JFE Holdings, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2021

February 9, 2021

Presentation

Moderator: Ladies and gentlemen, thank you for waiting. We will now begin the Investor Meeting of JFE Holdings, Inc.

First, Representative Director and Executive Vice President, Terahata will give his greetings.

Terahata: This is Terahata, Executive Vice President of JFE Holdings.

Thank you for joining us in our Investor Meeting despite the ongoing spread of COVID-19 and your busy schedules. We would like to take this opportunity to thank you for your continued interest in our company.

In the past, we held these Investor Meetings over the phone. But, starting from this time, we will be holding them by web conference.

Senior Vice President Tanaka will present the Q3 results and financial forecast announced today. We will accept your questions later.

Tanaka: This is Tanaka.

We posted the presentation material for today's Investor Meeting on our website. I'll be explaining the details of the material.

I will skip the table of contents and start from page four. I will start with the Q3 results of JFE Group.

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Financial Results for Third Quarter of Fiscal Year 2020

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
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-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.

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Please see page four. Here are the financial highlights for Q3 of FY2020.

Since the latter half of the first half, there has been a recovery of steel demand and steel prices. We also implemented efforts to improve profitability. As a result, business profit for Q3 alone from October to December was JPY53.1 billion.

The figure for the cumulative period from April to December is shown on the right. Revenue was JPY2,318.4 billion, down 17% YoY.

As I stated, business profit was in the black in Q3, but the loss in the first half was sizable. We posted a business loss of JPY61.1 billion over the cumulative period.

The segment loss was JPY70.6 billion and the loss attributable to owners of parent was JPY69.6 billion for the cumulative period up to Q3. Compared to the same period last year, the profit/loss items have deteriorated by around JPY100 billion.

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

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(billion yen)	FY2019 Oct-Dec	FY2019 Apr-Dec	FY2020 Oct-Dec	FY2020 Apr-Dec	Change 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)

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Next, on page five, we'll look at the breakdown by segment.

Total revenue decreased by JPY470.0 billion, mainly due to the decline in sales volume stemming from a sharp reduction in activities by demand industries and the drop in prices in the first half in the Steel Business and Trading Business.

On the other hand, the segment loss was JPY70.6 billion over the cumulative period from April to December.

In the Steel Business, we posted a profit of JPY34.3 billion in Q3, but the cumulative loss was JPY101.9 billion.

On the other hand, in the Engineering Business segment profit was JPY19.6 billion, which is roughly on par with the year-earlier level.

In the Trading Business, segment profit was JPY13.7 billion, down JPY7.5 billion compared to the same period last year. However, if you look at Q3 alone from October to December, profit has recovered to a level almost on par with the previous year.

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Financial Forecast for Fiscal Year 2020

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)	FY2020 (Updated Forecast Feb. 9, 2021)			Change
	Full Year	1H (Actual)	2H (Forecast)	Full Year	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.

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Next, I will go over the financial forecast for the full year.

Please see page seven.

Demand has recovered even more in the Steel Business in addition to a sharp improvement in market prices. Profitability is improving in all segments, including the Engineering Business and Trading Business. As a result, we upwardly revise our business profit or loss forecast to a business loss of JPY32 billion, which is an improvement of JPY58 billion from the previously announced forecast.

We forecast revenue of JPY3,240 billion, an increase of JPY70 billion from the previous announcement. We forecast a segment loss of JPY45 billion, an improvement of JPY60 billion from the previous announcement.

We forecast a loss attributable to owners of parent of JPY38 billion, an improvement of JPY62 billion from the previous announcement. We have included JPY22 billion in gains on exceptional items in the line between segment profit and profit attributable to owners of parent.

We forecast JPY22 billion on roughly JPY28 billion from gains on sale of land at JFE Engineering, offset by roughly JPY6 billion in impairment losses on bringing old equipment offline due to the renewal at JFE Steel etc. and other equipment, both of which are schedule to be recorded in Q4.

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Financial Forecasts for Fiscal Year 2020 (by Segment)

(billion yen)	FY2020 (Previous Forecast) Full Year	FY2020 (Updated Forecast) 1H	2H	Full Year	Change 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

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Please see the next page for the breakdown of our forecast by segment.

I mentioned that we upwardly revised our revenue forecast by JPY70 billion. As you can see here, that breaks down as JPY60 billion in Steel and JPY10 billion in Trading.

We upwardly revised segment profit by JPY60 billion, which breaks down as JPY55 billion in Steel, JPY1 billion in Engineering, and JPY4 billion in Trading.

Financial Forecast for Fiscal Year 2020

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

(billion yen)	FY2019 (Actual) Full Year	FY2020 (Updated Forecast) 1H (Actual)	2H (Forecast)	Full Year	Change 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.

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Next, here is a comparison of the forecast with the previous year's results. This is on page nine.

The forecast shown here is the same as what I showed earlier. Compared to the previous year, we expect business profit to deteriorate by roughly JPY70 billion, despite the significant upward revision this time.

Even though we forecast a loss attributable to owners of parent of JPY38 billion, this is an improvement of JPY160 billion YoY, due to the recording of major impairment losses in the previous fiscal year.

Financial Forecasts for Fiscal Year 2020 (by Segment)

(billion yen)	FY2019 (Actual) Full Year	FY2020 (Updated Forecast) 1H	FY2020 (Updated Forecast) 2H	FY2020 (Updated Forecast) Full Year	Change 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)

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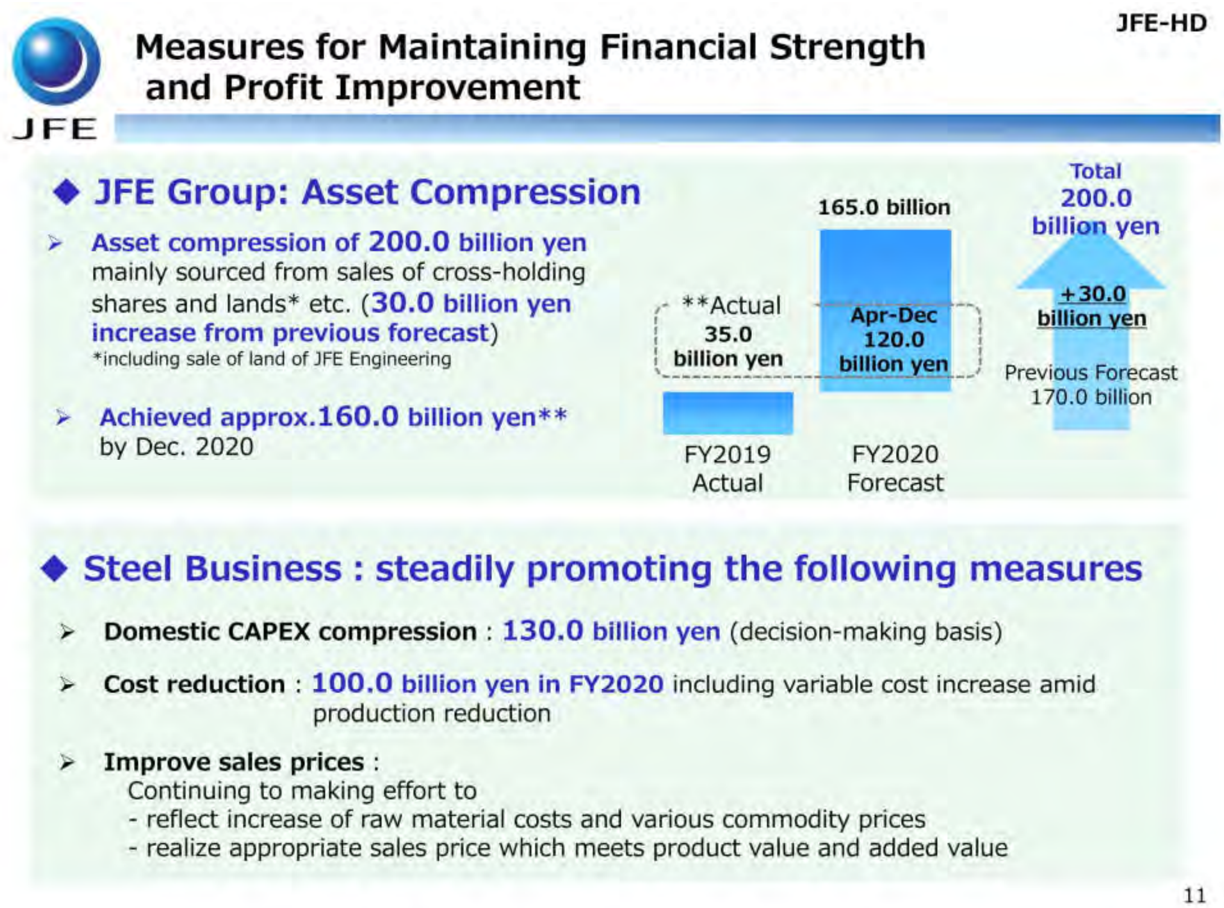
This is a table that breaks down the previous page by segment, but I will omit an explanation for this page.



Next, please see page 11. These are the measures we are taking to maintain financial strength and improve profit.

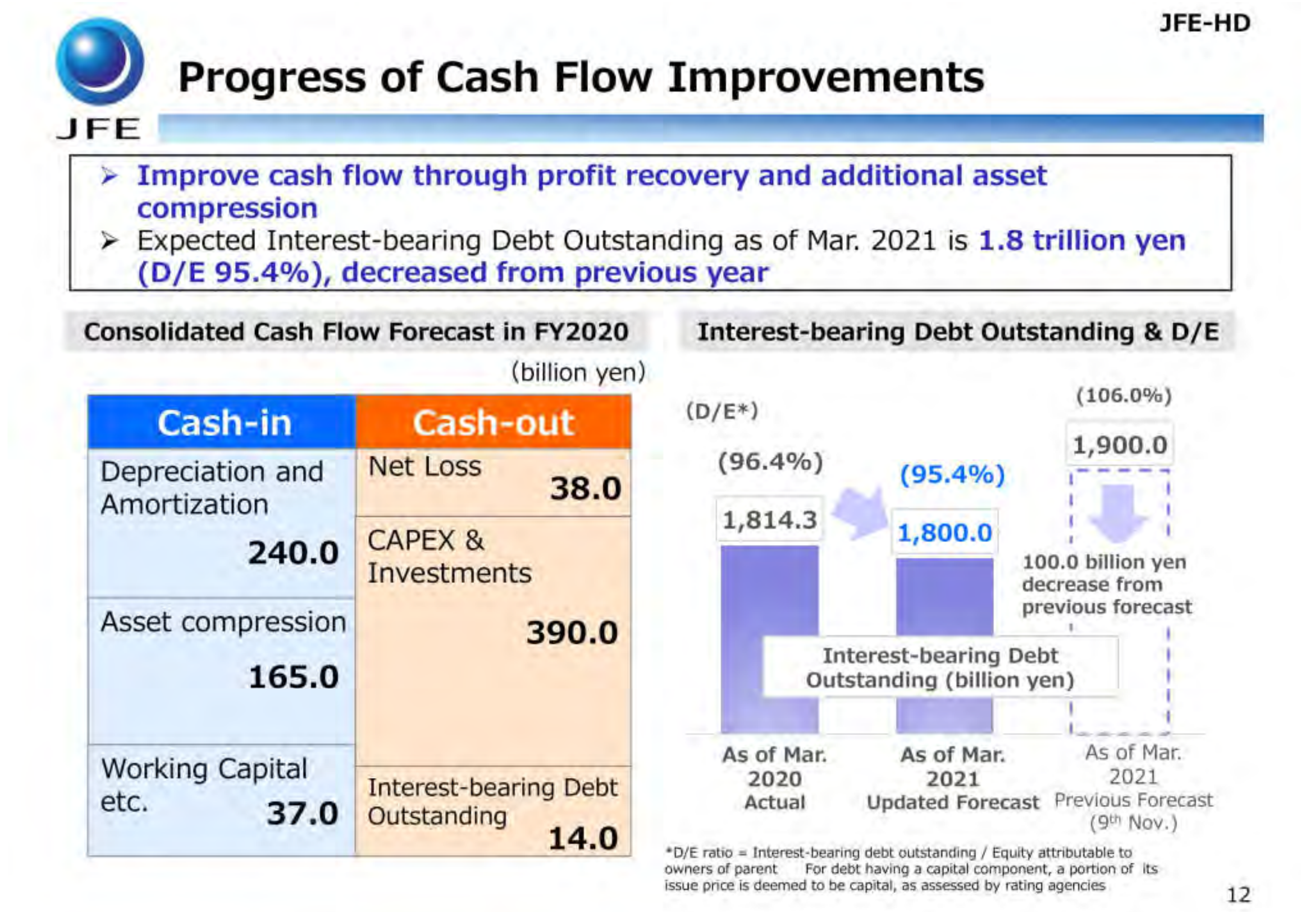
We plan to compress Group-wide assets by a cumulative total of JPY200 billion from FY2019 through measures including the sales of cross-holding shares and land.

Last time, we announced a target of JPY170 billion, meaning that we added an additional JPY30 billion this time. The addition comes primarily from the sales of land at JFE Engineering, which I mentioned earlier.

We already completed the compression of JPY155 billion, or roughly JPY160 billion as of the end of December last year, as shown on the right side. We expect this figure to go up to JPY200 billion over the cumulative period up to Q4.

Furthermore, if you look at the bottom half of the page, it says that we aim to compress JPY130 billion on a decision-making basis in domestic CapEx and an additional JPY100 billion in cost reductions including the variable cost increase amid production cuts in the Steel Business.

Additionally, we are working to improve the selling price by continuously reflecting raw material costs and various commodity prices into the selling price. Moreover, we are working to rebuild our pricing framework based on the appropriate product value and added value.



On page 12, we summarize the status of cash flows based on the asset compression I just explained.

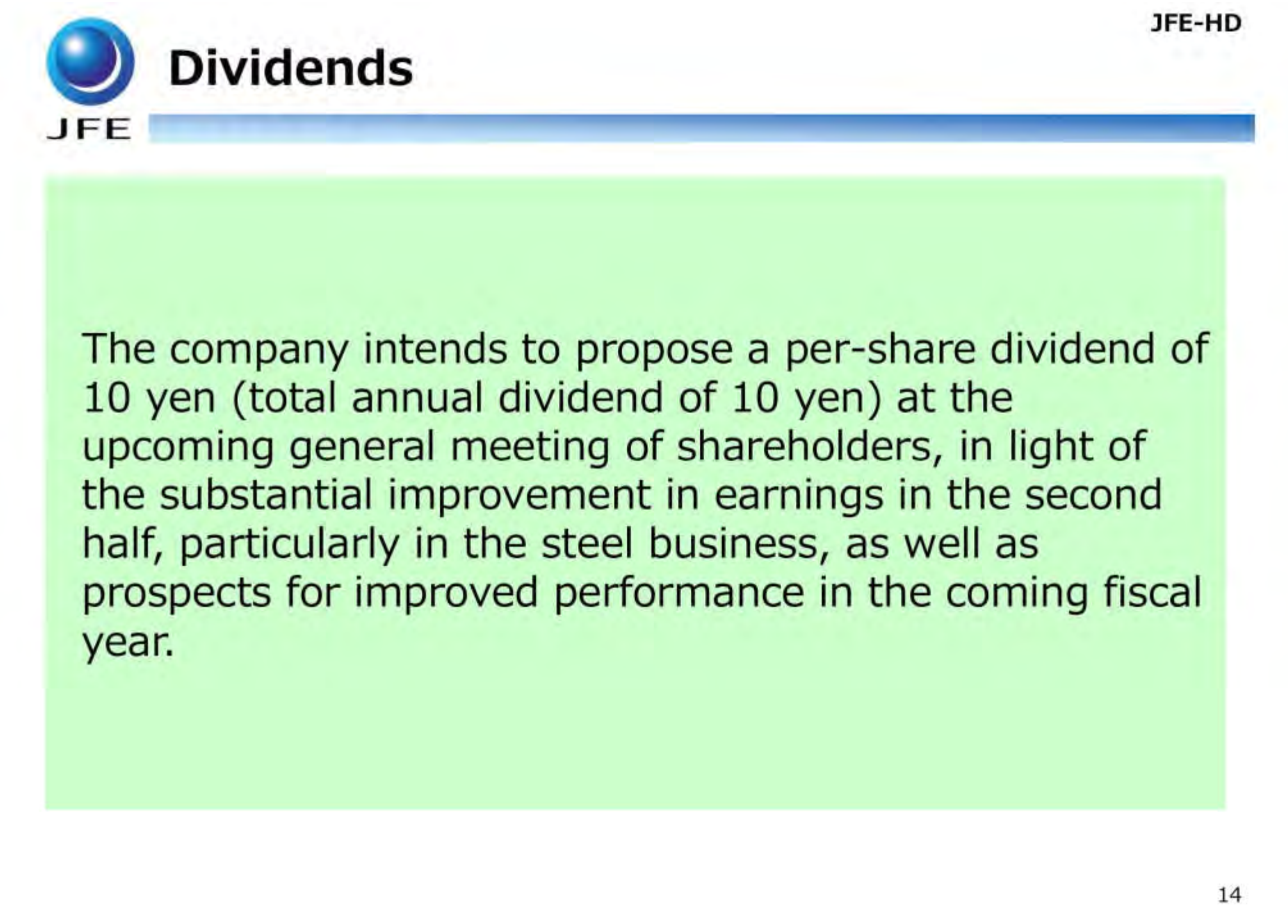
We expect our cash flows to improve considerably, given the significant improvement in profit and the additional asset compression.

We expect the balance of interest-bearing liabilities to come to around JPY1,800 billion as of the end of March 2021. As of the end of March 2020, the balance was JPY1,814.3 billion, as shown on the right side, so we expect to be able to compress the interest-bearing liabilities compared to last year. We also expect our debt-to-equity ratio to come to 95.4%, which is lower than the figure at the end of last year.

Previously, in November, we announced that we expect the debt balance to be JPY1,900 billion at the end of the fiscal year, meaning that our new forecast is a JPY100 billion improvement from that figure.

On the left side, we included a simple chart of cash flows. The reason why our forecast improved by JPY100 billion is that we expect the loss attributable to shareholders of the parent to improve by JPY60 billion compared to the loss of JPY100 billion last time and an additional asset compression of JPY30 billion. Furthermore, we expect an improvement of an additional JPY10 billion from the reduction of spending related to CapEx & investments.

Based on these factors, we expect an improvement in cash flows of JPY100 billion, resulting in a significant upturn in our forecast from negative free cash flow to positive free cash flow for this year.



Next, I'll go over the dividends. This is on page 14.

In light of the significant improvement in profit in the second half led by the Steel Business and our outlook on earnings in the next fiscal year, we have decided to propose a dividend per share of JPY10 at the Annual General Meeting.

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

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Next, I will go over the performance at each operating company. First, I will go over the Q3 results and financial forecast at JFE Steel.

Please see page 16.

This chart shows the key data for Q3. I'd like you to first look at the row for segment profit, which shows that there were considerable segment losses in the April to June and July to September quarters. This was reversed in the October to December period to a profit of JPY34.3 billion from a significant loss in the first half.

Below that, we also show the profit excluding one-off factors such as inventory valuation. This figure has also turned to the black, with a profit of JPY14.3 billion for the October to December quarter. When looking at the quarterly results for FY2019, segment profit excluding one-off factors such as inventory valuation, has turned black for the first time since the October to December period last fiscal year. Also, it was the first time since the June to September period last fiscal year for segment profit to be in the black.

Crude steel production in Q3 was 6.27 million tons, recovering to a level roughly on par with the previous year. When you look at the quarterly figures, then you see that this October to December period last fiscal year was in a downtrend for production due to a drop in market prices. Nonetheless, production has recovered to the same level as the same period last fiscal year.

JFE Steel

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

- 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.

(billion yen)

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

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.

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This slide explains the breakdown of differences in segment profit compared to the same nine-month period last year. This is on page 17.

Segment profit has fallen from JPY11.3 billion in the same period last year to a segment loss of JPY101.9 billion, indicating a deterioration of JPY113.2 billion. Below that, we show that steady progress is being made in cost reductions at JPY76 billion compared to the annual plan of JPY100 billion.

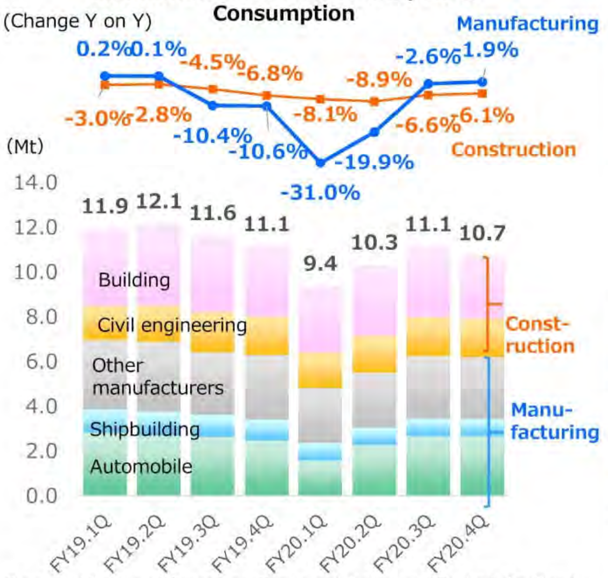
However, as written here, sales volume of crude steel fell by around 3.6 million tons. On top of that, the product mix deteriorated, resulting in a negative impact of over JPY90 billion. The metal spread between cost and selling price narrowed by JPY7 billion. Although both domestic and overseas selling prices fell significantly, this was partly offset by a decrease in the price of coking coal.

On top of that, segment profit deteriorated by JPY29 billion, due to inventory valuation and was negatively impacted by around JPY40 billion due to a decrease in profit at overseas subsidiaries, which is included in Others. As a result, segment profit worsened by more than JPY110 billion compared to the same period last year.

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



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

Sector	Outlook
Automobile	• **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	• Low construction level continues due to sluggish orders for new ships. **Recovery in steel demand will take time**.
Other manufacturers	• Activity levels of construction and industrial machinery are in recovery trend, and **steel demand is expected to recover gradually**
Civil engineering	• **Steel demand is expected to remain firm** due to the prospect of securing a high budget for public works projects
Building	• Environment is still severe except for large-scale redevelopment projects and logistics warehouses, steel demand is expected to recover moderately as CAPEX recovers

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Next, I'd like to go over our understanding of the current domestic business environment.

Activity levels are picking up at customer sectors, resulting in an overall recovery trend for domestic steel demand. Demand in the automobile industry has already recovered to a similar level as the same period last year, and we expect the other manufacturing industries to recover in stages.

On the left side, we show the outlook on steel consumption. As you can see, the Q4 outlook for steel consumption is a decrease of 1.9% YoY for manufacturing and a drop of 6.1% YoY for construction, indicating that consumption is on a recovery track compared to the first half of the fiscal year.

We have indicated the outlook for each sector on the right side. Domestic automobile production turned positive YoY starting in October.

However, recovery in steel demand is likely to take time in the shipbuilding sector as orders continue to be sluggish.

At other manufacturers, the activity level is recovering, particularly in construction machinery and industrial machinery. We expect steel demand to recover gradually.

In the civil engineering sector, we expect steel demand to remain firm due to the prospect of securing a high budget for public works projects.

In the construction sector, the environment is still severe except for large-scale redevelopment projects and logistics warehouses. We expect steel demand to recover moderately.

Current Business Environment (Overseas)

JFE

- 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.

Sales (Million units)	2020 Oct-Dec	2019 Oct-Dec	Change YonY
China	8.17	7.40	+10.5%
India	0.83	0.75*	+10.8%
Indonesia	0.15	0.25	▲41.0%
Thailand	0.18	0.20	▲7.2%

Sector	Outlook
Auto mobile	• **Recovery trend in each country & region** • Need to pay attention to re-spread of COVID-19 and the global semiconductor shortage etc.
Steel Sheets	• **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	• Although **severe environment continues** due to global overtonnage and COVID-19, **steel demand is expected to recover gradually onward.**
Energy	• WTI crude oil prices are on a moderate recovery path, but **it will take time for steel demand to recover**.

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Our outlook for the overseas market depends on the region, but we think overall demand continues to be on a recovery trend.

We show the automobile sales volume in each country on the left side. Sales have recovered starting with China, followed by India, and now Thailand is also coming very close to the same level as the previous fiscal year. In Indonesia, alone, recovery is slightly slow, but overall sales are recovering.

As written on the right side, the supply-demand balance of steel sheets has tightened a lot recently, resulting in a sharp rise in market prices. On the bottom right, we show the price of hot-rolled coil in Southeast Asia, which has been rising sharply.

The situation remains extremely challenging in the shipbuilding sector, but we expect a gradual recovery in the future.

In the energy sector, we are on a moderate recovery trend, but we expect recovery to take some more time.

JFE Steel

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

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We have indicated our assumptions underlying our forecast on page 20.

Previously, we assumed a crude steel production volume of 22.5 million tons. However, given the recovery in demand in Japan and overseas, we upwardly revised the assumption by 0.2 million tons to 22.7 million tons, meaning that our assumption for the second half is around 12.5 million tons.

As for the metal spread, the price of the raw material iron ore has been at an elevated level. In the January to March quarter, we expect a price that is around USD10 higher than the previous quarter. On the other hand, the price of coking coal for the January to March period isn't finalized yet. Assuming a steady recovery in demand outside of China and seasonal factors, as well as the sharp rise in prices recently, we assume a modest increase in price compared to the previous quarter.

In any case, we are working to reflect the higher input costs in the selling price as soon as possible.

As for the metal spread of exported hot rolled coil, we expect a significant recovery in the second half, given the considerable rise in market prices. In total, we expect the metal spread to improve by JPY23.0 billion from the previous forecast.

JFE Steel

Financial Forecast for Fiscal Year 2020

	Unit	FY2019 Full year Actual	FY2020 1H Actual	FY2020 2H Oct-Dec Actual	FY2020 2H Jan-Mar Forecast	FY2020 2H Forecast	FY2020 Full year Forecast	FY2020 Full year (previous 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 Approx.	22.70	22.50 Approx.
Crude Steel (Consolidated)	Mt	28.09	10.77	6.59	6.53	13.13 Approx.	23.90	
Shipment (Standalone)	Mt	23.47	9.34	5.42	5.74	11.16 Approx.	20.50	
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

21

On page 21, we have summarized the figures for the overall business outlook.

In the Steel Business, we expect a segment profit of JPY56.2 billion in the second half. However, we expect the full-year segment loss to be JPY80 billion.

As for the segment profit excluding inventory valuation etc., we forecast a full-year segment loss of JPY39 billion. But, for the second half, we expect around the same level of segment profit in Q3 and Q4 of around JPY14 billion to JPY15 billion. As a result, we expect a segment profit of around JPY29 billion in the second half.

JFE Steel

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

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	• 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) • Improve metal spread with overseas steel price recovery etc.
4. Inventory valuation etc.	+4.0	• 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	• Increase in profit of domestic and overseas subsidiary companies etc.

22

Based on this assumption, we upwardly revised our full-year segment profit forecast by JPY55 billion, as shown on page 22. The upward revision breaks down as follows.

As for cost, our assumption is unchanged at a reduction of JPY100 billion. Regarding volume, we expect an improvement of JPY4 billion on a crude steel production increase of 0.2 million tons. We expect the metal spread to improve segment profit by JPY23 billion on an upturn in market prices for exports, as explained earlier in the section on our assumption for the metal spread. Also, we expect inventory valuation to improve segment profit by JPY4 billion.

Further, we expect an upturn at Group companies under others, accounting for JPY17 billion out of the JPY24 billion improvement. All things included, we have upwardly revised our segment profit forecast by JPY55 billion.

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

JFE Steel

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.

23

The next page shows a comparison of the segment profit forecast with the result from the previous fiscal year.

Compared to the previous fiscal year, we expect segment profit to deteriorate by JPY71.3 billion. As I have explained, we expect an improvement of JPY100 billion from cost reductions. However, we assume that this will be offset by the negative impact of JPY105 billion from the production cut of 4 million tons despite having upwardly revised our production outlook by 0.2 million tons.

In the previous announcement, we expected the metal spread to have a negative impact YoY. But, this time, we expect the metal spread to improve segment profit by JPY23 billion, which is on par with the previous fiscal year. In other words, the metal spread is now at a net-zero level YoY.

We expect inventory valuation to have a negative impact of JPY11 billion. Regarding others, as I have been explaining all along this year, the scope of deterioration in profits at group companies has improve considerably, but profit is still around JPY43 billion worse than the previous year. Overall, we expect a deterioration in the segment loss by over JPY70 billion.

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

JFE Steel

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.

(billion yen)

JFE Steel	FY2020 1H Actual	FY2020 2H Forecast	FY2020 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.

24

On page 24, we show a comparison between the first half and second half.

In the first half, we posted a segment loss of JPY136.2 billion, but we expect this to turn to a segment profit of JPY56.2 billion in the second half, indicating a difference of around JPY190 billion. The breakdown is shown in the table. In the second half compared to the first half, we expect cost to improve profit by JPY15 billion and volume to boost profit by JPY46 billion on a production increase of over 2.3 million tons. We expect the metal spread to lift profit by around JPY18 billion on an upturn in market prices centered on exports.

Further, the part with a sizable difference between the first and second half is the inventory valuation and other factors expanding profit by JPY95 billion. In particular, we expect inventory valuation to raise profit by JPY78 billion. In the first half of the current fiscal year, we were forced to book a significant loss on a lower of cost or market method. However, due to the recovery in market prices in the second half, this loss will be unwound. As a result, the improvement on a lower of cost or market method is roughly equivalent to this boost in inventory valuation, and this is a major factor behind the increase in profit.

On top of that, we expect the profit or loss of Group companies to improve by around JPY24 billion from the first to second half. Based on these factors, we forecast a substantial improvement in segment profit.

JFE Steel

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	• Continuous optimum production by cost-minimum operation in line with demand level
□ Cost reduction	• Capital investment effects and fixed cost reductions (New continuous casting machine in Kurashiki, No.3 coke oven B in Fukuyama etc.)
□ Sales price improvement	• 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.

25

Regarding our initiatives for further profit improvement in FY2021, as I stated earlier, we expect to post a second-half segment profit of JPY29.2 billion, excluding inventory valuation etc. We assume a crude steel volume of 12.5 million tons and the level of profit or loss at Group companies has returned to the 70% level YoY.

Based on this premise, we will continue to strive for optimum production, and we will implement further cost reductions through fixed cost reductions, given that there will be new facilities coming online next year. As for selling price, we will strive for higher prices by passing on raw material costs to prices as early as possible and by conducting a comprehensive inspection of price extras.

We have indicated the variable factors on the bottom. We must continue to watch the steel demand, especially the impact of COVID-19 on the recovery trend, and the sharp increase in raw material prices. Although steel prices are highly favorable at present, we must watch how prices change. Although there are such variable factors, we will strive to significantly improve profit. By all means, we will work to achieve profitability in the Steel Business on a standalone basis in FY2021.

JFE Engineering

Financial Forecast for Fiscal Year 2020

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)
	2H	Full Year	2H	Full Year	2H	Full Year	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

27

Next, I will go over the Engineering Business.

As shown on page 27, we expect to achieve a profit roughly on par with the previous year even under the pandemic. We upwardly revised our segment profit forecast by JPY1 billion, mainly due to additional cost reductions. We expect orders to reach JPY500 billion as planned.

JFE Shoji

JFE

Financial Forecast for Fiscal Year 2020

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

	FY2019 (Actual)		**FY2020 (Updated Forecast)**		Change (FY2019 vs FY2020)		**FY2020 (Previous Forecast)**	
(billion yen)	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>

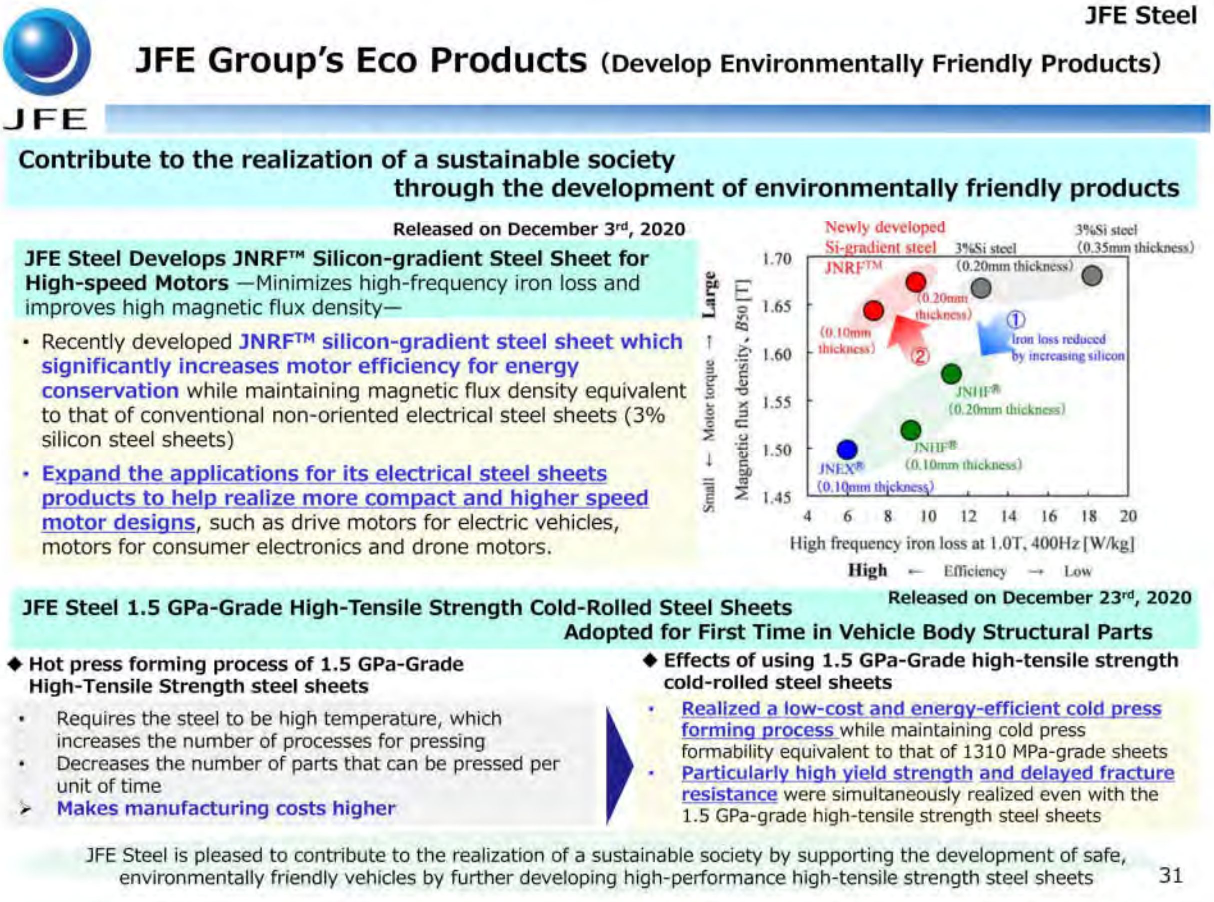
Segment profit is expected to be 17.0 billion yen (up 4.0 billion yen from the previous forecast), reflecting unexpectedly strong recoveries in demand for automobiles and other goods both in Japan and abroad in the 2H.

29

Next is JFE Shoji on page 29.

As with the Steel Business, there has been a recovery in the activity level since entering the second half. As such, we revised up our full-year segment profit forecast by JPY4 billion to JPY17 billion.

The situation is the same as what I explained in the section on the Steel Business.



Next, I will go over our ESG initiatives. There are several individual initiatives, so I would like to go over a few of them.

On page 31, we explain the development of Eco Products, which are environmentally-friendly products. On the top, we wrote about an electrical steel sheet, which is a silicon-gradient steel sheet for high-speed motors.

We have developed a product that addresses the issue of large iron loss in high-speed motors and miniaturized motors used in electric vehicles and home appliances. We developed this product to prevent the large iron loss from occurring. Through this product, we intend to contribute to energy-saving and accordingly to the realization of an environmentally-friendly society.

On the bottom, we write about our 1,470 MPa-grade high-tensile strength cold-rolled steel sheets, which have been adopted for the first time in vehicle body structural parts. These high-tensile strength steel sheets used to be made through the hot press forming process. But this process required heating at high temperatures and many steps, resulting in cost issues. By realizing a cold-press forming process, we can contribute to lower costs and energy-saving in the pressing process.

JFE Engineering

JFE

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

Launch Oil Sludge Treatment Demonstration Project in China

Released on December 24th, 2020

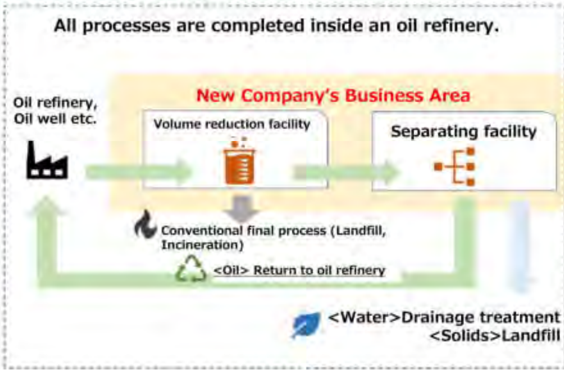
- In China, companies that discharge oil sludge store, landfill, and incinerat the sludge as industrial waste.
- Recently, environmentally friendly treatment methods are attracting attention.

- In this project, oil sludge can be separated into oil, water, and solids in the treatment processes, resulting in detoxification.
- This method can reduce CO_2 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	北京和栄富盛環保科技有限公司
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

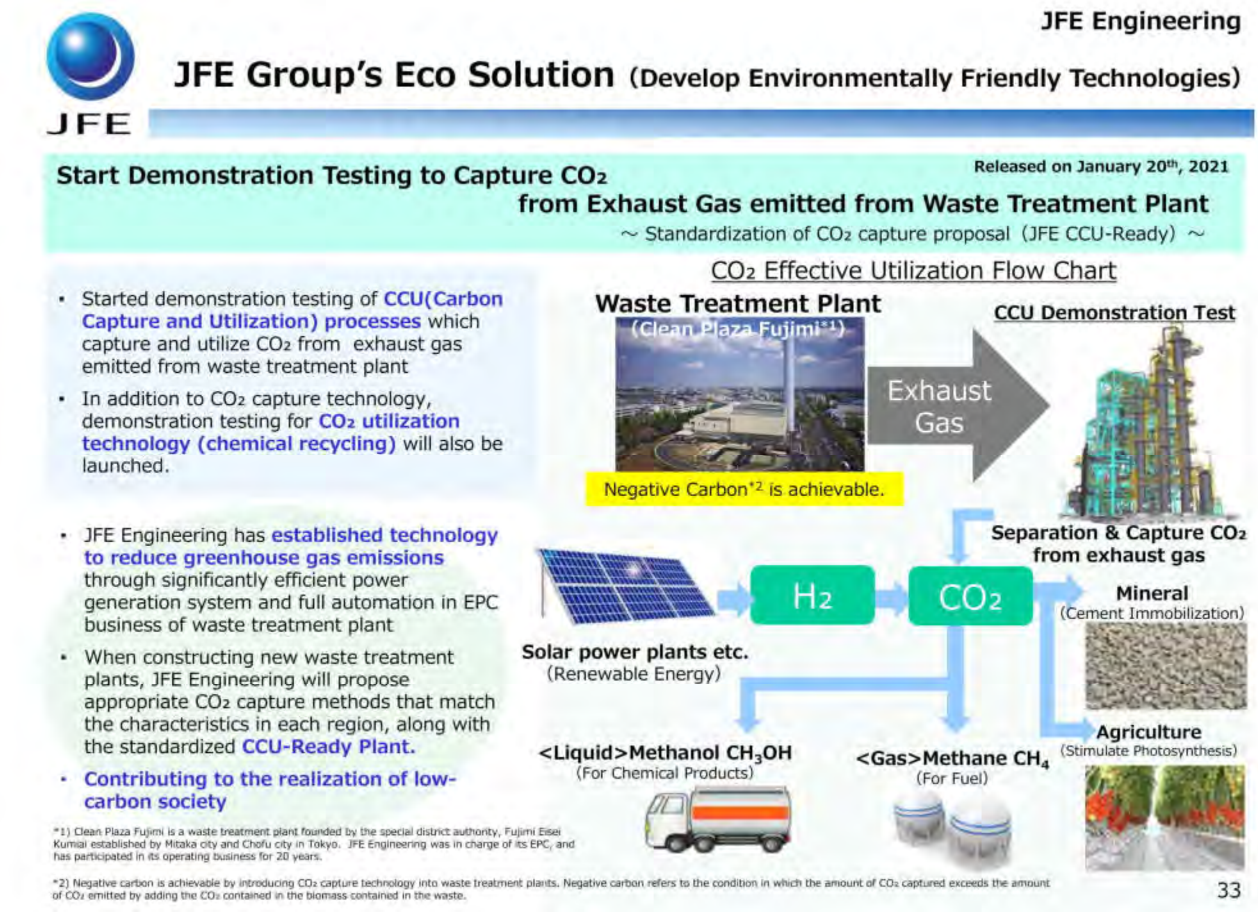
*Oil sludge : Sediment discharged from oil fineries, such as oil residue inside oil tanks.



On the next page, we give a few examples of our eco-solutions.

First, in the Engineering Business, we started a demonstration project for oil sludge treatment in China. We have partnered with Beijing Heron to treat oil sludge discharged from places like oil refineries. In China, the treatment process used to be by landfill and incineration. However, due to the rising need to be environmentally conscious in China, the process described here in the middle is being adopted. This is a process in which the sludge is separated and detoxified to contribute to the reduction of CO_2 emissions. The cost also comes down. The demonstration project is aimed at such results.

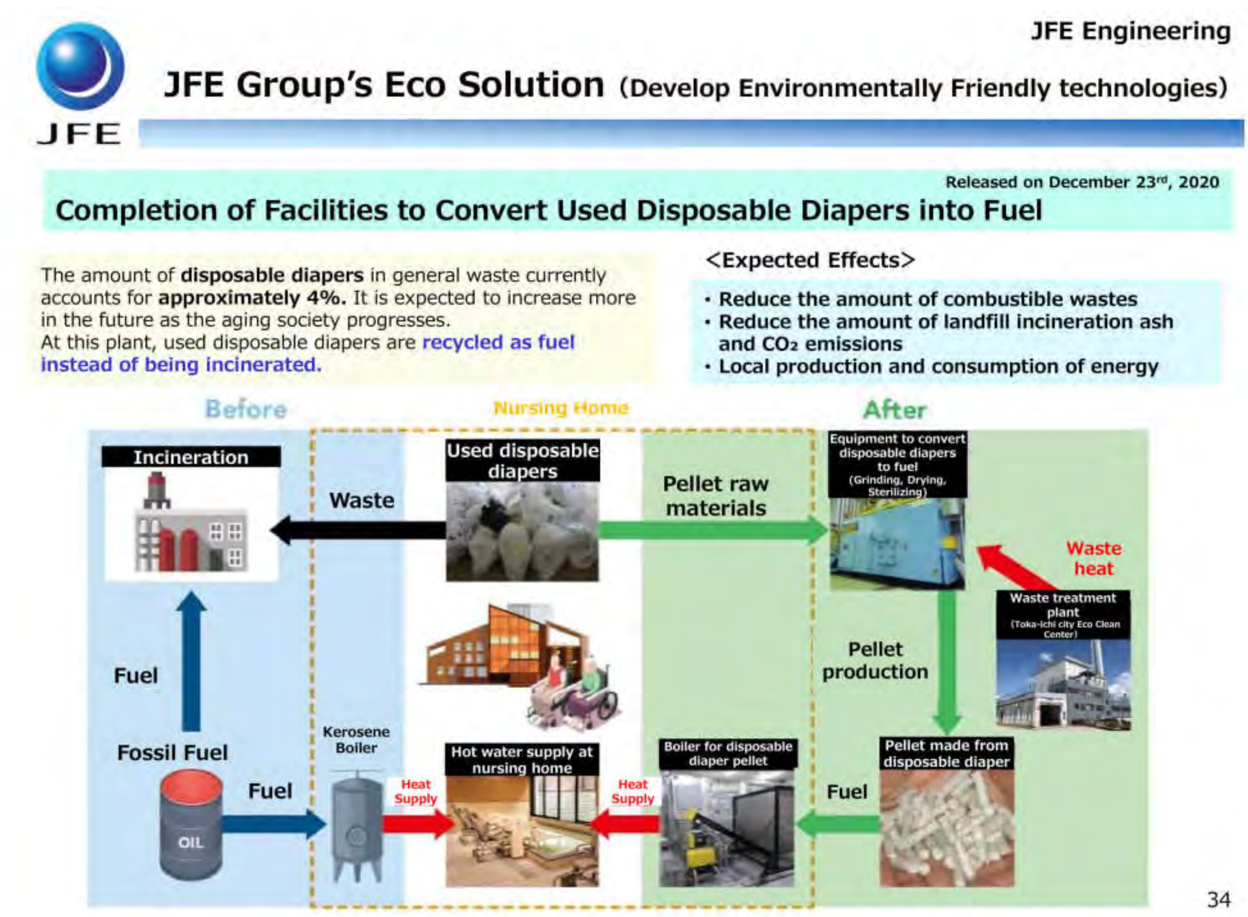
We are participating in this project by leveraging the expertise of our Engineering business in the treatment of industrial waste. We are conducting this project, while keeping the expansion of our overseas operational businesses in China in mind.



The next page also describes a demonstration testing to capture CO_2 from exhaust gas emitted from waste treatment plants.

In the EPC operations of our Engineering Business, we had already established technology to reduce greenhouse gas emissions through a significantly efficient power generation system and full automation. In addition to this, we have started demonstration testing of the so-called CCU process, in which CO_2 is captured from exhaust gas and utilized.

Through the practical use of this technology, we will be able to contribute to the reduction of environment burden by making all treatment plants constructed by Engineering a CCU-Ready Plant, encompassing everything from EPC business to the subsequent operating business.



Next, we are also conduction the demonstration testing of converting used disposable diapers into fuel.

We are doing this in Niigata. About 4% of general waste is accounted for by disposable diapers, and this is expected to increase more in the future as the aging society progresses. Currently, used disposable diapers are all incinerated. However, by using them as pellet raw materials instead of incinerating them, we can, for instance, use them as fuel for boilers in nursing homes. By doing so, we can help reduce fuel used in incinerating disposable diapers and fuel used inside nursing homes.

In that respect, this would help reduce CO_2 emissions on both sides and also reduce waste. For such reasons, we are conducting this development.

This time, I explained a few individual examples.

JFE-HD

Capital and Business Alliance between Japan Marine United and Imabari Shipbuilding

JFE

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

36

Next, I will explain the capital and business alliance between Japan Marine United and Imabari Shipbuilding. This is on page 36.

As already announced, on January 1, Japan Marine United and Imabari Shipbuilding formed a joint venture called Nihon Shipyard Co., Ltd., although it was three months behind schedule.

I will omit an explanation of the content or overview of the business alliance, because it is exactly the same as the last time I explained it.

Finally, we have added a page on page 38 on our seventh Medium-Term Business Plan.

We plan to announce our seventh Medium-Term Business Plan along with the disclosure of our full-year financial results in May of this year.

The medium-term period starts from the next fiscal year, FY2021. Previously, our medium-term plans have been for three-year periods. However, the benefits of the structural reform in the Steel Business, which we have said will be completed in September 2023, will only take shape fully from the following fiscal year in FY2024. As a result, we intend to announce a plan with an extended medium-term period of four years, targeting FY2024, instead of the typical three years.

That's all from me.