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To whom it may concern:

## **Notice of Impairment Loss on Business Assets**

JFE Holdings, Inc. announces that it expects to record an impairment loss on business assets in its consolidated financial statements for the fiscal year ending March 2020.

### **1. Impairment Loss on Business Assets**

#### **(1) Reason for the loss**

JFE Steel, a consolidated subsidiary managing JFE's steel business, is facing an unprecedented and extremely challenging operating environment, particularly a slump in steel demand among manufacturing industries, due to U.S.-China trade tensions, rising raw-material prices driven by China's increased output of crude steel, and rising prices for various commodities and services including auxiliary raw materials, other materials used in production, and logistics. In FY2019, for the first time since JFE Steel's founding, it faces the critical prospect of zero profit. Additionally, over the medium to long term, demand in the Japanese market is expected to decline amid population decline and other factors, while overseas markets will present increasingly intense competition due to expanding steel-production capacity in developing economies and the growth of Chinese exports due to falling domestic demand in that country. So far, JFE Steel has been strengthening its domestic steel works and manufacturing locations as well as overall manufacturing capabilities, as spelled out in the company's medium-term business plan. Going forward, continuous large-scale investment to renew aging facilities and equipment will be needed over the long term.

JFE Steel, in view of the structural changes taking place in its operating environment, aims to become a leaner, stronger company through more strategic allocation of corporate resources. This will involve selectively concentrating resources on products and business areas where the company has competitive advantages to maintain and enhance its competitiveness in international markets. To that end, the company has decided to shut down one of the blast furnaces in its East Japan Works, for which fixed costs are high, and implement structural reforms to optimize its remaining production operations in Japan.

Calculation of future cash flows for the Chiba and Keihin districts of the East Japan Works in anticipation of the structural reforms revealed that the recoverable amount was less than the book value of the Works' business assets. The Company expects to reduce this book value to the present value of future cash flows and record the decrease as an impairment loss.

For details of the structural reforms, please refer to "JFE Steel to Optimize Domestic Production Operations through Structural Reforms" which was released today.

#### **(2) Amount of impairment loss**

Around 220 billion yen (130 billion for Chiba district operations and 90 billion yen for Keihin district operations)

### **2. Future Outlook**

Regarding the company's future outlook with consideration for the impairment loss, please refer to Notice of Revised Financial Results Forecasts which was disclosed in a timely manner today.