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.

To improve job satisfaction, we are focusing on broadly instilling our corporate purpose. Across the JFE Group, employees participated in discussions to determine the role each operating company should play in society and how to leverage its strengths to contribute, thereby giving form to the company's purpose. In these uncertain times, we believe that instilling this purpose helps connect each employee's work with social value, encouraging them to approach their jobs with a sense of direction and optimism for the future. We are also working on deepening awareness and understanding of, and empathy for, this purpose while encouraging employees to put it into action.

Enhancing a Supportive Work Environment and Work Engagement

JFE Holdings and each operating company conduct an annual engagement survey to quantitatively grasp employee engagement and use the results to identify issues and plan improvement measures related to work engagement. The survey includes common questions about job satisfaction, and the results are managed as KPIs to create working environments that motivate employees. 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 work 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 employees and encourage them to remain with us for many years.

Positive Response Rate to Questions in the Engagement Survey

	FY2023	FY2024	FY2025
JFE Steel	72%	70%	69%
JFE Engineering	81%	81%	81%
JFE Shoji	80%	77%	79%

ST Initiatives to Improve Work Engagement

JFE Steel established the Human Resources Strategy Division to promote multifaceted measures, including corporate culture reforms, as a companywide initiative to boost employee job satisfaction and achieve sustainable growth. In FY2024, 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 also 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, JFE Steel aims to build a culture that strengthens mutual trust and continuously enhances corporate value. The Culture Transformation Section, established within the Human Resources Strategy Division, leads the entire project and implements the measures on an ongoing basis in cooperation with related departments.

In the FY2025 engagement survey, the result for the common question on job satisfaction used as a KPI was 69% (total employees) against the target of 75%. By employee category, career-track employees scored 78.4%, while operational employees scored 64.3%. Both groups share the common issue of improving work efficiency. To promptly address this issue, we set up the Management Transformation Team in FY2026, an organization that drives companywide transformation and business process renewal. We recognize that securing days off and improving workstyle flexibility are key challenges for operational employees, whose scores are relatively low. We have added a 4-team, 2-shift system to the existing 4-team, 3-shift system, starting in July 2026, offering more options for shift workers in factories so they can create a way of working that increases their number of days off while maintaining productivity.

Moreover, the environment surrounding the company is changing drastically, including carbon neutrality, a declining population, and falling domestic demand. Under these circumstances, we believe it is important to clearly communicate what we want to be in the future, the reason for our existence in society, and our long-term direction, so that employees can work with their own dreams and expectations for the future. With this in mind, we formulated our corporate purpose, vision, and values, and initiatives are underway through the ReFuture PROJECT to deepen employee awareness and understanding of these statements so that they resonate with employees and inspire action.

Furthermore, in October 2024, we revised our personnel and wage systems to enhance work engagement, including a reorganization of employee classifications, an introduction of 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 working to promote its new workstyle to improve operational efficiency and productivity. In concrete terms, the company is promoting teleworking by expanding its work-at-home systems; introducing a coreless flexible working hour program; adopting a shared-desk policy, mainly at the head office; introducing chat and web conferencing tools and robotic process automation (RPA), a software program that facilitates the automation of work done on terminal devices; promoting paperless offices by introducing electronic contracts and workflows; and eliminating the use of seals. The company will continue to adopt workstyles that add more value through these initiatives.

In terms of employee benefits, 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-development, or participation in volunteer activities. Furthermore, it 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 FY2026

Item	Outline
① Formulating our vision	Embedding our corporate purpose, vision, and values
② Operational reforms	Companywide business process reforms by the management transformation team, such as 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. Expanding workstyle options by adding a 4-team, 2-shift system
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	● Leading the steel industry as the top runner in carbon neutrality. ● Building on a solid domestic business foundation and pursuing fresh growth through bold inroads into overseas markets, and new fields. (Profit target) FY2035 segment profits: ¥500 billion
Values	**Future-Oriented** ● Embrace Challenges, Foster Growth, and Pioneer the Future. ● Act Decisively and Shape the Future. ● Focus on the Essential and Sharpen the Core. ● Be Flexible and Think Beyond the Conventional. ● Be Open-minded with a Broad Perspective. ● Value Hands-on Experience and Grow Together.

EN Initiatives to Enhance Productivity and Improve Work Engagement through New Workstyles

JFE Engineering is working to improve work engagement from two perspectives: improving ease of working and enhancing job satisfaction.

● Improving Ease of Working

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 days of paid leave granted, 19.1 paid leave days on average (over 86.8% of the total) were taken by employees in FY2025. The company intends to raise the average to at least 20 in FY2026.

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 was adopted as a permanent option in FY2021, enabling employees to work from home or any of the roughly 1,000 shared offices nationwide. To curb long working hours and safeguard employee health, the company has established a guideline recommending an 11-hour rest interval between workdays.

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. 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 small and medium-sized entrusted business operators. In addition, the company has increased the number of times employees can return home to three times a month to make it easier to spend time with their families during long-term assignments at construction sites and other locations.

● Improving Work Engagement

The company has been conducting an engagement survey annually since FY2022. The results for FY2025 showed an engagement rate of 81%, exceeding the KPI target of 80% and achieving our goal. Furthermore, our performance compares favorably with other companies.

Based on our analysis of the survey results, we have identified three key areas for improving engagement: an environment for growth, feedback/evaluation, and corporate culture. We are focusing on these areas as priority initiatives.

1.Creating an Environment for Growth

In addition to developing training programs that support employees' self-driven and continued growth, we provide long-term career development support through interviews that identify their aspirations for three and ten years into the future. We have also launched a new rotation program for employees to experience multiple fields during their first five years at the company, fostering "ϖ-shaped talent" with diverse expertise. To expand our overseas operations, we are developing overseas project managers and administrative personnel, primarily focusing on younger employees and those without prior overseas experience. We have also begun implementing a talent management system to promote the strategic placement and development of diverse personnel by centrally managing work histories and skill information.

2.Enhancing Feedback and Evaluation

We have introduced feedback (FB) and one-on-one meetings that include evaluation of daily work, promoting greater acceptance of evaluation results. We provide managers with FB and one-on-one training to enhance their skills.

3.Cultural Reforms

Since FY2023, we have been implementing cultural reforms under the motto, "Let's communicate. Let's listen carefully. Let's create together." We have been strengthening information dissemination from management and continuing dialogue with employees through roundtable discussions to convey expectations, hear about employees' work, and listen to their perspectives. In addition, we have been conducting multifaceted feedback and training for department heads and section chiefs to improve their communication and listening skills.

From a personnel and wage system perspective, 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. In FY2026, it achieved the full requested base pay increase (16,000 yen, a 6.4% increase) and raised starting salaries, among other measures, as part of its efforts to enhance job satisfaction by providing competitive compensation.

SH Initiatives to Realize a Work-Life Balance (Ease of Working) and Improve Employee Engagement (Job Satisfaction)

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, prohibiting all work after 10 pm, and also designating annual days off. To support more diverse workstyles, JFE Shoji has introduced work-at-home, flexible working hour systems, and a reduced working hour system. It abolished core hours for remote work in April 2026 to maximize work efficiency and results while also supporting work-life balance. To create an environment where employees can work with peace of mind while raising children, in August 2026 it extended the eligibility period for reduced working hours through the child's completion of the sixth grade of elementary school. JFE Shoji will continue to improve the working environment through such initiatives.

The company has also been conducting an annual engagement survey since FY2021, and the results for FY2025 showed an improvement to 79% against the KPI target of 80%, up from 77% in the previous year. To further improve the score through both structural approaches and communication initiatives, it has been reviewing systems such as introducing an internal job posting system to encourage self-directed challenges and revising the personnel system, as well as increasing new communication opportunities such as one-on-one career interviews between supervisors and subordinates and encouraging dialogue between directors and employees. Each department also publishes the engagement scores for the teams to which its employees belong, and the company as a whole is working to improve work engagement (job satisfaction) by, for example, developing individualized action plans based on the results for each department.

In its revised personnel system, the company has reaffirmed the importance of the relationship between supervisors and subordinates throughout the year, from goal setting to feedback on evaluation results, to ensure that individual growth leads to corporate growth. The system encourages supervisors and subordinates to discuss how to develop the employees' careers and plan their work with the future in mind, making their work more rewarding.

Furthermore, in January 2025, it established a Business Process Renewal Team to visualize companywide business processes and process-related issues. Starting in FY2026, the company has been working to improve operational efficiency by fundamentally reviewing its operations under the keywords "decluttering," "review," and "systematization," as the starting point for addressing these issues.

Operational Reforms

ST Promoting Operational Reforms that Leverage the Latest ICT

JFE Steel is advancing business process improvements using low-code development tools to streamline employee tasks and to free up more time for creative work. By FY2025, these improvements had freed up a total of 300,000 hours annually that can be allocated to other productive work. By expanding training on these tools, the company increased the number of citizen developers able to independently develop applications to 1,500.

Furthermore, the company is developing a platform for leveraging generative AI to promote operational efficiency and enhance management decision-making. The number of registered Copilot user licenses reached 3,600 at the end of FY2025 and is projected to expand to 5,600 by the end of FY2026, indicating the widespread use by individuals. Development of AI agents is also gaining momentum, with development and implementation currently underway for more than 50 cases, including capital expenditure decisions and product inquiry reviews by the sales department.

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 2,800 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.

SH J-MUSCLE Activities

JFE Shoji is working as a group to implement operational improvement (J-MUSCLE) activities aimed at increasing work efficiency and performance.

The company is pursuing activities to review and transform the very way it conducts its daily work, such as streamlining information gathering, market analysis, and document creation through the use of generative AI; visualizing data; and digitizing and standardizing operations. Through these efforts, it aims to review business processes, identify necessary tasks, eliminate waste, and use the time saved to create new added value. In addition to addressing the challenges of each activity team, the company is also tackling companywide issues across organizational functions, thereby expanding the scope of its efforts.

At the 2025 J-MUSCLE presentation, 22 teams from JFE Shoji and domestic and overseas group companies presented their J-MUSCLE activities online, attracting a cumulative audience of 3,450 across the Group. By sharing these activity results, the company is promoting best practices Groupwide to drive further operational reforms.

JFE Shoji will continue to foster a corporate culture that can flexibly adapt to the changing times and constantly seek challenge and change free of preconceived notions.

Invigorating Workplaces through Small Group Activities

ST 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).

EN Initiatives of JE1 Activities

JFE Engineering has about 260 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, and costs contribute significantly to workplace vitality and corporate performance.

SH 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 programs in order to foster a vibrant workplace. We take the union's opinions as representing the true perspectives of our frontline 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. Central Labor-management Committees are regularly convened for the company's president and other executives to share views with representatives of its labor union. With regard to working conditions, they exchange views through the labor-management committee. The company has established a system for both labor and management to share challenges and perspectives while conducting appropriate discussions.

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.