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JFE Group

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

JFE Holdings, Inc.

February 12, 2020



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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.



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**Consolidated Results through Third
Quarter of Fiscal Year 2019
(April 1 to December 31, 2019)**



Financial Results through Third Quarter of Fiscal Year 2019

(billion yen)	FY2018 Through 3Q*	FY2019 Through 3Q	Change
Revenue	2,890.5	2,791.5	(99.0)
Business Profit	220.2	52.0	(168.2)
Finance Income/Costs	(9.5)	(9.4)	0.1
Segment Profit	210.6	42.6	(168.0)
Exceptional Items	(5.8)	–	5.8
Profit before Tax	204.8	42.6	(162.2)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(48.4)	(15.6)	32.8
Profit Attributable to Owners of Parent	156.3	26.9	(129.4)

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.

*As of Fiscal 2018, the Company adopted IFRS. Consolidated figures through the third quarter of FY2018 are therefore also presented on an IFRS basis. Actual results of IFRS for the Third Quarter of Fiscal 2018 may change depending on the results of future quarterly



Financial Results through Third Quarter of Fiscal Year 2019 (by Segment)

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(billion yen)	FY2018 Through 3Q	FY2019 Through 3Q	Change
Steel Business	2,148.5	2,005.8	(142.7)
Engineering Business	328.0	364.7	36.7
Trading Business	856.9	829.3	(27.6)
Adjustments	(443.0)	(408.4)	34.6
Revenue	2,890.5	2,791.5	(99.0)
Business Profit (A)	220.2	52.0	(168.2)
Finance Income/Costs (B)	(9.5)	(9.4)	0.1
Segment Profit			
Steel Business	163.2	11.3	(151.9)
Engineering Business	13.1	19.5	6.4
Trading Business	29.1	21.2	(7.9)
Adjustments	5.0	(9.6)*	(14.6)
Total (A+B)	210.6	42.6	(168.0)

*Including share of loss of entities accounted for using equity method related to Japan Marine United Corporation, -12.0 billion yen.



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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)	FY2019 (Previous Forecast Nov. 12 2019) Full Year	FY2019 (Updated Forecast Feb. 12 2020)			Change Full Year
		Apr-Dec	Jan-Mar	Full Year	
Revenue	3,730.0	2,791.5	928.5	3,720.0	(10.0)
Business Profit	60.0	52.0	(7.0)	45.0	(15.0)
Finance Income/Costs	(13.0)	(9.4)	(3.6)	(13.0)	0
Segment Profit	47.0	42.6	(10.6)	32.0	(15.0)
Exceptional Items	–	–	–	–	–
Profit before Tax	47.0	42.6	(10.6)	32.0	(15.0)
Tax Expense and Profit (Loss) Attributable to Non- Controlling Interests	(14.0)	(15.6)	(3.4)	(19.0)	(5.0)
Profit Attributable to Owners of Parent	33.0	26.9	(13.9)	13.0	(20.0)



Financial Forecasts for Fiscal Year 2019 (by Segment)

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(billion yen)	FY2019 (Previous Forecast Nov. 12 2019) Full Year	FY2019 (Updated Forecast Feb. 12 2020)			Change Full Year
		Apr-Dec	Jan-Mar	Full Year	
Steel Business	2,690.0	2,005.8	694.2	2,700.0	10.0
Engineering Business	520.0	364.7	155.4	520.0	0
Trading Business	1,120.0	829.3	260.7	1,090.0	(30.0)
Adjustments	(600.0)	(408.4)	(181.7)	(590.0)	10.0
Revenue	3,730.0	2,791.5	928.5	3,720.0	(10.0)
Business Profit (A)	60.0	52.0	(7.0)	45.0	(15.0)
Finance Income/Costs (B)	(13.0)	(9.4)	(3.6)	(13.0)	0
Segment Profit					
Steel Business	0.0	11.3	(11.3)	0	0
Engineering Business	23.0	19.5	3.5	23.0	0
Trading Business	32.0	21.2	7.8	29.0	(3.0)
Adjustment	(8.0)	(9.6)	(10.4)	(20.0)*	(12.0)
Total (A+B)	47.0	42.6	(10.6)	32.0	(15.0)

*Including share of loss of entities accounted for using equity method related to Japan Marine United Corporation, -16.5 billion yen.



Financial Forecasts for Fiscal Year 2019

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(billion yen)	FY2018 (Actual) Full Year	FY2019 (Forecast)			Change Full Year
		Apr-Dec	Jan-Mar	Full Year	
Revenue	3,873.6	2,791.5	928.5	3,720.0	(153.6)
Business Profit	232.0	52.0	(7.0)	45.0	(187.0)
Finance Income/Costs	(12.5)	(9.4)	(3.6)	(13.0)	(0.5)
Segment Profit	219.5	42.6	(10.6)	32.0	(187.5)
Exceptional Items	(10.2)	—	—	—	10.2
Profit before Tax	209.3	42.6	(10.6)	32.0	(177.3)
Tax Expense and Profit (Loss) Attributable to Non- Controlling Interests	(45.8)	(15.6)	(3.4)	(19.0)	26.8
Profit Attributable to Owners of Parent	163.5	26.9	(13.9)	13.0	(150.5)



Financial Forecasts for Fiscal Year 2019 (by Segment)

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(billion yen)	FY2018 (Actual) Full Year	FY2019 (Forecast)			Change Full Year
		Apr-Dec	Jan-Mar	Full Year	
Steel Business	2,830.6	2,005.8	694.2	2,700.0	(130.6)
Engineering Business	485.8	364.7	155.4	520.0	34.2
Trading Business	1,125.8	829.3	260.7	1,090.0	(35.8)
Adjustments	(568.6)	(408.4)	(181.7)	(590.0)	(21.4)
Revenue	3,873.6	2,791.5	928.5	3,720.0	(153.6)
Business Profit (A)	232.0	52.0	(7.0)	45.0	(187.0)
Finance Income/Costs (B)	(12.5)	(9.4)	(3.6)	(13.0)	(0.5)
Segment Profit					
Steel Business	161.3	11.3	(11.3)	0	(161.3)
Engineering Business	20.1	19.5	3.5	23.0	2.9
Trading Business	35.7	21.2	7.8	29.0	(6.7)
Adjustment	2.3	(9.6)	(10.4)	(20.0)*	(22.3)
Total (A+B)	219.5	42.6	(10.6)	32.0	(187.5)

*Including share of loss of entities accounted for using equity method related to Japan Marine United Corporation, -16.5 billion yen. 10



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JFE Steel

Financial Results through Third Quarter of Fiscal Year 2019



Production and Shipment

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	Unit	FY2018					FY2019		
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q
Crude Steel (Standalone)	Mt	7.10	6.94	6.39	5.88	26.31	7.00	6.79	6.24
Crude Steel (Consolidated)	Mt	7.51	7.33	6.79	6.25	27.88	7.36	7.13	6.59
Shipment (Standalone)	Mt	6.13	5.93	6.24	5.48	23.78	5.85	5.94	5.59
Export Ratio (Value Basis, Standalone)	%	42.4	44.2	43.5	36.0	41.7	39.9	42.1	39.7
Average Sales Price (Standalone)	⁰⁰⁰ Yen/ t	79.3	81.9	82.9	82.0	81.5	80.4	79.4	79.6
Exchange Rate	¥/\$	108.1	110.9	113.4	110.3	110.7	110.7	107.6	108.8
Exchange Rate (End of Term)	¥/\$	110.5	113.6	111.0	111.0	111.0	107.8	107.9	109.6



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151.9 billion Yen decrease in JFE Steel's Segment Profit (FY18 through 3Q vs. FY19 through 3Q)

JFE Steel

(billion yen)

JFE Steel	FY2018 Apr-Dec				FY2019 Apr-Dec	Change
		1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec		
Segment Profit	163.2	14.5	3.2	(6.4)	11.3	(151.9)

■ Cost	+ 23.0	⇒	<ul style="list-style-type: none"> • Cost reduction +12.0 • One-off effect in FY2018 +11.0
■ Sales Volume and Mix	- 12.0		
■ Sales Prices and Raw materials	- 73.0		
■ Inventory valuation etc.	- 48.0	⇒	<ul style="list-style-type: none"> • Inventory valuation -48.0 (+31.0 → -17.0) • Carry over of raw materials +6.0 (-7.0 → -1.0) • Foreign exchange valuation -6.0 (+5.0 → -1.0)
■ Others	- 41.9	⇒	<ul style="list-style-type: none"> • Increase in sub materials cost etc. • Decrease in profit of subsidiary companies etc.
Total	- 151.9		

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Segment profit through third quarter of 2019 was 11.3 billion yen, decreased by 151.9 billion yen, compared to the previous year.

◆ Cost: +23.0 billion yen

Cost reduction: +12.0 billion yen: Cost effect of investment

One-off effect in FY2018: +11.0 billion yen

◆ Sales Volume and Mix: -12.0 billion yen

The volume of both crude steel production and shipment went down due to the production adjustment along with the decrease in steel demand and decline of the steel price in the overseas market.

- Crude steel (Standalone) -0.4Mt (20.43 ⇒ 20.03Mt)
- Shipment (Standalone) -0.9Mt (18.30 ⇒ 17.38Mt)

◆ Sales Prices and Raw materials (Metal spread): -73.0 billion yen (-4,200 yen/t-shipment)

Metal spread shrank mainly through increase in iron ore price and decrease in steel price in overseas market.

◆ Inventory valuation etc.: -48.0 billion yen

◆ Others: -41.9 billion yen

- Increase in sub materials, logistics, and outsourcing costs
- Decrease in profit of subsidiary companies
- Increase in depreciation cost with strengthening manufacturing capabilities etc.



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JFE Steel Financial Forecasts for Fiscal Year 2019



Current Business Environment (Overview)

□ Domestic environment

- **Exports and production are getting weaker** amid the global economic slowdown.
- Domestic demand for the construction machinery, industrial machinery and building is still weak.
- Although inventories of steel products are slightly declining, its level remains high.

□ Overseas environment

- **Uncertainty in overseas environment remains** because of impacts from US-China trade friction.
- Negative factors such as slow economic recovery in emerging countries, growing trade friction, and geographical issues affect manufacturing and trading industries, which makes **global economic growth even slower**.
- Low-price offensives by Indian mills etc. have become moderate, which made steel price recovery in South-East Asian market after last November. However, **demand for steel products still shows short of full recovery**, which should carefully be monitored.

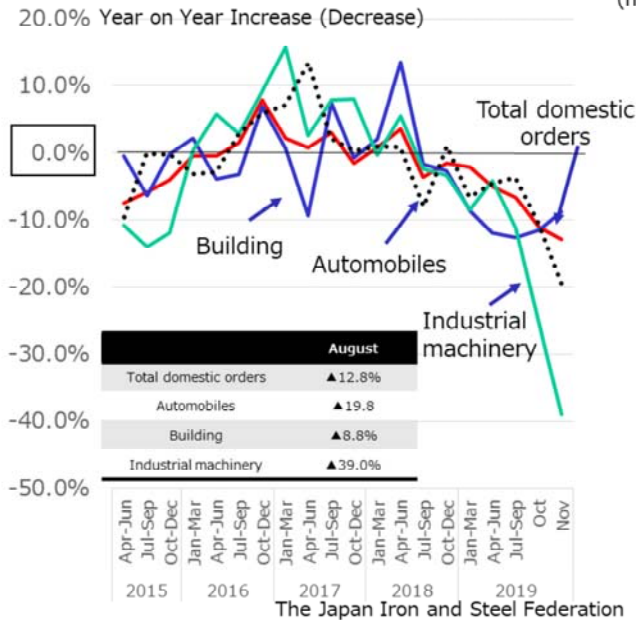


Current Business Environment (Domestic)

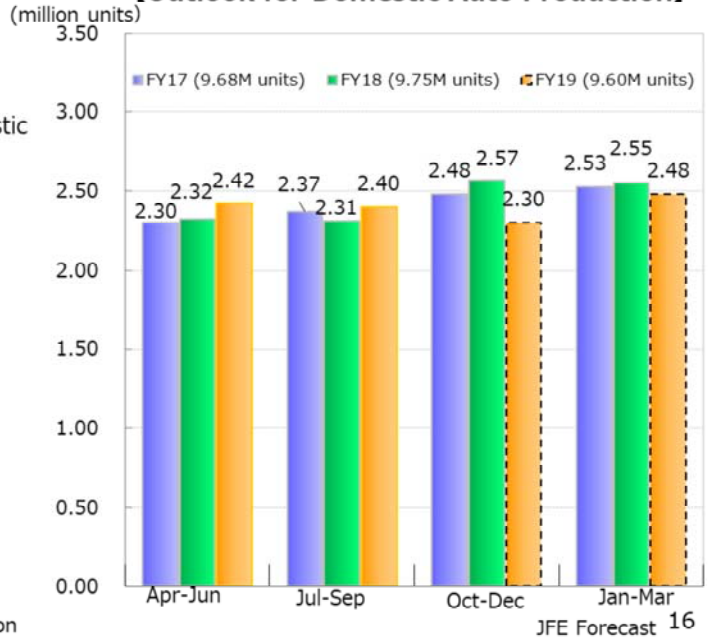
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- Domestic ordinary steel orders in this November continued to show significant **decrease by 12.8%** from the previous year.
- Due to the raising consumption tax and the typhoons in 2019, the number of domestic auto production during Oct. to Nov. decreased, compared to the previous year.

[Trend of Ordinary Steel Orders]

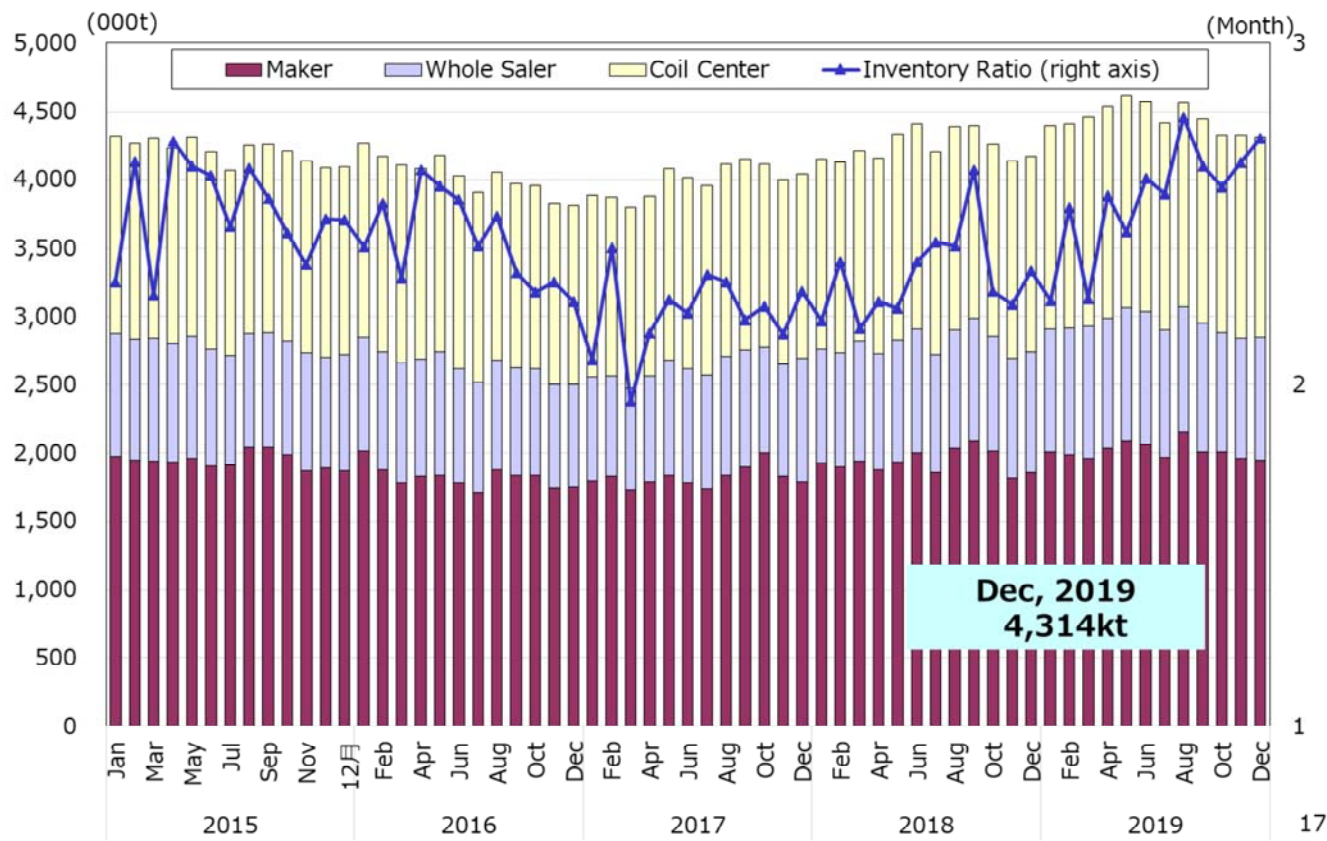


[Outlook for Domestic Auto Production]





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Combined inventories of HR, CR and Coated Steel as of the end of December 2019 were 4,314K tons.

From November 2019 : 21K tons decrease

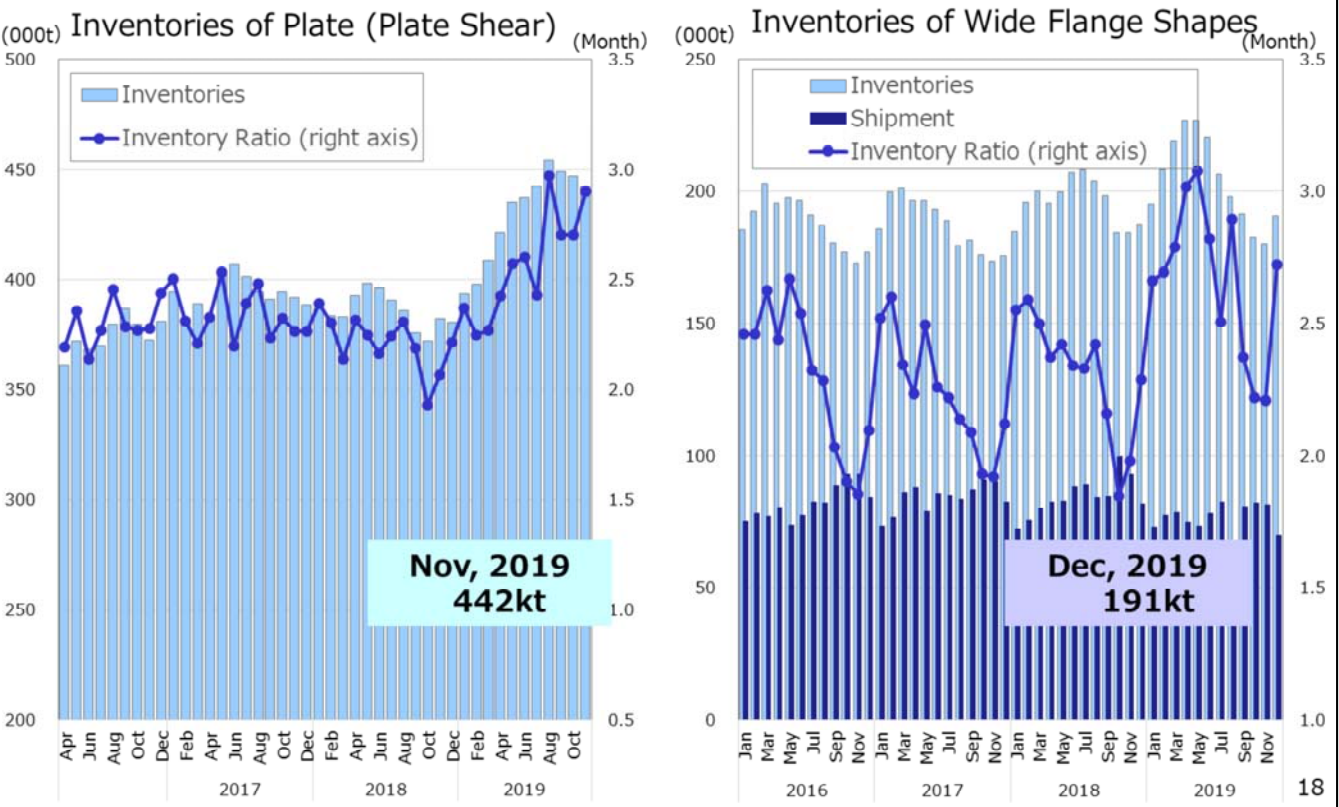
From December 2018 : 142K tons increase

Although domestic steel makers are adjusting their production volume, weak domestic demand for steel and a certain amount of imported steel maintain the inventory level higher. It will take time for the inventory level to be returned to the appropriate level.

Production needs to be adjusted flexibly to meet the ongoing demand.



Inventories of Plate (Plate Shear) and Wide Flange Shapes



[Inventories of Plate (Plate Shear)]

Inventories of plate shear as of the end of November 2019 was 442K tons.

From October 2019 : 5K tons decrease

From November 2018: 67K tons increase

Although the inventory has been decreasing for three months, the inventory level remains high. Demand for the building and industrial machineries keeps sluggish, which leads the high inventory ratio.

[Inventories of Wide Flange Shapes]

Inventories of wide flange shapes as of the end of December 2019 was 191Ktons.

From November 2019 : 10.7K tons increase

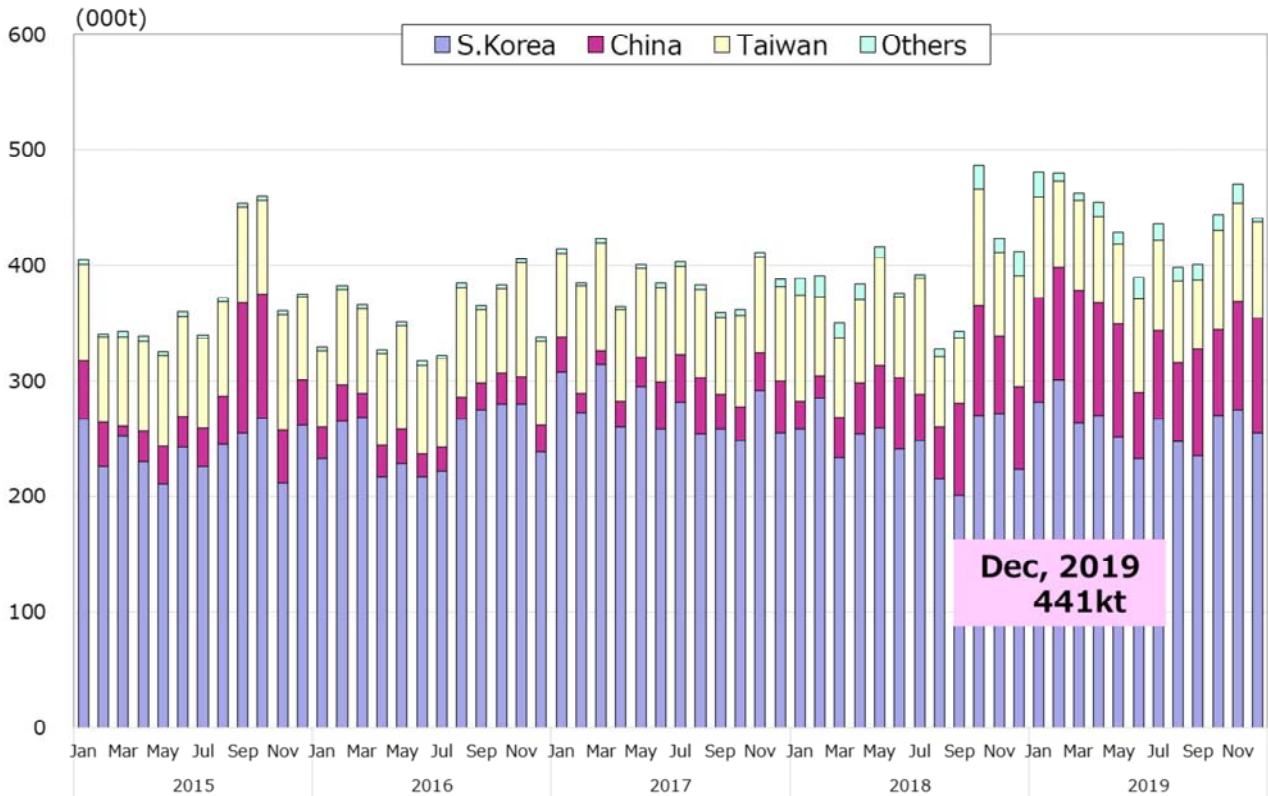
From December 2018: 3.3K tons decrease

Since August 2019, the amount of inventory had kept decreasing at the level below 200kt until November. However, it reversed in December due to the low shipping.



Trend of Import Steel (Ordinary Steel)

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The volume of imported ordinary steel in December 2019 was 441K tons.

From November 2019: 29K tons decrease

From December 2018: 29K tons increase

A certain amount of steel has been imported continuously.

It will take time to for the domestic inventory level to be returned to the appropriate level.

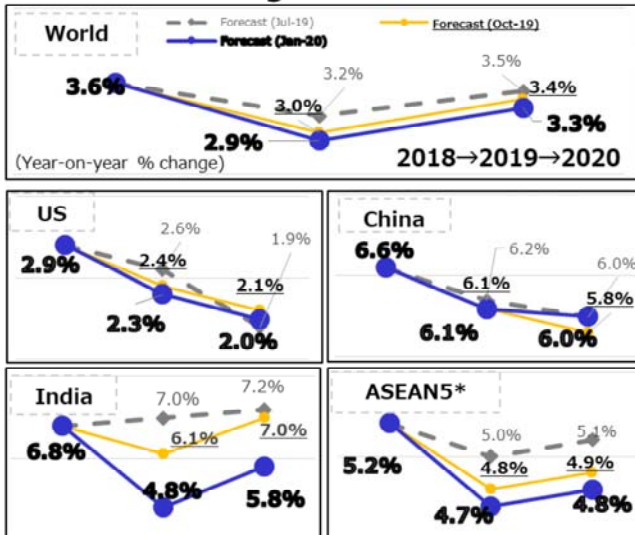


Current Business Environment (Overseas)

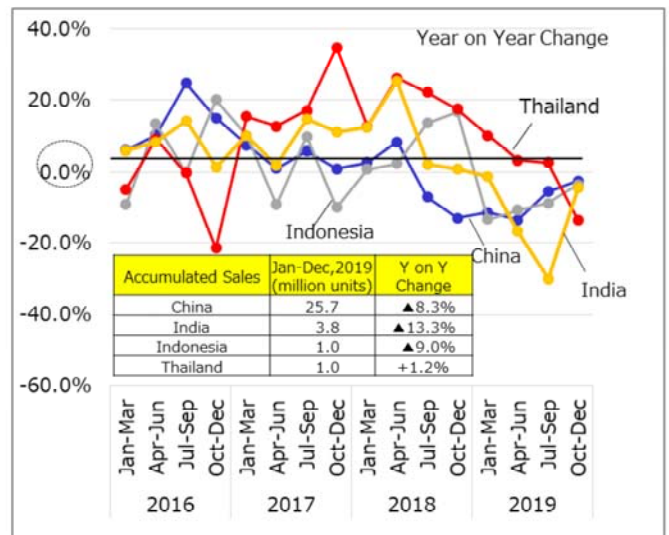
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- Unpredictable trade policies and political instability keep **corporate production, investment, and global economy sluggish.**
- **Global growth of real GDP rate revised downward from the previous forecast** because of the economic slump in emerging countries, mainly in India.
- While the year-on-year rate of decline in automobile sales in India is getting smaller, the others keep illustrating **uncertain situation.**

[Real GDP growth forecast]



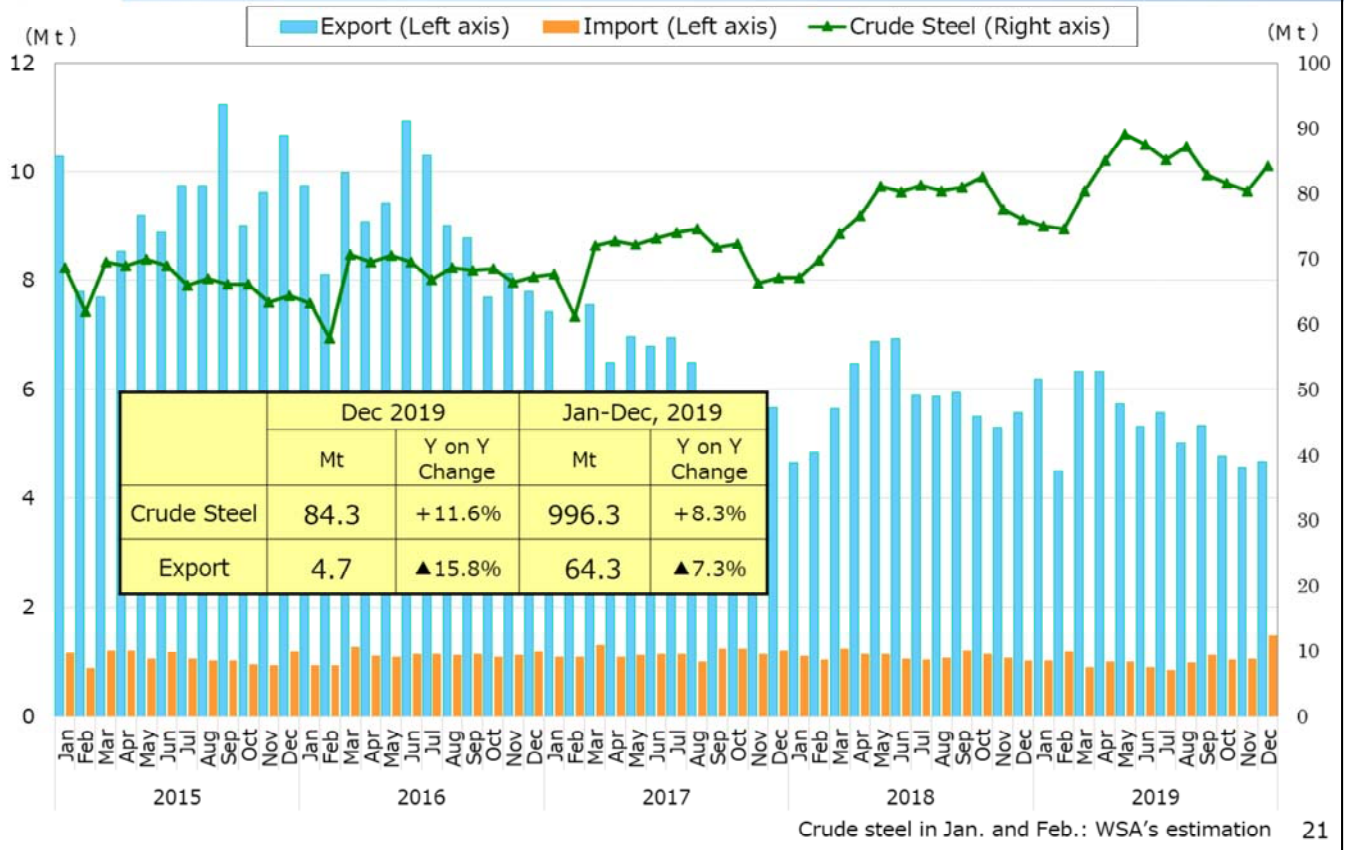
[Automobile Sales]



Source : IMF World Economic Outlook Update Published in 23/7/2019, 15/10/2019, 20/1/2020
 *ASEAN5 : Thailand, Malaysia, Indonesia, Philippine, Vietnam



Crude Steel & Im/Export, China



Crude steel production in December 2019 in China was 84.3M tons (2.7M tons on daily basis, which increased by 0.4Mt compared to the previous month.) The figures show the high production quantity in China consecutively.

From November 2019: 4.0M tons increase
 From December 2018: 8.2M tons increase (+11.6%)

The annual crude steel production in 2019 was 996.3 M tons (on a preliminary basis), recording the highest mark in history for the third consecutive year.

Export of steel from China in December 2019 was 4.7M tons.

From November 2019: 0.1M tons increase
 From December 2018: 0.9M tons decrease

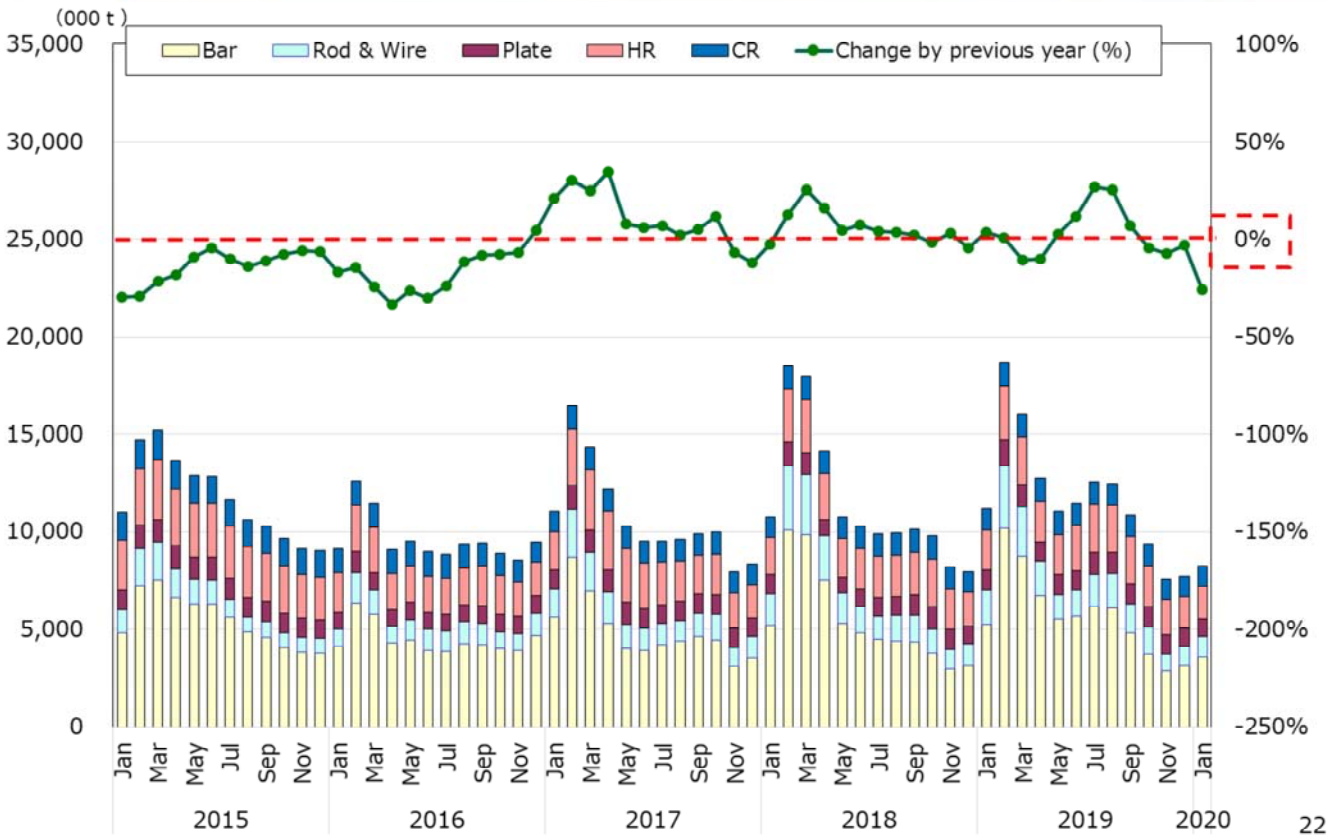
The annual export of steel from China in 2019 was 64.3M tons.
 From 2018: 5.0M tons decrease (-7.3%)

Export of steel from China remains low and has declined for 4 consecutive years. The declining tendency of steel sheets exports has become stronger since last autumn when the international steel market price dropped significantly.



Inventories in China by Product

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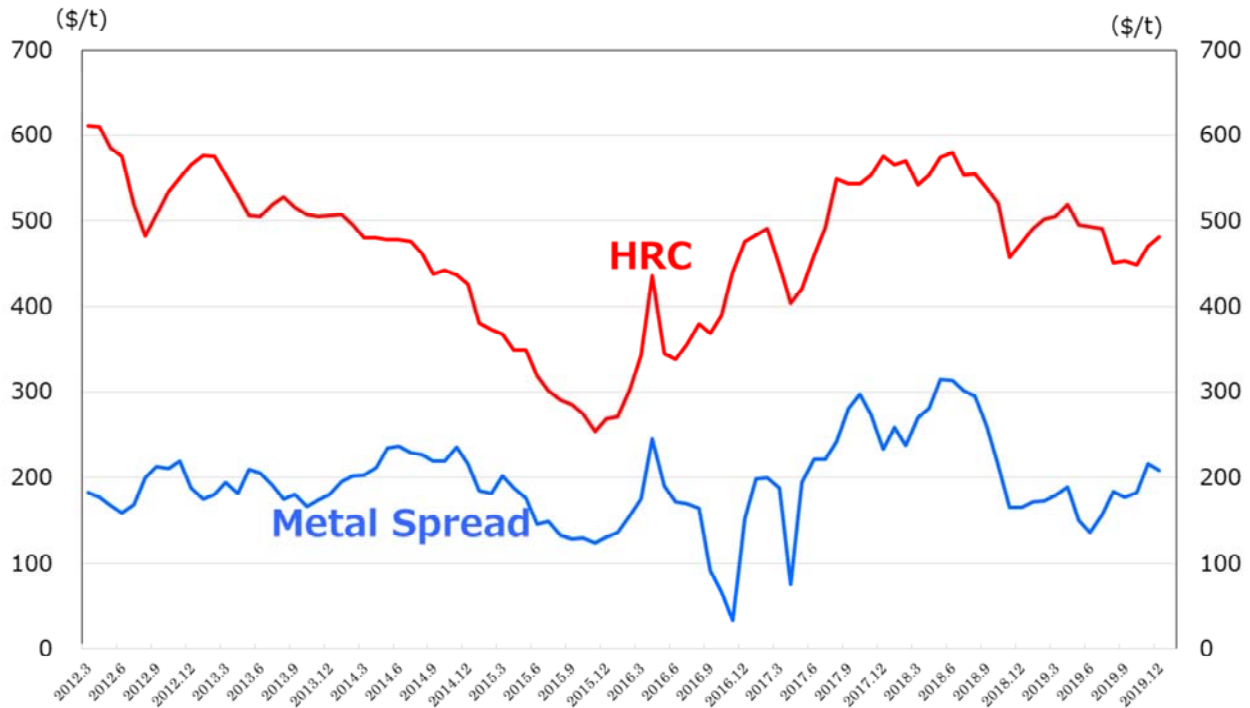


Inventories in China as of the end of January 2020 was 8.3M tons.

From December 2019: 7.2% increase

From January 2019: 26.1% decrease

Inventories in China rebounded from a bottom in November, and after that, they show the signs of gradual recovery. After the beginning of 2020, the inventory level increased for preparation for the Chinese New Year, as the seasonal pattern. Since the inventory level turned into increasing, it should be monitored cautiously.



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, dropped below \$150/t in the first half of FY2019 due to the decrease of the HRC price and the rise of the iron ore price.

Afterwards, metal spread rebounded in the second half of FY2019 due to decrease of the raw material price. The steel price has shown the signs of recovery after November, and the metal spread currently remains around \$200/t.

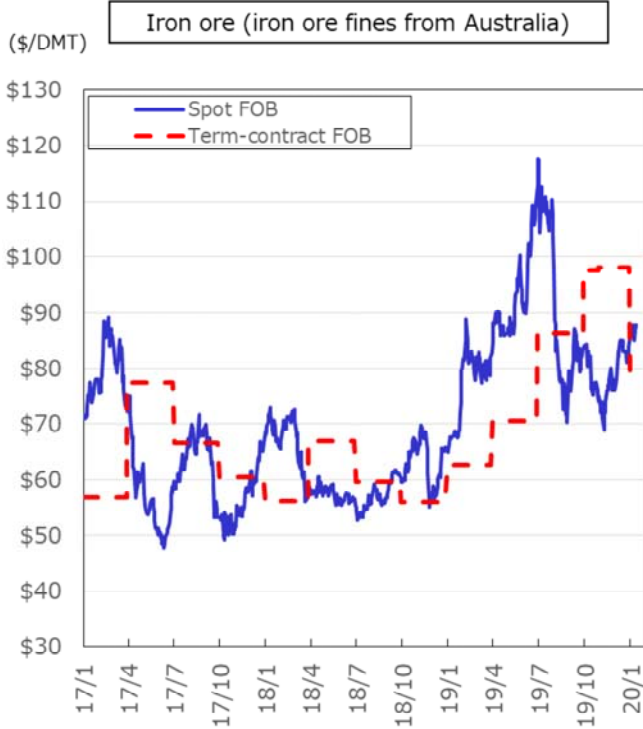
It is necessary to watch cautiously how long the recovering steel price will keep increasing after finishing Chinese New Year.



Raw Materials

Raw Materials Price

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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					FY2019
		Full Year	1H	2H		Full year	Full Year Previous Forecast	
		Actual		Actual	3Q Actual			4Q Forecast
Revenue	Billion yen	2,830.6	1,353.1	652.7	694.2	1,346.9	2,700.0	2,690.0
Segment Profit	Billion yen	161.3	17.7	(6.4)	(11.3)	(17.7)	0	0

Crude Steel (Standalone)	Mt	26.31	13.79	6.24	Approx. 6.96	Approx. 13.20	Approx. 27.00	Approx. 27.00
Crude Steel (Consolidated)	Mt	27.88	14.50	6.59	Approx. 7.31	Approx. 13.90	Approx. 28.40	/
Shipment (Standalone)	Mt	23.78	11.80	5.59	Approx. 6.41	Approx. 12.00	Approx. 23.80	
Export Ratio (Value basis, Standalone)	%	41.7	41.0	39.7	44	42	41	
Average Sales Price	000/t	81.5	79.9	79.6	76	78	79	
Exchange Rate	¥/\$	110.7	109.2	108.8	109	109	109	Approx. 107



JFE Steel's Segment Profit
(FY2019 (Previous Forecast) vs. FY2019 (Updated Forecast))

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JFE Steel	FY2019 Previous	FY2019 Updated	(billion yen) Change FY19→FY19
Segment Profit	0	0	0
<ul style="list-style-type: none"> ■ Cost - 5.0 ■ Sales Volume and Mix ± 0.0 ■ Sales Prices and Raw Materials +10.0 ■ Inventory Valuation etc. - 6.0 ■ Others + 1.0 			<ul style="list-style-type: none"> • Inventory valuation -9.0 (-14.0→-23.0) • Carry over of raw materials ±0(-5.0→-5.0) • Foreign exchange valuation +3.0(-6.0→-3.0)
Total	± 0		

Segment profit forecast for FY2019 remains largely in line with the previous forecast.

◆ Cost: -5.0 billion yen

Cost increased due to the significant reduction in production and the impacts from natural disasters such as a typhoon.

◆ Sales Volume and Mix: ±0.0 billion yen

The volume of crude steel production is forecasted largely to be in line with its previous forecast, 27.0M tons.

◆ Sales Prices and Raw materials (Metal spread): +10.0 billion yen (+420 yen/t-shipment)

Metal spread improved mainly through drop in raw material price.

◆ Inventory valuation etc.: -6.0 billion yen

◆ Others: +1.0 billion yen



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

JFE Steel

JFE Steel	FY2018 Actual	FY2019 Forecast	(billion yen) Change FY18→FY19
Segment Profit	161.3	0	(161.3)

■ Cost	+ 45.0	⇒	<ul style="list-style-type: none"> • Cost reduction +23.0 • One-off effect in FY2018 +22.0
■ Sales Volume and Mix	± 0.0		
■ Sales Prices and Raw Materials	- 86.0		<ul style="list-style-type: none"> • Inventory valuation -58.0 (+35.0→-23.0) • Carry over of raw materials -4.0(-1.0→-5.0) • Foreign exchange valuation -6.0(+3.0→-3.0)
■ Inventory Valuation etc.	- 68.0	⇒	
■ Sub materials cost etc.	- 15.0	⇒	<ul style="list-style-type: none"> • Increase in sub materials, logistics, and outsourcing costs etc.
■ Others	- 37.3	⇒	<ul style="list-style-type: none"> • Increase in depreciation with strengthening manufacturing capabilities • Decrease in profit of subsidiary companies etc.
Total	- 161.3		

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Segment profit forecast for FY2019 is 0 billion yen, decreasing by 161.3 billion yen year on year.

◆ Cost: +45.0 billion yen

Cost reduction: +23.0 billion yen: Cost effects of investment

One-off effect in FY2018: +22.0 billion yen

◆ Sales Volume and Mix: ±0.0 billion yen

Crude steel (Standalone) +0.69Mt (26.31 ⇒ 27.00Mt)

◆ Sales Prices and Raw materials (Metal spread): -86.0 billion yen (-3,600 yen/t-shipment)

Metal spread is expected to shrink with price down of steel in the overseas market due to escalating trade friction between the US and China.

◆ Inventory valuation etc.: -68.0 billion yen

◆ Sub materials cost etc.: -15.0 billion yen

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

◆ Others: -37.3 billion yen

• Decrease in profit of subsidiary companies

• Increase in depreciation and loss of disposal asset cost with strengthening manufacturing capabilities

JFE Engineering Financial Forecasts for Fiscal Year 2019



Financial Forecasts in FY2019 of JFE Engineering

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(billion yen)

	FY2019 (Previous Forecast)		FY2019 (Updated Forecast)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Orders	260.5	450.0	260.5	450.0	0.0	0.0
Revenue	281.1	520.0	281.1	520.0	0.0	0.0
Segment Profit	11.1	23.0	11.1	23.0	0.0	0.0

【Change】

As planned in the previous forecast



Financial Forecasts in FY2019 of JFE Engineering

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(billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Orders	211.0	482.8	260.5	450.0	+49.5	(32.8)
Revenue	283.7	485.8	281.1	520.0	(2.6)	+34.2
Segment Profit	12.4	20.1	11.1	23.0	(1.3)	+2.9

【Change】

(Full Year)

Orders	(32.8)	Large-scale orders in environmental and energy sectors were concentrated in the previous year
Revenue	+34.2	Increase with increase in orders in the previous year
Segment profit	+ 2.9	Increase with increase in revenue



Orders by Business Field

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(billion yen)

Business Field	FY2018 (Actual)	FY2019 (Forecast)	Change	Main Orders ★: New projects received in FY2019 Q3
Environment	212.6	200.0	(12.6)	<ul style="list-style-type: none"> ➤ Reconstruction of facility of the water purification plant ➤ Improvement work of the waste treatment plants [Shizuoka, Kawasaki★] ➤ Construction of waste-to-energy power plant [UK]
Energy	132.8	110.0	(22.8)	<ul style="list-style-type: none"> ➤ Reconstruction of facility of the geothermal power plant ➤ Construction of the gas pipeline ➤ Gas calorific value controlling facility ★
Social Infrastructure etc.	137.4	140.0	2.6	<ul style="list-style-type: none"> ➤ 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)

	FY2019 (Previous Forecast)		FY2019 (Updated Forecast)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Revenue	562.5	1,120.0	532.5	1,090.0	(30.0)	(30.0)
Segment Profit	17.4	32.0	14.4	29.0	(3.0)	(3.0)

【Change】

Decrease in segment profit with decrease in both domestic and overseas demand due to slowdown of world economy through continuing trade friction between US and China, in addition to steel price decrease.



Financial Forecast in FY2019 of JFE Shoji Trade

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(billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Revenue	555.2	1,125.8	532.5	1,090.0	(22.7)	(35.8)
Segment Profit	16.4	35.7	14.4	29.0	(2.0)	(6.7)

【Change】

Decrease in segment profit with decrease in both domestic and overseas demand due to slowdown of world economy through continuing trade friction between US and China, in addition to steel price decrease.

*Demand and sales prices in US increased due to US's trade policy in FY2018

**Japan Marin United Corporation
Financial Forecasts for Fiscal Year 2019**



Financial Forecast in FY2019 of Japan Marine United

JFE

- Japan Marine United (JMU), an equity method affiliate, reported **a net loss of 26.1 billion yen from April to December in FY2019** due to the delay of ship building caused by bad weather and natural disasters, material's cost push and impairment of equipment etc., and forecasts **a full year net loss of 36.0 billion yen in FY2019**.

JFE-HD's share of loss of entities accounted for using equity method related to JMU in FY2019
Actual from April to December: 12.0 billion yen, Full year forecast: 16.5 billion yen

- Under the current severing competitive environment, consider equity and business alliances with Imabari Shipbuilding Co., Ltd.

【Summary of Alliances】

I. Equity Alliance

Imabari Shipbuilding considers subscribing new ordinary shares of JMU

II. Business Alliance

Imabari Shipbuilding and JMU consider business alliance including;

- 1) Establishing a joint sales and design company
- 2) Realizing efficient production of Imabari Shipbuilding and JMU

MOU: agreed on November 2019 Definitive agreement: aim to agree by the end of FY2019

Enhance global competitiveness in commercial ship field by integrating both companies' resources and advantages, and develop business base to compete with consolidated large-scale shipyards in China and Korea

JFE Holdings

Financial Forecasts for Fiscal Year 2019



Financial Forecasts for Fiscal Year 2019

JFE

(billion yen)	FY2018 (Actual) Full Year	FY2019 (Forecast)			Change Full Year
		Apr-Dec	Jan-Mar	Full Year	
Revenue	3,873.6	2,791.5	928.5	3,720.0	(153.6)
Business Profit	232.0	52.0	(7.0)	45.0	(187.0)
Finance Income/Costs	(12.5)	(9.4)	(3.6)	(13.0)	(0.5)
Segment Profit	219.5	42.6	(10.6)	32.0	(187.5)
Exceptional Items	(10.2)	—	—	—	10.2
Profit before Tax	209.3	42.6	(10.6)	32.0	(177.3)
Tax Expense and Profit (Loss) Attributable to Non- Controlling Interests	(45.8)	(15.6)	(3.4)	(19.0)	26.8
Profit Attributable to Owners of Parent	163.5	26.9	(13.9)	13.0	(150.5)



Cash Flow Forecast for FY2019

JFE

Consolidated

(billion yen)

Source		Usage	
Net Income	13.0	Dividends	40.0
Depreciation & Amortization	230.0	CAPEX & Investments	390.0
Asset Compression	40.0		
Interest-bearing Debt Outstanding *	190.0	Working Capital etc.	43.0

*Excluding the of application of IFRS 16 Lease : 110.0 billion yen

- For maintaining financial strength, **generating cash flow of approx. 150.0 billion yen** by compressing inventories and selling holding shares (during the 6th med-term business plan (FY2019-FY2020))
- Based on the measures above, interest-bearing debt outstanding at the end of FY2019 is expected to be **1,820 billion yen** (improved 40.0 billion yen from the previous forecast)



Initiatives to Strengthen Profit Base

JFE

① Enhance business competitiveness by consolidation of product facilities

➤ Enhance Sheet product competitiveness

Some of the production lines for cold-rolled steel sheets and hot-dip galvanized steel sheets (PLTCM, 3CGL) in Keihin district will cease the operation at the end of FY2019.

➤ Enhance Tin Mill product competitiveness

- Electrolytic Tinplate line at Chiba district will cease its operation by the end of FY2019. All Electrolytic Tinplate production will **be consolidated to Fukuyama district**.
- In addition to the decision above, **all the tin mill product manufacturing lines in Chiba district are decided to cease the operation**, and the **entire production of tin mill products will be consolidated into Fukuyama district by FY2022**.

② Planning to increase capacity for manufacturing electric steel sheet products

- Currently considering CAPEX, which will become operational in 2023, **to reinforce the capacity for manufacturing electric steel sheet products** in Kurashiki district. More details will be announced after establishing the definite plan.

Dividends



- Based on the current business condition, JFE Holdings decided not to implement its year-end dividend policy.

Interim dividend: 20 yen per share

Year-end dividend: (no dividend)

Annual dividend: 20 yen per share

- In view of the recent deterioration in business performance and cancellation of the yearend dividend, the Company will reduce remuneration paid to the president, the vice president and executive officers for the time being.

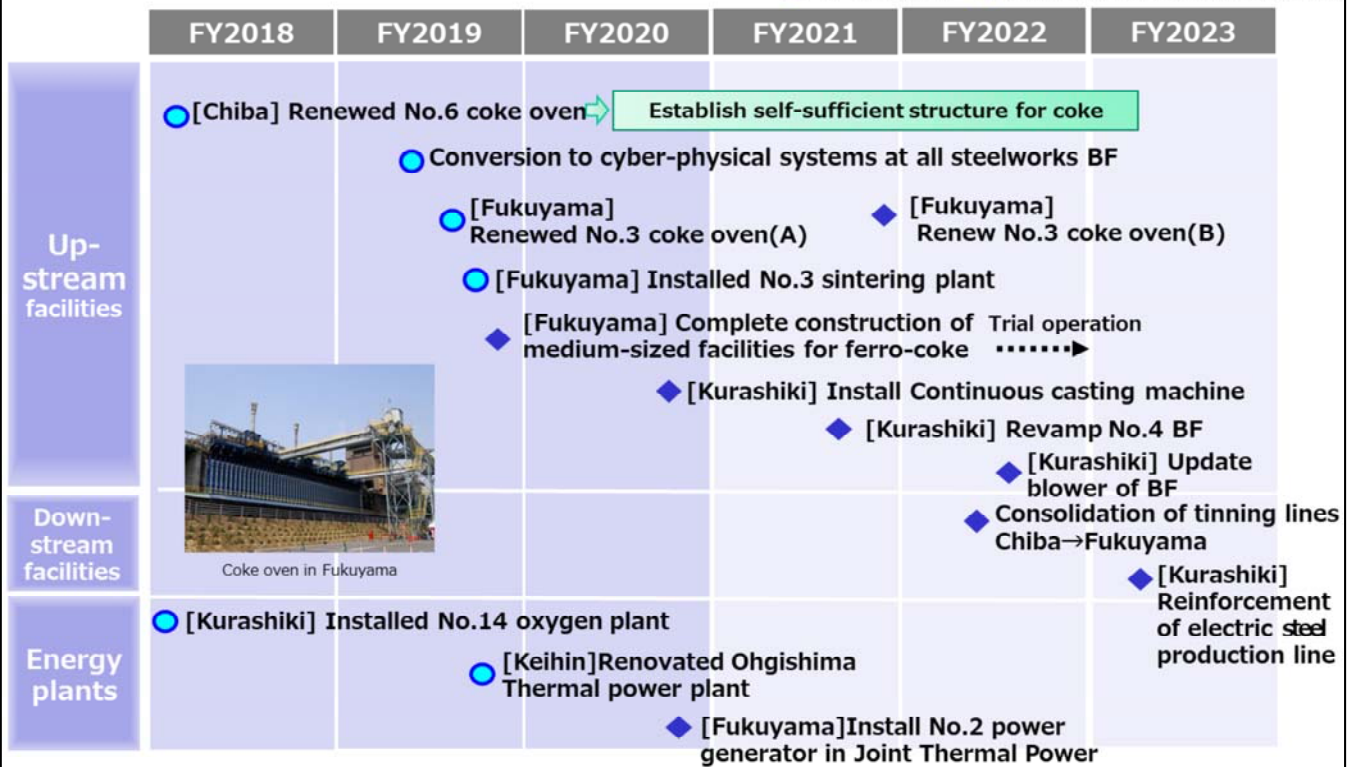
Initiatives for mid-and-long-term growth



① Initiatives to reinforce manufacturing capabilities in Japan

JFE

● In Operation ◆ Planning to operate (in progress)



Coke oven in Fukuyama



②Initiatives of overseas business

JFE

● Done ◆ Plan (in progress)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Auto-mobile		<ul style="list-style-type: none"> ● [China·Iron powder] BJCMX started commercial production ● [China·Specialty steel for bars and wire rods] Signed contract of JV, BJSS ◆ [Mexico·Steel sheets for automobiles] NJSM to start commercial production 				
Infra-structure materials					<ul style="list-style-type: none"> ◆ [China·Materials for lithium-ion batteries] Anode materials to start commercial production 	
Energy						
Iron source overseas etc...		<ul style="list-style-type: none"> ● [UAE· Large-diameter welded pipe] AGPC started commercial production 				
		<ul style="list-style-type: none"> ● [Vietnam] FHS No.2 BF started operation ● [Australia·Coking Coal] Byerwen Coal Pty Ltd started shipment of hard coke 				<ul style="list-style-type: none"> ◆ [India] Expansion in JSW Dolvi steelworks to be completed



中国特殊鋼合弁契約調印式典

・BJCMX : Shanghai Baowu JFE Clean Iron Powder Co., Ltd. ・BJSS : BaoWu JFE Special Steel Co., Ltd.
 ・JMM: JFE MERANTI MYANMAR CO., Ltd. ・NJSM : NUCOR-JFE STEEL MEXICO ・AGPC : AL GHARBIA PIPE COMPANY



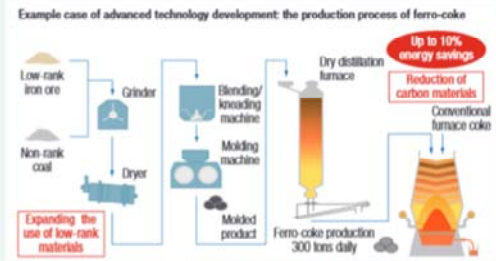
3. ESG Initiatives (1)

JFE

Main initiatives

Environment

- Initiated disclosure following TCFD recommendations -conducted scenario analysis-
- Played a pivotal role in the development of the Japan Iron and Steel Federation's long-term vision for climate change mitigation
- Invested in facilities for saving energy and reducing CO₂ emissions
- Developed environmentally friendly products and technologies



Further Initiatives

Steel Develop decarbonized steel production process, contribute to customers' CO₂ reduction through supplying high performance steel products etc.

Engineering Contribute to CO₂ emission through renewable energy and recycling plants etc.

Social

- Steady progress on investments for strengthening manufacturing base
- Hired females actively, increased females in managerial positions, provided workplace nurseries
- Steady progress on transfer of technologies and skills using cutting edge IT
- Established the JFE Group Business Conduct Guidelines of the Raw Materials Purchasing Policy



Further Initiatives

Accelerate work-style reform, operator assistance with cutting edge IT, and employee health and safety to maximize the potential of diverse individuals etc.



3. ESG Initiatives (2)

JFE

Main initiatives

Governance

- Analyzed and evaluated the effectiveness of Board of Directors by third party
- Appointed the first female executive in 2019 (Audit & Supervisory Board Member)
- Will appoint the first female outside director in June 2020
- Introduced medium-to-long-term performance-linked stock remuneration

Further initiatives

Facilitate discussion on medium-to-long-term investment strategy and ESG issues at the Board of Directors etc.

Major initiatives to strengthen governance system

October 2015	Established JFE Holdings, Inc. Basic Stance on Corporate, Nomination Committee, and Remuneration Committee
FY2015	Initiated analysis and evaluation of board of directors' effectiveness
June 2017	Reorganized the Board of Directors and the Audit & Supervisory Board based on results of their effectiveness analysis and evaluation

General

- Set, evaluated and revised KPIs for Material CSR issues
- Published JFE Group Report (Integrated Report)
- Accelerated ESG initiatives and disclosure, and improved external recognition

Further Initiatives

Facilitate PDCA cycle based on revised KPIs
Improve information disclosure and promote interactive communication etc.

External recognition in recent years

2019 Constituent MSCI ESG Leaders Indexes

2019 Constituent MSCI日本株 女性活躍指数 (WIN)

DBJ環境賞 2015

Member of SNAM Sustainability Index 2019

DBJ健康賞 2018

2019 攻めのIT経営銘柄 Competitive IT Strategy Company

Appendix



Measures for Maintaining Financial Strength

JFE

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

Released on 12th November 2019

1. Generate cash flow by asset compression approx.150 billion yen

- Compression of inventories
- Sale of holding shares (over 100 billion yen)

} During 6th medium-term
business plan
(FY2019–FY2020)

{ Selling shares step-by-step based on no-shareholding policy in principle

2. Compress CAPEX in steel business

- Compress the domestic CAPEX by approximately 100 billion yen (approx. 10%), compared to the CAPEX plan, 1 trillion yen (based on decision-making), referred in 6th medium-term business plan



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
(bn. Yen, times)		
Business profit	232.0	45.0
EBITDA *1	428.2	275.0
ROS *2	6.0%	1.2%
ROE *3	8.6%	0.7%
ROA *4	5.0%	0.9%
Interest-bearing debt outstanding	1,524	1,820
Debt/EBITDA multiple	x3.6	x6.6
D/E Ratio *6	68.2%	83.3%
Profit attributable to owners of parent (yen/share)		
	283.8	22.6
Dividend (yen/share)	95	20
Pay-out Ratio	33.5%	88.6%

Notes
[IFRS]

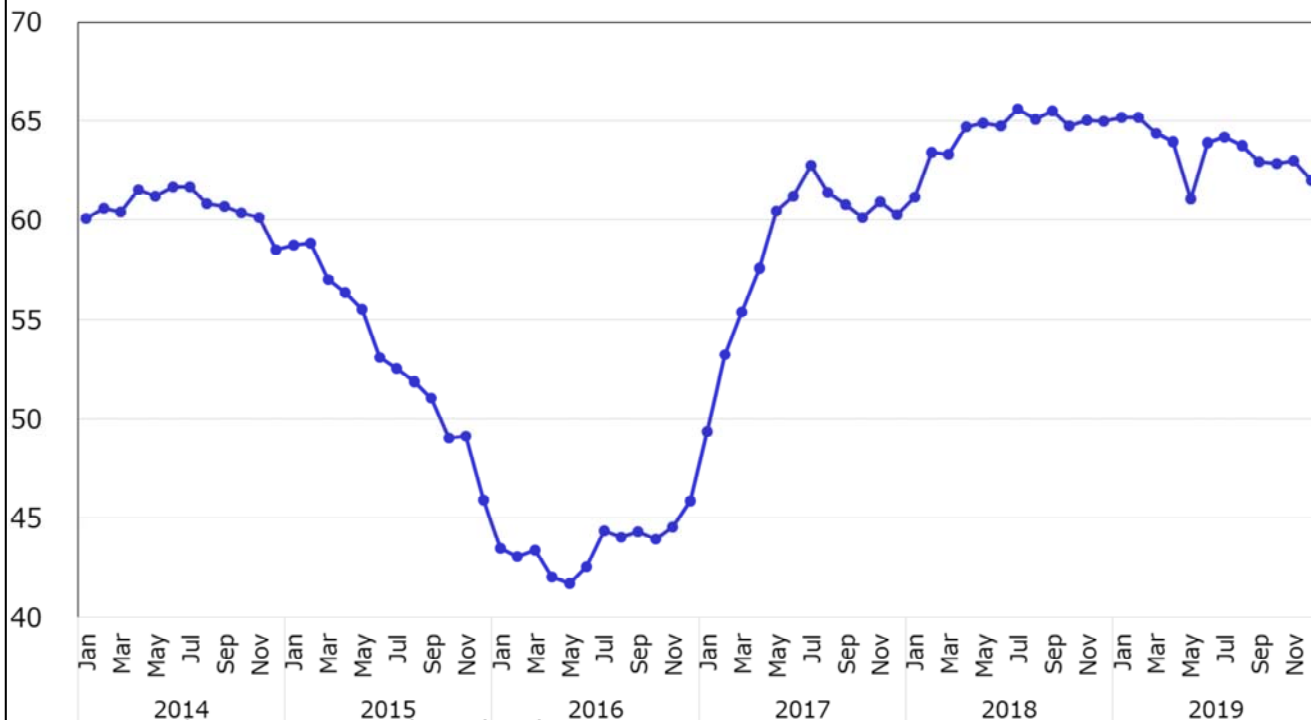
- *1 EBITDA = Business profit + Depreciation and Amortization
- *2 ROS = Business profit / Revenue
- *3 ROE = Profit attributable to owners of parent company / Equity
- *4 ROA = Business profit / Total assets
- *5 Debt/EBITDA ratio = Interest-bearing debt outstanding / EBITDA
- *6 D/E ratio = Interest-bearing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



Price Trend of Import Steel

JFE

(000 yen/ton)



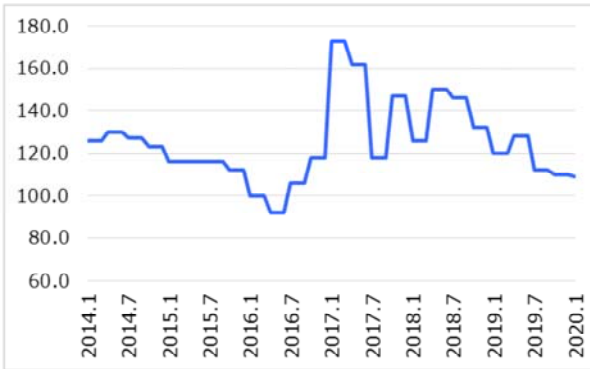
Data: The Japan Iron and Steel Federation

Import Steel from S. Korea

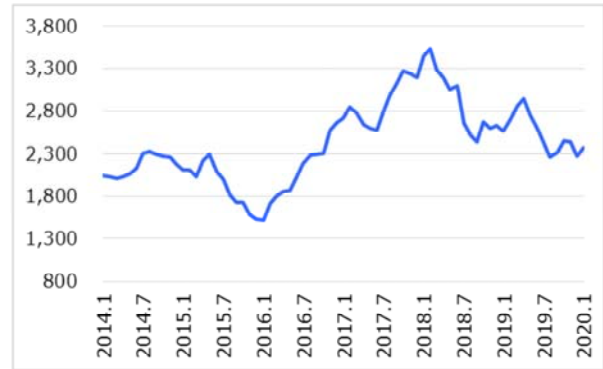


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(¢/lb) FeCr



(US\$/t) Zn



(US\$/t) FeMn



(US\$/lb) Mo

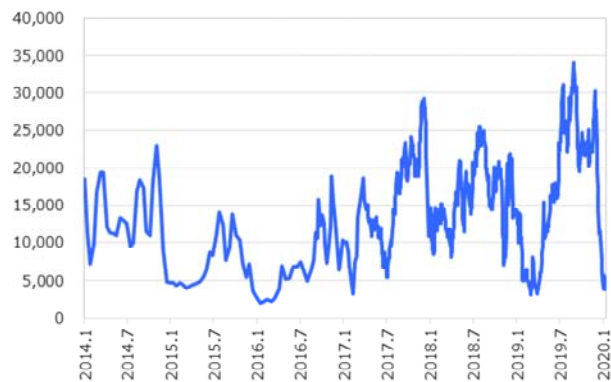




(yen/t) Scrap

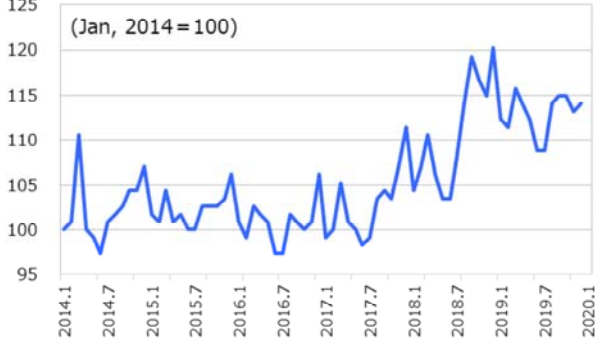


(\$/B) Spot Bulker

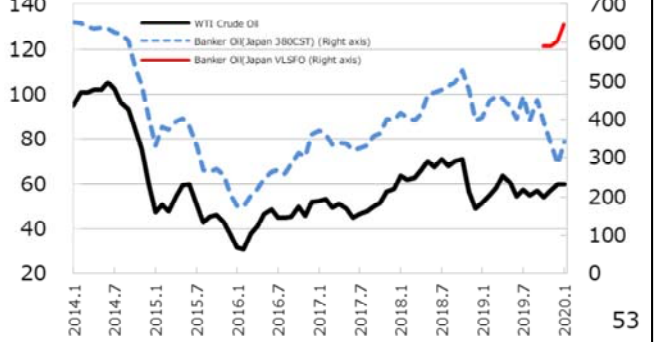


Freight Index

Data: Japan Tracking Association



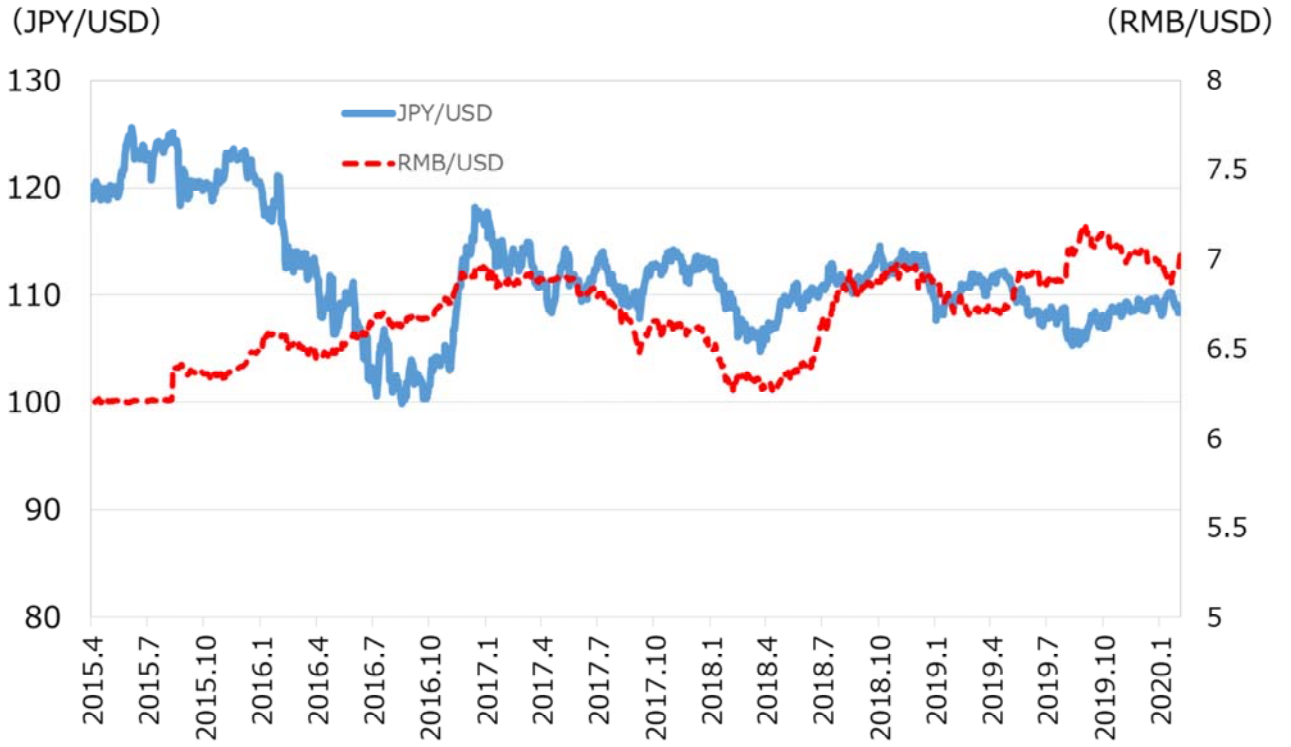
Oil (crude oil: \$/bbl) (bunker oil: \$/t)





Trend of exchange rate (USD against JPY RMB)

JFE





9.6 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 2Q (Actual) vs. FY2019 3Q (Actual))



JFE Steel	FY2019					Change 2Q→3Q
	1Q Apr-Jun	2Q Jul-Sep	3Q Oct-Dec	4Q Jan-Mar	Full Year	
Segment profit	14.5	3.2	(6.4)	(11.3)	0	(9.6)

- **Cost** ± 0.0
- **Sales Volume and Mix** - 7.0
- **Sales Prices and Raw Materials** + 1.0
- **Inventory Valuation etc.** - 19.0 ⇨
- **Others** + 15.4

- | | |
|-------------------------------|----------------------|
| • Inventory valuation | -11.0 (±0.0 → -11.0) |
| • Carry over of raw materials | -10.0 (+4.0 → -6.0) |
| • Foreign exchange valuation | +2.0 (±0.0 → +2.0) |

Total - 9.6

Segment profit for 3Q of FY2019 was -6.4 billion yen, decreasing by 9.6 billion yen from 2Q of FY2019.

◆ Cost: ±0.0 billion yen

◆ Sales Volume and Mix: -7.0 billion yen

The volume of both crude steel production and shipment went down due to the production adjustment along with the decrease in both domestic and overseas demand and the decline of price in the overseas market.

- Crude steel (Standalone) -0.54Mt (6.79 ⇒ 6.24Mt)
- Shipment(Standalone) -0.36Mt (5.96 ⇒ 5.59Mt)

◆ Sales Prices and Raw materials (Metal spread): +1.0 billion yen (+180 yen/t-shipment)

Metal spread improved due to the decrease in raw material price though the price in the overseas market dropped and the iron ore price increased.

◆ Inventory valuation etc.: -19.0 billion yen

◆ Others: +15.4 billion yen

- Decrease in the loss of asset disposal
- Increase in dividends received etc.



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

JFE

(billion yen)

JFE Steel	FY2019			Change 1H→2H
	1H	2H	Full Year	
Segment Profit	17.7	(17.7)	0	(35.4)

■ Cost	+ 9.0	
■ Sales Volume and Mix	- 10.0	
■ Sales Prices and Raw Materials	- 4.0	<ul style="list-style-type: none"> • Inventory valuation -11.0 (- 6.0 → -17.0) • Carry over of raw materials -15.0 (+5.0 → -10.0) • Foreign exchange valuation +3.0 (- 3.0 → ±0.0)
■ Inventory Valuation etc.	- 23.0	⇒
■ Others	- 7.4	⇒ <ul style="list-style-type: none"> • Increase in depreciation with strengthening manufacturing capabilities etc.
Total	- 35.4	

Segment profit forecast for 2H of FY2019 is -17.7 billion yen, decreasing by 35.4 billion yen from 2Q of FY2019.

◆ Cost: +9.0 billion yen

Cost reduction of +9.0 billion yen is estimated as a result of the cost effects of investments in West Japan works etc., including cost increase due to the impact from typhoons and the significant reduction in production.

◆ Sales Volume and Mix: -10.0 billion yen

Crude steel production is estimated to decrease with the fall of both domestic and overseas steel demand and sluggish steel price in overseas market.

- Crude steel (Standalone) -0.57Mt (13.79 ⇒ 13.21Mt)

◆ Sales Prices and Raw materials (Metal spread): -4.0 billion yen (-330 yen/t-shipment)

Metal spread is expected to shrink due to the decrease of the steel price in overseas market and the high iron ore price while the coke price is estimated to drop significantly.

◆ Inventory valuation etc.: -23.0 billion yen

◆ Others: -7.4 billion yen

- Increase in depreciation cost with strengthening manufacturing capabilities etc.



4.9 Billion Yen Decrease in JFE Steel's Segment Profit (FY2019 3Q (Actual) vs. FY2019 4Q (Forecast))

JFE

JFE Steel	FY2019					(billion yen) Change 3Q→4Q
	1H	3Q		2H	Full Year	
		Oct-Dec	Jan-Mar			
Segment Profit	17.7	(6.4)	(11.3)	(17.7)	0.0	(4.9)

■ Cost	+ 10.0	
■ Sales Volume and Mix	+ 10.0	
■ Sales Prices and Raw Materials	+ 1.0	<ul style="list-style-type: none"> • Inventory valuation +5.0 (-11.0 → -6.0) • Carry over of raw materials +2.0 (-6.0 → -4.0) • Foreign exchange valuation -4.0 (+2.0 → -2.0)
■ Inventory Valuation etc.	+ 3.0	
■ Others	- 28.9	<ul style="list-style-type: none"> • Increase in profit of subsidiary companies • Increase in loss of asset disposal etc.
Total	- 4.9	

Segment profit forecast for 4Q of FY2019 is -11.3 billion yen, decreasing by 4.9 billion yen from 3Q of FY2019.

◆ Cost: +10.0 billion yen

Cost effects of investments in West Japan works etc.

◆ Sales Volume and Mix: +10.0 billion yen

Crude steel production is estimated to recover in 4Q as a result of the rebound of steel price in overseas market.

- Crude steel (Standalone) +0.73Mt (6.24 ⇒ 6.97Mt)
- Shipment (Standalone) +0.83Mt (5.59 ⇒ 6.42Mt)

◆ Sales Prices and Raw materials (Metal spread): +1.0 billion yen (+160 yen/t-shipment)

Metal spread is expected to improve due to the drop in iron ore price and the recovery of the steel price in the overseas market.

◆ Inventory valuation etc.: +3.0 billion yen





◆ Others: -28.9 billion yen

- Decrease in profit of subsidiary companies
- Increase in loss of disposal asset etc.



Links to the reports published during FY2019

JFE

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



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