



JFE Group

*Financial Results in First Quarter of
Fiscal Year 2019 ending March 31, 2020*

JFE Holdings, Inc.

August 9, 2019

1. JFE Holdings' Financial Results in First Quarter of Fiscal Year 2019 (April 1 to June 30, 2019) and Financial Forecasts for Fiscal Year 2019 (April 1, 2019 to March 31, 2020)
 - JFE Steel
 - JFE Engineering
 - JFE Shoji Trade
2. Dividends

This presentation material is for information and discussion purpose only.
Any statements in the presentation which are not historical facts are future projections based on certain assumptions and currently available information.
Please note that actual performance may vary significantly due to various factors

**Consolidated Results in First Quarter
of Fiscal Year 2019
(April 1 to June 30, 2019)**



Financial Results in First Quarter of Fiscal Year 2019

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(billion yen)	FY2018 1Q (Apr-Jun)	FY2019 1Q (Apr-Jun)	Change
Revenue	927.8	927.4	(0.4)
Business Profit	83.3	30.7	(52.6)
Financial Income/Costs	(3.2)	(3.2)	0.0
Segment Profit	80.1	27.5	(52.6)
Exceptional Items	–	–	0.0
Profit before Tax	80.1	27.5	(52.6)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(23.3)	(7.7)	15.6
Profit Attributable to Owners of Parent	56.7	19.7	(37.0)

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.



Financial Results in First Quarter of Fiscal Year 2019 (by Segment)

JFE-HD

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(billion yen)	FY2018 1Q (Apr-Jun)	FY2019 1Q (Apr-Jun)	Change
Steel Business	693.0	666.6	(26.4)
Engineering Business	92.8	113.2	20.4
Trading Business	287.2	286.6	(0.6)
Adjustments	(145.3)	(139.2)	6.1
Revenue	927.8	927.4	(0.4)
Business Profit (A)	83.3	30.7	(52.6)
Financial Income/Costs (B)	(3.2)	(3.2)	0.0
Segment Profit			
Steel Business	64.1	14.5	(49.6)
Engineering Business	2.0	4.9	2.9
Trading Business	10.2	7.9	(2.3)
Adjustments	3.7	0.0	(3.7)
Total (A+B)	80.1	27.5	(52.6)

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**Consolidated Financial Forecasts
for Fiscal Year 2019
(April 1, 2019 to March 31, 2020)**



Financial Forecasts for Fiscal Year 2019

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(billion yen)	FY2018 (Actual)		FY2019 (Forecast)		Change	
	1H*	Full Year	1H	Full Year	1H	Full Year
Revenue	1,892.3	3,873.6	1,870.0	3,960.0	(22.3)	86.4
Business Profit	154.6	232.0	55.0	140.0	(99.6)	(92.0)
Financial Income/Costs	(6.2)	(12.5)	(5.0)	(15.0)	1.2	(2.5)
Segment Profit	148.4	219.5	50.0	125.0	(98.4)	(94.5)
Exceptional Items	–	(10.2)	–	–	0.0	10.2
Profit before Tax	148.4	209.3	50.0	125.0	(98.4)	(84.3)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(39.6)	(45.8)	(15.0)	(35.0)	24.6	10.8
Profit Attributable to Owners of Parent	108.8	163.5	35.0	90.0	(73.8)	(73.5)

Previous Forecast (May 14, 2019) Business Profit of Full year: 180.0

*Actual results of IFRS for the First Half of Fiscal 2018 may change depending on the results of future quarterly reviews.



Financial Forecasts for Fiscal Year 2019 (by Segment)

JFE

(billion yen)	FY2018 (Actual)		FY2019 (Forecast)		Change	
	1H*	Full Year	1H	Full Year	1H	Full Year
Steel Business	1,402.5	2,830.6	1,400.0	2,900.0	(2.5)	69.4
Engineering Business	202.1	485.8	230.0	520.0	27.9	34.2
Trading Business	570.6	1,125.8	553.0	1,200.0	(17.6)	74.2
Adjustments	(282.9)	(568.6)	(313.0)	(660.0)	(30.1)	(91.4)
Revenue	1,892.3	3,873.6	1,870.0	3,960.0	(22.3)	86.4
Business Profit (A)	154.6	232.0	55.0	140.0	(99.6)	(92.0)
Financial Income/Costs (B)	(6.2)	(12.5)	(5.0)	(15.0)	1.2	(2.5)
Segment Profit						
Steel Business	117.3	161.3	26.0	70.0	(91.3)	(91.3)
Engineering Business	7.7	20.1	9.0	23.0	1.3	2.9
Trading Business	19.3	35.7	15.0	36.0	(4.3)	0.3
Adjustments	3.9	2.3	0.0	(4.0)	(3.9)	(6.3)
Total (A+B)	148.4	219.5	50.0	125.0	(98.4)	(94.5)

*Actual results of IFRS for the First Half of Fiscal 2018 may change depending on the results of future quarterly reviews.



JFE Steel Financial Results in First Quarter of Fiscal Year 2019



Production and Shipment

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	Unit	FY2018					FY2019
		1Q	2Q	3Q	4Q	Full Year	1Q
Crude Steel (Standalone)	Mt	7.10	6.94	6.39	5.88	26.31	7.00
Crude Steel (Consolidated)	Mt	7.51	7.33	6.79	6.25	27.88	7.36
Shipment (Standalone)	Mt	6.13	5.93	6.24	5.48	23.78	5.85
Export Ratio (Value Basis, Standalone)	%	42.4	44.2	43.5	36.0	41.7	39.9
Average Sales Price (Standalone)	000 yen/t	79.3	81.9	82.9	82.0	81.5	80.4
Exchange Rate	¥/\$	108.1	110.9	113.4	110.3	110.7	110.7
Exchange Rate (End of Term)	¥/\$	110.5	113.6	111.0	111.0	111.0	107.8



49.6 Billion Yen Decrease in JFE Steel's Segment Profit (FY2018 1Q vs. FY2019 1Q)

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(billion yen)

JFE Steel	FY2018					Full Year	FY2019 1Q	Change FY2018 1Q →FY2019 1Q
	1Q	2Q*	3Q*	4Q*				
Segment Profit	64.1	53.2	45.8	(1.8)	161.3	14.5	(49.6)	

■ **Cost** + 6.0

■ **Sales Volume and Mix** - 6.0

■ **Sales Prices and Raw materials** - 15.0

■ **Inventory valuation etc.** - 17.0 ⇒

• Inventory valuation -17.0 (+11.0 → -6.0)
• Carry over of raw materials +6.0 (-5.0 → +1.0)
• Foreign exchange valuation -6.0 (+3.0 → -3.0)

■ **Others** - 17.6

TOTAL - 49.6

*Quarterly actual results of IFRS of Fiscal 2018 may change depending on the results of future quarterly reviews.

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Segment profit in 1Q of FY2019 was 14.5 billion yen, decreased by 49.6 billion year-on-year.

◆ Cost : +6.0 billion yen

◆ Sales Volume and Mix : -6.0 billion yen

Crude steel production and shipment decreased slightly year-on-year. Thanks to blast furnaces resuming normal operations, crude steel production recovered 70.0Mt in 1Q of FY2019.

Crude steel (Standalone) -0.10Mt (7.10⇒7.00Mt)

Shipment (Standalone) -2.80Mt (6.13⇒5.85Mt)

◆ Sales Prices and Raw materials (Metal spread):-15.0 billion yen (-2,600 yen/t-shipment)

Metal spread decreased through fall in steel price in overseas market and increase in raw material price.

◆ Inventory valuation etc.: -17.0 billion yen

◆ Others : -17.6 billion yen

• Increase in sub materials, logistics, and outsourcing costs : -7.0 billion yen

• Decrease in profit of subsidiary companies : -5.0 billion yen

• Increase in depreciation cost with strengthening manufacturing capabilities : -2.0 billion yen etc.



JFE Steel Financial Forecasts for Fiscal Year 2019

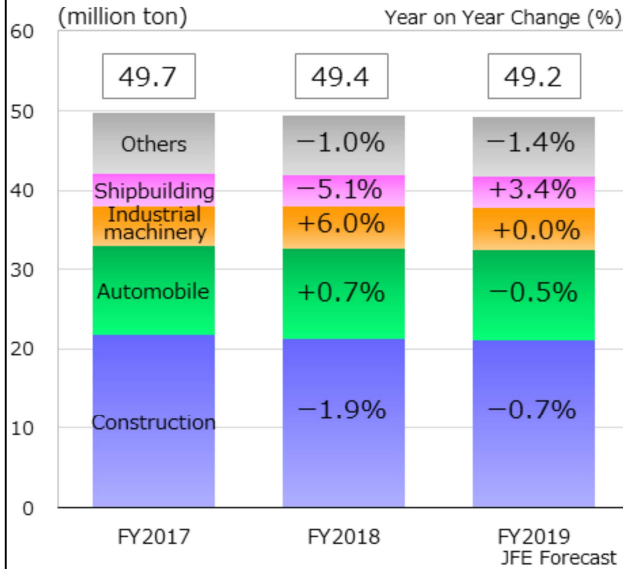


Current Business Environment (Domestic)

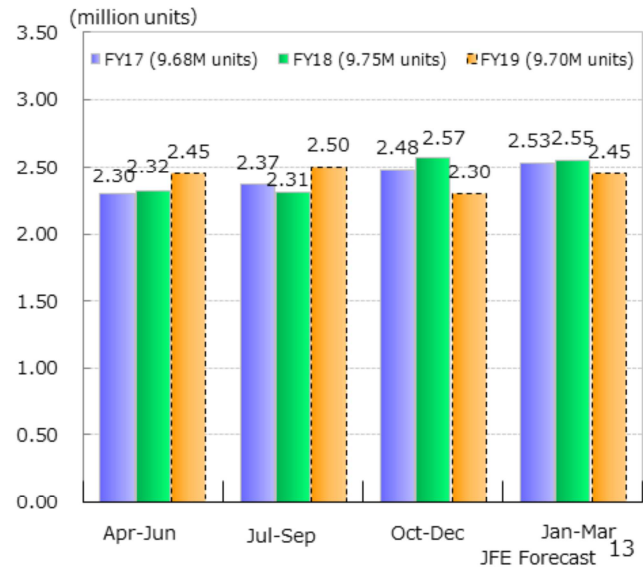
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- Domestic ordinary steel consumption is expected to **decrease slightly** by 0.4% **form the previous year.**
- Although overall domestic steel demand remains solid mainly in manufacturing, strength of demand differs by sector. Signs of slowdown are observed in construction and machinery sectors.

【Outlook for Domestic Ordinary Steel Consumption】

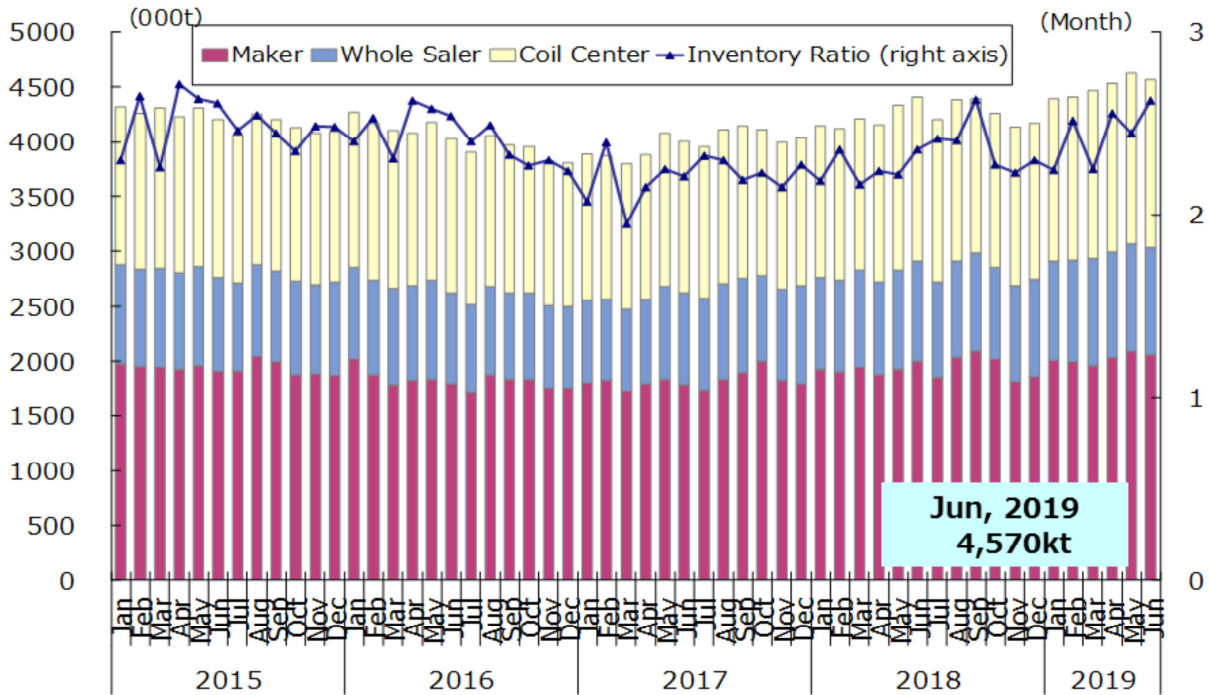


【Outlook for Domestic Auto Production】





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Combined inventories of HR, CR and Coated Steel as of the end of June 2019 were 4,570K tons.

From May 2019 : 53K tons decrease

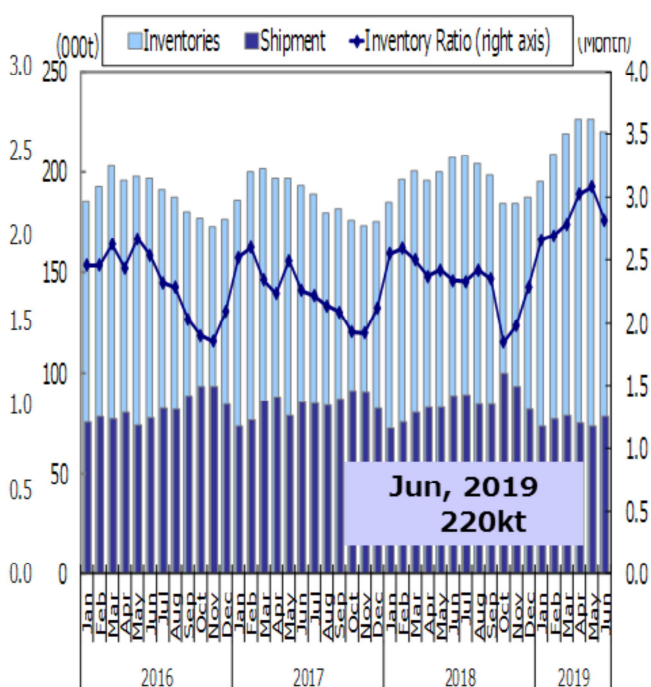
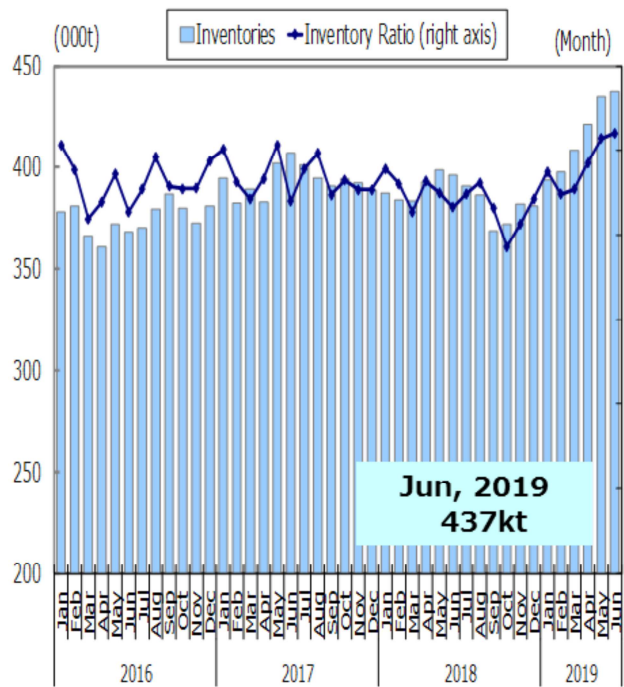
From June 2018: 163K tons increase

Although overall domestic steel demand remains solid, strength of demand differs by sector, which needs to be watched cautiously. The inventory level is still relatively high, but it is expected to decrease to appropriate level in a certain period of time.



Inventories of Plate (Plate Shear)

Inventories of Wide Flange Shapes



[Inventories of Plate (Plate Shear)]

Inventories of plate shear as of the end of June 2019 was 437K tons.

From May of 2019 : 2K tons increase

From June of 2018: ,41K tons increase

The inventories have kept upward due to delay of construction and slowing demand in construction machinery sector, which needs to be watched cautiously.

[Inventories of Wide Flange Shapes]

Inventories of wide flange shapes as of the end of June 2019 was 220K tons.

From May of 2019 : 6K tons decrease

From June of 2018: 13K tons increase

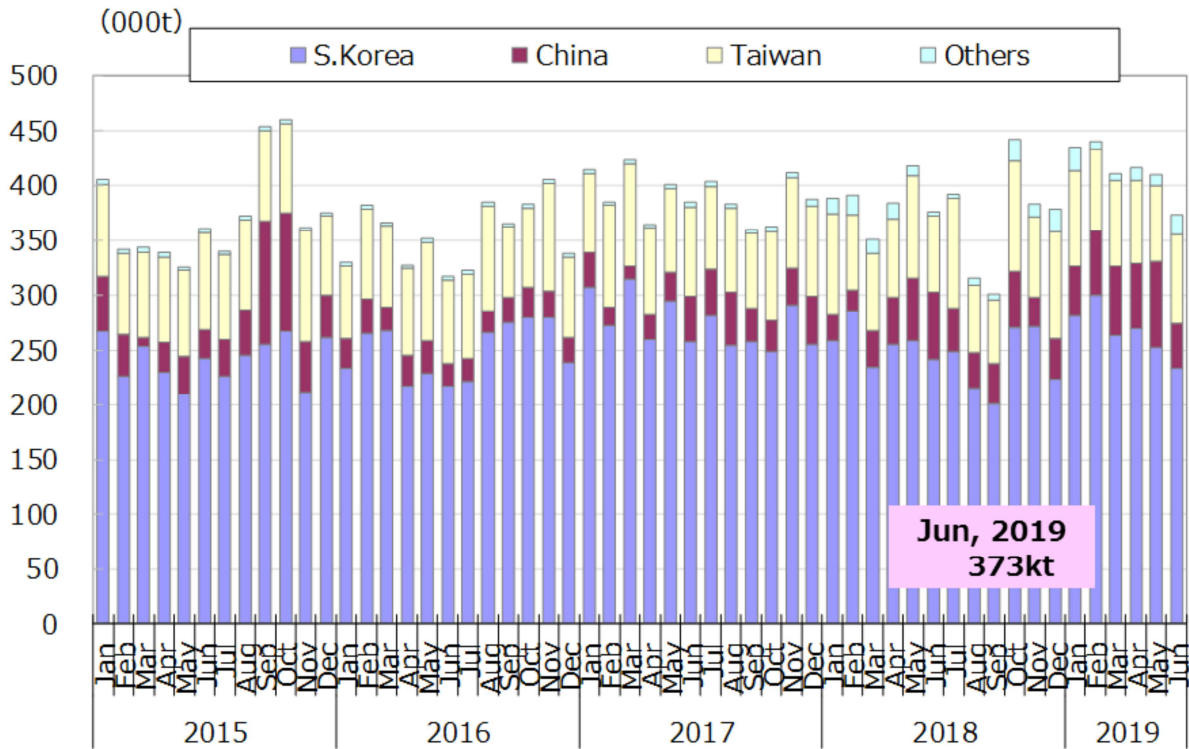
The inventories decreased for the first time in seven months. Inventory turnover also decreased to less than 3 months since last December.

Although the inventory level is still high, it is expected to gradually decrease to appropriate level.



Trend of Import Steel (Ordinary Steel)

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The volume of imported ordinary steel in June 2019 was 373K tons.

From May 2019: 37K tons decrease

From June 2018: 3K tons decrease

The volume of imported ordinary steel decreased in recent 2 months, but a certain amount is still imported due to fall in steel prices in overseas market, which needs to be watched cautiously.

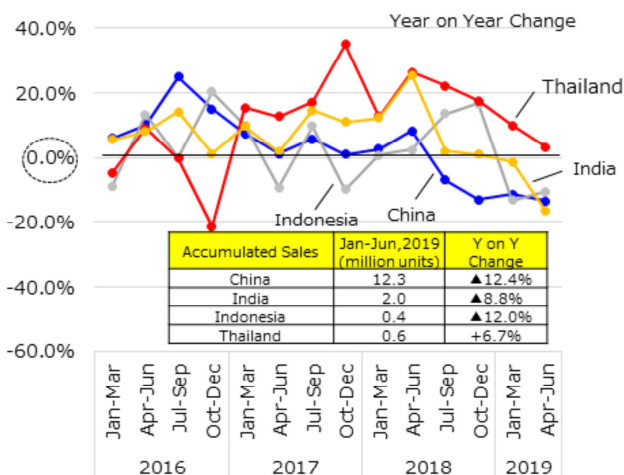


Current Business Environment (Overseas)

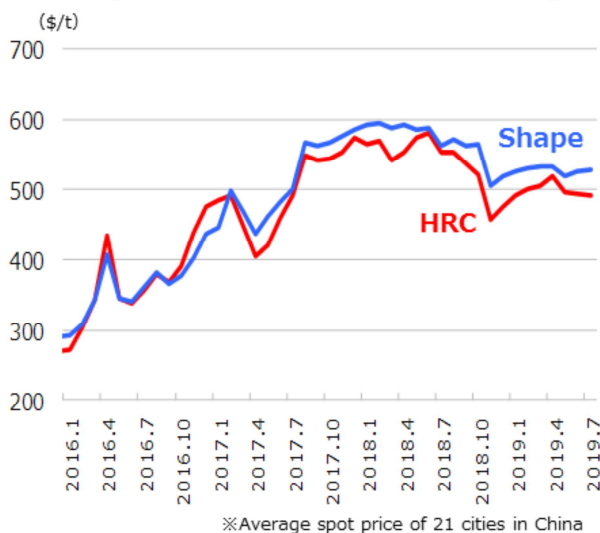
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- Overseas steel demand is **showing signs of slowdown in some sectors** under the influence of trade friction between US and China etc.
- Automobile sales in Asia is slowing down.
- Although China's steel market has been supported by the government's economic stimulus packages, recent steel price is lacking direction, which needs to be watched cautiously.

[Automobile Sales]



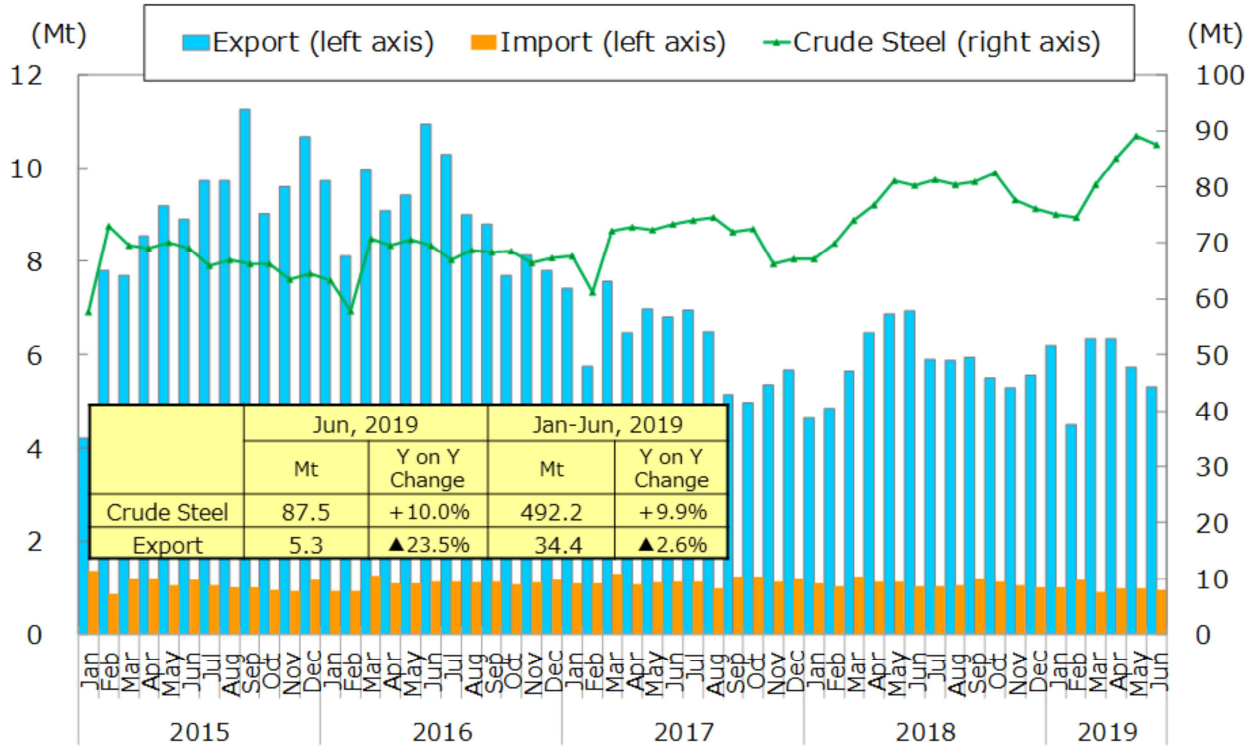
[Market Trend of Steel in China]





Crude Steel & Im/Export, China

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Crude steel in Jan. and Feb.: WSA's estimation 18

Crude steel production in June 2019 in China was 87.5M tons (2.92M tons on daily basis: record high).

From May 2019: 1.6M tons decrease

From June 2018: 7.3M tons increase

It is necessary to watch cautiously the trend of expansion of production in China.

Export of steel from China in June 2019 was 5.3M tons.

From May 2019: 0.4M tons decrease

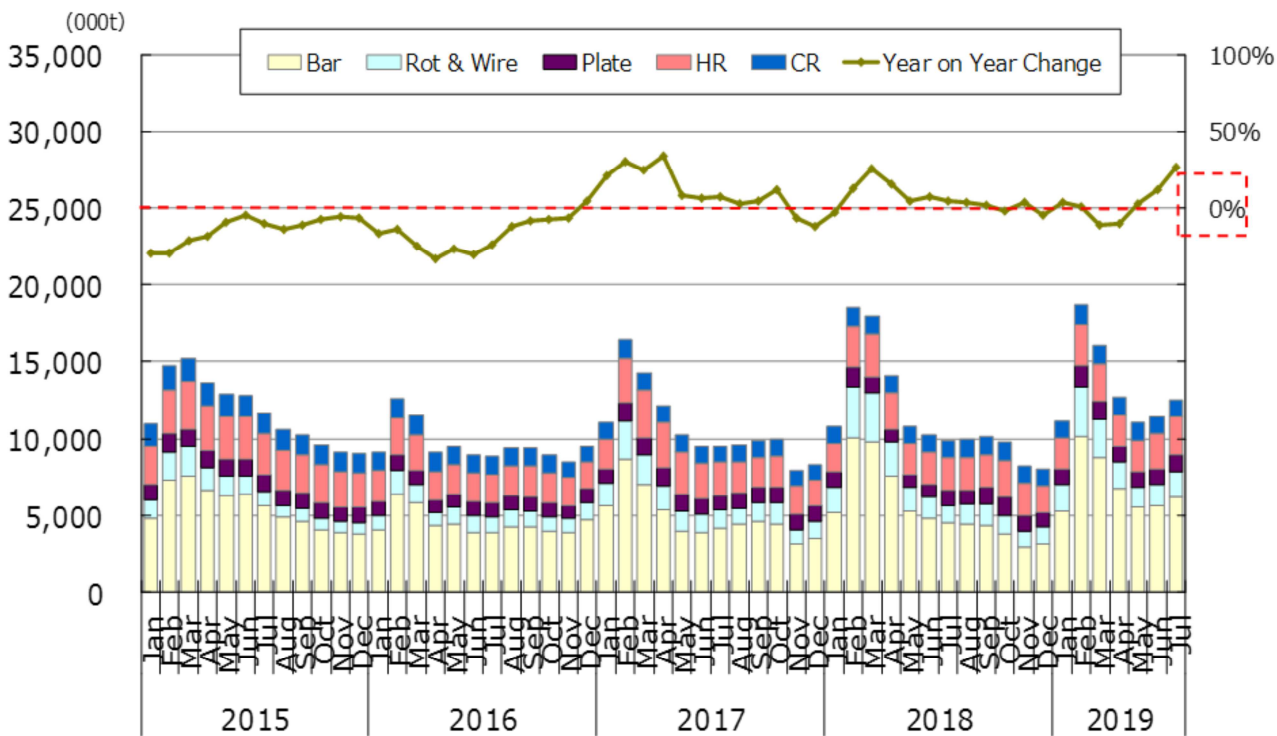
From June 2018: 1.6M tons decrease

Although the volume of steel export remains still low, domestic steel demand for manufacturing in China seems to show signs of slowdown due to the influence of trade friction, which needs to be watched cautiously.



Inventories in China by Product

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Inventories in China as of the end of July 2019 was approximately 12.5M tons.

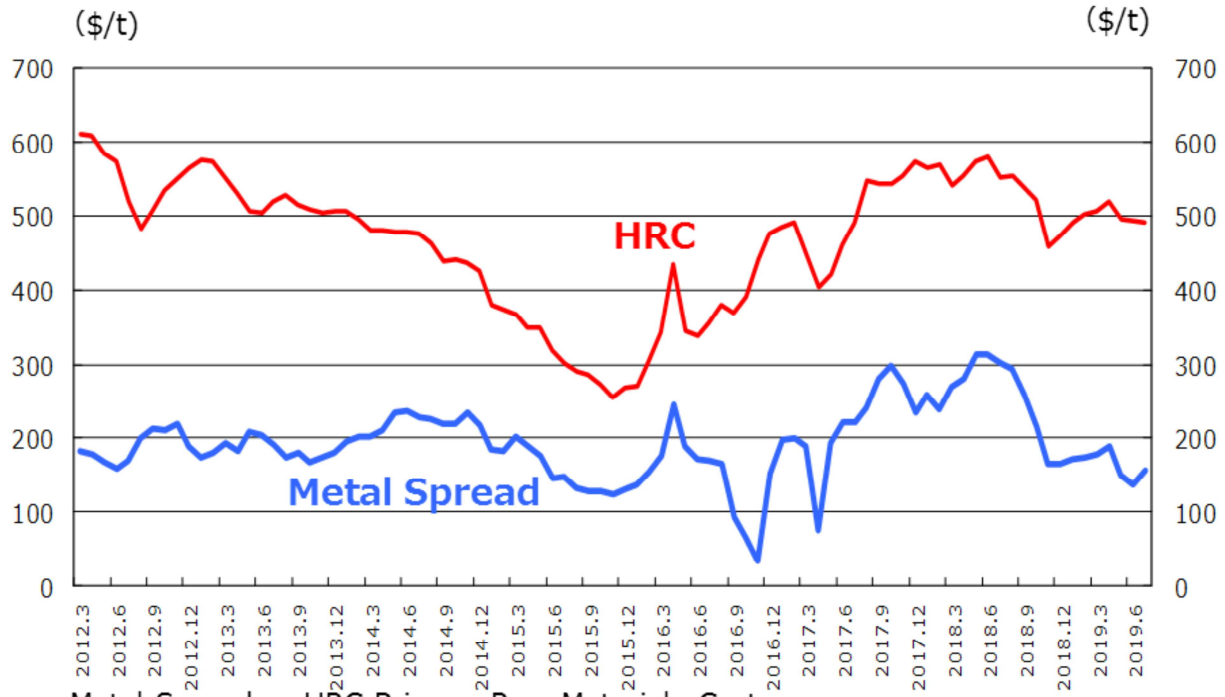
From May 2019: 9.5% increase

From July 2018: 26.6% increase

The volume of inventories had continued to decrease after Chinese New Year, but it bottomed out and remains higher than usual. It needs to be watched cautiously as well as expanding crude steel production.



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Metal Spread = HRC Price - Raw Materials Cost

*HRC Price : Chinese Spot basis

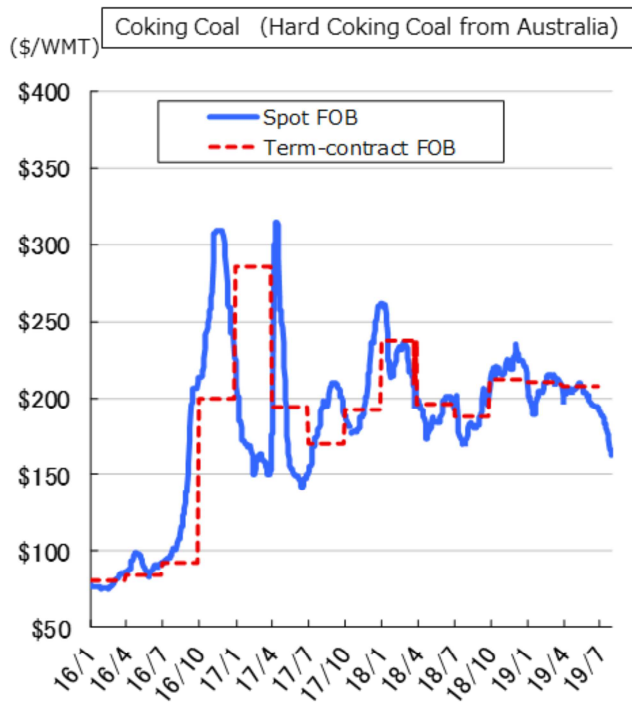
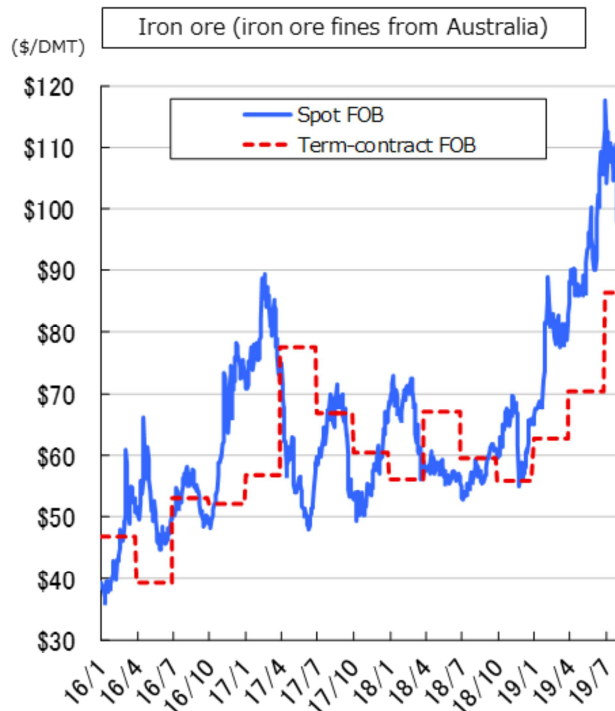
Raw Materials Cost : Calculated from market price of Iron Ore and Hard Coking Coal

Metal spread, calculated based on Chinese spot market price of HRC and international spot market prices of iron ore and hard coking coal, had shown upward trend since the beginning of 2019, but turned to decrease again and keeps fluctuating due to the influence of trade friction and iron ore price hike etc.

it is necessary to watch cautiously how much metal spread will recover in a coming demand season.



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



Financial Forecasts for FY2019 of JFE Steel

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	Unit	FY2018	FY2019				
		Full Year	1Q		1H	2H	Full Year
		(Actual)	(Actual)	(Forecast)	(Forecast)	(Forecast)	(Forecast)
Revenue	billion Yen	2,830.6	666.6	733.4	1,400.0	1,500.0	2,900.0
Segment Profit	billion yen	161.3	14.5	11.5	26.0	44.0	70.0

Previous Forecast (May 14, 2019) Segment Profit of Full year: 105.0

Crude Steel (Standalone)	Mt	26.31	7.00	Approx. 7.00	Approx. 14.00	Approx. 14.00	Approx. 28.00
Crude Steel (Consolidated)	Mt	27.88	7.36	Approx. 7.30	Approx. 14.70		
Shipment (Standalone)	Mt	23.78	5.85	Approx. 6.40	Approx. 12.20		
Export Ratio (Value basis, Standalone)	%	41.7	39.9	Approx. 42	Approx. 41		
Average Sales Price	000/t	81.5	80.4	Approx. 80	Approx. 80		
Exchange Rate	¥/\$	110.7	110.7	Approx. 108	Approx. 109		



35.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 (Previous Forecast) vs. FY2019 (Updated Forecast))

JFE Steel	FY2019 Previous	FY2019 Updated	(billion yen) Change FY19→FY19
Segment Profit	105.0	70.0	(35.0)

- **Cost** ± 0.0
- **Sales Volume and Mix** - 20.0
- **Sales Prices and Raw Materials** - 18.0
- **Inventory Valuation etc.** + 8.0
- **Others** - 5.0

⇒ Iron ore price hike, export price downturn

Total - 35.0

Segment profit forecast for FY2019 is 70.0 billion yen, decreasing by 35.0 billion yen from the previous forecast.

◆ Sales Volume and Mix : -20.0 billion yen

Crude steel production is forecast to decrease by 1Mt from the previous forecast through production adjustment based on recent slowing steel demand and relatively high domestic steel inventory level in addition to operational troubles.

Crude steel (Standalone) -1.00Mt (29.00⇒28.00Mt)

◆ Sales Prices and Raw materials (Metal spread):-18.0 billion yen (-700 yen/t-shipment)

•Mainly increase in iron ore price

◆ Inventory valuation etc.: +8.0 billion yen

•Increase in raw material price

◆ Others : -5.0 billion yen

•Decrease in profit of overseas subsidiary companies : -5.0 billion yen etc.

JFE Steel	FY2018 Actual	FY2019 Forecast	(billion yen) Change FY18→FY19
Segment Profit	161.3	70.0	(91.3)

■ Cost	+60.0	⇒	<ul style="list-style-type: none"> •Cost reduction +38.0 •One-off effect in FY2018+22.0
■ Sales Volume and Mix	+30.0		
■ Sales Prices and Raw Materials	-93.0		<ul style="list-style-type: none"> •Inventory valuation -33.0 (+35.0 → +2.0) •Carry over of raw materials +7.0 (-1.0 → +6.0) •Foreign exchange valuation -6.0 (+3.0 → -3.0)
■ Inventory Valuation etc.	-32.0	⇒	
■ Sub materials cost etc.	-15.0	⇒	<ul style="list-style-type: none"> •Increase in sub materials, logistics, and outsourcing costs etc.
■ Others	-41.3	⇒	<ul style="list-style-type: none"> •Increase in depreciation with strengthening manufacturing capabilities •Decrease in profit of subsidiary companies etc.
Total	-91.3		

Segment profit forecast for FY2019 is 70.0 billion yen, decreasing by 91.3 billion yen year on year.

◆ Cost : +60.0 billion yen

Cost reduction : +38.0 billion yen: Cost effects of investment in West japan works etc.

One-off effect in FY2018 : +22.0 billion yen

◆ Sales Volume and Mix : +30.0 billion yen

Crude steel (Standalone) +1.69Mt (26.31⇒28.00Mt)

◆ Sales Prices and Raw materials (Metal spread):-93.0 billion yen (-3,700 yen/t-shipment)

Steel demand and steel price remained robust in FY2018, but current steel demand is showing signs of slowdown in some sectors. Additionally, iron ore price remains high. Although steel price is expected to bottom out with high iron ore price, it would take a certain period of time for steel price to recover.

◆ Inventory valuation etc.: -32.0 billion yen

◆ Sub materials cost etc. : -15.0 billion yen

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

◆ Others : -41.3 billion yen

•Decrease in profit of subsidiary companies : -20.0 billion yen

•Increase in depreciation cost with strengthening manufacturing capabilities : -10.0 billion yen etc.



18.0 Billion Yen Increase in JFE Steel's Segment Profit (FY2019 1H (Forecast) vs. FY2019 2H (Forecast))

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JFE Steel	FY2019 Forecast			Change 1H→2H
	1H	2H	Full Year	
Segment Profit	26.0	44.0	70.0	+18.0

(billion yen)

- **Cost** + 14.0
- **Sales Volume and Mix** ± 0.0
- **Sales Prices and Raw Materials** - 3.0
- **Inventory Valuation etc.** + 19.0
- **Others** - 12.0

⇒
 •Inventory valuation +22.0 (-10.0 → +12.0)
 •Carry over of raw materials -6.0 (+6.0 → ±0.0)
 •Foreign exchange valuation +3.0 (-3.0 → ±0.0)

⇒
 •Increase in depreciation with strengthening manufacturing capabilities etc.

Total + 18.0

Segment profit forecast for 2H of FY2019 is 44.0 billion yen, increasing 18.0 billion yen from 1H of FY2019.

◆ Cost : +14.0 billion yen

Cost effects of investment in West Japan works etc.

◆ Sales Volume and Mix : ±0.0 billion yen

Crude steel (Standalone) ±0.00Mt (14.00⇒14.00Mt)

◆ Sales Prices and Raw materials (Metal spread):-3.0 billion yen (-200 yen/t-shipment)

Steel demand is showing signs of slowdown in some sectors. Additionally, iron ore price remains high. Although steel price is expected to bottom out with high iron ore price, it would take a certain period of time for steel price to recover.

◆ Inventory valuation etc.: +19.0 billion yen

◆ Others : -12.0 billion yen

- Increase in depreciation cost with strengthening manufacturing capabilities : -7.0 billion yen
- Decrease in profit of overseas subsidiary companies : -3.0 billion yen etc.

JFE Engineering Financial Forecasts for Fiscal Year 2019



Financial Forecasts in FY2019 of JFE Engineering

JFE

(billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change	
	1H*	Full Year	1H	Full Year	1H	Full Year
Orders	271.8	482.8	180.0	450.0	(91.8)	(32.8)
Revenue	202.1	485.8	230.0	520.0	27.9	34.2
Segment Profit	7.7	20.1	9.0	23.0	1.3	2.9

【Change: FY2018 to FY2019】

- Orders : Decrease in large scale orders in environmental and energy sector
(FY2018 1H: large scale orders were concentrated)
- Revenue : Increase with increase in orders in the previous year
- Segment Profit : Increase with increase in revenue

*Actual results of IFRS for the First Half of Fiscal 2018 may change depending on the results of future quarterly reviews.

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Classification of placed orders

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(billion yen)

Category	FY2018 (Actual)	FY2019 (Forecast)	Change	Main Orders (FY2019 1Q)
Environment	212.6	190.0	(22.6)	➤ Reconstruction of a facility of the water purification plant
Energy	132.8	110.0	(22.8)	➤ Reconstruction of the geothermal power plant ➤ Construction of the gas pipeline
Social Infrastructure etc.	137.4	150.0	12.6	➤ Reconstruction of the bridge (Metropolitan expressway)
Total	482.8	450.0	(32.8)	

**JFE Shoji Trade
Financial Forecasts for Fiscal Year 2019**



Financial Forecast in FY2019 of JFE Shoji Trade

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(billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change	
	1H*	Full Year	1H	Full Year	1H	Full Year
Revenue	570.6	1,125.8	553.0	1,200.0	(17.6)	74.2
Segment Profit	19.3	35.7	15.0	36.0	(4.3)	0.3

【Change: FY2018 to FY2019】

Full year segment profit is forecast to be flat from the previous year with robust domestic demand though revenue and profit in 1H is forecast to decrease year-on-year due to price down in US and slowdown of demand in US and China.

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JFE Holdings

Financial Forecasts for Fiscal Year 2019



Financial Forecasts for Fiscal Year 2019

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Revenue	1,892.3	3,873.6	1,870.0	3,960.0	(22.3)	86.4
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Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(39.6)	(45.8)	(15.0)	(35.0)	24.6	10.8
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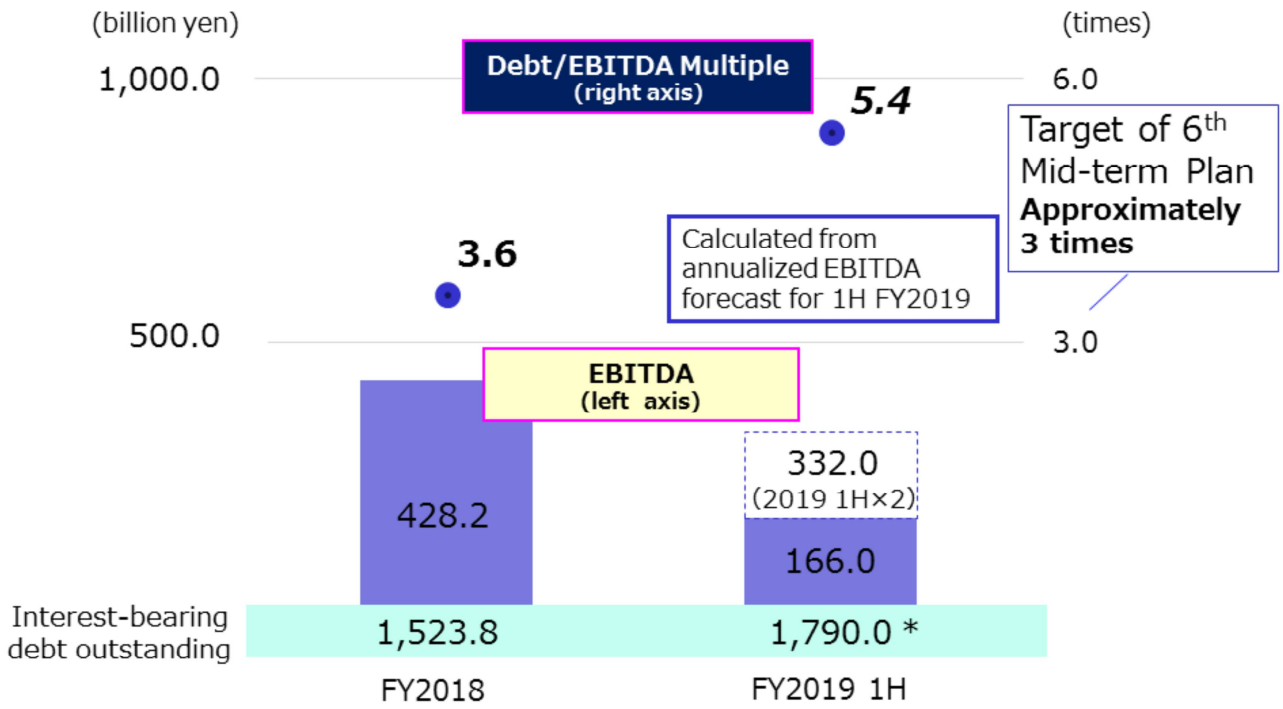
Previous Forecast (May 14, 2019) Business Profit of Full year: 180.0

*Actual results of IFRS for the First Half of Fiscal 2018 may change depending on the results of future quarterly reviews.



Debt / EBITDA Multiple

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*Including 105.7 billion yen (change at the beginning of FY2019) due to application of IFRS 16 Lease

■ EBITDA = Business profit + Depreciation and amortization

■ Debt/EBITDA Ratio = Interest-bearing debt outstanding/EBITDA 33



Measures for Maintaining Financial Strength

Under the severe business environment, consider the following items to maintain financial strength.

① Asset Compression

- Reduction of inventories
- Sale of holding shares

(Implemented asset compression of 240 billion yen from FY2015 to FY2018)

② Revision of CAPEX and Investments

- Implementation of efficient investments by examining and prioritizing

(Total investment of 6th medium-term business plan: approx. 1.2 trillion yen)

Dividends

Dividends

- JFE Holdings has decided to pay an interim dividend of 20 yen per share at its Board of Directors.
- The company is withholding its decision regarding the year-end dividend to carefully observe performance going forward.

Topics



JFE

● JFE Steel ● JFE Engineering ● JFE Shoji Trade

<Germany> Received order of large scale gas fired boiler

- Standardkessel Baumgarte GMBH (SBG) received an order for gas-fired boiler equipment at the Ruhr refinery owned by BP for about 10 billion yen.
- SBG is highly evaluated for high technology of combustion cultivated by constructing more than 100 facilities.

<Mexico> Establishment of a steel service center JSSB

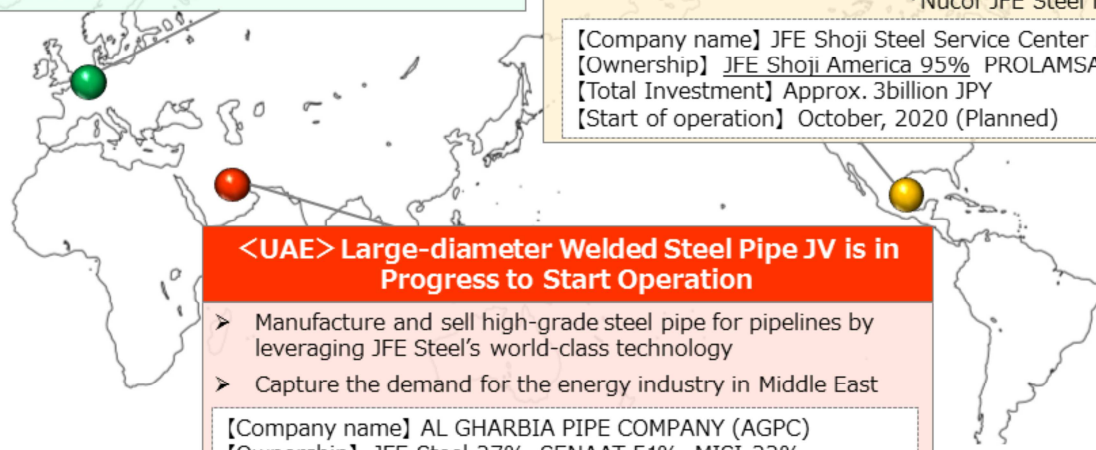
- Established a joint venture to promote processing and sales of steel product with PROLAMSA, a leading steel pipe manufacturer in Mexico.
- Improve added value of NJSM*'s steel product and capture the rising demand of steel for auto industry.
*Nucor JFE Steel Mexico

【Company name】 JFE Shoji Steel Service Center Bajio
 【Ownership】 JFE Shoji America 95% PROLAMSA 5%
 【Total Investment】 Approx. 3billion JPY
 【Start of operation】 October, 2020 (Planned)

<UAE> Large-diameter Welded Steel Pipe JV is in Progress to Start Operation

- Manufacture and sell high-grade steel pipe for pipelines by leveraging JFE Steel's world-class technology
- Capture the demand for the energy industry in Middle East

【Company name】 AL GHARBIA PIPE COMPANY (AGPC)
 【Ownership】 JFE Steel 27% SENAAT 51% MISI 22%
 【Total Investment】 Approx. 300 million USD
 【Capacity】 Approx. 240,000 tons/year



ESG initiatives



JFE Holdings, Inc. announced that it has endorsed the final report of the TCFD* in May 2019.



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

※The TCFD was established by the
Financial Stability Board

JFE, which views action to address climate change as a critical business issue, is committed to disclosing information on its responses to climate change risks and opportunities for sustainable growth.

- The board of directors of JFE Holdings deliberates and supervises ESG issues and initiatives included climate change issue.
- Details are scheduled to be disclosed this autumn by the medium of :
 - 『JFE GROUP REPORT 2019 (Integrated Report) 』
 - 『CSR REPRT 2019』



Water-related initiatives

JFE

- ❑ **Securing water** ··· Steel making process requires a large amount of fresh water

➡ JFE Steel recycles about 94% at Steel works.

- ❑ **Preparing for flood damage** ··· Heavy rain risk beyond drainage capacity

➡ JFE Steel identifies, evaluates, and mitigates water-related risks. JFE Steel enhances the preparation for water-related risks beyond conventional expected rainfall. *

*After heavy rain at Kurashiki and Fukuyama in Jul.2018, JFE Steel revised its expected rainfall and decided quickly to invest 5 billion yen in taking the disaster measures.

- ❑ **Various products which contribute to use of water and disaster prevention**

【Water treatment plant (JFE Engineering)】



Hanoi

Contribute to water pollution caused by economic development in emerging countries

【Steel pipe pile (JFE Steel)】



High strength steel pipe piles prevent landslide disaster

Appendix



Main Financial Data

JFE

J-GAAP

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
(bn. Yen, times)							
Ordinary Income	52.2	173.6	231.0	64.2	84.7	216.3	221.1
EBITDA	260.6	368.9	421.5	254.4	279.9	388.8	405.9
ROS	1.6%	4.7%	6.0%	1.9%	2.6%	5.9%	5.6%
ROE	2.7%	6.3%	7.7%	1.8%	3.7%	7.6%	8.3%
ROA	1.6%	4.5%	5.5%	1.7%	2.3%	5.2%	5.1%
Debt Outstanding	1,596	1,534	1,501	1,379	1,375	1,331	1,450
Debt/EBITDA Ratio	x6.1	x4.2	x3.6	x5.4	x4.9	x3.4	x3.6
D/E Ratio	76.9%	67.9%	59.0%	56.9%	51.4%	58.1%	62.0%
Profit attributable to owners of parent (yen/share)							
	71.2	177.4	241.6	58.4	117.8	250.8	285.0
Dividend (yen/share)	20	40	60	30	30	80	95
Pay-out Ratio	28.1%	22.5%	24.8%	51.4%	25.5%	31.9%	33.3%

IFRS

(Forecast)

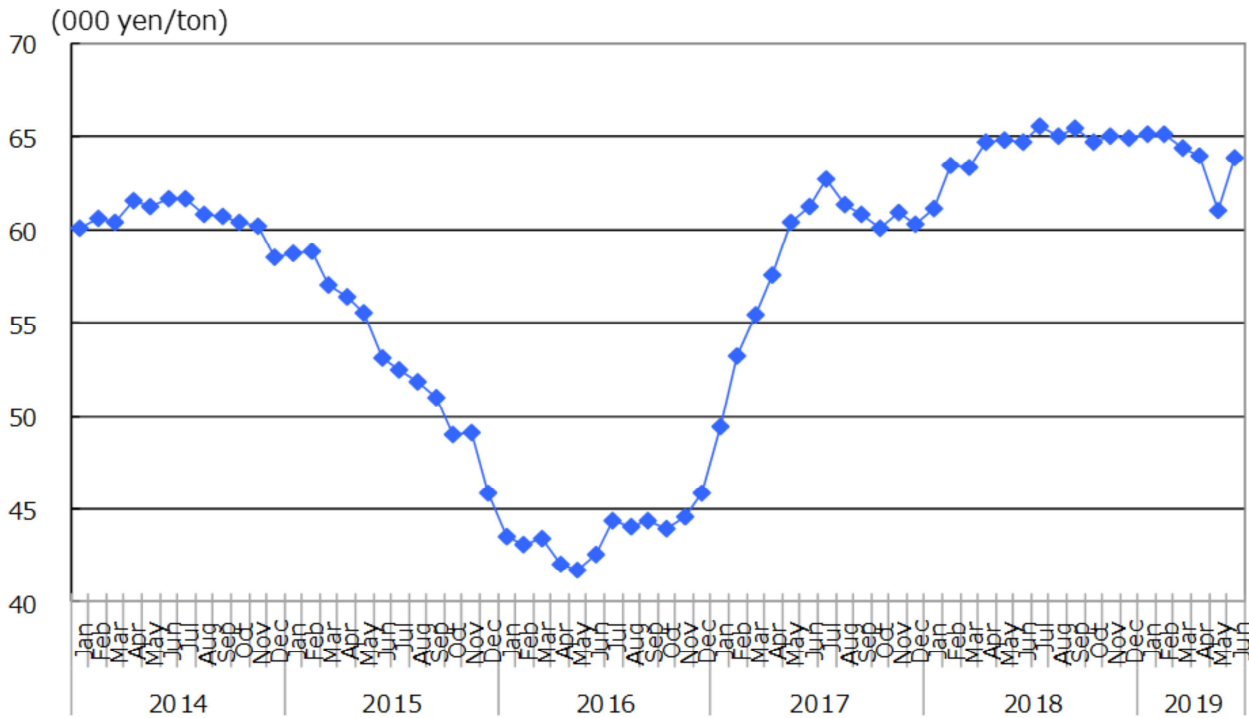
	FY18	FY19 1H
(bn. Yen, times)		
Business profit	232.0	55.0
EBITDA *1	428.2	166.0
ROS *2	6.0%	2.9%
ROE *3	8.6%	3.6%
ROA *4	5.0%	2.3%
Interest-bearing debt outstanding	1,524	1,790.0
Debt/EBITDA multiple	x3.6	x5.4
D/E Ratio *6	68.2%	81.0%
Profit attributable to owners of parent (yen/share)		
	283.8	60.8
Dividend (yen/share)	95	(E) 20
Pay-out Ratio	33.5%	32.9%

- Notes
- [IFRS]
- *1 EBITDA = Business profit + Depreciation and Amortization
 - *2 ROS = Business profit / Revenue
 - *3 ROE = Profit attributable to owners of parent company / Equity *FY19 1H: Calculated from annualized Profit attributable to owners of parent company
 - *4 ROA = Business profit / Total assets *FY19 1H: Calculated from annualized Business profit
 - *5 Debt/EBITDA ratio = Interest-bearing debt outstanding / EBITDA *FY19 1H: Calculated from annualized EBITDA
 - *6 D/E ratio = Interest-bearing debt outstanding / Equity attributable to owners of parent
- For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agency-



Price Trend of Import Steel

JFE



Data: Japanese Steel Association
Import Steel from S. Korea

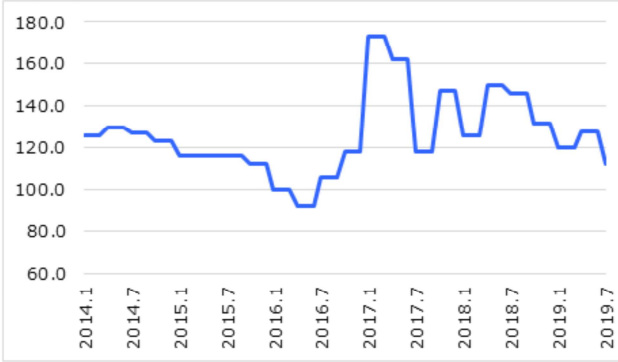


Raw Materials

Trend of Metal's Market Price

JFE

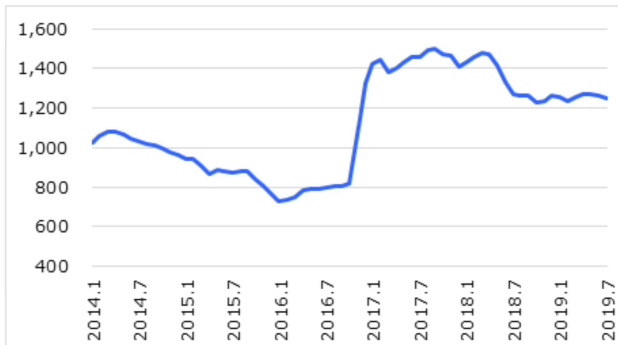
(¢/lb) FeCr



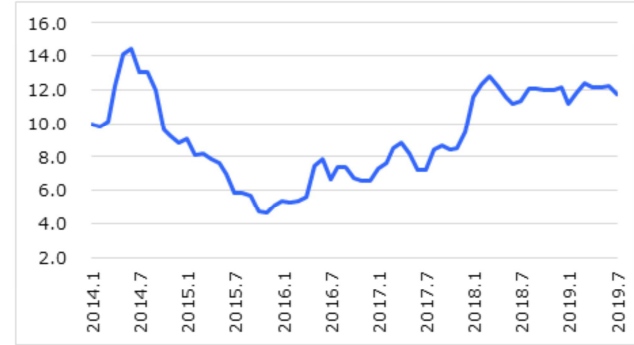
(U\$/t) Zn



(U\$/t) FeMn



(U\$/lb) Mo

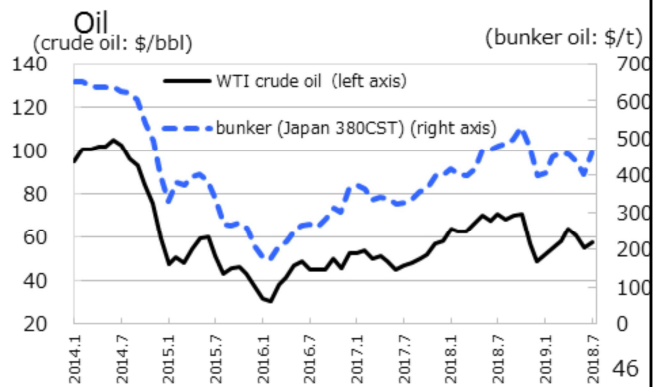
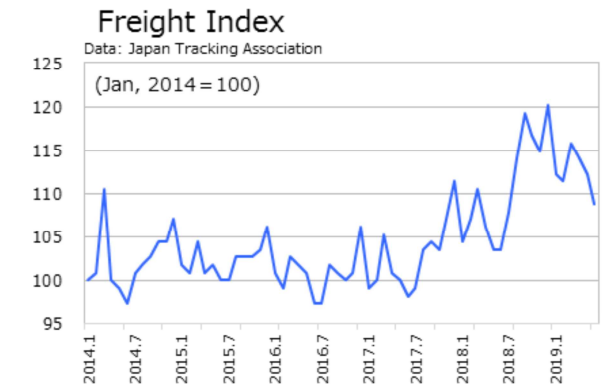
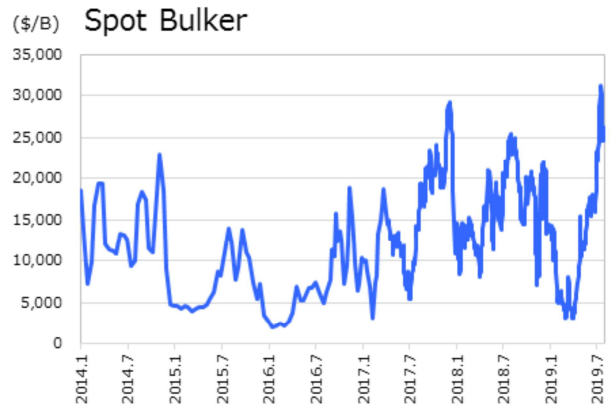
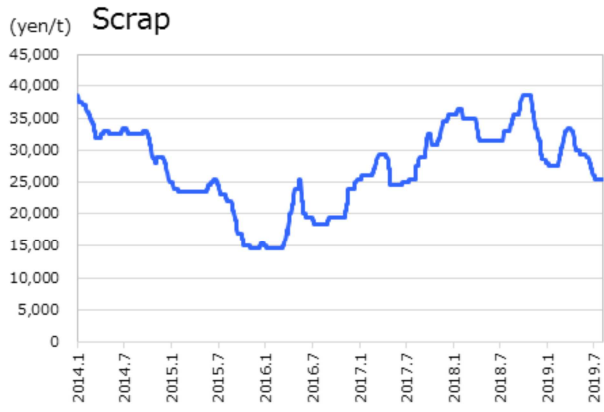




Raw Materials

Trend of Sub Material's Market Price

JFE





91.3 Billion Yen Decrease in JFE Steel's Segment Profit (FY2018 1H (Actual) vs. FY2019 1H (Forecast))

JFE Steel	FY2018 1H* (Actual)	FY2019 1H (Forecast)	Change FY2018 1H → FY2019 1H
Segment Profit	117.3	26.0	(91.3)

(billion yen)

- **Cost** + 18.0
- **Sales Volume and Mix** + 3.0
- **Sales Prices and Raw Materials** - 55.0
- **Inventory Valuation etc.** - 23.0
- **Others** - 34.3

⇒
 • Inventory valuation -30.0 (+20.0 → -10.0)
 • Carry over of raw materials +15.0 (-9.0 → +6.0)
 • Foreign exchange valuation -8.0 (+5.0 → -3.0)

Total - 91.3

*Actual results of IFRS for the First Half of Fiscal 2018 may change depending on the results of future quarterly reviews.

Segment profit forecast for 1H of FY2019 is 26.0 billion yen, decreasing 91.3 billion yen year-on-year.

◆ Cost : +18.0 billion yen

Cost reduction : +15.0 billion yen One-off effect in FY2018 : +3.0 billion yen

◆ Sales Volume and Mix : +3.0 billion yen

Crude steel (Standalone) -0.04Mt (14.04⇒14.00Mt)

Shipment (Standalone) +0.14Mt (12.06⇒12.20Mt)

Shipment in 1H of FY2018 includes decrease in volume due to delay of shipment caused by stormy weather.

◆ Sales Prices and Raw materials (Metal spread):-55.0 billion yen (-4,800 yen/t-shipment)

Metal spread is forecast to decrease through fall in steel price in overseas market and increase in raw material price.

◆ Inventory valuation etc.: -23.0 billion yen

◆ Others : -34.3 billion yen

• Increase in depreciation cost with strengthening manufacturing capabilities : -5.0 billion yen

• Increase in sub materials, logistics, and outsourcing costs : -10.0 billion yen

• Decrease in profit of subsidiary companies : -15.0 billion yen etc.



18.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY2018 2H vs. FY2019 1H)

JFE

(billion yen)			
JFE Steel	FY2018 2H* (Actual)	FY2019 1H (Forecast)	Change FY2018 2H →FY20191H
Segment Profit	44.0	26.0	(18.0)

- **Cost** + 28.0
- **Sales Volume and Mix** + 27.0
- **Sales Prices and Raw materials** - 35.0
- **Inventory valuation etc.** - 28.0
- **Others** - 10.0

<ul style="list-style-type: none"> •Inventory valuation -25.0 (+15.0 → -10.0) •Carry over of raw materials -2.0 (+8.0 → +6.0) •Foreign exchange valuation -1.0 (-2.0 → -3.0)

TOTAL - 18.0

*Actual results of IFRS for the Second Half of Fiscal 2018 may change depending on the results of future quarterly reviews.

Segment profit forecast for 1H of FY2019 is 26.0 billion yen, decreasing 18.0 billion yen from 2H of FY2018.

◆ Cost : +28.0 billion yen

Cost reduction : +9.0 billion yen One-off effect in FY2018 : +19.0 billion yen

◆ Sales Volume and Mix : +27.0 billion yen

Thanks to blast furnaces resuming normal operations, crude steel production and shipment are forecast to increase.

Crude steel (Standalone) +1.73Mt (12.27⇒14.00Mt)

Shipment (Standalone) +0.48Mt (11.72⇒12.20Mt)

◆ Sales Prices and Raw materials (Metal spread):-35.0 billion yen (-2,800 yen/t-shipment)

Metal spread is forecast to decrease through fall in steel price in overseas market and increase in iron ore price.

◆ Inventory valuation etc.: -28.0 billion yen

◆ Others : -10.0 billion yen

•Decrease in profit of subsidiary companies : -11.0 billion yen etc.



3.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 1Q (Actual) vs. FY2019 2Q (Forecast))

JFE

JFE Steel	FY2019 (Forecast)			Change 1Q→2Q
	1Q Actual	2Q Forecast	1H Forecast	
Segment Profit	14.5	11.5	26.0	(3.0)

(billion yen)

- **Cost** + 3.0
- **Sales Volume and Mix** + 3.0
- **Sales Prices and Raw Materials** - 11.0
- **Inventory Valuation etc.** + 9.0
- **Others** - 7.0

⇒
 •Inventory valuation +2.0 (-6.0 → -4.0)
 •Carry over of raw materials +4.0 (+1.0 → +5.0)
 •Foreign exchange valuation +3.0 (-3.0 → ±0.0)

Total - 3.0

Segment profit forecast for 2Q of FY2019 is 11.5 billion yen, decreasing 3.0 billion yen from 1Q in FY2019.

◆ Cost : +3.0 billion yen

◆ Sales Volume and Mix : +3.0 billion yen

Crude steel (Standalone) ±0.00Mt (7.00⇒7.00Mt)

Shipment (Standalone) +0.55Mt (5.85⇒6.40Mt)

◆ Sales Prices and Raw materials (Metal spread):-11.0 billion yen (-1,700 yen/t-shipment)

Metal spread is forecast to decrease mainly through increase in iron ore price.

◆ Inventory valuation etc.: +9.0 billion yen

◆ Others : -7.0 billion yen

•Decrease in dividends received : -7.0 billion yen

•Increase in depreciation cost : -1.0 billion yen etc.



16.3 Billion Yen Increase in JFE Steel's Segment Profit (FY2018 4Q vs. FY2019 1Q)

JFE

(billion yen)

JFE Steel	FY2018					FY2019	Change FY2018 4Q →FY2019 1Q
	1Q	2Q	3Q	4Q	Full Year	1Q	
Segment Profit	64.1	53.2	45.8	(1.8)	161.3	14.5	+16.3

- **Cost** + 13.0
- **Sales Volume and Mix** + 16.0
- **Sales Prices and Raw materials** - 2.0
- **Inventory valuation** - 16.0
- **Others** + 5.3

⇒
 •Inventory valuation -10.0 (+4.0 → -6.0)
 •Carry over of raw materials -5.0 (+6.0 → +1.0)
 •Foreign exchange valuation -1.0 (-2.0 → -3.0)

TOTAL + 16.3

*Quarterly Actual results of IFRS of Fiscal 2018 may change depending on the results of future quarterly reviews.

Segment profit in 1Q of FY2019 was 14.5 billion yen, increased by 16.3 billion yen from 4Q of FY2018.

◆ Cost : +13.0 billion yen

◆ Sales Volume and Mix : +16.0 billion yen

Thanks to blast furnaces resuming normal operations, crude steel production increased.

Crude steel (Standalone) +1.12Mt (5.88⇒7.00Mt)

Shipment (Standalone) +0.38Mt (5.48⇒5.85Mt)

◆ Sales Price and Raw materials (Metal spread):-2.0 billion yen (-300 yen/t-shipment)

Metal spread decreased mainly through increase in iron ore price.

◆ Inventory valuation etc.: -16.0 billion yen

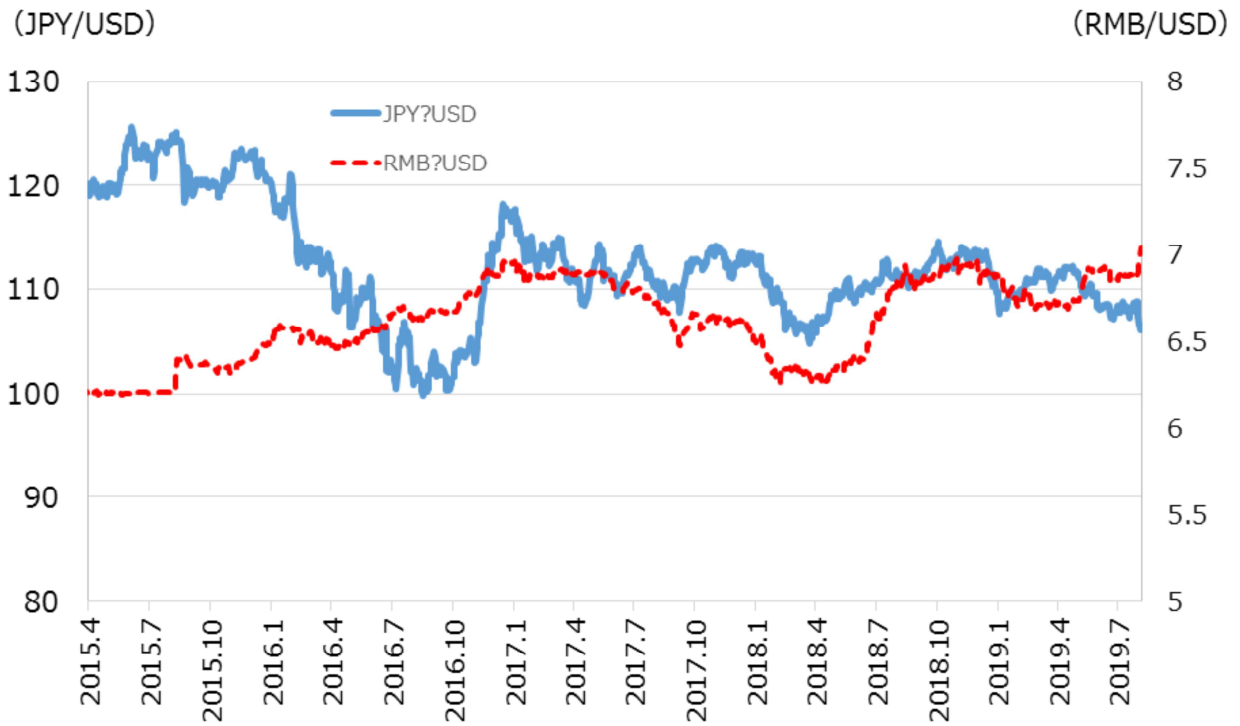
◆ Others : +5.3 billion yen

•Increase in dividends received : +5.0 billion yen etc.



Trend of exchange rate (USD against JPY RMB)

JFE





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