

Briefing on JFE Steel Corporation Overseas Business Strategy

Summary of Q&A Session on August 8, 2025

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**Participant:**

To achieve overseas business profit of 200.0 billion yen by FY2035, it may be difficult to rely solely on expanding the electrical steel sheet sector. Wouldn't it be necessary to have upstream steel production facilities? JSW Steel is working with POSCO on a project to build an integrated steelworks. As JSW aims for 50 million tons/year of crude steel production, is there any possibility of similar collaboration with JFE? Separately, does JFE have any plans to work with Nucor to establish upstream operations in the U.S.? While many things may still be undecided, please share your concrete thoughts on achieving overseas business profit.

**JFE:**

While I cannot comment on undecided matters, we expect 100.0 billion yen out of the 200.0 billion yen overseas profit target for FY2035 to come from new investments. The specific investment destinations for the 400.0 billion yen announced in the 8th Medium-Term Business Plan have not been determined, but the recently announced expansion of manufacturing capacity for grain-oriented electrical steel sheets in India is the first step. There are several potential partners such as JSW around the world, and we aim to advance projects to achieve the greatest possible results with them. Investment in India this time is approximately 60.0 billion yen out of the 400.0 billion yen growth investment framework, and we believe that future projects must be of similar or greater scale.

**Participant:** If you produce a large volume of electrical steel sheets, you may generate profits through accumulation, but from the perspective of marginal profit, wouldn't it be necessary to also engage in upstream operations? Furthermore, if operations are conducted through partnerships, profits would be halved, so I believe it is necessary to consider even larger plans to generate greater profits. Is it correct to assume that such considerations are being made?

**JFE:**

This applies not only to upstream but also to downstream operations. In order to secure 100.0 billion yen business profit, if we were to execute a project with a 15% return on investment, we would be required to find a project of approximately 600.0 billion yen in scale. We would like to continue exploring opportunities that lead to such outcomes.

**Participant:**

In terms of exploring promising markets for overseas business, will you focus on building new businesses primarily in India and North America, or are you also considering other countries as potential future markets? If there are other countries being considered, please share their priority rankings.

**JFE:**

Under our 8th Medium-Term Business Plan, we will pursue overseas business strategies centered on India and North America. India is a growing market, and North America can be also fundamentally a growing market where business profits can be expected as a developed country, while we must monitor policy developments in the U.S.. We, however, do not intend to limit ourselves to these two countries and will continue to expand our focus to other promising markets.

**Participant:** Do you have any specific ideas about which countries you plan to pursue your strategy in?

**JFE:**

It is difficult to quickly build trust in countries where we have no track record. Since we have technical cooperation, operational support, or licensing agreements, with many steel mills in various countries, we aim to deepen relationships primarily in those countries.

**Participant:**

Regarding the market for grain-oriented electrical steel sheets, how large is the global market for premium products beyond India? Who are the major players in this field, including JFE? Also, what specific technological differentiators exist between Chinese mills and JFE?

**JFE:**

Grain-oriented electrical steel sheets is characterized by its crystal orientation aligned in one direction, and the smaller the deviation in orientation, the more premium the product is considered, resulting in higher energy conversion efficiency and lower iron loss. Generally, products are classified as premium or general-purpose based on iron loss levels. Each market has different requirements depending on the systems of the country or region. For example, Europe has advanced systems such as EcoDesign, and the U.S. has energy efficiency regulations such as Tier 2 and 3, which affect the required iron loss levels. Therefore, it is difficult to specify the exact market size for premium and general-purpose products globally. Our sales strategy involves developing, manufacturing, and supplying world-class products from our domestic Works in Kurashiki to meet the strict iron loss standards in Europe. In growing markets such as India, we aim to capture demand as insiders through partnerships with companies such as JSW. Additionally, JFE Shoji has been expanding its supply chain globally. We compete with Chinese and emerging mills by leveraging our technological capabilities, group-wide strengths, and partnerships. As JFE's technical advantage lies in the better iron loss performance, we will continue to advance our technology to maintain our lead over competitors.

**Participant:**

JFE had expanded its downstream business overseas, but some areas have experienced impairment losses. In Southeast Asia, market growth has slowed, and with new Works being established locally, the business model of exporting base materials from Japan for processing is

no longer functioning. The traditional customer base centered on Japanese automakers seems to be also changing. As JFE aims to become an insider, are you considering a sales strategy for local customers? Under the JV structure with JSW, what kind of sales strategy is JFE considering in order to gain benefits?

**JFE:**

Until now, we have pursued a vertically integrated business model, particularly in the automotive sector, targeting Japanese automakers as our main customers. However, with the rise of Chinese mills and the challenging business environment for Japanese automakers, we believe that strategy has been largely exhausted. Taking recent geopolitical risks and the shift from global to local is accelerating into consideration, it is getting increasingly important to become an insider. Being an insider means not only establishing manufacturing bases or companies locally but also having local partners. As with our electrical steel sheets strategy with JSW, we aim to embed ourselves locally as our future strategic model.

Regarding the sales strategy, taking electrical steel sheets as an example, there are cases where customers demand local supply. Also, the performance levels required by Japanese manufacturers vary by market, so we develop our sales strategy based on whether to export from Japan or supply locally. For local transformer and automotive manufacturers, we plan to leverage the existing sales channels of our local partners, integrate JFE's technology, and expand those channels, allowing JFE to grow alongside them. We will continue to flexibly respond to changes in each market and customer needs by reviewing our product lineup and supply schemes, while maintaining close communication with our customers.

**Participant:**

The manufacturing of grain-oriented electrical steel sheets involves confidential technologies. Please explain how JFE addresses concerns about technology leakage when operating a joint venture instead of a wholly owned subsidiary. Also, considering that the current Indian market is dominated by imports, will JFE be able to gain market share once its production capacity expands to 350,000 tons per year? Are there any potential factors or specific competitors, such as the influx of products from Chinese mills, that should be taken into account?

**JFE:**

To prevent technology leakage, we classify and manage our technologies internally, not limited to electrical steel sheets. Although we have established a JV for manufacturing and selling electrical steel sheets, the scope of JFE's technology disclosure is strictly limited to the relevant products, and the disclosure is restricted to the JV only. Regarding the impact of import products at a stage of expanded production capacity to 350,000 tons, we anticipate that global demand for grain-oriented electrical steel sheets will continue to grow, and supply capacity—especially from Chinese mills—will increase accordingly. However, in India, the government promotes the 'Make in India' policy, and JFE plans to combine its technological strengths to meet customer needs through integrated local manufacturing. While competition is expected, we aim to realize local supply in alignment with government policies.

**Participant:**

Please explain the current challenges and outlook of the JV with Nucor in North America. While demand for electrical steel sheets is expected to grow in India, the North American market also seems promising. How does JFE view this opportunity?

**JFE:**

In North America, we have two JVs with Nucor. One is NJSM, a company manufacturing automotive steel sheets in Mexico. Although construction its plant was challenging, production has been getting stable. The biggest issue is trade relations between the U.S. and Mexico. While NJSM does not directly sell its products to the U.S., we must closely monitor the trends in automobile manufacturing and sales in Mexico to the U.S. market. The other JV is CSI, which targets the construction materials market. Although the U.S. steel market is currently facing difficulties, CSI benefits from its location in California, where there are few competitors in steel manufacturing. We are also building a new continuous galvanizing line scheduled to start operations by the end of 2027.

We believe the North American market of electrical steel sheets has significant potential. Although no specific plans have been finalized yet, JFE aims to explore various strategies in North America.

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