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Notice of Introduction of  
Medium- to Long-term Performance-linked Remuneration for Directors, etc.

JFE Holdings, Inc. (the “Company”) has reviewed its Directors’ remuneration plan at a Board of Directors meeting held today and passed a resolution to introduce a stock remuneration plan linked to performance over the medium- to long-term for the Company’s Directors and Corporate Officers, as well as of its operating companies JFE Steel Corporation, JFE Engineering Corporation, and JFE Shoji Trade Corporation, and hereby announces details as follows.

1. Background and Purpose of Introduction

- (1) In October 2015, the Company established the Remuneration Committee as a voluntary advisory body to the Board of Directors, with the majority comprising Outside Directors/Audit & Supervisory Board Members and chaired by an Outside Director, to ensure fairness, objectiveness, and transparency of remuneration of Directors, etc., of the Company and operating companies. Based on deliberations by and reports from the Remuneration Committee, the Company’s Board of Directors passed a resolution to introduce a remuneration plan (hereinafter referred to as the “Plan”) under which the Company’s shares and an amount of cash equivalent to the market price of the Company’s shares (hereinafter referred to as the “Company’s Shares”) are provided to Directors, etc., of the Company and operating companies under a scheme called the Board Benefit Trust (BBT).
- (2) Under the Plan, the Company’s Shares will be granted as remuneration through a trust upon retirement based on a payment level determined through linkage with performance targets under the Medium-Term Business Plan, etc. of the JFE Group (the “Group”).

The Group aims to achieve its corporate vision of contributing to society with the world’s most innovative technology through initiatives to raise medium- to long-term corporate value and contribute to sustainable growth of society under the sixth Medium-Term Business Plan announced today as an operating guideline for fiscal years 2018-2020. The Plan is to be introduced from fiscal 2018 alongside the commencement of the sixth Medium-Term Business Plan. The Company’s Shares will be granted to Directors, etc., of the Company and operating companies according to the level of achievement against performance targets under the Medium-Term Business Plan, etc., thereby further clarifying the

linkage among remuneration, performance results of the Group and stock value to further enhance the sharing of value with shareholders with the aim of raising awareness toward contribution to an increase in corporate value over the medium- and long-term.

- (3) Specifically, those eligible for the Plan include Directors (excluding Outside Directors) and Corporate Officers not concurrently serving as Directors (excluding residents outside Japan) of the Company as well as of operating companies JFE Steel Corporation, JFE Engineering Corporation, and JFE Shoji Trade Corporation (hereinafter collectively referred to as the “Group’s Directors/Officers”).
- (4) The Plan will be introduced subject to approval of the proposal regarding the introduction of the Plan for the Company’s Directors at the 16th Ordinary General Meeting of Shareholders to be held on June 21, 2018 (hereinafter referred to as the “General Meeting”).

## 2. Remuneration Plan for the Company’s Directors and Corporate Officers After Introduction of the Plan

### (1) Basic policy on remuneration for the Company’s Directors and Corporate Officers

With the introduction of the Plan, the Company’s Board of Directors has determined a basic policy on remuneration for its Directors and Corporate Officers based on deliberations by and reports from the Remuneration Committee as follows.

- The Board of Directors shall determine remuneration for Directors and Corporate Officers based on deliberations regarding its appropriateness by the Remuneration Committee to ensure fairness, objectiveness and transparency.
- The remuneration level for Directors and Corporate Officers shall be determined to secure excellent human resources who are able to put the Group’s corporate vision into practice, taking into consideration the business environment of the Group and remuneration levels at other companies in the same industry or of the same scale.
- The ratio between basic remuneration and performance-linked remuneration (annual bonus and stock remuneration) shall be properly established according to the roles and responsibilities, etc. of each Director and Corporate Officer so as to function as sound incentives toward the sustainable growth of the Group.

### (2) Composition of remuneration for the Company’s Directors and Corporate Officers

Remuneration after the introduction of the Plan is composed as follows. Outside Directors and Audit & Supervisory Board Members shall be paid only basic remuneration given their role that they should carry out supervision of business and audits from an independent and objective standpoint.

#### (i) Basic remuneration

A fixed amount of cash will be paid on a monthly basis according to each position, etc.

#### (ii) Annual bonus

An amount of cash determined according to the consolidated performance results for a single fiscal year will be paid to Directors (excluding Outside Directors) and Corporate Officers on an annual basis.

(iii) Stock remuneration (*see* 3. for details)

Stock remuneration shall be composed of a “performance-linked portion” and “service-length portion.”

Performance-linked portion: The Company’s Shares will be granted to Directors (excluding Outside Directors) and Corporate Officers not concurrently serving as Directors (excluding residents outside Japan) according to their positions and the level of achievement against performance targets under the Medium-Term Business Plan, etc.

Service-length portion: The Company’s Shares will be granted to Directors (excluding Outside Directors) according to the length of their terms of office for each position.

(3) Ratio of each type of remuneration

Based on the Remuneration Committee’s deliberation regarding an appropriate ratio between fixed remuneration and performance-linked remuneration for the Company’s Directors and Corporate Officers, the proportion of performance-linked remuneration will be raised from conventional levels with the introduction of the Plan. Specifically, the ratio among “basic remuneration,” “annual bonus” and “stock remuneration” will be set to approximately 60%:20%:20% for the Company’s President in the case that performance targets have been achieved.

Reference: Eligibility for each type of remuneration

	Fixed remuneration	Performance-linked remuneration		
	Basic remuneration	Annual bonus	Stock remuneration	
			Performance-linked portion	Service-length portion
Directors (excluding Outside Directors) *1	✓	✓	✓	✓
Outside Directors	✓	-	-	-
Corporate Officers not concurrently serving as Directors	✓	✓	✓ (excluding residents outside Japan)	-
Audit & Supervisory Board Members	✓	-	-	-

\*1 An Executive Director of any operating company who concurrently serves as the Company’s Director shall only receive basic remuneration from the Company.

In addition, for Directors and Corporate Officers of the operating companies JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation, an appropriate remuneration plan shall also be established according to the basic policy in (1) above and necessary approval shall be obtained from the Board of Directors and General Meeting of Shareholders of the respective companies.

(4) Revision of remuneration amounts for the Company's Directors and Audit & Supervisory Board Members

Upon approval by the 77th Ordinary General Meeting of Shareholders of Kawasaki Steel Corporation held on June 26, 2002, and the 148th Ordinary General Meeting of Shareholders of NKK Corporation held on the same day to establish the Company as their wholly owning parent company through stock transfers, approval was also granted for the total monthly remuneration limit of the Company's Directors and Audit & Supervisory Board Members, which shall be 40 million yen and 15 million yen, respectively, and this remains in effect. Since then, the Company has paid basic remuneration to Directors and Audit & Supervisory Board Members within this remuneration limit and bonuses have been approved at an Ordinary General Meeting of Shareholders each time payment was made.

Although the Company plans to introduce the stock remuneration plan, going forward, Directors' remuneration will continue to be designed in a flexible manner based on objective deliberations at the Remuneration Committee while considering the balance between fixed remuneration and performance-linked remuneration. Accordingly, the Company would like to change Directors' remuneration limits from a monthly basis to an annual basis and provide bonuses in addition to basic remuneration within that limit for Directors excluding Outside Directors and set the annual limit to 700 million yen (of which 80 million yen for Outside Directors), based comprehensively on factors such as the number of Directors, remuneration levels at other companies and historical payment levels. The Company intends to submit a proposal regarding this matter at the General Meeting.

The Company would also like to change remuneration limits for Audit & Supervisory Board Members from a monthly basis to an annual basis and set the annual limit to 200 million yen, based comprehensively on factors such as the number of Audit & Supervisory Board Members, remuneration levels at other companies and historical payment levels. The Company intends to submit a proposal regarding this matter at the General Meeting.

3. Content of the Plan

(1) Overview of the Plan

The Plan is a stock remuneration plan whereby shares in the Company are acquired through a trust funded by cash contributed by the Company (hereinafter, the trust established pursuant to the Plan is referred to as the "Trust"), and the Company's Shares are paid through the Trust to the Group's Directors/Officers pursuant to the Stock Grant Regulations for Officers established by the Company and operating companies.

The Plan shall be introduced for the three fiscal years from fiscal 2018 to the fiscal 2020 covered under the sixth Medium-Term Business Plan (hereinafter referred to as the "Initial Target Period;" and the Initial Target Period and each three-fiscal-year period after the Initial Target Period are referred to as the "Target Period") and for each subsequent Target Period.

Structure of the Plan	Performance-linked portion	The Company's Shares are granted according to the level of achievement against performance targets under the Medium-Term Business Plan, etc., for a Target Period → For the Initial Target Period, utilizing 200 billion yen per year - the target for the current net profit attributable to shareholders of the parent company under the sixth Medium-Term Business Plan - as the performance indicator, the payment level will vary within a range from 0 to 150% for each fiscal year, setting it to 100% in the case that the target has been achieved. * However, no payment shall be made for a fiscal year in which ROE is less than 5%. * Additionally, no payment shall be made to those eligible at operating companies for a fiscal year in which said operating company has recorded a consolidated ordinary loss.
	Service-length portion	The Company's Shares are granted according to the length of the term of office at each company and for each position.
Those eligible for the Plan	Performance-linked portion	· Directors of the Company and operating companies (excluding Outside Directors) · Corporate Officers of the Company and operating companies not concurrently serving as Directors (excluding residents outside Japan)
	Service-length portion	Directors (excluding Outside Directors) of the Company and operating companies
Cash limit amount to be contributed by the Company to the Trust		4,500 million yen for each Target Period (of which 600 million yen will be for the Company's Directors)
Limit of number of the Company's shares to be acquired by the Trust for provision		4,800 thousand shares for each Target Period (of which 660 thousand shares will be for the Company's Directors)
Method of acquisition of the Company's shares by the Trust		Through the stock market or by subscription to the disposal of the Company's treasury shares
Time of granting the Company's Shares		When the Group's Directors/Officers retire, in principle

(2) Resolution by the General Meeting regarding introduction of the Plan

The Company shall implement the Plan after a resolution has been passed at the General Meeting regarding the limit amount to be contributed to the Trust as remuneration for the Company's Directors, the limit of number of shares to be acquired (specified in (4) below) under the Plan as well as other necessary matters, separate from the remuneration limit in 2. (4) above.

(3) Trust duration

From August 2018 (scheduled) until the Trust is terminated (the Trust shall continue without establishing a specific expiry date as long as the Plan remains in effect. The Plan shall be terminated when the Company's shares are delisted or when the Stock Grant Regulations for Officers are abolished, for example.)

(4) The cash limit amount that the Company contributes to the Trust for the Group's Directors/Officers, and limit of number of the Company's shares to be granted from the Trust (including the number of shares subject to conversion into cash)

The Company shall introduce the Plan for the Initial Target Period and for each subsequent Target Period and contribute the following money to the Trust as the funds to acquire the Company's shares for the purpose of provision of the Company's Shares to the Group's Directors/Officers\*<sup>1</sup>

The cash limit amount to be contributed to the Trust by the Company shall be 4,500 million yen\*<sup>2</sup> for

each Target Period. The Company believes this amount is reasonable, as it was determined by comprehensively considering factors such as the current payment level for the Group's Directors/Officers trends in the number of the Directors and the future outlook.

After the Initial Target Period has elapsed, in principle, up until the termination of the Plan, the Company shall make additional contributions to the Trust in each Target Period as the necessary funds in the relevant Target Period. However, if, at the time such additional contributions are made for each Target Period after the Initial Target Period has elapsed there remain the Company's shares (excluding the Company's shares that correspond to the points granted to the Group's Directors/Officers for each Target Period up to the immediately preceding Target Period and that have not yet been provided to the Group's Directors/Officers) and cash (hereinafter referred to as the "Residual Shares, etc.") in the trust assets, the amount deducted from the above limit amount as the monetary amount of the Residual Shares, etc. (for the Company's shares, the monetary amount of the book value as of the final day of the immediately preceding Target Period) shall be the limit amount of additional contributions for the relevant Target Period.

The limit of total number of the Company's shares (including the Company's shares subject to conversion into cash) to be granted to the Group's Directors/Officers according to (7) below, which is acquired within such limit amount, shall be 4,800 thousand shares for each Target Period. This is set by using the Company's share price and other factors as reference, based on the aforementioned limit amount of contributions.

- \*1 The cash amount that the Company contributes to the Trust shall include that for the operating companies, which shall pay certain settlement money to the Company each time a payment is made to those eligible at the relevant company.
- \*2 The amount to be contributed to the Trust as remuneration for the Company's Directors, an item to be resolved at the General Meeting, is to be 600 million yen or less. This limit amount is calculated as the stock remuneration amount with the highest performance evaluation (equivalent to 150% with the case that the targets under the Medium-Term Business Plan have been achieved is set at 100%), taking into consideration the number of Directors after the conclusion of the General Meeting and replacement of Directors in the future. The limit of number of shares to be acquired within this limit amount is to be 660 thousand shares.

#### (5) Methods of acquisition of the Company's shares

The Trust shall acquire the Company's shares, funded by cash contributed through (4) above, either through the stock market or by subscription to the disposal of the Company's treasury shares, and new shares shall not be issued. Details of acquisition of the Company's shares through the Trust shall be disclosed in a timely and appropriate manner.

(6) Calculation method for number and amount of the Company's Shares to be granted to the Group's Directors/Officers

For each fiscal year, the Group's Directors/Officers are granted points based on matters such as their positions and performance achievements in accordance with the Stock Grant Regulations for Officers of the relevant company. The limit of the total number of points granted to the Group's Directors/Officers shall be 1,600 thousand points (of which, 220 thousand points shall be for the Company's Directors) for each fiscal year.

The points granted for each fiscal year, in principle, are accumulated until the retirement of the relevant Group's Directors/Officers, and the number of such accumulated points is multiplied by a prescribed coefficient established based on the reason of their retirement (not exceeding 1). The points computed in this manner (hereinafter referred to as the "Defined Number of Points") are converted to the number of the Company's common shares by converting one point to one share of common stock of the Company. The Company's Shares thus calculated will be granted as described in (7) below. (However, if actions such as a stock split, a gratis allotment or a stock consolidation of the Company's shares is carried out after an approval and resolution is made by shareholders at the General Meeting, the Company will reasonably adjust the limit of number of points, the number of points already granted or their conversion ratio, in accordance with matters such as the ratios of such actions.)

The number of points granted for each fiscal year in the Initial Target Period shall be calculated as follows.

(i) Performance-linked portion

The Company has set the target of the current net profits attributable to shareholders of the parent company established under the sixth Medium-Term Business Plan as an indicator for calculating the performance-linked portion, bearing in mind the importance of committing to profits which are directly linked to shareholder return. The minimum requirement for granting points is that ROE is not less than 5%, from the perspective that it is a necessity and an obligation of the Company's management to make profits over a medium- to long-term that exceed the cost of capital by making the most of shareholders' equity to enhance corporate value in a sustainable manner.

Specifically, it will be calculated by multiplying the base points specified for each company and position (hereinafter referred to as "Performance-linked Points") by an adjustment rate based on the level of achievement against the target of current net profits attributable to shareholders of the parent company under the sixth Medium-Term Business Plan. The adjustment rate shall be set to 100% in the case that the targets have been achieved and shall vary within a range of 0% to 150%.

$$\frac{\text{Annual points to be granted}}{\text{Points}} = \frac{\text{Performance-linked Points}}{\text{Points}} \times \frac{\text{Adjustment rate regarding current net profits attributable to shareholders of parent company (0\% to 150\%)}}{\text{Points}}$$

The adjustment rate shall be 0% in the case that ROE is less than 5% in the relevant fiscal year. The adjustment rate applicable to those eligible at an operating company shall be 0% in the case that the relevant operating company records a consolidated ordinary loss in the relevant fiscal year.

(ii) Service-length portion

The service-length portion is calculated by multiplying the base points specified for each company and position (hereinafter referred to as “Service-length Points”) by an adjustment rate based on the length of the term of office for the relevant position. The adjustment rate shall be 100% for those who remain in office for the entire service period for the relevant fiscal year.

$$\frac{\text{Annual points to be granted}}{\text{Points}} = \frac{\text{Service-length Points}}{\text{Points}} \times \frac{\text{Adjustment rate based on the length of the term of office for the relevant position (0\% to 100\%)}}{\text{Points}}$$

\* Performance-linked Points and Service-length Points will be subsequently disclosed in the securities report, etc., via the prescribed procedures.

(7) Provision of the Company’s Shares

In principle, the Group’s Directors/Officers who retire shall receive from the Trust the Company’s shares corresponding to the Defined Number of Points determined under (6) after retirement, if they meet the beneficiary requirements provided in the Stock Grant Regulations for Officers of the respective company, by carrying out specified beneficiary confirmation procedures. However, if they meet the requirements provided in the Stock Grant Regulations for Officers of the respective company, the Group’s Directors/Officers shall receive cash instead of the Company’s shares in an amount equivalent to the market value of such shares for a certain percentage of the points. The Trust may sell the Company’s shares to make such cash provisions.

(8) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights attached to the Company’s shares in the Trust’s account shall not be uniformly exercised. This approach intends to ensure neutrality to the Company’s management regarding the exercise of voting rights attached to the Company’s shares in the Trust’s account.

(9) Dividends

The Trust shall receive dividends from the Company’s shares held in the Trust’s account and allocate them to the payment of the costs for acquiring the Company’s shares, to the trust fees for the Trust’s trustee, etc. If the Trust is terminated, residual funds in the Trust, including dividends, shall be donated to organizations that have no conflicts of interest with the Company and the Group’s Directors/Officers in accordance with the provisions of the Stock Grant Regulations for Officers.

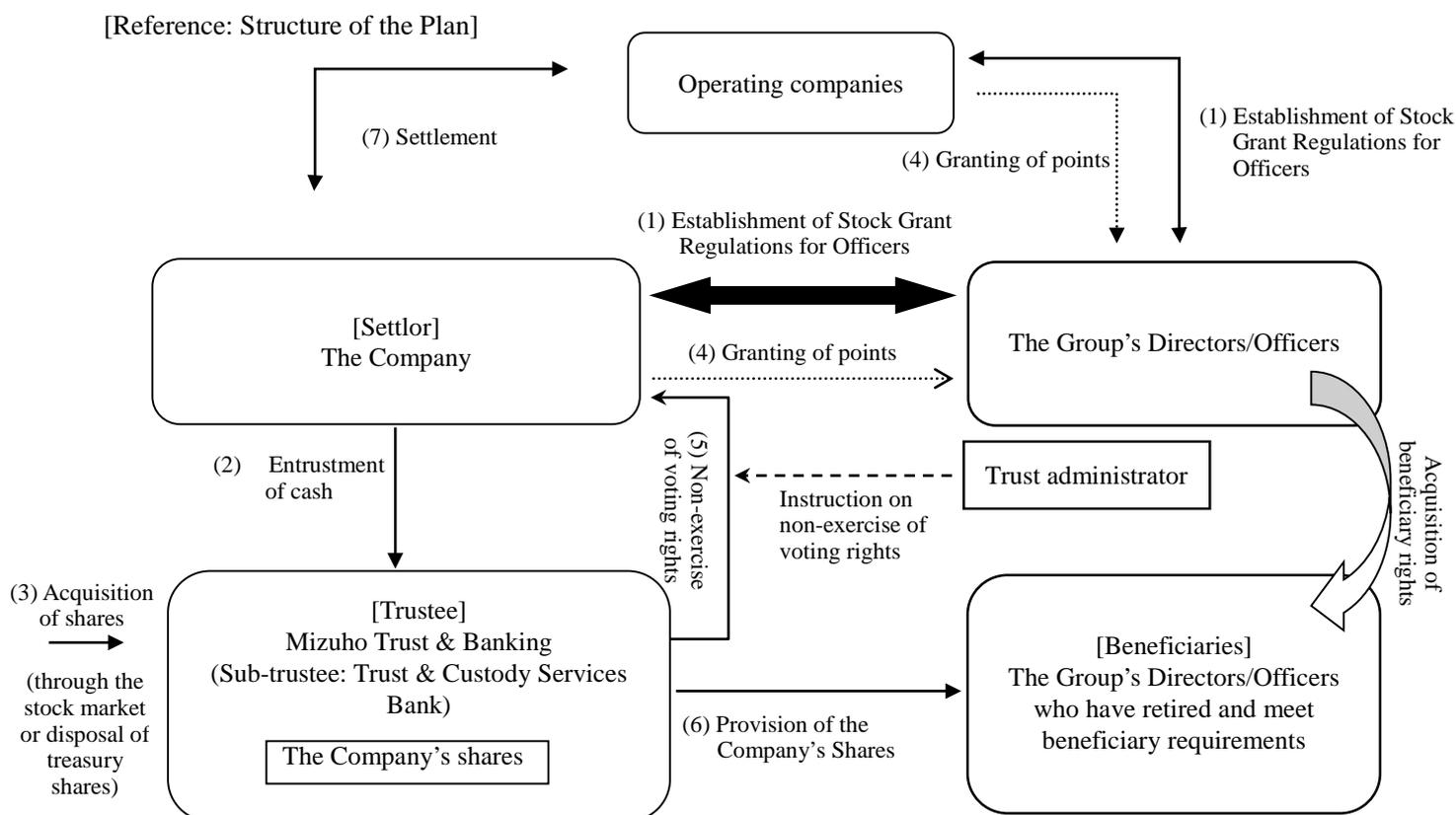
(10) Termination of trust

The Trust shall terminate upon the occurrence of events such as a delisting of the Company’s shares or abolition of the Stock Grant Regulations for Officers. Regarding the Company’s shares among the Trust’s

residual assets at the time of termination of the Trust, the Company plans to acquire all such shares without consideration and cancel them by resolution of the Board of Directors. Of the residual assets of the Trust at the time of termination of the Trust, cash shall be provided to the Company excluding the amount to be donated to organizations in accordance with (9) above.

#### Outline of the Trust

- (1) Name: Board Benefit Trust (BBT)
- (2) Settlor: The Company
- (3) Trustee: Mizuho Trust & Banking Co., Ltd.  
(Sub-trustee: Trust & Custody Services Bank, Ltd.)
- (4) Beneficiaries: The Group's Directors/Officers who have retired and meet the beneficiary requirements provided in the Stock Grant Regulations for Officers
- (5) Trust administrator: A third party who has no conflict of interest with the Company is scheduled to be appointed
- (6) Type of trust: Monetary trust other than cash in trust (third party beneficiary trust)
- (7) Trust agreement date: August 2018 (scheduled)
- (8) Cash entrustment date: August 2018 (scheduled)
- (9) Period of trust: From August 2018 (scheduled) until the termination of trust  
(Trust shall continue without determining a specific expiry date as long as the Plan remains in effect.)



- (1) Upon obtaining the resolution at the General Meeting of Shareholders to introduce the Plan for the Company's Directors, the Company will establish the Stock Grant Regulations for Officers, also covering Corporate Officers, by a resolution of the Board of Directors. Similarly, operating companies will establish the Stock Grant Regulations for Officers upon obtaining resolution at their respective General Meeting of Shareholders and the Board of Directors.
- (2) The Company will entrust cash for both the Company and operating companies within limits as approved by resolutions of the General Meeting of Shareholders and the Board of Directors as described in (1) above.
- (3) The Trust will acquire the Company's shares funded by cash entrusted in accordance with (2) above through the stock market or by subscription to the disposal of the Company's treasury shares.
- (4) The Company and operating companies will grant points to the Group's Directors/Officers based on the Stock Grant Regulations for Officers of the relevant company.
- (5) In accordance with instructions from a trust administrator independent from the Company, the Trust will not exercise the voting rights attached to the Company's shares in the Trust's account.
- (6) The Trust will provide a number of the Company's shares to the Group's Directors/Officers who have retired and meet the beneficiary requirements provided in the Stock Grant Regulations for Officers of the relevant company (hereinafter referred to as the "Beneficiaries") based on the number of points granted to said Beneficiaries. However, the Group's Directors/Officers who meet the requirements provided in the Stock Grant Regulations for Officers will receive cash in an amount equivalent to the Company's shares at market value for a certain percentage of the points.
- (7) The operating companies will pay certain settlement money to the Company in proportion to the provisions made to their Directors, etc.