

Governance: Executive Summary

With its many companies and partners, the JFE Group is engaged in a broad and diverse range of businesses, centered on the steel, engineering, and trading businesses.

Establishing a proper governance system is essential for increasing the autonomy and efficiency of each operating company and for appropriately managing various business risks, including those related to the environment, safety, and disaster prevention. It is also important for ensuring the Group's sustainable growth and improving corporate value over the medium to long term.

We have been enhancing corporate governance through such initiatives as formulating the Basic Policy on Corporate Governance, establishing the Nomination Committee and Remuneration Committee, introducing a stock remuneration system for Directors, and evaluating the effectiveness of the Board of Directors. We have also introduced indicators for employee safety and climate change to determine performance-linked remuneration for Directors. We will continue to improve our remuneration system for Directors to provide stronger incentives with a higher level of integrity and drive sustainable growth.

Thorough compliance is the foundation of our relationship of trust with stakeholders and the basis of our business activities. While we strive to ensure adherence to corporate ethics and compliance as a material issue of management, the JFE Group Sustainability Council, chaired by the president of JFE Holdings, supervises and provides guidance on compliance efforts, and important measures are reported to and deliberated by the Board of Directors for direction and supervision.

With regard to risk management, JFE Holdings as the holding company is responsible for the comprehensive risk management of the Group and has established a system under which its Board of Directors supervises risk management and confirms its effectiveness. JFE Holdings is continuously improving risk management for the entire Group based on discussions by its Board of Directors.

Objectives and results related to material issues of corporate management concerning governance

► [Material Issues of Corporate Management and KPIs](#) (P.18)

Key Initiatives

- [Introduction of non-financial metrics \(related to employee safety and climate change\) as indicators for performance-based remuneration for Directors](#) (P.220)
- [Third-party analysis and evaluation of the Board of Directors' effectiveness](#) (P.218)
- Disclosure of [skills matrix](#) for Directors and Audit & Supervisory Board Members (P.217)
- [Corporate Ethics Awareness Survey](#) implemented periodically for officers and employees of JFE Holdings and operating companies (P.230)
- [Ongoing oversight and confirmation of the effectiveness of Group-wide risk assessment by the Board of Directors](#) (P.231)

Corporate Governance

Basic Policy

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

We have also established the JFE Holdings, Inc. Basic Policy on Corporate Governance to express concretely the JFE Group's Corporate Vision of pursuing best practices in corporate governance and achieving further development in this area.

- ▶ [JFE Holdings, Inc. Basic Policy on Corporate Governance](https://www.jfe-holdings.co.jp/en/common/pdf/company/info/basic-policy.pdf) (https://www.jfe-holdings.co.jp/en/common/pdf/company/info/basic-policy.pdf)
- ▶ [Corporate Governance Report](https://www.jfe-holdings.co.jp/en/common/pdf/company/info/corporate-governance.pdf) (https://www.jfe-holdings.co.jp/en/common/pdf/company/info/corporate-governance.pdf)

Results

Major topics discussed during FY2023 Board of Directors meetings included the following.

- Progress of the Seventh Medium-term Business Plan
- Large-scale capital expenditures (expansion in production facility for grain-oriented electromagnetic steel sheets, other)
- Overseas business development (grain-oriented electrical steel sheet joint venture with JSW Steel Limited, India)
- ESG initiatives (e.g., efforts to achieve carbon neutrality, assessment and review of KPIs for material issues of corporate management)

Selected governance data can be accessed from the following link.

- ▶ [Governance Data](#) (P.259)

Systems and Initiatives

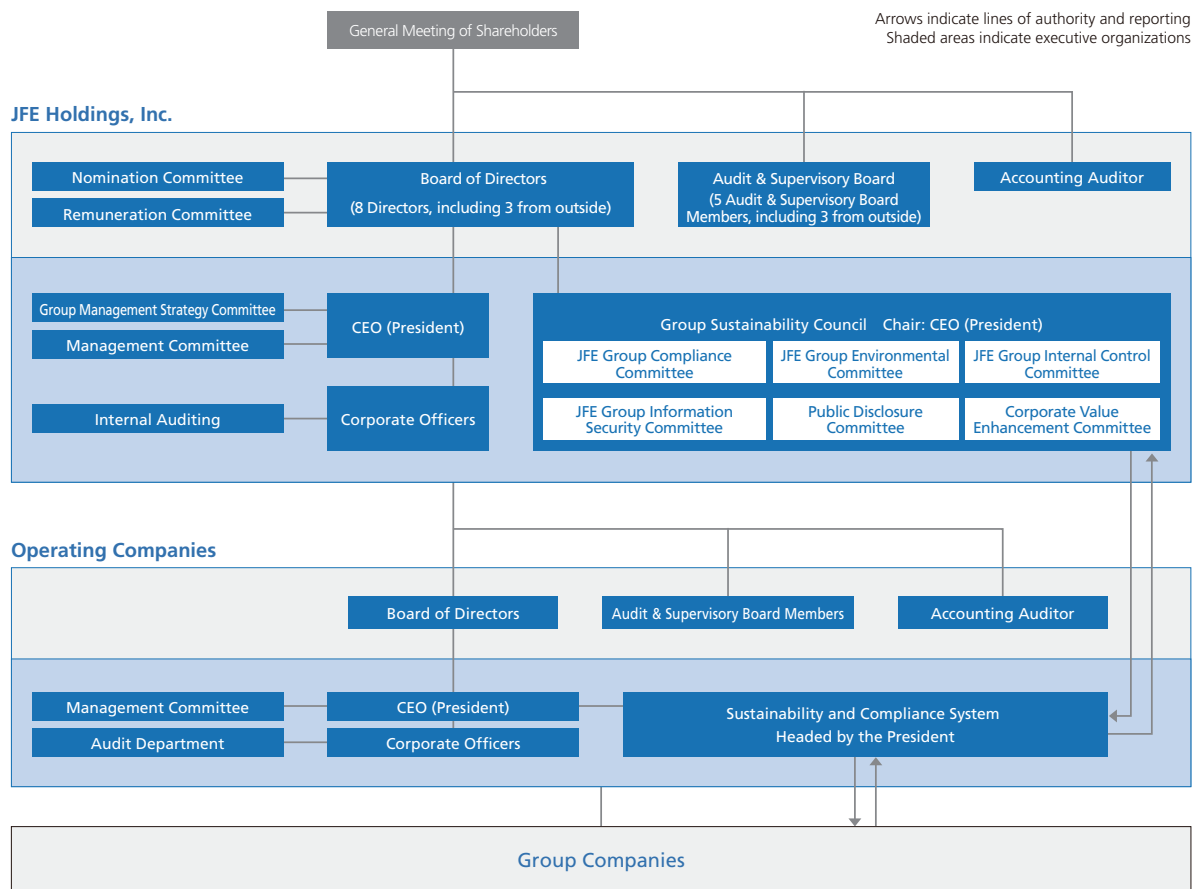
Corporate Governance System

Group Governance System

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

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

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

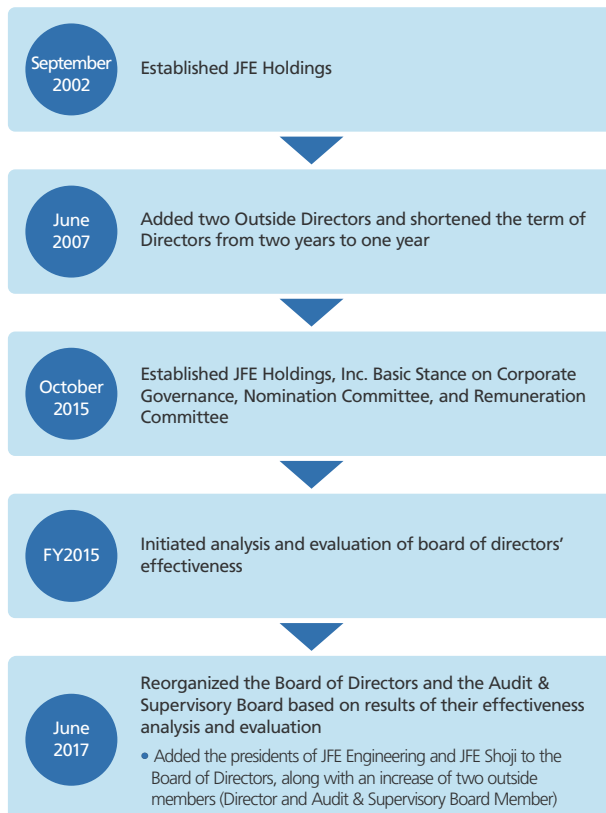


► [Governance Data](#) (P.259)

Governance System

JFE Holdings and each operating company have their respective Audit & Supervisory Board Members. The companies are crosschecked by the Directors, who supervise operational execution, and the Audit & Supervisory Board Members, who conduct audits. Also, a Corporate Officer system separates decision-making and execution to clarify authority and responsibility as well as to accelerate execution. JFE Holdings' Board of Directors is responsible for maintaining and enhancing management efficiency and passing resolutions as legally required, laying down key management policies and strategies and supervising operational execution. The Audit & Supervisory Board oversees management for the purpose of strengthening its soundness.

Major Initiatives to Strengthen the Governance System



Duties of the Board of Directors and other Bodies

Selection of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members

Independent Outside Directors comprise at least one-third of the total number of Directors. Independent Outside Directors are elected from nominees who can be expected to bear responsibility for strengthening governance, including those with proven experience in managing a global enterprise or who possess expertise and deep knowledge and satisfy our independence standards. Currently, three of the eight Directors are Independent Outside Directors.

Meanwhile, more than half of the Audit & Supervisory Board Members are from outside. Independent Audit & Supervisor Board Members are elected from nominees who can be expected to enhance the auditing function, including those with proven experience in managing a global enterprise or who possess expertise and deep knowledge and satisfy our independence standards. Currently, of the five Audit & Supervisory Board Members, three are Independent Outside Audit & Supervisory Board Members.

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

➤ [Governance Data: Directors and Audit & Supervisory Board Members](#) (P.260)

Approach to Diversity in the Board of Directors

With regard to the composition of the Board of Directors, the Company elects officers following deliberations by the Nomination Committee by focusing on the enhancement of diversity of the Board members, such as their expertise, knowledge and experience in various fields, while balancing with the appropriate size of the Board. One female Director and one Audit & Supervisory Board Member are currently in office. The Company also elects Directors and Audit & Supervisory Board Members who possess a wealth of knowledge and experience as management in global enterprises. In this way, the Company is working to enhance gender and global diversity. The company will continue to systematically engage in initiatives to foster such human resources suitable for candidates for Directors and Audit & Supervisory Board Members by setting specific targets.

Skill Matrix of Directors and Audit & Supervisory Board Members

We have established the JFE Holdings, Inc. Basic Policy on Corporate Governance for promoting sustainable growth of JFE Holdings, Inc. and the JFE Group, the medium- to long-term improvement of corporate value, and expressing concretely the JFE Group's Corporate Vision of pursuing best practices in corporate governance and achieving further development in this area. With regard to the composition of the Board of Directors, we strive to enhance the diversity of the Board members, such as their expertise, knowledge, and experience in various fields, and identify necessary skills of corporate management in light of our business and corporate management issues. The Company elects officers following deliberations by the Nomination Committee while balancing with the appropriate size of the Board.

The skill matrix of each Director and Auditor against identified skills in light of their knowledge, experience, and expertise are summarized below.

	Corporate Management, Management Strategy	Sustainability, Environment	Technology, DX	Finance and Accounting	Internal Control, Governance	Legal Affairs, Compliance	Human Affairs, Labor, Human Resource Development	Sales, Marketing	Business that Requires Knowledge
Representative Director Yoshihisa Kitano	●	●	●		●				Steel
Representative Director Masayuki Hirose	●	●			●			●	Steel
Representative Director Masashi Terahata	●	●		●	●	●	●		Steel, Trading
Director Toshinori Kobayashi	●	●	●		●			●	Steel, Trading
Director Kazuyoshi Fukuda	●	●	●		●			●	Engineering
Outside Director Masami Yamamoto	●	●	●		●				—
Outside Director Yoshiko Ando		●			●	●	●		—
Outside Director Keiichi Kobayashi	●	●	●		●			●	—
Audit & Supervisory Board Member Nobuya Hara	●			●	●				Steel
Audit & Supervisory Board Member Nakaba Akimoto					●	●			Steel, Engineering, Trading
Outside Audit & Supervisory Board Member Isao Saiki					●	●	●		—
Outside Audit & Supervisory Board Member Tsuyoshi Numagami	●			●	●			●	—
Outside Audit & Supervisory Board Member Takuya Shimamura	●	●			●			●	—

Nomination Committee and Remuneration Committee

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

The Nomination Committee deliberates and reports to the Board of Directors on matters pertaining to the basic policies related to the President of the Company, including election and dismissal, selection of candidates, and succession plans in addition to the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members. (Six meetings were held in FY2023, all with 100% attendance.) The Remuneration Committee deliberates on matters pertaining to the basic policy on the remuneration of Directors, etc., of the Company and each operating company and reports to the Board of Directors. (Three meetings were held in FY2023, all with 100% attendance.)

► [Governance Data: Nomination Committee and Remuneration Committee](#) (P.261)

Support for Directors and Audit & Supervisory Board Members

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

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

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

Analysis and Evaluation of the Effectiveness of the Board of Directors

Since FY2015, JFE Holdings has been evaluating the overall effectiveness of its Board of Directors based on its Basic Policy on Corporate Governance. Since FY2018, a third party has been conducting the analysis and evaluation to ensure objectivity. In FY2023, we conducted a questionnaire with all Directors and Audit & Supervisory Board Members.

Furthermore, we examined the results of our efforts in FY2023 to reflect the opinions and recommendations of the FY2022 evaluation.

Based on the discussions by the Board of Directors in light of the survey results and evaluation by the third-party organization, it was determined that the overall effectiveness of the Board has been ensured through vigorous discussions among members supported by sufficient preliminary briefings at the meeting for Outside Directors/Audit & Supervisory Board Members as well as by appropriate management and leadership by the chairperson.

The FY2023 initiatives reflecting the results of the effectiveness of evaluations up to FY2022 include the following.

- Apart from revising KPIs on diversity and inclusion and human resource development, we also discussed the awareness surveys on corporate ethics that have been conducted until recently. In addition, we reported the results of the engagement survey and our response to the Board of Directors in an effort to deepen our discussion on human capital management.
- We reported on the status of our initiatives on carbon neutrality and human rights due diligence at the Board of Directors meetings to confirm progress and encourage discussion on the challenges ahead. We also reported on issues related to sustainability and risk management, including the Group's approach to BCP as well as its approach to and policies on biodiversity, to enhance Board discussions.
- We improved reporting on risk information and management initiatives at the operating companies and Group companies. We also revised the frequency of our surveys on awareness of corporate ethics and related issues to more thoroughly instill awareness about corporate compliance and prevent risks from materializing. We continue to improve Group-wide risk management in accordance with discussions at Board of Directors meetings.

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

Furthermore, the following main issues were extracted from this survey for further improvement of effectiveness.

- Sustainable corporate growth depends upon considering the ideal state of the Group and its long-term strategies while at the same time further deepening discussions on human capital management and respect for human rights as well as other material management issues.
- From the perspective of enhancing corporate value, we must organize the agenda items for Board of Directors meetings to establish a balance between speedy decision-making with supervisory functions. We must also continue to consider the governance structure, including ways to further enhance diversity.
- To further strengthen risk management across the entire Group, we must continuously consider ways to develop our reporting of risk information, including that of subsidiaries and affiliates, to the Board of Directors.

In FY2024, we will continue to enhance the sharing of opinions between the Board of Directors and the executive members of operating companies. These efforts will include holding Board of Directors meetings at domestic operating companies and field visits by the Board members to domestic and overseas operating companies.

Given these issues, we will proactively implement initiatives to increase the effectiveness of the Board of Directors and enhance the Group's corporate value.

Operating System

Key Decision-Making

JFE companies are responsible for business decisions in accordance with their respective rules and procedures, whereas JFE Holdings makes decisions about Group-wide matters. Each operating company determines key matters through a deliberative process by its own Management Committee and Board of Directors. In April 2017, JFE Holdings changed the operating structure of key committees. Management strategies involving the entire group are now deliberated by the Group Management Strategy Committee and core issues of JFE holdings, the operating companies and the Group are deliberated by the Management Committee before they are submitted to the Board of Directors for resolution.

► [Governance Data: Operating System](#) (P.261)

Executive Remuneration

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

Outline of Policy for Deciding the Individual Remuneration for Directors and Corporate Officers

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

Outline of Policy for Deciding the Individual Remuneration for Directors and Corporate Officers

- Remuneration for Directors and Corporate Officers shall be determined by a resolution of the Board of Directors in accordance with the Basic Policy and the Decision Policy, based on reports from the Remuneration Committee.
- Remuneration for the Directors and Corporate Officers is comprised of basic remuneration and performance-linked remuneration (annual bonus and stock remuneration).
- Basic remuneration is paid as a fixed amount, in cash, each month according to position.
- An annual bonus is linked to the Company's single-year performance (calculated based on financial and non-financial indicators) and is paid in cash once a year.
- Stock remuneration is granted as the Company's shares and cash equivalent to the amount of the Company's shares converted to market value through the trust upon retirement.
- The ratios of remuneration by type are structured so that the higher the position, the greater the weight of performance-linked remuneration, and the ratio for the company's President when performance target goals have been attained is set so that the ratio of basic remuneration, annual bonus and stock remuneration stands at 6:2:2.

The Company pays only basic remuneration to Outside Directors and Audit & Supervisory Board Members, given their roles of supervising and auditing management from an independent and objective standpoint. Directors who concurrently serve as Executive Directors of operating companies shall not be paid the Stock Remuneration from the Company.

Performance-linked remuneration is calculated as follows.

- **Annual bonus**

Annual bonuses are calculated by taking the total segment profit for a single fiscal year and indicators related to employee safety and climate change as the performance-linked indicators and multiplying the level of achievement of these indicators by a given coefficient for each position.

We introduced one non-financial indicator related to employee safety in FY2022 and one related to climate change in FY2023. The employee safety indicator depends on the level of achievement of KPIs set for the operating company concerned, such as zero work fatalities and target lost-work injuries rate. The climate change indicator depends on the level of achievement of KPIs selected for the operating company concerned from "Contribute to resolving climate change issues (Initiatives for achieving carbon neutrality by 2050)." (See the following diagram.) Directors and Corporate Officers who have been dismissed or have committed any misconduct may lose the right to receive benefits based on a resolution of the Board of Directors. Directors and Corporate Officers who have already received benefits may be asked to return the amount based on a resolution of the Board of Directors if they engage in any misconduct.

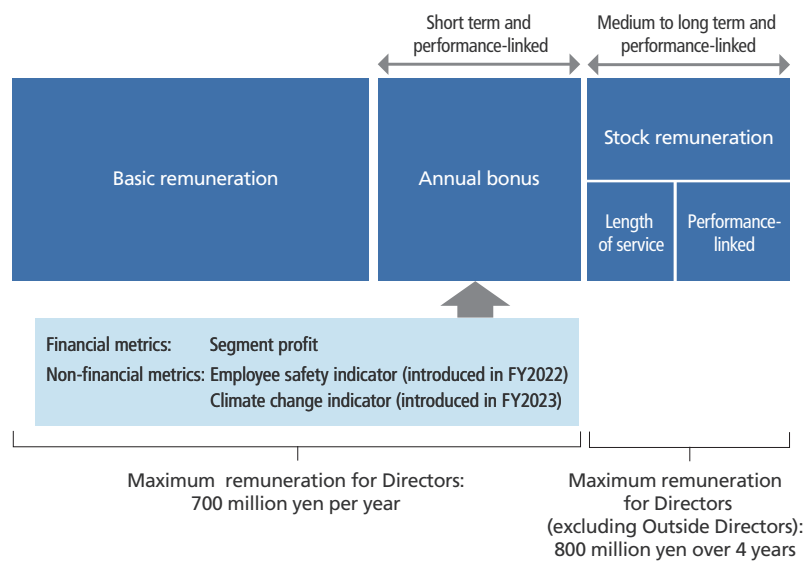
• Stock remuneration

Under the stock remuneration plan, a payment level is determined based on performance targets set in the Seventh Medium-term Business Plan of the Group. From FY2021 to FY2024, the payment level is determined according to the level of achievement of the target profit attributable to owners of the parent company of 220 billion yen per year, set under the Seventh Medium-term Business Plan. Furthermore, 5% or more return on equity attributable to owners of parent (ROE) is the minimal requirement for the payment.

Directors and Corporate Officers who have been dismissed or have committed any misconduct may lose the right to receive benefits based on a resolution of the Board of Directors. Directors and Corporate Officers who have already received benefits may be asked to return the economic value equivalent to the Company's shares already received, based on a resolution of the Board of Directors if they engage in any misconduct.

To achieve sustainable corporate growth for the Group, the Remuneration Committee and the Board of Directors continue to improve the remuneration system for Directors to serve as an incentive with a higher level of integrity.

■ Design of the Remuneration Plan for Directors



■ Conversion Rates (Achievement of Climate Change Indicators)

KPI	
Directors for JFE Steel	Achievement of the CO ₂ reduction target through energy conservation and technological development (75%) Achievement of target on the market launch or use of environmentally sound products and technologies (25%)
Directors for JFE Engineering	Achievement of reduction target for CO ₂ emissions from the operating company led by the Director (25%) Achievement of contribution target for CO ₂ reduction (75%)
Directors for JFE Trading	Achievement of reduction target for CO ₂ emissions from the operating company led by the Director (100%)
Directors for JFE Holdings	70% achieved by JFE Steel 20% achieved by JFE Engineering 10% achieved by JFE Trading

*1 Excluding Outside Directors *2 Weighted-average level of achievement among operating companies

▶ Executive Remuneration (P.262)

Internal Control

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

▶ [Basic Policy for Building an Internal Control System \(Japanese only\)](https://www.jfe-holdings.co.jp/company/info/pdf/naibutousei.pdf)

(<https://www.jfe-holdings.co.jp/company/info/pdf/naibutousei.pdf>)

Strengthening Internal Control

Internal Audits

JFE Holdings, its major operating companies, and key Group companies have internal audit organizations comprising 168 people as of April 1, 2024. These organizations share information to enhance overall auditing within the Group. They also report internal audit findings to the Board of Directors as well as to the Audit & Supervisory Board to maintain the effectiveness of internal audits.

To ensure the proper implementation of sustainability activities, the JFE Group assesses environmental management, Antimonopoly Law compliance, measures taken to prevent the bribery of public officials, expense management, overseas office management, tax law compliance, safety management, and disaster prevention by systematically including these areas in business operation audits conducted by the internal auditing department. If an audit finds an issue or problem, the internal audit departments of JFE Holdings and the operating company work together to share the information across the Group and incorporate lessons learned in sustainability activities conducted by the Group's companies.

Audits by Audit & Supervisory Board Members

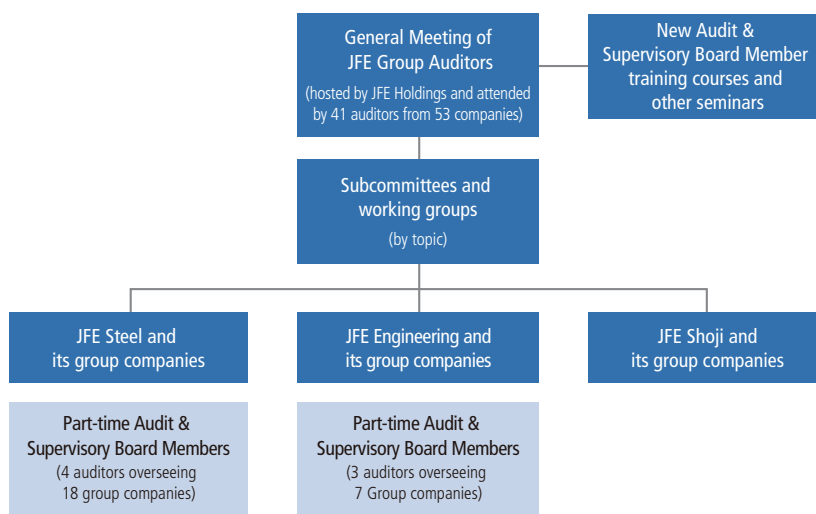
JFE has an Audit & Supervisory Board composed of five Members including three Outside Audit & Supervisory Board Members. Apart from attending the meetings of the Board of Directors, duties are shared between full-time and part-time Audit & Supervisory Board Members to attend meetings of the Group Sustainability Management Strategy Committee, Management Committee, and Group Sustainability Council, among other important meetings, and express opinions as appropriate. To audit the execution of Directors responsibilities, they engage in activities such as conducting hearings with Directors and Corporate Officers regarding operational status and receiving operational reports from operating companies and Group companies. In addition to undergoing statutory audits, JFE companies take the following initiatives to strengthen coordination among Audit & Supervisory Board Members by sharing information and ensuring the effectiveness of internal auditing by the Audit & Supervisory Board Members.

A total of 34 full-time Audit & Supervisory Board Members have been appointed to 29 companies, including JFE Holdings. Operating company personnel are dispatched to Group companies as part-time Outside Audit & Supervisory Board Members. Each dispatched Audit & Supervisory Board Member serves one to five subsidiaries to perform audit and enhance Group governance. Seven Audit & Supervisory Board Members served 25 companies in total.

The JFE Group Board of Auditors includes both full-time Audit & Supervisory Board Members of each Group company and part-time Audit & Supervisory Board Members. Subcommittees and working groups created to address specific issues meet autonomously to share information, investigate issues and enhance understanding. The findings of the year's activities are presented at the general meeting of JFE Group Auditors and used for audits.

▶ [Governance Data: Operating System](#) (P.261)

■ Structure of JFE Group Board of Auditors



Cooperation between Audit & Supervisory Board Members and Accounting Auditor

In FY2023, the Audit & Supervisory Board Members held eight scheduled or unscheduled meetings with Ernst & Young ShinNihon, JFE’s outside accounting auditor, in which the latter presented its audit plan, completed work and detailed results. The firm also presented a detailed explanation of its quality management system to confirm its validity. In turn, the Audit & Supervisory Board Members explained their own audit plans and other matters to the firm. The two sides also shared opinions on related matters.

Cooperation between Audit & Supervisory Board Members and Internal Auditing Department

In FY2023, the Audit & Supervisory Board Members held ten scheduled or unscheduled meetings with the internal auditing department, in which the latter presented its internal audit plan, work status and detailed results. During the meetings, the Audit & Supervisory Board Members also shared opinions with the department.

Operating Company Governance

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

Policy on Listed Subsidiaries and Listed Affiliates

(1) Significance of having listed subsidiaries and affiliates based on group management approach and policies

To put into practice the Group's corporate vision of contributing to society with the world's most innovative technology, and also to realize sustainable growth and enhancement of medium- to long-term corporate value, the JFE Group forms corporate groups comprising companies with high expertise, divides business functions within the Group, and conducts businesses development outside of the Group. Within these groups, JFE Steel Corporation, a subsidiary of the Company, owns one listed subsidiary and four listed affiliates described below.

For the listed subsidiary among them, the Company seeks an optimal structure based on the business relationship with JFE Steel Corporation, its parent company, and maintains its listing based on a comprehensive judgement that listing is necessary for the company's growth and increasing the value of the Group as a whole, from the perspective of market recognition and credibility in funding, sales and marketing, and hiring.

In addition, the four listed affiliates maintain their listing as a means to enhance their competitiveness from the perspectives of market recognition and credibility in funding, sales and marketing, and hiring. JFE Steel Corporation holds some shares in the four companies because of associated benefits such as the exchange of steel manufacturing-related technologies and human resources.

Listed Subsidiary

JFE Systems, Inc. (Tokyo Stock Exchange, Standard Market)

The main business of JFE Systems includes system integration consisting of planning, designing, development, operation, and maintenance of information system, system construction utilizing solutions, and the company's own products, and IT infrastructure solutions that support the business system. Computer systems are an important foundation in the steel business that support overall business activities, including order acceptance, production, shipment, and quality management, and in using a variety of data. Guaranteeing the accumulation of know-how and the continuation of personnel exchanges by holding JFE Systems as a subsidiary will also be indispensable for maintaining the competitiveness of JFE Steel in pressing ahead with digital transformation.

JFE Systems, Inc.'s predecessor, Kawasaki Steel Systems R&D Corporation, was listed on the 2nd Section of the Tokyo Stock Exchange in March 2001. As of March 31, 2024, the JFE Group holds 67.9% shares of JFE Systems, Inc.

Listed Affiliates

Gecoss Corporation (Tokyo Stock Exchange, Prime Market)

Gecoss Corporation is mainly engaged in the rental and sales of temporary construction materials, as well as in design and construction of temporary works, etc. Gecoss Corporation's predecessor, Kawasho Lease System Co., Ltd., was listed on the 2nd Section of the Tokyo Stock Exchange in August 1994 and was subsequently reassigned to the 1st Section of the Tokyo Stock Exchange in September 1996.

Furthermore, Gecoss Corporation used to be a subsidiary of JFE Steel Corporation, but it was determined that further enhancing Gecoss Corporation's independence as well as strengthening its existing business and creating new business opportunities through a capital and business alliance with Mizuho Leasing Company, Limited would contribute to increasing the corporate value of the company and the JFE Group. As such, some shares of Gecoss Corporation were sold to Mizuho Leasing Company, Limited in May 2024. The JFE Group as a whole currently holds 39.5% shares of the company.

Shinagawa Refractories Co., Ltd. (Tokyo Stock Exchange, Prime Market)

Shinagawa Refractories Co., Ltd. is mainly engaged in the manufacture and sale of refractories as well as engineering services such as furnace design and construction. Shinagawa Shirorenga, the predecessor of the company, was listed on the 1st Section of the Tokyo Stock Exchange in May 1949 and subsequently became an affiliate of JFE Steel Corporation. As of March 31, 2024, the JFE Group holds 34.9% shares of Shinagawa Refractories Co., Ltd.

Nippon Chuzo K.K. (Tokyo Stock Exchange, Standard Market)

Nippon Chuzo K.K. is mainly engaged in the formed and fabricated materials business to manufacture a variety of casting products and the engineering business to design and manufacture bridge components, etc. The company was listed on the 2nd Section of the Tokyo Stock Exchange in October 1961. As of March 31, 2024, the JFE Group holds 36.2% shares of Nippon Chuzo K.K.

NIPPON CHUTETSUKAN K.K. (Tokyo Stock Exchange, Standard Market)

NIPPON CHUTETSUKAN K.K. is mainly engaged in the manufacture and sale of ductile iron pipes and polyethylene pipes, as well as water pipe laying works. The company was listed on the 2nd Section of the Tokyo Stock Exchange in July 1962 and subsequently became an affiliate of JFE Steel Corporation. As of March 31, 2024, the JFE Group holds 30.0% shares of NIPPON CHUTETSUKAN K.K.

The aforementioned five companies are subject to rules different from those applicable to other consolidated subsidiaries and affiliates based on the guidelines of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange regarding listed subsidiaries, and other measures are also taken so as to ensure that each of the companies conducts autonomous corporate activities exercising autonomy and flexibility. Each company also secures management independence as listed companies mainly by appointing outside directors who are independent from each company, JFE Steel Corporation and the Company and by establishing special committees composed of independent members such as independent outside directors, and makes sure that the interests of the said subsidiary or affiliate, as well as the interests of shareholders of the subsidiary or affiliate other than the Company, will not be unfairly impaired.

With regard to the adjustment and allocation of business opportunities and business areas for the listed subsidiary and affiliates, the Company respects autonomous management decisions made by each company, except in cases where such decisions have a significant impact on the Company's consolidated financial statements.

In addition, each company independently raises and manages funds based on its own financial strategy. Although the Company receives fund deposits from the listed subsidiary, the transaction terms are determined rationally in consideration of market interest rates, etc.

With respect to matters necessary for the Group's risk management, prior consultation and reporting are required from each company while securing their independent decision-making, so as to implement risk management as a member of the Group companies.

(2) Measures to ensure the effectiveness of governance systems at listed subsidiaries and affiliates

Each company independently formulates its own proposals regarding the nomination of officers. JFE Steel Corporation fully respects the independence of each company and the decisions made by each company's nomination committee, and exercises its voting rights with the aim of improving each company's corporate value in the medium to long term.

To maximize the benefits of technological and personnel exchanges with each company, the Company and JFE Steel Corporation may recommend director candidates in some cases.

Furthermore, we shall regularly verify the significance of maintaining the listing of the listed subsidiaries and take necessary measures upon confirmation at its Board of Directors. The above details were verified and discussed at a Board of Directors meeting in May 2024.

Basic Policies for Strategic Shareholdings and Exercise of Related Voting Rights

All shares held by the Company are the shares of subsidiaries or affiliates. In principle, the Company's wholly owned subsidiaries and operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Corporation (hereinafter "Operating Companies"), do not hold domestic listed stocks as strategic shareholdings. Strategic shareholdings, however, are allowed as an exception when holding the stocks of the Company is determined to be necessary for maintaining and achieving growth for the Group.

The Board of Directors regularly confirms the relative value of the strategic shareholdings and whether the benefits and risks of such holdings are commensurate with their capital cost, and sell shareholdings that are not significant or if there is a risk of damage to shareholder interests. In FY2023, the Company sold all or part of 30 stocks for 21.6 billion yen (market value). Furthermore, the Board of Directors regularly examines the significance of strategic holdings and the return on investment.

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

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

■ Number of Issues and Amount Reported in the Balance Sheet

	FY2019 year-end	FY2020 year-end	FY2021 year-end	FY2022 year-end	FY2023 year-end
Number of issues	219	171	146	138	127
Total balance sheet amount (billion yen)	166.1	96.0	71.2	59.0	60.8

Compliance

Basic Policy

In expanding our businesses in Japan and abroad, it is important that JFE maintains relationships of trust with all stakeholders, including its customers, shareholders and local communities. Trust can only be built upon a strong foundation of ensuring thorough compliance. Misconduct and scandals resulting from compliance violations can instantly shatter the trust that has taken many years to establish. Therefore, JFE believes it is extremely important that all members of the organization deepen their knowledge and awareness of compliance and perform their jobs accordingly. It conducts training on various topics such as the Antimonopoly Act, the Subcontract Act and anti-corruption, including prevention of bribery of public officials, using e-learning and compliance guidebooks and through guidebook reading sessions as well as by other means.

Compliance System

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

For more on the JFE Group Standards of Business Conduct, please refer to the following information.

▶ [JFE Group Standards of Business Conduct](https://www.jfe-holdings.co.jp/en/company/philosophy/guideline.html) (https://www.jfe-holdings.co.jp/en/company/philosophy/guideline.html)

Targets and Results

The JFE Group Standards of Business Conduct guide employees to conduct their business activities based on the Corporate Vision and Corporate Values. They also help to strengthen awareness among all JFE Group executives and employees and ensure adherence to corporate ethics. We promote the initiatives by upholding the Ensure Adherence to Corporate Ethical Standards and Compliance as material issues of corporate management and setting KPIs to achieve those targets.

▶ [Performance Evaluation for FY2023 KPIs and Establishment of FY2024 KPIs](#) (P.18)

Initiatives

Ensure Adherence to Corporate Ethical Standards and Compliance

Compliance Education

The JFE Group's Compliance Guidebook, created as part of our effort to foster corporate compliance culture across the Group, is distributed to all Directors and employees inside and outside Japan for individual and group review. In addition to information about laws and ordinances relevant to our business activities, it provides guidance on which actions comply with internal rules and which do not (such as cartels, collusive bidding, the bribing of public officials, insider trading, harassment, and other acts in violation of laws related to the environment, labor standards, and occupational health and safety). The guidebook also provides a simple explanation of concrete standards for complying with laws and internal rules and for acting in accordance with social mores with over a hundred case studies.

Questions that come up in the course of daily operations as well as situations and cases that test our judgment have been compiled in the guidebook with explanations by the relevant department. The content has been reviewed by legal counsel. The guidebook has been reviewed according to the revisions of relevant laws and rules, and some of the cases described have been added, revised, or omitted since the first edition in 2006 to improve its overall content.

The JFE Group also conducts training on compliance with the Antimonopoly Act, insider trading restrictions, security export controls, the Construction Business Act, anti-corruption laws including laws against bribery of public officials, and more.

Whistleblowing System

The JFE Group has established a Corporate Ethics Hotline, a contact point accessible to all officers and employees (including contract workers, part-time workers, and temporary staff, either active or retired) of the JFE Group as well as those of suppliers and other business partners. The purpose of the hotline is to ensure adherence to corporate ethics and compliance and to prevent corruption and human rights abuses. Reports and consultations are accepted via e-mail, a dedicated phone line and postal mail, anonymously if preferred, and an external hotline to an independent law firm is also provided.

To encourage the active sharing of information, the Corporate Ethics Hotline is operated under rules and regulations that ensure strict confidentiality and protect people who report information or seek advice against acts of retaliation. We investigate the facts of any incident that has been reported on and consulted about only after consulting with the whistleblower to protect their privacy, and feedback the investigation results to the whistleblower if requested.

We strive to prevent incidents of misconduct and ensure the early detection and correction of wrongdoing by accepting consultations and reports, ranging from compliance issues such as violation of the Antimonopoly Act, corruption, and bribery, to human rights abuses including misconduct and harassment in the workplace. In the event that violations of laws are confirmed, corrective and remedial measures are taken in the organization involved. Details of the reports and consultation received at the Corporate Ethics Hotline are regularly communicated to full-time Audit & Supervisory Board Members while the operational status of the system is reported to the Board of Directors for their supervision.

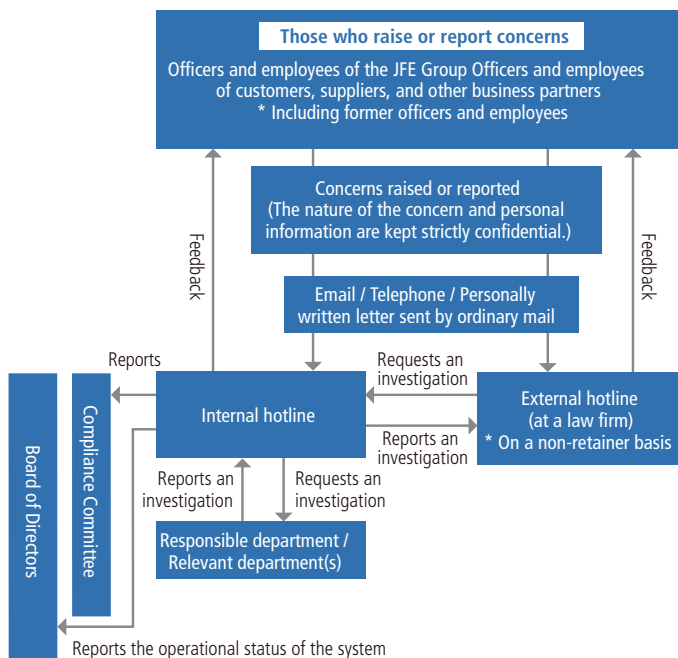
We also accept inquiries, anonymously if preferred, on compliance and other issues from external stakeholders via a form available on the corporate website. The content is handled as confidential and appropriately addressed.

Procedures for handling illegal acts or other violations:

- Departments responsible for compliance at JFE Holdings and each operating company carry out necessary responses, such as implementing the initial response, confirming facts, investigating the cause, and developing measures to prevent recurrence.
- Departments responsible for compliance at each company report on the facts, cause, and recurrence prevention measures to the Compliance Committee at each company to confirm the cause and assess the effectiveness of recurrence prevention measures and the responsibility of related parties.

- Matters such as major violations are reported to the Compliance Committee to be shared across the entire Group and to facilitate horizontal implementation of recurrence prevention measures to make sure that no similar violations occur anywhere in the Group.

Whistleblowing System



Preventing Corruption and Bribery

Under its Standards of Business Conduct, the JFE Group endeavors to comply with laws and ordinances, compete fairly and freely, refrain from illegal business activities, and build and maintain sound and proper relationships with governments and political authorities.

We explicitly prohibit bribery, such as the offering and receiving of illegal payoffs, excessive entertaining or favors, as well as corruption such as embezzlement from a position of advantage and promotion of conflicting interests. The Group strives to thoroughly prevent corruption by stating in its Company rules that these offenses will be penalized.

In addition, under its Standards of Business Conduct, the JFE Group endeavors to build and maintain sound and proper relationships with governments and political authorities. The bribing of public officials has become a major business risk in recent years due to growing global awareness of corruption and a stronger drive by authorities to expose such wrongdoing. The JFE Group does not tolerate any kind of illegal activity in Japan or any other country, including bribery, such as offering money or other benefits to public officials, and never resorts to these illegal activities to gain profit or resolve problems.

Considering this, the Group issued JFE Group's Basic Policy on Preventing Bribery of Public Officials and disseminate it throughout the Group including operating companies. The JFE Group also maintains various systems to prevent the bribery of public officials, such as by stipulating that efforts be made to use third-party appointment checklists or have an anti-bribery confirmation letter signed when using external parties including agents or consultants who may have connections with overseas public officials.

For more on our stance on preventing bribery, refer to the following information.

▶ **JFE Group's Basic Policy on Preventing Bribery of Public Officials**

(<https://www.jfe-holdings.co.jp/en/company/philosophy/anti-bribery.html>)

Tax Transparency

The JFE Group upholds the JFE Standards of Business Conduct and complies with both the letter and spirit of the tax laws of each country as well as international rules, including the taxation guidelines issued by the Organization for Economic Co-operation and Development and other international institutions. We will pay taxes in every country where we do business in a timely, appropriate, and fair manner.

Moreover, we seek to forge relationships of trust with the tax authorities in each country by raising transparency and without resorting to tax planning or the use of tax havens to evade taxation.

Resisting Organized Crime

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

The JFE Group Policies for Addressing Antisocial Forces has been approved by the Board of Directors, and we will seek to establish sound corporate management based on an organized and unified response to the issue within the framework of our system of compliance. We have specifically set up a section responsible for handling antisocial forces in the General Administration and Legal Affairs departments of each Group company to completely discontinue any dealings with antisocial forces. We will also set up rules for reporting and responding to any related incidents and will resolutely stand against antisocial forces by cooperating with law enforcement.

In addition, we will seek to establish thorough awareness of the JFE Group Policies for Addressing Antisocial Forces and specific rules governing our response among all executives and employees by providing e-learning and distributing the Compliance Guide Book.

Compliance with the Antimonopoly Act

The JFE Group views past violations of the Antimonopoly Act seriously and continues to implement thorough measures to eliminate the possibility of future infringements. The internal audit departments of JFE Steel and JFE Engineering are auditing transactions with other companies to ensure compliance with the Antimonopoly Act by confirming that no activities are suspected of violating the law. The audits are being conducted regularly at each office, including branches and branch offices. Each Group company is implementing similar measures to prevent violations of the Antimonopoly Act.

We are increasing the effectiveness of these recurrence prevention measures by regularly reporting relevant activities to the Compliance Committee.

Confirmation and Improvement through the Employee Awareness Survey

The JFE Group regularly conducts a Corporate Ethics Awareness Survey (previously once every three years, but now once every two years since FY2024) for Directors and employees of the Company as well as the operating companies to confirm the penetration of and thorough compliance with the Group's Corporate Vision, Corporate Values, and Standards of Business Conduct, along with the identification of potential risks. The survey conducted in FY2022 confirmed that many employees acknowledged the vision and corporate policy and are aware of compliance in the course of their work. On the other hand, the survey also brought our attention to issues to address going forward. Issues identified are reflected in the specific initiatives of each company for improvement under the supervision of the JFE Group Sustainability Council and the Board of Directors.

Indictment of JFE Group Company Employees

Three employees of JFE Engineering Corporation were indicted for alleged involvement in obstructing bids concerning the construction contracted with Taketomi Town, Okinawa Prefecture. One of them, now a former employee of the company, was convicted in August 2022, while the other two were convicted in October 2023 by the Naha District Court.

We deeply regret this situation and sincerely apologize for the inconvenience and concern caused to many of the related parties.

We regard this matter very seriously and sincerely. We will strive to regain public trust as early as possible by preventing a recurrence through the implementation of measures addressing the identified causes of the incident.

Risk Management

Basic Policy

In order to enable the Group to achieve sustainable growth with ever-increasing corporate value through the pursuit of the JFE Group's vision of "contributing to society with the world's most innovative technology," we have properly identified risks across the Group. Our risk management system is subject to ongoing improvement, and effective measures are taken to eliminate as many foreseeable risks as possible.

Risk Management System

JFE Holdings is responsible for comprehensive risk management of the Group in accordance with its Basic Stance for Building an Internal Control System by establishing a system whereby the Board of Directors oversees risk management and confirms its effectiveness.

Specifically, corporate officers are responsible for recognizing risks, and those deemed material are then confirmed and assessed by the JFE Group Sustainability Council, chaired by the CEO (president) of JFE Holdings. Next, the CSR Council deliberates and decides on countermeasure policy and action plans for risk management. Such risks include business activities; compliance-related matters such as compliance with the Antimonopoly Act and laws related to anti-corruption including bribery of public officials, observance of company policy and regulations such as the Corporate Vision and JFE Group Standards of Business Conduct; and ESG risks such as those related to the environment, climate change, human affairs, labor, safety and disaster prevention; human rights abuses such as sexual harassment and power harassment, quality management, financial reporting, and information security.

The Board of Directors oversees risk management and confirms its effectiveness by regularly receiving reports on Group policy and action plans on risk management, and through deliberation and decision-making on important matters regarding risk management.

We will continue improving Group-wide risk management in accordance with the discussion by the Board of Directors.

For our risk management policies and systems, refer to the following information.

▶ [Basic Policy for Building Internal Control Systems \(Japanese only\)](#)

(<https://www.jfe-holdings.co.jp/company/info/pdf/naibutousei.pdf>)

▶ [JFE Group Sustainability System](#) (P.10)

▶ [Development of the Whistleblowing System](#) (P.228)

Initiatives

Response to Specific Risks

Response to Climate Change Risks

The JFE Group places initiatives on climate change as top-priority business concerns, and it formulated the JFE Group Environmental Vision for 2050 to achieve carbon neutrality by 2050. In the Seventh Medium-term Business Plan, the Group established managerial targets to reduce CO₂ emissions from the steel business by 18% from FY2013 levels by the end of FY2024 and by over 30% from FY2013 levels by the end of FY2030, and further achieve carbon neutrality by 2050 in multiple ways.

Risks are identified and evaluated based on a scenario analysis conducted under the framework recommended by the TCFD, and important factors that may affect management are selected for further analysis and used in formulating business strategies, including the Seventh Medium-term Business Plan.

For climate change risks and opportunities, refer to the following information.

▶ [TCFD Recommended Scenario Analysis](#) (P.104)

Intellectual Property Management

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

Privacy Protection

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

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

To reduce information security risks, including cyber-attacks and improper system use such as leaks of personal information, and to promote safe business activities, the JFE-Security Integration and Response Team (JFE-SIRT), comprising the IT division managers of each operating company, participates in the Nippon CSIRT Association, established by private sector volunteers and corporate Computer Security Incident Response Teams (CSIRTs) active in Japan. We seek to enhance the level of our initiatives by exchanging information and coordinating on security incidents.

For privacy protection policies, please refer to the following information.

▶ [JFE Group Privacy Statement](https://www.jfe-holdings.co.jp/en/privacy.html) (https://www.jfe-holdings.co.jp/en/privacy.html)

Information Security

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

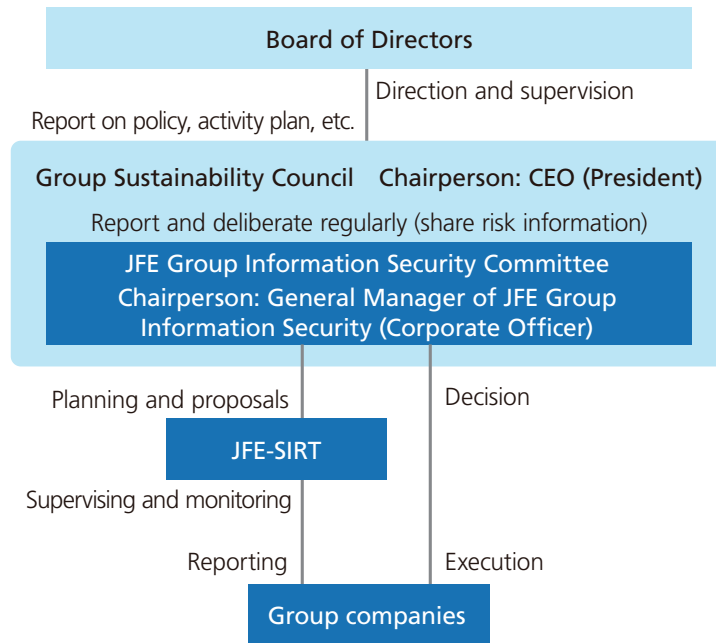
Key issues related to IT, particularly information security, are deliberated by the JFE Group Information Security Committee to determine Group policy.

Applying the policies set by the committee, the JFE-SIRT formulates and implements information-security measures, performs information security audits, offers guidance on responding to incidents and generally enhances the level of Group-wide information security management. The JFE-SIRT reports on its activities to the Group CSR Council as appropriate. In addition, we established JFE Cyber Security & Solutions, Ltd. in April 2024 to acquire and train high-level security personnel and strengthen security monitoring and other systems.

For more details on JFE’s information security, refer to the information in the management section of the DX REPORT.

▶ [DX REPORT](https://www.jfe-holdings.co.jp/en/investor/library/dxreport/index.html) (https://www.jfe-holdings.co.jp/en/investor/library/dxreport/index.html)

■ Digital Governance and Cyber Security Framework in the JFE Group



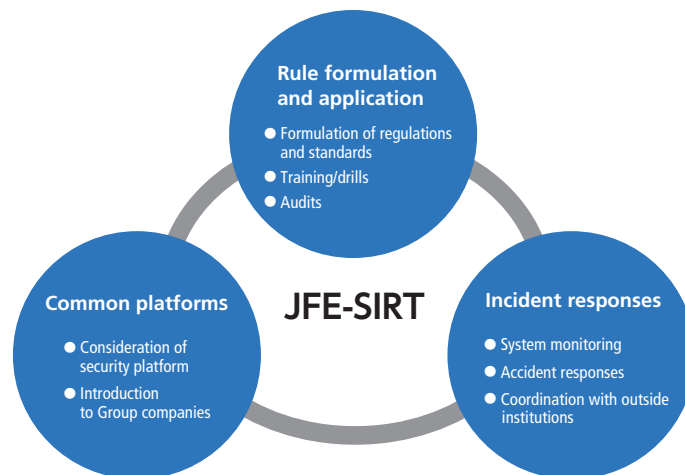
Cybersecurity

The JFE Group Declaration of Cybersecurity Management was revised in January 2023. Even as we consider cybersecurity as a vital investment for our digital transformation, we understand its continual enhancement is also a material management concern given the increasing frequency and sophistication of cyber threats. Cybersecurity measures are being accelerated under management leadership, mainly through the JFE-SIRT.

For more details about our cybersecurity measures, please see Security Management in the DX REPORT.

► [DX REPORT](https://www.jfe-holdings.co.jp/en/investor/library/dxreport/index.html) (https://www.jfe-holdings.co.jp/en/investor/library/dxreport/index.html)

■ Cybersecurity monitoring initiatives



Responding to Human Rights Risks within the Supply Chain

The JFE Group procures raw materials, construction materials, and machinery from all over the world. In response to human rights risks associated with the supply chain, the Group established the JFE Group Human Rights Basic Policy in 2018 to take action in accordance with the United Nations Guiding Principles on Business and Human Rights. Each operating company has established raw material purchasing policies, purchasing and procurement policies, and a basic policy on sustainability in the supply chain, and they carry out purchasing in a way that respects human rights, legal compliance, and environmental preservation.

In addition, the Group has been conducting human rights due diligence since FY2021. In April 2023, we revised the JFE Group Human Rights Basic Policy to take account of recent changes in public awareness and issues surrounding human rights. Furthermore, we have endorsed the Ten Principles of the UN Global Compact, which cover protection of human rights, elimination of unfair labor practices, environmental protection, and prevention of corruption. We are a member of the Global Compact Network Japan, an organization that promotes Global Compact activities in Japan. We also participate in the subcommittee activities of the Global Compact Network Japan, and we have been promoting our own initiatives based on information shared with participating companies and organizations. All supply chain members and other stakeholders will continue to be called upon Group-wide to respect and support human rights.

For more details on our human rights due diligence initiatives, refer to Human Rights.

▶ [Human Rights](#) (P.166)

JFE Group's Business Continuity Plan

Anticipating the possibility of natural disasters caused by typhoons and major earthquakes as well as a rapid expansion of infectious diseases such as a new strain of influenza, the JFE Group has formulated a business continuity plan (BCP) to address contingencies. We conduct regular training based on the BCP while also pursuing other countermeasures.

In the event of a major earthquake, the Group Sustainability Council will promptly discuss and determine the policy on how to deal with the matter, based on predetermined response processes to minimize loss and other damages.

Response to Major Natural Disasters

We are preparing to respond in the event of a major earthquake through measures such as establishing tsunami shelters, maintaining a Company-wide line of command under restricted communications and power outages, and securing data backup. We have also strengthened the drainage system at our steelworks to address the impact of typhoons and torrential rains that are occurring with increasing severity in Japan.

Response to Infectious Diseases

Apart from the development of policies against novel influenza virus infections, we have been taking simulation-proven measures for varying scenarios to maintain key operations and prevent stoppages, including those at steel production sites and steelworks, even if there is an increase in the absence rate due to the spread of a disease. The policies are periodically reviewed and improved by the JFE Group Sustainability Council and other relevant bodies. Moreover, as a measure to protect employees against the threat of infectious diseases, we provide vaccinations and health checkups for employees, as well as their families, who are assigned to countries outside Japan and for those who go abroad for work. In addition to safety information in the destination countries, we also provide information about local infectious diseases and prohibit employees from going abroad to protect their safety, depending on prevailing circumstances.