

JFE Group Investor Meeting
(FY2025 3Q Financial Results and FY2025 Earnings Forecasts)

Summary of Q&A Session on February 5, 2026

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

Participant: Regarding the price referenced by the “main raw material price-linked price” coking coal is based on the calendar year while iron ore is based on the fiscal year. Therefore, I believe the rise in coking coal prices in the current January–March period will not affect this fiscal year’s prices. Please tell us about your outlook for price pass through in the field of the main raw material price-linked price for next fiscal year and beyond, as well as the price revision trends for domestic negotiated segments outside the main raw material price-linked fields and for export steel product prices.

JFE: Roughly half of our domestic shipments are priced under a scheme linked to main raw materials, and raw material prices are reflected in steel prices with a one quarter lag. Coking coal prices for January–March will be finalized at the end of February and incorporated into next fiscal year’s pricing formula. Therefore, about ¥10 billion of the coking coal price surge in the current January–March period is expected to be passed on next fiscal year. For domestic negotiated segments outside the fields linked to the main raw material price and for exports, we are conducting individual price negotiations to advance price pass through.

Participant: In the steel business, I assume not only main raw materials but also other materials such as zinc and consumables, as well as labor costs, are rising. If you are unable to raise prices enough to offset these cost increases, next fiscal year’s profitability could be doubtful. Is it correct to understand that you are negotiating with customers on these aspects as well?

JFE: While we cannot comment on specific details, we are proceeding with negotiations based on the recognition that prices must reflect not only main raw materials but also other cost increases.

Participant: Please tell us about the expected timing and scale of profit contribution from monopiles. Also, please provide the earnings outlook for the engineering business for next fiscal year.

JFE: Because monopiles are accounted for using the percentage of completion method, profit will be recognized progressively starting this fiscal year once production begins. In the engineering business, orders have increased to ¥750 billion—¥170 billion above the previous fiscal year, which was the previous record high—and with monopile production also ramping up, we expect higher earnings next fiscal year.

Participant: While I understand the field linked to the raw material price can be passed through, do you believe price increases in export negotiated segments are achievable despite the current challenging environment?

JFE: Export pricing is fundamentally based on individual negotiations, and conditions can be tough. However, the rise in coking coal prices due to the cyclone impact in Australia is a common factor across the global market, so we believe a certain level of price pass through is possible.

Participant: Please confirm how you view the management challenges in the steel business as you aim to achieve the medium-term business plan.

JFE: Our policy is to shift “from quantity to quality,” and increasing the share of high-value-added products is a key challenge. In 2026, the second phase expansion of electrical steel sheet facilities in Kurashiki will come online, and for offshore wind (large and heavy steel plate), we have secured domestic orders and are progressing in negotiations for export projects. In addition, we aim to expand GX steel sales and continue cost reduction initiatives.

Participant: You are making phased investments in India (BPSL). Please let us confirm the expected profit and financial impact.

JFE: Our investments in the India business are being executed in stages, and the investment ratio is scheduled to reach 25% at the end of March 2026 and 50% at the end of June 2026. Profit recognition is expected to follow the equity method in proportion to the investment stage.

Participant: Please confirm your outlook for profit contribution from JSW and the Indian market.

JFE: India’s economic growth rate is high, and steel consumption continues to increase. This fiscal year, JSW is showing significant improvement year on year. From next fiscal year onward, we aim to capture the growth of BPSL as well as JSW’s organic growth.

Participant: Regarding facility streamlining, several initiatives are included in the medium-term business plan. Considering the current demand environment, is flexible action—like the banking (temporary shutdown) of Kurashiki No. 3 blast furnace already implemented—possible? Any hints would be appreciated within what you can disclose.

JFE: While flexible responses are possible according to demand, there are no projects at this time that we can disclose in detail. We continue to move forward with the production system restructuring in Fukuyama and Kurashiki in line with the medium-term business plan.

Participant: Regarding the ¥25 billion deterioration in spread compared with the previous announcement, please let us confirm the portion of margin deterioration excluding the rise in coking coal prices.

JFE: The primary factors behind the spread deterioration are the rise in coking coal prices and the weaker yen. Next fiscal year, we expect to achieve approximately ¥10 billion in improvements in the field linked to the main raw material price, but for the remainder, price negotiations are being conducted individually and have already begun.

Participant: There is competition with domestic blast furnaces, electric furnaces, and imported steel. Have there been any changes in the competitive environment in the domestic market segments?

JFE: We cannot provide specific details, but we place strong emphasis on maintaining and securing our share, particularly in direct contract-based segments. While advancing the shift from quantity to quality, we also remain conscious of maintaining shipment volume—considering operating rates—and continue active sales efforts.

Participant: I understand that export profitability has deteriorated. Under the current 3Q export environment, are you achieving positive margins? Do you see the need for further measures such as additional facility streamlining?

JFE: With Asian spot steel prices remaining weak and coking coal soaring, the spread has at times fallen below \$100, making conditions challenging. However, we are selectively accepting orders that contribute to

profitability. Although next fiscal year will also be partly influenced by market conditions, we will continue to optimize product mix in production and sales.

Participant: In the briefing materials (p.22), please let us confirm the direction for the “Others” segment for next fiscal year.

JFE: While further details will be examined going forward, at this point we do not anticipate major changes.

Participant: Regarding profit contribution from the India BPSL business next fiscal year, given that investments will continue and interest rates in India are high, I wonder whether significant profit contribution can really be expected. How should we view next fiscal year’s contribution?

JFE: We cannot comment on next fiscal year’s outlook at this time. However, annualizing the results for the first half of FY2025 (April–September), crude steel production is about 3.5 million tonnes and aftertax profit is ¥17 billion. We expect the effects of JSW’s past capacity improvement (from 2.75 million tonnes to 4.5 million tonnes of crude steel capacity) and capital investments to materialize further. Even considering interest burden, we believe profit contribution next fiscal year is achievable.

Participant: Regarding the integration of Nippon Steel Engineering and Kanadevia, in which fields do you compete with them, and how do you expect industry restructuring to change the competitive environment?

JFE: In the waste to energy (incineration plant) market, which is a core business of JFE Engineering, Kanadevia is the other major competitor, making us two of top companies. Integration with Nippon Steel Engineering poses certain competitive threats. However, JFE Engineering has continued to achieve solid growth in orders, and we will continue working to expand the business.

Participant: According to the briefing materials (p.20), export ratio for steel products is stable at around 40% recently. How should we view this ratio going forward?

JFE: As we shifted from quantity to quality—reducing commodity grades and increasing high-value-added products—the export ratio declined to around 40%. However, demand for some premium products such as electrical steel sheets is strong even in export markets, and we will maintain a certain level of export volume depending on market trends and facility operating rates. Therefore, we do not expect large fluctuations in the short term.

Participant: In the briefing materials (p.21), the “Others +¥5 billion” includes +¥2 billion from group companies. Was there something happening in India or the U.S.? Please clarify the details.

JFE: Compared with the previously announced plan, JSW’s profits for October–December were finalized, exceeding expectations due to temporary factors. This is the main background information.

[END]

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