



JFE Holdings, Inc.

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

August 3, 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.

Terahata: This is Terahata. I will explain.



Financial Highlights

JFE-HD

Results for 1Q of FY2023	<p>Business Profit ¥84.8bn. (decreased by ¥31.8bn. year-on-year)</p> <p>[Excluding Inventory Valuation etc.] ¥75.8bn. (Increased by ¥75.2bn. year-on-year)</p>	<ul style="list-style-type: none"> • Business profit decreased year-on-year due to negative inventory valuation differences due to a decline in main raw material prices. • Business profit excluding Inventory valuation etc. improved significantly due to sales price improvement, etc.
Forecast of FY2023	<p>Business Profit ¥290.0bn. (As previous announced)</p> <p>[Excluding Inventory Valuation etc.] ¥315.0bn. (Increased by ¥35.0bn. from previous forecast)</p> <p>Steel business profit per ton* : 10,000yen/t (Increased by 1,000yen from previous forecast)</p> <p>Crude Steel Production(Standalone) : approx. 24.60Mt (Decreased by 0.40Mt from previous forecast)</p> <p>Dividend 100yen (Interim dividend 50yen)</p>	<ul style="list-style-type: none"> • Business profit is unchanged from the previous forecast. (Business profit Excluding Inventory Valuation, etc. improve) • While the recovery of overseas steel market and demand has been delayed from the initial forecast, profit and profit per ton excluding inventory valuation etc. is expected to improve from previous forecast by promoting sales price improvement. • Annual dividend is as previously announced. JFE Holdings agreed to pay an interim dividend of 50 yen.
Progress of the 7th Medium- Term Business Plan	<p>Structural reform: Shutdown of upstream facilities and hot rolling facilities in Keihin is scheduled for September 16, 2023</p> <p>Overseas strategy: Establish a joint venture company in India of grain-oriented electrical steel sheet with JSW (released on August 3, 2023)</p> <p>Carbon neutral: Green steel [JGreeX™] has been selected for large cargo ships (released on June 20, 2023)</p>	

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

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The financial results for 1Q of FY2023 were closed with JPY84.8 billion in business profit. In the previous year, it was JPY116.6 billion, so it is a decrease of JPY31.8 billion. In 1Q of the previous year, coal prices soared, so operating profit excluding inventory valuation differences was JPY0.6 billion in the previous year and JPY75.8 billion this year, which is an improvement of JPY75.2 billion. During this period, efforts to improve selling prices have resulted in a significant improvement in profit excluding inventory valuation differences.

For the full fiscal year, we are forecasting business profit of JPY290 billion, as previously forecasted. Since raw materials have been declining slightly, without the inventory valuation differences, it is improved by JPY35 billion from JPY280 billion to JPY315 billion. The profit per ton is JPY10,000.

Currently, the recovery of overseas steel market conditions and demand is slower than initially expected. In response to this, we have revised our previous forecast for non-consolidated crude steel production for FY2023 from 25 million tons to around 24.6 million tons.

In this business environment, we have improved our profit excluding inventory valuation differences and profit per ton from the previous year by promoting sales price improvement.

Based on these financial results, the Company announced that it will maintain its annual dividend of JPY100, which is about 30% of the payout ratio, as previously announced and will pay an interim dividend of JPY50.

Today, we will also explain our current efforts. One is the planned suspension of the upstream and hot rolling facilities in the Keihin District around September 16 of this year. In addition, we announced today as a news release on the establishment of a joint venture with JSW for grain-oriented electrical steel sheets in India. We also released in June that green steel products have been selected for large cargo ships.

That's all from me.



Financial Results for 1Q of Fiscal Year 2023

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➤ **Business profit in 1Q of FY2023 was ¥84.8bn.**
(decreased by ¥31.8bn. year-on-year)

(billion yen)	FY2022 Actual 1Q (Apr-Jun)	FY2023 Actual 1Q (Apr-Jun)	Change
Revenue	1,253.6	1,262.0	8.4
Business Profit [Excluding Inventory Valuation etc.]	116.6 [0.6]	84.8 [75.8]	(31.8) [75.2]
Finance Income/Costs	(3.2)	(4.9)	(1.7)
Segment Profit	113.4	79.8	(33.6)
Exceptional Items	–	–	0.0
Profit before Tax	113.4	79.8	(33.6)
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(29.5)	(20.2)	9.3
Profit Attributable to Owners of Parent	83.8	59.6	(24.2)

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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Tanaka: I will now explain the 1Q financial results.

As you can see in the middle of this table, the 1Q results show revenue of JPY1.262 trillion, business profit of JPY84.8 billion, and net income of JPY59.6 billion.

Compared to 1Q of FY2022 on the left, business profit is down JPY31.8 billion. However, as mentioned at the beginning, last year, a large amount of inventory valuation differences, etc., was included due to soaring coking coal prices, so excluding valuation differences, the improvement was JPY75.2 billion.



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

JFE-HD

(billion yen)	FY2022 Actual 1Q (Apr-Jun)	FY2023 Actual 1Q (Apr-Jun)	Change	Contents
Steel Business	932.6	917.2	(15.4)	
Engineering Business	98.2	111.1	12.9	
Trading Business	379.5	370.3	(9.2)	
Adjustments	(156.8)	(136.7)	20.1	
Revenue	1,253.6	1,262.0	8.4	
Business Profit (A)	116.6	84.8	(31.8)	
Finance Income/Costs (B)	(3.2)	(4.9)	(1.7)	
Steel Business	93.0	68.1	(24.9)	Explanation on the next page
Engineering Business	(1.2)	(0.1)	1.1	Increase in sales revenue and cost reduction
Trading Business	21.1	14.7	(6.4)	Spread narrowing mainly in North America
Adjustments	0.4	(2.9)	(3.3)	
Segment Profit (A+B)	113.4	79.8	(33.6)	

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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This table shows revenue and profit by segment. Down the middle are the profit by segment. The segment profit of the steel business was JPY68.1 billion, which, in line with the overall trend, is JPY24.9 billion less than that of last year.

Next, as for the engineering business, it was negative JPY0.1 billion the increase in sales and the promotion of cost reductions resulted in a JPY1.1 billion improvement.

The trading business recorded JPY14.7 billion, a JPY6.4 billion decrease from last year. This is due to a narrowing of the spread, mainly in North America. Last year's figure of JPY21.1 billion was extremely high, and we assess that JPY14.7 billion for this fiscal year is not a bad figure by any means.



24.9bn. Decrease in JFE Steel's Segment Profit (FY2022.1Q (Actual) vs. FY2023.1Q (Actual))

JFE Steel

				(billion yen)			
	Unit	FY2022 1Q	FY2023 1Q	JFE Steel	FY2022 1Q	FY2023 1Q	Change
Crude Steel (Standalone)	Mt	6.43	6.05	Segment Profit	93.0	68.1	(24.9)
Shipment (Standalone)	Mt	5.54	5.23		Excluding Inventory Valuation etc.	(23.0)	59.1
Average Sales Price (Standalone)	000yen /t	126.7	128.5				
Exchange Rate	Yen/\$	126.5	135.8				

1. Cost	+5.0	• Operational improvement
2. Volume and Mix	(10.0)	• Crude Steel Production 6.43Mt⇒6.05Mt
3. Sales and Raw materials	+120.0	• Improved spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
4. Inventory valuation	(107.0)	• Inventory valuation -66.0 (+61.0→-5.0) • Carry over -32.0 (+37.0→+5.0) • Foreign exchange valuation-9.0 (+18.0→+9.0)
5. Others	(32.9)	• Group companies -7.0 • Foreign exchange effects on trade -5.0 • Depreciation cost -4.0 etc.

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The following is a breakdown of the increase or decrease in the steel business compared to last year.

First, crude steel production was reduced from 6.43 million tons last year to 6.05 million tons this fiscal year, a decrease of 380,000 tons. This was a factor in the decline in the “volume and mix”, resulting in a decrease in profit of approximately JPY10 billion.

On the other hand, regarding sales prices and raw materials, that is spreads, efforts were made to improve domestic prices amid a significant decline in export prices compared to last year. On the other hand, coking coal dropped sharply, resulting in a significant JPY120 billion improvements in spreads.

Conversely, the inventory valuation differences, etc., which was a major positive factor last year due to the rise in raw materials, was almost zero this quarter, resulting in a negative JPY107 billion compared to last year.

Thus, item 3 and 4 largely increased and decreased, respectively. As a result, as shown in the upper right-hand, profit excluding inventory valuation differences, etc. was improved significantly by JPY82.1 billion from a loss of JPY23 billion last year to JPY59.1 billion this fiscal year.



- **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	5,540.0	2,610.0	5,380.0	111.3	(160.0)
Business Profit [Excluding Inventory Valuation etc.]	187.9 [71.9]	235.8 [162.8]	290.0 [280.0]	125.0 [141.0]	290.0 [315.0]	54.2 [152.2]	0.0 [35.0]
Finance Income/Costs	(6.6)	(14.8)	(20.0)	(10.0)	(20.0)	(5.2)	0.0
Segment Profit	181.2	221.0	270.0	115.0	270.0	49.0	0.0
Exceptional Items	-	(10.7)	-	-	-	10.7	0.0
Profit before Tax	181.2	210.2	270.0	115.0	270.0	59.8	0.0
Tax Expense and Profit (Loss) Attributable to Non-Controlling Interests	(57.9)	(47.6)	(80.0)	(30.0)	(80.0)	(32.4)	0.0
Profit Attributable to Owners of Parent	123.2	162.6	190.0	85.0	190.0	27.4	0.0

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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Next, I would like to explain the outlook for the current fiscal year.

First of all, if you look at the updated forecast, revenue is JPY5.38 trillion, which is a JPY160 billion decrease from the forecast announced in May.

This is basically due to stagnant steel market conditions, especially overseas, and lower volumes.

On the other hand, annual business profit, segment profit, and net income remain unchanged from the announcement made in May, respectively.

Today, the Company has announced the following forecasts for 1H: business profit of JPY125 billion, segment profit of JPY115 billion, and net income of JPY85 billion.



Financial Forecast for Fiscal Year 2023 (by Segment)

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(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	4,000.0	1,880.0	3,770.0	(111.1)	(230.0)
Engineering Business		219.0	512.5	550.0	230.0	550.0	37.5	0.0
Trading Business		750.2	1,514.1	1,620.0	780.0	1,620.0	105.9	0.0
Adjustments		(323.9)	(638.9)	(630.0)	(280.0)	(560.0)	78.9	70.0
Revenue		2,564.3	5,268.7	5,540.0	2,610.0	5,380.0	111.3	(160.0)
Business Profit (A)		187.9	235.8	290.0	125.0	290.0	54.2	0.0
Finance Income/Costs (B)		(6.6)	(14.8)	(20.0)	(10.0)	(20.0)	(5.2)	0.0
Steel Business		148.2	146.8	200.0	87.0	200.0	53.2	0.0
Engineering Business		(3.9)	13.4	25.0	5.0	25.0	11.6	0.0
Trading Business		40.6	65.1	48.0	26.0	48.0	(17.1)	0.0
Adjustments		(3.6)	(4.3)	(3.0)	(3.0)	(3.0)	1.3	0.0
Segment Profit (A+B)		181.2	221.0	270.0	115.0	270.0	49.0	0.0

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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As before, here is a breakdown by segment, with segment profit completely unchanged from the announcement in May: JPY200 billion for steel, JPY25 billion for engineering, and JPY48 billion for trading.

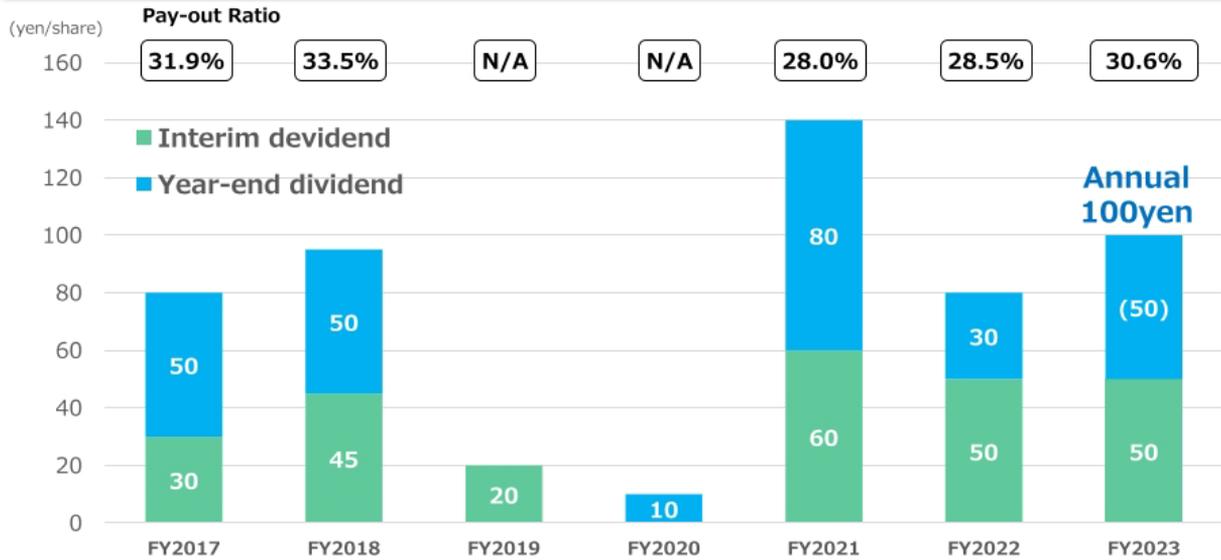
The newly announced segment profits for 1H are JPY87 billion for steel, JPY5 billion for engineering, and JPY26 billion for trading.



Dividend

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- JFE Holdings agreed to pay an interim dividend of **50 yen per share** at its Board of Directors.
- The annual dividend for FY2023 is expected to be **100 yen per share**, based on our payout ratio policy of approximately 30%.
(As previous announced)



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Next, we have decided to pay an interim dividend of JPY50 per share. The annual dividend remains unchanged at JPY100 per share as previously announced.



Business environment (Domestic)

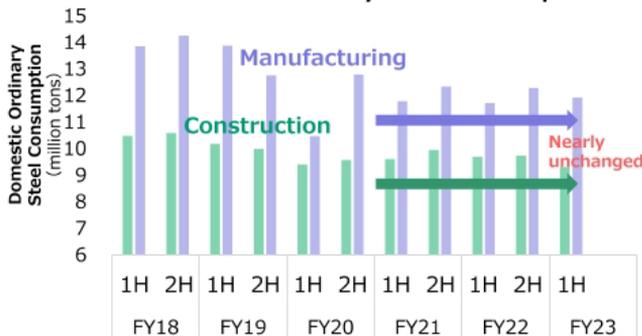


- Although the level of activity in the automotive sector is improving, **demand continues to be postponed** due to labor shortages and the impact of soaring materials prices, **particularly in the civil engineering and construction sectors.**
- **Demand for steel products is expected to be flat** from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

[Outlook for Domestic Auto Production]



[Outlook for Domestic Ordinary Steel Consumption]



Source: Ministry of Economy, Trade and Industry, "Outlook for Steel Consumption" 7 July 2023. (FY2022, 2H and after is estimated results)

[Trend by Sector]

Auto- mobile	<ul style="list-style-type: none"> Each company has a backlog of orders and is highly motivated to produce. Semiconductor supply risks are gradually improving, and production levels are expected to recover moderately.
Ship- building	<ul style="list-style-type: none"> 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. The current level is expected to remain stable over the next two to three years.
Other manufacturing	<ul style="list-style-type: none"> Demand for construction machinery remains strong due to high resources prices, despite the impact of a slowdown in housing construction in the United States. Industrial machinery should be closely watched as it is increasingly cautious about investment due to rising interest rates and other economic uncertainties.
Construction	<ul style="list-style-type: none"> In the non-housing sector, demand is strong as redevelopment projects such as the Tokyo metropolitan area are on the horizon. Due to soaring materials prices and labor shortages, the number of new housing starts has stagnated, and the number of small and medium-sized projects has continued to be low level.
Civil engi- neering	<ul style="list-style-type: none"> Although budget measures continue to be implemented at a high level, it is expected to be affected by soaring materials prices and labor shortages.

Next, I will explain the status by segment. First is steel.

First, regarding domestic demand for steel products, the level of activity in the automotive sector is improving. On the other hand, demand continues to be postponed due to labor shortages or soaring material prices, particularly in the civil engineering and construction field.

Overall, the steel demand is expected to remain almost flat from 1H to 2H.

I would like to explain the trends by sector in more detail on the right. With regard to automobiles, as I mentioned earlier, production levels are recovering moderately, and demand is expected to increase.

Stable demand is also expected to continue for shipbuilding. In other manufacturing industries, we believe that the construction machinery market remains firm, but the industrial machinery market has weakened slightly due to a cautious stance toward capital investment, reflecting economic uncertainty and other factors.

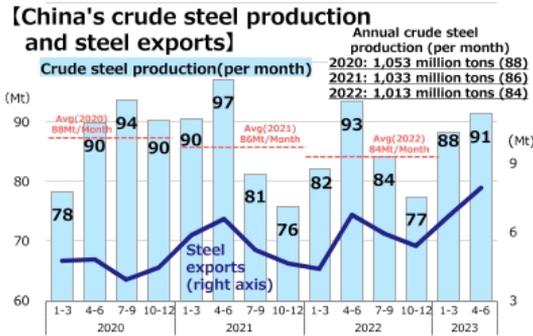
Below that, construction is steady for large nonresidential redevelopment projects, but we see some projects being postponed. We see that small and medium-sized projects continue to be sluggish, precisely because of the effects of soaring material prices and labor shortages.

Furthermore, for civil engineering, although budget measures have been taken, there has also been a considerable impact of postponement here due to cost increases, labor shortages, etc. Overall, we expect demand in 1H and 2H to remain mostly flat.



Business environment (Overseas)

- Overall, **steel demand is expected to recover moderately.**
- While China has increased crude steel production, domestic demand has been weak, including a slump in the real estate industry, and **the market recovery is slower than expected.**
- The Chinese government's economic stimulus measures and curbs on crude steel are **expected to improve steel supply and demand and market conditions** from the beginning of the next year.



【Real GDP Growth Forecast in 2023】

(Arrows indicate changes from the previous forecast)

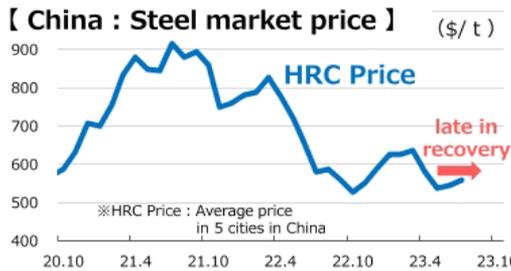
	World	US	China	India	ASEAN-5
2022 Estimate	3.5%	2.1%	3.0%	7.2%	4.5%
Apr. 2023 Forecast	2.8%	1.6%	5.2%	5.9%	5.3%
Jul. 2023 Forecast	3.0% ➡	1.8% ➡	5.2% ➡	6.1% ➡	5.3% ➡

Source : IMF World Economic Outlook Update April 11 and July 25, 2023

*ASEAN-5 : Thailand, Malaysia, Indonesia, Philippine, and Singapore

【Trend by Sector】

Thin Sheet	<ul style="list-style-type: none"> • Demand in China is expected to recover moderately, thanks in part to governmental support for the real estate sector. • In Southeast Asia, there has been some postponement of purchases due to currency depreciation and budget shortfalls, but we expect moderate improvement in demand in the future.
Auto-mobile	<ul style="list-style-type: none"> • Demand is firm and production levels are expected to recover gradually. • However, the recovery is expected to be moderate compared to the previous year 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.
Ship-building	<ul style="list-style-type: none"> • China and South Korea shipbuilders are increasing orders for new construction and securing stable contracts. • Despite the impact of the labor shortage, it is expected to be firm as the labor shortage is gradually being resolved.
Energy	<ul style="list-style-type: none"> • While oil and gas prices has fallen temporarily due to fears of a slowdown in the economy, investment in projects to develop oil and natural gas plants is expected to remain strong.



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Next is overseas.

A moderate recovery is expected to continue overall, but this recovery will be greatly affected by that in China. In China, while crude steel production is increasing, domestic demand is weak due to sluggish real estate and other factors, and the market recovery has been considerably delayed compared to our initial expectations.

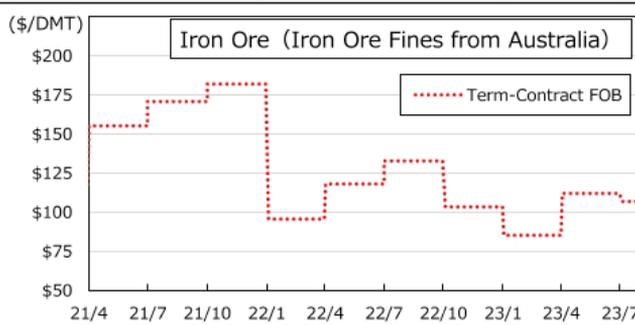
We expect a recovery due to the government's economic stimulus measures or the crude steel restraints mentioned in some reports, but the timing of such recovery will be quite difficult before the end of the year, and we expect it to start around the beginning of the new year.



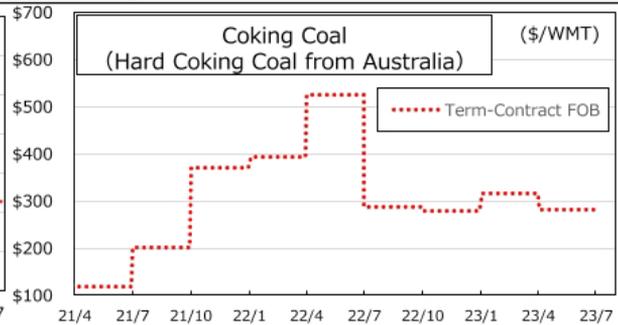
Raw materials market trends



- Key raw materials
 - Iron ore prices rose from late last year to early this year due to expectations of a recovery in steel demand following the easing of China's zero coronavirus policy, however, **fell around March due to a slower recovery in the steel market**. The prices are currently hovering around FOB\$100.
 - Coal prices fluctuated wildly last year due to the situation in Ukraine and the weather, but they are now moving calmly.
 - **Both iron ore and coking coal are expected to remain at current levels.**
- Metals
 - Metals prices remain weak due to the sluggish European economy and the slower recovery in China's economy and steel demand, however, are still high relative to historical levels.



Term-Contract FOB	FY2022				FY2023	
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
\$/DMT	118	133	103	85	112	107



Term-Contract FOB	FY2022				FY2023	
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
\$/WMT	526	287	279	315	283	-

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Next are raw materials.

The iron ore price has been hovering around FOB \$ 100. Coking coal saw a very large movement last year, but has recently settled at around FOB \$ 230.

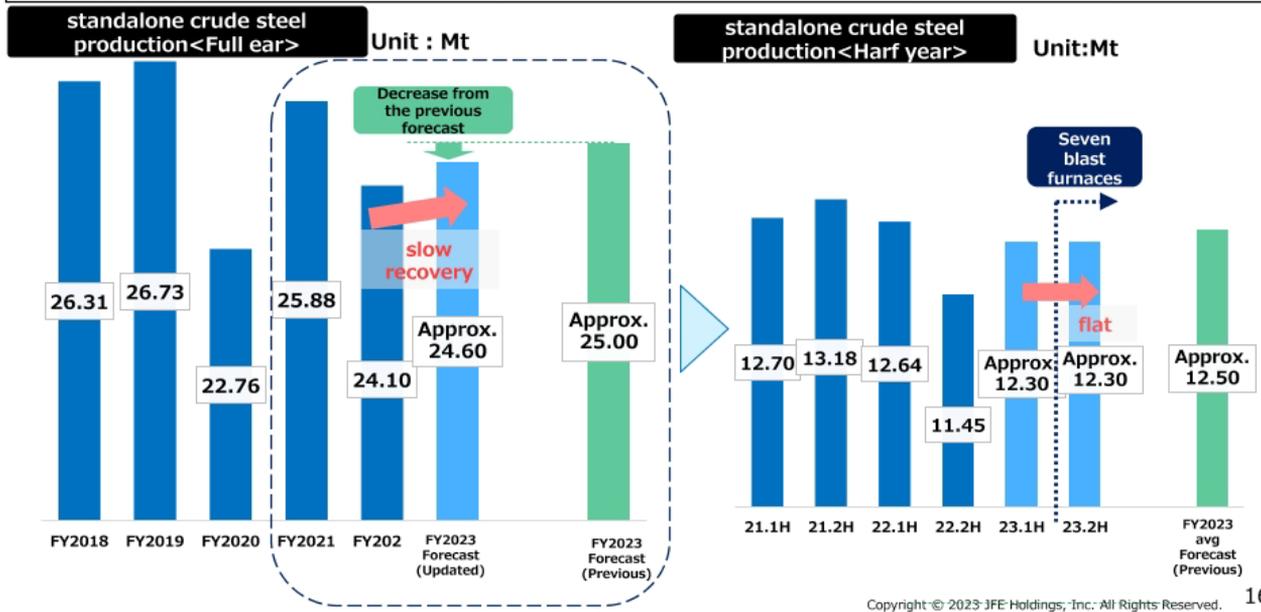
Of course, we believe there is a possibility of an upward swing in the future due to the recovery of demand in China and other factors. However, in our current outlook, we expect the current situation to continue for 2H.



Crude steel production



- Although there is a recovery trend in some sectors (such as for domestic automobiles), the overall recovery has been slower than previous forecast, so **standalone crude steel production is expected to be approx. 24.60Mt per year. (down 0.40Mt from the previous forecast)**
- After Shut down of upstream facilities and hot rolling facilities in Keihin on September 16, 23, The number of blast furnaces in Japan decrease to seven, and the operation rate improves.



This is about the crude steel production.

Although domestic demand for automobiles is recovering, the overall recovery is slower than what we forecasted in May. The forecast for crude steel production has been revised downward by about 400,000 tons from the previous forecast to 24.6 million tons per year.

It is 12.3 million tons in 1H and the same in 2H. We forecast that the crude steel production will remain mostly unchanged from 1H to 2H.

Suspension of upstream facilities in the Keihin District is scheduled for September 16. In 2H, we will produce about the same amount as 1H with seven blast furnaces.

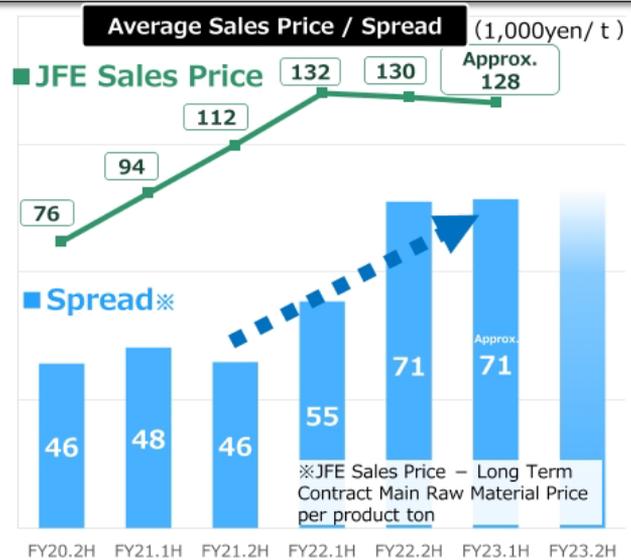
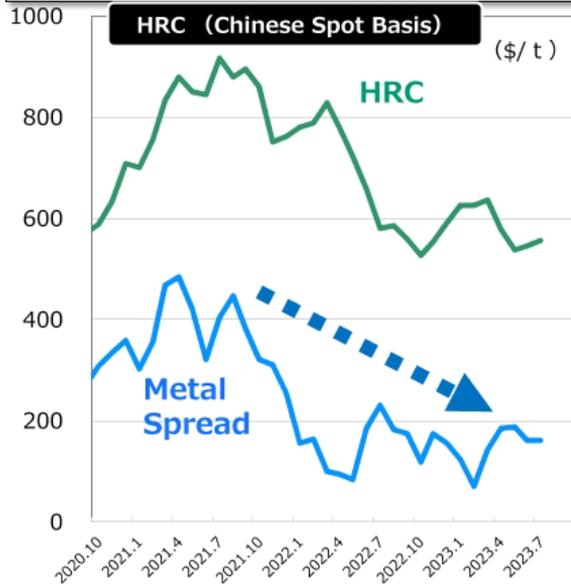
As for annual crude steel on the left side, last year it was 24.1 million tons, so if it reaches 24.6 million tons this year, it can be said to be a moderate recovery. However, last year, due to the impact of the renovation of Number 6 blast furnace in Chiba, we had some inventory buildup in the year before that, which may have made the figure smaller than the actual demand. Given this, we forecast that the step between 2022 and 2023 is even lower and close to flat.



Improving of sales price



- In 1H of FY2023, despite the impact of the decline in main raw material prices and overseas steel market, we continue **the reflections of metal and commodity costs***, **overhaul of extra pricing**, and **enhancing sales price**, and are expected to maintain sales prices generally.
 - The spread of FY2023 is expected to **increase by ¥144.0bn. (+7,000yen/t)** from FY2022 and **increase by ¥64.0bn. (+3,000yen/t)** from the previous forecast.
- *Including foreign exchange effect, scrap, metal, fare, energy, etc.



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Next is the sales price.

As for the selling price, in this 1H, the price of main raw materials is declining, and the overseas steel market is also on a very downward trend. However, we continued our efforts to correct the price level by reflecting various prices, etc. The average sales price is about JPY128,000 in 1H, almost maintaining the level of 2H last year.

We are planning a significant improvement of JPY144 billion, or JPY7,000 per ton, in the current fiscal year's forecast for spreads compared to last year, due in part to the fact that raw materials costs are down compared to last year. Comparing with the previous forecast, this is also an improvement of JPY64 billion, or JPY3,000 per ton.

The spread I just mentioned includes all alloys, energy, and currency effects.



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	970.8	1,888.0	
Segment Profit	billion yen	93.0	55.2	148.2	(1.4)	146.8	68.1	18.9	87.0	113.0	200.0	200.0
Excluding Inventory Valuation etc.*	billion yen	(23.0)	55.2	32.2	41.6	73.8	59.1	43.9	103.0	122.0	225.0	190.0
Crude Steel (Standalone)	Mt	6.43	6.21	12.64	11.45	24.10	6.05	Approx. 6.30	Approx. 12.30	Approx. 12.30	Approx. 24.60	Approx. 25.00
Crude Steel (Consolidated)	Mt	6.77	6.59	13.37	12.11	25.48	6.38	Approx. 6.70	Approx. 13.10	/		/
Shipment (Standalone)	Mt	5.54	5.32	10.86	10.88	21.74	5.23	Approx. 5.70	Approx. 10.90			
Export Ratio on Value Basis (Standalone)	%	48.5	45.0	46.7	42.2	44.5	44.2	Approx. 44	Approx. 44			
Average Sales Price (Standalone)	000 yen/ t	126.7	136.7	131.6	129.9	130.8	128.5	Approx. 127	Approx. 128			
Exchange Rate	¥/\$	126.5	136.6	131.6	138.6	135.1	135.8	Approx. 142	Approx. 139	Approx. 140	Approx. 139	Approx. 130
Exchange Rate (End of Term)	¥/\$	136.7	144.8	144.8	133.5	133.5	145.0	Approx. 140	Approx. 140	Approx. 140	Approx. 140	Approx. 130

*Excluding inventory valuation, carry over and foreign exchange valuation from segment profit Copyright © 2023 JFE Holdings, Inc. All Rights Reserved. 18

This is a summary of the FY2023 forecast.

The segment profit is JPY200 billion, which is unchanged from the previous forecast. Below that, the profit excluding inventory valuation differences, etc., is JPY225 billion, while the previous forecast to the right was JPY190 billion. So, the profit excluding inventory valuation differences, etc., will improve by JPY35 billion.

Crude steel production is 24.6 million tons, with 12.3 million tons both in 1H and 2H.

The third line from the bottom shows the average price of steel products, with the 1H average being about JPY128,000. The exchange rate assumption for 2H is placed at JPY140.



0.0bn. Increase 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	200.0	200.0	0.0
Excluding Inventory Valuation etc.	190.0	225.0	35.0
1. Cost	±0.0		
2. Volume and Mix	(8.0)		• Crude Steel Production approx.25.00Mt⇒approx.24.60Mt
3. Sales and Raw materials	+70.0		• Improved spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
4. Inventory valuation	(35.0)		• Inventory valuation -9.0 (-3.0→-12.0) • Carry over -36.0 (+17.0→-19.0) • Foreign exchange valuation+10.0 (-4.0→+6.0)
5. Others	(27.0)		• Foreign exchange effects on trade -21.0 etc.

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Based on the above, here is a comparison of the segment profit with the previous forecast.

Although it is break-even in total, there is a negative impact of JPY8 billion on volume due to reduced crude steel production. Regarding spreads, prices, especially for exports, are lower than the previous forecast. However, considering lower raw materials prices and the improvement and maintenance of domestic prices, it is positive JPY70 billion.

On the other hand, due to the lower prices of raw materials than the initial forecast, inventory valuation differences and in particular carry-over caused negative impact on the profit. Including these, the total is zero. However, the spread was improved instead of the negative JPY35 billion in inventory valuation differences, etc., resulting in a JPY35 billion improvement excluding inventory valuation differences, etc.



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	146.8	200.0	53.2
Excluding Inventory Valuation etc.	73.8	225.0	151.2

1. Cost	+63.0	<ul style="list-style-type: none"> Structural reforms effect +20.0 Operational improvement +20.0 Disappearance of blast furnace refurbishment impact and production reduction impact +23.0
2. Volume and Mix	+10.0	<ul style="list-style-type: none"> Increased volume due to gradual recovered steel demand (Crude Steel Production 24.10Mt ⇒approx. 24.60Mt)
3. Sales and Raw materials	+145.0	<ul style="list-style-type: none"> Improved spreads due to the reflection of high prices of main raw materials, metals, and other commodities in selling prices
4. Inventory valuation	(98.0)	<ul style="list-style-type: none"> Inventory valuation -91.0 (+79.0→-12.0) Carry over +4.0 (-23.0→-19.0) Foreign exchange valuation -11.0 (+17.0→6.0)
5. Others	(66.8)	<ul style="list-style-type: none"> Depreciation cost -12.0 Foreign exchange effects on trade -10.0 etc.

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Next is comparison with the previous year.

Segment profit is JPY200 billion compared to last year's result of JPY146.8 billion, which is an improvement of JPY53.2 billion as initially forecasted in May. First of all, we expect costs to increase by JPY63 billion as initially forecasted, including the JPY20 billion effect of structural reforms and the absence of the impact of last year's refurbishment and production reduction of Number 6 blast furnace in Chiba.

As for the volume, we forecast that an increase in production of 500,000 tons will give about costive JPY10 billion. However, the big one is still the spread, which is expected to be a positive JPY145 billion, because although export prices are lower, domestic prices will be maintained and raw material prices will be lower.

On the other hand, inventory valuation differences, etc., was negatively affected by the decline in raw material prices and other factors. In absolute terms, however, these three items added JPY73 billion last year, but this year it is negative JPY25 billion, a change in the negative direction, which is a characteristic feature of this year's results.

As a result, excluding inventory valuation differences, we expect a large JPY150 billion improvements from JPY73.8 billion last year to JPY225 billion this fiscal year.



26.0Bn. Yen Increase in JFE Steel's Segment Profit (FY2023.1H vs. FY2023.2H)

JFE Steel

(billion yen)

JFE Steel	FY2023 Forecast			Change
	1H Forecast	2H Forecast	Full Year	
Segment Profit	87.0	113.0	200.0	26.0
Excluding Inventory Valuation etc.	103.0	122.0	225.0	19.0

1. Cost	+33.0	<ul style="list-style-type: none"> • Structural reforms effect +20.0 • Operational improvement +13.0
2. Volume and Mix	±0.0	
3. Sales and Raw materials	±0.0	
4. Inventory valuation	+7.0	<ul style="list-style-type: none"> • Inventory valuation -6.0 (-3.0→-9.0) • Carry over+19.0 (-19.0→±0.0) • Foreign exchange valuation -6.0(+6.0→±0.0)
5. Others	(14.0)	•Increase other expenses etc.

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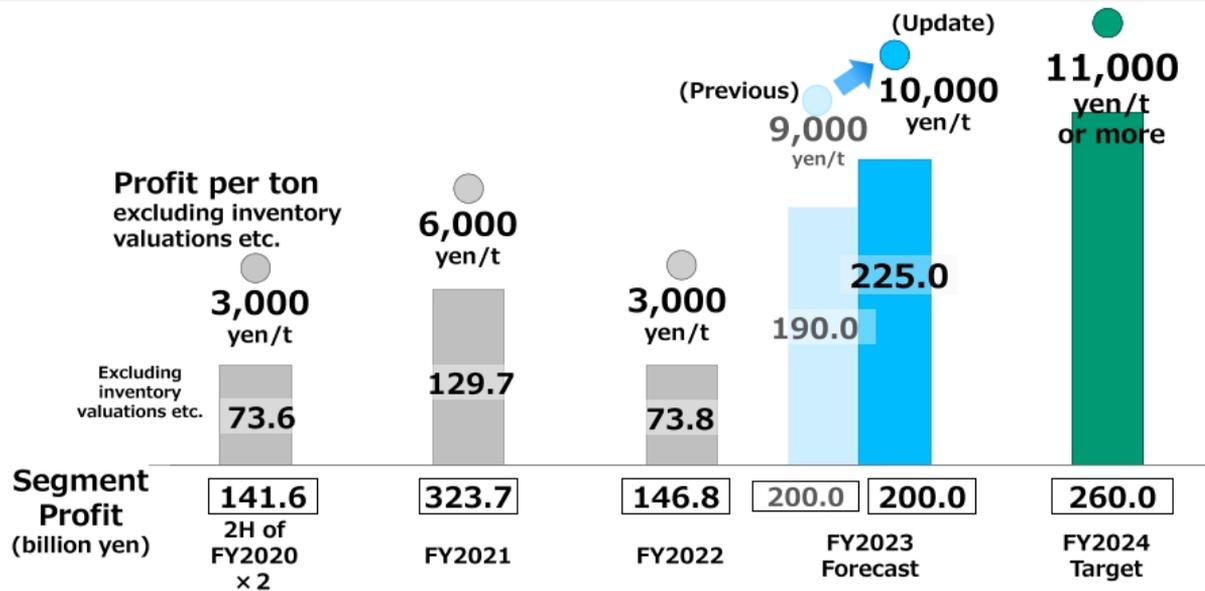
Next is comparison between 1H and 2H. The breakdown of JPY200 billion is JPY87 billion in 1H and JPY113 billion in 2H, a difference of JPY26 billion.

You can see the breakdown below, 2H will be better cost wise. In particular, since structural reforms will be implemented in September, the effects of these reforms will be manifested in 2H, which will result in an increase in profit for 2H.

For volume, we forecast that it will be about the same in both 1H and 2H. We foresee that the spread will be the same in both 1H and 2H, even though the selling prices will be slightly negative and raw materials prices will be slightly positive from 1H to 2H.

Profit in the steel business

- While raw material prices are lower than the previous forecast, maintaining sales prices will **improve profitability**.
- **In FY2023, profit per ton excluding inventory valuations etc. is expected to be 10,000yen/t.** (increased by 1,000yen/t from previous forecast)



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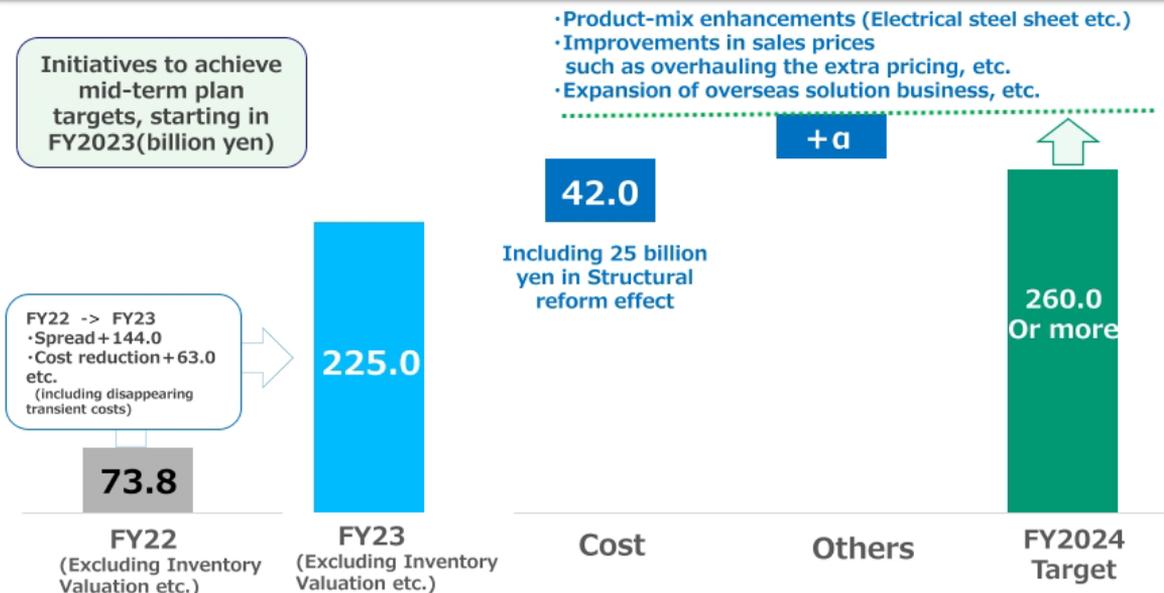
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Our initial plan was JPY190 billion for profit excluding inventory valuation differences, etc., so that we had expected the profit per ton of steel to be around JPY9,000. However, the Company now expects to reach its initial mid-term plan target of JPY10,000 with a profit of JPY225 billion excluding valuation differences, etc.

We have also raised our target for FY2024 from JPY230 billion to JPY260 billion as of May, and we would like to aim for more than JPY11,000 for per-ton profit as well.

Paths toward achieving the Seventh Medium-Term Plan

- In FY2023, segment profit excluding Inventory Valuation etc. in the steel business is expected to be **225 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**.



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Regarding the path to reach the mid-term plan, the forecast for FY2023 is JPY225 billion excluding inventory valuation differences, etc. Regarding cost reductions planned for the next fiscal year, JPY42 billion is planned, including the remaining JPY25 billion of structural reform benefits. If we achieve this, the total amount will exceed JPY260 billion.

I think we are getting very close to our goal of JPY260 billion or more, which we mentioned in May. Furthermore, as mentioned in others, we would like to aim for more with product-mix enhancement, including the launch of enhanced facility of electrical steel sheets in Kurashiki next year, overhauling the extra pricing, and overseas solution business.



Financial Forecast for Fiscal Year 2023

JFE

■ Current Business Environment/Overview of Financial Status

- Expect to increase orders in the field of “Waste to Resource” and “Carbon neutral”.
- Due to the increase in sales by the progress of ordered projects and the impact of soaring prices on materials and equipment, Segment profit is expected to be as follows;
 1H : **¥5.0 billion, up ¥8.9 billion from 1H of previous year,**
 Full year : **¥25 billion*, up ¥11.6 billion from the previous year.**
 *No change from the previous forecast

■ Financial Forecast

	FY2022 Actual		FY2023 Forecast		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
(billion yen)						
Orders	286.0	564.9	280.0	580.0	(6.0)	15.1
Revenue	219.0	512.5	230.0	550.0	11.0	37.5
Segment Profit	(3.9)	13.4	5.0	25.0	8.9	11.6

Next is engineering.

For engineering, the annual segment profit remains unchanged from the initial JPY25 billion. Orders of JPY580 billion are in line with the original plan, and sales of JPY550 billion have not changed either. We expect to receive more orders in the field of “waste-to-resource” and “carbon neutral”, and we hope to achieve this profit target by making steady progress on projects that have already been ordered.



■ Current Business Environment/Overview of Financial Status

- Compared to the previous fiscal year, despite a recovery in automobile production, **segment profit are expected to decline** due to a delay in demand recovery from the initial expectations in other sectors and a narrowing of spreads, particularly in North America.
- **1H segment profit is expected to be ¥26 billion**, down ¥14.6 billion from the same period of the previous year.
- **Full year segment profit is expected to be ¥48 billion** as previously forecast (Down ¥17.1 billion from the previous year and up ¥8 billion from the mid-term plan).

■ Financial Forecast

	FY2022 Actual		FY2023 Forecast		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
(billion yen)						
Revenue	750.2	1,514.1	780.0	1,620.0	29.8	105.9
Segment Profit	40.6	65.1	26.0	48.0	(14.6)	(17.1)

Next is trading.

Also, for trading, our outlook has not changed. As I mentioned in the steel section, while there has been a recovery in automobiles, there has been a slow recovery in demand in other sectors. In addition, there is a reduction in spreads, especially in North America, where profits had been higher. Therefore, although profits are down compared to last year, we hope to steadily achieve profit of JPY48 billion, JPY8 billion higher than JPY40 billion in our mid-term plan.



Progress of main initiatives of the 7th mid-term business plan (Steel Business)

JFE

1. Shifting focus from quantity to quality

- Upstream facilities in Keihin will be suspended in September as planned. P30
(released on 3rd Aug. 2023)
- Large and heavy steel plate for wind power generation has been selected P34
(released on 3rd Aug. 2023)

2. Expand and accelerate overseas business

- Signed a joint venture agreement to establish a joint venture company in India to manufacture GO electrical steel sheets with JSW P32
(released on 3rd Aug. 2023)

3. Use digital technology to strengthen production base

- Transition to the open environment of the core system for the first time in a large-scale integrated steel mill, Kurashiki. (released on 7th Jul. 2023)

4. Achieving carbon neutrality

- Agreed on joint evaluation to establish CCS value chain originated from Japan aligned with CCS study in Malaysia. (released on 19th Jun. 2023)
- Large cargo ships to be made exclusively with JGreeX™. (released on 20th Jun. 2023) P33
- Signed MOU to establish a supply chain of ferrous raw material for green ironmaking. (released on 18th Jul. 2023)

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I will show some topics in terms of the progress of main initiatives.

As you can see, we have four main initiatives: shift from quantity to quality, overseas business, DX, and carbon neutral. We have listed the contents of most recent announcements into these categories and would like to introduce a few topics from among them.



Progress on Structural Reform



- **Shutdown of upstream facilities and hot rolling facilities in Keihin is scheduled for September 16, 2023.** We are steadily implementing product transfers, building production systems, and dealing with employees and partner companies.
- Complete the structural reforms and promote shifting focus from quantity to quality. **The fixed cost reduction effect (45 billion yen) will be realized by FY2024**, aiming to significantly lower the break-even point.

	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) ★		
Shut down of upstream facilities and hot rolling facilities in Keihin		To be shut down (September 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)	★	Disclose development plans in Ogishima (Sep. 2023) ★	To Sell Ogimachi land (Dec. 2024) ★

Progress shut down Keihin upstream facilities

- **Approval** to switch to manufacturing at other iron works has **progressed smoothly**.
- **Capital investment** in logistics and other activities to establish a new production system was **generally completed**.
- With regard to employees engaged in suspended equipment, confirm their intentions on the premise of securing employment and **reassign them to other offices** including other districts.
- Partner companies are also being **dealt with in cooperation with local governments**.

Effect of Structural Reform

- Standalone crude steel production capacity: approx. **Down 4Mt/year** (approx. -13% reduction)
- The fixed cost reduction effect after FY2023 : **45billion yen** (20 billion yen in FY2023 and 25 billion yen in FY2024)

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The first is structural reform.

The upstream facilities in the Keihin District are scheduled to be suspended around September 16. We are steadily implementing product transfers, establishing production systems, and dealing with employees, subcontractors, etc., and are proceeding basically as planned.

By completing structural reforms and promoting a shift from quantity to quality, we aim to reduce fixed costs by JPY45 billion by FY2024, thereby significantly lowering the break-even point.

Some of the progress toward the suspension are mentioned in the lower right-hand, and the approval to switch production to other steel works is well underway. Capital investment in logistics and other facilities for the establishment of a new production system has also been largely completed, including in Keihin and other areas. We are also planning to reassign employees after confirming their intentions on the premise that their employment will be secured, including those at other offices. We are also working with the government to deal with partner companies.



Progress in a land reuse project in Keihin District

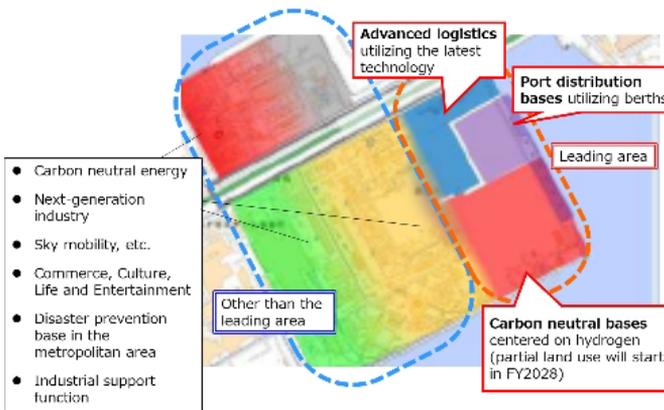
JFE

- Land reuse project in Keihin is making steady progress. (Decided to sell some land in Ogimachi and selected business partners in the northern part of Minamiwatarida-Kita area.)
- **In June 2023, Kawasaki City announced the Ogishima Land Use Plan (draft). Our company's land development Plan is scheduled to be announced in September 2023 based on the city's plan.**

■ Kawasaki City land use plan (draft) (announced on 2nd June 2023)

【Zoning】

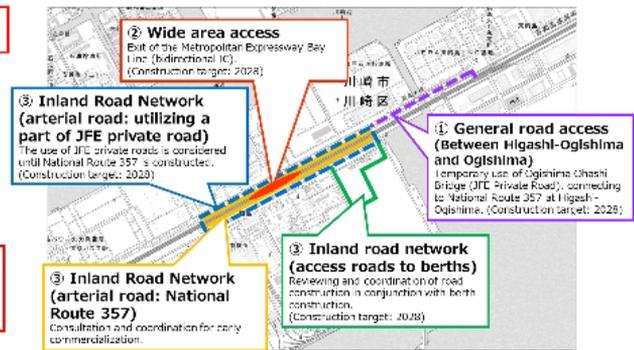
Specific use is described in the leading area, and the area other than the leading area (hinterland) can be used widely.



*JFE created the above maps based on the Kawasaki City land use plan (draft).

【Infrastructure Development】

Necessity of (1) general road access (between Higashi-Ogishima and Ogishima), (2) wide area access (entrance/exit of Metropolitan Expressway Bay Line), (3) island road network for the partial land use start from FY2028, is presented.



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Along with the progress of structural reform, Keihin's land use is also making progress.

We have already announced the partial sale of Ogimachi and the selection of a project partner for the Minamiwatarida-Kita area, and this past June, Kawasaki City announced its land use plan for Ogishima. JFE also plans to announce its own land development plan in conjunction with the suspension of upstream facilities in Keihin in September.

Please refer to the figure below for the details of the use plan announced by Kawasaki City in June.



Establish a joint venture company in India of grain-oriented electrical steel sheet with JSW

Released on 3rd August 2023

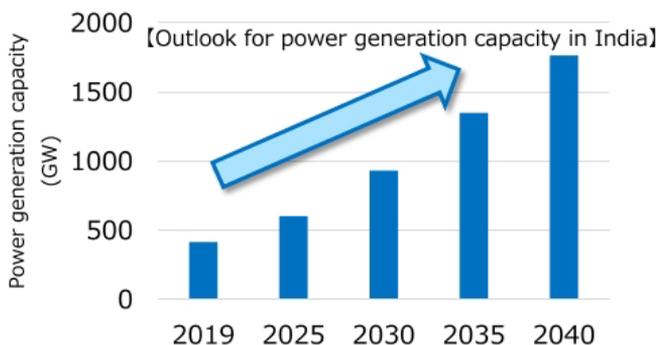
Signed a joint venture agreement with JSW for the establishment of a joint venture company for Grain-Oriented (GO) electrical steel sheets in India.

Company name: JSW JFE Electrical Steel Private Limited, Investment ratio: 50:50.

■ Demand outlook for GO electrical steel sheets in India

- India's power generation capacity will grow at 7% per year. **Demand for GO electrical steel sheets used in transformers is expected to grow equally.**
- **Governmental PJ transformers mainly use high-grade GO electrical steel sheets** due to the government's regulation on higher efficiency.

- ✓ Through the alliance with JSW, we capture the rapidly growing demand for high-end GO in India.
- ✓ Establish India's first integrated GO manufacturing company. The company plans to expand its production capacity in line with the growing Indian GO market.



Source: IEA India Energy Outlook 2021

Total investment	670 MUSD
Start of production (Plan)	full operation from 2027



JSW Steel Limited: Vijayanagar facility
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Next, I would like to introduce the establishment of a company with JSW to manufacture and sell the grain-oriented electrical steel sheets (GO).

As we announced in a press release today, we have signed a joint venture agreement for the establishment of grain-oriented electrical steel sheets in India. At the same time, the Company name was decided to be JSW JFE Electrical Steel Private Limited. The investment ratio is 50-50, as already announced.

The purpose and other details of the project remain unchanged from those announced in May, but we additionally announced that the total investment will be in the order of USD670 million. Since the investment ratio is 50-50, each of us will bear half of this.



Green steel products “JGreeX” have been selected

Released on 20th June 2023

JFE

- JGreeX™ has been selected for **four large cargo ships (dry bulk ships)**. About **14,000 tons of JGreeX™** are scheduled to be delivered.
- Collaborate with eight domestic shippers, **we have created the world's first sustainable framework** where costs of CO₂ reduction are shared across the entire supply chain.
- As a CO₂ reduction value (premium), in this case, JGreeX™ is sold at a price about 40% higher than that of ordinary steels.



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Next is the green steel JGreeX.

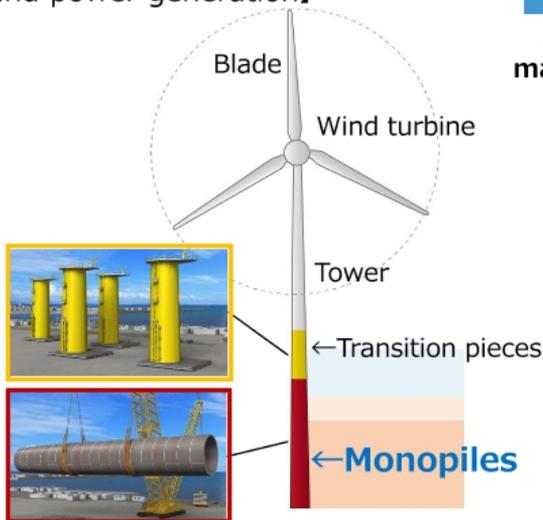
This is what we already announced in June. The Company plans to deliver 14,000 tons for simultaneous adoption in four dry bulk ships. Together with eight domestic shippers, we have created the first sustainable business model in which the cost of CO₂ reduction is borne by the entire supply chain.

In this case, about 40% of the price of normal steels is added as premium value and sold. As shown in the diagram below, JFE Steel supplies JGreeX steels to a shipbuilding company, and the ship owner then charters the ship built with the steel to a shipping company. The shipping company transports the cargo. In this way, this price is passed on to the consignor or the final user of the product, respectively, so that the entire supply chain bears the burden of the price.

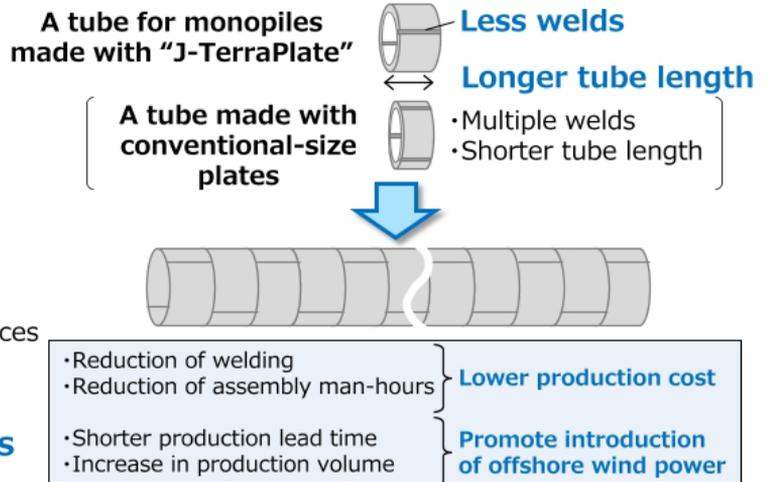


Large and heavy steel plate "J-TerraPlate™" for wind power generation produced with Kurashiki No. 7 continuous caster has been selected for the first time for the foundation structure (monopiles) of offshore wind power generation.

【Image of bottom-fixed offshore wind power generation】



Advantages of large and heavy steel plate in monopile manufacture



Construction of JFE Engineering's Kasaoka monopile plant is progressing as planned (scheduled to start operation in April 2024).

Finally, the product name has been decided as "J-TerraPlate" for large and heavy steel plates for wind power generation and has now been selected for the first time.

Large and heavy steel plates for wind power generation, utilizing Kurashiki's Number 7 continuous casting machine, have been used for the first time in the foundation structure of an offshore wind turbine, the so-called monopile. Along with continuous casting machines, we have also invested in equipment and facilities to produce large and heavy plates at our plate mills. The investment and other measures have made the product ready for production, and its commercial production has started.

This is an overseas, Taiwanese project, and this is the first time that we have received an order and shipped the product.

That is all.

This presentation material was prepared for the purpose of publicizing the status of our company's financial results for the first quarter of FY2023. The information included in this presentation does not constitute a disclosure under the Financial Instruments and Exchange Act and we do not guarantee the accuracy or completeness of the information contained within. The information included in this presentation is not an offer to sell, or a solicitation of an offer to buy, any securities in Japan, the United States or any other jurisdiction. The forward-looking statements regarding forecasts included in this presentation were based on information available to us at the time when this presentation was prepared and include uncertainties. Therefore, please refrain from making any investment decisions based solely on this document. Our company shall not be liable for any damages arising as a result of the use of this document.