

JFE Group's DX Strategy

JFE Group's stance on DX

The JFE Group's operating environment is undergoing major drastic changes

- Intensified global competition (emergence of Chinese steel mills, etc.)
- Climate change issues
- Falling domestic demand from population decrease
- Global economic uncertainty from U.S.-China confrontation
- COVID-19 pandemic
- Generational change among skilled engineers, aging of manufacturing facilities, etc.

The Group needs to establish a resilient management base for continuous growth (biggest transformation in Group's history)

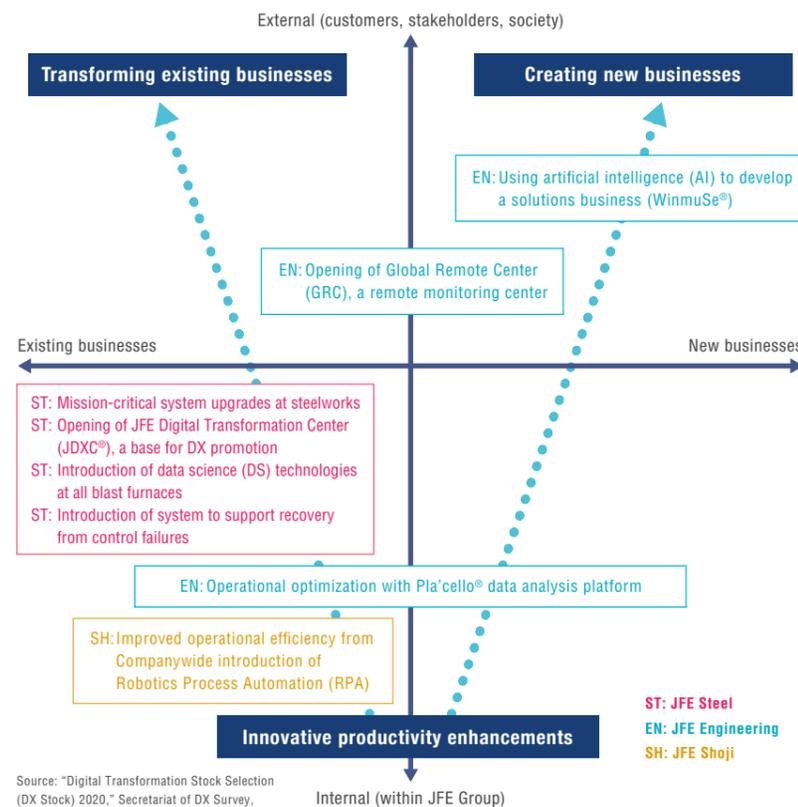
- Transformation to a streamlined, resilient business structure
Steel Business: Successfully implement structural reform, shifting from quantity to quality
- Maintain top levels of cost and quality competitiveness globally
- Pursue new growth strategies (Globalize, identify, and pursue growth areas and new businesses)
- Address climate change issues

Strategy in which DX is key to biggest transformation in Group's history

Achieve DX by introducing large-scale, cutting-edge information and communication technology (ICT) and digital infrastructure to make maximum use of the Group's wealth of data, expertise, and technologies (= source of competitive strength)

⇒ Business transformation, creation of new value-added products and services, risks from environmental change leading to growth opportunities

Initiatives to date



- Strengthening of manufacturing base began with initial focus on "innovative productivity enhancement (internal optimization)," contributing significantly to improved operational efficiency
- Using accumulated expertise to pursue challenges of "transforming existing businesses" and "creating new businesses"

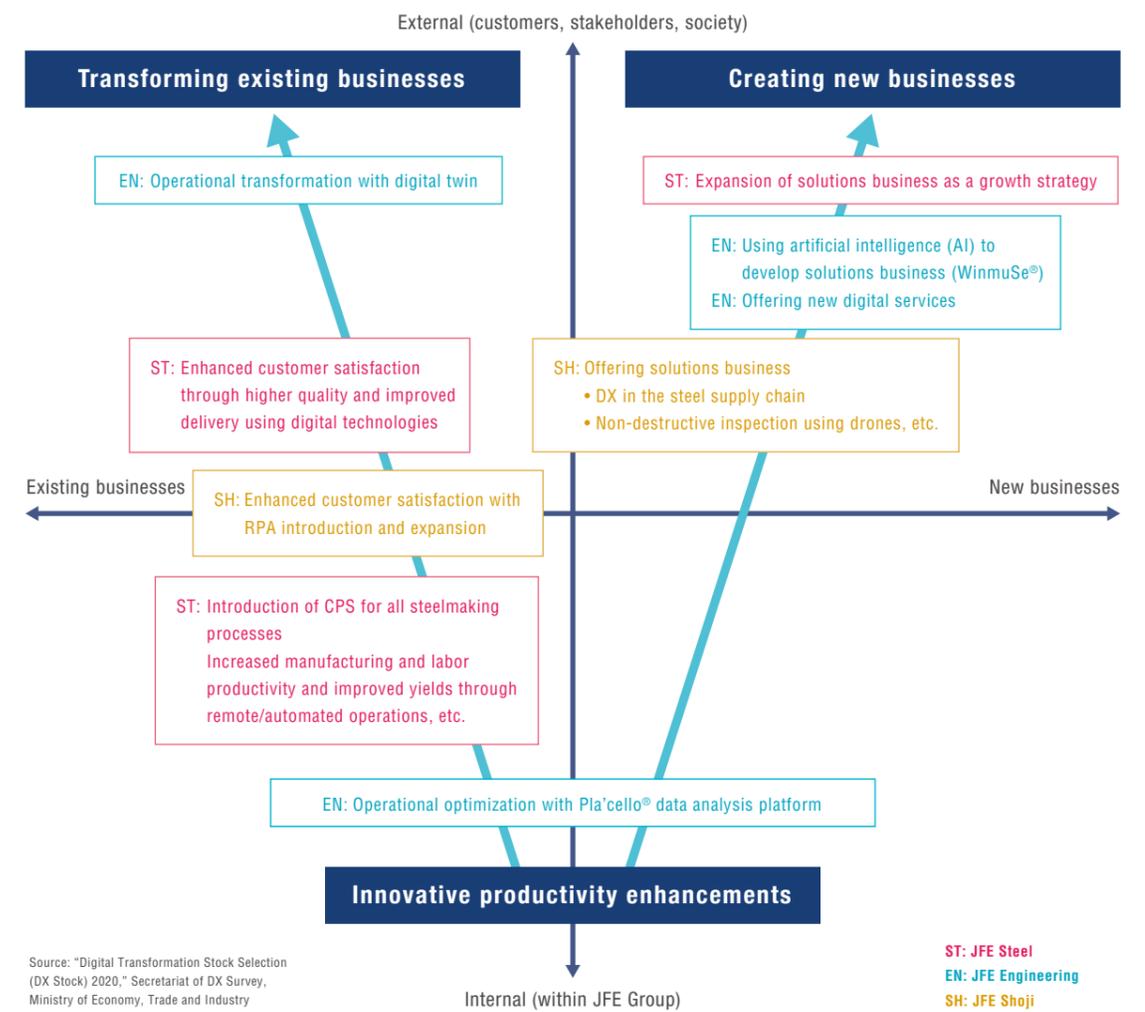
- Digital Transformation (DX) Stock Selection 2021 designation (seventh consecutive year) (jointly announced by Ministry of Economy, Trade and Industry, and Tokyo Stock Exchange)



Comments received

- Use of DX seen as central to transformation of business model
- Leader in use of DX in engineering

Initiatives under the Seventh Medium-term Business Plan (FY2021-24)



Source: "Digital Transformation Stock Selection (DX Stock) 2020," Secretariat of DX Survey, Ministry of Economy, Trade and Industry

ST: JFE Steel
EN: JFE Engineering
SH: JFE Shoji

- Build on successes with greater focus on more efficient manufacturing and stronger competitiveness through "innovative productivity enhancements"
- Targeted focus on "transforming existing businesses" and "creating new businesses" through stronger external activities going forward, based on technologies and data built up through activities to date
- Systematically invest capital, human resources, and other management resources as necessary: **DX investment of roughly 120 billion yen over four years**

Overview of DX strategy targeted at each operating company

JFE Steel	Establish competitive advantage by making maximum use of data built up over many years
JFE Engineering	Make further use of data for drastic operational transformation and offer new digital services
JFE Shoji	Provide customers with innovative value

Groupwide initiatives

- Responses based on digital governance
- Groupwide cybersecurity measures
- Further exploration of Groupwide themes