



JFE

JFE Holdings, Inc.

Financial Results Briefing for the Fiscal Year Ending March 2021

May 7, 2021

Presentation

Moderator: Ladies and gentlemen, we would now like to hold the Investors Meeting of JFE Holdings, Inc.

As previously announced, the investors' meeting will be divided into 2 parts. The first part of the presentation will be an explanation of the full-year financial results for fiscal year 2020, including a question-and-answer session. This will be followed by an explanation of the Seventh Mid-term Management Plan and a question-and-answer session.

Mr. Kakigi, President, and Mr. Tanaka, Senior Vice President, are in attendance.

Mr. Tanaka, Senior Vice President, will now explain the financial results and business outlook announced today.

Tanaka: My name is Tanaka. I would now like to explain the financial results based on the presentation materials posted on our website today. Now, let me begin.



Financial Results for Fiscal Year 2020

JFE-HD

JFE

- In 1H, COVID-19 pandemic resulted in a significant business loss.
- In 2H, business profit posted a profit due to the recovery of steel demand and steel market price from the latter half of 1H, and promotion of profit improvement measures. In spite of the recovery in 2H, business profit for FY2021 was **-12.9 billion yen, increased by 19.1 billion yen from the previous forecast.**

(billion yen)	FY2019 Actual(A)	FY2020 Previous Forecast (B)	FY2020 (Actual)			Change (C-A)	Change (C-B)
			1H	2H	Full Year (C)		
Revenue	3,729.7	3,240.0	1,492.2	1,734.9	3,227.2	(502.5)	(12.8)
Business Profit	37.8	(32.0)	(114.3)	101.4	(12.9)	(50.7)	19.1
Finance Income/costs	(12.5)	(13.0)	(6.4)	(6.0)	(12.4)	0.1	0.6
Segment Profit	25.3	(45.0)	(120.7)	95.3	(25.4)	(50.7)	19.6
Exceptional Items	(238.8)	22.0	–	20.4	20.4	259.2	(1.5)
Profit before Tax	(213.4)	(23.0)	(120.7)	115.8	(4.9)	208.5	18.1
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	15.7	(15.0)	15.0	(32.0)	(16.9)	(32.6)	(1.9)
Profit Attributable to Owners of Parent	(197.7)	(38.0)	(105.7)	83.8	(21.8)	175.9	16.2

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 FY 2020.

As you can see from the figures here, in the first half of FY2020, we were in the red due to the impact of the spread of COVID-19 and other factors, but from the latter half of the first half of FY2020 onward, steel demand and the steel market recovered, and we made efforts to improve profitability, which resulted in a profit in the second half of FY2020.

In the first half of FY2020 we posted a business loss of JPY114.3 billion, but in the second half of FY2020 we achieved a surplus of JPY101.4 billion. We experienced a great fluctuation of the JPY100 billion unit. Total business profit for FY2020 was a deficit of JPY12.9 billion.

Similarly, we posted a segment loss of JPY25.4 billion, and loss attributable to owners of parent of JPY21.8 billion in FY 2020.

As you can see on the right side, C minus B is a comparison with the annual forecast announced in February 2021. Business profit had improved by about JPY20 billion from the previous forecast.



Financial Results for Fiscal Year 2020 (by Segment)

JFE-HD

JFE

(billion yen)	FY2019 Actual (A)	FY2020 Previous Forecast (B)	FY2020 Actual			Change (C-A)	Change (C-B)
			1H	2H	Full Year(C)		
Revenue							
Steel Business	2,681.3	2,260.0	1,027.2	1,227.9	2,255.2	(426.1)	(4.8)
Engineering Business	512.2	490.0	221.9	263.7	485.7	(26.5)	(4.3)
Trading Business	1,084.1	940.0	451.7	480.7	932.5	(151.6)	(7.5)
Adjustments	(548.0)	(450.0)	(208.6)	(237.5)	(446.1)	101.9	3.9
Total	3,729.7	3,240.0	1,492.2	1,734.9	3,227.2	(502.5)	(12.8)
Business Profit (A)	37.8	(32.0)	(114.3)	101.4	(12.9)	(50.7)	19.1
Finance Income/Costs(B)	(12.5)	(13.0)	(6.4)	(6.0)	(12.4)	0.1	0.6
Segment Profit							
Steel Business	(8.7)	(80.0)	(136.2)	70.8	(65.4)	(56.7)	14.6
Engineering Business	23.1	22.0	8.7	15.3	24.0	0.9	2.0
Trading Business	27.0	17.0	7.2	12.8	20.0	(7.0)	3.0
Adjustments	(15.9)	(4.0)	(0.4)	(3.6)	(4.1)	11.8	(0.1)
Total (A+B)	25.3	(45.0)	(120.7)	95.3	(25.4)	(50.7)	19.6

The following table shows the results by segment.

The table shows revenue and segment profit by business segment. The improvement of approximately JPY20 billion in segment profit compared to the February 2021 forecast was due to the improvements in the steel business, engineering business, and trading business.



Cash Flow

JFE

- **Improved cash flow** through **profit recovery** and **additional asset compression**
- Interest-bearing Debt Outstanding as of Mar. 2021 was **1,806.1 billion yen** (D/E **93.2%**), **decreased from the previous year**.

Consolidated Cash Flow in FY 2020

(billion yen)

Cash-in	Cash-out
Depreciation and Amortization	Net loss 21.8
236.3	CAPEX & Investments 322.7
Asset Compression	Interest-bearing Debt Outstanding 8.2
180.0	Working Capital etc. 63.6

Interest-bearing Debt Outstanding & D/E

(D/E ratio※)

(96.4%)

1,841.3

(93.2%)

1,806.1

Interest-bearing Debt Outstanding (billion yen)

As of Mar, 2020 Actual

As of Mar, 2021 Actual

※D/E ratio = Interest-bearing debt outstanding / Equity attributable to owners of parent For Debt having a capital component, a position of its issue price is deemed to be capital, as assessed by rating agencies.

6

This is the status of cash flow.

We have improved our cash flow in line with the recovery in earnings and the progress in asset compression. As a result, the interest-bearing debt as of the end of March 2021 was JPY1,806.1 billion, an improvement of about JPY8 billion over the previous fiscal year.

As a result, the D/E ratio was 93.2%.

If you compare the amount of depreciation and amortization with the amount of investment, you will see that the amount of investment exceeded the amount of depreciation and amortization again this fiscal year. This was covered by JPY180 billion in asset compression through the sale of cross-holding shares and land.

Incidentally, since the year before last, we have been saying that we will generate cash flow through asset sales and asset compression. The total for FY 2019 and 2020 is JPY215 billion, which is an increase from the previous forecast of around JPY200 billion.



Financial Results for Fiscal Year 2020

JFE Steel

	Unit	FY2019 Full year	FY2020					FY2020 Forecast
			Apr-Jun	Oct-Dec	Jan-Mar	Oct-Mar	Full year	
Revenue	billion yen	2,681.3	1,027.2	580.2	647.6	1,227.9	2,255.2	2,260.0
Segment Profit	billion Yen	(8.7)	(136.2)	34.3	36.4	70.8	(65.4)	(80.0)
Excluding Inventory Valuation etc.*	billion yen	21.3	(68.2)	14.3	22.4	36.8	(31.4)	(39.0)
Crude Steel (Standalone)	Mt	26.73	10.17	6.27	6.32	12.59	22.76	22.70
Crude Steel (Consolidated)	Mt	28.09	10.77	6.59	6.60	13.19	23.96	23.90
Shipment (Standalone)	Mt	23.47	9.34	5.42	5.72	11.15	20.49	20.50
Export Ratio on Value Basis (Standalone)	%	41.5	42.2	40.3	44.3	42.4	42.3	43
Average Sales Price (Standalone)	000 yen / t	78.8	73.1	73.4	78.8	76.2	74.8	75
Exchange Rate	¥/\$	109.1	106.8	104.8	104.7	104.8	105.8	106
Exchange Rate (End of Term)	¥/\$	108.8	105.8	103.5	110.7	110.7	110.7	

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

8

Now, let's take a look at the financial results of JFE Steel.

First, let's look at the non-consolidated crude steel production volume.

The production volume decreased by about 4 million tons compared to FY 2019 to 22.76 million tons. The forecast was 22.7 million tons, which means that the volume of crude steel was almost in line with the forecast.

The ratio of exports was 42.3%, a slight increase compared to the previous fiscal year, but almost the same level.

The average sales price of steel was JPY74,800 per ton-shipment, a decrease of JPY4,000 compared to the previous fiscal year.

As for the exchange rate, the actual result for the fiscal year under review was JPY105.8 per dollar, a yen appreciation of about JPY3 compared to JPY109.1 per dollar in the previous fiscal year.



14.6 Billion Yen Increase in JFE Steel's Segment Profit (FY20(Forecast) vs. FY20(Actual))

JFEスチール

JFE

Segment profit increased by 14.6 billion yen from the previous forecast due to increase in profit of subsidiary companies and foreign exchange valuation etc.

JFE Steel	FY2020 Forecast	FY2020 Actual	(Billion yen) Change
Segment Profit	(80.0)	(65.4)	+14.6
1. Cost	+0.0		
2. Volume and Mix	+1.0	<ul style="list-style-type: none"> Increase in volume (Crude steel(standalone) 22.70⇒22.76Mt +0.06Mt) 	
3. Sales and raw materials	+2.0	<ul style="list-style-type: none"> Improvement of metal spread with overseas steel price 	
4. Inventory valuation etc.	+7.0	<ul style="list-style-type: none"> Inventory valuation +1.0 (-38.0→-37.0) Carry over of raw materials +1.0 (+2.0→+3.0) Foreign exchange valuation +5.0 (-5.0→±0.0) 	
5. Others	+4.6	<ul style="list-style-type: none"> Increase in profit of domestic and overseas subsidiary companies etc. 	

9

Based on these factors, the analysis of the JPY14.6 billion increase in segment profit for FY2020 is as follows.

The increase of JPY1 billion was attributable to a slight increase in volume and mix. Sales prices and raw materials contributed to an increase of JPY2.0 billion due to improved market conditions, mainly in exports. In addition, there was an increase of JPY7.0 billion attributable to the valuation difference on inventories, et cetera, and this was due to foreign exchange translation differences as the yen weakened toward the end of the period.

In addition to this, improvements in the group companies, which is included in Others, were added, resulting in a total improvement of JPY14.6 billion.



56.7 Billion Yen Decrease in JFE Steel's Segment Profit (FY19 (Actual) vs. FY20 (Actual))

JFE Steel

JFE

Segment profit decreased from the previous fiscal year amid decrease in production and sales volume in 1H, and decrease in profit of domestic and overseas subsidiary companies due to the spread of COVID-19, although a cost reduction of 100.0 billion yen was executed.

JFE Steel	FY2019 Actual	FY2020 Actual	(Billion yen) Change
Segment Profit	(8.7)	(65.4)	(56.7)
1. Cost	+100.0		<ul style="list-style-type: none"> Fixed cost reduction mainly sourced from repairing cost and labor cost Capital investment effect etc.
2. Volume and Mix	(104.0)		<ul style="list-style-type: none"> Production reduction amid the decline in demand (Crude steel (Standalone): 26.73⇒22.76Mt -3.97Mt) Deterioration of product mix
3. Sales and raw materials	+2.0		
4. Inventory valuation etc.	(4.0)		<ul style="list-style-type: none"> Inventory valuation-15.0 (-22.0⇒-37.0) Carry over of raw materials +10.0 (-7.0⇒+3.0) Foreign exchange valuation +1.0(-1.0⇒±0.0)
5. Others	(50.7)		Decrease in profit of domestic and overseas subsidiary companies etc.

10

The following is a comparison with the previous year.

Segment loss for the previous fiscal year was JPY8.7 billion, and for the fiscal year under review was JPY65.4 billion, a deterioration of JPY56.7 billion.

We achieved a cost reduction of JPY100 billion as planned.

On the other hand, in terms of volume and mix, profit decreased by JPY104 billion, mainly due to the decrease in crude steel volume.

Sales prices and raw materials in total contributed to an increase of JPY2 billion. While sales prices had a negative impact, raw materials had a positive one. As for raw materials, the price of iron ore has increased, while the price of coking coal has decreased.

The inventory valuation difference, etc., is as shown on the slide. Other factors such as the significant deterioration in the earnings of domestic and overseas group companies due to the impact of COVID-19, et cetera, resulted in a profit decline of JPY50 billion.



Financial Results for Fiscal Year 2020

JFE
Overview

- **Orders significantly increased from the previous fiscal year**, and segment profit **posted 3-year consecutive increase*** even under COVID-19 pandemic.
- **Orders increased in each sector.** (Mainly domestic demand in environmental sector and social infrastructure sector such as bridges)
- Despite revenue decrease due to COVID-19, segment profit increased resulting from cost reduction etc.

*Segment profit : FY17 ¥19.3b, FY18 ¥20.1b, FY19 ¥23.1b, FY20 ¥24.0b (FY17 used J-GAAP)

(billion yen)	FY2019 Actual (A)	FY2020 Forecast (B)	FY2020 Actual (C)	Change FY2019vsFY2020 (C)-(A)	Change Forecast vs Actual (C)-(B)
Orders	413.0	500.0	501.1	88.1	1.1
Revenue	512.2	490.0	485.7	(26.5)	(4.3)
Segment Profit	23.1	22.0	24.0	0.9	2.0

Compared to FY2019

- Orders +88.1 Increase in large-scale orders for public works in sectors related to the environment and social infrastructure
- Revenue (26.5) Decreased in work volume and impact of COVID-19
- Segment Profit +0.9 Cost reduction

Compared to the previous forecast of FY2020

- Segment Profit +2.0 Cost reduction

Next is JFE Engineering.

In FY 2020, orders received totaled JPY510.1 billion, and we have achieved our forecast of JPY500 billion for FY 2020. Segment profit was JPY24.0 billion, an increase of JPY2.0 billion from the forecast of JPY22.0 billion. This was partly due to cost reductions.

In the previous fiscal year, orders received were in the JPY410 billion range due to fewer large-scale projects, but the number has increased since then due to the receipt of orders for large-scale projects, mainly for public works in the environment and infrastructure.

As a result, segment profit increased by JPY900 million compared to the previous fiscal year, and we achieved an increase for the third consecutive year.



Financial Results for Fiscal Year 2020

JFE Shoji

JFE

Overview

In 2H, in addition to **recovery of steel demand especially in the automotive sector, steel market price rose**. However, because of the **significant decrease in steel demand both in domestic and overseas market in 1H**, segment profit for FY2020 resulted in **20.0 billion yen, decreased by 7.0 billion yen** from the previous year.

	A FY2019 Actual		B FY2020 Forecast		C FY2020 Actual		Change FY2019 vs FY2020 C-A	Change FY2019 vs FY2020 C-B
	2H	Full Year	2H	Full Year	2H	Full Year		
(billion yen)								
Revenue	526.6	1,084.1	488.3	940.0	480.7	932.5	(151.6)	(7.5)
Segment Profit	12.4	27.0	9.8	17.0	12.8	20.0	(7.0)	3.0

Compared to the previous forecast : Segment Profit +3.0
 Recovery both in domestic and overseas steel demand
 Increase in steel market price such as in the US energy sector

14

Next, I would like to talk about JFE Shoji's performance.

Revenue was JPY932.5 billion, and segment profit was JPY20 billion. This is also an increase of JPY3 billion over the FY2020 forecast announced in February 2021.

We have been able to achieve an improvement of JPY3 billion due to factors such as a recovery in domestic and overseas demand and a considerable increase in the steel market price in the United States.

Compared to the previous fiscal year, the first half of FY 2020 saw a significant drop in demand, resulting in a YoY decrease of JPY7 billion in total.

The above are the results by segment, and next is the dividend.



The company intends to propose a per-share dividend of 10 yen (total annual dividend of 10 yen) at the upcoming general meeting of shareholders, in light of the substantial improvement in earnings in the second half, particularly in the steel business, as well as prospects for improved performance in the coming fiscal year.

The dividend will be JPY10 per share, as announced in February 2021, and will be submitted to the general meeting of shareholders.



JFE

□ Steel Demand

Steel demand is expected to continue to recover on the whole

Domestic: Steel demand is expected to continue to recover gradually due to recovery in activity levels of customers

Overseas: Steel demand is expected to recover generally due to,

- China's strong steel demand
- Economic recovery throughout the world

□ Metal Spread

Raw material prices

- Raw material prices are expected to remain high due to strong steel demand in China.

Steel price

- Although current steel price in overseas market remains high, it is expected to decline to the normal level toward latter half of this fiscal year.
- We make continuous efforts to promptly reflect the increase of raw material costs in our sales price.

18

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

In terms of the current business environment, steel demand is expected to continue its recovery both in Japan and overseas.

In Japan, a moderate recovery is expected to continue against the backdrop of a pickup in the economy. Overseas demand in China will continue to be strong, and we expect demand to recover against the backdrop of a recovery in the economies of various countries and regions.

On the other hand, with regard to the metal spread, we believe that the price of raw materials will remain at a very high level due to the continuing strong demand for steel products in China.

On the other hand, steel prices, especially in overseas steel markets, are at a very high level. However, we do not see this continuing into the second half of the fiscal year, but rather a gradual adjustment.

In this context, we will make every effort to ensure that the rising cost of raw materials is reflected in steel prices in a timely manner.



FY2021 Business Profit: 200.0 billion yen (Forecast)

(billion yen)	FY2020 Actual (A)	FY2021 Forecast(B)	Change (B-A)
Revenue	3,227.2	3,930.0	702.8
Business Profit	(12.9)	200.0	212.9
Steel Business	(65.4)	140.0	205.4
Engineering Business	24.0	25.0	1.0
Trading Business	20.0	27.0	7.0
Segment Profit (including Adjustment)	(25.4)	190.0	215.4
Profit Attributable to Owners of Parent	(21.8)	130.0	151.8

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. 19

The annual forecast for FY2021 is JPY3.93 trillion in revenue and JPY200 billion in business profit.

Segment profit is expected to be JPY190 billion, including JPY140 billion in steel, JPY25 billion in engineering, and JPY27 billion in trading. We expect net profit to be JPY130 billion.

As you can see from the comparison with the results of the previous fiscal year, we expect a significant improvement in our performance.



JFE Steel

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

Crude Steel(standalone)	Approx. 26.50Mt/year	Exchange Rate	105yen/\$
(Billion yen)	FY2020 Actual (A)	FY2021 Forecast (B)	Change (B)-(A)
Segment Profit	(65.4)	140.0	+205.4

(Billion yen)

1. Cost	+30.0	• Effect of investment for new facilities
2. Volume and Mix	+70.0	• Production increase amid the recovery of steel demand (crude steel (standalone) 22.76⇒Approx.26.50Mt)
3. Sales and raw materials	+15.0	• Improvement of metal spread with increase in steel prices mainly in overseas market
4. Inventory valuation etc.	+90.0	• Inventory valuation +76.0 (-37.0→+39.0) • Carry over of raw materials +14.0 (+3.0→+17.0) • Foreign exchange valuation ±0.0 (±0.0→±0.0)
5. Others	+0.4	• Increase in profit of domestic and overseas subsidiary companies, increase in depreciation cost, etc.

20

The following is the outlook for the steel business in FY 2021 and a breakdown of the increase or decrease in profit and loss.

As shown in the upper part of this page, crude steel production is estimated to be approx. 26.5 million tons per fiscal year. We also assume that the exchange rate will be JPY105 per dollar.

The forecast for the steel business segment for FY 2021 is a profit of JPY140 billion, an improvement of JPY205.4 billion over the deficit of JPY65.4 billion in the previous fiscal year.

This includes JPY30 billion in cost reductions including the expected effects of new capital investments. As for the volume and mix, the volume of crude steel will increase by about 4 million tons compared to the previous fiscal year, which will result in an increase of JPY70 billion.

As for the sales and raw materials, it will make a contribution of JPY15 billion, due to the increase in market conditions, especially for exports, in light of the fact that the market conditions for exports have been quite good recently.

In addition, there will be an increase of JPY90 billion due to inventory valuation differences. The main factor is that inventory valuation difference, which was negative JPY37 billion in the previous fiscal year, is expected to be positive JPY76 billion this fiscal year due to an increase in the price of raw materials.

Due to other factors, profit will slightly increase by JPY0.4 billion, as we expect more than JPY20 billion of improvement in the profit of domestic and overseas group companies, while amortization expenses will also increase by about JPY20 billion. The above is the Steel business.



Financial Forecast for FY2021 Engineering Business and Trading Business

JFE Engineering
JFE Shoji

(billion yen)	FY2020 Actual (A)	FY2021 Forecast (B)	Change (B)-(A)
Engineering business			
Orders	501.1	550.0	+48.9
Segment Profit	24.0	25.0	+1.0
Trading business			
Segment Profit	20.0	27.0	+7.0

Engineering Business

- Orders are expected to remain solid in Environment and Energy sector and Social infrastructure sector such as steel structures.
- Segment profit is expected to be 25.0 billion yen along with the steady execution of orders.

Trading Business

- In the domestic market, activity levels of all sectors are expected to increase. Steel market price is anticipated to improve in construction sector.
- In the overseas market, steel demand mainly in auto sector is expected to recover. Steel demand and price is expected to increase in the US.
- Segment Profit is expected to be 27.0 billion yen amid the steel demand recovery both in domestic and overseas market.

21

Next is the engineering and trading businesses.

In the engineering business, we expect to receive orders of JPY550 billion in FY2021, which will be an increase from FY2020. Segment profit is expected to be positive JPY25 billion.

In the Trading business, we expect to post a segment profit of JPY27.0 billion, an improvement of JPY7.0 billion from the previous fiscal year, reflecting a recovery in activity levels and favorable market conditions both in Japan and overseas.

That is all about the financial results and the outlook.

[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.