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JFE Holdings, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 6, 2022

Presentation

Moderator: Ladies and gentlemen, thank you for your patience. We will now begin the Investors Meeting of JFE Holdings, Inc.

In attendance today are Koji Kakigi, Representative Director, President and CEO, and Toshihiro Tanaka, Senior Vice President. The time allotted is approximately 30 minutes for the presentation and 30 minutes for questions, for a total of 60 minutes.

Mr. Tanaka, Senior Vice President, will now explain the financial results announced today.



Financial Results for Fiscal Year 2021

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- Despite sharply higher prices for raw materials, metals and scrap etc., [strong demand for steel](#) and [the result of initiatives to improve sales price](#) led to [a significant increase in profit](#), particularly in the steel business.
- Business profit was ¥416.4bn. and profit attributable to owner of parent was ¥288.0bn., both of which recorded [the highest result since the last global financial crisis triggered by the Lehman Brothers collapse, turning into black from the previous fiscal year.](#)

(billion yen)	FY2020 Actual (A)	FY2021 Forecast (B)	FY2021 Actual			Change (C-A)	Change (C-B)
			1H	2H	Full Year (C)		
Revenue	3,227.2	4,370.0	1,942.9	2,422.1	4,365.1	1,137.9	(4.9)
Business Profit	(12.9)	390.0	198.8	217.5	416.4	429.3	26.4
Finance Income/Costs	(12.4)	(10.0)	(5.6)	(6.0)	(11.6)	0.8	(1.6)
Segment Profit	(25.4)	380.0	193.2	211.5	404.8	430.2	24.8
Exceptional Items	20.4	(12.0)	-	(16.2)	(16.2)	(36.6)	(4.2)
Profit before Tax	(4.9)	368.0	193.2	195.3	388.5	393.4	20.5
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(16.9)	(98.0)	(52.4)	(48.0)	(100.4)	(83.5)	(2.4)
Profit Attributable to Owners of Parent	(21.8)	270.0	140.7	147.3	288.0	309.8	18.0

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

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Tanaka: This is Tanaka. We posted the presentation material for today's Investors Meeting on our website. I'll be explaining the details of the material.

Please turn to page four for the financial results. We have summarized the results for FY2021 into a table.

As mentioned at the beginning, despite sharply higher prices for raw materials, metals, and scrap, strong demand for steel and the result of initiatives to improve sales prices led to a significant increase in profit, particularly in the Steel business.

If you look at the table on the very left, the column notated (A) shows the results for the previous fiscal year, FY2020. All the profit items in FY2020 were in the red, but the results have improved significantly in FY2021,

as shown in the area enclosed in a blue square. Business profit, which is shown in the second line, was JPY416.4 billion. Profit attributable to owners of parent shown on the very bottom was JPY288 billion. Not only have we turned profitable from the previous fiscal year, but we also posted the highest profit on record since the last global financial crisis triggered by the Lehman Brothers collapse.

The same can be said of revenue, which came in at JPY4,365.1 billion, exceeding JPY4,000 billion for the first time and reaching a record high.

In column (B), you can find our forecast announced in February. The comparison with the current numbers is represented as change (C-B) shown in the very right. As you can see, all the profit lines exceeded our forecast issued in February, with business profit overshooting by JPY26.4 billion, segment profit by JPY24.8 billion, and profit attributable to owners of parent by JPY18 billion.



Financial Results for Fiscal Year 2021 (by Segment)

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(billion yen)	FY2020 Actual (A)	FY2021 Forecast (B)	FY2021 Actual			Change (C-A)	Change (C-B)
			1H	2H	Full Year(C)		
Revenue							
Steel Business	2,255.2	3,210.0	1,410.4	1,763.0	3,173.4	918.2	(36.6)
Engineering Business	485.7	510.0	229.2	278.9	508.2	22.5	(1.8)
Trading Business	932.5	1210.0	544.4	687.3	1,231.7	299.2	21.7
Adjustments	(446.1)	(560.0)	(241.1)	(307.1)	(548.3)	(102.2)	11.7
Total	3,227.2	4,370.0	1,942.9	2,422.1	4,365.1	1,137.9	(4.9)
Business Profit(A)	(12.9)	390.0	198.8	217.5	416.4	429.3	26.4
Finance Income/Costs(B)	(12.4)	(10.0)	(5.6)	(6.0)	(11.6)	0.8	(1.6)
Segment Profit							
Steel Business	(65.4)	303.0	158.5	165.2	323.7	389.1	20.7
Engineering Business	24.0	25.0	11.1	14.8	26.0	2.0	1.0
Trading Business	20.0	53.0	25.6	30.3	55.9	35.9	2.9
Adjustments	(4.1)	(1.0)	(2.0)	1.1	(0.9)	3.2	0.1
Total (A+B)	(25.4)	380.0	193.2	211.5	404.8	430.2	24.8

The next page shows the breakdown by segment.

As for the numbers, the segment profit in the Steel business shown in the middle of the page was JPY323.7 billion over the full year, while the segment profit was JPY26 billion in the Engineering business, and JPY55.9 billion in the Trading business. This is the breakdown of profit by segment.



Progress of Cash Flow Improvements, Debt/EBITDA Ratio

➤ At the end of FY2021, the Debt/EBITDA ratio exceeded the target level of the 7th mid-term business plan (3.0x).

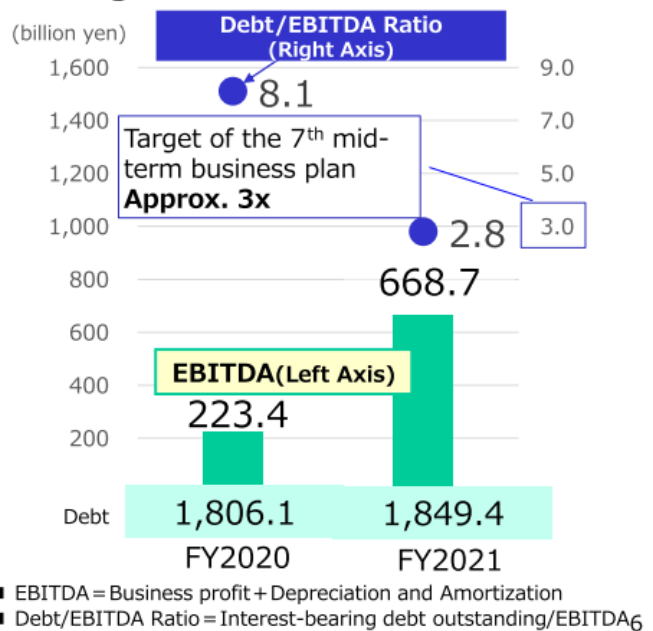
FY2021

Consolidated Cash Flow

(billion yen)

Cash-in	Cash-out
Net Profit 288.0	CAPEX & Investments 322.5
Depreciation and Amortization 252.2	Dividend Payment 40.4
Asset Compression 41.0	Working Capital etc. 261.6
Debt 43.3	

Progress of Debt/EBITDA Ratio



Here is the status of our cash flow.

On the right side is shown the progress of the debt/EBITDA ratio, and below that is shown the balance of our interest-bearing debt. The balance of our interest-bearing debt as of the end of FY2020 was JPY1,806.1 billion, while the balance ended at JPY1,849.4 billion in FY2021, an increase of about JPY40 billion in interest-bearing debt.

The table on the left organizes our cash inflows and cash outflows. As you can see, net profit increased significantly, but we made investments exceeding depreciation and amortization. Furthermore, our working capital balance deteriorated due to rising prices. Although we generated a cash inflow of JPY41 billion through asset compression, interest-bearing debt ended up increasing by around JPY43 billion.

That said, compared with the forecast announced previously when we said that we expected the interest-bearing debt balance to be around JPY1,900 billion, the results improved by approximately JPY50 billion, indicating that cash flows have improved. Furthermore, if you look at the index on the right side, the debt/EBITDA ratio came in at 2.8x. Our target of mid-term business plan was around 3x, meaning that we have cleared the target from the first year.



Financial Results for Fiscal Year 2021

	Unit	FY2020 Full Year	FY2021					FY2021 Full Year Previous Forecast
			1H	3Q		2H	Full Year	
				4Q				
Revenue	billion yen	2,255.2	1,410.4	832.8	930.2	1,763.0	3,173.4	3,210.0
Segment Profit	billion yen	(65.4)	158.5	93.5	71.7	165.2	323.7	303.0
Excluding Inventory Valuation etc.*	billion yen	(31.4)	68.5	(3.5)	64.7	61.2	129.7	127.0
Crude Steel (Standalone)	Mt	22.76	12.70	6.49	6.69	13.18	25.88	Approx. 26.00
Crude Steel (Consolidated)	Mt	23.96	13.39	6.85	7.02	13.87	27.26	Approx. 27.40
Shipment (Standalone)	Mt	20.49	10.83	5.63	5.92	11.55	22.38	Approx. 22.70
Export Ratio on Value Basis (Standalone)	%	42.3	46.5	45.9	43.6	44.7	45.5	46
Average Sales Price (Standalone)	k yen/t	74.8	94.5	107.6	116.7	112.2	103.7	Approx. 103
Exchange Rate	¥/\$	105.8	109.9	113.1	115.3	114.2	112.1	112

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

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Next, I will give a breakdown of the financial results at each operating company.

First, I will explain the results for JFE Steel.

The figures for FY2021 are organized inside the area enclosed in a blue line. As explained earlier, segment profit came in at JPY323.7 billion over the full year. Crude steel production on a standalone basis amounted to 25.88Mt, with an export ratio on a value basis of 45.5%. The average sales price was JPY103.7 thousand per ton. This number compares with around JPY74.8 thousand per ton in the previous fiscal year, an increase of about JPY29 thousand per ton YoY.



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

JFE Steel

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Segment profit increased from the previous forecast due to selling price improvements, such as quick reflection of raw material cost in selling prices, as well as increase in profit of domestic and overseas subsidiary companies.

JFE Steel	FY2021 Previous Forecast	FY2021 Actual	Change (billion yen)
Segment Profit	303.0	323.7	+20.7
1. Cost	±0.0		
2. Volume and Mix	(3.0)	<ul style="list-style-type: none"> Crude steel (Standalone) Approx. 26.00 Mt→ 25.88 Mt 	
3. Sales and Raw materials	+10.0	<ul style="list-style-type: none"> (+400 yen/t-shipment) Improvement of steel selling prices, such as quick reflection of key raw material costs 	
4. Inventory valuation	+18.0	<ul style="list-style-type: none"> Inventory valuation +9.0 (+151.0→+160.0) Carry over of raw materials +2.0 (+21.0→+23.0) Foreign exchange valuation +7.0(+4.0→+11.0) 	
5. Others	(4.3)	<ul style="list-style-type: none"> Increase in profit of domestic and overseas subsidiary companies Rising in price of metals etc. 	

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Here is the breakdown of the factors behind the change in segment profit. First, here is a breakdown of the factors behind the overshoot in the Steel business segment profit by JPY20.7 billion compared with the forecast in February.

As for the breakdown, crude steel production was forecast to come in around 26.00Mt but ended up being 25.88Mt, meaning that the production volume fell slightly short of the plan. The reason for this shortfall is our efforts to rationalize production in view of production cuts by automakers growing protracted and the latest situation regarding steel demand.

The third item is sales and raw materials, or what is referred to as the spread, which improved by JPY10 billion. This overshoot mainly reflects an improvement in selling prices. The spread improved by JPY10 billion due to an improvement in selling prices both domestically and internationally. On top of that, there was a positive impact from inventory valuation as shown in the fourth row. This includes the impact from foreign exchange valuation as a result of the significant depreciation of the yen going into the end of the fiscal year. Consequently, the results came in higher than the plan.



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

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- The steel demand recovered significantly from FY2020, which was greatly affected by COVID-19.
- Segment profit improved significantly from FY2020 due to quick reflection of raw material cost in domestic sales prices, higher steel prices in overseas markets, and higher production volumes, as well as higher profits at domestic and overseas subsidiary companies.

JFE Steel	FY2020 Actual	FY2021 Actual	Change (billion yen)
Segment Profit	(65.4)	323.7	+389.1

1. Cost	+30.0	<ul style="list-style-type: none"> • Capital investment effects • Expanded use of low-cost raw materials etc.
2. Volume and Mix	+60.0	<ul style="list-style-type: none"> • Production increase amid recovery of steel demand (Crude steel (Standalone) 22.76⇒25.88Mt)
3. Sales and Raw materials	+103.0	(+4,600yen/t-shipment) <ul style="list-style-type: none"> • Improvements in metal spread due to supply-demand and market condition, despite sharply increased prices for key raw materials
4. Inventory valuation	+228.0	<ul style="list-style-type: none"> • Inventory Valuation+197.0 (-37.0→+160.0) • Carry over of raw materials +20.0 (+3.0→+23.0) • Foreign exchange valuation+11.0(±0.0→+11.0)
5. Others	(31.9)	<ul style="list-style-type: none"> • Increase in profit of domestic and overseas subsidiary companies. • Rising in price of metals and scrap etc.

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The next page shows the factors behind the YoY change in segment profit from FY2020 to FY2021.

Segment profit improved significantly by JPY389.1 billion from a loss in the previous fiscal year. Cost reduction had a positive impact of JPY30 billion. In terms of volume, crude steel production increased by over 3Mt, which had a positive impact of JPY60 billion.

The spread had a positive impact of JPY103 billion. From the perspective of sales and raw materials, the selling price had a positive impact of about JPY570 billion, while the price of raw materials increased by about JPY470 billion. Netting out the positive and negative factors, the spread improved by around JPY100 billion.

On top of this, inventory valuation had a highly positive impact. Meanwhile, others had a negative impact of JPY31.9 billion, as profit increased at domestic and overseas subsidiaries, but prices rose for metal, scrap, etc. There were negative and positive factors of about JPY130 billion. While there was a positive impact from improvements at Group companies, a negative impact came from higher prices of metals, etc. As a result, segment profit improved by JPY389 billion in total.



Financial Results for Fiscal Year 2021

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Current Business Environment/ Overview of Financial Status

- **Orders stayed at the high level due to strong domestic demand both in the environment & energy sector and infrastructure sector.** Segment profit posted **4-year consecutive increase***.
 - **Orders increased in carbon neutral area**
 - Despite an increase in materials and equipment prices, segment profit increased from M&A etc.
- *Segment profit: FY2017 ¥19.3bn, FY2018 ¥20.1bn, FY2019 ¥23.1bn, FY2020 ¥24.0bn, FY2021 ¥26.0bn. (FY2017 used J-GAAP)

Financial Results

(billion yen)	FY2020 (Actual) (A)	FY2021 (Forecast) (B)	FY2021 (Actual) (C)	Change (From Previous Year) (C)-(A)	Change (From Previous Forecast) (C)-(B)
Orders	501.1	530.0	505.8	4.7	(24.2)
Revenue	485.7	510.0	508.2	22.5	(1.8)
Segment Profit	24.0	25.0	26.0	2.0	1.0

Compared to FY2020

- Revenue +22.5 Increase in orders in previous year, increase from M&A
- Segment Profit +2.0 Increase in revenue, increase by cost reduction

Compared to Previous Forecast

- Orders (24.2) Decrease due to delay of bid solicitation of overseas projects
- Segment Profit +1.0 Increase due to cost reduction

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Next is JFE Engineering.

Demand was robust at JFE Engineering. Orders continued to trend at high levels, with orders for the current fiscal year coming in at JPY505.8 billion. Segment profit was JPY26 billion, achieving higher profit for the fourth consecutive year.

Compared to our previous forecast in column (B), order fell short of our forecast of JPY530 billion, coming in at JPY505.8 billion. This was attributable to the delay of bid solicitation of overseas projects. These orders are mainly from Europe, where the periods of conclusion of contract have been pushed back from FY2021 to FY2022. These delays will not have a material impact on results in the future.



Financial Results for Fiscal Year 2021

JFE Shoji

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Current Business Environment/ Overview of Financial Status

- Full-year segment profit posted **¥55.9 bn., up ¥2.9 bn. from the previous forecast and up ¥35.9 from FY2020.**
- Revenue and segment profit recovered from the slump brought by COVID-19 pandemic.
- Earnings of domestic business increased due to **the recovery of steel demand** and **strong steel market price**. Earnings of overseas business, **mainly subsidiaries in the US** such as Kelly Pipe, **significantly increased** due to strong market prices.

Financial Results

(billion yen)	FY2020 (Actual) (A)	FY2021 (Forecast) (B)	FY2021 (Actual) (C)	Change (YonY) (C)-(A)	Change (Previous Forecast) (C)-(B)
Revenue	932.5	1,210.0	1,231.7	299.2	17.6
Segment Profit	20.0	53.0	55.9	35.9	2.9

Compared to the previous forecast : Segment Profit +2.9

- Increase due to continued high metal spreads in the US business such as Kelly Pipe etc.

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Next is JFE Shoji. Likewise, here is a comparison of the results for the current fiscal year versus the previous forecast and the results for the previous fiscal year.

JFE Shoji posted an increase in revenue and profit due to recovery of steel demand and strong steel market prices, as also mentioned in the section for JFE Steel. In particular, profit in North America, mainly subsidiaries in the US such as Kelly Pipe, increased significantly. Segment profit came in at JPY55.9 billion, a record high.

The result exceeded our previous forecast announced in February by JPY2.9 billion. The overshoot was attributable to a positive boost from the spread in the North America business compared to our assumption in February.



JFE Holdings has decided to propose at its general meeting of shareholders a year-end dividend of 80 yen per share, which would bring the annual dividend of 140 yen per share.

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Next, I will explain about dividends.

We plan to distribute a year-end dividend of JPY80 per share, for an annual dividend of JPY140 per share. This is the same as what we announced in February, and this is the amount that will be submitted in our proposal at the Annual General Meeting.

Our consolidated financial forecast for FY2022 remains pending because uncertainties regarding the global economy began rising as the situation in Ukraine intensified, leaving the outlook highly unclear.

The major impacts on the steel business from the Ukraine situation are as follows:

- **The key raw material prices keep swinging drastically at a high level.**
- **Commodity prices such as ferroalloys and energy remain soaring.**
- **Amid the volatile raw material prices, the steel prices are also difficult to be predicted.**

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Next is our outlook for FY2022.

Our earnings forecast is organized on this page. As you know, the global economy is highly uncertain due to the growing tensions in Ukraine.

In particular, prices of the main raw materials used in the Steel business have continued to fluctuate wildly in the high price range. Furthermore, prices of all kinds of commodities have continued to rise, including ferroalloys and energy. In conjunction with these factors, we have decided to leave the consolidated earnings forecast for FY2022 undecided, as we consider it difficult to calculate a reasonable forecast at this time, given the uncertainty of future steel price trends.



Business environment (Steel Business)

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■ Domestic environment

- **Auto production** which remained at low level due to the supply restriction of semiconductors **is gradually recovering**. However, **its recovering speed is sluggish**.
- Activity level in other sectors **remains solid** amid the recovery in domestic and overseas economic trends.
- Overall **steel supply and demand is anticipated being tightened** again in 2022.

■ Overseas environment

- Steel demand is expected to **continue recovery trends** amid the recovery in the global economy.
 - Peaking out of COVID-19 will **recover the demand in the construction sector**.
 - **Activity level in manufacturing industry such as the auto sector is expected to recover** amid the easing supply restriction of semiconductors and parts.
- The impact of **the Ukraine situation** and **re-spread of COVID-19 inside and outside of the country, especially Chinese large-scale lockdown in cities such as Shanghai**, need to be monitored carefully.

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Although the earnings forecast itself has not yet been determined, I would like to provide some explanation of the current business environment and other factors.

The first is the domestic business environment for the Steel business. We believe that the speed of recovery in automobile production, which had been restrained by constraints on the supply of semiconductors and other components, is recovering gradually, but its speed is sluggish. Activity levels in other sectors have remained firm against a backdrop of economic recovery. Overall, we believe that supply and demand will tighten again in 2022.

Meanwhile, overseas, we believe that demand for steel products will continue to recover as the economy recovers. We are assuming that construction demand will recover as COVID-19 peaks out, and that the manufacturing industry will also recover as the supply constraints on parts gradually dissipate. On the other hand, we are concerned about the situation in Ukraine and how it will turn out.

Furthermore, regarding COVID-19, the risk of resurgence both domestically and internationally still exists, especially with the massive lockdown in China, including Shanghai. There is a great deal of uncertainty about how this will affect us in the future, and we believe we need to look closely at the impact.

Key raw materials (Steel Business)

■ Iron Ore

- The policy of annual crude steel production cuts in China continues in 2022.
- The iron ore price is considered to remain at a current high level due to the economic stimulus measures in China.
- However, the trend should be monitored because the iron ore price depends on the economic trends and policy in China.

■ Coking Coal

- The economic sanction against Russia, the impact of COVID-19 and the Chinese government's policy significantly change the market prices, which makes the market price forecast for FY2022 difficult.
- The market prices will remain at the historically high level for a while, and they will keep drastically fluctuating amid the global trends.

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There are also some trends in the prices of our main raw materials.

For iron ore, we think the current high price range will continue for the time being, as China will continue to limit its annual crude steel production this year. In any case, it is up to China, and we need to keep a close eye on the trend.

With regard to coking coal, market conditions have fluctuated greatly due to economic sanctions in Russia, the impact of COVID-19, and China's policies, etc. Frankly, we believe it is extremely difficult to formulate assumptions for 2022 at this point.

For the time being, we believe that the current historically high prices will continue, but that the price movements are very rough. Yesterday, compared to the day before that, the price suddenly fluctuated by USD60, which means that these kinds of movements are happening quite frequently and are very difficult to read.

Measures in FY2022 (Steel Business)

■ Sales prices:

- **Accelerate the measures of selling price improvement** which we have been working on since FY2021, such as **quick reflection of key raw material costs.** (Measures have already been taken to reflect the current rise in coking coal prices and other materials prices in sales prices)
- Getting into full swing of **improving extra pricing** and **revising up to the sustainable level of sales prices** as part of the initiatives of “shifting focus from quantity to quality” and “overhauling sales prices” in the 7th mid-term business plan.

■ Cost reduction : +10.0 bn. yen (Cost reduction from action +23.0 bn. Yen, Cost increase in Blast Furnace refit -13.0 bn. yen)

While the one-off cost increase is expected due to the refit of No.6 blast furnace in Chiba, we will make every effort to cover it with other cost reduction items.

■ Standalone crude steel production: Approx. 26.0 Mt

Based on the premise that the current business environment will remain for a year. 8 blast furnaces are currently operating.

No.6 blast furnace in Chiba is planned to be refitted from this September.

JFE is focusing on optimal production, matching the demand level.

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It is under such circumstances that we have drawn out our policy in the Steel business.

First, in terms of selling prices, we have been working on passing through raw material costs to prices as early as possible since the previous fiscal year. We will continue these efforts and accelerate our activities to make improvements. We have already rolled out initiatives such as increasing prices by JPY20,000 to pass through costs to selling prices in response to the surging price of coking coal.

In addition, as set forth in our 7th Medium-Term Business Plan, we are working to shift focus from quantity to quality and fully overhaul our sales pricing. As part of these initiatives, we will work even harder to promote improvement of extra pricing and sound price levels.

On the other hand, although we expect cost reductions of JPY10 billion, the actual cost reduction from our actions is expected to be JPY23 billion. However, due to the refit of the No. 6 blast furnace in Chiba, we expect a one-off cost increase of JPY13 billion. Hence, on a net basis, we expect a cost reduction of JPY10 billion at present.

In addition, we expect the crude steel production to be approximately 26Mt, but this number is premised on the continuation of the business environment explained earlier. A change in that premise would also mean a change in the crude steel production volume.

Also, eight blast furnaces are currently in operation. We aim to rationalize our production activity in accordance with demand as we plan to refit the No. 6 blast furnace in Chiba starting in September.

Restructuring of Group Company

(Released on May 6th, 2022)

JFE Container to be JFE Steel's Wholly-Owned Subsidiary

- JFE Steel has decided to make JFE Container, a group company that has been manufacturing and marketing high-quality steel drums and various high-pressure gas containers, a wholly-owned subsidiary by share exchange. (August 1, 2022 as the effective date)

Synergy delivered by the share exchange

1. **Solidifying a position in growing markets and stepping up efforts to attain a decarbonized and hydrogen-centric society**
2. **Sustained growth for the domestic steel drum business**
3. **Acceleration of overseas strategy**
4. **Enhance expertise sharing and human resource development through further promotion of human resource exchange**
5. **Streamlining cash management and lowering listing maintenance cost**

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Next, moving on to other topics, we announced today that we will restructure our Group company. Specifically, JFE Steel has decided to turn JFE Container into a wholly-owned subsidiary of JFE Steel.

JFE Container is a publicly listed Group company that manufactures and markets high-quality steel drums and various high-pressure gas containers. We have resolved to turn JFE Container into a wholly-owned subsidiary by way of a share exchange. Through this, the two companies hope to make flexible and prompt decisions from a medium- to long-term perspective and respond to management issues by maximizing the use of the management resources of both companies and the group as a whole.

One major effect of making JFE container a wholly-owned subsidiary is to solidify a position in growing markets and step up efforts to attain a decarbonized and hydrogen-centric society. In addition to expanding the high-pressure gas container business, which JFE Container is producing, we will strengthen our group-wide efforts to provide products and services that contribute to the establishment of a hydrogen supply chain. Furthermore, we will make the company a wholly owned subsidiary with the aim of achieving sustainable growth in the drum business in Japan, as well as synergies in overseas strategy, personnel exchange, capital efficiency, and reduction of listing costs on the public market.

This concludes my presentation.

Next, Mr. Kakigi, Representative Director, President and CEO of the Company, will explain the progress of our initiatives in the Seventh Medium-Term Business Plan.



Main Performance & Profitability Targets and Results of Fiscal Year of 2021

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- **Business profit for FY2021 was ¥416.4 billion, exceeding the target in FY2024.**
- The first year was **successfully launched** with achieving the other profitability targets.

		The 7 th mid-term business plan FY2024	FY2021 Actual
Consolidated	Business Profit	¥ 320.0 billion	¥ 416.4 billion
	Profit attributable to owners of the parent	¥ 220.0 billion	¥ 288.0 billion
	ROE	10%	15.7%
Operating companies	Steel Business Profit per ton* Segment profit	10,000 yen/t ¥ 230.0 billion	14,000 yen/t ¥ 323.7 billion
	Engineering Business Segment Profit Revenue	¥ 35.0 billion ¥ 650.0 billion	¥ 26.0 billion ¥ 508.2 billion
	Trading Business Segment Profit	¥ 40.0 billion	¥ 55.9 billion

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

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Kakigi: This is Kakigi. I will now explain the progress of our initiatives in the Seventh Medium-Term Business Plan.

First, here is a summary of our key performance targets in the medium term and financial results for FY2021.

As explained earlier, business profit in FY2021 came in at JPY416.4 billion, which is already higher than our target for FY2024. As shown in the bottom row, ROE in FY2021 was 15.7%.

By operating company, the Steel business generated a profit per ton of JPY14,000 in FY2021, which compares with our FY2024 target of JPY10,000. As I will explain again later, this number includes inventory valuation gains, so the underlying number is still short of our target. Segment profit in the Engineering business was JPY26 billion in FY2021, and segment profit in the Trading business reached a record high of JPY55.9 billion as explained earlier.



[Steel Business] Progress of the 7th Medium-Term Business Plan

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Overview of FY2021

- Profit in FY2021 exceeded the target in FY2024, partially due to one-off effect of gain in inventory valuations etc.. (Profit per ton in FY2021: Approx. 14,000 yen/t Target in FY2024: 10,000yen/t)
- Excluding inventory valuations etc. : Approx. 6,000 yen/t (4,000 yen/t lower than the mid-term target)

Items Achieved in FY2021

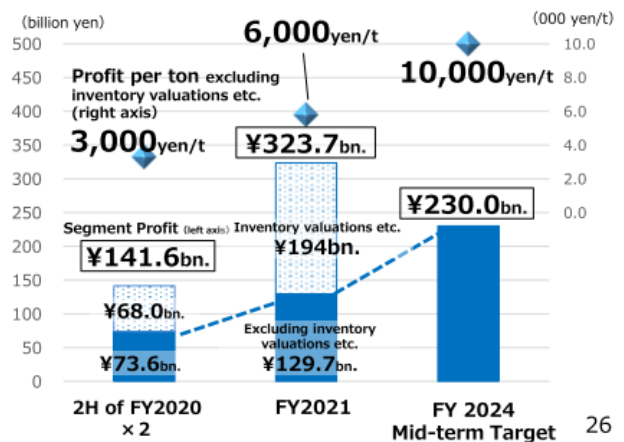
- ✓ Cost reduction ¥ 30.0 billion / year
- ✓ Steadily executed CAPEX and refit of No.4 BF in Kurashiki
- ✓ Improvements in sales prices: quick reflection of key raw material costs to sales prices; started to overhaul the extra pricing and partially finished revision

Main measures planned in the first year were implemented as scheduled.

Initiatives to Achieve Target of Mid-term Plan -Shifting Focus from Quantity to Quality-

- **Fully overhaul sales pricing**
 - Further progress of quick reflection of key raw material cost to sales prices
 - Reflection of increase in prices of other raw materials
 - Acceleration of overhauling the extra pricing etc.
- **Effects from structural reform**
Reduction in fixed costs, increase in labor productivity etc.
- **Product-mix enhancements**
(Percentage of highly value-added products: 40% in FY2020→ 45+%* in FY 2021→50% in FY2024)
 - Increase production capacity of high-grade non-oriented electrical steel sheet
 - Increase production capacity of extra-thick steel plate for off-shore wind-power applications

*estimated



Next, I will explain the progress of initiatives in the Steel business.

As I just stated, profit in FY2021 has been boosted by a one-off effect of inventory valuation gain etc., the profit per ton was JPY14,000. However, when this inventory valuation gain is excluded, the profit per ton is JPY6,000. Hence, this figure is JPY4,000 short of our medium-term target.

Below that, it says here that our main measures planned in the first year were implemented as scheduled. As a result, costs were reduced by JPY30 billion. In terms of our CapEx plan, we steadily implemented the refit of the blast furnace in Kurashiki. As for the improvement of sales prices, I believe we have achieved a certain degree of success in quickly reflecting key raw material costs to sales prices and starting extra pricing improvement activities. However, we are still in the process of implementing these measures.

On the bottom left is our initiatives to achieve the targets in our medium-term plan. As for our efforts to fully overhaul sales pricing, the sharp rise in various prices at present will require us to further reconsider sales prices going forward.

As for structural reforms, we are making headway toward the sizable result that will ultimately be achieved through the shutdown of upstream facilities in the Keihin area in FY2023, and progress is being made toward that end. As for the enhancement of our product mix, the percentage of highly value-added products was 45% for the current fiscal year while the percentage was 40% in FY2020, indicating that we are in line with the plan.

The graph on the right shows that our segment profit of JPY323.7 billion in the current fiscal year is around JPY130 billion on an adjusted basis that excludes inventory valuation gains. Hence, segment profit is about JPY100 billion short of our segment profit target of JPY230 billion in the final year of the medium-term plan.



Shifting Focus from Quantity to Quality (Progress of Structural Reform and Major CAPEX)

JFE Steel

JFE

- Steadily progress the structural reform to realize greatly reducing fixed cost and lowering breakeven point.
- Progress in development plans for partial area of Keihin district resulting from structural reform.

Facilities	FY2020	FY2021	FY2022	FY2023	FY2024~
Shutdown of Tin Mills in Chiba (No.2 Tandem Mill, No.4 CAL, TFL)			★ To be shut down (~Sep. 2022) Chiba Refit		
Refit of Blast Furnace Refit		Kurashiki Refit No.4 BF(~Dec.2021) ★	No.6 BF(Sep.2022~Jan.2023) ★		
Shutdown of upstream facilities in Keihin (No.2 BF, Sintering Machine, Coke oven, Converters, EAF, Continuous Casting Machine etc.)				★ To be shut down (~Sep. 2023)	Effect of structural reform and CAPEX <ul style="list-style-type: none"> • Maintenance cost reduction • Fixed cost reduction • Product-mix enhancements etc.
Shutdown of Hot Rolling Facilities in Keihin (excl. Pickling line and skinpass mill)				★ To be shut down (~Sep. 2023)	
CAPEX related to improvements of high-value added product ratio		★ Installed new Continuous Casting Machine (Jun.2021)		★ Reinforce extra-thick steel plate production line for offshore wind-power application (Nov.2023)	★ 1H of FY24 Reinforce Non-oriented Electrical Steel Sheet Production Line

Joint Study of a Hydrogen and Ammonia Supply Collaboration Base at the Keihin Waterfront Area to begin

- ENEOS Corporation, JERA Co., Inc., and JFE Holdings, Inc. have concluded a memorandum of understanding of begun to discuss the followings: Released on April 21
 - Establishment of hydrogen and ammonia receiving and supply base
 - Development of a hydrogen and ammonia supply network
 - Hydrogen and ammonia suppliers, transportation carriers, and transportation methods.

Contribute to the establishment of a stable and economical supply chain for decarbonized fuels to achieve carbon neutrality

The next page is about our initiatives to shift focus from quantity to quality. Here we have described the progress of structural reforms and major capital investment projects.

From top to bottom, we will shut down the tin mills in Chiba in September this year. As for the refit of our blast furnaces, we refit the No. 4 blast furnace in Kurashiki last year, and we plan to refit the No. 6 blast furnace in Chiba in September this year. A major initiative is the shutdown of upstream facilities and hot rolling processes in the Keihin area. We plan to implement this in September 2023. This means that the effects of structural reforms will emerge in FY2024.

On the very bottom is our CapEx related to improvement of the high-value added product ratio. Last year, we installed the No. 7 continuous casting machine in Kurashiki to produce large single-heavy thick plates. In FY2023, JFE Steel plans to expand its manufacturing facilities for large single heavy plates for offshore wind power mills.

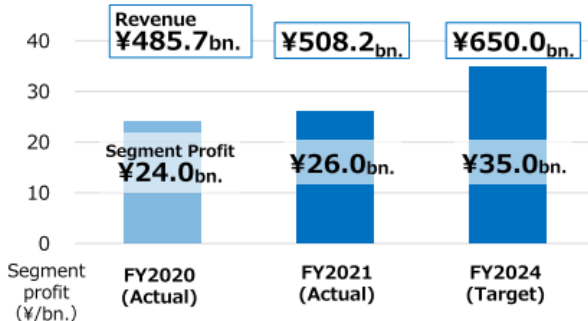
We issued a press release the other day about using the Keihin site, as we have begun a joint study of a hydrogen and ammonia supply collaboration base at the Keihin waterfront area. ENEOS Corporation, JERA, and JFE Holdings have begun to discuss the possibility of collaboration in the following items in the Keihin waterfront area in Kanagawa Prefecture. This project started out with the idea of using the large, deep-water quay at Ohgishima in Keihin to study a variety of things and also to make use of the hinterland.



[Engineering Business] Progress of the 7th Medium-Term Business Plan

JFE

<Revenue & Segment Profit>



Business Environment

- The level of FY2021 segment profit was as planned in the mid-term plan, increasing through the effect of M&A* in environment sector.

*JFE Environment Technology Co., Ltd.
(The former Mitsui E&S Group's environmental plant division)

- Demand mainly for waste treatment facility inside and outside of country is strong** despite delay in bid solicitation of overseas projects caused by COVID-19 pandemic and political turmoil.

FY2021 Initiatives and Future Initiatives

Waste to Resource

- Nationwide expansion of bases for recycling business and started operation of recycling plants (Currently operating 8 plants in Japan. To be operating 5 domestic plants after 2022.)
- ✓ Full operation of West Japan PET plastic bottle MR* center (The first plant manufacturing bottle-to-bottle raw materials in central and west Japan Apr. 2022)

*Mechanical Recycling

Carbon Neutral

- Decided to invest in establishing a new plant for monopile foundation structure of offshore windmills (the first plant in all Japan, expected time to start operation is April 2024.)
- Decided to commercialize woody biomass power plant, one of the largest biomass power plants in Japan (Tahara Biomass Power LLC, Scheduled start of construction: Apr. 2022, Scheduled start of operation: Sep. 2025)

Combined utility services

- Started operating business of comprehensive service from water supply to gas supply as the first company in Japan (Myoko Green Energy Co., Ltd. : Established in Sep. 2021, Started operation in Apr. 2022)

Strengthening the earnings base by M&A etc.

- Realized M&A effect in overseas business To expand its scale (JFE Project One Co., Ltd. : The former Mitsui E&S Plant Engineering Inc.)
- Embarked on waste power generation plant in Vietnam and an operating business of waste treatment facility in Malaysia

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Next, I will explain our initiatives in the Engineering Business.

In the Engineering business, we have received robust levels of orders since the previous fiscal year. We posted a YoY increase in revenue and profit, with revenue coming in at JPY508.2 billion and segment profit at JPY26 billion, which is the second highest on record. I believe we are making progress in line with the medium-term plan. There have been some delays or suspensions in overseas projects due to factors such as the impact of COVID-19 and political changes in Myanmar.

On the right side, we have described our major initiatives in the medium term. In terms of Waste to Resource, we have significantly expanded our recycling bases across Japan. There are five additional bases that will be launched. Furthermore, as announced the other day, the West Japan mechanical recycling (MR) center for pet bottles have commenced full operation. This is the first plant manufacturing bottle-to-bottle raw materials in central and west Japan and will come online in April.

Regarding carbon neutrality, construction of a monopile foundation manufacturing plant for offshore wind power mills began in May of this year and is scheduled to begin operations in April 2024. We have also decided to commercialize biomass power generation in Tahara, which was also announced recently. In terms of combined utility services, Myoko Green Energy is promoting integrated operation services. We are also steadily advancing to strengthen our foundation through M&A and to enter the overseas operations business.

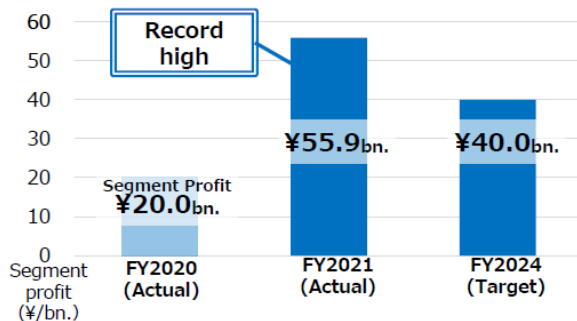


[Trading Business] Progress of the 7th Medium-Term Business Plan

JFE Shoji

JFE

<Segment Profit>



Business Environment

- **Segment profit recorded a historical high** in FY2021 due to steel demand recovery from the slump caused by COVID-19 pandemic and increasing steel market price. The favorable business environment such as an increase in steel market price helped segment profit in FY2021 exceed the target level of the mid-term plan.
- **Initiatives in priority field in this mid-term plan need to continuously proceed**
- Steadily advancing reinforcement of global supply chain.

FY2021 Initiatives and Future Initiatives

Establish No.1 global distribution and processing system of electrical steel sheet market

- Promote the investment to capture the growing demand for in-vehicle motors and transformers inside and outside of Japan
 - ✓ Decided expansion of capacity to manufacture core products for transformer in Canada (JFE Shoji Power Canada Inc. Oct, 2021)
 - ✓ Decided expansion of capacity to manufacture in-vehicle motor core products in China (Jiangsu JFE Shoji Steel Products Co., Ltd. Nov. 2021)

Strengthen supply chain management of automotive steel composite materials

- Strengthen collaboration among JFE Group in the four global key regions.
 - ✓ Started operation of the steel processing center for automotive industry (JSSB May, 2021: Adjacent to NJSM, JFE Steel's group company)
 - ✓ Decided to expand production capacity in the processing center in China in Oct. 2021. (Guangzhou JFE Shoji Steel Products Co., Ltd.,: Near GJSS, JFE Steel's group company)

Accelerate activities overseas in construction materials business

- Capture the demand for construction materials in ASEAN
 - ✓ Boosted investment in Vietnamese coated steel manufacturer (Ton Dong A Corporation, Mar. 2022)

Next is the Trading business.

The Trading business performed very strongly this year, especially in the US, partly due to the rising steel prices. In FY2021, segment profit came in at JPY55.9 billion, a record high. While segment profit has significantly exceeded the medium-term target, this was partly due to the favorable business environment with rising steel prices. Efforts to promote our priority measures in the medium-term plan are steadily being implemented on a continuous basis.

The details are explained on the right side. We aim to establish the number one global distribution and processing system of electrical steel sheets. We are promoting investments in Japan and overseas to capture the growing demand for in-vehicle motors, transformers, and the like. We are also expanding our facility at JSC, which acquired Cogent in Canada. We also decided to expand capacity to manufacture in-vehicle motor core products at Jiangsu JFE Shoji Steel Products.

Another initiative is to strengthen our supply chain of automotive steel composite materials. We started operation of the steel processing center adjacent to NJSM, which is being done jointly with Nucor, and we also decided to expand production capacity in the processing center in China. We have also invested in an overseas building materials business, and we are steadily taking steps in this direction.



Progress of GX & DX Investment

JFE

Progress of GX & DX Investment in FY2021

- Investment in each operating company in FY2021 was on track to the mid-term business plan
- Total investment in FY2021 (decision making basis)

GX Investment
Less than **40%**
of the investment target during this mid-term plan

DX Investment
More than **30%**
of the investment target during this mid-term plan

- Main GX investments decided in FY2021
 - **Contribute to reduce CO₂ emissions across society** by offshore wind power generation business and eco-products supply

Offshore Windmills

- ✓ **Construction of new plant for foundation structure (monopile)**
(JFE Engineering: Scheduled start of operation: April, 2024)

Amount of Investment
¥40 billion

- ✓ **Reinforcement of extra-thick steel plate production line**
(JFE Steel: Scheduled start of operation: November, 2023)

Amount of Investment
¥13 billion

Electrical Steel Sheet

- ✓ **Expansion of manufacturing facilities for non-oriented electrical steel sheet**
(JFE Steel: Scheduled start of operation: 1H of FY2024)

Amount of Investment
¥46 billion

- **Steadily progress the investment for carbon neutrality in the steel business**

JFE Holdings' investment plan during the 7th mid-term business plan

GX investment
¥340 billion

DX investment
¥120 billion

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Next is the progress of investments in GX and DX.

We decided to invest JPY340 billion in green transformation (GX) and JPY120 billion in digital transformation (DX) during the seventh medium-term business plan. Of the adopted investments, slightly less than 40% will go to GX and the breakdown as described below. A major portion of the investment will go to off-shore wind power mills related investments, with JPY40 billion going to the monopile plant explained earlier. In the Steel business, we plan to invest JPY13 billion in reinforcing our production capacity of extra-thick steel plate. We also plan to invest JPY46 billion in expanding our manufacturing facilities for non-oriented electrical steel sheet used in EVs.

As for the JPY120 billion DX investment plan, in the first fiscal year, we decided to refurbish the steel mill system in the Kurashiki district and more than 30% of the investment has been implemented. Each operating company is generally investing in line with the plan.



Initiatives to Establish Environmental Sustainability

Progress of Initiatives for JFE Group's CO₂ emissions reduction in FY2021

- ✓ **Raised FY2030 CO₂ emissions-reduction target**
 - Raised the FY2030 CO₂-reduction target to 30% or more above the JFE group's FY2013 level by expanding the application of existing impact-reduction technologies, adding new measures for CO₂ reduction, and establishing an efficient in-house framework.
- ✓ **Revised roadmap for carbon neutrality** (See the next page)
- ✓ **JFE's proposal of carbon neutral technologies was adopted as the NEDO Green Innovation Fund Project**
 - Launched development project of super-innovative process, supported by the government.
- ✓ **Decided to issue transition bonds as the first manufacturing company in Japan**
 - The external organization certified that JFE's business plan for carbon neutrality is consistent to The Paris Agreement, and the JFE's CAPEX plan was consistent to its target of carbon emissions reduction.

External Recognition in FY2021

- ✓ Included in the ESG-related indices, FTSE4Good Index Series and FTSE Blossom Japan Index, for the second consecutive time
- ✓ Received high evaluation, [A-], in the climate change area and the water security area by CDP 2021

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Next, I will explain our initiatives to establish environmental sustainability regarding the reduction of CO₂ emissions toward achieving carbon neutrality.

First, we revised our carbon reduction targets for FY2030, which previously was set at a target of 20% or higher. In February this year, we added up contributions from various efforts, including the expansion of measures to existing technology and newly adopted reduction items, resulting in raising our target to 30% or more.

We also created a detailed explanation of our roadmap toward achieving carbon neutrality in 2050, which we also explained before. I will explain this on the next page.

Our proposal of carbon neutral technologies was adopted by the NEDO Green Innovation Fund Project. We launched multiple development projects of super-innovative processes.

We also decided to issue transition bonds as the first manufacturing company in Japan. An external organization, Japan Credit Rating Agency (JCR), certified that JFE's business plan for carbon neutrality is consistent with the Paris Agreement and JFE's CapEx plan is consistent with its target of carbon emission reduction.

Below that is a section that explains how JFE has been highly rated in evaluations by external rating agencies.

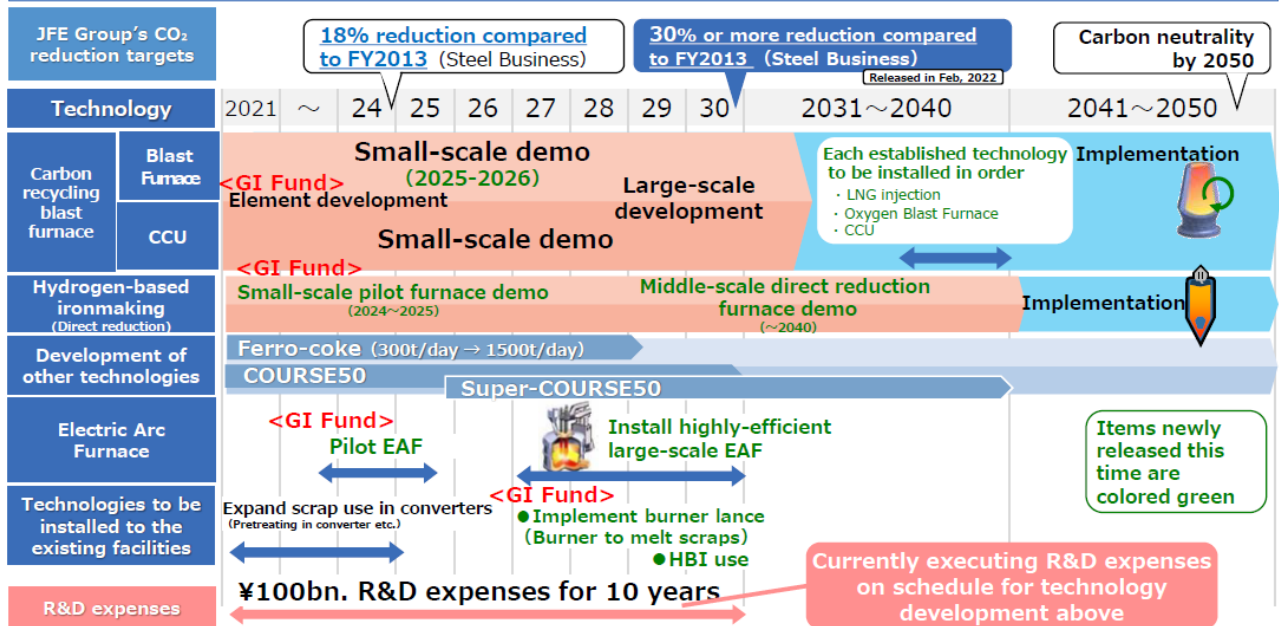


[Steel Business] Roadmap for Carbon Neutrality

JFE

Revised our roadmap for realizing carbon neutrality in 2050, considering installing the technologies below in the concrete:

- Carbon recycling blast furnace: **Each established technology to be installed in order** (late 2030s)
- Hydrogen-based ironmaking: **Small-scale pilot furnace demo** (2024~25), **middle-scale direct reduction furnace demo** (~2040)
- EAF: **Install pilot EAF in Chiba** (demo to be started from 2024) → **Install highly efficient large scale EAF** (2027~30)



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This is our roadmap for carbon neutrality.

To give a broad overview, we aim to reduce our CO2 emissions by 18% by the end of FY2024, which is the end of the current medium-term plan, in comparison with the emissions level in FY2013. As explained earlier, we aim to reduce CO2 emissions by 30% or more in FY2030. We aim to achieve carbon neutrality in 2050.

There are three points that I would like to emphasize. The first point is our carbon recycling blast furnace. We have further refined the plan and made the schedule more specific. We aim to conduct small blast furnace tests by 2026. We plan to develop larger-scale technologies thereafter, and in the late 2030s, we will gradually implement the technologies that have passed our demonstration tests. Hence, we will be implementing the technology sequentially, a little earlier than 2050. We have begun such considerations.

The second point is hydrogen-based ironmaking. This initiative is being implemented by a consortium of companies based on the GI Fund. JFE will conduct a small-scale pilot furnace demo in 2024 and 2025 and segue that into a middle-scale direct reduction demo.

As for the electric arc furnace (EAF), we had left some of our schedule undefined in the past. First, we are planning to construct a small electric furnace in the Chiba area to test high-grade steel and high-efficiency manufacturing methods, which will be completed by 2025, and then introduce a high-efficiency large electric furnace, which will be introduced between 2027 and 2030.

There are also various other explanations such as on ferro-coke. These details are as described on this page. We plan to invest JPY100 billion in R&D over the next 10 years, and progress is being made in line with the plan.



Technology Development Items of the Green Innovation Fund Project

JFE

- On December 24th, 2021, the following technology-development items were adopted as part of the Green Innovation Fund Project, "Hydrogen Utilization in Iron and Steelmaking Processes" Project.
- With support from the Green Innovation Fund, JFE accelerates technology development toward the realization of carbon neutrality as stated in "Environmental Vision 2050".

	1. Carbon-recycling blast furnace	2. Hydrogen-based ironmaking	3. Highly-efficient large-scale EAF
Development items			
Detail	<p>Develop processes where CO₂ generated from blast furnace is converted to methane and it is repeatedly used as reducing material. Install a small-scale pilot blast furnace of 150m³ in Chiba and confirm CO₂ reduction of more than 50%. Start demo in small-scale pilot blast furnaces in 2025 and establish technologies by 2030 and completing the implementation by 2050.</p>	<p>Develop direct-reduction ironmaking processes where oxygen is removed in a reduction furnace from low-purity iron ore used in the existing blast furnace, and reduced iron (Fe) is produced. Install a small-scale direct reduction pilot furnace and confirm CO₂ reduction of more than 50%. Start small-scale demo in 2024, aiming to establish technologies by 2030 and complete the implementation by 2050.</p>	<p>Develop technologies of high-efficiency melting and producing high-grade steel by electric arc furnace (EAF) using scrap and reduced iron. Install a small-scale pilot EAF in Chiba and confirm the same ability to control the concentration of impurities as the existing blast furnace process. Start small-scale demo in 2024, and completing implementation by 2030.</p>

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The next page describes the details of the three projects that were adopted in the Green Innovation Fund.

I won't go over the details, but the technology on the very left is the carbon-recycling blast furnace. This is a method of converting CO₂ generated from the blast furnace into methane and using it repeatedly as a reductant. As written below, we will start testing a small blast furnace in 2025, establish the technology by 2030, and we will implement it from where we can, as explained earlier.

In the middle is the direct reduction ironmaking method, which, as you can already see, we are working on in this consortium, and we are going to build a small-scale test furnace.

The highly-efficient large-scale EAF is explained on the right side. As I mentioned earlier, we will start a small-scale test furnace in 2024, and hope to have an actual furnace in operation by 2030.



Main Performance & Profitability Targets and Results of Fiscal Year of 2021

JFE-HD

JFE

- Earnings in FY2021 **include the one-off effects** such as inventory valuation gains and a rise in the overseas steel market prices.
Accelerate the main measures from FY2022 to achieve the target in FY2024.
- **Continuously progress the measures to achieve carbon neutrality by CO₂ emissions reduction in Steel Business and the contribution to the CO₂ reduction in the society on the whole.**
- ROE and Debt/EBITDA achieved the target of the mid-term business plan. The annual dividend will be ¥140/share in FY2021, which is the highest since JFE started.

		The 7 th mid-term business plan FY2024	FY2021 Actual
Consolidated	Business profit	¥ 320.0 bn.	¥ 416.4 bn.
	Profit attributable to owner of the parent	¥ 220.0 bn.	¥ 288.0 bn.
	ROE	10%	15.7%
	Debt/EBITDA	About 3x	2.8x
	D/E*	About 70%	80.8%
	Payout ratio (DPS)	The 7 th mid-term business plan Around 30%	(¥140)

* For liabilities with equity subject to credit ratings, these equities reflect the evaluation of rating agencies.

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Last but not least, we will summarize our key financial and profitability targets for the medium term and our results in FY2021.

Although some of the details are almost the same as those mentioned at the beginning of this presentation, ROE and the debt/EBITDA multiple have exceeded the mid-term targets. As mentioned earlier, the annual dividend for FY2021 is JPY140 per share, which is the highest since JFE's establishment.

In our efforts to achieve carbon neutrality, we will continue to reduce CO₂ emissions in our Steel business and contribute to the reduction of CO₂ emissions in society, mainly in the Engineering business.

In addition, as mentioned earlier, earnings for FY2021 include some transitory factors such as inventory valuation gains and higher overseas steel market prices. In this sense, we would like to accelerate the implementation of various important measures from FY2022 onward, with the goal of achieving the target for FY2024.

This concludes my presentation.

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