JFE Holdings, Inc.

JSW JFE Steel Limited Approves Investment for Capacity Expansion
Summary of Q&A Session on October 26, 2026

Participant:
The investment amount has not been disclosed. How does JFE plan to finance the investment? At JSW's briefing, the company stated that the project would not have a significant financial impact. Please provide as much detail as possible.

JFE:
The investment amount has not been disclosed because various project conditions have not yet been finalized. The investment amount itself has been determined, but we have only just completed the investment decision and will now begin financing negotiations with banks. Basically, we envisage using funds generated by JJSL, which currently produces 4.5 million tonnes, together with borrowings raised by JJSL itself. Any shortfall would then be covered by shareholder support. Until the overall financing scheme is finalized, we cannot state precisely how much funding JFE will provide. We expect to provide an update once the overall scheme has been settled. We understand JSW's statement that the financial impact would be limited to mean that a substantial portion is expected to be covered by JJSL's internally generated funds and borrowings, with the structure designed to avoid a major financial impact on either JSW or JFE.

Participant:
The hot strip mill to be introduced will have a maximum strip width of 2,150 mm, making it a large-scale facility. Will the line mainly produce construction materials, or is it designed to target higher-grade products?

JFE:
The facility is designed with future production of high-grade steel in mind, not only in terms of scale but also performance. We have made no compromises on specifications, including strip width, and have built in the capability to meet future needs, although some functions will be added at a later stage. India is currently in an expansion phase, so construction materials will initially account for a substantial share. Thereafter, as occurred in Japan and South Korea, we expect industries that require high-grade steel to develop following the period of rapid growth. Our intention is to equip the facility from the outset with the basic capabilities needed to meet that demand.

Participant:
Is the possibility of seeking support from JFE shareholders to finance the investment extremely low at this point?

JFE:
The financing structure is still under consideration, but we are not considering equity financing at this time. We believe the investment can be funded within the scope of JFE's ordinary financing activities.

Participant:
India has imposed anti-dumping measures on grain-oriented electrical steel sheets, and domestic supply could eventually become insufficient. If electrical steel sheet production is expanded further, is it possible that steel substrate could be supplied from the facilities included in this additional investment?

JFE:
For grain-oriented electrical steel sheets, we plan to establish annual electrical steel sheet capacity of 350,000 tonnes by 2030. At that stage, substrate is expected to be supplied mainly from the nearest JSW steelworks: from the Vijayanagar Works for J2ES (Vijayanagar), and from the Dolvi Works for J2ES Nashik.

Participant:
Is it correct to understand that the funding will basically be covered by JJSL's own cash flow and borrowings, and that the burden on JFE through parent-subsidiary loans or capital contributions will not be significant? Or has this not yet been determined?

JFE:
Basically, the investment will be funded through JJSL's cash flow and borrowings, with any remaining amount covered by a parent-subsidiary loan or capital contribution from the parent companies. However, the amount will be determined through forthcoming negotiations with banks and has not been finalized. Even if shareholder support is required, we believe the project could be implemented with a relatively limited amount of such support.

Participant:
Regarding the start-up schedule, will the downstream facilities begin operating first, or will operations start up on an integrated basis from the blast furnace? Please explain the specific plan through FY2030.

JFE:
Among the downstream facilities, the pickling line, cold rolling mill, and CGL will enable material currently sold as hot-rolled products from the existing steelworks to be further processed and sold as cold-rolled products. We therefore intend to complete construction approximately two years after the investment decision and begin generating earnings contributions at an early stage. Construction of an integrated facility from the blast furnace normally takes around three and a half to four years. If construction begins in April 2027, completion is expected between

around mid-2030 and the end of FY2030. Based on JSW's past performance, projects are managed to a target of 36 months, or 42 months even in the event of delays, which is consistent with this timeframe. Because hot metal from the blast furnace must be processed continuously through steelmaking and hot rolling, the blast furnace, steelmaking facilities, and hot strip mill will basically start up at the same time. The facilities will not immediately reach full capacity, however, and will be ramped up over approximately one year. Production will begin with construction materials and other products that require relatively limited customer approval, with the aim of completing the ramp-up in about one year.

Participant:
Once the facilities enter full-scale operation in 2030, what level of profit contribution do you expect?

JFE:
We target overseas business profit of ¥200 billion in 2035, of which ¥100 billion is expected from existing businesses and the remaining ¥100 billion from new investments. We expect this investment and the electrical steel sheet business to account for approximately 70% of the new-investment portion. Excluding the electrical steel sheet business, roughly half of the ¥100 billion will need to be generated by this investment. We believe this level of contribution is achievable under our business plan.

Participant:
The investment amount has not been disclosed. Is it reasonable to assume that it will be on the order of several hundred billion yen?

JFE:
The investment amount will be on the order of several hundred billion yen.

Participant:
JFE has said that the site will be operated as its 'third steelworks,' after the East Japan Works and West Japan Works. When was the last time the JFE Group constructed a blast furnace from scratch?

JFE:
Blast furnaces are generally relined approximately once every 20 years in line with the life of their refractory bricks, and capacity may be increased at that time. In terms of constructing an entirely new blast furnace from scratch, the last such projects were during the high-growth period of the 1970s. The most recent blast furnace relining was Chiba No. 6 Blast Furnace in January 2023, preceded by the blow-in of Kurashiki No. 4 Blast Furnace in 2021. The opportunity to build an integrated facility from the blast furnace through the rolling mills from scratch is

extremely valuable for JFE, and we intend to send as many younger employees as possible to India so that they can gain this experience.

Participant:
Does the project assume that the major facilities will all start up at the same time in FY2030? Also, including the use of infrastructure at the existing steelworks and upstream resources such as iron ore, what are the project's cost and technological strengths compared with other steelworks in India?

JFE:
Once a blast furnace starts operating, it continuously produces hot metal, so the steelmaking and hot rolling facilities must start up at the same time. However, it will take slightly more than one year to reach full capacity. India is currently a net importer of steel, and we believe that even if 5 million tonnes of capacity comes onstream in 2030, the output will not create a surplus and can be absorbed by the market. We will initially fill production with construction materials and other products that involve a relatively light customer-approval burden. This investment will double the capacity of the existing steelworks. Although a very limited portion of the existing infrastructure can be utilized, in principle a full set of major facilities will need to be newly constructed. A major advantage over other steelworks in India is that this is a brownfield investment involving the acquisition of land adjacent to the existing steelworks for expansion. Securing land is one of the largest obstacles to investment in India, but being able to expand from land adjacent to the existing steelworks reduces the risk that land-rights arrangements and government approvals could take one to two years. In addition, Odisha is a major iron ore producing region and the business owns captive mines, providing a significant iron ore cost advantage. The facilities will incorporate the latest technologies, and we expect the steelworks to be cost competitive.

Participant:
Does the INR 75 billion disclosed by JSW to the Indian stock exchanges represent the total amount of this investment?

JFE:
Because the INR 75 billion figure was disclosed by JSW, JFE is not in a position to comment on its details. The funding structure is that JJSL will first use internally generated funds, then borrow from banks, with the shareholders providing support for any remaining shortfall. The final amount cannot be determined until negotiations with banks are completed, but we believe JSW presented this figure to indicate the approximate scale based on certain assumptions.

Participant:
When do you expect to secure the additional land required for future expansion to 15 million tonnes, including reaching agreement with local residents?

JFE:
We envisage actually securing the additional land for the 15-million-tonne structure around 2030, immediately before the expansion. A large amount of land is owned by the state government, and we do not expect land constraints to prevent the next phase of expansion.

Participant:
Have there been any changes to the equipment plan or other aspects since the explanation provided at the site visit six months ago? Also, do any obstacles remain concerning environmental approvals or land acquisition that could lead to changes in the plan?

JFE:
There have been no major changes since the explanation six months ago. The addition is an investment in the cold rolling mill to upgrade the product mix. Because implementing this investment now is expected to improve earnings, we added an investment to shift part of the product mix from hot-rolled to cold-rolled steel sheets. There are no other material differences. One of the main purposes of this announcement is to demonstrate that, as promised, the investment decision was made within six months. Regarding environmental approvals and land acquisition, a series of procedures began after the formal decision in October and will proceed through April 2027. The final stage of the environmental approval process remains, but we believe it can be completed through the prescribed procedures and do not see it as a major obstacle to the project. Land acquisition is also nearly complete, and after final work such as consolidating the agreements, we plan to begin civil engineering work in April 2027.

Participant:
Could expanding production capacity in India reduce exports from Japan to India and lead to a review of the domestic steelworks structure?

JFE:
We consider Japan's domestic production structure separately from this overseas investment. Domestic demand in Japan is expected to decline somewhat, and we have already announced plans to shut down blast furnaces, but we currently have no plans for any further shutdowns beyond those already announced. The volume currently exported from Japan to the Indian market is very limited. Therefore, this project will not trigger a chain of events in which exports to India decrease and domestic production consequently declines. We expect the additional 5 million tonnes under this project, as well as a further 5 million tonnes thereafter, to be consumed mainly in India's growing domestic market.

Participant:
The expansion of the pickling line, cold rolling mill, and CGL will be used to shift the existing capacity toward higher-value-added products, while the new facilities under this expansion will basically cover production up to the hot-rolling stage. Given the current market conditions in

India, will you be able to sell 5 million tonnes of hot-rolled products? Also, as demand shifts toward higher-value-added products, do you plan to add downstream facilities, such as cold rolling, to serve the manufacturing sector?

JFE:
This expansion investment basically extends through hot rolling. India currently imports a large volume of hot-rolled substrate, so we first intend to sell hot-rolled products, generate cash, and create funds for future downstream investment. The timing of additional downstream investment will be considered going forward. Given India's current growth, our broad expectation is that large-scale downstream investment would be undertaken at the same time as the move toward a 15-million-tonne structure. First, over the next four to five years, we will establish production through hot rolling in the initial phase and enable the operation to generate EBITDA. We then envisage carrying out the next capacity expansion and downstream investment simultaneously. However, this plan has not yet been finalized.

Participant:
Is it correct to understand that the INR 75 billion announced by JSW is JSW's estimate of the shareholder support, including parent-subsidiary loans, that would be required from JSW Steel and JFE after applying JJSL's cash flow and borrowings? Also, please indicate the approximate total investment amount per tonne.

JFE:
That understanding of the funding burden is broadly correct. We believe the figure was calculated under certain assumptions to show the amount that might need to be supported by the shareholders after applying JJSL's own earnings and borrowings against the total investment amount. The actual amount will be determined through future negotiations with banks. In the past, USD 1,000 per tonne, or approximately ¥100,000 at the exchange rate at the time, was regarded as a benchmark for constructing an internationally competitive steelworks. Looking only at the expansion portion of the total investment in this project, our approximate estimate is in the high USD 600s per tonne. Compared with investments in other countries and those made by other companies in India, we consider this to be a highly competitive investment.

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