Message from the CEO

Leveraging the World’s Most Innovative Technologies and the Group’s Collective Strength to Contribute to the Creation of a Sustainable Society

Pursuing the JFE Group’s Sustainable Growth and Contributing to Society’s Sustainable Development

I was appointed as president and CEO of JFE Holdings in April 2019.

The JFE Group has strived to enhance its corporate value to satisfy all of its stakeholders by committing to the corporate vision, “contributing to society with the world’s most innovative technology.” Amid a rapidly changing business environment, we have leveraged our comprehensive strengths gained through our broad range of businesses centered on iron and extending to steel, engineering, and trade in order to provide solutions that contribute to society’s sustainable development.

Uncertainty is increasing across the globe and for the business environment in which we operate due to intensifying trade friction caused by protectionist policies, downside risks to emerging economies including China, and problems surrounding Britain’s withdrawal from the EU. Although the Japanese economy is currently in a moderate recovery backed by rising capital expenditures and other factors, we cannot be too optimistic from a long-term perspective because domestic demand is likely to decline slowly due to the population decrease and aging of society. As for international society, concerns for the environment, particularly climate change, have significantly increased, and the concept of creating a virtuous cycle of environmental protection and economic growth was discussed at the Group of 20 summit in Osaka in June 2019.

Amid these circumstances, the JFE Group has formulated the Sixth Medium-term Business Plan to guide our business operations for FY2018 to FY2020. Under the plan, we are taking full advantage of our state-of-the-art technologies, advanced information technologies, Group coordination, and diverse workforce to push ahead with our growth strategy, to reinforce production capabilities, and to promote overseas business. Furthermore, as part of our plan to strengthen the business structure for sustainable growth, we have placed high priority on contributing to the establishment of a sustainable society and are thereby dedicating our efforts to continuously addressing ESG issues.

Sustainable Society Supported by the Value of Steel

Iron makes up approximately 30% of the Earth’s mass, while iron ore reserves represent 85% the planet’s metal resources. The abundance of this resource has enabled mass production of steel at low cost. In addition, Japan’s steel industry demonstrates excellent energy efficiency, which contributes to the production of steel with the lowest environmental impact in the world. The JFE Group is committed to the development of a sustainable society by responding to the increasing demand for steel that accompanies the development of the world’s economy and by producing steel at low cost and with low environmental impact. Moreover, the content of steel can be adjusted to develop high-quality, high-functioning material for various social needs. Steel is also a highly recyclable material that can be easily collected and separated using magnetic force. Therefore, it can be recycled endlessly and into an infinite variety of products.

The JFE Group seeks to support the development of a sustainable society and economy by providing steel and continuing to work on advancing the material and further reducing its environmental impact. I hope this report will help all of our stakeholders more clearly appreciate the value of steel.

Addressing Climate Change and ESG Issues

Addressing climate change issues is critical for realizing a sustainable society. The JFE Group regards reducing environmental impact and addressing climate change as particularly key management concerns and directly faces them to achieve sustainable growth for the company. Japan’s steel industry has led the way in technological progress. Energy consumption in Japan per tonne of steel produced using blast furnaces is the lowest in the world. To reduce environmental impact further, we are taking part in the Japan Iron and Steel Federation’s “Commitment to a Low Carbon Society,” an initiative for reducing CO2 emissions by 2030 by promoting energy conservation and developing innovative technologies. With an eye toward the year 2100, JISF’s long-term vision for climate change...
mitigation was formulated in 2018 to address global warming. This represents our willingness to develop super-innovative technology that contributes to zero CO₂ emissions in the steel production process. The JFE group will use the initiative to leverage the development of breakthrough technologies in the process of achieving zero-carbon steel. We are now focusing on the research and development of epoch-making technologies, including the use of new types of raw materials such as ferro coke, hydrogen reduction iron making, and technology for CO₂ capture, utilization, and storage (CCUS).

As for ESG issues, we are continuing our initiatives related to the environment and society as well as efforts to enhance governance, and we disclose our progress in these areas as necessary. One environment-related topic is the move to promote disclosure of financial data pertaining to climate change. The JFE group declared its support for the Task Force on Climate-Related Financial Disclosure (TCFD) Recommendations in May 2019, and the JFE Group CSR Report 2019 discloses information in line with TCFD guidelines. By conducting forward-looking scenario analysis, we have confirmed the JFE Group’s strategy to achieve resilience in the face of climate-related risks and opportunities. Looking ahead, we will make every effort to implement and deepen these strategies.

**Follow-up on KPIs to Resolve Material CSR/ESG Issues**

In order to maintain the sustainability of the Group as a whole, it is extremely important to recognize the CSR and ESG challenges of the Group’s global business and respond to the associated risks and opportunities. In this report, we treat our steel, engineering, and trading companies as well as all of our stakeholders including suppliers and clients as a single value chain and present CSR and ESG challenges associated with each of them and how they are currently being managed.

Looking at the needs of diverse stakeholders, the JFE Group has identified material CSR issues in the Group’s business activities and set up KPIs for each operating company as a means of evaluating each of their initiatives. In the 2019 report, we disclosed our initiatives for FY2018 as well as their results and evaluation. We also partially revised our KPIs for FY2019. We will continue responding to each issue, reinforce measures for CSR management, and enhance Group resilience and sustainability.

**Maintaining Public Trust**

Under the JFE group’s corporate vision of contributing to society with the world’s most innovative technology, we will deliver solutions that leverage our comprehensive strength and thereby strive to maintain the Group’s sustainable growth, increase our corporate value, and ensure the development of a sustainable society.