



JFE Holdings, Inc.

JFE Group Long-Term Vision “JFE Vision 2035”, and Eighth Medium-term Business Plan

May 8, 2025

Summary of Q&A Session

Moderator: Now, we will move on to the Q&A session.

Participant: You expect significant profit contributions from overseas steel business and trading company's overseas business. I believe that equity in earnings of affiliates will increase due to reinforcements such as the Dolvi Works of India's JSW, which you have invested in the past. In addition to this, are you considering any other strategic investments in the overseas steel business?

JFE: In addition to the reinforcement effect of JSW's Dolvi Works, we expect growth through organic growth in India, such as the recovery of selling prices. Furthermore, we have formed a JV with JSW to establish a company for the production of grain-oriented electrical steel sheets, and we have also acquired the final processing company for electrical steel sheets from ThyssenKrupp. This will expand the effect of operating the first integrated production of grain-oriented electrical steel sheets in India with JSW. Including these, we have set a target of +78 billion yen in the 8th medium-term plan. On the other hand, to achieve the long-term vision mentioned earlier, we believe that we need to focus more on the growing market in India. Although we cannot disclose anything at this time, we are considering multiple projects and will make decisions and announcements at the appropriate time.

Participant: Regarding the land business in Keihin, you mentioned a cumulative profit of 85 billion yen in the 8th medium-term plan and an annual profit of 10 billion yen in FY2035. Could you explain your thinking?

JFE: In addition to the one-time gains from sales so far, rental income and other revenues will increase during the 8th medium-term plan, but the amount is not significant. Beyond that, towards 2035, we expect to generate revenue from data center business and power business, resulting in an annual revenue of 10 billion yen in FY2035. I consider this to be the minimum, and we aim to further build on this.

Participant: When exactly will the blast furnace in Fukuyama be shut down in FY2027?

JFE: All we can say at this time is that it will be during FY2027. The timing will be determined based on the business environment and other factors.

Participant: You mentioned an effect of 20 billion yen from the restructuring of the optimal production system, but wouldn't the effect be larger if you include the shutdown of the continuous casting machine for slabs?

JFE: The 20 billion yen is the effect during the 8th medium-term period, and the suspension of the continuous casting machine for slabs is planned for the 9th medium-term period, so I think it

can be further increased, and we will consider whether it can be increased during this 8th medium-term period as well.

Participant: Please tell us the target D/E ratio. In management that is conscious of capital costs, is the appropriate D/E ratio level 60%?

JFE: Regarding the D/E ratio, the target for the 7th medium-term period was 70%, but after the 9th medium-term period, it is expected that significant investment will be required at the CN implementation stage, so we set the target for the 8th medium-term period (end of FY2027) at around 60%, considering the balance of financial discipline. In addition to the D/E ratio, we also consider the Debt/EBITDA ratio to be important. We believe it is important to increase EBITDA, that is, to increase profits.

Participant: The subsidy for the Kurashiki electric furnace is expected to be over 100 billion yen, but in other cases, it is often obtained in a lump sum after the completion of construction, so it will be obtained in a lump sum after the 8th medium-term period. Please tell us the assumptions for cash flow in the 8th medium-term period.

JFE: We are negotiating with the government regarding the timing of obtaining the subsidy, so we cannot say specifically, but we are assuming that the subsidy will come in at the time of construction completion basically.

Participant: Please tell us about the crude steel production capacity after the start-up of the innovative electric furnace after 2028.

JFE: At the end of the 8th medium-term period, the crude steel production capacity will be 21 million tons due to the shutdown of the Fukuyama blast furnace, and after the start-up of the innovative electric furnace in Kurashiki, the production capacity will be 22 million tons per year with 5 blast furnaces plus 1 innovative electric furnace.

Participant: Please tell us what you plan to produce with the innovative electric furnace.

JFE: We will produce high-quality steel that we deliver as blast furnace products, not general-purpose products made by other companies' electric furnaces. We plan to work on automotive steel sheets including high-tensile steel, high-quality thick plates, and electrical steel sheets.

Participant: Please tell us what is considered important in the medium-term plan.

JFE: We believe that it is important to increase our market evaluation and to increase profits to overcome future carbon neutrality, and we aim to achieve the profit items listed here. We consider ROE to be a very important indicator, and we are committed to increasing net profit relative to equity capital, with a target of at least 10%.

Participant: In the document on page 14, please tell us the specific assumptions behind the 40 billion yen increase in the ratio of high value-added products.

JFE: I cannot answer in detail, but in the 7th medium-term period, we invested about 100 billion yen to strengthen the manufacturing facilities for non-oriented electrical steel sheets in the Kurashiki area. Furthermore, in the Kurashiki area, we have invested in facilities to produce Japan's largest heavy plates weighing 37 tons each for offshore wind power plant, and have started production. We have accumulated a profit of 40 billion yen by adding the expansion of market share through sales efforts to these facility investments.

Participant: Please tell us the purpose and expected effects of the integrated operation with Yamato Steel and Yodogawa Steel Works.

JFE: The purpose of collaboration with Yamato Steel and Yodogawa Steel Works is that we anticipate that the demand environment for the domestic building materials business will continue to be very severe. Yamato Steel and Yodogawa Steel Works, with whom we are collaborating, share the same awareness, and we are considering whether there are areas where we can cooperate, including the integration of product types.

Participant: Regarding the utilization of Keihin land on pages 23 and 24, the business balance for the 8th medium-term period on page 23 is 17 billion yen, but please tell us if this will also be positive on the P/L.

JFE: The 17 billion yen is the result of cash-in and cash-out, so it is understood that it will generally appear on the P/L, although it is necessary to consider the provision for removal costs after the 9th medium-term period.

Participant: At the end of FY2035, the profit from business utilization is expected to be 10 billion yen. Please explain the rationale.

JFE: It is assumed that it will take a considerable amount of time to complete the removal of the coke oven, sintering furnace, blast furnace, and steel mill in Ohgishima and make it vacant land, so it is assumed that revenue from business utilization or land utilization will be generated after FY2035. We are conservatively looking at the profit and would like to consider whether we can increase it from 10 billion yen.

Participant: Regarding cash allocation, it is assumed that the positive effects of cost reduction and structural reform will come in the latter half of the three years of the 8th medium-term period. Considering the balance of overall cash-in and cash-out, if the operating cash flow is not accumulated firmly from the beginning of the period, it is assumed that cash-out will exceed during the 8th medium-term period. In such cases, is there a flexible response through asset sales, or in the investment strategy, there may be a timing gap between approval and actual payment. Please explain the rationale behind this balance in the plan.

JFE: If operating cash flow does not accumulate, forcing cash-out will not maintain financial discipline, so we will proceed with investments while carefully observing financial discipline on a yearly basis.

Participant: Regarding overseas strategy, you use the term 'insider type,' but please explain the difference from previous overseas strategies. Regarding investment returns, in the overseas strategy, in this new competitive environment, or in an era where nationalism-based anti-dumping measures are being applied, what kind of results are expected? Please confirm the background of setting the 400 billion yen framework.

JFE: In the 8th medium-term period, we will leverage the knowledge gained from previous investments and invest firmly in growing regions and growing sectors. Another basic policy is to collaborate with promising local partners. Furthermore, we recognize that brownfield projects through M&A, etc., have more certain investment returns than greenfield businesses built from scratch, and we plan to execute 400 billion yen in investments centered on such projects.

Participant: You explained that overseas investments include raw material interests, but one major portion of the carbon-neutral strategy is the direct reduced iron project. This time, it was not mentioned much, but please confirm its incorporation into the plan.

JFE: Regarding the direct reduced iron project in the Middle East, it is content that has been explained so far and is not newly addressed this time, but it is included in the investment plan.

Participant: On page 36, why did you set the lower limit of the shareholder return policy to 80 yen? Also, can I confirm that this is only for the 8th medium-term period?

JFE: Regarding the dividend policy for the 8th medium-term period, we have set a lower limit in addition to the conventional dividend payout ratio of 30%, considering the balance with financial discipline and the importance of stable profit returns to shareholders. We also discussed internally that the current level of 80 yen is the actual strength based on the actual profit and loss (excluding inventory valuation differences) and the dividend payout ratio of 30% during the 7th medium-term period. For the 8th medium-term period, we have set 80 yen as the lower limit, but we maintain the idea of a dividend payout ratio of around 30%, so if we achieve considerable profits, we will naturally provide dividends accordingly. For the 9th medium-term period and beyond, we will reconsider while closely observing the business environment.

Participant: Other companies in the same industry have set goals such as 100 million tons globally. Could you tell us whether you are particular about the idea of scale?

JFE: We do not have goals such as global crude steel volume. Our global strategy is to expand insider-type businesses based on three pillars: promising markets, promising partners, and the provision of technologies and funding.

Participant: Please tell us about the idea of the 40 billion yen effect of the high-value-added product strategy and the timing of its manifestation.

JFE: We calculate the effect based on the price difference between high-value-added products and general-purpose products, and the effect will manifest gradually. In FY2025, we have incorporated a structural difference of +10 billion yen as the realization effect of capital

investment up to the 7th medium-term period. Towards FY2027, we expect a total of 40 billion yen, including the effect of the second phase of the capacity expansion of the electric steel sheet manufacturing in Kurashiki from FY2026 onwards.

Participant: On page 35, regarding cash allocation, could you explain the idea behind the 180 billion yen asset sale over three years?

JFE: Regarding the breakdown of the 180 billion yen asset sale, please understand that it will be executed by the entire JFE Group, not just through the sale of land in Keihin and policy-held stocks.

Participant: Regarding the reduction of capital costs, if there is anything additional that is not included in the current materials, could you please share it with us?

JFE: We believe that increasing profits, dispelling future uncertainties, and providing stable dividends (reducing profit volatility [stock price volatility (\approx beta)]) will lead to a reduction in capital costs. The shutdown of the blast furnace in Fukuyama will also strengthen downward flexibility, creating a structure that generates stable profits even in adverse business environments, and making the organization leaner, which we believe will contribute to reducing capital costs. We would like to convey such messages.

Moderator: This concludes today's Investors Meeting. Thank you very much for your participation.

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