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Notice of Partial Revision of Medium-/Long-term Performance-linked Remuneration for Directors, etc.

JFE Holdings, Inc. (“Company”) passed a resolution at a meeting of its Board of Directors today to partially revise stock remuneration linked to performance over the medium to long term for Directors and Corporate Officers of the Company and its operating companies JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Corporation. The Board also passed a resolution to submit a proposal for said revision to the 19th Ordinary General Meeting of Shareholders (“General Meeting of Shareholders”) on June 25. The details follow.

1. Company’s Stock Remuneration Plan

- (1) In a resolution passed at the 16th Ordinary General Meeting of Shareholders on June 21, 2018, the Company introduced a remuneration plan (“Plan”) under which the Company’s Shares and an amount of cash equivalent to the market price of the Company’s shares (“Company’s Shares”) are provided to Directors and Corporate Officers of the Company and its operating companies, listed in (2) below and hereinafter collectively referred to as the “Group’s Directors/Officers” under a scheme called the Board Benefit Trust (“BBT”).

The Plan is a stock remuneration plan whereby shares in the Company are acquired through a trust funded by cash contributed by the Company (“Trust”) and the Company’s Shares are paid through the Trust to the Group’s Directors/Officers pursuant to the Stock Grant Regulations for Officers established by the Company and its operating companies.

- (2) Specially, those eligible for the Plan include Directors (excluding Outside Directors) and Corporate Officers not concurrently serving as Directors (excluding residents outside Japan) of the Company as well as of operating companies JFE Steel Corporation, JFE Engineering Corporation, and JFE Shoji Corporation.

2. Background and Purpose of Plan’s Revision

- (1) According to the Plan, the Company’s Shares are granted to the Group’s Directors/Officers according to the level of achievement against performance targets in the Medium-Term Business Plan, thereby clarifying the linkage among remuneration, performance results of the Group and stock value. In this way, the sharing of value with shareholders is enhanced with the aim of raising awareness regarding the contributions of the Group’s Directors/Officers to increase corporate value over the medium to long term.
- (2) Today, the Group announced its seventh Medium-Term Business Plan as an operating guideline for fiscal years 2021-2024. In the Medium-Term Business Plan, 2021 to 2024 is regarded as the most crucial period of change since JFE’s establishment and is thus positioned as the period in which to establish a strong business foundation for long-term sustainable growth and to advance to a new stage. The Group believes that to fulfill the Medium-Term Business Plan and improve corporate value over the medium to long term, it is important to link the level of executive remuneration with the achievement of targets as an increased incentive to achieve said targets. It therefore would like to continue the Plan with some revisions.

The partial revision of the Plan is in accordance with the decision to set the effective periods of future medium-term business plans to between one and five fiscal years as required, instead of automatically fixing the period of every plan to three fiscal years as was done previously, as well as changes to the “Target Period” and “limit of cash amounts to be contributed by the Company to the Trust” and “limit of number of Company’s Shares to be acquired by the Trust for provision” in each Target Period, for which wordings shall

be revised.

A resolution of the Board of Directors was obtained for this partial revision of the Plan based on deliberations by and reports from the Remuneration Committee in accordance with the Basic Policy on Remuneration for the Company's Directors and Corporate Officers and the Policy for Deciding the Individual Remuneration of the Company's Directors and Corporate Officers based thereon.

- (3) This partial revision shall be subject to approval through a proposal to be submitted to the General Meeting of Shareholders.

3. Content of Plan's Revisions

The details of this Plan after the revision follow. (The main revisions shall be underlined. For the content of the previous Plan, please refer to the Notice of Introduction of Medium- to Long-term Performance-linked Remuneration for Directors, etc. published on April 26, 2018.)

<https://www.jfe-holdings.co.jp/investor/zaimu/g-data/jfe/30/30-setumei180426-01.pdf>

(1) Outline of Plan

The Plan covers the four fiscal years from fiscal 2021 to the fiscal 2024 under the seventh Medium-Term Business Plan ("Target Period" for said four fiscal years and "Target Period A" also for periods covered under medium-term plans starting after the Target Period B) and each subsequent Target Period. The Group shall properly establish the period to be covered in the formulation of medium-term plans as one to five fiscal years.

Structure of the Plan	Performance-linked portion	The Company's Shares are granted according to the level of achievement against performance targets under the Medium-Term Business Plan, etc., for a Target Period ¹ - However, no payment shall be made for a fiscal year in which ROE attributable to the owners of the parent company is less than 5%. - Additionally, no payment shall be made to those eligible at an operating company for a fiscal year in which a segment loss is recorded.
	Service-length portion	The Company's Shares are granted according to the length of the term of office at each company and for each position.
Those eligible for the Plan	Performance-linked portion	- Directors of the Company and operating companies (excluding Outside Directors) - Corporate Officers of the Company and operating companies not concurrently serving as Directors (excluding residents outside Japan)
	Service-length portion	Directors (excluding Outside Directors) of the Company and operating companies
Cash limit amount to be contributed by the Company to the Trust		<u>1.5 billion yen per one fiscal year multiplied by the number of fiscal years related to the Target Period (of which, 200 million yen per one fiscal year multiplied by the number of fiscal years related to the Target Period will be for the Company's Directors)</u>
Limit of number of the Company's Shares to be acquired by the Trust for provision		<u>1.6 million shares per one fiscal year multiplied by the number of fiscal years related to Target Period (of which, 220,000 shares per one fiscal year multiplied by the number of fiscal years related to the Target Period will be for the Company's Directors)</u>
Method of acquisition of the Company's Shares by the Trust		Through the stock market or by subscription to the disposal of the Company's treasury shares
Time of granting the Company's Shares		When the Group's Directors/Officers retire, in principle

¹ For the performance-linked portion during this Target Period A, the target of net profit attributable to the owners of the parent company listed in the seventh Medium-Term Business Plan shall be 220 billion yen/year as a performance indicator, and the payment level for each fiscal year shall vary from 0 to 150%, or fixed at 100% in the case that the target has been achieved.

(2) General Meeting resolution for partial revision of Plan

The Company shall implement the Plan after a resolution has been passed at the General Meeting regarding the limit amount to be contributed to the Trust as remuneration for the Company's Directors, the limit of number of shares to be acquired (specified in (4) below) under the Plan as well as other necessary matters.

(3) Trust duration

From August 16, 2018 until the Trust is terminated (the Trust shall continue without establishing a specific expiry date as long as the Plan remains in effect. The Plan shall be terminated when the Company's Shares

are delisted or when the Stock Grant Regulations for Officers are abolished, for example.)

- (4) The cash limit amount that the Company contributes to the Trust for the Group's Directors/Officers, and limit of number of the Company's Shares to be granted from the Trust (including the number of shares subject to conversion into cash)

The Company shall continue the Plan for the Target Period A and for each subsequent Target Period and contribute the following money to the Trust as the funds to acquire the Company's share for the purpose of provision of the Company's Shares to the Group's Directors/Officers.²

² The cash amount that the Company contributes to the Trust shall include the amounts for the operating companies, with each one paying a settlement amount to the Company each time a payment is made to those eligible at the relevant company.

The limit on the money which may be additionally contributed to the Trust for each Target Period by the Company shall be the amount obtained by multiplying the number of fiscal years related to the Target Period by 1.5 billion yen.³ Accordingly, 6 billion yen shall be the limit of contribution for the Target Period A. The Company believes this amount is reasonable, as it was determined by comprehensively considering factors such as the current payment level for the Group's Directors/Officers trends in the number of the Directors and the future outlook.

³ The maximum amount to be contributed to the Trust as remuneration for the Company's Directors is to be obtained by multiplying the number of fiscal years related to the Target Period by no more than 200 million yen. This maximum amount is calculated as the stock remuneration amount applying the highest performance evaluation (equivalent to 150% in the case that targets under the Medium-Term Business Plan are achieved 100%), taking into consideration the number of Directors after the conclusion of the General Meeting of Shareholders and the future re-election of Directors. The upper limit shall be obtained by multiplying the number of fiscal years related to the Target Period by 220,000 shares.

However, if, at the time such additional contributions are made for each Target Period after the Target Period as elapsed there remain the Company's Shares (excluding the Company's Shares that correspond to the points granted to the Group's Directors/Officers for each Target Period up to the immediately preceding Target Period and that have not yet been provided to the Group's Directors/Officers) and cash (hereinafter referred to as the "Residual Shares, etc.") in the trust assets, the amount deducted from the above limit amount as the monetary amount or the Residual Shares, etc. (for the Company's Shares, the monetary amount of the book value as of the final day of the immediately preceding Target Period) shall be the limit amount of additional contributions for the relevant Target Period.

The total number of the Company's Shares (including the number subject to conversion into cash) paid to Directors/Officers according to (6) below shall be within the aforementioned upper limit and not exceeding the number obtained by multiplying the number of fiscal years related to the Target Period by 1.6 million shares. This number is set by using the Company's share price and other factors as reference, based on the aforementioned contribution limit amount.

- (5) Methods of acquisition of Company's Shares

The Trust shall acquire the Company's Shares, funded by cash contributed through (4) above, either through the stock market or by subscription to the disposal of the Company's treasury shares, and new shares shall not be issued. Details of acquisition of the Company's Shares through the Trust shall be disclosed in a timely and appropriate manner.

- (6) Calculation method for number and amount of Company's Shares to be granted to Group's Directors/Officers

For each fiscal year, the Group's Directors/Officers are granted points based on matters such as their positions and performance achievements in accordance with the Stock Grant Regulations for Officers of the relevant company. The limit of the total number of points granted to the Group's Directors/Officers shall be 1,600 thousand points (of which, 220 thousand points shall be for the Company's Directors) for each fiscal year.

The points granted for each fiscal year, in principle, are accumulated until the retirement of the relevant Group's Directors/Officers, and the number of such accumulated points is multiplied by a prescribed coefficient established based on the reason of their retirement (not exceeding 1). The points computed in this manner (hereinafter referred to as the "Defined Number of Points") are converted the number of the Company's common shares by converting one point to one share of common stock of the Company. The Company's Shares thus calculated will be granted as described in (7) below. (However, if actions such as a stock split, a gratis allotment or a stock consolidation of the Company's Shares is carried out in the future, the Company will reasonably adjust the limit of number of points, the number of points already granted or their conversion ratio, in accordance with matters such as the ratios of such actions.)

The number of points granted for each fiscal year in this Target Period A shall be calculated as follow.

- (i) Performance-linked portion

The Company has set the target of the current profits attributable to the parent company established under the seventh Medium-Term Business Plan as an indicator for calculating the performance-linked portion, bearing the mind the importance of committing to profits which are directly linked to shareholder return. The minimum requirement for granting points is that ROE is not less than 5%, from the perspective that

it is a necessity and an obligation of the Company's management to make profits over a medium- to long-term that exceed the cost of capital by making the most of shareholders' equity to enhance corporate value in a sustainable manner.

Specially, it will be calculated by multiplying the base points specified for each company and position (hereinafter referred to as "Performance-linked Points") by an adjustment rate based on the level of achievement against the target of net profit attributable to shareholders of the parent company under the seventh Medium-Term Business Plan. The adjustment rate shall be set to 100% in the case that the targets have been achieved and shall vary within a range of 0% to 150%

$$\text{Annual Points to be granted} = \text{Performance-linked Points} \times \text{Adjustment rate regarding current net profits attributable to shareholders of parent company (0\% to 150\%)}$$

The adjustment rate shall be 0% in the case that ROE is less than 5% in the relevant fiscal year. The adjustment rate applicable to those eligible at an operating company shall be 0% in the case that the relevant operating company records a segment loss in the relevant fiscal year.

(ii) Service-length portion

The service-length portion is calculated by multiplying the base points specified for each company and position (hereinafter referred to as "Service-length Points") by an adjustment rate based on the length of the term of office for the relevant position. The adjustment rate shall be 100% for those who remain in office for the entire service period for the relevant fiscal year.

$$\text{Annual Points to be granted} = \text{Service-length Points} \times \text{Adjustment rate based on the length of the term of office for the relevant position (0\% to 150\%)}$$

(7) Provision of the Company's Shares

In principle, the Group's Directors/Officers who retire shall receive from the Trust the Company's Shares corresponding to the Defined Number of Points determined under (6) after retirement, if they meet the beneficiary requirements provided in the Stock Grant Regulations for Officers of the respective company, by carrying out specified beneficiary confirmation procedures. However, if they meet the requirements providing in the Stock Grant Regulations for Officers of the respective company, the Group's Directors/Officers shall receive cash instead of the Company's Shares in an amount equivalent to the market value of such shares for a certain percentage of the points. The Trust may sell the Company's Shares to make such cash provision.

If a Group's Director/Officer who is granted points is dismissed by a resolution of the General Meeting of Shareholders or the Board of Directors, or if said person commits misconduct, within the period between serving in office or date of resignation and the date of receiving the benefits, the right to receive said benefits may be revoked by a resolution of the Board of Directors of the Company or its operating company. In addition, in the case of misconduct after receiving the benefits, in accordance with a resolution of the Board of Directors of the Company or an operating company, a claim may be made for reimbursement equivalent to the value of shares or money received by the Group's Director/Officer.

(8) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights attached to the Company's Shares in the Trust's account shall not be uniformly exercised. This approach intends to ensure neutrality to the Company's management regarding the exercise of voting rights attached to the Company's Shares in the Trust's account.

(9) Dividends

The Trust shall receive dividends from the Company's Shares held in the Trust's account and allocate them to the payment of the costs for acquiring the Company's Shares, to the trust fees for the Trust's trustee, etc. if the Trust is terminated, residual funds in the Trust, including dividends, shall be donated to organizations that have no conflicts of interest with the Company and the Group's Directors/Officers in accordance with the provisions of the Stock Grant Regulations for Officers.

(10) Termination of trust

The Trust shall terminate upon the occurrence of events such as delisting of the Company's Shares or abolition of the Stock Grant Regulations for Officers. Regarding the Company's Shares among the Trust's residual assets at the time of termination of the Trust, the Company plans to acquire all such shares without consideration and cancel them by resolution of the Board of Directors. Of the residual assets of the Trust at

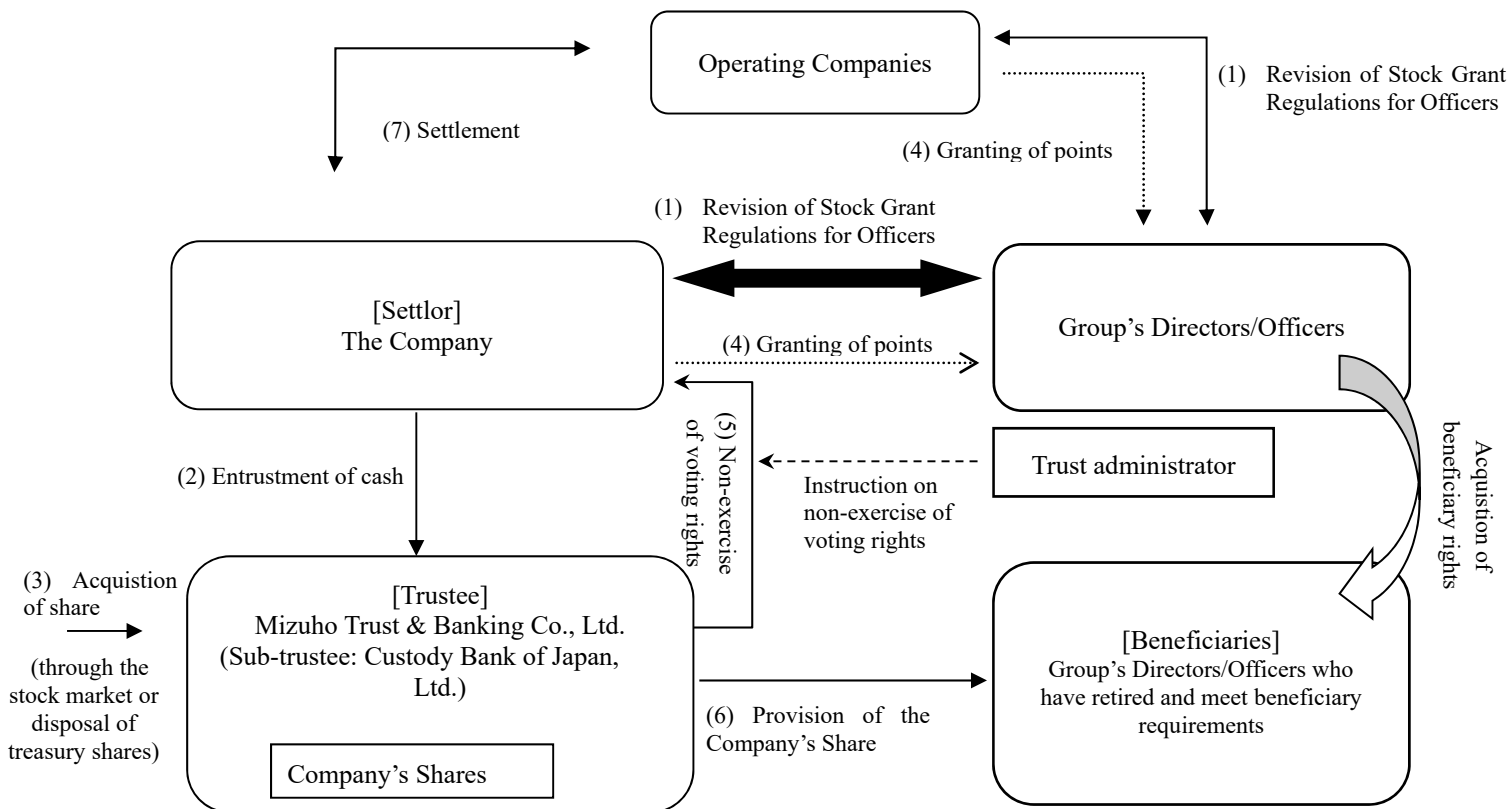
the time of termination of the Trust, cash shall be provided to the Company excluding the amount to be donated to organization in accordance with (9) above.

Outline of the Trust

Outline of the Trust

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|----------------------------|---|
| (1) Name: | Board Benefit Trust (BBT) |
| (2) Settlor: | The Company |
| (3) Trustee* | Mizuho Trust & Banking Co., Ltd.
(Sub-trustee: Custody Bank of Japan, Ltd.) |
| (4) Beneficiaries: | The Group's Directors/Officers who have retired and meet the beneficiary requirements provided in the Stock Grant Regulations for Officers |
| (5) Trust administrator: | A third party who has no conflict of interest with the Company |
| (6) Type of trust: | Monetary trust other than cash in trust (third party beneficiary trust) |
| (7) Trust agreement date: | August 16, 2018 |
| (8) Cash entrustment date: | August 16, 2018 |
| (9) Period of trust: | From August 16, 2018 until the termination of trust
(Trust shall continue without determining a specific expiry date as long as the Plan remains in effect.) |

Reference: Structure of the Plan



- (1) Upon obtaining the resolution at the General Meeting of Shareholders to introduce the Plan for the Company's Directors, the Company will partial revise the Stock Grant Regulations for Officers, also covering Corporate Officers, by resolution of the Board of Directors. Similarly, operating company will revise the Stock Grant Regulations for Officers upon obtaining resolution at their respective General Meeting of Shareholders and the Board of Directors.
- (2) The Company will entrust cash for both the Company and operating companies within limits as approved by resolutions of the General Meeting of Shareholders and the Board of Directors as described in (1) above.
- (3) The Trust will acquire the Company's Shares funded by cash entrusted in accordance with (2) above through the stock market or by subscription to the disposal of the Company's treasury share.
- (4) The Company and operating companies will grant points to the Group's Directors/Officers based on the Stock Grant Regulations for Officers of the relevant company.
- (5) In accordance with instructions from a trust administrator independent from the Company, the Trust will not exercise the voting rights attached to the Company's Shares in the Trust's account.
- (6) The Trust will provide a number of the Company's Shares to the Group's Directors/Officers who have retired and meet the beneficiary requirements provided in the Stock Grant Regulations for Officers of the relevant company (hereinafter referred to as the "Beneficiaries") based on the number of points granted to said Beneficiaries. However, the Group's Directors/Officers who meet the requirements provided in the Stock Grant Regulations for Officers will receive cash in an amount equivalent to the Company's Shares at market value for a certain percentage of the points.
- (7) The operating companies will pay certain settlement money to the Company in proportion to the provisions made to their Directors, etc.