JFE Holdings, Inc.

JFE Group Investor Meeting

(FY2025 Financial Results and FY2026 Earnings Forecasts)

Summary of Q&A Session on May 8, 2026

Moderator:

Now, I would like to move on to the question-and-answer session.

Participant:

Regarding page 23 (FY2026 earnings forecast by segment), is it correct to understand that the difference between segment profit and business profit is attributable to financial income/cost, mainly interest-related factors?

JFE:

Yes, the difference between segment profit and business profit in the FY2026 forecast (approximately negative ¥40 billion) reflects financial income/cost, primarily interest-related impacts.

Participant:

On page 24 (breakdown of changes in segment profit from FY2025 to FY2026), could you provide more details on volume/mix, spread (price increases), and the accounting treatment of JJSL included in group company earnings?

JFE:

Within the volume/mix impact +¥10 billion), volumes are assumed to be largely unchanged from FY2025 to FY2026, although there are variations by product category. The volume effect itself is about ¥3.0 billion, with the remainder reflecting improvements in product mix.

Regarding price increases included in spreads, we have carefully explained the situation to our customers and believe that these increases have been accepted to a certain extent. We aim to realize these price increases within the first half of the fiscal year.

For group company earnings (+¥16.0 billion), the accounting treatment for the consolidation of JJSL earnings is currently under discussion. However, we assume a 50% contribution starting in April and have incorporated an earnings impact of approximately ¥10.0 billion in FY2026.

Participant:

Regarding page 40 (financial strategy), should we interpret your comments on revising the investment plan to mean that the company intends to maintain shareholder returns (dividend policy), even if it requires curbing non-essential investments despite higher cash outflows in FY2026?

JFE:

As for capital expenditures shown on page 40, as you pointed out, payments are expected to remain at a high level in FY2026 due to projects that have already been approved. While we will continue to execute approved projects, we will carefully control new investment decisions while monitoring financial balance.

Regarding shareholder returns (dividend policy), we intend to maintain the minimum annual dividend of ¥80 per share as indicated in the mid-term business plan.

Participant:

On page 6 (impact of Middle East developments), you indicate a cost impact of approximately ¥10.0 billion per month. Could you provide a more detailed breakdown? Also, for sales, procurement, and logistics, which factor is driven mainly, by oil prices or other factors, and what specific events are assumed to cause these impacts?

JFE:

Of the estimated ¥10.0 billion monthly cost impact from Middle East developments, approximately 60% reflects increases in energy-related costs such as bunker fuel, electricity, and gas.
The remaining portion mainly reflects the impact of petroleum-based materials, such as oil, coatings, and thinners.
While there is some risk regarding iron ore and coking coal prices, no significant impact is currently assumed, and therefore it is not included in the estimated figures.

Participant:

Regarding page 33 (expansion of high-value-added products ratio), the FY2025 figure shows only KPIs. What were the actual results, and what level of earnings improvement can be expected from expanding this ratio?

JFE:

The FY2025 results for the high-value-added product ratio have not yet been disclosed and are scheduled to be published in the integrated report.
As for the earnings improvement effect, within volume/mix factors, mix improvements are estimated to contribute approximately ¥6.0 billion in FY2025 and ¥7.0 billion in FY2026. However, these figures also include adverse mix effects within commodity products, and therefore do not represent the pure impact of increasing high-value-added products.

Participant:

On page 6, is it correct to understand that the ¥10.0 billion per month cost impact from Middle East developments has already started to materialize as of April? Also, to what extent can this be offset through price pass-through?

JFE:

The ¥10.0 billion monthly cost impact is presented as a potential risk and does not assume that the full impact will materialize immediately from April. We will carefully assess the situation and appropriately request cost sharing from our customers.

Participant:

On page 24, the spread impact is shown as negative ¥20.0 billion. Compared to the second half of FY2025, is this expected to improve or deteriorate?

JFE:

An improvement is expected compared to the second half of FY2025.

Participant:

Regarding page 46 (performance of business companies), the mid-term plan targets ¥75.0 billion in overseas steel earnings. What level of earnings contribution is expected in FY2026, including JJSL?

JFE:

From FY2025 to FY2026, we have incorporated a ¥16.0 billion improvement in group company earnings overall. Domestic group companies are expected to decline due to the absence of one-off gains, while overseas group companies are expected to improve by approximately ¥28.0 billion, driven by organic growth at JSW and the consolidation of JJSL earnings.

Participant:

On page 24, “Others” is shown as negative ¥40.0 billion (including depreciation and interest). Does the interest impact reflect only new borrowings, or also rising interest rates on existing debt?

JFE:

The interest impact reflects current interest rate increases and includes both new borrowings and existing variable-rate debt.

Participant:

Should we expect interest expenses and fixed costs to continue rising going forward?

JFE:

We are not in a position to comment on future trends. We will continue to monitor the situation closely and manage our business accordingly.

Participant:

Regarding page 33, is it correct to understand that the benefits from expanding high-value-added products are being realized more slowly than expected in the mid-term plan due to delays in domestic offshore wind projects and Japan's overall delays in vehicle electrification?

JFE:

While some positive effects are beginning to materialize, overall progress has been slower than initially assumed in the mid-term plan due to changes in market conditions and supply-demand dynamics. Going forward, we will promote the expansion of sales of products such as electrical steel sheets and ultra-heavy plates to enhance these benefits.

Participant:

While costs are rising due to higher coking coal prices and Middle East developments, contractual practices (1Q/1H) may delay price increases. Given weak demand conditions, can these cost increases truly be passed on?

JFE:

Cost increases, including those for coking coal, are an industry-wide phenomenon, and we believe that major customers have a certain level of understanding. In fact, electric furnace manufacturers are also revising prices in stages in response to rising scrap prices, and the conditions for passing on price increase are gradually falling into place.

For additional costs, including those related to Middle East developments, we will carefully explain that these are beyond what a single company can absorb and will continue phased price pass-through through ongoing dialogue with customers.

Participant:

Engineering orders are strong, yet profits remain in the ¥20.0 billion range. Can the company achieve its mid-term profit targets by executing on the current order backlog?

JFE:

Orders remain strong, and we believe that achieving the mid-term profit targets is feasible through steady execution of the order backlog, along with resolving unprofitable overseas WtR projects and ensuring the smooth implementation of monopile project and others.

Participant:

Regarding the ¥10.0 billion monthly cost impact from Middle East developments, should we deduct this from the company plan and then assume it will be offset by price pass-through when building forecasts?

JFE:

It is difficult to reasonably incorporate these impacts across the full fiscal year, and therefore they are not included in the company forecast. The ¥10.0 billion figure represents the magnitude of the risk we anticipate, and our policy is to assess the impact carefully and request appropriate cost sharing from customers.

Participant:

On page 32, the ¥10.0 billion benefit from restructuring the sheet business—what factors contribute to this figure?

JFE:

The restructuring involves suspending facilities in the Keihin area (a pickling line in FY2026 and a continuous galvanizing line in FY2028) and transferring production to other locations.
The benefit reflects both fixed cost reductions from facility suspensions and improved utilization at the receiving plants.

Participant:

Demand related to AI is strong. Do you have products that can capture this demand? If so, what applications and products are involved, and what is the scale of demand?

JFE:

We expect increased demand for construction materials related to data centers, grain-oriented electrical steel sheets for transformers, and non-oriented electrical steel sheets for cooling equipment such as motors. While the overall volume of demand is not large, these are highly profitable products.

Participant:

Could you explain the background behind the differences in market conditions between the U.S. and Asia, including supply-demand structures and policy factors?

JFE:

In the U.S., market conditions are rising, partly due to tariff measures. In Asia, market conditions are significantly affected by excess production and increased exports from China.

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