



**JFE Holdings, Inc.**

3Q Financial Results Briefing for the Fiscal Year Ending March 2023

February 6, 2023

# Presentation

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**Moderator:** Ladies and gentlemen, thank you for your patience. We would like to begin JFE Holdings, Inc.'s Investors Meeting.

In attendance today is Masashi Terahata, Representative Director, Executive Vice President.

**Terahata:** Thank you.

**Moderator:** Toshihiro Tanaka, Senior Vice President.

**Tanaka:** Thank you.

**Moderator:** Well then, regarding the financial results announced today, Executive Vice President Terahata will first explain the main points of the announcement.



## Key Points of today's Announcement

JFE-HD

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Results for  
3Q of FY2022

- Business profit in Apr-Dec of FY2022 was **¥231.0bn.**

Forecast  
of  
FY2022

- **Full-year business profit is expected to be ¥235.0bn.**  
(decreased by ¥20.0bn. from previous forecast)
- Steel demand is expected to further decline under the previous forecast due to sluggish activity and reluctance to buy in domestic market and due to slow recovery in overseas market.
- Maintaining an emphasis on selling price, **crude steel production volume is expected to decline from the previous forecast.**  
Full-year crude steel production [stand alone] :  
Approx. 25.00Mt (previous forecast) ⇒ Approx.24.00Mt (Updated forecast)
- Profit of steel business is expected to decrease due to reducing crude steel production etc. (decreased by ¥15.0bn. from previous forecast)  
However, **the spread improvement is expected to progress from the previous forecast** due to initiatives for improving sales price.
- Profit of engineering business is expected to decrease due to losses from European construction projects.  
(decreased by ¥7.0bn. from previous forecast : ¥20.0bn. → ¥13.0bn.)
- Profit of trading business is expected **to post a record profit of ¥60.0bn.,** as the previous forecast is.

Dividends

- JFE has decided to propose at its general meeting of shareholders **a year-end dividend of 30 yen per share**(annual:80yen)

Topics

- Consideration of expand manufacturing facilities for non-oriented electrical steel sheet

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**Terahata:** I'm Terahata. We have key points of today's announcement here.

The business profit for the 3Q cumulative period was JPY231 billion. The FY2022 forecast for business profit is JPY235 billion, a downward revision of JPY20 billion from the previous forecast.

In particular, due to the deteriorating environment in 3Q and 4Q, we expect demand for steel products to be even lower than our previous forecast due to stagnant activity and reluctance to buy in the domestic market, as well as the delayed recovery of market conditions in overseas markets.

Despite this environment, we have maintained our focus on selling prices. As a result, crude steel production has decreased from the previous forecast, and is now projected at 24 million tons per year, about 1 million tons lower than the previous forecast.

Due to a decrease in crude steel production, we have revised downward our forecast for the steel business by JPY15 billion to JPY150 billion. However, due to efforts to improve sales prices, the spread improvement has progressed further than the previous forecast.

In the engineering business, we have revised our forecast downward, partly because we have posted losses on separate construction projects in Europe. The current forecast has been lowered by JPY7 billion from the previous forecast to JPY13 billion.

For the trading business, we expect a record high of JPY60 billion, which is in line with our previous forecast.

In the above manner, profit attributable to owners of parent was JPY150 billion, a decrease of JPY5 billion from the previous announcement, and the annual dividend was set at JPY80, taking into consideration a dividend payout ratio of 30%. Since we have already paid an interim dividend of JPY50, we plan to propose a year-end dividend of JPY30 to the general meeting of shareholders.

Today, we also issued a press release regarding our consideration of capacity expansion of non-oriented electrical steel sheets, which will be explained later.

That is all from me.

**Moderator:** Now, Senior Vice President Tanaka will explain the details of the financial results and forecast.

We will have a question-and-answer session after the briefing.



➤ **Business profit in Apr-Dec of FY2022 was ¥231.0bn.**

(decreased by ¥91.8bn. year-on-year)

(billion yen)	FY2021		FY2022		Change
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	Apr-Dec
Revenue	1,154.4	3,097.3	<b>1,344.2</b>	<b>3,908.5</b>	811.2
<b>Business Profit</b> [Excluding Inventory Valuation etc.]	123.9 [26.9]	322.8 [135.8]	<b>43.1</b> [44.1]	<b>231.0</b> [116.0]	(91.8) [(19.8)]
Finance Income/Costs	(2.9)	(8.5)	(4.2)	(10.9)	(2.4)
Segment Profit	121.0	314.2	<b>38.8</b>	<b>220.0</b>	(94.2)
Exceptional Items	(10.4)	(10.4)	(6.2)	(6.2)	4.2
Profit before Tax	110.6	303.8	<b>32.5</b>	<b>213.8</b>	(90.0)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(28.3)	(80.7)	(11.8)	(69.8)	10.9
<b>Profit Attributable to Owners of Parent</b>	82.2	223.0	<b>20.6</b>	<b>143.9</b>	(79.1)

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.

Inventory Valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.

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**Tanaka:** I am Tanaka. I will now explain the results and forecast based on the materials. First, I would like to present the 3Q financial results and outlook for the JFE Group as a whole.

Here are the financial results for 3Q.

Inside the blue line are the results for this fiscal year. The results include revenue of JPY3,908.5 billion, business profit of JPY231 billion, segment profit of JPY220 billion, and profit attributable to owners of parent of JPY143.9 billion.

Cumulative business profit for the entire JFE Group is JPY231 billion. Compared to the same period last year, profit decreased by JPY91.8 billion.



# Financial Results through Third Quarter of Fiscal Year 2022 <sup>JFE-HD</sup> (by Segment)

(billion yen)	FY2021		FY2022		Change
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	Apr-Dec
Steel Business	832.8	2,243.2	<b>986.9</b>	<b>2,905.9</b>	662.7
Engineering Business	129.8	359.1	<b>130.9</b>	<b>349.9</b>	(9.2)
Trading Business	329.8	873.7	<b>383.6</b>	<b>1,133.8</b>	260.1
Adjustments	(137.5)	(378.6)	(157.2)	(481.1)	(102.5)
<b>Revenue</b>	<b>1,154.4</b>	<b>3,097.3</b>	<b>1,344.2</b>	<b>3,908.5</b>	<b>811.2</b>
Business Profit (A)	123.9	322.8	43.1	231.0	(91.8)
Finance Income/Costs (B)	(2.9)	(8.5)	(4.2)	(10.9)	(2.4)
Steel Business	93.5	252.0	<b>21.8</b>	<b>170.0</b>	(82.0)
Engineering Business	10.2	21.3	<b>1.7</b>	<b>(2.1)</b>	(23.4)
Trading Business	16.2	41.9	<b>15.1</b>	<b>55.7</b>	13.8
Adjustments	1.0	(1.0)	0.1	(3.5)	(2.5)
<b>Segment Profit (A+B)</b>	<b>121.0</b>	<b>314.2</b>	<b>38.8</b>	<b>220.0</b>	<b>(94.2)</b>

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On the next page is a table itemized by segment.

The upper row shows revenue, and the lower row shows segment profit. Looking at segment income, the steel business had JPY170 billion, the engineering business had minus JPY2.1 billion, and the trading business had JPY55.7 billion, for a total result of JPY220 billion.



# Financial Forecast for Fiscal Year 2022

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- Full-year business profit is expected to be **¥235.0bn.**  
(decreased by ¥20.0bn. from previous forecast, decreased by ¥181.4bn. year-on-year)

(billion yen)	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast(Updated)			Change FY2021→ FY2022 (Updated)	Change Previous →Updated
			Full Year	Full Year	1H (Apr-Sep)		
Revenue	4,365.1	5,260.0	2,564.3	<b>2,635.7</b>	<b>5,200.0</b>	834.9	(60.0)
<b>Business Profit</b> [Excluding Inventory Valuation etc.]	416.4 [222.4]	255.0 [173.0]	187.9 [71.9]	<b>47.1</b> [90.1]	<b>235.0</b> [162.0]	(181.4) [(60.4)]	(20.0) [(11.0)]
Finance Income/Costs	(11.6)	(15.0)	(6.6)	(8.4)	(15.0)	(3.4)	0.0
Segment Profit	404.8	240.0	181.2	<b>38.8</b>	<b>220.0</b>	(184.8)	(20.0)
Exceptional Items	(16.2)	-	-	(6.2)	(6.2)	10.0	(6.2)
Profit before Tax	388.5	240.0	181.2	<b>32.6</b>	<b>213.8</b>	(174.7)	(26.2)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(100.4)	(85.0)	(57.9)	(5.9)	(63.8)	36.6	21.2
<b>Profit Attributable to Owners of Parent</b>	<b>288.0</b>	<b>155.0</b>	<b>123.2</b>	<b>26.8</b>	<b>150.0</b>	(138.0)	(5.0)

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.

Inventory Valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.

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Next, the forecast for FY2022.

As mentioned at the beginning of this report, the annual forecast is JPY235 billion in business profit, a decrease of JPY20 billion from the previous forecast and a decrease of JPY181.4 billion from the previous year.

In the blue line below are the figures for this forecast. For the year, we are projecting revenue of JPY5.2 trillion, business profit of JPY235 billion, segment profit of JPY220 billion, and profit attributable to owners of parent of JPY150 billion.





# Financial Forecast for Fiscal Year 2022 (by Segment)

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(億円)	FY2021 Actual	FY2022 Forecast (Previous)	FY2022 Forecast(Updated)			Change FY2021→ FY2022 (Updated)	Change Previous →Updated		
			Full Year	Full Year	1H			2H	Full Year
					(Apr-Sep)			(Oct-Mar)	
Steel Business	3,173.4	3,960.0	1,918.9	<b>1,941.1</b>	<b>3,860.0</b>	686.6	(100.0)		
Engineering Business	508.2	520.0	219.0	<b>301.0</b>	<b>520.0</b>	11.8	0.0		
Trading Business	1,231.7	1,490.0	750.2	<b>739.8</b>	<b>1,490.0</b>	258.3	0.0		
Adjustments	(548.3)	(710.0)	(323.9)	(346.1)	(670.0)	(121.7)	40.0		
<b>Revenue</b>	<b>4,365.1</b>	<b>5,260.0</b>	<b>2,564.3</b>	<b>2,635.7</b>	<b>5,200.0</b>	<b>834.9</b>	<b>(60.0)</b>		
Business Profit (A)	416.4	255.0	187.9	47.1	235.0	(181.4)	(20.0)		
Finance Income/Costs (B)	(11.6)	(15.0)	(6.6)	(8.4)	(15.0)	(3.4)	0.0		
Steel Business	323.7	165.0	148.2	<b>1.8</b>	<b>150.0</b>	(173.7)	(15.0)		
Engineering Business	26.0	20.0	(3.9)	<b>16.9</b>	<b>13.0</b>	(13.0)	(7.0)		
Trading Business	55.9	60.0	40.6	<b>19.4</b>	<b>60.0</b>	4.1	0.0		
Adjustments	(0.9)	(5.0)	(3.6)	0.6	(3.0)	(2.1)	2.0		
<b>Segment Profit (A+B)</b>	<b>404.8</b>	<b>240.0</b>	<b>181.2</b>	<b>38.8</b>	<b>220.0</b>	<b>(184.8)</b>	<b>(20.0)</b>		

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The next page contains a table similarly itemized by segment.

JPY150 billion for the steel business, JPY13 billion for the engineering business, and JPY60 billion for the trading business. Compared to the previous forecast, the steel business will see a JPY15 billion decrease in profit and the engineering business will see a JPY7 billion decrease.

These are the numbers.



# Demand for steel and Crude steel production

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➤ Due to the postponement of domestic demand in the residential & civil engineering construction sectors and continued weakness in overseas steel demand & market, **Standalone crude steel production is expected to be approx. 24Mt, down 1Mt from previous forecast.**

### Aug. 2022 announcement

### Nov. 2022 announcement

### Feb. 2023 announcement (This Time)

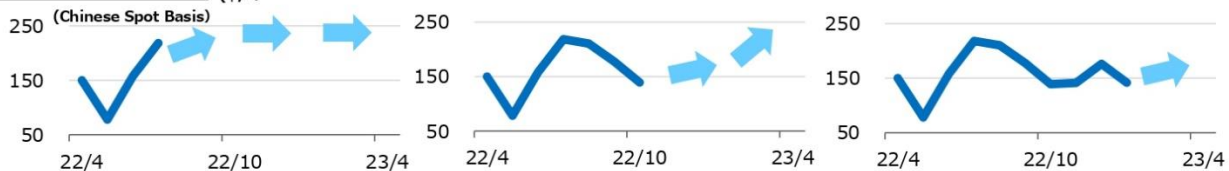
#### Sales environment

•Parts supply constraints in the domestic auto sector are expected to ease gradually.  
•Despite sluggish domestic demand due to the zero-COVID policy in China, overseas demand and market are expected to recover for the second half of the year due to economic stimulus measures by Government of China.

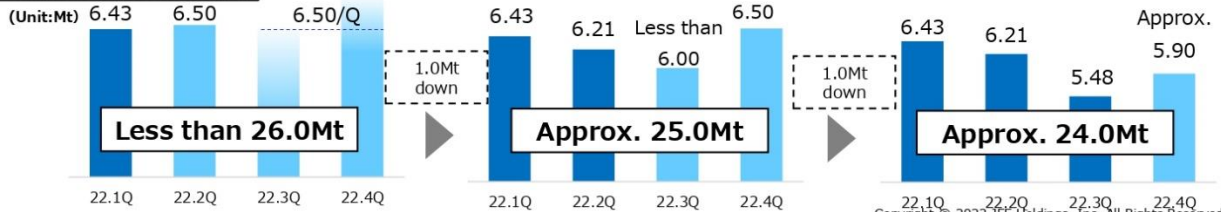
•The recovery of activity levels in the domestic auto sector delays than the previous forecast.  
• China's economic is weak and demand for construction is postponed in emerging countries. Recovery in overseas demand and market due to economic stimulus measures in China is expected to be delayed to the fourth quarter.

•Due to the rising cost of materials, demand is postponed, especially in the domestic housing, civil engineering and construction sectors.  
•Demand for overseas steel products and market conditions remain weak in the fourth quarter due to economic uncertainty.

#### HRC Metal Spread (\$/t)



#### Crude Steel(Standalone) (Unit:Mt)



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First, we will discuss the overall sense of steel supply, demand, and production for steel.

This time, due to the postponement of domestic demand in the housing and civil engineering and construction sectors and the continued softening of overseas demand and market conditions, JFE Steel’s standalone crude steel production is expected to be approximately 24 million tons, a decrease of 1 million tons from the previous year.

In the previous announcement in November 2022, we also said that production would be reduced by 1 million tons compared to the August 2022 announcement, and the table below rearranges these figures. The left is the announcement as of August 2022, the middle is the announcement as of November 2022, and the right is the current announcement.

As of August, our perception of the sales environment was that parts supply constraints in the domestic automotive sector would gradually be resolved. Furthermore, overseas, domestic demand in China was sluggish due to their zero-COVID-19 policy, but we expected both overseas demand and market conditions to recover toward 2H of the year due to economic stimulus measures.

The metal spread shown in the middle of the graph is also expected to improve from 2H of the year, and JFE Steel’s standalone crude steel production volume for 2H of the year is expected to be slightly less than 6.5 million tons per quarter.

As of November, the recovery in the level of activity in the automotive sector in Japan was slower than previously assumed, as well as the sluggish Chinese economy and construction demand in emerging countries was also postponed. Around this time, the Communist Party Congress was held in China, and there were



expectations that various measures would come out. However, since there were no significant economic measures, demand for steel products, spreads, and market conditions did not recover much in 3Q, and we expected the recovery to shift to 4Q.

As a result, for the crude steel volume at the bottom, we had expected a 1 million ton reduction in production mainly in the current 2Q, and in 3Q.

In this time, the demand is postponed, especially in the domestic housing and civil engineering and construction sectors and overseas demand for steel products and market conditions are not showing signs of recovery in 4Q due to the uncertain outlook for the overseas economy. Therefore, the annual production is expected to be about 24 million tons, including a further 1 million tons of production cut in 3Q and 4Q.

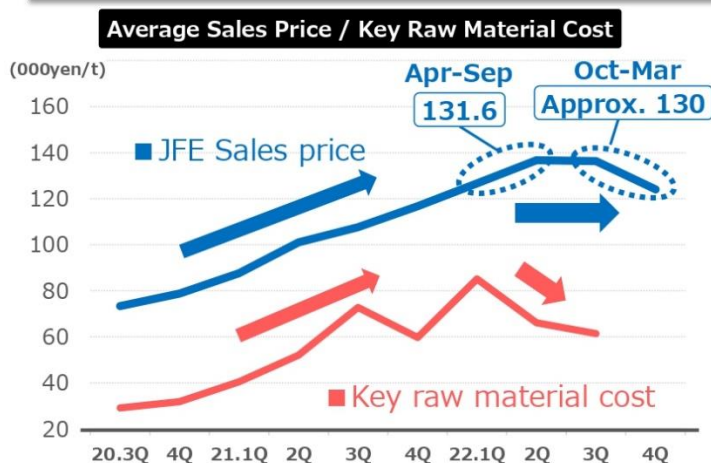
The quantities are as described above.



## Initiatives for Improving Sales Price



- In the 2H of FY2022, overseas steel market price and Key raw material cost declined due to sluggish steel demand.
- Further sales price improvement is expected due to **the reflections of metal and commodity costs\***, **overhaul of extra pricing**, and **enhancing sales price to the sustainable level**. \*Including foreign exchange effect, scrap, metal, fare, energy, etc.
- The spread in 2H of FY2022 is expected to **increase by ¥87.0bn. (+8,100yen/t)** from 1H of FY2022 and **increase by ¥28.0bn. (+2,600yen/t)** from the previous forecast.



**Initiatives of Improve our Sales Price**

- ◆ **Quick reflection of raw material cost to sales price**  
Make effort to quickly and steadily pass on the cost increase of key raw materials to the sales prices.
- ◆ **Overhaul of extra pricing**  
Already realized some part of extra revision. Accelerate overhaul to modify the extra pricing which is inappropriate to the current status.
- ◆ **Sales price improvement to the sustainable level**  
Improve sales prices to the sustainable level even among the long-term/continuous contracts if the margin is not enough.

I would like to discuss our most recent efforts to improve sales prices.

In 2H of this fiscal year, the demand for steel products has been sluggish, and overseas market conditions and key raw materials cost have been very weak.

First, please look at the graph on the left. The blue line shows the change in JFE sales prices. The 1H average was JPY131,600. This graph is dotted quarterly, with peaks in 2Q and 3Q, and we expect the sales price itself to decline in 2H of the year through 4Q. We estimate that the average for 2H of the year will be about JPY130,000.

On the other hand, looking at the red line below, the price of main raw materials has been decreasing every quarter since 1Q, so the spread between the blue line and the red line, the so-called spread between sales price and key raw materials, has been increasing with each passing quarter. This means that we are achieving spread improvement.

Specifically, as mentioned in the upper section, we are working to improve selling prices by shifting various prices, overhauling extras, and Improving to sustainable level.

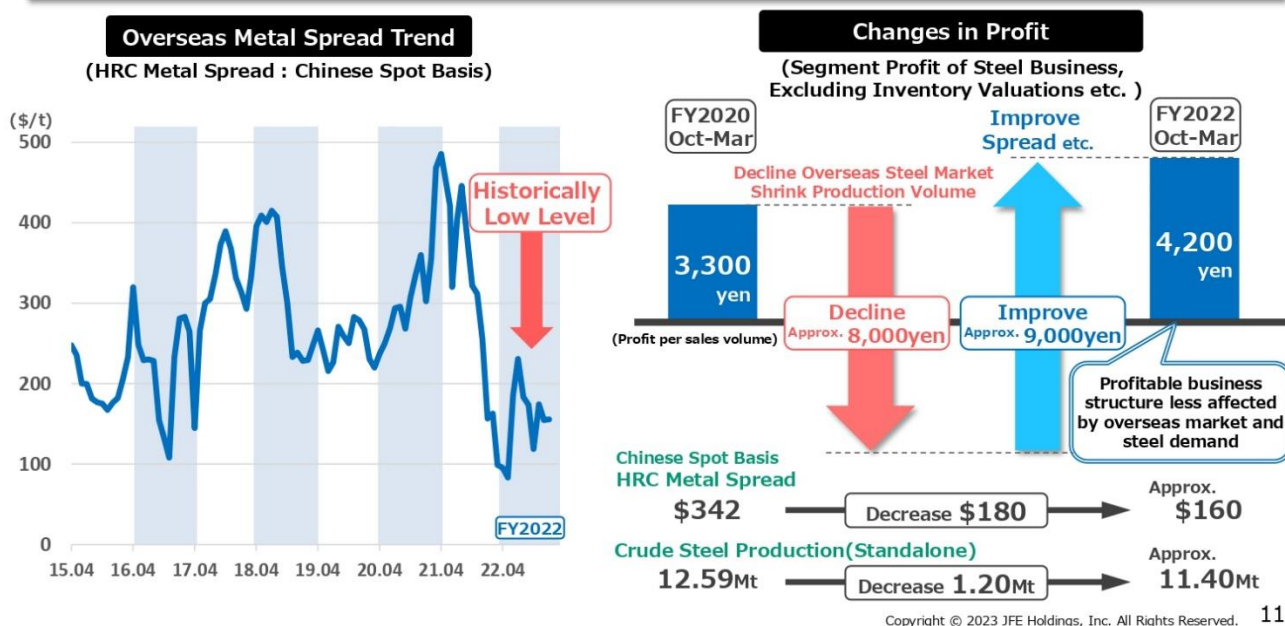
In terms of figures, we have factored in a JPY87 billion improvement in the spread for 2H of the year compared to 1H, and a JPY28 billion improvement compared to the previous announcement. This spread improvement takes into account not only the difference from the key raw materials shown in the table below, but also the impact of foreign exchange effect, higher energy costs, and other costs. We assess that spread improvement is progressing steadily.



## Maintaining Profit in a Tough Business Environment



- In 2H of FY2022, **overseas metal spread is significantly declined**, and **production volume shrunk**.
- The establishment of **a stable and profitable business structure that is less affected by overseas steel market conditions and steel demand** is progressing, amid enhancing profit due to initiatives of improving the spread etc..



The next section is a summary of how the ability profit/loss is performing in the current very difficult environment.

The left-hand side of the bottom row shows changes in overseas metal spread trend, which are in fact very low in this FY2022 compared to the past, especially through 2H of the year. Furthermore, the current crude steel production has also declined considerably. The lower graph on the right side of this page roughly illustrates the movement over the past two years, 2H of 2020, which is the starting point of our seventh mid-term plan, and 2H of 2022.

In 2H of 2020, the actual profit/loss, excluding one-time items, is JPY3,300 per ton. The assumption at that time was that the metal spread for hot rolled coil on a spot basis in China was USD342. Also, the standalone crude steel production at that time was 12.59 million tons.

On the other hand, the level in 2H of 2022 is about USD160 in metal spread and 11.4 million tons in crude steel production, which is a worsening environment when these two major items are taken out.

If we translate these two factors into an impact per ton, which is illustrated by the arrow pointing downward in this red graph, we see a deterioration of about JPY8,000 per ton. In other words, if this deteriorating environment was added to the same condition as in 2H of 2020, it was not surprising that the Company's actual profit/loss could have fallen into the red.

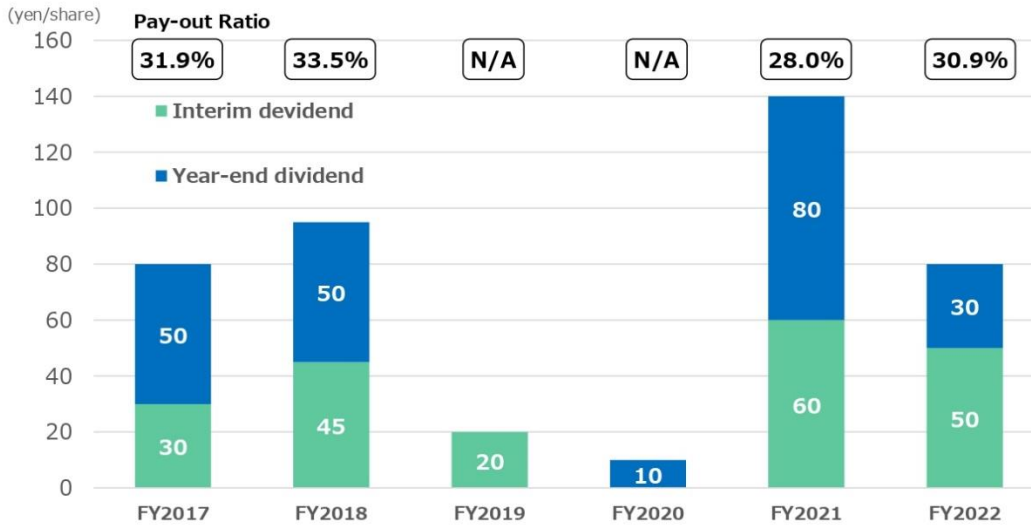
On the other hand, mainly in Japan, we achieved an improvement of JPY9,000 per ton through the spread improvement and price improvement efforts I mentioned earlier, and our actual profit/loss for 2H of this year was JPY4,200 per ton, which is rather better than 2H of 2020.

We believe that we are making progress in building a stable and profitable business structure that is not dependent on overseas market conditions or volume.



# Dividend

➤ JFE Holdings has decided to propose at its general meeting of shareholders **a year-end dividend of 30 yen per share**, which would bring the annual dividend of 80 yen per share.



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Finally, I will explain dividends.

As mentioned at the beginning of this report, the year-end dividend is proposed to be JPY30 per share, for an annual dividend of JPY80 per share. The dividend payout ratio is shown in the column for FY2022 on the far right, which is 30.9%.



# Financial Forecast through Fiscal Year 2022

JFE Steel

	Unit	FY2021 Actual		FY2022 Updated Forecast					FY2022 Previous Forecast (Full Year)
		Apr-Dec Actual	Full Year	1H Actual	2H		Full Year		
					3Q Actual	4Q Forecast			
Revenue	billion yen	2,243.2	3,173.4	1,918.9	986.9	954.2	1941.1	3,860.0	3,960.0
Segment Profit	billion yen	252.0	323.7	148.2	21.8	(20.0)	1.8	150.0	165.0
Excluding Inventory Valuation etc.*	billion yen	65.0	129.7	32.2	22.8	22.0	44.8	77.0	83.0
Crude Steel (Standalone)	Mt	19.20	25.88	12.64	54.8	Approx. 59.0	Approx. 11.40	Approx. 24.00	Approx. 2,500
Crude Steel (Consolidated)	Mt	20.24	27.26	13.37	58.1	Approx. 62.0	Approx. 12.00	Approx. 25.40	
Shipment (Standalone)	Mt	16.46	22.38	10.86	52.5	Approx. 55.0	Approx. 10.80	Approx. 21.60	
Export Ratio on Value Basis (Standalone)	%	46.2	45.5	46.7	41.0	Approx. 41	Approx. 41	Approx. 44	
Average Sales Price (Standalone)	000 yen / t	99.0	103.7	131.6	136.3	Approx. 124	Approx. 130	Approx. 131	
Exchange Rate	¥/\$	111.0	112.1	131.6	144.0	Approx. 131	Approx. 137	Approx. 135	Approx. 138

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

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Next, here are the details by company.

First, JFE Steel. As always, we are organizing our various sources, including financial forecasts and actual results.

Regarding segment profit, the current 4Q forecast is a loss of JPY20 billion, compared to the 3Q results of JPY21.8 billion.

On the other hand, if you look at the figures below, excluding inventory valuation etc., one of the key points is that the actual profit/loss remained basically unchanged in 3Q and 4Q, with JPY22.8 billion in 3Q and JPY22 billion in 4Q.

Below you will find assumptions for crude steel production, steel export ratio, average prices, exchange rates, etc.





## 82.0Bn. Yen Decrease in JFE Steel's Segment Profit (FY2021 Apr-Dec vs. FY2022 Apr-Dec)

JFE Steel

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JFE Steel	FY2021 Apr-Dec	FY2022			Change
		1H	3Q	Apr-Dec	
Segment Profit	252.0	148.2	21.8	170.0	(82.0)
Excluding Inventory Valuation etc.	65.0	32.2	22.8	55.0	(10.0)
<b>1. Cost</b>	<b>+5.0</b>	• Cost reduction progress despite Chiba No.6 blast furnace refit			
<b>2. Volume and Mix</b>	<b>(18.0)</b>	• Volume -20.0, Mix +2.0			
<b>3. Sales and Raw materials</b>	<b>+182.0</b>	• Improve spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices			
<b>4. Foreign exchange effects on trade</b>	<b>(75.0)</b>	• 1USD=111.0yen→1USD=135.7yen			
<b>5. Inventory valuation</b>	<b>(72.0)</b>	• Inventory valuation-26.0 (+123.0→+97.0) • Carry over-59.0 (+60.0→+1.0) • Foreign exchange valuation+13.0(+4.0→+17.0)			
<b>6. Others</b>	<b>(104.0)</b>	• Group companies-51.0 • Energy prices-36.0, etc			

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Based on this premise, let me first explain the breakdown of profit/loss changes from the previous fiscal year for the cumulative 3Q results.

The previous fiscal year was JPY252 billion, and the current fiscal year is JPY170 billion, so the decrease is JPY82 billion.

The cost is plus JPY5 billion, and the volume is minus JPY18 billion because crude steel production has decreased by about 1 million tons from the previous year.

Regarding the spread in the third item, sales price and raw materials, the cost of coking coal, in particular, has increased significantly during this period, but the large improvement in sales prices, mainly in Japan, has resulted in a large positive figure.

As for exchange rates, the yen has depreciated significantly, resulting in a negative difference in exchange flows, and as mentioned in the others section, energy unit prices have also increased, which is also in the negative direction, but even when all these various prices are added together, the spread has improved significantly.

On the other hand, the fifth item, inventory valuation, had a significant negative impact compared to last year, and group companies also saw a decrease in profit, mainly overseas group companies, resulting in a decrease of JPY82 billion in profit.

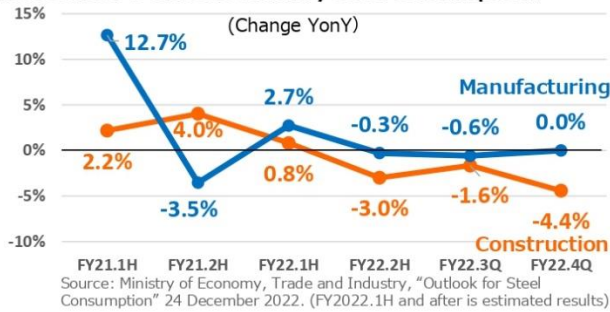




# Current Business Environment (Domestic)

- **Domestic demand in the residential and civil engineering construction sectors is the postponed** and some **customer's production activity is slowing** due to a slowdown in overseas economies.
- **The level of activity in the auto sector** is slightly behind the previous forecast **but is improving**.

### [Outlook for Domestic Ordinary Steel Consumption]



### [Outlook for Domestic Auto Production]



### [Trend by Sector]

Auto-mobile	<ul style="list-style-type: none"> <li>Demand remains strong and there is a large backlog of orders.</li> <li>Restrictions on the supply of semiconductors and other components are gradually ease and the level of activity is expected to improve in the future.</li> </ul>
Ship-building	<ul style="list-style-type: none"> <li>Negotiation of new shipbuilding is deadlocked, however the contract balance still remains for two years.</li> <li>The current level of activity is expected to remain stable over the next two to three years, although there are soaring materials prices and labor shortages.</li> </ul>
Other manufacturing	<ul style="list-style-type: none"> <li>Orders for industrial machinery have slowed due to the global economic slowdown.</li> <li>The level of activity in construction equipment is strong. The impact of declining housing investment in North America should be closely watched. Demand for steel materials is almost flat compared to the previous year.</li> </ul>
Building	<ul style="list-style-type: none"> <li>In the non-residential use, large projects such as distribution warehouses and semiconductor factories are steady, but small and medium-sized projects are still sluggish.</li> <li>In residential properties, the number of new housing starts has been sluggish due to soaring materials prices.</li> <li>Demand for steel materials decreased slightly from the previous year.</li> </ul>
Civil engineering	<ul style="list-style-type: none"> <li>In the public sector, a high level of budget has been secured, but delays have become apparent due to design reviews caused by soaring materials prices. Demand for steel materials decreased slightly from the previous year.</li> </ul>

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Looking at the annual outlook, the following is a more detailed look at the current domestic and overseas business environment by sector.

In Japan, as I mentioned at the beginning of this report, there is a postponement of demand in the residential and civil engineering construction sectors, and a slowdown in orders due to the slowdown in overseas economies.

However, in the auto sector, we believe that the level of activity is improving, albeit slightly behind that of the previous period.

On the right, trends by sector, including the auto sector, are listed. In shipbuilding, we expect a certain amount of contract backlog to be secured and continue to be stable, and in other manufacturing sectors, we expect the level of activity in construction machinery to be firm, although there will be a slight slowdown in orders for industrial machinery due to the slowdown in overseas economies. The left side of the chart shows the percentage change in domestic ordinary steel consumption forecast from the previous year. For the manufacturing sector, 3Q and 4Q show that consumption remained at the same level as the previous year.

On the other hand, it is the field of construction and civil engineering. As for construction, large projects are firm, but small and medium-sized projects remain sluggish. As for residential properties, the number of housing starts has been sluggish due to soaring material prices. In the case of civil engineering, delays of bid solicitation have become very apparent due to the rising cost of materials, and the steel consumption forecast on the left side of the graph has become more negative in the 3Q and 4Q.

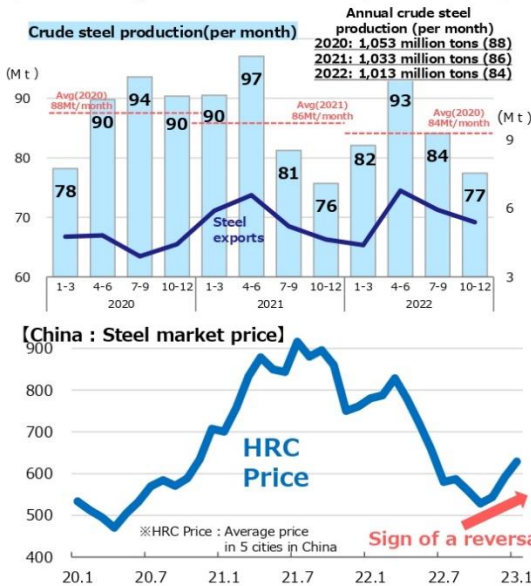


# Current Business Environment (Overseas)

JFE

- With weak domestic demand in China and the outlook uncertain in Europe and US due to the slowdown of economies, **demand for steel overseas is currently weak and there were moves to adjust inventories.**
- **The supply and demand for steel products and market conditions are expected to improve in the future** due to the economy recovery with a round of inventory adjustment, China's lifting of the zero-COVID policy and support measures for the real estate sector. **Moderate improvement are seen recently.**

**[ crude steel production and steel exports in China ]**



**[Real GDP Growth Forecast in 2023]**

(Arrows indicate changes from the previous forecast)

	World	US	China	India	ASEAN-5
2022 Estimate	3.4%	2.0%	3.0%	6.8%	5.2%
Oct. 2022 Forecast	2.7%	1.0%	4.4%	6.1%	4.5%
Jan. 2023 Forecast	2.9% ➔	1.4% ➔	5.2% ➔	6.1% ➔	4.3% ➔

Source: IMF World Economic Outlook Update October 14, 2022, January 31, 2023 \*ASEAN5 : Thailand, Malaysia, Indonesia, Philippine, and Singapore

**[Trend by Sector]**

Thin Sheet	<ul style="list-style-type: none"> <li>• Demand was generally weak due to weak real estate market in China, inventory adjustment due to uncertainty about the future, and postponement of building demand in emerging countries due to weak currency and insufficient foreign exchange reserves.</li> <li>• A recovery is expected in the future, and moderate improvement was seen recently.</li> </ul>
Auto mobile	<ul style="list-style-type: none"> <li>• Demand remains firm and production levels gradually recover as supply constraints ease.</li> <li>• In Europe, production and sales were sluggish due to the situation in Ukraine and inflation.</li> </ul>
Ship Building	<ul style="list-style-type: none"> <li>• Chinese and South Korean shipbuilding companies secured stable contracts balance by increasing new construction orders.</li> <li>• It is assumed that there will be a delay in construction due to a shortage of workers, but there will be no significant impact.</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• WTI crude oil prices remain in high range. Development of alternatives to Russian crude oil and gas has progressed mainly in North America and the Middle East.</li> <li>• Inquiries increased mainly for high chromium seamless steel pipes.</li> </ul>

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Next is the overseas business environment.

With weak domestic demand in China and the outlook uncertain in Europe and the US due to the economic slowdowns, overseas demand for steel products is currently weak and inventory adjustments were seen.

Looking ahead, we expect that the supply-demand balance for steel products and market conditions will improve due to the economy recovery with a round of inventory adjustment, China's lifting of the zero-COVID policy and support measures for the real estate sector.

The graph on the lower left shows the HRC price in the Chinese steel market, and there have been signs of a recent reversal. We will have to wait and see whether the economy will recover in earnest after the Chinese New Year, but I think we are beginning to see a direction of improvement.

On the right side, the real GDP growth forecast for 2023, which is the IMF's forecast, has just been revised in a slightly more positive direction than before, even most recently.

In any case, demand is generally sluggish in the thin sheet field, and the key point will be whether it recovers in the future.



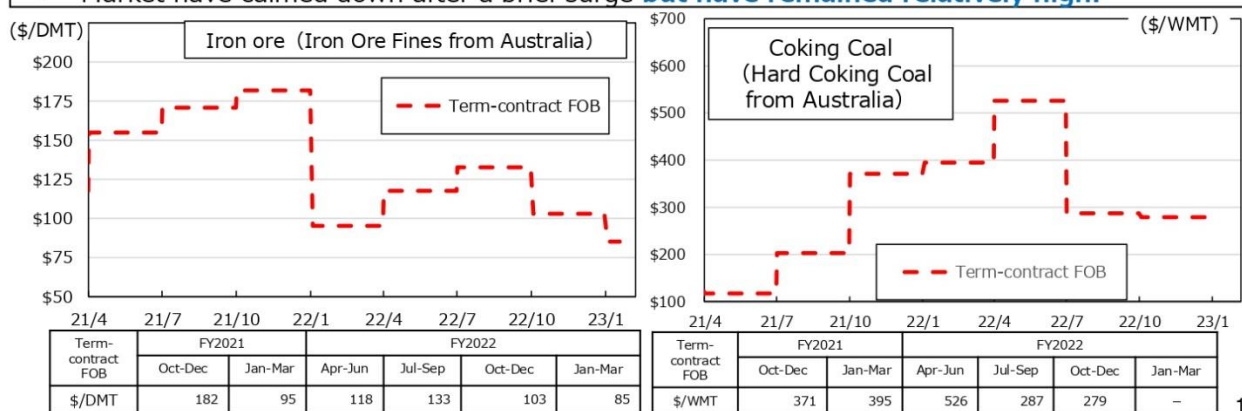
# Raw materials (Steel Business)

## ■ Key raw material

- Iron ore bottomed out at the end of October 2022 and **has been on an uptrend mainly** due to expectations of a recovery in demand for steel products following China's easing of its zero-coronavirus policy.
- Coking coal prices are on a downward trend from their recent peak due to the recent deterioration in overseas steel prices, **but it remain in the high range**, and is expected **to continue at current levels**.
- The effects **of reduced supplies due to weather** in Australia and Brazil, which have entered the rainy season, and **China's partial lifting of import restrictions on Australian coal** should be closely watched.

## ■ Metal and scrap

- Market have calmed down after a brief surge **but have remained relatively high**.



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Next, let us look at trends in the raw materials market.

Iron ore bottomed out at the end of October last year and is now on an upward trend due to expectations of a recovery in demand for steel products as a result of the easing of China's zero-COVID-19 policy.

On the other hand, coking coal prices have fallen from recent peaks, but remain in a high range.

There have been reduced supplies due to weather and the partial lifting of import restrictions on Australian coal in China, and we will have to keep a close eye on the impact of these factors.





## 15.0bn. Decrease in JFE Steel's Segment Profit (FY2022 (Previous Forecast) vs. FY2022(Updated Forecast))

JFE Steel

JFE Steel	FY2022 Previous Forecast	FY2022 Updated Forecast	(billion yen) Change
Segment Profit	<b>165.0</b>	<b>150.0</b>	<b>(15.0)</b>
Excluding Inventory Valuation etc.	83.0	77.0	(60)

<b>1. Cost</b>	<b>(10.0)</b>	• Cost increases due to production reduction
<b>2. Volume and Mix</b>	<b>(20.0)</b>	• Volume -20.0
<b>3. Sales and Raw materials</b>	<b>+20.0</b>	• Reflect high prices of main raw materials, metals, and other commodities quickly in selling prices to further improve spreads
<b>4. Foreign exchange effects on trade</b>	<b>+14.0</b>	• 1USD=138yen(about)→1USD=135yen(about)
<b>5. Inventory valuation</b>	<b>(9.0)</b>	• Inventory valuation+12.0 (+72.0→+84.0) • Carry over-6.0 (-19.0→-25.0) • Foreign exchange valuation-15.0 (+29.0→+14.0)
<b>6. Others</b>	<b>(10.0)</b>	• Group companies-6.0 • Energy prices -6.0, etc.

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Based on the above assumptions, this is the change in segment profit for steel.

First, here is a breakdown of the JPY15 billion decrease in profit versus the previous forecast. First of all, we have factored in a negative JPY10 billion cost increase due to the impact of a very large production cut in the short term, which will result in an increase in costs.

In addition, volume decreased by 1 million tons, resulting in a negative JPY20 billion. As a result, the production cut has resulted in a decrease in profit of about JPY30 billion.

On the other hand, regarding the spread in the third item, we are continuing our efforts to improve the price by passing on the cost to the selling price, and the spread will improve by JPY20 billion compared to the last time.

Furthermore, the foreign exchange effects on trade are also positive because the yen is slightly appreciating.

However, as noted in the fifth item, inventory valuation, the foreign exchange valuation is negative when the yen swings toward appreciation, so in this phase, this is offset by the foreign exchange effects on trade and the foreign exchange valuation.

Others include group companies and negative energy unit costs. Although further progress has been made in improving spreads, the revised profit decline is JPY15 billion due to the impact of volume and other factors.



## 173.7Bn. Decrease in JFE Steel's Segment Profit (FY2021 (Actual) vs. FY2022 (Forecast))

JFE Steel

JFE Steel	FY2021 Actual	FY2022 Forecast	(billion yen) Change
<b>Segment Profit</b>	<b>323.7</b>	<b>150.0</b>	<b>(173.7)</b>
Excluding Inventory Valuation etc.	129.7	77.0	(52.7)
<b>1. Cost</b>	<b>±0</b>		<ul style="list-style-type: none"> <li>Positive : Promote cost reductions</li> <li>Negative: Chiba No.6 blast furnace refit and cost increases due to production reduction.</li> </ul>
<b>2. Volume and Mix</b>	<b>(30.0)</b>		<ul style="list-style-type: none"> <li>Volume -35.0, Mix +5.0</li> </ul>
<b>3. Sales and Raw materials</b>	<b>+220.0</b>		<ul style="list-style-type: none"> <li>Improve spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices</li> </ul>
<b>4. Foreign exchange effects on trade</b>	<b>(91.0)</b>		<ul style="list-style-type: none"> <li>1USD=112.1yen→1USD=135yen(about)</li> </ul>
<b>5. Inventory valuation</b>	<b>(121.0)</b>		<ul style="list-style-type: none"> <li>Inventory valuation -76.0 (+160.0→+84.0)</li> <li>Carry over-48.0 (+23.0→-25.0)</li> <li>Foreign exchange valuation+3.0 (+11.0→+14.0)</li> </ul>
<b>6. Others</b>	<b>(151.7)</b>		<ul style="list-style-type: none"> <li>Group companies-73.5</li> <li>Energy prices -51.0, etc.</li> </ul>

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Next is a comparison with the previous fiscal year.

Compared to the previous fiscal year, profit decreased significantly by JPY173.7 billion. As for volume and mix, crude steel production is significantly lower than the previous fiscal year and is negative by JPY30 billion, but we have factored in a very large positive spread of JPY220 billion.

The spread has been steadily improving and widening even after taking into account various prices such as foreign exchange effects on trade and energy unit prices.

However, compared to the previous year, the negative impact of inventory valuation had a very large impact, and there was also a decrease in profits at other group companies and overseas group companies. Accordingly, compared to the previous fiscal year, the numbers are as shown.



# 146.4Bn. Yen Decrease in JFE Steel's Segment Profit (FY2022.1H vs. FY2022.2H)

JFE Steel

JFE Steel	FY2022 Forecast			Change
	1H Actual	2H Forecast	Full Year	
Segment Profit	<b>148.2</b>	<b>1.8</b>	150.0	<b>(146.4)</b>
Excluding Inventory Valuation etc.	32.2	44.8	77.0	12.6
<b>1. Cost</b>	<b>(10.0)</b>	<ul style="list-style-type: none"> <li>Positive : Promote cost reductions</li> <li>Negative: Chiba No.6 blast furnace refit and cost increases due to production reduction.</li> </ul>		
<b>2. Volume and Mix</b>	<b>(21.0)</b>	<ul style="list-style-type: none"> <li>Volume -24.0, Mix +3.0</li> </ul>		
<b>3. Sales and Raw materials</b>	<b>+117.0</b>	<ul style="list-style-type: none"> <li>Reflect high prices of main raw materials, metals, and other commodities quickly in selling prices to further improve spreads</li> </ul>		
<b>4. Inventory valuation</b>	<b>(159.0)</b>	<ul style="list-style-type: none"> <li>Inventory valuation -80.0 (+82.0→+2.0)</li> <li>Carry over-35.0 (+5.0→-30.0)</li> <li>Foreign exchange valuation-44.0(+29.0→-15.0)</li> </ul>		
<b>5. Others</b>	<b>(73.4)</b>	<ul style="list-style-type: none"> <li>Foreign exchange effects on trade -9.0 (1USD=131.6yen→1USD=137yen(about))</li> <li>Group companies-25.0</li> <li>Energy prices -21.0, etc.</li> </ul>		

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Then there is the change between 1H and 2H of the year.

The 1H figure of JPY148.2 billion was reduced to JPY1.8 billion in 2H, a decrease of JPY146.4 billion, which is a very large decrease in terms of numbers. However, if you look at the profit excluding inventory valuation below it, it is rather higher in 2H of the fiscal year in terms of actual profit and has improved.

There is a huge gap between segment profit and actual profit. This is due in part to the negative impact of the inventory valuation, carryover, and foreign exchange valuation in the fourth item. Although this is a small figure for 2H of the fiscal year as a result of the profit and loss, the actual profit and loss is up due to the improvement of the spread.

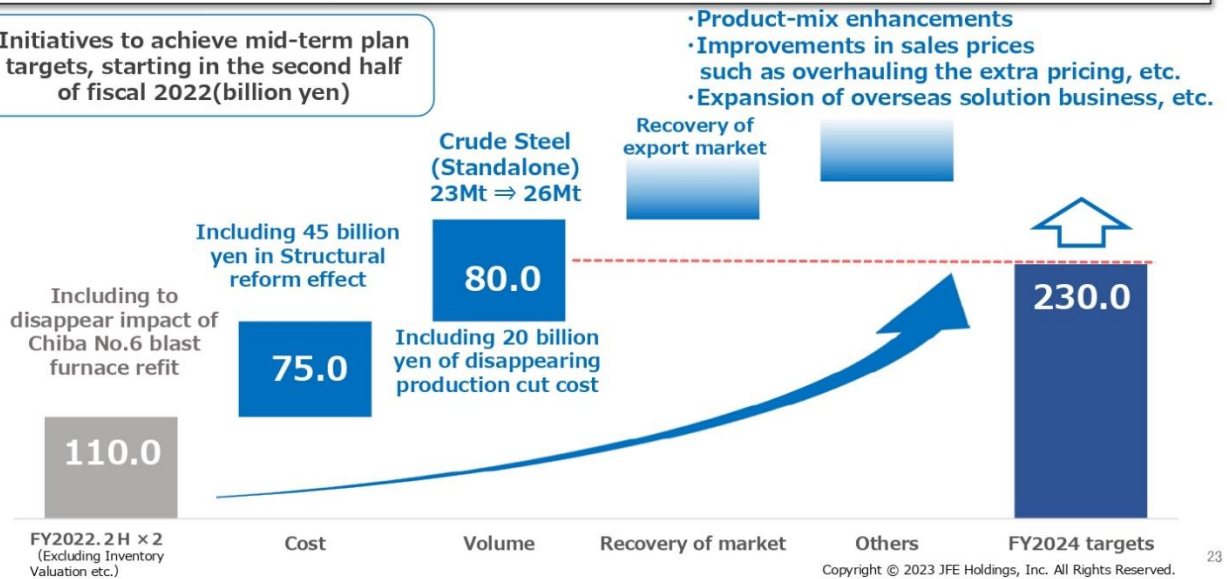




## Initiatives toward achieving the 7th mid-term plan from 2nd half of FY2022

- In the second half of FY2022, segment profit excluding Inventory Valuation etc.(including **Disappear impact of Chiba No.6 blast furnace refit**) in the steel business is expected to be **about 110 billion yen on an annual basis**.
- We will implement various measures, including the Shut down of upstream facilities in Keihin planned for next fiscal year, and aim to exceed the performance target of 230 billion yen in FY2024.

Initiatives to achieve mid-term plan targets, starting in the second half of fiscal 2022(billion yen)



Based on the explanations given so far, the following is a summary of how the current 2H performance forecast stands in the seventh mid-term management plan.

In 2H of FY2022, the actual profit/loss is about JPY45 billion, excluding the valuation difference I mentioned earlier. If we double that amount plus the return of the impact of the blast furnace renovation in Chiba, it will be about JPY110 billion. This will be the starting point for cost reductions of JPY75 billion, including JPY45 billion for structural reforms, and for volume, since the annualized volume for 2H of this fiscal year will be at the 23 million ton level, it would not be surprising to see a positive figure of about JPY80 billion, including JPY20 billion from the return of production cost reductions, when viewed under the medium-term assumption of 26 million tons. If the volume returns to 26 million tons, the total accumulated amount up to this point will be JPY265 billion, a level that exceeds the mid-term target of JPY230 billion.

Furthermore, since the export market is in a very bad condition in 2H of this fiscal year, we recognize that we can aim even higher with the recovery of the market and the added value of various other measures.



## Financial Forecast for Fiscal Year 2022

JFE

## Current Business Environment/Overview of Financial Status

- Orders remain strong, but **losses from European construction projects have been significant.**
- Full-year segment profit is expected to **fall to ¥13.0bn.**  
(decrease by ¥7.0bn. from previous forecast)

Financial Forecast (billion yen)	FY2021 Actual		FY2022 Forecast (Updated)		Change FY2021 →FY2022 (Updated forecast)		FY2022 Forecast (Previous)	
	2H	Full Year	2H	Full Year	2H	Full Year	2H	Full Year
Orders	253.5	505.8	<b>264.0</b>	<b>550.0</b>	10.5	44.2	264.0	550.0
Revenue	278.9	508.2	<b>301.0</b>	<b>520.0</b>	22.1	11.8	301.0	520.0
Segment Profit	14.8	26.0	<b>16.9</b>	<b>13.0</b>	2.1	(13.0)	23.9	20.0

Compared to previous forecast (segment profit)

<Full-year (7.0)> **Loss on constructions in Europe (5.5)**

- Cost increases due to construction delays caused by shortages of materials/equipment and manpower resulting from the prolonged situation in Ukraine. ... (3.5)
- Delay in obtaining additional fees from customers (Delay for next fiscal year and beyond) ... (2.0)

**Rising price of rising price of utilities (1.5)**

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About the engineering business.

While orders and sales remain unchanged from the previous forecast, profit is expected to decrease by JPY7 billion to JPY13 billion, as mentioned at the beginning of this report.

The reason for this decrease in profit is that losses were recorded at Standardkessel, a subsidiary in Germany, which is described as European construction projects.

As indicated in the compared to the previous forecast column below, the factors are that the cost of several projects in Europe has increased significantly due to the prolonged situation in Ukraine, which has resulted in a shortage of materials and equipment, as well as a shortage of workers.

We have seen these factors since the previous forecast, but the impact is even more widespread than the previous forecast.

In addition, we are negotiating with our customers to obtain additional costs for these cost increases, but due to the prolonged situation, these negotiations are not progressing well, and some of the additional costs will not be obtained until the next fiscal year or later, resulting in the large downward revision to the forecast.



# Financial Forecast for Fiscal Year 2022

JFE-Shoji

JFE

## Current Business Environment/Overview of Financial Status

- Full-year segment profit is expected to be **¥60bn.**  
(As the previous forecast is, increased by ¥4.1bn. year-on-year)

### Financial Forecast

	FY2021 Actual		FY2022 Forecast (Updated)		Change FY2021 →FY2022 (Updated forecast)		FY2022 Forecast (Previous)	
	2H	Full Year	2H	Full Year	2H	Full Year	2H	Full Year
(billion yen)								
Revenue	687.3	1,231.7	<b>739.8</b>	<b>1,490.0</b>	52.5	258.3	739.8	1,490.0
Segment Profit	30.3	55.9	<b>19.4</b>	<b>60.0</b>	(10.9)	4.1	19.4	60.0

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Next is JFE Shoji, trading business.

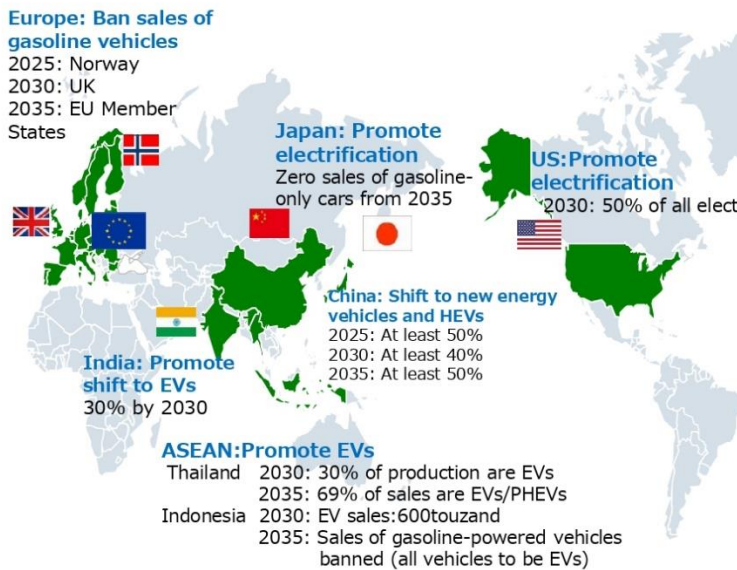
This is unchanged from the previous forecast of JPY60 billion. We anticipate a record high profit, with an increase of JPY4.1 billion YoY.



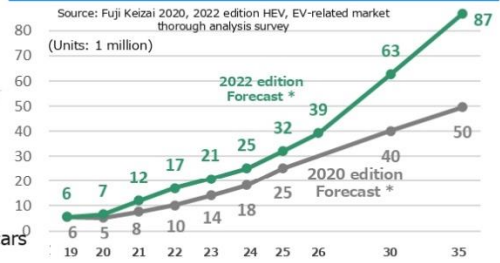
# Consideration of expand manufacturing facilities for non-oriented electrical steel sheet

As the electrification of automobiles accelerates with the strengthening of environmental regulations worldwide, **the demand for high-grade non-oriented electrical steel sheet(N/O) for the main engine motors of electric vehicles will rapidly increase.** Therefore, supply and demand are expected to tighten.

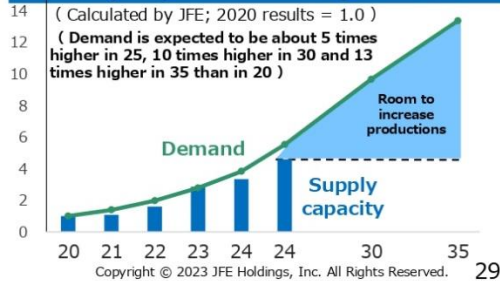
## Regulations for automobiles (electrification)



## Electric Vehicle Global Demand Outlook



## Prediction of global demand and supply of high-grade non-oriented electrical steel sheet(N/O) for the main engine motors



Finally, I will explain the topics.

This is about our consideration of capacity expansion of manufacturing facilities for non-oriented electrical steel sheets, which was introduced at the beginning of this presentation.

The electrification of automobiles is accelerating as environmental regulations are being tightened worldwide, and demand for high-grade non-oriented electrical steel sheets for the main engine motors of electric vehicles, so-called N/O, is expected to grow rapidly, resulting in a tight supply-demand balance.

The bottom left shows the regulations for automobiles and the movement toward electrification in various countries around the world. As shown in the upper left-hand corner, in Europe, sales of gasoline-powered vehicles will be banned in EU member countries by 2035, and in the United States, the goal is to achieve a 50% electric vehicle ratio by 2030.

In China, the sales ratio of new energy vehicles is expected to exceed 20% by 2025, and it appears that the current sales ratio is already higher than this, indicating that the electrification trend is accelerating.

As shown in the global demand forecast for electric vehicles in the upper right-hand corner, the green line in the latest forecast shows that demand is expected to increase at an even faster pace than the line below it, which is the forecast and projection as of 2020. In response to this, we have included N/O's global supply/demand forecast at the bottom of this section.



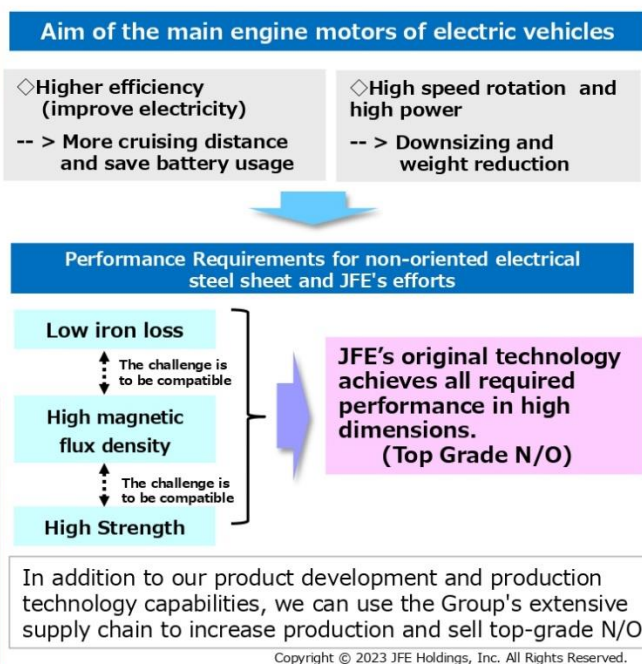
This is our estimate, but if demand is set at 1 in 2020, it is expected to increase 5-fold by 2025 and 10-fold by 2030, which means that the room for production increase and the gap between supply and demand will widen significantly.



## Consideration of expand manufacturing facilities for non-oriented electrical steel sheet

- We are considering **further capacity expansion of non-oriented electrical steel sheet(N/O)** in response to increased demand. **(Plan; starting operation in fiscal 26, with top grade N/O for the main engine motors of electric vehicle 3 times higher than the current level)**
- In anticipation of increased global demand, we will continue to consider increasing our supply capacity in Japan and overseas.

Japan	
<b>Expand manufacturing facilities for non-oriented electrical steel sheet (N/O) in Kurashiki district</b>	
<b>Apr. 21 Release</b>	
Total investment	Approx. 49 billion yen
Operation start	First half of FY2024
Production capacity	<b>Double current production capacity</b> for high-grade non-oriented electrical steel sheets
<b>Feb. 23 Release</b>	
Total investment (plan)	Approx. 50 billion yen
Operation start(plan)	FY2026
Production capacity (plan)	<b>Triple current production capacity</b> for top-grade non-oriented electrical steel sheets used in the main engine motors of electric vehicles



In response to these prospects and increased demand, we are considering further capacity expansion of N/O.

Specifically, as indicated as February 2023 release in the red box at the bottom of the left-hand side, we will make an additional investment of JPY50 billion to triple the capacity of the top grade N/O of so-called electric vehicle main motors by the end of FY2026 compared to the current capacity.

Above this, you can see release as of April 2021, which has already been announced. Construction work is now underway at a cost of JPY49 billion, and the facilities are to be operational in 1H of FY2024. At this stage, we said that we would double the supply capacity of so-called high-grade N/O compared to the current level, but the investment we are considering is to further increase this capacity to three times the current level.

The right-hand side of the page describes the aim of the main engine motors of electric vehicles and our response to it. Now, automakers are seeking higher efficiency to improve electric costs, which will contribute to increased cruising distance and reduced battery use. They are also seeking higher high-speed rotation and high power, which means that there is a greater need for smaller and lighter products.

As written below, low iron loss, high magnetic flux density, high strength, and non-oriented electrical steel sheets are required to achieve these goals, but there are actually some challenges in achieving all.

We will strive to develop and market what we call top grade N/O that achieves these conflicting requirements at a high level by applying our proprietary technologies.



## DX Report

JFE-HD

- We have published 「DX report 2022」 to describe JFE's initiatives for DX. Visit our company website.

\*English version is coming soon.

<URL : <https://www.jfe-holdings.co.jp/investor/library/dxreport/index.html>>



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~Providing new added value~

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- Initiatives to secure and develop human resources to promote DX.

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##### Trading Business

Business transformation and creation by holding DX workshops etc.

#### 4. Security Measures Digital Governance, Security Management etc.



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This is the last page. The DX report was recently released.

We are pleased to introduce that we have issued a DX report for 2022 as well.

That is all from me.

[END]

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