

JFE Group Investor Meeting
(FY2025 2Q Financial Results and FY2025 Earnings Forecasts)

Summary of Q&A Session on November 6, 2025

Moderator: I would like to move on to the question-and-answer session.

Participant: With the expectation of a continued difficult environment due to strong steel exports from China and protectionist moves by various countries, I would like to ask you to comment on the potential to increase profits in the steel segment next year and the year after by expanding high value-added products and other means.

JFE: When it comes to high value-added products, in 2H of FY2025, demand for steel plates, especially for offshore wind power, is not yet in full swing, and we believe this is an area where we can expand in the future.

We believe there is still room for growth in electrical steel sheets as well, since the move around EV is a bit weaker than expected.

Participant: What are the future prospects and challenges for the engineering business, including monopile, and the trading business?

JFE: We are positive about orders in the engineering business, but we believe that the challenge toward achieving the goal of 8th mid-term business plan is how far we can expand our carbon-neutral fields, such as LNG terminals and offshore wind power, in the next fiscal year and beyond.

In the trading business, earnings have been affected by the fact that the US economy has not been as strong as expected. However, there is talk of interest rate cuts in 2H of the year and thereafter, and the key is how we can take advantage of this recovery.

Also, in terms of future prospects, I think it is important to establish bases around the world including the processing company of electrical steel sheets in Serbia to expand our business in the field of electrical steel sheets.

Participant: Is it your assessment that the JPY47.3 billion segment profit excluding inventory valuation, etc. in 2H in the steel business is a result of minimizing the impact of the bad market by such measures as stopping one blast furnace and reducing exports of Hot-rolled steel sheets and the like?

JFE: As I mentioned at the beginning, I believe that the environment surrounding the steel business is very tough right now.

We have managed to endure this fiscal year because we were able to take action quickly on banking, but under the assumption that this environment will continue, we believe it is necessary to consider what kind of picture we can paint and how we can increase profits in the next fiscal year and beyond.

Participant: Could you please explain in more detail the background behind the downward revision of sales revenue in the trading business by about 10%?

JFE: The trading business has also been affected by the deteriorating steel market conditions triggered by oversupply in China. Affiliated companies related to construction materials have also been affected by the sluggish construction sector in Japan. As for the US, our impression is that it is somewhat weak relative to our initial assumptions. Also, coil centers in China continue to be in poor condition.

Participant: In addition to Nippon Steel's acquisition of US Steel, and amidst talk of an alliance between POSCO and Cliffs, can you reiterate JFE's business strategy in the US?

JFE: I don't have anything definite to share at this stage, but as I have said in the past, we will be looking at what we can do with Nucor Corporation, one of our best partners, while also keeping an eye on the policy trends of the Trump administration.

Participant: If the volume and business environment remain flat in the next fiscal year, how should we consider your cost reduction capacity?

JFE: Regarding cost reductions, we expect the banking effects implemented this fiscal year to be fully realized next year. In addition, we anticipate benefits from investments made during the 7th mid-term period, and we intend to make full use of DX initiatives to ensure steady progress.

Participant: What is your outlook regarding the earnings of JSW, CSI and other overseas group companies?

JFE: We expect JSW's October-December earnings to remain flat from July-September due to the impact of blast furnace refurbishment, so earnings fell short of our last expectations. However, it seems that they significantly exceed the previous year's results, and earnings in 1H has already surpassed last year's earnings. As the Indian market is growing at a high rate, and with the effect of the safeguard and the elimination of the wait-and-see attitude before the introduction of GST, we expect earnings to improve through next fiscal year.

CSI's business model is to import and process slabs, so we are directly affected by tariffs. However, since the recent announcement of the interest rate cut, there are expectations that the US economy will also pick up, and we assume that it will recover in the next fiscal year.

Participant: What is the background behind the 500,000-ton increase in the crude steel production volume plan for the current full year? Also, what is the impact of Korean anti-dumping?

JFE: While it is difficult to make quantitative accumulation amid the impact of tariff, we initially factored in the impact of 1 million tons, including the impact of US tariffs.

Although the impact of US tariffs is still being felt to a certain extent, we have revised the impact to 500,000 tons because we do not expect it to be as great as initially anticipated.

We cannot talk specifically about Korean anti-dumping because of the relationship with our customers, but we are continuing to supply a certain volume with the understanding of our customers.

Participant : With regard to raising the ratio of high-value-added products, there has been a move by some to withdraw from offshore wind power, but can you explain more specifically what kind of inquiries you are receiving regarding thick plates for offshore wind power and whether you can really bring the engineering monopile plant up to full operation next fiscal year?

Can you explain a little more?

JFE: With regard to offshore wind power, we were very much affected by JFE Engineering's monopile project when round one was delayed. We are currently focusing our efforts on receiving orders for round two and three.

We believe that there is some certainty of receiving orders, as orders for round two will actually begin this fiscal year, and for round three will begin next fiscal year. Therefore, we aim to be in full production in next fiscal year. On the other hand, in order to increase the number of high value-added steel products, we are not only waiting for projects in engineering business, but are also working on sales activities of large and heavy steel plates for overseas projects outside of Japan, and we expect to see results from these activities.

Participant: Steel fundamentals, including imported steel, are very soft, but I think the market is starting to show signs of bottoming out.

Under such circumstances, please explain why you expect the spread in the steel business to deteriorate in 2H of the fiscal year compared to 1H. Also, do you anticipate a deterioration in the spread for both the contract sales segment and the spot sales segment?

JFE: I believe that we must continue to monitor closely whether we can say that the steel market has stopped falling.

While we have been able to maintain spreads in domestic areas where sales prices are linked to raw material prices, in other areas—particularly in market segments such as construction materials and commodity-grade steel sheets, which are most affected—we expect the environment to remain difficult and have factored this into our assumptions.

Participant: I think the growth rate of shipments is somewhat smaller than the growth rate of crude steel production from 1Q to 2Q. Are there any special factors for this difference?

JFE: There is no particular reason. It is due to the timing difference between production and shipment.

Participant: You mentioned that export profitability would improve due to a weaker yen with regard to exchange rates.

Please let me confirm if it is correct to say that current foreign exchange sensitivity and weaker yen are a benefit for your company.

JFE: Regarding the impact of exchange rates, it is assumed that the impact of exchange rate fluctuations can basically be passed on to the sales price for domestic sales, but the impact will be felt in the export portion.

As for the impact on exports, we estimate that each yen depreciation of JPY1 per half year will improve earnings by about JPY1 billion.

Participant: With regard to JFE Shoji's Kelly Pipe, can you confirm the business environment and performance trends in North America, particularly in pipes?

JFE: I cannot speak about the performance of individual companies, but regarding the business environment for the pipe industry, although annual earnings are expected to improve compared to the previous fiscal year, the current situation seems to have worsened compared to the relatively favorable conditions at the beginning of the fiscal year when President Trump took over.

In the steel business, there is also talk that demand for seamless pipes is beginning to be partially affected by the wait-and-see approach or postponement of energy-related developments due to the impact of tariff.

Participant: There was an interview article in the Nikkei newspaper that said JFE may increase asset sales in the future. Can you tell me what kind of assets will be the target?

JFE: Rather than increasing asset sales, we are going to make sure that we are selling assets as set forth in the 8th mid-term business plan.

Most of the cross-held shares have been sold, but we believe that we must also consider the land held by group companies and the sale of businesses as we move forward with selection and concentration.

Moderator: I would like to conclude the Investors' Meeting with this. Thank you very much for your participation today.

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