Environment: Executive Summary

The JFE Group strives to maintain its businesses in harmony with the environment for the prosperity of society. We have positioned climate change as a key management concern in our pursuit of becoming the top runner in carbon neutrality technology development by 2035 toward achieving carbon neutrality by 2050. To this end, we are reducing greenhouse gas emissions in the steel business and expanding our contribution to reducing greenhouse gas emissions in society as a whole, centered on the engineering business. We have identified climate change, transition to a circular economy, and biodiversity conservation and nature positive as key issues under our Eighth Medium-term Business Plan (FY2025–FY2027), and the entire Group is working in concert to address global environmental concerns.

The JFE Group systematically addresses climate change by incorporating the principles of international frameworks into its management strategies, including the climate-related disclosure standards of the International Sustainability Standards Board (ISSB). In the steel business, we have created a roadmap for achieving carbon neutrality by 2050 and are working to reduce greenhouse gas (GHG) emissions toward short-, medium-, and long-term targets. GHG emission reductions in the steel business are progressing according to plan, and our efforts toward achieving the Eighth Medium-term Business Plan target of a 24% reduction by FY2027 compared to FY2013 and a reduction of 30% or more by FY2030 include introducing innovative electric arc furnaces and using direct reduced iron. We are also pursuing the parallel development of ultra-innovative technologies, including a carbon-recycling blast furnace, with the aim of establishing these technologies by around 2035. Their implementation, however, depends on their economic viability. Moreover, the shift to steelmaking processes that achieve carbon neutrality entails enormous costs, making it indispensable to create markets for GX products with environmental value and gain support from the government and others. As part of these efforts, we allocate the reductions created by our emission-reduction technologies to selected steel products and supply them as GX Steel "JGreeX™" while promoting their use across a wide range of fields, including automotive, shipbuilding, and industrial machinery. To support investment, we applied for a program of the Ministry of Economy, Trade and Industry and secured support for the introduction of an innovative electric arc furnace at the Kurashiki district of the West Japan Works. In the engineering business, we are working to expand our contributions to reducing GHG emissions in society by constructing renewable energy power generation facilities, including offshore wind power generation. In FY2025, we achieved our target of contributing to a 12.5 million tonne reduction in GHG emissions in society, and we are expanding initiatives for achieving reductions of 20 million tonnes in FY2030 and 30 million tonnes in FY2035.

The transition to a circular economy is also positioned as a key theme, and we are coordinating our steel, engineering, and trading businesses and value chain to expand the use of recycled resources, improve the efficiency of waste resource utilization, and convert waste into resources.

We are promoting initiatives for biodiversity conservation and nature positive, assessing the dependencies and impacts between our business activities and natural capital, and advancing disclosures in line with the TNFD. These efforts mainly include monitoring and conservation activities around production sites and initiatives to improve the marine environment by using steel slag products. In regard to the blast furnace site and other facilities suspended in FY2023 at JFE Steel's East Japan Works (Keihin district), we are focusing on converting the land for public and highly public-interest use, contributing to the sustainable development of local communities and society by establishing new industries and creating jobs for the next 100 years.

Targets and Results for Environment-Related Material Issues of Corporate Management

› **FY2025 KPI Results and FY2026 KPIs** (P. 19)

Key Initiatives

- Environmental Management Initiatives (P. 45)
- Initiatives to Address Climate Change (P. 49)
- Policy Engagement Initiatives (P. 89)
- Identification and Assessment of Risks and Opportunities (TCFD Scenario Analysis) (P. 113)
- Initiatives to Transition to a Circular Economy (P. 126)
- Biodiversity Conservation and Nature Positive (P. 154)
- Environmental Management Activities (P. 180)