

Message from the CEO



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Biggest Transformation in the Company's History, Aimed at Achieving Global Success for the Future Prosperity of the Earth

JFE Group's Vision

Guided by its corporate vision of contributing to society with the world's most innovative technology, the JFE Group has flexibly responded to a dramatically changing business environment to achieve sustainable growth. Under the Seventh Medium-term Business Plan (hereinafter "medium-term plan") formulated in 2021, the years FY2021 to FY2024 are a time to take on the challenges of the most transformative period in the company's history to ensure a prosperous future for the planet. Our goal is to enhance medium to long-term corporate value by securing environmental and social sustainability in balance with economic sustainability. We have designated KPIs for material issues of corporate management that were identified for the policies and initiatives of the medium-term plan and promoted sustainability initiatives focused on environmental and social issues as well as essential economic issues for the sustainable growth of the JFE Group.

In particular, we have positioned climate change as a top-priority business issue and formulated the JFE Group Environmental Vision for 2050. The vision provides a roadmap to decarbonization based on the dual goals of reducing CO₂ emissions at JFE Steel and for society as a whole. We are developing technologies to address these challenges as an opportunity for growth. JFE will continue to systematically ensure a stable supply of steel, the core of JFE's business, to society as an indispensable material for social development and daily life.

The JFE Group will consistently rise to the challenge of transformative change as an essential participant in the sustained development of society and the safety and comfort of daily life.

Addressing Climate Change

The urgency of climate change has spread around the world. Since the steel business constitutes the core of the JFE Group's operations, climate change is a vital management issue for continuing to do business. With respect to CO₂ emissions, we are working to meet our target of reducing CO₂ emissions by 18% from FY2013 levels by the end of FY2024. In FY2022, we reduced emissions by approximately 13% from FY2013 levels and achieved our related KPI target through energy conservation and technological development with solid results. The measures announced in the JFE Group Environmental Vision for 2050 will continue to be implemented.

In FY2022, we presented our policy and timing for demonstration tests and implementation of ultra-innovative technologies for achieving carbon neutrality in 2050 as well as a roadmap for the transition to low-carbon iron and steelmaking processes by 2030. We announced plans for replacing one blast furnace in the Kurashiki district with large, high-efficiency electric arc furnaces between 2027 and 2030 and introduced a process for significantly bringing down CO₂ emissions by expanding the use of scrap at converter furnaces in all districts. Moreover, we have decided to reinforce the electric arc furnace at the Sendai Works. In the engineering business, the construction and operation of renewable energy plants and recycling facilities have contributed to reducing CO₂ emissions by approximately 580,000 tons from FY2021.

In FY2023, we will introduce an electric arc furnace to the stainless steel manufacturing process in the Chiba district. In addition, we will begin constructing test facilities for the carbon recycling blast furnace*¹ and hydrogen-based ironmaking*² as ultra-innovative technologies under development with government support.

In the engineering business, we are promoting the commercialization of offshore wind power generation. We have begun construction of Japan's first manufacturing plant for monopiles (foundation structure for offshore wind power generation) in Kasaoka City, Okayama Prefecture, and are preparing to start production in April 2024. We plan to use high-quality, large, and heavy steel plates manufactured by the No. 7 continuous casting machine in the Kurashiki district of the West Japan Works for construction material. Larger than conventional heavy steel plates, this product will improve work efficiency and lower manufacturing costs by requiring fewer welding operations, for bigger wind turbines that increase power generation and for other purposes. In the trading business, we will leverage the know-how accumulated in the steel, raw materials, and materials and machinery businesses to build a supply chain for steel materials and processed products for offshore wind power generation to offer optimal proposals to customers. All these efforts will benefit from leveraging the respective strengths of each operating company to expand Group synergies.

In the first half of FY2023, we also began supplying JGreeX™, an eco-friendly steel that generates significantly lower CO₂ emissions during manufacturing compared to conventional products. This is the world's first business model in which the entire supply chain bears the cost of creating environmental value by reducing CO₂. This business model is indispensable for the sustainable growth of the JFE Group, which intends to reduce CO₂ emissions through large-scale investments. These ongoing efforts are intended to establish a market in which customers recognize the value of green steel materials that contribute to realizing a carbon neutral society.

*1 Technology for converting CO₂ emitted from a blast furnace into methane, which is then blown into the blast furnace as a reductant

*2 Technology that uses hydrogen as a reductant instead of coal

Addressing Social Issues and Enhancing Corporate Governance

We also need to focus on social issues to continue to expand corporate value. In particular, since people are the heart of any company, we invest in human capital to provide safe working environments for employees and take action to maximize their abilities and vitality. The JFE Group adheres to the philosophy of safety first and promotes its initiatives by designating safety-related KPIs. We maintain a steadfast focus on preventing accidents by prioritizing safety investments of 10 billion yen per year for the entire Group. In addition, every company has established and is actively committed to operating a health and productively management system to safeguard the health of employees and their families.

Thriving in a rapidly changing business environment depends upon integrating various values and ways of thinking to discover novel ideas and solutions for sustainably enhancing corporate value. The JFE Group has positioned diversity and inclusion as a vital management concern and is working to establish an environment in which people with diverse backgrounds, including gender, nationality, values, and lifestyles, can demonstrate their abilities. Particularly with regard to

supporting female employees, following discussions by the Board of Directors, ambitious targets were set for our KPIs on promoting women to managerial positions and the ratio of hiring women and other under-represented groups starting in FY2022. These and other measures will inform our recruitment, retention, placement, and training activities.

In parallel with these efforts, we are also working to create an internal environment in which employees feel rewarded so that diverse human resources can demonstrate their abilities with enthusiasm. As part of this, we are promoting teleworking, improving office spaces, streamlining tasks, and revitalizing workplace communication through one-on-one meetings. In addition, JFE Holdings and its operating companies conduct annual engagement surveys to regularly assess employee awareness, identify issues related to job satisfaction, and consider measures to address them.

In our performance-linked remuneration system for directors, we introduced a key indicator for employee safety as a non-financial target in FY2022 and an indicator for climate change in FY2023. We examine and enhance the system on an ongoing basis to provide healthier incentives, which will lead to strengthened corporate governance or the sustainable growth of the Group.

Progress in the Medium-Term Plan

In FY2022, the second year of the medium-term plan, the steel business reported a year-on-year decline in earnings due to rising prices and supply-side restrictions, partly caused by the prolonged conflict in Ukraine, stagnant economic activity in China, rising concerns over global inflation, and appreciation in the yen's value. On the other hand, steady progress is underway in strengthening our revenue base by increasing the ratio of high value-added products, promoting the DX strategy, and shifting from quantity to quality. We will continue to build a solid revenue base that does not depend on volume or market conditions by strengthening the resilience of our production and engineering capabilities and enhancing the competitiveness of our products and services to achieve both environmental and social as well as economic sustainability.

To Our Stakeholders

The JFE Group aspires to become a product and service provider that contributes to a prosperous future for the Earth for years to come. To this end, we will steadfastly ensure thorough legal and regulatory compliance as the foundation of a trusting relationship with society. At the same time, the Group will work in concert to address environmental issues such as climate change and biodiversity, as well as social issues such as occupational health and safety and diversity and inclusion, as opportunities for further growth.