



JFE Group

Fifth Medium-Term Business Plan

~Aiming to Become a Global Company Supplying Innovative
World-class Technologies and Services~

April 23, 2015

JFE Holdings, Inc.

Table of Contents

1. Review of Fourth Medium-Term Business Plan
2. Fifth Medium-Term Business Plan
 - Business Environment Recognition
 - Group-wide Measures
 - Basic Policies and Measures for Operating Companies
3. Main Financial Targets and Shareholder Return Policy



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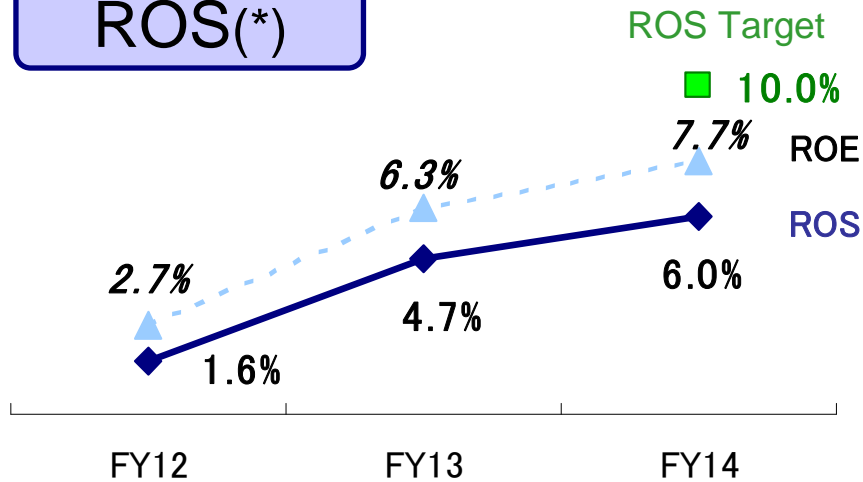
1. Review of Fourth Medium-Term Business Plan



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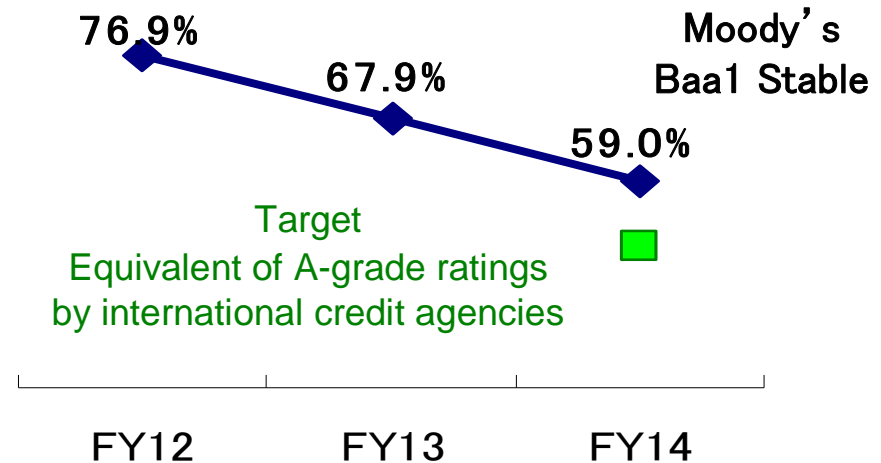
1. Results of Fourth Medium-Term Business Plan

ROS(*)

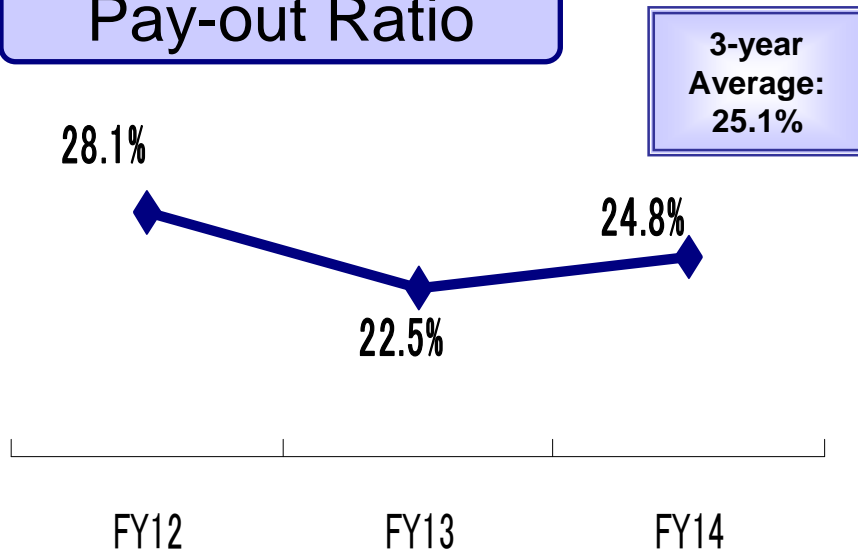


*ROS: Return on Sales = Ordinary Income / Net Sales

D/E Ratio, Credit Rating



Pay-out Ratio



Ref: Cash Flow for the last three years (billion yen)

Source		Usage	
Net Income	280	Dividend, Repayment of debt	140
		Working Capital etc.	120
Depreciation	550	Capex	570



1. Results of Fourth Medium-Term Business Plan

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【Steel Business 1: Major Action】

Cost Reduction of 240 billion yen
(cumulative amount in the fourth medium-term)

Promotion of capital investments to further strengthen
domestic manufacturing base

Promotion of Overseas Projects

Stabilized and expanded the existing
projects

GJSS: smoothly started operation of CRC mill and #2 CGL

JSW: started supply of automotive steel sheet supported by technical assistance of JFE and expanded crude steel production

Started new projects for further
development

Expanded manufacturing base of automotive steel

JSGT: started operation in Apr, 2013

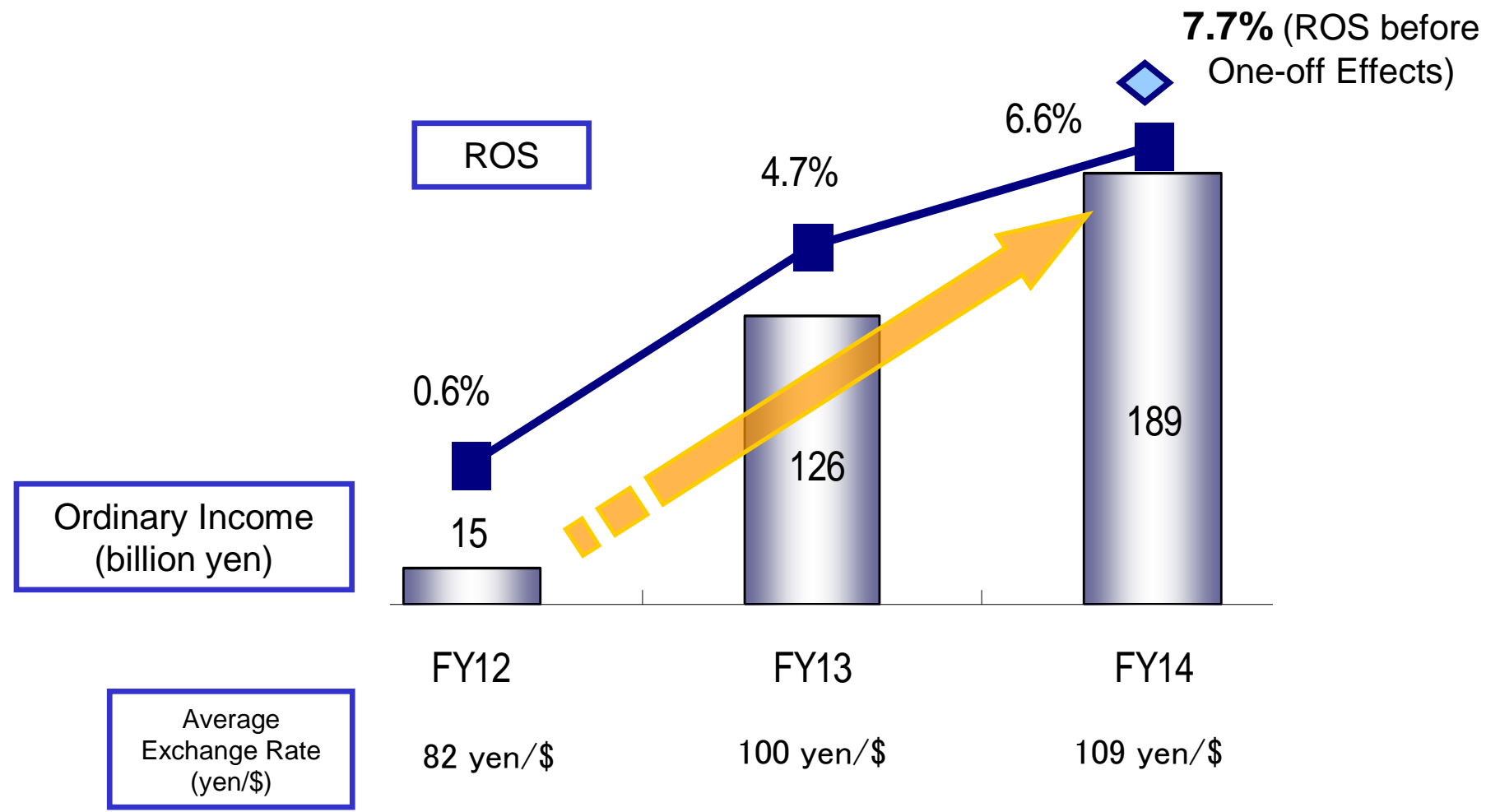
JSGL: started construction and will be operational in 2016

Deferred a decision of making investment in overseas integrated steelworks during the fourth medium-term mainly due to oversupply situation in global market



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【Steel Business 2: Financial Results】





1. Results of Fourth Medium-Term Business Plan

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【Engineering Business】

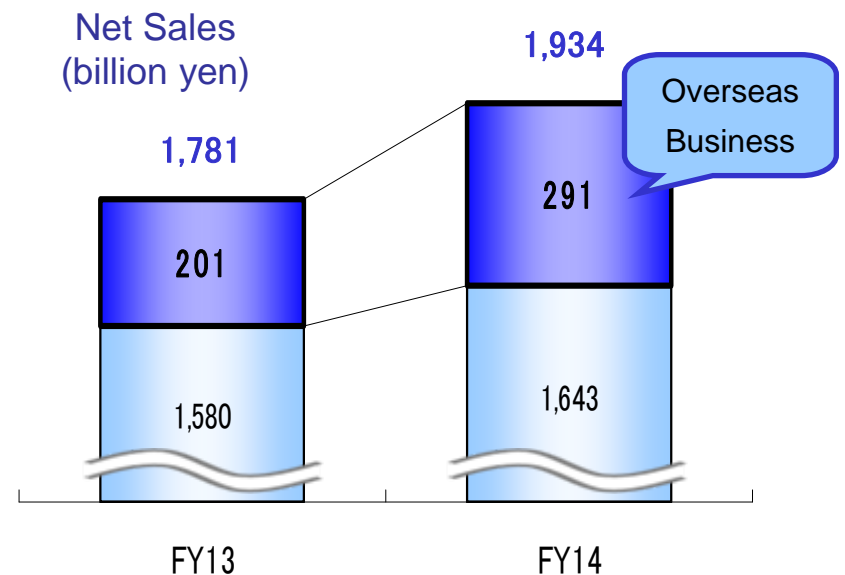
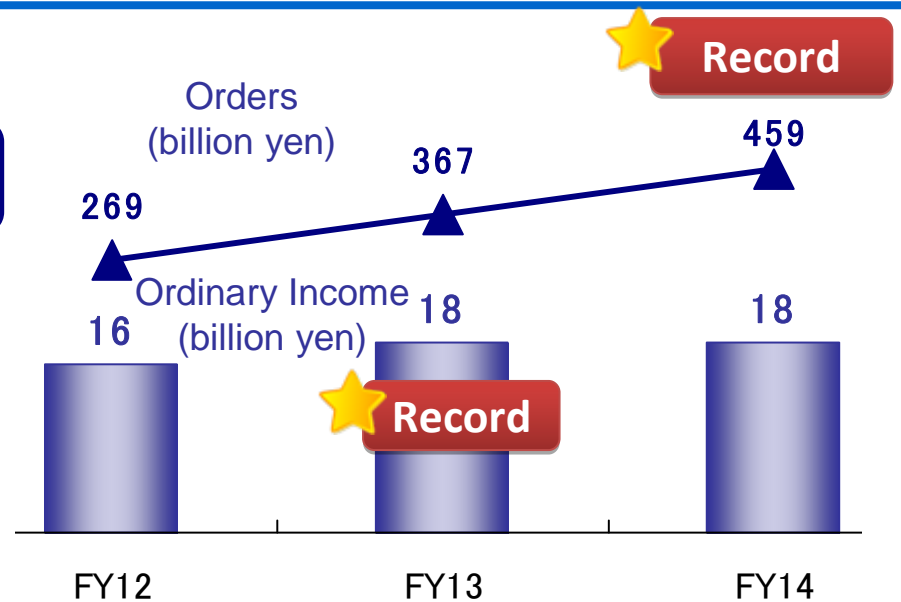
Expanded Business and Increased Orders

- Strong orders especially in the field of environment and electric power generation
- Historical record of ordinary income in FY13 and orders in FY14
- Promoted M&A including Standardkessel for further growth in business overseas

【Trading Business】

Acquired 100% ownership of JFE Shoji and Promoted M&A

- Acquired 100% ownership of JFE Shoji Trade in Oct, 2012
- Recorded ordinary income of 24 billion yen in FY14
- Expanded business in North America through acquisition of Kelly Pipe and establishment of motor-core JV with r. bourgeois
- Increased overseas business base (36 bases in 18 countries)



1. Establish Corporate Structure for Sustainable Growth

- Diversify human resources
- Effort to recruit and steadily nurture excellent human resources

Encourage women to play active roles



JFE Holdings is granted as the “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



Ensure to succeed the accumulated skills and knowledge



Introduced “Technical Expert”

Since FY2013

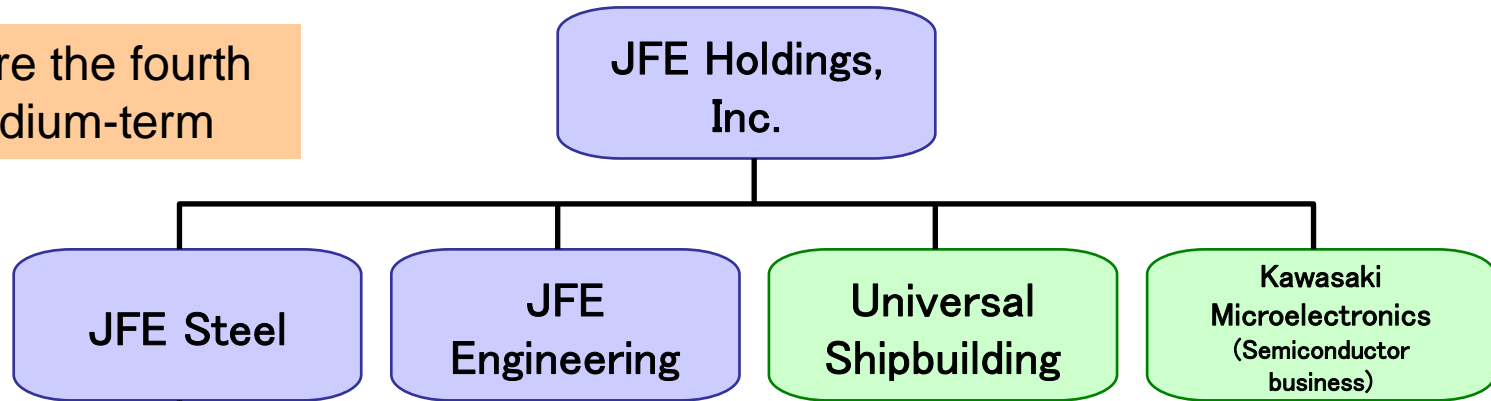
Assign senior expert workers and rehired seniors as a full-time nurturing position



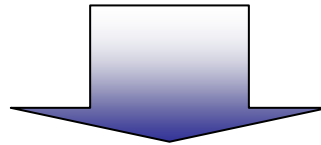
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Ref: Realignment of Business Portfolio

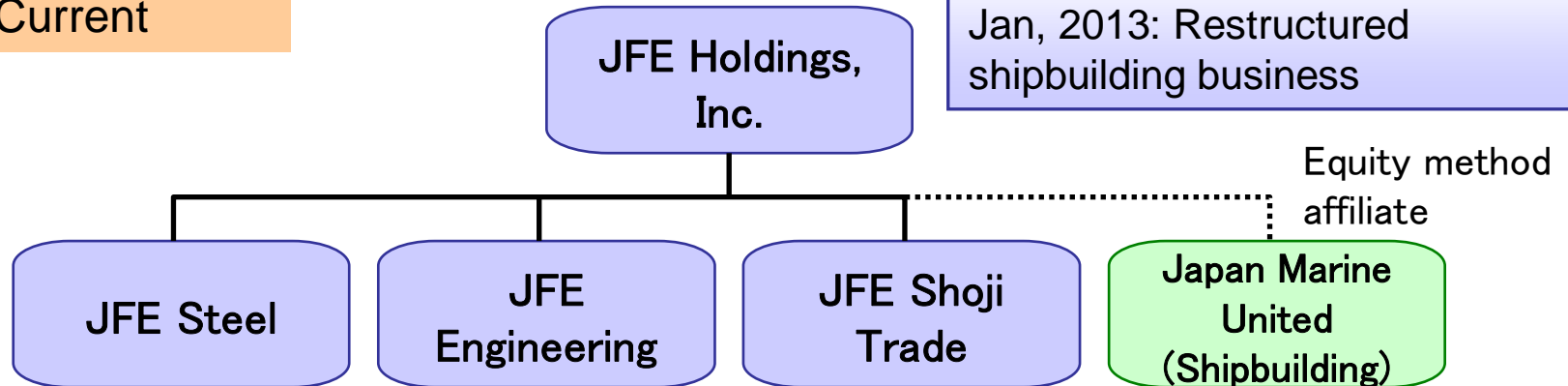
Before the fourth
medium-term



Equity method affiliate



Current



Equity method
affiliate

Jul, 2012: Divested Kawasaki Microelectronics

Oct, 2012: Acquired 100% ownership of JFE Shoji Trade

Jan, 2013: Restructured shipbuilding business



2. Fifth Medium-Term Business Plan (FY2015-FY2017)

JFE Group will adapt to its changing business environment by strengthening its technological advantages, diversifying its workforce and improving the profitability of its overseas business, the Group will strive to achieve sustainable growth and improve its corporate value with the aim of becoming a global company supplying innovative world-class technologies and services.



2. Fifth Medium-Term Business Plan

Targets in FY2017 (Last year of fifth Medium-Term Plan)

Financial Strength	Equivalent of A-grade ratings by international credit rating agencies (D/E ratio of approximately 50%)	
ROE	More than 10%	Introducing ROE as a financial performance target

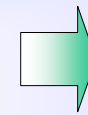
Shareholder Return

Dividend Pay-out Ratio	Approximately 25-30% (Raise dividend pay-out from the current rate of 25%)
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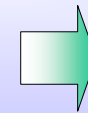
Business Environment Recognition of Fifth Medium-Term Plan

Domestic Business Environment

- Favorable turn of Japanese corporate earnings
- Demand generated by the government's national resilience improvement plans and preparation for the Tokyo 2020 Olympic and Paralympic Games
- Decrease in population, overseas transfer of manufacturing and decrease in public investments due to government's financial problems



Remain solid in the short term



Turn downward after 2020

Overseas Business Environment

- Overcapacity in East Asia
- Growing demand for infrastructure projects and technologies for energy saving and environmental protection particularly in emerging countries such as India and ASEAN countries



Remain oversupply in the short term



Expand demand in the medium- and long-term



2. Main Measures of Fifth Medium-Term Plan

Group-wide Measures

- 1) Strengthen Domestic Profit Base
- 2) Enhance Corporate Value through Technological Advantages
- 3) Increase Overseas Business Profitability
 - Plan to invest 200 billion yen in overseas projects over the next three years
- 4) Secure and Nurture Diverse Human Resources
- 5) Establish Corporate Structure for Sustainable Growth



Basic Policies and Measures for Steel Business

JFE

JFE Steel aims to become a global steel supplier that steadily creates new value and grows with its customers.

【Targets】

- Raise ROS(*) to 10% (FY2017)

*ROS (Return on Sales): Ordinary Income / Net Sales

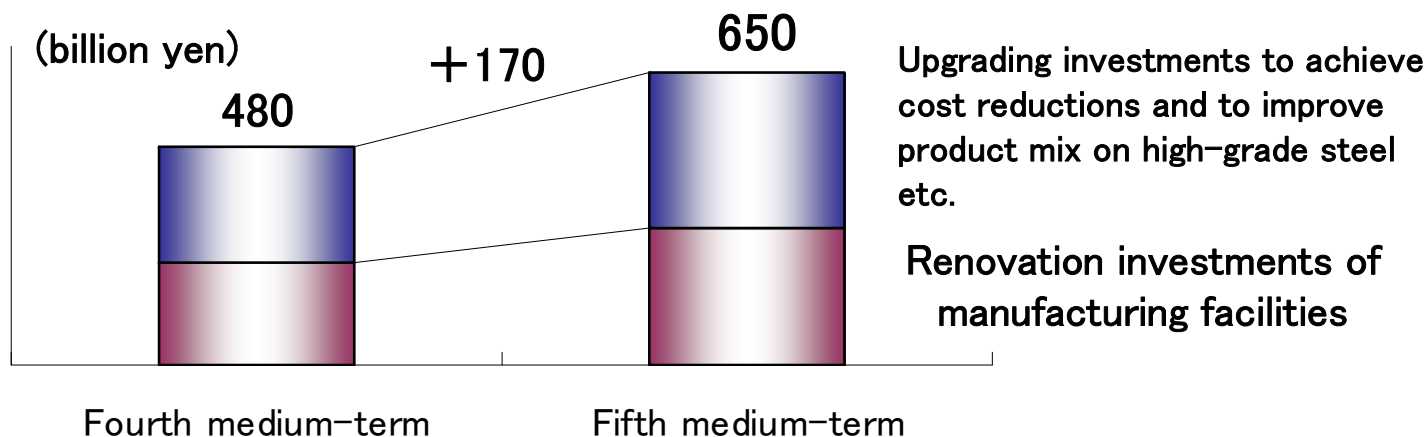
- Expand JFE Brand to 40 million tons
(then to 50 million tons thereafter)

Main measures to achieve the Targets

- ◆ Maintain and improve its world-class production capabilities by making capital investments to further strengthen its manufacturing base
⇒ **reduce costs and enhance stable production capacity**
- ◆ Promote business overseas
⇒ **increase the profitability of overseas projects and expand JFE Brand**
- ◆ Improve product mix to high-grade steel ⇒ **increase profitability**

Domestic Capital Investments of 650 billion yen during the fifth medium-term

Further strengthen the manufacturing base in Japan with stable production and reduce costs by continuous capital investments since the 4th mid-term



Example of main capital investments in the fifth medium-term :

- ◆ Continuous renovation investments of manufacturing facilities (approx. 30% increase from the fourth medium-term)
- ◆ Continuous upgrade investments to achieve cost reductions
- ◆ Investments to improve product mix on high-grade steel
- ◆ Renewal of the system of steelworks
- ◆ Continuous intensive maintenance of the manufacturing facilities

Achieve cost reductions mainly by investment effects from capital investments in production facilities

Example of main investment effects:

- ◆ Investment effects achieved by investments during the fourth medium-term
 - ✓ Renovation of the coke oven (Chiba 6A, Kurashiki 2 and 3 Coke oven)
 - ✓ Renewal of self-power generator (Chiba-west power station)
 - ✓ Introduction of new preliminary treatment process of pig iron (Fukuyama new converter and Chiba silica removal station)
 - ✓ Replacement of raw materials handling facilities (Fukuyama unloader machine)
- ◆ Investment effects achieved by investments during the fifth medium-term
 - ✓ Plan to invest in upper stream process-related, energy-related facilities and upgrade facilities to improve product mix to high-grade steel

Reinforce world-class technological development

Process Technologies

New Product Development (Prioritized Business Field)



Automobiles



Energy



Infrastructure materials

R&D
Expenditures

Increase by **+10%** (compared to the 4th mid-term)

Researchers

Increase by **+7%** (compared to the 4th mid-term)

Promote Business Overseas

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【Overseas Investment】 Growth investment centrally focusing on Asia

Prioritized Business Field	Asia			NAFTA	Middle East
	East Asia	Southeast Asia	Southwest Asia		
Automobiles Adapt for global procurement	▪ China CGL (GJSS) ▪ China (JJP) ★	▪ Thailand ★ CGL(JS GT) ▪ Indonesia ★ CGL(JS GI)	▪ India ★ (JSW)	▪ USA (AK Steel)	
Energy Localization in demand region	▪ China (PYP) ▪ China (BHNK)	▪ Singapore (JFE-TC)		▪ USA (CSI) ★ ▪ USA (Benoit) ★	▪ UAE (AL GHARBIA) ★
Infrastructure Target on growing Asia		▪ Vietnam (J-Spiral)			

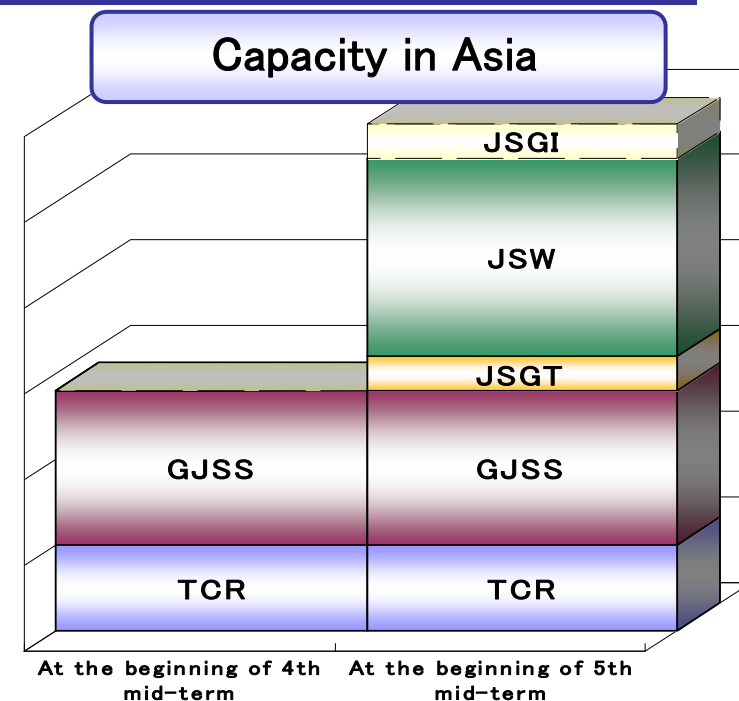
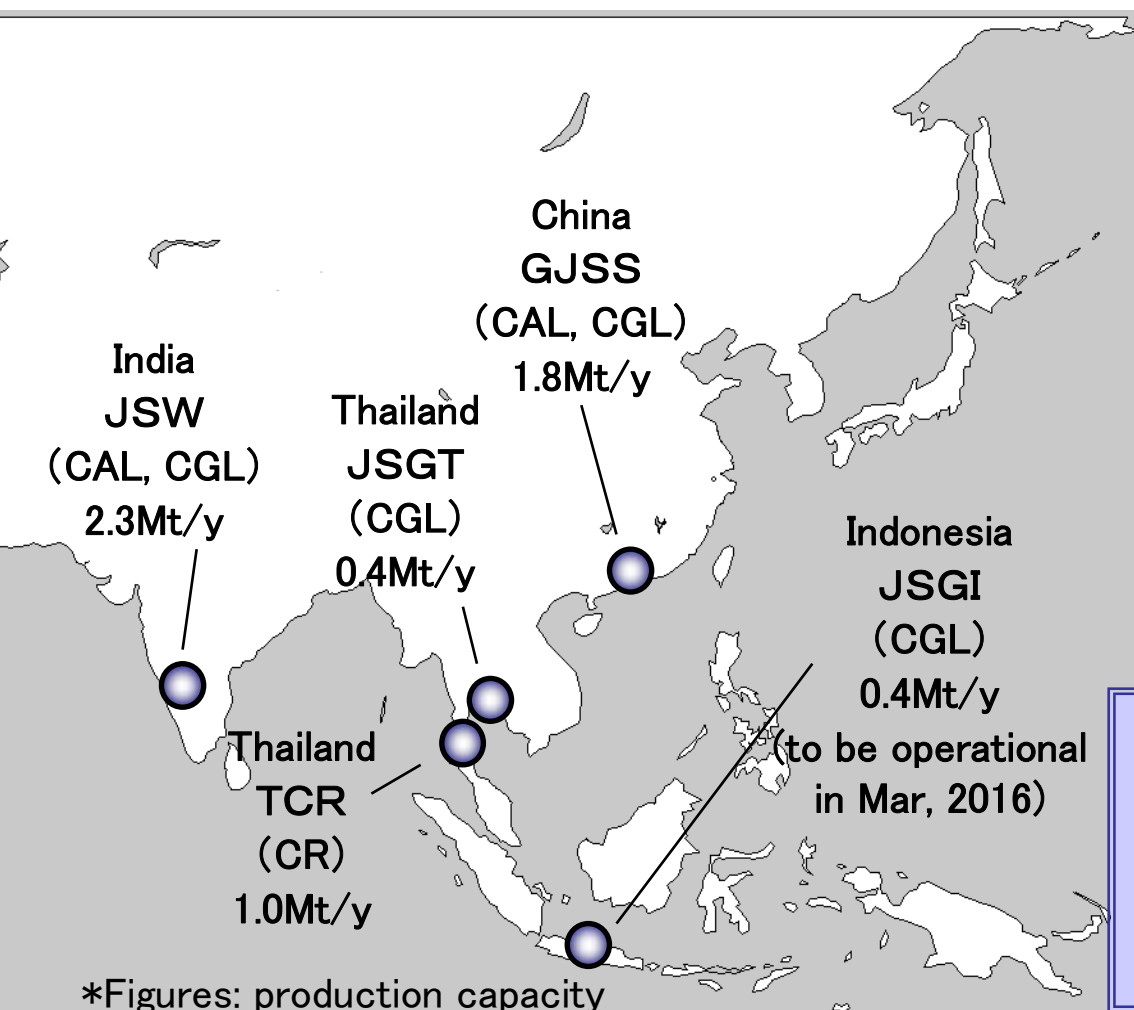


Prioritized region of the fifth medium-term

★ Projects developed during the fourth medium-term (launch, expansion etc.)

Expansion of Manufacturing Base of Automotive Steel

- Expansion in the growing region (China, ASEAN, India)
- Promotion of local production of ultra high-tensile steel sheet



【Key challenges of 5th mid-term】

- GJSS: expand sales including non-Japanese auto companies and increase profits
- JSGT: reach full production early
- JSGI: start operation smoothly
- JSW: expand volume and further increase profits



Basic Policies and Measures for Engineering Business

JFE

JFE Engineering plans to expand the scale of its business by grasping the needs in Japan for greater national resilience to natural disasters and preparations for the Tokyo 2020 Summer Olympic and Paralympic Games, as well as by enhancing the company's overseas presence mainly in the fields of urban infrastructure, energy and environment.

【Targets (FY2017)】

- Consolidated Net Sales: 500 billion yen
- Consolidated Ordinary Income: 30 billion yen

Focusing Business Fields

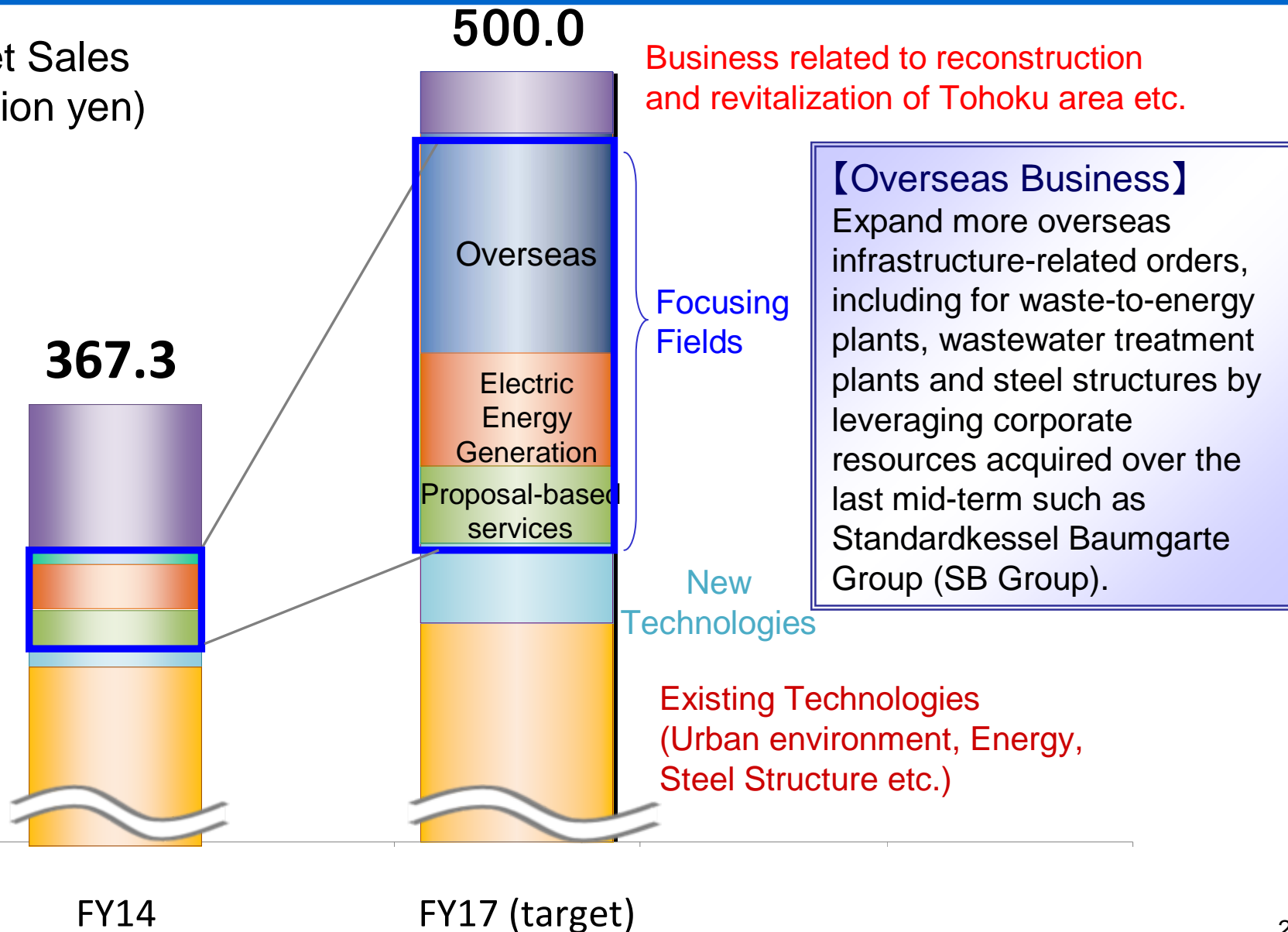
- a. Expand overseas business
- b. Support electric energy generation at various plants
- c. Offer proposal-based services
- d. Develop and promptly launch technologies



Net Sales Growth Plan of Engineering Business

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Net Sales
(billion yen)





Basic Policies and Measures for Trading Business

JFE

JFE Shoji Trade will continue to follow a market-oriented approach to expand its business and profitability and enhance its functions as the core trading company of the JFE Group.

【Targets (FY2017)】

➤ Consolidated Ordinary Income: 30 billion yen

Main Measures

- a. Develop New Markets and Increase Steel Sales Volume
 - Make full use of the existing sales bases in Asia, expand sales bases in the Americas and proactively develop business in India and markets in Western Asia
- b. Create Added Value
 - Offer solutions that improve the value of customers' total supply chains
- c. Improve Overall Strength
 - Increase financial contributions from existing projects such as Kelly Pipe
 - Seek investment opportunities to improve market presence



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3. Main Financial Targets and Shareholder Return Policy



3. Main Financial Targets and Shareholder Return Policy

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To achieve both capital efficiency and financial strength by sustainable earnings growth

		FY2012 (Actual)	FY2013 (Actual)	FY2014 (Actual)	FY2017 (Targets)
Profitability Targets	Steel Business (ROS)	0.6%	4.7%	6.6%	10%
	Engineering Business (Ordinary Income, billion yen)	16.4	18.4	18.0	30.0
	Trading Business (Ordinary Income, billion yen)		21.5	24.6	30.0
Financial Targets (JFE-HD)	ROE	2.7%	6.3%	7.7%	More than 10%
	(D/E ratio)	76.9%	67.9%	59.0%	Approx. 50%

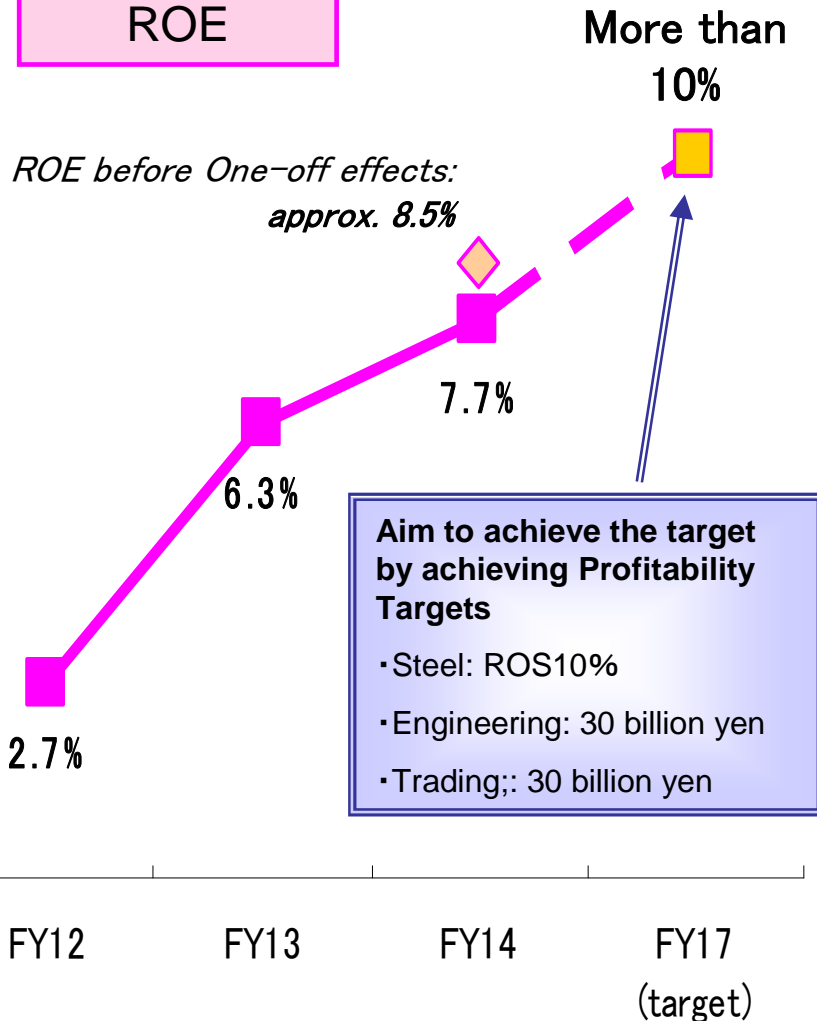
◆ Shareholder return: **Dividend Pay-out Ratio of approx. 25-30%**
(Fourth Medium-term plan: 25%)



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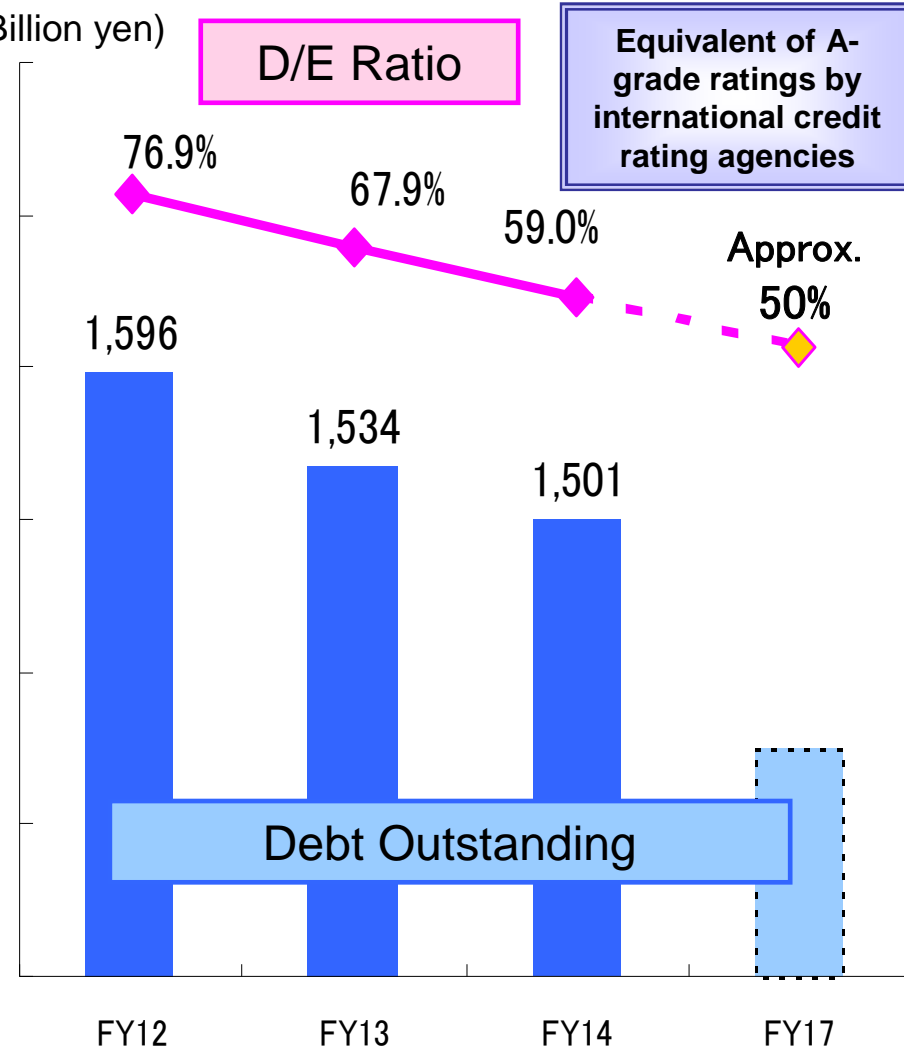
Financial Indices (ROE, D/R Ratio)

ROE



(Billion yen)

D/E Ratio



D/E Ratio = Debt Outstanding / Shareholders' Equity. For debt having a capital component, 75% of the 300 billion yen issue price is deemed to be capital, as assessed by rating agencies.



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Appendix



Ref: Main Financial Data

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	FY03	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Ordinary Income (Bn. Yen)	218.3	502.9	400.5	69.2	165.8	52.9	52.2	173.6	231.0
ROS ※1	8.8%	14.2%	10.2%	2.4%	5.2%	1.7%	1.6%	4.7%	6.0%
ROE ※2	15.9%	17.5%	13.7%	3.3%	4.1%	-2.6%	2.7%	6.3%	7.7%
ROA ※3	6.5%	13.0%	10.0%	2.2%	4.6%	1.7%	1.6%	4.5%	5.5%
Debt Outstanding	1,837	1,282	1,769	1,468	1,496	1,594	1,596	1,534	1,502
D/E Ratio ※4	246.2%	61.4%	98.9%	75.5%	76.5%	83.5%	76.9%	67.9%	59.0%
Net Income (yen/share)	185.8	450.6	355.6	86.4	110.7	-68.7	71.2	177.4	241.6
Dividend (yen/share)	30	120	90	20	35	20	20	40	* 60
Pay-out Ratio	16.1%	26.6%	25.3%	23.1%	31.6%	—	28.1%	22.5%	24.8%

• Interim: 20
Year-end: 40 (E)

※1: ROS = Ordinary Income / Net Sales

※2: ROE = Net Income / Shareholders' Equity (average)

※3: ROA = Ordinary Income before Interest Expenses / Total Assets (average)

※4: D/E Ratio = Debt Outstanding / Shareholders' Equity

For debt having a capital component, 75% of the 300 billion yen issue price is deemed to be capital, as assessed by rating agencies.

Features of Our Governance Structure

I. We adopted the holding company structure in order to manage various operational companies.

Executive directors and Audit & Supervisory Board Members hold plural posts among JFE Holdings and the group companies.

II. In addition to the basic structure with a Board of Directors, an Audit & Supervisory Board and the Accounting Auditors, management and execution of business are separated by the use of the Executive Officer System

III. Tenure of directors: 1 year

IV. Two Outside directors have been elected since 2007. With two Outside Audit & Supervisory Board Members, a total of four outside officers supervise and audit management.

V. Taking group coordination into account, JFE group companies appoint a single audit firm, and hold general meetings of JFE Group Auditors

1. Respect Human Rights and Facilitate Fair Management of Human Resource

The Group manages human resources fairly by respecting the human rights of all employees and nurturing employees who embrace the Group's corporate values and standards of business conduct.

2. Foster Corporate Culture that Nurtures People and Promotes Satisfying Workplaces

The Group facilitates interactive communication among employees to cultivate a corporate culture that nurtures human resources and creates safe, attractive environments where everyone can enjoy working.

3. Diversify Human Resources

The Group ensures that diverse people, including women, non-Japanese, the elderly and the disabled, can demonstrate their full potential.

4. Recruit and Steadily Nurture Excellent Human Resources

To survive in an increasingly complicated and diversified global environment, the Group steadily recruits diverse, high-quality human resources, ensures that they receive the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities.



To Launch Large-diameter Welded Steel Pipe JV

(Company name: Al Gharbia Pipe Company)

Announced on March 4, 2015

I . Agreed to establish a joint-venture company in Abu Dhabi, operational in October 2018

- To manufacture and sell large-diameter welded steel pipes mainly for the energy industry by leveraging JFE Steel's technology for high-quality large-diameter welded steel pipes, Marubeni-Itochu Steel Inc. (MISI)'s sales capabilities and SENAAT(*)'s industrial footprint in Abu Dhabi
- To capture the demand for high-quality steel pipes for pipelines to transport oil and gas in the UAE and other GCC member countries where the development and production of oil and gas forecast continues to be robust

*SENAAT: a private joint-stock holding company owned by the government of the Emirate of Abu Dhabi



II . Overview of the company

- Establishment: April 2015
- Total investment: Approx. USD 300M
- Ownership: JFE Steel 27%,
SENAAT 51%, MISI 22%
- Capacity: 240,000 tons/year
- Production start : October 2018



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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