Integrated Steel Plant Joint Venture with JSW Steel in India
Summary of Q&A Session on December 4, 2025

Participant:

Currently, I believe that the equity method profit and loss, including BPSL within JSW, is being incorporated. After the acquisition is completed, how will BPSL be treated in accounting, including goodwill?

JFE:

Normally, the equity method profit and loss will be applied. Regarding goodwill, it will be processed through the PPA (Purchase Price Allocation) process, which allocates the acquisition cost to identifiable assets and liabilities at fair value, in consultation with accountants. As for the relationship with JSW itself, we have traditionally held a 15% stake, and the profit and loss of BPSL has been included in that 15% share. After the acquisition of a 50% stake in BPSL this time, 50% of BPSL's profit will be incorporated as equity method profit and loss. In addition, 15% of the profit that JSW incorporates will also be included as equity method profit and loss for our company. Since the 25% investment will be made in March 2026, crossing the fiscal year, there will be no direct impact on this fiscal year's profit and loss, and the 15% equity method profit and loss will continue to be incorporated as before.

Participant:

Usually, steel plants are located on the coast to purchase iron ore from Australia or Brazil, but this time the plant is located near the raw material site. How much cost advantage is there for iron ore due to the absence of freight and tariffs? Is the coking coal imported from abroad, and could you explain the structure?

JFE:

The plant is located near the iron ore production site, and railway infrastructure is well developed, so transportation costs are low. Imported coking coal is transported by rail from the coast, but other companies also import coking coal in the same way, so there is no significant difference. We believe that the plant is highly cost-competitive on a global scale.

Participant:

You said that the expansion plan will be prepared from next year, but could you provide more details?

JFE:

We plan to formulate an expansion plan within six months to a year and then enter the construction phase.

Participant:

While the plant is located near the raw material site, isn't it far from the demand area?

JFE:

Northern India is within reach, and we aim to focus on demand in the eastern and northern regions.

Participant:

Please explain the scalability for high-grade steel, including technical aspects.

JFE:

The current product mix consists mainly of commodity-grade steel, but with the upcoming expansion plans, we can design freely and aim to build a large-scale plant with high cost competitiveness.

Participant:

Will the consolidation in accounting take place in December or March?

JFE:

The timing for BPSL's consolidation is yet to be determined.

Participant:

Can you provide any hints regarding EBITDA or acquisition costs?

JFE:

We can only provide figures within the scope of this fiscal year's actual results as shown in the materials.

Participant:

It was explained that there were bankruptcy proceedings in the past, but why did this happen despite the plant's favorable location?

JFE:

The bankruptcy law was established in India in 2016, and this plant was one of the 12 cases to which the law was applied. There were bottlenecks and poor operational efficiency, and the plant was not operating well. In addition, the economic situation was unfavorable, and the asset's potential was not fully realized. Ultimately, it went bankrupt, but after JSW's acquisition, bottlenecks were resolved and operational efficiency improved, increasing crude steel capacity from 2.75 million tons to 4.50 million tons, making it a good asset now.

Participant:

If you invest to increase production by 5.00 million tons, will the existing utilities and infrastructure lower the cost per ton, or will you need to invest in them as well? Please share your view.

JFE:

Some of the existing infrastructure can be utilized. Acquiring land is challenging, but having already secured it is a significant advantage. If we were to make the same investment in Japan, it would cost about twice as much, but in India, construction, equipment, and labor costs are lower.

Participant:

Regarding raw material interests, how does it contribute to current BPSL's sales and profit? Will raw materials be secured for future expansions? Please explain the balance between raw material interests and the steel business.

JFE:

Our own mine will begin operations next year, so it is not included at present. Once operations start, about half of the current capacity (approximately 2.00 million tons) can be supplied from our own mine. While this will not cover all future expansions, the favorable location, low ore prices, and low transportation costs provide a competitive advantage. Even during expansion, procurement within the area is basically possible, and the cost benefits from the location are incorporated into our plans.

Participant:

Is this investment within the cash flow forecast of the 8th Medium-Term Business Plan? Will there be any impact on your company's burden, cash flow, income forecast, or shareholder returns for future investments or additional expansions?

JFE:

The 8th Medium-Term Business Plan includes a 400.0 billion yen investment budget for overseas steel business, which includes this investment. There is no significant difference in income. Regarding shareholder returns, we have set a minimum dividend, and our policy remains unchanged. Future growth investments will be considered as new themes after the current medium-term plan.

Participant:

On page 12 of the materials, does the yellow area indicate the land already acquired for expansion up to 10 million tons?

JFE:

Yes, your understanding is correct. The yellow area in the materials indicates the land acquired for expansion up to 10 million tons.

Participant:

Is the plan for expansion by 2030 mostly finalized?

JFE:

We are currently at the stage of having decided on the acquisition. The specific expansion plan will be formulated over the next six months to a year, and we aim to implement it promptly.

Participant:

If you increase capacity to 15 million tons, will additional land acquisition be necessary? Please also explain the timeline.

JFE:

For further future expansion, we anticipate acquiring areas above or below the yellow section.

Participant:

Does the current acquisition include iron ore interests?

JFE:

Yes, it is included.

Participant:

Regarding valuation, it seems somewhat higher compared to Indian competitors. Can you comment on the reasons?

JFE:

The crude steel production for the first half of FY2025, on an annualized basis, is about 3.60 million tons, but with expansion investments, the plant already has a capacity of 4.50 million tons. Furthermore, we are ready for immediate further expansion, and the valuation is based on the assumption of a 10 million ton crude steel production capacity by 2030. We do not consider it overvalued.

Participant:

It was explained that securing land is the main hurdle for increasing crude steel capacity in India, and that this has already been addressed. Are there any other difficulties, such as securing equipment or personnel? Also, I assume that doubling the quantity is premised on India's economic growth. Please explain this assumption.

JFE:

The biggest bottleneck for increasing crude steel capacity in India is securing land. Land rights are complex in India, and acquiring new land is difficult, but having already secured land for expansion is a strength in this case. Securing personnel for construction is also a challenge, but JSW has continuously expanded capacity, utilizing manpower from previous projects for subsequent expansions. The next capacity increase at the current BPSL will coincide with the completion of JSW's Dolvi steel plant expansion, so we expect to utilize that manpower. For operations, Odisha has many iron ore mines and a relatively large pool of steel-related personnel. We expect India's economic growth to continue at around 8%, with demand consistently exceeding supply.

Participant:

Please share your thought of the investment amount and financing method for expansion to 10 million tons.

JFE:

The company currently generates a certain level of EBITDA with a production capacity of 4.50 million tons, and we aim to grow mainly through organic growth using earnings and funds procured internally. If there is a shortfall, additional investment may be considered, but our primary thought is to create a company that can grow independently through initial investment.

Participant:

What will be the composition of the board members?

JFE:

The number of board members from JFE and JSW will be equal. It has been agreed that the positions of chairman and CEO will alternate between JFE and JSW.

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