JFE Holdings, Inc.

JFE Group Investor Meeting

(FY2025 Financial Results and FY2026 Earnings Forecasts)

Summary of Q&A Session on August 5, 2026

Participant:

Looking at the second-half profit level on an actual basis excluding inventory valuation differences and other factors, it appears that profits in the mid-¥200 billion range on an annualized basis are visible. Including the penetration of steel product price increases and seasonality in Engineering and Trading, how should we assess this second-half profit level when looking toward FY2027?

JFE:

If the second-half profit level is simply annualized, it would be in the ¥200 billion range. However, Steel and Engineering/Trading should be considered separately. For Steel, second-half segment profit excluding inventory valuation differences and other factors is ¥70 billion; annualizing this gives a base of ¥140 billion. For Engineering, Trading and others, we expect approximately ¥75 billion on an annual basis. Combining these figures, approximately ¥215 billion is the current starting point. Going forward, in Steel business, we aim to build further upside toward achieving the mid-term targets through additional improvement in steel product prices, an increase in the ratio of high-value-added products, and higher earnings from overseas businesses, particularly India. In Engineering business and Trading business, we also aim to increase earnings toward achieving the mid-term targets, thereby pursuing further upside.

Participant:

Regarding steel product prices, JFE has domestic direct-contract based sales where prices are determined later, allowing price negotiations while monitoring costs. On the other hand, export prices have recently been declining. Including such market conditions, how do you view the earnings assumptions for the second half?

JFE:

We expect to achieve the ¥10,000-per-ton price increase by the end of the first half, and have also incorporated the additional ¥5,000-per-ton increase in the second half. However, even under this assumption, spreads still remain negative, and cost increases have not been fully recovered. In the second half, we will continue to treat further improvement in steel product prices as an important priority. Regarding exports, we do not assume a significant recovery in market prices; the expected increase in average prices incorporates improvements in product mix.

Participant:

Regarding India, JSW's results appear to have been stronger than market expectations. Please explain the current status of the India business and how it is reflected in the latest outlook.

JFE:

Our India business is performing steadily in terms of both volume and price. Demand is strong in automobiles, infrastructure, manufacturing, and renewable energy-related fields, and JSW's first-quarter sales volume reached a record high for a first quarter. On prices as well, the effects of trade measures to curb imports are being seen, and we expect market conditions to remain firm. Based on these conditions, we have revised up our expected earnings contribution from India compared with the previous outlook.

Participant:

Regarding the average steel product price shown in the table on page 24, the assumption is an increase of about ¥10,000 per ton from ¥124.2 thousand per ton in the first quarter to around ¥134 thousand per ton in the second quarter. Given that export market prices do not appear likely to rise significantly, how have you incorporated market products, contract sales, and exports?

JFE:

The effect of the ¥10,000-per-ton price increase has not yet been fully reflected in the first quarter. The ¥10,000-per-ton price increase is assumed to be achieved by the end of the first half, so the contribution will be larger in the second quarter. For export market products, we assume price levels currently visible in Asian markets, and do not expect a significant increase. For products other than market products, however, we have factored in price improvements on a product-by-product basis. Taking these together, we expect the overall average price to rise by about ¥10,000 per ton from the first to the second quarter.

Participant:

Regarding the high-value-added product ratio on page 21, the 8th Medium-term Business Plan assumes an earnings improvement effect of ¥40 billion, but the market environment for electrical steel sheets is not necessarily strong, and it appears that sufficient benefits were not realized in FY2025. How do you intend to approach the ¥40 billion target going forward?

JFE:

In particular, for non-oriented electrical steel sheets (NO), demand cannot be said to have emerged in line with the assumptions of the 8th Medium-term Business Plan, and FY2025 was a difficult year. In FY2026, based on the capacity expansion at Kurashiki, we are moving forward with concrete discussions to secure volumes. The current outlook incorporates effects that we have judged to have a high probability of realization, after applying certain probability adjustments to projects where negotiations are already progressing and to projects still under discussion.

Participant:

Steel business profit per ton and profit excluding inventory valuation etc. have been in a difficult position for two consecutive quarters. As the structure of passing through increases in raw materials and fuels, interest rates, labor costs, depreciation and other costs after they occur continues, how will you structurally improve margins through not only price pass-through, but also cost reductions, alliances with other companies, and expansion of high-value-added products?

JFE:

We have a strong sense of concern about the current profit level in the Steel business. In addition to raw materials and fuels, increases in costs such as interest rates, labor costs, and depreciation also need to be identified by product category, carefully explained to customers, and passed through to prices. The additional ¥5,000-per-ton price increase is not something automatically passed through by formula; it is necessary to explain it individually, including higher general costs and Middle East-related impacts, and obtain understanding. On cost reductions, we will continue to consider measures including line consolidation, such as the suspension of the pickling line in Keihin and consolidation into Fukuyama, as well as alliances with other companies where necessary.

Participant:

Regarding JJSL in India, I understand that it will take several years until the next capacity expansion. Apart from that, can JFE generate earnings improvement effects through the transfer of technical and operational know-how and efficiency improvements?

JFE:

For JJSL, the first priority is to firm up the 10-million-ton capacity expansion plan among JSW, JJSL, and JFE

at an early stage. JSW and JJSL have been accumulating operational knowledge and know-how, but we believe there is room for JFE to contribute through its high-grade product manufacturing technologies and operational improvement know-how. In addition to upgrading the product mix, we also see room to improve the base level of profit per ton, and will work on improving profitability as an important theme over the next two to three years.

Participant:

Regarding the progress of sales price improvements on page 23, the presentation appears to assume that the ¥10,000-per-ton price increase will be fully achieved in the second quarter. Is that actually visible? Also, for the additional ¥5,000-per-ton price increase, please explain the likelihood of achievement, including customer reactions, alignment with competitors, and support from anti-dumping measures.

JFE:

We have a high degree of visibility on achieving the ¥10,000-per-ton price increase. Some negotiations remain depending on the product and field, but agreements are generally progressing, and we intend to realize the increase by September. For the additional ¥5,000 per ton, there are also some fields where realization from the second quarter is already visible. Competitors are moving in the same direction, and in areas such as GI, anti-dumping measures are beginning to affect import volumes and prices. Using this environment as support, we are continuing negotiations to realize the additional ¥5,000 per ton in the second half.

Participant:

Regarding the new entry into the final disposal site business in Engineering on page 36, please explain again the synergies with existing businesses. Also, please explain the approach to M&A strategy for the medium- to long-term growth of the Engineering business.

JFE:

In the Engineering business, we have long positioned waste treatment as a major business area. By now handling final disposal sites, we will be able to provide an integrated offering from collection, treatment, and recycling through to final disposal, making it easier to meet customer needs. We also intend to ensure profitability as a business in final disposal sites. Regarding M&A, we believe it is important to strengthen our competitive position in domestic integrated waste management operator including waste treatment. Toward the 2035 profit target of ¥100 billion, we will carefully examine and pursue projects that contribute to strengthening our earnings base.

Participant:

Regarding the comparison between the previous and current FY2026 earnings outlooks on page 25, costs and mix were revised in the positive direction by ¥2 billion and ¥3 billion, respectively. What specifically improved? Also, domestic group companies also appear to have improved in “Others.” Please explain whether this is due to environmental factors or self-help efforts.

JFE:

On costs, despite cost increase pressure due to the Middle East situation, we have incorporated a ¥2 billion improvement from the previous announcement as a result of accumulating operational improvement efforts on site. On mix, rather than an increase in the high-value-added product ratio itself, we have incorporated a shift toward more profitable products, with increased domestic sales being a particular factor behind the improvement from the previous announcement. For domestic group companies, while electric arc furnace operations are negatively affected by higher scrap prices and other factors, chemical products are benefiting from higher product prices. The net effect of these factors is an improvement.

Participant:

Regarding electrical steel sheets, there appear to be firm areas such as demand related to data centers. Toward the ¥40 billion effect under the mid-term plan, are the business environment and earnings impact progressing as assumed? Please also comment on initiatives in India and Trading.

JFE:

For grain-oriented electrical steel sheets (GO), the business environment was not necessarily favorable from last year through the first half of this year. In India, imports of low-priced Chinese products have continued, and in the U.S., tariff impacts made electrical steel sheet-related businesses in Trading difficult last year. Currently, we are advancing initiatives to secure volumes toward achieving the mid-term targets. As the market conditions have also been gradually recovering, we are now in a situation where price improvements in line with demand can be expected. For FY2026, we expect the business to return to a path close to that of the 8th Medium-term Business Plan.

Participant:

Although the improvement in overseas group companies appears to be centered on India, please provide an update on North America's California Steel Industries (CSI), including whether it is benefiting from the improvement in North American steel market conditions.

JFE:

The improvement in overseas group companies is centered on India, but it also includes an improvement at CSI. CSI's business model is to import slabs, roll them, and sell the products. Last year, costs rose significantly due to tariff impacts, and profitability was difficult. The situation in which tariffs apply remains unchanged, but since the beginning of the year, steel product prices have risen. Compared with last year, we therefore believe CSI is in a position where an earnings contribution can be expected this year.

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