

Message from the CEO

The JFE Group aims to fulfill its mission of being essential to society's sustainable development and creating safe, comfortable lives for people everywhere.

Yoshihisa Kitano

Representative Director,
President and CEO



Message from the CEO

Think, Speak, and Act on Your Own

I became president of JFE Holdings in 2024 and last year's JFE Group Report introduced two mottos I cherish: "Think, Speak, and Act on Your Own," and "Set Ambitious Goals." These phrases have been handed down by our forerunners. In the currently challenging business environment, I continue to take these words to heart.

From 2024 to 2025, the Company's business environment grew even more challenging. Japan has been battered by the effects of economic stagnation, diminished global competitiveness across various industries, and lower domestic demand attributable to population decline. Overseas, international market conditions have plummeted due to significant increases in steel exports caused by stagnant domestic demand in China, protectionist trade policies exemplified by U.S. tariffs, and

threats to free trade from the emergence of nationalist movements. These and other such developments exemplify the unprecedented difficulties in Japan and abroad facing the business environment surrounding the JFE Group.

In addition, there is the existential problem of climate change. Each time we witness natural disasters caused by extreme weather events, we can feel the wave of global warming bearing down. Aiming to reduce greenhouse gases (GHG) and achieve carbon neutrality is a formidable challenge that we must surmount to ensure humanity can continue living comfortably on this planet. In particular, it is indisputable that for the steel industry, which emits CO₂ equivalent to 40% of Japan's industries, action on carbon neutrality is an issue of paramount priority.

As the leader of JFE, which is facing an environment beset by these challenges, I must successfully communicate, both internally and externally, our approach to how the Company will grow and the direction the JFE Group should head.

To ensure the Company can grow, even amid unprecedented challenges in the business environment, I think we must build an organization that can transform itself. During rapid economic growth, a company could grow by aggressively working to achieve the same target (increased production), allowing earnings to rise naturally. We cannot count on that kind of an era. Top management must break free from those kinds of previous successes. To build an organization that can transform itself, each employee must be ever mindful of why the Company exists, remain unsatisfied with the status quo, set ambitious goals, think for themselves about what they will do in their role, and take action aimed at transformation while communicating with those around them. Top management must first make the case for this mindset, and officers need to serve as role models. In addition, I believe diversity or, more broadly, DEI is an important approach to carrying out these actions. By embracing diverse, outside-the-box approaches and creating safe,

welcoming spaces to hold discussions, we gained our first insight on transformation and this provides a foothold for the next stage of growth. I feel that our forerunners' phrases—"Think, Speak, and Act on Your Own" and "Set Ambitious Goals"—have grown more important amid this highly challenging business environment.

I want to make JFE a company where employees think about their own businesses, organizations, and individual purposes; envision what they want to be over the long term; set ambitious goals; and strive to achieve them. This sets the stage for how we formulated our Purpose and our long-term vision "JFE Vision 2035."

Formulating a purpose for each operating company

In our discussions, some people expressed the opinion that we should begin by clearly defining the purpose for JFE Holdings. Then we realized that each operating company supporting the Group also has its own distinct purpose and that, by incorporating the thoughts of their employees, we could formulate a purpose for each of the operating companies.

JFE Steel's purpose is "Dream for your Future, Steel takes you Further." Yet, the future you will dream of is not obvious. Moreover, the future you dream of may change over the decades. Nevertheless, this purpose represents a commitment to using steelmaking to respond to the futures various stakeholders dream of, such as carbon-neutrality and a society of abundance, as well as customer expectations and employee prospects.

JFE Engineering's purpose is "Create, Care, Connect. The Foundations of Life – Just For the Earth." The word "connect" includes a concept of the future, and the phrase "just for the



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Earth” is imbued with the commitment to realize a sustainable society for the Earth and humanity. The purpose includes the unshakeable determination to aspire to a safe and secure society, robustly support people’s lives, and pass down the Earth to the next generation.

The purpose of JFE Shoji, which bridges people, goods, and functions to create solutions and new functions, is “Steel and More: Bridging Global Progress.” The word “bridging” incorporates the company’s intention to expand the network it has built up worldwide. This expresses a “bridging” function that is unique to general trading companies and includes “Steel and More” because steel is the core business. However, JFE Shoji handles a wide variety of products, so each employee can substitute the word “steel” with whatever product they handle.

I am confident that the purposes of each of the three operating companies accurately represent their true nature.

Aiming to remain essential to society

Striving to transition to a circular economy

Over the 20th century, the global population increased four times from 1.5 billion to 6.0 billion. In 2023, it rose to 8.0 billion

and some predict it will eventually hit 10.0 billion. Due to this increase, humanity is being pressured by various issues, including those related to resources, food, the environment, and inequality. To maintain comfortable lives, the three Rs are becoming increasingly important, namely: Reduce to minimize use of the Earth’s limited resources, Reuse to extend product lives, and Recycle to effectively use materials in a different form. Awareness of these issues has also raised societal awareness of the need to transition to a circular economy.

The JFE Group has long implemented various initiatives aimed at transitioning to a circular economy, which is considered a strength of the Company. Going forward, the three Group companies will continue collaborating to provide their products and technologies to society.

For example, the steel business has a product lineup connected to the Reduce principle, including high-performance electrical sheets, automotive high-tensile sheets, highly corrosion-resistant sheets, and fatigue-resistant sheets. This can reduce the use of new resources by extending the lifecycle of end products and saving energy through high efficiency. In the steelmaking process, we promote a switch to electric arc furnaces and greater use of steel scrap through conventional blast furnace methods. In addition, by developing technologies that can produce high-quality steel with innovative electric arc furnaces, which will

be newly built in Kurashiki, we will broaden the scope of applications for steel scrap and expand the Reuse principle through the transformation of scrap into new products. Expanding the usage of steel scrap helps reduce GHGs by reducing the use of coal. In the engineering business, we promote the Reuse and Recycle principles through businesses that include bottle-to-bottle recycling, plastic recycling, food recycling, and waste-to-energy power generation. The trading business is building a supply chain that will enable these initiatives to spread out across society.

These actions for transitioning to a circular economy form a major framework in the aforementioned JFE Vision 2035 and the Eighth Medium-term Business Plan, which I will go over next. They are crucial when considering the JFE Group’s purpose, and I am confident we can continue growing and remain an essential presence by expanding as a business while maintaining financial soundness.

Aims of the long-term JFE Vision 2035

Striving for carbon neutrality in 2050

To date, the JFE Group has unveiled medium-term business plans every three years. This time, however, we also set the JFE Vision 2035 as a long-term target for the next 10 years. The

JFE Steel

JFE Engineering

JFE Shoji

Purpose

**Dream for your Future,
Steel takes you Further.**

**Create, Care, Connect
The Foundations of Life
Just For the Earth**

**Steel and More:
Bridging Global Progress**

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impetus behind this was the Company's aim of achieving carbon neutrality by 2050, meaning 2035 would mark a turning point for completing development of carbon neutral technology and then advancing a large-scale process transformation to adopt those technologies.

We recognize that stakeholders may have two major concerns: 1) whether the steel industry can achieve carbon neutrality in terms of technology and funding, and 2) can JFE actually grow sustainably as competition intensifies across the board. Some employees may feel the same uncertainty. In JFE Vision 2035, we laid out the two goals of becoming the leader in carbon neutral technology development and expanding consolidated business profit (segment profit: ¥700 billion). These goals declare that the Company is facing these concerns head-on and will stand resolute to address them.

We have calculated that in order to achieve carbon neutrality in 2050, we will need investment related to GHG reduction totaling ¥1 trillion by fiscal 2035 as well as an additional ¥4 trillion between fiscal 2036 and 2050. To achieve this, we will need to expand business profit and reinforce our financial standing. As a necessary benchmark for these investments, JFE Vision 2035 sets out a target of ¥700 billion for segment profit in fiscal 2035. This was the first time since its founding that the Group has set a profit target not based on a bottom-up approach.

Breaking down that segment profit target of ¥700 billion, we aim to achieve ¥500 billion in the steel business and then ¥100 billion each in the engineering business and the trading business.

It will be challenging to achieve this profit just by extending our existing methods. We need a major transformation, and investment in growth sectors will be indispensable. To succeed, we must approach this from the three perspectives of 1) selecting and concentrating growth businesses, 2) expanding profit in mature businesses, and 3) enhancing asset efficiency.

The first perspective of selecting and concentrating growth businesses is a strategy of proactively investing in domestic and overseas businesses that have competitive advantages. In the steel business, we position the domestic steelmaking business as the mother mill that serves to develop technology and cultivate human resources for the global rollout of high-value-added products, green steel, and carbon neutral processes. After thoroughly streamlining the business to adapt to the demand environment, we aim to continue investing capital to enhance resilience. Utilizing technological capabilities developed in Japan, we will expand business "from the inside" with top-tier partners in advantageous regions and sectors in the overseas business. We will select regions that offer superior business opportunities and then bring businesses into the Group through M&A and other means as we continue expanding our global supply chain. In the engineering business, we will provide advanced, safe, and secure infrastructure and services from the perspective of realizing a circular economy and reducing GHG emissions. To this end, we will promote an industry reorganization to build a solid earnings and technological foundation, establishing a foothold to becoming a top global player.

With the second perspective of expanding profit in mature businesses, we will think about how to expand the profit of businesses that already steadily generate a profit. We will continue enhancing our earnings power, not only through rationalization and cost-cutting measures within the JFE Group, but also through M&A and collaboration with industry peers.

However, any business that is continually in the red or faces harsh conditions in the near term will need to scale back production by shutting down facilities and undergo reorganization or integration with another company. We realize that in some cases we may need to withdraw from a business or divest it.

The third perspective is enhancing asset efficiency. We will identify assets that are not generating profit and then implement

Our Aspirations for FY2035: JFE Vision 2035

Become the leader in carbon neutrality (CN) technology development

- Complete development of ultra-innovative process conversion technology
- Provide strong technological capabilities and a diverse eco-product lineup to help conserve the global environment
- Become the main player in the high-quality green steel market

Expand consolidated business profit (Segment profit: ¥700 billion)

- Streamlined yet resilient domestic structure based on growth strategies
 - Create technologies and nurture talent that drive our competitive advantage
 - Deepen our shift from quantity to quality, and reorganize and integrate each business
- Growth through the expansion of business in overseas growth regions "from the inside"
 - Collaborate with top-tier partners and pursue M&A

improvement measures. We are engaged in a land utilization business in the Keihin district, which generates profit by utilizing land and buildings left idle after suspending upstream processes, and in a solution business, which earns profit using technologies, capabilities, and know-how we already possess.

We will promote efforts from these perspectives with the aim of steadily achieving our segment profit target of ¥700 billion.

Message from the CEO

The Eighth Medium-term Business Plan Backcasting from JFE Vision 2035

In line with JFE Vision 2035, we formulated the Eighth Medium-term Business Plan as a growth strategy aimed at achieving the vision. In fiscal 2027, the final year of the plan, we set a target for segment profit of ¥365 billion as a waypoint to ¥700 billion in fiscal 2035. This will be a relatively high watermark compared to the fiscal 2024 result of ¥215.5 billion (including elimination and adjustment, but excluding steel inventory valuation differences). Still, we project that we will be able to achieve this by launching projects already approved for growth investment, rebuilding our domestic structure, and expanding profit in the overseas business. Looking at the entire Group, the domestic business will earn robust profit, but profit expansion in growing overseas markets will still account for a third of our profit target. To achieve the ¥700 billion profit target in fiscal 2035, setting a high target for overseas business expansion will be crucial starting with the Eighth Medium-term Business Plan.

The two axes of the Eighth Medium-term Business Plan are rebuilding a streamlined yet resilient structure in Japan and business expansion that includes aggressive investment in overseas growth fields and regions.

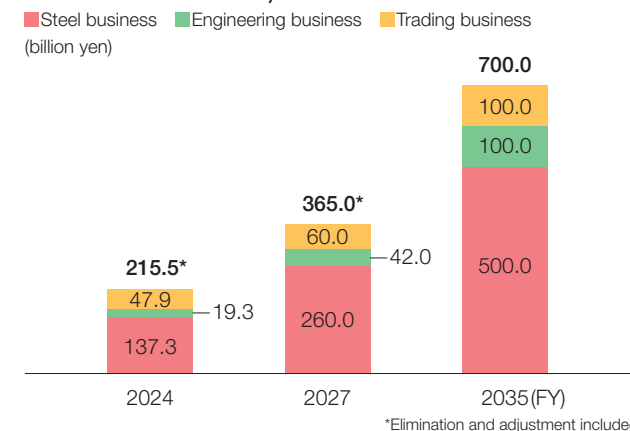
Regarding the steel business, we set out to build crude steel output of 30 million tonnes by the end of the Sixth Medium-term Business Plan (fiscal 2020) and have focused on expanding the production capacity of our steelworks in Japan. When formulating the Seventh Medium-term Business Plan, we perceived an obvious change in trends, such as intensifying price competition in commodity products. We thus abandoned our focus on building a 30-million-tonne structure, making a hard turn toward establishing an optimal domestic production structure. Basically, we began to shift focus from quantity to quality and,

through structural reforms of the East Japan Works, created a structure that can turn a profit by producing just 26 million tonnes of crude steel. However, in fiscal 2024 (the final year of the plan), crude steel output decreased to 21.95 million tonnes as demand fell more than anticipated, and we missed our profit target for the year by a wide margin.

Under the Eighth Medium-term Business Plan, we assumed the continuation of a challenging environment, especially in Japan amid forecasts of shrinking demand due in part to long-term population decline. By the end of the final year of the Eighth Plan (fiscal 2027), we aim to achieve a structure that can turn a profit with just 21 million tonnes, 20% less than the current 26 million tonnes. Specifically, we will suspend operation of one blast furnace at the West Japan Works during the period of the current plan. Then, in the first quarter of fiscal 2028 (when the next medium-term business plan begins), we will suspend operation of another blast furnace to switch over to an innovative electric arc furnace. This transition will advance JFE to an optimal structure comprising five blast furnaces and one innovative electric arc furnace. Although it was a tough decision to suspend manufacturing equipment, because the steel industry is a machinery business, it is crucial to adjust production scale to the demand environment. We must continue our transformation into a streamlined yet resilient structure.

To enhance the resilience of our domestic manufacturing bases, we will need to increase the sales ratio of high-value-added products, for which we achieved remarkable results under the Seventh Medium-term Business Plan. We have developed such high-value-added products as the aforementioned high performance electrical steel sheets as well as large and heavy steel plates for offshore wind power generation. We have also conducted capital investment to expand sales of these products. The effects of this investment will soon emerge under the Eighth Medium-term Business Plan. In addition, in the

Segment profit (excluding inventory valuation differences, etc. in the steel business)



automotive sector, there has been a popular trend to replace general steel sheets with high-tensile sheets to achieve lighter weights, and we have worked hard to develop products that have excellent processability while further enhancing their strength. To achieve solid results in the Eighth Medium-term Business Plan, we will identify fields where demand is growing and link these to the development of our supply structure.

Even overseas, which is our growth engine, we will continue expanding profit going forward by promoting growth investment in regions where demand is expected to grow. In India, we have built a relationship with JSW Steel over more than a decade and, under the Seventh Medium-term Business Plan, decided to jointly operate an integrated production and sales business for grain-oriented electrical steel sheets. Electric infrastructure is expected to expand in India going forward, and we will aggressively capture demand for electrical steel sheets used in transformers as part of our “from the inside” business model. In addition, in North America, we are partnering with Nucor to expand our businesses for automotive steel sheets and

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construction materials, which are experiencing solid growth. We have built robust partnerships with these companies, both of which are top players in their respective regions. We are successfully combining the strengths of the partners with the Company's technologies and funding. With each company, we will study various ways to steadily capture growing demand as part of our "from the inside" business model in regions where growth is expected.

Similar to the steel business, during the Seventh Medium-term Business Plan, the engineering business sowed various seeds for growth by investing in strategic projects. Only JFE Engineering is able to mass produce foundational structures (monopiles) for offshore wind power generation in Japan. The Kasaoka Monopile Factory, which came on line in April 2024, is also able to handle ultra-large wind turbines. We expect it to turn a profit under the Eighth Medium-term Business Plan, when a domestic round of project orders begins. In addition, JFE Engineering has strengths in waste-to-energy power plants and the recycling business, overseeing everything from design,

procurement, and construction to management and after-sale services. With waste-to-energy power plants, JFE Engineering aims to expand business overseas, especially in Asia, modeled on our track record in Japan. In addition, as a new outgrowth of the food recycling business, we began expanding the business to six sites across Japan with major dining establishments. Under this business model, food waste from restaurants is collected, fermented, and converted into methane gas, which is then used to generate power that is supplied to stores. After fermentation, the remaining residue can be used as fertilizer. Needs for these businesses are expected to rise in line with the transition to a circular economy.

In the trading business, we do not foresee a large expansion in demand in Japan, so it will be crucial to restructure the current logistics sector to be more resilient. We believe the main axis for growth is overseas expansion. In growing regions and sectors, we will continue rolling out our strategy of investing in businesses on a global basis, including through M&A. During the Seventh Medium-term Business Plan, we acquired two

companies that process steel sheet construction material: CEMCO (based in the U.S.) and STUDCO (based in the U.S. and Australia). Elsewhere, we founded a company in Serbia for processing and selling electrical steel sheets. Under the Eighth Medium-term Business Plan, we will continue proactively expanding new business with a focus on the key markets of North America, Australia, India, and Europe.

With the Keihin land utilization project, which began under the Seventh Medium-term Business Plan, we will promote land development on a scale never seen before in the Tokyo metropolitan area with the aim of increasing its public use and benefit in line with the already announced OHGISHIMA 2050 plan. Under the Eighth Medium-term Business Plan, we will begin upgrading terminals to receive hydrogen deliveries. Over the near term, the JFE Group will consider not just leasing land but also supplying green power from hydrogen-fueled home power generators and starting a data center business using that power. We will also promote a recycling business, including waste plastics, and promote land use for achieving carbon neutrality and a circular economy.

As for the digital transformation (DX) promoted as a major Groupwide measure, we consider the source of our competitive advantages to be our long accumulated operational data and know-how, as well as technologies born from our wide range of business areas. Continuing from the previous medium-term business plan, we will promote a DX-driven business transformation as well as production and operational process innovation. In addition, we will supply the entire manufacturing industry with world-class manufacturing and process technologies cultivated in the steel business as a solutions business. In the engineering business, we expect new changes for growth going forward, such as using AI to provide solutions to the O&M business, which utilizes our know-how to support its operations.



Message from the CEO

Mission of the JFE Group

Becoming a leader in carbon neutral technological development

Europe has led low-carbon and decarbonization efforts, but in recent years experienced a series of setbacks as major decarbonization projects were suspended or cancelled due, in part, to uncertainty in policies and soaring energy costs. This has underlined the difficulty, including financial considerations, of realizing a carbon neutral society. Despite this environment, I do not think the overarching trend toward carbon neutrality has changed.

The Japanese government has not changed its position on ensuring the country's industries remain competitive and, in 2025, crafted the GX 2040 Vision to achieve carbon neutrality by 2050. It appears a paradigm shift will occur in the near future, with all products, not just steel, becoming greener. We believe that the Company's continued position as a leader in the development of ultra-innovative technologies and the resulting enhancement of JFE's global presence may help trigger a resurgence in the international competitiveness of Japan's industries, which is currently in decline. Our mission is to work steadfastly to achieve this outcome. Ensuring both environmental and economic viability will be a prerequisite to promoting carbon neutrality, and we have prepared the necessary human resources, technologies, and research facilities. We are confident that these will serve as the basis of growth for the JFE Group.

The JFE Group views this paradigm shift as a chance to take the lead. We will zealously accelerate the development of ultra-innovative technologies for carbon neutrality that ensure both environmental and economic viability as we spearhead the adoption of the developed technologies, connecting them to the production of high-quality steel, which is our strength. We

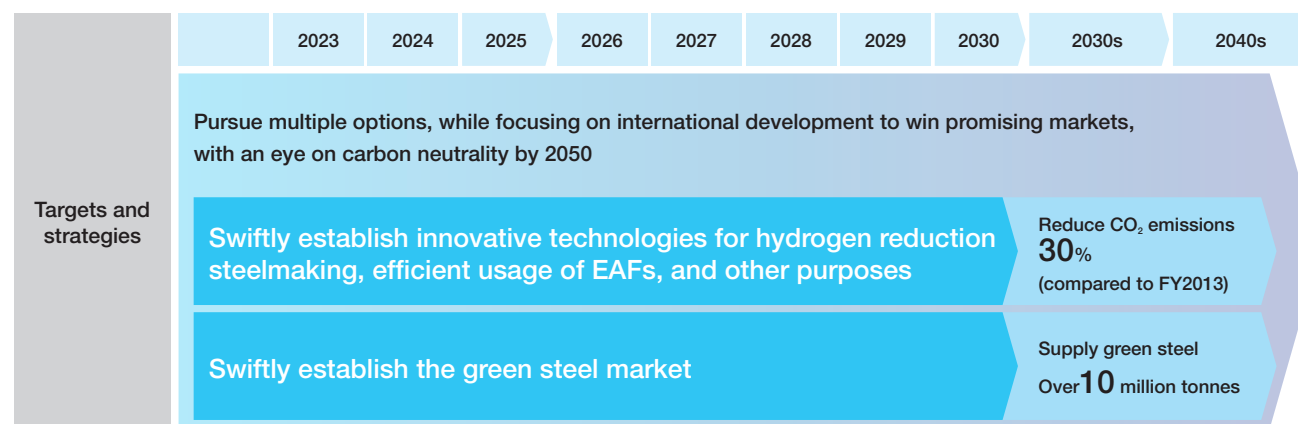
are stepping on the gas internally to finish developing ultra-innovative technologies by fiscal 2035. Though the hurdles are extremely high, we will overcome them somehow.

During this paradigm shift, it will be pivotal to raise public recognition of the environmental value of green steel. Although green steel has already been adopted in some applications, Japanese society as a whole has not yet begun to fully appreciate its environmental value. The steel industry has taken the initiative to spur government action, and in the previous fiscal year Japan's Ministry of Economy, Trade and Industry established the Green Steel Research Team to Promote GX, which unveiled specific support measures that will be needed going forward.

International standardization is further advancing this effort. With overseas demand for green steel expanding, it is important to make its environmental value an international standard, and

this is an area where Japan should take the lead. The Japan Iron and Steel Federation has already created guidelines for green steel. Based on them, the World Steel Association announced the worldsteel guidelines for GHG chain of custody approaches in the steel industry in 2024. Next, we are promoting revisions of the GHG Protocol and ISO initiatives. Even with these efforts, it will be important for Japan's steel industry to take the lead.

Targets and strategies to achieve carbon neutrality in Japan's steel industry



Source: Reference material regarding the Basic Policy for the Realization of GX (Japan's Ministry of the Economy, Trade and Industry, February 2023)
Created by processing the information on this webpage: https://www.meti.go.jp/english/press/2023/0210_003.html

Message from the CEO

Initiatives for human resources that support the realization of the long-term vision

Human resources are the driving force of corporate growth

Without the strength of the employees, it would be impossible to achieve either the Eighth Medium-term Business Plan or JFE Vision 2035. To me, it is greatly reassuring that the JFE Group employees are sincere and fully committed to their work.

We are now in the midst of an unprecedented transformation that will see us through the coming era of carbon neutrality. Amidst this, the Company's corporate values remain constant: "Challenging Spirit. Flexibility. Sincerity." Today, however, I believe "Challenging Spirit" has become especially important as we tackle all manner of challenges. At the top of this message, I mentioned that DEI will prove even more pivotal going forward. We face various issues we have never experienced before: issues that do not have easy answers. These issues are proliferating before our eyes. Broader society and the environment surrounding the JFE Group have changed significantly, including the need for carbon neutrality and successful transition to a circular economy. In this environment, the synergistic blending of employees bringing a wide array of perspectives, owing to their diverse backgrounds, has given us the power to move forward. I believe the JFE Group is prepared to blaze a trail toward its vision.

To this end, my critical mission is to ensure the Company offers an attractive workplace where employees can tap their full potential and thrive. I will continue to help create a rewarding workplace through aggressive investments to assure safety and health while supporting the growth of every employee.

To our stakeholders

Aiming to enhance corporate value

The Company considers share price a key management indicator, and I must regrettably admit that our valuation on the stock market is low. We must raise it. Currently, the Company's price-to-book (P/B) multiple has dropped well below 1.0 times, and we see this as a major issue.

To enhance stakeholders' valuation of the Company, even amid this challenging business environment, we will steadily address the issues set out in the aforementioned JFE Vision 2035 and the Eighth Medium-term Business Plan. We think this will enhance corporate value by stably realizing a return on equity (ROE) exceeding the cost of equity and increasing the trust placed in us by the markets.

Going forward, all of the employees of the JFE Group will continue working as one to address a wide range of issues while striving to enhance governance and ensure compliance so that the Group can remain essential to society's sustainable development as we work to create safe, comfortable lives for people everywhere.

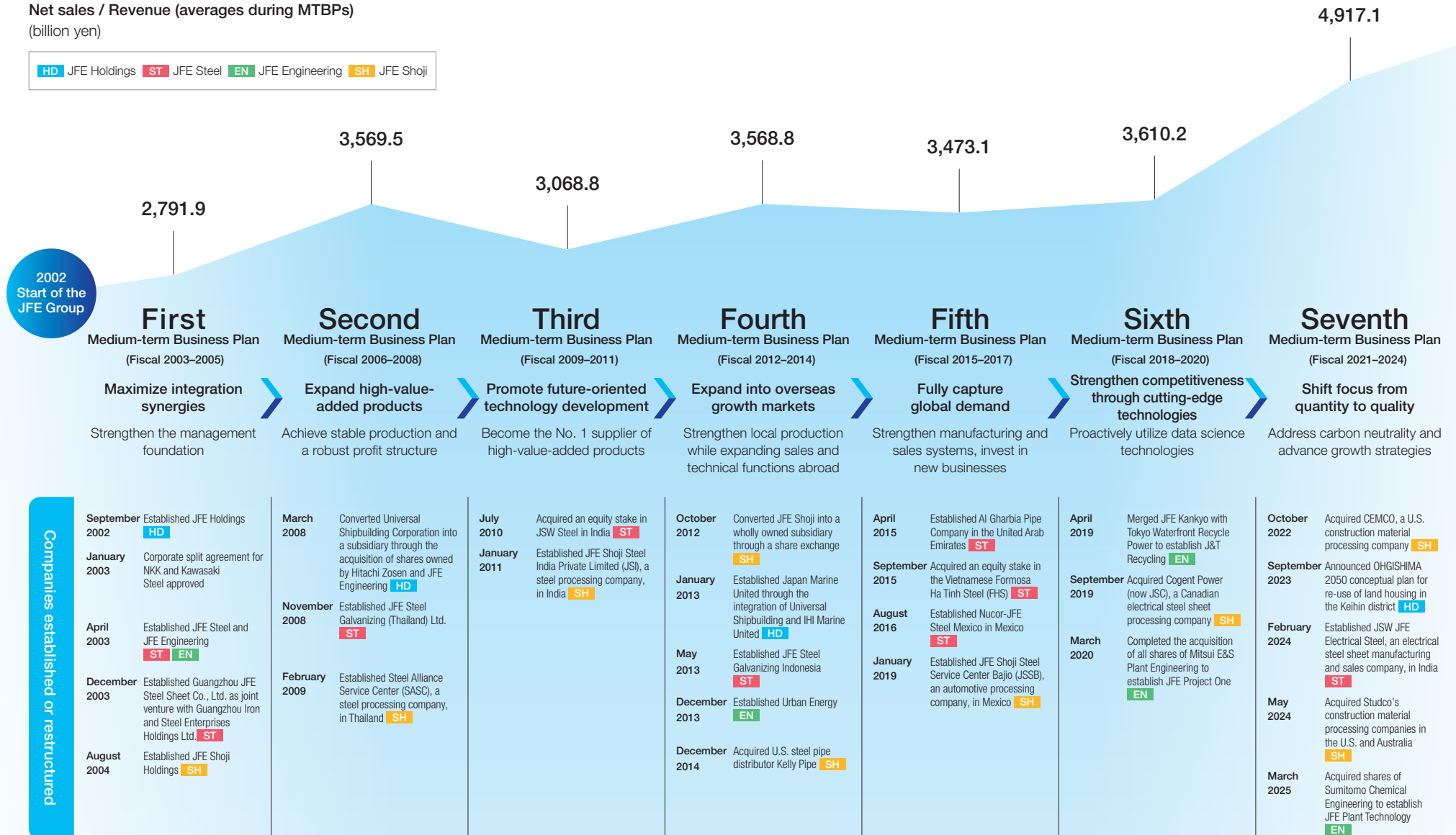
To our stakeholders, I hope that this report will further your understanding of the path I laid out here—the path we are determined to forge—and get you excited about what the JFE Group has to offer for the future.



Review of Previous Medium-term Business Plans

Net sales / Revenue (averages during MTBPs)
(billion yen)

HD JFE Holdings ST JFE Steel EN JFE Engineering SH JFE Shoji



Companies established or restructured

Review of Previous Medium-term Business Plans

Production facilities and DX

April 2004 Began operation of a new integrated system (phase 1 of administrative systems) ST June 2004 Suspended operation of the No. 5 blast furnace in the Chiba district ST	March 2006 Began operation of the new integrated system J-Smile ST	February 2010 Began operation of the optimal production and sales planning system J-Flessa ST September 2011 Commenced operation of an incinerator for earthquake-related waste for Sendai City EN	December 2014 Began operation of the No. 3 converter furnace at the No. 3 steel mill in the Fukuyama district ST	December 2017 Began operation of a recycled pallet manufacturing plant in western Japan EN March 2018 Established the Global Remote Center (GRC), an integrated remote monitoring center for plants EN November 2018 Began full-scale operation of the food recycling plant at J Bio Food Recycle EN	September 2018 Introduced J-mAlster, a fault recovery support system utilizing IBM Japan's IBM Watson, to all production lines ST November 2019 Introduced data science technologies known as blast furnace cyber-physical systems (CPS) to all blast furnaces ST November 2019 Initiated J-dscom, a Company-wide system for detecting signs of equipment anomalies ST June 2020 Launched the JFE Digital Transformation Center for in-house DX initiatives ST July 2020 Began offering BRA-ING, a system for fully automated operation of waste incinerators EN	April 2021 Launched RODAS, a DX service package for boiler power plants EN September 2023 Shut down the Keihin district's upstream processes and hot rolling equipment ST April 2024 Began operation of the Kasaoka Monopile Factory EN July 2024 Completed phase I of the capacity expansion of the Kurashiki district's electrical steel sheet production facilities ST March 2025 Transitioned the Kurashiki district's core systems to open systems ST
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ESG (governance structure, climate change, key policies)

June 2004 Launched JFE College, a training curriculum for young employees ST	June 2007 Added two Outside Directors HD June 2007 Shortened the term of Directors from two years to one year HD	2011 Began donating desks, chairs, and canned goods to the Ministries of Education in Ghana and Nigeria SH	September 2012 Opened an in-house childcare center in the JR Tsurumi Station building EN	2015 Began to evaluate the effectiveness of the Board of Directors HD October 2015 Established JFE Holdings, Inc. Basic Policy on Corporate Governance HD October 2015 Established the Nomination Committee and Remuneration Committee HD June 2017 Added the presidents of JFE Engineering and JFE Shoji to the Board of Directors HD June 2017 Added one Outside Director and one Outside Audit & Supervisory Board Member HD	April 2018 Established the JFE Group Basic Policy on Human Rights HD May 2019 Endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) HD June 2020 Appointed the first woman as an Outside Director of the Company HD July 2020 Selected for the first time as a constituent of the ESG-focused FTSE4Good Index Series and FTSE Blossom Japan Index HD September 2020 Announced the JFE Group's CO₂ reduction targets HD	May 2021 Established the JFE Group Environmental Vision for 2050 HD June 2022 Fully launched a Green Innovation Fund Project to use hydrogen in the steelmaking process ST June 2022 Approved construction of facilities to conduct a pilot test of CO₂-utilization technologies ST December 2022 Delegated authority to executives through revision of criteria for matters requiring deliberation by the Board of Directors HD March 2023 Joined the Nyuzen Offshore Wind Farm Project EN February 2023 Achieved net zero CO₂ emissions in steel processing at the JFE Shoji Coil Center's Shizuoka Factory SH May 2023 Commenced supply of JGreeX™ green steel ST April 2024 Introduced climate-change-related indicators in executive remuneration HD
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Elementary school students in Ghana



In-house childcare center

Message from the CFO

We aim to enhance corporate value through growth investment, action on carbon neutrality, and financial discipline.



Masashi Terahata
Executive Vice President and CFO
JFE Holdings, Inc.

Review of the Seventh Medium-term Business Plan

Earnings Conditions

In the steel business, during the Seventh Medium-term Business Plan, we worked hard to shift from quantity to quality by, for example, increasing the ratio of high-value-added products to nearly 50% and completing structural reforms through the suspension of upstream processes at the Keihin district. However, in fiscal 2024, the level of profit fell as domestic demand slumped due in part to rising material costs, a labor shortage, and quality and certification issues at auto makers. Additionally, crude steel output overseas declined more than expected amid increasingly severe market disruption from expanded exports of inexpensive Chinese materials. In addition, due to declining coking coal prices and ongoing yen depreciation, we ended far short of our target, recording a loss of around ¥100 billion, including inventory valuation differences.

In the engineering business, although orders received expanded steadily, we were unable to exceed our target over the four-year period. The main factors were our inability to achieve higher profit margins, mainly in the overseas business, and a delay in an offshore wind farm project.

The trading business steadily recorded profit, exceeding its target, due mainly to profit growth driven by overseas M&A activities.

Cash Allocation and Main Financial Indicators

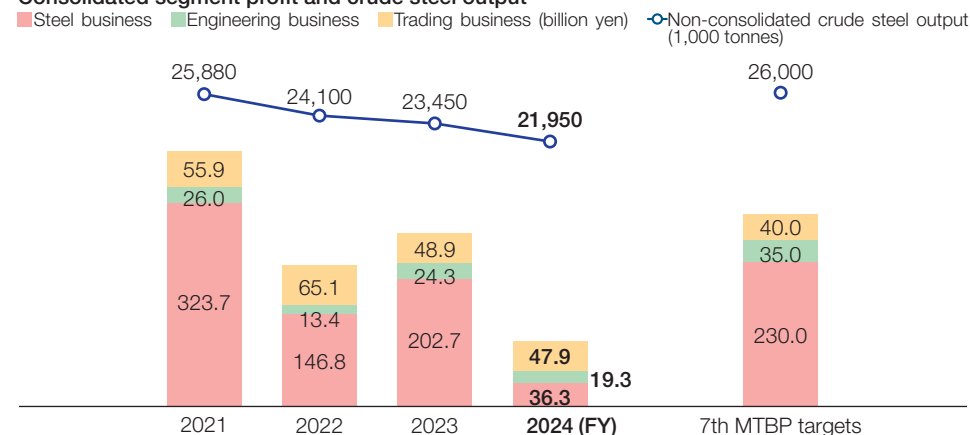
In the cumulative four-year period from fiscal 2021 to fiscal 2024, we were able to maintain solid financial discipline. Capital expenditures and other investments for that period totaled ¥1,369.6 billion, largely in line with initial plans. Combined with dividend payments, these expenditures remained below the sum of net profit plus depreciation and amortization.

We also recorded ¥215.8 billion from asset reduction, surpassing our target of ¥200 billion, mainly through the sale of land in the Keihin district. Moreover, in September 2023, we raised funds by issuing new shares and disposing of treasury shares, ensuring a robust financial base and flexibility needed for future GX promotion and investment in growth fields.

In addition to the effect of the capital increase, there was a modest decrease in interest-bearing debt at the end of fiscal 2020. The D/E ratio decreased to 54.3% by the end of fiscal 2024, well below the target of 70%.

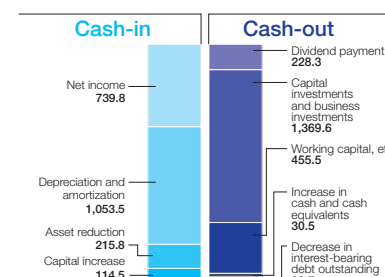
Because profit fell significantly in fiscal 2024, the Debt/EBITDA ratio increased to 4.5 times (the target was around 3 times), and we will need to work hard with a sense of urgency to rapidly recover profitability.

Consolidated segment profit and crude steel output



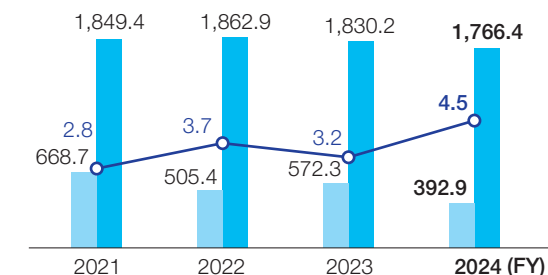
Total Consolidated Cash Flow from FY2021 to FY2024

(billion yen)



Debt/EBITDA ratio

EBITDA (billion yen)
Net interest-bearing debt balance (billion yen)
Debt/EBITDA ratio (times)



Message from the CFO

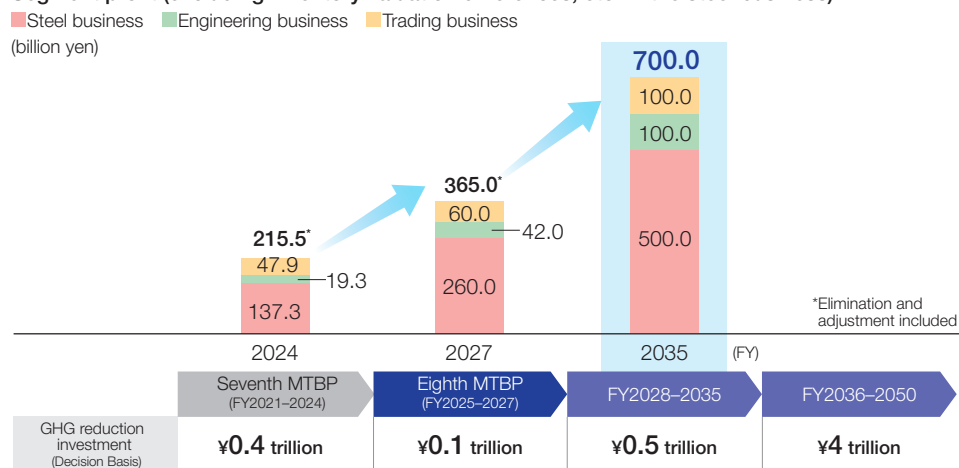
Profit Targets and Cash Allocation under the Eighth Medium-term Business Plan

Profit Targets

In the lead up to the Eighth Medium-term Business Plan, to unveil the Group's ambitions, we formulated the JFE Vision 2035, which forecasts the next decade. Taking action on carbon neutrality (CN) is unavoidable for the steel industry, and this may even present a huge business opportunity. We plan to complete the development of ultra-innovative process conversion technology currently under way by the end of fiscal 2035. After that, heading into 2050, we will continue working to promote the adoption of ultra-innovative processes, with investment scale estimated to total ¥4 trillion. To carry out growth investments and shareholder returns while maintaining financial soundness, we will need to attain earnings of around ¥700 billion.

However, the challenging environment currently facing the steel business is expected to persist. In response to the lower demand, during the Eighth Medium-term Business Plan, we will strive to raise earnings power, with the aim of achieving the fiscal 2035 profit target of ¥500 billion. We will rebuild an optimized production structure in Japan, which is well under way; increase the ratio of high-value-added products; and work to expand the overseas business "from the inside." We will secure financial resources in the engineering business through CN endeavors, exemplified by overseas waste to resource (WtR) projects and offshore wind power monopiles, and in the trading business by steadily achieving results through growth investments in key overseas regions and other efforts. We aim to solidify our spot as a CN leader.

Segment profit (excluding inventory valuation differences, etc. in the steel business)



Cash Allocation

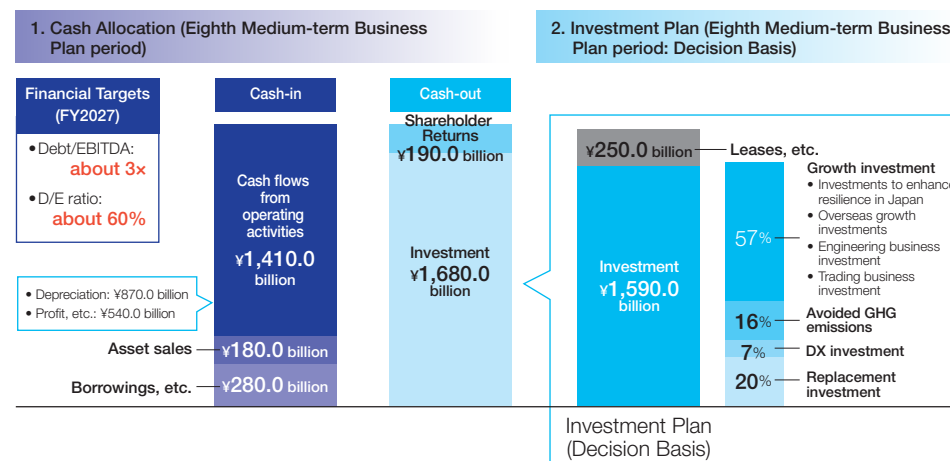
In the three years of the Eighth Medium-term Business Plan, we project investment expenditures will total ¥1,680 billion, exceeding cash flows from operating activities. This will mainly be dedicated to growth investments to enhance profitability with about half overseas and half in Japan. Overseas, these will primarily be strategic investments in expanding markets, and, in Japan, these will be related to rationalization and enhancing resilience, including investments in Group companies. We will continue investing in projects that help steadily expand profit.

As for funds, in addition to cash flows from operating activities, under the Seventh Medium-term Business Plan, we aim to generate ¥180 billion by reviewing businesses and assets with marginal profit contribution, though this may increase interest-bearing debt for a time.

Regarding interest-bearing debt, by the end of fiscal 2024, the D/E ratio improved to 50%. We realize that a temporary increase is acceptable for the sake of growth investments, but we aim to maintain the D/E ratio at about 60% by building up earnings. We originally targeted a ratio of about 70%, but in preparation for the coming widespread adoption of ultra-innovative processes, we need to ensure some leeway and now target about 60% under the current plan.

Furthermore, we will continue to carefully select investment projects to ensure we can still achieve our financial targets if cash flows from operating activities fall below forecasts.

Cash Allocation and Investment Plan

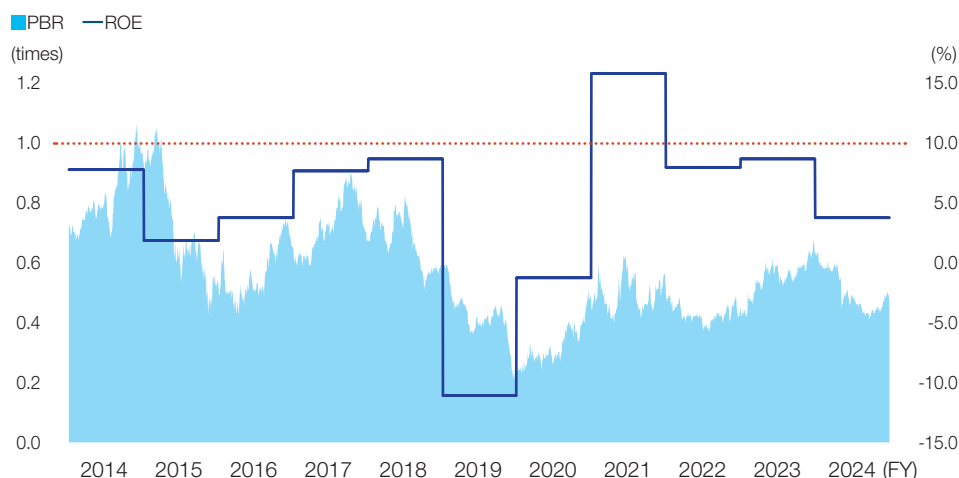


Message from the CFO

Practicing management that is conscious of the cost of equity and share price

The Company recognizes that it must demonstrate continual growth and medium- to long-term corporate value enhancement to all stakeholders, including investors. The price-to-book (P/B) ratio is one barometer measuring those. We can enhance the P/B ratio by improving return on equity (ROE), the price earnings (P/E) ratio, or both.

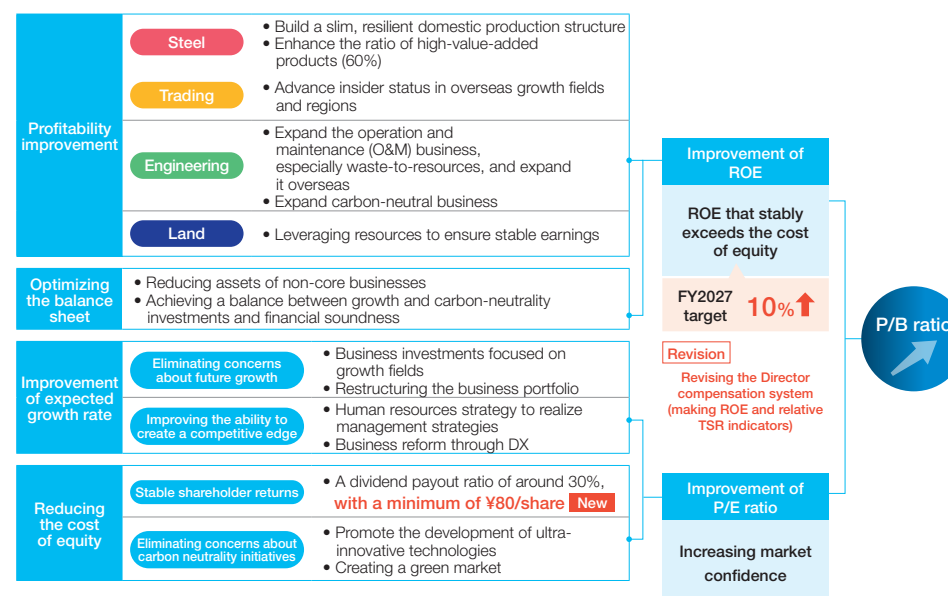
P/B ratio and ROE



For the P/E ratio, we need to lift up the share price to a level in line with net assets and profit. To do that, it will be important to lower the cost of equity and to foster growth expectations. The key will lie in not just stabilizing business results and shareholder returns but also alleviating worries about the future.

Specifically, we will diligently announce progress on our efforts, including rebuilding our domestic production structure to adapt to lower domestic growth, investing funds strategically in overseas growth markets, developing ultra-innovative technologies, and promoting green steel and eco-products to contribute to decarbonization.

Regarding ROE, the only time ROE exceeded our target of 10% over the past decade was in fiscal 2021. To achieve this again, we think it will be important to steadily execute the measures laid out in the current business plan, enhance profitability, and minimize invested capital by, for example, reducing assets in non-core businesses.



$$\text{PBR} \uparrow = \text{ROE} \uparrow \left[\frac{\text{Net income}}{\text{Equity}} \right] \times \text{PER} \uparrow \left[\frac{\text{Market capitalization}}{\text{Net income}} \right]$$

$$\text{PER} = \frac{1}{\text{Cost of equity (COE)} \downarrow - \text{Growth rate (g)} \uparrow}$$

$$\text{COE} = \text{Risk-free rate} + \beta \times \text{Market risk premium}$$

Message from the CFO

Initiatives to Enhance Shareholder Returns

Returning profit to shareholders has always been one of our highest management priorities. Our basic policy is to establish sustainable high profitability across the entire Group and proactively provide dividends while investing in growth and improving our financial standing.

Up to the Seventh Medium-term Business Plan, we targeted a dividend payout ratio (on a consolidated basis) of around 30%, but in consideration of heightened investor interest in dividends and through dialogues with shareholders and investors, we arrived at the conclusion that we need some kind of stable dividend measure.

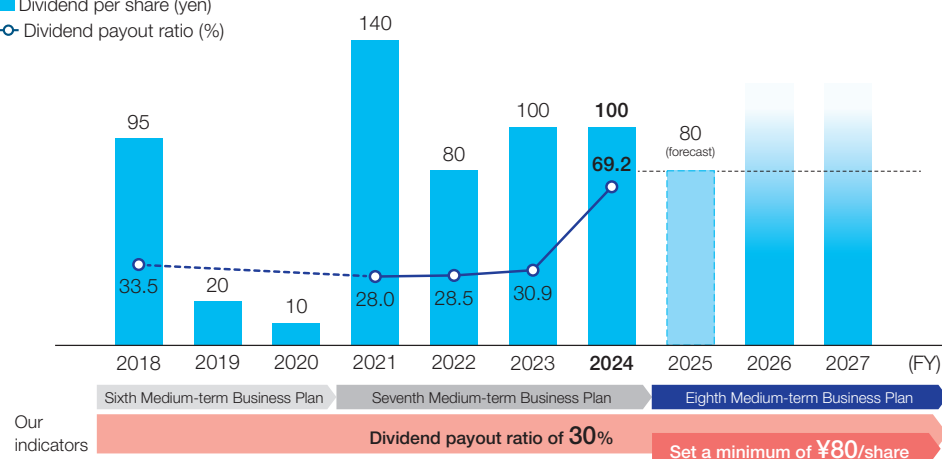
As a result, under the Eighth Medium-term Business Plan, we decided to set a minimum of ¥80 per share, based on our existing aim of achieving our profit targets and providing a high level of dividends in line with those achievements.

This enables us to ensure a certain level of dividend yield, and we hope our shareholders will continue to hold their shares over the long term.

Regarding the minimum level of dividends, we decided on this by comprehensively assessing the balance of maintaining financial soundness with investments needed for growth strategies and CN promotion. If the likelihood of profit outpacing targets increases, we will consider raising the minimum.

Shareholder Returns Policy

■ Dividend per share (yen)
○ Dividend payout ratio (%)



Dialogues with Shareholders and Investors

Through our IR activities, 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.

Dialogue opportunities	Facilitators	Number of times in FY2024
Financial results briefings	President, executive vice president (director overseeing the Investor Relations and Corporate Communications Department, same below), etc.	4 times
Strategy briefings for specific businesses	Executive officers responsible for the business	1 time
Small meetings with security analysts	President	2 times
Plant tours for security analysts	Investor Relations and Corporate Communications Department	1 time
Interviews with investors (mainly with fund managers and analysts at institutional investors)	President, executive vice president, etc.	Japan: 198 times (71 companies) Overseas: 195 times (94 companies)
Interviews with shareholders (mainly with ESG and voting rights officers at institutional investors)	Executive vice president, etc.	Japan: 41 times (24 companies) Overseas: 20 times (16 companies)
Business site and plant tours (mainly with individual shareholders)	President, executive vice president, etc.	14 times (around 750 people)

Dialogue content	Details
Main themes, matters of interest to shareholders and investors	- Business results, share price, and P/B ratio - Progress under the medium-term business plan, growth strategies, and cash allocation - Action on ESG issues, including carbon neutrality, the effectiveness of the Board of Directors, human capital, and human rights
Feedback for the Board of Directors	We strive to share information from the Investor Relations and Corporate Communications Department in a timely manner with relevant internal offices, including business companies, and submit reports to the Board of Directors at least once per year.
Results of feedback	Measures: - Formulated JFE Vision 2035 and the Eighth Medium-term Business Plan - Revised the Director compensation system by increasing the ratio of performance-linked remuneration, expanding non-financial indicators for bonuses, and revising stock remuneration calculation indicators that are conscious of the cost of equity and share price Enhancing disclosure - Held strategy briefings for a specific business (the theme for fiscal 2024 was electrical steel sheets) - Disclosed financial impacts based on climate change scenario analysis - Disclosed policy engagement aimed at realizing carbon neutrality

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Steel Business

Masayuki Hirose
President and CEO
JFE Steel Corporation



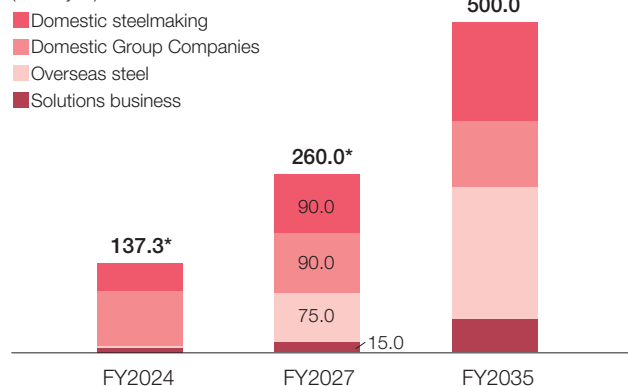
Profit targets

In consideration of our long-term vision for the next decade, we target segment profit in the steel business of ¥500 billion by fiscal 2035.

Under the Eighth Medium-term Business Plan, we will work to further strengthen the competitive advantages of the domestic steelmaking business, domestic Group companies, overseas steel business, and solutions business, as shown on the right. Through this effort, we aim to achieve segment profit of ¥260 billion in the steel business in fiscal 2027. In addition, we will steadily work to take action on carbon neutrality, which impacts our competitive advantages and sustainability.

Segment profit

(billion yen)



* After eliminations and adjustments, but excluding inventory valuation differences, etc. in the steel business.

Long-term vision

- Leading the steel industry as the top runner in carbon neutrality
- Building on a solid domestic business foundation and pursuing fresh growth through bold inroads into overseas markets, and new fields.

Profit
target

FY2035 segment profits

¥500.0 billion

Initiatives of the Eighth Medium-term Business Plan

▶ Domestic steelmaking

This business is the true core of the Group and gives rise to the technological capabilities and human resources that are the source of our competitive advantage. Under our lean, resilient, and optimized production structure, we will increase the ratio of green, high-quality, and high-value-added products and enhance our earnings capabilities. In addition, by expanding our investment in raw material interests, we aim to stabilize raw material procurement as well as profits.



Blast furnaces at the West Japan Works
(Fukuyama District)

▶ Overseas steel business

Leveraging the Company's technologies, products, and human resources, we will expand business "from the inside" with top-tier partners in overseas growth regions, including JSW Steel (India) and Nucor (North America).

▶ Solutions business

We will continue expanding business by providing the entire manufacturing industry, excluding the steel industry, with solutions that utilize the Company's world-class manufacturing and processing technologies with competitive advantages.

▶ Domestic Group Companies

The market environment is changing in many ways, such as a gradual decline in demand in Japan, especially in construction and civil engineering fields, as well as rising needs for eco-products and green steel, which help reduce environmental impacts. To flexibly and swiftly address these changes, we aim to strengthen our competitive advantage and reorganize our business, including collaborations between domestic Group companies and other companies. We will also develop growth fields and new businesses.

Shaped Steel

We have begun discussions to consider integrated operations that utilize the strengths of JFE Steel, JFE Bars & Shapes, Yamato Kogyo, and Yamato Steel. As a first step for this collaboration, we have begun an initiative to introduce Yamato Steel as the supplier of some of JFE Steel's H-shaped steel products.



H-shaped steel products

Construction Steel Sheet

We have begun to seriously consider a strategic alliance between JFE Steel, JFE Galvanizing & Coating, and Yodogawa Steel Works.

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Reorganizing our domestic production structure and businesses

We expect the current challenging conditions to continue, including declining demand in Japan and disruptions in the overseas market caused by expanding exports of inexpensive Chinese materials. We also foresee risks of the environment deteriorating due to accelerating protectionist trends as exemplified by the U.S. tariff policy. Even amid this kind of harsh environment, we will work to reorganize our production structure into a lean and resilient organization to enhance the earnings capabilities of our domestic steelmaking business. We also aim to strengthen our competitive advantage through reorganization that includes collaboration between Group companies and other companies mentioned on the previous page.

JFE Steel's crude steel production structure

This company will work to slim down its crude steel production capacity from 26 million tonnes with seven blast furnaces to around 21 million tonnes by fiscal 2027 by shutting down some blast furnaces.

In fiscal 2028, we will bring an innovative electric arc furnace (EAF) on line in the Kurashiki district, establishing a production structure with five blast furnaces and one innovative electric arc furnace.

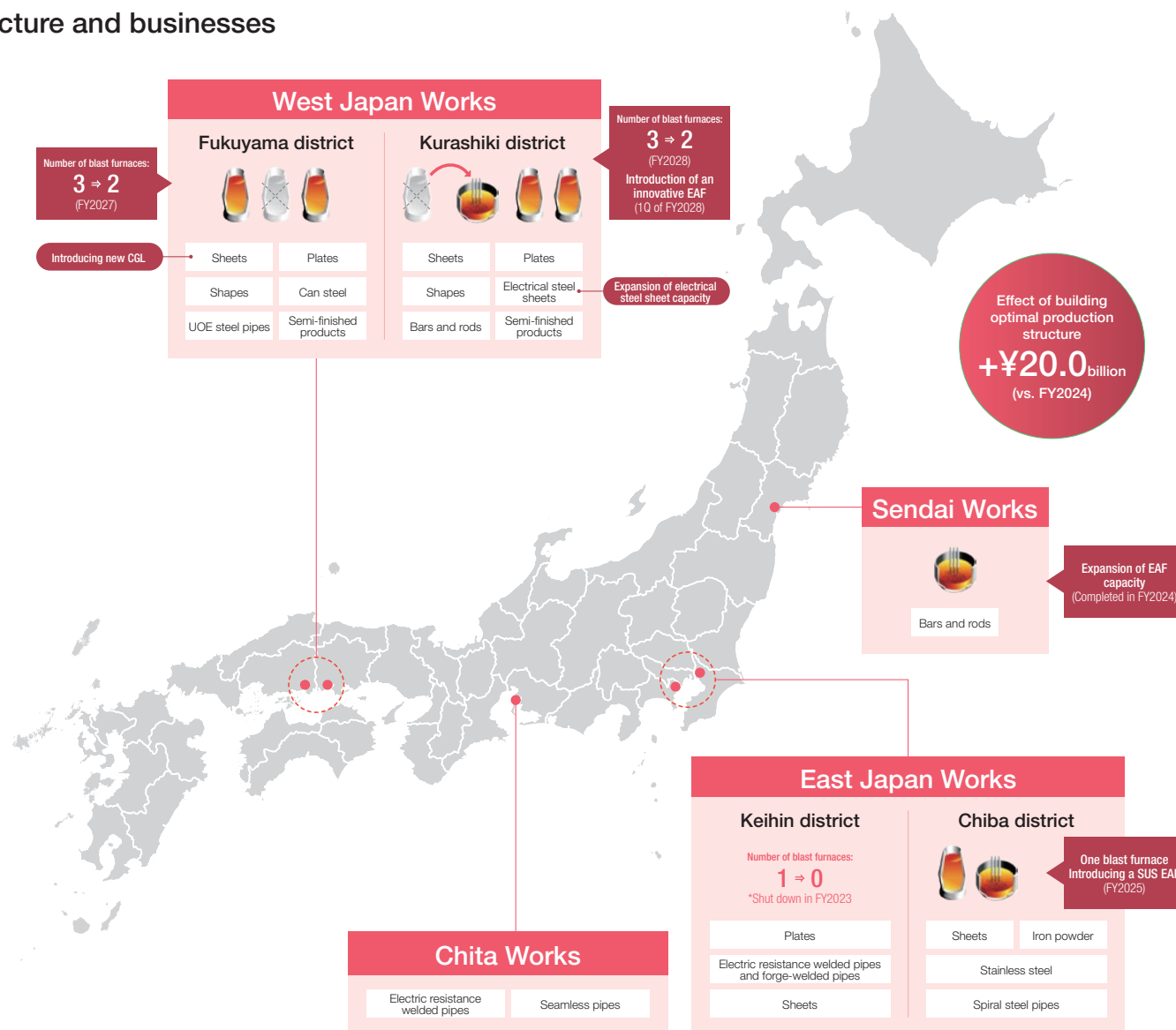
Our main equipment suspension plans are as follows.

Kurashiki district

- No.3 blast furnace (banking) As of July 2025, with plans to come on line by the time No.2 blast furnace is suspended
- No.2 blast furnace (complete shutdown) Planned for FY2028 due to the shift to an innovative EAF
- Coke oven 1B FY2025
- Coke oven 4AB FY2027

Fukuyama district

- No.4 blast furnace (complete shutdown) FY2027
- Coke oven 4ABC FY2026 (after No.6 furnace comes on line)
- Bloom continuous casting machine FY2027
- No.4 slab continuous casting machine 9th MTBP period

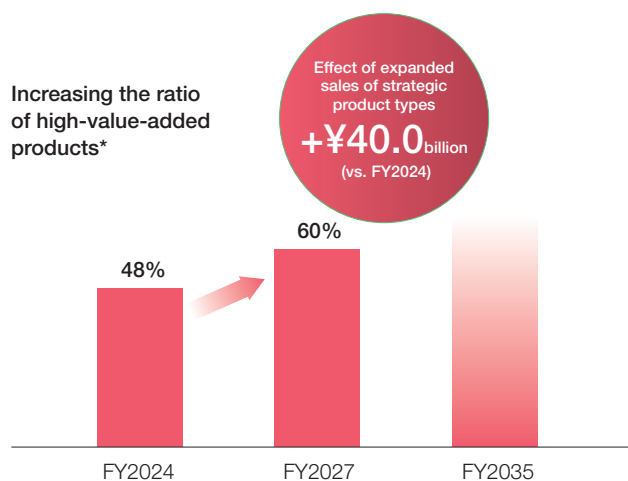


Eighth Medium-term Business Plan (Fiscal 2025–2027)

Strategy for High-Value-Added Products

Regarding the shift from quantity to quality outlined in the Seventh Medium-term Business Plan, the Company maintains a strong technological advantage, and the sales ratio of highly profitable high-value-added products was 48% in fiscal 2024. Under the Eighth Medium-term Business Plan, we plan to reorganize our domestic production structure, reduce sales of exported commodity products, and expand sales of high-value-added products. We aim to raise the sales ratio of high-value-added products to 60% and enhance profit per tonne of product by further expanding sales of such high-value-added products as plates and seamless pipes for new energy, plates for offshore wind power generation, high-strength steel for automobiles, and highly functional electrical steel sheets utilizing the Company's technological capabilities. We expect expanded sales of these high-value-added products will benefit revenue by ¥40 billion annually.

To expand sales of high-value-added and other products, we will continue to establish new domestic manufacturing facilities, for which investment has already been decided by fiscal 2024.



* High value-added products: Products that have a technological edge, are recognized by customers as having added value, and are more profitable than commodity products (as defined by the Company)

Large-scale growth investments in Japan

June 2021: ¥53.0 billion

Construction of a new continuous caster at Kurashiki
→ **Manufacturing of large and heavy steel plates made possible**

We will establish a manufacturing and supply structure for large and heavy steel plates used in monopiles for huge wind turbines and expand deliveries for overseas offshore wind farms.

September 2024: ¥49.0 billion

Phase I of the high-grade non-oriented (NO) electrical steel sheet manufacturing capacity expansion at Kurashiki
(twice the previous capacity)

FY2026 Planned: ¥46.0 billion

Phase II of the high-grade non-oriented (NO) electrical steel sheet manufacturing capacity expansion at Kurashiki
(three times the previous capacity)

At the West Japan Works (Kurashiki district), we expect to complete phase II of the manufacturing capacity expansion for EV motors in fiscal 2026, achieving three times the previous capacity when combined with phase I and further expanding sales.

1Q of FY2028 Planned: ¥329.4 billion

Construction of an innovative EAF at Kurashiki

We aim to realize a supply structure for high-quality, high-function steel materials, which existing EAFs had been unable to manufacture, and aim to achieve the top share of the green steel market in Japan.

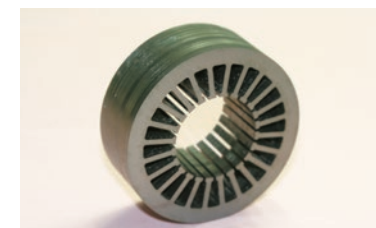
October 2028 Planned: ¥70.0 billion

Construction of CGL for manufacturing ultra-high strength steel at Fukuyama

Vehicle bodies continue to get lighter and more sophisticated in response to vehicle environmental regulations and collision safety standards, which get stricter every year. To meet these needs, the Company established a new continuous galvanizing line (CGL) in the Fukuyama district of West Japan Works and expanded our manufacturing capacity for high-strength steel used in vehicles with good processibility. This will also enable us to meet expanding demand and future needs for higher strength and functionality.



Large-size steel plate (offshore wind)



Electrical steel sheets for motor cores



High strength steel sheets for automobiles

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Overseas Business Growth Strategies

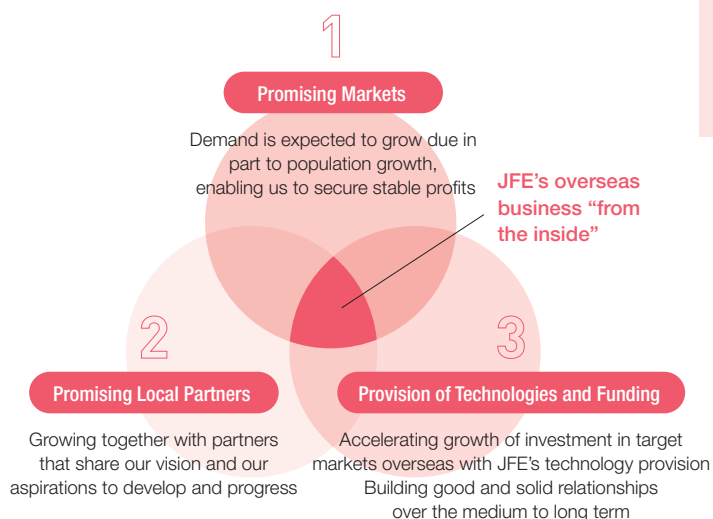
Three Pillars of JFE's Overseas Strategy

We have established three pillars that drive our overseas business “from the inside” strategy. We believe investment conditions are most favorable when these three points align.

- 1. Promising Markets:** Areas where demand is expected to grow, enabling us to secure stable profits
- 2. Promising Local Partners:** Partners who share our vision and business sentiment and with whom we can grow in tandem
- 3. Provision of Technologies and Funding:** Accelerating growth of investment targets with JFE's technology provision. Building solid relationships over the medium to long term

When choosing partners in overseas markets, we believe it is imperative to seek out respected and promising partners, with whom we can build relationships of trust.

Three Pillars of JFE's Overseas Strategy

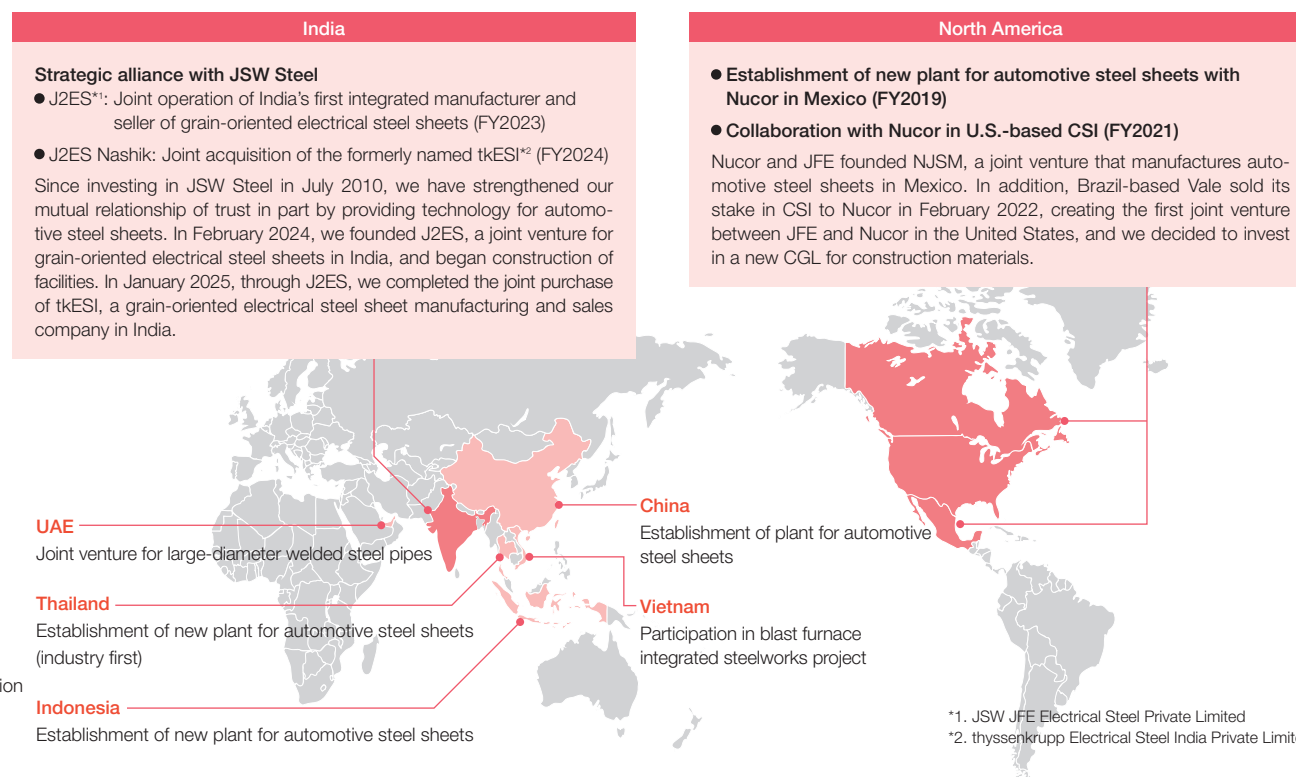


Eighth Medium-term Business Plan Policies

From the perspective of the three pillars listed to the left, India and North America are our highest priority regions, and we will continue working hard to expand collaboration with JSW Steel (India) and Nucor (North America) as a top priority.

Going forward, in addition to these efforts, we will further expand business “from the inside” with top-class local partners in promising overseas regions aligned with the three pillars of our overseas strategy, thereby capturing growing overseas demand for steel.

JFE Steel's overseas expansion



*1. JSW JFE Electrical Steel Private Limited

*2. thyssenkrupp Electrical Steel India Private Limited

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Engineering Business

Kazuyoshi Fukuda
President and CEO
JFE Engineering Corporation



Profit targets

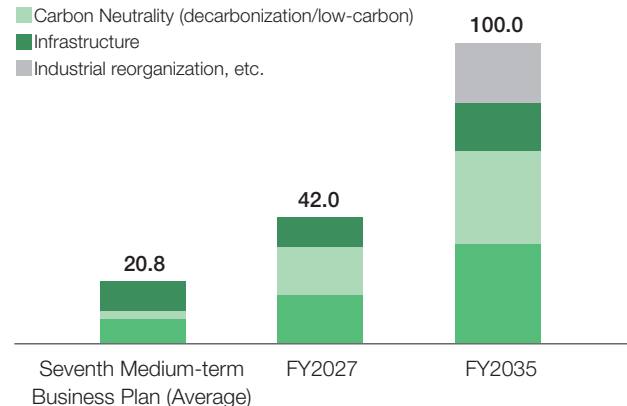
We aim to build a robust financial foundation in order to achieve the ¥100 billion profit target set in our fiscal 2035 long-term vision. In addition, we will actively promote industry reorganization, lead structural reforms to ensure the provision of safe and secure infrastructure services into the future, and strengthen our global competitiveness.

In addition to rapidly realizing the benefits of growth investments in waste to resources (WtR) and carbon neutrality (CN) fields during the Seventh Medium-term Business Plan, we will continue investing in these areas under the Eighth Medium-term Business Plan with the aim of achieving ¥42.0 billion in profit in fiscal 2027.

Segment profit

(billion yen)

■ Waste to Resources
■ Carbon Neutrality (decarbonization/low-carbon)
■ Infrastructure
■ Industrial reorganization, etc.



Field	Initiatives
Infrastructure	Bridges & Steel Structures - New bridges: Receive orders for large-scale projects from joint ventures with major companies - Bridge renovation: Expand sales of stainless-clad steel bridges and create demand for truss replacement - Steel structures: Focus on piers run by private-sector operators to support carbon neutrality and new energy sources
	Overseas - Expand into Africa and Central America with official development assistance (ODA) as a foundation - Enter into public-private partnership (PPP) projects related to road infrastructure outside of official development assistance (ODA)
	Industrial Machinery - Further promote integrated services combining new installations and maintenance - Take on new businesses through the use of 3D printing technology
Carbon Neutrality	Energy - Shifting our portfolio composition and steadily capture high-profit projects - Expanding business in the CN field (such as CCS and ammonia) and the chemical plant field - Strengthen our responsiveness through collaboration with other companies and M&A
	Electric Power Business - Concentrate resources on our strength in comprehensive service offerings to expand our business scale - Maintain and expand the baseload for regional projects and the JFE Group, as we also focus on expanding external private-sector sales - Expand solar power purchase agreements (PPAs), the storage battery business, and energy services
	Offshore Wind Power - Establish a stable profit structure at the Kasaoka Monopile Factory - Steadily capture domestic public bid projects
Waste to Resources	Domestic WtR - Further strengthen profitability through efficiency - Focus on highly profitable large-scale furnaces - Strengthen operations and directly managed maintenance services - Secure business resources through DX
	Overseas WtR - Steadily create projects in the Asian market - Engage in initiatives mainly in Vietnam, the Philippines, Thailand, and developed regions - Create projects through business investment - Establish a global engineering structure centered on India
	Domestic Recycling - Build a solid earnings base - Establish a recycling value chain, including final disposal facilities - Expand the plastic recycling business through PPPs



Shintedorigawa Bridge Replacement Project
We are constructing a new bridge using stainless-clad steel designed to withstand punishing salt environments for 100 years.



CO₂ transportation system (onshore facility) at The Kansai Electric Power Co., Inc.'s Maizuru Power Station
We provide integrated services from design through construction of world-leading facilities.



Fukuyama Rose Energy Center
By integrating multiple waste treatment facilities in Fukuyama City, the center now boasts one of the highest waste treatment capacities in the Chugoku-Shikoku region.

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Key measures

 Improving earning capacity	- For existing businesses in Japan, we will set target profit margins at the time of order receipt and strictly select projects accordingly. - For our global operations overall, we aim to solidify profitability by steadily increasing orders. We will promote market creation through business investments in Asia and establish a global engineering system centered on India. - After optimizing business processes with a thoroughgoing analysis of operations, we will further enhance productivity through DX-driven automation and increased sophistication.
 Strategic portfolio reallocation	With the goal of maximizing growth opportunities as a corporation, we will strategically allocate management resources, such as talent and capital, to fields with high growth potential. To accomplish this, we will review evaluation indicators, such as profitability and growth potential, and establish a new framework for business portfolio management.
 Establish a stable profit foundation, e.g. expanding the operation and maintenance (O&M) business	- We will continue to provide safe and secure infrastructure services while prioritizing strategic investment in areas with expected growth, such as the circular economy and CO₂ reduction, as well as in the operation and maintenance (O&M) business that form our earnings base. - For the investment projects approved under the Seventh Medium-term Business Plan, we will strengthen management monitoring and work toward achieving profitability as quickly as possible.

Noteworthy projects This section introduces representative projects in carbon neutrality and the O&M business, which are priority measures under the Eighth Medium-term Business Plan.

▶ Kasaoka Monopile Factory

Kasaoka City, Okayama Prefecture

Offshore wind power
monopile production
business



JFE Steel
Steel supply

JFE Shoji
SCM*1 support

Monopile (prototype)
Approx. 10-m diameter, 60-m
length, and 1,000-t weight

- Japan's first monopile*2 production factory began operation in April 2024
- Established production technology based on accumulated welding expertise (produced full-scale prototype)
- Secured the domestic project awarded through a bidding round, with full-scale production slated to begin in the second half of FY2025
- Leveraged the comprehensive strengths (synergies) of the JFE Group to contribute to the expansion of renewable energy

*1 Supply chain management

*2 Foundation structures for offshore wind power generation facilities

▶ Waste-to-energy power generation business

Bac Ninh province, Vietnam

Overseas
operating
business

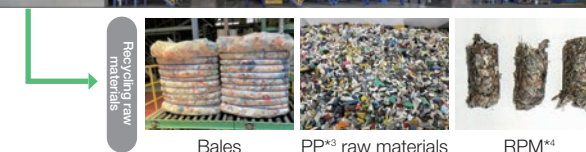


- Conducted total project management from business planning through construction and operation of the overseas project
- Incinerates 500 t/day of municipal and industrial waste to generate power (11.6 MW output, estimated annual generation of 91,872 MWh)
- Modeled similar EPC and O&M businesses and promoted deployment to other countries and regions
- Contributed to the realization of a resource-circulating society through thermal recovery

▶ Kawasaki Super Sorting Center

Kawasaki City, Kanagawa Prefecture

Domestic
operating
business



- A hub for advancing the circulation of used plastic resources generated in the Tokyo metropolitan area
- The center handles a wide range of waste through mechanical and chemical recycling, creating raw materials from used plastic according to its recycling properties for multiple municipalities and operators.
- Processing capacity of 60,000 t/year, one of the largest in the Tokyo metropolitan area for both general and industrial waste

*3 Polypropylene

*4 Recycled plastics material

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Trading Business

Yoshifumi Ubagai
President and CEO
JFE Shoji Corporation



Profit targets

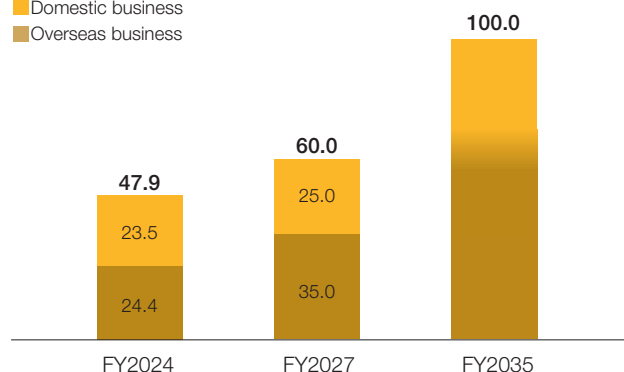
In response to changes in the business environment, the trading business effectively and efficiently engages in trade, business, domestic operations, overseas operations, joint operations in the JFE Group, and JFE Shoji's stand-alone operations. This enables us to fully tap into our function as the core trading company of the JFE Group.

We target segment profit of ¥100 billion in fiscal 2035. In Phase I (the Eighth Medium-term Business Plan), we aim to achieve ¥60 billion in the final year (fiscal 2027) by implementing the three key strategies listed on the right.

Segment profit

(billion yen)

■ Domestic business
■ Overseas business



Initiatives

1. Revamp our management foundation

- Review operations and revamp our core systems
We will thoroughly revise operational processes and overhaul our core systems, mainly through the Business Process Re-engineering Dept. launched in January 2025. We will invest the resulting resources into growth strategies, added value creation, and new fields.
- Review regulations and decision-making authority
By delegating authority to subordinates, we aim to speed up decision-making and become an organization that places emphasis on execution and responsibly takes action.
- Transform our organization and systems
We promote organizational reforms to establish a corporate culture of continually taking on challenges and take human resources measures to enhance employee motivation.

2. Strengthen our profitability in the domestic market

Steel: Build a lean logistics structure

- Amid a shrinking population and market size, we will enhance profitability by focusing on the volume and number of orders, as well as increasing functionality and added value.
- We will reexamine the functions of Group companies and aim to increase efficiency and strengthen functionality with an eye toward reorganization.

Raw materials and machinery: Strengthen efforts in the environmental business

- We will strengthen our scrap collection capacity with an eye toward launching innovative electric arc furnaces.
- We will develop a green raw materials business and help solve social issues.

3. Promote complete local embedded businesses in overseas markets

- We will promote complete local embedded business by integrating into overseas markets and executing growth investments to expand processing and logistics bases, including through M&A, mainly in North America, Australia, India, and Europe.
- We will strengthen SCM for high-value-added products (including high-performance electrical steel sheets and high-strength automotive steel sheets) aligned with the steel business.



Eighth Medium-term Business Plan (Fiscal 2025–2027)

Key measures

- Execute growth investments totaling **¥85 billion**, mainly in the key regions of North America, Australia, India, and Europe
- Optimally allocate management resources and reorganize our portfolio in line with changes in the business environment



Europe

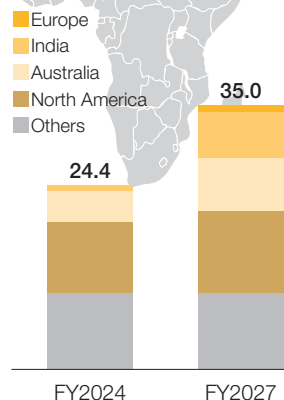
- Expanding trading network in the eastern European area, centered on a Serbian electrical steel sheet processing company
- Expanding new SCM functions, including the offshore wind power field



North America

- Expanding steel sheets for construction
- Strengthening and enhancing electrical steel sheet and automotive industry processing functions
- Rebuilding North American SCM (expanding business with U.S. steel mills)

Overseas business: Earnings by region (billion yen)



Australia

- Strengthening steel sheets for construction business
- Expanding business in the recycling field
- Building business with Australian steel mills



India

- Strengthening and enhancing electrical steel sheet and automotive industry processing functions (Cooperation with JSW and J2ES and strengthening sales to Japanese OEMs)
- Expanding the lineup of products for local mills (Aluminum deoxidizers, ferroalloys, etc.)

Noteworthy Projects

- ▶ Construction steel sheet business in the United States and Australia



We acquired Studco (Australia, United States) in 2024 following the 2022 acquisition of CEMCO. Studco operates its mainstay steel frame business and door-related business (brand name: EZCONCEPT) and aims to continue capturing demand for construction materials in markets expecting growth.

- ▶ Raw material business in India



In 2024, we invested in an India-based company that manufactures aluminum deoxidizers for steelmaking and acquired product marketing rights. We began direct trade with an Indian steel mill and are working to expand local trade, including for other product types.

- ▶ Electrical steel sheet processing business in Serbia



In April 2025, we held the opening ceremony for JSS, which is our first European processing base. We will continue to capture expanding demand for automotive parts in Europe, centering on JSS.

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Keihin District Land Utilization

Efforts to advance the OHGISHIMA 2050 plan are progressing smoothly OHGISHIMA 2050: https://www.jfe-holdings.co.jp/uploads/230907_en.pdf

In promoting the OHGISHIMA 2050 plan, we are working to repurpose the land with high public interest for social benefit, leveraging the potential of the Keihin district land close to the Tokyo metropolitan area.

Leveraging the location of the Keihin district land and the resources of the JFE Group, we are promoting the launch of new businesses as well as business use that supports carbon neutrality and the circular economy. Furthermore, we aim to achieve annual revenue of ¥10.0 billion by fiscal 2035 from the land business (leasing) and business use.



Our Vision for FY2035

(Area of Keihin district land to be repurposed)

The Minami-watarida area

- Development of an industrial hub with research and development functions as its core
- Completion of Phase 1 (6 ha sold in FY2024) and start of land utilization for Phase 2 (4 ha)

The Ogimachi area

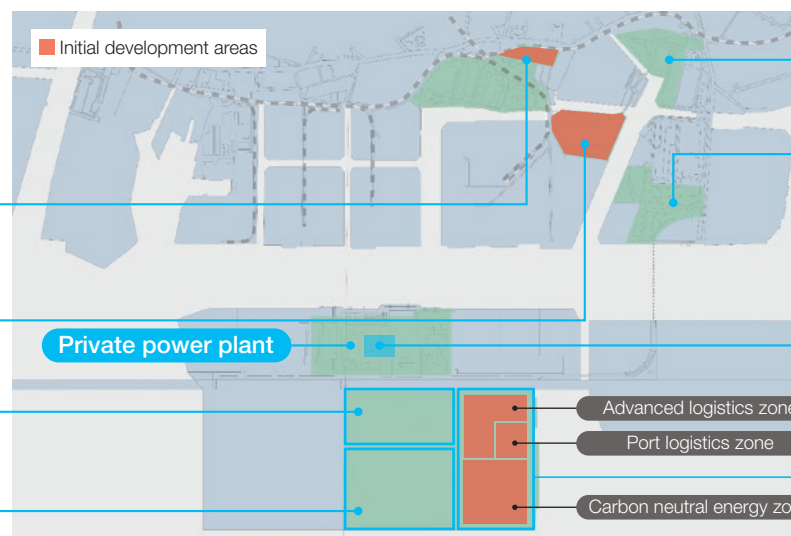
- Sale completed FY2024

Roadside area

- Demolition of idle facilities and start of land utilization FY2031

Co-creation area

- Demolition of idle facilities
To be completed between FY2025 and FY2034



Ikegami area

- To be developed as a transportation hub in the waterfront area

Mizue area

- To be developed as a major recycling business hub of the Tokyo metropolitan area

Ohgishima north area

- Electric power business (using hydrogen)
- Joint data center business

Lead area*1

- Lease to a GI Fund project (commercial testing of liquefied hydrogen supply chain) From FY2025
- Sale of advanced logistics zone FY2027

*1 The Tokyo Metropolitan Expressway Bayshore Route Ohgishima Interchange (tentative name) is scheduled to partially open in FY2028.

Business use

Promotion of a hydrogen society

Power business (hydrogen utilization)

- Starting to supply electricity from the private power plant to initially developed areas From 2028
- Leading the way toward carbon neutrality through the gradual transition to hydrogen power generation (mixed combustion → mono-fuel combustion) From 2030

Data center business (green power utilization)

- Studying joint development of a data center with Mitsubishi Corporation, leveraging the location's potential to supply green power From 2025

Realizing a circular economy

Recycling business

- Developing the area as a major recycling hub for Tokyo metropolitan area
- Expanding the recycling plant to strengthen the expansion of business aimed at establishing a circular economy

Effective use of CO₂ for achieving carbon neutrality

CO₂ business

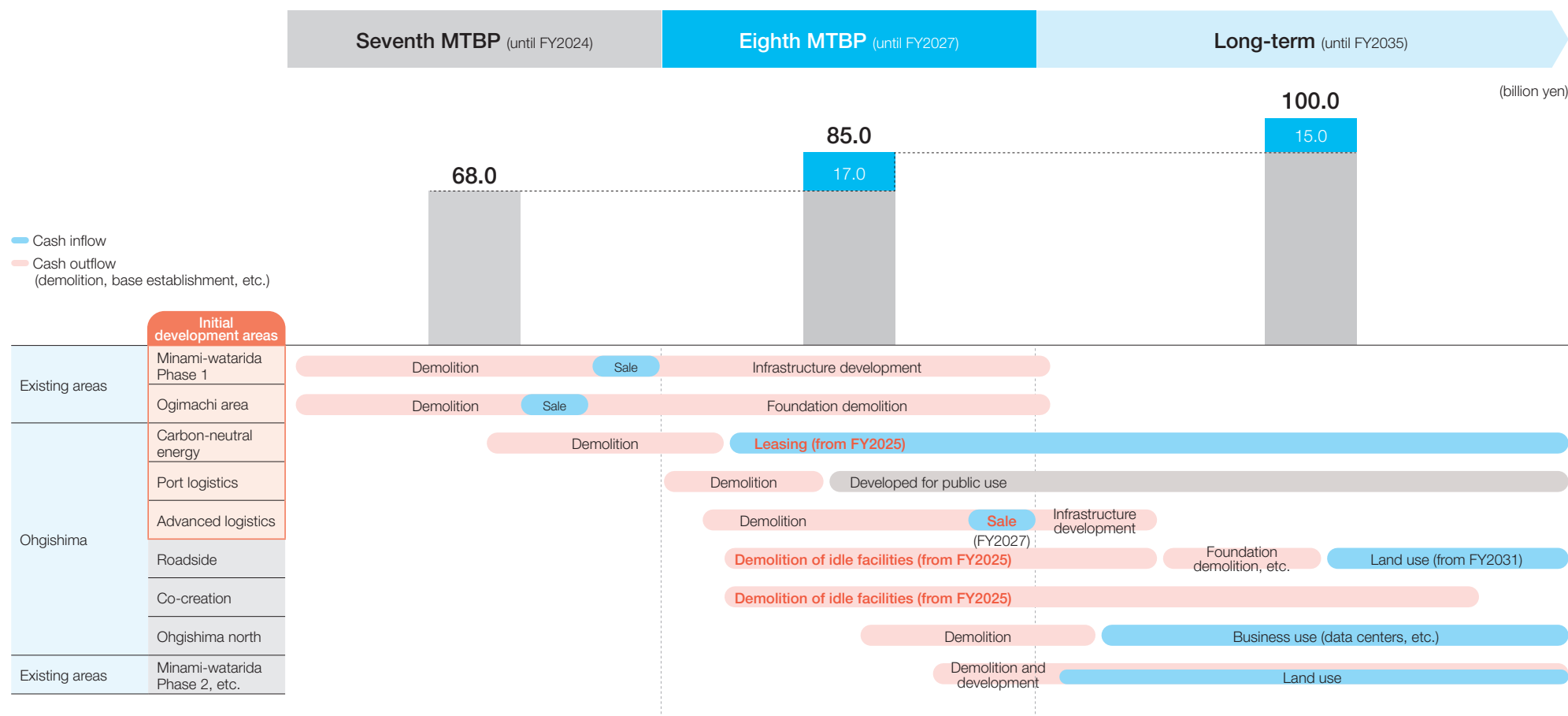
- Considering carbon dioxide capture, utilization and storage (CCUS) business leveraging the knowledge and expertise cultivated through advanced carbon capture and storage (CCS) project*2

*2 CCS project implemented as part of the Ministry of Economy, Trade and Industry projects

Eighth Medium-term Business Plan (Fiscal 2025–2027)

- In the land business, cumulative business proceeds under the Eighth Medium-term Business Plan (through FY2027) are projected at ¥85.0 billion, with a ¥100.0 billion target for FY2035.
- Of the approximately 400-ha area of land to be repurposed, the initially developed areas (totaling about 100 ha) are expected to generate business proceeds of ¥80.0 billion.
- The carbon neutral energy zone will begin leasing in FY2025, and the advanced logistics zone will be sold in FY2027.
- Demolition of idle facilities in the roadside and co-creation areas to begin in FY2025; land use in the roadside area to commence in FY2031.

Income and expenditure plan for the land business



Eighth Medium-term Business Plan (Fiscal 2025–2027)

Initiatives for Environmental Sustainability

Basic Approach

The JFE Group Environmental Philosophy is:

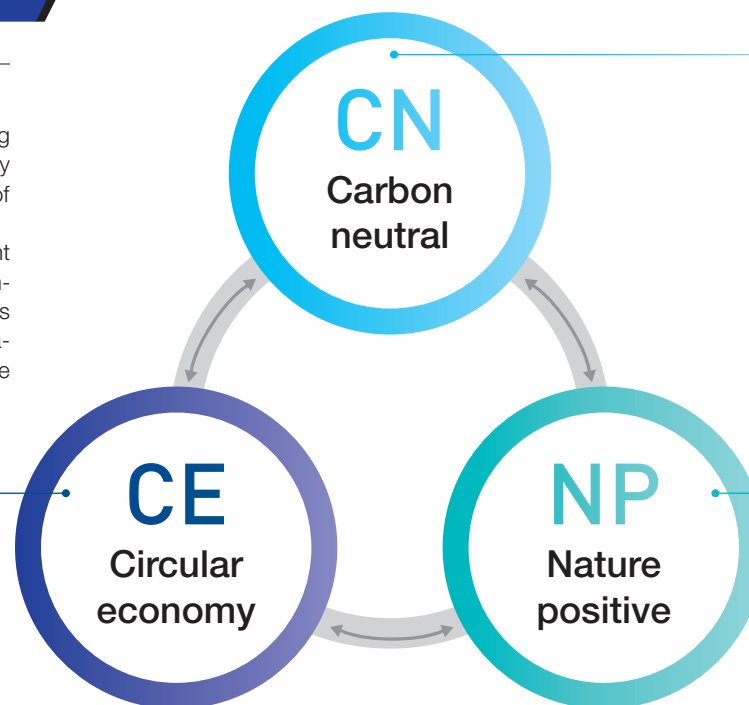
The JFE Group puts top priority on protecting and enhancing the global environment to maintain its business in harmony with the environment and ultimately for the prosperity of society as a whole.

In line with this, we will build an environmental management system for the entire JFE Group. Under the Eighth Medium-term Management Plan, we have laid out the material issues of the transition to a circular economy, biodiversity conservation, and nature positive, with a focus on the climate change problem, which impacts society the most.

Transition to a circular economy



Waste power generation (Izumo)



Climate change initiatives



Grain-oriented electrical steel sheet



Offshore wind power plant

Biodiversity conservation and nature positive



Biotope Chita



Marine Blocks™

Initiatives for the Transition to a Circular Economy

The JFE Group understands that the transition to a circular economy is an important theme that is essential for the realization of a sustainable society. We are going beyond the boundaries of the Group to work together with others (including national governments, local governments, and customers) throughout our value chain while utilizing digital technologies to realize a full-scale societal transition from today's current economic system, dependent on a linear economy, to a circular economy. We will continue promoting activities from the three perspectives of expanding use and sales of recycled resources, developing resource-efficient eco products & eco solution technologies, and converting by-products and waste into resources.

For details on initiatives for the transition to a circular economy and initiatives for biodiversity conservation, please refer to the JFE Group Sustainability Report 2025.
<https://www.jfe-holdings.co.jp/en/sustainability/environment/>

Initiatives for Biodiversity Conservation and Nature Positivity

We strive to deepen the understanding that the JFE Group's business activities depend on and impact biodiversity and natural capital while taking action to reduce related risks. We will continue to take a wide range of approaches on this front, including collaboration with local communities and throughout our supply chain, as well as the development of processes, products, and technologies that contribute to biodiversity and natural capital. The JFE Group also supports the TNFD recommendations, discloses information in line with the TNFD framework, and broadly shares the data with stakeholders.

Eighth Medium-term Business Plan (Fiscal 2025–2027)

Initiatives for Climate Change Issues

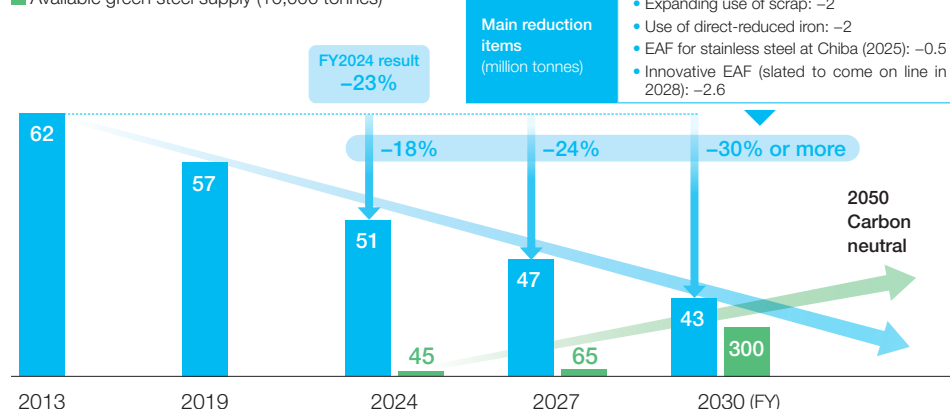
The JFE Group positions climate change issues as a very important management issue and aims to achieve carbon neutrality by 2050. To achieve this, we will accelerate R&D of new technologies and continue our ambitious efforts on ultra-innovative technologies. Furthermore, we see contributing to the reduction in GHGs across society as a business opportunity and aim to enhance corporate value.

Steel business

Domestic steel business: GHG emissions reduction plan

■ GHG emissions under the GX-ETS standard (million tonnes)

■ Available green steel supply (10,000 tonnes)



	Seventh MTBP (FY2021–2024)	Eighth MTBP (FY2025–2027)	FY2028–2035	FY2036–2050
Amount invested in carbon neutrality (Decision Basis)	¥0.4 trillion	¥0.1 trillion	¥0.5 trillion	¥4 trillion

Greenhouse gas (GHG) emissions reduction

1. We set a target to reduce GHG emissions by 24% by fiscal 2027 and are working to install a new EAF for manufacturing stainless steel at the Chiba district.
2. We set a target to reduce GHG emissions by 30% or more by fiscal 2030 and will install a highly efficient, large-scale, innovative EAF at the Kurashiki district as a part of this effort. With the innovative EAF, we will continue to build a large volume supply of green steel that achieves the same quality as a blast furnace.
3. We are working to develop ultra-innovative technologies to realize CN by 2050, namely ultra-innovative blast furnaces, hydrogen utilization for the

direct-reduced iron method, and innovative EAFs. We aim to develop CN technologies for steelmaking processes by 2035.

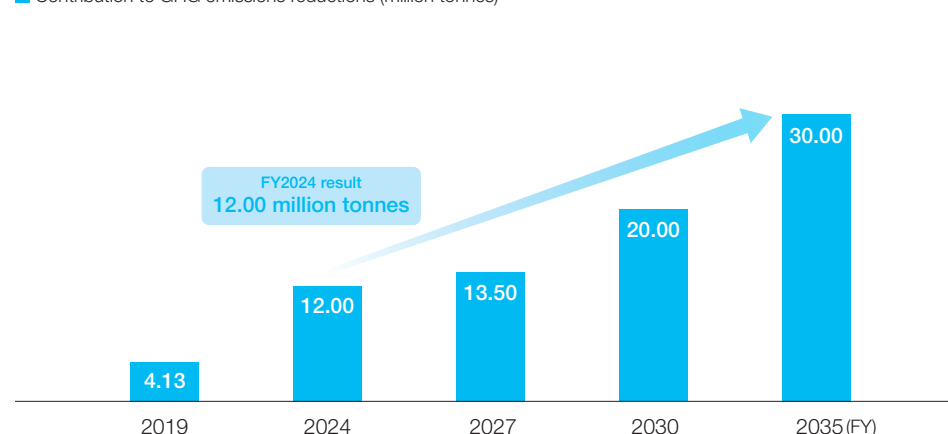
Expanding the supply of green steel

1. FY2030: We aim to be able to supply 3 million tonnes of green steel.
2. To create a market for green steel, we aim to stimulate demand by visualizing GX value, promote international standardization for the definition of green steel, utilize government support (such as public purchases and financial assistance), and expand the existing market.

Engineering business

Engineering business: Plan to contribute to GHG emissions reductions

■ Contribution to GHG emissions reductions (million tonnes)



Expansion of Waste to Resources field	Demonstrating and expanding the effects of offshore wind power generation projects	Entry into the CCS business
- Accumulating orders received for waste-to-energy power generation projects - Accumulating overseas EPC achievements	- The Kasaoka Monopile Factory began operating in April 2024, and full-scale production will begin in the second half of 2025. - Target market share: 50% of Japan's market	Increasing orders received for EPC projects related to equipment for the liquefied transportation, storage, and shipment of CO₂ (Tomakomai, Kawasaki, Setouchi, etc.)

1. Aiming to expand the amount we contribute to reducing GHG emissions, we will steadily capture demand for offshore wind power generation. We will also formulate action plans from the initial concept phase in the hydrogen, ammonia, and CCS fields (where widespread adoption is expected), connecting these efforts to EPC* orders and business participation as we strive to achieve our targets.

2. To maximize the effects of our emission reduction contributions, we will work to develop technologies to gasify waste, synthesize ethanol, and separate and capture CO₂.

*Turnkey contracts for engineering, procurement, and construction work

Dialogue with Outside Directors

Aiming to Enhance Corporate Value through the Long-term Vision and the New Medium-term Business Plan



Q Regarding the JFE Group's long-term JFE Vision 2035 and Eighth Medium-term Business Plan released in May, how would you evaluate the formulation process, including the involvement of the Board of Directors?

Shimamura: JFE Vision 2035 and the Eighth Medium-term Business Plan (the "Eighth Plan") were formulated by going back to the basics of why the JFE Group exists and what purposes it should fulfill, then reassessing what the Group should strive to be moving forward. The JFE Vision 2035 and Eighth Plan were formulated mainly by the executives. The Board of Directors did hold discussions with the top management of each operating company and reaffirmed that JFE has advanced technological capabilities and can continue providing value based on those capabilities. We also proactively

supported the proposals created by the executives and provided a broad range of advice, centering on the idea that we wanted them to take bold action.

I personally feel we should think about business from a long-term perspective and not be overly swayed by short-term results. Shifting focus from quantity to quality has been a very challenging endeavor. Still, JFE possesses far superior technology compared to its competitors, so I have encouraged everyone to have confidence, "if there's anyone that can do it, it's JFE."

Kobayashi: JFE Vision 2035 and the Eighth Plan were

formulated during the period of the Seventh Plan, amid a changing business environment, without fully achieving many of our desired results.

I joined the formulation effort while it was already under way. There were stakeholder concerns regarding whether there really was any future economic potential and whether we could respond to carbon neutrality in terms of technology and funding. We addressed these by backcasting from our future vision and clearly stating that we need to achieve ¥700 billion in segment profit by 2035 to achieve our roadmap. To achieve this

Dialogue with Outside Directors

quantitative target, we formulated a solid strategy from four perspectives: What's new? Where to grow? How to win? and Who will it make happy?

In the formulation process, I strove to provide opinions that stood outside of internal perspectives. At JFE, I receive very detailed explanations at every meeting of the Board of Directors, but to ensure my questions are meaningful to all parties, I pose them utilizing either a big-picture perspective or a detail-oriented perspective. JFE's Board requires my mind to be going full throttle during discussions. To be honest, it can be very tiring.

Ando: I think the formulation process of the Eighth Plan was unique because it was based on a long-term vision, as you all have mentioned. The Board of Directors has repeatedly discussed these two topics, and by regularly monitoring discussions at operating companies, we were able to ensure a multi-layered debate.

In addition to the long-term vision, during the formulation of the purposes of each company, our discussions even delved into how we should involve employees. Going forward, as we work to see this through, we would like all employees to feel and share a sense of ownership. It may be an ambitious goal,

but I think we were able to formulate a goal that all employees can work toward together from a long-term vantage point.

Numagami: Regarding the purpose mentioned earlier by Director Ando, I think it was an excellent decision to formulate a separate purpose for each operating company instead of just one for the Group. As a result of thorough discussion, including what each word means, I think the purposes we crafted can be readily understood, not just by employees. External stakeholders can also see how each company contributes to the world. If I ever have the opportunity to write a textbook, I will definitely include this as a case study.

Q Regarding the initiatives related to future economic potential in the Eighth Plan, what points did you focus on and what are your expectations?

Ando: I believe we still need to stay on course with the target in the Seventh Plan to enhance corporate value by combining economic sustainability with both environmental and social

sustainability. It is my assessment that steady progress is being made shifting focus from quantity to quality, one of the main initiatives of the steel business. The changes to the business

environment during the Seventh Plan were far greater than expected, and it is regrettable that the numerical targets were not achieved. That said, the direction of the initiatives was not wrong. To enhance profitability, we will need to further enhance the initiatives.

In the Eighth Plan as well, it is important to work on rebuilding the production structure of the steel business to adapt to shrinking demand in the domestic market. I am paying close attention to the plan to replace Kurashiki's blast furnaces with innovative electric arc furnaces, because it is also a project that will enable production of high-quality green steel. And, overseas, we are expecting business to expand through collaboration with top-class partners in markets that are projected to grow, beginning with a project with India's JSW Steel.

Next, I will touch on the engineering business. Its strength lies in its diverse business portfolio. With numerous competitors in the domestic business environment, however, we expect to further enhance its earnings power mainly through proactive



Yoshiko Ando
Outside Director

Ms. Ando joined the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) in 1982 and retired in 2018 after serving as Director-General for Labour, Statistics and Information Policy, and Human Resources Development. She has been a director of JFE Holdings since June 2020.

Dialogue with Outside Directors

restructuring and integration similar to what was done in the Seventh Plan.

In addition, the trading business secured very solid footholds in North America and Australia through M&A during the Seventh Plan. Amid an increasingly uncertain business environment, we expect to aggressively expand business while leveraging the balanced diversification of the trading business.

As for the Group as a whole, we proactively promoted future-oriented growth investments in the Seventh Plan. We will steadily reap the benefits of these investments in the Eighth Plan, and I hope these are connected to further growth moving forward. I believe the Board of Directors will want to continue following both the investment effects and financial soundness. It is difficult to judge the timing of investments. Moreover, it can take time for some investment effects to appear due to the unique characteristics of JFE's business. This makes it crucial that we commit to achieving results with a long-term view.

Numagami: Expectations of growth for the global steel industry as a whole are not at all high, but looking at JFE's businesses individually, there are many businesses that have high profitability with high growth potential, as well as businesses that have high growth potential despite not currently having high profitability. I think these businesses deserve more attention going forward.

Businesses that have high profitability and high growth potential include JFE Steel's high-performance electrical steel sheets, ultra-high-strength steel sheets for automobiles, and high-value-added products (such as heavy plates for offshore wind power monopiles) as well as JFE Engineering's Waste to Resource (WtR) sector. In addition, JFE Shoji carried out M&A activities in such areas as construction materials in overseas markets during the Seventh Plan, and these very solid businesses have steadily grown.

Furthermore, I also consider the expansion of business "from the inside" a very solid strategy. We have undertaken this effort

Takuya Shimamura

Outside Director

Mr. Shimamura joined Asahi Glass Co., Ltd. (current AGC Inc.) in 1980. After serving as representative director, president & CEO and subsequently as chairman & representative director of AGC, he assumed his present position as Director & Chairman in March 2021. He became an Audit & Supervisory Board Member of JFE Holdings in June 2022. He has been a Director of JFE Holdings since June 2025.



with the excellent partners of JSW Steel and Nucor in India and North America, where growth is expected. We delegate the country risk portion to our strong local partners, and JFE firmly contributes to the technology portion, which should continue fostering a win-win relationship.

Businesses that have high growth potential despite not currently having high profitability include ultra-innovative technologies needed to realize carbon neutrality. In the steel industry, the conversation around greenhouse gas (GHG) often centers on cases that require massive costs, which tend to be viewed negatively. But because steel is needed for the growth of the global economy, if we can develop ultra-innovative technologies that greatly reduce GHG emissions, I believe they will make a wonderful contribution to solving global climate change issues. Another issue is how to connect these technologies to profitability, but we expect very significant growth over the long term.

Shimamura: We develop business in a region-focused way. We are currently restructuring our business portfolio by scaling

back domestic operations and focusing our overseas business on growth markets like India. At the same time, we also develop business in a technology-focused way, specializing in high-value added products. Steadfastly pursuing business in these two ways will be an important strategy for JFE on the road to 2035.

The Keihin district land utilization project, which was born from the revision of the domestic production system, is expected to begin bearing fruit going forward as we explore new business opportunities leveraging the unique characteristics of the land. Regarding the expansion of the overseas business, as Mr. Numagami already mentioned, I think that our business model is quite good, with local partners and JFE each fulfilling their specialized roles.

In addition, JFE has expanded its businesses very broadly so far, but the Group needs to steadily organize its businesses, including affiliates, from the point of view of whether or not they are a good fit. I think JMU's partial transfer of shares to Imabari Shipbuilding was a very important decision from a long-term perspective.

Dialogue with Outside Directors

Q Regarding environmental and social sustainability, what kind of efforts leveraging the Group's strengths do you expect moving forward?

Numagami: Because steel can be easily recycled, it is a material that is well suited to transitioning to a circular economy. We expect sales of green steel to continue expanding with the launch of an innovative electric arc furnace and the development of ultra-innovative technologies.

In addition, I am paying special attention to the previously mentioned WtR business of JFE Engineering. This business is already contributing not just to Japan's economy but to the global economy as well, generating power by incinerating waste and supplying it to regions with insufficient power, mainly in Southeast Asia. I previously conducted onsite audits in Myanmar when I was an Audit & Supervisory Board Member and felt that there were many fields that needed JFE Engineering's technologies locally. There is also the food recycling and biogas power business, which ferments food waste from

restaurants and other establishments to create gas for generating power. Going forward, because the amount of waste generated will inevitably increase as the global economy continues to develop, we believe the WtR business, which effectively utilizes waste, is a technology that society will need.

Kobayashi: With mass production and mass consumption on the verge of exceeding the planet's environmental limits, circular economy initiatives and nature positive-related initiatives are becoming very important.

JFE has a wide variety of products, services, and technologies that contribute to these areas, and to advance these efforts going forward, we think building partnerships through the value chain will be important.

No matter how amazing JFE's technology is, one company alone will not be able to complete an ecosystem. To realize a

truly circular economy, we will need to team up with partners to expand our contributions to society, which will also lead to future profit contributions for JFE.

In addition, from the perspective of diversity, equality, inclusion and belonging (DEIB), which is a human resources strategy gaining a lot of attention recently, when companies steadily engage in the circular economy and natural restoration, it enhances employees' sense of belonging and acts as a driving force enabling them to work with a sense of purpose.

Ando: Regarding ultra-innovative technologies aimed at carbon neutrality, we are focusing on finishing development as soon as possible as well as creating marketing strategies and market regulations for JFE's green steel.

As for the human resources strategy, we believe promoting DEI will be indispensable to recruiting excellent personnel amid the declining birthrate and enabling them to tap their full potential. I would like them to give their all to achieving the KPIs and think there is still room to improve the environment for workers on the front line.

Because the companies in the JFE Group have various business operations and employee compositions, it is important that each operating company conduct PDCA cycles while identifying its own issues and steadily taking countermeasures. For example, JFE Steel launched an initiative called ReFuture Project in the previous year with the aim of achieving corporate and employee growth while enhancing employee work engagement. We expect these efforts will facilitate a transformation to a better corporate culture. In addition, as overseas business grow more important, we are focusing on systematically recruiting and training overseas personnel.



Tsuyoshi Numagami

Outside Director
(Audit & Supervisory
Committee Member)

Mr. Numagami became a professor of the Graduate School of Commerce and Management at Hitotsubashi University in 2000. He became a board member and executive vice president at the university in 2014. After serving as professor in the university's Graduate School of Business Administration, he assumed his present position as professor of Waseda University's Institute for Business and Finance in April 2023. He became an Audit & Supervisory Board Member of JFE Holdings in June 2018. He has been a Director (Audit & Supervisory Committee Member) of JFE Holdings since June 2025.

Dialogue with Outside Directors

Q Regarding the recent revision to the Director compensation system what kind of discussions were held by the Remuneration Committee and the Board of Directors?

Kobayashi: In the previous year, I took up the helm as the chair of the Remuneration Committee and was aware of two major issues with the existing Director compensation system. The first was that the percentage of performance-linked remuneration should probably be higher, and the second was identifying the optimal evaluation indicators for calculating performance-linked remuneration.

Regarding these issues, the Remuneration Committee held multiple discussions from various perspectives. As a result, the composition of Director compensation was changed from the perspective of clearly demonstrating the results of management to stakeholders. In the case of the president of JFE Holdings, the compensation was changed from a 6:2:2 ratio for basic remuneration, annual bonus, and stock remuneration to a 2:1:1 ratio when the medium-term business plan targets are achieved. This changes the ratio of fixed remuneration to performance-linked remuneration to 1:1.

I'd like to touch on the indicators used to calculate performance-linked remuneration. First, regarding the ESG indicators used for annual bonuses, while we already introduced very important indicators for safety and climate change, we just recently added an indicator for employee engagement. This was added following discussions about enhancing corporate value. To succeed amid a challenging business environment, this process must ensure employees feel proud to be part of JFE and enhance their sense of belonging so employees continue to give their best going forward. In addition, regarding financial indicators used in stock remuneration, net profit was used previously, but, in consideration of the cost of equity and

Keiichi Kobayashi Outside Director

Mr. Kobayashi joined Furukawa Electric Co., Ltd. in 1985. After serving as representative director and president, he has served in his present position as the Chairman of the Board of Directors of the same company since April 2023. He has been a Director of JFE Holdings since June 2024.



the importance of aligning with stakeholders, we changed to a form that evaluates performance along two axes: return on equity (ROE) and relative total shareholder return (TSR). We discussed the range of the degree of achievement, which was quite broad (ranging from 0% to 200%), but thought that 200% would be fair if someone really did an amazing job.

We discussed how we hoped these new revisions would be seen as good targets by employees and ourselves. In the current state, we think the recent system revisions represent a bold transformation. However, going forward, we should note that it will be necessary to make revisions as appropriate depending on the business environment, progress made on issues toward achieving the long-term vision, and other such factors.

Numagami: When designing the compensation system, a key

point was differentiating between management's capabilities and external environmental factors when evaluating performance, but these two factors cannot always be easily separated. Recently, there has been an increase in a 1:1:1 ratio for fixed remuneration, short-term performance-linked remuneration, and long-term performance-linked remuneration. In the steel industry, however, considering the fact that impacts on market conditions cause high volatility in performance, we discussed how the recently revised ratio is quite good and evaluated its appropriacy.

In addition, regarding the calculation indicators for the stock remuneration system, the targets are not easy by any means, but we believe they represent our strong commitment to the results of top management.

Dialogue with Outside Directors

Q Can you tell me about your goal for transitioning from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee as well as your expectations of further enhancing effectiveness going forward?

Shimamura: The biggest change with the recent transition is that directors who are Audit & Supervisory Committee members will have voting rights at the Board of Directors, giving them responsibility over management. I look forward to being able to hold multifaceted discussions at Board of Directors meetings. At the same time, it is presumed that the committee will function properly after establishing rules and processes, and it will also enable more streamlined Board of Directors meetings, accelerating decision making. As a result, we assess that the new change to the organizational design was a good decision in terms of enhancing the functionality of the Board of Directors.

Ando: I firmly believe that the new change to the organizational design will help to further enhance the quality of discussions at JFE's Board meetings.

Governance cannot be enhanced simply by changing the

system design. Transitioning to a company with an Audit & Supervisory Committee will enable a major transfer of authority to executives. Because of this, I would like the Board of Directors to thoroughly discuss how to delegate roles to executives and, on the other hand, how to appropriately fulfill monitoring functions as we move beyond solely evaluating the results of Board meetings.

Numagami: JFE's Board of Directors has always held open discussions, and there were many opportunities for Audit & Supervisory Board Members to speak, so I think the new transition is well suited to the actual situation.

Audit & Supervisory Committee Members can assess detailed frontline matters, so by reflecting that information in Board meeting discussions, I expect the effectiveness of governance will increase. I intend to continue contributing to

discussions with that in mind.

Although enhanced effectiveness will not be fully realized merely by a change in organizational design, because JFE's Board meetings foster an environment where opinions are mutually respected, I think we can expect the Board to continue evolving over time.

Kobayashi: The main purpose of the new organizational design change is strengthening executive capabilities. Because more matters will be delegated to executives, the Directors will be asked to try to gain more information by themselves through monitoring. I intend to create appropriate mechanisms while diligently communicating with executives about how to provide reports. I think the Board of Directors meetings also bring out a wide range of opinions, but I hope the Board continues to evolve its structure.

Messages from the Newly Appointed Outside Directors



Yoshihisa Suzuki

**Outside Director
(Audit & Supervisory
Committee Member)**

Appointed as Outside Director (Audit & Supervisory Committee Member) of JFE Holdings in June 2025

I worked at a general trading company for 45 years, where I gained a wide range of experience. I managed the entire Company as president and COO, oversaw North American operations, and worked in the fields of aeronautics, outer space, defense, information, and finance. I also engaged in financial activities. In New York during the Lehman Brothers crisis, I really felt the value of preparing for disaster during good times, and that is still my credo. JFE has a unique corporate structure with the three core businesses of steel, engineering, and trading. To ensure sustainable growth, it will be necessary to allocate resources and assess strategies from the perspective of overall optimization while respecting each company's independent development. Foremost, as an Outside Director, I aim to ask probing questions and provide constructive advice. As an Audit & Supervisory Committee Member, I will gain a solid understanding of frontline operations and be mindful of maintaining an optimal balance of offensive and defensive strategies to various management issues, such as capital allocation, decarbonization, and growth investment. I will work hard to facilitate JFE's development and growth to the best of my abilities.



Naoto Nakamura

**Outside Director
(Audit & Supervisory
Committee Member)**

Appointed as Outside Director (Audit & Supervisory Committee Member) of JFE Holdings in June 2025

Since becoming a lawyer in 1985, I have specialized in the Companies Act and lawsuits. At the time, there were many instances of inappropriately influencing general shareholders meetings and cornering markets. Following the collapse of Japan's bubble economy, I handled matters related to shareholder class-action lawsuits, M&A, and compliance. More recently, I have taken up cases related to corporate governance, activist responses, third-party committees, and so on. I may not have deep insight in the steel industry, but as an Audit & Supervisory Committee Member I will be able to help enhance corporate value in the fields of governance and compliance. Governance efforts are rapidly ramping up around the world, but matters keep arising that could significantly hurt corporate value due to misconduct. I intend to consider the form of governance that is best suited to JFE.