

Third-Party Comments

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1. A New Milestone

The JFE Group, having positioned the decarbonization of its steel business as a key management theme, formulated JFE Vision 2035 in May 2025 and set the year 2035 as a new milestone for achieving carbon neutrality (CN) by 2050. JFE Vision 2035 is a long-term vision that presents the Group's desired future state, and its content is closely linked to its climate transition plan. It includes plans to complete the development of super-innovative technologies necessary for achieving CN by around 2035 and to expand business profits (segment profit) to around 700 billion yen, which will provide the financial basis for capital investment required for CN.

This creates a clear pathway for moving forward. In terms of taking action, once the breakthrough technologies have been developed, they can be implemented promptly through large-scale process transformation to achieve CN. In terms of finance, a growth strategy has been presented for securing stable business earnings by establishing an economically sustainable business model. Combined, these measures make the climate transition plan persuasive because they are more concrete and coherent.



2. Evolution of Natural Capital Management

The Eighth Medium-term Business Plan, launched in FY2025, shows an evolution in natural capital management. First, it is significant that the Group established a basic policy and then advanced beyond the previous focus on biodiversity conservation to incorporate the perspective of nature positive, clarifying its intention to not only conserve biodiversity but nurture it. Furthermore, in disclosure, the results of broad and detailed assessments of risks and opportunities based on the LEAP approach have been reported, providing key insights for stakeholders for understanding the JFE Group's natural capital management strategy.

3. Human Capital Strategy Integrated with Business Strategy

The Eighth Medium-term Business Plan positions human resources as the driving force of corporate growth and calls for a structural reform of its human capital management. Its fundamental philosophy is to create a mechanism that links corporate and employee growth to realize the business strategy. Structurally, the strategy consists of measures that will ensure a sufficient quantity of human resources to support the execution of the business strategy, and measures to enhance the quality of human capabilities through DEI and the establishing of a supportive working environment and work engagement. These initiatives are expected to increase the motivation, capabilities, and skills of employees and contribute to a rational reform of human capital management.

4. Future Challenges

The fact that there were no fatal accidents is a significant achievement. However, the number of lost-time injuries has increased, particularly among subcontractor employees, which is a cause for concern. Further strengthening of safety measures is desirable. In addition, as sustainability disclosure in securities reports progresses, the reporting scope of social data remains largely inconsistent with that of financial data, leaving room for improvement going forward.

Mariko Kawaguchi

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It's hard to believe this is already the ninth year I have been invited to provide a third-party opinion. Since the first occasion, I have understood that the JFE Group was among the first to set ambitious goals for responding to climate change, and has steadily taken action as a leader in Japan's industrial sector. The Company's firm determination has been evident in its annual top management messages, and I have felt the level of seriousness deepen year by year. This year, however, the management's commitment has clearly leaped forward. President Kitano's statement that "the wave of global warming is approaching, and there is no doubt that addressing climate change is the most critical issue" strongly conveys a sense of resolve, and the management decision to commit to an investment on the scale of 4 trillion yen is very convincing. Incidentally, such a business strategy would not have been welcomed nine years ago.



Across the globe, the rising number of extreme weather events, such as severe heatwaves, heavy rains, droughts, and wildfires, is increasingly being attributed to the effects of climate change, yet discussions in Japan linking the two have been relatively rare. Consequently, this year's top management message carries particular impact.

I'm encouraged to see that the Company has taken bold steps this year to strengthen its efforts for realizing a recycling-oriented society and biodiversity, which I pointed out in last year's report. The initiative previously titled "A Recycling-Oriented Society" has been renamed: "Transition to a Circular Economy." I interpret this change as a declaration of the Group's commitment to pursuing an organizational and comprehensive approach for transforming the economic system. In the engineering business, the projects for recycling and converting waste into fuel serve as key infrastructure for the circular economy, while the role of the trading business—efficiently circulating materials and information—is also indispensable. The material and chemical recycling business for used plastics, which began in April 2025, represents a full-fledged circular use of materials. In addition, the food waste-to-power plant that started in November 2024 is a win-win business that contributes to the decarbonization of energy. Furthermore, in the steel business, recycling byproducts generated at plants is important. However, more fundamentally, iron itself is a recyclable resource, and as the transition from blast furnaces to electric furnaces progresses, the steel business as a whole has the potential to become a core driver of the circular economy. I would encourage the Company to take a broader view of the circular economy with the steel industry as its starting point.

In the area of biodiversity, the Company has recently established a basic policy. I expect efforts that have been somewhat vague will become more system-oriented. Although the steel industry may seem to be distant from biodiversity, we must not forget that all forms of life, and not just business operations, fundamentally depend on it.

The JFE Group's operations, such as extracting iron ore and coal from underground and constructing large-scale infrastructure that alters the surface environment, inevitably have a significant impact on biodiversity. This year, with the improved precision of the LEAP approach assessment, I expect further progress in visualizing biodiversity, which will help raise awareness throughout the organization. It's also particularly notable that the Company has evaluated not only its own sites but also the significance of biodiversity conservation and water risks at raw material procurement sources. Biodiversity cannot be conserved without engaging the entire supply chain. Moreover, many raw material sourcing regions are subject to human rights risks. Therefore, I recommend integrating biodiversity assessments with human rights risk evaluations.

With regard to human capital, you have laid out an overall framework for the Group's human resource strategy. Including an employee engagement indicator in the ESG performance metrics for executive compensation is expected to enhance the effectiveness of this strategy. I hope that many employees will emerge who understand both sustainability considerations and corporate value enhancement and can translate that understanding into their work. In Japan as well, climate change-driven natural disasters are intensifying and ecosystems are rapidly shifting, as reflected in the increasing number of bear sightings in various regions. The role and expectations for the JFE Group have become greater than ever.