.2	105.0	(8.2)
Trading Business		286.6	238.0	(48.6)
Adjustments		(139.2)	(107.9)	31.3
<b>Total</b>		<b>927.4</b>	<b>743.9</b>	<b>(183.5)</b>
Business Profit	(A)	30.7	(47.2)	(77.9)
Finance Income/Costs	(B)	(3.2)	(3.2)	–
<b>Segment Profit</b>				
Steel Business		14.5	(57.8)	(72.3)
Engineering Business		4.9	1.5	(3.4)
Trading Business		7.9	4.4	(3.5)
Adjustments		0.0	1.3	1.3
<b>Total</b>	<b>(A+B)</b>	<b>27.5</b>	<b>(50.4)</b>	<b>(77.9)</b>

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



# Financial Forecast for Fiscal Year 2020

## JFE

- **Business profit for FY2020 is expected to be -100.0 billion yen** due to the decrease in demand for steel resulting from reduced customer activities.
- **1H is expected to post the deficit of 125 billion yen** due to lower production levels in Steel Business and lower earnings at subsidiaries.
- In 2H, **steel business is expected to eliminate the deficit** due to **the recovery of customer activities** (mainly automobiles) and **promotion of profit improvement measures**. Additionally, thanks to contributions from the engineering and trading company businesses, **business profit is expected to be 25.0 billion yen**.

(billion yen)	FY2019 (Actual)		FY2020 (Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	1,871.2	3,729.7	1,460.0	3,170.0	(411.2)	(559.7)
<b>Business Profit</b>	<b>49.0</b>	<b>37.8</b>	<b>(125.0)</b>	<b>(100.0)</b>	<b>(174.0)</b>	<b>(137.8)</b>
Finance Income/costs	(6.3)	(12.5)	(7.0)	(15.0)	(0.7)	(2.5)
Segment Profit	42.7	25.3	(132.0)	(115.0)	(174.7)	(140.3)
Exceptional Items	-	(238.8)	-	-	0.0	238.8
Profit before Tax	42.7	(213.4)	(132.0)	(115.0)	(174.7)	98.4
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(10.8)	15.7	22.0	15.0	32.8	(0.7)
Profit Attributable to Owners of Parent	31.9	(197.7)	(110.0)	(100.0)	(141.9)	97.7



# Financial Forecast for Fiscal Year 2020 (by Segment)

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(billion yen)	FY2019 (Actual)		FY2020 (Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue						
Steel Business	1,353.1	2,681.3	1,010.0	2,240.0	(343.1)	(441.3)
Engineering Business	238.9	512.2	215.0	490.0	(23.9)	(22.2)
Trading Business	557.5	1,084.1	430.0	900.0	(127.5)	(184.1)
Adjustments	(278.3)	(548.0)	(195.0)	(460.0)	83.3	88.0
Total	1,871.2	3,729.7	1,460.0	3,170.0	(411.2)	(559.7)
Business Profit (A)	49.0	37.8	(125.0)	(100.0)	(174.0)	(137.8)
Finance Income/Costs (B)	(6.3)	(12.5)	(7.0)	(15.0)	(0.7)	(2.5)
Segment Profit						
Steel Business	17.7	(8.7)	(145.0)	(145.0)	(162.7)	(136.3)
Engineering Business	11.9	23.1	6.0	21.0	(5.9)	(2.1)
Trading Business	14.6	27.0	5.5	12.0	(9.1)	(15.0)
Adjustments	(1.5)	(15.9)	1.5	(3.0)	3.0	12.9
Total (A+B)	42.7	25.3	(132.0)	(115.0)	(174.7)	(140.3)





## Our countermeasures

# in response to the current business environment

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- Implement the emergency measures and put them into concrete to overcome the greatest difficulty since establishment of JFE
- Put the following measures into implementation as group united

### Current operation measures (Steel Business)

1. **Carrying out cost-minimum operation through production optimization:**  
West Japan Works (Kurashiki district) No.4 BF\* was shut down and will be refitted in 2021. Banking has been in progress for West Japan Works (Fukuyama district) No.4 BF since June.
2. **Continuing temporary off-days for employees:**  
Temporary off-days which has been implemented since this May in JFE Holdings and JFE Steel will continue for time being.

### Progress of cost reduction and measures for generating cash flows (JFE group)

#### 1. Cost reduction in Steel Business

: Cost reduction of 100.0 billion yen (FY 2020) including the negative effect of production reduction ... details in p.19

#### 2. Domestic CAPEX compression in steel business

: 100.0 billion yen (announced in November, 2019)

→ 130.0 billion yen (FY19-20)

#### 3. JFE Group's asset compression

(compression of inventories, sale of cross holding shares etc.)

: 150.0 billion yen (announced in November, 2019)

→ 170.0 billion yen (FY19-20)

Details  
in the next page



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# Progress of cash flow improvements

## Domestic CAPEX compression in steel business

previous (Nov.2019) 100.0 ⇒ updated 130.0 billion yen

Implement further CAPEX compression by careful screening and thorough cost reduction

- ◆ Implement steadily necessary investments for safety, environment, disaster prevention, strengthening manufacturing capabilities, stabilizing blast furnace operation, IT and DS

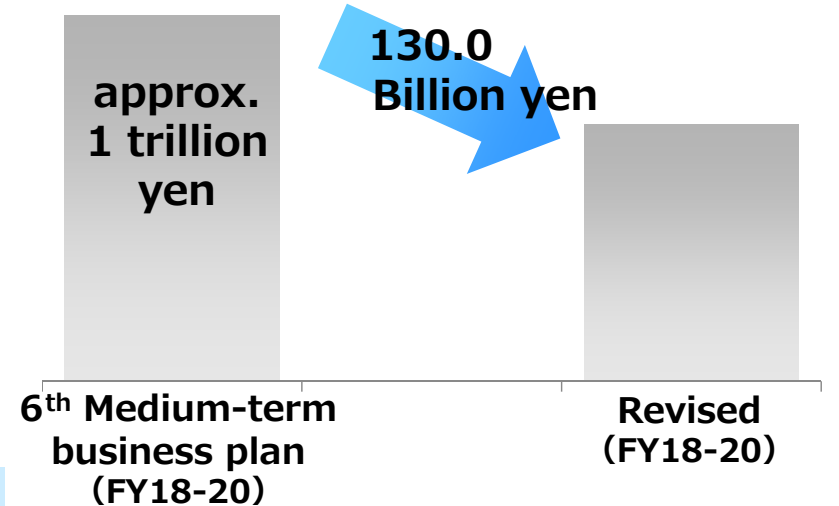
## JFE Group's asset compression

previous (Nov.2019) 150.0 ⇒ updated 170.0 billion yen

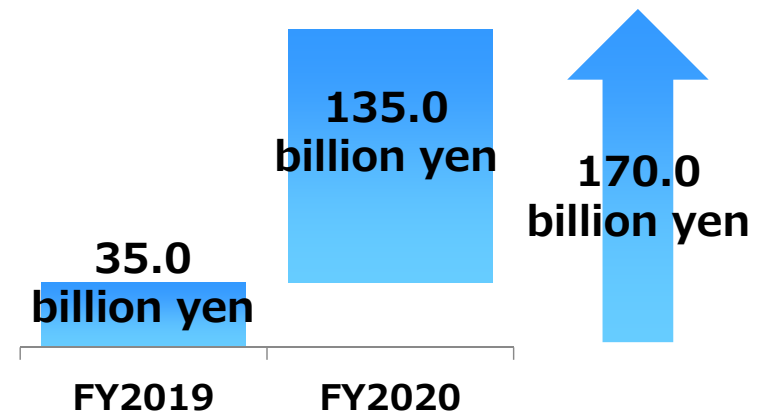
Further compression by considering and implementing every type of asset for selling, and revising inventory level

- ◆ Cross-holding shares: steadily selling based on a principle of no share holding
- ◆ Raw material inventories : revising inventory ratio to the lowest level
- ◆ Finished good inventories: Optimizing rolling cycle and delivery

Domestic CAPEX (decision making basis)



Asset compression



# Dividends



# Dividends

- JFE has decided that it unfortunately cannot pay a first-half dividend in response to current earnings.
- A decision regarding the year-end dividend has been postponed while the company carefully monitors its ongoing performance.

# **JFE Steel**

## **Financial Results for First Quarter of Fiscal Year 2020 and Financial Forecast for Fiscal Year 2020**



# Financial Results for First Quarter of Fiscal Year 2020

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	Unit	FY2019					FY2020
		1Q	2Q	3Q	4Q	Full Year	Apr-Jun
Revenue	billion yen	666.6	686.5	652.7	675.5	2,681.3	508.7
<b>Segment Profit</b>	billion yen	<b>14.5</b>	<b>3.2</b>	<b>(6.3)</b>	<b>(20.1)</b>	<b>(8.7)</b>	<b>(57.8)</b>
Excluding Inventory Valuation etc.*	billion yen	22.5	(0.8)	8.7	(9.1)	21.3	(34.8)
Crude Steel (Standalone)	Mt	7.00	6.79	6.24	6.70	26.73	4.79
Crude Steel (Consolidated)	Mt	7.36	7.13	6.59	7.00	28.09	5.09
Shipment (Standalone)	Mt	5.85	5.94	5.59	6.09	23.47	4.59
Export Ratio on Value Basis (Standalone)	%	39.9	42.1	39.7	44.4	41.5	44.2
Average Sales Price (Standalone)	000 yen/ t	80.4	79.4	79.6	76.1	78.8	75.3
Exchange Rate	¥/\$	110.7	107.6	108.8	109.4	109.1	107.7
Exchange Rate (End of Term)	¥/\$	107.8	107.9	109.6	108.8	108.8	107.7

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



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# 72.3 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019.1Q (Actual) vs. FY2020.1Q (Actual))

(billion yen)

JFE Steel	FY2019					FY2020	Change FY2019.1Q → FY2020.1Q
	1 Q	2 Q	3Q	4Q	Full Year	Apr-Jun	
Segment Profit	<b>14.5</b>	3.2	(6.3)	(20.1)	(8.7)	<b>(57.8)</b>	<b>(72.3)</b>

## 1. Cost

**+13.0**

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

## 2. Volume and Mix

**-49.0**

Production and sales volume decreased amid decline in demand  
(Crude steel (Standalone): 7.00⇒4.79Mt -2.21Mt)

## 3. Sales and Raw materials

**+1.0**

(+200 yen/t-shipment)  
Metal spread slightly improved through drop in coking coal price, though the price mainly for exports decreased.

## 4. Inventory valuation

**-15.0**

- Inventory valuation -15.0 (-6.0→-21.0)
- Carry over of raw materials -1.0 (+1.0→±0.0)
- Foreign exchange valuation +1.0(-3.0→-2.0)

## 5. Others

**-22.3**

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



# Current business environment

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Domestic

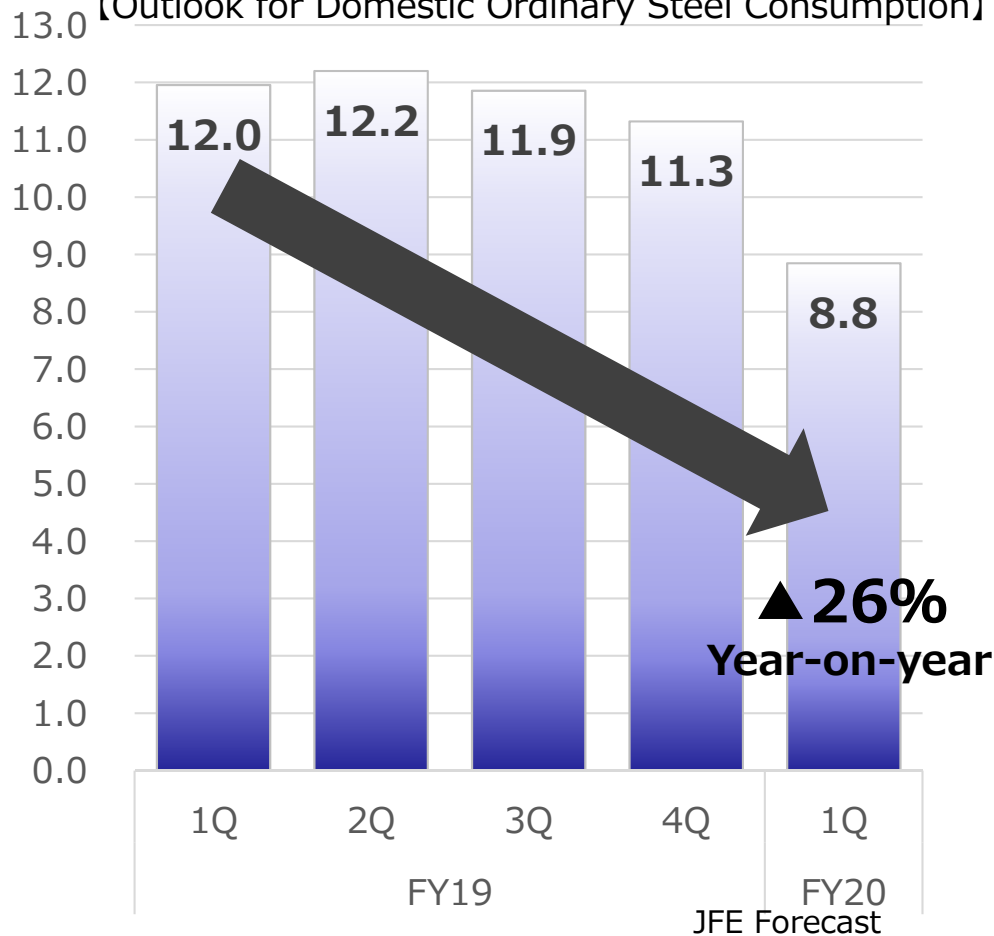
As the state of emergency made the economy sluggish, the outlook for domestic ordinary steel consumption (mainly automobiles) **hit the bottom in 1Q of FY2020 (Apr-Jun), and decreased by 26% year-on-year.**

Overseas

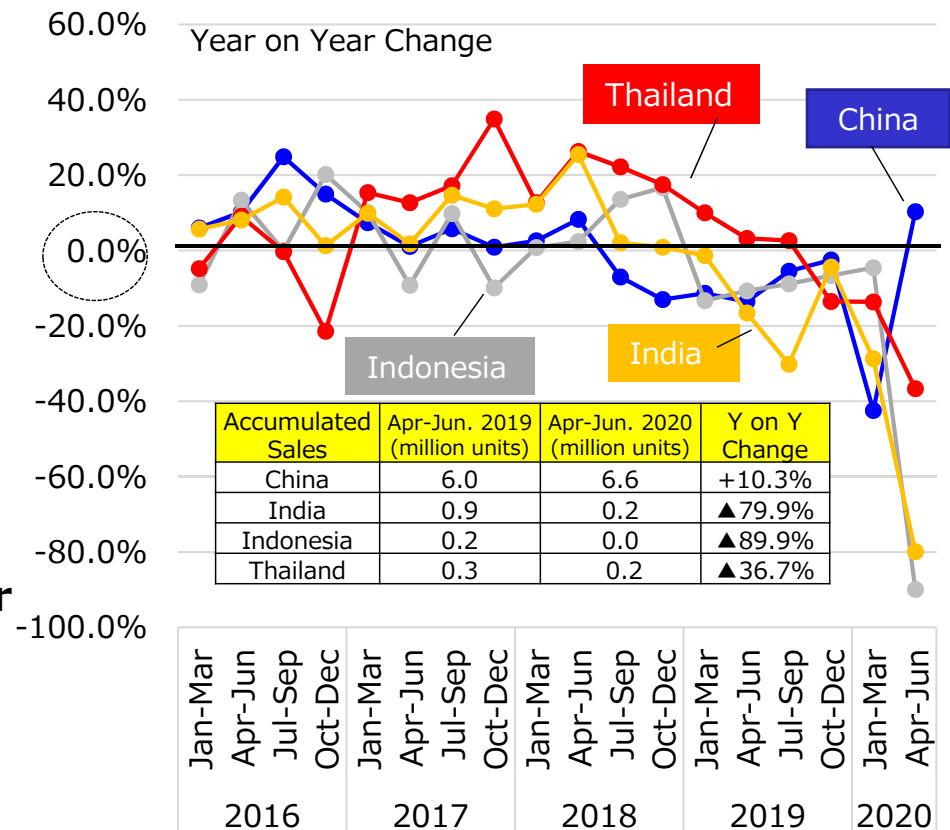
**Automobile sales in each region except China** in Apr-Jun, 2020, **significantly decreased** due to the stagnated economic activities in each country.

Economic activity **in China bottomed out** in Jan-Mar, 2020, and **turned into recovery.**

(M t) **Outlook for Domestic Ordinary Steel Consumption**



**Automobile Sales**







# Business environment outlook

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- **The business activity level is expected to recover toward 2H in some sectors, particularly in automotive sector**, which is our main customer, while full recovery will take time in some sectors, such as shipbuilding.
- The business activity level in 2H of FY2020 is expected to **recover by approximately 20%** compared to 1H of FY2020. (Domestic demand for ordinary steel in FY2020 is expected to decrease by approximately 20% year-on-year.)

	Sector	Outlook	FY2020 1H (vs FY2019 2H)	FY2020 2H (vs1H)
Domestic	Automotive	<ul style="list-style-type: none"> <li>• Domestic production is expected to bottom out after the sharp decrease in 1Q of FY2020. Afterwards, <b>gradual recovery is anticipated</b></li> <li>• Demand in 2H is estimated to increase by 30% from 1H.</li> </ul>		
	Shipbuilding	<ul style="list-style-type: none"> <li>• Postponement of negotiations with customers under COVID-19 pandemic reduced the number of orders. Therefore, full recovery will take time due to decline in holding shipbuilding jobs. Business activity level of 2H is <b>expected to be lower</b> than that of 1H.</li> </ul>		
	Civil engineering	<ul style="list-style-type: none"> <li>• Compared to the other sectors where business activities have significantly decreased, business activity level is <b>relatively stable</b> thanks to the large scale of the government's public work budgets. Its activity level is expected to make a recovery due to the budgets and seasonal factors in 2H.</li> </ul>		
	Building	<ul style="list-style-type: none"> <li>• Redevelopment projects are forecast to continue to grow steadily, but middle and small projects will still remain in low in 2H. <b>Full recovery in this fiscal year is not expected.</b></li> </ul>		
Overseas	Automotive	<ul style="list-style-type: none"> <li>• Positive signs can be seen in some regions as <b>the automobile sales in China has recovered</b> and the <b>automobile sales both in Europe and the U.S. seems to have bottomed out.</b></li> </ul>		
	Steel sheet	<ul style="list-style-type: none"> <li>• Vigorous demand in China has increased imports of steel products from India since April, which <b>has underpinned steel market price in Southeast Asia.</b></li> <li>• <b>Steel market price has turned into increase</b> in the regions where COVID-19 pandemic has gradually been stamped out.</li> </ul>		
	Shipbuilding	<ul style="list-style-type: none"> <li>• Postponement of negotiations with customers under COVID-19 pandemic reduced the number of orders. Therefore, full recovery will take time due to decline in holding shipbuilding jobs. Business activity level of 2H is <b>expected to be lower</b> than that of 1H.</li> </ul>		
	Energy	<ul style="list-style-type: none"> <li>• Full recovery will take time because of the continuous lower level of operation, although <b>WTI crude oil price bottomed out in April.</b></li> </ul>		



# Forecast of Production and Metal Spread

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## 1. Forecast of Crude Steel Production

		Crude Steel	Background
	1Q (actual)	4.79Mt	Production level was adjusted to the low demand level due to the impact of COVID-19 outbreak. (4/25~ Stopped Kurashiki No.4 BF, 6/20~Banking Fukuyama No.4 BF)
	2Q	Approx.5.20Mt	Production level will be around 25% lower than that in the previous FY although recovery can be seen in some areas.
	1H	Approx.10.0Mt	
	2H	Approx.12.0Mt	Crude steel production is expected to increase amid the demand recovery mainly for automobiles.
FY2020		Approx.22.0Mt	Crude steel production is expected to be around 20% lower than that in FY2019.

## 2. Metal Spread

- Asian steel market price and metal spread bottomed out, and recovery can currently be seen.
- Iron ore price is expected to remain high due to Chinese strong demand.
- Coking coal price is expected to increase as Indian purchase of spot coals will increase after the world economy makes a recovery from the impact of COVID-19 outbreak.
- Metal spread of export HRC is expected to increase toward the latter half of FY2020-1H, and it is expected to be almost flat in 2H compared to 1H.



# Countermeasures for Profit Improvement

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## ➤ Cost reduction

Approx. 100,0 billion yen in FY2020, including variable cost increase amid production reduction

### ■ Fixed cost reduction :

- Repairing cost reduction  
(surely preventing machinery troubles, carefully screening the items to repair)
- Labor cost reduction (temporary day-off, overtime work reduction)
- Expenses reduction etc.

### ■ Variable cost : Full-year effects of CAPEX in FY2019

Minimize the disadvantages of production reduction by pursuing optimal production configuration

## ➤ Measures to improve steel prices

Continuing close negotiations with customers to realize the appropriate sales price level which meets the added value we offer, including the total process from R&D to services.

## ➤ Profitability achievement in steel business in FY2021

- Based on the demand level of 2H of FY2020, we will steadily implement cost reduction measures such as capital investment effects, and achieve profitability in FY2021.

## ➤ Execution of Structural Reforms

- Considering earlier schedule of structural reforms and earlier realization of the effects for JFE's optimization of domestic production operation



# Financial Forecast for Fiscal Year 2020

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	Unit	FY2019	FY2020				
		Full Year	1Q	2Q	1H	2H	Full Year
Revenue	billion yen	2,681.3	508.7	501.3	1,010.0	1,230.0	2,240.0
Segment Profit	billion yen	(8.7)	(57.8)	(87.2)	(145.0)	0	(145.0)
Excluding Inventory Valuation etc.*	billion yen	21.3	(34.8)	(47.2)	(82.0)	(19.0)	(101.0)
Crude Steel (Standalone)	Mt	26.73	4.79	Approx. 5.20	Approx. 10.00	Approx. 12.00	Approx. 22.00
Crude Steel (Consolidated)	Mt	28.09	5.09	Approx. 5.50	Approx. 10.60	\	
Shipment (Standalone)	Mt	23.47	4.59	Approx. 4.60	Approx. 9.20		
Export Ratio on Value Basis (Standalone)	%	41.5	44.2	Approx. 42	Approx. 43		
Average Sales Price (Standalone)	000 yen/ t	78.8	75.3	Approx. 71	Approx. 73		
Exchange Rate	¥/\$	109.1	107.7	Approx. 108	Approx. 108	Approx. 108	

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



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

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Segment profit in steel business is expected to significantly decreased from the previous fiscal year amid decrease in production and sales volume, and decrease in profit of subsidiary companies by spread of COVID-19, although cost reduction of 100 billion yen is expected to be achieved.

JFE Steel	FY2019 Actual	FY2020 Forecast	Change (billion yen)
Segment Profit	<b>(8.7)</b>	<b>(145.0)</b>	<b>(136.3)</b>

## 1. Cost

**+100.0**

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

## 2. Volume and Mix

**-119.0**

- Production and sales volume decreased amid decline in demand (Crude steel (Standalone) 26.73⇒22.00Mt -4.73Mt)
- Product mix deteriorated both overseas and domestic.

## 3. Sales and Raw materials

**-23.0**

- (-1,100 yen/t-shipment)
- Metal spread shrank with decreased steel price both in domestic and overseas market.

## 4. Inventory valuation

**-14.0**

- Inventory valuation -25.0 (-22.0→-47.0)
- Carry over of raw materials +12.0 (-7.0→+5.0)
- Foreign exchange valuation -1.0(-1.0→-2.0)

## 5. Others

**-80.3**

- Decrease in profit of subsidiary companies: -70.0 billion yen etc.



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

JFE

Segment profit in 2H will remarkably recover from 1H and eliminate the deficit, thanks to increase in crude steel production toward 2H, cancellation of the loss in inventory valuation in 1H, and increase in profit of subsidiary companies.

JFE Steel	FY2020 Forecast			Change 1H→2H
	1H	2H	Full Year	
Segment Profit	<b>(145.0)</b>	<b>0</b>	<b>(145.0)</b>	<b>+145.0</b>

(billion yen)

<b>1. Cost</b>	<b>+15.0</b>	<ul style="list-style-type: none"> <li>• Shrink cost increase due to reduced production</li> <li>• Fixed cost reduction mainly sourced from repairing cost and labor cost</li> </ul>
<b>2. Volume and Mix</b>	<b>+40.0</b>	<ul style="list-style-type: none"> <li>• Recovery of customers' activity level (mainly automobiles) is expected toward 2H. (Crude steel (Standalone) 10.00⇒12.00Mt +2.00Mt)</li> </ul>
<b>3. Sales and Raw materials</b>	<b>-5.0</b>	<ul style="list-style-type: none"> <li>(-500yen/t-shipment)</li> <li>• Forecast of iron ore price remaining high, and increase in coking coal price amid the recovery of economic activity</li> </ul>
<b>4. Inventory valuation</b>	<b>+82.0</b>	<ul style="list-style-type: none"> <li>• Inventory valuation +63.0 (-55.0→+8.0)</li> <li>• Carry over of raw materials +17.0 (-6.0→+11.0)</li> <li>• Foreign exchange valuation +2.0(-2.0→±0)</li> </ul>
<b>5. Others</b>	<b>+13.0</b>	<ul style="list-style-type: none"> <li>• Increase in profit of subsidiary companies etc.</li> </ul>

# **JFE Engineering**

## **Financial Forecast for Fiscal Year 2020**



# Financial Forecast for Fiscal Year 2020

## JFE

### Current Business Environment

- Domestic demands in environmental sector, and social infrastructure such as steel structures are expected to remain solid.
- Due to the impact of COVID-19, some overseas projects were suspended. Although new projects in domestic private sector and overseas may be suspended or orders may be postponed, the impact will be limited.
- Segment profit is expected to exceed 20.0 billion yen even under the spread of COVID-19, maintaining Stable Earnings.

### Financial Forecast

(billion yen)	FY2019 (Actual)		FY2020 (Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Orders	189.5	413.0	<b>320.0</b>	<b>500.0</b>	130.5	87.0
Revenue	238.9	512.2	<b>215.0</b>	<b>490.0</b>	(23.9)	(22.2)
Segment Profit	11.9	23.1	<b>6.0</b>	<b>21.0</b>	(5.9)	(2.1)

#### [1H]

- Orders +130.5 Increase in large-scale orders in environmental sector
- Revenue (23.9) Impact of COVID-19 and decrease in work volume
- Segment Profit (5.9) Decrease in revenue and construction mix

#### [Full Year]

- Orders +87.0 Increase mainly in large-scale orders of public works in environmental and social infrastructure sectors
- Revenue (22.2) Impact of COVID-19 and decrease in work volume
- Segment Profit (2.1) Decrease in revenue



**JFE Shoji**  
**Financial Forecast**  
**for Fiscal Year 2020**



# Financial Forecast for Fiscal Year 2020

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## Current Business Environment

- Global economy decelerates rapidly due to COVID-19, and domestic economic activity stagnates.
  - Although there are signs of a recovery in automobile production in Japan, demand for industrial machinery and construction equipment remained weak.
  - Customers' inventory adjustment becomes serious, leading sluggish cargo movement mainly in Japan.
  - Demand for steel products is expected to remain sluggish in 1H due to overseas slow economic recovery.
- ⇒ To respond to the current situation, implement measures to improve profit and cash flow such as asset compression, expense reduction and screening of investments.

## Financial Forecast

(billion yen)	FY2019 (Actual)		FY2020 (Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	557.5	1,084.1	<b>430.0</b>	<b>900.0</b>	(127.5)	(184.1)
Segment Profit	14.6	27.0	<b>5.5</b>	<b>12.0</b>	(9.1)	(15.0)

### 【1H】

Revenue and profits are expected to decrease both in Japan and overseas due to decrease in sales volume with significant drop in demand caused by the spread of COVID-19.

### 【Full Year】

Although the global economy and demand is expected to recover gradually in 2H, revenue and profits are expected to decrease from the previous year due to decrease in sales volume caused by the global economic stagnation

# ESG Initiatives



Included in One of the World's Leading ESG Investment Indices



JFE

Included in leading ESG investment indices, "FTSE4Good Index Series"\* and 「FTSE Blossom Japan Index」\*\* , at first time

Released on 8<sup>th</sup> July 2020



FTSE4Good

### \*FTSE4Good Index Series

<https://www.ftserussell.com/ja/products/indices/ftse4good>

The index is developed by FTSE Russell, a member of London Stock Exchange Group, and selects companies demonstrating strong Environmental, Social and Governance (ESG) practices. It's used by a wide variety of market participants when creating or assessing sustainable investment products.



FTSE Blossom  
Japan

### \*\*FTSE Blossom Japan Index

<https://www.ftserussell.com/ja/products/indices/blossom-japan>

The index is developed by FTSE Russell, and selects Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices.

Promote ESG initiatives such as climate change, safety and compliance etc. to strengthen the Group's competitiveness and resilience for sustainable growth and contribute to developing sustainable society.



JFE



Engineering Business

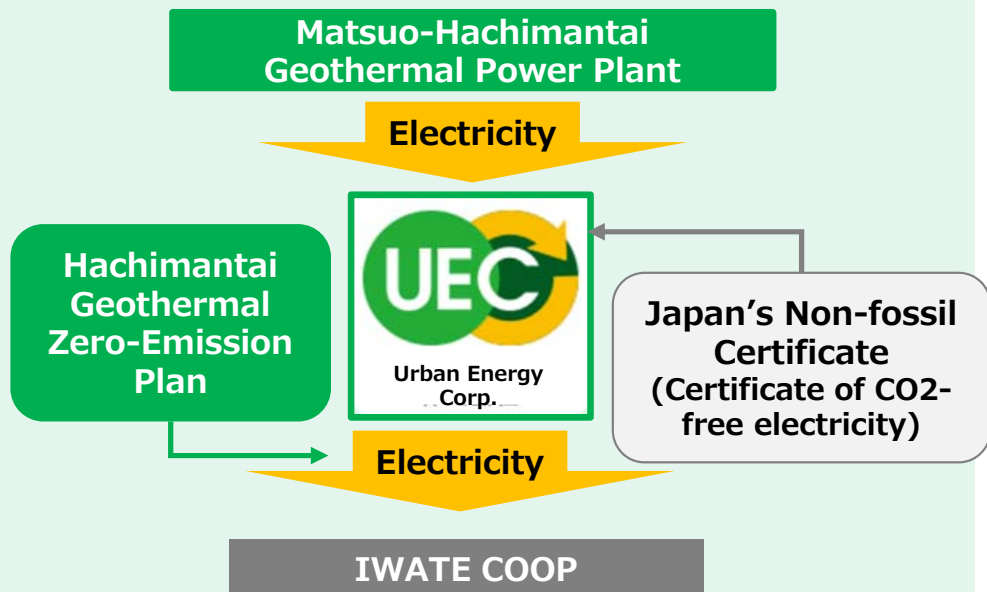
Trading Business

## Start providing new electricity plan “Hachimantai Geothermal Zero-Emission Plan”

Released on 28<sup>th</sup> May 2020

100% renewable energy  
Zero CO2 emission factor

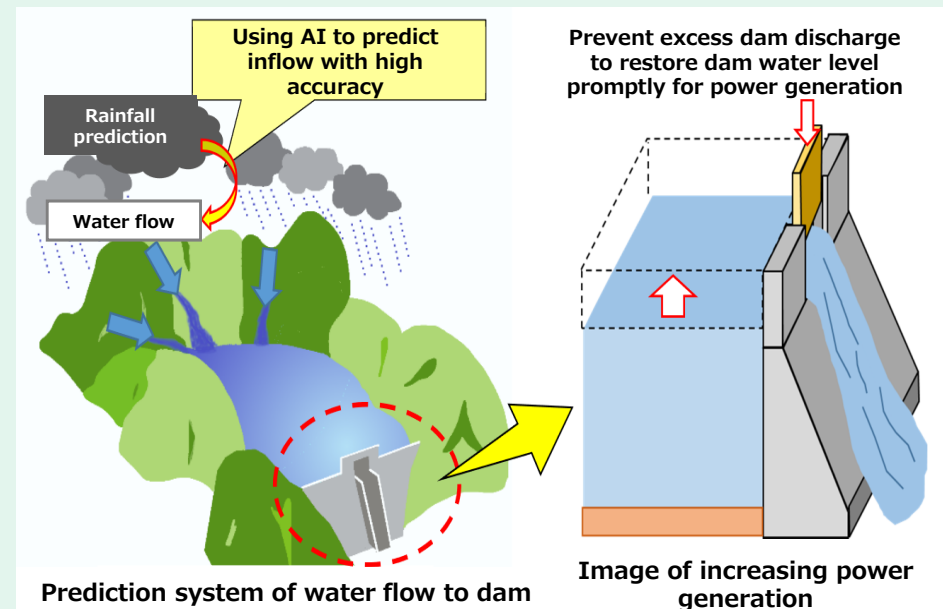
⇒ Contribute to effective use of geothermal energy



## Developed “Dam Optimum Operation System” using AI with Hokuriku Electric Power Co.

Released on 12<sup>th</sup> June 2020

Predict water flow with high accuracy  
⇒ Contribute to increasing hydroelectric power generation



Newly organized “Renewable Energy Steel Products Team” in July

Released on 10<sup>th</sup> July 2020

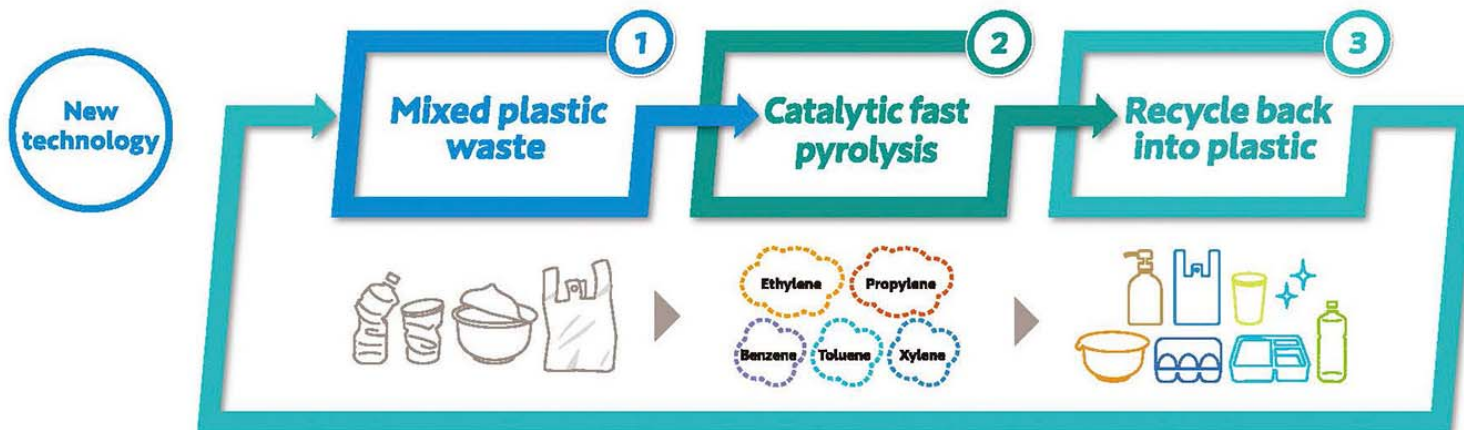
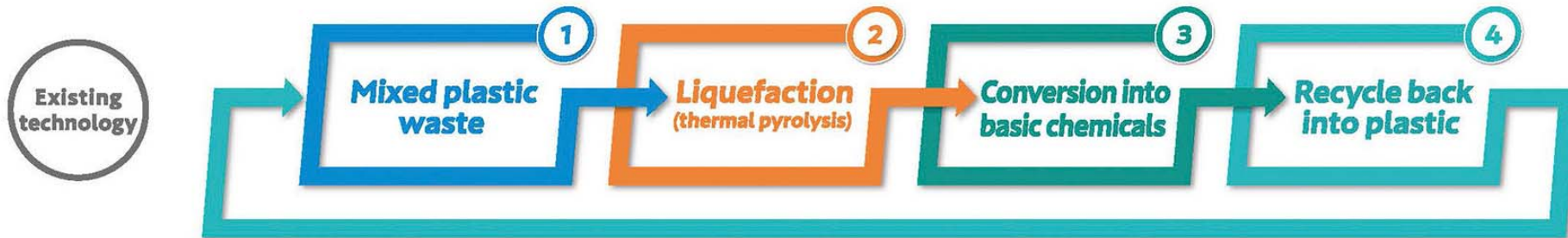
### Implement strategy to maximize steel business towards global renewable energy field

- Further expand steel business towards renewable energy field
- Formulate a supply chain model for material processing to meet specific customer needs



## J&T Recycling participates in R Plus Japan Ltd., a new joint venture of business for used plastics recycling

- ◆ Established Jointly with 11 cross-industry companies (commencement of business: June 2020) Released on 30<sup>th</sup> June 2020
- ◆ Utilize technology of Anellotech, a US-based biochemical venture company, to promote efficient recycling technology with less environmental load (aim to commercialize by 2027)



Reduce CO2 emission and energy requirement by using fewer processes than existing chemical recycling through liquefaction process

# Appendix



# Main Financial Data

JFE  
J-GAAP

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
<b>(bn. Yen, times)</b>							
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%
<b>Profit attributable to owners of parent (yen/share)</b>							
	71.2	177.4	241.6	58.4	117.8	250.8	285.0
<b>Dividend (yen/share)</b>	20	40	60	30	30	80	95
<b>Pay-out Ratio</b>	28.1%	22.5%	24.8%	51.4%	25.5%	31.9%	33.3%

IFRS

Forecast

	FY18	FY19	FY20 (1H)
<b>(bn. Yen, times)</b>			
Business profit	232.0	37.8	-125.0
EBITDA * 1	428.2	269.4	-10.0
ROS * 2	6.0%	1.0%	-8.6%
ROE * 3	8.6%	11.1%	-13.9%
ROA * 4	5.0%	0.8%	-5.4%
Interest-bearing debt outstanding	1,524	1,814	1,950.0
Debt/EBITDA multiple	x3.6	x6.7	-
D/E Ratio * 6	68.2%	96.4%	110.3%
<b>Profit attributable to owners of parent (yen/share)</b>			
	283.8	-343.4	-19.1
<b>Dividend (yen/share)</b>	95	20	0
<b>Pay-out Ratio</b>	33.5%	-	-

Notes  
[IFRS]

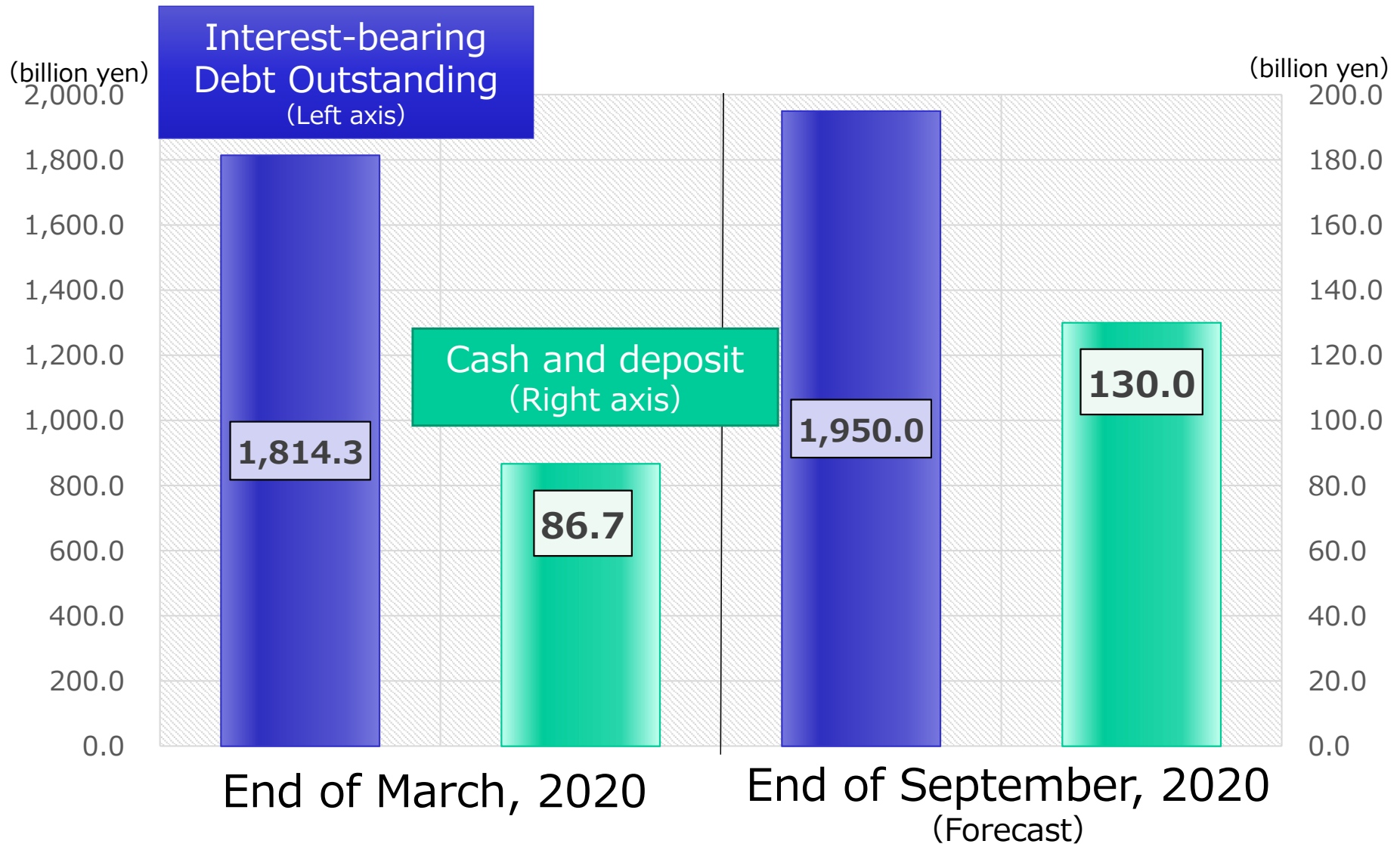
- \* 1 EBITDA = Business profit + Depreciation and Amortization
- \* 2 ROS = Business profit / Revenue
- \* 3 ROE = Profit attributable to owners of parent company / Equity
- \* 4 ROA = Business profit / Total assets
- \* 5 Debt/EBITDA ratio = Interest-bearing debt outstanding / EBITDA
- \* 6 D/E ratio = 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





# Interest-bearing Debt Outstanding



**Commitment line for secure adequate liquidity (700.0 billion yen) has not yet been exercised.**



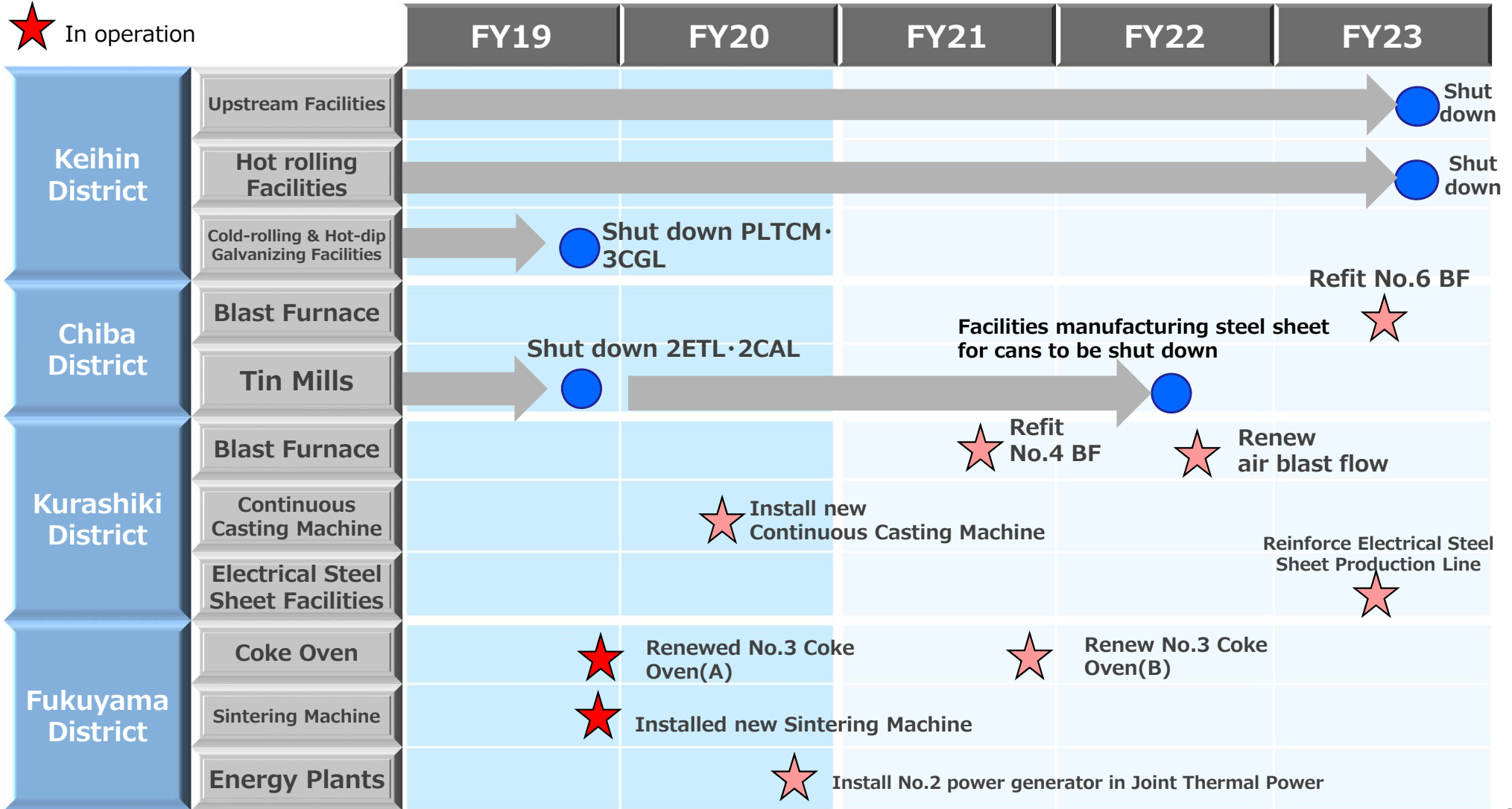
# Progress of Initiatives of Steel Business (Domestic)

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

JFE

Attempt to **further strengthen competitiveness** by investing strategically in its domestic steelworks

- Shut down
- Planning to operate (in progress)
- In operation






# Progress of Initiatives of Steel Business (Overseas)

JFE

Promote initiatives to enhance new earning bases

● 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 production 	◆ [China·Materials for lithium-ion batteries] Anode materials to start commercial production			
Infra-structure materials			● Started Color-coating Line operation			
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		

• To maximize earnings from existing overseas businesses  
 • To develop new growth opportunities

Considering to both expand business in overseas and transfer technology

•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



JFE

# 29.4 Billion Yen Decrease in JFE Steel's Segment Profit (FY2020.1Q (Actual) vs. FY2020.2Q (Forecast))

JFE Steel	FY2020 Forecast			Change 1Q→2Q
	1Q (Actual)	2Q (Forecast)	1H	
Segment Profit	<b>(57.8)</b>	<b>(87.2)</b>	(145.0)	<b>(29.4)</b>

(billion yen)

## 1. Cost

**+15.0**

- Fixed cost reduction mainly sourced from repairing cost and labor cost
- Capital investment effect
- Suppress cost increase due to reduced production etc.

## 2. Volume and Mix

**+2.0**

Despite the recovery of crude steel production after 1Q, mix will be deteriorated.  
(Crude steel (Standalone) 4.79⇒5.21Mt +0.42Mt)

## 3. Sales and Raw materials

**-17.0**

(-3,700 yen/t-shipment)  
In spite of the decrease of coking coal price, metal spread will shrink due to decline in steel market price.

## 4. Inventory valuation

**-17.0**

- Inventory valuation -13.0 (-21.0→-34.0)
- Carry over of raw materials -6.0 (±0.0→-6.0)
- Foreign exchange valuation +2.0(-2.0→±0.0)

## 5. Others

**-12.4**

- Decrease in profit of subsidiary companies
- Assets inventory reduction, disposal acceleration etc.



JFE

# 162.7 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019.1H (Actual) vs. FY2020.1H (Forecast))

JFE Steel

JFE Steel	FY2019 1H (Actual)	FY2020 1H (Forecast)	(billion yen) Change FY2019.1H →FY2020.1H
Segment Profit	<b>17.7</b>	<b>(145.0)</b>	<b>(162.7)</b>

<b>1. Cost</b>	<b>+46.0</b>	<ul style="list-style-type: none"> <li>Fixed cost reduction mainly sourced from repairing cost and labor cost</li> <li>Capital investment effect etc.</li> </ul>
<b>2. Volume and Mix</b>	<b>-88.0</b>	<ul style="list-style-type: none"> <li>Production reduction amid the decline in demand. (Crude steel (Standalone) 13.79⇒10.00Mt -3.79Mt)</li> <li>Mix will be deteriorated.</li> </ul>
<b>3. Sales and Raw materials</b>	<b>-9.0</b>	(-1,000yen/t-shipment) Metal spread for exports will shrink.
<b>4. Inventory valuation</b>	<b>-59.0</b>	<ul style="list-style-type: none"> <li>Inventory valuation -49.0 (-6.0→-55.0)</li> <li>Carry over of raw materials -11.0 (+5.0→-6.0)</li> <li>Foreign exchange valuation +1.0(-3.0→-2.0)</li> </ul>
<b>5. Others</b>	<b>-52.7</b>	<ul style="list-style-type: none"> <li>Decrease in profit of subsidiary companies</li> <li>Increase assets disposal etc.</li> </ul>

**JFE****JFE Steel**

# 118.6 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019.2H (Actual) vs. FY2020.1H (Forecast))

JFE Steel	FY2019 2H (Actual)	FY2020 1H (Forecast)	(billion yen) Change FY2019.2H →FY2020.1H
Segment Profit	<b>(26.4)</b>	<b>(145.0)</b>	<b>(118.6)</b>

**1. Cost****+40.0**

- Fixed cost reduction mainly sourced from repairing cost and labor cost
- Capital investment effect
- Suppress cost increase due to reduced production etc.

**2. Volume and Mix****-72.0**

- Production reduction amid the decline in demand  
(Crude steel (Standalone) 12.94⇒10.00Mt -2.94Mt)
- Mix will be deteriorated.

**3. Sales and Raw materials****-10.0**

- (-1,100 yen/t-shipment)
- Metal spread will shrink amid the decline in market price overseas.

**4. Inventory valuation****-37.0**

- Inventory valuation -39.0 (-16.0→-55.0)
- Carry over of raw materials +6.0 (-12.0→-6.0)
- Foreign exchange valuation -4.0(+2.0→-2.0)

**5. Others****-39.6**

- Decrease in profit of subsidiary companies



JFE

# 37.7 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019.4Q vs. FY2020.1Q)

JFE Steel

JFE Steel	FY2019					FY2020 1Q	Change FY2019.4Q →FY2020.1Q
	1Q	2Q	3Q	4Q	Full Year		
Segment Profit	14.5	3.2	(6.3)	<b>(20.1)</b>	(8.7)	<b>(57.8)</b>	<b>(37.7)</b>

## 1. Cost

**+9.0**

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

## 2. Volume and Mix

**-39.0**

- Production reduction amid the decline in demand  
(Crude steel (Standalone) 6.70⇒4.79Mt -1.91Mt)

## 3. Sales and Raw materials

**+1.0**

- (+200yen/t-shipment)
- Metal spread increased due to decline in coking coal price

## 4. Inventory valuation

**-12.0**

- Inventory valuation -16.0 (-5.0→-21.0)
- Carry over of raw materials +6.0 (-6.0→±0.0)
- Foreign exchange valuation -2.0(±0.0→-2.0)

## 5. Others

**+3.3**

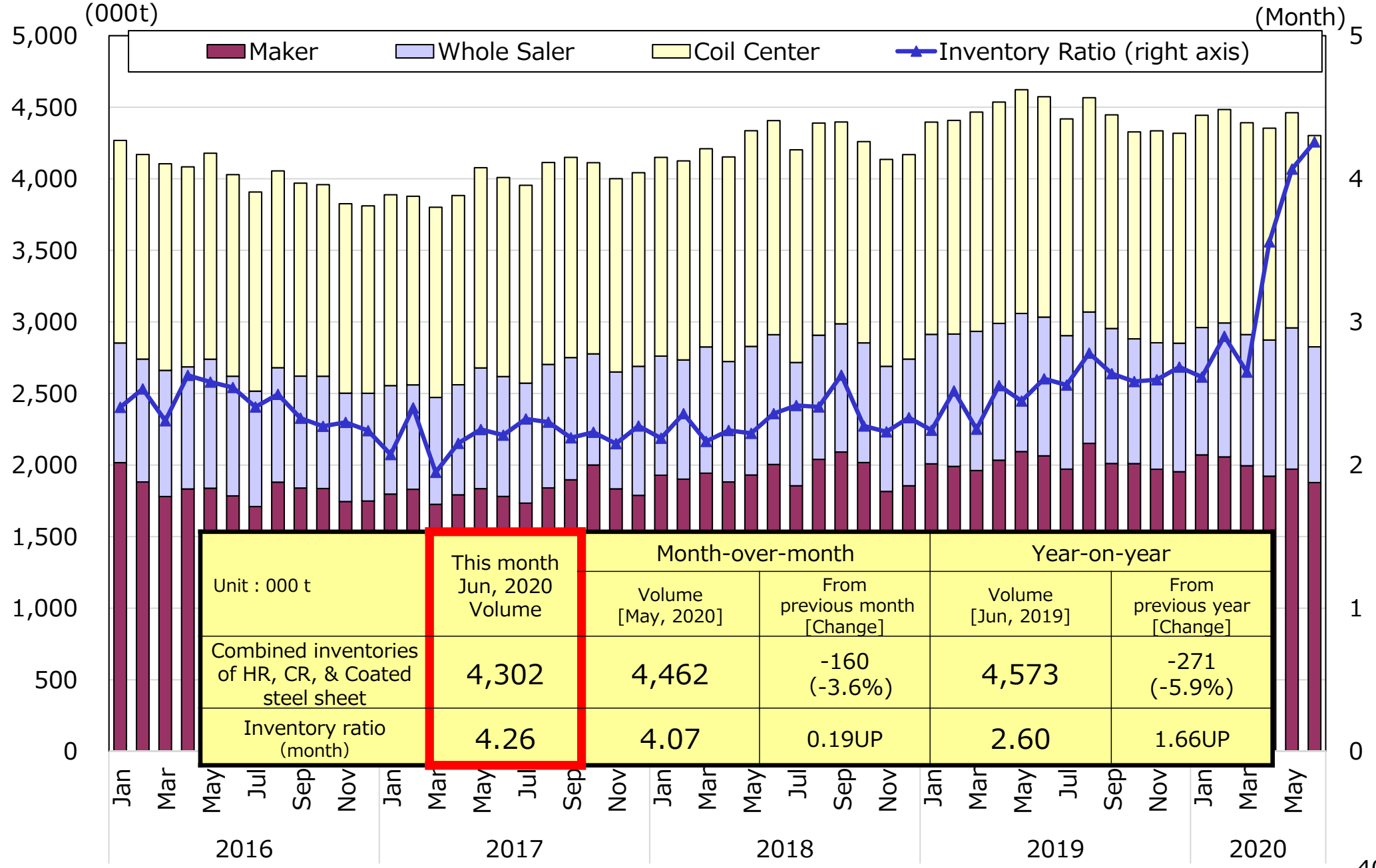
- Decrease in profit of subsidiary companies
- Asset disposal concentrated in 4Q of FY19 etc.



# Domestic Market Environment

# Combined Inventories of HR, CR and Coated Steel Sheet

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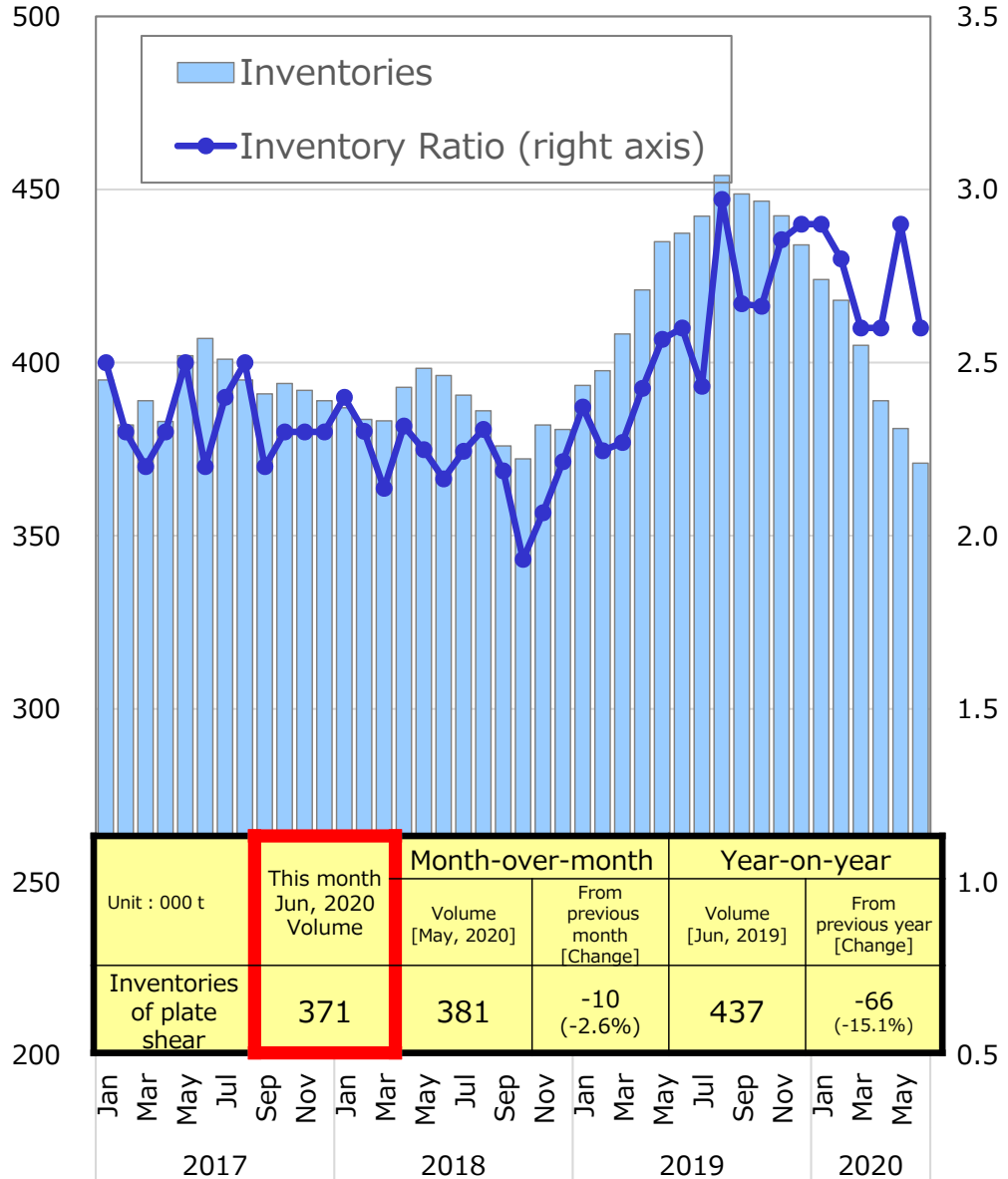




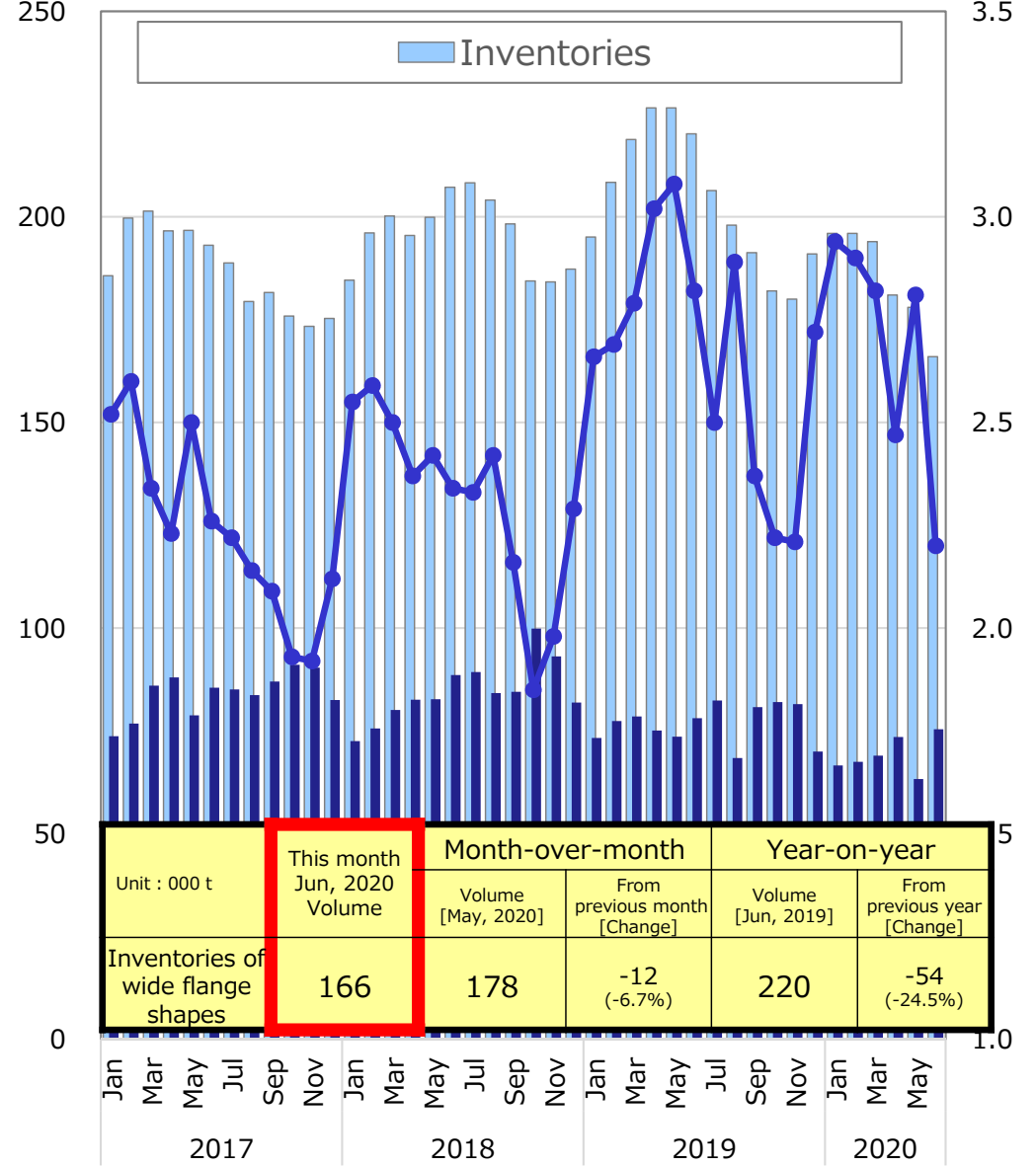


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(000t) Inventories of Plate (Plate Shear) (Month)



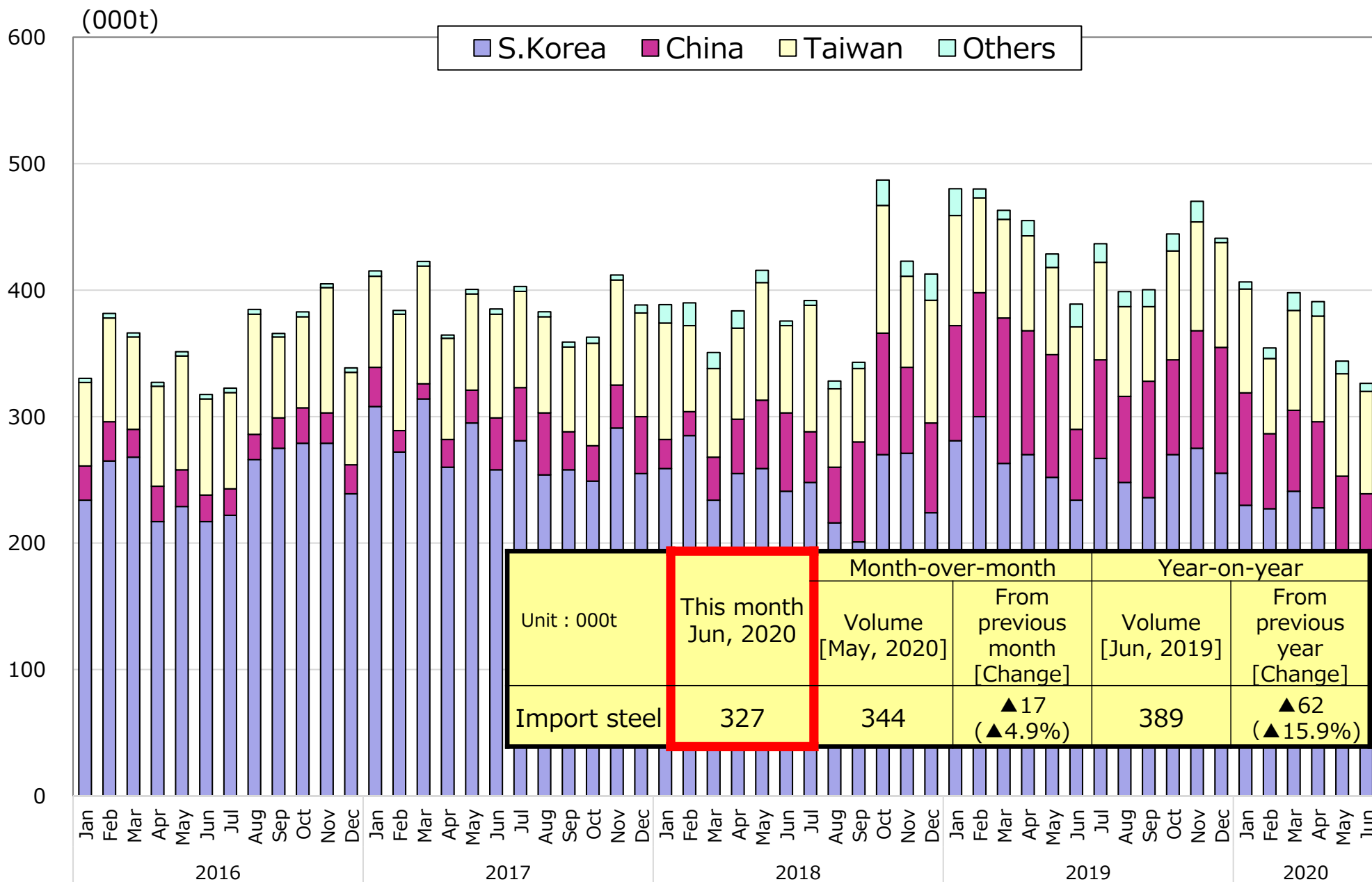
(000t) Inventories of Wide Flange Shapes (Month)





# Trend of Import Steel (Ordinary Steel)

JFE

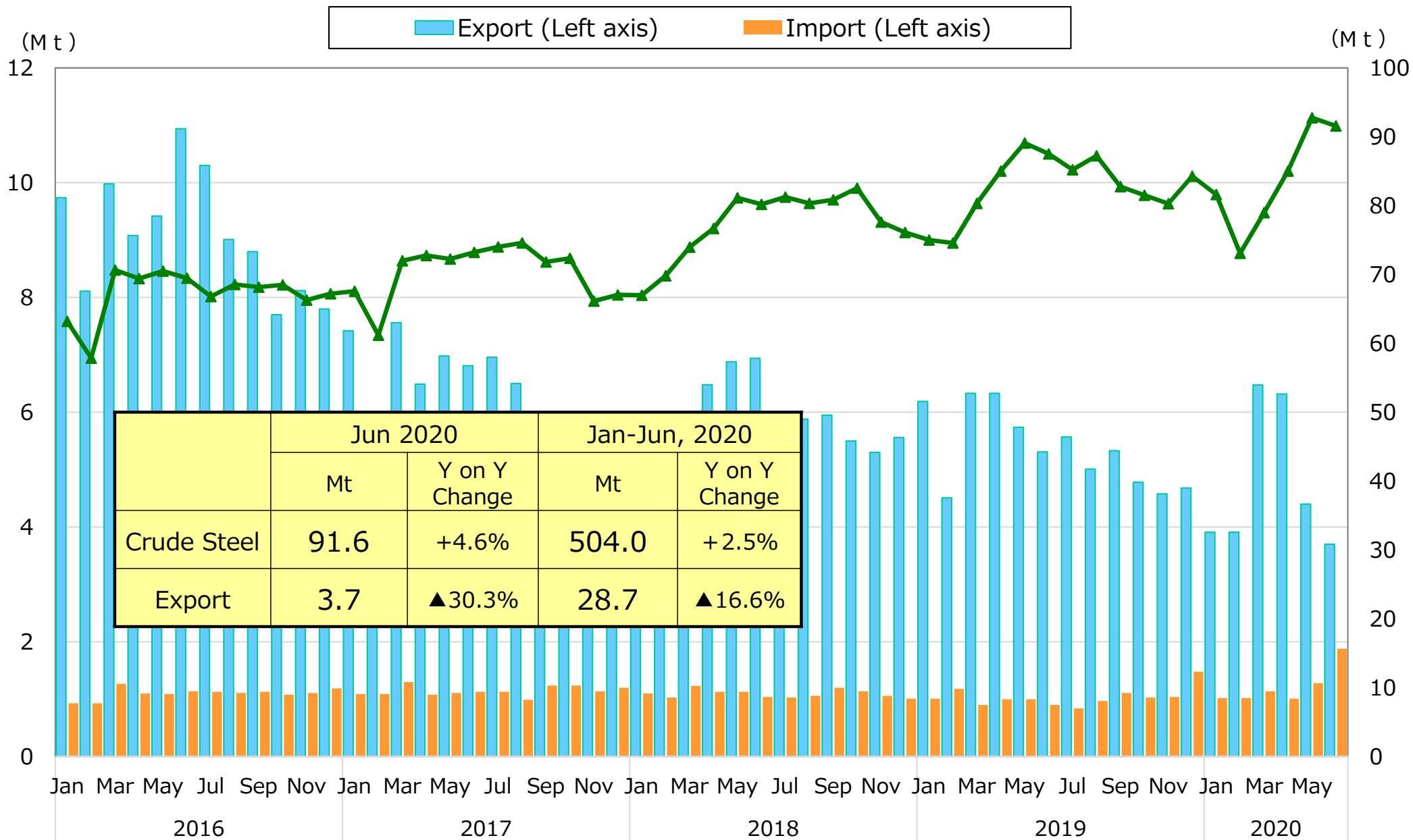


Unit : 000t	This month Jun, 2020	Month-over-month		Year-on-year	
		Volume [May, 2020]	From previous month [Change]	Volume [Jun, 2019]	From previous year [Change]
Import steel	327	344	▲17 (▲4.9%)	389	▲62 (▲15.9%)



# Crude Steel & Im/Export, China

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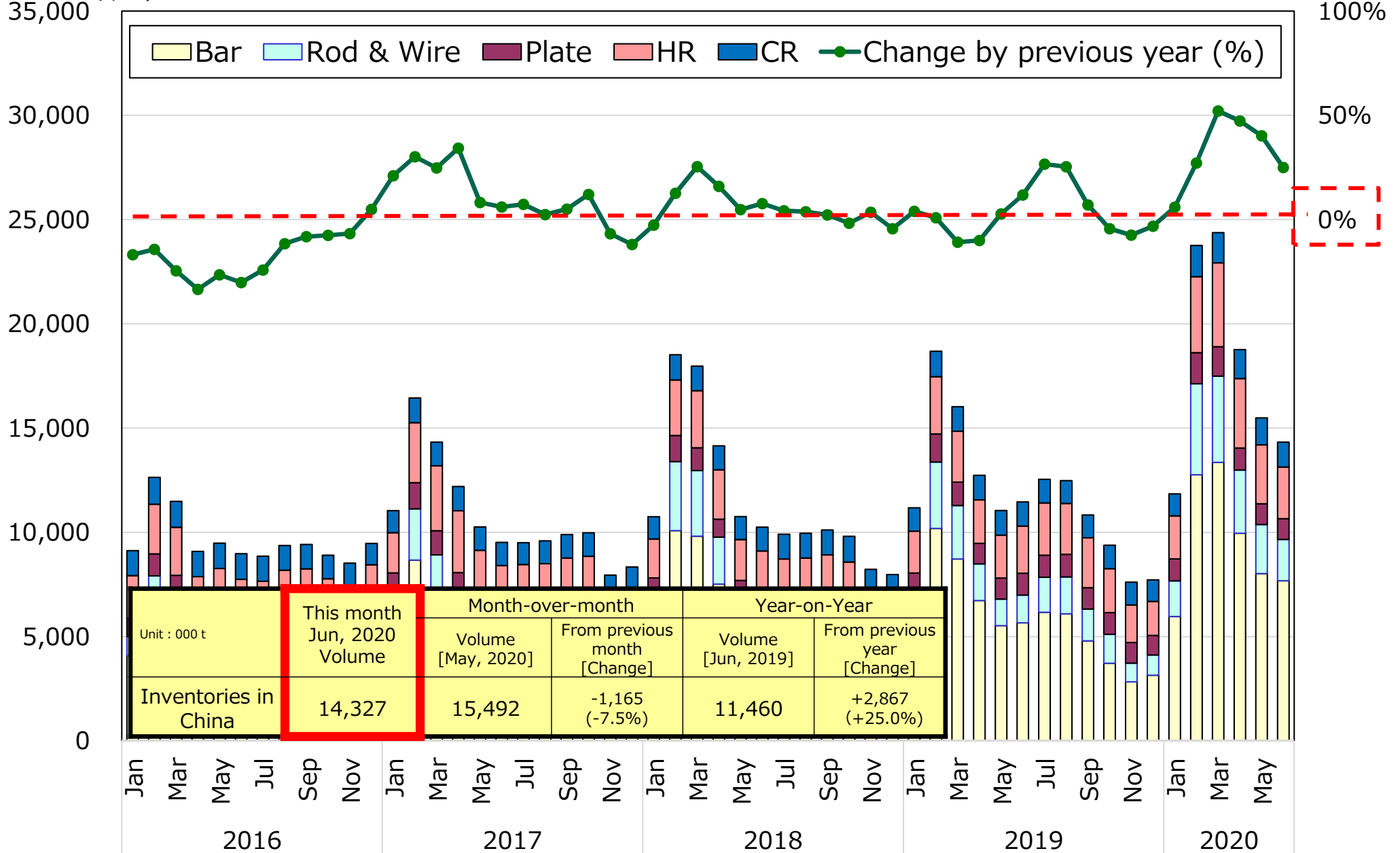




# Inventories in China by Product

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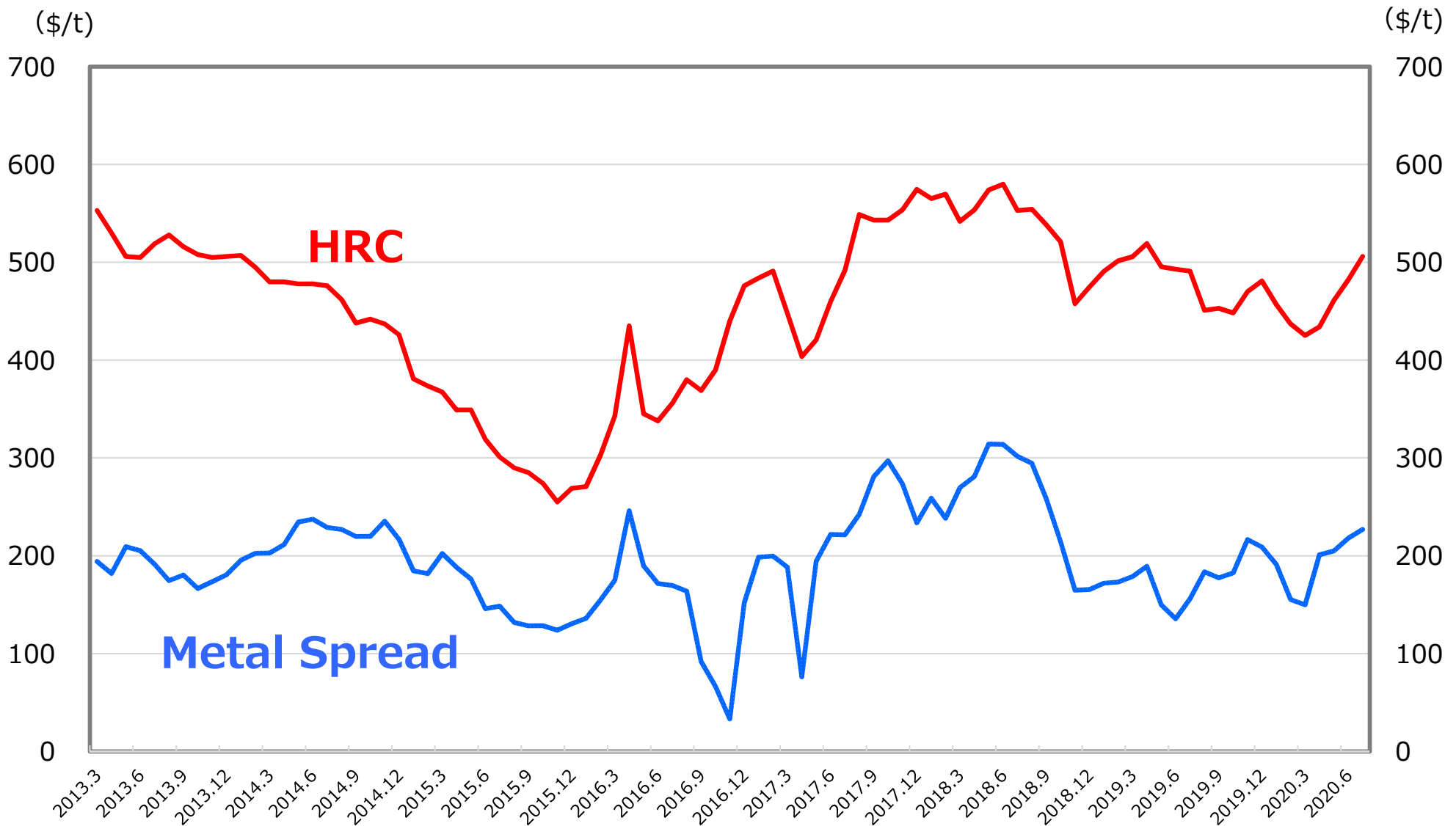




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Overseas Market Environment

# Metal Spread Trend (Chinese Spot Basis)



Metal Spread = HRC Price – Raw Materials Cost

\*HRC Price : Chinese Spot basis

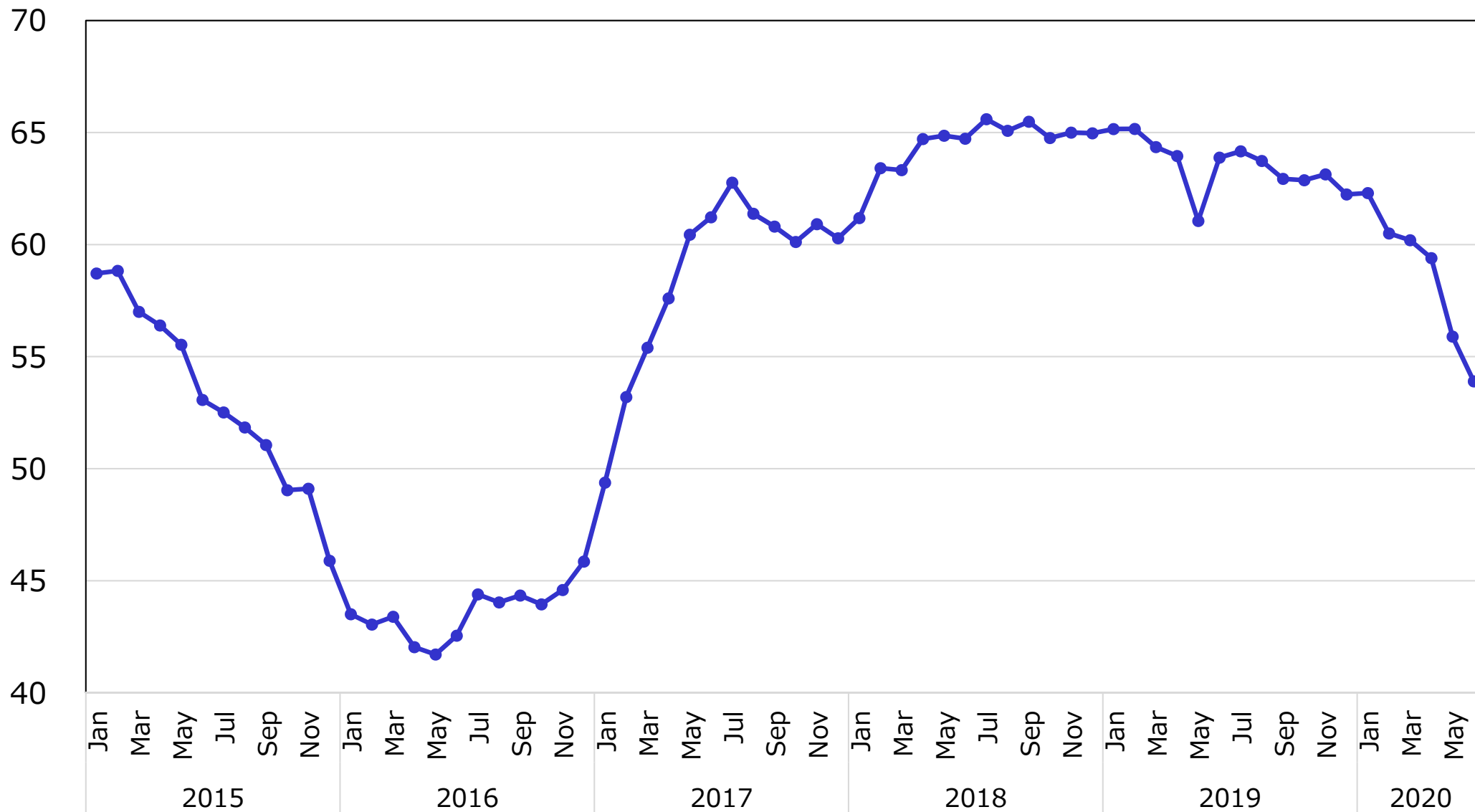
Raw Materials Cost : Calculated from market price of Iron Ore and Hard Coking Coal



# Price Trend of Import Steel

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(000 yen/ton)



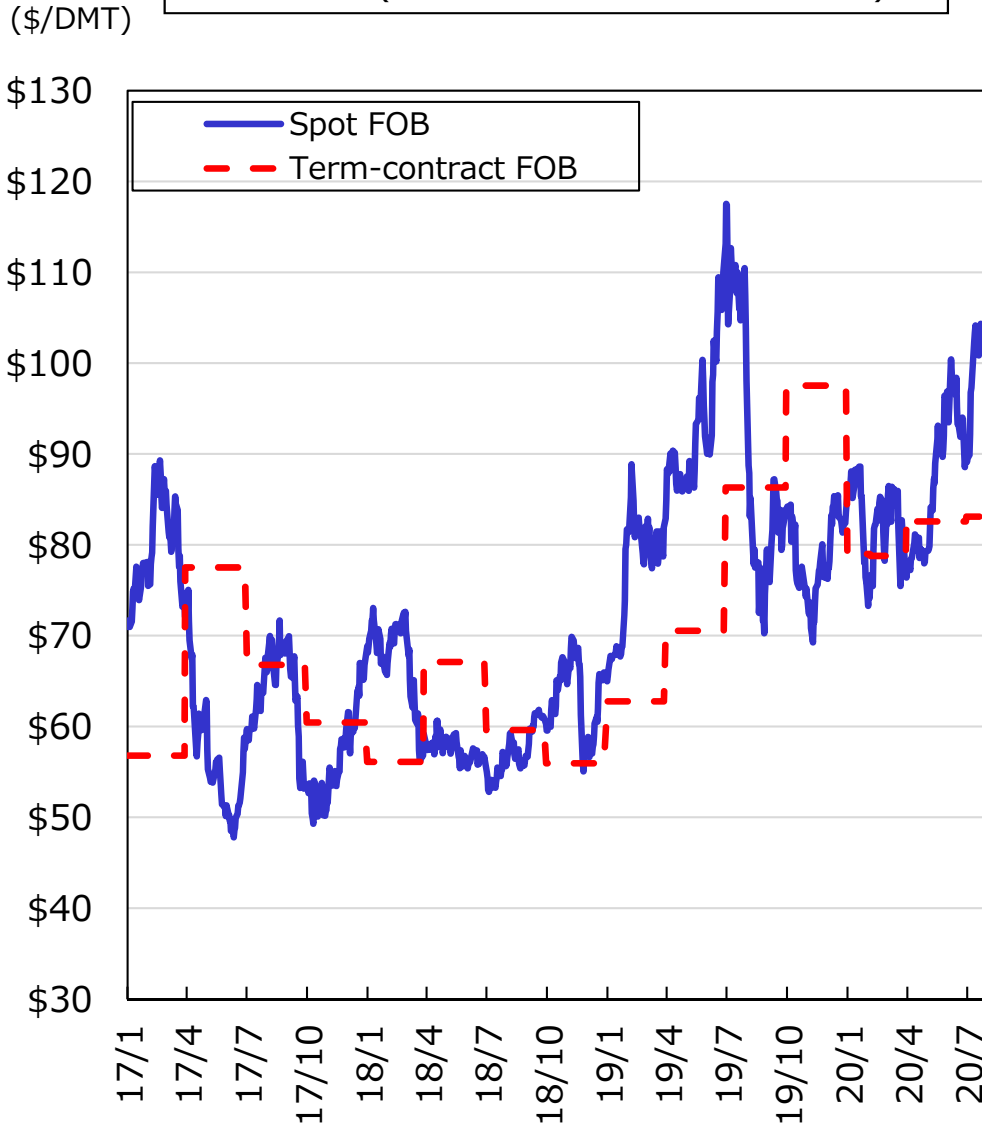


# Raw Materials

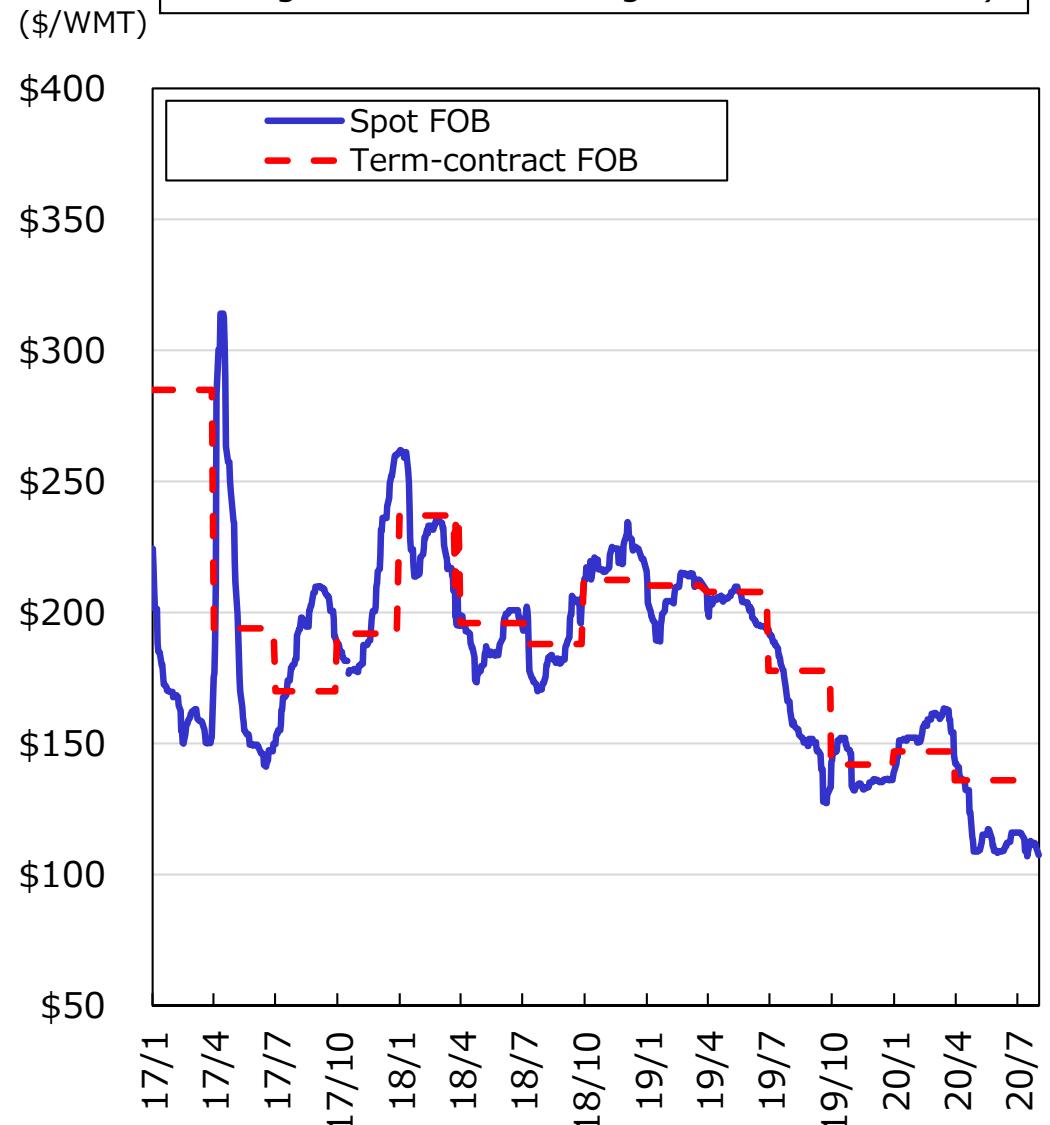
# Raw Materials Price

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Iron ore (iron ore fines from Australia)



Coking Coal (Hard Coking Coal from Australia)



Hard Coking Coal Term-contract FOB since Apr-Jun quarter 2017  
 (Apr-Jun : Mar-May spot FOB average, Jul-Sep : Jun-Aug spot FOB average,  
 Oct-Dec : Sep-Nov spot FOB average, Jan-Mar : Dec-Feb spot FOB average)



# Raw Materials

# Trend of Metal's Market Price

JFE

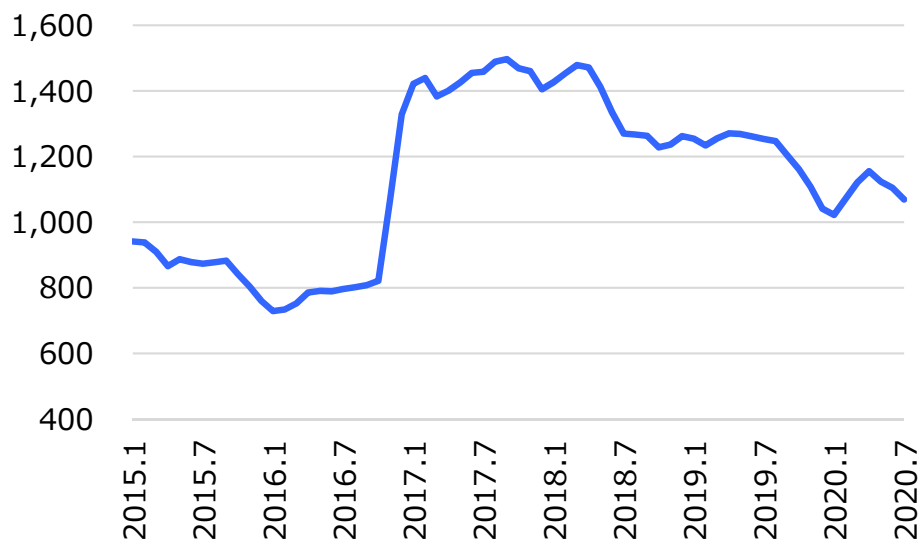
(¢/lb) FeCr



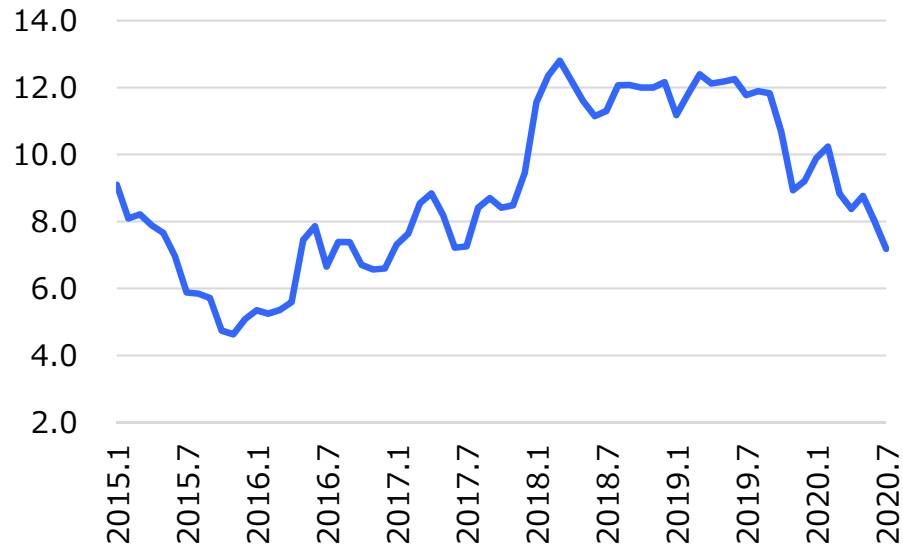
(U\$/t) Zn



(U\$/t) FeMn



(U\$/lb) Mo



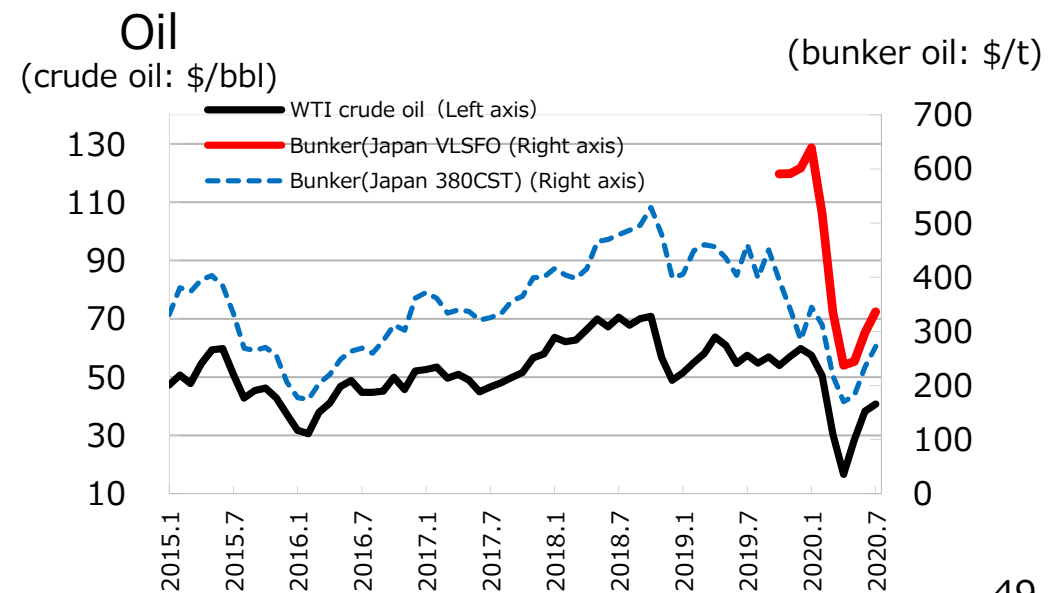
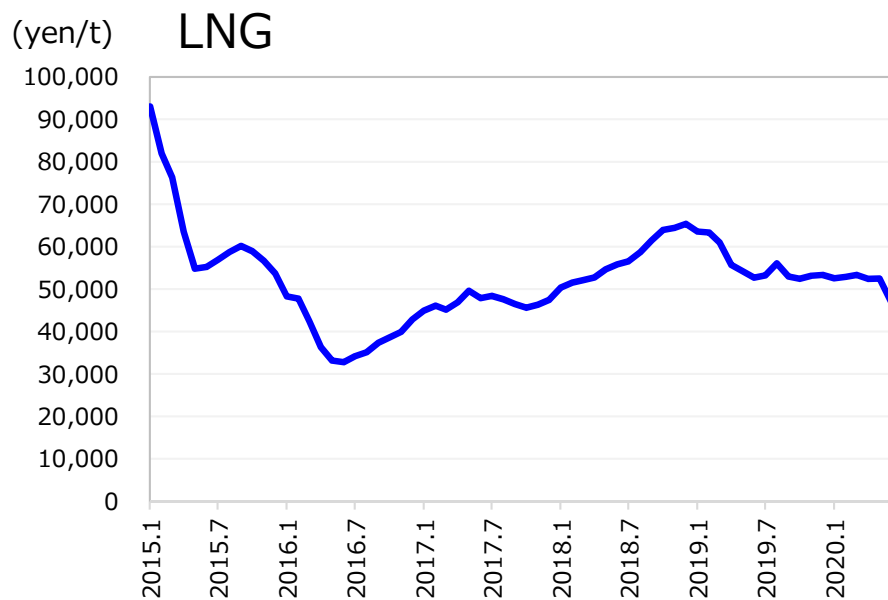
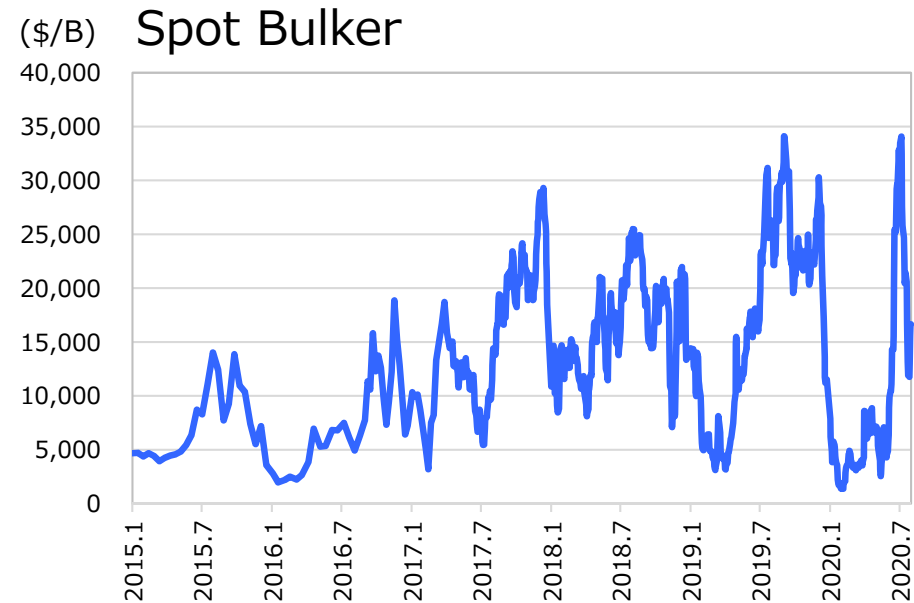
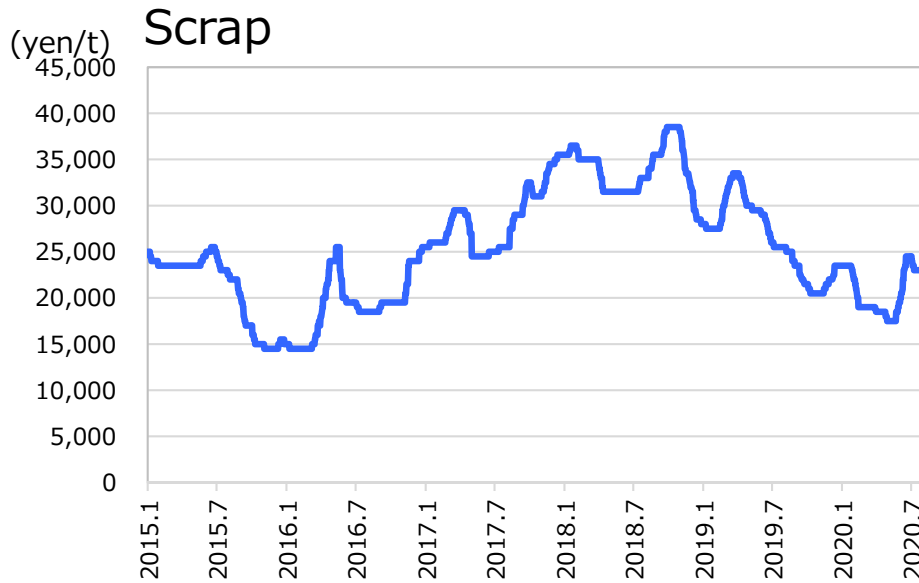




# Raw Materials

## Trend of Sub Material's Market Price

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# Orders by Business Field





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(billion yen)

Business Field	FY2019 Actual	FY2020 Forecast	Change	Main Orders received in FY2020 1Q
Environment	187.1	260.0	72.9	<ul style="list-style-type: none"> <li>➤ Construction of waste treatment plant [Fukui]</li> <li>➤ Improvement works of waste treatment plant [Hiroshima]</li> <li>➤ Improvement works of Tsubame-Yahiko water purification plant [Niigata]</li> </ul>
Energy	109.8	120.0	10.2	<ul style="list-style-type: none"> <li>➤ Construction of BOG treatment related facility [Sakai, Osaka]</li> </ul>
Social infrastructure etc.	116.1	120.0	3.9	<ul style="list-style-type: none"> <li>➤ Reconstruction works of domestic bridges [No.1 Shimizu grade Yasaka viaduct, Shizuoka]</li> </ul>
Total	413.0	500.0	8.7	



# Links to the reports published during FY2019

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



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