

Material Issues of Corporate Management

Action on Material Issues

The JFE Group's actions related to management issues are based on identifying materiality and setting KPIs to minimize negative societal impact and maximize societal value by investing JFE Group's resources from the standpoint of meeting stakeholder needs. In 2016, we determined our material CSR issues (13 issues in 5 focus areas) by comprehensively identifying 35 issues that reflect society's expectations in the context of JFE's business and then by prioritizing the issues through the two criteria of stakeholder expectations and relevance to business (societal impact).

In FY2021, we formulated the Seventh Medium-term Business Plan, recognizing that ensuring environmental and social sustainability (helping to solve critical issues) and establishing economic sustainability (stable earnings power) are key to the JFE Group's sustainable development. Accordingly, **we reorganized our materiality by adding economic issues to our existing CSR issues to identify all our material issues of corporate management.** We will demonstrate the Group's vision of "contributing to society with the world's most innovative technology" by working in concert to address these issues.

Process for Identifying Material Issues of Corporate Management

The JFE Group has been promoting actions that address the material CSR issues identified in 2016 (13 issues in 5 focus areas).

Refer to the following on how we identified material CSR issues up to FY2020.

▶ [Material CSR Issues \(CSR REPORT 2020\)](https://www.jfe-holdings.co.jp/en/csr/pdf/csr2020e.pdf) (https://www.jfe-holdings.co.jp/en/csr/pdf/csr2020e.pdf)

In FY2021, the material issues of corporate management were identified through the following process.

STEP 1. Reassessment of Existing Material CSR Issues

The material CSR issues identified in 2016 were reassessed for their importance in terms of relating to current operations, stakeholder expectations and achievement of KPIs.

STEP 2. Setting of Material Economic Issues

Based on discussions at each operating company, major strategies in the Seventh Medium-term Business Plan were grouped together with the sources of competitive advantages in the JFE Group's business model, and economic-related issues were clarified for the economic sustainability of the Group.

- Source of Competitive Advantage

Steel and Trading Businesses: Production; Sales; and Technological Development

Engineering Business: Engineering, Procurement, and Construction; Sales; and Technological Development

STEP 3. Selection of 20 Material Issue Candidates

Economic-related issues were added to the list of reassessed CSR issues, and their appropriateness as issues for the JFE Group was deliberated by the Group Management Strategy Committee, screening out 20 material issue candidates.

20 Candidates for Material Issues

- Achieve carbon neutrality by 2050
- Provide eco-friendly businesses and products
- Protect the global atmosphere
- Pursue resource recycling
- Prevent workplace accidents
- Ensure the health of employees and their families
- Pursue diversity and inclusion
- Strengthen human resources development
- Implement workstyle reform
- Increase efficiency and enhance cost competitiveness in production and EPC
- Stable supply of products and services
- Ensure quality
- Increase the added value of products and technologies
- Bolster sales capabilities
- Meet customer needs
- Develop and expand the base of our growth businesses
- Develop cutting-edge technology
- Ensure financial soundness
- Ensure adherence to corporate ethics and compliance
- Respect the human rights of each person involved in our business

STEP 4. Identification of the of the most important 13 Material Issues

The Group Management Strategy Committee and Board of Directors deliberated on the 20 candidate issues, and narrow them down by identifying the most important 13 material issues for the current JFE Group.

- Reduce the JFE Group's CO₂ emissions
- Contribute to reduction of CO₂ emissions across the society
- Prevent workplace accidents
- Ensure the health of employees and their families
- Pursue diversity and inclusion
- Strengthen human resources development
- Create workplaces that motivate employees
- Increase efficiency and enhance cost competitiveness in production and engineering
- Raise quality of products and services and ensure reliable supply
- Expand business by increasing value added in products and services with advanced technologies
- Sales strategies for realizing sustainable growth
- Ensure adherence to corporate ethics and compliance
- Respect human rights throughout the supply chain

Contribution to the Sustainable Development Goals (SDGs)

In September 2015, a UN Summit adopted 17 SDGs to be addressed through worldwide efforts to achieve sustainable development. The JFE Group will respond to global community needs and contribute to SDGs through our initiatives on material issues of corporate management.



Corporate Vision: Contributing to Society with the World's Most Innovative Technology

Areas of Focus	Details	Scope of Influence	Material Issues	Relevant SDGs
Activity	Contribute to resolving climate change issues (initiatives for achieving carbon neutrality by 2050)	JFE Group Local communities near manufacturing sites Customers Society	Reduce the JFE Group's CO ₂ emissions Contribute to reduction of CO ₂ emissions across the society	6 7 9 12 13 14
	Ensure occupational safety and health	JFE Group Suppliers Business partners	Prevent workplace accidents Ensure the health of employees and their families	3 8
	Recruit and nurture diverse human resources	JFE Group Business partners	Pursue diversity and inclusion Strengthen human resources development Create workplaces that motivate employees	4 5 8 9 10
	Reinforce resilience of production and engineering capabilities (realize world-class earnings power through DX and other measures)	JFE Group Customers Society	Increase efficiency and enhance cost competitiveness in production and engineering Raise quality of products and services and ensure reliable supply	9 10 11 12
	Strengthen competitiveness of products and services (promote the growth strategy by providing high value-added solutions)	JFE Group Customers Society	Expand business by increasing value added in products and services with advanced technologies Sales strategies for realizing sustainable growth	7 9 11 12 13 17
Basis of Activity	Thoroughly enforce compliance	JFE Group Suppliers Political authorities Society	Ensure adherence to corporate ethical standards and compliance	10 16
	Respect human rights		Respect human rights across the supply chain	

Increased corporate value and sustainable growth

Goals

Contribute to realizing sustainable societies

Corporate Governance (Ensure Fairness, Objectivity and Transparency)

Respect and Maintain Awareness of Human Rights

KPIs for Material Issues of Corporate Management

Performance Evaluation for FY2022 KPIs and Establishment of FY2023 KPIs

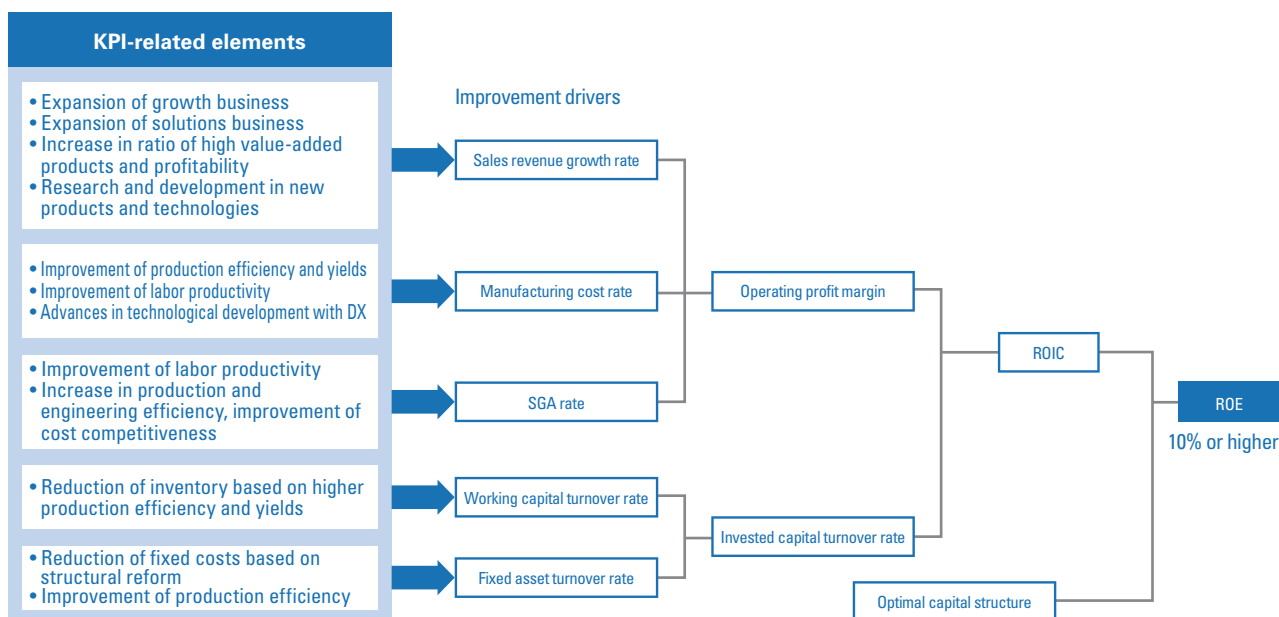
We assessed the performance of KPIs for FY2021 that were established to address material issues of corporate management identified in FY2022 and established KPIs for FY2023 based on the results of the evaluation and third-party opinions. FY2022 performance and KPIs for FY2023 were finalized following discussions by the Management Committee and other organs of each operating company and deliberation by the Group Management Strategy Committee and Board of Directors. Going forward, the Group will continue to work in concert to set KPIs that reflect the characteristics and realities of each operating company and effectively implement the PDCA cycle to promote its initiatives.

► Material Issues of Corporate Management and KPIs (P.20)

Enhancing ROE by Achieving the KPIs

The KPIs for each material issue are closely tied to the financial targets. Achieving the KPIs for each issue affects various drivers of improvement, leading to the achievement of the financial target (10% or higher ROE) and results in increasing corporate value over the medium to long term. The connection between these initiatives for material issues and financial targets is deeply shared at operating companies and on the front lines, increasing the effectiveness of these initiatives.

■ Connection between KPI-related Elements and Financial Targets



Material Issues of Corporate Management and KPIs

Evaluation criteria

Target attributes		○	△	×
Set for each fiscal year	Accomplished 100% or better	Accomplished 80%~99%	Accomplished 79% or less	
Set medium- to long-terms (in case of setting a multi-year target)	Final target accomplished 100% or better	Final target partly accomplished with some results (80% or better with linear interpolation).	Working toward the goal but no results yet (79% or less with linear interpolation).	
Qualitative	Fully accomplished with significant results.	Partly accomplished with some results.	Working toward the goal but no results yet.	

*1 In Groupwide evaluations, the lowest result among the companies is taken as the overall result.

*2 Prevention of occupational injuries evaluated as Groupwide safety performance

ST JFE Steel EN JFE Engineering SH JFE Shoji

Areas of Focus	Material Issues	Operating Company	FY2022 KPIs	Initiatives and Results for FY2022	Assessment	FY2023 KPIs
Activity	Contribute to resolving climate change issues (initiatives for achieving carbon neutrality by 2050)	ST	<ul style="list-style-type: none"> Achieve 50% of the CO₂ reduction target from energy conservation and technological development for the target of reducing CO₂ emissions by 18% from FY2013 levels by the end of FY2024. Complete the approval of investment plans for reducing CO₂ emissions by 90% cumulatively for CO₂ reduction targets from energy conservation and technological development for the target of reducing CO₂ emissions by 18% from FY2013 levels by the end of FY2024. Formulate a CO₂ reduction plan aimed at realizing the CO₂ reduction target for FY2030 (30% or more) with an eye on achieving carbon neutrality by 2050. 	<ul style="list-style-type: none"> CO₂ reduction target: 58% achieved Total investment budget: 88% approved CO₂ reduction target: Set multiple targets that anticipate future changes in the environment 	○	<ul style="list-style-type: none"> Achieve 75% of the CO₂ reduction target from energy conservation and technological development for the target of reducing CO₂ emissions by 18% from FY2013 levels by the end of FY2024. Complete the approval of capital investment plans for reducing CO₂ emissions by 100% cumulatively for CO₂ reduction targets from energy conservation and technological development for the target of reducing CO₂ emissions by 18% from FY2013 levels by the end of FY2024. Obtain third-party certification, and build a green steel supply structure in the first half of FY2023.
			EN	<ul style="list-style-type: none"> Reduce CO₂ emissions in its own plants and offices FY2024: 40% reduction from FY2013 levels 	<ul style="list-style-type: none"> 48% reduction from FY2013 levels (FY2013: 15,600 tons, FY2022: 8,100 tons) 	○
Activity	Contribute to reduction of CO ₂ across the society	SH	<ul style="list-style-type: none"> Reduce CO₂ emissions through the procurement of electricity derived from renewable energy FY2022 domestic CO₂ emissions: Reduce by 10% from FY2019 levels (Reduce by 5% per year from FY2019 levels from FY2021 to FY2024) Launch sales and implement eco-friendly products and technologies*: 15 or more cases in FY2022 (the cumulative total of 60 or more cases for the period from FY2021 to FY2024) Products and technologies that contribute to saving energy and resources, reduce waste and environmentally hazardous substances, and do not require hazardous substances for manufacturing or use. 	<ul style="list-style-type: none"> 11.2% reduction from FY2019 levels FY2022: 16 (eco-friendly products: 7, technologies: 9) (FY2021~FY2024: 32) 	○	<ul style="list-style-type: none"> Reduce CO₂ emissions through the procurement of electricity derived from renewable energy FY2023 domestic CO₂ emissions: Reduce by 15% from FY2019 levels (Reduce by 5% per year from FY2019 levels from FY2021 to FY2024) Launch sales and implement eco-friendly products and technologies: 15 or more cases for the period from FY2022 to FY2024
			EN	<ul style="list-style-type: none"> Contribute to reduction of CO₂ in society by providing renewable energy power generation facilities and expanding the basis of the recycling business (for plastic, food, etc.) Contribute to reduction in CO₂ emissions (FY2022): 11 million tons per year 	<ul style="list-style-type: none"> CO₂ reduction contribution (FY2022): 11.14 million tons/year 	○
Activity	Contribute to reduction of CO ₂ across the society	SH	<ul style="list-style-type: none"> Global resource recycling of steel scrap FY2023 scrap transactions: Above the transaction quantity for FY2020 (FY2024 target: +5% from FY2020) Increase transaction quantity of fuel for biomass power generation plants and create framework for reliable supply of fuel FY2022 biomass fuel (palm kernel shells and wood pellets) transactions: Above the transaction quantity for FY2020 (FY2024 target: 100% increase from FY2020) Diversify supply sources to ensure stable supply 	<ul style="list-style-type: none"> Global resource recycling of steel scrap 14% reduction from FY2020 levels Domestic volume expanded to meet increasing electric arc furnace demand, but sales volume decreased as overseas demand weakened Increase transaction quantity of fuel for biomass power generation plants and create framework for reliable supply of fuel Volume handled: +25% compared with FY2020 levels Diversify supply sources: Started transactions with three new suppliers 	×	<ul style="list-style-type: none"> 1. Global resource recycling of steel scrap FY2023 scrap transactions: Above the transaction quantity for FY2020 (FY2024 target: +5% from FY2020) 2. Increase transaction quantity of fuel for biomass power generation plants and create framework for reliable supply of fuel FY2022 biomass fuel (palm kernel shells and wood pellets) transactions: Above the transaction quantity for FY2020 (FY2024 target: 100% increase from FY2020) Diversify supply sources to ensure stable supply
			EN	<ul style="list-style-type: none"> Contribute to reduction of CO₂ in society by providing renewable energy power generation facilities and expanding the basis of the recycling business (for plastic, food, etc.) Contribute to reduction in CO₂ emissions (FY2022): 11 million tons per year 	<ul style="list-style-type: none"> Reduce CO₂ emissions through the procurement of electricity derived from renewable energy FY2023 domestic CO₂ emissions: Reduce by 15% from FY2019 levels (Reduce by 5% per year from FY2019 levels from FY2021 to FY2024) Launch sales and implement eco-friendly products and technologies: 15 or more cases for the period from FY2022 to FY2024 	○

Areas of Focus	Material Issues	Operating Company	FY2022 KPIs	Initiatives and Results for FY2022	Assessment	FY2023 KPIs
Ensure occupational safety and health	Prevent workplace accidents	Groupwide	<p>Groupwide Workplace fatalities: Zero occurrences</p> <ul style="list-style-type: none"> Lost-workday injuries rate ST 0.18 EN 0.26 SH 0.45 or less 	<p>Groupwide Workplace fatalities: 1 occurrence</p> <ul style="list-style-type: none"> Lost-workday injuries rate ST 0.18 EN 0.26 SH 0.25 	X*	<p>Groupwide Workplace fatalities: Zero occurrences</p> <ul style="list-style-type: none"> Lost-workday injuries rate ST 0.10 or less EN 0.25 or less SH 0.45 or less
		ST	<p>[Key measures]</p> <p>(1) Enhance safety</p> <p>Install electromagnetic locks at the secondary mill entrances: 60% by FY2022, 100% by FY2024</p> <p>(2) Restructure the safety and health management system</p> <p>ISO 45001 certification in all districts: 100% by FY2022</p>	<p>[Key measures]</p> <p>(1) Installed electromagnetic locks at the secondary mill entrances: 81%</p> <p>(2) ISO 45001 certification: 100%</p>		<p>[Key measures]</p> <p>(1) Reinforce activities to prevent similar injuries</p> <p>Horizontal Companywide deployment of measures, including for close calls, promote workplace activities so employees view past incidents as lessons to learn from</p> <p>(2) Enhance safety</p> <p>Install electromagnetic locks at the secondary mill entrances: 90% by FY2023, 100% by FY2024</p>
		EN	<p>[Key measures]</p> <p>(1) Implement 100% of the following key points for eliminating falling and tumbling, getting wedged between or caught in machinery, and being struck by flying or falling objects</p> <ul style="list-style-type: none"> Pre-operation checks (curbing openings in high locations and edges of work floor, ensuring on-site understanding of work plans, and covering and enclosing/turning off of machinery) Strict adherence during operations (use of safety belts, no entry measures/allocation of worksite guides) <p>(2) Multifaceted management of occupational safety and health using IT</p> <ul style="list-style-type: none"> Complete development of an AI-based system for detecting intruders (plan) 	<p>[Key measures]</p> <p>(1) Focused efforts on pre-operation checks of work plans and offering guidance, checking safety equipment, and preventing unsafe behavior through patrols in order to implement 100% of the following key points for eliminating falling and tumbling, getting wedged between or caught in machinery, and being struck by flying or falling objects (Workplace fatalities: 1 occurrence in FY2021 → Zero occurrences in FY2022)</p> <p>(2) Multifaceted management of occupational safety and health using IT</p> <p>Finished development of AI-based system for detecting intruders (began operating a plant hardened system at Tsurumi Works in FY2023)</p>		<p>[Key measures]</p> <p>(1) Implement 100% of the following key measures to prevent injuries with decisive work plans and proper work instructions in order to eliminate serious injuries</p> <ul style="list-style-type: none"> Pre-operation checks (curbing openings in high locations and edges of work floor, ensuring on-site understanding of work plans, and covering and enclosing/turning off of machinery) Strict adherence during operations (use of safety belts, no entry measures/allocation of worksite guides) <p>(2) Multifaceted management of occupational safety and health using IT</p> <ul style="list-style-type: none"> Monitor worksites, use information communications systems Use safety management operations support system
		SH	<p>[Key measures]</p> <p>(1) Installation of safety fences, covers, etc. (100% of plan)</p> <p>(2) 100% implementation of crane operation drills (once a year or more at each company)</p>	<p>[Key measures]</p> <p>(1) Installation of safety fences and covers: Completed 100% of plan</p> <p>(2) Implementation of crane operation drills: Once a year or more at each company, Implemented 100% of drills</p>		<p>[Key measures]</p> <p>(1) 100% implementation of crane operation drills (once a year or more at each company)</p> <p>(2) Review of past incidents at the Company</p> <p>Finish formulating and executing measures for alternative proposals to address past incidents identified as requiring review</p>
Activity	Ensure the health of employees and their families	Groupwide	<p>1. Provision rates of healthcare guidance</p> <p>Groupwide 60% (2023 target)</p>	<p>1. Provision rates of healthcare guidance</p> <p>ST 72.2%</p> <p>EN 39.4%</p> <p>SH 52.1%</p> <p>*FY2021 results</p>	X	<p>1. Provision rates of healthcare guidance</p> <p>Groupwide 60% (2023 target)</p>
		Groupwide	<p>2. Reduce rates of smokers (ensure employee health and prevent exposure to passive smoke)</p> <p>Groupwide 1.5% reduction per year (total for operating companies)</p>	<p>2. Reduce rates of smokers (ensure employee health and prevent exposure to passive smoke)</p> <p>Groupwide 0.7% reduction per year (total for operating companies)</p>	X	<p>2. Reduce rates of smokers (ensure employee health and prevent exposure to passive smoke)</p> <p>Groupwide 1.5% reduction per year (total for operating companies)</p>
Recruit and nurture diverse human resources	Pursue diversity and inclusion	Groupwide	<p>1. Rates for female recruits</p> <p>ST Career-track (white-collar position): Degree of gender parity</p> <p>Career-track (technical position): 10% or more</p> <p>On-site position: 10% or more</p> <p>EN Career-track (white-collar position): Degree of gender parity</p> <p>Career-track (technical position): 15% or more</p> <p>Production/construction position: 10% or more (four-year average)</p> <p>SH Career-track position: Degree of gender parity</p> <p>2. Women in managerial positions</p> <p>10% or more in the position qualified as section manager or above</p> <p>Of whom, 20% or more to be in management and sales departments (FY2030 target)</p> <p>3. Rate of male employees taking childcare leave or time off related to child rearing</p> <p>Aim for all male employees whose spouses have given birth to take such leave or time off</p>	<p>1. Rates for female recruits</p> <p>ST Career-track (white-collar position): 24%</p> <p>Career-track (technical position): 6%</p> <p>On-site position: 6%</p> <p>EN Career-track (white-collar position): 47%</p> <p>Career-track (technical position): 18%</p> <p>Production/construction position: 4% (four-year average)</p> <p>SH Career-track position: 42%</p> <p>2. Women in managerial positions</p> <p>3.9% in the position qualified as section manager or above</p> <p>Of whom, 6.1% in management and sales departments (total for operating companies)</p> <p>3. Rate of male employees taking childcare leave or time off related to child rearing</p> <p>93% (total for operating companies)</p>	△	<p>1. Rates for female recruits</p> <p>ST Career-track (white-collar position): Degree of gender parity</p> <p>Career-track (technical position): 10% or more</p> <p>On-site position: 10% or more</p> <p>EN Career-track (white-collar position): Degree of gender parity</p> <p>Technical (Career-track, Production/construction position): 15% or more</p> <p>SH White-collar position: Degree of gender parity</p> <p>2. Women in managerial positions</p> <p>10% or more in the position qualified as section manager or above</p> <p>Of whom, 20% or more to be in management and sales departments (FY2030 target)</p> <p>3. Rate of male employees taking childcare leave or time off related to child rearing</p> <p>Aim for all male employees whose spouses have given birth to take such leave or time off</p>
		Groupwide	<p>• Training hours per person</p> <p>ST 140 hours or more per year</p> <p>EN 20 hours or more per year</p> <p>SH 20 hours or more per year</p>	<p>• Training hours per person</p> <p>ST 452 hours per year</p> <p>EN 209 hours per year</p> <p>SH 20.1 hours per year</p>	○	<p>• Training hours per person</p> <p>ST 40 hours or more per year</p> <p>EN 20 hours or more per year</p> <p>SH 20 hours or more per year</p> <p>• Train DX personnel</p> <p>ST Number of internal data scientist trainees: Total of 600 as of the end of FY2023</p> <p>EN Number of employees who took internal data scientist training: Total of 170 as of the end of FY2023</p>

Areas of Focus	Material Issues	Operating Company	FY2022 KPIs	Initiatives and Results for FY2022	Assessment	FY2023 KPIs
Recruit and nurture diverse human resources	Create workplaces that motivate employees	Groupwide	<p>Groupwide Annual leave acquisition rate of 75% or more (total for operating companies)</p> <p>Groupwide Affirmative response to questions about motivation: 75% or more</p> <p>Note: Set as a Groupwide target from FY2022</p>	<p>1. Groupwide Annual leave acquisition rate: 82% (total for operating companies)</p> <p>ST 72% EN 79% SH 78%</p> <p>Affirmative response to questions about motivation</p>	○	<p>1. Groupwide Annual leave acquisition rate of 75% or more (total for operating companies)</p> <p>2. Groupwide Affirmative response to questions about motivation: At least 75%</p>
			<p>1. Improve labor productivity Toward improving labor productivity by 20% by the end of FY2024</p> <ul style="list-style-type: none"> Steadily implement FY2022 milestones for improving labor productivity and enhance the accuracy of plans for FY2023 and FY2024 Approve and implement FY2022 investments for improving labor productivity, such as automation and remote operation Steadily consolidate the steel sheet manufacturing line for cans in Chiba <p>2. Improve yields with DS* activities Achieve stable quality and enhance yields through measures including introduction of quality prediction technology based on integrated data encompassing the entire process from steelmaking to final processing using DS</p> <p>Improve yields by 1.0% in FY2022 from FY2020 levels to achieve 2.0% by FY2024 (based on figures after adjustments to the sales mix)</p> <p>* Data science</p>	<p>Set milestones and number of personnel for each fiscal year</p> <ul style="list-style-type: none"> Implementing measures to improve labor productivity by 20% (48% progress toward 50% target with linear interpolation) Approved 4.8 billion yen for 38 projects as planned for investments to improve labor productivity through automation and remote operations in FY2022 Relocated facilities as planned in line with stoppage of can steel sheet manufacturing line at Chiba in September 2022 <p>Improve yields with DS activities FY2022 yield: 86.5% (up 0.4 point from FY2020)</p>	△	<p>1. Improvement in labor productivity Toward improving labor productivity by 20% by the end of FY2024</p> <ul style="list-style-type: none"> Steadily implement FY2024 milestones each fiscal year for improving labor productivity by 20% Approve and implement FY2023 investments for improving labor productivity, such as automation and remote operation Steadily relocate facilities in accordance with structural reforms in Kelnin <p>2. Improve yields through DS activities Stabilize production with DS, improve yields through application of quality prediction</p> <p>Improve yields by 1.5% in FY2023 from FY2020 levels to achieve 2.0% by FY2024 (based on figures after adjustments to the sales mix)</p>
Activity	Reinforce resilience of production and engineering capabilities (realize world-class earnings power through DX and other measures)	EN	<p>Increase efficiency and enhance cost competitiveness in production and engineering</p>	<p>Increase the efficiency of engineering operations by introducing DX technologies</p> <p>Engineers for big data analysis utilizing Plat'cello*: 1,800</p> <p>* Plat'cello: Proprietary data analysis platform using AI</p>	○	<p>Increase the efficiency of engineering operations by introducing DX technologies</p> <p>Engineers for big data analysis utilizing Plat'cello*: 2,200</p> <p>* Plat'cello: Proprietary data analysis platform using AI</p>
			<p>Raise quality of products and services and ensure reliable supply</p>	<p>1. Ensure quality</p> <ul style="list-style-type: none"> Continue implementing activities for raising awareness of quality compliance for the Company and Group companies in accordance with the Japan Iron and Steel Federation's guidelines for strengthening the quality assurance system Establish automated technology for testing and inspections (impact test fracture rate, hole expansion, etc.) other than the four priority items (tensile test, molten steel analysis, thickness measurement for hot and cold rolled steel sheets, and coating weight measurement) to improve the level of quality assurance and product testing <p>2. Strengthen the manufacturing infrastructures using DX</p> <p>Achieve CPS* installation rate of 36% or more on a companywide basis in FY2022 to implement CPS in all production processes by the end of FY2024.</p> <p>* CPS: Cyber-Physical System</p>	○	<p>1. Ensure quality</p> <ul style="list-style-type: none"> Continue implementing activities for raising awareness of quality compliance for the Company and Group companies in accordance with the Japan Iron and Steel Federation's guidelines for strengthening the quality assurance system Promote automated transmission of tensile test results at Group companies targeting six companies: 67% introduction ratio in FY2023 (100% in FY2025) <p>2. Strengthen the manufacturing infrastructures using DX</p> <p>Achieve CPS installation rate of 60% or more on a companywide basis in FY2023 to implement CPS in all production processes</p>
		EN	<p>Raise quality of products and services and ensure reliable supply</p>	<p>1. Reliably secured certified managing engineers amid high level of sales</p> <p>2. Major quality problems: One incident</p>	○	<p>1. Secure a stable number of certified managing engineers</p> <p>2. No major quality problems</p>
		SH	<p>Raise quality of products and services and ensure reliable supply</p>	<p>1. Made necessary investments during the fiscal year to ensure reliable supply of products (Investment amount (approved amount))</p> <ul style="list-style-type: none"> Reinforcement: 11.3 billion yen Renewal and safety: 3.1 billion yen Systems: 1.6 billion yen Total: 16.0 billion yen <p>2. Conducted 36 quality audits (100% audit completion rate)</p> <ul style="list-style-type: none"> 18 domestic Group companies (zero remote audits) 18 overseas Group companies (five remote audits) 	○	<p>1. Make consistent investment in processing and distribution operations</p> <p>2. Conduct quality audits at Group companies</p> <p>Continue conducting quality audits at 36 Group manufacturing affiliate companies in Japan (expand the scope from the FY2021 level) and overseas (audit completed: 100%)</p>

Areas of Focus	Material Issues	Operating Company	FY2022 KPIs	Initiatives and Results for FY2022	Assessment	FY2023 KPIs															
Strengthen competitiveness of products and services (promote the growth strategy by providing high-value-added solutions)	Expand business by increasing value added in products and services with advanced technologies	S T	<p>1. Pursue strategic research and development focusing on priority development fields* Develop new products and technologies FY2022: 20 or more cases (80 or more cases in total from FY2021 to FY2024) * Automobiles, energy, infrastructure construction materials, DX technology, and green transformation (GX) technology</p> <p>2. Increase sales ratio of high-value-added products* to 50% by FY2024 (sell 10.9 million tons of these products, or 50% of total sales volume, excluding semi-finished products, in FY2024) Sales of high-value-added products: 10.3 million tons (sales ratio of 47%) (up 2.5 million tons from FY2020) * Products that offer technological advantages and are recognized by customers for their added value while having greater earnings power than commodity products.</p> <p>3. As a step toward triple earnings in the solution business by FY2024 from the FY2020 level</p> <ul style="list-style-type: none"> Continuing from FY2021, focus efforts on activities for receiving orders for the new solutions model. In particular, along with concluding a contract for the first project providing DS utilization technologies via the cloud, build a platform that provides services on a subscription basis In the existing solutions business, expand product offerings and develop new customers while increasing revenue in FY2022 by 50% from FY2020 levels by steadily executing projects Develop technologies in four priority fields of waste to resources, carbon neutrality, combined utility services, and DX, and 65% or more of R&D expenses on these four fields Number of patent applications: 80 or more per year 	<p>FY2022: 22 cases (10 new products, 12 new technologies) (total for FY2021 to FY2024: 43 cases)</p> <p>Sales ratio for high-value-added products in FY2022: 47%</p> <ul style="list-style-type: none"> Created a platform for offering subscription-based services for using DS technologies, connected with customers online in inaugural project Surpassed target for 50% growth compared with FY2020 	○	<p>Pursue strategic research and development focusing on priority development fields* Develop new products and technologies FY2023: 20 or more cases (80 or more cases in total from FY2021 to FY2024) * Automobiles, energy, infrastructure construction materials, DX technology, and GX technology</p> <p>High-value-added product sales volume ratio in FY2023: 48%</p>															
			Activity	EN	<ul style="list-style-type: none"> Expand the earnings difference between high-value-added products (A-rank products) and commodity products to 4,000 yen per ton by FY2024 (revise evaluation method eliminating the impact of market fluctuations and product mix differences) <FY2022 KPI> Aim for 50% of target 	○	<ul style="list-style-type: none"> Develop technologies in four priority fields of waste to resources, carbon neutrality, combined utility services, and DX, and 70% or more of R&D expenses on these four fields Number of patent applications: 80 or more per year 														
Thoroughly enforce compliance	Sales strategies for realizing sustainable growth	S T	<ul style="list-style-type: none"> Expand the stable earnings base Expand the operating businesses Sales: 255 billion yen Expand bases: 3 or more bases Recycling business (food, plastics, electronic appliances, etc.) regional electricity retail new power business, waste processing business, and water and sewage operations business 	<ul style="list-style-type: none"> Sales of operating businesses: 272.5 billion yen New bases: 3 bases 1 regional electricity retail new power business base, 1 waste recycling base, 1 wastewater processing base 	○	<ul style="list-style-type: none"> Expand the stable earnings base Expand the operating businesses Sales: 260 billion yen Expand bases: 3 or more bases Recycling business (food, plastics, electronic appliances, etc.) regional electricity retail new power business, and waste processing business 															
			EN	<ul style="list-style-type: none"> Increase competitiveness of products and services by improving value added in supply chain management through business expansion Make investments to improve value added in supply chain: 5 or more per year 	○	<ul style="list-style-type: none"> Increase competitiveness of products and services by improving value added in supply chain management through business expansion Make investments to improve value added in supply chain: 5 or more per year 															
Basis of Activity	Ensure adherence to corporate ethical standards and compliance	S H	<p>1. Steady execution of training to foster and maintain a sense of compliance (100% attendance from the target audience)</p> <p>2. Conducted Corporate Ethics Awareness Survey of all employees, survey results verified improvement in employee awareness</p>	<p>1. 100% attendance (rank-based compliance training, training on different laws and regulations, etc.)</p> <p>2. Conducted Corporate Ethics Awareness Survey of all employees, survey results verified improvement in employee awareness</p> <table border="1"> <thead> <tr> <th>Questions</th> <th>FY2019</th> <th>FY2022</th> </tr> </thead> <tbody> <tr> <td>Has your own awareness increased of the Company's improved compliance systems and initiatives?</td> <td>70.0%</td> <td>73.4%</td> </tr> <tr> <td>Are you aware of the consultation service and how to use it?</td> <td>77.3%</td> <td>86.3%</td> </tr> <tr> <td>Do you agree with and implement the Company's policies regarding power harassment?</td> <td>70.7%</td> <td>76.2%</td> </tr> <tr> <td>Do you manage your work hours in accordance with Company policy?</td> <td>88.0%</td> <td>90.3%</td> </tr> </tbody> </table>	Questions	FY2019	FY2022	Has your own awareness increased of the Company's improved compliance systems and initiatives?	70.0%	73.4%	Are you aware of the consultation service and how to use it?	77.3%	86.3%	Do you agree with and implement the Company's policies regarding power harassment?	70.7%	76.2%	Do you manage your work hours in accordance with Company policy?	88.0%	90.3%	○	<p>1. Steady execution of training to foster and maintain a sense of compliance (100% attendance from the target audience)</p> <p>2. Improve employee awareness of ethics reflected in the Corporate Ethics Awareness Survey</p>
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Respect human rights	Respect human rights across the supply chain	Groupwide	<p>1. 100% attendance from the target audience for human rights awareness training</p> <p>2. Implemented the following initiatives: <ul style="list-style-type: none"> Revised the JFE Group Human Rights Basic Stance Expanded human rights due diligence to Group companies Inspected and made necessary changes to procurement guidelines of each operating company </p>	<p>1. 100% participation rate</p> <p>2. Implemented the following initiatives: <ul style="list-style-type: none"> Revised the JFE Group Human Rights Basic Stance Expanded human rights due diligence to Group companies Inspected and made necessary changes to procurement guidelines of each operating company </p>	○	<p>1. 100% attendance from the target audience for human rights awareness training</p> <p>2. Implement human rights due diligence</p>															
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