



**JFE Holdings, Inc.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 4, 2022

# Presentation

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**Moderator:** We would now like to begin the financial results briefing of JFE Holdings, Inc.

Today's speakers are Mr. Masashi Terahata, Representative Director, Executive Vice President, and Mr. Toshihiro Tanaka, Senior Vice President.

The duration of the briefing will be 60 minutes, consisting of a 30-minute presentation, a 30-minute question and answer session. Questions will be received in a lump after the presentation.

First, Mr. Terahata, Representative Director and Executive Vice President, will give an overview of the financial results and business outlook announced today.



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## Key Points of today's Announcement

JFE

Results  
for 1H of  
FY2022

- Business profit in 1H of FY2022 was **¥187.9 bn. increased by ¥22.9 bn. from previous forecast** mainly due to profit growth from improving spreads in the steel business. (decreased by ¥10.9 bn. year-on-year)

Forecast  
of  
FY2022

- **Full-year business profit is expected to be ¥255.0bn.** (Increased by ¥20.0bn. from previous forecast, decreased by ¥161.4bn. year-on-year)
- The economy and demand for steel continue to recover, but **the recovery of auto production and overseas steel market has been slow since the last announcement.**
- **JFE Steel plans to continue optimal production, its standalone crude steel production is expected to decrease.** (Crude steel production [standalone]  
Previous forecast: less than 26.00Mt ⇒ Updated forecast: Approx. 25.00Mt)
- On the other hand, despite the decline in crude steel production, segment profit of the steel business is **expected to be higher than previous forecast** due to initiatives for improvement in earnings, such as domestic sales **price improvement.**
- In the engineering and trading businesses, earnings are expected to remain stable. (Engineering business : no change from previous forecast  
Trading business : increase by 5.0bn. from previous forecast)
- Foreign exchange : Assume 145 yen/\$ in the exchange rate for the second half of FY2022. : In the steel business, the overpayment of foreign currency has shrunk due to the calmer raw material market, etc.

Dividends

- The Board of Directors has decided to pay **an interim dividend of 50 yen per share.** (Last announcement : 40 yen per share)

Topics

- Progress of development plans for the land of Keihin district

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**Terahata:** I am Terahata. Thank you for listening.

Due mainly to an increase in profit in the steel business, mainly due to improved spreads, business profit for H1 of FY2022 was JPY187.9 billion, JPY22.9 billion higher than the previous forecast.

Business profit for FY2022 is expected to be JPY255 billion, an increase of JPY20 billion from the previous forecast.

Currently, we see the economy and demand for steel as being on a recovery track. On the other hand, due to the delay in the recovery of automobile production in Japan, the impact of real estate market in China, and recession in the US and Europe overseas, we expect it will take some time for the market for steel to recover. In light of this situation, we have revised our crude steel production forecast for the current fiscal year downward to approx. 25 million tons from the previously announced forecast of just less than 26 million tons.

On the other hand, however, we see steady results in the improvement of domestic sales prices. Despite the decline in crude steel production, we expect the performance of the steel business to be up from the previous forecast.

In the engineering and trading businesses, we expect to maintain stable earnings for the full year.

The exchange rate is expected to be JPY145 per US dollar in 2H of the FY2022. In the steel business, raw materials prices have settled down, so the excess of foreign currency payments is becoming smaller, and the impact of the yen depreciation is also expected to be smaller.

Regarding dividends, the Board of Directors today resolved to pay an interim dividend of JPY50, taking into account the 1H of the FY2022 performance.

In addition, we plan to explain the progress of the land use study for the Keihin area.

That's all from me.

**Tanaka:** I would like to explain the contents of the material we have posted on our website today.

The table of contents is as shown.



## Financial Results and Forecast for Fiscal Year 2022

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- **Business profit in 1H of FY2022 was ¥187.9bn.**  
(increased by ¥22.9bn. from previous forecast, decreased by ¥10.9bn. year-on-year)
- Full-year business profit is expected to be **¥255.0bn.**  
(increased by ¥20.0bn. from previous forecast, decreased by ¥161.4bn. year-on-year)

(billion yen)	FY2021 Actual		FY2022 Forecast (Previous)		FY2022 Forecast (Updated)		Change FY2021 (Actual) → FY2022 (Updated)		Change Previous → Updated	
	1H (Apr-Sep)	Full Year	1H (Apr-Sep)	Full Year	1H (Apr-Sep)	Full Year	1H (Apr-Sep)	Full Year	1H (Apr-Sep)	Full Year
Revenue	1,942.9	<b>4,365.1</b>	2,610.0	<b>5,370.0</b>	2,564.3	<b>5,260.0</b>	621.4	<b>894.9</b>	(45.7)	<b>(110.0)</b>
<b>Business Profit</b>	198.8	<b>416.4</b>	165.0	<b>235.0</b>	187.9	<b>255.0</b>	(10.9)	<b>(161.4)</b>	22.9	<b>20.0</b>
Finance Income/Costs	(5.6)	(11.6)	(10.0)	(15.0)	(6.6)	(15.0)	(1.0)	<b>(3.4)</b>	3.4	0.0
Segment Profit	193.2	<b>404.8</b>	155.0	<b>220.0</b>	181.2	<b>240.0</b>	(12.0)	<b>(164.8)</b>	26.2	<b>20.0</b>
Exceptional Items	-	(16.2)	-	-	-	-	-	<b>16.2</b>	-	-
Profit before Tax	193.2	<b>388.5</b>	155.0	<b>220.0</b>	181.2	<b>240.0</b>	(12.0)	<b>(148.5)</b>	26.2	<b>20.0</b>
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(52.4)	(100.4)	(55.0)	(80.0)	(57.9)	(85.0)	(5.5)	<b>15.4</b>	(2.9)	(5.0)
<b>Profit Attributable to Owners of Parent</b>	140.7	<b>288.0</b>	100.0	<b>140.0</b>	123.2	<b>155.0</b>	(17.5)	<b>(133.0)</b>	23.2	<b>15.0</b>

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

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First, I would like to present the 1H of the FY2022 results for the Group as a whole, as well as the outlook for the full year.

Please see the financial results for 1H of FY2022 in the blue box. 1H of the FY2022 showed revenue of JPY2,564.3 billion, business profit of JPY187.9 billion, segment profit of JPY181.2 billion, and profit attributable to owners of parent of JPY123.2 billion.

On the far right is a comparison with the forecast announced in August. In terms of profit items, we have revised upward our business profit forecast by JPY22.9 billion and our net profit forecast by JPY23.2 billion compared to the previously announced figures.

Please see the projected annual values in the blue box. The new forecast figures announced this time are revenue of JPY5,260 billion, business profit of JPY255 billion, segment profit of JPY240 billion, and net profit of JPY155 billion. A comparison with the previous announcement is shown on the far-right side. The business profit forecast was revised upward by JPY20 billion and the net profit forecast was revised upward by JPY15 billion.



# Financial Results and Forecast for Fiscal Year 2022 (by Segment)

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(Billion yen)	FY2021 Actual		FY2022 Forecast (Previous)		FY2022 Forecast (Updated)		Change FY2021 (Actual) → FY2022 (Updated)		Change Previous → Updated	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
	(Apr-Sep)		(Apr-Sep)		(Apr-Sep)		(Apr-Sep)		(Apr-Sep)	
Steel Business	1,410.4	<b>3,173.4</b>	1,975.0	<b>4,100.0</b>	1,918.9	<b>3,960.0</b>	508.5	<b>786.6</b>	(56.1)	<b>(140.0)</b>
Engineering Business	229.2	<b>508.2</b>	230.0	<b>520.0</b>	219.0	<b>520.0</b>	(10.2)	<b>11.8</b>	(11.0)	<b>0.0</b>
Trading Business	544.4	<b>1,231.7</b>	750.0	<b>1,470.0</b>	750.2	<b>1,490.0</b>	205.8	<b>258.3</b>	0.2	<b>20.0</b>
Adjustments	(241.1)	(548.3)	(345.0)	(720.0)	(323.9)	(710.0)	(82.8)	(161.7)	21.1	10.0
<b>Revenue</b>	<b>1,942.9</b>	<b>4,365.1</b>	<b>2,610.0</b>	<b>5,370.0</b>	<b>2,564.3</b>	<b>5,260.0</b>	<b>621.4</b>	<b>894.9</b>	<b>(45.7)</b>	<b>(110.0)</b>
Business Profit (A)	198.8	416.4	165.0	235.0	187.9	255.0	(10.9)	<b>(161.4)</b>	22.9	<b>20.0</b>
Finance Income/Costs (B)	(5.6)	(11.6)	(10.0)	(15.0)	(6.6)	(15.0)	(1.0)	<b>(3.4)</b>	3.4	0.0
Steel Business	158.5	<b>323.7</b>	120.0	<b>150.0</b>	148.2	<b>165.0</b>	(10.3)	<b>(158.7)</b>	28.2	<b>15.0</b>
Engineering Business	11.1	<b>26.0</b>	4.0	<b>20.0</b>	(3.9)	<b>20.0</b>	(15.0)	<b>(6.0)</b>	(7.9)	<b>0.0</b>
Trading Business	25.6	<b>55.9</b>	35.0	<b>55.0</b>	40.6	<b>60.0</b>	15.0	<b>4.1</b>	5.6	<b>5.0</b>
Adjustments	(2.0)	(0.9)	(4.0)	(5.0)	(3.6)	(5.0)	(1.6)	(4.1)	0.4	0.0
<b>Segment Profit (A+B)</b>	<b>193.2</b>	<b>404.8</b>	<b>155.0</b>	<b>220.0</b>	<b>181.2</b>	<b>240.0</b>	<b>(12.0)</b>	<b>(164.8)</b>	<b>26.2</b>	<b>20.0</b>

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Figures by segment are shown on the next page.

Please see the profit items for each segment below the middle row. First, regarding 1H of the FY2022, please refer to the right-hand side, which shows the change from the previously announced forecast. Segment profit for 1H exceeded the forecast by JPY26.2 billion. As you can see, profit exceeded the forecast by JPY28.2 billion in the steel business and JPY5.6 billion in the trading business. On the other hand, in the engineering business, profit was JPY7.9 billion below the previous forecast.

The engineering business posted a loss of JPY3.9 billion for 1H, the first 1H loss since 2005. Factors such as the rising cost of materials and equipment, changing schedule of progress, and the loss of overseas construction projects are among them. I will explain later in the slide of the engineering business.

Despite these negative factors in the engineering business, segment profit for 1H exceeded the previously announced forecast by JPY26.2 billion. As for annual profit, we expect to exceed our forecast by JPY15 billion in the steel business and JPY5 billion in the trading business.

For the engineering business, profit in 1H was significantly below the forecast, but for the full year, we expect to maintain the previous forecast of JPY20 billion.

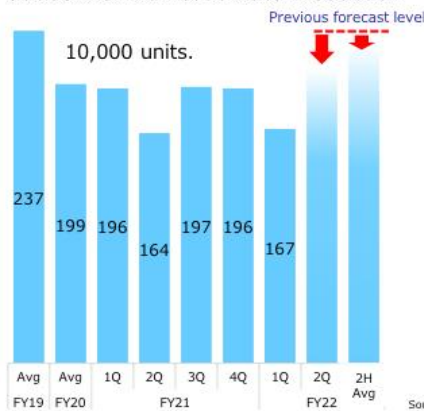




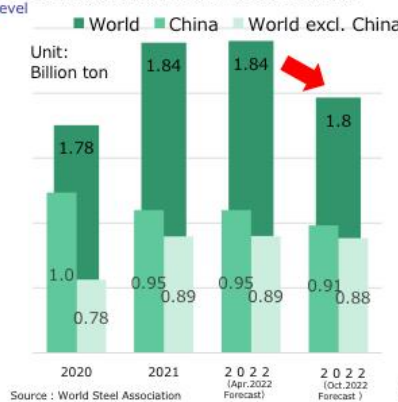
# Demand for steel and Crude steel production

- The economy and demand for steel continue to recover, but the recovery has been slow since the last announcement.
  - Domestic : Parts supply constraints continue in the automotive sector.
    - ▶ **The decline in auto production is longer than previous expected.**
  - Overseas : Major economies such as the United States and Europe have slowed down due to soaring prices and monetary tightening.
    - China: weak real estate market, Southeast Asia: weak building demand.
      - ▶ **The recovery in overseas steel demand and market is delayed than previous expected.**
- Due to the recent decline in demand for steel products and the sluggish overseas steel market, JFE Steel plans to continue optimal production, and **standalone crude steel production is projected to be approx. 25Mt, down 1Mt from previous forecast.**

Outlook for Domestic Auto Production



World Steel Demand Forecasts



China : Steel market price



This section explains steel demand and crude steel production.

We expect the economy and steel demand to continue to recover, but there has been a delay in recovery since our previous forecast release.

As for Japan, production cutbacks have been more prolonged than previously forecasted, mainly due to continuing restrictions on parts supply in the automotive sector.

Overseas, the recovery in demand and market conditions for steel has been delayed compared to the previous forecast due to the slowdown in the major European and US economies caused by soaring prices and monetary tightening, as well as the sluggish real estate market in China and weak construction demand in Southeast Asia.

The leftmost graph on automobile production shows the outlook for production in Japan. Compared to the previous forecast level on the far right, both current forecasts have been revised slightly downward. The graph in the center shows the forecast for steel demand. The previous forecast for global steel demand, second from the far right, was 1.84 billion tons. The most recent forecast revised demand downward by about 40 million tons, or about 2%. The rightmost graph shows the steel market price in China. The steel market price in China is in a steady decline and shows no signs of recovery.

In response to this, we are continuing to pursue optimal production. The standalone crude steel production forecast has been revised downward by 1 million tons from the previous forecast to approx. 25 million tons.

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## Initiatives for Improving Sales Price

- In the 1H of FY2022, we achieved further sales price improvement from previous forecast by **accelerating the reflections of metal and commodity costs** in addition to **having reflected key raw material cost to sales price without delay**, including the impact of the depreciation of the yen. In the 2H of FY2022, we will also **make a strong push to quickly reflect the key raw material cost, metal costs and other commodity costs**.
- We will continue to improve sales price to reach the target of the mid-term plan (Per-ton profit 10,000yen/ton)



This section describes our efforts to improve sales prices.

The yen has been weakening, and we are continuing our efforts to pass on changes in the price of key raw materials, including the impact of exchange rates, without delay.

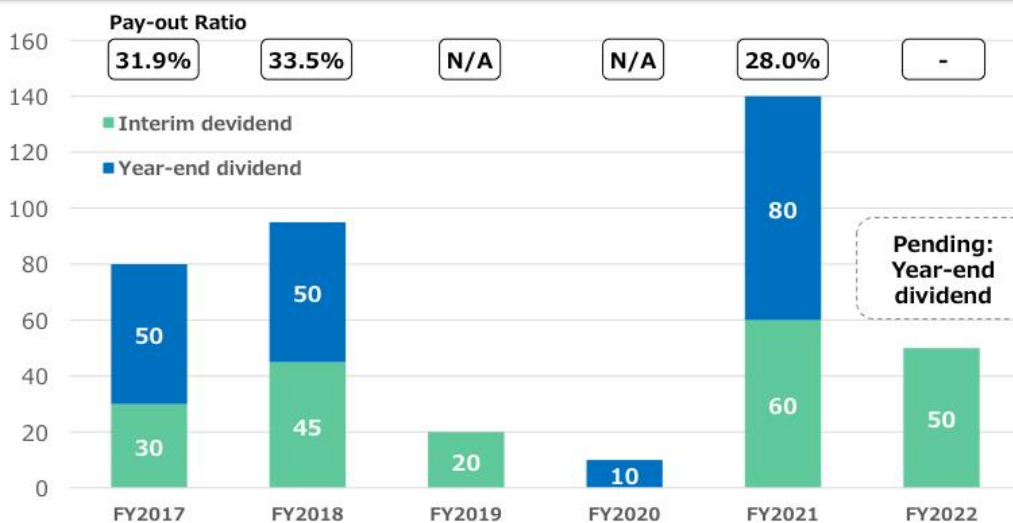
The graph on the left side below shows the average sales price of steel. As noted in red, we were able to further increase prices in Q2 of the FY2022 by a little less than JPY3,000 to JPY136,700 per ton, compared to our previous forecast of JPY134,000 per ton. Compared to Q4 of the FY2021, we realized a price increase of JPY20,000 per ton in the six months through Q2.

The chart in the middle shows a schematic representation of the progress in sales prices in 1H. The blue arrow indicates the portion of the sales price increase that was achieved in response to increases in the price of key raw materials and other commodities. For 2H, we are working to increase prices to exceed the cost increases shown in red on the right side.



# Dividend

- JFE Holdings has decided to pay an interim dividend of **50 yen per share** at its Board of Directors. (Last announcement : 40 yen per share)
- A decision regarding the year-end dividend has been postponed while the company carefully monitors its ongoing performance.



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This page describes dividends.

The interim dividend was resolved at JPY50 per share. The previously announced dividend was JPY40, but we have decided to increase the dividend by JPY10 in light of the positive 1H results of FY2022.

The dividend payout ratio relative to the 1H results is about 24%. Our policy of maintaining a dividend payout ratio of around 30% remains unchanged, of course. The year-end dividend will be considered in light of future performance trends and is undecided at this time.





# Financial Forecast for Fiscal Year 2022

	Unit	FY2021 Actual			FY2022 Updated Forecast			FY2022 Previous Forecast	
		1H	2H	Full Year	1H	2H	Full Year	1H	Full Year
Revenue	billion yen	1,410.4	1,763.0	3,173.4	1,918.9	2,041.1	3,960.0	1,975.0	4,100.0
Segment Profit	billion yen	158.5	165.2	323.7	148.2	16.8	165.0	120.0	150.0
Excluding Inventory Valuation etc.*	billion yen	68.5	61.2	129.7	32.2	50.8	83.0	11.0	28.0
Crude Steel (Standalone)	Mt	12.70	13.18	25.88	12.64	Less than 12.50	Approx. 25.00	Less than 13.00	Less than 26.00
Crude Steel (Consolidated)	Mt	13.39	13.87	27.26	13.37	/		Approx. 13.70	/
Shipment (Standalone)	Mt	10.83	11.55	22.38	10.86			Approx. 11.50	
Export Ratio on Value Basis (Standalone)	%	46.5	44.7	45.5	46.7			Approx. 48	
Average Sales Price (Standalone)	000 yen/t	94.5	112.2	103.7	131.6			Approx. 130	
Exchange Rate	¥/\$	109.9	114.2	112.1	131.6	Approx. 145	Approx. 138	Approx. 131	Approx. 133

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

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Next, I will explain the details of the steel business.

Revenue is projected at this time to be JPY3,960 billion in FY2022. Segment profit forecast is expected to be JPY165 billion. As you can see, there is a large difference between 1H and 2H of FY2022. Compared to JPY148.2 billion in the 1H of FY2022, segment profit in the 2H of FY2022 is expected to be JPY16.8 billion.

Just look at the figure one line that excludes the inventory valuation difference. 2H forecast is JPY50.8 billion compared to JPY32.2 billion in 1H, and the annual forecast is JPY83 billion. The figure in 2H is expected to be higher than that in 1H. Furthermore, see the previous outlook on the far right. The previous forecast was JPY28 billion for the year. The annual forecast announced this time is JPY83 billion, which is a further improvement of JPY55 billion.

Crude steel production is expected to be approx. 25 million tons in FY2022, and the exchange rate is expected to be JPY145 in 2H.



28.2bn. Increase in JFE Steel's Segment Profit  
(1H of FY2022 (Previous Forecast) vs. 1H of FY2022(Actual))

JFE Steel

JFE Steel	FY2022 1H (Forecast)	FY2022 1H (Actual)	(billion yen) Change
Segment Profit	<b>120.0</b>	<b>148.2</b>	<b>28.2</b>
Excluding Inventory Valuation etc.*	11.0	32.2	21.2

<b>1. Cost</b>	<b>±0.0</b>	
<b>2. Volume and Mix</b>	<b>(5.0)</b>	
<b>3. Sales and Raw materials</b>	<b>+24.0</b>	<ul style="list-style-type: none"> <li>• Reflected high prices of main raw materials, metals, and other commodities quickly in selling prices to improve spreads</li> </ul>
<b>4. Inventory valuation</b>	<b>+7.0</b>	<ul style="list-style-type: none"> <li>• Inventory valuation ±0.0 (+82.0→+82.0)</li> <li>• Carry over of raw materials -50 (+10.0→+5.0)</li> <li>• Foreign exchange valuation +120(+17.0→+29.0)</li> </ul>
<b>5. Others</b>	<b>+2.2</b>	

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Comparing the forecast and the actual result for 1H of the FY2022, segment profit improved by JPY28.2 billion.

In terms of volume, crude steel production fell by a little over 300,000 tons, with a negative impact of JPY5 billion.

The improvement in spreads had a positive impact of JPY24 billion. Regarding sales and raw materials, in addition to the improvement in sales prices, raw materials prices were slightly lower than forecast.

With respect to inventory valuation, carry-over effect was a negative factor, but the positive effect of foreign exchange valuation due to the yen's depreciation was large.



## 10.3bn. Decrease in JFE Steel's Segment Profit (FY2021.1H (Actual) vs. FY2022.1H (Forecast))

JFE Steel

			(billion yen)
JFE Steel	FY2021 1H(actual)	FY2022 1H(actual)	Change
Segment Profit	<b>158.5</b>	<b>148.2</b>	<b>(10.3)</b>
Excluding Inventory Valuation etc.*	68.5	32.2	(36.3)
<b>1. Cost</b>	<b>+10.0</b>	• Capital investment effects, etc.	
<b>2. Volume and Mix</b>	<b>±0.0</b>		
<b>3. Sales and Raw materials</b>	<b>+76.0</b>	• Improved 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>(50.0)</b>	• 1USD=109.9yen→1USD=131.6yen	
<b>5. Inventory valuation</b>	<b>+26.0</b>	• Inventory valuation +23.0 (+59.0→+82.0) • Carry over of raw materials -25.0 (+30.0→+5.0) • Foreign exchange valuation +28.0(+1.0→+29.0)	
<b>6. Others</b>	<b>(72.3)</b>	• Group companies -13.0 • Energy unit price -24.0, etc.	

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The next page shows a comparison of the results for 1H of FY2021 and 1H of FY2022.

Compared to 1H of FY2021, segment profit decreased by JPY10.3 billion. Volume was almost unchanged from 1H of FY2021, so the impact on profit is almost zero.

Spread improvement had a positive impact of JPY76 billion. As for raw materials costs, costs for coking coal and metals increased, but we significantly increased sales prices, mainly in Japan.

The impact of foreign exchange rates and inventory valuation are as shown. Other factors include the impact of a slight slowdown in overseas group companies compared to FY2021, as well as the impact of higher energy unit prices.

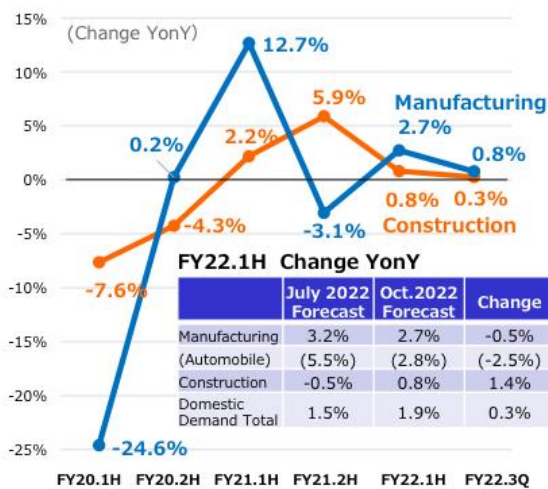


# Current Business Environment (Domestic)



- Parts supply constraints are improving, but **the decline in auto production is longer than previous expected.**
- Uncertainty about the future due to rising prices and a slowdown in overseas economies has led to **some risk-averse moves such as buying restrained and adjusting inventories.**
- **Steel supply and demand are expected to tighten in the latter part of second half** due to the continued recovery of automobile production.

Outlook for Domestic Ordinary Steel Consumption



Source: Ministry of Economy, Trade and Industry, "Outlook for Steel Consumption" 14 October 2022. (FY2021.4Q and after is estimated results)

	Trends
Auto-mobile	<ul style="list-style-type: none"> <li>• Demand remains strong.</li> <li>• Although the elimination of constraints on the supply of semiconductors and other components lags delays compared to previous forecast, it has gradually eased recently.</li> <li>• The level of activity is expected to improve in the future.</li> </ul>
Shipbuilding	<ul style="list-style-type: none"> <li>• Negotiation of new shipbuilding is still in a wait-and-see mode because chartering fees have been calmer than they were for a while, due to the slowdown in domestic demand in China. However, <b>the contract balance still remains for two years.</b></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>
Building	<ul style="list-style-type: none"> <li>• Demand for non-residential use has been robust, supported by large-scale projects such as distribution warehouses and semiconductor plants.</li> <li>• Demand for residential housing is expected to decline due to the end of the government's housing assistance program and soaring materials costs. Demand for steel materials was almost flat compared to the previous year.</li> </ul>
Civil engineering	<ul style="list-style-type: none"> <li>• In the public sector, a high level of the budget remains.</li> <li>• In both the public and private sectors, the unexpected surge in materials prices has caused delays of bid solicitation due to re-designing. Steel demand is expected to decrease slightly from the previous year.</li> </ul>

I would like to explain our perception of the current business environment. First, let's look at domestic demand for steel.

Overall, the recovery is a little slower than the previous forecast due to prolonged production cutbacks in the automotive sector.

Uncertainty about the future due to soaring prices and slowdown in overseas economies has led to risk aversion, such as buying restraint and inventory adjustment. Regarding automobile production, we believe that the recovery trend is continuing, although the production cuts are more prolonged than expected. We had initially assumed that the supply and demand for steel would tighten from latter half of 2H, but it will do from the latter part of 2H.

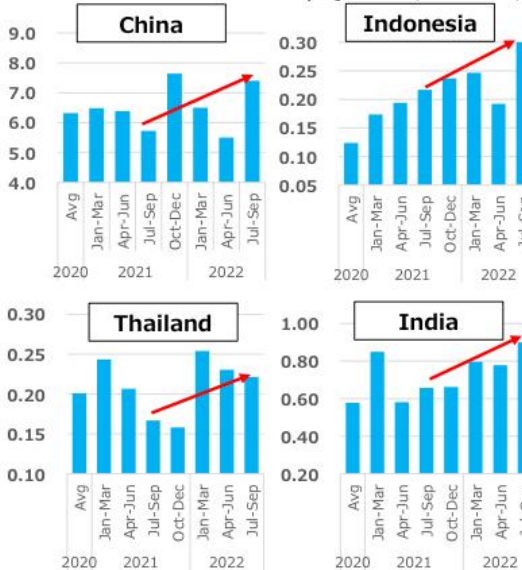
Trends in each field are written in the lower right corner. In general, the situation has not changed that much from what we mentioned last time. There is a tendency to get slightly delayed, but in general, not much has changed.



# Current Business Environment (Overseas)

- **The level of activity** in the automobile and other manufacturing industries **is recovering**.
- **Demand for steel products overseas is currently weak.**  
For example, demand for steel in China continues to stagnate due to a slump in the real estate market and in emerging countries, demand for construction is postponed due to a weaker currency.
- Steel demand and the steel market are expected to recover due to the Chinese government's support for the economy and autumn demand, but **the recovery timing is expected to be later than previous expected and will be delayed into the fourth quarter.**

Automobile Sales by Quarter (million units)



Real GDP Growth Forecast in 2022

(Arrows indicate changes from the previous forecast)

	World	US	China	India	ASEAN-5
2021 Actual	6.1%	+5.7%	8.1%	8.7%	+3.4%
Jul. 2022 Forecast	3.2%	2.3%	3.3%	7.4%	5.3%
Oct. 2022 Forecast	3.2%	1.6%	3.2%	6.8%	5.3%

Source: IMF World Economic Outlook Update July 26, 2022, October 14, 2022

\*ASEAN-5 : Thailand, Malaysia, Indonesia, Philippine, and Vietnam

Trend by Sector

Thin sheet	<ul style="list-style-type: none"> <li>· Demand is currently weak due to the weak real estate market in China, the rainy season in South Asia and the postponement of demand in the construction sector.</li> <li>· It is expected that demand will recover to a certain extent after the rainy season and the Chinese government's economic stimulus measures, but the recovery timing is later than previous forecast.</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, I will explain the demand for steel overseas.

Overseas, the level of activity in the manufacturing sector, particularly in the automotive sector, is recovering. See below, on the left, the number of automobiles sold by each region. Basically, sales have been steadily increasing.

On the other hand, we are seeing sluggish domestic demand in China due to a slump in the real estate market and postponed construction demand in emerging countries due to currency depreciation. Overall steel demand lacks strength.

Looking ahead, we expect a recovery due to the Chinese government's support for the economy and autumn demand. We believe that the timing of recovery will be much later than expected and will be in the latter part of 2H, after the New Year.

In the lower right-hand corner, we described trends by non-automotive sectors. The timing of recovery in demand for thin sheets has been delayed from the previous forecast. On the other hand, demands about energy are increasing, especially for high-chromium seamless steel pipes, which is our forte.



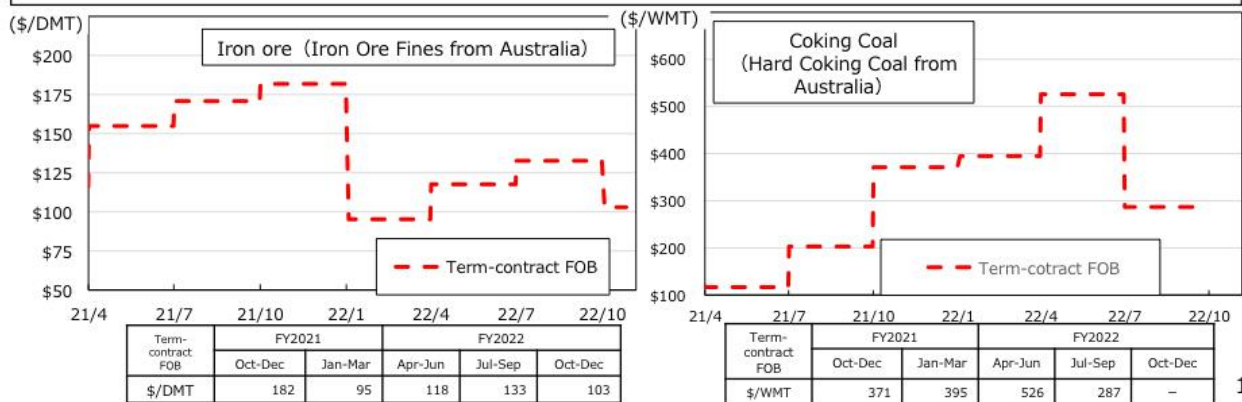
## Raw materials (Steel Business)

### ■ Key raw material

- Iron ore remained **weak due to sluggish demand for steel products** in China.
- 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**.
- As Australia and Brazil enter the rainy season in the future, it is important to watch out for a decrease in the supply of raw materials due to weather factors. However, **raw material prices are expected to continue at current levels**.

### ■ Metal and scrap

- **Almost all metal prices rose sharply** due to tight supply and demand for alloy iron, which is highly dependent on Russia and Ukraine, as well as a rise in electricity prices due to a rise in the fuel market. Although the metal prices have calmed down after a brief surge, **it still remains at a high level**.



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Next, raw materials trends.

The iron ore market is weakening due to sluggish demand for steel and other factors, as shown in the graph below left. The coking coal market has fallen from its recent peak, but is now rising again. I think it will remain at a high level. As it enters the rainy season, we believe that we need to be vigilant against supply reduction. Going forward, we assume that the market will basically remain at the current level.

The market for metal and scrap has also been soaring due to tight demand for alloy iron and other metals, and rising fuel prices. Although the market has calmed down a bit from the temporary spike, the forecast is that it will remain at a high level.



15.0bn. Increase in JFE Steel's Segment Profit  
(FY2021 (Previous Forecast) vs. FY2021(Updated Forecast))

JFE Steel	FY2022 Previous Forecast	FY2022 Updated Forecast	(billion yen) Change
<b>Segment Profit</b>	<b>150.0</b>	<b>165.0</b>	<b>15.0</b>
Excluding Inventory Valuation etc.*	28.0	83.0	55.0

<b>1. Cost</b>	<b>±0.0</b>	
<b>2. Volume and Mix</b>	<b>(15.0)</b>	• Volume -18.0, Mix +3.0
<b>3. Sales and Raw materials</b>	<b>+130.0</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>(5.0)</b>	• 1USD=133yen(about)→1USD=138yen(about)
<b>5. Inventory valuation</b>	<b>(40.0)</b>	• Inventory valuation(30) (+750→+720) • Carry over of raw materials -490 (+300→-190) • Foreign exchange valuation+120 (+170→+290)
<b>6. Others</b>	<b>(55.0)</b>	• Group companies -23.0 • Energy prices -19.0, etc.

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Based on these trends, the above is a breakdown of the increase-decrease in segment profit for the Steel business.

Segment profit for FY2022 year has been revised upward by JPY15 billion from the previous forecast. With respect to volume, there is expected to be an impact of 1 million tons of crude steel production reduction. On the other hand, we expect a positive impact of JPY3 billion of the mix, which is due to an increase in the composition ratio of seamless steel pipe.

The impact of spread improvement was revised upward by a significant JPY130 billion. With raw materials prices now considerably lower than in the previous forecast, costs are expected to decrease significantly. As for the impact of sales prices, the price level itself is expected to be lower than the previous forecast, but compared to the decline in raw materials prices, the sales price is expected to be maintained to some extent without declining that much.

With regard to the impact of inventory valuation, the carryover impact shown in the middle will have a negative effect, partly because the forecast for raw materials prices has been lowered considerably from the previous forecast.

In others, a slight downward revision was made to reflect the negative impact of mainly overseas group companies.



## 158.7Bn. Decrease in JFE Steel's Segment Profit (FY2021 (Actual) vs. FY2022 (Forecast))

JFE Steel

JFE Steel	FY2021 Actual	FY2022 Forecast	(billion yen) Change
Segment Profit	<b>323.7</b>	<b>165.0</b>	<b>(158.7)</b>
Excluding Inventory Valuation etc.*	129.7	83.0	(46.7)

<b>1. Cost</b>	<b>+10.0</b>	<ul style="list-style-type: none"> <li>• Cost reductions +23.0</li> <li>• Chiba No.6 blast furnace refit -13.0</li> </ul>
<b>2. Volume and Mix</b>	<b>(15.0)</b>	<ul style="list-style-type: none"> <li>• Volume -20.0, Mix +5.0</li> </ul>
<b>3. Sales and Raw materials</b>	<b>+200.0</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>(105.0)</b>	<ul style="list-style-type: none"> <li>• 1USD=109.9yen→1USD=138yen(about)</li> </ul>
<b>5. Inventory valuation</b>	<b>(112.0)</b>	<ul style="list-style-type: none"> <li>• Inventory valuation -88.0 (+160.0→+72.0)</li> <li>• Carry over of raw materials -42.0 (+23.0→-19.0)</li> <li>• Foreign exchange valuation +18.0 (+11.0→+29.0)</li> </ul>
<b>6. Others</b>	<b>(136.7)</b>	<ul style="list-style-type: none"> <li>• Group companies -68.0</li> <li>• Energy prices -45.0, etc.</li> </ul>

The table above shows a comparison with the previous year.

Compared to the previous fiscal year, segment profit decreased by JPY158.7 billion. The cost reduction impact was JPY10 billion, unchanged from the previous forecast. There was a negative impact of JPY13 billion from the refit of the blast furnace in Chiba, offset by JPY10 billion from cost reduction actions. The volume difference had a negative impact due to the decrease in crude steel. The improvement in spreads had a positive effect of JPY200 billion. There was a negative impact of JPY105 billion of foreign exchange on trade, and a negative impact of JPY112 billion of inventory valuation effects.



## 131.4Bn. Increase in JFE Steel's Segment Profit (FY2022.1H vs. FY2022.2H)

JFE Steel

JFE Steel	FY2022 Forecast			Change
	1H	2H	Full year	
Segment Profit	<b>148.2</b>	<b>16.8</b>	<b>165.0</b>	<b>(131.4)</b>
Excluding Inventory Valuation etc.*	32.2	50.8	83.0	18.6

<b>1. Cost</b>	<b>±0.0</b>	• Recovery for Chiba No.6 blast furnace refit by Cost reductions
<b>2. Volume and Mix</b>	<b>(4.0)</b>	• Volume -7.0, Mix +3.0
<b>3. Sales and Raw materials</b>	<b>+98.0</b>	• Improve spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
<b>4. Inventory valuation</b>	<b>(150.0)</b>	• Inventory valuation -92.0 (+82.0→-10.0) • Carry over of raw materials -29.0 (+5.0→-24.0) • Foreign exchange valuation -29.0(+29.0→±0.0)
<b>5. Others</b>	<b>(75.4)</b>	• Group companies -19.0 • Foreign exchange effects on trade -14.0 • Energy prices -16.0, etc.

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Next is the difference between 1H and 2H of FY2022.

I mentioned that there is a large profit difference between 1H and 2H, and this difference is a negative JPY131.4 billion.

As for costs, the impact of the refit of the six blast furnaces in Chiba will be significant in 2H, but this will be offset by other cost reductions, and the result is expected to be almost unchanged.

In terms of volume, 2H will see a slight decrease in crude steel production compared to 1H, which will have a negative impact of about JPY4 billion.

The spread improvement is expected to have a positive impact of approximately JPY100 billion by maintaining high sales prices, although the impact of lower raw materials prices is still significant.

The large difference between 1H and 2H is due to inventory valuation differences. Negative impact of inventory valuation is expected to be JPY92 billion, and negative impact of carryover to be JPY29 billion. As for the impact of exchange rate differences, the positive impact seen in 1H will disappear, since the exchange rate is expected to remain almost unchanged from the end of 1H. Including all of these factors, we expect a JPY150 billion decrease in profit.

Due to this significant factor for the decrease in profit, segment profit, excluding inventory valuation difference, is expected to improve from 1H, thanks to the improvement of the spread.

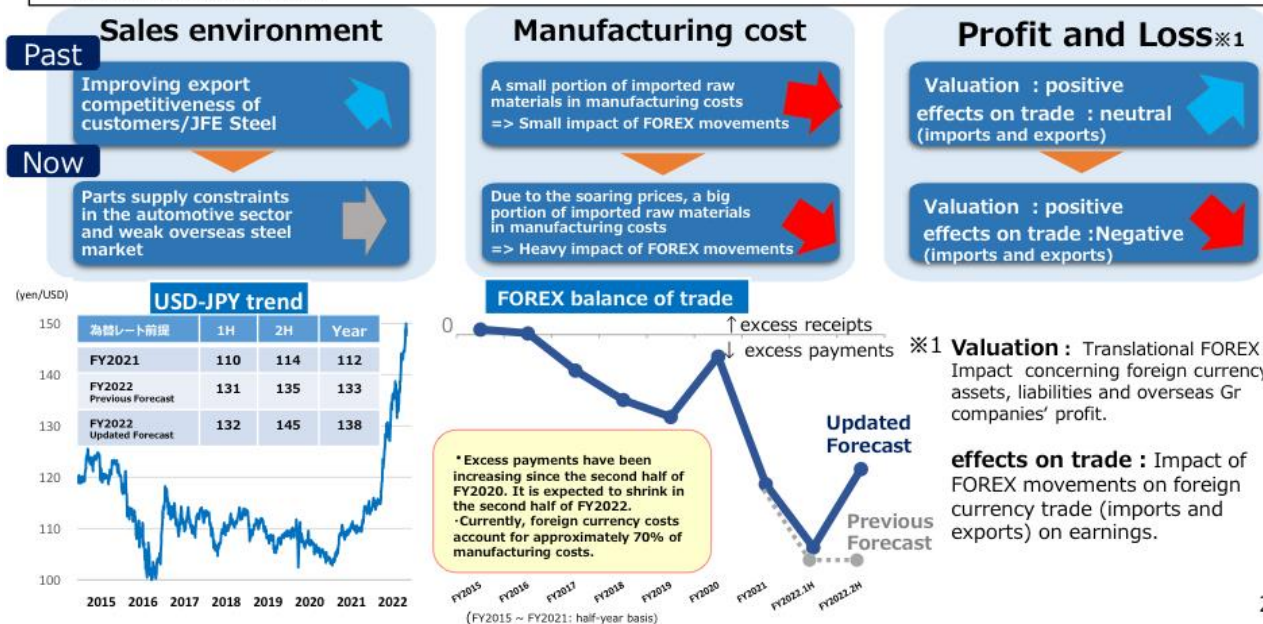




# Impact of the depreciation of the yen(Steel Business)



- While **the yen has depreciated** since the last announcement, **the overpayment of foreign currency has shrunk** due to the calmer raw material market and other factors.
- The impact of foreign exchange effects on trade in FY2022 is expected to be (105)billion yen (5 billion yen lower than previous forecast).  
(Sensitivity: - 1.4 billion yen per 1 yen depreciation in the second half)
- We **promote to reflect the impact of the depreciation of the yen to sales price** by improving sales prices in the domestic market.



This page shows impacts of the depreciation of the yen. This document is almost the same as the previous one.

The yen has weakened further since the last announcement. The exchange rate for 2H was estimated to be JPY145 against the US dollar, which is JPY10 weaker than the previous forecast of about JPY135 against the US dollar.

On the other hand, the excess of foreign currency payments has been shrinking, as raw materials market conditions have calmed down. Please refer to the graph in the middle. In the previous forecast, we had estimated that the excess payment would be about USD2.4 billion even in 2H, but the current forecast is about USD1.4 billion, which is a reduction of about USD1 billion.

In terms of sensitivity to exchange rates in 2H, each yen depreciation will result in a negative impact of JPY1.4 billion. On the other hand, we also hold about USD1.3 billion in assets denominated in foreign currencies. The overall foreign exchange balance is almost offset by the difference between effects on trade and valuation, and even if the yen were to weaken significantly in the future, we do not expect the impact to be significant.





# Shifting Focus from Quantity to Quality

(Progress of Structural Reform and Major CAPEX)

➤ Steadily implementing structural reforms and capital investment to shift from quantity to quality.

- ✓ August 2022: Shutdown of Tin Mills in Chiba was completed, and production of steel sheet for cans was consolidated in Fukuyama.
- ✓ September 2022: Refit of No. 6 Blast Furnace in Chiba began.

Facilities	FY2022	FY2021	FY2022	FY2023	FY2024~
Shutdown of Tin Mills in Chiba (No.2 Tandem Mill, No.4 CAL, TFL)			<b>Shutdown(Aug. 2022) (No.2 Tandem Mill, No.4 CAL, TFL)</b>		
Refit of Blast Furnace		Kurashiki Refit No.4 BF(~Dec.2021)	<b>No.6 BF(Sep.2022~Jan.2023)</b>		
Shut down of upstream facilities in Keihin (No.2 BF, Sintering Machine, Coke oven, Converters, EAF, Continuous Casting Machine etc.)				To be shut down (~Sep. 2023)	<b>Effect of structural reform and CAPEX</b> • Maintenance cost reduction • Fixed cost reduction • Product-mix enhancements etc.
Shutdown of Hot Rolling Facilities in Keihin (excl. Pickling line and skinpass mill)				To be shut down (~Sep. 2023)	
CAPEX related to improvements of high-value added product ratio		Installed new Continuous Casting Machine (Jun.2021)		Reinforce extra-thick steel plate production line for offshore wind-power application (Nov.2023)	1H of FY24 Reinforce Non-oriented Electrical Steel Sheet Production Line
<b>Shutdown of Tin Mills in Chiba</b>		<b>Refit of No. 6 Blast Furnace in Chiba</b>			
<ul style="list-style-type: none"> <li>• August 2022: Shutdown of Tin Mills in Chiba was completed.</li> <li>• Consolidation of manufacturing to Fukuyama and customer approval are progressing well.</li> </ul>		<ul style="list-style-type: none"> <li>• Refit began in Sept. 22, and a blow-in is scheduled for Jan. 23.</li> <li>• Facility enhancements such as furnace stabilization and Cyber Physical Systems improvements are also planned.</li> <li>• Investment: 43 billion yen/Furnace capacity after refit: 5,153m<sup>3</sup></li> </ul>			

Here you see the roadmap of the progress of structural reforms in 1H.

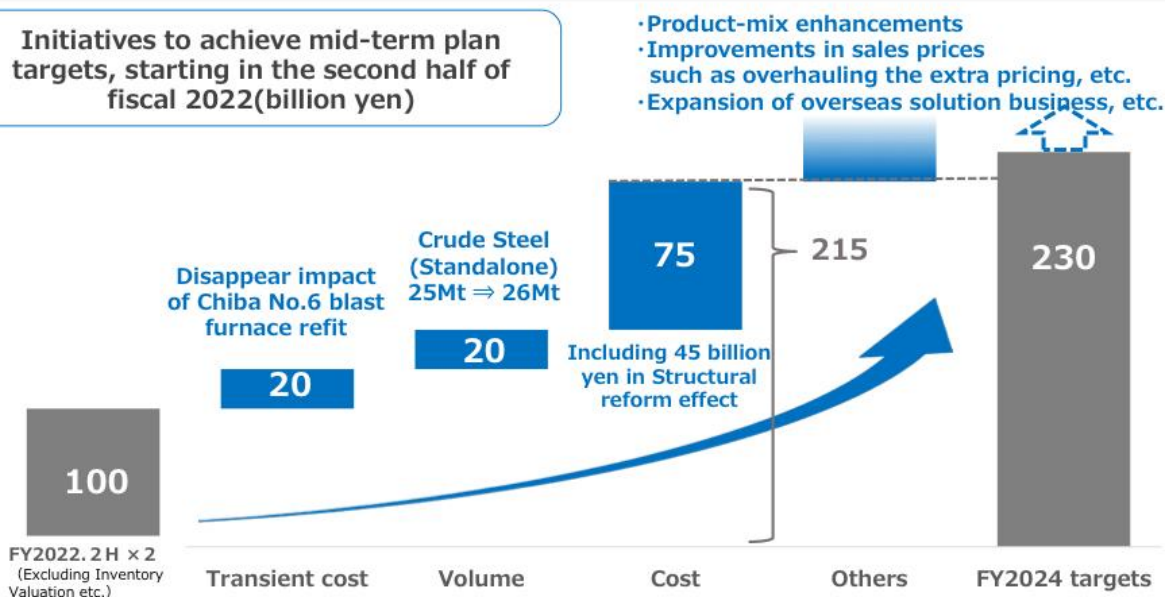
As shown at the top, the shutdown of the tin mills in Chiba has been completed. The shutdown was completed in August, and the facilities are being consolidated in Fukuyama.

In addition, in September, we began refit of the number six blast furnace in Chiba. The blow-in is scheduled for next January. After this blow-in, as noted below, we will begin full-scale preparations for the shutdown of the upper process at Keihin next September.

## 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.) in the steel business is expected to be **about 100 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)



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We have summarized initiatives toward achieving our mid-term plan from 2H of FY2022.

The segment profit forecast for 2H, excluding inventory valuation in the steel business, is approximately JPY50 billion, which, if doubled, would amount to approximately JPY100 billion on an annualized basis.

Please refer to the graph above. We expect the impact of the refit of the blast furnace in Chiba to be negative JPY10 billion in 2H of the fiscal year, which will amount to JPY20 billion on an annualized basis.

Therefore, we expect segment profit excluding inventory valuation and the cost of the blast furnace refit in Chiba is to be JPY120 billion.

We assume that crude steel production will recover by 1 million tons to around 26 million tons, which will increase segment profit by JPY20 billion. Through cost reductions, we expect to gain an additional JPY45 billion after the completion of structural reforms next September. So-called normal cost reductions are expected to amount to JPY30 billion. We believe that this figure is enough possible since it is about JPY15 billion per year. The total up to this point is JPY215 billion.

The segment profit target for the medium-term plan is JPY230 billion, so the difference is JPY15 billion. As written on the right, we believe that by increasing the ratio of high value-added products, improving sales prices including extra improvements, and expanding the overseas solution business, we can aim for more than JPY15 billion.



# Financial Forecast for Fiscal Year 2022

**JFE**

## Current Business Environment/Overview of Financial Status

- Segment profit in 1H of FY2022 was deficit ¥3.9bn., decreased by ¥7.9 bn. from previous forecast, due to rising price of material and equipment, change in schedule of progression, and loss on overseas constructions.
- Full-year segment profit is expected to maintain ¥20.0 bn. due to implementing the passing on the rising price of material and equipment to the customers, the cost reduction, etc. (decreased by ¥6.0 bn. year-on-year)

## Financial Forecast

(billion yen)	FY2021 Actual		FY2022 Forecast (Updated)		Change FY2021 →FY2022 (Updated forecast)		FY2022 Forecast (Previous)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
Orders	252.3	505.8	286.0	550.0	33.7	44.2	310.0	550.0
Revenue	229.2	508.2	219.0	520.0	(10.2)	11.8	230.0	520.0
Segment Profit	11.1	26.0	(3.9)	20.0	(15.0)	(6.0)	4.0	20.0

### Compared to previous forecast (segment profit)

- <1H (7.9)> Rising price of material and equipment, changing schedule of progress (4.1)  
(Changing schedule of progress (2.9))  
Loss on overseas constructions (3.8)
- <Full-year ±0.0> Declining in 1H segment profit (7.9)  
Passing on the rising price of material and equipment, reducing cost, etc. +5.0  
Changing schedule of progress +2.9

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Next, let's look at the engineering business.

1H results were in the red. As noted above, there was an impact from the sharp rise in the cost of materials and equipment, change in schedule of progress, and the deterioration of P&L from the construction of power generation projects in Europe.

Compared to the previous announcement, segment profit in 1H deteriorated by JPY7.9 billion. The higher material and equipment costs and the effect of the change in schedule of progression had a negative impact of JPY4.1 billion. Of this amount, JPY2.9 billion was due to the impact of the change in schedule of progress. The impact caused the revenue to be about JPY10 billion less than the forecast. The delay in construction progress has caused the posting of revenue to be delayed to 2H, and the revenue deteriorated due to the delay in the accrual of expenses in the operation business, which we call the impact of the change in schedule of progress. These are things that can certainly be recovered in 2H.

The deterioration of P&L on construction work overseas was JPY3.8 billion. The situation in Ukraine has had a great impact on projects, and we have had to incur various additional costs to meet the construction schedule due to soaring prices of materials and equipment, delays in delivery, bankruptcy of subcontractors, and other factors.

We will negotiate and discuss with customers any billable cost increases in the future. In any case, once the expenses have been incurred, they have to be reported as losses in the financial statements, which had a considerable negative impact on 1H figures.



The text box at the bottom describes the annual segment profit. Segment profit deteriorated by JPY7.9 billion in 1H. The JPY2.9 billion impact of the change in schedule of progress will certainly be recovered in 2H of the fiscal year. In order to secure the projected segment profit of JPY20 billion for the year, it will be important to be able to increase profits by JPY5 billion by passing on the higher prices of materials and equipment and reducing costs.

The impact of rising material and equipment costs in Japan, et cetera, is usually negotiable with the customer under escalation clauses or other means. However, even if discussions have already been substantially advanced, there are practices or contractual rules which is that the final lump-sum settlement would be accounted for after the completion of construction works, so that amount could not be fully realized in 1H and have been shifted to 2H. Therefore, we believe we will be able to achieve our annual forecast of JPY20 billion.



## Financial Forecast for Fiscal Year 2022

JFE-Shoji

JFE

### Current Business Environment/Overview of Financial Status

- Segment profit in 1H of the FY2022 increased significantly year-on-year due to **better steel demand and price than expected mainly in Northern America**. Full-year segment profit **is expected to be ¥60.0 bn.** (increased by ¥4.1 bn. year-on-year, increased by 5.0 bn. from previous forecast)

### Financial Forecast

(billion yen)	FY2021 Actual		FY2022 Forecast (Updated)		Change FY2021 →FY2022 (Updated forecast)		FY2022 Forecast (Previous)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
Revenue	544.4	1,231.7	<b>750.2</b>	<b>1,490.0</b>	205.8	258.3	750.0	1,470.0
Segment Profit	25.6	55.9	<b>40.6</b>	<b>60.0</b>	15.0	4.1	35.0	55.0

#### Compared to previous forecast (Segment profit)

·Full year+5.0 Segment profit in both standalone and subsidiaries is expected to increase from previous forecast due to better sales of steel and raw materials than expected.

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Next is the JFE Shoji business.

For the Shoji business, segment profit for 1H was JPY40.6 billion, and the annual forecast is JPY60 billion. In 1H of the fiscal year, business in North America was very strong, resulting in an increase of JPY5.6 billion over the previous forecast. In light of this, we have revised our annual forecast upward by JPY5 billion to JPY60 billion.



## Progress of development plans for the land of Keihin district



- The development area is a huge land. (5 areas, Approx. 400ha)
- Develop through “Sale”, “Lease”, and “Do business (by ourselves)”, consistent with the land use policy by Kawasaki City, which will be disclosed by the end of FY2022.

Area	Size (ha)	Progress	Initiatives towards 2030
Ogishima	279 <small>*Area of upstream facilities (shut down area): 222ha</small>	<ul style="list-style-type: none"> <li>✓ Strive to see some properties put to new use <b>by FY2030</b></li> <li>✓ Launched joint study for the development of a base for receiving and supplying decarbonized fuels such as hydrogen and ammonia with ENEOS Corporation and JERA Co., Inc. (Released on 21<sup>th</sup> Apr. 2022)</li> <li>✓ Launched Community association with the other companies based in Ogishima. (Total 9 companies, Released 28<sup>th</sup> Oct, 2022)</li> </ul>	<p>To be shut down Sep. 2023</p> <p>★</p> <p>Disclose development plans in FY2023</p> <p>★ →</p> <p>~FY2030 Partially put to new use</p>
Minami-watarida	51	<ul style="list-style-type: none"> <li>✓ The most preceding area for development consideration.</li> <li>✓ Developing as <b>an R &amp; D and innovation base</b> consistent with the policy of Kawasaki City.</li> <li>✓ The northern area of Minami-watarida will start construction in FY2024 and will be partially put to new use in FY2027. (Disclosed the basic plan for area development by Kawasaki City, 26<sup>th</sup> Aug. 2022)</li> </ul>	<p>Start construction in FY2024</p> <p>★ →</p> <p>Partially put to new use in FY2027</p> <p>★</p>
Other 3 areas*	76	<ul style="list-style-type: none"> <li>✓ Expansion and development as <b>a major recycling base</b> in the Tokyo metropolitan area.(Mizue area)</li> </ul>	<p>Continue to announce the progress in sequence.</p>

\*Mizue area, Ogimachi area, and Ikegami area

Finally, here are the topics. This section summarizes the progress of land use in the Keihin area.

There are five areas under consideration for land use in Keihin, totaling 400 hectares. The five areas are, as shown in the table, Ogishima and Minami-watarida, and the other three areas are Mizue, Ogimachi, and Ikegami. Overall, since the study area is in Kawasaki City, Kawasaki City is scheduled to formulate a land use policy at the end of this fiscal year. Consistent with this policy, we plan to promote development in combination with options such as land sales, land leasing, and business use.

As for Ogishima, there will be a shutdown of the upper process in September 2023, and within the same year, we plan to announce our development policy. Based on this policy, a portion of the land is planned to be put into service by 2030. As already announced, we are considering the development of facilities with ENEOS Corporation and JERA Co., Inc. to receive and supply hydrogen, ammonia, and other decarbonized fuels.

Minami-watarida is positioned as the most advanced area for consideration. It will be developed as an R&D and innovation cluster in accordance with Kawasaki City’s plan. As for the northern area of Minami-watarida, the project is scheduled to start in FY2024 and to be partially put into service in FY2027. Perhaps the north area of Minami-watarida is the most advanced in land development.

Of the other three districts, Mizue in particular will be expanded and developed as a major recycling center in the Tokyo metropolitan area. We will make further announcements as progress is made.



# Published JFE Group Report and CSR Report

## Published JFE Group Report 2022 and CSR Report

JFE Group Report : Published 20<sup>th</sup> Sep. 2022  
 CSR Report : Published 28<sup>th</sup> Sep. 2022



- 1. Management Strategy ~Tackling the Biggest Challenge Since Our Founding to Ensure Earth's Prosperity~**
  - Message from the CEO
  - Material Business Issues, Business Model
- 2. Strategy of Create Value ~Toward Ensuring Sustainability of the environment and society~**
  - Progress on 7<sup>th</sup> Mid-term Business Plan
  - Special Feature : Advancing the Commercialization of the Wind Power Generation Business
  - Special Feature : Contributions to Resolving Climate Change
  - Initiatives at Operating Companies, Business Strategies



<https://www.jfe-holdings.co.jp/en/investor/library/group-report/index.html>



- 1. JFE Group Vision**
  - Value of Steel
  - Progress on 7<sup>th</sup> Mid-term Business Plan
  - Material Business Issues, Achievement of KPIs
- 2. Challenge and Path to Carbon-Neutrality in the Steel Business**
- 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.

English version is coming soon

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Finally, I would like to touch on the publication of the Group report and the CSR report.

This year, the Group report, the so-called “integrated report,” and the CSR report were issued in September. The contents are as described. We hope you will find those reports useful as well.

That’s all for my explanation.

[END]

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