

Message from the CEO



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Contributing to the Creation of a Sustainable Society by Leveraging the World's Most Innovative Technology to Resolve Climate Change Issues and Address Other Global Challenges

Where We Stand and What We Intend to Do

The JFE Group is committed to its corporate vision, “contributing to society with the world’s most innovative technology,” and by leveraging its comprehensive strengths gained through a broad range of businesses centered on iron and extending to steel, engineering, and trade, it has provided solutions that contribute to the sustainable development of society amid a rapidly changing business environment.

We face a severe economic environment as the US-China trade dispute, which has persisted since last year, along with other global trends toward protectionism, become more deeply entrenched, leading to stagnating steel demand and falling export steel prices. At the same time, the price of iron ore remained high as China expands its crude steel production, making it difficult for us to secure profit. Moreover, given the declining birthrate, an aging society, and falling population in Japan, we expect steel demand to decline over the medium to long term. In addition, the current global pandemic of COVID-19 has restricted economic activities around the world. The resulting sharp plunge in the global economy and slowing economic activities in Japan represent unprecedented challenges.

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I believe the JFE Group must flexibly and effectively adapt to these immense changes in the business environment and demonstrate two qualities of sustainability: economic sustainability by creating economic value through sustainable growth and environmental and social sustainability by contributing to the resolution of social issues. We must become a resilient enterprise capable of consistently providing value over the long term.

Becoming a Truly Strong Enterprise through Efforts to Restructure the Steel Business and Address Climate Change

Given the continued uncertainty and severe environment, we have decided to take action on structural reform to create an optimal production framework within Japan. In our steel business, we will halt one blast furnace at the East Japan Works as part of our attempt to build a strong business structure capable of generating stable profit under any circumstances. At the same time, we will actively promote our ESG initiatives in environmental, social, and related aspects by positioning 2020 as the turning point.

As an enterprise engaged in iron and steel manufacturing, which is associated with emitting massive volumes of CO₂, the issue of climate change is a critical managerial concern from the perspective of business continuity. In May 2019, the JFE Group endorsed the final recommendations report released by the Task Force on Climate-related Financial Disclosures (TCFD) in 2017, which called for disclosing such information as a company's climate change strategies, and we included information such as our scenario analysis in our CSR report issued in September 2019. Our steel business, which emits 99.9% of the Group's total CO₂ emissions, has been developing various technologies for saving energy and reducing CO₂ emissions. Applying these to steel manufacturing has successfully reduced CO₂ emission intensity to the lowest level worldwide. In our disclosures consistent with TCFD recommendations, we explained our progress in developing innovative iron-making processes such as COURSE50 and ferro coke as well as our initiatives to realize zero-carbon steel. We also described our broad contributions to addressing climate change by explaining how we are reducing CO₂ emissions through the construction and operation of renewable energy plants in our engineering business and responding to the promotion of national resilience across the three business domains.

In 2020 the JFE Group set two ambitious targets: **(1) reduce CO₂ emissions in fiscal 2030 by 20% or more compared to fiscal 2013 in the steel business, which accounts for most of the JFE Group's CO₂ emissions, and (2) strive to be carbon neutral within the JFE Group as soon as possible after 2050, in line with the social transformation to establish carbon-free infrastructure over the long term.** With regard to the aforementioned structural reorganization of the steel business, we are trying to enhance economic sustainability by becoming a slim, stronger company with higher profitability. At the same time, by reinforcing initiatives against climate change, we intend to improve environmental sustainability, a critical concern the Group faces in its various ESG-related challenges. We plan to increase overall and sustainable corporate value through these efforts. This year will be the turning point for our business based on having made these major decisions, and we will take our first big step forward.

Risk Response in the Value Chain and Follow-up on KPIs to Resolve Material CSR Issues

In order to maintain the sustainability of the Group as a whole, it is extremely important to recognize the CSR 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 our stakeholders including suppliers and clients as a single value chain and organize and examine CSR challenges associated with each of them, particularly to confirm that we have not overlooked any risks or responses.

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From the perspective 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 FY2019, along with disclosing the initiatives, results, and evaluations of the previous year, we partially revised the KPI to strengthen initiatives to be taken during and after FY2020. The new KPIs will clarify the positioning of each material issue in management terms while ensuring that they are appropriate indices for measuring achievement and progress. They are also quantified insofar as possible to allow efficient implementation of PDCA cycles. Going forward, we will continue to regularly review each issue as well as the appropriateness of each index and enhance their effectiveness to further reinforce CSR management and strengthen the Group's sustainability.

Contributing to the Sustainable Development of Society

A female full-time Audit & Supervisory Board member was appointed at the JFE Group in 2019, followed by the appointment of the first female outside director in June 2020. We expect that the exchange of diverse opinions will enhance in achieving effective Group governance. We are also actively hiring female employees and mid-career talent to maximize the potential of employees with diverse values and background.

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.