JFE Holdings, Inc.

JFE Group Investor Meeting
(FY2026 2Q Financial Results and FY2026 Earnings Forecasts)
Summary of Q&A Session on November 6, 2026

Participant:

If the ¥25.0 billion impact of the heavy rainfall in Chiba on the steel business is added back to JFE Holdings' underlying profit level for the second half, the result would be approximately ¥100.0 billion. Is it reasonable to view the annualized underlying profit level as approximately ¥200.0 billion? It also appears that some of the increase in raw material and fuel costs will not be fully reflected in selling prices during the second half. Taking this into account, what profit level do you envisage for FY2027?

JFE:

First, for the steel business, annualizing the second-half profit excluding inventory valuation, etc., after adding back the impact of the heavy rainfall in Chiba, results in slightly over ¥100.0 billion. After also taking into account fixed asset taxes and other expenses reflected only in the second half, the figure would be approximately ¥110.0 billion. In addition, we estimate that approximately ¥20.0 billion of the increase in raw material and fuel costs, mainly in the domestic market, has not been sufficiently reflected in selling prices in the second half. This is equivalent to approximately ¥40.0 billion on an annualized basis. Adding this amount brings the steel business profit level to approximately ¥150.0 billion. If the engineering and trading businesses generate slightly over ¥70.0 billion, broadly in line with the current fiscal year, the starting point would be approximately ¥220.0 billion to ¥230.0 billion. From there, our challenges toward FY2027 will be to achieve further improvement in the steel business spread, increase the ratio of high-value-added products to 60%, expand overseas businesses, particularly in India, and generate additional profit in the engineering and trading businesses toward the targets under the Eighth Medium-term Business Plan.

Participant:

What is your outlook for steel prices in each of the domestic contract sales, spot-market, and export segments? Regarding the additional price increase of ¥10,000 per ton announced on top of the ¥15,000 per ton increase announced to date, could you also explain your confidence in the negotiations, the extent to which the increase has been incorporated into the earnings forecast, and the effects of Japan's anti-dumping measures?

JFE:

Regarding the increase of ¥10,000 per ton announced by May 2026 and the additional increase of ¥5,000 per ton, totaling ¥15,000 per ton, discussions with customers have progressed, and the increases have been incorporated into the current earnings forecast. As negotiations regarding the additional increase of ¥10,000 per ton announced in September are taking time, we have conservatively incorporated only the portion that we currently consider highly certain. In contract sales, in addition to cost increases reflected through pricing formulas, we will ensure that other cost increases are also reflected in prices through negotiations. In the spot market, we will continue price negotiations to cover the increase in raw material and fuel costs and secure the level of profitability targeted for the domestic steel business. For the export market, we do not expect a

significant improvement from current levels. As to Japan's anti-dumping measures, they are intended to restore fair market conditions, and it is difficult to comment specifically on their effects.

Participant:

The earnings impact appears large relative to the reduction in production caused by the heavy rainfall and typhoon in the Chiba area. Compared with the incident in FY2018, were there any particular factors that resulted in higher costs this time? Also, assuming that similar natural disasters may occur in the future, what measures will you take, including measures related to facilities and infrastructure?

JFE:

The ¥25.0 billion volume impact associated with the reduction of 0.70 million metric tons in crude steel production is large because it includes product-mix effects from reduced production of high-value-added products, such as seamless steel pipes. In addition, the overall level of various costs has increased compared with FY2018, which is another factor that raised the financial impact. Assuming that similar natural disasters may occur in the future, we will develop and implement specific measures internally. Regarding physical measures, we will consider preventing flooding, increasing drainage capacity, and securing additional inventories of critical spare parts. Regarding operational measures, we will strengthen detailed data coordination with private-sector weather service providers and other organizations, identify information on the occurrence of linear rainbands as early as possible, and consider specific measures such as the planned shutdown of facilities.

Participant:

Regarding the expansion of non-oriented electrical steel sheet capacity currently underway in the Kurashiki area, could you explain the progress of the facility start-up and the outlook for the second half and beyond?

JFE:

Regarding Phase 2 of the electrical steel sheet capacity expansion, the facilities have been starting operations sequentially since the second half of FY2026, and customers are evaluating the facilities and products as they come online. At the same time, the business environment has changed since the plan was formulated. Accordingly, in addition to traction motor applications for electric vehicles, we will work with customers to increase production and sales for a broad range of applications utilizing high-performance materials.

Participant:

What types of applications do you envisage when referring to "a broad range of applications utilizing high-performance materials"?

JFE:

We envisage a broad range of applications, including home appliances and industrial motors, where demand for energy efficiency is increasing, as well as generators for data centers. We will develop customers that can utilize our high-performance electrical steel sheets in these applications, thereby increasing production and expanding sales.

Participant:

Will the ¥10,000 per ton price increase announced in September restore the spread in this fiscal year to its previous level? Also, by eliminating the time lag in reflecting costs in selling prices and expanding sales of high-value-added products, will you be able to target margins above the previous level from FY2027 onward?

JFE:

The effect of the additional ¥10,000 per ton price increase varies depending on the product and customer, so it cannot be applied uniformly. However, the increase is intended to secure the level of profitability required for the domestic steel business and, broadly speaking, to achieve a further recovery in the spread in addition to covering the recent cost increase. Toward FY2027, we believe that approximately ¥40.0 billion can be recovered by eliminating the time lag in reflecting costs in selling prices and through other measures. Furthermore, by increasing the ratio of high-value-added products to 60% by FY2027, we aim to expand the average spread per ton of steel products.

Participant:

In FY2026, cost reductions of ¥37.0 billion, mainly through operational improvements, have been incorporated into the forecast. This presumably includes specific factors such as improvements in consumption rates through digital transformation and returns from capital investments. With the new electric arc furnace in Kurashiki scheduled to begin operations in the first quarter of FY2028, will you be able to maintain a similar level of cost reductions in FY2027?

JFE:

The ¥37.0 billion of cost reductions in FY2026 includes improvements such as reductions in consumption rates through the use of digital transformation, returns from capital investments such as the coke oven introduced in the Fukuyama area, and the full-year contribution from the temporary suspension of No. 3 blast furnace in Kurashiki from July 2025. Historically, we have achieved annual cost reductions of approximately ¥20.0 billion, and we aim to achieve cost reductions on a commensurate scale in FY2027.

Participant:

Have the facilities in the Chiba area already resumed operations? Could you explain the current status of the recovery and the transition to normal operations? Also, the combined volume and cost impact amounts to approximately ¥70,000 per ton. Were there any exceptional cost factors? If a similar production reduction occurs in the future, should we assume an impact of a similar magnitude?

JFE:

Restoration of the facilities, including the blast furnace, has been largely completed. The steelworks as a whole is currently ramping up production toward full operations, and we do not expect the production impact to increase further. The cost impact was particularly large because Typhoon No. 25 struck in September while recovery work following the heavy rainfall in August was still underway, resulting in additional flooding and the need to redo some of the recovery work. The financial impact also includes delivery-related costs and other expenses incurred to minimize the impact on customers. Therefore, we do not believe that an impact of this magnitude would necessarily arise in every case.

Participant:

Is it correct to understand that the portion of the metal spread not captured in the second half is approximately ¥20.0 billion, or approximately ¥40.0 billion on an annualized basis? If this is due to the time lag in reflecting costs in prices, can it be recovered in FY2027? Also, how does this relate to the additional price increase of ¥10,000 per ton?

JFE:

Due to increases in coking coal and crude oil costs, the spread in the current earnings forecast has deteriorated by ¥18.0 billion compared with the previous forecast. We cannot say that the entire amount will be recovered automatically. However, we believe that there is scope to recover the portion attributable to the cost increase toward FY2027. We will refrain from commenting on the breakdown of the additional ¥10,000 per ton price increase.

Participant:

Could you explain the factors behind the improvement in profit at domestic group companies in the second half, as well as the reasons why profit is expected to decline year on year? Also, how do you view the profit level of domestic group companies in FY2027?

JFE:

In the second half, we expect higher profit at group companies, particularly those involved in construction-related businesses, due to seasonality. Compared with the previous fiscal year, individual companies have various factors contributing to increases or decreases in profit. For example, at JFE Bars & Shapes Corporation, earnings deteriorated because selling price increases failed to keep pace with the sharp rise in scrap prices in the first half. Under the Eighth Medium-term Business Plan, we are targeting profit of approximately ¥90.0 billion from domestic group companies. Based on the circumstances at each company, we believe that they have reached a level at which this target can be fully achieved in FY2027.

Participant:

Regarding electrical steel sheets, export statistics appear to show an increase in volume from April to September 2026. Are volumes of high-value-added products currently increasing? Also, could you explain the potential for future expansion, including applications for electric vehicles, hybrid vehicles, and data centers?

JFE:

Export customs statistics represent results for Japan as a whole and are also affected by the product mix. Therefore, the increase does not directly indicate an increase in our own volumes of high-value-added products. Regarding our non-oriented electrical steel sheets, we are utilizing the Phase 1 capacity that commenced operations in FY2024 to increase sales volumes, mainly for applications such as hybrid vehicles produced by Japanese automakers. For Phase 2, the facilities have been starting operations sequentially since the second half of FY2026, and customers are evaluating the facilities and products as they come online. Although the pace of growth in the electric vehicle market has changed since the plan was formulated, we will expand sales across a broad range of applications. These include EVs and hybrid vehicles, home appliances and industrial motors for which energy-efficiency demand is increasing, and generators for data centers. We will utilize the expanded capacity in stages in line with demand. We also expect the growth in data center

demand to generate demand not only for non-oriented electrical steel sheets used in generators but also for grain-oriented electrical steel sheets used in transformers supplying electricity.

Participant:

At the midpoint of the Eighth Medium-term Business Plan, is it reasonable to conclude that the engineering and trading businesses are making steady progress toward their targets?

JFE:

In the engineering business, the medium-term profit target of ¥42.0 billion was based on the assumption that the monopile plant for offshore wind power projects would be operating at full capacity. However, the next monopile order is now expected to be delayed until FY2027, making full-capacity operations in FY2027 difficult. The challenge will be to determine to what extent the impact of lower utilization at the monopile plant can be offset by profit improvement from progress on projects supported by the high level of order backlog. In the trading business, FY2026 profit is expected to remain at ¥47.0 billion, compared with the medium-term target of ¥60.0 billion. In addition to the success of overseas M&A activities, for which an investment allocation of ¥85.0 billion has been established under the medium-term plan, the business environment for the U.S. operations is currently improving, and we expect further profit growth in FY2027.

Participant:

Do you believe that financial indicators such as the Debt/EBITDA multiple and ROE can catch up with the medium-term targets going forward?

JFE:

The Debt/EBITDA multiple for FY2026 is expected to be 4.5 times, which is high relative to the medium-term target of 3 times. In addition to the insufficient profit level, cash flow and the balance of interest-bearing debt have deteriorated due to the impact of the disaster in the Chiba area, and we cannot say that progress at the midpoint of the plan is steady. Toward the end of FY2027, we recognize that additional measures will be necessary, including reducing working capital, implementing additional asset sales, and increasing profit.

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