

# Improving Work Engagement

## Initiatives

The successful execution of our business strategies depends upon every individual in the talent portfolio fully demonstrating their abilities and thriving. To this end, we are developing an environment where every employee experiences a strong sense of work engagement. Companies across the Group are actively implementing initiatives to enhance a supportive working environment, such as promoting flexible workstyles that make it easier to take leave, as well as initiatives to increase work engagement through business process reforms and revised HR systems.

### Enhancing a Supportive Work Environment and Work Engagement

The JFE Group and each operating company conduct an annual engagement survey, set KPIs to maintain a sense of current employee awareness, and use the results to identify issues and plan effective measures related to work engagement. In addition, we refer to the results of periodic corporate ethics awareness surveys to foster more comfortable working conditions.

The JFE Group complies with laws and regulations related to salary payments and sets wages above the minimum levels specified by country, region, and industry sector to meet living wage requirements. It also provides a challenging and fulfilling working environment by offering industry-leading employment conditions and performance-based bonuses linked to Company profits while complying with regulations such as on overtime work.

Furthermore, the Group offers generous welfare benefits, including dormitories and Company housing to create a stable environment for our employees and encourage them to remain with us for many years.

Positive Response Rate to Questions in the Engagement Survey

	FY2022	FY2023	FY2024
JFE Steel	72%	72%	70%
JFE Engineering	79%	81%	81%
JFE Shoji	78%	80%	77%

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### Initiatives to Improve Work Engagement

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 improve work engagement 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 company provides a variety of support and initiatives to enhance employee job satisfaction, and employees in turn contribute by maximizing their abilities. Through this cycle of the company and its employees meeting each other's expectations, we aim to build a culture that strengthens mutual trust and continuously enhances corporate value. The Culture Transformation Section, established within the Human Resources Strategy Headquarters, leads the entire project and develops action plans in cooperation with related departments.

The environment surrounding the company is changing drastically, including carbon neutrality, a declining population, and falling domestic demand. Under these circumstances, we must redefine what we wants to be in the future, the reason for its existence in society, and how we currently define our long-term vision, so that employees can work with their own dreams and expectations for the future. With this in mind, the company formulated its corporate purpose, vision, and values, and action is being taken through the ReFuture PROJECT to promote employee recognition, understanding, empathy, and action related

to these statements. Furthermore, in October 2024, we revised 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, greater transparency in evaluations, and enhanced 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.

\*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.

Key Initiatives for the ReFuture PROJECT in FY2025

Item	Outline
① Formulating our vision	Embedding our corporate purpose, vision, and values
② Operational reforms	Reviewing business processes, promoting digitalization, and improving operations by putting our values into practice, etc.
③ Improving the workplace environment	Realizing more comfortable working environments through focused investment in offices and other facilities, mainly at manufacturing sites
④ Reviewing personnel and compensation systems	Embedding management practices aligned with the intent of revisions, and diversifying workstyles and leave-taking among on-site employees, etc.
⑤ Transforming communication	Promoting corporate culture transformation through two-way dialogue (e.g. management employees, general managers   subordinates)
⑥ Improving management/ strengthening leadership	Promoting management aligned with the corporate purpose, vision, and values through the restructuring of management training and other measures
⑦ Supporting growth and career autonomy	Expanding voluntary (self-nominated) training programs and internal transfers through open recruitment
⑧ Enhancing psychological safety and organizational climate reform	Promoting soft initiatives that lead to changes in awareness and behavior to enhance psychological safety and transform organizational culture

Purpose, Vision, and Values of JFE Steel

Purpose	Dream for your Future, Steel takes you Further.	
Vision	<ul style="list-style-type: none"> <li>Leading the steel industry as the top runner in carbon neutrality.</li> <li>Building on a solid domestic business foundation and pursuing fresh growth through bold inroads into overseas markets, and new fields.</li> </ul>	(Profit target) FY2035 segment profits: ¥500 billion
Values	<b>Future-Oriented</b> <ul style="list-style-type: none"> <li>Embrace Challenges, Foster Growth, and Pioneer the Future.</li> <li>Act Decisively and Shape the Future.</li> <li>Focus on the Essential and Sharpen the Core.</li> <li>Be Flexible and Think Beyond the Conventional.</li> <li>Be Open-minded with a Broad Perspective.</li> <li>Value Hands-on Experience and Grow Together.</li> </ul>	

EN Initiatives to Enhance Productivity and Improve Work Engagement 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, 18.7 paid leave days on average (over 85% of the total) were taken by employees in FY2024. The company intends to raise the average to at least 20 in FY2025.

As part of its workstyle reform, JFE Engineering has established an environment in which employees in office divisions can choose where and when to work, through the introduction of remote work and flextime programs with no core hours, to support diverse workstyles. One of these measures is teleworking, which had been introduced to control the spread of COVID-19 and was adopted as a permanent option in FY2021, enabling employees to work from home or any of the roughly 400 shared offices nationwide.

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.

## SH 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, companywide 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 work engagement 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

### ST Promoting Operational Reforms that Leverage the Latest ICT

JFE Steel has introduced RPA and low-code development tools to reduce employee time spent on simple tasks and to free up more time for creative work. As of FY2024, they had been used in over 1,400 types of operations, generating over 250,000 hours annually that can be allocated to other productive work. The number of citizen developers within the company reached 630 by the end of FY2024.

In addition, in FY2024, the company launched Chat JFE, its own generative AI service, equipped with proprietary security measures and usage guidelines, thereby establishing an environment where all employees can use it safely and efficiently. More than 2,000 employees are already using it for such tasks as document creation, translation, and information searching, and the company will continue to improve productivity through the application of generative AI to operations. Moreover, the time saved from these operational reforms is being used to further enhance the quality of customer service.

To promote data-driven operational reforms, we are promoting companywide use of BI tools to accelerate decision-making through data visualization and sharing to strengthen corporate competitiveness.

### EN 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. We are striving through training sessions and hands-on workshops to promote the wider use of generative AI, and more than 2,000 employees are already leveraging Pla'cello xChat to boost work efficiency in creating documents, organizing information, and for other tasks.

The company uses generative AI for both general office operations and tasks unique to the construction industry. It has developed technologies such as chatbots, document search, and AI-OCR and is rolling out dedicated applications. By automating simple, labor-intensive processes like transcribing and converting data within documents, it is reducing workloads and improving efficiency.

By introducing various programs, measures and tools to boost efficiency, we aim to achieve both work-life-balance and improved productivity while maximizing overall output.

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J-MUSCLUE Activities

Since 2008, JFE Shoji has continued to promote operational improvement activities aimed at increasing work efficiency and performance.

At the 2024 J-MUSCLE presentation, 21 teams from JFE Shoji and domestic and overseas group companies presented their J-MUSCLE activities online, which was viewed by a total of 3,300 people across the Group. These activities include improving office work processes by using systems and generative AI, reducing costs and promoting paperless operations through the digitization of invoices and mill sheets, and enhancing communication while accommodating diverse workstyles through office renovations. JFE Shoji is promoting best-practice sharing across the Group to further improve productivity. In particular, the use of generative AI, introduced in 2024, is being actively applied to a wide range of tasks, such as creating documents, organizing information, translation, and building complex Excel formulas, leading to greater efficiency and accuracy.

JFE Shoji 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

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J1 Activities

At JFE Steel, approximately 1,100 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).

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Initiatives of JE1 Activities

JFE Engineering has about 270 teams and 2,000 employees, including those of group companies worldwide, involved in JE1 Activities. The results of these activities are showcased at a companywide 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.

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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 best-performing teams in safety, quality, and operations. By holding the presentation meeting via Teams, more than 100 people were able to participate. The company will continue to promote J1 Activities to improve workplace vitality and enhance 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.

### ST 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. In addition, labor and management are holding joint committees on work-life balance and improving work engagement. The two sides also exchange views on working conditions, workplace environments, and other related matters, and hold joint consultations whenever the labor system is amended.

### EN 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.

### SH 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.