JFE Holdings, Inc.

3Q Financial Results Briefing for the Fiscal Year Ending March 2026

February 5, 2026

Presentation

Moderator: We will now begin the JFE Holdings Investors Meeting. Today's attendees are Masashi Terahata, Representative Director and Executive Vice President, and Tsunao Takura, Vice President.

Today's agenda is scheduled for a total of 60 minutes, consisting of approximately 30 minutes of presentations followed by 30 minutes of Q&A.

Regarding financial results and performance outlook, Executive Vice President Terahata will provide an overview.

Terahata: I will begin with a brief overview of the highlights.

Although our operating environment remains extremely challenging due to factors such as depressed steel market conditions caused by excess production and increased exports from China, and the impact of protectionist policies in the United States and other countries, our standalone crude steel production volume is expected to be 21.5 million tonnes, as previously announced.

Meanwhile, in addition to the current depreciation of the yen, spot market prices for coking coal have risen sharply following the mid-January cyclone in Australia, leading to a rapid increase in steelmaking input costs.

In this environment, our fullyear outlook for business profit, segment profit, and profit attributable to owners of the parent remains unchanged from the previous announcement.

However, due to the lag in reflecting coking coal prices in selling prices, the spread in the fourth quarter is deteriorating. As a result, business profit excluding inventory valuation, etc. is forecast at 170 billion yen, a decrease of 20 billion yen from the previous outlook.

We continue to project an annual dividend of 80 yen per share, in line with the policy of the 8th Mediumterm Business Plan announced previously.

That concludes my remarks.

Takura: I will now provide further explanation, starting with the third-quarter results.

First, I will explain the results for the October–December quarter, shown in the second column in dark blue. Business profit was 51.7 billion yen, an increase of 12.8 billion yen year on year. Meanwhile, business profit excluding inventory valuation, etc. was 49.7 billion yen, a year-on-year decrease of 23.1 billion yen. Profit attributable to owners of the parent was 34.2 billion yen, a decrease of 23.4 billion yen.

Next, the cumulative results for April–December are shown in the far-right columns. Revenue decreased by 295.2 billion yen, business profit decreased by 23.3 billion yen, and business profit excluding inventory valuation, etc. decreased by 64.3 billion yen. Profit attributable to owners of the parent decreased by 39.3 billion yen.

Page 7 presents revenue and segment profit by segment.

The following pages provide details on each segment. Looking at the year-on-year comparison for April–December in the far-right column, segment profit for the steel business decreased by 21.6 billion yen, accounting for the majority of the total segment profit decline of 26.0 billion yen.

This page shows the breakdown of the change in segment profit for the steel business for April–December.

As a premise, crude steel production was 16.12 million tonnes, a decrease of 440,000 tonnes year on year. The average steel selling price was 119,800 yen per tonne, down about 13,000 yen. The yen appreciated by about 4 yen. Segment profit decreased by 21.6 billion yen, and the breakdown is shown below.

First, cost improvements—including operational enhancements such as banking at Kurashiki's No. 3 blast furnace from July—contributed 18.0 billion yen.

For volume and mix, the negative impact of the 440,000-tonne decline in crude steel output outweighed mix improvements, resulting in a negative 8.0 billion yen. The spread deteriorated by 62.0 billion yen, mainly reflecting worsening steel market conditions in Japan and overseas, as shown in the three factors on the right.

Inventory valuation effects contributed a positive 41.0 billion yen, mainly due to the disappearance of negative carryover impacts seen in FY2024.

Other items resulted in a negative 10.6 billion yen, as increased profits at domestic and overseas group companies including JSW were outweighed by other cost increases.

Next are the engineering and trading segments.

In the engineering business, as shown here, revenue decreased by 4.1 billion yen and profit decreased by 2.5 billion yen year on year in the October–December quarter due to differences in project composition. However, for the cumulative nine months, revenue increased by 13.4 billion yen and profit increased by 1.2 billion yen year on year.

In the trading business, due to declining steel market conditions in Japan and overseas and lower sales volumes, cumulative revenue decreased by 88.2 billion yen and profit decreased by 3.4 billion yen year on year.

Next is the FY2025 performance outlook.

This incorporates the April–December actual results explained earlier and the January–March forecast. As shown in the far-right column, the full-year outlook remains unchanged from the previous announcement.

As noted in the highlights, business profit and segment profit excluding inventory valuation, etc. are expected to deteriorate by 20 billion yen each from the previous forecast.

Here is the segment-by-segment comparison.

Compared with the previous outlook, the revenue of the steel business is projected to increase slightly by 20 billion yen, while segment profit excluding inventory valuation, etc. is expected to deteriorate by 20 billion yen.

Now, the steel business outlook.

Regarding domestic conditions, steel demand continues to trend downward due to population decline and economic slowdown since COVID-19, resulting in highly challenging market conditions.

In manufacturing, protectionist moves such as U.S. tariff policies remain a risk factor requiring continued monitoring. The construction industry is still struggling with rising construction costs and labor shortages, leading to a continuous downturn.

Below is the automobile production forecast. As noted under business-field trends, U.S. tariff risks remain, and domestic demand lacks strong momentum. As such, we expect annual automobile production to remain roughly at FY2024 levels.

Below this is the quarterly ordinary steel consumption outlook. Since 2021, both construction- and manufacturing-related demand have continued to decline, with construction particularly weak: consumption in 2H FY2024 is projected to decline by 4.2%, a significant drop.

Looking overseas, the structural trend of weak market conditions driven by China remains unchanged. Supply–demand conditions, particularly in Asia, continue to be severe.

In the upper-left graph, crude steel production and steel export volumes in China are shown. Crude steel output trended slightly downward toward the end of last year but has again risen sharply since the start of this year.

Steel exports exceeded 10 million tonnes per month in October–December, indicating extremely severe market conditions.

Field-specific trends have not changed significantly from the previous outlook, but steel sheet products continue to face extremely challenging circumstances amid increasing protectionism.

Next is the market environment in major regions.

China remains stagnant. India is on a recovery trajectory, supported by the reintroduction of a three-year safeguard measure in December. In the U.S., after initial weakness due to uncertainty surrounding trade policy, conditions have improved since October as demand recovery has strengthened.

Raw materials: Iron ore prices for January–March were settled at 94 dollars, up 6 dollars from the previous quarter.

Coking coal prices have tightened due to supply-demand constraints following the mid-January cyclone and currently stand around 250 dollars. If these conditions persist through the end of February, January–March prices are expected to average around 230 dollars—an increase of nearly 40 dollars from the previous quarter—which is reflected in this performance forecast.

Crude steel production remains unchanged at 21.5 million tonnes, with second-half production of 10.7 million tonnes, and Q3 and Q4 at roughly the same level.

Next is the ratio of high-value-added products.

We are shifting from quantity to quality, gradually increase a high-value-added product ratio, targeting it of 60% under the 8th Medium-term Business Plan, with a KPI of 54% set for FY2025.

Although some market segments currently lack momentum, we are actively expanding sales of electrical steel sheets and plates for offshore wind foundations.

This page summarizes key assumptions related to the outlook.

Standalone crude steel production in 2H remains 10.7 million tonnes, roughly in line with 1H. The export ratio for steel products is projected around 41% in 2H, also similar to 1H. The average steel selling price is about 121,000 yen per tonne, again similar to 1H.

Meanwhile, due to yen depreciation since January, the assumed exchange rate for 2H is 154 yen per dollar, about 8 yen weaker than 1H.

Here (page 21) is the comparison with the previous outlook.

Crude steel production assumptions are unchanged, but the exchange-rate assumption is 2 yen weaker.

Segment profit is unchanged overall, while that excluding inventory valuation, etc. deteriorates by 20 billion yen. As noted earlier, the spread deteriorates by 25 billion yen due to the sharp increase in coking coal prices since January, representing the main factor behind the decline of segment profit excluding inventory valuation, etc. .

Carryover effects and foreign-exchange translation effects produce a 20 billion yen positive contribution, and other items—including group companies—add 5 billion yen.

In this page, the analysis I just mentioned is reflected in the comparison of FY2024 (actual) vs. FY2025 (forecast). While headline profit increases by 3.7 billion yen versus FY2024, profit excluding inventory valuation, etc. deteriorates by 67.3 billion yen.

Despite cost-reduction efforts of 27.0 billion yen, the negative impact of a 450,000-tonne decline in volume and severe spread deterioration outweighs these gains, resulting in a significant decline of profit excluding inventory valuation, etc. Of the 78.0 billion yen spread deterioration, the main cause out of three factors is worsening steel market conditions.

Inventory valuation etc. improves by 71.0 billion yen, reflecting the carryover effect as elimination of a significant negative figure from the previous year.

Other items include a positive contribution of 28.0 billion yen from group companies and a negative 35.3 billion yen from other factors.

Here is the 1H vs. 2H comparison.

Crude steel production decreases by 100,000 tonnes, and the assumed exchange rate weakens by 8 yen. Segment profit increases by 50.6 billion yen, but that excluding inventory valuation, etc. declines by 15.4 billion yen.

Regarding cost, we will implement an additional 10.0 billion yen reductions in 2H.

The spread deteriorates by 35.0 billion yen. At the previous announcement, we assumed a negative 10.0 billion yen, but given the recent surge in coking coal prices and further yen depreciation, we now expect an additional negative 25.0 billion yen.

Inventory valuation effects contribute a positive 66.0 billion yen.

Other items, mainly from group companies, add 7.6 billion yen.

Next is the engineering business outlook. As previously announced, segment profit is projected at 20.0 billion yen.

Order intake at the top of the table is 750 billion yen, exceeding last year's previous record by 170 billion yen and up 50 billion yen from the previous forecast. Strong order growth continues in Waste-to-Resource, offshore wind, and LNG.

As announced in December, we have secured a contract for the manufacturing and transportation of monopiles for offshore wind power generation in waters off Akita Prefecture (Round 2). Manufacturing at Kasaoka is expected to begin in FY2025. Further explanation will follow.

Next is the trading business. Although domestic construction demand remains sluggish and export transactions and market prices are declining, full-year segment profit remains unchanged from the previous outlook at 45.0 billion yen, a year-on-year decline of 2.9 billion yen.

Regarding dividends, as mentioned earlier, we expect a year-end dividend of 40 yen and a full-year dividend of 80 yen.

We have prepared three topics.

The first topic is about BPSL. As announced in December 2025 and explained in a separate briefing, we have agreed to operate an integrated steelworks at BPSL jointly with JSW Steel under a 50-50 joint venture.

Our total investment will be 270 billion yen, to be contributed in two phases in March and June of this year. A dedicated project promotion team has already been established, and detailed planning is underway.

Below are two key features of BPSL. As of 2024, the company has an annual production capacity of 4.5 million tonnes and already owns land enabling expansion to 10 million tonnes by 2030, with further potential to reach 15 million tonnes. This is the first feature.

The second feature is the site which is located in Odisha State, India's largest iron-ore-producing region. With access to its own captive mines, the company has strong cost competitiveness. We position this as our third major steelworks, following those in the East and West of Japan, and will work to expand overseas business profit.

Following the initial capital contribution to BPSL, our interest-bearing debt balance is expected to be 1.98 trillion yen.

As planned in the 8th Medium-term Business Plan, we will prioritize growth investments such as this. While it will temporarily raise indicators such as Debt/EBITDA, we intend to continue working toward achieving our medium-term financial targets by FY2027.

The second topic is the offshore wind power business. As mentioned, this is an engineering business project for domestic monopile supply.

JFE Steel will supply large and heavy steel plates (J-TerraPlate) from Kurashiki Works. The order includes 21 monopiles and transition pieces; the largest monopiles weigh approximately 2,000 tonnes and measure 80 meters in length.

The table shows the outlook for future offshore wind rounds.

As you can see, additional rounds are scheduled beyond Akita-Katagami, Round 1 is expected to be reopened for bidding, and Round 4 has already been designated as a promotion area and is awaiting tender. Progress continues steadily.

Leveraging our domestic supply advantage, we aim to secure further orders in these rounds and achieve full-scale production in FY2026.

This page summarizes the offshore wind business model across the entire JFE Group, from material supply through operation and maintenance.

In terms of materials, JFE Steel can manufacture some of the largest heavy plates in Asia. This capability is held by only a limited number of companies globally. We have already supplied projects in Europe and Asia, and this capability contributed to our adoption for domestic projects.

As announced in December, we have also developed domestic-use steel plates with a maximum thickness of 130 mm, which we expect will contribute to future large-scale offshore wind deployments.

Regarding operation and maintenance, JFE Engineering already provides O&M services for an offshore wind farm in Nyuzen, Toyama Prefecture. We will leverage this record to secure orders in future rounds.

Finally, for the third topic, we will report on our digital transformation (DX) initiatives.

We regard DX as one of our key management strategies and have been steadily advancing related initiatives. Our efforts have been recognized, and once again this year we were the only company in our industry selected as a DX Brand.

We have now compiled these initiatives into DX REPORT 2025, published yesterday. The report highlights our efforts to develop DX talent and strengthen group-wide responses to cyber threats, a topic which is increasing societal attention. We would be pleased if you would take the opportunity to review it.

This concludes our explanation.

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