

ESG Initiatives

The JFE Group designates contributing towards realization of sustainable society as an important management issue and promotes various ESG initiatives. For the Sixth Medium-term Business Plan, along with continuing the conventional activities, we have newly set key performance indicators (KPI) for major Group material CSR issues, and are working towards attaining the targets.

17 Sustainable Development Goals (SDGs)



Identifying processes for material CSR issues (FY2016 to 2017)

We have identified material CSR issues to respond to the expectations and requests of our many stakeholders and to create social value. We have identified and determined order of priority for the most pressing items in accordance with the following process, from a viewpoint of risk-reduction and opportunity-creation to realize sustainable growth for the Group.



Material CSR issues identified

Corporate Vision
Contributing to society with the world's most innovative technology

Areas of focus		Contents	Material CSR Issues	KPIs for Material CSR Issues		JFE Engineering		JFE Shoji Trade	Relevant SDGs			
				JFE Steel								
Activity	Provide quality products (customer satisfaction)	■ Provide products and services based on advanced technologies - Continue stable supply of safe, high-quality products - Solve customer's problems	Stable products supply	■ Make steady progress on strengthening its manufacturing base to ensure stable supply		■ Secure stable number of certificated managing engineers	■ Make consistent investment in processing and distribution operations	791011 121317				
			Ensure quality	■ Improve the level of quality assurance and product testing		■ No major quality problems	■ Conduct quality audits on affiliate companies					
			Pursue research and development	■ Make consistent or increased investment in research and development		■ Make consistent or increased investment in research and development	—					
			Respond to customer needs	■ Build infrastructure that improves customer satisfaction, and strengthen training for sales personnel		■ Use data collected from customer surveys to enhance customer satisfaction	■ Invest in the development of strong sales personnel					
	Protect the global environment	■ Mitigate environmental impact ■ Contribute to circular society ■ Utilize Group technologies to develop products that contribute to environmental protection	Develop and provide eco-friendly products	■ Expand the eco-friendly products and technological offerings	■ Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (t) reduced per year)	—	679 121314					
			Mitigate climate change	■ CO ₂ reduction goal defined in the Japan Iron and Steel Federation's "Low-Carbon Society Implementation Plan"								
				■ Continue to invest in energy conservation								
			Protect the global atmosphere	■ Continue to work on keeping NOx and SOx emissions at low levels	—	—						
		Pursue resource recycling	■ Maintain the efficient use of water	■ Recycle at least 99.5% of rubble ■ Recycle at least 95.0% of sludge ■ Recycle at least 85.0% of industrial waste	■ Global recycling of steel scraps							
	Ensure occupational safety and health	■ Prioritize safety first ■ Maintain the physical and mental health of employees and their families and create rewarding workplaces	Prevent workplace accidents	■ Workplace fatalities: zero occurrences					38			
			Ensure the health of employees and their families	Provision rates of health guidance* (by 2020) ■ 35% ■ 35% ■ 40% ■ Rate of health examination for dependents: 60% (by 2020)								
	Recruit and nurture diverse human resources	■ Maintain work environments where all personnel can show their full abilities ■ Accumulate technologies and skills and hand down them to younger generations	Pursue diversity and inclusion	Ratio of female recruits ■ At least 35% in career-track white-collar positions, more than 10% in career-track technical positions, more than 10% in on-site positions ■ Females in managerial positions: triple the 2014 figure (by 2020)					458 910			
Strengthen personnel development programs			■ Improve technical skills and conduct high-quality training programs ■ 100% attendance from the target audience for human rights awareness training									
Basis of activity			Thoroughly enforce compliance	Ensure adherence to corporate ethical standards and compliance	■ Steady execution of training to foster and maintain a sense of compliance ■ Improve employee awareness of ethics reflected in JFE's Corporate Ethics Awareness Survey					1016		

KPIs for Material CSR issues

The JFE Group has set KPIs since this year to assess steady progress for the 13 material CSR issues in five focus areas we identified.

We configured the KPI from standpoints such as their appropriateness for various issues or consideration on which issues need to be addressed at operating companies and as a Group, while also listening to the opinions of outside experts. Multiple discussions were held towards the final decision at the Group's CSR Council chaired by the president of JFE Holdings.

Going forward, we will regularly follow these KPIs and publicly disclose our results. Additionally, we will review these KPI indicators as needed as part of our efforts toward achieving sustainable growth as a Group and increasing corporate value as well as contributing towards realizing a sustainable society.

Increased corporate value and sustainable growth

Main Goals

Help realize sustainable societies

Corporate Governance (Ensure Fairness, Objectivity and Transparency)

Respect and Maintain Awareness of Human Rights

Provide Quality Products
(Customer Satisfaction)

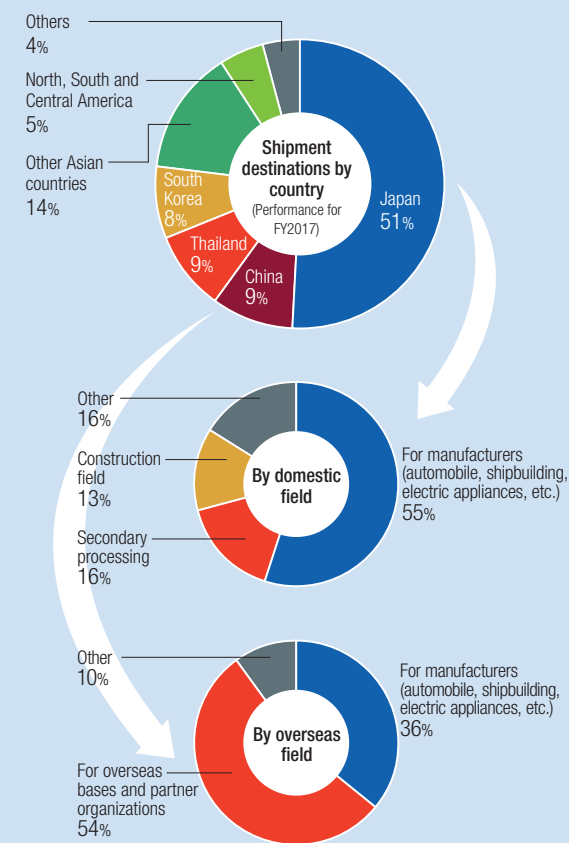


Basic Policy The JFE Group believes that providing a stable supply of products and services, thorough quality assurance and promoting R&D with world-class technological capacities to meet customer needs are the necessary requirements to be a company chosen by customers. The Group will continue to create new value based on reliable quality. We will also respond to the trust placed in us by our worldwide customers by expanding our services and supply network globally to provide a stable supply of products, services and technologies.

By continuing to respond to the trust customers place in us, we will realize long-lasting growth of customers and reinforcement of the competitive strengths of the Group. We will aim for the medium- to long-term improvement of corporate value and the reinforcement of the earnings base through establishing this type of win-win relationship.

Stable customer base of the steel business

JFE Steel is a global steel supplier that provides high-performance products with high added value to customers throughout the world. Our strength is the stable customer base we have established through many years of business in Japan and overseas.



Quality assurance system of the JFE Group

We believe that a reliable quality assurance system is the foundation for the supply of quality products and improved customer satisfaction.

JFE Steel has received all quality assurance certifications required for steel products, including the JIS mark and approvals from ship classification bodies regarding its quality management system based on ISO 9001. In response to customer demands, the company has also received certification under the national standards of relevant foreign countries.

To meet customer quality needs, the company established a quality assurance system that includes advanced sensors for manufacturing process monitoring and high precision equipment for product testing.

JFE Steel also develops advanced products and manufacturing technologies that help to improve quality.

JFE Engineering has acquired ISO 9001 certification per product category, and it has designated a quality manual according to the characteristics of the company's diverse product lineup, to ensure optimal quality management. We also aim to heighten employee awareness of quality through activities including in-house training. Currently, we are establishing a tamper-proof system that instantly digitizes inspection data for digital transfer and saving.

JFE Shoji Trade has been striving to improve the quality assurance level of various processes of steel processing and logistics.

Its processing centers in Japan and abroad are systematizing and automating processing sites to eliminate human error caused by manual procedures.

In addition, since raising employee awareness is essential in preventing human error at every stage, including receiving orders, instructing processing works and shipping, the company works to strengthen quality education for employees by introducing internal and external case studies of non-conformance.

CSR Issues

Stable supply of products

We believe that it is our responsibility to provide a stable supply of products to ensure stable operation of customers in Japan and overseas as well as to make sure that customer projects are on schedule.

By establishing an optimized manufacturing, distribution and processing supply chain, we can realize a stable supply of products to reinforce our competitive strength based on our relationship of trust with our customers.

Configured KPI	
JFE Steel	■ Make steady progress on strengthening its manufacturing base to ensure stable supply
JFE Engineering	■ Secure stable number of certificated managing engineers
JFE Shoji Trade	■ Make consistent investment in processing and distribution operations

In accordance with the Sixth Medium-term Business Plan, **JFE Steel** will reinforce its manufacturing capability by steadily developing its manufacturing bases, along with enhancing capabilities and maximizing its performance centered on West Japan Works. With strategic investments that exceed the amount in the previous medium-term plan, and through renewing old facilities and conducting repairs without fail, the company will realize stable operation and production to establish a production system that will steadily produce 30 million tons (JFE Steel, non-consolidated) of crude steel.

JFE Engineering is the designated construction firm for machinery, civil engineering and building construction, and it is required by construction laws to dispatch a dedicated managing engineers to each site for construction management. Securing a certain number of these certified managing engineers is essential in order to conduct stable plant construction work.

Acquiring young and skilled engineers has recently become a major issue in Japan, due to the low birthrate and aging population as well as generational change. JFE Engineering strives to acquire certified employees through mid-career hiring and by paying awards to encourage employees to acquire certifications.

JFE Shoji Trade has identified the distribution processing functions as the key factor for stable product supply, and will work to steadily conduct capital investment toward reinforcing these functions.

Ensure quality

As a supplier with strengths in high technology and quality, our top priority is providing the world's top-quality products to our customers who have selected us for their businesses. We believe that having reliable quality management and inspection systems is essential toward solidifying trust and reliability and establishing a strong customer base.

Configured KPI	
JFE Steel	■ Improve the level of quality assurance and product testing
JFE Engineering	■ No major quality problems
JFE Shoji Trade	■ Conduct quality audits on affiliate companies

JFE Steel aims to improve product quality with activities such as technological development for quality assurance and by proceeding with measures according to the Guidelines for Enhancing Quality Assurance Systems of the Japan Iron and Steel Federation.

Within these activities, we will work for automation in all processes, from testing through to result reporting, to improve testing and inspection reliability and to eliminate any intentional acts by humans.

JFE Engineering's policy on quality is that "The quality of our company's designed, procured, manufactured and constructed products and service quality must meet customer requirements, comply with applicable laws and regulations and offer customer satisfaction," and is proceeding with quality assurance measures based on this policy. Specifically, we implement inspections with certified inspectors at every plant construction stage, including design, construction and trial operations. Inspections will also be made at the time of delivery with customers as witnesses, allowing customers to confirm performance with their own eyes.

JFE Shoji Trade believes that maintaining and improving quality management levels related to processing is an important factor for quality assurance. Quality checks for processing centers and quality audits that offer advice to Group companies in Japan and overseas are held at least once a year.

Promote research and development

To always be the company that is chosen by customers, we solve customer issues with world-class technologies. We will contribute to the evolution and development of people's lives and society while surviving the harsh competition with our competitors, through developing technologies and products that cannot be easily imitated by others and creating new value.

We believe that reinforcing research and development systems to always provide new technologies is essential to make this a reality.

Configured KPI	
JFE Steel	■ Make consistent or increased investment in research and development
JFE Engineering	

JFE Steel regards automobiles, infrastructure materials and energy as the three major fields for research and development, and will

accelerate the development of new products and solutions in these categories. In terms of manufacturing processes, we will promote the development of innovative production technologies, such as environmentally-friendly material processing technologies. The company will actively apply data science and robotic technologies to meet the needs of society and customers.

Over the three years from 2018, we plan to invest 110 billion yen in R&D expenses.

JFE Engineering conducts technological development as a company that "creates" and bears the foundations for life. In terms of technologies that "create," it has developed unique incineration technologies for waste incineration and power generation facilities. This has enabled it to attain stable and clean incineration, along with top power efficiency in Japan. For technologies that bears JFE Engineering is progressing developments of technologies to gather and analyze data from plants operated all over Japan as well as automated plant operation technology using AI.

Respond to customer needs

Our company discovers customer needs through active communication and provides a level of customer satisfaction that surpasses that of our competitors through creating new value. We believe that establishing problem-solving systems and processes that allows us to cooperate with customers is important to understand their needs and accurately meet their expectations.

Configured KPI	
JFE Steel	■ Build infrastructure that improves customer satisfaction, and strengthen training for sales personnel
JFE Engineering	■ Use data collected from customer surveys to enhance customer satisfaction
JFE Shoji Trade	■ Invest in the development of strong sales personnel

JFE Steel regularly conducts customer surveys and interviews and applies this data to establish strategies to increase customer satisfaction. The information gathered is also shared with the sales, manufacturing, research and development departments to enhance proposal capabilities leveraging the strengths of the JFE Group as a whole under an integrated and efficient customer support system.

The sales department is enhancing sales trainings by conducting training sessions by position for sales staff at the headquarters and company branches, in an effort to enhance customer-oriented sales.

Staff at overseas subsidiaries also participate in group trainings in Japan, in order to realize uniform support to customers as the JFE Group.

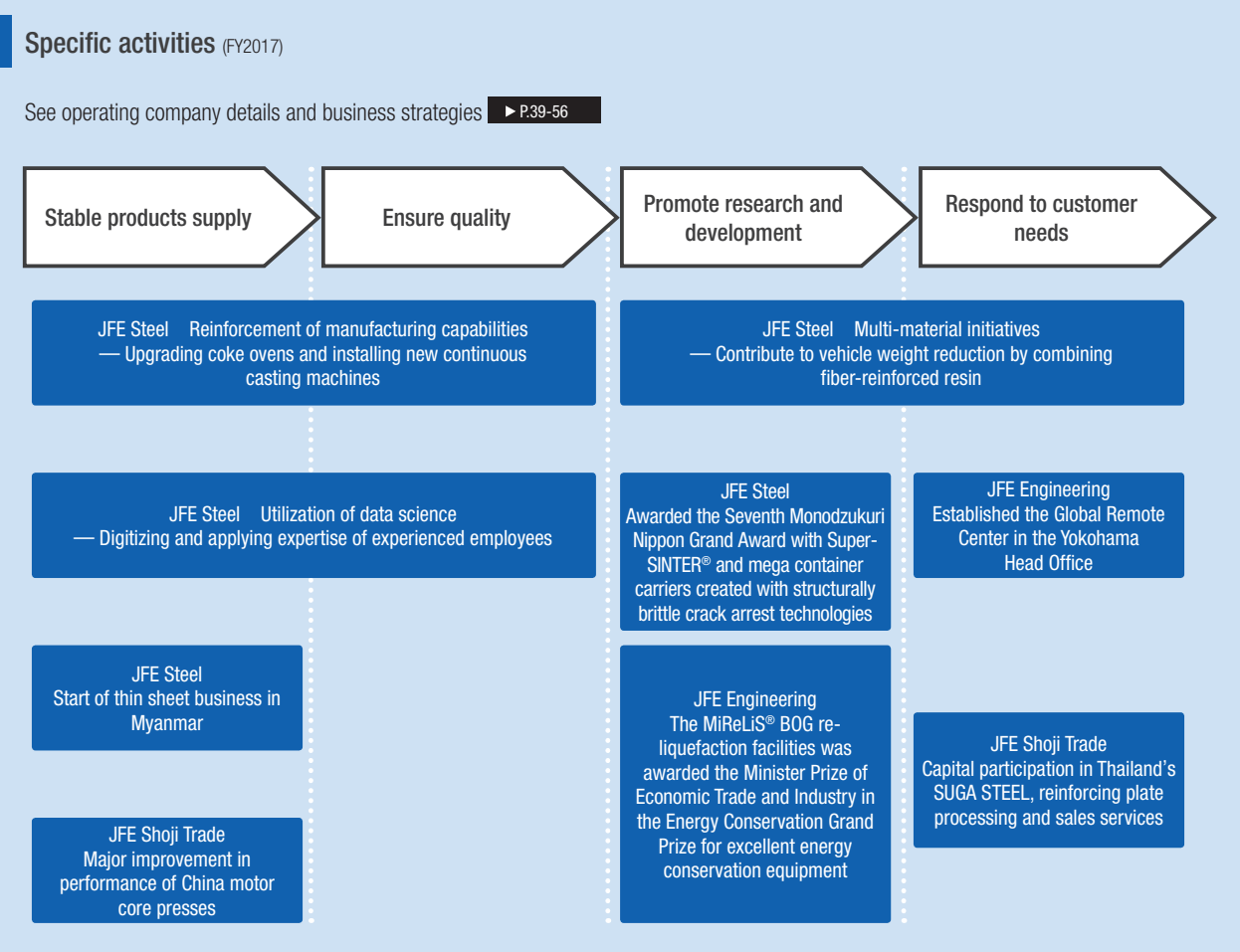
The company also focuses on creating research facilities for product development together with its customers. The Customers' Solutions Lab (CSL) has been established for automobiles, along with THINK SMART, a steel structure materials solutions center in eastern Japan.

Western Japan is the home of Customer Center Fukuyama (CCF) that develops materials and research-use technologies. Joining forces with customers to reinforce EVI* activities using these shared research facilities will allow us to understand customer needs and implement new product development with leading-edge evaluation techniques and innovative manufacturing processes.

* Abbreviation for Early Vendor Involvement. Customer participation product development from an early stage to facilitate innovative new methods, functions, processes and evaluations for new steel materials.

JFE Engineering uses customer surveys, interviews and construction evaluation forms to collect and assess the company's construction management, product quality, advanced technologies and innovation. Each division analyzes this information and uses it for quality improvement, new product development and overall strengthening of after-sales service, ultimately for the maximization of customer satisfaction.

JFE Shoji Trade believes that enhancing response capabilities to provide information and proposals for customers is an important factor in responding to customer needs. Based on this belief, we have been focusing on employee education, such as skill training. We also select staff from overseas offices to offer group trainings in Japan, in order to realize further customer satisfaction not only in Japan, but at overseas bases as well.



Customers' Solutions Lab (CSL)

Global Environmental Protection

Please refer to the JFE Group CSR REPORT 2018 for details.



Basic Policy The JFE Group's business involves steel manufacturing, which consumes a large amount of resources and energy and emits CO₂. That is why global environmental issues such as climate change due to global warming, pollution and depletion of resources are serious management issues from the viewpoint of business continuity. However, we believe it is the JFE Group's mission to further evolve and steadily supply steel, which has supported development of human beings with its excellent processability and recycling properties, to help realize sustainable society.

To resolve these issues and succeed in our mission, the JFE Group continues to implement large-scale research, development, and capital investment in technologies for energy saving and environmental impact reduction in order to produce steel with the lowest environmental impact among all the integrated steel mills in the world. We are also working towards resolving global warming and other environmental issues through steel products and plants and operation technologies provided by JFE Engineering that reduce environmental impact while customer's usage or plant operations.

We will further evolve these advanced processing technologies and products and develop them globally in order to contribute to environmental protection, while at the same time create opportunities for growth and enhance our competitive advantages.

Environmental Philosophy

JFE puts top priority on protecting and enhancing the global environment to maintain its business in harmony with the environment, ultimately for the prosperity of society as a whole.

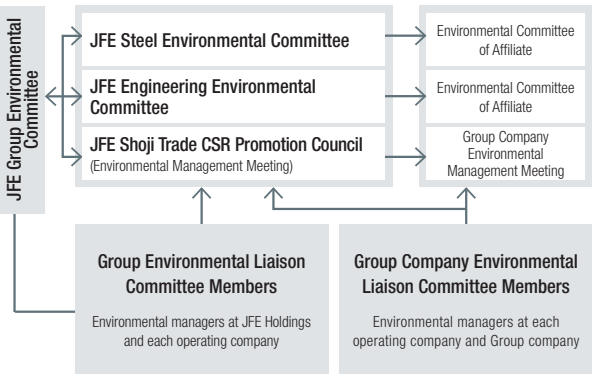
Environmental Strategies

- 1 Reduce the environmental impact of all JFE businesses
- 2 Contribute through technologies and products
- 3 Conserve resources and energy
- 4 Communicate with society
- 5 Facilitate international cooperation

Framework for environmental management

The JFE Group Environmental Committee, chaired by the president of JFE Holdings and operating under the JFE Group CSR Council, sets goals for environmental protection, monitors the progress of such initiatives and works to improve JFE's overall environmental performance. Specialized committees set up by the company's operating companies and group companies implement specific activities as well.

Environmental Management System



Implement the framework for environmental management

Acquisition of ISO 14001 certification is an important part of every JFE company's environmental program. All production sites of JFE Steel and JFE Engineering and major offices of JFE Shoji Trade have received certification, encompassing 70% of 41,000 employees at 79 companies covered in this report.

Environmental auditing

In addition to external and internal audits for ISO 14001 certified business offices, an independent environmental auditing is also implemented at manufacturing bases by the headquarters' audit and environmental departments.

Environmental education

We actively provide education to foster a corporate culture of environmental protection. Education at operating companies starts with the training for new recruits, followed by specific environmental-protection education by position and job.

JFE Steel JFE Engineering JFE Shoji Trade

Develop and provide eco-friendly products

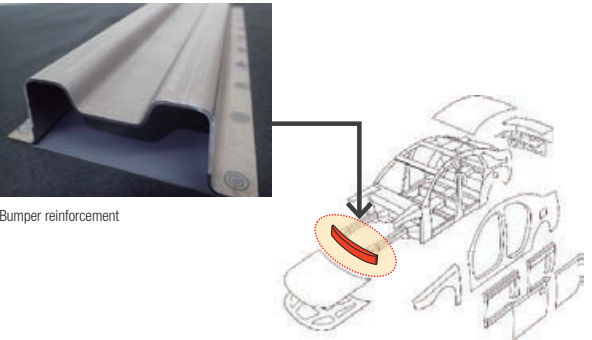
Conserving the global environment is a critical issue for all of society. The JFE Group develops and possesses many eco-friendly products and technologies, which the Group has strengths in, and works to contribute to solving these social issues, recognizing them as a major business opportunity. For instance, we already provide high-performance steel products, power generation using renewable energy,

iron slag products that improve ocean environments and maintain biological diversity and ship ballast water quality improvement systems. From a medium- to long-term viewpoint, the Group will develop next-generation steel manufacturing process technologies and continue to work in its areas of focus, such as automobile, energy and infrastructure, to develop product technologies.

Configured KPI	
JFE Steel	Expand the lineup of eco-friendly products and technologies
JFE Engineering	Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (tons) reduced per year)

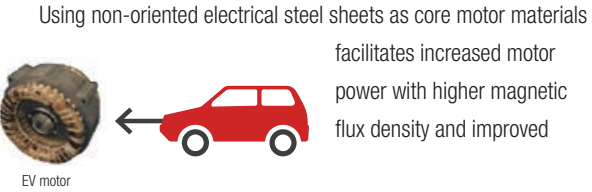
1.5 GPa-grade cold-rolled automotive steel sheets

JFE Steel has developed a 1.5 GPa-grade cold-rolled steel sheet, offering the world's highest tensile strength for automotive cold-pressed parts, and has commercialized it for bumper reinforcement components. This material is extremely strong, and its use in vehicle parts will contribute to weight reduction while maintaining excellent crash performance. This sheet received the Director General Prize of Agency of Natural Resources and Energy of Energy Conservation Grand Prize 2017 in recognition of its energy-conservation effect.



JNP® series electrical steel sheet

The JNP® series non-oriented electrical steel sheet is used for electric motors powering hybrid vehicles and electric vehicles (EV) and help to reduce CO₂ emissions.



The JNP® series achieve higher motor power and greater efficiency with high magnetic flux density and low iron loss, and furthermore improves magnetic flux density compared to conventional products, and the company offers a product lineup for a wide range of motors.

JNP® was awarded the 34th Technological Development Prize from The Japan Institute of Metals.

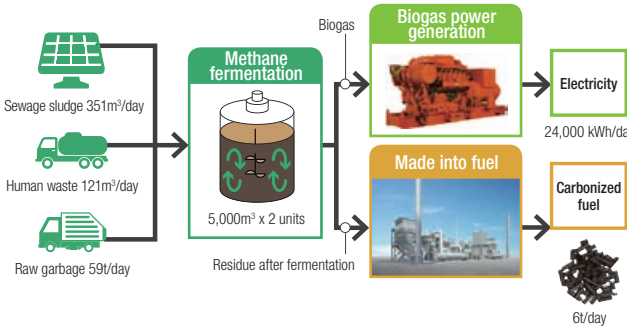
Business utilizing and applying composite biomass energy

In October 2017, JFE Engineering completed construction of composite biomass energy facility, one of the of its type in Japan, located in

Toyohashi City, Aichi Prefecture.

The facility generates electricity using biogas from methane fermentation-processed sewage sludge, human waste, septic tank sludge and raw garbage, which were processed separately up to this point. The generated electricity (24MWh/day) is sold using feed-in tariff mechanism.

The plant is managed by a PFI operator, and Toyohashi Bio-will, which was jointly established by JFE Engineering, Kajima Group and OTEC, will be responsible for facility maintenance and management for the next 20 years.



Mitigate climate change CO₂ reduction initiatives

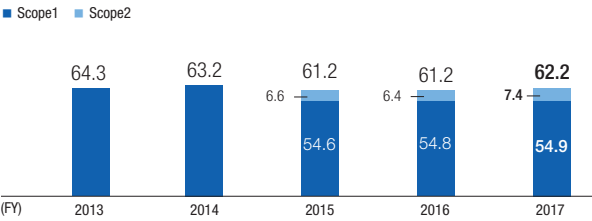
The steel business accounts for 99.9% of the JFE Group's CO₂ emissions, and these emissions are a major risk for the company's ability to realize sustainable operations as well as an extremely pressing management issue. For this reason, we have developed technologies that enable the world's highest levels of energy saving and CO₂ reduction, and we are applying them to our steelmaking processes. These initiatives allow the JFE Group to manufacture steel with the smallest environmental impact among all the integrated steel mills in the world. We will continue developing processes to reduce environmental impact and spread our vast accumulated technologies globally for new opportunities to grow, in order to contribute to preventing global warming and improving our competitive advantages.

Configured KPI	
JFE Steel	■ CO ₂ reduction goal defined in the Japan Iron and Steel Federation's "Low-Carbon Society Implementation Plan" ■ Continue to invest in energy conservation
JFE Engineering	■ Contribute to climate change mitigation through our products and services (evaluated by the amount of CO ₂ (t) reduced per year)

CO₂ emissions of the JFE Group

The JFE Group's CO₂ emissions are mainly generated from steel business. However, beyond reducing CO₂ emissions from steel making, each company sets specific targets corresponding with their operations to further save energy and reduce CO₂ emissions.

CO₂ emissions of the JFE Group (million t-CO₂)



* Data covers 75 companies, including JFE Steel and 29 major domestic and overseas subsidiaries, JFE Engineering and 10 major domestic subsidiaries, and JFE Shoji Trade and 33 major domestic and overseas subsidiaries.
* JFE Steel emissions include CO₂ emissions from non-energy sources.
* Data for certain fiscal years have been recalculated retroactively for improved accuracy.

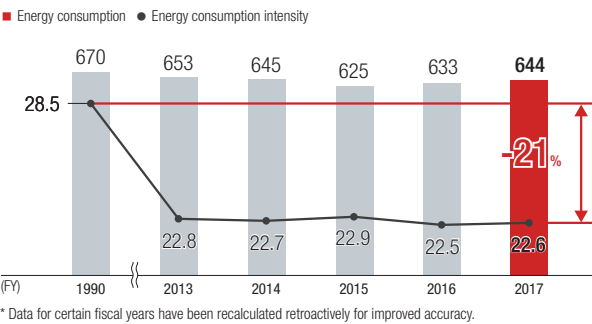
CO₂ emission intensity from energy sources (FY2017)

JFE Steel	JFE Engineering	JFE Shoji Trade
62,147 thousand t-CO ₂	57 thousand t-CO ₂	35 thousand t-CO ₂
99.85%	0.09%	0.06%

Energy savings and CO₂ reduction in steelmaking

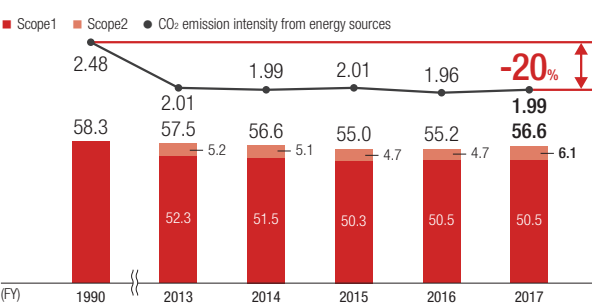
JFE Steel has been pursuing CO₂ reduction and energy savings, including the introduction of energy saving equipment, since before the Japan Iron and Steel Federation introduced its voluntary action plan.

Energy consumption (PJ) and energy consumption intensity (GJ/t-s) of JFE Steel



* Data for certain fiscal years have been recalculated retroactively for improved accuracy.

CO₂ emissions from energy sources (million t-CO₂) and CO₂ emission intensity (t-CO₂/t-s) of JFE Steel

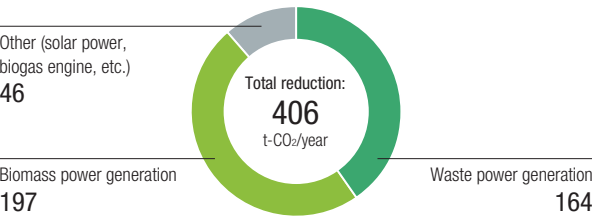


Energy consumption and CO₂ emissions in steelmaking are greatly influenced by production volume. To accurately assess the effects of improvements due to operational technologies and capital investments, JFE Steel is conducting energy-conservation activities focusing on the reduction of its intensity (energy consumption and CO₂ emissions per unit of production). As a result, energy consumption in FY2017 was 4% less than in 1990, and CO₂ emissions decreased 3%. JFE Steel's energy consumption intensity in FY2017 was 21% less than in 1990 at 22.6 GJ/t-s, and CO₂ emission intensity was 1.99 t-CO₂/t-s, which is 20% less than in 1990. This is the result of energy saving activities, such as capital investment in energy-saving facilities and making visible the reheat furnace fuel intensity to promote energy saving.

CO₂ reduction initiatives

JFE Engineering's renewable energy-related plants, such as biomass power generation plants and waste power generation plants, including those still under construction in 2017, contribute to annual reduction of 4.06 million t-CO₂. JFE Engineering aims to contribute towards CO₂ reduction for society as a whole by supplying eco-friendly products and technologies, including energy-saving products, to customers' operations.

Contribution to CO₂ emission reductions by renewable-energy plants (10,000t-CO₂/year)



Protect the global atmosphere Controlling air emissions

Realizing co-existence and prosperity with regional communities is an important factor in terms of business continuity. The JFE Group has continued to actively investment in environmental conservation facilities and has also worked to enhance its internal governance and provide environmental education. The Group has also been contributing to preventing pollution on a global scale by transferring and disseminating its environmental conservation technologies to emerging countries.

Configured KPI	
JFE Steel	■ Continue to work on keeping NOx and SOx emissions at low levels

Controlling air emissions

JFE Steel is working to control air emissions by installing low-NOx burners in reheat furnaces, switching to low-sulfur fuels and deploying desulfurization and denitration devices in sintering plants, all major sources of SOx or NOx emissions.

Breakdown of environmental costs in FY2017

Main items			Investment (100 million yen)	Cost (100 million yen)
JFE-related	Management	Impact monitoring and measurement, EMS expenses, education, awareness raising	2 (1)	25 (24)
	Global warming countermeasures	Saving and efficiently use energy	180 (88)	278 (295)
	Conservation of natural resources	Recycling industrial water	28 (20)	171 (174)
		Recycling and waste management of internally generated materials	0.9 (0.3)	53 (51)
	Environmental conservation	Air pollution countermeasures	191 (272)	356 (368)
		Water pollution countermeasures	16 (46)	92 (97)
		Prevention of soil contamination, noise, vibration and subsidence	0.2 (5)	7 (8)
Customer and general society-related	Other	Charges		14 (14)
	R&D	Technologies for protecting the environment, saving energy and preventing global warming	14 (12)	117 (126)
	Social activities	Support for nature preservation and forestation, information disclosure, exhibitions and public relations, etc.		7 (7)
Total			433 (444)	1,121 (1,164)

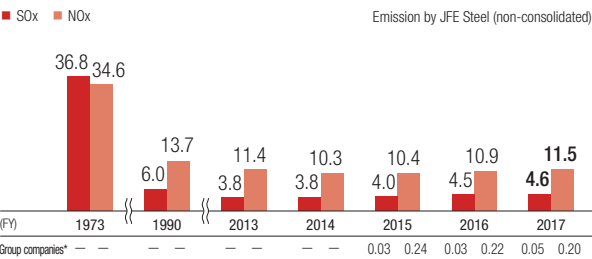
*Scope of data collection: JFE Steel; however, R&D includes JFE Engineering

The company also works to reduce dust dispersion through measures such as enhancing on-premises cleaning, installation of sprinklers and wind-break fences in raw material yards, and improving and strengthening the power of dust collectors.

To ensure compliance with the Air Pollution Control Law and local regulations on soot- and smoke-emitting facilities, JFE Engineering regularly measures and strictly controls nitrogen oxide emissions, etc., at its Tsurumi and Tsu works.

In addition, efforts are being made at construction sites to reduce the environmental impact of construction machinery and on-site vehicles in compliance with the NOx Law, PM Law and the Off-Road Vehicle Law.

NOx and SOx emissions (million Nm³)



*13 JFE Steel consolidated subsidiaries in Japan

Environmental accounting

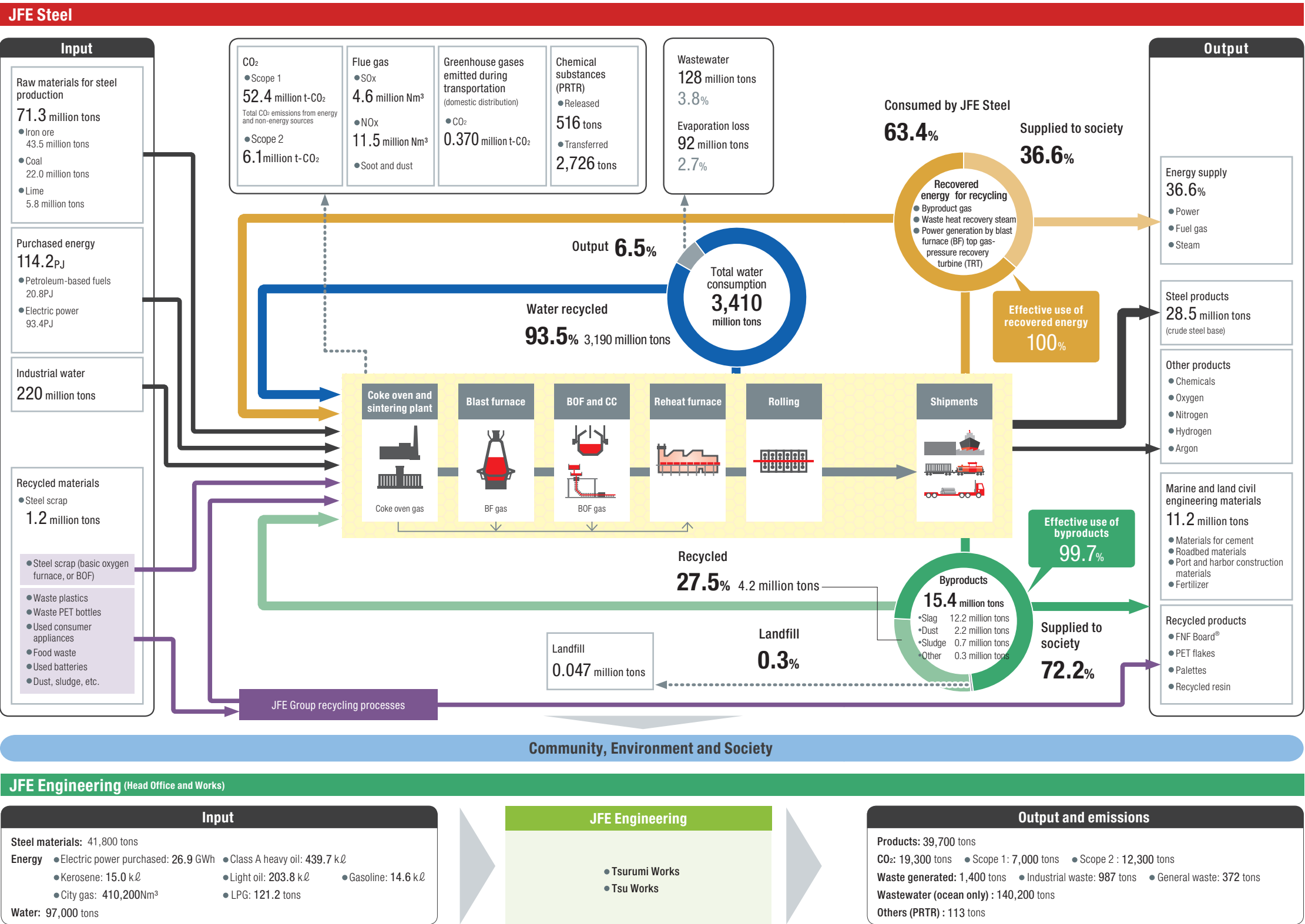
The JFE Group is saving energy and reducing its environmental impacts by making its production facilities increasingly efficient and introducing more environmentally friendly equipment. Such investments, which are categorized as environmental costs, cover equipment, facilities and related expenditures for environmental protection and impact reduction. The ratio of environmental capital investment to total capital investment was approximately 24%.

The JFE Group's active investments towards energy conservation has reached a total of 492.9 billion yen since 1990, enabling the company to attain energy efficiency that is among the highest in the world.

Furthermore, its total amount of investment toward environmental conservation since 1973 has reached 692.4 billion yen. Effects from energy conservation in FY2017 were approximately 1.3 billion yen.

Material flow

JFE Steel works to reduce the environmental impact and effectively use resources in its steelmaking processes. The company recycles 93.5% of the water it uses for production and reuses 99.7% of its byproducts, such as iron-steel slag. In addition, 100% of gas byproducts generated during production is reused as fuel for reheating slabs, generating power for internal use and supplying power to the public.



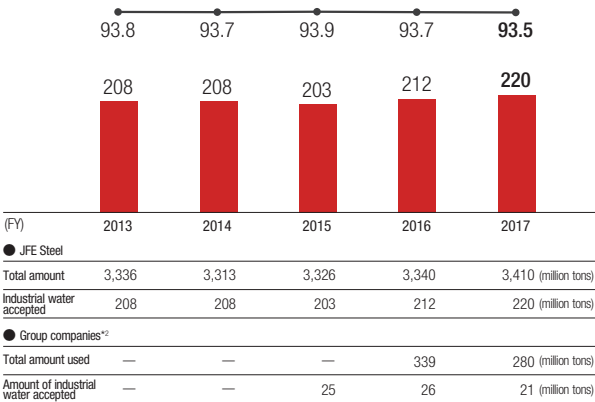
Promote resource recycling

Issues such as resource depletion and environmental pollution are expected to become increasingly severe alongside the economic growth of emerging countries. Steel is easily collected, has high recycling efficiency, and can be recycled unlimited times as a raw material for the same material product (a closed loop recycling).

The JFE Group contributes toward resource recycling according to each Group company's business activities, such as resource recovery of byproducts in the steelmaking process, reducing waste at construction sites, and the global recycling of steel scraps.

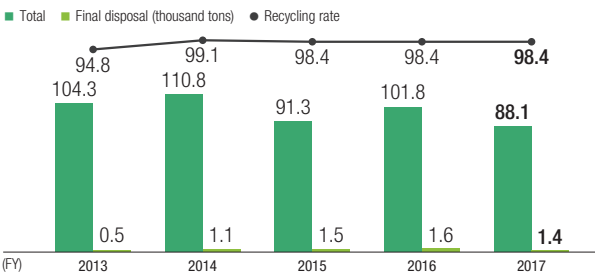
Configured KPI	
JFE Steel	■ Maintain the efficient use of water
JFE Engineering	■ Recycle at least 99.5% of rubble
JFE Shoji Trade	■ Recycle at least 95.0% of sludge
	■ Recycle at least 85.0% of industrial waste
JFE Shoji Trade	■ Global resource recycling of steel scraps

Industrial water accepted (million tons) and circulated*1 (%) of JFE Steel




*1 Industrial water circulated (%) = (Total amount - industrial water accepted) / total amount x 100
*2 Data cover 25 domestic consolidated subsidiaries of JFE Steel

Waste generated at construction sites and recycling rate (%) of JFE Engineering



Occupational Safety and Health

 Please refer to the JFE Group CSR REPORT 2018 for details.



Basic Policy

The JFE Group is branching outward with a diverse array of operations, the core of which are the steel business which requires huge equipment in conducting its business, the trading business which supports the foregoing, and the engineering business which conducts a wide range of construction works. Having safe and healthy workplaces is essential to attaining sustainable business operations and is also the foundation of corporate longevity. The JFE Group promotes the autonomous resolution of safety activities for all employees with the conviction that all accidents can be prevented. It has set workplace health, mental health and physical health as the three pillars on which activities to ensure the health of employees and their families are based, and aims to become a safe and healthy company that is full of energy.

JFE Group Health Declaration

- 1 JFE, recognizing that safety and health are fundamental for fulfilling its mission, creates workplaces in which every employee can work with vigor.
- 2 JFE and its health insurance union work together to advance initiatives for maintaining and upgrading the physical and mental health of employees and their families.
- 3 JFE gives top priority to safety and health and to creating a health culture in which each employee takes personal responsibility.

Prevent occupational accidents

Configured KPI

Group-wide ■ Workplace fatalities: zero occurrences

Some work areas in the JFE Group's diverse scope of business require tasks with a comparatively high risk of accidents, including activities in elevated or hot environments, and the transportation of heavy objects. Having a safe work environment is crucial, and preventing workplace accidents is a fundamental requirement to provide peace of mind for employees, which include diverse human resources such as elderly people and women.

JFE Steel follows three basic strategies: promote the autonomous resolution of issues, strengthen health and safety at

business associates and Group companies, and develop activities in line with the Group's Health Declaration. By adopting specialized safety know-how developed by DuPont, JFE Steel is building a new safety culture, changing the focus away from the dependency of people doing only what they are told to do and toward the autonomy of people exercising their own initiative.

Ensure the health of employees and their families

Configured KPI

Provision rates of health guidance* (by 2020)

JFE Steel	35%
JFE Engineering	35%
JFE Shoji Trade	40%

Rate of health examination for dependents: 60% (by 2020)


Group-wide	60%
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* The execution ratio of six-month programs to prevent and resolve lifestyle diseases of employees aged 40 years old and above and their spouses. The goals for Japan are 45% or above (for 2023)

Ensuring the physical and mental health of employees and their families is essential in maximizing the potential of each employee and creating workplaces that are full of vitality.

The JFE Group helps employees maintain and improve their health with the cooperation of health insurance unions and industrial health staff to ensure that all employees are able to work with vigor.

Recruitment and Development of Diverse Human Resources

 Please refer to the JFE Group CSR REPORT 2018 for details.



Basic Policy

As we state in the JFE Group's Basic Policy on Human Resource Management, the Group steadily recruits diverse and skilled human resources, ensures that they acquire the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities in order for the Group to survive in an increasingly complicated and diversified global environment.

JFE Group's Basic Policy on Human Resource Management

- 1 **Respect Human Rights and Facilitate Fair Management of Human Resources**
The Group manages human resources fairly by respecting the human rights of all employees and nurturing employees who embrace the Group's corporate values and standards of business conduct.
- 2 **Foster a Corporate Culture that Nurtures People and Promotes Satisfying Workplaces**
The Group facilitates interactive communication among employees to cultivate a corporate culture that nurtures human resources and creates safe, attractive environments where everyone can enjoy working.
- 3 **Diversify Human Resources**
The Group ensures that diverse all people, including women, non-Japanese, the elderly and the disabled, can demonstrate their full potential.
- 4 **Recruit and Steadily Nurture Excellent Human Resources**
To survive in an increasingly complicated and diversified global environment, the Group steadily recruits diverse, high-quality skilled human resources, ensures that they receive the skills and knowledge necessary to continue strengthening the Group's technological capabilities, and nurtures their global capabilities.

Pursue diversity and inclusion

Configured KPI

Ratios for female recruits

JFE Steel	■ At least 35% in career-track white-collar positions, more than 10% in career-track technical positions, more than 10% in on-site positions
JFE Engineering	■ At least 20% in career-track positions, at least 5% in production/construction positions (technical)
JFE Shoji Trade	■ At least 25% in career-track positions

Females in managerial positions (by 2020)

Group-wide	■ Triple the 2014 figure
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Workforce diversity

The JFE Group views the promotion of diversity as a key business issue. Promoting diversity and inclusion to ensure the employees maximize their potential in terms of abilities, regardless of their gender, nationality, creed, lifestyle or family background, is essential to have quality human resources actively take part in businesses at manufacturing and sales bases in Japan and overseas for long periods of time.

As a result of a broad range of initiatives to support female employees, the ratio of female recruits for FY2018 for the three operating companies was 31.8% for career-track white-collar positions, 9% for career-track technical positions, and 11.9% for on-site and clerical positions. As of the end of August 2014, the ratio of women in

management positions for JFE Holdings and 3 operating companies was 1.8% (94 females). However, this had grown to 4.9% (274 females) by April 2018, over two times more than before.

* Please refer to the CSR REPORT for details on employee status.

 The JFE Group CSR REPORT
<https://www.jfe-holdings.co.jp/en/csr/index.html>

Promote human resource development

Configured KPI

Group-wide ■ Improve technical skills and conduct high-quality training programs

Human resource development and transfer of technologies and skills

The technologies and skills accumulated at manufacturing sites are one of the sources of our competitive strength in our steel business, the core of the Group. It is important to train human resources with a focus on the transfer and accumulation of skills to counter the significant generational changeover due to the change in the age structure of employees.

Furthermore, the training of global human resources that targets not only Japanese employees but also foreign employees and local staff is necessary to achieve further overseas development.

The JFE Group actively nurtures the abilities of each employee and facilitates the transfer of their technologies and skills to counter the significant generational changeover that occurs as baby-boomer personnel retire.

Thorough Compliance



Basic Policy In expanding our businesses in Japan and abroad, it is important that JFE maintains relationships of trust with all stakeholders, including its customers, shareholders and local communities. Trust can only be built upon a strong foundation of “Ensuring Thorough Compliance.” Misconduct and scandals resulting from compliance violations can instantly shatter the trust that has taken many years to establish. Therefore, JFE believes extremely importance that all members of the organization deepen their knowledge and awareness of compliance and perform their jobs accordingly.

Compliance System

The JFE Group's Standards of Business Conduct and Corporate Vision guide employees in the conduct of their daily activities. They also help to strengthen awareness among all JFE Group executives and employees and ensure adherence to corporate ethics.

The Compliance Committee chaired by the president generally convenes every quarter to deliberate basic policies and issues and then supervise their implementation. Each operating company has a similar in-house system for promoting and supervising compliance. In addition, operating companies have introduced a Corporate Ethics Hotline to ensure that crucial information regarding compliance can be communicated directly from the front lines to top management.

Ensure adherence to corporate ethical standards and compliance

Configured KPI (Group-wide)

- Steady execution of training to foster and maintain a sense of compliance
- Improve employee awareness of ethics reflected in JFE's Corporate Ethics Awareness Survey

Thorough compliance

The JFE Group conducts training on the Antimonopoly Act, insider-trading restrictions, security export controls, the Construction Business Act, laws against bribery of public officials, etc.

The Group has also compiled a Compliance Guidebook and distributed to employees and executives (domestic and overseas), to be used in activities such as collation, to ensure that the content is fully communicated and informed.

Furthermore, a Corporate Ethics Hotline has been established to ensure that crucial information regarding compliance are communicated directly from the front lines to top management. The hotline is operated under rules and regulations that protect people who report information or seek advice, and enable users to directly report to or seek advice from Audit & Supervisory Board Members. Whistleblowing and requests for advice are regularly reported to the full-time Audit & Supervisory Board Members, and the operational status of the system is reviewed by the Board of Directors.

Cases handled by the Corporate Ethics Hotline

Company	FY2015	FY2016	FY2017
JFE Holdings and operating companies	62	62	89

Antimonopoly Law compliance

The JFE Group views past violations of the Antimonopoly Law seriously

and continues to implement thorough measures to eliminate the possibility of future infringements.

Prevention of bribery

The JFE Group uses the Compliance Guidebook to ensure that the rules concerning bribery of public servants are communicated and informed to its employees.

Furthermore, the Group issued the Group Basic Policy on Preventing Bribery of Public Officials for dissemination throughout the global Group. Operating companies are also developing their own systems to avoid any bribery of foreign public servants.

Resisting organized crime

The JFE Group declares in its standards of business conduct that it will firmly resist all antisocial forces, and has established the JFE Group Policies for Addressing Antisocial Forces and Regulations for Addressing Violence Directed at Companies to clarify the measures to be taken in response to any issues.

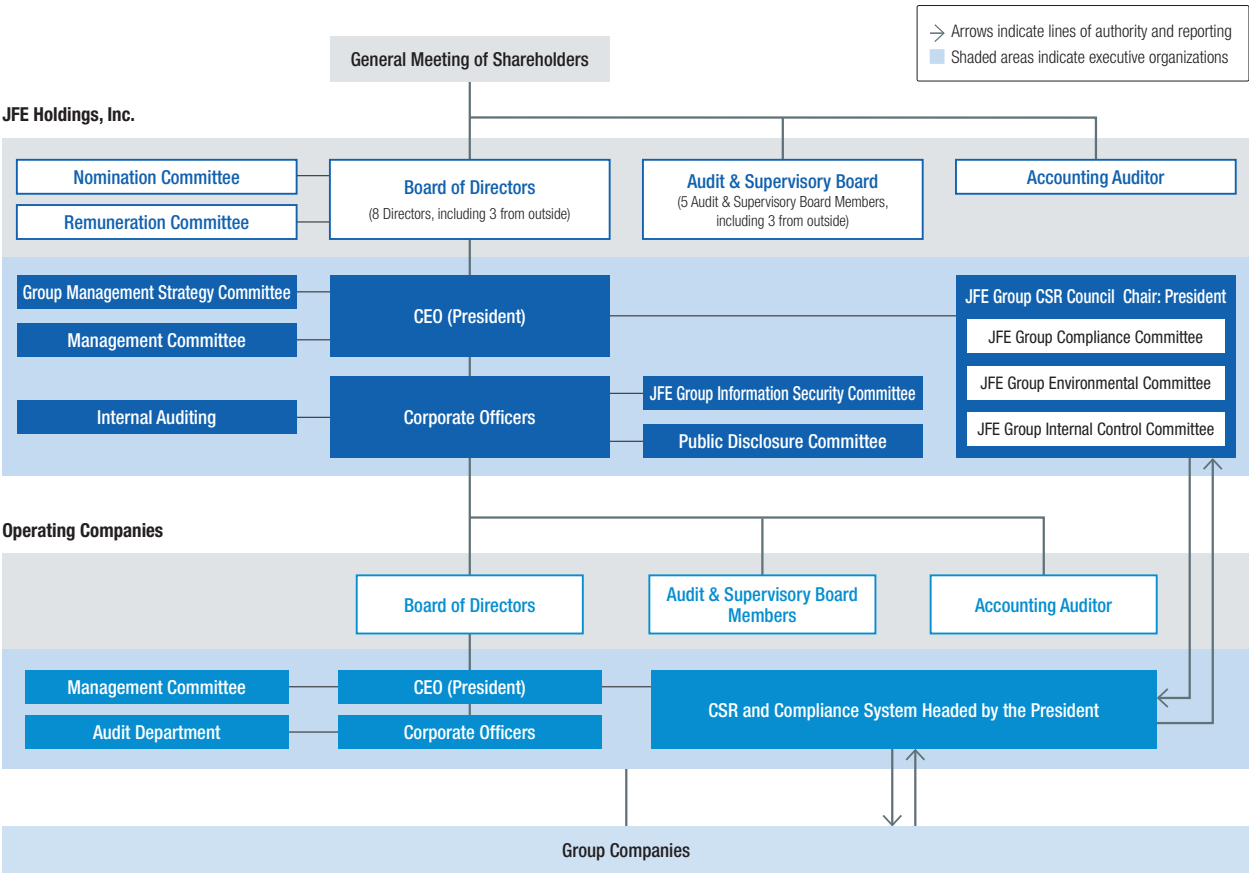
Employee ethics awareness surveys

The JFE Group regularly conducts Corporate Ethics Awareness Surveys to quantitatively assess employees' awareness of ethics and help employees stay informed about JFE's corporate vision. The survey conducted in FY2016 confirmed that many employees were aware of company policies and ethics and were carrying out tasks with compliance in mind, while also revealing the issues that needed to be addressed. The results of this survey are reported to the Board of Directors and the JFE Group CSR Council, and they are also applied to initiatives in each operating company.

Corporate Governance

Basic Policy With the steel business, engineering business and trading business at its core, the JFE Group develops a broad range of businesses in a wide range of areas together with many group companies and partners. Establishing a proper governance system is essential towards improving independence and raising efficiency in each operating company, along with the optimal management of risks, which include those related to the environment, safety and disaster prevention in the Group. It is also necessary for the sustainable growth of the Group and the medium- to long-term improvement of its corporate value.

Corporate Governance System



Basic Policy

The JFE Holdings, Inc. Basic Policy on Corporate Governance was established in October 2015 to strengthen efforts to achieve sustainable growth and increased corporate value over the medium to long term. Please review the Corporate Governance Report for more information.



JFE Holdings, Inc. Basic Policy on Corporate Governance
<https://www.jfe-holdings.co.jp/en/company/info/pdf/basic-policy.pdf>

Corporate Governance Report
<https://www.jfe-holdings.co.jp/en/company/info/pdf/corporate-governance.pdf>

Overview of the corporate governance system

Group governance system

The JFE Group comprises a holding company and three operating companies JFE Steel, JFE Engineering and JFE Shoji Trade.

JFE Holdings, a pure holding company at the core of the Group's integrated governance system, guides Group-wide strategy, risk management and public accountability.

Each operating company has developed its own system suited to its respective industry, ensuring the best course of action for competitiveness and profitability.

Overview of the corporate governance system

Organizational design type	Company with an Audit & Supervisory Board
Number of Directors (Of which, the number of Independent Outside Directors)	8 members (3 members)
Number of Audit & Supervisory Board Members (Of which, the number of Independent Outside Audit & Supervisory Board Members)	5 members (3 members)
Term for Directors	1 year (The same for Outside Directors)
Corporate Officer System	Adopted
Voluntary advisory committees of the Board of Directors	Nomination Committee and Remuneration Committee

Major topics discussed at the FY2017 Board of Directors meeting

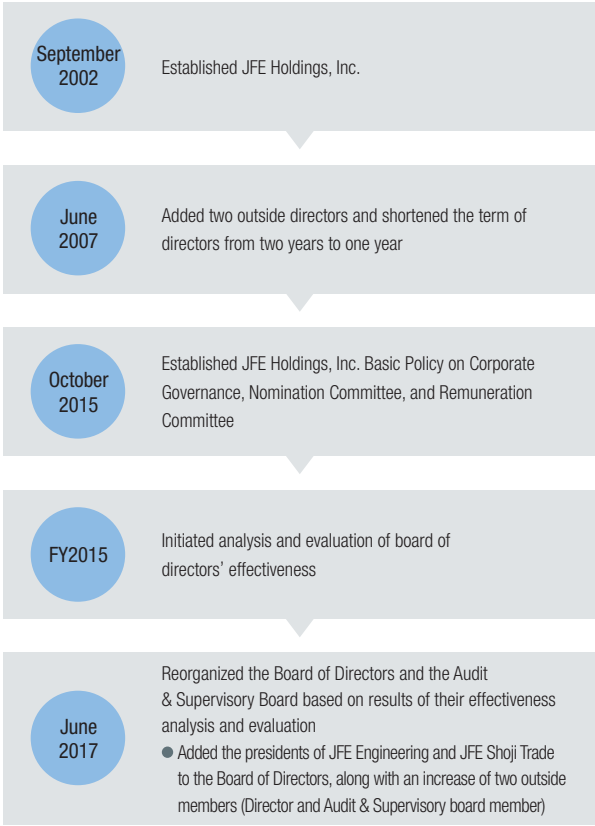
- Introduction of the medium- to long-term performance-linked remuneration system
- Sixth Medium-term Business Plan
- Follow-up for investment and lending and capital investment for operating companies

Governance system

JFE Holdings and each operating company have their respective Audit & Supervisory Board Members. The companies are crosschecked by the Board of Directors, which supervises operational execution, and the Audit & Supervisory Board Members, which conducts audits. Also, a corporate officer system separates decision making and execution to clarify authority and responsibility, as well as to accelerate execution.

JFE Holdings' Board of Directors is responsible for maintaining and enhancing management efficiency and passing resolutions as legally required, laying down key management policies and strategies and supervising operational execution. The Audit & Supervisory Board oversees management for the purpose of strengthening its soundness.

Major initiatives to strengthen the governance system



Independent Outside Directors


We elect Independent Outside Directors with the aim of composing one-third or more of the Directors by Independent Outside Directors.

Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards. Currently, of the eight Directors, three are Independent Outside Directors.

Independent Outside Audit & Supervisory Board Members

More than half of the Audit & Supervisory Board Members are from outside. Independent Outside Audit & Supervisory Board Members will be elected from persons who are appropriate to bear the role of enhancing the auditing function such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards.

Currently, of the five Audit & Supervisory Board Members, three are Independent Outside Audit & Supervisory Board Members.

 Standards for Independence of Outside Directors/Audit & Supervisory Board Members of JFE Holdings, Inc.
<https://www.jfe-holdings.co.jp/en/company/info/pdf/independence.pdf>

JFE Holdings Outside Directors and Outside Audit & Supervisory Board Members

(as of July 1, 2018)

Position	Name	Major Concurrent Positions	Independent Executive	Participation in FY2017 Board of Directors Meetings	Participation in FY2017 Audit & Supervisory Board Meetings
Outside Director	Masao Yoshida	Senior Advisor of Furukawa Electric Co., Ltd. Outside Director of FURUKAWA CO., LTD. External Director of Tokyo Century Corporation	○	12 out of 13 times (92%)	—
Outside Director	Masami Yamamoto	Chairman and Director of Fujitsu Limited	○	9 out of 10 times (90%) *1	—
Outside Director	Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd. Outside Director of NAGASE & CO., LTD.	○	—	—
Outside Audit & Supervisory Board Member	Shigeo Ohyagi	Senior Advisor of Teijin Limited Outside Director of KDDI Corporation Outside Director of MUFG Bank, Ltd.	○	12 out of 13 times (92%)	19 out of 19 times (100%)
Outside Audit & Supervisory Board Member	Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm	○	10 out of 10 times (100%) *2	13 out of 13 times (100%) *2
Outside Audit & Supervisory Board Member	Tsuyoshi Numagami	Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY	○	—	—

* 1 Newly elected as a Director in the previous year's Ordinary General Meeting of Shareholders (held on June 23, 2017); therefore, the number of meetings of the Board of Directors differs.
* 2 Newly elected as an Audit & Supervisory Board Member in the previous year's Ordinary General Meeting of Shareholders (held on June 23, 2017); therefore, the number of meetings of the Board of Directors and the Audit & Supervisory Board differs.

Nomination Committee and Remuneration Committee

In October 2015, JFE Holdings set up the Nomination Committee and the Remuneration Committee as advisory bodies to the Board of Directors to secure fairness, objectivity and transparency in the appointment of and remuneration for Directors and Audit & Supervisory Board Members. For both committees, the majority of committee members are Outside Directors/Audit & Supervisory Board Members and the chairs are chosen from among these people.

The Nomination Committee reports to the Board of Directors on matters related to CEO succession, selection of the Representative Directors and other Directors with special titles, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members. Four meetings were held in FY2017.

The Remuneration Committee discusses matters related to basic policies on executive compensation for JFE Holdings as well as each operating company and also reports to the Board of Directors. Seven meetings were held in FY2017.

Nomination Committee and Remuneration Committee structure (as of July 1, 2018)

Committee	Inside Director	Outside Director	Outside Audit & Supervisory Board Member	Chair
Nomination Committee	2	2	2	Masami Yamamoto, Outside Director
Remuneration Committee	2	2	2	Nobumasa Kemori, Outside Director

Support for Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members are provided with opportunities and funding to receive training in legal matters, corporate governance, risk management and other subjects that help them fulfill their roles and duties.

In addition, a briefing is held for Outside Directors and Outside Audit & Supervisory Board Members prior to Board of Directors meetings.

Furthermore, Outside Directors and Outside Audit & Supervisory Board Members are provided with relevant information and opportunities to exchange opinions with the president and other top managers, attend key hearings on the operational status of individual departments, and inspect business sites and Group companies.

Analysis and evaluation of effectiveness

In FY2015, JFE Holdings began evaluating the overall effectiveness of its Board of Directors.

In FY2017, as a result of the discussions at the Board of Directors based on the review of the questionnaires sent to all Directors and Audit & Supervisory Board Members, it was agreed that overall efficiency was ensured, confirming that prior briefings for all Outside Directors and Audit & Supervisory Board Members led to more active discussions centering around the outside members. In June of last year, we added the presidents of JFE Engineering and JFE Shoji Trade as well as additional outside members to the Board of Directors. With this, we are now able to further enhance discussions at the meetings.

Furthermore, in addition to accurate and fair audits performed by the Audit & Supervisory Board Members, the members also express opinions and actively ask questions at Board of Directors meetings to further invigorate deliberations. Such outcomes support the conclusion that JFE functions more efficiently as a company with an Audit & Supervisory Board.

Meanwhile, we are implementing measures to further improve the effectiveness of the Board of Directors, including by enhancing discussions, such as on ESG issues essential for sustainable growth.

Operating system

Key decision making

JFE companies are responsible for business decisions in accordance with their respective rules and procedures, whereas JFE Holdings makes decisions about Group-wide matters. Each operating company determines key matters through a deliberative process by its own Management Committee and Board of Directors. In April 2017, JFE Holdings changed the operating structure of key committees.

Management strategies involving the entire group are now deliberated by the Group Management Strategy Committee and core issues of JFE holdings, the operating companies and the Group are deliberated by the Management Committee before they are submitted to the Board of Directors for resolution.

Structure of Group Management Strategy Committee and Management Committee

Committee	Company	Chairperson	Attendees
Group Management Strategy Committee	JFE Holdings	President	Inside Directors (including 3 operating company Presidents), corporate officers and full-time Audit & Supervisory Board Members
	JFE Holdings	President	Inside Directors (excluding 3 operating company Presidents), corporate officers and full-time Audit & Supervisory Board Members
Management Committee	Each operating company	President	Directors, major corporate officers and Audit & Supervisory Board Members

Executive compensation

Executive compensation is based on the basic policies founded on discussions and reports by the Remuneration Committee, and it is decided through either a resolution of the Board of Directors or deliberations by the Audit & Supervisory Board Members, for an amount within the total limit approved at the General Meeting of Shareholders.

Executive compensation (FY2017)

Position	Total Compensation, etc. (thousand yen)	Number of Executives
Directors (excluding Outside Directors)	288,020	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	78,334	3
Outside Directors/Audit & Supervisory Board Members	67,697	6

Officers whose consolidated remuneration exceeded 100 million yen (FY2017)

Name	Position	Company	Per Company (thousand yen)	Total (thousand yen)
Eiji Hayashida	Director	JFE Holdings	170,135	170,135
	Director	JFE Holdings	12,000	174,212
Koji Kakigi	Director	JFE Steel	162,212	

Basic policy on determination of remuneration for Directors and Audit & Supervisory Board Members and Corporate Officers

- The Board of Directors shall determine remuneration system for Directors and Corporate Officers based on deliberations regarding its appropriateness by the Remuneration Committee to ensure fairness, objectiveness and transparency.
- The remuneration level for Directors and Corporate Officers shall be determined to secure excellent human resources who are able to put the Group's corporate vision into practice, taking into consideration the business environment of the Group and remuneration levels at other companies in the same industry or of the same scale.
- The ratio between basic remuneration and performance-linked remuneration (annual bonus and stock remuneration) shall be properly established according to the roles and responsibilities, etc. of each Director and Corporate Officer so as to function as sound incentives toward the sustainable growth of the Group.

The Company pays only basic remuneration to Outside Directors and Audit & Supervisory Board Members, given their respective roles of supervising and auditing management from an independent and objective standpoint.

Composition of Directors and Audit & Supervisory Board Members and Corporate Officers compensation

Medium- to long-term performance-linked remuneration for Directors and Audit & Supervisory Board Members has been introduced from FY2018. Remuneration for Directors and Audit & Supervisory Board Members after the introduction of this system is as follows.

Basic remuneration

A fixed amount is paid every month according to positions and other factors.

Annual bonus

Directors and Corporate Officers, excluding Outside Directors, receive cash bonuses once a year, based on a standard determined according to single-year consolidated results.

Medium- to long-term performance-linked remuneration

The stock remuneration plan is a plan that provides the company's shares and an amount of cash equivalent to the market price of the company's shares to Directors (excluding Outside Directors) and Corporate Officers.

Remuneration based on this system is paid based on the payment level, which is determined in accordance with the performance targets, etc. in the Group's medium-term business plan, and as a rule, it is provided at retirement through a trust in the form of the company's shares or cash.

For FY2018 to FY2020, the payment level is determined according to the level of achievement of the target net income attributable to shareholders of the parent of 200 billion yen per year, set under the Sixth Medium-term Business Plan. Furthermore, 5% or more return on equity (ROE) is the minimal requirement for the payment.

Remuneration for the company president when the target goals have been attained is set so that the ratio of basic remuneration (fixed

remuneration), annual bonus (short-term performance-linked) and stock remuneration (middle- to long-term business performance-linked) roughly stands at 6:2:2.

Internal control

The JFE Group's internal control system, in accordance with the Basic Policy for Building an Internal Control System, is maintained through various committee regulations including the Rules of the Board of Directors, Regulations for Group Management Strategy Committee, Regulations for Management Committee, Regulations for the JFE Group CSR Council, Regulations for Organization and Operations, Regulations for Document Management, Regulations for Addressing Violence Directed at Companies, and the installation of Corporate Ethics Hotline. The Basic Policy for Building Internal Control Systems is revised and improved from time to time to boost sustainable corporate value.

Strengthening internal control

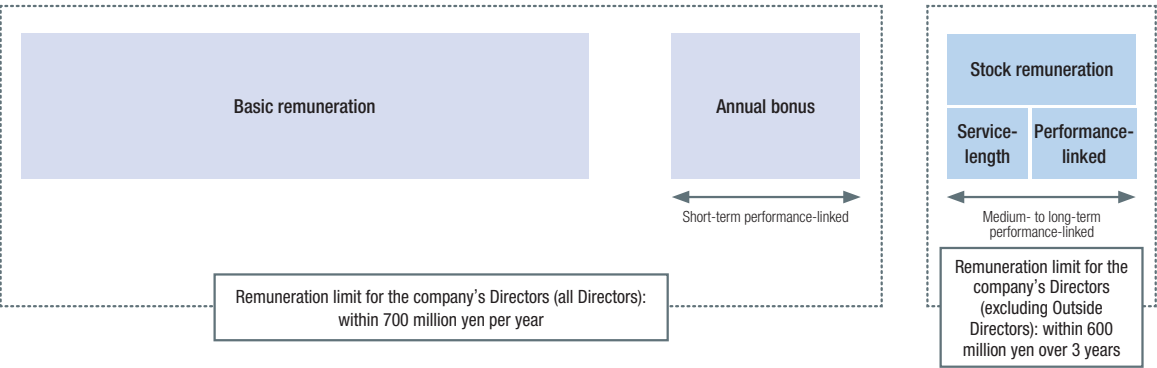
Internal audits

JFE Holdings, its operating companies and key Group companies had internal audit organizations comprising 161 people as of April 1, 2018. These organizations share information to enhance overall auditing within the Group.

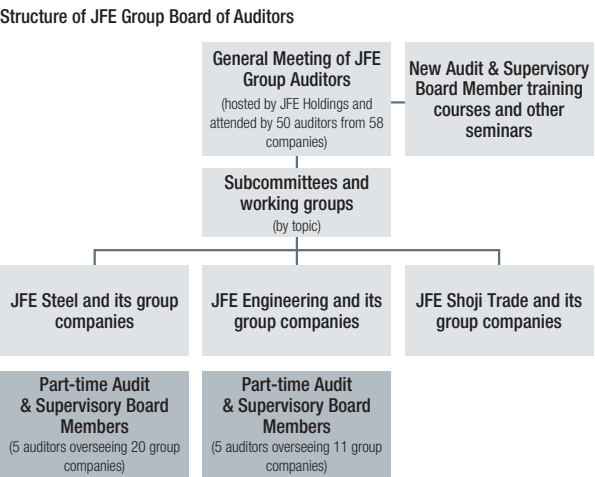
Audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend meetings of the Board of Directors, Group Management Strategy Committee and Management Committee as well as other important meetings. To audit how Directors execute their responsibilities, they conduct hearings with Directors and corporate officers regarding operational status and receive operational reports from subsidiaries. In addition to undergoing statutory audits, JFE companies take the following initiatives to ensure the effectiveness of internal auditing by the Audit & Supervisory Board Members and to strengthen coordination among the Members.

Composition of remuneration for the company's Directors and part-time Audit & Supervisory Board Members



- A total of 40 full-time Audit & Supervisory Board Members have been appointed to 32 companies, including JFE Holdings. Operating company personnel are dispatched to Group companies as part-time Outside Audit & Supervisory Board Members. Each absentee Audit & Supervisory Board Member serves one to five subsidiaries to raise the quality of the audits by their Audit & Supervisory Board Members and enhance Group governance. Ten absentee Audit & Supervisory Board Members served 31 companies in total.
- The JFE Group Board of Auditors includes both full-time Audit & Supervisory Board Members of each Group company and part-time Audit & Supervisory Board Members. Subcommittees and working groups created to address specific issues meet autonomously throughout the year to share information, investigate issues and enhance understanding. The findings are presented at the general meeting of JFE Group Auditors and used for audits.



Cooperation between Audit & Supervisory Board Members and Accounting Auditor

In FY2017, the Audit & Supervisory Board Members held 11 scheduled or unscheduled meetings with Ernst & Young ShinNihon, JFE’s outside accounting auditor, in which the latter presented its audit plan, completed work and detailed results. The firm also presented a detailed explanation of its quality management system to confirm its validity. In turn, the Audit & Supervisory Board Members explained their own audit plans and other matters to the firm. The two sides also shared opinions on related matters.

Cooperation between Audit & Supervisory Board Members and Internal Auditing Department

In FY2017, the Audit & Supervisory Board Members held five scheduled or unscheduled meetings with the internal auditing department, in which the latter presented its internal audit plan, work status and

detailed results. During the meetings, the Audit & Supervisory Board Members also shared opinions with the department.

Operating company governance

Some Directors, Corporate Officers and Audit & Supervisory Board Members of JFE Holdings serve concurrently as the Directors or Audit & Supervisory Board Members of operating companies to strengthen governance and information sharing across the Group. To strengthen governance, JFE Holdings’ managers attend each operating company’s General Meeting of Shareholders and Management Planning Briefing, receive reports on their activities and discuss the managerial policies of subsidiaries.

Basic policies for strategic shareholdings and exercise of related voting rights

All shares held by the company are the shares of subsidiaries or affiliates.

The company’s wholly owned subsidiaries and operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation (hereinafter the “Operating Companies”), hold stocks as strategic shareholdings for the aim of facilitating the promotion of business transactions and financial transactions, etc.

The company and the Operating Companies regularly review at the Board of Directors meeting the significance of major strategic shareholdings and the return on investment such as dividend yields, and consider from a comprehensive viewpoint, whether to sell the shares which have become insignificant or may cause damage to shareholder interest.

The exercise of voting rights of strategic shareholdings is decided upon reviews by Operating Companies on the content of the proposal and is appropriately implemented in a way that will maximize shareholder interest. To be specific, the content of the proposal is to be checked by the investment application department and the investment control department, and approval will be given to proposals which are considered not to pose any threat to the maximization of interest of these Operating Companies as shareholders.

Of the shares for investment purposes held by JFE Steel, which has the largest balance sheet amount and account for the majority of the shares for investment purposes posted in the consolidated financial statements of the company, those shares of JFE Steel that are held for purposes other than pure investments are shown below.

	End of FY2017	End of FY2016	End of FY2015
Number of issues	242	243	254
Total balance sheet amount (billion yen)	259.1	314.4	332.7

Messages from New Outside Executives



Nobumasa Kemori
Outside Director

Executive Advisor of Sumitomo Metal Mining Co., Ltd.
Mr. Kemori joined Sumitomo Metal Mining Co., Ltd. in 1980 and was appointed Representative Director and President in 2007. He was appointed Representative Director and Chairman of the Board in 2013 and Director and Chairman of the Board in 2016, before taking his current post in 2017. He was appointed Director of the company in June 2018.

The major prerequisites in business management are maintaining pollution-free operations and ensuring safety

Since I graduated from the faculty of metallurgy in the department of engineering, I am well versed in the operations of JFE, its predecessor Kawasaki Steel Corporation and NKK. After I received my doctorate, I was hired by Sumitomo Metal Mining and went on to work in the smelting of nonferrous metals and mine development.

The amount of steel manufactured all over the world is approximately 100 times more than that of copper.

Although steel has a staggering scale when compared to nonferrous metals, I believe that the issues in Japan’s steel industry and nonferrous metal industry are quite similar.

For companies that produce steel and copper, which are basic materials that are essential in our lives and for industries, the most important factor is maintaining a stable supply of quality products. It is therefore necessary to secure profits in any type of external climate to steadily conduct business. For large-equipment industries, stable profit growth is directly linked with the capability to reduce costs for product manufacturing by maintaining production capabilities and operating ratios of old equipment for which depreciation has ended, and to introduce world-class equipment through research and development when processes and facilities become obsolete. Many are aware about this, but it is not an easy thing to do.

Corporate activities must lead to the genuine happiness of everyone, including all stakeholders. I believe that the enhancement of corporate value and reinforcement of governance start only when we can ensure zero accidents of employees and maintain pollution-free operations at business office areas. With this basic thought in mind, I would like to strive to contribute to the JFE Group as a member of the Board of Directors.

Supporting management with academic expertise in business administration

As a specialist in business administration, I mainly take part in empirical studies on strategic management and organization theory as well as training. I used to doubt that studies in business administration had no practical use. However, through my experience in executive training as well as education, student, and administrative strategies as a university director and vice-president, I feel that the studies of business administration can be used in actual business settings as well. For instance, what type of overlapping condition causes shortsighted decisions, or in what type of situation will multiple check outlets face a greater risk of accidents? In this way, studies in business organization fields have accumulated an abundance of knowledge. Additionally, there are also many business strategy studies that touch on such knowledge, such as what type of industry structure is prone to having business problems, or what types of business resources should one’s company focus on.

I look forward to contributing to the JFE Group, which has high aspirations to apply its world-class technologies to contribute to society, by applying academic wisdom in the business administration field to the business decision making of JFE Holdings. Deep discussions from broad viewpoints are important to realize the sound governance of the JFE Group. I will strive sincerely using my unique viewpoint to support the development of the JFE Group.



Tsuyoshi Numagami
Outside Audit & Supervisory Board Member

Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY
Mr. Numagami was appointed Professor of Graduate School of Commerce and Management of HITOTSUBASHI UNIVERSITY in 2000. He was appointed to his present position in 2014, after becoming the Dean of the said school in 2011. He was appointed Professor of Graduate School of Business Administration of HITOTSUBASHI UNIVERSITY in 2018, and he took his position as Audit & Supervisory Board Member of the company in June 2018.

Risk Management

Risk Management System

JFE Holdings is responsible for comprehensive risk management in accordance with its Basic Policy for Building an Internal Control System. The JFE Group CSR Council collects specific information for the purpose of reducing the frequency and impact of risks. The executive officers responsible for risk works to identify potential risks associated with their business activities, ethical and regulatory compliance, and the disclosure of financial reports and information. If potential risks are identified, they are assessed to determine if there is a need for further examination or the deployment of countermeasures.

Response to risks

Intellectual property management

JFE meticulously manages intellectual property across its diverse business activities. To prevent infringement on third-party intellectual property, JFE constantly monitors the latest information on intellectual property and implements all necessary measures.

Privacy protection

JFE has established the JFE Group Privacy Statement for managing information including “My Numbers,” which are personally identifiable numbers under Japan’s social security and tax number systems.

To maintain the appropriate protection of personal information, employee trainings on the rules, which have been set in place in accordance with the privacy statement, have been conducted as stipulated in applicable laws of each country related to businesses and guidelines.

 JFE Group Privacy Statement
<https://www.jfe-holdings.co.jp/en/privacy.html>

Information security

The JFE Group formulates various rules on information security management to prevent information leakage and system failures due to cyber-attacks and improper system use. Efforts are made to enhance information-security knowledge and awareness of rules among employees through training and education. Additionally, shared IT measures are applied in each Group company and regular information security audits are conducted to reinforce the overall information security management level in the Group.

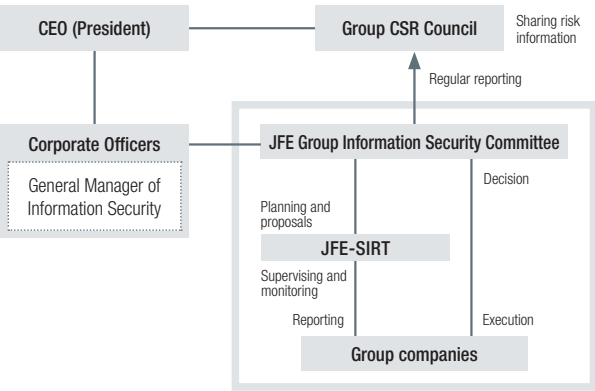
Key issues related to information security are deliberated by the JFE Group Information Security Committee to determine Group policy.

Based on policies set by the committee, the JFE-SIRT* formulates and implements information-security measures, performs information

security audits, offers guidance on responding to incidents and generally enhances the level of Group-wide information security management.

* JFE-Security Integration and Response Team established in April 2016.

JFE Group Information Security Governance System



Disaster response

The JFE Group aims to be a resilient company in times of disaster when seen from a business continuity planning (BCP) viewpoint. It conducts emergency drills for large earthquakes and tsunamis and has introduced a system to confirm people’s safety, along with formulating emergency manuals and diversifying suppliers of procurement.

Awareness of and Respect for Human Rights

Basic Policy

The JFE Group has for many years observed human rights through its Standards of Business Conduct, which mandate respect for individuals in the Group and greater society as well as nondiscrimination in all corporate activities.

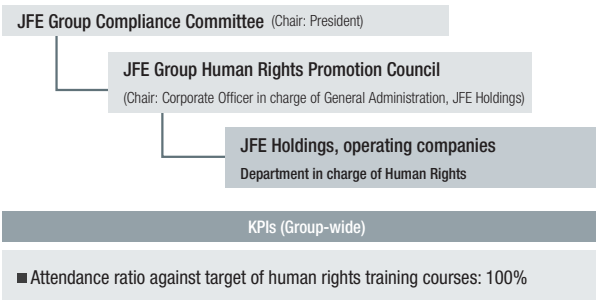
Alongside the globalization in recent years, companies must act to respect the human rights in not only their employees, but also the supply chain members. In view of the overseas projects increasingly pursued by Group companies, additional provisions are now required to ensure that we respond to the needs of our many stakeholders and conduct our business in line with international norms, such as the United Nations’ Guiding Principles on Business and Human Rights.

JFE Group Human Rights Basic Policy

(Established in FY2018. Posters were made to spread awareness in domestic and overseas offices.)

- 1 Respect for basic human rights**
We recognize the diverse values of individuals in all aspects of corporate activities and respect and defend all human rights in accordance with international norms.
- 2 Abolition of discrimination**
We respect each person as an individual in corporate activities and shall not discriminate in any way with regard to race, nationality, ethnicity, creed, religion, social status, family origin, age, gender, sexual orientation, gender identity, or presence or absence of any disability.
- 3 Prohibition of harassment**
We shall not engage in harassment with respect to gender, position or in any other way, or by any behavior that demeans degrades the dignity of others or causes mental discomfort.
- 4 Respect for fundamental labor rights**
We value healthy labor-management relations and work to solve problems through constant dialogue between management and employees in good faith and in accordance with international norms, taking into account the laws and labor practices of each country. In addition, we always strive to upgrade worker safety and work environments that are rewarding for all employees.
- 5 Prohibition of child labor and forced labor**
We shall not engage in any way in child labor or forced labor in any country or region.
- 6 Seek the cooperation to all stakeholders**
Respecting and defending human rights is not only mandatory of all officers and employees of the JFE Group, we also seek the cooperation of our supply chain members and all other stakeholders to observe these principles and practices.

Human rights promotion structure



Human rights initiatives

We established the JFE Group Human Rights Promotion Council, which reports to the JFE Group Compliance Committee, chaired by the president of JFE Holdings, in order to define Group-wide policies and share information related to human rights.

In FY2018, the company formulated the JFE Group Human Rights Basic Policy to supplement the JFE Group Standards of Business

Conduct. We have been carrying out various initiatives along with this policy, such as (1) human rights awareness training and (2) ensuring equal employment opportunities and fair human resource management. Within these activities, measures to prevent sexual harassment and abuses of authority have been taken through stipulations in work regulations, training, displaying posters and establishing a help desk. Furthermore, information on human rights trends and issues found only in Japanese corporations have been acquired through participating in organizations such as the Industrial Federation for Human Rights, Tokyo, and this information is being applied to human rights awareness training. We have designated the respect for human rights that is necessary for corporate activities on an international scale as an area of focus, as is necessary for the further globalization of our corporate businesses.

Additionally, JFE Steel purchases raw materials after confirming that suppliers are not using conflict minerals.

Stakeholder Relationships

Promotion of interactive communication

The JFE Group strives to maintain agreeable and favorable relationships with all stakeholders, including shareholders, customers, clients, employees and local communities, for the sustainable growth and medium- to long-term increase of corporate value.

Major activities

Stakeholders	Approach	Major communication methods, etc.	Others	
			Frequency (per year)	Scale, etc.
Shareholders/ Investors	We work to disclose information accurately, fairly and in a timely and appropriate manner as well as strive for active communication. We established the Investor Relations and Corporate Communications Department as an organization responsible for communication with domestic and international shareholders and investors, and promote constructive dialogue as well as provide management with the information acquired, with the aim of maintaining and improving the relationship of trust.	Ordinary general meeting of shareholders (convocation notices, notices of resolutions, etc.)	1	Approx. 150,000 persons (Unit shareholders)
		Investors meeting (financial results, medium-term business plans, etc.)	4	Approx. 600 persons in total
		Individual meetings (financial results, medium-term business plans, etc.)	As needed	Approx. 400 persons in total
		Briefings (at the branch offices of securities firms, etc.)	14	Approx. 1,000 persons
		Plant tours for shareholders (steel, engineering, shipbuilding bases, etc.)	26	Approx. 2,200 persons
		Publishing shareholder newsletters (JFE Dayori)	2 (Mid-year and annual)	Approx. 220,000 copies/issue
		Various reports, including integrated reports and CSR reports	1	Approx. 30,000 copies
		Information via websites (for shareholders and investors), etc.	As needed	
Customers	The Group believes that the stable supply of products and services and reliable quality assurance, along with advancing research and development, are necessary to meet customer needs. We will work to establish win-win relationships by continuously meeting customer needs and the trust they place in us.	Communication through sales activities and support for quality assurance	As needed	Conducted at each operating company
		Interviews and questionnaires, such as that on customer satisfaction	As needed	Conducted at each operating company
		Information via websites (product information), etc.	As needed	
Clients	CSR initiatives are being actively pursued together with our clients, who are important business partners. We have established Purchasing and Procurement Policies to promote fair and sincere procurement activities and to construct healthy relationships with clients.	Communication through purchasing activities	As needed	Conducted at each operating company
		Briefings and discussions	As needed	Conducted at each office
		Information via websites, etc.	As needed	
Employees	With the recognition of top management that creating workplaces to provide dignity and job satisfaction for all is essential for maximizing the potential of individuals, we have formulated the Basic Policy on Human Resource Management and Health Declaration and are conducting various activities toward attaining the goals.	Communication through daily operations and in the workplace	As needed	
		Internal newsletters and intranet	As needed	
		Various labor-management committees	2 to 4	Management and labor unions at each operating company
		Corporate Ethics Hotline	As needed	89 calls in FY2017
		Various training sessions	As needed	Position-specific, compliance, human rights, etc.
		Family days (visits by employee families, lunch at employees' cafeterias, etc.)	1	Conducted at each operating company
		Corporate Ethics Awareness Survey	1(every 3 years)	At the company and operating companies
Local communities	To ensure business continuity at manufacturing bases where steelworks are located and elsewhere, constructing a relationship of trust with citizens in local communities and realizing co-existence and prosperity are crucial. We will pursue various activities with the aim of realizing sustainable growth and regional development, including continued initiatives toward ensuring safety and reducing our environmental impact.	Communication through local residents' associations, events, etc.	As needed	
		Events at manufacturing bases (festivals, etc.)	Approx. once in each region	Approx. 250,000 persons a year
		Plant tours	As needed	100,000 or more persons a year
		Clean-up activities (vicinity of manufacturing bases, regional cleaning, etc.)	As needed	
		Sports promotion (baseball or jogging workshops, sports competitions, etc.)	As needed	
		Others (education at elementary schools, craft workshops, workplace experience events, etc.)	As needed	
		Information via websites (environmental information, etc.)	As needed	
		Social contribution through the JFE 21st Century Foundation (various research support, regional activity support, etc.)	As needed	
<div><div>Web</div><div>The JFE 21st Century Foundation ▶ https://www.jfe-21st-cf.or.jp/eng/</div></div>				

External recognition in recent years

Name of SRI index, etc.	Content for selection, etc.	Evaluation/selection period
MSCI Japan Empowering Women Index	This index consists of companies that are recognized as having outstanding gender diversity per industry within the MSCI Japan IMI Top 500 Index, which consists of corporations with outstanding ESG evaluations. MSCI calculates multifaceted gender diversity scores based on data disclosed in accordance with the Act on the Promotion of Women's Participation and Advancement in the Workplace. (As of June 2018: 215 companies)	At June 2018
SNAM Sustainability Index	For this index, Sampo Japan Nipponkoa Asset Management (SNAM) applies a unique evaluation system that utilizes the experience and knowledge of SOMPO RISK MANAGEMENT (environmental investigations) and IntegreX (social and governance investigations). The Company has been included in this index for seven consecutive years.	2012 to 2018
Euronext Vigeo Index World 120	This index consists of top 120 companies in Europe, North America, Asian-Pacific regions, recognized as having excellent performance in terms of the environment, society and governance. The constituent companies are selected by NYSE Euronext and Vigeo Eiris, an ESG research company.	2017
Certified Health and Productivity Management Organization Recognition Program, large enterprise category (White 500)	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select, in principle, one company per industry that has been strategically implementing employee health management from a business management viewpoint. The company was selected for the Health & Productivity Stock Selection for the first time in 2018. (2018 Health & Productivity Stock Selection: 26 companies)	2018
Competitive IT Strategy Company Stock Selection	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select companies actively applying IT to realize management innovation and enhanced earnings levels and productivity that will lead to medium- to long-term increase in corporate value and reinforced competitive strength. Selections are made per industry type, and the company has been selected for this index for four consecutive years. (2018 Competitive IT Strategy Company Stock Selection: 32 companies)	2015 to 2018
Nadeshiko Brand	The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange cooperate to select one to three companies per industry that have demonstrated outstanding achievement for the advancement of women. The company has been selected for this index three times up to this year.	2014 2015 2017
DBJ Environmentally Rated Loan Program	This is the first financing system in the world to incorporate special environmental ratings, which uses a screening system developed by the Development Bank of Japan (DBJ) to evaluate environmental management levels and select outstanding companies with three interest stages according to evaluation points. Our company was rated as a top-ranking company that pursues excellent and advanced environmental initiatives in recognition of our advanced environmental management which we have pursued.	2016

JFE Steel (FY2017)

Award name		Target	Sponsor
Monodzukuri Nippon Grand Award	Prime Minister's Prize	Development of Super-SINTER®, which reduces CO ₂ emissions in the process of manufacturing raw materials for steelmaking	Ministry of Economy, Trade and Industry
Monodzukuri Nippon Grand Award	Prime Minister's Prize	Mega container carriers with excellent safety and environmental features, created with structurally brittle crack arrest technologies, which apply innovative structure and construction technologies	Ministry of Economy, Trade and Industry
Energy Conservation Grand Prize	Director-General of the Agency for Natural Resources and Energy Prize	1.5 GPa-grade cold-rolled automotive steel sheets that possess energy-saving features and excellent crash performance	The Energy Conservation Center, Japan
Energy-Efficient Machinery Award	Director-General of the Agency for Natural Resources and Energy Prize	A two-stage jet burner for igniting sintering machines	The Japan Machinery Federation
Invention Award	National Commendation for Invention	Invention of shipbuilding plates with excellent brittle crack propagation resistance	Japan Institute of Invention and Innovation

JFE Engineering (FY2017)

Award name		Target	Sponsor
Japan Construction International Award (Minister of Land, Infrastructure, Transport and Tourism Award)		Elevated bridge construction plan in Ulaanbaatar City	Ministry of Land, Infrastructure, Transport and Tourism
Commendation Program to Excellent Energy Conservation Equipment	Minister of Economy, Trade and Industry Prize	Waste incinerators with a counterflow combustion system	The Japan Society of Industrial Machinery Manufacturers
Energy Conservation Grand Prize	Minister of Economy, Trade and Industry Prize	The MiReLiS® BOG re-liquefaction facility	The Energy Conservation Center, Japan
Engineering Advancement Association of Japan Distinguished Service Award		The project team that contributed to technology transfer and infrastructure development, centered on the Myanmar steel structure manufacturing base	Engineering Advancement Association of Japan

Management Organization



Executive Structure (as of July 1, 2018)

Category	Name	Career, experience and knowledge	Appointment as members of advisory bodies to the Board of Directors		
			Nomination Committee	Remuneration Committee	Special Committee
Directors	Eiji Hayashida	1973 Joined Kawasaki Steel Corporation 2010 Representative Director, President and CEO of JFE Steel Corporation, Representative Director of JFE Holdings, Inc. 2015 Representative Director, President and CEO of JFE Holdings, Inc. (current post) Mr. Hayashida has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in overseas business, new business development, corporate planning and administration, and financial operations in the company and JFE Steel Corporation as well as execution of duties as Corporate Officer.			
	Koji Kakigi	1977 Joined Kawasaki Steel Corporation 2015 Representative Director, President and CEO of JFE Steel Corporation (current post), Representative Director of JFE Holdings, Inc. (current post) Mr. Kakigi has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations in human resource and labor administration departments, and execution of duties as Corporate Officer such as in general administration, legal, accounting, finance, and procurement departments in the company and JFE Steel Corporation.			
	Shinichi Okada	1975 Joined NKK Corporation 2012 Representative Director and Executive Vice President of JFE Holdings, Inc. (current post) Mr. Okada has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in financial operations such as fund-raising and project financing, and execution of duties as Corporate Officer in corporate planning and administration departments.			
	Naosuke Oda	1977 Joined NKK Corporation 2012 Representative Director and Executive Vice President of JFE Steel Corporation 2016 Representative Director, President and CEO of JFE Shoji Trade Corporation (current post) 2017 Director of JFE Holdings, Inc. (current post) Mr. Oda has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations related to sales of automotive steel at JFE Steel Corporation, and supervising sales divisions as Corporate Officer.			
	Hajime Oshita	1982 Joined NKK Corporation 2017 Representative Director, President and CEO of JFE Engineering Corporation (current post) Director of JFE Holdings, Inc. (current post) Mr. Oshita has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in corporate planning, accounting and finance, and a wide range of duties as Corporate Officer, including overseeing domestic and overseas businesses at JFE Engineering Corporation.			
Audit & Supervisory Board Members	Shotaro Tsumura	1982 Joined Kawasaki Steel Corporation 2014 Audit & Supervisory Board Member of JFE Steel Corporation 2016 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post) Mr. Tsumura has abundant experience and knowledge that he has accumulated through operations related to general administration and human resources that involve responsibilities in compliance and risk management as well as duties as Audit & Supervisory Board Member at JFE Steel Corporation.			
	Nobuya Hara	1984 Joined NKK Corporation 2016 Audit & Supervisory Board Member of JFE Steel Corporation (current post) 2017 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post) Mr. Hara has abundant experience and knowledge in finance and accounting that he has accumulated through operations related to corporate planning, accounting and finance at JFE Steel Corporation as well as accounting operations at the company. He also has abundant experience and knowledge gained through corporate management operations at the group companies of JFE Steel Corporation, in addition to duties as its Audit & Supervisory Board Member.			

Outside Executive Structure (as of July 1, 2018)

Category	Name	Main concurrent positions	Independent executive	Expertise and background						Appointment as members of advisory bodies to the Board of Directors		
				Corporate management/Management strategy	Engineering	Global management	Finance and accounting	Legal	Academic	Nomination Committee	Remuneration Committee	Special Committee
Directors	Masao Yoshida	Senior Advisor of Furukawa Electric Co., Ltd.										
	Masami Yamamoto	Chairman and Director of Fujitsu Limited										
	Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd.										
Audit & Supervisory Board Members	Shigeo Ohyagi	Senior Advisor of Teijin Limited										
	Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm										
	Tsuyoshi Numagami	Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY										

* Chair