



JFE

JFE Group

**Revision of Financial Results Forecasts
in FY2019 ended March 31, 2020 etc.**

JFE Holdings, Inc.

March 27, 2020

A table of contents

1. JFE Holdings' Revised Financial Results Forecasts for Fiscal Year 2019 (ending March 31, 2020)
2. JFE Steel's Optimization of Domestic Production Operations through Structural Reforms
3. Equity and Business Alliance between Japan Marine United and Imabari Shipbuilding

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

**JFE Holdings' Revised Financial
Results Forecasts
for Fiscal Year 2019
(ending March 31, 2020)**



Revised Financial Results Forecasts for FY2019

JFE

(billion yen)	FY2019 Previous Forecast Feb. 12 2020 (A)	FY2019 Updated Forecast Mar. 27 2020 (B)	Change (B-A)
Revenue	3,720.0	3,720.0	—
Business Profit	45.0	45.0	—
Finance Income/Costs	(13.0)	(13.0)	—
Segment Profit	32.0	32.0	—
Exceptional Items (Impairment Losses)	—	(220.0)	(220.0)
Profit before Tax	32.0	(188.0)	(220.0)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(19.0)	(2.0)	17.0
Profit Attributable to Owners of Parent	13.0	(190.0)	(203.0)

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.

JFE Steel's Optimization of Domestic Production Operations through Structural Reforms



Business Environment

JFE

■ Current Business Environment

- Slump in steel demand among manufacturing industries, due to US-China trade tensions
- Rising raw-material prices driven by China's increased output of crude steel
- Rising prices for various commodities and services including auxiliary raw materials, sub materials and logistics

■ Mid/Long-term Forecast

Domestic Decline in domestic demand amid population decrease and other factors

Overseas Increasingly intense competition due to expanding steel-production capacity in developing economies and the growth of Chinese exports due to falling domestic demand in China

In-house Continuous large-scale investment to renew aging facilities and equipment will be needed over the long term in order to strengthen domestic manufacturing bases as well as overall manufacturing capabilities

In response to the fundamental changes in its operating environment,
JFE Steel has determined structural reforms to optimize domestic production operations.



Main Structural Reforms

JFE

Review production operations by strategically focusing resources on key products and production operations to enhance competitiveness

- Transition to a domestic operating configuration based on **7 BFs, down from 8 at present**: production capacity to be reduced by around 4 million tons (about 13%)
- By FY2023 or thereabouts, **upstream processes including iron making, steelmaking and hot rolling equipment in East Japan Works (Keihin)** will be shut down, and the East Japan Works' production of steel sheet, with the exclusion of some products, will be consolidated in Chiba (No.6 BF in Chiba to be refitted by 2023 or thereabouts)

<Main facilities to be shut down in Keihin> Followings are only including shutdowns of facilities which are announced this time. See appendix for details.
 Blast Furnace, Shaft Furnace, Sintering Machine, Coke Ovens, Converter, Electric Arc Furnace, Continuous Casting Machines, Hot Rolling Equipment (excluding pickling line and skinpass mill)

- **JFE Steel's organization and systems**, including head office departments, will be **streamlined on a company-wide basis**.
 (operational efficiency and productivity to be upgraded with advanced IT and data science)
- To facilitate reforms swiftly and efficiently, a **Special Initiatives Headquarters (Head: JFE Steel President Yoshihisa Kitano)** will be established on April 1.



Expected Effects and Impacts

Brought from These Structural Reforms

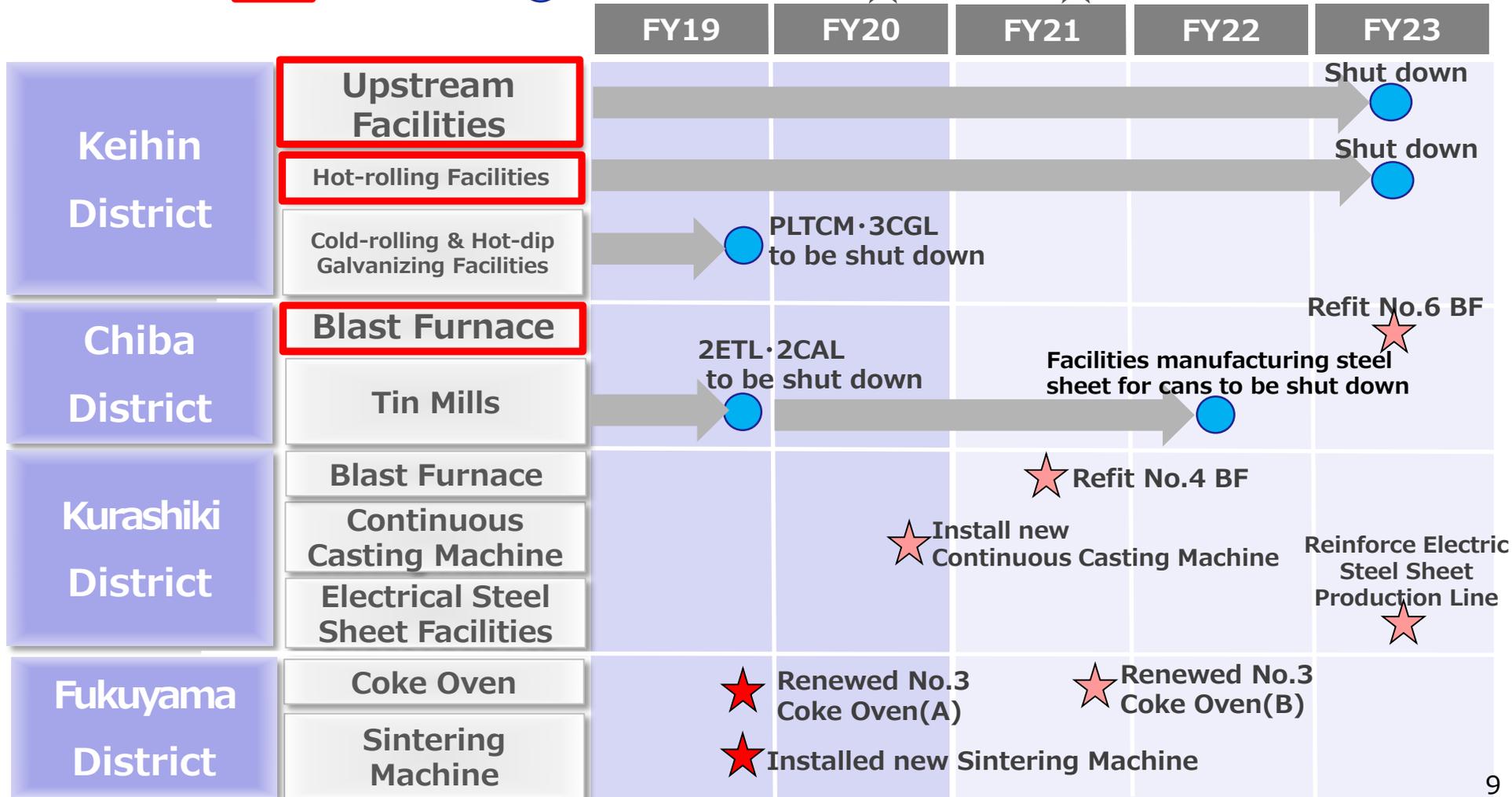
- **Impairment losses to be recognized** in its FY2019 accounts in accordance with these structural reforms
: **around -220 billion yen in total**
 - Chiba : around -130 billion yen
 - Keihin : around -90 billion yen
- **Reduction of fixed costs and other expenditures to boost annual profit** : **around 60 billion yen/year**
 - * This figure includes the effects of previously announced shutdowns of facilities for producing steel sheet for cans in the Chiba district and cold-rolling and surface-treated steel sheet facilities in the Keihin district.
- **Outlays envisioned for the renewal of aging equipment to be reduced** over the next 10 years by shutting down these selected facilities : **some 200 billion yen**

Measures of Structural Reforms (Roadmap)



Special Initiative Headquarters (Head : JFE Steel President Yoshihisa Kitano) will be established on April 1, 2020.

Disclosed this time
 ● Planning to be shut down
 ★ In operation
 ★ Planning to operate (in progress)



Production Framework after Restructuring



JFE

West Japan Works

Fukuyama District



3 BFs

Kurashiki District



3 BFs

- Sheets
- Plates
- Tin Mill product
- Shapes
- UOE Steel Pipes
- Slabs

- Sheets
- Plates
- Electrical Steel Sheets
- Shapes
- Bars & Wire Rods
- Slabs

Sendai Works



- 1 Electric Furnace
- Bars & Wire Rods

East Japan Works

Keihin District

1 BF → 0

- Plates
- ERW Steel Pipes & Forged Steel Pipes
- Sheets (Pickled Steel, Special Steel)

Chiba District

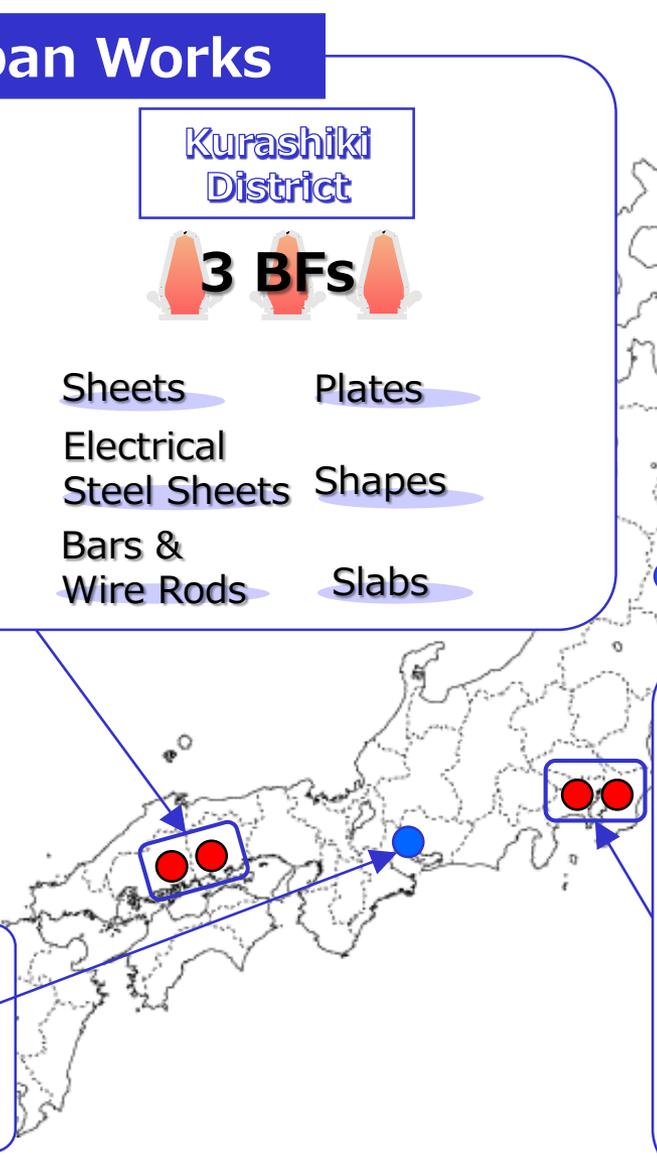


1 BF

- Iron Powders
- Stainless Sheets
- Spiral Steel Pipes

Chita Works

- ERW Steel Pipes
- Seamless Steel Pipes



Strategic Roles of Each District

JFE

- **Enhance the overall competitiveness** of its BF integrated steelworks
- **Maximize manufacturing capacity** at each steelworks and other works

East Japan Works

Chiba

Production base in East Japan to manufacture primarily **automotive steel sheet** as well as **stainless steel** and **iron powder** → **continue to function as an integrated blast-furnace production base**

Keihin

Production base in Eastern Japan to manufacture **steel plate mainly used in construction** and **steel pipe products**

Implement the sales and product strategies in priority fields (automobiles, energy, materials for construction and infrastructure) and **enhance the earnings bases**

West Japan Works

JFE's mainstay steelworks with strong production capacity

The new Kurashiki continuous casting machine will supply the steel plate mill with high-quality, low-cost semi-finished products, which will help to maintain competitiveness.



Related Growth Strategies

JFE

JFE Steel aims to **strengthen its sustainable growth** and **further enhance the company's corporate value** over the long term with financial soundness.

Domestic

Attempt to **further strengthen competitiveness** by investing strategically in its domestic steelworks

Overseas

Promote initiatives to **enhance new earning bases**

Global Business Development Center to be established (on April 1)

- To maximize earnings from existing overseas businesses
- To develop new growth opportunities



Stakeholder Consideration

JFE

- Going forward, JFE Steel will provide detailed explanations of these initiatives to all stakeholders, including customers, business partners, employees, local communities and governments, shareholders and investors.
- Employment for 1,200 people working at facilities scheduled to be shut down will be secured through redeployment and other means.
- JFE Steel will also work in good faith with JFE group companies and partners (involving some 2,000 employees) that are likely to be affected by the shutdowns.
- Related parties, including local communities and government will be closely consulted regarding the repurposing of Keihin district facilities scheduled for shutdown.

Equity and Business Alliance between Japan Marine United and Imabari Shipbuilding



Japan Marine United (JMU)

Equity and Business Alliance with Imabari Shipbuilding

March 27, 2020

Reached final agreement on equity and business alliance and establishment of JV between JMU and Imabari Shipbuilding.

Overview of the equity and business alliance*

(aim to start on Oct. 1, 2020)

- **Imabari Shipbuilding's equity participation into JMU** by accepting new ordinary shares of JMU
- **Establishment of a joint sales and design company**
- **Pursuit of mass-production effect** by unifying specification
- **Cooperation in manufacturing such as intensive production** of blocks and large-scale equipment

※The alliance and the establishment of the JV need to gain approvals from competent authorities in Japan and overseas.

Overview of the JV

Name	Nihon Shipyard Co., Ltd.
Representatives	President and CEO: Yoshinori Maeta (JMU) Executive Vice President: Kiyoshi Higaki (Imabari Shipbuilding)
Businesses	Sales and design etc. of ordinary commercial ships and offshore floating structures except for liquefied gas carriers
Capital	100 million yen
Investment ratio	Imabari Shipbuilding 51% , JMU 49%
Employees	Approximately 500
Establishment	October 1, 2020 (expected)

Appendix

Main Facilities Scheduled for Shutdown 1

(* indicates already disclosed)

District	Facility	Details	Original Startup	Shutdown Timing
Keihin	No.2 Blast Furnace	Furnace volume: 5,000m ³	March 2004	By FY2023
	Shaft Furnace	Furnace volume: 172m ³	August 2008	
	No.1 Sintering Machine	Grate area: 450m ²	October 1976	
	No.1 Coke Oven	124 chambers	November 1976	
	No.2 Coke Oven	74 chambers	July 1979	
	Raw Material Facilities	Facilities for loading, inventory intake/ distribution, etc.		
	Converters	2 × 328 t /ch	November 1976	
	No.1 Electric Arc Furnace	1×50 t /ch	April 1979	
	No.1 Continuous Casting Machine	2 -strand (slab)	November 1976	
	No.3 Continuous Casting Machine	2 -strand (slab)	March 1979	
	No.5 Continuous Casting Machine	6 -strand (billet)	December 1982	
	Hot Rolling Facilities (excl. pickling line and skinpass mill)	Thickness: 1.2~25.4mm Width: 600~2,300mm	March 1979	
	*No.1 Tandem Cold Mill	Thickness: 0.12~1.65mm Width: 600~1,305mm	April 1961	Within FY2019
*No.3 CGL	Thickness: 0.27~2.3mm Width: 610~1,250mm	April 1983		

Main Facilities Scheduled for Shutdown 2

(* indicates already disclosed)

District	Facility	Details	Original Startup	Shutdown Timing
Chiba	*No.2 Tandem Mill	Thickness: 0.1~0.6mm Width: 600~1,100mm	May 1963	By FY2022
	*No.2 CAL	Thickness: 0.17~0.6mm Width: 600~1,250mm	July 1980	Within FY2019
	*No.4 CAL	Thickness: 0.15~0.4mm Width: 600~1,067mm	March 1990	By FY2022
	*TFL	Thickness: 0.1~0.6mm Width: 457~1,067mm	June 1983	
	*No.2 ETL	Thickness: 0.1~0.6mm Width: 600~1,067mm	November 1972	Within FY2019



JFE