



JFE

JFE Group

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

JFE Holdings, Inc.

November 5, 2021

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

**Consolidated Results for
First Half of Fiscal Year 2021
(April 1 to September 30, 2021)**



Financial Results for First Half of Fiscal Year 2021

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Strong demand for steel and market prices amid continuous recovery of global economy since 2H of FY2020 led to a significant increase in profit, particularly in the steel business.

(billion yen)	FY2020 1H(Apr-Sep)	FY2021 1H(Apr-Sep)	Change
Revenue	1,492.2	1,942.9	450.7
Business Profit	(114.3)	198.8	313.1
Finance Income/Costs	(6.4)	(5.6)	0.8
Segment Profit	(120.7)	193.2	313.9
Exceptional Items	-	-	0.0
Profit before Tax	(120.7)	193.2	313.9
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	15.0	(52.4)	(67.4)
Profit Attributable to Owners of Parent	(105.7)	140.7	246.4

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



Financial Results for First Half of Fiscal Year 2021 (by Segment)

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(billion yen)	FY2020 1H(Apr-Sep)	FY2021 1H(Apr-Sep)	Change
Revenue			
Steel Business	1,027.2	1,410.4	383.2
Engineering Business	221.9	229.2	7.3
Trading Business	451.7	544.4	92.7
Adjustments	(208.6)	(241.1)	(32.5)
Total	1,492.2	1,942.9	450.7
Business Profit (A)	(114.3)	198.8	313.1
Finance Income/Costs (B)	(6.4)	(5.6)	0.8
Segment Profit			
Steel Business	(136.2)	158.5	294.7
Engineering Business	8.7	11.1	2.4
Trading Business	7.2	25.6	18.4
Adjustments	(0.4)	(2.0)	(1.6)
Total (A+B)	(120.7)	193.2	313.9

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



Financial Forecast for Fiscal Year 2021

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- Segment profit in the steel business is expected to be 280 billion yen, the same as the previous forecast. While initiatives to improve steel prices are expected to be executed significantly even in the face of soaring raw material prices, metal and scrap prices are expected to push up production costs.
- The Group's overall business profit is expected to **improve by 10.0 billion yen** from the previous forecast, reflecting the increase in profits of the trading business.

(billion yen)	FY2021 (Previous Forecast Aug. 12, 2021)		FY2021 (Updated Forecast Nov. 5, 2021)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	1,970.0	4,170.0	1,942.9	4,340.0	(27.1)	170.0
Business Profit	195.0	350.0	198.8	360.0	3.8	10.0
Finance Income/Costs	(5.0)	(10.0)	(5.6)	(10.0)	(0.6)	0.0
Segment Profit	190.0	340.0	193.2	350.0	3.2	10.0
Exceptional Items	–	–	–	–	0.0	0.0
Profit before Tax	190.0	340.0	193.2	350.0	3.2	10.0
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(60.0)	(100.0)	(52.4)	(100.0)	7.6	0.0
Profit Attributable to Owners of Parent	130.0	240.0	140.7	250.0	10.7	10.0



Financial Forecast for Fiscal Year 2021 (by Segment)

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(billion yen)	FY2021 (Previous Forecast)		FY2021 (Updated Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue						
Steel Business	1,450.0	3,130.0	1,410.4	3,190.0	(39.6)	60.0
Engineering Business	240.0	520.0	229.2	520.0	(10.8)	0.0
Trading Business	560.0	1,150.0	544.4	1,210.0	(15.6)	60.0
Adjustments	(280.0)	(630.0)	(241.1)	(580.0)	38.9	50.0
Total	1,970.0	4,170.0	1,942.9	4,340.0	(27.1)	170.0
Business Profit (A)	195.0	350.0	198.8	360.0	3.8	10.0
Finance Income/Costs (B)	(5.0)	(10.0)	(5.6)	(10.0)	(0.6)	0.0
Segment Profit						
Steel Business	160.0	280.0	158.5	280.0	(1.5)	0.0
Engineering Business	10.0	25.0	11.1	25.0	1.1	0.0
Trading Business	23.0	38.0	25.6	45.0	2.6	7.0
Adjustments	(3.0)	(3.0)	(2.0)	0.0	1.0	3.0
Total (A+B)	190.0	340.0	193.2	350.0	3.2	10.0



Financial Forecast for Fiscal Year 2021

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- Business profit in 1H is expected to get into a significant surplus of 198.8 billion yen mainly caused by demand recovery and market price increase in the steel business.
- Full-year business profit is expected to be 360.0 billion yen, increased by 372.9 billion yen year-on-year, due to recovery of steel demand and market price increase amid improved global economic trends.

(billion yen)	FY2020 (Actual)		FY2021(Forecast)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	1,492.2	3,227.2	1,942.9	4,340.0	450.7	1,112.8
Business Profit	(114.3)	(12.9)	198.8	360.0	313.1	372.9
Finance Income/Costs	(6.4)	(12.4)	(5.6)	(10.0)	0.8	2.4
Segment Profit	(120.7)	(25.4)	193.2	350.0	313.9	375.4
Exceptional Items	–	20.4	–	–	0.0	(20.4)
Profit before Tax	(120.7)	(4.9)	193.2	350.0	313.9	354.9
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	15.0	(16.9)	(52.4)	(100.0)	(67.4)	(83.1)
Profit Attributable to Owners of Parent	(105.7)	(21.8)	140.7	250.0	246.4	271.8

Financial Forecast for Fiscal Year 2021 (by Segment)

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(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	1,410.4	3,190.0	383.2	934.8
Engineering Business	221.9	485.7	229.2	520.0	7.3	34.3
Trading Business	451.7	932.5	544.4	1,210.0	92.7	277.5
Adjustments	(208.6)	(446.1)	(241.1)	(580.0)	(32.5)	(133.9)
Total	1,492.2	3,227.2	1,942.9	4,340.0	450.7	1,112.8
Business Profit (A)	(114.3)	(12.9)	198.8	360.0	313.1	372.9
Finance Income/Costs (B)	(6.4)	(12.4)	(5.6)	(10.0)	0.8	2.4
Segment Profit						
Steel Business	(136.2)	(65.4)	158.5	280.0	294.7	345.4
Engineering Business	8.7	24.0	11.1	25.0	2.4	1.0
Trading Business	7.2	20.0	25.6	45.0	18.4	25.0
Adjustments	(0.4)	(4.1)	(2.0)	0.0	(1.6)	4.1
Total (A+B)	(120.7)	(25.4)	193.2	350.0	313.9	375.4

Progress of Cash Flow Improvements, Debt/EBITDA Ratio



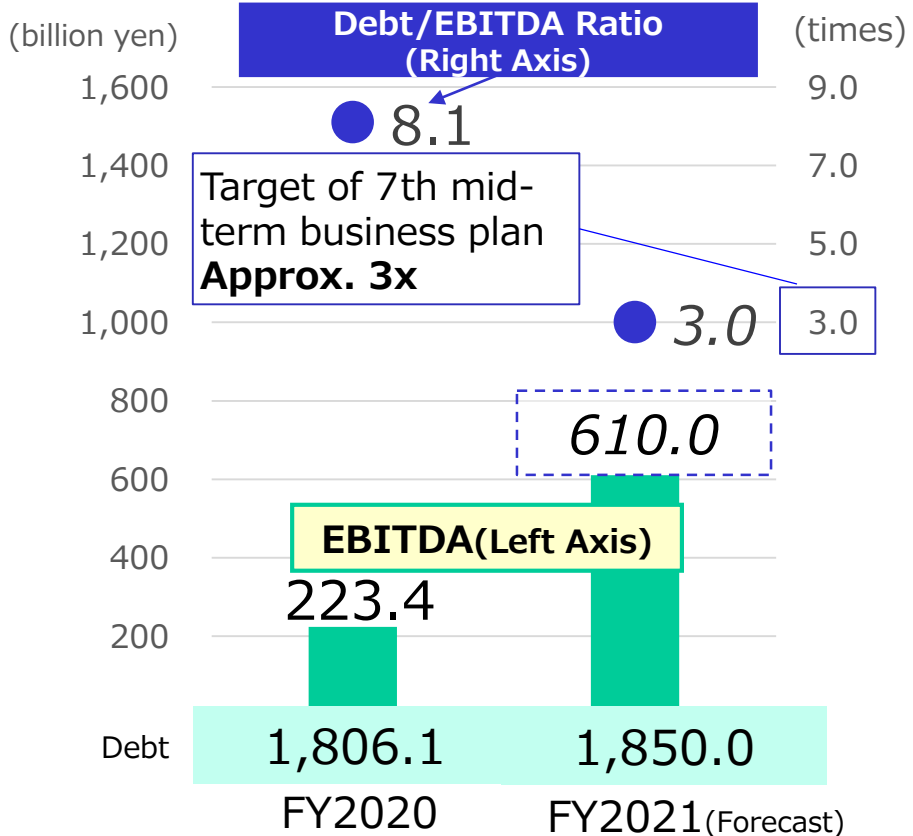
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At the end of FY2021, the Debt/EBITDA ratio is expected to reach the target level of 7th mid-term business plan (3.0x).

FY2021 Consolidated Cash Flow Forecast (billion yen)

Cash-in	Cash-out
Net Profit 250.0	CAPEX & Investments 380.0
Depreciation and Amortization 250.0	Dividend Payment 40.0
Asset Compression 50.0	Working Capital etc. 170.0
Debt 40.0	

Progress of Debt/EBITDA Ratio



■ 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 Half of Fiscal Year 2021 and Financial Forecast for Fiscal Year 2021

Financial Results for First Half of Fiscal Year 2021

JFE

	Unit	FY2020					FY2021			1H (Previous Forecast)
		1Q	2Q	1H	2H	Full Year	1Q	2Q	1H	
		Revenue	billion yen	508.7	518.6	1,027.2	1,227.9	2,255.2	638.5	
Segment Profit	billion yen	(57.8)	(78.4)	(136.2)	70.8	(65.4)	69.7	88.8	158.5	160.0
Excluding Inventory Valuation etc.*	billion yen	(34.8)	(33.4)	(68.2)	36.8	(31.4)	25.7	42.8	68.5	75.0
Crude Steel (Standalone)	Mt	4.79	5.38	10.17	12.59	22.76	6.25	6.45	12.70	Less than 13.00
Crude Steel (Consolidated)	Mt	5.09	5.68	10.77	13.19	23.96	6.59	6.80	13.39	Less than 13.60
Shipment (Standalone)	Mt	4.59	4.75	9.34	11.15	20.49	5.26	5.56	10.83	Approx. 11.40
Export Ratio on Value Basis (Standalone)	%	44.2	40.2	42.2	42.4	42.3	43.2	49.3	46.5	Approx. 47
Average Sales Price (Standalone)	000 yen / t	75.3	71.0	73.1	76.2	74.8	87.6	101.0	94.5	Approx. 95
Exchange Rate	¥/\$	107.7	105.9	106.8	104.8	105.8	109.8	110.0	109.9	Approx. 110
Exchange Rate (End of Term)	¥/\$	107.7	105.8	105.8	110.7	110.7	110.6	111.9	111.9	-

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

1.5 Billion Yen Decrease in JFE Steel's Segment Profit (1H of FY2021 (Previous Forecast) vs. 1H of FY2021(Actual))

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Segment profit was almost on par with the previous forecast due to the steady execution of price-improvement initiatives.

JFE Steel	FY2021 1H (Forecast)	FY2021 1H (Actual)	Change (billion yen)
Segment Profit	160.0	158.5	(1.5)
1. Cost	±0.0		
2. Volume and Mix	(6.0)	<ul style="list-style-type: none"> Crude steel (Standalone) Less than 13.00 Mt ⇒12.70 Mt (Less than -0.3 Mt) 	
3. Sales and Raw materials	+3.0	(300yen/t-shipment) <ul style="list-style-type: none"> Although raw materials were kept at high level, the spread increased due to supply-demand balance and market prices both in domestic and overseas markets. 	
4. Inventory valuation	+5.0	<ul style="list-style-type: none"> Inventory valuation +5.0 (+54.0→+59.0) Carry over of raw materials ±0.0 (+30.0→+30.0) Foreign exchange valuation ±0.0 (+1.0→+1.0) 	
5. Others	(3.5)	<ul style="list-style-type: none"> Rising in price of metals and scrap etc. 	



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

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Actual segment profit increased by 294.7 billion yen due to an improvement in steel selling price, an increase in crude steel production and profit improvement of both domestic and overseas subsidiaries.

JFE Steel	FY2020 1H(Actual)	FY2021 1H(Forecast)	Change (billion yen)
Segment Profit	(136.2)	158.5	+294.7

1. Cost	+15.0	• Capital investment effect etc.
2. Volume and Mix	+45.0	• Production increase amid recovery of steel demand (Crude steel (Standalone)10.17⇒ 12.70Mt)
3. Sales and Raw materials	+34.0	(3,100yen/t-shipment) • Although raw material prices are expected to increase, the spread is expected to improve due to the supply-demand balance and market prices in domestic and overseas markets.
4. Inventory valuation	+158.0	• Inventory valuation +117.0 (-58.0→+59.0) • Carry over of raw materials +36.0 (-6.0→+30.0) • Foreign exchange valuation +5.0(-4.0→+1.0)
5. Others	+42.7	• Increase in profit of domestic and overseas subsidiary companies etc.

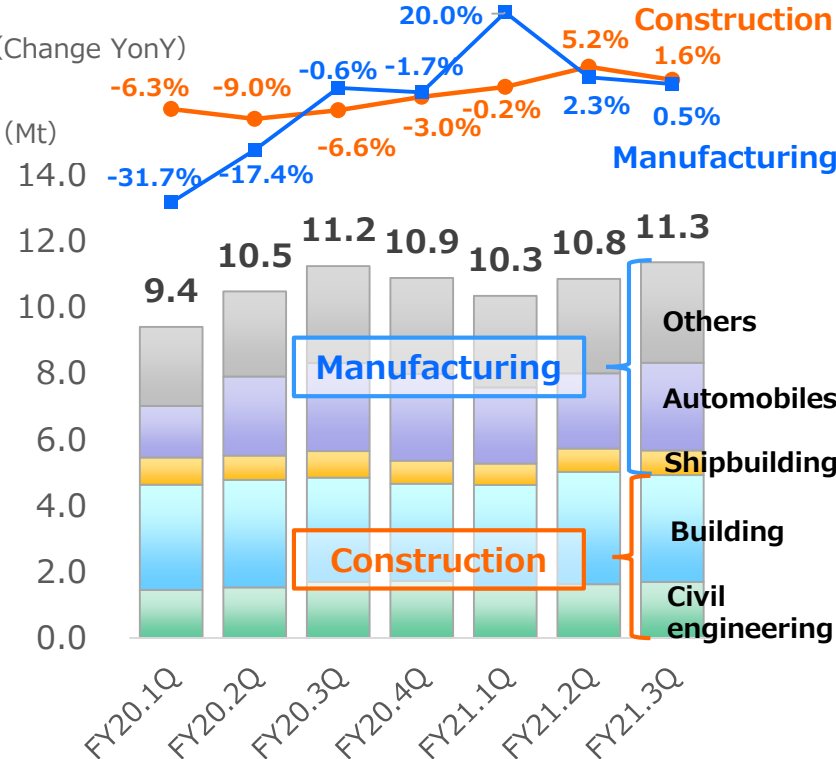


Current Business Environment (Domestic)

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- **Domestic steel demand is expected to be strong particularly in manufacturing industry. Steel demand is expected to continue recovery trend.**
- Outlook for domestic ordinary steel consumption in 3 Q of FY2021 increases **by +1.0% YoY**, and by **+4.6% from the previous quarter**.
- **Annual auto production is expected to be approx. 8.2 million units**, decreased by 1 million units from our previous forecast, due to the supply shortage of parts and semi-conductors.
- Shortage of parts and semi-conductors **need to be carefully monitored** because of **the concern of prolongation**.

Outlook for Domestic Ordinary Steel Consumption



Sector	Outlook
Auto-mobile	<ul style="list-style-type: none"> Annual production is revised downward to approx. 8.2 million units from the previous forecast. (Production volume is expected to increase from 1H to 2H.)
Shipbuilding	<ul style="list-style-type: none"> Orders for new ships are increasing along with the increase in both cargo movement and chartering market amid the recovery of global economy The amount of orders which have already been won almost recovers to the stable level.
Other manufacturing	<ul style="list-style-type: none"> Demand for construction equipment used for infrastructure and housing stays strong. Industrial machinery also remains strong due to the increasing CAPEX in industries such as semiconductors and EV.
Civil engineering	<ul style="list-style-type: none"> Steel demand in public sector remains strong and is expected to be on par with the previous fiscal year. Steel demand is expected to increase in 2H due to seasonal factors.
Building	<ul style="list-style-type: none"> Development projects, large-scale projects and distribution warehouses are steadily proceeding. Middle-scale projects also started to proceed.

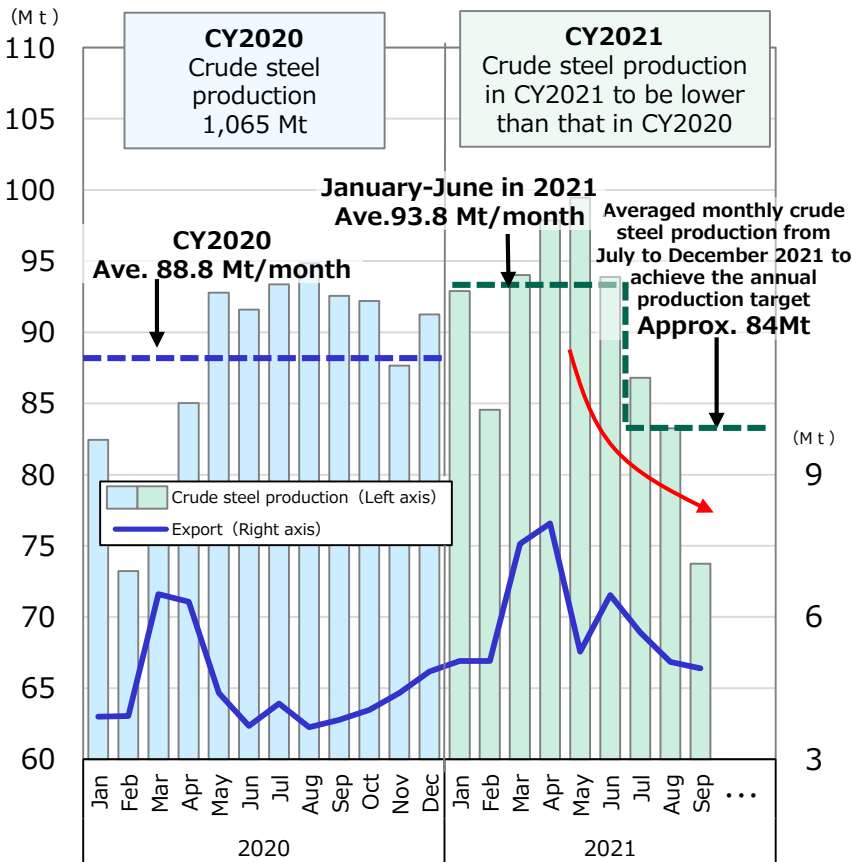
Source: Ministry of Economy, Trade and Industry, "Outlook for Steel Consumption" 8th Oct 2021. (FY20.4Q and after is estimated results)

Current Business Environment (Overseas)



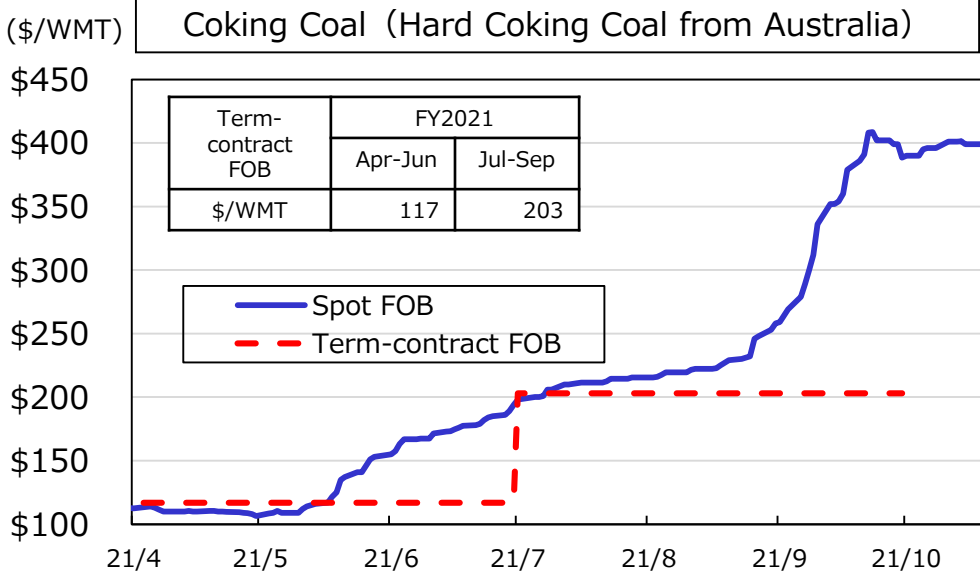
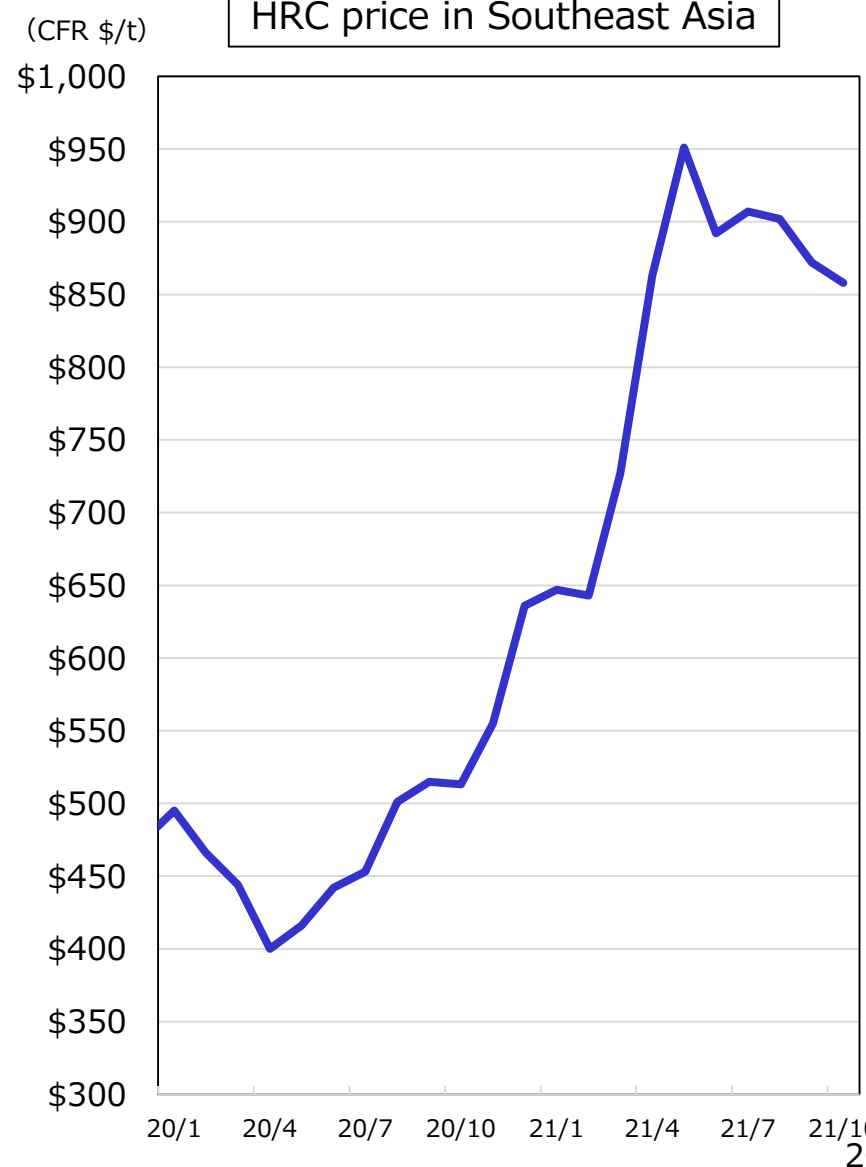
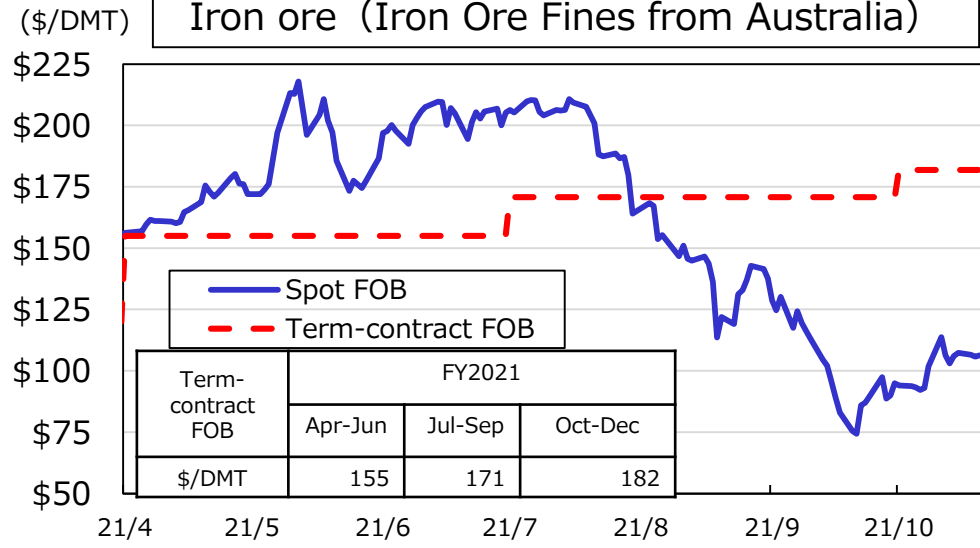
- Steel demand is mostly expected to remain in a recovery trend along with the recovery of the global economy.
- Supply-demand balance is expected to remain tight as long as the Chinese government's control of crude steel production and steel exports will continue.
- Re-spread of COVID-19 in Southeast Asia and emerging countries and shortage of semiconductors and parts need to be monitored carefully.

China: Crude steel production and Exports



Factor	Outlook
Steel production cuts in China	<ul style="list-style-type: none"> • Steel exports from China are likely to decline due to China's policy of production cut and export reduction. • Both steel production cuts and an increase in raw material cost make the steel price in China remain resilient. However, this needs to be monitored carefully.
Steel mills in India	<ul style="list-style-type: none"> • Although there are some the steel exports to Asian countries, the domestic demand is expected to recover owing to peaking out of COVID-19 and the coming peak period of steel demand. • Export prices are expected to remain high as coking coal prices soar.
Steel mills in Russia	<ul style="list-style-type: none"> • Russian mills are exporting steel at lower prices in various places since the sales volume declines in Europe*, and auto production decreases in Europe and Turkey. <small>* This sales volume decrease is seasonal.</small> • Their exports will be back to Europe and Turkey along with the recovery of auto production. Export prices are expected to increase as the overseas mills offer higher prices.
Power shortage in China	<ul style="list-style-type: none"> • Some BF and EAF mills cease operation in China. Impacts on other manufacturing industries need to be monitored carefully. • Since power shortage stops smelting works, metal prices are soaring.
Re-spread of COVID-19 in SE Asia	<ul style="list-style-type: none"> • Supply chain difficulties of automobile parts decrease automobile production and other manufacturing outputs such as appliances. • Supply-demand balance is temporarily relaxing, which is currently lowering steel market price in Southeast Asia. • Steel market prices are expected to recover amid the recovery of auto production.

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





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.**
- Kurashiki No. 4 BF aims to resume operations in mid-December.
(Schedule advanced from the end of December to the middle of December)

Metal Spread

- **Domestic and overseas metal spread is expected to improve by 43.0 billion yen from the previous forecast.**

The steel market price is expected to remain at a high level due to high raw material prices and tight supply and demand for steel products.

➤ **Iron Ore Prices**

Crude steel production cuts in China makes iron ore prices stay in the same level. The price is expected to remain at the current level.

➤ **Coking Coal Prices**

Although coking coal prices appear to be overpriced, it may take time for the prices to fall, and are expected to remain at a high level for a while.

Metals and Scrap

- Almost all kinds of metals remain at a high price level due to power shortage in many countries and the tight supply-demand balance.



Initiatives to Improve Our Sales Price and Its Progress

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- Steel prices in export markets have remained high due to rising raw material prices and tight supply and demand.
- Domestic sales prices have steadily been improved as a result of the following initiatives.

Initiatives

◆ 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
- Continue negotiation for reflection of increased costs of metals and scraps to the sales prices etc.

◆ 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. (e.g. additional costs for special sizes and shapes to become extra pricing) 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.

Financial Forecast for Fiscal Year 2021

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	Unit	FY2020 Full Year	FY2021 Updated Forecast			FY2021 Full Year Previous Forecast
			1H Actual	2H Forecast	Full Year Forecast	
Revenue	billion yen	2,255.2	1,410.4	1,779.6	3,190.0	3,130.0
Segment Profit	billion yen	(65.4)	158.5	121.5	280.0	280.0
Excluding Inventory Valuation etc.*	billion yen	(31.4)	68.5	50.5	119.0	123.0
Crude Steel (Standalone)	Mt	22.76	12.70	Approx. 13.80	Approx. 26.50	Approx. 26.50
Crude Steel (Consolidated)	Mt	23.96	13.39	/		/
Shipment (Standalone)	Mt	20.49	10.83			
Export Ratio on Value Basis (Standalone)	%	42.3	46.5			
Average Sales Price (Standalone)	000 yen/ t	74.8	94.5			
Exchange Rate	¥/\$	105.8	109.9	Approx. 110	Approx. 110	Approx. 110

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



JFE Steel's Segment Profit

(FY2021 (Previous Forecast) vs. FY2021(Updated Forecast))



Segment profit is expected to be on par with the previous forecast due to the steady execution of selling price improvement initiatives.

JFE Steel	FY2021 Previous Forecast	FY2021 Updated Forecast	Change (billion yen)
Segment Profit	280.0	280.0	±0.0

1. Cost

±0.0

2. Volume and Mix

±0.0

- Cruse steel (Standalone) Approx. 26.50Mt

3. Sales and Raw materials

+43.0

- (+1,900 yen/t-shipment)
- Steadily improve steel selling prices

4. Inventory valuation

+4.0

- Inventory valuation+24.0 (+114.0→+138.0)
- Carry over of raw materials -20.0 (+42.0→+22.0)
- Foreign exchange valuation ±0.0(+1.0→+1.0)

5. Others

(47.0)

- Rising in price of metals and scrap 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 an increase in steel prices 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	+86.0	(+3,700yen/t-shipment) • Expected improvements in metal spread due to supply-demand and market conditions, despite sharply higher prices for main raw materials
4. Inventory valuation	+195.0	• Inventory valuation +175.0 (-37.0→+138.0) • Carry over of raw materials+19.0 (+3.0→+22.0) • Foreign exchange valuation +1.0(±0.0→+1.0)
5. Others	(35.6)	• Increase in profit of domestic and overseas subsidiary companies. • Rising in price of metals and scrap etc.

37.0 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, and further cost reduction is anticipated in 2H.
- In addition to the key raw materials, prices of other raw materials is expected to increase.
- Despite the improvement in selling prices, segment profit is expected to decrease in 2H.

JFE Steel	FY2021 Forecast			Change (billion yen)
	1H	2H	Full Year	
Segment Profit	158.5	121.5	280.0	(37.0)

1. Cost	+15.0	<ul style="list-style-type: none"> • Capital investment effect etc. • Variable cost reduction etc.
2. Volume and Mix	+26.0	<ul style="list-style-type: none"> • The steel demand is expected to recover moderately amid the global economic recovery. • Production volume is expected to increase along with the completion of Kurashiki No.4 BF refit (Crude steel (Standalone) 12.70Mt⇒13.80Mt)
3. Sales and Raw materials	+36.0	(+2,900 yen/t-shipment) <ul style="list-style-type: none"> • Further improvement in steel selling prices
4. Inventory valuation	(19.0)	<ul style="list-style-type: none"> • Inventory valuation +20.0 (+59.0→+79.0) • Carry over of raw materials-38.0 (+30.0→-8.0) • Foreign exchange valuation -1.0(+1.0→±0.0)
5. Others	(95.0)	<ul style="list-style-type: none"> • Profit of overseas subsidiary companies in 1H to be higher than that in 2H • Increase in depreciation cost and other expenses • Rising in price of metals and scrap 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 of environment-related field [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 (Updated Forecast)		Change (Y on Y)		FY2021 (Previous Forecast)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
Orders	298.9	501.1	252.3	550.0	(46.6)	48.9	300.0	550.0
Revenue	221.9	485.7	229.2	520.0	7.3	34.3	240.0	520.0
Segment Profit	8.7	24.0	11.1	25.0	2.4	1.0	10.0	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

Compared to Previous Forecast

<1H>	•Orders	(47.7)	Decrease due to changes in contract schedule
	•Revenue	(10.8)	Change in schedule of progression of works
	•Segment Profit	+1.1	Change in schedule of incurring costs

JFE Shoji
Financial Forecast
for Fiscal Year 2021

Financial Forecast for Fiscal Year 2021

JFE

Current Business Environment/ Overview of Financial Status

- In 1H, segment profit increased significantly due to the profit increase in domestic and overseas subsidiary companies amid the rapid rise in steel market price, as well as the demand recovery from the impact of the spread of COVID-19 both in domestic and overseas markets.
- In 2H, despite the slowdown in profit growth compared to the 1H, earnings of overseas subsidiaries, mainly in the US, are expected to remain high.
- Segment profit is expected to be 45.0 billion yen.
(up 7.0 billion yen from the previous forecast, up 25.0 billion yen from FY2020)

Financial Forecast

(億円)	FY2020 (Actual)		FY2021 (Updated Forecast)		Change(Y on Y)		FY2021 (Previous Forecast)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	451.7	932.5	544.4	1,210.0	92.7	277.5	560.0	1,150.0
Segment Profit	7.2	20.0	25.6	45.0	18.4	25.0	23.0	38.0

Compared to FY2020

- Segment profit is expected to increase due to sharp rise in steel price and recovery in demand which had been dropped due to the impact of the spread of COVID-19.

Compared to the previous forecast

- In 1H, segment profit increased due to steel prices remaining high mainly in the US. In 2H, segment profit is expected to increase due to sustained high earnings.

Topics (ESG Initiatives etc.)



Initiatives Regarding Environment (1)

JFE

JFE Steel: Reorganized Structure of Carbon Neutral Promotion

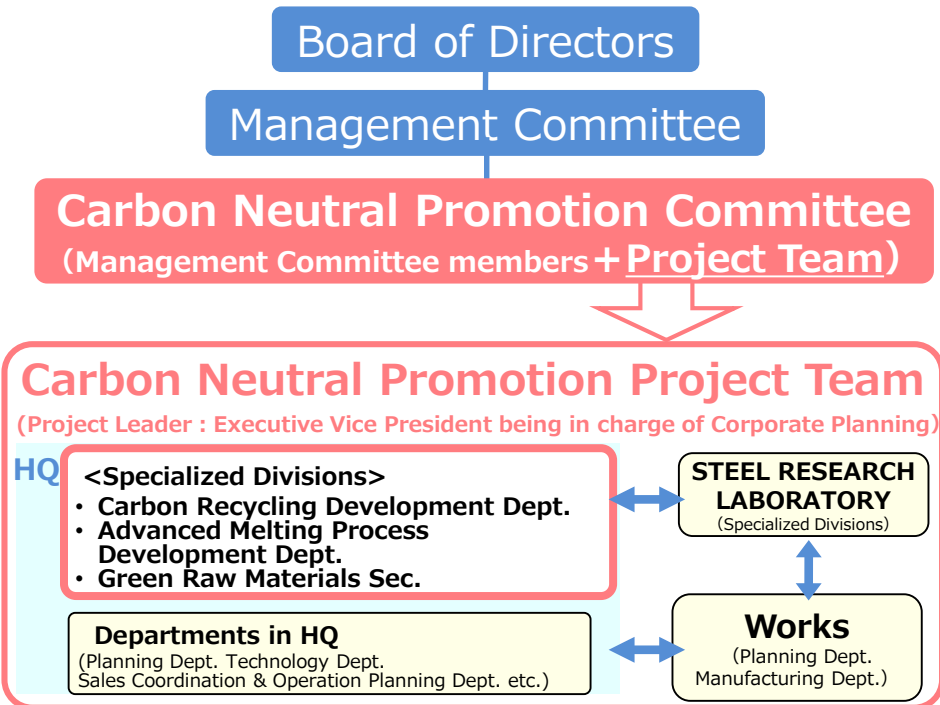
Released on 22nd September 2021

- Established Carbon Neutral Promotion Committee consisted of the members of management committee and the project team, aiming to comprehensively discuss and determine important issues (Oct 2021)
- Launched three new specialized divisions for carbon neutrality (Jul & Oct 2021)

JFE Engineering: Launched Offshore Wind Turbine Project Team

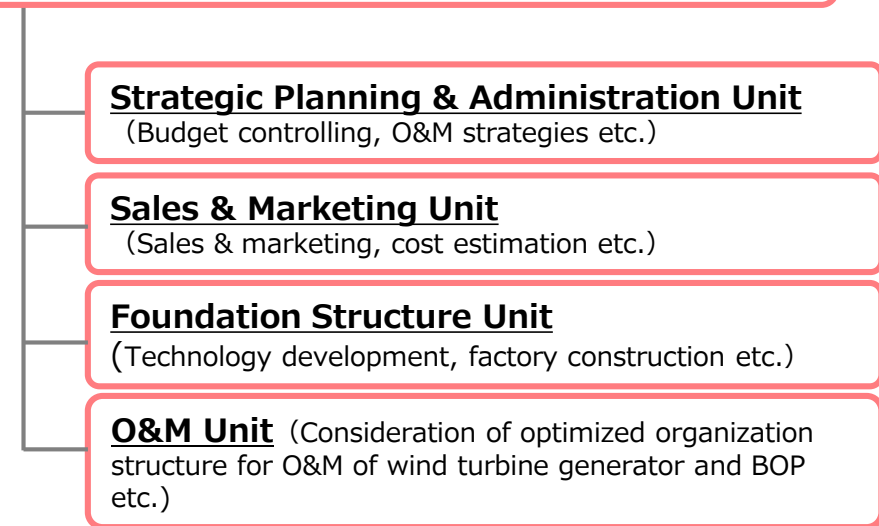
Released on 31st August 2021

- Project Team can take comprehensive initiatives ranging from manufacturing foundation structure to O&M of offshore wind turbine.
- We will take advantage of the synergies of the JFE Group to expand our offshore wind power business and achieve carbon neutrality.



Offshore Wind Turbine PJ Team

Project Director : Executive Vice President



Initiatives Regarding Environment (2)

JFE

JFE Steel: "BETTER RECYCLE Shonan" Project*

Released on 16th September 2021

- To solve the issue of disposable plastic containers, JFE Steel produced [a prototype of a beverage container made of steel plates for can, named "Better Recycle Cup"](#)
- Contributing to the realization of a recycling-based society by [proposing an environmentally friendly lifestyle](#) that eliminates disposable plastic beverage containers for takeout.
- Conducting test marketing in the Shonan area and aiming to develop new products in three to five years.

*A project by "Shonan Style magazine", a media outlet familiar with the Shonan area, "IBLC Co., Ltd.", a technology consulting firm, and JFE Steel.

JFE Engineering: Decision to commercialize woody biomass power plant

Released on 27th October 2021

- Construct and operate [a woody biomass power plant](#) in Tahara City, Aichi Prefecture
- Power generation output: 112,000 kW ([One of the largest biomass power plants in Japan](#))
- JFE Shoji and other JFE Group companies will participate in the project to operate the business [utilizing the JFE Group's comprehensive capabilities.](#)
- Contribution to CO₂ reduction : 340kt-CO₂/year

Company name	: Tahara Biomass Power LLC	
Share holders	:	JFE Engineering 40%
	:	Chubu Electric Power 40%
	:	TOHO GAS 10%
	:	Tokyo Century Corporation 10%
Fuel type	: Wood Pellet	
Power output	:	112,000kW (One of the biggest plants in Japan)
Estimated annual power output	:	Approx. 770 million kWh (equivalent to approx. 250,000 ordinary households)
Scheduled start of construction	: June 2022 (estimated)	
Scheduled start of operation	: September 2025 (estimated)	



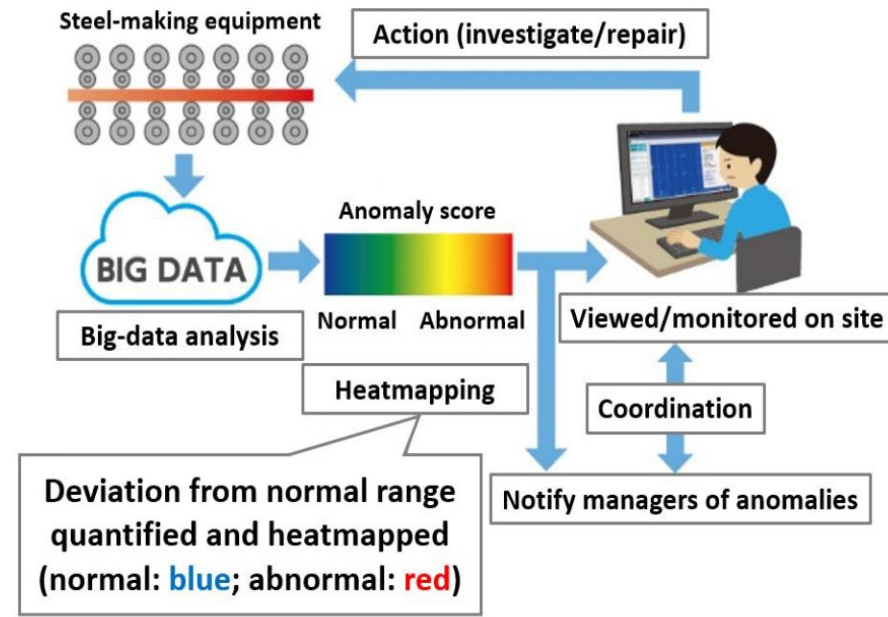
Initiatives Regarding DX

JFE

JFE Steel : Deployment of Data Science-Based Equipment Anomaly Detection System at All Hot-Rolling Mills

Released on 29th September 2021

- This system uses big-data analysis techniques to analyze vast amount of data on operating conditions, and **it prevents equipment faults by detecting equipment anomaly**.
- Making possible to prevent not only the sort of faults that previously occurred but also **unexpected issues**.
- This system has been deployed for all hot-rolling mills, that in West Japan Works (Kurashiki, Fukuyama) and East Japan Works (Chiba, Keihin).
- Planning to roll out the system for other manufacturing processes.



Held JFE Group DX Strategy Briefing

Held on 26th August 2021

See the presentation material and video on JFE Holdings' Website.

(*presentation material and video are in Japanese only)



<https://www.jfe-holdings.co.jp/investor/management/plan/index.html>





Restructuring of Group Companies

JFE

JFE Steel : Integrating JFE Mineral, Mizushima Ferroalloy and JFE Material

Released on 1st November 2021

- JFE Steel determined that it will integrate three wholly owned subsidiaries – JFE Mineral Co., Ltd., Mizushima Ferroalloy Co., Ltd., and JFE Material CO., Ltd., which are in charge of mineral resources, ferroalloys, steel-related business, and advanced materials business – [by around 1st April 2022.](#)
- In order to respond to significant change in business environment, such as [the declining demands in the Japanese market](#), [the increase of market needs of advanced materials](#), JFE Steel aims to combine their scale through integration, establish a strong management base, achieve long-term sustainable growth, and strengthen the competitiveness of the JFE Group.

JFE Steel : Partners Agree to Dissolve NKK Tubes Next Year

Released on 4th November 2021

- JFE Steel, Tenaris S.A. and NKK Tubes K.K. (NKKT) decided to cease production at NKKT [around next June and to dissolve the company by around the end of 2022.](#)
- As the business for oil well pipes has encountered hard times, the three companies examined carefully the external environment and outlook for NKKT's business and determined that the most viable strategy is to dissolve the company.
- JFE Steel and Tenaris have agreed that JFE Steel will continue to supply 13Cr seamless tube to Tenaris after production at NKKT ceases.



Other Topics

JFE

Published JFE Group Report 2021 (October 19th) and CSR Report (October 25th)



1. Challenge of the Greatest Transformation since Establishment

~7th Mid-Term Business Plan~

- Planning 7th Mid-Term Business Plan
- “JFE Group Environmental Vision for 2050”
- Business strategies of each operating company

English version is coming soon

2. Toward the Establishment of Environmental and Social Sustainability and Economic Sustainability

- Formulation of new material business issues including economy-related issues.
- Initiative for human-rights due diligence etc.



1. 7th Mid-Term Business Plan

English version is coming soon

2. Material Business Issues of the JFE Group

- Re-identifying material issues by adding economy-related issues to existing material CSR issues.

3. Initiatives for ESG Issues, ESG Data

- Environment : Climate change issues, environmentally conscious processes and products, resource recycling etc.
- Social : Occupational safety measures, diversity & inclusion, respect for human rights etc.
- Governance : Corporate governance, risk management etc.

Decided to list on Tokyo Stock Exchange's New Prime Market

JFE's board of directors resolved to list the company's shares on the Prime Market and to apply to the Tokyo Stock Exchange.

Released on
5th November 2021

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	FY21
(bn. Yen, times)				
Business profit	232.0	37.8	-12.9	360.0
EBITDA *1	428.2	269.4	223.4	610.0
ROS *2	6.0%	1.0%	-0.4%	8.3%
ROE *3	8.6%	-11.1%	-1.3%	14.0%
ROA *4	5.0%	0.8%	-0.3%	7.4%
Interest-bearing debt outstanding	1,524	1,814	1,806	1,850
Debt/EBITDA multiple *5	x3.6	x6.7	x8.1	x3.0
D/E Ratio *6	68.2%	96.4%	93.2%	84.3%
Profit attributable to owners of parent (yen/share)				
	283.8	-343.4	-38.0	434.2
Dividend (yen/share)	95	20	10	TBD
Pay-out Ratio	33.5%	-	-	TBD

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

JFE

JFE Steel	FY2020 2H (Actual)	FY2021 1H (Actual)	Change (billion yen)
Segment Profit	70.8	158.5	+87.7

1. Cost	±0.0	
2. Volume and Mix	±0.0	<ul style="list-style-type: none"> • Crude steel (Standalone) 12.59⇒12.70 Mt
3. Sales and Raw materials	+15.0	(1,400 yen/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 selling price.
4. Inventory valuation	+56.0	<ul style="list-style-type: none"> • Inventory valuation +38.0 (+21.0→+59.0) • Carry over of raw materials +21.0 (+9.0→+30.0) • Foreign exchange valuation -3.0(+4.0→+1.0)
5. Others	+16.7	<ul style="list-style-type: none"> • Increase in profit of overseas subsidiary companies • Rising in price of metals and scrap etc.

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

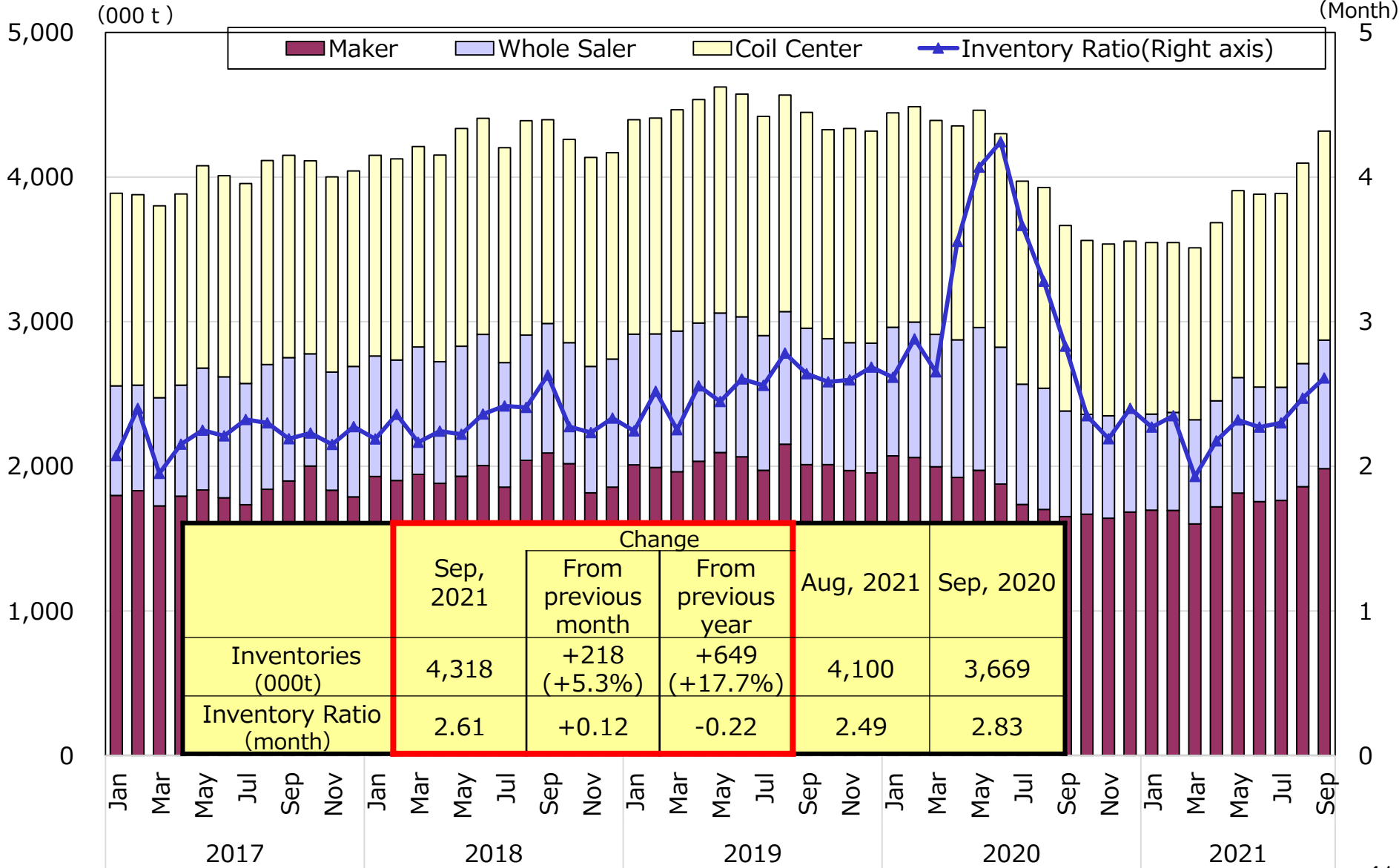
JFE

JFE Steel	FY2021			Change (billion yen)
	1Q (Actual)	2Q (Actual)	1H	
Segment Profit	69.7	88.8	158.5	+19.1

1. Cost	±0.0	
2. Volume and Mix	+2.0	<ul style="list-style-type: none"> Production increase because of concentration of maintenance and repairs in Apr-Jun. (Crude steel (Standalone) 6.25Mt ⇒ 6.45Mt)
3. Sales and Raw materials	+40.0	(7,200yen/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 selling price.
4. Inventory valuation	+2.0	<ul style="list-style-type: none"> Inventory valuation +3.0 (+28.0→+31.0) Carry over of raw materials ±0.0 (+15.0→+15.0) Foreign exchange valuation -1.0(+1.0→±0.0)
5. Others	(24.9)	<ul style="list-style-type: none"> Timing of asset disposals Rising in price of metals and scrap etc.

Domestic Market Environment

Combined Inventories of HR, CR and Coated Steel Sheet

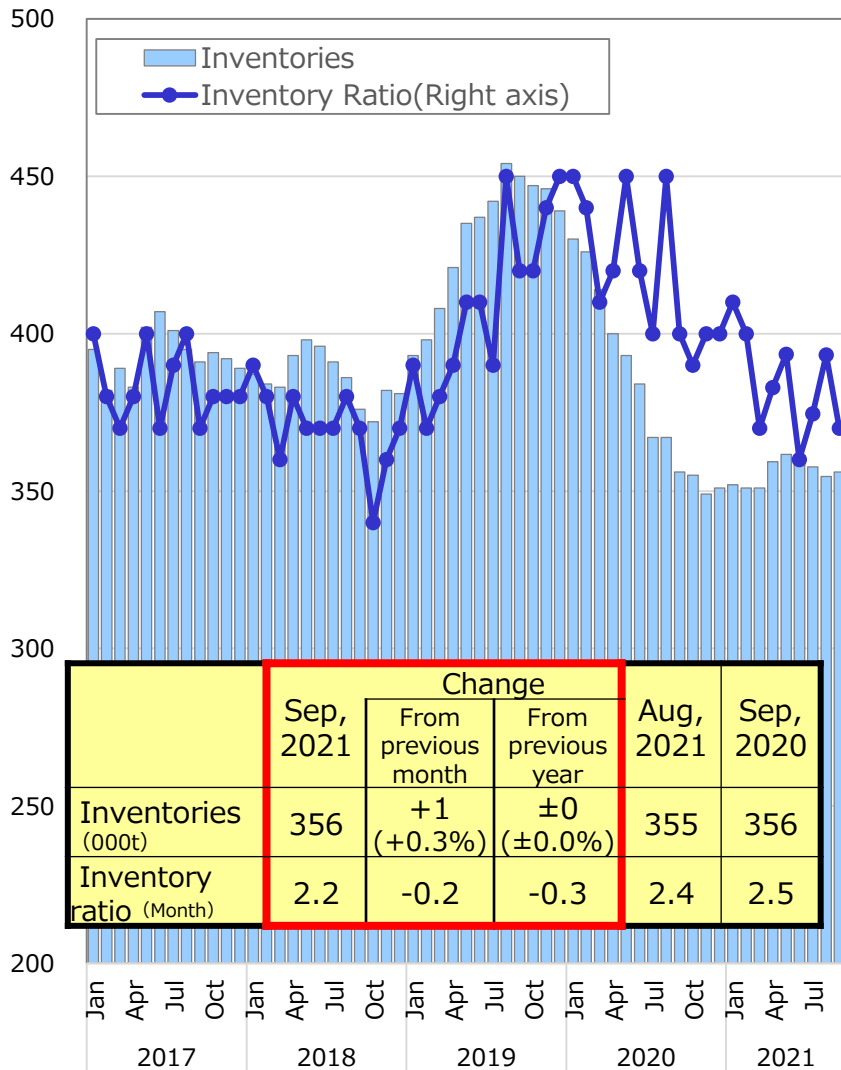




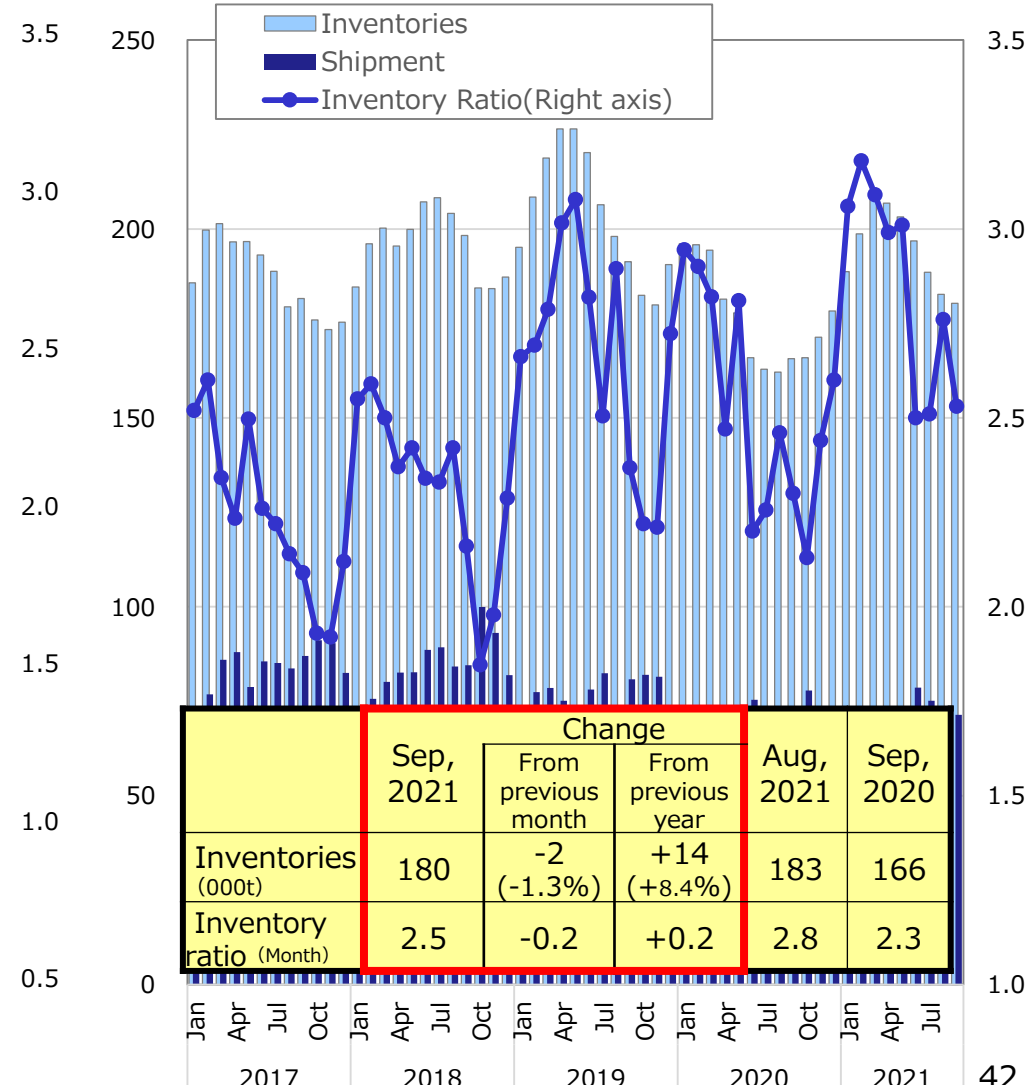
Domestic Market Environment

Inventories of Plate (Plate Shear) and Wide Flange Shapes

(000 t) Inventories of Plate (Plate Shear) (Month)



(000 t) Inventories of Wide Flange Shapes (Month)

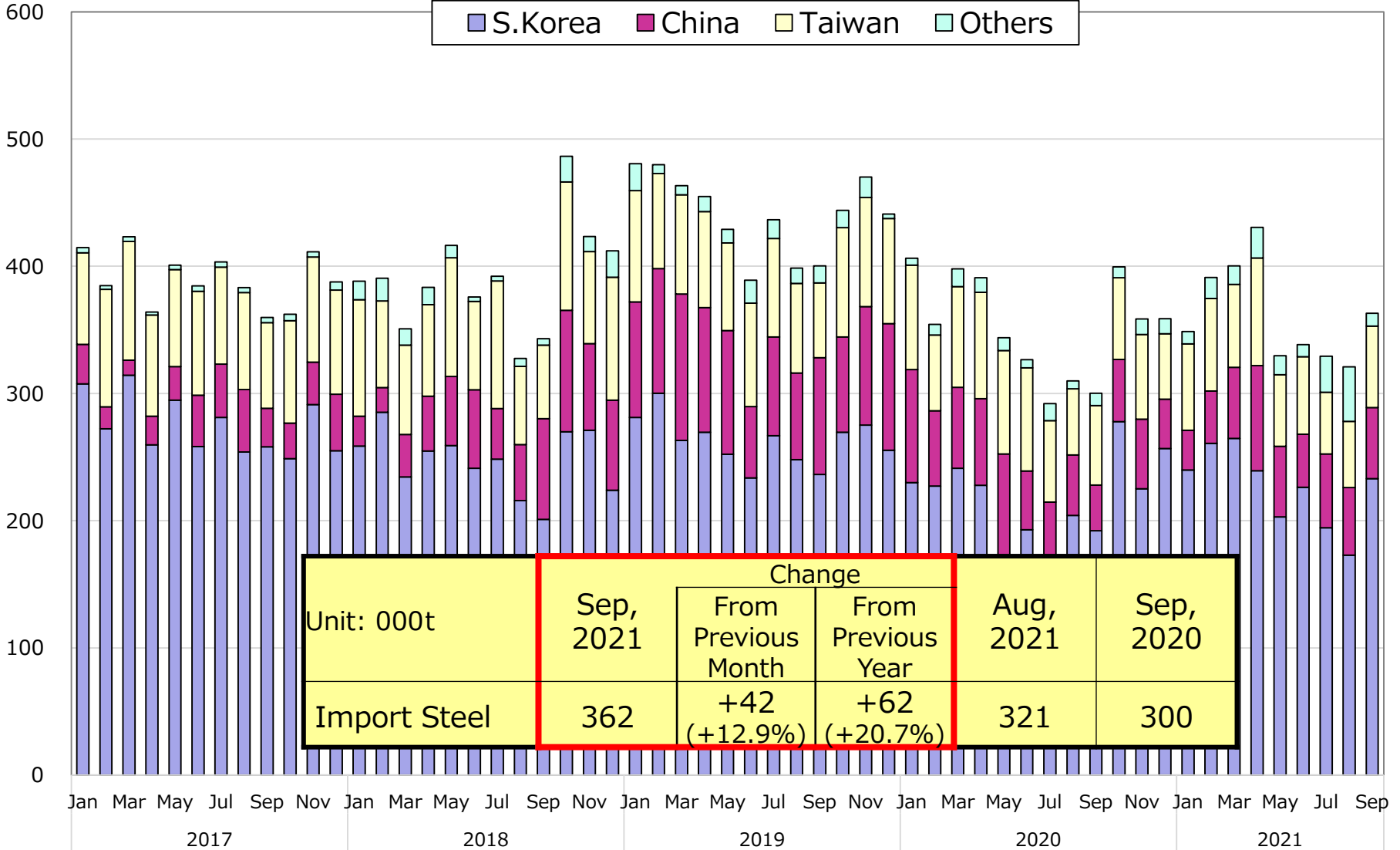


Domestic Market Environment

Trend of Import Steel (Ordinary Steel)



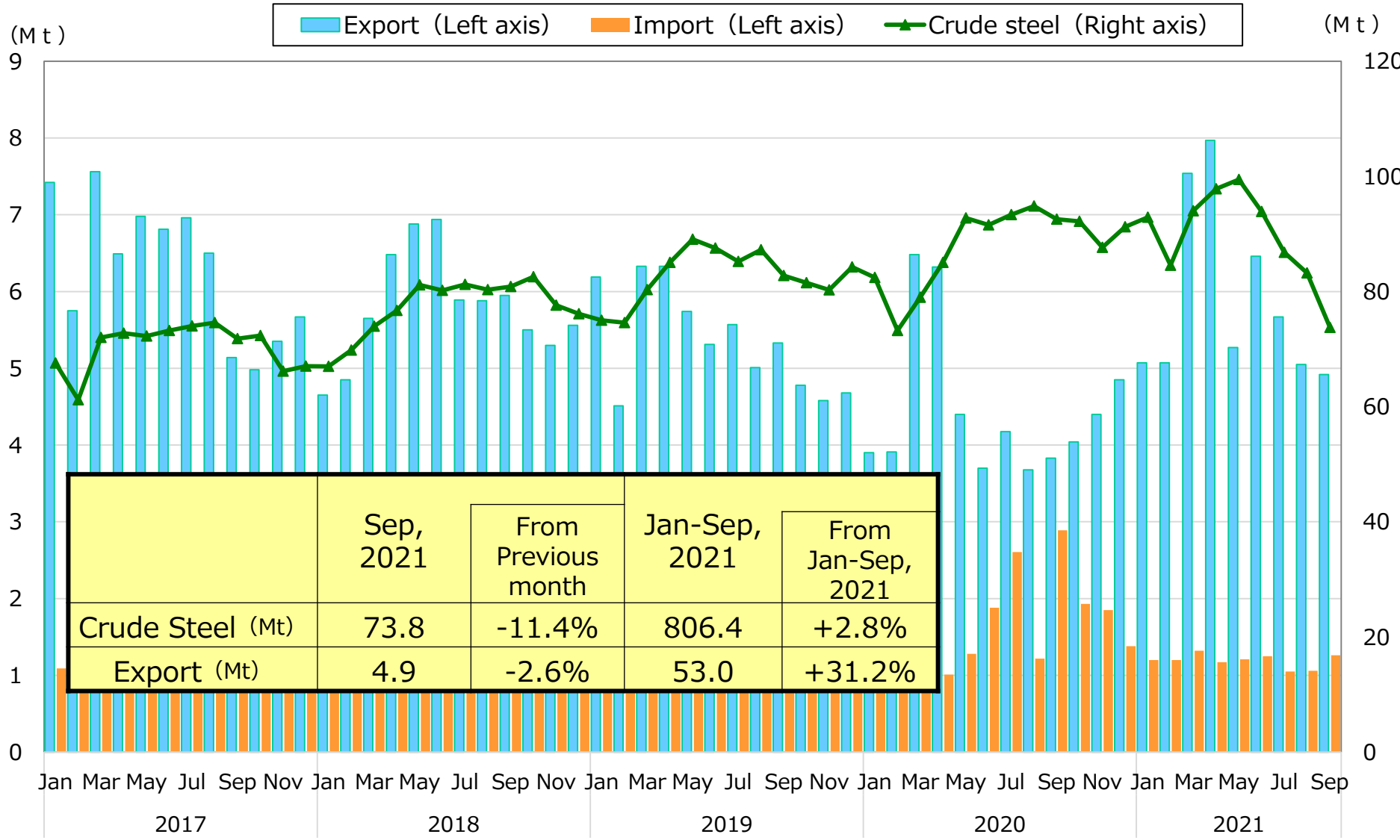
(千 t)



Unit: 000t	Sep, 2021	Change		Aug, 2021	Sep, 2020
		From Previous Month	From Previous Year		
Import Steel	362	+42 (+12.9%)	+62 (+20.7%)	321	300

Overseas Market Environment

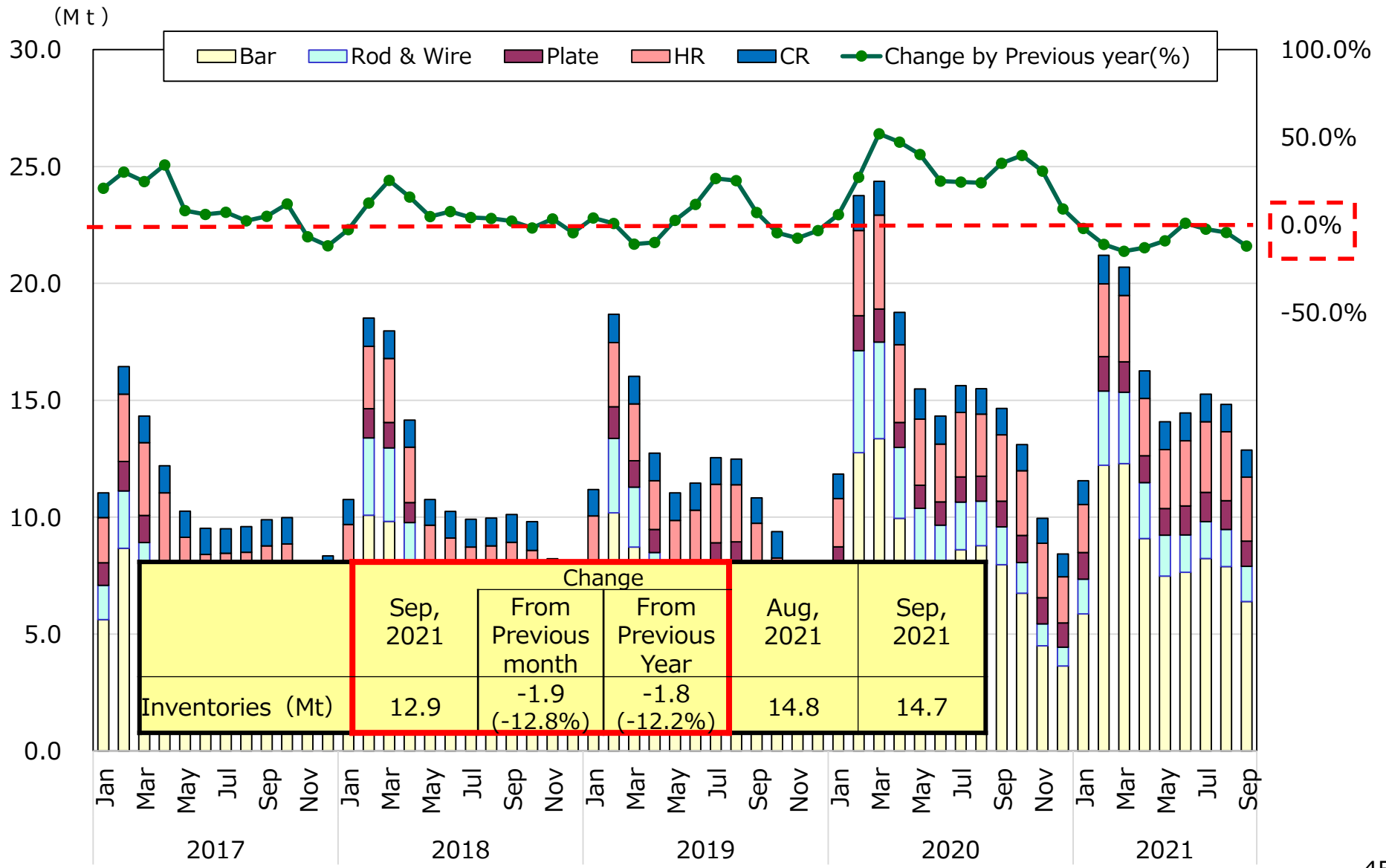
Crude Steel & Im/Export, China



	Sep, 2021	From Previous month	Jan-Sep, 2021	From Jan-Sep, 2021
Crude Steel (Mt)	73.8	-11.4%	806.4	+2.8%
Export (Mt)	4.9	-2.6%	53.0	+31.2%

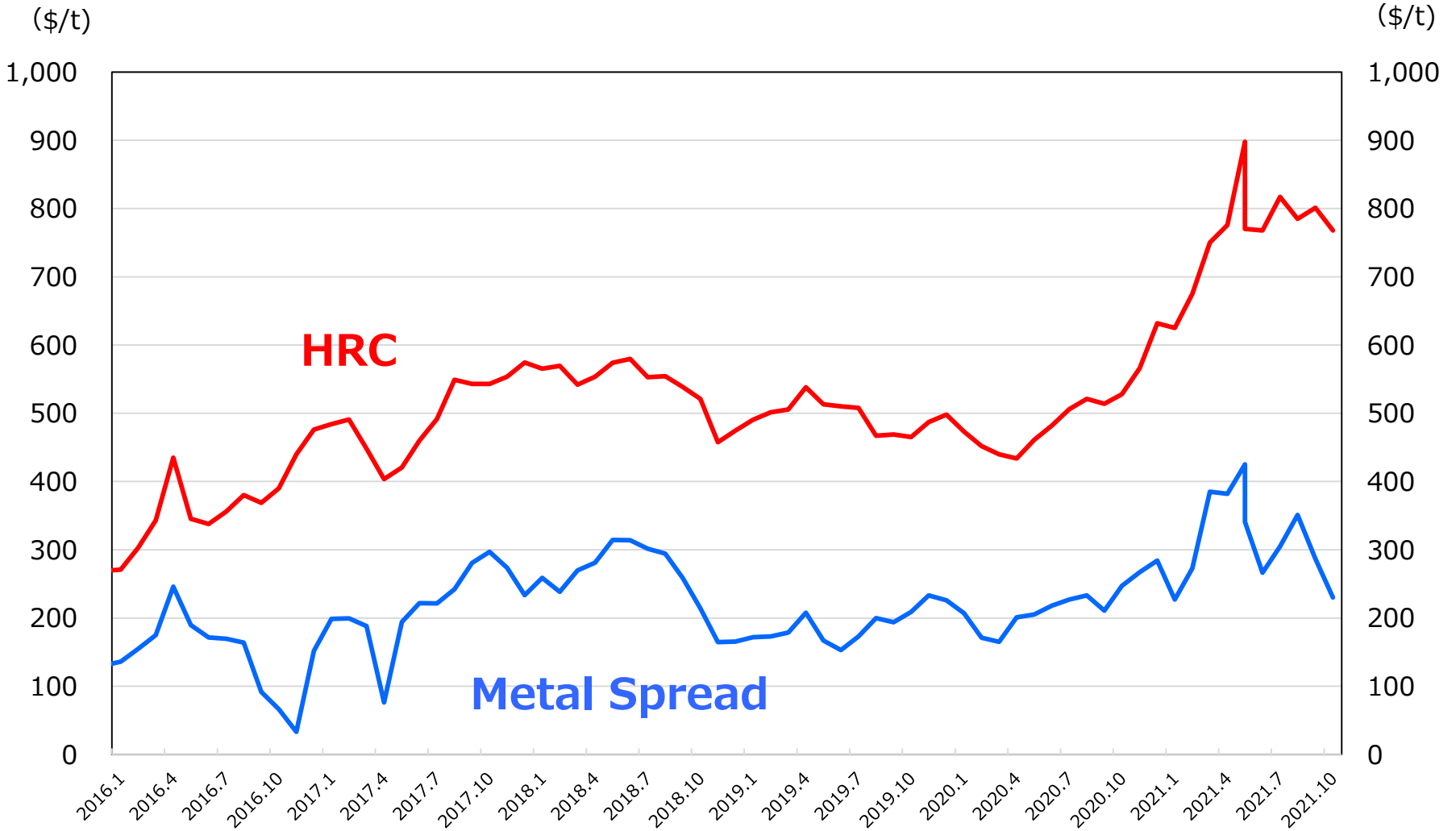
Overseas Market Environment

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

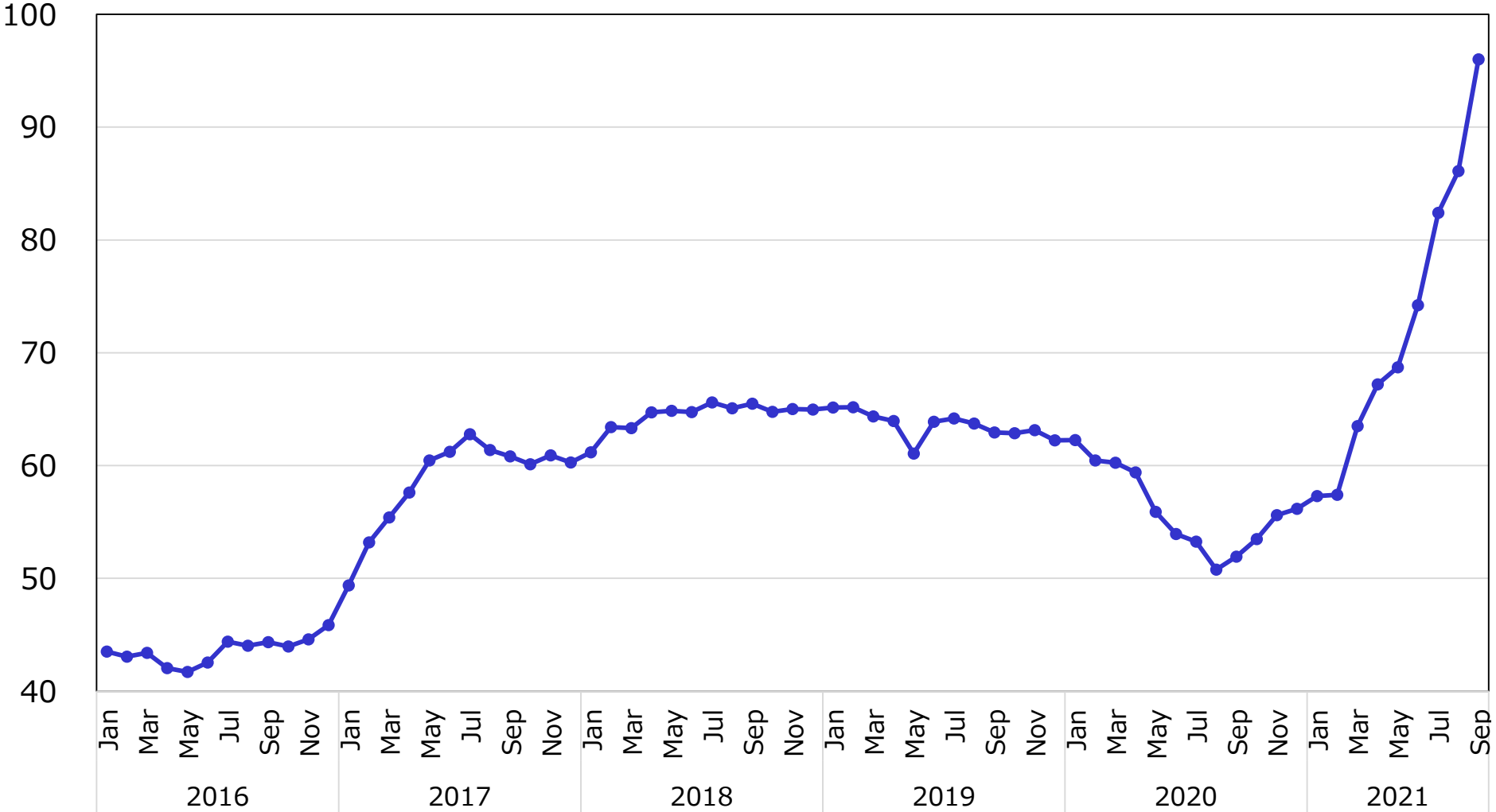


Domestic Market Environment

Price Trend of Import Steel

JFE

(000 yen / t)

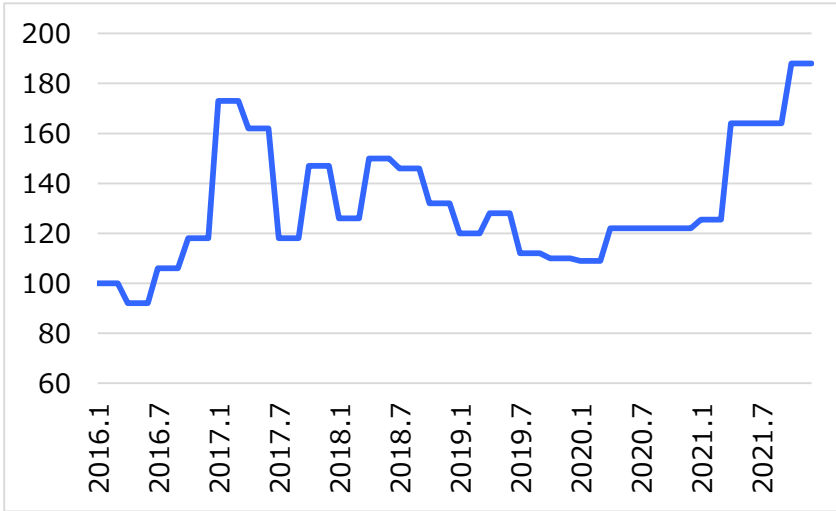


Raw Materials

Trend of Sub Material's Market Price



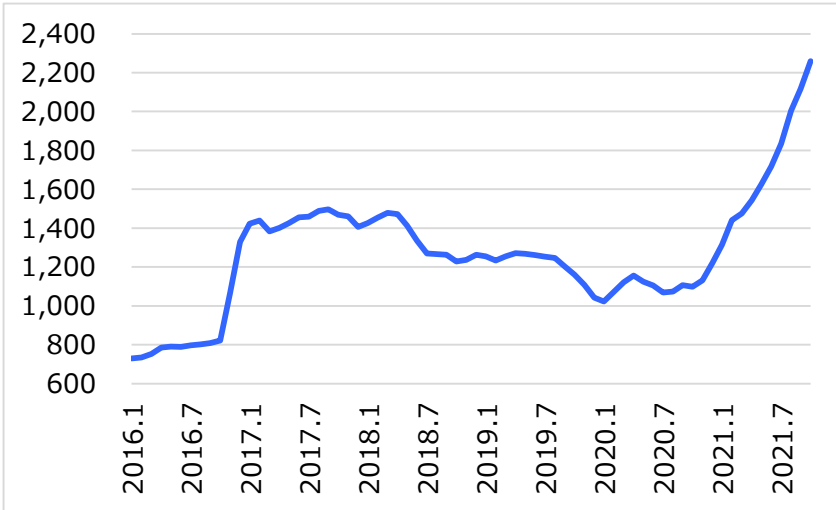
(¢/lb) FeCr



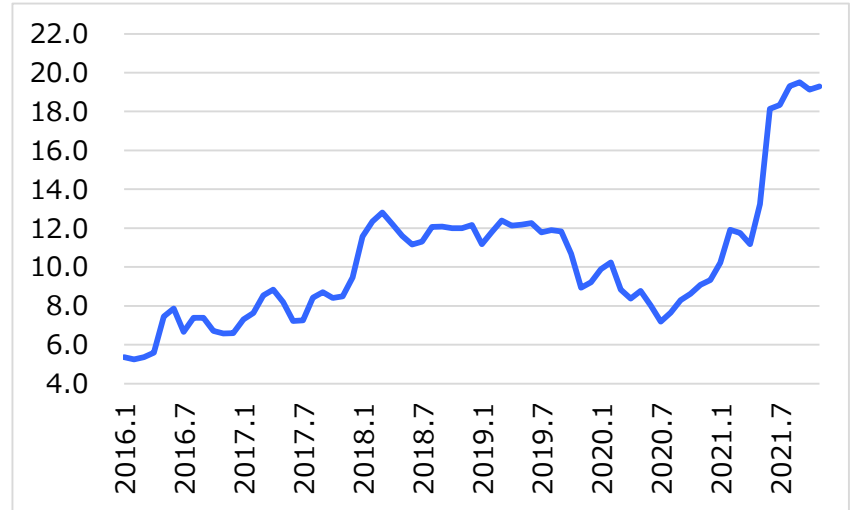
(US\$/t) Zn



(US\$/t) FeMn



(US\$/lb) Mo





Raw Materials

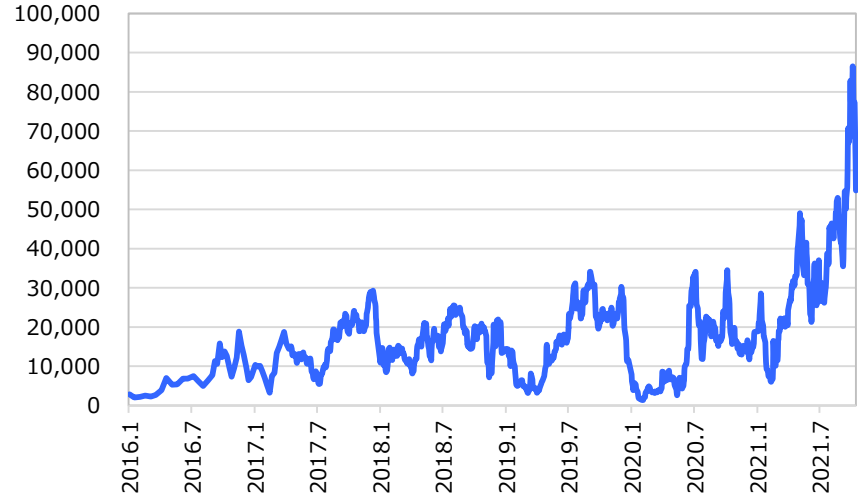
Trend of Sub Material's Market Price

JFE

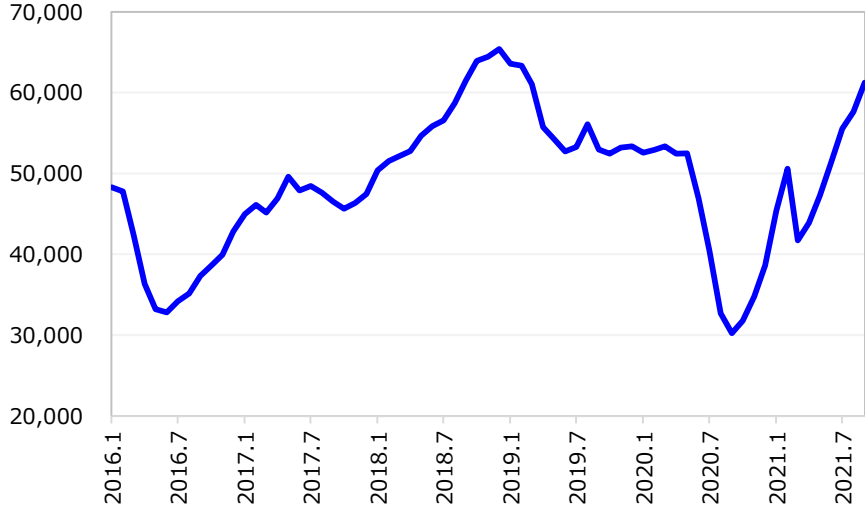
(yen/ t) Scrap



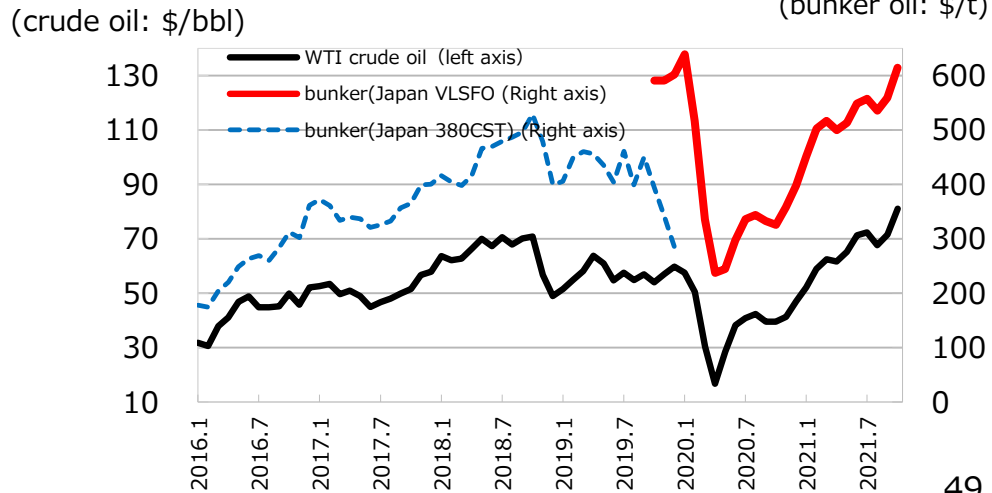
(\$/B) Spot Bulker



(yen/ t) LNG



Oil



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 Non-oriented 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 2Q
Waste to Resource	220.0	230.0	10.0	Construction of domestic waste treatment plant [★Nara prefecture] Improvement works of domestic waste treatment plant [Kochi prefecture] Construction of overseas waste treatment plant [★Vietnam]
Carbon Neutral	36.0	82.0	46.0	Renewal construction of Matsukawa geothermal power generation plant[Iwate prefecture] Construction 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 of domestic bridge (Ohno-Kobe Interchange in Tokai Kanjo Expressway [Gifu] etc.) Reconstruction of domestic bridge (Replacement of bridge decking: Shizuoka, ★Tokyo, ★Nagano)
Total	501.1	550.0	48.9	



JFE