Progress under JFE Vision 2035 and the Eighth Medium-term Business Plan

The JFE Group has been pursuing initiatives for achieving sustainable growth and enhancing corporate value by pledging to take on the challenges of the most transformative period in the Group's history to ensure a prosperous future for the planet.

In FY2025, we addressed climate change as a top-priority business issue and worked toward meeting our FY2030 target of reducing GHG emissions in our steel business by at least 30% over FY2013. We are steadily promoting technological development and capital investment, including planning for the introduction of an innovative electric arc furnace*, while also laying the groundwork for our emissions reduction targets. As the business environment for our steel business continues to be challenging, we strived to improve profitability, including increasing the ratio of high-value-added products and reducing costs, with a certain level of success. However, due to such factors as raw material prices and market conditions, consolidated business profit for FY2025 fell short of expectations at 135.3 billion yen. To achieve the FY2027 segment profit target of 365.0 billion yen set out in our Eighth Medium-term Business Plan, we will steadily restructure our domestic production system and develop the "from the inside" business model in overseas growth markets to further improve profitability. Under these circumstances, we believe that two of the greatest concerns stakeholders have with regard to the JFE Group are: (1) its economic outlook, or whether it can achieve sustainable growth amid the changing environment of intensifying competition, and (2) its response to carbon neutrality, or whether it can meet the technological and financial challenges to achieving carbon neutrality. To address these issues, we will work to enhance our medium- to long-term corporate value under our long-term JFE Vision 2035 by restructuring our business portfolio, increasing the ratio of high-value-added products, and improving capital efficiency, while balancing environmental and economic values.

*A large, high-efficiency electric arc furnace capable of producing high-grade and high-function steel products

> **JFE Group Long-term Vision "JFE Vision 2035" and Eighth Medium-term Business Plan (FY2025–FY2027)**
(https://www.jfe-holdings.co.jp/en/investor/management/plan/)

JFE Group's Aspirations

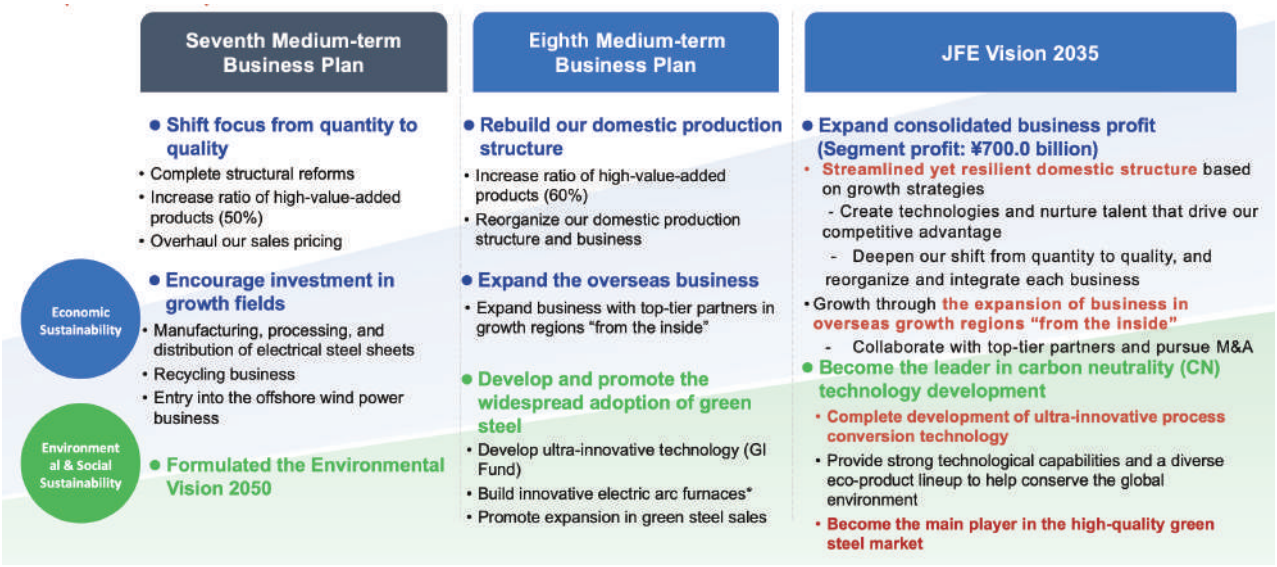
Our Corporate Purpose

The JFE Group reexamined how each business should leverage its strengths to fulfill its role and contribute to society. And through extensive participation and discussion by employees in operating companies, we defined our corporate purpose as follows.



Envisioning the JFE Group in 2035 with the JFE Vision 2035

In accordance with the JFE Group's Corporate Vision and Standards of Business Conduct and the corporate purpose formulated by each operating company, we have defined the JFE Group aspiration as "becoming the leader in carbon neutrality (CN) technology development." We also set the target of 700 billion yen in consolidated business profit as the level of profit necessary for developing technologies and making capital investments to achieve CN by 2050. Furthermore, we have formulated the Eighth Medium-term Business Plan (FY2025–2027) to promote growth strategies for realizing the JFE Group's aspirations in the face of a challenging business environment.



Sustainability Initiatives of the Eighth Medium-term Business Plan

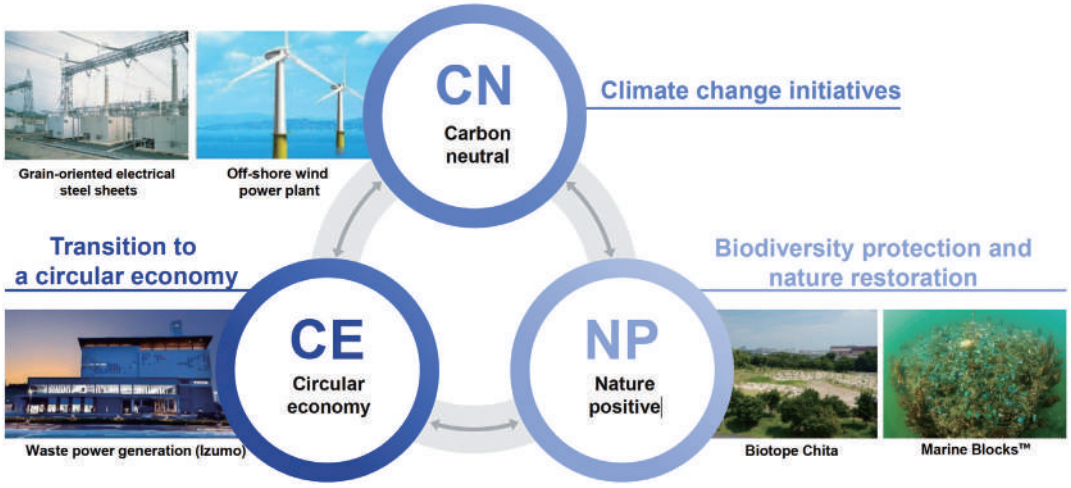
Following the formulation of our Eighth Medium-term Business Plan, we reviewed our material issues of corporate management and KPIs. We extracted and scrutinized the necessary initiatives for the JFE Group to achieve sustainable growth by backcasting from our past initiatives on environmental and social issues and long-term vision and identified 16 material issues.

› **Process for Identifying Material Issues of Corporate Management** (P. 14)
› **KPIs for FY2026** (P. 22)

Initiatives for Environmental Sustainability

In addition to climate change, a top-priority business issue under the previous medium-term business plan, we will proactively strive Groupwide to drive the transition to a circular economy and engage in biodiversity conservation and nature-positive initiatives under the current medium-term business plan.

- **The entire JFE Group will contribute greatly to the global environment and society by working proactively on the transition to a circular economy, biodiversity conservation, and nature positivity, with a focus on the climate change problem.**



Adapted based on "Status of the Environment, Economy, and Society, and Direction of Environmental Measures" published by Japan's Ministry of the Environment in January 2023.

Initiatives to Address Climate Change Issues

We will further promote initiatives for achieving carbon neutrality by 2050, guided by the JFE Group Environmental Vision for 2050, formulated in 2021. In the steel business, we will position the current medium-term business plan period as a preparatory phase toward achieving the FY2030 target of reducing GHG emissions by at least 30% compared to levels in FY2013 and completing as scheduled the development of ultra-innovative technologies in FY2035. Accordingly, we will continue working to roll out the innovative electric arc furnace in the Kurashiki district of the West Japan Works in Okayama Prefecture and develop ultra-innovative technologies. In the engineering business, we will work to achieve the FY2030 target of reducing GHG emissions across society by 20 million tonnes by capturing the demand for offshore wind power while also seeking to win EPC* orders and participate in projects in the hydrogen, ammonia, and carbon capture and storage areas, where social implementation is expected to advance in the years ahead.

*Projects in which the engineering, procurement, and construction processes are undertaken as a single package.

› **Initiatives to Address Climate Change** (P. 49)
› **JFE Group Environmental Vision for 2050** (P. 49)

Initiatives to Realize a Circular Economy

The JFE Group is focusing on the priority issues of expanded the use and sales of recycled materials, development of resource-efficient eco-products and eco-solution technologies, and conversion of byproducts and waste into resources, and it will promote initiatives that leverage the strengths of each operating company and Group synergies.

› **Initiatives to Transition to a Circular Economy** (P. 126)

Initiatives to Promote Biodiversity Conservation and Nature Positive

By deepening our awareness that the JFE Group's business activities depend on and impact biodiversity and natural capital, we will promote initiatives to mitigate the associated risks. At the same time, we will not only develop processes, products, and technologies that contribute to these initiatives but also advance activities through diverse approaches, including collaborating with local communities and the supply chain. The JFE Group also endorses the TNFD* recommendations and will disclose information in line with the TNFD framework to share information with society at large.

*Taskforce on Nature-related Financial Disclosure

› **Biodiversity Conservation and Nature Positive** (P. 154)

Promoting Our Human Resources Strategy and Human Capital Management

The JFE Group believes that human resources are the driving force for corporate growth in times of transformation. In executing and realizing our management strategies, we formulated our human resources strategy from a long-term perspective with the understanding that the Company's sustainable growth must be actively linked with the personal growth of employees. This strategy focuses on securing skilled resources to build our talent portfolio, advancing DEI to maximize individual capabilities, and enhancing work engagement.

› **Human Capital** (P. 186)

Corporate Governance

We transitioned to being a company with an Audit & Supervisory Committee with the aim of swiftly responding to rapid and major changes in the environment surrounding the Company, such as carbon neutrality and DX. We will further advance initiatives undertaken in the previous medium-term business plan for enhancing the effectiveness of the Board of Directors and strengthening its supervisory functions. By doing so, we will strive to accelerate management decision-making, enrich Board member discussions on management policies and strategies, and further strengthen the Board's supervisory role. We will also introduce new indicators to calculate ESG remuneration for directors.

› **Corporate Governance** (P. 248)

Major Performance and Profitability Targets, Shareholder Returns Policy

Major performance and profitability targets for the current medium-term business plan are listed below. We consider returning profit to shareholders as one of the top management priorities. We will proactively distribute dividends while striving to ensure the entire Group's sustainable corporate structure. While we intend to maintain a dividend payout ratio of around 30%, our policy is to set a minimum of 80 yen per share from the perspective of conducting stable dividends.

FY2025 Results and FY2026 Estimates for Groupwide Performance and Profitability Targets and Shareholder Returns Policy

			Eighth Medium-term Business Plan FY2027	FY2025 Results	FY2026 Estimates
JFE Group	Consolidated business profit		400.0 billion yen	135.3 billion yen	215.0 billion yen/year
	ROE		10% or more	2.7%	About 6%
	Debt/EBITDA		About 3 times	4.8 times	4.8 times
	D/E		About 60%	59.4%	66.6%
Operating Companies	Steel business	Segment profit	260.0 billion yen	38.0 billion yen	100.0 billion yen/year
	Engineering business	Segment profit	42.0 billion yen	23.9 billion yen	25.0 billion yen/year
	Trading business	Segment profit	60.0 billion yen	40.2 billion yen	45.0 billion yen/year
Shareholder Returns	Dividend Policy		Payout ratio of around 30% with minimum set at 80 yen per share	72.5%	33.9%

For measures of each operating company, refer to JFE GROUP REPORT 2026 (Integrated Report)

› **JFE GROUP REPORT 2026 (Integrated Report)** (https://www.jfe-holdings.co.jp/en/investor/library/group-report/)