



JFE

JFE Holdings, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2023

May 8, 2023

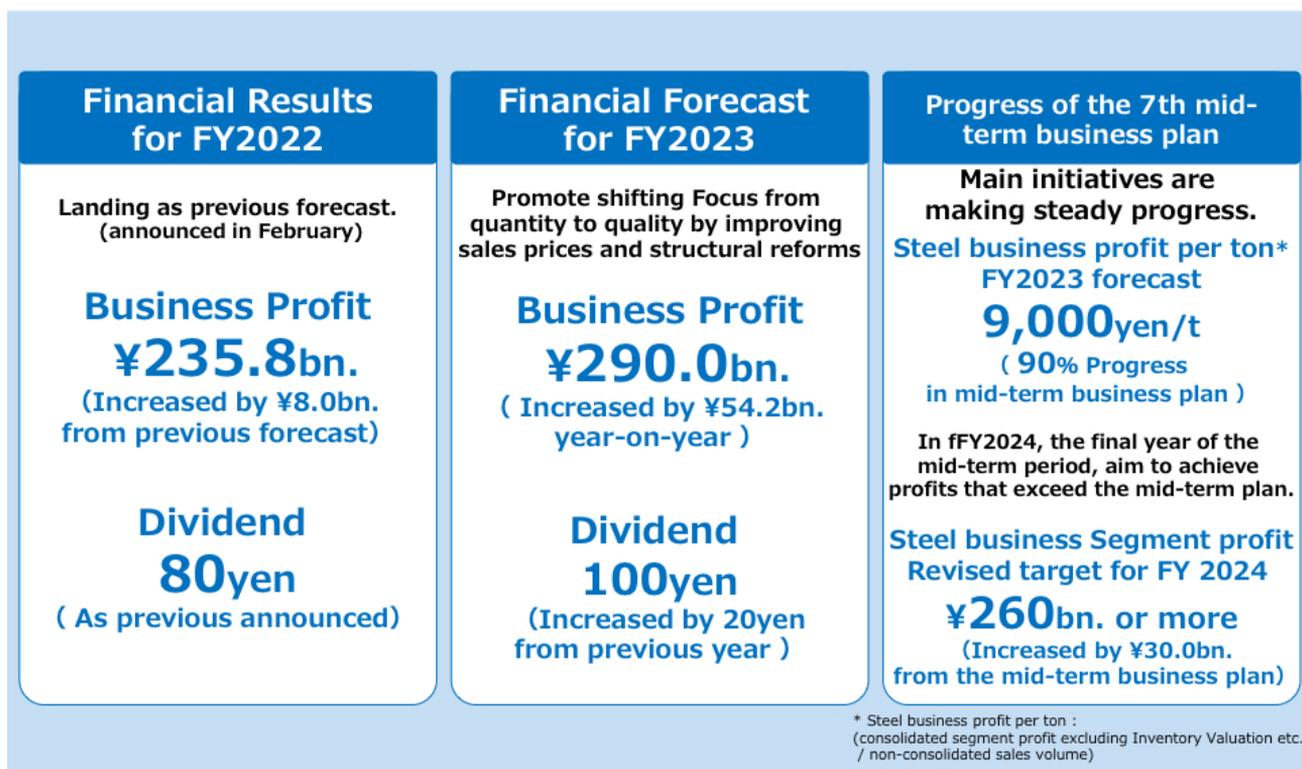
Presentation

Moderator: Hello, everyone. Thank you very much for your patience. We will now begin the financial results briefing for the fiscal year ended March 31, 2023 investors meeting of JFE Holdings, Inc.

Today's participants are Representative Director, President, and CEO Koji Kakigi, and Senior Vice President Toshihiro Tanaka. The time allotted for the meeting will be approximately 30 minutes for presentation and 30 minutes for Q&A, for a total of 60 minutes. The question and answer session will be held collectively after the presentation.

First, Mr. Kakigi, Representative Director, President, and CEO, will give an overview of the business highlights announced today and the status of the 7th Medium-Term Business Plan.

Kakigi: My name is Kakigi of JFE Holdings. I will explain the progress of the 7th Medium-Term Business Plan in line with the investors meeting's materials posted on our website today.



* Steel business profit per ton :
(consolidated segment profit excluding Inventory Valuation etc.)
/ non-consolidated sales volume)

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Please see page three. This is the highlight of our business performance.

The leftmost page is the financial results for FY2022, and Executive Director Mr. Tanaka will give you more detailed information later. Business profit was JPY235.8 billion, and the annual dividend was JPY80 per share, which is roughly in line with the forecast announced in February.

The middle part is the forecast for FY2023. We will continue to improve sales prices and promote a shift from quantity to quality through structural reforms scheduled for September of this year. Overall group business profit is expected to be JPY290 billion, which will surpass by JPY54.2 billion compared to the previous year. The annual dividend is planned to be JPY100 per share. As you will see later, segment profit for the steel business is planned to be JPY200 billion.

On the far right are the initiatives in the 7th Medium-Term Business Plan. As I will explain later, we are making good progress with the priority measures.

The steel business profit per ton, excluding inventory valuation, is expected to reach JPY9,000 per ton in FY2023. Since the mid-term target is set at JPY10,000, this represents a progress rate of 90%. For FY2024, the final year of the mid-term plan, in order to further increase profit, we are aiming for JPY260 billion or more, exceeding our mid-term plan of JPY230 billion.



Main Performance & Profitability Targets and Results

JFE-HD

		The 7 th mid-term business plan FY2024	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Consolidated	Business Profit [Excluding Inventory Valuation etc.]	¥320.0 bn.	¥ 416.4Bn. [¥2,224bn.]	¥ 235.8bn. [¥162.8bn.]	¥290.0bn. [¥280.0bn.]
	Profit attributable to owners of the parent	¥ 220.0 bn.	¥ 288.0 bn.	¥162.6bn.	¥190.0bn
	ROE	10%	15.7%	7.9%	8.7%
Operating companies	Steel Business Profit per ton* [Excluding Inventory Valuation etc.]	10,000 yen/t	14,000yen/t [6,000yen/t]	7,000yen/t [3,000yen/t]	9,000yen/t [9,000yen/t]
	Steel Business Segment profit [Excluding Inventory Valuation etc.]	¥ 230.0bn.	¥323.7bn. [¥129.7bn.]	146.8bn. [¥73.8bn.]	¥200.0bn. [¥190.0bn.]
	Engineering Business Segment profit	¥35.0bn.	¥26.0bn.	¥13.4bn.	¥25.0bn.
	Trading Business Segment profit	¥40.0bn.	¥55.9bn.	¥65.1bn.	¥48.0bn.

* Steel business profit per ton
(consolidated segment profit / non-consolidated sales volume)

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Next is the summary of our mid-term key earnings targets and business results.

Mr. Tanaka will explain the details of these, but as for the actual results for FY2022, the middle part, consolidated business profit was JPY235.8 billion. In the steel business, the segment profit was JPY146.8 billion. The profit per ton was JPY7,000, but if inventory valuation is excluded, the profit per ton was only at the JPY3,000 level.

In the engineering business, the business fell sharply to JPY13.4 billion due to the soaring cost of materials and equipment, as well as the worsening P&L of individual construction projects in Europe. In the trading business, on the other hand, the level is high at JPY65.1 billion, partly because the measures we have taken so far have borne fruit, and partly because the market for steel products has remained at a high level.

As for the forecast for FY2023, as written there, consolidated business profit is JPY290 billion, ROE is 8.7%, profit per ton is JPY9,000, and segment profit excluding inventory valuation difference is JPY190 billion.

The engineering business is expected to recover in P&L and is forecasting JPY25 billion, as the deterioration in P&L from individual construction projects in Europe will be eliminated. The trading business is expected to exceed the mid-term target of JPY48 billion, partly because the steel market is expected to soften somewhat.



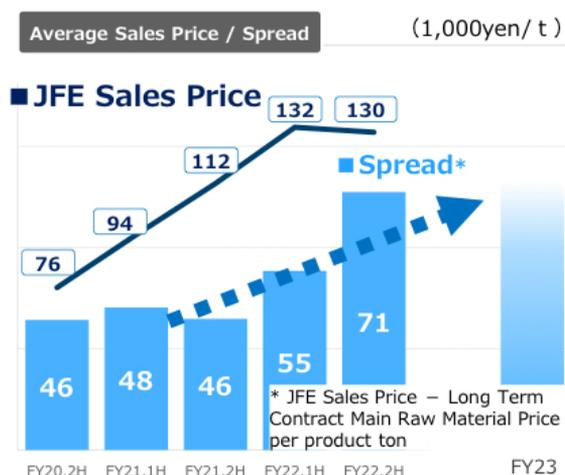
[Main initiatives of Steel Business] Improving of sales price and Product-mix enhancements

- In FY2022, Continue to improve sales prices **due to the reflections of metal and commodity costs***, overhaul of extra pricing, and enhancing sales price to the sustainable level.
The spread* improved significantly by ¥74 bn. (3,000 yen/t) year on year.
- **Due to continuing initiatives, the spread in FY2023, is expected to increase by ¥83bn. (4,000 yen/t) year on year.**

*Including foreign exchange effect, scrap, metal, fare, energy, etc.

- **Percentage of highly value-added products in FY2022 is about 47%.**
- Aim to further improve sales prices and spreads by increasing the ratio of high value-added products through **sales expansion in the automotive, energy and infrastructure building materials sectors**, which are particularly important.

*Products that offer technological advantages, are recognized by customers for their value added and have greater earnings power than commodity products.



I will now explain the initiatives of the 7th Medium-Term Business Plan.

First, these are the main initiatives of the steel business. I will explain our efforts to improve selling prices and upgrade the product mix.

In FY2022, the spread improved significantly by JPY74 billion over the previous year by shifting various costs, including the early reflection of raw material costs, reviewing extras, and correcting price levels. In FY2023 as well, we plan to improve the spread by continuing to appropriately reflect the sales price in the face of rising electricity and other costs, aiming for an increase of JPY83 billion over the previous fiscal year.

The right-hand side shows the ratio of high value-added products, which will be approximately 47% in FY2022. In particular, we aim to increase the ratio of high value-added products by expanding sales of high-tensile steel sheets for automobiles, electrical steel sheets for energy, and infrastructure construction materials, which are our priority fields, to further improve sales prices and spreads.

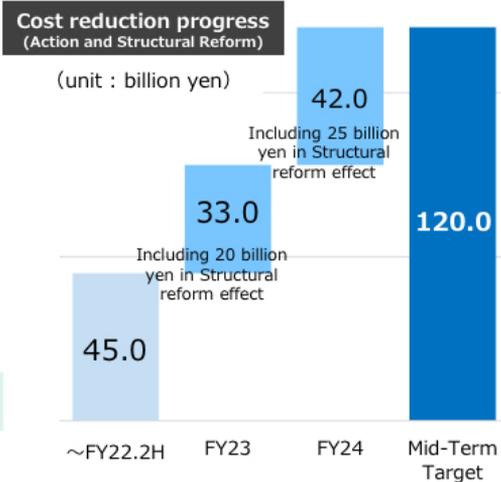
In order to achieve our goal of 2024, we will make a major shift in quality, especially by shutting down upstream facilities in Keihin in September this year. Also, in November of this year, we will start reinforcing extra-thick steel plate production lines for offshore wind-power applications in Kurashiki. In addition, in 1H of next fiscal year, we will complete the first phase of the reinforcement of non-oriented electromagnetic steel sheet manufacturing facilities. Through these efforts, we are making steady progress in raising the ratio of high value-added products to our target of 50%.



[Main initiatives of Steel Business] Progress on Structural Reform and Cost Reduction

- In FY2022, Shutdown of Tin Mills in Chiba & Consolidation of steel sheet production for cans in Fukuyama and Refit of No. 6 Blast Furnace in Chiba were completed steadily.
- **In FY2023, structural reforms, such as Shut down of upstream facilities and hot rolling facilities in Keihin will be completed** and promoted shifting focus from quantity to quality. **The fixed cost reduction effect (45 billion yen) will be realized by FY2024**, aiming to significantly lower the break-even point.
(Total Cost Reduction ¥120.0bn. in the 7th mid-term business Plan)
- **Progress steady in development plans** for the land of Keihin resulting from structural reform.
(Decided to sell land in Ogimachi Area and selected a Business Partner in the north side of the north district in the Minami-Watarida Area)
This coming September, schedule to disclose development plans of Ogishima Area.

	FY21	FY22	FY23	FY24~
Shutdown of Tin Mills in Chiba Consolidation in Fukuyama		Shutdown(Aug. 2022) (No.2 Tandem Mill, No.4 CAL, TFL)		
Refit of Blast Furnace	Kurashiki Refit No.4 BF (~Dec.2021)	Chiba Refit No.6 BF (Sep.22~Jan.23)		
Shut down of upstream facilities and hot rolling facilities in Keihin			To be shut down (Sep. 2023)	
Development plans for the land of Keihin		Selection of a Business Partner for the north side of the north district in the Minami-Watarida Area (Mar. 2023)	Disclose development plans in Ogishima (Sep. 2023)	To Sell Ogimachi land (Dec. 2024)



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Next is the progress of structural reform and cost reduction.

In FY2022, we stopped steel sheet facilities for cans in the Chiba district and consolidated them in Fukuyama district. In addition, we have steadily implemented the renovation of the Chiba No. 6 blast furnaces.

In FY2023, we will literally promote a shift from quantity to quality by suspending the Keihin upstream facilities and completing the structural reforms. We aim to realize JPY45 billion in fixed cost reductions by FY2024, which will significantly lower the break-even point.

The total cost reduction plan for the 7th mid-term is JPY120 billion. As you can see from the chart on the lower right, in FY2023, we will reduce costs by JPY33 billion, including the effects of structural reforms. In FY2024, the plan is to implement JPY42 billion, including JPY25 billion from the remaining structural reforms, for a total of JPY120 billion.

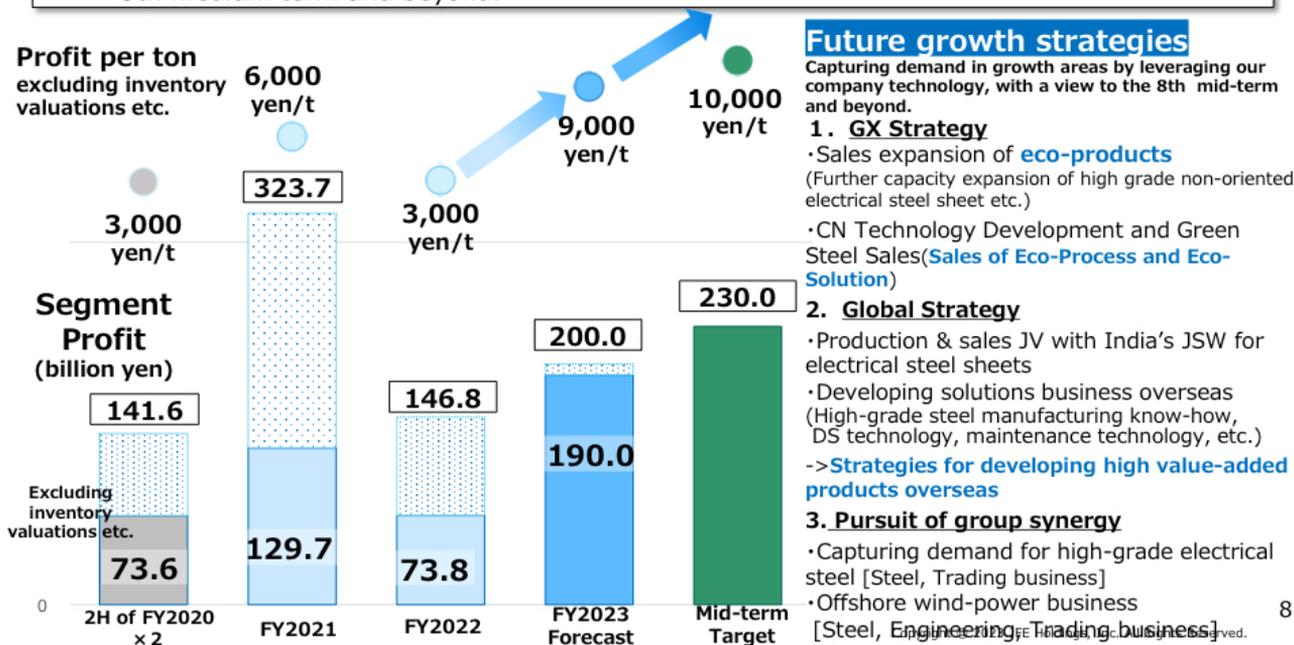
The Keihin land use after the structural reform is also progressing smoothly, and the selection of a project partner for the north side of the north district in the Minami-Watarida area has been completed. We have also decided on the sale of land in Ogimachi. In addition, the land use policy of Kawasaki City will be released this year, and based on this policy, we are planning to announce the land development plans for Ogishima in September of this year.



Profit in the steel business



- In FY2023, profit per ton excluding inventory valuations etc. is expected to reach 9,000yen/t.
- In FY2024, Aim to achieve the Mid-Term Target(10,000yen/t) or more.
- A medium- to long-term growth strategy is also being promoted, with an eye on the 8th medium term and beyond.



Next is the revenue of the steel business. This chart from FY2021 shows segment profit as a whole and segment profit excluding inventory valuations etc.

Although there was a slight decline in FY2022, in FY2023, as I mentioned earlier, we are projecting a profit per ton of JPY9,000, excluding inventory valuation. For FY2024, we are planning to achieve the goal of JPY230 billion, or more than JPY10,000 per ton, which is the target of the mid-term plan.

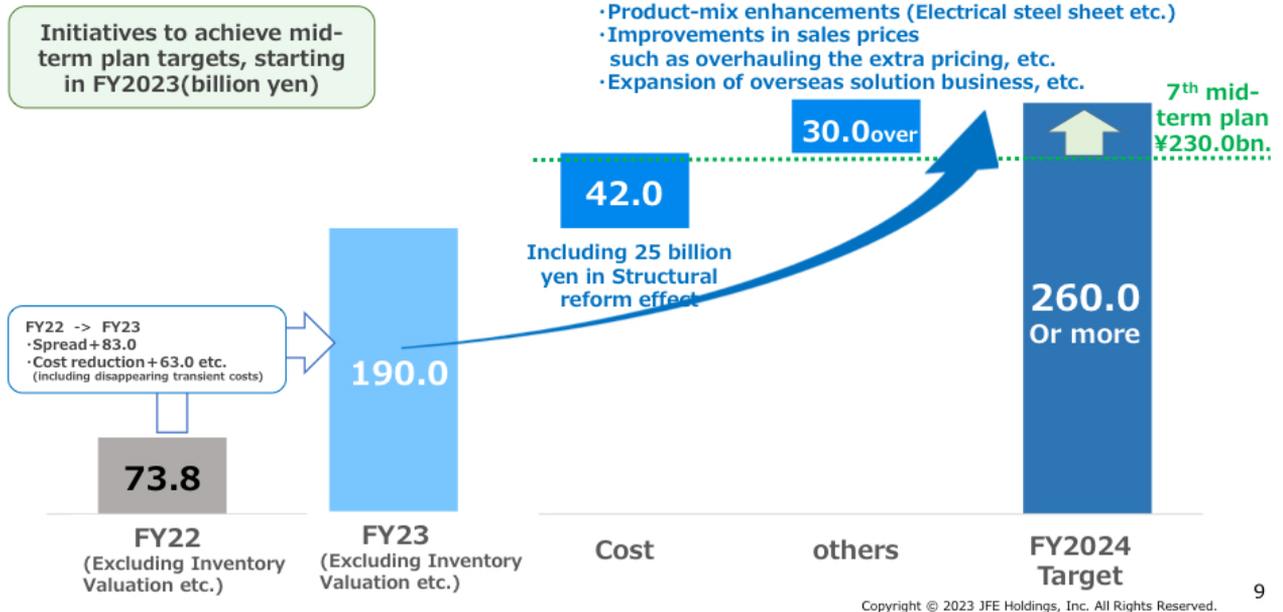
As described in our future growth strategy on the right, we will leverage our technologies to capture demand in growth fields. In particular, in terms of expanding sales of eco-products, as announced in February 2023, we have decided to make a JPY50 billion scale investment to increase additional capacity of non-oriented electrical steel sheets. This will be one of our growth strategies in the future. We have also decided to expand sales of green steel products, which I will talk about in a moment.

As for our global strategy, we have been discussing grain-oriented electrical steel sheets JV with JSW in India, which has been delayed due to the COVID-19 disaster, but we expect to be able to announce it around June. We will also promote our global strategy, and through these efforts, we will develop our solutions business overseas.

In terms of pursuing group synergies, especially in the offshore wind power generation business, the JFE engineering plant in Kasaoka will start operations in April next year, and we would like to capture this demand through synergies among the steel, engineering, and trading businesses.

Paths toward achieving the Seventh Medium-Term Plan

- In FY2023, segment profit excluding Inventory Valuation etc. in the steel business is expected to be **190 billion yen**.
- In FY2024, due to steadily implementing various measures, including structural reforms, sales price improvements, and an increase in the ratio of high-value-added products, **we aim to achieve 260 billion yen or more, 30 billion yen more than the target of the 7th Mid-Term Plan (230 billion yen)**.



Next, I would like to discuss the path toward achieving the 7th Medium-Term Business Plan.

As I have mentioned earlier, we are projecting JPY190 billion in FY2023, excluding inventory valuation etc.. If we add JPY42 billion in cost reductions in FY2024 to that, the total will be JPY230 billion. In addition, we will improve the product mix by increasing the ratio of high value-added products, especially by facility enhancing the first phase of non-oriented electrical steel sheets, which will start in 1H of FY2024, and by improving selling prices through extra improvements and expanding the overseas solution business. By building on these efforts, we are aiming for JPY260 billion or more, adding JPY30 billion or more to the JPY230 billion target of the 7th mid-term plan.



Progress of Engineering and Trading Business

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Engineering Business [Segment Profit]**FY2022 Initiatives**

- **Orders received in FY2022 reached a record high (¥564.9bn.)** due to an increase in core infrastructure fields, such as large-scale overseas construction projects. It is expected to increase further in FY2023 (¥580bn.).
- **Construction of a new offshore wind monopile plant (Kasaoka)** began, which will start operation in April 2024.
- **Reinforced the foundation of the water engineering business** (signed an integration agreement with Tsukishima Machinery).

Trading Business [Segment Profit]**FY2022 Initiatives**

- **Record profit achieved in FY2022.** Profit is expected to exceed the medium-term target in FY2023 as well.
- **Reinforced to establish No. 1 global processing and distribution of electrical steel sheet**
CN: Zhejiang JFE Shoji (March 2022), US: JSA (July 2022)
JPN: JFE Shoji Electrical Steel Nagoya (April 2022)
- **Expansion of overseas construction materials business**
Acquisition of CEMCO (No. 3 US steel frame manufacturing company) to enter the construction market in North America (October 2022).

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Next, I will explain our efforts in the engineering business and trading business.

In the engineering business, profit declined a bit in FY2022, but on the other hand, orders received are at a record high due to an increase in the core infrastructure field.

We will spend JPY40 billion for the new offshore wind monopile plant I mentioned earlier, which is scheduled to start operation in April 2024. In addition, to strengthen the foundation of our water engineering business, we have signed an integration agreement with Tsukishima Machinery. Our aim is to become a leading company in the domestic water supply and sewage fields.

As for the trading business, we had very high profit in FY2022. For FY2023, we expect JPY48 billion, as the steel market is expected to soften somewhat. To mention a few topics, we will build a new plant next to Zhejiang JFE Shoji, strengthen the automobile motor core press at JSA in the US, and expand the plant in Nagoya, in order to establish the number one global distribution system for electromagnetic steel sheets. Through these measures, we are steadily strengthening our electromagnetic steel sheet business.

In addition, to expand our overseas construction materials business, we acquired CEMCO, the third largest structural steel frame manufacturer in the US, and entered the thin sheet construction materials field in North America.

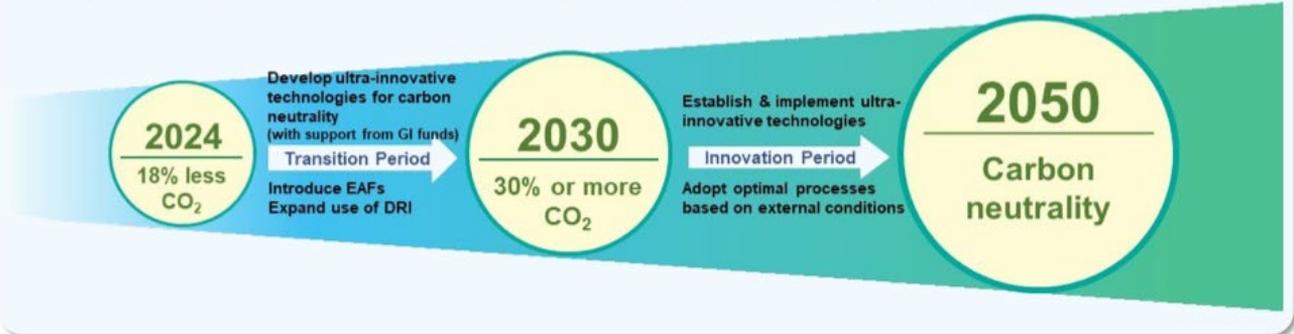


Actions for Carbon Neutrality in the JFE Group

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JFE Steel

September 1, 2022: Held a briefing of carbon neutrality vision and action plans.



JFE Engineering

Construction and operation of renewable energy power plants and recycling facilities contributed to a **reduction of 11.14 million tons of CO₂ emissions (an increase of 0.58 million tons reduction compared to FY2021).**

* e.g., Kyoei J&T Recycling Corporation, West Japan PET Bottle MR Center started commercial operation. About **10% of total PET bottles in Japan were recycled in there.** (Contribution to CO₂ emission reduction: approx. 0.09 million tons/y.)

FY2022 target : 11.0 million tons



* Achievement rate of medium-term target (12.0 million tons)

Next, I will explain environmental and social sustainability.

In terms of the JFE Group's carbon neutrality initiatives, steel will be explained on the next page. This is what we detailed last year in September in terms of our action plan.

The lower part of the page shows the initiatives of JFE engineering. This has set a mid-term target of 12 million tons of CO₂ reduction contribution. By constructing and operating renewable energy power plants and recycling facilities, we can contribute to the reduction of CO₂ emissions compared to when power is generated with fossil fuels. We have contributed to the reduction of 11.14 million tons of CO₂ in FY2022, achieving up to 92% of our mid-term target.

In addition, Kyoei J&T Recycling Corporation, West Japan PET Bottle MR Center was constructed in Tsu. This facility recycles 10% of the total number of PET bottles shipped nationwide, contributing to bottle-to-bottle, i.e., by using the recycled material as a bottle once more, we are contributing to the reduction of CO₂ emissions.

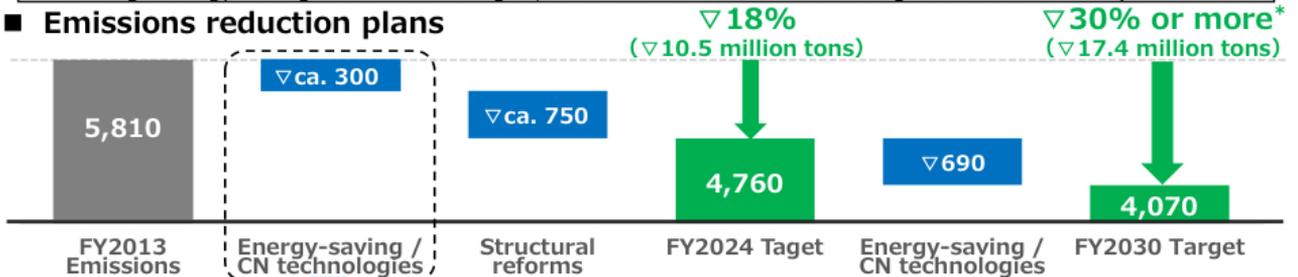


Emissions-reduction in JFE Steel (Progress in FY2022)



- In FY2022, **progress was made as planned against targets.**
- FY2024 targets also expected to be achieved (Projected reduction of about 3 million tons through energy-saving and CN technologies, and about 7.5 million tons through structural reforms)

■ Emissions reduction plans



KPI** progress in FY2022

- Investment**
KPI : Approval rate of investment contributing FY2024 target ≥ 90%
⇒**90% was approved** by FY2022.
- Emissions-reduction**
KPI : 50% or more of FY2024 target
⇒Equipment contributing 56% of reduction target has been operated by FY2022.
(Actual KPI will be reported in JFE GROUP REPORT issued in September.)

<Investment approval rate>

FY2022 KPI : 90%

Approved items

Energy savings and high efficiency	23 items including AI/DS guidance, etc.
Low-carbon feedstock & fuel	19 items including expand use of scrap, etc.
Electric arc furnace (EAF)	Upgrade existing EAF in Sendai

*The JFE Group regularly reviews the CO₂ emissions-reduction target for further reduction. In FY2022, we reviewed and verified the progress of technological development and determined that the current reduction target was appropriate.
 ** The JFE Group has set key performance indicators (KPIs) for its initiatives to address priority issues and worked toward achieving its targets (CO₂ emissions-reduction is identified as one of the key management issues).
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Next, I will explain the emission reduction at JFE steel.

This is starting in FY2013, at which time steel was emitting 58.1 million tons of CO₂. As you can see in the middle, the mid-term target for FY2024 is to reduce CO₂ emissions by 18%, or 10.5 million tons. We are making progress toward this goal as planned. The breakdown of the 10.5 million tons is 7.5 million tons for structural reforms and 3 million tons for energy conservation and carbon neutrality technologies.

For FY2022, we will have to wait a bit for the official figures on the progress of this 3 million tons, but in any case, the approval rate for capital investment contributing to this 3 million tons is over 90% as shown in the pie chart in the middle.

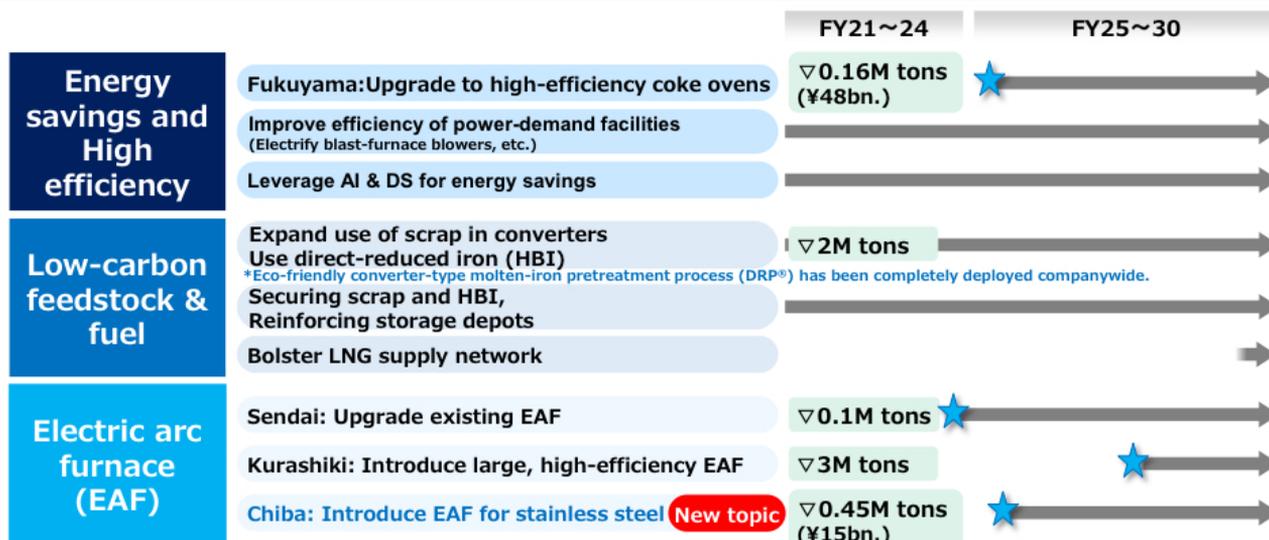
We are also making good progress, with facilities already in operation that can reduce 56% of our emission reduction target. Incidentally, the rightmost graph shows the 2030 target, which is to reduce emissions by 17.4 million tons.



Investments Program to Achieve 2030 Target



- The target of reducing emissions by developing energy-saving and CN technologies is **10 million tons or more from FY2021 to FY2030**.
- The approval and execution of investments has been steadily promoted to achieve reduction targets. **About 110 billion yen had been approved by FY2022**.
- About 1 trillion yen in investments are assumed by FY2030.



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Next are the investment programs to achieve the 2030 target.

As shown at the top, the goal is to reduce emissions by more than 10 million tons through energy conservation and CN technology development. I showed you the figure of 17.4 million tons earlier, but since we will reduce 7.5 million tons through structural reforms, we need to reduce 10 million tons through other technologies. We have approved JPY110 billion for capital investment related to this by FY2022.

As shown in the figure below, for example, JPY48 billion for upgrading to a high-efficiency coke oven in Fukuyama, resulted in a 160,000-ton reduction. As shown in the middle, 2 million tons will be reduced by expanding the use of scrap in converter furnaces and utilizing reduced iron. Of the electric furnaces at the bottom, 100,000 tons will be reduced at the electric furnace in Sendai. Introducing large, huge-efficiency EAF in Kurashiki is a little further down the road, but we will be able to reduce 3 million tons by stopping the blast furnace and introducing a large electric furnace.

Also, as part of this announcement, an electric furnace for stainless steel will be installed in Chiba, and the investment will be JPY15 billion for a 450,000-ton reduction.

As shown in the third item in the upper row, we expect to make investments in the amount of JPY1 trillion by FY2030.



Topics for carbon neutrality

Introduction of EAF in Chiba (New!)

- Decided to **install a new EAF** at Stainless Steel Manufacturing in Chiba.
- The capacity to dissolve scrap is expected to increase by up to 6 times compared to conventional process and **reduce CO₂ emissions by up to 450,000 tons per year**.
- Investment: approximately 15 billion yen, Operation start date: second half of FY2025.

Introduction of climate change indicators in the calculation standards for executive remuneration (released in March 2023)

- **Introduction of climate change indicators in executive performance-linked compensation** as an incentive to accelerate efforts to address climate change issues (Adopted in FY2023, industry first).
- Compensation is calculated based on the achievement of KPIs related to "Contribute to resolving climate change issues", which is defined as a key management issue.

Green Steel

- **The JFE Green Steel brand was named JGreeX™.** (New!)
- Green steel products that offset CO₂ emissions using the mass balance approach will be introduced in the first half of FY2023. **Approximately 200,000 tons of green steel can be supplied in FY2023.** (New!) *Achieving 30% CO₂ reduction by FY2030 will enable JFE Steel to supply up to 5 million tons of green steel using the same approach.

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Here are some of the topics.

This is the electric furnace in the Chiba area that I mentioned earlier. We have decided to introduce an arc electric furnace in Chiba. The reduction in CO₂ emissions will be 450,000 tons, the investment will be JPY15 billion, and the furnace will be in operation in 2H of FY2025.

In the middle is the introduction of climate change indicators in the calculation criteria for executive compensation. As an incentive to accelerate our efforts to address climate change issues, we have introduced a climate change indicator in the performance-linked compensation for executives. Through this, compensation will be calculated based on the degree of achievement of KPIs that are established year by year.

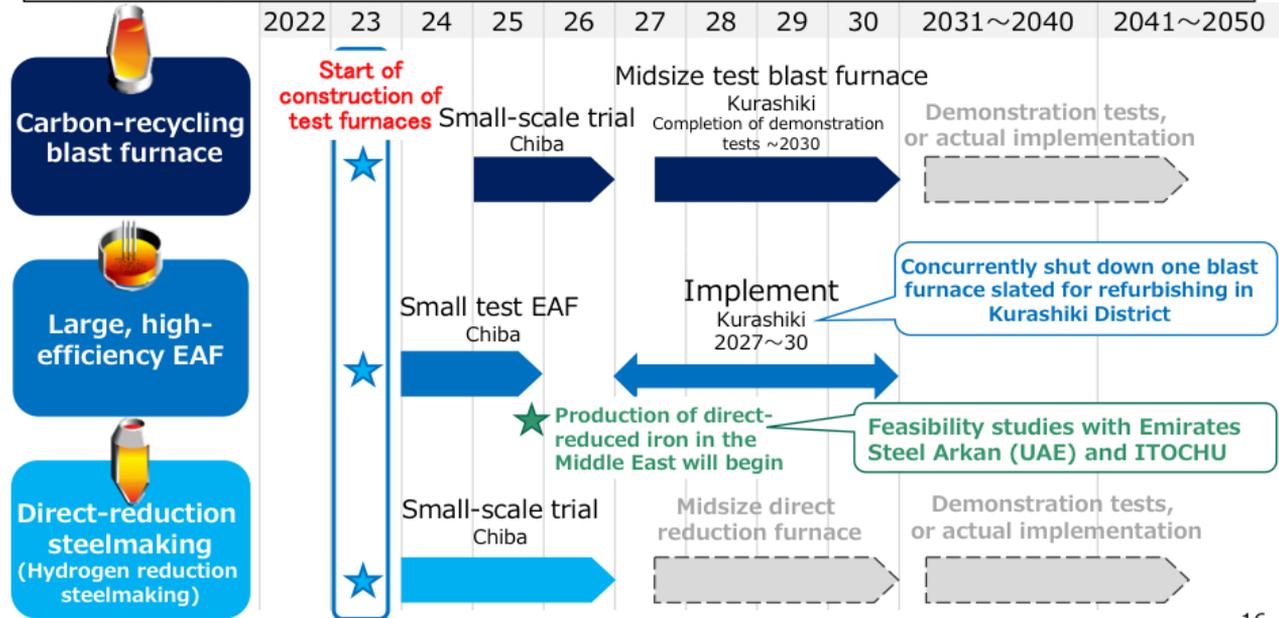
Thirdly, as part of our green steel initiatives, we have decided on the name JGreeX for JFE's green steel brand. We plan to introduce green steel products using the mass balance method in 1H of FY2023. The volume is planned to be 200,000 tons. When we finally achieve our emission reduction target for FY2030, we expect to be able to supply up to 5 million tons of green steel products.



Progress in Development of Ultra-innovative Technologies

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- **Development of ultra-innovative technologies is being steadily promoted** on a multitrack approach with support from the GI Fund, etc.
- **Construction of test furnaces for each technology is scheduled to begin in 2023** for aiming at early implementation after assessing feasibility.
- The JFE group also promotes the realization of a carbon-neutral society through the utilization of Keihin land, including the **development of facilities to receive and supply hydrogen**, etc.



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Last but not least, I would like to talk about the progress in the development of ultra-innovative technologies.

We have positioned the period after 2030 as the innovation period, and are currently making steady progress in a multi-track manner with support from the GI Fund and other sources with respect to ultra-innovative technologies. This year marks the timing for the construction of test furnaces for the carbon recycling blast furnace, high-efficiency large electric furnace, and direct reduction ironmaking. We are now in the process of conducting tests to see which of our products can finally be used in actual equipment.

As the center callout indicates, when electricity EAF is used, scrap alone will inevitably be insufficient. As we have already announced that we will use HBI, or reduced iron, we are considering the commercialization of this business in a joint venture with Emirates Steel Arkan and ITOCHU Corporation.

I have explained that the medium-term plan is progressing as planned, and that we expect a slight increase in revenue. This concludes my explanation.



Financial Results for Fiscal Year 2022

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- **Business profit in FY2022 was ¥235.8bn.**
(increased by ¥0.8bn. from previous forecast, decreased by ¥180.6bn. year-on-year)
- Profit Attributable to Owners of Parent in FY2022 was ¥162.6bn.

(billion yen)	FY2021 Actual	FY2022 Forecast	FY2022 Actual			Change FY2021→FY2022	Change Forecast→Actual
	Full year	Full year	1H	2H	Full year	Full Year	Full Year
Revenue	4,365.1	5,200.0	2,564.3	2,704.4	5,268.7	903.6	68.7
Business Profit [Excluding Inventory Valuation etc.]	416.4 [222.4]	235.0 [162.0]	187.9 [71.9]	47.1 [90.9]	235.8 [162.8]	(180.6) [(59.6)]	0.8 [0.8]
Finance Income/Costs	(11.6)	(15.0)	(6.6)	(8.1)	(14.8)	(3.2)	0.2
Segment Profit	404.8	220.0	181.2	39.7	221.0	(183.8)	1.0
Exceptional Items	(16.2)	(6.2)	-	(10.7)	(10.7)	5.5	(4.5)
Profit before Tax	388.5	213.8	181.2	29.0	210.2	(178.3)	(3.6)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(100.4)	(63.8)	(57.9)	10.3	(47.6)	52.8	16.2
Profit Attributable to Owners of Parent	288.0	150.0	123.2	39.3	162.6	(125.4)	12.6

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

Inventory Valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.

Segment profit is profit including financial income in business profit.

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Tanaka: Next, I, Tanaka will explain again the financial results for FY2022 and the outlook for FY2023.

First of all, I would like to give you an overview of the Group's overall financial results for FY2022. As mentioned at the beginning of this presentation, business profit was JPY235.8 billion and profit attributable to owners of parent was JPY162.6 billion. The blue area in the middle of the table below shows the actual results and figures for FY2022. Revenue was JPY5,268.7 billion, business profit was JPY235.8 billion, total segment profit was JPY221 billion, and profit attributable to owners of parent was JPY162.6 billion.

The rightmost column shows the difference from the forecast announced in February. We have almost achieved the figures as announced in February.



Financial Results for Fiscal Year 2022 (by Segment)

JFE-HD

(billion yen)		FY2021 Actual	FY2022 Forecast	FY2022 Actual			Change FY2021→ FY2022	Change Forecast →Actual
				Full Year	1H	2H		
Steel Business		3,173.4	3,860.0	1,918.9	1,962.1	3,881.1	707.7	21.1
Engineering Business		508.2	520.0	219.0	293.4	512.5	4.3	(7.5)
Trading Business		1,231.7	1,490.0	750.2	763.9	1,514.1	282.4	24.1
Adjustments		(548.3)	(670.0)	(323.9)	(315.0)	(638.9)	(90.6)	31.1
Revenue		4,365.1	5,200.0	2,564.3	2,704.4	5,268.7	903.6	68.7
Business Profit (A)		416.4	235.0	187.9	47.9	235.8	(1,80.6)	0.8
Finance Income/Costs (B)		(11.6)	(15.0)	(6.6)	(8.1)	(14.8)	(3.2)	0.2
Steel Business		323.7	150.0	148.2	(1.4)	146.8	(176.9)	(3.2)
Engineering Business		26.0	13.0	(3.9)	17.3	13.4	(12.6)	0.4
Trading Business		55.9	60.0	40.6	24.5	65.1	9.2	5.1
Adjustments		(0.9)	(3.0)	(3.6)	(0.7)	(4.3)	(3.4)	(1.3)
Segment Profit (A+B)		404.8	220.0	181.2	39.7	221.0	(183.8)	1.0

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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The next page shows the figures by segment. In the lower center is a breakdown of segment profits.

The steel business, engineering business, and trading business were JPY146.8 billion, JPY13.4 billion, and JPY65.1 billion, respectively. As you can see from the comparison with the February announcement on the far right, the steel business fell JPY3.2 billion short of the JPY150 billion forecast. The difference is due to gaps in asset disposal and other factors. The spread and volume, et cetera, have not changed significantly.

The engineering business was almost as planned. The trading business was JPY65.1 billion compared to the forecast of JPY60 billion, an increase of JPY5.1 billion. This positive result was due to higher-than-expected sales volume at JFE Shoji on a non-consolidated basis and at group companies in North America.

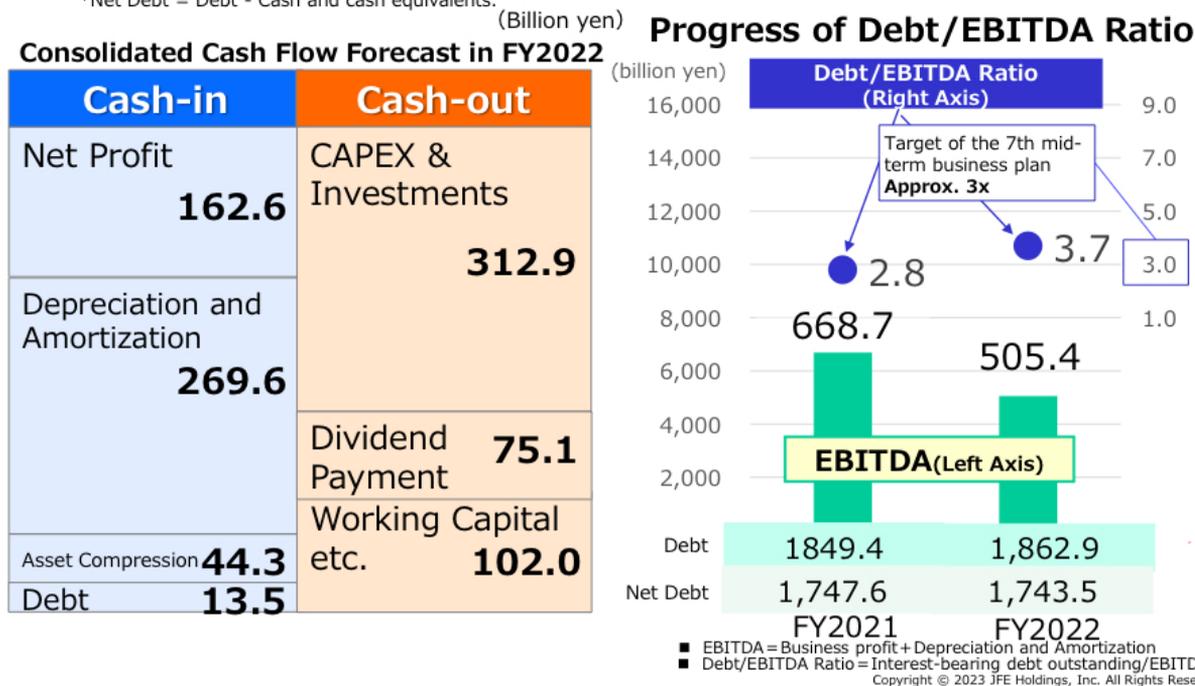


Consolidated Cash Flow and Debt/EBITDA Ratio



➤ Debt in FY2022 was ¥1,862.9bn.
Net Debt* was decreased year on year.

*Net Debt = Debt - Cash and cash equivalents.



Next, I would like to talk about cash flow and financial indicators.

As you can see above, the balance of interest-bearing debt at the end of FY2022 was JPY1,862.9 billion. At the time of the announcement in February, we had said that the total would be JPY1.95 trillion, so the figure was almost JPY90 billion less than that. As a result of our efforts to maximize the efficiency of various expenditures, such as working capital, this was less than planned.

The left-hand side shows the breakdown of cash flow. In addition to profit and amortization, we generated JPY44.3 billion in cash this fiscal year as a result of asset reduction.

On the right is the D/E ratio. The D/E ratio for FY2022 was 3.7 times, compared to the target of 3 times for the 7th mid-term plan.

Although not stated, we had set a mid-term target of 70% D/E ratio. As of the end of FY2022, the D/E ratio was 67.8%, reaching the mid-term target two years ahead of schedule. This was achieved two years ahead of schedule due in part to the inclusion of subordinated debt in the capital account.

The bottom of the table shows the net interest-bearing debt balance of JPY1,743.5 billion as of the end of FY2022. Interest-bearing debt increased by JPY13.5 billion compared to the previous year, but there was also an increase in cash and deposits. As a result, net interest-bearing debt decreased slightly by JPY4 billion from the previous year.



Financial Results in Fiscal Year 2022

JFE Steel

	Unit	FY2021	FY2022					FY2022 Previous Forecast (Full Year)
		Full Year	1H	3Q	4Q	2H	Full year	
Revenue	billion yen	3,173.4	1,918.9	986.9	975.3	1,962.2	3,881.1	3,860.0
Segment Profit	billion yen	323.7	148.2	21.8	(23.2)	(1.4)	146.8	150.0
Excluding Inventory Valuation etc.*	billion yen	129.7	32.2	22.8	18.8	41.6	73.8	77.0
Crude Steel (Standalone)	Mt	25.88	12.64	5.48	5.97	11.45	24.10	Approx. 24.00
Crude Steel (Consolidated)	Mt	27.26	13.37	5.81	6.29	12.11	25.48	Approx. 25.40
Shipment (Standalone)	Mt	22.38	10.86	5.25	5.64	10.88	21.74	Approx. 21.60
Export Ratio on Value Basis (Standalone)	%	45.5	46.7	41.0	43.6	42.2	44.5	Approx. 44
Average Sales Price (Standalone)	000 yen / t	103.7	131.6	136.3	124.0	129.9	130.8	Approx. 131
Exchange Rate	¥/\$	112.1	131.6	144.0	133.2	138.6	135.1	Approx. 135

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

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Next, I would like to show you the breakdown of JFE's steel financial results.

Various items are organized in this table. The third line from the top shows segment profit excluding inventory valuation difference, et cetera, which was JPY32.2 billion for 1H and JPY41.6 billion for 2H, resulting in a figure of JPY73.8 billion.

As for crude steel production, the February forecast was 24 million tons, but the figure was slightly higher than that, at 24.1 million tons.

The second item from the bottom, the average price of steel products, was JPY129,900 for 2H, and JPY130,800 for the full year. This was also exactly the same as the previous forecast. Last year the price was JPY103,700, which means that the price increased by approximately JPY27,000 during the year.

The yen weakened considerably during the period, and the average exchange rate for FY2022 was JPY135.1. Since the yen was JPY112.1 last year, the average annual depreciation was JPY23.



176.9Bn. Decrease in JFE Steel's Segment Profit (FY2021 (Actual) vs. FY2022 (Actual))

JFE Steel

JFE Steel	FY2021 Actual	FY2022 Actual	(billion yen) Change
Segment Profit	323.7	146.8	(176.9)
Excluding Inventory Valuation etc.	129.7	73.8	(55.9)
1. Cost	±0		<ul style="list-style-type: none"> Positive : Promote cost reductions Negative: Chiba No.6 blast furnace refit and cost increases due to production reduction.
2. Volume and Mix	(30.0)		<ul style="list-style-type: none"> Volume -35.0, Mix +5.0
3. Sales and Raw materials	+220.0		<ul style="list-style-type: none"> Improve spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
4. Foreign exchange effects on trade	(93.0)		<ul style="list-style-type: none"> 1USD=112.1yen→1USD=135.1yen
5. Inventory valuation	(121.0)		<ul style="list-style-type: none"> Inventory valuation -81.0 (+160.0→+79.0) Carry over-46.0 (+23.0→-23.0) Foreign exchange valuation+6.0 (+11.0→+17.0)
6. Others	(152.9)		<ul style="list-style-type: none"> Group companies-71.8 Energy prices -53.0, etc.

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This is the breakdown of the change in the steel business segment profit from the previous year.

As you can see at the bottom, changes in costs were zero, and the breakdown is the same as previously explained. Cost reduction actions had a positive impact of JPY23 billion, but the impact of the Chiba No. 6 blast furnace renovation had a negative impact of JPY13 billion, and the cost increase due to the production cutback in 2H had a negative impact of JPY10 billion, resulting in a net zero impact.

As for volume and composition, crude steel was affected by a decrease of 1.78 million tons versus the previous year, and then the spread had a positive impact of JPY220 billion. As stated, there was an increase in the cost of raw materials, mainly coking coal, but in terms of selling prices, the spread improved by JPY220 billion, basically due to a significant increase in domestic sales prices. Foreign exchange, as I mentioned earlier, had a negative impact of JPY93 billion due to the impact of yen depreciation. Inventory valuation, as you can see, had a total negative impact of JPY121 billion due to the reduction of the positive margin compared to last year.

As for other factors, the overseas group companies had a tough time in FY2022, resulting in a large negative impact compared to the previous year. The negative impact of unit energy costs is also included in this figure. The breakdown is as shown.



Financial Results for Fiscal Year 2022

JFE Engineering · JFE Shoji

- JFE Engineering: **Revenues reached a record high of ¥512.5bn** (up ¥4.3bn. from FY2021)
Segment profit was ¥13.4bn., almost unchanged from the previous forecast (down ¥12.6bn. from FY2021)
- JFE Shoji: **Segment profit was ¥65.1bn.**, increased by ¥5.1bn. from the previous forecast (up ¥9.2bn. from FY2021)

Engineering Business

(billion yen)	FY2021 (Actual) (A)	FY2022 (Forecast) (B)	FY2022 (Actual) (C)	Change (From Previous Year) (C)-(A)	Change (From Previous Forecast) (C)-(B)
Orders	505.8	550.0	564.9	59.1	14.9
Revenue	508.2	520.0	512.5	4.3	(7.5)
Segment Profit	26.0	13.0	13.4	(12.6)	0.4

Trading Business

(billion yen)	FY2021 (Actual) (A)	FY2022 (Forecast) (B)	FY2022 (Actual) (C)	Change (From Previous Year) (C)-(A)	Change (From Previous Forecast) (C)-(B)
Revenue	1,231.7	1,490.0	1,514.1	282.4	24.1
Segment Profit	55.9	60.0	65.1	9.2	5.1

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Next, I would like to talk about the engineering and trading businesses.

As I mentioned at the beginning of this presentation, the table below shows that the engineering business received JPY564.9 billion in orders and generated JPY512.5 billion in revenue, both of which are record highs.

As for the trading business, segment profit was JPY65.1 billion, which, as I have already mentioned, is a record high.



Current Business Environment (Steel Business)

JFE

Sales environment

- **Domestic** : **Domestic steel demand is expected to improve gradually, supported by a recovery in the automotive sector** as supply constraints for semiconductors and other products are eased, although some of the effects are attributable to higher prices and labor shortages.
- **Overseas** : While there has been a slowdown in economic activity in developed countries due to inflation and monetary policy, **steel demand and market are expected to gradually recover**, driven by the economic recovery after China lifted its zero-COVID policy.

Raw material market

- **Iron ore**: Market conditions have been on an uptrend since the start of 2023 on expectations of a recovery in Chinese steel demand. **The current level is expected to continue.**
- **Coking coal**: Although rising for a while due to weather and other factors in Australia, it has remained weak since then. **It is expected to rise from the current level.**

Forecast for FY 23

- Based on the above external environmental awareness, Standalone crude steel production is expected to be approx. 25.0Mt, 0.9Mt up from FY2022. In line with the recovery in demand, we are going to further improve sales prices and promote a shift from quantity to quality.

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Next, regarding the FY2023 results, we have summarized business environment recognition in one slide.

First, regarding the sales environment, we expect that domestic demand for steel products will gradually improve, mainly due to recovery in the automotive sector, as the supply of parts for semiconductors and other products eases, although some domestic demand will be affected by soaring prices and labor shortages.

As for overseas, while there is inflation and a slowdown in economic activity in developed countries due to monetary policy, China's economy is recovering after the lifting of the zero-COVID-19 policy. Although the current pace is a little sluggish, we believe that the economy will gradually recover over a one-year period, and demand and market conditions for steel products will gradually recover in stages.

Meanwhile, as for raw materials, iron ore has strengthened this year due to expectations of a recovery in demand for steel products in China. We expect that this level will continue in the future.

Coking coal prices temporarily rose considerably due to weather factors in Australia. Since then, the market has been softening, but we expect the market to return a little more from the current soft level and that it will rise.

Taking these factors into consideration, we are assuming that crude steel production for steel alone will be about 25 million tons, which is an increase of about 900,000 tons from the previous year's 24.1 million tons.

As demand recovers, we will continue to improve sales prices and shift from quantity to quality.



Financial Forecast for FY2023 (Steel Business)

Crude Steel Production (JFE Steel standalone)	approx. 25.0Mt per year	Exchange Rate	130 yen/\$
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(billion yen)	FY2022 Actual(A)	FY2023 Forecast(B)	Change (B)-(A)
Segment Profit	146.8	200.0	53.2
Excluding Inventory Valuation etc.	73.8	190.0	116.2

1. Cost	63.0	<ul style="list-style-type: none"> Structural reforms effect 20.0 Operational improvement 20.0 Disappearance of blast furnace refurbishment impact and production reduction impact 23.0
2. Volume and Mix	18.0	<ul style="list-style-type: none"> Increased volume due to recovered steel demand (Crude Steel Production 24.1Mt⇒approx. 25.0Mt)
3. Sales and Raw materials	75.0	<ul style="list-style-type: none"> Improved spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
4. Inventory valuation	(63.0)	<ul style="list-style-type: none"> Inventory valuation -82.0 (+79.0→-3.0) Carry over+40.0 (-23.0→+17.0) Foreign exchange valuation-21.0 (+17.0→-4.0)
5. Others	(39.8)	<ul style="list-style-type: none"> Energy prices, depreciation cost etc.

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The following is the breakdown of the changes in P&L of the steel business between FY2022 and FY2023.

The segment profit is expected to increase by JPY53.2 billion from JPY146.8 billion in FY2022 to JPY200 billion in FY2023, with a significant positive impact of JPY63 billion in costs, as shown below. This is due to the expected JPY20 billion effect of structural reforms, as mentioned earlier, and the elimination of the negative impact of blast furnace refurbishment and production cutbacks in FY2022, resulting in a positive impact of JPY23 billion. In addition to these, there is the usual cost reduction of JPY20 billion. All together, the total is estimated to be JPY63 billion.

In terms of volume, as I mentioned earlier, the impact of the 900,000 ton increase is JPY18 billion.

Then we are looking at a positive spread of JPY75 billion. As for raw materials, the cost of coking coal and iron ore together is expected to decrease slightly from the previous year, resulting in a positive P&L outlook. In addition, we expect to improve the spread by JPY75 billion by further improving selling prices, mainly in Japan.

The right side of the arrow shows the absolute value of the inventory valuation for FY2023, and it is expected to be quite small, causing a negative impact of JPY63 billion compared to the previous year. In addition to this, we expect an increase in unit energy costs, depreciation costs, and other expenses, and we project a total profit of JPY200 billion for FY2023.

The absolute value of P&L excluding inventory valuation, as I mentioned earlier in point number four, will be much smaller, amounting to about JPY10 billion, and the profit excluding these factors is expected to reach the level of JPY190 billion.



Financial Forecast for FY2023 (Engineering · Trading)

(billion yen)	FY2022 (Actual) (A)	FY2023 (Forecast) (B)	Change (B)-(A)
Engineering Orders	564.9	580.0	15.1
Segment Profit	13.4	25.0	11.6
Trading Segment Profit	65.1	48.0	(17.1)

Engineering Business

- Orders: Expected to expand in “Waste to Resource” and “Carbon Neutral” fields.
- Segment profit: ¥25.0bn., up ¥11.6bn. from FY2022, due to the elimination of temporary losses on individual projects in Europe, as well as the reflection of higher sales due to the progress of projects on order and the impact of higher prices on materials and equipment.

Trading Business

- Domestic: Expect a modest recovery in demand, including an increase in domestic auto production, although spreads will shrink.
- Overseas: Expect a decline in steel prices and a reduction in spreads in North America.
- Segment profit: Forecast of ¥48bn., down ¥17.1bn. from FY2022. (up ¥8bn. from the mid-term target.)

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Next is the engineering business and trading business.

The engineering business is assumed to receive orders of JPY580 billion, an increase from FY2022 and a further record high.

The profit is expected to recover to JPY25 billion by eliminating one-time losses on individual construction projects in Europe, making progress on projects that have already been ordered and reflecting the price hikes in materials and equipment.

On the other hand, the trading business will come to JPY48 billion, a significant decrease of JPY17 billion from the previous year. This is due to the fact that we are seeing spread contraction in Japan and we expect a gradual recovery in demand, as is the case with steel.

We expect a decrease in profit from the previous year because we expect a narrowing of the spread in Japan, which has been high, and a narrowing of the spread overseas, especially in North America, which has been strong up to now. However, since the target of the mid-term plan is JPY40 billion for FY2024, we are projecting JPY48 billion, JPY8 billion more than the mid-term target.



Financial Forecast for FY2023

JFE-HD

(billion yen)	FY2022 Actual(A)	FY2023 Forecast(B)	Change (B)-(A)
Revenue	5,268.7	5,540.0	271.3
Business Profit [Excluding Inventory Valuation etc.]	235.8 [162.8]	290.0 [280.0]	54.2 [117.2]
Steel Business	146.8	200.0	53.2
Engineering Business	13.4	25.0	11.6
Trading Business	65.1	48.0	(17.1)
Segment Profit (Including Adjustments)	221.0	270.0	49.0
Profit Attributable to Owners of Parent	162.6	190.0	27.4

Business profit is profit before tax excluding financial income and one-time items of a materially significant value.
 Inventory Valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.
 Segment profit is profit including financial income in business profit.

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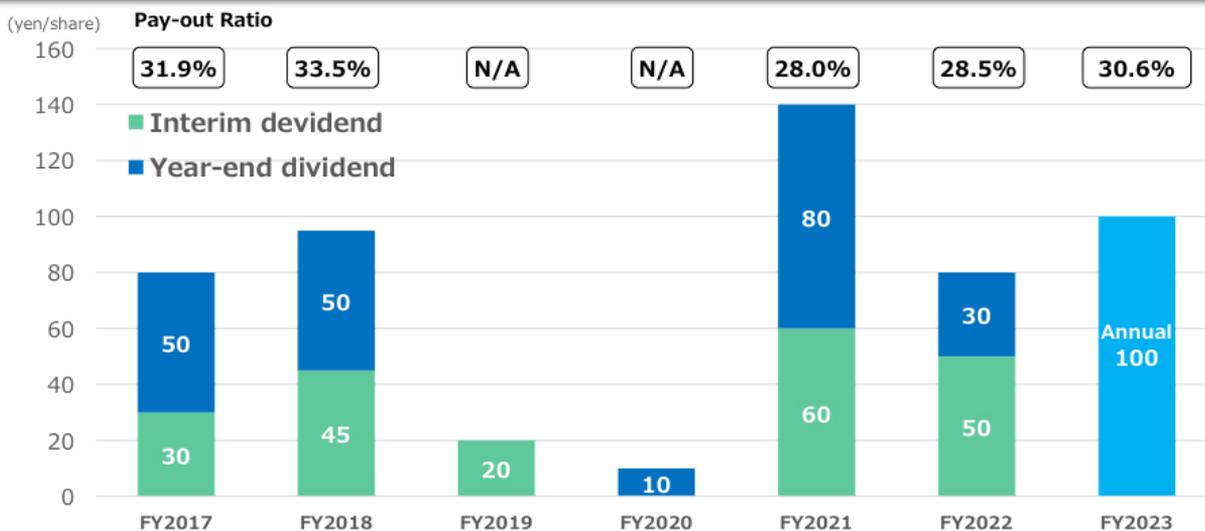
In summary, we are forecasting sales of JPY5,540 billion, business profit of JPY290 billion, and net profit attributable to owners of parent of JPY190 billion for FY2023.



Dividend



- JFE Holdings has decided to propose at its general meeting of shareholders **a year-end dividend of 30 yen per share**, as previously announced.(annual dividend: 80 yen)
- The annual dividend for FY2023 is expected to be **100 yen per share**, based on our payout ratio policy of approximately 30%.



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Finally, we discuss dividends.

For FY2022, the annual dividend is JPY80 per share and the year-end dividend is JPY30 per share, as previously announced. For FY2023, the annual dividend is newly announced at JPY100 per share, based on the forecast of JPY190 billion in profit attributable to owners of parent and a dividend payout ratio of approximately 30%.

The breakdown of the interim and year-end dividends will be announced again in the future, and we hope you will understand that this announcement is just guidance for the annual dividend.

That is all.

[END]

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