



**JFE Holdings, Inc.**

1H Financial Results Briefing for the Fiscal Year Ending March 2024

November 6, 2023

# Presentation

**Moderator:** We will now begin the financial results briefing of JFE Holdings, Inc.

In attendance today are Masashi Terahata, Representative Director, Executive Vice President and CFO, and Toshihiro Tanaka, Senior Vice President.

It will take approximately 30 minutes for the presentation and 30 minutes for questions, which makes 60 minutes in total. The question-and-answer session will be held collectively after the presentation.

Mr. Terahata, Representative Director, Executive Vice President and CFO, will begin with an overview of the financial results and outlook announced today.



## Financial Highlights

JFE-HD

JFE	
<b>Results for 1H of FY2023</b>	<p><b>Business Profit ¥164.3bn.</b> (Increased by <b>¥39.3bn.</b> from previous forecast, decreased by ¥23.6bn. year-on-year)</p> <p><b>[Excluding Inventory Valuation etc.] ¥165.3bn.</b> (Increased by ¥24.3bn. from previous forecast, increased by <b>¥93.4bn.</b> year-on-year)</p> <ul style="list-style-type: none"> <li>• From previous forecast: <b>Profit increased by 39.3bn.</b> due to initiatives such as sales price improvement.</li> <li>• Year-on-year: Profit decreased by ¥23.6bn. due to the loss of inventory valuation gains, but <b>profit excluding inventory valuation increased sharply by ¥93.4bn.</b></li> </ul>
<b>Forecast of FY2023</b>	<p><b>Business Profit ¥290.0bn.</b> (As previous announced)</p> <p><b>[Excluding Inventory Valuation etc.] ¥290.0bn.</b> (Decreased by ¥25.0bn. from previous forecast)</p> <hr/> <p><b>Steel business profit per ton* :</b> <b>10,000yen/t</b> (As previous announced)</p> <p><b>Crude Steel Production(Standalone) :</b> <b>approx. 23.80Mt</b> (Decreased by 0.80Mt from previous forecast)</p> <hr/> <p><b>Dividend 100yen (Interim dividend 50yen)</b></p> <ul style="list-style-type: none"> <li>• <b>Business profit is unchanged from the previous forecast.</b></li> <li>• <b>Excluding inventory valuation differences, profit is expected to fall by ¥25.0bn. from the previous forecast</b> due to a delay in the recovery of overseas steel markets, soaring coking coal prices and a decline in crude steel production.</li> <li>• The Board of Directors resolved to pay an interim dividend of 50 yen (As previously announced). Annual dividend as previously announced.</li> </ul>
<b>Topics</b>	<ul style="list-style-type: none"> <li>• Shutdown of upstream and hot rolling facilities in Keihin district and its land utilization</li> <li>• JGreeX™ adoption expansion</li> <li>• Issuance of new shares and convertible bonds</li> </ul>

\* Steel business profit per ton :(consolidated segment profit excluding Inventory Valuation etc.) / non-consolidated sales volume)

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3

**Terahata:** I would like to explain the highlights of our business performance.

First, I will explain the 1H results. Business profit was JPY164.3 billion. Compared to the same period last year, there was an inventory valuation gain last year, and the absence of the gain this period resulted in a JPY23.6 billion decrease, but excluding the inventory valuation difference, the profit increased by JPY93.4 billion. Compared to the previous announcement, the profit increased by JPY39.3 billion due to efforts such as sales price improvements.

Next, I would like to explain the outlook for FY2023.

Business profit will be 290 billion yen, as previously forecast. On the other hand, the current business environment is extremely difficult, and due to the delay in the recovery of the steel market overseas and the sharp rise in the price of coking coal, the forecast of crude steel production is revised from 24.6 million tons to 23.8 million tons, and the business profit excluding inventory valuation difference is expected to decrease by 25 billion yen from the previous announcement. However, earnings per ton excluding valuation differences are expected to remain at 10,000 yen.

Regarding dividends, the Board of Directors today resolved to pay an interim dividend of JPY50 per share. The annual dividend is planned to be JPY100 per share as previously announced.

At the end of the briefing, we will explain three topics. That is all.



## Financial Results for 1H of Fiscal Year 2023

JFE-HD

- **Business profit for the first half of the year was ¥164.3bn.**  
(increased by ¥39.3bn. from the previous forecast, decreased by ¥23.6bn. year-on-year.)
- Excluding inventory valuation differences, business profit increased by ¥24.3bn. from the previous forecast and by ¥93.4bn. from the same period last year.

(billion yen)	FY2022 1H Actual (Apr-Sep)	FY2023 1H Forecast (Previous) (Apr-Sep)	FY2023 1H Actual (Apr-Sep)	Change (FY2022 →FY2023)	Change (Previous →Actual)
Revenue	2,564.3	2,610.0	<b>2,576.5</b>	12.2	(33.5)
<b>Business Profit</b> [Excluding Inventory Valuation etc.]	<b>187.9</b> [71.9]	<b>125.0</b> [141.0]	<b>164.3</b> [165.3]	<b>(23.6)</b> [93.4]	<b>39.3</b> [24.3]
Finance Income/Costs	(6.6)	(10.0)	(8.9)	(2.3)	1.1
Segment Profit	181.2	115.0	<b>155.3</b>	(25.9)	40.3
Exceptional Items	–	–	–	0.0	0.0
Profit before Tax	181.2	115.0	<b>155.3</b>	(25.9)	40.3
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(57.9)	(30.0)	<b>(45.2)</b>	12.7	(15.2)
<b>Profit Attributable to Owners of Parent</b>	<b>123.2</b>	<b>85.0</b>	<b>110.0</b>	<b>(13.2)</b>	<b>25.0</b>

Business profit is profit before tax excluding financial income and one-time items of a materially significant value.

Inventory Valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.

Segment profit is profit including financial income in business profit.

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5

**Tanaka:** I will now explain the 1H financial results.

First, here are the results for 1H of the current fiscal year for our group.

Revenue was JPY2,576.5 billion, business profit was JPY164.3 billion, and net income was JPY110 billion. Compared to the same period last year, the business profit decreased by JPY23.6 billion, but compared to the previous announcement in August, business profit and net income increased by JPY39.3 billion and JPY25 billion, respectively. Excluding inventory valuation differences, business profit increased by JPY93.4 billion compared to the same period last year and by JPY24.3 billion compared to the previous announcement.



# Financial Results for 1H of Fiscal Year 2023 (by Segment)

JFE-HD

(billion yen)	FY2022 1H Actual (Apr-Sep)	FY2023 1H Forecast (Previous) (Apr-Sep)	FY2023 1H Actual (Apr-Sep)	Change (FY2022 →FY2023)	Change (Previous →Actual)
Steel Business	1,918.9	1,880.0	<b>1,865.8</b>	(53.1)	(14.2)
Engineering Business	219.0	230.0	<b>248.4</b>	29.4	18.4
Trading Business	750.2	780.0	<b>742.0</b>	(8.2)	(38.0)
Adjustments	(323.9)	(280.0)	(279.7)	44.2	0.3
<b>Revenue</b>	<b>2,564.3</b>	<b>2,610.0</b>	<b>2,576.5</b>	<b>12.2</b>	<b>(33.5)</b>
Business Profit (A)	187.9	125.0	164.3	(23.6)	39.3
Finance Income/Costs (B)	(6.6)	(10.0)	(8.9)	(2.3)	1.1
Steel Business	148.2	87.0	<b>122.8</b>	(25.4)	35.8
Engineering Business	(3.9)	5.0	<b>8.7</b>	12.6	3.7
Trading Business	40.6	26.0	<b>26.8</b>	(13.8)	0.8
Adjustments	(3.6)	(3.0)	(3.1)	0.5	(0.1)
<b>Segment Profit (A+B)</b>	<b>181.2</b>	<b>115.0</b>	<b>155.3</b>	<b>(25.9)</b>	<b>40.3</b>

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.

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6

Here are the details by segment.

Segment profit totaled JPY155.3 billion, including JPY122.8 billion in the steel business, JPY8.7 billion in the engineering business, and JPY26.8 billion in the trading business. Compared to the previous forecast, the steel business, the engineering business, and the trading business increased by JPY35.8 billion, JPY3.7 billion, and JPY0.8 billion, respectively, for a total increase of approximately JPY40 billion.



## ¥35.8bn. Increase in JFE Steel's Segment Profit (FY2023.1H (Forecast) vs. FY2023.1H(Actual))

JFE Steel

	Unit	FY2023 1H(forecast)	FY2023 1H(Actual)			(billion yen)	
Crude Steel (Standalone)	Mt	Approx. 12.30	12.16	JFE Steel	FY2023 1H(forecast)	FY2023 1H(Actual)	
Shipment (Standalone)	Mt	-	10.65	Segment Profit	87.0	122.8	Change
Average Sales Price (Standalone)	000 yen/t	Approx. 128	129.3	Excluding Inventory Valuation etc.	103.0	123.8	20.8
Exchange Rate	Yen/\$	Approx. 139	139.9				

<b>1. Cost</b>	<b>+5.0</b>	• Operational improvement
<b>2. Volume and Mix</b>	<b>(3.0)</b>	• Crude Steel Production approx.12.30Mt⇒12.16Mt
<b>3. Sales and Raw materials</b>	<b>+12.0</b>	• Improved spreads due continued sales price improvement efforts
<b>4. Inventory valuation</b>	<b>+15.0</b>	• Inventory valuation +4.0 (-3.0→+1.0) • Carry over +2.0 (-19.0→-17.0) • Foreign exchange valuation+9.0 (+6.0→+15.0)
<b>5. Others</b>	<b>+6.8</b>	• Group companies +6.0 etc.

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7

Regarding the 1H results of the steel business, the increase of JPY35.8 billion compared to the previous forecast is broken down as follows.

Crude steel production in the upper left-hand corner, which we said would be around 12.3 million tons in our previous forecast, was 12.16 million tons in the actual results, a decrease of a little over 100,000 tons. This production decrease resulted in minus JPY3 billion, but costs were positive with a JPY5 billion addition, and an improvement in the spread due to better selling prices resulted in a JPY12 billion increase. In the category of No.4, Inventory valuation, the exchange rate difference had a significant impact because the previous forecast of about JPY140 at the end of the period resulted in an actual exchange rate in the JPY149 range. In addition, the group companies' profit increased, resulting in a total profit increase of JPY35.8 billion.



## ¥25.4bn. Decrease in JFE Steel's Segment Profit (FY2022.1H (Actual) vs. FY2023.1H (Actual))

JFE Steel

	Unit	FY2022 1H	FY2023 1H	( billion yen )			
Crude Steel (Standalone)	Mt	12.64	12.16	JFE Steel	FY2022 1H	FY2023 1H	Change
Shipment (Standalone)	Mt	10.86	10.65	Segment Profit	148.2	122.8	(25.4)
Average Sales Price (Standalone)	000yen/ t	131.6	129.3	Excluding Inventory Valuation etc.	32.2	123.8	91.6
Exchange Rate	Yen/\$	131.6	139.9				

<b>1. Cost</b>	<b>+15.0</b>	• Operational improvement
<b>2. Volume and Mix</b>	<b>(10.0)</b>	• Crude Steel Production 12.64Mt⇒12.16Mt
<b>3. Sales and Raw materials</b>	<b>+144.0</b>	• Improved spreads due continued sales price improvement efforts
<b>4. Inventory valuation</b>	<b>(117.0)</b>	• Inventory valuation -81.0 (+82.0→+1.0) • Carry over -22.0 (+5.0→-17.0) • Foreign exchange valuation-14.0 (+29.0→+15.0)
<b>5. Others</b>	<b>(57.4)</b>	• Group companies -8.0 • Foreign exchange effects on trade -11.0 • Depreciation cost -10.0 etc.

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8

Next is a comparison with the same period of the previous year.

Crude steel production decreased by 480,000 tons to 12.16 million tons, compared to 12.64 million tons last year. As for the breakdown of the change in P&L, the decrease in crude steel resulted in negative JPY10 billion, while costs were positive JPY15 billion. In terms of selling prices and raw materials, a large spread of JPY144 billion was achieved due to a significant drop in coking coal and other raw material costs, as well as continued improvement activities in domestic prices. However, inventory valuation gains and foreign currency exchange valuation gains, which were large in 1H of the previous year, were negative JPY117 billion due to a decrease in these gains compared to the previous year. In addition, there are some negative factors such as foreign exchange flow differences, depreciation and amortization expenses and group companies. But excluding inventory valuation differences, there was a significant improvement of JPY91.6 billion compared to the previous year.



# Financial Forecast for Fiscal Year 2023

JFE-HD

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- **Full-year business profit is expected to be ¥290.0bn.**  
(as previous forecast, increased by ¥54.2bn. year-on-year)
- **Full-year profit attributable to owners of parent is expected to be ¥190.0bn.**  
(as previous forecast, increased by ¥27.4bn. year-on-year)

(billion yen)	FY2022 Actual		FY2023 Forecast (Previous)	FY2023 Forecast(Updated)		Change FY2022 →FY2023	Change Previous →Updated
	1H	Full year	Full year	1H	Full year	Full year	Full year
Revenue	2,564.3	5,268.7	5,380.0	2,576.5	<b>5,360.0</b>	91.3	(20.0)
<b>Business Profit</b> [Excluding Inventory Valuation etc.]	<b>187.9</b> [71.9]	<b>235.8</b> [162.8]	<b>290.0</b> [315.0]	<b>164.3</b> [165.3]	<b>290.0</b> [290.0]	<b>54.2</b> [127.2]	<b>0.0</b> [(25.0)]
Finance Income/Costs	(6.6)	(14.8)	(20.0)	(8.9)	(20.0)	(5.2)	0.0
Segment Profit	181.2	221.0	270.0	155.3	<b>270.0</b>	49.0	0.0
Exceptional Items	—	(10.7)	—	—	—	10.7	0.0
Profit before Tax	181.2	210.2	270.0	155.3	<b>270.0</b>	59.8	0.0
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(57.9)	(47.6)	(80.0)	(45.2)	(80.0)	(32.4)	0.0
<b>Profit Attributable to Owners of Parent</b>	<b>123.2</b>	<b>162.6</b>	<b>190.0</b>	<b>110.0</b>	<b>190.0</b>	<b>27.4</b>	<b>0.0</b>

Business profit is profit before tax excluding financial income and one-time items of a materially significant value.  
Inventory valuation etc. is inventory valuation, carry over and foreign exchange valuation in steel business.  
Segment profit is profit including financial income in business profit.

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10

Next, I would like to explain the annual outlook for FY2023.

Both business profit and net income remain unchanged from the previous forecast, with annual business profit projected at JPY290 billion and net income at JPY190 billion.



# Financial Forecast for Fiscal Year 2023 (by Segment)

JFE-HD

(billion yen)		FY2022 Actual		FY2023 Forecast (Previous)	FY2023 Forecast(Updated)		Change FY2022 →FY2023	Change Previous →Updated
		1H	Full year	Full year	1H	Full year	Full year	Full year
Steel Business		1,918.9	3,881.1	3,770.0	1,865.8	<b>3,800.0</b>	(81.1)	30.0
Engineering Business		219.0	512.5	550.0	248.4	<b>550.0</b>	37.5	0.0
Trading Business		750.2	1,514.1	1,620.0	742.0	<b>1,580.0</b>	65.9	(40.0)
Adjustments		(323.9)	(638.9)	(560.0)	(279.7)	(570.0)	68.9	(10.0)
<b>Revenue</b>		<b>2,564.3</b>	<b>5,268.7</b>	<b>5,380.0</b>	<b>2,576.5</b>	<b>5,360.0</b>	<b>91.3</b>	<b>(20.0)</b>
Business Profit (A)		187.9	235.8	290.0	164.3	290.0	54.2	0.0
Finance Income/Costs (B)		(6.6)	(14.8)	(20.0)	(8.9)	(20.0)	(5.2)	0.0
Steel Business		148.2	146.8	200.0	122.8	<b>200.0</b>	53.2	0.0
Engineering Business		(3.9)	13.4	25.0	8.7	<b>25.0</b>	11.6	0.0
Trading Business		40.6	65.1	48.0	26.8	<b>48.0</b>	(17.1)	0.0
Adjustments		(3.6)	(4.3)	(3.0)	(3.1)	(3.0)	1.3	0.0
<b>Segment Profit (A+B)</b>		<b>181.2</b>	<b>221.0</b>	<b>270.0</b>	<b>155.3</b>	<b>270.0</b>	<b>49.0</b>	<b>0.0</b>

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11

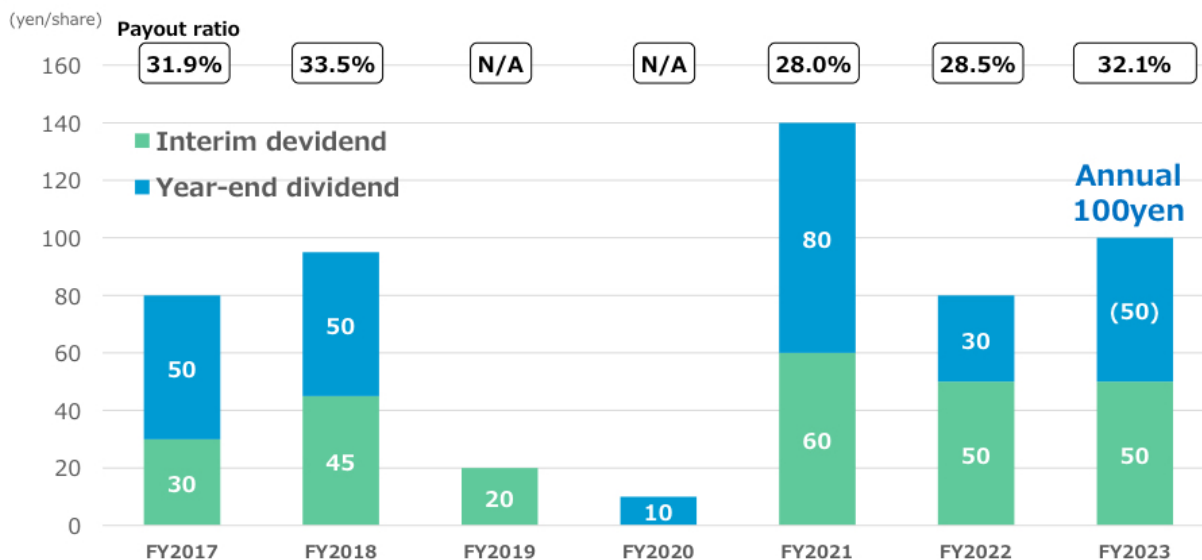
By segment, there is no change from the August announcement: JPY200 billion for the steel business, JPY25 billion for the engineering business, and JPY48 billion for the trading business.





# Dividend

- The Board of Directors resolved to pay an interim dividend of **50 yen per share**. (As previous announced)
- The annual dividend is expected to be **100 yen per share**, based on the business outlook and the payout ratio policy of about 30%. (As previous announced)



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Dividends. The Board of Directors today resolved to pay an interim dividend of JPY50 per share. The annual dividend is expected to be JPY100 per share, unchanged from the previous forecast.

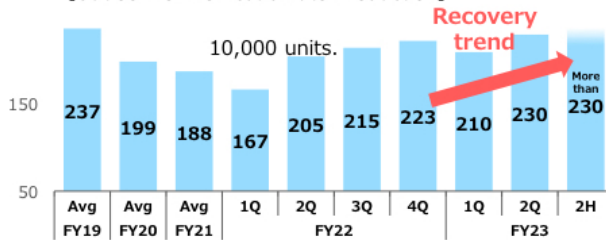


# Business environment (Domestic)



- Although the level of activity in the automotive sector is improving, **demand continues to be postponed, particularly in the civil engineering and construction sectors**, due to labor shortages and the impact of soaring materials prices.
- **Demand for steel products is expected to be flat** from the first half to the second half of the year.

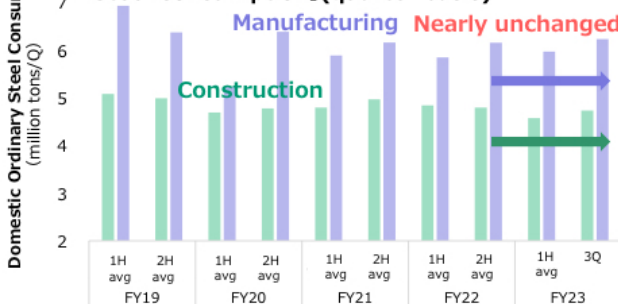
[Outlook for Domestic Auto Production]



[Trend by Sector]

Auto-mobile	<ul style="list-style-type: none"> <li>Each company has a backlog of orders and is highly motivated to produce.</li> <li>Semiconductor supply risks are gradually improving, and <b>production levels are expected to recover moderately.</b></li> </ul>
Ship-building	<ul style="list-style-type: none"> <li>Despite the effects of soaring materials prices and labor shortages, the company has secured a two-year backlog of orders, which is the standard for stable workload.</li> <li><b>The current level is expected to remain stable over the next two to three years.</b></li> </ul>
Other manufacturing	<ul style="list-style-type: none"> <li>As for construction machinery, demand for mining is strong and stable due to high resource prices, but <b>a decline in external demand is seen in construction and civil engineering.</b> It is necessary to keep an eye on this trend.</li> <li><b>Industrial machinery should be closely watched as it is increasingly cautious about investment</b> due to rising interest rates and other economic uncertainties.</li> </ul>
Construction	<ul style="list-style-type: none"> <li>In the non-housing sector, demand for <b>large-scale projects, which had been relatively strong, has been postponed due to rising material prices and labor shortages.</b></li> <li>The number of new housing starts has stagnated, and the number of <b>small and medium-sized projects has continued to be in a slump.</b></li> </ul>
Civil engi- neering	<ul style="list-style-type: none"> <li>Although budget measures continue to be implemented at a high level, <b>it is expected to be affected by soaring materials prices and labor shortages.</b></li> </ul>

[Outlook for Domestic Ordinary Steel Consumption](quarter basis)



Source: Ministry of Economy, Trade and Industry, "Outlook for Steel Consumption" 12 oct. 2023. (FY2022, 3Q and after is estimated results)

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I will now explain the situation by business segment specifically.

First, let me explain the business environment in steel. As for Japan, the level of activity in the automotive sector is beginning to improve, and the recovery trend is further progressing compared to the previous period. On the other hand, demand continues to be postponed due to labor shortages and soaring material prices, particularly in the civil engineering and construction sectors.

In general, we expect steel demand to remain flat from 1H to 2H. As shown on the right, the production level of automobiles has been recovering moderately and is in a positive direction compared to the previous survey. There are no major changes in shipbuilding.

In the manufacturing sector, the trend for construction equipment is heading toward a bit of weakness, as external demand in the construction and civil engineering sectors is declining, although demand for mining continues to be strong.

As for industrial equipment, as mentioned briefly in the last announcement, there is a slight weak trend toward a more cautious investment stance. In the construction sector, even for large-scale projects that have been relatively robust up to now, there are clear signs that demand is being postponed due to soaring material prices and labor shortages. The market for small- and medium-sized projects continues to be sluggish.

Overall, our view is that domestic demand will not change much from the previous announcement, with a slight increase in automobiles, but a slight decrease in the building and construction sectors.

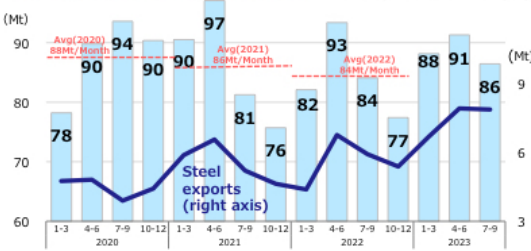


# Business environment (Overseas)



- In China, steel exports increased due to sluggish domestic demand caused by a slump in the real estate sector, resulting in **a loosening of overseas steel supply and demand and continued stagnation in the market.**
- Although Chinese government stimulus measures and curbs on crude steel are expected, it will take time for steel demand and market conditions to recover in earnest.

**[China's crude steel production and steel exports]**  
**Crude steel production (per month)**  
 Annual crude steel production (per month)  
 2020: 1,053 million tons (88)  
 2021: 1,033 million tons (86)  
 2022: 1,013 million tons (84)



**[Real GDP Growth Forecast in 2023]**  
 (Arrows indicate changes from the previous forecast)

	World	US	China	India	ASEAN-5
2022 Estimate	3.5%	2.1%	3.0%	7.2%	4.5%
Jul. 2023 Forecast	3.0%	1.8%	5.2%	6.1%	5.3%
Oct. 2023 Forecast	3.0% ➡	2.1% ➡	5.0% ➡	6.3% ➡	5.2% ➡

Source: IMF World Economic Outlook Update July 25 and October 10, 2023

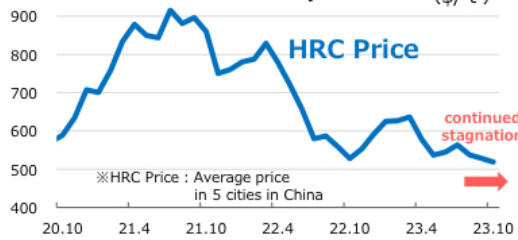
\*ASEAN-5: Thailand, Malaysia, Indonesia, Philippines, and Singapore

**[Trend by Sector]**

Thin Sheet	<ul style="list-style-type: none"> <li>In China, domestic demand has slumped due to a slow recovery in the real estate sector.</li> <li>In Southeast Asia, the steel market continued to stagnate due to an increase in imported materials from China, a decline in external demand and a decline in resource prices.</li> </ul>
Automobile	<ul style="list-style-type: none"> <li>Demand is firm and <b>production levels are expected to recover gradually.</b></li> <li>However, <b>the recovery is expected to be moderate compared to the previous year</b> due to the prolonged crisis in Ukraine, rising prices and interest rate hikes mainly in the United States, as well as a slowdown in growth in China.</li> </ul>
Ship-building	<ul style="list-style-type: none"> <li>China and South Korea shipbuilders are increasing orders for new construction and <b>securing stable contracts.</b></li> <li>Despite the impact of the labor shortage, <b>it is expected to be firm</b> as the labor shortage is gradually being resolved.</li> </ul>
Energy	<ul style="list-style-type: none"> <li>While oil and gas prices has fallen temporarily due to fears of a slowdown in the economy, <b>investment in projects to develop oil and natural gas plants is expected to remain strong.</b></li> </ul>

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**[ China : Steel market price ] (\$/ t)**



Next, I will explain the demand for steel products overseas.

As you know, domestic demand is sluggish due to the poor performance of the real estate sector in China. Exports are increasing, resulting in a very loose supply and demand situation for steel products overseas, and the market continues to be sluggish. Although there are expectations for economic stimulus measures and crude steel restraints by the Chinese government, we expect it will take time for the steel demand market to fully recover. Previously, we had said that the market would recover around the beginning of the year, but this time we see that it will be difficult to recover by the end of this fiscal year.

The lower left-hand corner shows Chinese steel market conditions, which are also at very low levels. The right side shows trends by sector. Regarding Southeast Asia for steel sheets, the previous forecast was for a gradual recovery, but this time the forecast has been changed to say that there is no recovery due to the continued stagnation in the steel market caused by increased imports from China, slowdown in external demand, and falling resource prices. Other areas remain largely unchanged from our previous view.



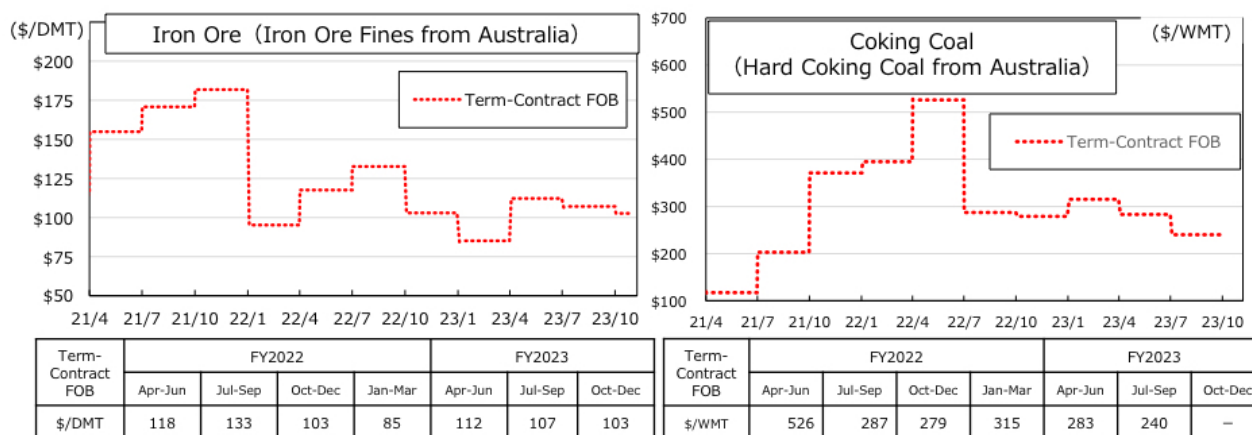
# Raw materials market trends

## ■ Key raw materials

- Iron ore is currently hovering around \$100 FOB amid a slump in the Chinese steel market.
- Since September, coking coal has surged due to increased demand in India and has exceeded FOB \$300.
- **Both iron ore and coking coal are expected to remain at current levels.**  
(The effect of weather should be carefully observed.)

## ■ Metals

- Metals prices remain weak due to the sluggish European economy and the slower recovery in China's economy and steel demand.



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Next are raw materials.

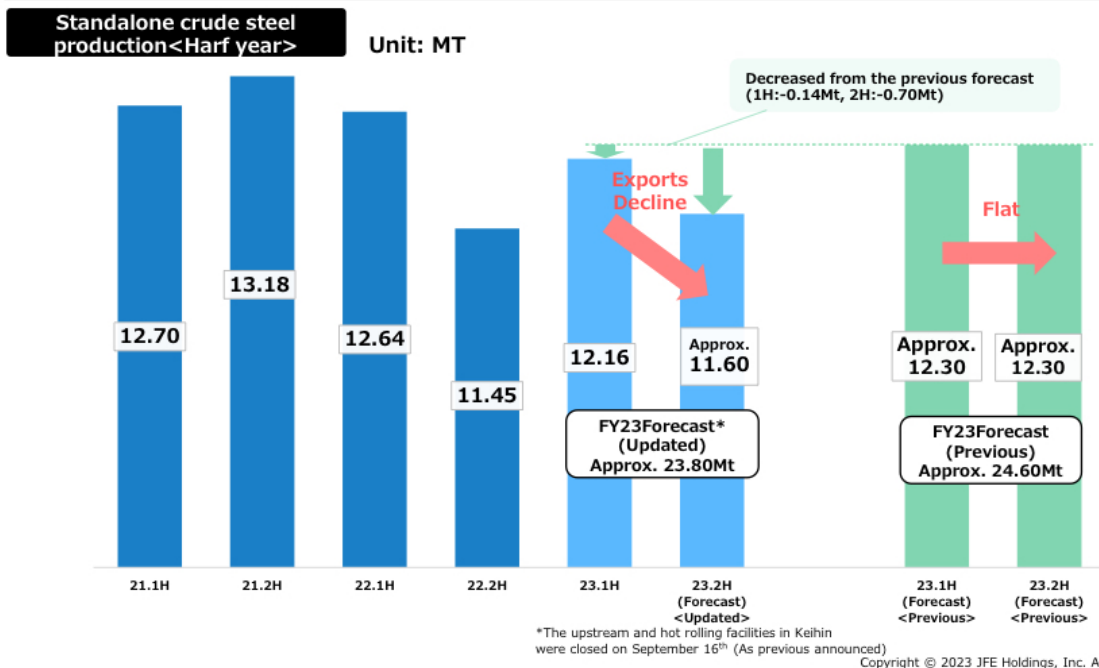
The table below shows the price trends for iron ore and coking coal. Iron ore is currently trading at FOB \$ 105 to FOB \$ 115, despite the sluggish steel market in China. On the other hand, coking coal has surged since September due to increased demand especially in India, and is currently well above FOB \$ 300. The Company expects iron ore and coking coal prices to remain at current levels.



# Crude steel production



➤ Compared with previous assumptions, the coking coal market has risen sharply, and the recovery of overseas steel demand and market conditions has been slow. Standalone crude steel production is expected to fall to approx. 23.80 Mt per year, mainly due to a decline in exports. **(down 0.80Mt from the previous forecast)**



This is about crude steel production.

The Company’s non-consolidated crude steel production is projected to be approximately 23.8 million tons per year. The previous forecast was 24.6 million tons, so production is down 800,000 tons. The chart below shows crude steel production by half year. For the current fiscal year, 1H results were 12.16 million tons, and the forecast for 2H is 11.6 million tons. On the other hand, the green bar graph on the right side shows the previous forecast, which was unchanged at 12.3 million tons for both 1H and 2H. But the crude steel production has now been revised to show a large production decrease, especially in 2H. One of the reasons for this is that the recovery in overseas steel demand and market conditions, as mentioned earlier, has been slower than previously assumed. Therefore, the Company plans to drop production in 2H, mainly for exports.



# Financial Forecast for Fiscal Year 2023



	Unit	FY2022					FY2023(updated)					FY2023 Previous Forecast
		1Q	2Q	1H	2H	Full Year	1Q	2Q	1H	2H	Full Year	
Revenue	billion yen	932.6	986.3	1,918.9	1,962.2	3,881.1	917.2	948.6	1,865.8	1,934.2	3,800.0	3,770.0
Segment Profit	billion yen	93.0	55.2	148.2	(1.4)	146.8	68.1	54.7	122.8	77.2	200.0	200.0
Excluding Inventory Valuation etc.*	billion yen	(23.0)	55.2	32.2	41.6	73.8	59.1	64.7	123.8	76.2	200.0	225.0
Crude Steel (Standalone)	Mt	6.43	6.21	12.64	11.45	24.10	6.05	6.11	12.16	Approx. 11.60	Approx. 23.80	Approx. 24.60
Crude Steel (Consolidated)	Mt	6.77	6.59	13.37	12.11	25.48	6.38	6.47	12.85	\		
Shipment (Standalone)	Mt	5.54	5.32	10.86	10.88	21.74	5.23	5.42	10.65			
Export Ratio on Value Basis (Standalone)	%	48.5	45.0	46.7	42.2	44.5	44.2	44.2	44.2			
Average Sales Price (Standalone)	000 yen/t	126.7	136.7	131.6	129.9	130.8	128.5	130.1	129.3			
Exchange Rate	¥/\$	126.5	136.6	131.6	138.6	135.1	135.8	144.1	139.9	Approx. 150	Approx. 145	Approx. 139
Exchange Rate (End of Term)	¥/\$	136.7	144.8	144.8	133.5	133.5	145.0	149.6	149.6	Approx. 150	Approx. 150	Approx. 140

\* Excluding inventory valuation, carry over, one-time structural reform costs and foreign exchange valuation from segment profit

Here is a summary of our steel business outlook for FY2023.

Segment profit is expected to be JPY200 billion, the same as the previous forecast, but excluding inventory valuation difference, the profit is expected to decrease from JPY225 billion in the previous forecast to JPY200 billion in the current forecast, resulting in a JPY25 billion decrease in this part of the profit.

Crude steel production is as I mentioned earlier.

Finally, the second row from the bottom of the table shows the exchange rate, which assumes an exchange rate of JPY150 for 2H. Thus, the annual average is approximately JPY145.

Based on the above assumptions, we will explain the factors behind the increase or decrease in segment profit for steel.



## No change in JFE Steel's Segment Profit (FY2023 (Previous Forecast) vs. FY2023(Updated Forecast))

JFE Steel

JFE Steel	FY2023 Previous Forecast	FY2023 Updated Forecast	(billion yen) Change
Segment Profit	<b>200.0</b>	<b>200.0</b>	<b>0.0</b>
Excluding Inventory Valuation etc.	225.0	200.0	(25.0)
<b>1. Cost</b>	<b>+5.0</b>		
<b>2. Volume and Mix</b>	<b>(8.0)</b>		• Crude Steel Production approx.24.60Mt⇒approx.23.80Mt
<b>3. Sales and Raw materials</b>	<b>(25.0)</b>		• Deterioration due to the slowdown in overseas market conditions
<b>4. Inventory valuation</b>	<b>+25.0</b>		• Inventory valuation +14.0 (-12.0→+2.0) • Carry over +22.0 (-19.0→+3.0) • Foreign exchange valuation +9.0 (+6.0→+15.0) • one-time structural reform costs -20.0
<b>5. Others</b>	<b>+3.0</b>		

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First, a comparison with the previous forecast.

Segment profit remains unchanged from the previous forecast at JPY200 billion, but there is an increase or decrease in each item. As for costs, positive JPY5 billion in 1H explained earlier will remain. In terms of volume and production mix, crude steel production declined significantly by 800,000 tons, but the impact on P&L was a negative JPY8 billion, a small figure compared to the monetary impact of the previous decrease in production volume. While the volume decreased, there was a positive difference of JPY8 billion due to the improvement of the production mix, because of the drop in production overseas, especially in HR Coil for export.

As for the spread, it is negative JPY25 billion. Although we have factored in further improvement in selling prices, especially in Japan, from the previous forecast, the spread was negative due to a large increase in coking coal prices and poor overseas market conditions.

Regarding the category of inventory valuation (No.4), we have included JPY20 billion of one-time restructuring costs in this category. With the suspension of Keihin upstream facilities in September, we estimated JPY20 billion yen in such as disposal costs, mainly for spare parts and equipment that are not expected to be used in the future. Because it is a one-time cost due to structural reforms, we have classified it into number 4, Inventory valuation and this cost does not constitute an item of P&L excluding inventory valuation differences, etc.

As you can see from the changes above, excluding the inventory valuation difference, we have negative JPY25 billion from the previous forecast. The reason for this is that the spread of minus 25 billion yen remained as a result compared to the previous forecast.



## ¥53.2Bn. Increase in JFE Steel's Segment Profit (FY2022 (Actual) vs. FY2023 (Forecast))

JFE Steel

JFE Steel	FY2022 Actual	FY2023 Forecast	(billion yen) Change
Segment Profit	<b>146.8</b>	<b>200.0</b>	<b>53.2</b>
Excluding Inventory Valuation etc.	73.8	200.0	126.2
<b>1. Cost</b>	<b>+68.0</b>		<ul style="list-style-type: none"> <li>• Structural reforms effect +20.0</li> <li>• Operational improvement +25.0</li> <li>• Disappearance of blast furnace refurbishment impact +13.0</li> <li>• Disappearance of production reduction impact +10.0</li> </ul>
<b>2. Volume and Mix</b>	<b>+2.0</b>		• Crude Steel Production 24.10Mt⇒approx. 23.80Mt
<b>3. Sales and Raw materials</b>	<b>+120.0</b>		• Improved spreads due continued sales price improvement efforts
<b>4. Inventory valuation</b>	<b>(73.0)</b>		<ul style="list-style-type: none"> <li>• Inventory valuation -77.0 (+79.0→+2.0)</li> <li>• Carry over +26.0 (-23.0→+3.0)</li> <li>• Foreign exchange valuation -2.0 (+17.0→+15.0)</li> <li>• one-time structural reform costs -20.0</li> </ul>
<b>5. Others</b>	<b>(63.8)</b>		<ul style="list-style-type: none"> <li>• Foreign exchange effects on trade -23.0</li> <li>• Depreciation cost -11.0</li> </ul>

20

Next is a comparison with the previous year.

Segment profit for the previous fiscal year was JPY146.8 billion and JPY200 billion for the current fiscal year. As you can see, the trend in the numbers for each item is the same as previously announced.

In terms of volume and production mix, crude steel decreased by 300,000 tons from the previous year, but P&L was positive JPY2 billion. In other words, despite the decrease in crude steel, P&L is positive.

This is because, as I mentioned earlier, the positive effect of production mix slightly outweighed the decline in volume. Specifically, the ratio of seamless pipes and electrical steel sheets has increased, which is a significant positive contribution to the production mix compared to the previous year.





## ¥45.6Bn. Decrease in JFE Steel's Segment Profit (FY2023.1H vs. FY2023.2H)

JFE Steel

JFE Steel	FY2023 Forecast			Change
	1H Actual	2H Forecast	Full Year	
Segment Profit	<b>122.8</b>	<b>77.2</b>	200.0	<b>(45.6)</b>
Excluding Inventory Valuation etc.	123.8	76.2	200.0	(47.6)

<b>1. Cost</b>	<b>+28.0</b>	<ul style="list-style-type: none"> <li>• Structural reforms effect +20.0</li> <li>• Operational improvement +8.0</li> </ul>
<b>2. Volume and Mix</b>	<b>(3.0)</b>	• Crude Steel Production 12.16Mt⇒approx. 11.60Mt
<b>3. Sales and Raw materials</b>	<b>(50.0)</b>	• Deterioration due to the slowdown in overseas market conditions
<b>4. Inventory valuation</b>	<b>+2.0</b>	<ul style="list-style-type: none"> <li>• Inventory valuation ±0.0 (+1.0→+1.0)</li> <li>• Carry over +37.0 (-17.0→+20.0)</li> <li>• Foreign exchange valuation -15.0 (+15.0→±0.0)</li> <li>• one-time structural reform costs -20.0</li> </ul>
<b>5. Others</b>	<b>(22.6)</b>	• Foreign exchange effects on trade -11.0 etc.

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Next is the difference from 1H to 2H.

While segment profit for 1H was JPY122.8 billion, it was JPY77.2 billion for 2H, a decrease of JPY45.6 billion. Please see figures for the breakdown.

Cost reductions are positive JPY28 billion including the effect of structural reforms, but volume and production mix are negative due to reduced crude steel production. The most significant factor is the negative JPY50 billion in spread. This negative JPY50 billion is based on the anticipated increase in raw material prices as well as very poor export market conditions.

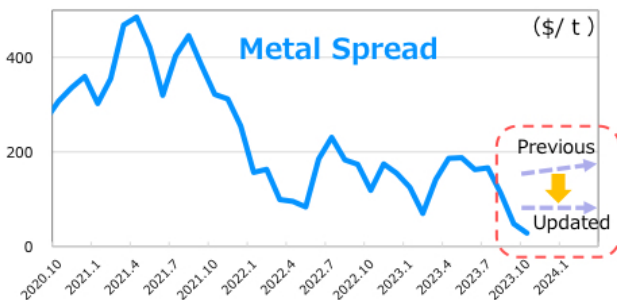
Please refer the slide for inventory valuation differences and other items.



# Outlook on spread for the second half of FY2023

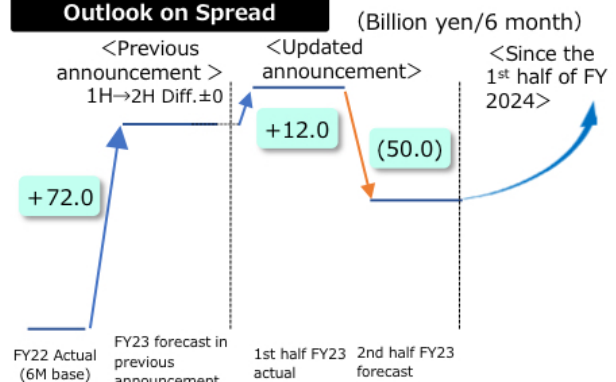
- In the second half of FY2023, the spread, especially for export is expected to deteriorate significantly due to the rise in the coking coal market and the slump in overseas markets.
- Since the first half of FY2024, spreads expect to improve by passing on unreflected coking coal costs, pursuing sustainable price levels, and raising the ratio of high value-added products. With the recovery of overseas market conditions, further upside can be expected.

## HR coil Spread (Chinese spot basis)



- < Approach to overseas market conditions in the 2nd half >
- Previous : Improve steel supply & demand and market conditions since the beginning of the year
  - Updated : Reflected the recent market downturn. Full-scale recovery is expected to be delayed beyond next fiscal year

## Outlook on Spread



- In the 1st half actual, increased by ¥12 billion from the previous announcement due to improvement in sales price, etc.
- Expect a decrease of ¥50 billion from the 1st half to the 2nd half, taking into account the effects of weak overseas market conditions and rising coking coal prices. (¥38 billion decrease against the previous announcement of the 2nd half).

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Let me explain the 2H spread in more detail.

Below left is a spread of spot-based HR coil in China. Spreads are very low, and given the current market slump, a full recovery is not expected until the next fiscal year or later. In other words, we are assuming that the current level will continue in 2H.

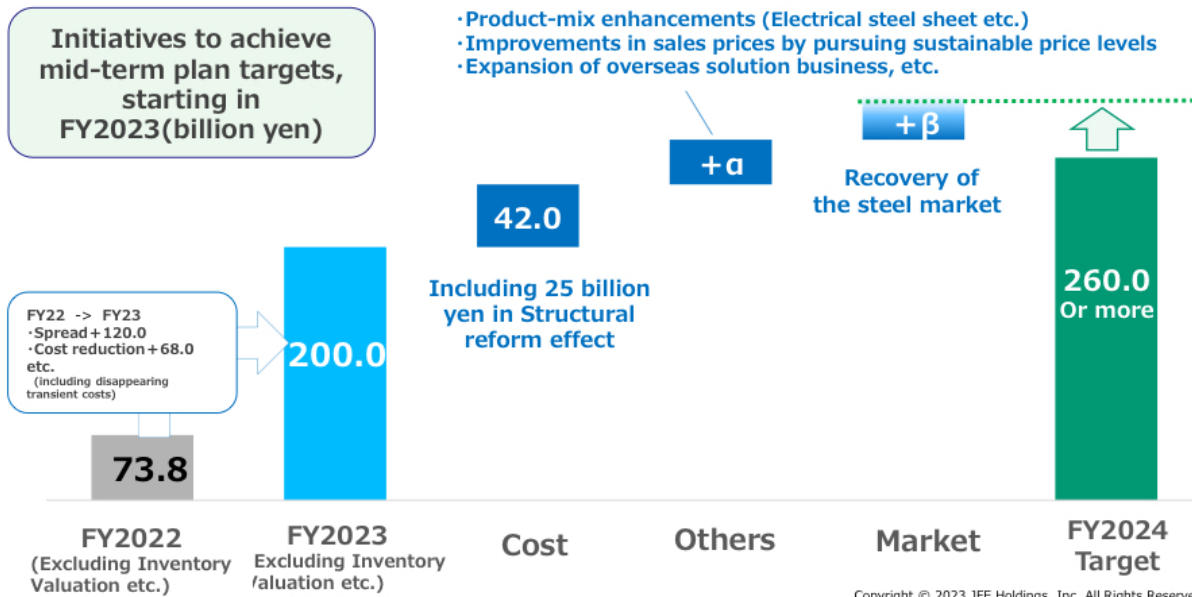
On the right side, the outlook on spread is shown. Previously, the spread would improve by JPY72 billion from the previous year and was viewed as being at the same level for both 1H and 2H. In 1H of the current financial year, a further JPY12 billion improvement in the spread was achieved through improved selling prices. However, in 2H, the spread is expected to be negative JPY50 billion due to poor market conditions, which is a negative figure compared to the previous forecast as well.

In FY2024 and beyond, we will steadily pass on the unreflected portion of coking coal costs from 1H of next year onward, pursue sustainable price levels, and increase the ratio of high value-added products. In particular, facilities for electrical steel sheets are scheduled to be up and running in 1H of next year.

We believe these efforts can improve spreads. If overseas market conditions recover from the current level, we believe we can further increase the spreads.

## Paths toward achieving the Seventh Medium-Term Plan

- In FY2023, segment profit excluding Inventory Valuation etc. in the steel business is expected to be **200 billion yen**.
- In FY2024, due to steadily implementing various measures, including structural reforms, sales price improvements, and an increase in the ratio of high-value-added products, **we aim to achieve 260 billion yen or more**.



Based on the above, we present a roadmap for achieving the Seventh Mid-Term Plan.

Starting with JPY200 billion in FY2023, excluding the inventory valuation difference etc., we believe that cost reductions, including the remaining JPY25 billion of structural reform benefits, will ensure positive JPY42 billion in the next fiscal year. Furthermore, we aim to achieve profits of JPY260 billion or more by increasing the ratio of high value-added products, pursuing sustainable price levels, and expanding overseas solution businesses. In addition, we hope to move further up the ladder as overseas market conditions recover.



# Financial Forecast for Fiscal Year 2023



## ■ Current Business Environment/Overview of Financial Status

Annual segment profit is expected to be **¥25 billion**. (As previous forecast)

<Year-on-year>

- Orders: Expect to increase in the field of **“Waste to Resource”** and **“Carbon neutral”**.
- Segment profit: Expect to increase due to increased sales by the progress of ordered projects and price reflecting the impact of soaring prices of materials and equipment.

## ■ Financial Forecast

(billion yen)	FY2022 Actual		FY2023 Forecast		Change		FY2023 Forecast (Previous)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
Orders	286.0	564.9	<b>269.7</b>	<b>580.0</b>	(16.3)	15.1	280.0	580.0
Revenue	219.0	512.5	<b>248.4</b>	<b>550.0</b>	29.4	37.5	230.0	550.0
Segment Profit	(3.9)	13.4	<b>8.7</b>	<b>25.0</b>	12.6	11.6	5.0	25.0

### From previous forecast

<1H segment profit +37> Increased revenue, etc.

<Full year segment profit ±0> As previous forecast.

Next, I will explain our engineering business.

In the engineering business, segment profit was JPY25 billion and orders received were JPY580 billion, unchanged from the previous announcement. For 1H, profits increased by JPY3.7 billion, a slight improvement over the previous announcement. The increase in sales revenue was brought forward to 1H, which means that profits were also brought forward to 1H.



# Financial Forecast for Fiscal Year 2023

JFE Shoji

JFE

## ■ Current Business Environment/Overview of Financial Status

Annual segment profit is expected to be **¥48 billion**. (As previous forecast)

<Year-on-year>

- Despite the recovery in automobile production, **profit is expected to decline** due to the slow recovery of the Chinese economy and **the narrowing of domestic and international spreads, particularly in North America**.

(Down ¥17.1 bn. from the previous year and up ¥8.0 bn. from the mid-term plan.)

## ■ Financial Forecast

(billion yen)	FY2022 Actual		FY2023 Forecast		Change		FY2023 Forecast (Previous)	
	1H	Full Year	1H	Full Year	1H	Full Year	1H	Full Year
	Revenue	750.2	1,514.1	<b>742.0</b>	<b>1,580.0</b>	(8.2)	65.9	780.0
Segment Profit	40.6	65.1	<b>26.8</b>	<b>48.0</b>	(13.8)	(17.1)	26.0	48.0

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Next, I will explain about JFE Shoji.

In JFE Shoji, the segment profit for the year is JPY48 billion, in line with the previous forecast. There was no significant change in 1H, with JPY26.8 billion versus the previous forecast of JPY26 billion.



# Shutdown of upstream facilities in Keihin district



- **The upstream and hot rolling facilities in Keihin were closed on September 16<sup>th</sup>.**
- By FY2024, **a fixed cost reduction of ¥45 billion** can be realized, which significantly lower the break-even point.
- Utilizing slabs and coils from other districts, Keihin will be a new urban steel plant that focuses on high-value-added products such as steel plates for building (HBL™) and hot-dip galvanized steel sheets with excellent corrosion resistance (ECOGAL Neo™).

	FY21	FY22	FY23	FY24~
Shutdown of Tin Mills in Chiba Consolidation in Fukuyama		Shutdown(Aug. 2022) (No.2 Tandem Mill, No.4 CAL, TFL)		
Refit of Blast Furnace	Kurashiki Refit No.4 BF (~Dec.2021)	Chiba Refit No.6 BF (Sep.22~Jan.23)		
Shutdown of upstream and hot rolling facilities in Keihin			Shutdown (Sep. 16, 2023)	
Development plans for the land of Keihin	Selection of a Business Partner for the north side of the north district in the Minami-Watarida Area (Mar. 2023)		Development plans in Ohgishima (Sep. 7, 2023)	To Sell Ohgimachi land (Dec. 2024)

## Production system after structural reform



**Promote automation of logistics of materials received from other districts by new DX technology.**

**Remote and automated coastal cranes**



Under research and development

**Autonomous trailer**



Under demonstration

Now, let's move on to the topics. First of all, I would like to report on the suspension of the upstream facilities in Keihin district.

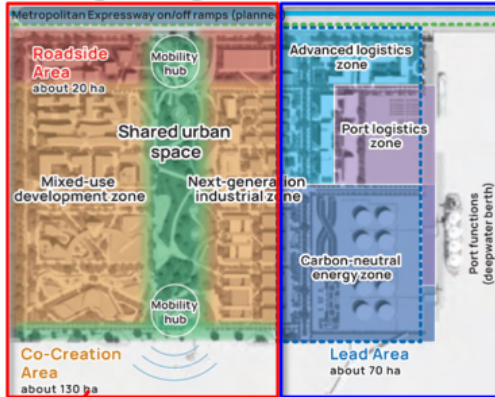
On September 16, the upstream facilities and hot rolling facilities in Keihin district were suspended. As we have previously reported, our goal is to realize JPY45 billion in fixed cost reduction benefits by FY2024, significantly lowering the break-even point.

Also, regarding the production system diagram on the right side, since the upstream process has been stopped, slabs and coils are brought from Fukuyama, Kurashiki, and Chiba to Keihin district and rolled in the downstream process. Under these circumstances, we will focus on high value-added products, such as steel plates for building structures and ECOGAL, aiming to become a new urban steel mill.

After the structural reform, many slabs and coils will be brought from other districts, so the plan is to use DX technology to automate incoming materials from other districts and logistics within the plant to create a new urban steel mill while reducing costs.

- **Comprehensive land management** will be engaged that appropriately combines "sale", "lease" and "business use". **Proactive introduction of public funds will be discussed** with the national and city governments, and continuous development will be promoted.
- **About 1/4 of the 400ha area subject to land use conversion, including the lead area,** is under consideration for **publication of an income and expenditure plan in FY2024.**

**[Zoning of Ohgishima (about 222ha)]**



**Lead Area**

Leveraging deep water berths to form hydrogen supply bases and lead the way in carbon neutrality and land use conversion for the entire area.

**Roadside・Co-Creation Area**

A "share-type urban space," a lush green common space, is arranged as the central axis, and a "next-generation industrial and complex development zone" is arranged on both sides to integrate next-generation industries and facilities.

**[Major events]**

<b>FY2023</b>	<ul style="list-style-type: none"> <li>• "OHGISHIMA2050" release (7<sup>th</sup> Sep.)</li> <li>• Shutdown of upstream facilities in Keihin (16<sup>th</sup> Sep.)</li> </ul>
<b>FY2024</b>	<ul style="list-style-type: none"> <li>• <b>Delivery of Ohgimachi (about 21ha)</b> (Capital gain: about ¥45 billion)</li> </ul>
<b>FY2027</b>	<ul style="list-style-type: none"> <li>• <b>Opening of Minamiwatarida area.</b></li> </ul>
<b>FY2028</b>	<ul style="list-style-type: none"> <li>• <b>A portion of the land in the Lead Area is slated to become available.</b></li> <li>• <b>Roadside and Co-Creation Area</b> will be steadily developed.</li> </ul>
<b>FY2050</b>	<ul style="list-style-type: none"> <li>• <b>Completion</b></li> </ul>

Next, on September 7th, we announced a land use concept for Keihin district under the name OHGISHIMA2050. The contents are the same as those announced at that time, but we are currently considering announcing an immediate income and expenditure plan by the end of next fiscal year, as about a quarter of the total land use conversion area of about 400 hectares, including the 'Lead Area', will take shape.

# Adoption status of green steel “JGreeX”

JGreeX™ has been **first adopted for buildings and transformers** as well as for ships.

## ■ Steel plates for ships

- With eight domestic shipping companies, we are the first in the world to build a model that will bear CO<sub>2</sub> reduction cost throughout the entire supply chain.
- **Sales volume: about 14,000t**



Release on 6<sup>th</sup> Jun. 2023

## ■ Steel plates for buildings

- **First adopted for the new construction of “(tentative name) Suidobashi PREX”.**
- Contributing to CO<sub>2</sub> reduction in manufacturing materials for new buildings.
- **Sales volume: about 200t**



<b>PREX</b>	
(tentative) Suidobashi PREX	
Owner	SUMITOMO CORPORATION
Construction	Kumagai Gumi Co.,Ltd. (planned)
Building size	Steel-framed 10-story building

Release on 2<sup>nd</sup> Oct. 2023

## ■ Electrical steel sheets for transformers Release on 26<sup>th</sup> Oct. 2023

- Grain-oriented electrical steel sheets are adopted for the first time for transformers manufactured in Europe. Contributing to the reduction of CO<sub>2</sub> emissions by supplying high-grade grain-oriented electrical steel sheets that enable the manufacture of high-efficiency transformers.
- **Sales volume: about 300t**

Also, the status of our green steel, JGreeX, adoption.

Previously, we introduced steel plates for shipbuilding on the upper left, and then for the first time in steel plates for construction on the right, in quantities of about 200 tons. Furthermore, the electrical steel sheets for transformers shown below have also been adopted for the first time in Europe, and JGreeX’s track record has been steadily increasing.





## Fundraising through public offering and CB issuance

JFE

- In September 2023, we **raised a total of 204.5 billion yen through a public offering and CB issuance (Issuance of new shares, disposal of treasury shares, and issuance of convertible bonds)** in order to flexibly and reliably implement the GX strategy and continue sustainable profit growth.
- With this financing, we will strengthen our financial base **to support the 1 trillion yen scale investments toward 2030 for decarbonization of our steel manufacturing process.**

Type	Amount raised	Use of funds	Amount	Aim
[Issuance of new shares] 25 million shares [Disposal of Treasury Stock] 30 million shares	<b>114.5 billion yen</b>	(Kurashiki District) Enhancement of manufacturing facilities for non-oriented electromagnetic steel sheets *Period I: First half of FY 2024, Period II: FY 2026	Approx. 95.0 billion yen	Strengthen profitability by capturing rising demand for electrical steel sheets
		(India) Investment in the establishment of a joint venture company for the manufacture and sale of directional electrical steel sheets	Approx. 15.0 billion yen	
[Issuance of Convertible Bonds] Maturity of 2028 Conversion Price: ¥3,041 * UP rate 39.98%	<b>90.0 billion yen</b>	(Chiba District) Introduction of electric furnaces for stainless steel	Approx. 15.0 billion yen	Establish a strong financial foundation to support the swift implementation of the GX strategy
		Capital investment, business investment, R & D expenses, etc. necessary for decarbonizing the steel manufacturing process	Approx. 75.0 billion yen	

\* At the time of determination of the condition (September 11, 2023). 2,973.7 yen after adjusting for the interim dividend for fiscal 2023.

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32

In September, we raised funds through a public offering and CB issuance. This is intended to ensure agile and reliable implementation of the GX strategy and lead to sustainable profit growth.

The funds raised through the public offering will be used to fund investments in non-oriented electrical steel sheets in the Kurashiki district and to cover the equivalent investment in the establishment of a grain-oriented electrical steel sheet joint venture in India, in order to steadily generate profits and increase shareholder value.

In addition, we raised JPY90 billion in convertible bonds. This is to support these investments, which we have said will require about JPY1 trillion to decarbonize the steel manufacturing process by 2030. We believe this will help strengthen our financial base and ensure flexibility.



# Published JFE Group Report and Sustainability Report

## JFE Group Report 2023 and Sustainability report has been published

JFE Group Report: Published on 26<sup>th</sup> Sep. 2023  
Sustainability Report: Published on 28<sup>th</sup> Sep. 2023



- 1. Strategy to Create Value**
  - Message from the CEO and CFO
  - Material Issues of Corporate Management and KPIs
  - Progress on the Seventh Medium-term Business Plan (FY2021-2024)
  - Special Feature (Electrical Steel Strategy·Land Utilization in Keihin)
- 2. Initiatives to Create Value**
  - Business Model and Strategy of JFE Group
  - Helping to Resolve Issues Related to Climate Change
- 3. Management Foundation that Supports Growth**
  - Dialogue with Outside Executives, Corporate Governance etc.



<https://www.jfe-holdings.co.jp/investor/library/group-report/index.html>



- 1. JFE Group Vision**
  - Value of Steel
  - Progress on 7th Mid-term Business Plan
  - Material Business Issues, Achievement of KPIs
- 2. Sustainability Management**
- 3. Initiatives for ESG Issues, ESG Data**
  - Environment: Climate change issues, environmentally conscious processes and products, biodiversity etc.
  - Social: Occupational safety measures, diversity & inclusion, respect for human rights etc.
  - Governance: Corporate governance, risk management etc.

English version is coming soon

## Carbon Neutrality Strategy Briefing is held on 8<sup>th</sup> Nov. 2023 regarding climate change issues

Finally, as in previous years, the JFE Group Report and Sustainability Report were published. In addition, JFE Steel plans to hold and host a carbon neutrality strategy briefing on November 8th.

That is all.

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