



JFE Holdings, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2022

February 8, 2022

Presentation

Moderator: Ladies and gentlemen, 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 session will be 60 minutes, consisting of a 30-minute presentation and a 30-minute Q&A session.

Mr. Terahata, Representative Director, Executive Vice President, will give a few words.

Terahata: I am Terahata. Thank you very much for taking the time out of your busy schedule to participate in today's briefing.

We have raised our full-year forecast for consolidated business profit to JPY390 billion, an increase of JPY30 billion from the previously announced JPY360 billion, due to an expected increase in segment profit in the Steel business and Trading business.

In the Steel business, we are implementing rationalized production in light of the temporary easing of demand for steel products due to softening overseas markets and prolonged production cutbacks in automobiles. Despite an expected decline in production volume as a result, segment profit is expected to increase by JPY23 billion, due to the effect of improved selling prices and the revenue increase in Group companies.

In the Trading business, we also expect full-year segment profit to increase by JPY8 billion due to the continuation of profit growth at overseas Group companies, mainly in the Americas.

In addition, today we announced a review of the JFE Group's CO₂ emission reduction targets. Specifically, we have decided to revise upward our FY2030 CO₂ emission reduction target for our Steel business from 20% or more reduction to 30% or more reduction compared to FY2013, based on the progress of our carbon neutral initiatives and the improvement of the external environment. The entire Group will continue to vigorously promote initiatives to solve climate change issues, with the dual focus of reducing CO₂ emissions and contributing to the reduction of CO₂ emissions in society as a whole through our business activities.

Mr. Tanaka, Senior Vice President, will now explain the details.



A table of contents

- **JFE Holdings' Financial Results for Third Quarter
of Fiscal Year 2021 (April 1 to December 31, 2021)**
- **JFE Holdings' Financial Forecasts for Fiscal Year 2021
(April 1, 2021, to March 31, 2022)**
- **Dividends**
- **Financial Results for Third Quarter of Fiscal Year 2021 and
Financial Forecast for Fiscal Year 2021 by Segment**
- **Topics (ESG Initiatives etc.)**

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.

2

Tanaka: My name is Tanaka.

I would now like to explain in accordance with the financial results material posted on our website today.

Today's contents are as shown.



Financial Results for Third Quarter of Fiscal Year 2021

JFE-HD

JFE

Despite sharply higher prices for raw materials and metals and scrap etc., **strong demand for steel and market prices and the result of initiatives to improve sales price** led to **a significant increase in profit**, particularly in the steel business.

(billion yen)	FY2020		FY2021		Change Apr-Dec
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	
Revenue	826.1	2,318.4	1,154.4	3,097.3	778.9
Business Profit	53.1	(61.1)	123.9	322.8	383.9
Finance Income/Costs	(3.0)	(9.4)	(2.9)	(8.5)	0.9
Segment Profit	50.1	(70.6)	121.0	314.2	384.8
Exceptional Items	—	—	(10.4)	(10.4)	(10.4)
Profit before Tax	50.1	(70.6)	110.6	303.8	374.4
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(14.0)	0.9	(28.3)	(80.7)	(81.6)
Profit Attributable to Owners of Parent	36.0	(69.6)	82.2	223.0	292.6

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.

4

First, here are the JFE Group's financial results for the third quarter of the fiscal year ending March 31, 2022, FY2021.

The cumulative results for the period from April to December of FY2021 show revenue of JPY3,097.3 billion, business profit of JPY322.8 billion, total segment profit of JPY314.2 billion, and profit attributable to owners of parent of JPY223 billion.

We have recorded a loss of JPY10.4 billion as exceptional items in the middle of the table. This includes impairment loss and loss on liquidation of subsidiaries and affiliates.

The left-hand side of the table shows the results for last year, when all of profit items were in red. We have made a significant improvement.



Financial Results for Third Quarter of Fiscal Year 2021 ^{JFE-HD} (by Segment)

JFE

(billion yen)	FY2020		FY2021		Change Apr-Dec
	Oct-Dec	Apr-Dec	Oct-Dec	Apr-Dec	
Revenue					
Steel Business	580.2	1,607.5	832.8	2,243.2	635.7
Engineering Business	129.2	351.2	129.8	359.1	7.9
Trading Business	224.9	676.6	329.3	873.7	197.1
Adjustments	(108.2)	(316.9)	(137.5)	(378.6)	(61.7)
Total	826.1	2,318.4	1,154.4	3,097.3	778.9
Business Profit (A)	53.1	(61.1)	123.9	322.8	383.9
Finance Income/Costs (B)	(3.0)	(9.4)	(2.9)	(8.5)	0.9
Segment Profit					
Steel Business	34.3	(101.9)	93.5	252.0	353.9
Engineering Business	10.9	19.6	10.2	21.3	1.7
Trading Business	6.5	13.7	16.2	41.9	28.2
Adjustments	(1.6)	(2.1)	1.0	(1.0)	1.1
Total (A+B)	50.1	(70.6)	121.0	314.2	384.8

5

This table shows forecasts by segment.

The Steel and Trading businesses have seen a significant increase in revenue due to higher sales prices and higher sales volume due to recovery in demand.

Segment profit was JPY252 billion in the Steel business, JPY21.3 billion in the Engineering business, and JPY41.9 billion in the Trading business, with a significant recovery in the Steel business. Segment profit in the Engineering business exceeded JPY20 billion through the third quarter. In addition, segment profit in the Trading business exceeded JPY40 billion. Earnings in each segment have improved significantly compared to the previous year.



Financial Forecast for Fiscal Year 2021

JFE-HD

JFE

- Segment profit in the steel business is expected to **improve to 303.3 billion yen from the previous forecast**, due to the result of initiatives to improve steel prices and increase in profit of domestic and overseas subsidiary companies despite the impact of a decrease in production volume.
- The Group's overall business profit is expected to **improve by 30.0 billion yen** from the previous forecast, reflecting the increase in profits of the steel and trading business.

(billion yen)	FY2021 (Previous Forecast Nov. 5, 2021)	FY2021 (Updated Forecast Feb. 8, 2022)			Change
	Full Year	1H (Actual)	2H (Forecast)	Full Year	Full Year
Revenue	4,340.0	1,942.9	2,427.1	4,370.0	30.0
Business Profit	360.0	198.8	191.2	390.0	30.0
Finance Income/Costs	(10.0)	(5.6)	(4.4)	(10.0)	0.0
Segment Profit	350.0	193.2	186.8	380.0	30.0
Exceptional Items	—	—	(12.0)	(12.0)	(12.0)
Profit before Tax	350.0	193.2	174.8	368.0	18.0
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(100.0)	(52.4)	(45.6)	(98.0)	2.0
Profit Attributable to Owners of Parent	250.0	140.7	129.3	270.0	20.0

7

Next, I would like to explain our full-year earnings forecast for FY2021.

The table shows the comparison with the previous forecast announced in November.

Revenue is expected to be JPY4,370 billion, an increase of JPY30 billion from the previous forecast. Business profit is expected to be JPY390 billion, an increase of JPY30 billion from the previous forecast, and segment profit is expected to be 380 billion, also an increase of JPY30 billion from the previous forecast. The forecast for net profit is JPY270 billion, an increase of JPY20 billion from the previous forecast.

The following page shows forecasts by segment.



Financial Forecasts for Fiscal Year 2021 (by Segment)

JFE-HD

JFE

(billion yen)	FY2021 (Previous Forecast)	FY2021 (Updated Forecast)			Change
	Full Year	1H	2H	Full Year	Full Year
Revenue					
Steel Business	3,190.0	1,410.4	1,799.6	3,210.0	20.0
Engineering Business	520.0	229.2	280.8	510.0	(10.0)
Trading Business	1,210.0	544.4	665.6	1,210.0	0.0
Adjustments	(580.0)	(241.1)	(318.9)	(560.0)	20.0
Total	4,340.0	1,942.9	2,427.1	4,370.0	30.0
Business Profit (A)	360.0	198.8	191.2	390.0	30.0
Finance Income/Costs (B)	(10.0)	(5.6)	(4.4)	(10.0)	0.0
Segment Profit					
Steel Business	280.0	158.5	144.5	303.0	23.0
Engineering Business	25.0	11.1	13.9	25.0	0.0
Trading Business	45.0	25.6	27.4	53.0	8.0
Adjustments	0.0	(2.0)	1.0	(1.0)	(1.0)
Total (A+B)	350.0	193.2	186.8	380.0	30.0

8

As for revenue, the breakdown is as shown.

Segment profit is expected to be JPY303 billion in the Steel business, an increase of JPY23 billion from the previous forecast. Segment profit in the Engineering business is expected to be JPY25 billion, the same as the previous forecast. Segment profit in the Trading business is expected to be JPY53 billion, an increase of JPY8 billion over the previous forecast. Total increase is JPY30 billion from the previous forecast.



Financial Forecast for Fiscal Year 2021

JFE-HD

JFE

Full-year segment profit is expected to be 390.0 billion yen, increased by 402.9 billion yen year-on-year, due to recovery of steel demand, market price increase, and the result of initiatives to improve sales price.

(billion yen)	FY2020 (Actual) Full Year	FY2021 (Updated Forecast)			Change Full Year
		1H (Actual)	2H (Forecast)	Full Year	
Revenue	3,227.2	1,942.9	2,427.1	4,370.0	1,142.8
Business Profit	(12.9)	198.8	191.2	390.0	402.9
Finance Income/Costs	(12.4)	(5.6)	(4.4)	(10.0)	2.4
Segment Profit	(25.4)	193.2	186.8	380.0	405.4
Exceptional Items	20.4	—	(12.0)	(12.0)	(32.4)
Profit before Tax	(4.9)	193.2	174.8	368.0	372.9
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(16.9)	(52.4)	(45.6)	(98.0)	(81.1)
Profit Attributable to Owners of Parent	(21.8)	140.7	129.3	270.0	291.8

9

The following table shows a comparison with the previous fiscal year.

The numbers for this fiscal year are the same as above. As you can see, the results for FY2020 were in the red, so we expect a significant improvement as explained in the cumulative results for the third quarter.



Financial Forecasts for Fiscal Year 2021 (by Segment)

JFE-HD

JFE

(billion yen)	FY2020 (Actual) Full Year	FY2021 (Updated Forecast)			Change Full Year
		1H	2H	Full Year	
Revenue					
Steel Business	2,255.2	1,410.4	1,799.6	3,210.0	954.8
Engineering Business	485.7	229.2	280.8	510.0	24.3
Trading Business	932.5	544.4	665.6	1210.0	277.5
Adjustments	(446.1)	(241.1)	(318.9)	(560.0)	(113.9)
Total	3,227.2	1,942.9	2,427.1	4,370.0	1,142.8
Business Profit (A)	(12.9)	198.8	191.2	390.0	402.9
Finance Income/Costs (B)	(12.4)	(5.6)	(4.4)	(10.0)	2.4
Segment Profit					
Steel Business	(65.4)	158.5	144.5	303.0	368.4
Engineering Business	24.0	11.1	13.9	25.0	1.0
Trading Business	20.0	25.6	27.4	53.0	33.0
Adjustments	(4.1)	(2.0)	1.0	(1.0)	3.1
Total (A+B)	(25.4)	193.2	186.8	380.0	405.4

10

The next page is a slide showing the results by segment, which is the same as the explanation of the third quarter results, so let me move on to page 11.

Progress of Cash Flow Improvements, Debt/EBITDA Ratio

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

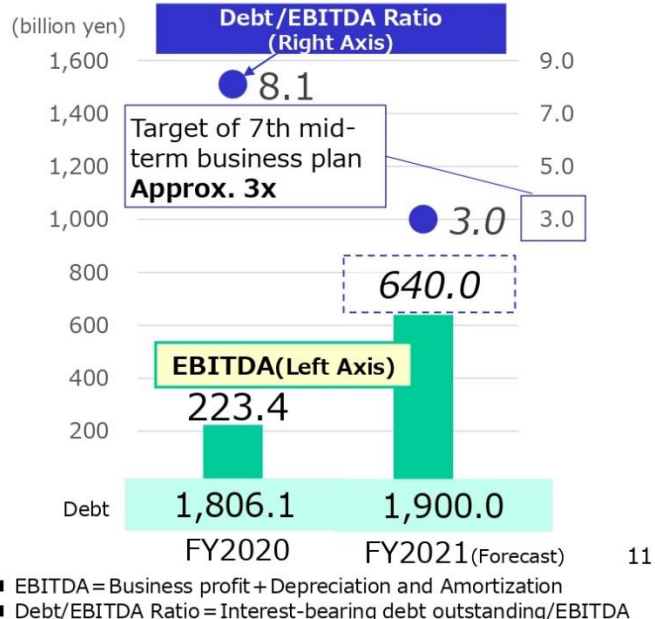
FY2021

Consolidated Cash Flow Forecast

(billion yen)

Cash-in	Cash-out
Net Profit 270.0	CAPEX & Investments 350.0
Depreciation and Amortization 250.0	Dividend Payment 40.0
Asset Compression 45.0	Working Capital etc. 265.0
Debt 90.0	

Progress of Debt/EBITDA Ratio



Page 11 shows the forecast for consolidated cash flow and debt-to-EBITDA ratio.

As shown in the lower right-hand corner, we forecast the balance of interest-bearing debt to be JPY1,900 billion in FY2021. The actual results for FY2020 are shown on the left. We forecast an increase in interest-bearing debt of over JPY90 billion.

On the left is a chart showing the consolidated cash flow forecast. On the cash-in side, net profit is expected to be JPY270 billion, depreciation and amortization to be JPY250 billion, asset compression to be JPY45 billion. On the cash-out side, in addition to the JPY350 billion in capital investment and JPY40 billion in dividend payment, the biggest reason for the increase in interest-bearing debt this time is the working capital, etcetera.

As the price of raw materials has risen, working capital has also increased considerably, which has led to an increase in borrowings, but as shown in the graph on the right, earnings have also risen, so in terms of the debt-to-EBITDA ratio, we have reached the seventh mid-term business plan target level of three times.



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

13

Next, I will talk about dividends.

The Company proposes to pay a year-end dividend of JPY80 per share for the current fiscal year, for a total annual dividend of JPY140 per share. As announced in the mid-term plan, our basic policy for dividends is to maintain a payout ratio of approximately 30% on a consolidated basis. Based on the current forecast of JPY270 billion in net profit and a dividend payout ratio of 30%, and as the annual dividend will be JPY140 and the interim dividend was JPY60, the year-end dividend will be JPY80.



Financial Results for Third Quarter of Fiscal Year 2021

JFE

	Unit	FY2020					FY2021		
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q
Revenue	billion yen	508.7	518.6	580.2	647.6	2,255.2	638.5	771.9	832.8
Segment Profit	billion yen	(57.8)	(78.4)	34.3	36.4	(65.4)	69.7	88.8	93.5
Excluding Inventory Valuation etc.*	billion yen	(34.8)	(33.4)	14.3	22.4	(31.4)	25.7	42.8	(3.5)
Crude Steel (Standalone)	Mt	4.79	5.38	6.27	6.32	22.76	6.25	6.45	6.49
Crude Steel (Consolidated)	Mt	5.09	5.68	6.59	6.60	23.96	6.59	6.80	6.85
Shipment (Standalone)	Mt	4.59	4.75	5.42	5.72	20.49	5.26	5.56	5.63
Export Ratio on Value Basis (Standalone)	%	44.2	40.2	40.3	44.3	42.3	43.2	49.3	45.9
Average Sales Price (Standalone)	000 yen/ t	75.3	71.0	73.4	78.8	74.8	87.6	101.0	107.6
Exchange Rate	¥/\$	107.7	105.9	104.8	104.7	105.8	109.8	110.0	113.1
Exchange Rate (End of Term)	¥/\$	107.7	105.8	103.5	110.7	110.7	110.6	111.9	115.0

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

15

Next, I will explain the details of each business segment.

First of all, let's look at the situation of the Steel business up to the end of the third quarter.

The figures are arranged by quarter. In the October to December period of FY2021, the segment profit was JPY93.5 billion. On the other hand, underneath, there is a figure excluding inventory valuation, etcetera. In the third quarter, the cost of raw materials increased considerably, so the so-called inventory valuation difference was recorded in a large amount. Excluding that, the figure for the October to December period was negative JPY3.5 billion.

The volume of standalone crude steel was 6.25 million tons. The third item from the bottom is the average sales price of steel products, which was JPY107,600 in the third quarter, an increase of JPY6,600 from the previous quarter, July to September. Compared to the same period a year ago, the price was JPY73,400 a year ago, which means that the price has increased by about JPY34,000.



JFE Steel

353.9 Billion Yen Increase in JFE Steel's Segment Profit (FY2020 Apr-Dec vs. FY2021 Apr-Dec)

Segment profit increased by 353.9 billion yen due to an improvement of selling price, an increase in crude steel production, and profit improvement of both domestic and overseas subsidiaries.

JFE Steel	FY2020 Apr-Dec	FY2021				(billion yen)
		1Q	2Q	3Q	Apr-Dec	Change
Segment profit	(101.9)	69.7	88.8	93.5	252.0	+353.9
1. Cost	+23.0	• Capital investment effects etc.				
2. Volume and Mix	+56.0	• Production increase amid recovery of steel demand (Crude steel (Standalone) 16.44Mt→19.20Mt)				
3. Sales and Raw materials	+17.0	(1,000 yen/t-shipment) • Although raw material prices increased, the metal spread improved amid the supply-demand of steel and steel market prices in domestic and overseas markets.				
4. Inventory valuation	+235.0	• Inventory valuation +164.0 (-41.0→+123.0) • Carry over of raw materials +62.0 (-2.0→+60.0) • Foreign exchange valuation +9.0(-5.0→+4.0)				
5. Others	+22.9	• Increase in profit of domestic and overseas subsidiary companies • Rising in price of metals and scrap etc.				

16

This page shows a breakdown of changes in segment profit compared to the previous fiscal year for the first nine months.

As you can see, we had a deficit of over JPY100 billion last fiscal year, so the increase is JPY353.9 billion. The breakdown is as shown.

Cost had a positive impact of JPY23 billion, and the volume and mix had a positive impact of JPY 56 billion, due to the fact that the volume of crude steel production increased by 2.76 million tons compared to last fiscal year.

The spread had a positive impact of JPY17 billion. The price of main raw materials has risen significantly, both iron ore and coking coal, while overseas market conditions have continued to be favorable, and efforts to improve domestic selling prices have produced an effect.

Inventory valuation had a positive impact of JPY235 billion due partly to the rise in raw material prices. The breakdown is as shown on the right. This factor has made a significant positive contribution. Others had a positive impact of JPY22.9 billion, but there were large increases and decreases. The earnings of domestic and overseas Group companies have also improved significantly, by about JPY110 billion, while the rise in prices of metals and scrap has been a negative factor of about JPY90 billion.

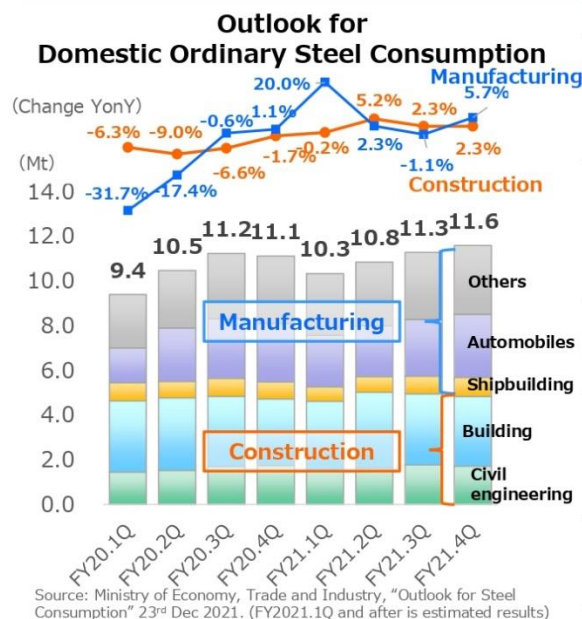


Current Business Environment (Domestic)

JFE

- Steel demand is expected to be in a recovery trend while steel demand is temporally weakening due to the reduction in automobile production resulted from shortage of semi-conductor and parts.
- Outlook for domestic ordinary steel consumption in 4Q of FY2021 increases by +4.2% YonY, and by +2.8% from the previous quarter.
- Though the annual auto production* is revised downward to approx. 8.0 million units, decreased by 0.2 million units from the previous forecast, the production activity level is expected to gradually recover.
- The effect of Omicron variants on steel demand should be carefully monitored.

*Fiscal year basis



Sector	Outlook
Auto-mobile	<ul style="list-style-type: none"> The <u>production activity level has decreased</u> due to a shortage of semi-conductor and auto parts Although the supply-chain difficulty is expected to gradually be eased, <u>normalization is expected after the next fiscal year.</u> Annual production volume is expected to be <u>approx. 8.0 million units.</u>
Shipbuilding	<ul style="list-style-type: none"> <u>Orders for new ships remains solid</u> along with the increase in both cargo movement and chartering market amid the recovery of global economy. <u>The amount of orders which have already been won almost recovers to the stable level.</u> Some Japanese shipbuilders are cautious about accepting new orders due to soaring prices of materials and equipments.
Other manu-facturing	<ul style="list-style-type: none"> <u>Demand for construction equipment stays solid</u>, supported by strong investment in infrastructure and houses. <u>Demand for industrial machinery used for infrastructure and electrical vehicles stays strong</u>
Civil engineering	<ul style="list-style-type: none"> <u>Steel demand in public sector remains strong</u>, supported by the "National Resilience Plan". While the demand in Jan-Mar is expected to be lower than the one in the previous quarter due to seasonal reasons, <u>the annual steel demand is expected to exceed the previous fiscal year.</u>
Building	<ul style="list-style-type: none"> Development projects, large-scale projects, and distribution warehouses are <u>steadily proceeding.</u> Some projects for outlets and offices that had been stalled due to the pandemic have also begun to move forward.

17

Now, let's look at the current business environment, starting with Japan.

Generally speaking, steel demand is expected to remain on a recovery trend, although there is a temporary weakening due to reduced automobile production caused by the shortage of semiconductors and parts supply constraints.

Next is the forecast for domestic ordinary steel consumption in the fourth quarter of FY2021. As shown in the graph on the left side below, there was an increase of 4.2% compared to the same period last fiscal year, and an increase of 2.8% compared to the previous quarter, so we expect demand to increase in the fourth quarter of FY2021.

The next is about steel demand by sector. First of all, in the Automotive sector, there is a decline in production activities due to semiconductor shortages and parts supply constraints. Normalization is expected to begin in the next fiscal year, and the annual production volume is expected to be around 8 million units. This is a downward revision of 200,000 units from the previous forecast of around 8.2 million units.

In the Shipbuilding business, new shipbuilding orders have been very strong in line with the recovery of the global economy. The amount of orders which have already won is also maintaining a stable level. At the same time, however, Japanese shipbuilders are taking a cautious stance due to the rising cost of materials and equipment, so we need to keep a close watch on them.

As for Other Manufacturing, demand for construction equipment has been very strong and steady, and demand for industrial machinery has also been strong both in Japan and overseas.

In the construction sector, civil engineering demand is also firm, and overall steel demand is expected to exceed the previous fiscal year's level. In the Building sector, we have been saying for some time that large-scale projects and logistics warehouses are steady proceeding. I believe that small and medium-sized properties such as stores and offices, which had been a little stagnant due to the spread of the coronavirus infection, are gradually starting to move.

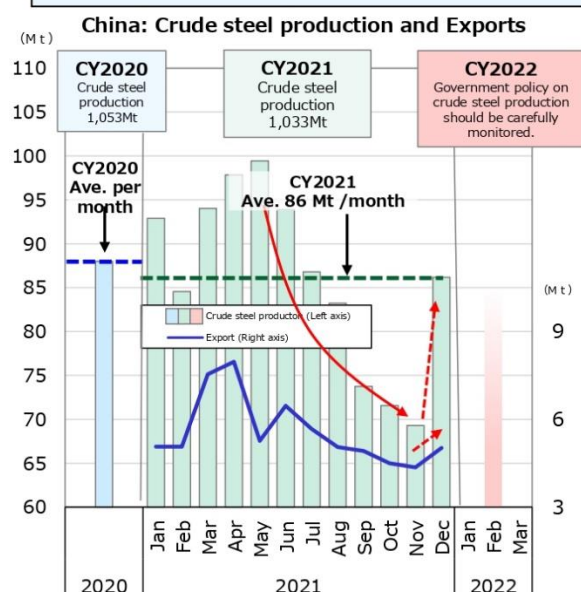


JFE Steel

Current Business Environment (Overseas)

JFE

- **Steel demand is expected to remain in a recovery trend** amid the global economic recovery. However, the **steel supply-demand balance is temporally eased and the steel market price declined** due to the prolonged production cuts in auto sector, sluggish steel demand in the construction sector due to the effect of the pandemic, and a slowdown in the Chinese economy.
- **The recovery of automobile production due to the alleviation of supply chain problems, the implementation of measures against COVID-19, and the recovery of the Chinese economy are expected to tighten the supply-demand balance and boost the steel market.**



Factor	Outlook
Steel mills in China	<ul style="list-style-type: none"> Domestic demand has temporally slumped due to a decline in infrastructure investment caused by restrictive monetary policy, and movement restrictions due to the pandemic. Steel export increased in December. Crude steel production cuts and export reduction policy is expected to continue since the Chinese government puts high priority on environmental measures. The domestic supply-demand is expected to be tightened amid the recovery in Chinese economy. The Chinese government policy should be carefully watched.
Steel mills in India	<ul style="list-style-type: none"> The domestic pandemic has peaked out. However, the demand recovery lacks vigor due to the production cuts in auto sector. If the steel demand in Europe continued to slow down, steel manufactured in India might be exported to SEA instead of Europe.
Steel mills in Russia	<ul style="list-style-type: none"> If the re-spread of COVID-19 in Europe and Turkey and production cuts in auto sector were prolonged, the Russian mills might begin price offensive and securing volumes all over the world including Asia, which should be carefully monitored.
Environment in Southeast Asia	<ul style="list-style-type: none"> Construction sector is affected by the spread of COVID-19 which makes the local demand weakened. The supply-demand balance is temporally eased, and the steel market prices are currently decreased due to the factors such as securing volume by Indian steel mills. The supply-demand balance is expected to be tightened and the market prices are expected to recover amid the recovery in auto production and the implementation of measures against COVID-19.

18

Let's look at the overseas business environment.

Overseas, in general, the recovery trend is expected to continue in line with the recovery of the global economy, but due to the prolonged global production cutbacks in the Automotive sector, the stagnation of construction demand due to the reemergence of the COVID-19 infection, and China's economic problems, the supply and demand for steel products has temporarily eased, and the market has declined slightly.

The table on the right shows the situation in each country. In China, infrastructure investment is decreasing due to monetary tightening policies, and domestic demand is stagnant due to the impact of COVID-19 and other factors. On the other hand, in December, it was almost clear that crude steel production would fall below the previous year's level for the year, and although it was very temporary, there was a rush increase in production and an increase in steel exports. However, we expect the government's policies to remain basically unchanged this year. The other question is whether China's economy will recover in the future. I believe that the supply and demand for steel will become tighter, but I think we need to keep a close eye on it.

As for India, the recovery in demand is not as strong as it could be, as India also continues to see a reduction in automobile production. As for steel exports, I believe that there is a possibility that the steel products will be exported to Southeast Asia if there is a prolonged decline in steel demand in Europe.

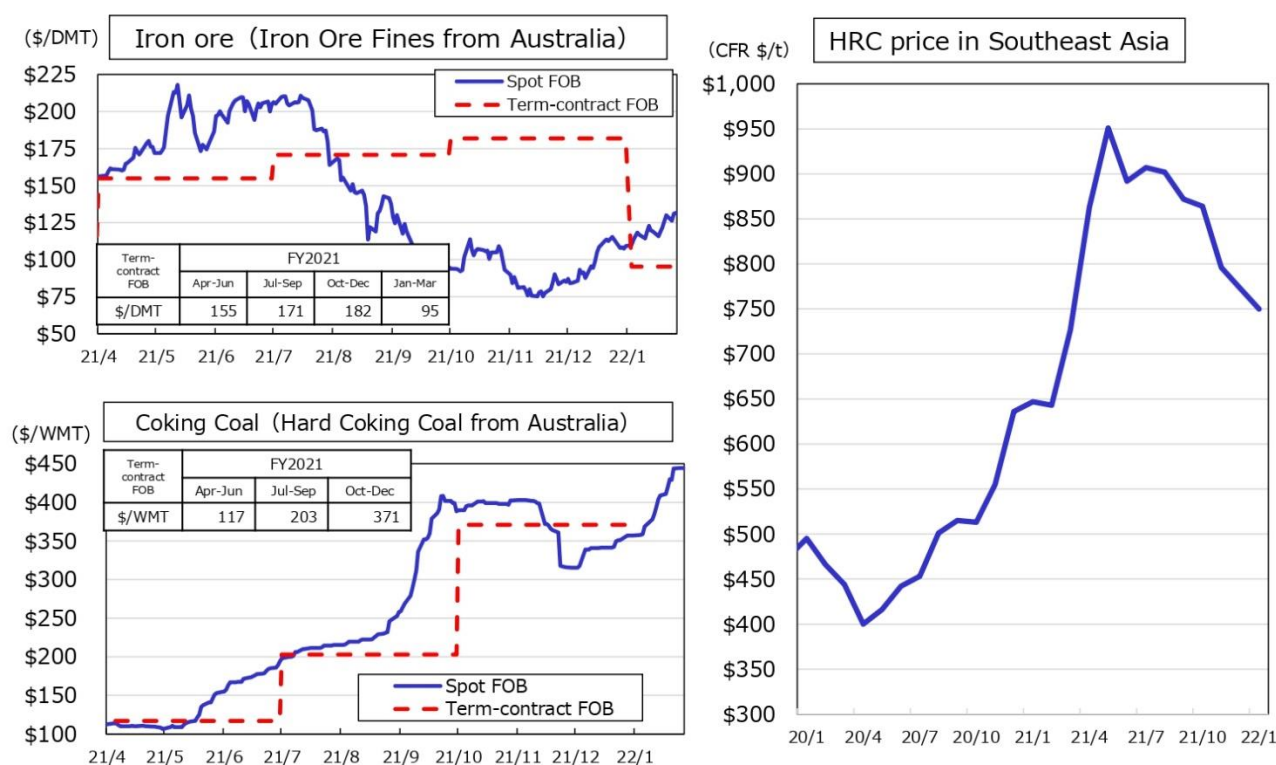
Similarly, in the case of Russia, if demand stagnates in Europe and Turkey, which are its main sales destinations, there is a possibility that it will move to secure volume in other parts of the world, including Asia.

In Southeast Asia, construction demand has been affected by the spread of the COVID-19 infection, and demand has been sluggish. Due to exports from India and other factors, the steel market has softened considerably. However, we believe that the market will bottom out and recover in the future due to the recovery of automobile production and progress in measures against the COVID-19 infection.



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

JFE Steel



19

The situation of raw material prices, etcetera.

As you can see, the price of iron ore in the upper left-hand corner has dropped considerably since last summer due to the crude steel production cutback in China, but it has started to rise again due to the crude steel production increase in China in December and concerns about the impact of torrential rains in Brazil.

The graph below shows the price of coking coal, which once dropped from the high level of last summer and autumn due to the decrease in crude steel production in China and the improvement in the supply and demand of coking coal in China, but has now reached a record high again due to the recovery of crude steel production in China and the ban on coal exports from Indonesia.

On the other hand, the HRC price in Southeast Asia has been gradually declining, but is still at the USD750 level, and we believe it will bottom out at this level.



Assumptions for Financial Forecast

JFE

Forecast of Crude Steel Production

- **Standalone crude steel production in FY2021 is expected to be approximately 26.00 Mt,** revised down by 0.5 Mt from the previous forecast.
 - Resuming schedule of Kurashiki No.4 BF successfully was moved up, and its operation has been on track.
 - Given the current situation where steel demand is temporally weakened, JFE is focusing on optimal production, putting a high priority on selling prices.

Metal Spread

- **Domestic and overseas metal spread is expected to improve by 7.0 billion yen from the previous forecast.**

Although raw material prices remain high and the overseas steel market is somewhat sluggish, metal spreads are expected to improve as a result of aggressive measures to improve domestic selling prices.

 - **Coking Coal prices**
Although coking coal prices appear to be overpriced, it may take time for the prices to fall, and are expected to remain at a high level for a while.
 - **Selling Prices**
Domestic: Further improvements of selling price are included in the forecast since the quick reflection of raw material cost in sales prices has more widely been accepted than expected.
Exports: Prices are expected to fall to a certain level amid the sluggish overseas market.

Metals

- Metal prices have remained at historically high levels due to rising electricity prices in various countries and tight supply-demand balance.

20

Next, I would like to explain the assumptions underlying our business forecast.

First of all, crude steel production is expected to be about 26 million tons, down about 500,000 tons from the previous forecast. The Kurashiki No. 4 Blast Furnace has been running smoothly with an early start-up executed in December. At the same time, however, in light of the current temporary easing of steel demand, we are considering not forcibly increasing production, as we are oriented toward price-first rationalized production.

As for the metal spread, we expect the total spread for domestic and exports to improve by JPY7 billion from the previous forecast. As you can see below, the price of iron ore has already been decided for the fourth quarter of this fiscal year. Another variable factor is the price of coking coal in the fourth quarter, but as we saw earlier, the market price is very high at present. Although we believe this is a little overheated, it will take a certain amount of time for the price to settle down, so for the time being, we expect the price to remain in the high range of the current level, which will determine the price in the fourth quarter.

Regarding selling prices, in Japan, as we have been explaining, we have been making strong efforts to reflect the cost of main raw materials in selling prices as early as possible. This time, too, there has been further progress in improving selling prices, especially in Japan, compared to the previous forecast. Below that, exports are expected to show a negative trend in terms of selling prices compared to the previous forecast due to market adjustments in line with the softening of overseas markets, but the total spread is expected to improve positively compared to the previous forecast due to the improvement in domestic prices.

On the other hand, as you can see at the bottom of the page, metal prices continue to be at historically high levels.



Financial Forecast for Fiscal Year 2021

JFE

	Unit	FY2020 Full Year	2021年度					FY2021 Full Year Previous Forecast	
			1H Actual	3Q Actual		4Q Forecast	2H Forecast		Full Year Forecast
Revenue	billion yen	2,255.2	1,410.4	832.8	966.8	1,799.6	3,210.0	3,190.0	
Segment Profit	billion yen	(65.4)	158.5	93.5	51.0	144.5	303.0	280.0	
Excluding Inventory Valuation etc. ※	billion yen	(31.4)	68.5	(3.5)	62.0	58.5	127.0	119.0	
Crude Steel (Standalone)	Mt	22.76	12.70	6.49	Approx. 6.80	Approx. 13.30	Approx. 26.00	Approx. 26.50	
Crude Steel (Consolidated)	Mt	23.96	13.39	6.85	Approx. 7.15	Approx. 14.00	Approx. 27.40		
Shipment (Standalone)	Mt	20.49	10.83	5.63	Approx. 6.24	Approx. 11.87	Approx. 22.70		
Export Ratio on Value Basis (Standalone)	%	42.3	46.5	45.9	44	45	46		
Average Sales Price (Standalone)	000 yen/ t	74.8	94.5	107.6	Approx. 115	Approx. 111	Approx. 103		
Exchange Rate	¥/\$	105.8	109.9	113.1	115	114	112	Approx. 110	

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

21

This is the earnings forecast for JFE Steel.

As I mentioned at the beginning, the figures are based on the assumptions of segment profit of JPY303 billion and crude steel production of 26 million tons.



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

JFE Steel

JFE

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

JFE Steel	FY2021 Previous Forecast	FY2021 Updated Forecast	Change (billion yen)
Segment Profit	280.0	303.0	+23.0

1. Cost	±0.0	
2. Volume and Mix	(9.0)	<ul style="list-style-type: none"> Crude steel (Standalone) Approx. 26.50Mt → Approx. 26.00Mt
3. Sales and Raw materials	+7.0	<ul style="list-style-type: none"> (+300 yen/t-shipment) Expected improvements in metal spread due to improvement of steel selling prices, such as quick reflection of key raw material costs
4. Inventory valuation	+15.0	<ul style="list-style-type: none"> Inventory valuation +13.0 (+138.0→+151.0) Carry over of raw materials -1.0 (+22.0→+21.0) Foreign exchange valuation +3.0(+1.0→+4.0)
5. Others	+10.0	<ul style="list-style-type: none"> Increase in profit of domestic and overseas subsidiary companies Rising in price of metals etc.

~2

This is a breakdown of the JPY23 billion upward revision from the previous forecast.

The expected impact of volume and mix was revised downward by JPY9 billion, as I just mentioned, due to a 500,000-ton reduction in production. The impact from the spread has been increased by JPY7 billion. The positive impact of inventory valuation was revised upward by JPY15 billion. The impact of other factors was revised upward by JPY10 billion, with a downward revision by about JPY14 billion due to rising prices of metals offset by the improved earnings of domestic and overseas Group companies. In total, segment profit forecast has increased by JPY23 billion.

**JFE**

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

JFE Steel

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

JFE Steel	FY2020 Actual	FY2021 Forecast	Change (billion yen)
Segment Profit	(65.4)	303.0	+368.4
1. Cost	+30.0	<ul style="list-style-type: none"> • Capital investment effects • Expanded use of low-cost raw materials etc. 	
2. Volume and Mix	+63.0	<ul style="list-style-type: none"> • Production increase amid recovery of steel demand (Crude steel(Standalone) 22.76 ⇒ approx. 26.00Mt) 	
3. Sales and Raw materials	+93.0	(+4,100 yen/t-shipment) <ul style="list-style-type: none"> • Expected improvements in metal spread due to supply-demand and market condition, despite sharply increased prices for main raw materials 	
4. Inventory valuation	+210.0	<ul style="list-style-type: none"> • Inventory Valuation +188.0 (-37.0→+151.0) • Carry over of raw materials +18.0 (+3.0→+21.0) • Foreign exchange valuation +4.0(±0.0→+4.0) 	
5. Others	(27.6)	<ul style="list-style-type: none"> • Increase in profit of domestic and overseas subsidiary companies. • Rising in price of metals and scrap etc. 	

23

This is a breakdown of the JPY368.4 billion improvement from the previous year.

As I have explained each time, cost will have a positive impact of JPY30 billion, volume and mix of JPY63 billion, and the spread of JPY93 billion. Although there was a significant increase in raw material prices, the spread improved due to improved domestic sales prices in addition to export prices.

Inventory valuation will have a positive impact of JPY210 billion.

In Others, profit improvements at domestic and overseas Group companies is expected to be about JPY120 billion, while the rise in prices of scrap metal, etcetera, will have a negative impact of about JPY130 billion.



14.0 Billion Yen Decrease in JFE Steel's Segment Profit (FY2021.1H vs. FY2021.2H)

JFE Steel

JFE

- Crude steel production is expected to increase, and further cost reduction is anticipated in 2H
- While the metal spread is expected to increase due to the selling price improvements, such as quick reflection of key raw materials in selling prices, segment profit in 2H is expected to decrease due to rising in the price of other raw materials such as metals and scrap.

JFE Steel	FY2021 Forecast			Change (billion yen)
	1H Actual	2H Forecast	Full Year	
Segment Profit	158.5	144.5	303.0	(14.0)
1. Cost	+15.0	<ul style="list-style-type: none"> • Capital investment effects • Variable cost reduction etc. 		
2. Volume and Mix	+17.0	<ul style="list-style-type: none"> • Expected gradual recovery of steel demand amid the global economic recovery • Production volume increase along with the completion of Kurashiki No.4 BF refit (Crude steel (Standalone) 12.70Mt⇒13.30Mt) 		
3. Sales and Raw materials	+43.0	<ul style="list-style-type: none"> (+3,600 yen/t-shipment) • Despite rising raw material prices, metal spread is expected to improve due to increase in steel selling prices such as quick reflection of raw material cost in steel selling prices 		
4. Inventory valuation	(4.0)	<ul style="list-style-type: none"> • Inventory valuation +33.0 (+59.0→+92.0) • Carry over of raw materials -39.0 (+30.0→-9.0) • Foreign exchange valuation +2.0(+1.0→+3.0) 		
5. Others	(85.0)	<ul style="list-style-type: none"> • Increase in depreciation cost and other expenses • Rising in price of metals and scrap etc. 		

24

This page shows a comparison of the first half and second half of FY2021.

Although there will be a decrease of JPY14 billion if you compare the second half with the first half, cost reductions will have a positive impact of JPY15 billion. The volume of crude steel was 12.7 million tons in the first half and is expected to be 13.3 million tons in the second half, so an increase of 600,000 tons, which corresponds to JPY17 billion.

The spread will have a positive impact of JPY43 billion. Although prices of raw materials are expected to increase significantly in the second half of the year, the spread is expected to improve as selling prices, especially domestic selling prices, will make a significant contribution.

Inventory valuation is as shown.

As for others, as a specific factor to the end of the fiscal year, depreciation and other expenses will increase in the second half of the fiscal year, which will have a negative impact of about JPY35 billion. In addition to this, there will be a JPY45 billion difference between the first and second half of the fiscal year due to the rise in prices of metals and scrap. In total, other factors are expected to have a negative impact of JPY85 billion.



Financial Forecast for Fiscal Year 2021

JFE

Current Business Environment/ Overview of Financial Status

- Domestic demand both in the [environment & energy sector](#) and [infrastructure sector](#) is expected to remain solid.
- Regarding the overseas market, demand of environment-related field [in Europe](#) is expected to [remain solid](#). [In Asia and other regions, bid solicitation of some projects delays](#) due to the impact of the spread of COVID-19.
- Due to an increase in revenue from M&A, etc., we expect stable segment profit for the full fiscal year, [exceeding the results of the previous fiscal year](#).

Financial Forecast

(billion yen)	FY2020(Actual)		FY2021 (Updated Forecast)		Change (Y on Y)		FY2021 (Previous Forecast)	
	2H	Full Year	2H	Full Year	2H	Full Year	2H	Full Year
Orders	202.2	501.1	277.7	530.0	75.5	28.9	297.7	550.0
Revenue	263.7	485.7	280.8	510.0	17.1	24.3	290.8	520.0
Segment Profit	15.3	24.0	13.9	25.0	(1.4)	1.0	13.9	25.0

Compared to FY2020

<Full Year>	•Orders	+28.9	M&A, increase in large-scale orders in carbon neutral area
	•Revenue	+24.3	Increase in orders in previous year, increase from M&A
	•Segment Profit	+1.0	Increase in revenue

Compared to Previous Forecast

<2H>	•Orders	(20.0)	Decrease due to delay of bid solicitation of overseas projects
	•Revenue	(10.0)	Decrease due to schedule change of projects (Cost reduction can compensate for a decrease in segment profit due to a decrease in revenue)

26

Next, let's look at the Engineering business.

As I mentioned at the beginning, the segment profit for the Engineering business is expected to be JPY25 billion, which is the same as the previous forecast, but orders received is expected to be JPY530 billion, which is a JPY20 billion decrease from the previous forecast. Revenue is expected to be JPY510 billion, which also a JPY10 billion decrease from the previous forecast.

The overall environment has not changed significantly, but in terms of orders, bid solicitation of some overseas projects has been delayed due to the impact of the coronavirus infection and other factors, and orders are likely to be delayed to the next fiscal year, which is expected to amount to JPY20 billion.

In the same way, revenue has been revised downward by about JPY10 billion due to a decrease in the volume of work for the current fiscal year caused by a gradual shift in the timing of project bid solicitation, but on the other hand, profit is expected to remain at JPY25 billion through cost reductions and other measures.



Financial Forecast for Fiscal Year 2021

JFE

Current Business Environment/ Overview of Financial Status

- Domestic business is expected to **remain solid** due to the recovery of steel demand for shipbuilding and the general rise in steel market price, despite the impact of the decline in production volume of automobile due to shortage of semiconductor.
- **Earnings of overseas business, mainly subsidiaries in the US, are expected to remain high**, despite the decline of steel market price.
- **Segment profit is expected to be 53.0 billion yen.**
(up 8.0 billion yen from the previous forecast, up 33.0 billion yen from FY2020)

Financial Forecast

(billion yen)	FY2020 (Actual)		FY2021 (Updated Forecast)		Change(Y on Y)		FY2021 (Previous Forecast)	
	2H	Full Year	2H	Full Year	2H	Full Year	2H	Full Year
Revenue	480.7	932.5	665.5	1,210.0	184.8	277.5	665.6	1,210.0
Segment Profit	12.8	20.0	27.4	53.0	14.6	33.0	19.4	45.0

Compared to FY2020

- Segment profit is expected to increase due to recovery in steel demand which had been dropped in FY2020 and due to steel price remaining high in the domestic and overseas markets.

Compared to the previous forecast

- Domestic and overseas businesses are expected to be solid.
Especially subsidiaries in the US are expected to continue high earnings.

28

Next is the Trading business.

As for JFE Shoji, the business environment is similar to that of the Steel business. We expect a profit increase of JPY8 billion this time. This is because profit continues to increase, especially at our group companies in North America.

In our previous forecast, we had factored in the fact that the steel market would decline in the second half of the year and slowdown in terms of earnings, but we have revised profit upward because we have been able to maintain earnings at a fairly high level at the moment.

That's all I have to say about our performance.

CO₂ Emissions Reduction Target for JFE Group

Released on February 8th, 2022

- **JFE holdings has raised 2030 CO₂ emissions reduction target to 30% or more above FY2013**

JFE's Announcement about CO₂ emissions reduction

September, 2020

Announced CO₂ emissions reduction target for steel business ahead of other Japanese steelmakers

CO₂ emissions reduction target for steel business
*All targets are set above FY2013

FY2030	20% or more
--------	----------------

May, 2021

Formulated the JFE Group Environmental Vision 2050
Announced the 7th Medium-Term Business Plan

End of FY2024	18%
FY2050	Carbon-Neutral

This time

Revised CO₂ emissions reduction target for steel business

FY2030	30% or more
--------	----------------

30

As for the topics, as mentioned by Mr. Terahata, Executive Vice President, at the beginning of this presentation, I would like to explain the new target for CO₂ emission reduction.

The CO₂ emission reduction target for FY2030 has been reset at 30% or more. In September 2020, we announced a target of 20% or more by FY2030, ahead of other domestic steel companies in terms of individual company targets.

Furthermore, last year, at the same time as announcing our mid-term plan, we formulated the JFE Group Environmental Vision 2050 and announced that we would reduce CO₂ emissions by 18% by the end of FY2024, and become carbon neutral by FY2050. In the mid-term plan, we said that we would study the target for FY2030, and this time we revised the CO₂ emission reduction target for the Steel business to 30% or more.

CO₂ Emissions Reduction Target for JFE Group

Released on February 8th, 2022

<Background to revise the target>

- JFE revised the target due to **ongoing advancement of carbon-neutrality initiatives** and **steady progress of external conditions** surrounding steel business.

Initiatives

- ✓ Establishment of **an efficient framework for acceleration of the company's transition to carbon neutrality.**

(Setting up both specialized organizations for elemental technology development and the Carbon Neutral Advancement Committee)

- ✓ **Expanding application of existing environmental impact-reduction technologies** and **adding new measures for CO₂ reduction.**



Investigating **the introduction of electric arc furnaces and other new processes.**

External Conditions

- ✓ R&D is expected to be accelerated under **the Green Innovation Fund** adopted by NEDO* for steel sector in Dec. 2021.

*Japan's New Energy and Industrial Technology Development Organization

- ✓ **Factors for purchasing energy emissions are expected to improve** due to the country's Sixth Strategic Energy Plan which is approved by the Japanese Cabinet.

- JFE expects to provide updates concerning its progress with R&D and related capital investments going forward

31

The background to the revision of the target is the progress in our efforts to become carbon neutral, as well as the improvement of the external environment.

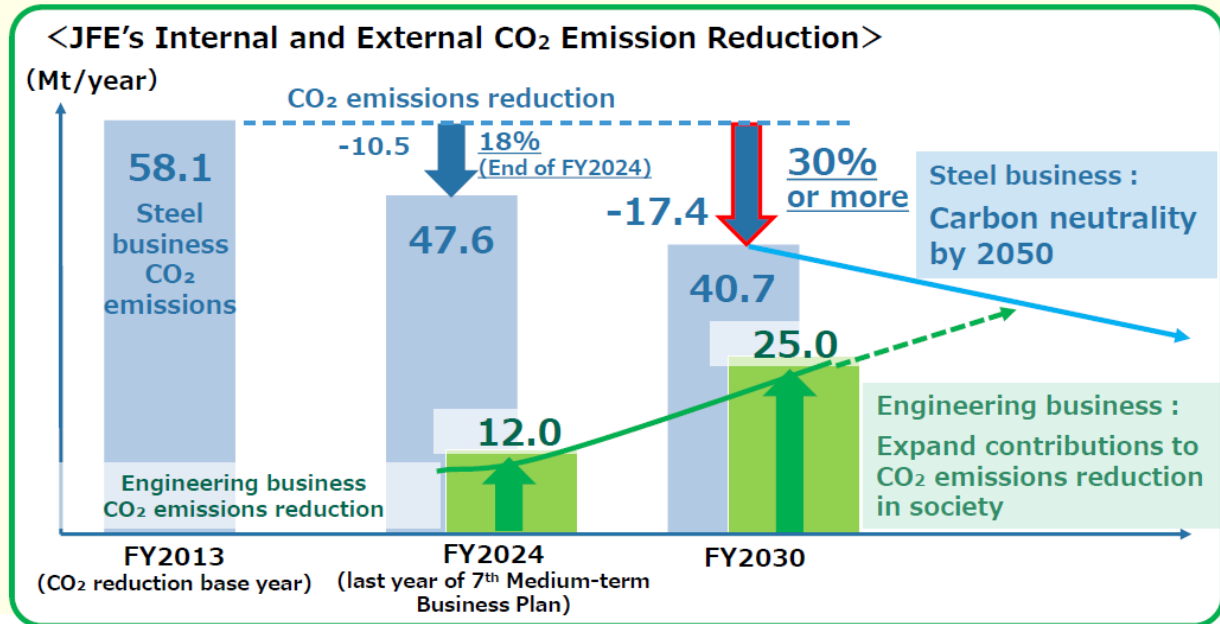
Specifically, as an initiative, we have established a new specialized organization since last summer. In addition, we have established the Carbon Neutral Advancement Committee to build a quick and efficient promotion system, and we have also been able to increase the amount of CO₂ emission reduction by expanding the application of existing technologies and accumulating new reduction items. This includes considering the introduction of new processes, including electric furnaces.

In terms of the external environment, the adoption of NEDO's Green Innovation Fund Project is expected to accelerate R&D. In addition, the government's Sixth Strategic Energy Plan has been decided, and the emission factor of purchased electricity is expected to improve.

CO₂ Emissions Reduction Target for JFE Group

Released on February 8th, 2022

- JFE is also **contributing to CO₂ reduction across society** through its engineering business in addition to CO₂ emissions reduction by steel business.



32

This page describes the Group's target for reducing CO₂ emissions.

With regard to the emissions reduction target for the Steel business, the target is 18% by the end of FY2024 and 30%-plus by FY2030, using FY2013 as the base year.

On the other hand, the Engineering business will contribute to the reduction of CO₂ emissions from society as a whole, by achieving 12 million tons by FY2024 and 25 million tons by FY2030, which are the same figures announced in the mid-term plan.



JFE's proposal of carbon neutral technologies was adopted as the Green Innovation Fund Project

JFE-HD

Released on January 7th, 2022

- Proposal* to develop carbon-neutral technologies which includes JFE Steel's proprietary Carbon-recycling Blast Furnace, **was adopted as part of the Green Innovation Fund Project.**

*Joint proposal by JFE Steel, Nippon Steel, Kobe Steel, and
The Japan Research and Development Center for Metals (JRCM)

- This fund project helps to promote "Hydrogen Utilization in Iron and Steelmaking Processes" Project by supporting the following: **elemental technology development, building small-scale demo furnaces, demonstration experiments.**

"Hydrogen Utilization in Iron and Steelmaking Processes" Project

Total Budget: 193.5 billion yen (Total of 4 themes)

R&D items :

Development of hydrogen reduction technology using blast furnaces

1. Development of hydrogen reduction technology utilizing on-site hydrogen
2. Development of low-carbon technology utilizing hydrogen from external sources and CO₂ contained in BF gas

Development of direct hydrogen reduction technology that reduces low-grade iron ore with hydrogen only

1. Development of direct hydrogen reduction technology
2. Development of impurity removal technology for the electric arc furnace using direct reduced iron

33

As I mentioned, we have been selected for the Green Innovation Fund Project.

The technology development items, including carbon recycling blast furnace as our proprietary technology development items, have been selected for the fund. This fund will be used to promote projects that utilize hydrogen in the steelmaking process. Total budget is JPY193.5 billion for four themes. Our carbon-recycling blast furnace is included in the "development of low-carbon technology utilizing hydrogen from external sources and CO₂ contained in BF gas."



JFE Holdings Decided to Issue Transition Bonds in FY2022

Released on January 20th, 2022

- JFE Holdings has decided to **issue transition (corporate) bonds** through a public offering in FY2022 in order to promote carbon-neutrality initiatives
- JFE will be **the first member of Japan's manufacturing industry** to issue corporate bonds under the FY2021 climate-transition-finance model project of the Ministry of Economy, Trade and Industry (METI)

Overview

Issuance Period : FY2022

Use of Proceeds : ≥ Energy conservation and improved efficiency
(planned) (Installation of AI and IoT to blast furnaces, expanding the use of scrap, improving coke ovens etc.)

≥ Manufacturing eco-friendly products
(Electrical steel sheet, etc.)

≥ Development of ultra-innovative steelmaking processes
(R&D on a carbon-recycling blast furnace, CCU, hydrogen ironmaking, an electric arc furnace for high grade steel production)

≥ Renewable energy
(Equipment investments targeting renewable energy projects including biomass, geothermal energy, solar power generation, etc.)

34

Finally, let's talk about transition bonds.

We plan to issue transition bonds, corporate bonds, in the form of a public offering in order to promote various carbon neutral initiatives. We applied for the climate-transition-finance model project of the Ministry of Economy, Trade and Industry, and it has been approved as a model case. We were selected as a model project because of our long-term strategy, use of funds, and management system, and we are the first manufacturing company in Japan to be selected.

The Company plans to issue transition bonds during FY2022. The funds will be used for energy conservation, eco-product manufacturing, super-innovative steelmaking process development, renewable energy, etcetera, as described here.

That's all from me.

[END]

This document does not purport to address the requirements of the Financial Instruments and Exchange Act. It is the responsibility of the user of this document to determine the correctness and integrity of the information in regard to its use. The forecasts presented are prepared on the basis of information available at the time of the briefing session and include uncertain factors. It is strongly recommended NOT to rely only on the forecasts in this document when making investment decisions. In no respect will JFE Holdings, Inc. incur any liability for any damage arising out of, resulting from, or in any way connected to the use of the information contained herein.