



JFE

JFE Group

**Financial Results for First Quarter of
Fiscal Year 2021 ending March 31, 2022**

JFE Holdings, Inc.

August 12, 2021

A table of contents

- **JFE Holdings' Financial Results for First Quarter of Fiscal Year 2021 (April 1 to June 30, 2021)**
- **JFE Holdings' Financial Forecasts for Fiscal Year 2021 (April 1, 2021, to March 31, 2022)**
- **Dividends**
- **Financial Results for First Quarter of Fiscal Year 2021 and Financial Forecast for Fiscal Year 2021 by Segment**
- **Topics (ESG Initiatives etc.)**

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 for First
Quarter of Fiscal Year 2021
(April 1 to June 30, 2021)**

Financial Results for First Quarter of Fiscal Year 2021



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- Global economy has continued to recover since 2H of FY2020.
- Strong demand for steel and market prices amid the improved global economic trends led to a significant increase in profit, particularly in the steel business.

(billion yen)	FY2020 1Q (Apr-Jun)	FY2021 1Q (Apr-Jun)	Change
Revenue	743.9	888.9	145.0
Business Profit	(47.2)	88.3	135.5
Finance Income/costs	(3.2)	(2.9)	0.3
Segment Profit	(50.4)	85.4	135.8
Exceptional Items	–	–	0.0
Profit before Tax	(50.4)	85.4	135.8
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	11.2	(23.4)	(34.6)
Profit Attributable to Owners of Parent	(39.1)	61.9	101.0

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 for First Quarter of Fiscal Year 2021 (by Segment)

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(billion yen)	FY2020 1Q (Apr-Jun)	FY2021 1Q (Apr-Jun)	Change
Revenue			
Steel Business	508.7	638.5	129.8
Engineering Business	105.0	103.0	(2.0)
Trading Business	238.0	261.6	23.6
Adjustments	(107.9)	(114.2)	(6.3)
Total	743.9	888.9	145.0
Business Profit (A)	(47.2)	88.3	135.5
Finance Income/Costs (B)	(3.2)	(2.9)	0.3
Segment Profit			
Steel Business	(57.8)	69.7	127.5
Engineering Business	1.5	4.2	2.7
Trading Business	4.4	11.5	7.1
Adjustments	1.3	(0.0)	(1.3)
Total (A+B)	(50.4)	85.4	135.8

**Consolidated Financial Forecast
for Fiscal Year 2021
(April 1, 2020 to March 31, 2022)**



Financial Forecast for Fiscal Year 2021

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- Business profit in 1H is expected to get into a significant surplus of 195.0 billion yen mainly caused by demand recovery and market price increase in the steel business.
- Full-year business profit is expected to be 350.0 billion yen, increased by 362.9 billion yen year-on-year, due to recovery of steel demand and market price increase amid improved global economic trends.

(billion yen)	FY2020		FY2021(Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	1,492.2	32,272	1,970.0	4,170.0	477.8	942.8
Business Profit	(114.3)	(12.9)	195.0	350.0	309.3	362.9
Finance Income/costs	(6.4)	(12.4)	(5.0)	(10.0)	1.4	2.4
Segment Profit	(120.7)	(25.4)	190.0	340.0	310.7	365.4
Exceptional Items	–	20.4	–	–	0.0	(20.4)
Profit before Tax	(120.7)	(4.9)	190.0	340.0	310.7	344.9
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	15.0	(16.9)	(60.0)	(100.0)	(75.0)	(83.1)
Profit Attributable to Owners of Parent	(105.7)	(21.8)	130.0	240.0	235.7	261.8



Financial Forecast for Fiscal Year 2021 (by Segment)

JFE

(billion yen)	FY2020 Actual		FY2021 Forecast		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue						
Steel Business	1,027.2	2,255.2	1,450.0	3,130.0	422.8	874.8
Engineering Business	221.9	485.7	240.0	520.0	18.1	34.3
Trading Business	451.7	932.5	560.0	1,150.0	108.3	217.5
Adjustments	(208.6)	(446.1)	(280.0)	(630.0)	(71.4)	(183.9)
Total	1,492.2	3,227.2	1,970.0	4,170.0	477.8	942.8
Business Profit (A)	(114.3)	(12.9)	195.0	350.0	309.3	362.9
Finance Income/Costs (B)	(6.4)	(12.4)	(5.0)	(10.0)	1.4	2.4
Segment Profit						
Steel Business	(136.2)	(65.4)	160.0	280.0	296.2	345.4
Engineering Business	8.7	24.0	10.0	25.0	1.3	1.0
Trading Business	7.2	20.0	23.0	38.0	15.8	18.0
Adjustments	(0.4)	(4.1)	(3.0)	(3.0)	(2.6)	1.1
Total (A+B)	(120.7)	(25.4)	190.0	340.0	310.7	365.4

Financial Forecast for Fiscal Year 2021 vs. Previous Forecast



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Business profit is expected to be 350 billion yen, increased by 150 billion yen from the previous forecast.

(billion yen)	Previous Forecast (A)	Updated Forecast (B)	Change (B-A)
Revenue	3,930	4,170	240
Business Profit	200	350	150
Steel Business	140	280	140
Engineering Business	25	25	0
Trading Business	27	38	11
Segment Profit (including Adjustment)	190	340	150
Profit Attributable to Owner of Parent	130	240	110

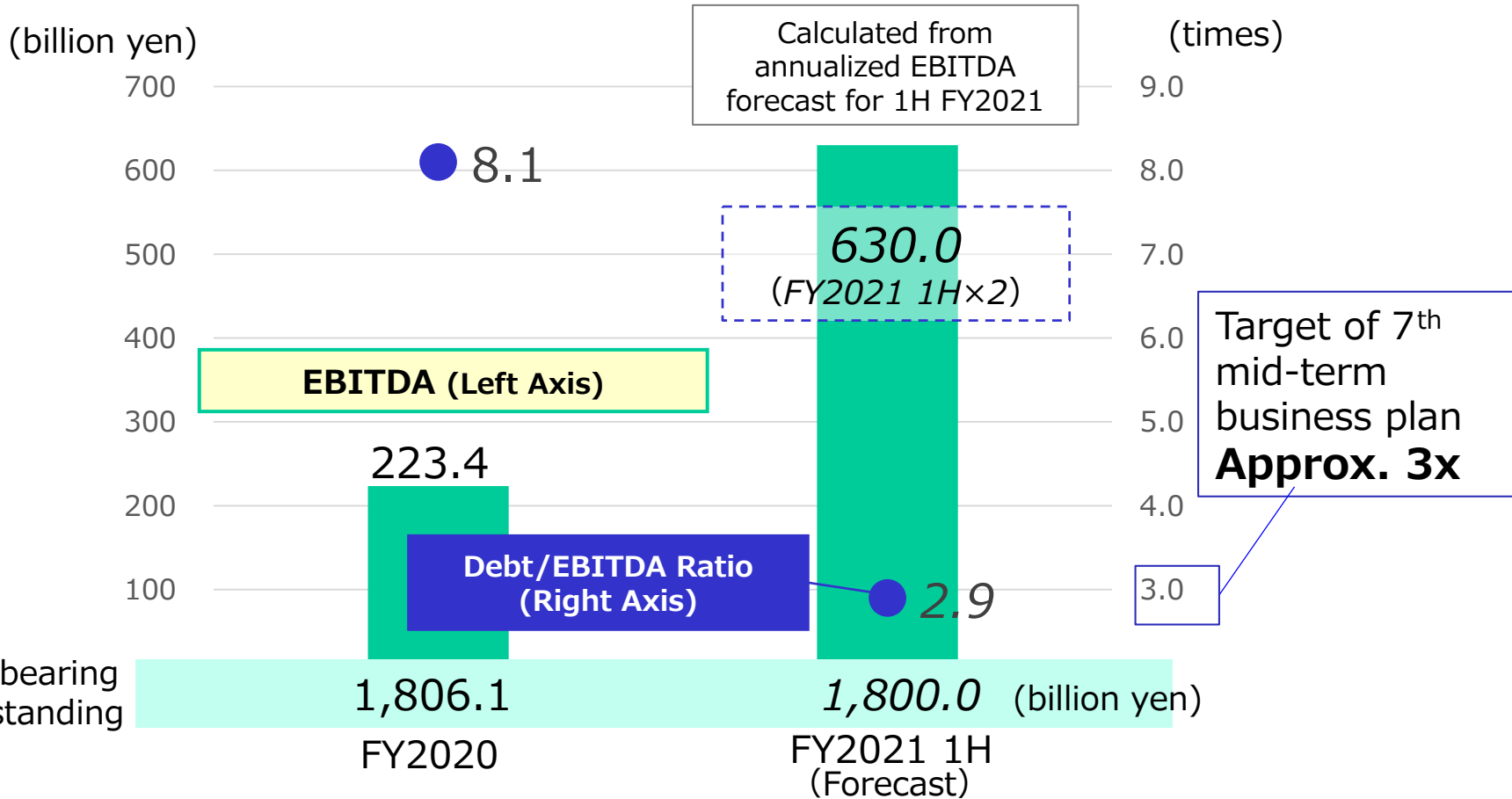
Business profit is profit before tax excluding financial income and one-time items of a materially significant value. Segment profit is profit including financial income in business profit.



Debt/EBITDA Ratio

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Debt/EBITDA ratio in 1H of FY2021 (2.9x) is expected to be on par with the target of 7th mid-term business plan.



- EBITDA = Business profit + Depreciation and Amortization
- Debt/EBITDA Ratio = Interest-bearing debt outstanding / EBITDA

Dividends



Dividends

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JFE Holdings has decided to pay an interim dividend of 60 yen per share at its Board of Directors.

A decision regarding the year-end dividend has been postponed while the company carefully monitors its ongoing performance.

JFE Steel

Financial Results for First Quarter of Fiscal Year 2021 and Financial Forecast for Fiscal Year 2021

Financial Results for First Quarter of Fiscal Year 2021

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	Unit	FY2020					FY2021
		1Q	2Q	3Q	4Q	Full Year	1Q
Revenue	billion yen	508.7	518.6	580.2	647.6	2,255.2	638.5
Segment Profit	billion yen	(57.8)	(78.4)	34.3	36.4	(65.4)	69.7
Excluding Inventory Valuation etc.*	billion yen	(34.8)	(33.4)	14.3	22.4	(31.4)	25.7
Crude Steel (Standalone)	Mt	4.79	5.38	6.27	6.32	22.76	6.25
Crude Steel (Consolidated)	Mt	5.09	5.68	6.59	6.60	23.96	6.59
Shipment (Standalone)	Mt	4.59	4.75	5.42	5.72	20.49	5.26
Export Ratio on Value Basis (Standalone)	%	44.2	40.2	40.3	44.3	42.3	43.2
Average Sales Price (Standalone)	000 yen/ t	75.3	71.0	73.4	78.8	74.8	87.6
Exchange Rate	¥/\$	107.7	105.9	104.8	104.7	105.8	109.8
Exchange Rate (End of Term)	¥/\$	107.7	105.8	103.5	110.7	110.7	110.6

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

127.5 Billion Yen Increase in JFE Steel's Segment Profit (FY2020.1Q (Actual) vs. FY2021.1Q (Actual))

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JFE Steel	FY2020					FY2021	Change FY2020.1Q → FY2021.1Q
	1Q	2Q	3Q	4Q	Full Year	1Q	
Segment Profit	(57.8)	(78.4)	34.3	36.4	(65.4)	69.7	+127.5

1. Cost**+15.0**

- Capital investment effect
- Reduction in cost increase due to production decline etc.

2. Volume and Mix**+25.0**

- Production increase amid recovery of steel demand
(Crude steel(Standalone): 4.79⇒6.25Mt +1.47Mt)

3. Sales and Raw materials**(11.0)**

- (-2,100yen/t-shipment)
- Metal spread was deteriorated due to higher iron ore prices, despite improved sales prices.

4. Inventory valuation**+67.0**

- Inventory valuation +49.0 (-21.0→+28.0)
- Carry over of raw materials +15.0 (±0.0→+15.0)
- Foreign exchange valuation +3.0(-2.0→+1.0)

5. Others**+31.5**

- Increase in profit of domestic and overseas subsidiary companies etc.

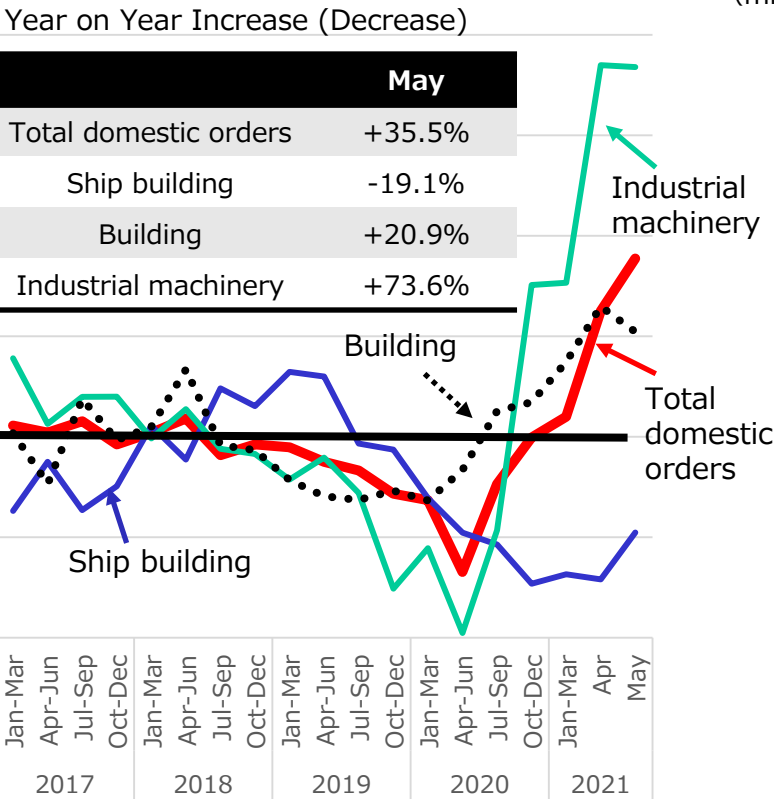


Current Business Environment (Domestic)

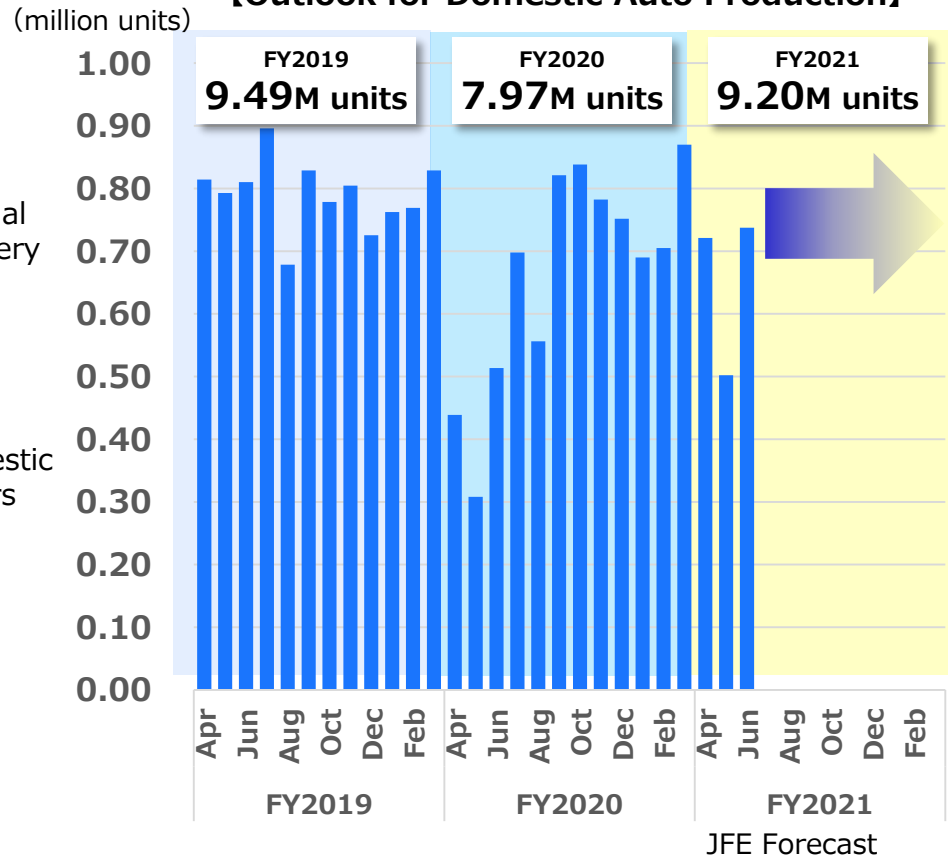
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- Steel demand is expected to **continue to recover as demand mainly in the manufacturing industry remains solid.**
- Ordinary steel orders in May 2021 **increased by 35.5% year on year**, showing a significant recovery trend.
- Domestic automobile production currently decreases due to the semiconductor shortage. Although production is expected to recover after this summer, there are risks of prolonged impacts by a shortage of semiconductor and automobile components, which should carefully be monitored.

【Trend of Ordinary Steel Orders】



【Outlook for Domestic Auto Production】



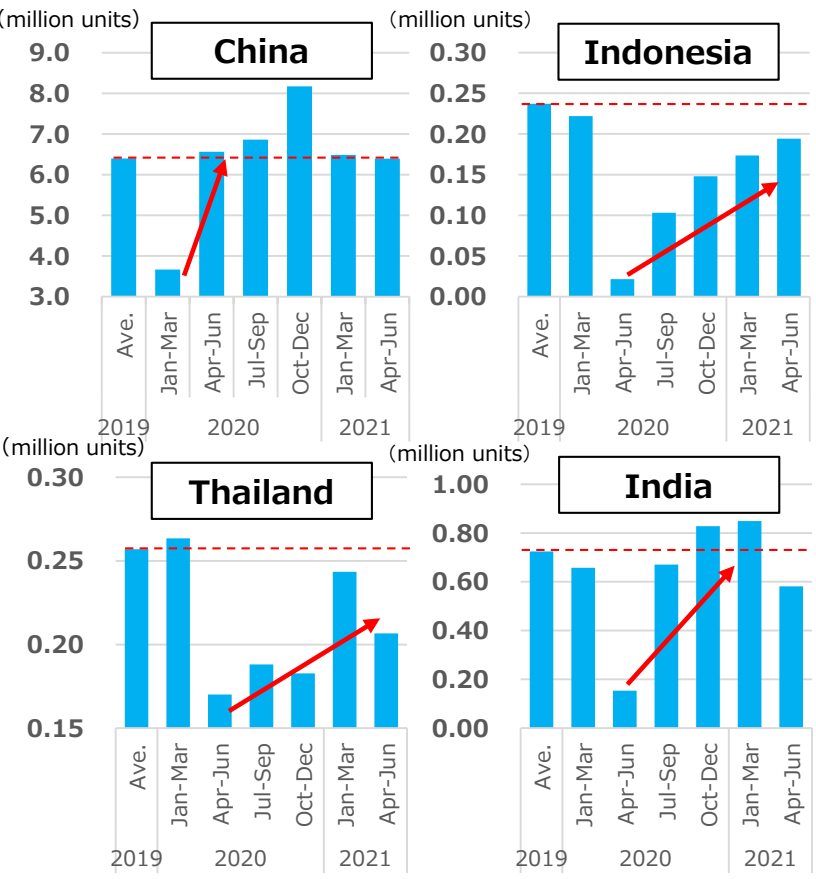
Current Business Environment (Overseas)



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- **Steel demand in most regions is expected to continue to recover.**
- However, it is essential to monitor the impact of re-spread of COVID19 in India and ASEAN.
- Steel supply and demand in the Southeast Asian market are expected to be stable because steel exports from China, India, and Russian mills to Southeast Asia are limited.

【Automobile Sales by Quarter】



【Real GDP Growth Forecast in 2021】
(Arrows indicate changes from the previous forecast)

	World	US	China	India	ASEAN-5
2020 Actual	-3.3%	-3.5%	2.3%	-8.0%	-3.4%
Apr. 2021 Forecast	6.0%	6.4%	8.4%	12.5%	4.9%
Jul. 2021 Forecast	6.0%	7.0% ↗	8.1% ↗	9.5% ↘	4.3% ↘

Source: IMF World Economic Outlook Update March 23, 2021, July 27, 2021
*ASEAN-5 : Thailand, Malaysia, Indonesia, Philippine, and Vietnam

【Steel Export Trend】

	Trend by Country
China	<ul style="list-style-type: none"> Chinese government is vigorously stimulating the domestic demand. Chinese government has decided to reduce crude steel production in 2021, compared to that in 2020, which will maintain the supply-demand balance. China canceled VAT refunds for most of the steel exports. (China announced to cancel VAT refunds for additional steel exports from August 1.)
India Russia	<ul style="list-style-type: none"> Domestic steel demand in each country shows recovery trends due to economic recovery. Export to Southeast Asia is expected to be limited because the production capacity of Indian and Russian mills is directed to the domestic market and exports to other regions such as the EU.



Assumptions for Financial Forecast

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Forecast of crude steel production

- Standalone crude steel production in FY2021 is expected to be **approximately 26.50 Mt.** (1H: less than 13.00Mt. 2H: more than 13.50Mt. Full-year forecast of production volume is the same as the previous forecast.)

Metal Spread

- **Raw material prices**
Raw material prices are expected to **remain at the current high level** due to the strong steel demand.
- **Export steel prices**
The market prices are expected to remain high because **the steel demand** is expected to **continue to recover**, and supply and demand in the Asian market are expected to **keep balanced**.
- **Domestic and overseas metal spread** is expected to **improve by 28.0 billion yen from the previous forecast.**

Metals and Scrap

- Prices of almost all metals are **currently soaring** due to tighter supply and demand.



Initiatives and Progress (1)

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Initiatives to Improve our Sales Price

- The following initiatives enable us to **expand the understanding of our customers in each business field**, and we steadily execute sales price improvement.
- We will **make further efforts** to proceed with the price improvement initiatives as raw material prices continue to rise.

◆ Quick reflection of raw material cost to sales price

Make effort to quickly and steadily pass on the cost increase of raw materials to the sales prices

- Sales contracts linked to raw materials cost change: **Shorten the period of referencing raw material cost reflected in the sales price**
- Sales contracts based on individual negotiation: **Pass on the raw material costs to the sales prices approx. 1 month after deciding the raw material term-contract cost**
- Accelerate **reflection of increased costs of metals and scraps to the sales prices.**

◆ Reduction of price difference between domestic and overseas sales price

Regarding the products which are highly linked to the market price, we have already achieved **sales price increase way over the cost rise of raw materials.**

◆ Overhaul of extra pricing

Already realized some part of extra revision. Accelerate extra overhaul to modify the extra pricing which is inappropriate to the current status.

◆ Sales price improvement to the sustainable level

Improve sales price to the sustainable level even among the long-term/continuous contracts if the margin is not enough.



Initiatives and Progress (2)

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Product-mix enhancement (Shifting focus from quantity to quality)

By steadily proceed with the following initiatives referred in the 7th mid-term business plan, we will **increase the mix of highly value-added products** and **enhance our earning basis**.

- Released on June 16, 2021
Reference : p.31-32

• **Production capacity enhancement of heavy, extra-thick steel plate for offshore wind-power applications**
(Started operation of No.7 continuous casting machine in Kurashiki district in June 2021)
- **Strategies of electrical steel sheet**

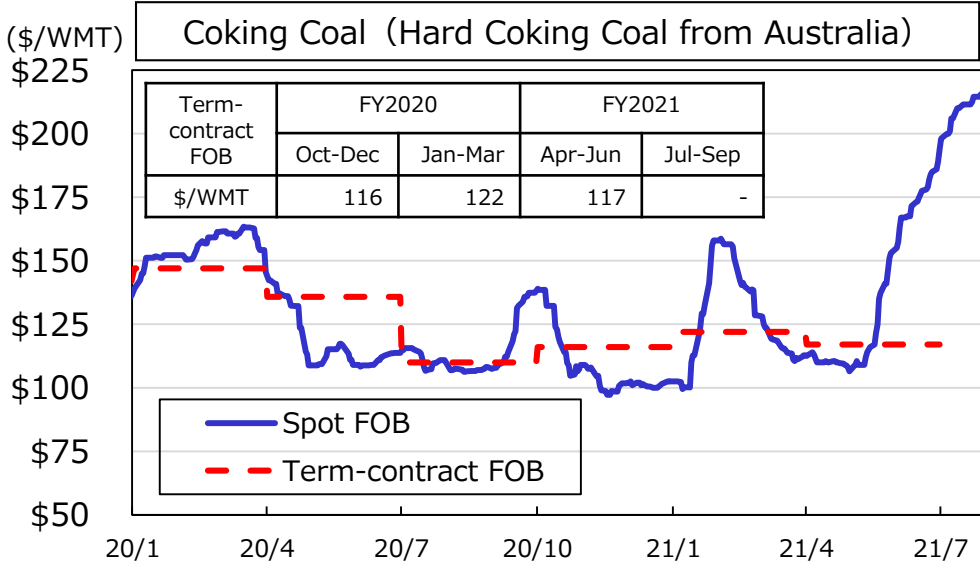
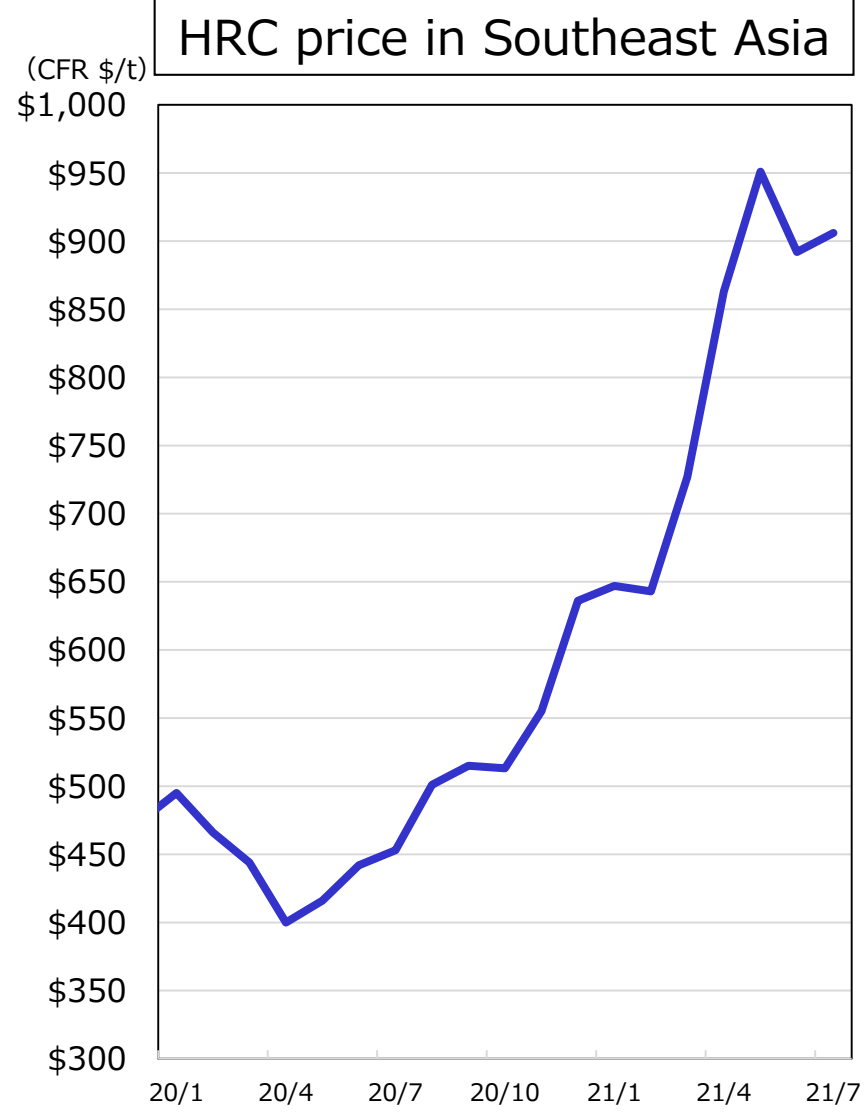
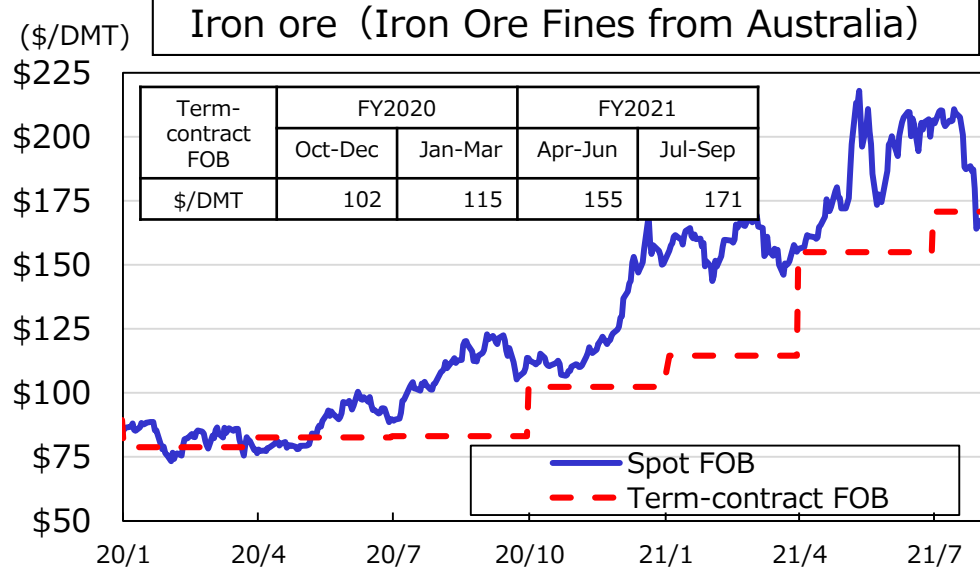
 - Expand production capacity of non-oriented electrical steel sheets (N/O) in Kurashiki district
Released on April 1, 2021
 - Feasibility study of production and sales JV with India's JSW for grain-oriented electrical steel sheets (G/O)
Released on May 7, 2021
- Released on May 6, 2021

• **Developed the world's first hot-continuous-rolling for high-tensile-strength steel sheets**
Greatly contribute to the stable and productive manufacturing of high-tensile steel to capture the growing demand for high-tensile-strength steel sheets.



Assumptions for Financial Forecast (price of raw materials, steel price)

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Financial Forecast for Fiscal Year 2021

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	Unit	FY2020 Full Year	FY2021 Updated Forecast					FY2021 Full Year Previous Forecast
			1Q	2Q	1H	2H	Full year	
Revenue	billion yen	2,255.2	638.5	811.5	1,450.0	1,680.0	3,130.0	
Segment Profit	billion yen	(65.4)	69.7	90.3	160.0	120.0	280.0	140.0
Excluding Inventory Valuation etc.*	billion yen	(31.4)	25.7	49.3	75.0	48.0	123.0	84.0
Crude Steel (Standalone)	Mt	22.76	6.25	Approx. 6.70	Less than 13.00	More than 13.50	Approx. 26.50	Approx. 26.50
Crude Steel (Consolidated)	Mt	23.96	6.59	Approx. 7.00	Less than 13.60			
Shipment (Standalone)	Mt	20.49	5.26	Approx. 6.20	Approx. 11.40			
Export Ratio on Value Basis (Standalone)	%	42.3	43.2	Approx. 50	Approx. 47			
Average Sales Price (Standalone)	000 yen/ t	74.8	87.6	Approx. 100	Approx. 95			
Exchange Rate	¥/\$	105.8	109.8	Approx. 110	Approx. 110	Approx. 110	Approx. 110	Approx. 105

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

140.0 Billion Yen Increase in JFE Steel's Segment Profit (FY2021 (Previous Forecast) vs. FY2021(Updated Forecast))

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- Although the raw material prices are expected to remain at the current high level for a certain period, the steel prices are expected to increase due to improvement of the export market price and the reflection of raw material prices to the domestic steel price. As a result, the metal spread is expected to improve.
- Compared with the previous forecast, the segment profit is expected to improve mainly because of the inventory valuation, etc.

JFE Steel	FY2021 Previous Forecast	FY2021 Updated Forecast	Change (billion yen)
Segment Profit	140.0	280.0	+140.0

1. Cost	±0.0	(Year-on-year cost reduction to be 30.0 billion yen)
2. Volume and Mix	±0.0	• Crude steel (Standalone) Approx. 26.50Mt
3. Sales and Raw materials	+28.0	(+1,200yen/t-shipment) • Although raw material price is expected to continue to be at a recent high level, the spread is expected to improve due to the rising steel price.
4. Inventory valuation	+101.0	• Inventory valuation +75.0 (+39.0→+114.0) • Carry over of raw materials +25.0 (+17.0→+42.0) • Foreign exchange valuation +1.0 (±0.0→+1.0)
5. Others	+11.0	• Increase in profit of domestic and overseas subsidiary companies • Rising in price of scrap and metals etc.

345.4 Billion Yen Increase in JFE Steel's Segment Profit (FY2020 (Actual) vs. FY2021 (Forecast))

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- The steel demand is expected to recover significantly from FY2020, which was greatly affected by COVID-19.
- Segment profit is expected to improve significantly from FY2020 due to the increase in steel price in overseas market and production volume as well as the increase in profit of domestic and overseas subsidiary companies.

JFE Steel	FY2020 Actual	FY2021 Forecast	Change (billion yen)
Segment Profit	(65.4)	280.0	+345.4
1. Cost	+30.0	• Capital investment effect etc.	
2. Volume and Mix	+70.0	• Production increase amid recovery of steel demand (Crude steel(Standalone) 22.76 ⇒ approx. 26.50Mt)	
3. Sales and Raw materials	+43.0	(+1,800yen/t-shipment) • Although raw material price is expected to continue to be at a recent high level, the spread is expected to improve due to the rising steel price	
4. Inventory valuation	+191.0	• Inventory valuation +151.0 (-37.0⇒+114.0) • Carry over of raw materials +39.0 (+3.0⇒+42.0) • Foreign exchange valuation +1.0 (±0.0⇒+1.0)	
5. Others	+11.4	• Increase in profit of domestic and overseas subsidiary companies. • Rising in price of scrap and metals etc.	

40.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY2021.1H vs. FY2021.2H)

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- Crude steel production is expected to increase in 2H and cost reductions are also expected to improve.
- Raw materials and other material costs are expected to rise because the supply-demand balance will remain tight.
- Segment profit for 2H is expected to decrease from 1H.

JFE Steel	FY2021 Forecast			Change (billion yen)
	1H	2H	Full Year	
Segment Profit	160.0	120.0	280.0	(40.0)

1. Cost	+15.0	<ul style="list-style-type: none"> • Capital investment effect etc. • Variable cost and repairing cost reduction etc.
2. Volume and Mix	+13.0	<ul style="list-style-type: none"> • Steel demand is expected to recover gradually amid domestic and overseas economic recovery. • Increase in production volume due to completion of the refit of Kurashiki No.4 BF (Crude steel (standalone) Less than 13.00Mt⇒More than 13.50Mt)
3. Sales and Raw materials	±0.0	<ul style="list-style-type: none"> • Although raw material price is expected to remain at a recent high level, further steel price improvement is expected to be promoted in the 2H.
4. Inventory valuation	(13.0)	<ul style="list-style-type: none"> • Inventory valuation +6.0 (+54.0→+60.0) • Carry over of raw materials -18.0 (+30.0→+12.0) • Foreign exchange valuation -1.0(+1.0→±0.0)
5. Others	(55.0)	<ul style="list-style-type: none"> • Profit of overseas subsidiary companies in 1H is higher than 2H. • Depreciation and company expenses • Rising in price of scrap and metals etc.

JFE Engineering Financial Forecast for Fiscal Year 2021



Financial Forecast for Fiscal Year 2021

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Current Business Environment/ Overview of Financial Status

- Domestic demand both in the environment & energy sector and infrastructure sector is expected to remain solid.
- Regarding the overseas market, demand in Europe is expected to remain solid
- Due to an increase in revenue from M&A, etc., we expect stable segment profit for the full fiscal year, exceeding the results of the previous fiscal year.

Financial Forecast

(billion yen)	FY2020(Actual)		FY2021(Forecast)		Change (Y on Y)		Previous Forecast (Full Year)
	1H	Full Year	1H	Full Year	1H	Full Year	
Orders	298.9	501.1	300.0	550.0	1.1	48.9	550.0
Revenue	221.9	485.7	240.0	520.0	18.1	34.3	
Segment Profit	8.7	24.0	10.0	25.0	1.3	1.0	25.0

Compared to FY2020

<Full Year>

- Orders +48.9 M&A*, increase in large-scale orders in carbon neutral area
- Revenue +34.3 Increase in orders in previous year, increase from M&A
- Segment profit +1.0 Increase in revenue

*Completed acquisition of shares of Mitsui E&S Environment Engineering Company, Limited in April 1, 2021.
New company is named JFE Environment Technology Co., Ltd

JFE Shoji
Financial Forecast
for Fiscal Year 2021



Financial Forecast for Fiscal Year 2021

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Current Business Environment/ Overview of Financial Status

- In 1H, segment profit is expected to significantly increase due to rapid rise in steel market price, in addition to the demand recovery from the impact of the spread of COVID-19 both in domestic and overseas markets.
- In 2H, the metal spread is expected to shrink to the normal level because of the rise in procurement cost, while the steel market price is expected to remain on par with that in 1H.
- Segment profit is expected to increase by ¥18 billion year-on-year to ¥38 billion.

	FY2020 (Actual)		FY2021(Forecast)		Change (Y on Y)		Previous Forecast
	1H	Full Year	1H	Full Year	1H	Full Year	
(billion yen)							Full Year
Revenue	451.7	932.5	560.0	1,150.0	108.3	217.5	
Segment	7.2	20.0	23.0	38.0	15.8	18.0	27.0

Compared to FY2020

<Full Year>

- Segment Profit +18.0 Expansion of metal spread due to demand recovery and sharp rise in steel price both in domestic and overseas market.
Significant profit increase in domestic affiliated companies manufacturing steel sheets and overseas affiliated companies mainly in US

Compared to the previous forecast

<Full Year>

- Segment Profit +11.0 Expansion of metal spread due to increase in steel market price in 1H etc.

Topics (ESG Initiatives etc.)

Commercialization of manufacturing foundation structures for offshore wind-power machines



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- JFE Engineering has decided to invest in establishing a new plant for monopile foundation structure of offshore windmills.
- Total capital investment is estimated around 40 billion yen, which is both for a new monopile plant in Okayama prefecture and a transition piece assembly plant in Mie prefecture. (A monopile plant is planned to be built in the part of the JFE Steel Fukuyama district in West Japan Works.)
- By quickly establishing a manufacturing basis of monopiles and embarking on Jacket-style foundation as well, JFE Engineering will provide a full lineup of sea-bed fixed foundation structures. It will capture the demand for offshore wind-power mill construction, which will eventually contribute to realizing Carbon Neutrality.

ST: West Japan

ST: Kurashiki District



To manufacture

large-size steel plates

EN: New Plant
(inside JFE-ST
Fukuyama district)



To manufacture
MP and
semi-product of TP

EN: Tsu Works
(Tsu city, Mie)



TP Assembly
(to install secondary parts
and internal equipment)

Construction site of
offshore wind turbines

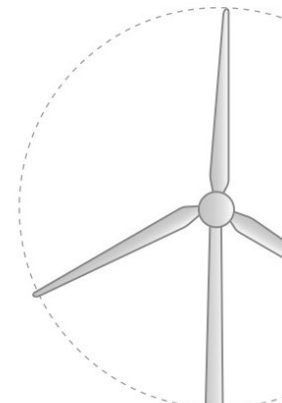
Transition pieces
(pipes connecting
to wind turbine tower)



Monopiles
(a support for wind turbine tower)

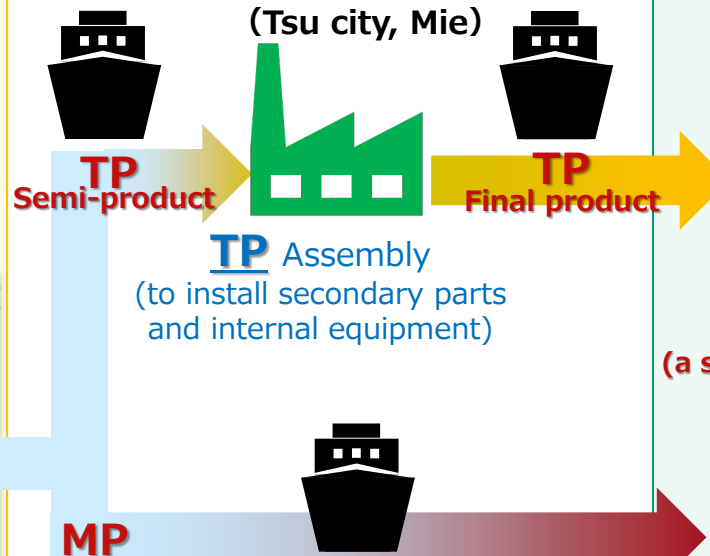


Main machine
(Sea-bed fixed)



Transition Piece
30m

Monopile
80m



※MP: Monopile TP : Transition Piece



Started Operation of Upstream Large-Scale Facilities in West Japan Works

- JFE Steel started the operation of two upstream facilities in West Japan Works, which are for strengthening its domestic manufacturing.
- A new continuous casting machine can provide [a large amount of high-quality large-size steel plates for offshore wind-power generation.](#)

1. Kurashiki No.7 Continuous Casting Machine

- High-efficiency casting of large cross-sectional slabs
- Combined with a plate mill in Kurashiki district, JFE can provide world-class large-size steel plates

Start of Operation : June 2021

Production Capacity : 2 million tons / year

Investment : 53.0 billion yen

Products : Plates and Sheets

Plates are to be provided to the new monopile plant which will be built in JFE Steel's Fukuyama district.



2. Fukuyama Battery B No.3 Coke Oven

- Higher efficiency of coke production
- Realization of eco-friendly operation with no dust generation and low NOx emissions

Start of Operation : June 2021

Production Capacity : Approx. 360,000 tons/year

Investment : 14 billion yen



Included in the World's Leading ESG Investment Indices



JFE

Included in leading ESG investment indices, “**FTSE4Good Index Series**”^{*} and “**FTSE Blossom Japan Index**”^{**} for the second consecutive year

Released on 8th July 2021



FTSE4Good

*FTSE4Good Index Series

<https://www.ftserussell.com/ja/products/indices/ftse4good>

The index is developed by FTSE Russell, a member of London Stock Exchange Group, and selects companies demonstrating strong Environmental, Social and Governance (ESG) practices. It's used by a wide variety of market participants when creating or assessing sustainable investment products.



FTSE Blossom
Japan

**FTSE Blossom Japan Index

<https://www.ftserussell.com/ja/products/indices/blossom-japan>

The index is developed by FTSE Russell, and selects Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices.

Of the various ESG investment indices used by the world's largest pension fund, Japan's Government Pension Investment Fund (GPIF), JFE Holdings is a constituent of three, namely, the **FTSE Blossom Japan Index**, the **MSCI Japan Empowering Women Index (WIN)**, and the **S&P/JPX Carbon Efficient Index**.

JFE contributes to the development of sustainable society by continuously promoting initiatives to address ESG issues such as climate change, safety, and compliance, etc., being committed to achieving sustainable business growth.



External Recognition regarding DX

JFE

JFE Group has been selected as **“DX Stock 2021”** for the 7th consecutive year

Released on June 8th, 2021



DX銘柄2021
Digital Transformation

- JFE Group has been selected as a company which competitively promotes digital transformation strategies for 7th consecutive year.
- Competitive IT Strategy Company Stock Selection has been changed to DX Stock Selection with a focus on digital transformation (DX) to realize new growth and enhance competitive strength by fundamentally transforming business models based on digital technology.

JFE Steel was awarded as second prize of **“IT Japan Award 2021”**

Released on June 8th, 2021



- JFE Steel was awarded as second prize of “IT Japan Award 2021” held by Nikkei Computer, evaluated well for **“Cyber-Physical System used in Blast Furnace”** and **“J-mAIster[®]”***
- *J-mAIster is the system to support recovery from control failures.

JFE promotes DX initiatives in every business area such as advancing productivity through innovation, transforming existing businesses and creating new businesses.

Appendix



Main Financial Data

JFE

J-GAAP

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

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.

IFRS

(Forecast)

	FY18	FY19	FY20	1H FY21
(bn. Yen, times)				
Business profit	232.0	37.8	-12.9	195.0
EBITDA *1	428.2	269.4	223.4	315.0
ROS *2	6.0%	1.0%	-0.4%	9.9%
ROE *3	8.6%	-11.1%	-1.3%	14.8%
ROA *4	5.0%	0.8%	-0.3%	8.3%
Interest-bearing debt outstanding	1,524	1,814	1,806	1,800
Debt/EBITDA multiple	x3.6	x6.7	x8.1	x2.9
D/E Ratio *6	68.2%	96.4%	93.2%	84.4%
Profit attributable to owners of parent (yen/share)				
	283.8	-343.4	-38.0	225.8
Dividend (yen/share)	95	20	10	60
Pay-out Ratio	33.5%	—	—	26.6%



20.6 Billion Yen Increase in JFE Steel's Segment Profit (FY2021.1Q (Actual) vs. FY2021.2Q (Forecast))

JFE

JFE Steel	FY2021 Forecast			Change (billion yen)
	1Q(Actual)	2Q(Forecast)	1H	
Segment Profit	69.7	90.3	160.0	+20.6

1. Cost	±0.0	
2. Volume and Mix	+7.0	<ul style="list-style-type: none"> • Production increase because of concentration of maintenance and repairs in Apr-Jun. (Crude steel (Standalone) 6.25Mt⇒ approx. 6.70Mt)
3. Sales and Raw materials	+37.0	(6,000yen/t-shipment) <ul style="list-style-type: none"> • Although raw material prices are expected to increase, the spread is expected to improve due to the improving steel price.
4. Inventory valuation	(3.0)	<ul style="list-style-type: none"> • Inventory valuation -2.0 (+28.0→+26.0) • Carry over of raw materials ±0.0 (+15.0→+15.0) • Foreign exchange valuation -1.0 (+1.0→±0.0)
5. Others	(20.4)	<ul style="list-style-type: none"> • Timing of asset disposals • Rising in price of scrap and metals etc.



296.2 Billion Yen Increase in JFE Steel's Segment Profit (FY2020.1H (Actual) vs. FY2021.1H (Forecast))

JFE

JFE Steel	FY2020 1H(Actual)	FY2021 1H(Forecast)	Change (billion yen)
Segment Profit	(136.2)	160.0	+296.2

1. Cost**+15.0**

- Capital investment effect etc.

2. Volume and Mix**+51.0**

- Production increase amid recovery of steel demand (Crude steel (Standalone)10.17⇒ Less than 13.00Mt)

3. Sales and Raw materials**+31.0**

- (2,700yen/t-shipment)
- Although raw material prices are expected to increase, the spread is expected to improve due to the improving steel price.

4. Inventory valuation**+153.0**

- Inventory valuation +112.0 (-58.0→+54.0)
- Carry over of raw materials +36.0 (-6.0→+30.0)
- Foreign exchange valuation +5.0(-4.0→+1.0)

5. Others**+46.2**

- Increase in profit of domestic and overseas subsidiary companies etc.



89.2 Billion Yen Increase in JFE Steel's Segment Profit (FY2020.2H (Actual) vs. FY2021.1H (Forecast))

JFE

JFE Steel	FY2020 2H(Actual)	FY2021 1H(Forecast)	Change (billion yen)
Segment Profit	70.8	160.0	+89.2

1. Cost**±0.0****2. Volume
and Mix****+5.0**

- Production increase amid recovery of steel demand (Crude steel (Standalone) 12.59Mt⇒Less than 13.00Mt)

**3. Sales and
Raw materials****+12.0**

(1,000yen/t-shipment)

- Although raw material prices are expected to increase, the spread is expected to improve due to the improving steel price.

**4. Inventory
valuation****+51.0**

- Inventory valuation +33.0 (+21.0→+54.0)
- Carry over of raw materials +21.0 (+9.0→+30.0)
- Foreign exchange valuation -3.0(+4.0→+1.0)

5. Others**+21.2**

- Increase in profit of overseas subsidiary companies
- Rising in price of scrap and metals etc.

33.3 Billion Yen Increase in JFE Steel's Segment Profit (FY2020.4Q (Actual) vs. FY2021.1Q (Forecast))

JFE

JFE Steel	FY2020					FY2021 1Q	Change (billion yen)
	1Q	2Q	3Q	4Q	Full Year		
Segment Profit	(57.8)	(78.4)	34.3	36.4	(65.4)	69.7	+33.3

1. Cost**±0.0****2. Volume and Mix****(2.0)**

- Decrease in shipment volume.

3. Sales and Raw materials**(17.0)**

(-3,200yen/t-shipment)

- Metal spread was deteriorated due to higher raw material prices, despite improved steel prices.

4. Inventory valuation**+30.0**

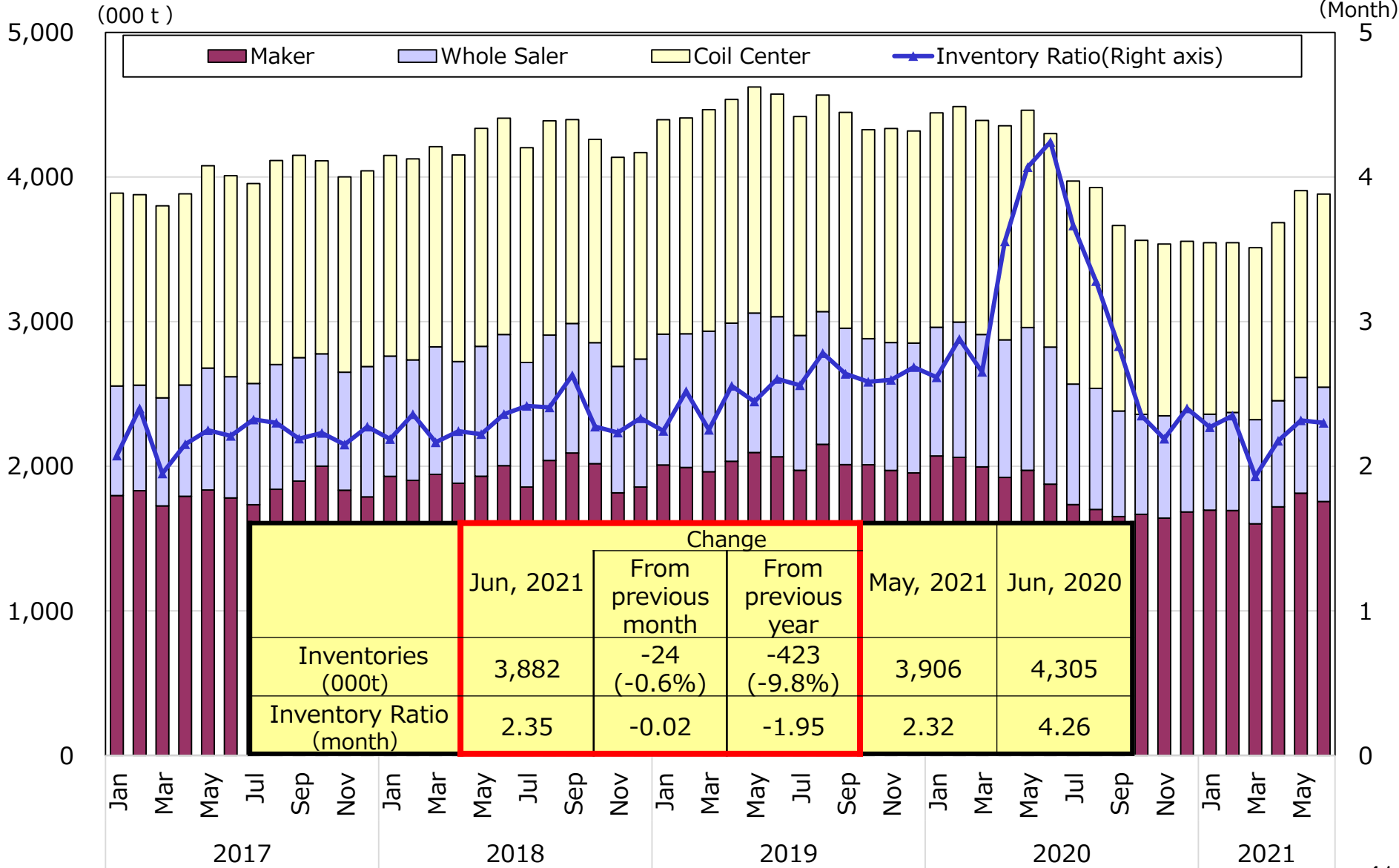
- Inventory valuation +24.0 (+4.0→+28.0)
- Carry over of raw materials +10.0 (+5.0→+15.0)
- Foreign exchange valuation -4.0(+5.0→+1.0)

5. Others**+22.3**

- Increase in profit of overseas subsidiary companies etc.

Domestic Market Environment

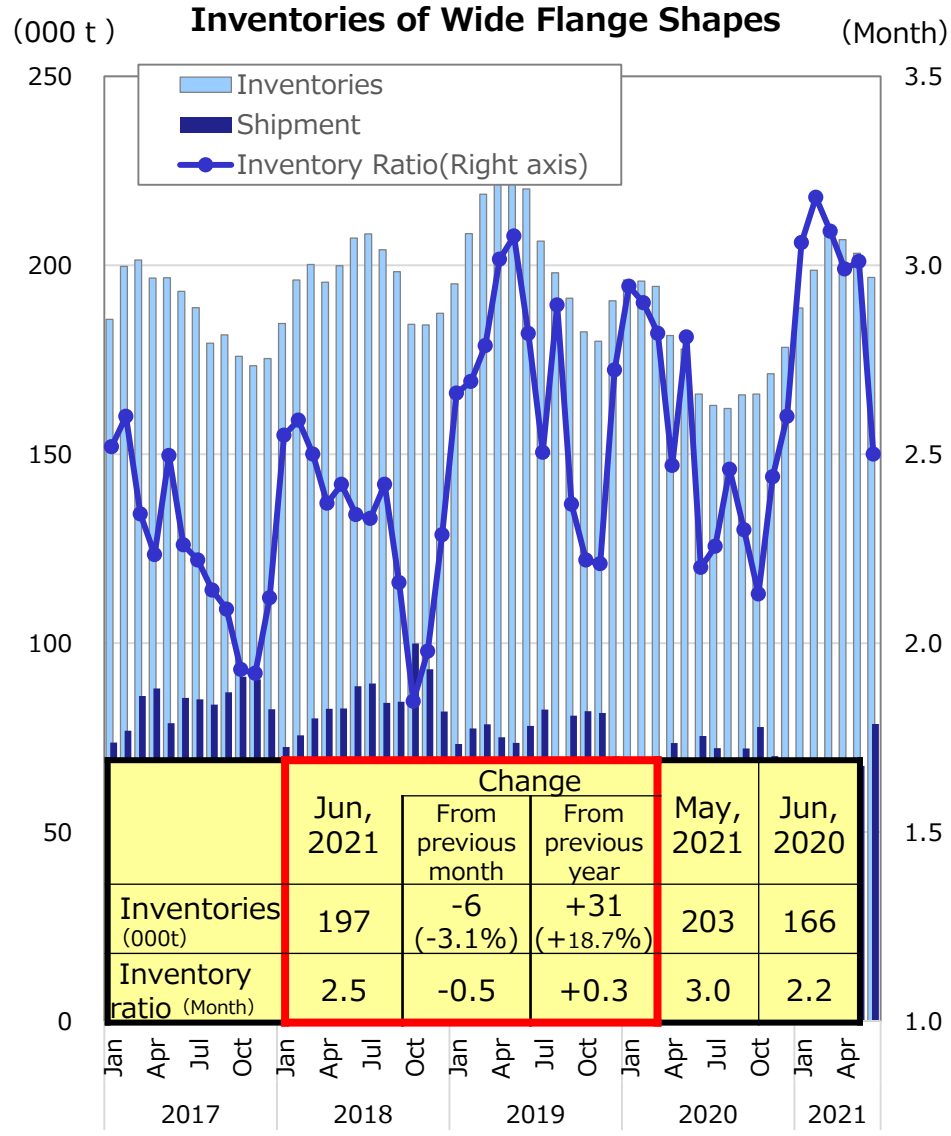
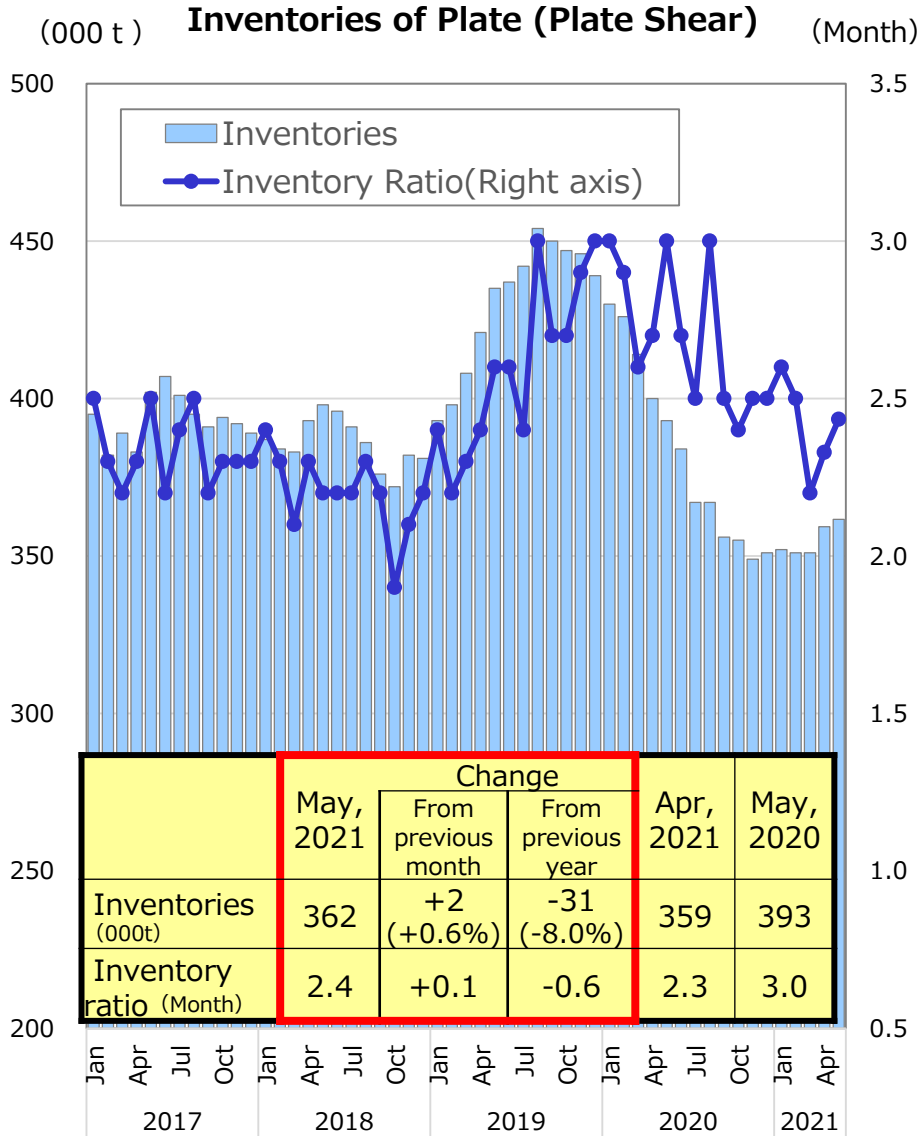
Combined Inventories of HR, CR and Coated Steel Sheet





Domestic Market Environment

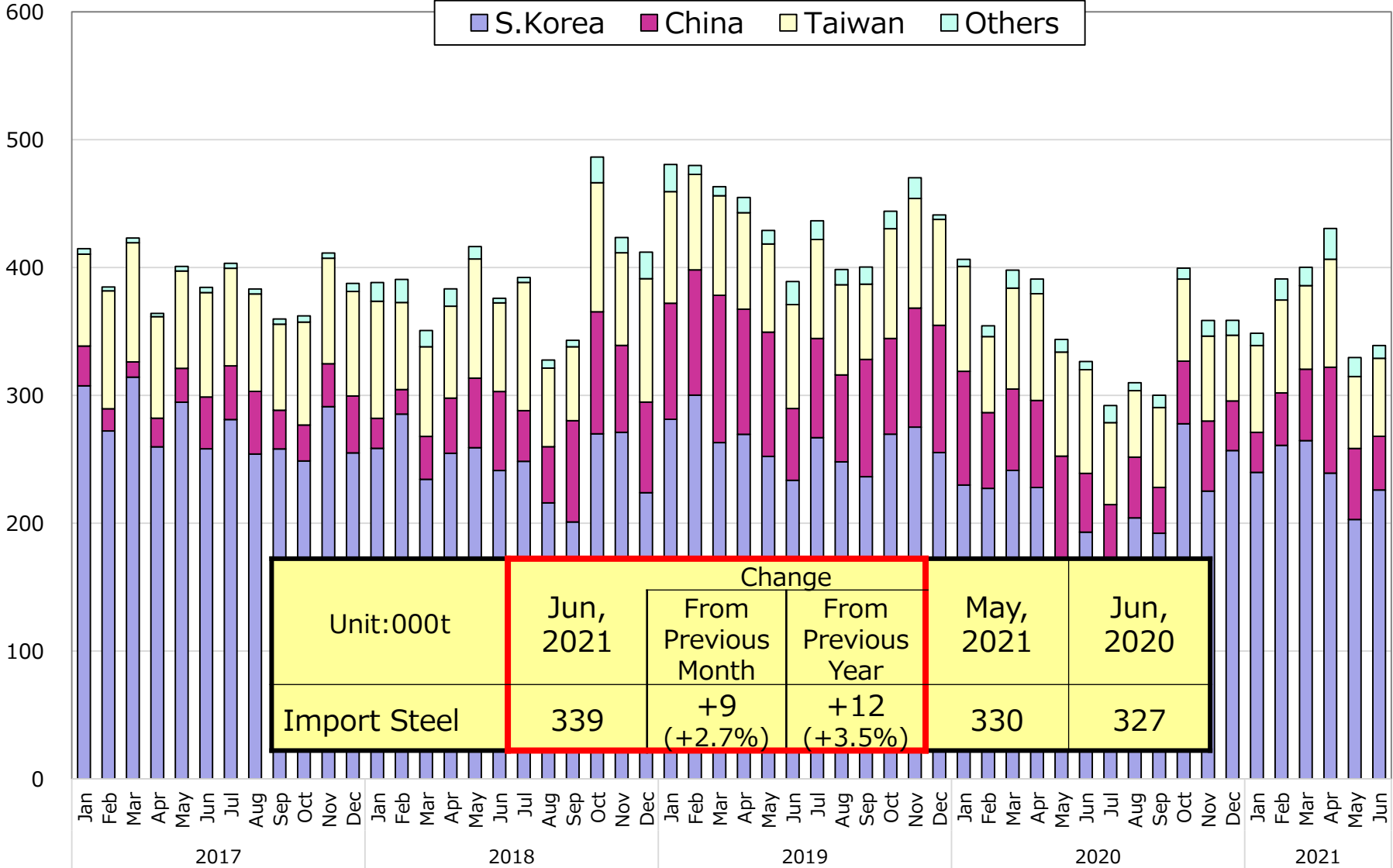
Inventories of Plate (Plate Shear) and Wide Flange Shapes



Domestic Market Environment

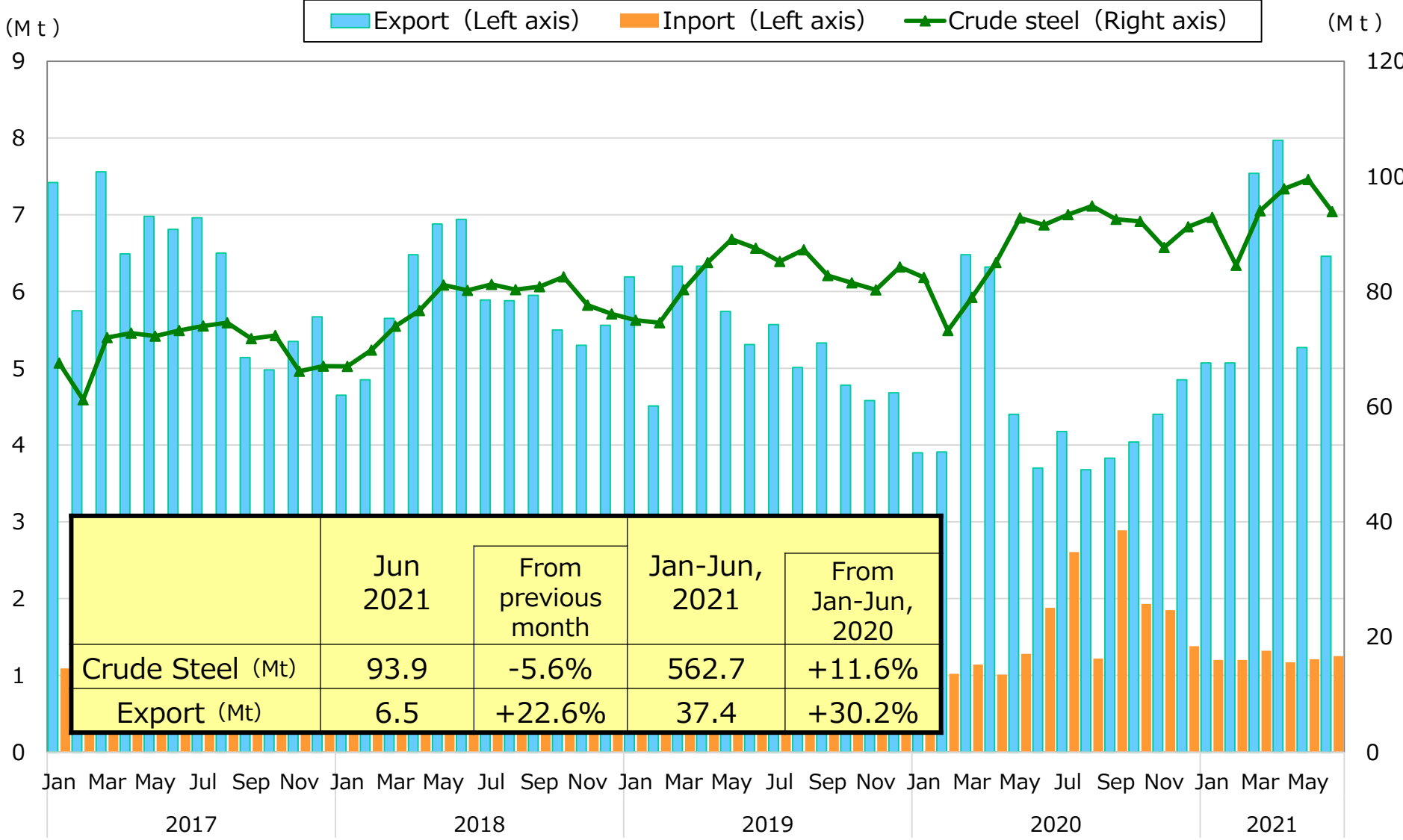
Trend of Import Steel (Ordinary Steel)

JFE
(000 t)



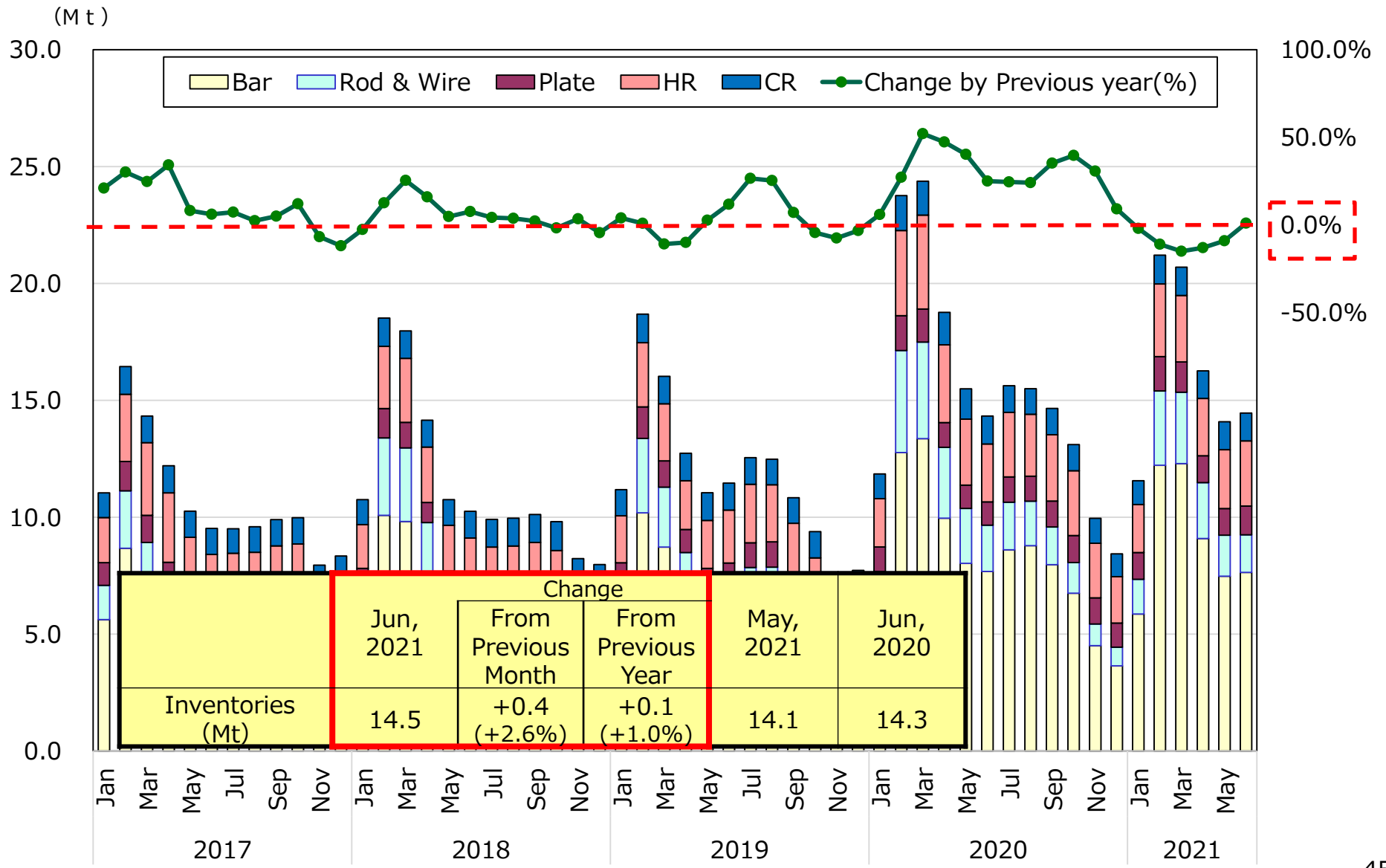
Overseas Market Environment

Crude Steel & Im/Export, China



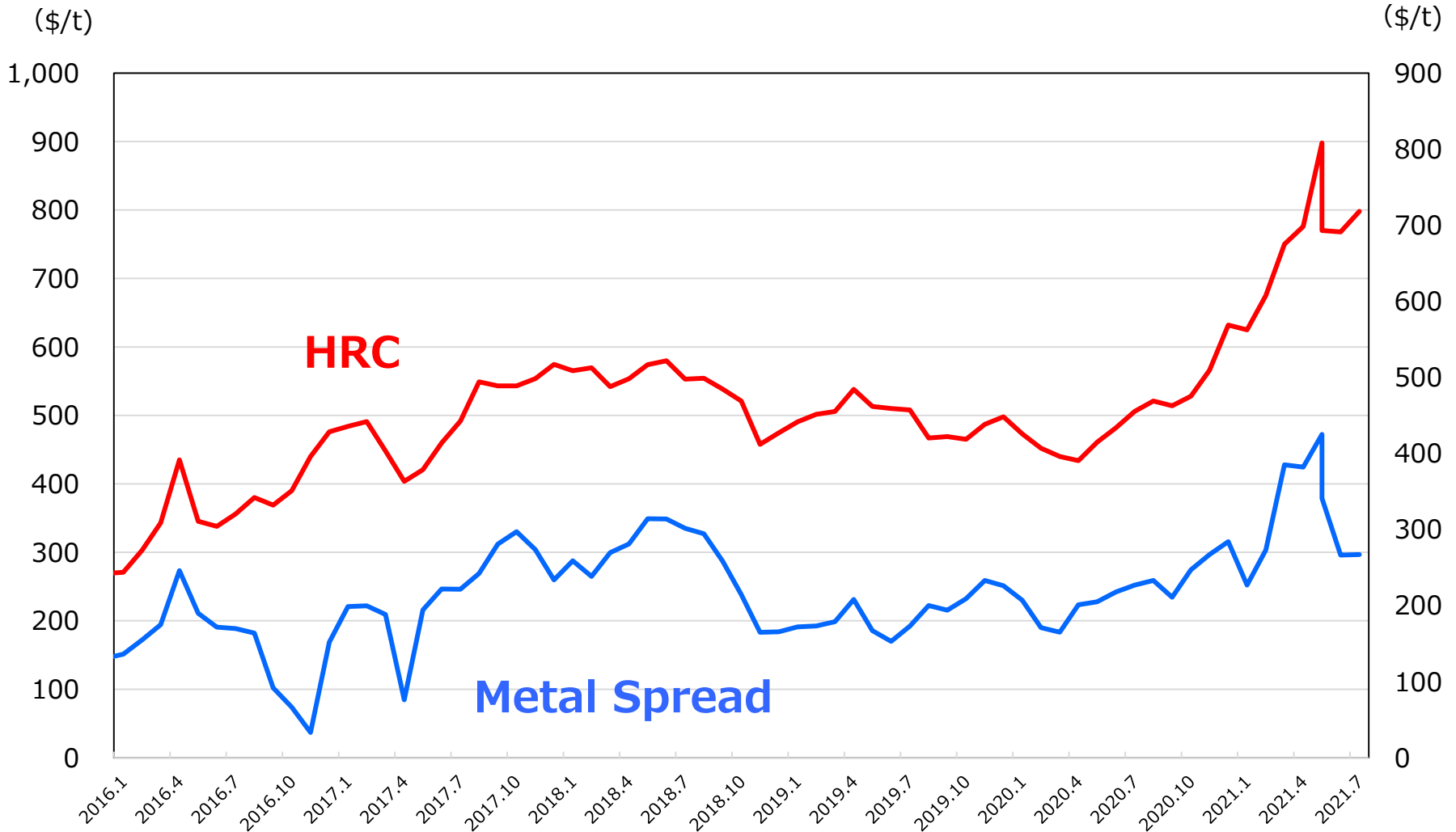
Overseas Market Environment

Inventories in China by Product



Metal Spread Trend (Chinese Spot Basis)

Overseas
Market Environment



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

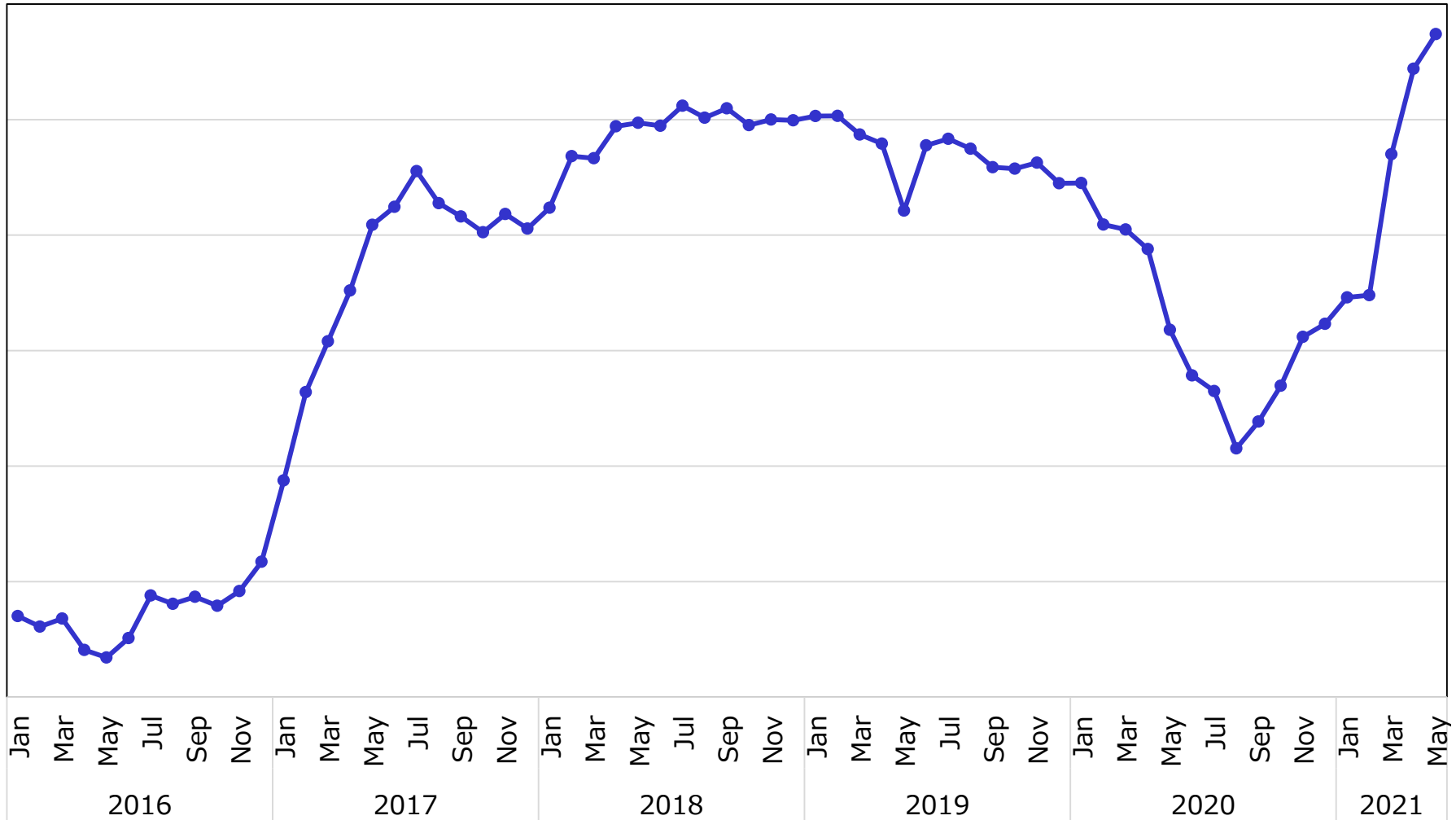


Domestic Market Environment

Price Trend of Import Steel

JFE

(000 yen / t)

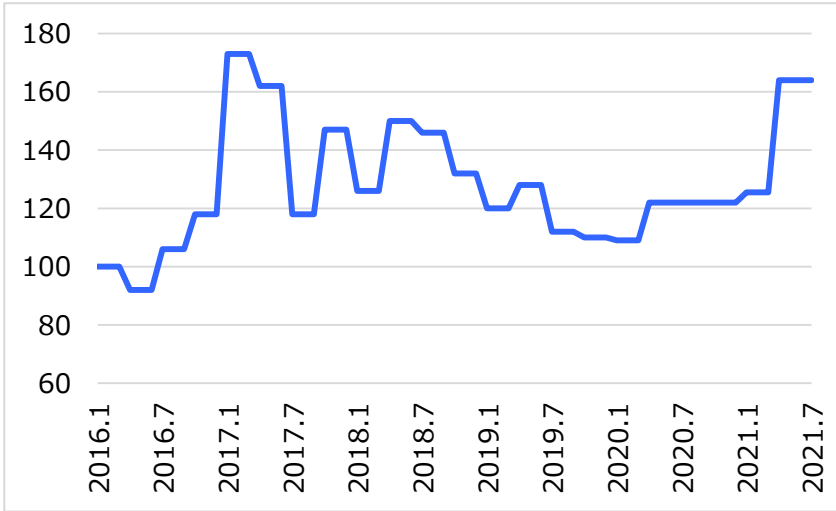


Raw Materials

Trend of Sub Material's Market Price



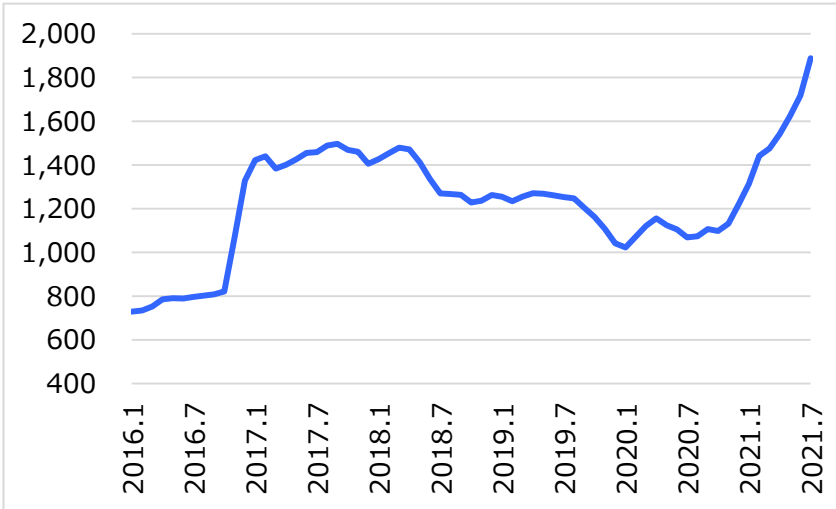
(¢/lb) FeCr



(US\$/t) Zn



(US\$/t) FeMn



(US\$/lb) Mo



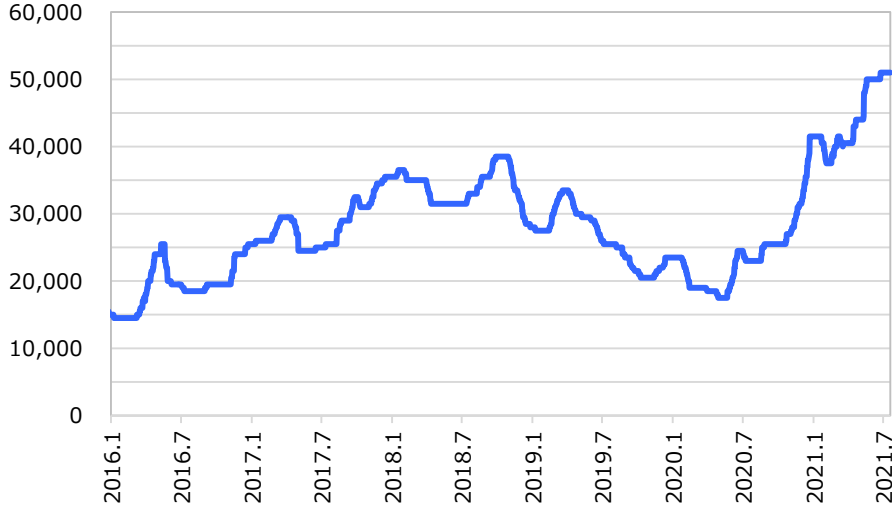


Raw Materials

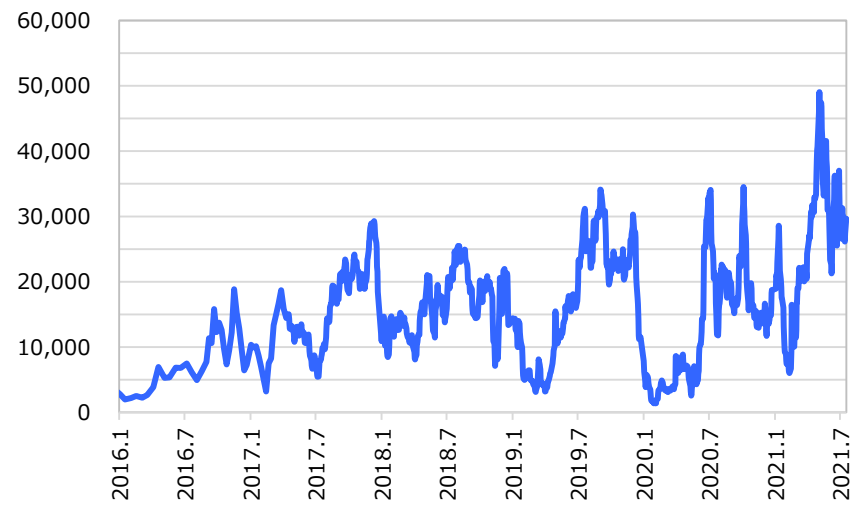
Trend of Sub Material's Market Price

JFE

(yen/ t) Scrap

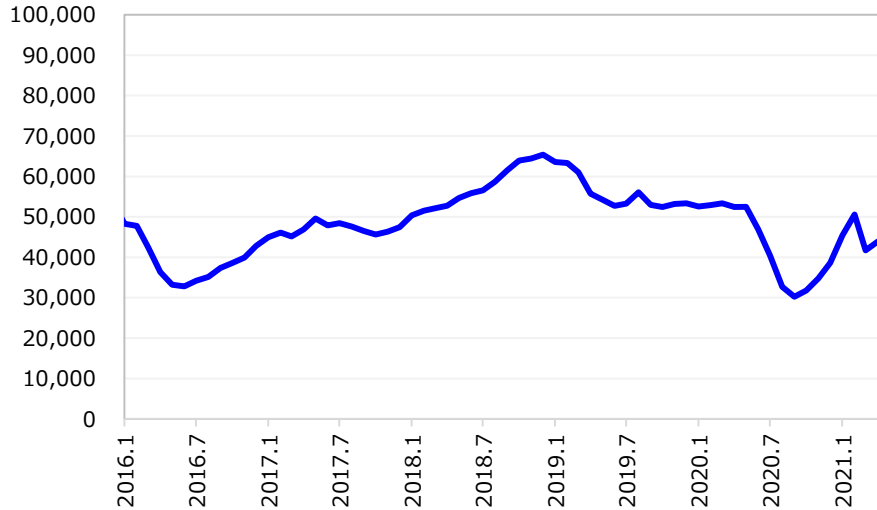


(\$/B) Spot Bulker



(yen/ t)

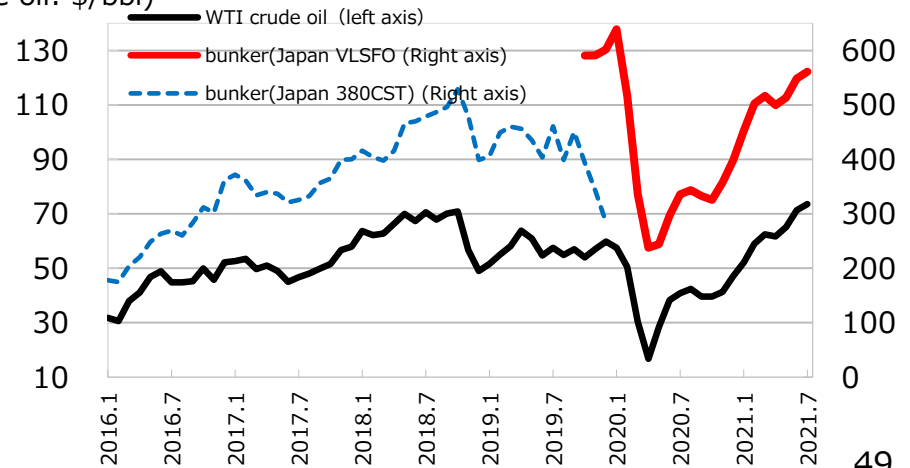
LNG



Oil

(crude oil: \$/bbl)

(bunker oil: \$/t)



Progress of Initiatives of Steel Business

(Structural Reforms and Strategic Investment in Japan)



Facilities			~FY19	FY20	FY21	FY22	FY23~	
Structural Reforms	Keihin District	Upstream Facilities					★ To be shut down (~23.9)	
		Hot rolling Facilities					★ To be shut down (~23.9)	
		Cold-rolling & Hot-dip Galvanizing Facilities		★ Shut down				
	Chiba District	Tin Mills		★ Shut down (2CAL·2ETL)		Facilities manufacturing steel sheet for cans to be shut down (~22.9)	★	
Strategic Investments	Chiba & Kurashiki	Blast Furnace				★ Kurashiki Refit No.4 BF(~21.12)	★ Chiba Refit No.6 BF(22.9~12)	
	Kurashiki District	Continuous Casting Machine				★ Installed new Continuous Casting Machine (21.6)		
		Electrical Steel Sheet Facilities					FY24 Reinforce Electrical Steel Sheet Production Line ★	
	Fukuyama District	Coke Oven		★ Renewed No.3 Coke Oven(A)		★ Renewed No.3 Coke Oven(B) (21.6)		
		Sintering Machine		★ Installed new Sintering Machine				
		Energy Plants				★ Installed No.2 power generator in Joint Thermal Power		
Ferro Coke Production Facility					Develop ferro coke production technology ←—————→			
Overseas	Mexico NJSM					★ Begun Operating CGL for Automotive Applications		



Orders by Business Area

JFE

(billion yen)

Business Area	FY2020 Actual	FY2021 Forecast	Change	Main orders received in FY2021 ★: New projects received in FY2021 1Q
Waste to Resource	220.0	230.0	10.0	Improvement works of domestic waste treatment plant [★Kochi prefecture]
Carbon Neutral	36.0	82.0	46.0	★Renewal construction of Matsukawa geothermal power generation plant[Iwate prefecture] ★Construction work of Mori Binary power generation plant [Hokkaido]
Combined Utility Service	11.0	15.0	4.0	
Core Infrastructure	234.1	223.0	-11.1	Construction works of domestic bridge (★Ohno-Kobe Interchange inTokai Kanjo Expressway [Gifu] etc.) Reconstruction works of domestic bridge (★Replacement of bridge decking: Ohigawa bridge inTomei Express way[Shizuoka] etc.)
Total	501.1	550.0	48.9	



JFE