

Creating Work Environments that Motivate Employees

Initiatives

To ensure the sustainable development of the JFE Group, it is essential to fundamentally review past customs and develop workstyles that enable each employee to be highly productive in creating new value with pride and satisfaction in their work. Under the Seventh Medium-term Business Plan, we intend to continue building workplace environments and internal systems that enable employees to fully demonstrate their abilities with a sense of security and safety.

Promoting Motivating Work Environments

The JFE Group complies with laws and regulations related to salary payments and sets salaries above the minimum wage designated by country, region and industry sector to meet living wage requirements. In addition, the Group establishes challenging and fulfilling working environments by providing employees with one of the top levels of employment conditions in the industry as well as performance-based bonuses linked to company profits, besides complying with regulations such as on overtime limits.

Furthermore, the Group offers generous welfare benefits, including dormitories and company housing in order to provide a stable environment for our employees and encourage them to remain with the company for many years.

The company and each operating company conduct an annual engagement survey to maintain a sense of current employee awareness and uses the results to identify issues related to job satisfaction while considering remedial measures. In addition, they have been focusing on establishing a comfortable working environment by referring to the results of the periodic corporate ethics awareness surveys.

JFE Steel

Initiatives to Enhance Job Satisfaction

In April 2024, JFE Steel established the Human Resources Strategy Division to promote multifaceted measures, including personnel and corporate culture reforms, based on management's understanding that enhancing job satisfaction is a key management concern for the company's sustainable development. It launched the ReFuture PROJECT*, with the president as the project owner, as a corporate reform for enhancing employee job satisfaction so that both the company and its employees grow together. The project's aim is to enable the company to provide a variety of support and initiatives to enhance employee job satisfaction, and for employees to contribute to the company by maximizing their abilities, so that both the organization and its employees grow together by meeting their respective expectations while fostering a strong relationship of mutual trust. The Culture Reform Office, recently established within the Human Resources Strategy Division, will lead the entire project and develop action plans in cooperation with related departments.

For example, the environment surrounding the company is changing drastically, including carbon neutrality, a declining population, and falling domestic demand. Under these circumstances, the company must redefine what it wants to be in the future, the reason for its existence in society, and how it currently defines its long-term vision, so that employees can work with their own dreams and expectations for the future. With this in mind, we are currently formulating our corporate purpose, vision, and values. Furthermore, in October 2024, in order to enhance the job satisfaction of every employee, we plan to revise our personnel and wage systems, including a reorganization of employee classifications, a framework for employees to choose a range of work locations to which they could be transferred, more transparent evaluations, and stronger feedback.

JFE Steel is also promoting its new workstyle so that employees can work with a sense of job satisfaction and fulfillment, which in turn will lead to improving productivity across the company. In concrete terms, the company will promote teleworking by expanding its work-at-home systems; introduce a coreless flexible working hour program; adopt a shared-desk policy at and around the head office; introduce chat and web conferencing tools and robotic process automation (RPA), a software program that facilitates the automation of work done on terminal devices; promote paperless offices by introducing electronic contracts and workflows; and eliminate the use of seals.

In addition, JFE Steel introduced a cafeteria plan as an employee benefit in FY2022 to meet the diversifying needs of employees following a rise in the number of mid-career hires and other changes. The company seeks to enhance the work-

life balance by encouraging employees to take paid leave by designating annual planned leave days and enhancing a work-life-balance vacation program to support employees in taking vacations for childcare, nursing care, infertility treatment, self-enlightenment, or participation in volunteer activities. Furthermore, the company has increased the number of days off for general employees by 2 days per year to 121 days per year, starting in FY2024, to establish a more secure working environment for them and their families while balancing health and work.

■ Key Initiatives for the ReFuture PROJECT in FY2024

Item	Outline
Developing the vision for the future	Determining corporate purpose, vision, and values
Operational reform/organizational culture reform	Reviewing the way work is done, promoting IT, improving management to enhance job satisfaction
Communication reform	Strengthening management-employee dialogue through town hall meetings.
Investing in working environments	Realizing more comfortable working environments through focused investment in offices, mainly at steelworks and manufacturing plants
Review of personnel and wage systems	Revision for improving the job satisfaction of each employee (scheduled for October 2024)

*The name "ReFuture PROJECT" embodies the company's desire to create a new future that the world needs, by focusing on what the company wants to be in the future, especially now that the organization, founded in 2003 with the vision of becoming "Japan's leading future-oriented corporate group," is in a period of dramatic change.

JFE Engineering Initiatives to Enhance Productivity and Job Satisfaction through New Workstyles

JFE Engineering is promoting "vacation-style reform" across the company. Employees are encouraged to take Fridays off during the summer and consecutive days of paid leave following the completion of construction work. Out of 22 paid leaves granted, 19.4 paid leave days on average (over 88% of the total) were taken by employees in FY2023. The company intends to raise the average taken to at least 20 in FY2024.

As part of its workstyle reform, JFE Engineering has introduced a flexible working hour program for offices, in which employees determine their own core work hours. Under the program, the company designates "no overtime days" on which employees must leave the office on time and in principle prohibits overtime work after 8 pm to encourage employees to work more efficiently. Teleworking, which was introduced as a preventive measure against COVID-19 infections, has been adopted as a permanent system since FY2021. Employees can work at home or at any of the roughly 400 shared offices nationwide, thereby supporting flexible workstyles.

In the area of construction, JFE Engineering has set the reduction of working hours as a major issue and has been steadfastly working on this. Since FY2023, it has been monitoring the progress of reduction efforts and the status of overtime work, site by site, within the countermeasure working group established across the company. Annual plans for overtime work are formulated, and the head office manager works with site staff to address any discrepancies between actual monthly results and the annual plan. In addition, the working group promotes measures such as reducing internal documentation, utilizing the head office's back-office for creating documents, and introducing IT tools to maintain timely communication with the head office and subcontractors. In terms of job satisfaction, the company believes that the success of its employees is a source of competitiveness and sustainable growth, and it has been taking action to enable employees to fully demonstrate their abilities, knowledge, skills, and experience as a management concern.

KPIs have been set for health and safety, development, diversity, and employee engagement, and the following concrete steps are being taken.

- **Personnel and Wage Systems Review**

Given the changing composition of its workforce, such as an increase in mid-career hires, the company has revamped its personnel system to improve the acceptability of evaluations and support employee growth.

- **Training System Review**

As part of the personnel system reform, we have redefined the type of personnel we expect at each level as the basis for reviewing our training system, starting this fiscal year. As a result of the review, a variety of training programs have been set in place so that we can be voluntarily selected to meet the growth aspirations of each employee.

JFE Shoji

Initiatives to Support Various Workstyles to Realize a Work-Life Balance

As a measure to realize a work-life balance, initiatives have been implemented to reduce work hours and improve work-life balance, such as designating Wednesdays as the day to encourage everyone to leave on time, prohibit all work after 10 pm, and also designating annual days off. To support more diverse workstyles, JFE Shoji has introduced work-at-home and flexible working hour systems. We also hold annual, company-wide Challenge Days that last about a month, to help all employees become aware of and practice a healthier work-life balance. For example, some employees commit to and follow through on leaving the office at the regularly scheduled time while others re-examine the way they work to improve organizational and individual productivity.

We are also striving to improve engagement (job satisfaction) by establishing a workplace where employees feel motivated and grow. We periodically monitor the scores of the annual engagement survey, digging deeper into the background of each department and setting action plans for improvement, leading to increased engagement.

In addition, we revised our personnel system so that individual evaluations can be more clearly reflected in salaries. In addition, interviews provide opportunities for feedback to individuals during which supervisors can share the details of evaluation results to subordinates and provide advice for improvement, allowing employees to feel a sense of growth. And supervisors and subordinates can discuss future career steps, designing the way they work from the perspective of the future, to bolster the perception of doing rewarding work.

Operational Reforms

JFE Steel

Promoting Operational Reforms that Leverage the Newest ICT

To reduce employee time spent on simple or repetitive tasks and free up more time for creative work, JFE Steel implemented RPA, a software to facilitate the automation of human work done on terminal devices. As of FY2023, RPA was deployed in over 900 types of operation, releasing over 110 thousand hours to be spent on other productive work.

JFE Steel is also expanding its RPA in-house development program, which began in the latter half of FY2020, across the company, with more than 410 people having completed the academy for development tools. Also, more than 260 employees generated over 6,800 hours through in-house development using low-code development tools, which began in FY2021. In addition to the low-code development tools, the company is promoting in-house development using workflow systems, to improve operational efficiency as well as promote workstyle reforms, such as eliminating the use of stamps and shifting to a paperless system. The time saved from these operational reforms will be used toward enhancing customer service.

To promote data-driven operational reform, the company will also rollout a new BI tool company-wide to speed up decision-making by visualizing and sharing data, thereby enhancing corporate competitiveness.

JFE Engineering

Promoting Operational Reforms Using Generative AI

In September 2023, with the goal of innovating business operations through the use of generative AI, JFE Engineering released Pla'cello xChat, the Company's AI text generator that helps minimize the risk of information leaks through unique security measures, for internal use. More than 1,000 employees are already using Pla'cello xChat to boost work efficiency in creating documents and organizing information, and for other tasks. Moreover, we are continuously promoting the automation of business operations through RPA. As of June 2024, approximately 300 business operations were automated, raising efficiency by automatically creating employee vacation attendance/leave management sheets, various reports, and notifications.

By introducing various systems, measures and tools to boost efficiency, JFE Engineering intends to achieve both work-life-balance and improved productivity while maximizing overall output.

JFE Shoji

J-MUSCLUE Activities

Since 2008, JFE Shoji has continued to promote operational reform activities aimed at increasing work efficiency and performance. In 2023, it changed the name of its activities from J-SLIM to J-MUSCLE to shift from efficiency to increased value. We will further revitalize these activities based on the concept of J-MUSCLE, which is intended to make the company much stronger by building up the added value of the muscles in the body, which has become slimmer by cutting away the waste.

At the 2023 J-MUSCLE presentation, 22 teams from JFE Shoji and domestic and overseas group companies presented their J-MUSCLE activities online, which was viewed by a total of 2,900 people across the group. These activities included reviewing how to share information, reducing work hours using cloud systems, improving the accuracy and efficiency of office work by utilizing data and EXCEL functions, holding joint study sessions with customers and other level-up activities, and revitalizing communication by improving the office environment. JFE Shoji is promoting the sharing and horizontal deployment of these activities that lead to improved productivity throughout the Group. Furthermore, the company will continue to foster a corporate culture that can flexibly adapt to the changing times and constantly seek change free of preconceived notions.

Invigorating Workplaces through Small Group Activities

JFE Steel

J1 Activities

In JFE Steel, approximately 1,200 small groups carry out J1 Activities* that have yielded various results in the key areas of quality and work improvement. In addition, the JFE Family Result Reporting Conference, which includes participation from Group companies, is held twice a year, and groups that excelled in the competition are dispatched to QC Conventions and affiliated companies in Japan and overseas to strengthen the J1 Activities.

*Designed to turn JFE into an excellent company and propel it to the number one position in its industry (called JE1 Activities at JFE Engineering and J1 Activities at JFE Steel and JFE Shoji).

JFE Engineering

Initiatives of JE1 Activities

JFE Engineering has about 250 teams and 2,000 employees, including those of group companies worldwide, involved in JE1 Activities. The results of these activities are showcased at a company-wide competition held at the end of the fiscal year. Activities focused on topics such as quality, efficiency, safety or costs contribute significantly to workplace vitality and corporate performance.

JFE Shoji

Further Revitalizing J1 Activities

JFE Shoji has been conducting J1 Activities in production divisions of its group companies in Japan as a means of improving their problem-solving skills in areas such as safety, quality, cost, operations and delivery target. The company holds annual competitions in which about 20 teams report their activity results and awards are given to the highest achieving teams. The company will continue to promote J1 Activities to improve workplace vitality and improve problem-solving skills.

Toward Sound Labor-Management Relations

The JFE Group engages in active discussions with the labor union regarding working conditions and various systems in order to foster a vibrant workplace. We take the union's opinions as representing the true perspectives of our frontlines employees, and we also identify issues and explore measures to create motivating work environments.

JFE Steel

Sincere Labor-Management Consultations

Recognizing that labor-management cooperation is essential for the company to fully tackle its business challenges, JFE Steel has established a strong relationship with its labor union based on understanding and trust. The company convenes its Labor-Management Business Discussion Committee four times a year to bring the president and other executives together with labor representatives for the purpose of exchanging ideas on business challenges. The two sides also share views on working conditions and workplaces and hold joint consultations whenever the labor system is revised.

JFE Engineering

Working Toward Sound Labor-Management Relations

JFE Engineering strives to ensure sound labor-management relations. In addition to Central Labor-management Committees, which are regularly convened for the company's president and other executives to share views with representatives of its labor union, a labor-management committee on work-life-balance helps to maintain friendly working environments.

JFE Shoji

Maintaining Sound Labor-Management Relations

JFE Shoji management and labor have jointly declared they will achieve continuous growth for the company, enhancing the lives of employees and realizing an affluent society based on mutual trust and understanding. The company maintains a sound relationship between management and labor. Semiannual Management Committee meetings are held as opportunities for the company president and other executives to regularly exchange opinions and share management information with representatives of the labor union.