

(Translation for reference only)

## Corporate Governance Report

(English Translation of the Japanese original)

This translation has been prepared for reference only. The Japanese language version will prevail if any discrepancy arises.

Last Update: June 21, 2018

JFE Holdings, Inc.

Eiji Hayashida

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<https://www.jfe-holdings.co.jp>

The corporate governance of JFE Holdings, Inc. (hereinafter the “Company”) is as follows.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

With the aim of promoting sustainable growth of the Company and the JFE Group (or the “Group”) and medium to long-term corporate value, and achieving and hence further enhancing the best corporate governance to embody the Corporate Vision, the Company has established the “Basic Policy on Corporate Governance,” which is published on the Company’s website.

(<https://www.jfe-holdings.co.jp/en/company/governance/index.html>)

- (1) The Company continuously aims at achieving the best corporate governance and its further enhancement.
- (2) From the viewpoint of enhancing sustainable growth and medium to long-term corporate value of the JFE Group, the Company makes effort to pursue thoroughly fair, objective and transparent corporate governance based on the following basic concept.
  - 1) The Company respects the rights of shareholders and makes effort to ensure an environment which allows shareholders to execute their rights appropriately, as well as to secure effective equal treatment of shareholders.
  - 2) In addition to shareholders, the Company gives consideration to the interests of various stakeholders including employees, customers, business partners, creditors, local communities and cooperates with them appropriately.
  - 3) The Company discloses its information appropriately and ensures the transparency of the Company.
  - 4) The Company endeavors to ensure the effectiveness of the supervisory function of the Board of Directors on business execution as a core holding company of the JFE Group.
  - 5) The Company engages in constructive dialogue with shareholders to contribute to the enhancement of sustainable growth and medium to long-term corporate value.
- (3) The Company establishes and discloses the JFE Group’s “Corporate Vision,” “Corporate Values” and “JFE Group Standards of Business Conduct” which form the framework of basic business principles which are applicable to all business activities shared by all executives and employees of the JFE Group.

“Corporate Vision”

The JFE Group - contributing to society with the world’s most innovative technology

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“Corporate Values”

A Challenging Spirit, Flexibility, Sincerity

“JFE Group Standards of Business Conduct”

All JFE Group personnel are required to faithfully adhere to the following Standards of Conduct in all corporate activities. These standards embody the JFE Group's Corporate Vision and go hand-in-hand with its Corporate Values.

Senior managers are responsible for communicating these standards to employees of Group companies and their supply chain partners, and in creating effective systems and mechanisms to ensure adherence to ethical standards.

Senior managers are also responsible for measures to prevent the recurrence of any violation of these standards. Additionally, they must report violations promptly and accurately to internal and external stakeholders, determine the persons of relevant authority and accountability, and resolve matters rigorously.

1. Provide quality products and services  
Earn the trust and acclaim of customers by endeavoring to provide safe, high-quality products and services based on superior technologies, and by fully respecting and protecting the privacy of personal and customer information. Also, leverage our superior technologies for the sustainable growth of our Group and society.
2. Be open to society  
Disclose corporate information actively and engage in constructive dialogues with diverse stakeholders to enhance our corporate value.
3. Work with communities  
Actively contribute to host communities as a good corporate citizen by emphasizing harmony and cooperation.
4. Globalize  
Endeavor to achieve understanding with people around the world, working from a global perspective and with respect to international norms, and also local cultures and customs.
5. Exist harmoniously with the global environment  
Actively work to exist harmoniously with the global environment, as well as to raise living standards and advance societies.
6. Maintain proper relations with governments and political authorities  
Endeavor to build and maintain sound and proper relationships with governments and political authorities.
7. Maintain crisis readiness  
Firmly resist all elements and organizations that threaten social order and stability, and refuse all illegal or improper demands. Also, contribute to order and safety in society by thoroughly and methodically preparing for crises such as terrorism, cyberattacks, natural disasters and others, including by ensuring the stable availability of products and services.
8. Respect human rights  
Respect all employees and members of the general public as individuals and refrain from any discrimination in corporate activities.

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9. Provide challenging work environments  
Provide employees with attractive, safe, healthy and challenging work environments.
10. Comply with laws and ordinances  
Comply with all applicable laws and ordinances, endeavor to compete fairly and freely, refrain from illegal business activities, promote sound business practices, and be faithful and sincere in all activities and dealings.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company has prepared this report based on the Corporate Governance Code prior to the amendments in June 2018, and the Company has complied with all of the Principles.

The update based on these amendments will promptly be implemented upon completion of arrangements.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

**[Principle 1.4 Strategic-Shareholdings]**

- (1) Policy on strategic holdings of listed stocks
  - 1) The Company's operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation (hereinafter the "Operating Companies"), hold listed stocks as strategic holdings for the aim of facilitating the promotion of business transactions and financial transactions, etc.
  - 2) The Company and the Operating Companies regularly review at the Board of Directors meeting the significance of major strategic holdings and the return on investment such as dividend yield, and consider from a comprehensive perspective, selling the shares which have become insignificant or cause damage risk to shareholder interest.(Basic Policy on Corporate Governance 2-1.(5) 1) and 2))
- (2) Standards on the exercise of voting rights of strategic holdings  
The exercise of voting rights of strategic shareholdings is decided upon reviews by Operating Companies on content of the proposal and is appropriately implemented in consideration of shareholder interest. To be specific, the content of the proposal is to be checked by the investment application department and the investment control department, and approval will be given to proposals which are considered to pose no threat to the maximization of interest of these Operating Companies as shareholders.  
(Basic Policy on Corporate Governance 2-1.(5) 3))

**[Principle 1.7 Related Party Transactions]**

- (1) Competing transactions and conflict of interest transactions between the Company and Directors or Corporate Officers are to be specified as approval matters in the Board of Directors meeting in accordance with the regulations of the Board of Directors. If such transactions are to be initiated, the transactions have to be discussed and approved in the Board of Directors meeting with regard to the rationality, validity, etc. to ensure that the transactions shall not damage the interest of the Company and its shareholders.
- (2) The Company discloses material facts concerning the transactions stated in the preceding paragraph in an appropriate manner in accordance with laws and regulations.
- (3) In order to prevent related parties of the Company from carrying out any insider trading, the Company stipulates regulations concerning the handling of undisclosed material facts and applies them strictly.  
(Basic Policy on Corporate Governance 2-1.(7))

**[Principle 3.1 Full Disclosure]**

- (1) The Group has established and discloses its "Corporate Vision," "Corporate Values" and "JFE Group Standards of Business Conduct." Please refer to "I.1. Basic Views" of this report. (Basic Policy on Corporate Governance 1-2.(3))  
The Group also formulated and discloses its Medium-Term Business Plan. Detailed information is available on the Company's website.  
(<https://www.jfe-holdings.co.jp/en/investor/management/plan/index.html>)

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- (2) “Basic Policy on Corporate Governance” which stipulates the basic concept, framework and operation policy concerning corporate governance of the Group has been established and is disclosed on the Company’s website.  
(<https://www.jfe-holdings.co.jp/en/company/governance/index.html>)  
(Basic Policy on Corporate Governance 1-2., 4-1.)
- (3) Policies and procedures in determining the remuneration of senior management and Directors by the Board of Directors  
Policy and procedures in determining the remuneration of Directors, etc. are stated in “II.1.(6) Director Remuneration” of this report.  
In October 2015, the Company established the Remuneration Committee which comprises of a majority of Outside Directors/Audit & Supervisory Board Members and acts as an advisory body of the Board of Directors to ensure fair, objective and transparent remuneration of Directors.  
The Remuneration Committee deliberates matters pertaining to the basic policy on the remuneration of Directors, etc. of the Company and the Operating Companies, and reports to the Board of Directors.  
(Basic Policy on Corporate Governance 4-6.(4))
- (4) Policies and procedures in appointing senior management and nominating candidates for Directors and Audit & Supervisory Board Members by the Board of Directors
- Based on the following views, the Board of Directors decides the candidates for Directors with the involvement and advice of Outside Directors, and election will be carried out at the General Meeting of Shareholders.
    - 1) The Company’s Board of Directors comprises of members who possess diversified knowledge, experiences and abilities. The number of the Directors shall not exceed 12.
    - 2) With regard to inside Directors, persons with appropriate insight to bear decision-making of management of the whole Group and supervision of business execution will be elected from those who possess profound understanding and knowledge on the business by way of processes such as engagement in management of the Company or each Operating Company.
    - 3) The Company elects several Independent Outside Directors with the aim of composing one-third or more of the Directors by Independent Outside Directors. Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge, and satisfy the Company’s Independence Standards.
  - Based on the following views, the Board of Directors decides the candidates for Audit & Supervisory Board Members with the consent of the Audit & Supervisory Board as well as the involvement and advice of Outside Directors, and election will be carried out at the General Meeting of Shareholders.
    - 1) The Audit & Supervisory Board comprises of members who possess appropriate knowledge concerning finance and accounting. The number of Audit & Supervisory Board Members shall not exceed 6, among which half or more shall be Outside Audit & Supervisory Board Members.
    - 2) With regard to inside Audit & Supervisory Board Members, persons with knowledge and experience enabling the auditing of execution of duties by Directors in an accurate and fair manner, who delivers an insight appropriate to bear the supervision function will be elected from those who possess profound understanding and knowledge on the business by way of processes such as engagement in management or auditing of the Company or each Operating Company.
    - 3) The Company elects several Independent Outside Audit & Supervisory Board Members. Independent Outside Audit & Supervisory Board Members will be elected from persons who are appropriate to bear the role of enhancing auditing function such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge, and satisfy the Company’s Independence Standards.

In October 2015, the Company established the Nomination Committee which comprises of a majority of Outside Directors/Audit & Supervisory Board Members, and acts as an advisory body of the Board of Directors.

The Nomination Committee deliberates and reports to the Board of Directors on matters pertaining to the successor of the Chief Executive Officer of the Company, the election of Representative Directors and

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Directors with executive powers, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members.

(Basic Policy on Corporate Governance 4-2.(2) and (5), 4-3.(2) and (4), 4-6.(3))

- (5) Explanation on each individual election and nomination in electing the senior management and nominating candidates for Directors and Audit & Supervisory Board Members

With regard to the reasons for election of candidates for Outside Directors/Audit & Supervisory Board Members, “Reasons for Election” are stated in “II.1. (2) Directors and (3) Audit & Supervisory Board Members” of this report.

Reasons for election of inside Directors/inside Audit & Supervisory Board Members are as follows:

[Inside Directors]

Eiji Hayashida

Mr. Hayashida has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in overseas business, new business development, corporate planning and administration, and financial operations in the Company and JFE Steel Corporation, the Group’s core company, and execution of duties as Corporate Officer of both companies. He also has abundant experience and knowledge as a corporate manager, which was nurtured through his experience as Representative Director, President and CEO of JFE Steel Corporation. Currently, as Representative Director, President and CEO of the Company, he is striving to sustain the growth and enhance the corporate value of the Group. For these reasons, the Company has judged Mr. Hayashida to be suitable as a Director of the Company.

Koji Kakigi

Mr. Kakigi has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations in human resource and labor administration departments, and execution of duties as Corporate Officer in management divisions such as general administration, legal, accounting, finance, and procurement departments in JFE Steel Corporation, the Group’s core company. Currently, as Representative Director, President and CEO of JFE Steel Corporation, he is making aggressive efforts such as working to streamline the domestic manufacturing base and expand overseas businesses, and, as Representative Director of the Company, he is striving to sustain the growth and enhance the corporate value of the Group. For these reasons, the Company has judged Mr. Kakigi to be suitable as a Director of the Company.

Shinichi Okada

Mr. Okada has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in financial operations such as fund-raising and project financing, and execution of duties as Corporate Officer in corporate planning and administration departments. Currently, as Representative Director and Executive Vice President of the Company, he is working on management and administration of the Group as well as implementation of the financial and capital policies of the Group. Also, as a part-time Director of JFE Steel Corporation, the Group’s core company, he is working on the management and administration of the company. For these reasons, the Company has judged Mr. Okada to be suitable as a Director of the Company.

Naosuke Oda

Mr. Oda has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in operations related to sales of automobile steel at JFE Steel Corporation, the Group’s core company, and supervising sales divisions as Corporate Officer. He also has abundant experience and knowledge as a corporate manager, which was nurtured through his experience as Representative Director and Executive Vice President of JFE Steel Corporation. Mr. Oda is currently reinforcing the domestic earnings base and is actively working to expand overseas business as Representative Director, President and CEO of JFE Shoji Trade Corporation, the Group’s core company. For these reasons, the Company has judged Mr. Oda to be suitable as a Director of the Company.

Hajime Oshita

Mr. Oshita has abundant experience and knowledge required in management of the Group, which he has accumulated through his experience in corporate planning, accounting and finance, and a wide range of duties as Corporate Officer, including overseeing domestic and overseas business at JFE Engineering Corporation, the Group's core company. In addition, Mr. Oshita has abundant experience and knowledge as a corporate manager, which was nurtured through his experience as Representative Director and Senior Vice President of JFE Engineering Corporation. He is currently reinforcing the domestic earnings base and is actively working to expand overseas business as Representative Director, President and CEO of JFE Engineering Corporation. For these reasons, the Company has judged Mr. Oshita to be suitable as a Director of the Company.

[Inside Audit & Supervisory Board Members]

Shotaro Tsumura

Mr. Tsumura has abundant experience and knowledge acquired during his career at JFE Steel Corporation, the Group's core company, as an Audit & Supervisory Board Member and also in the fields of general administration and personnel affairs, dealing with compliance and risk management. Based on his experience and knowledge, the Company believes that he is capable of conducting accurate and fair audits of the execution of Directors' duties, and has therefore judged Mr. Tsumura to be suitable as an Audit & Supervisory Board Member of the Company.

Nobuya Hara

Mr. Hara has abundant experience and knowledge of finance and accounting, which he has accumulated through work in corporate planning, accounting and finance at JFE Steel Corporation, the Group's core company, and through accounting work at the Company. He also has abundant experience and knowledge acquired through work in management of group companies at JFE Steel Corporation and while serving as an Audit & Supervisory Board Member of JFE Steel Corporation. Based on his experience and knowledge, the Company believes that he is capable of conducting accurate and fair audits of the execution of Directors' duties, and has therefore judged Mr. Hara to be suitable as an Audit & Supervisory Board Member of the Company.

[Supplementary Principle 4.1.1 Summary of Scope of Delegation from the Board of Directors to Management]

- (1) Based on the fiduciary duty to shareholders, the Board of Directors takes the responsibility to ensure sustainable growth of the Company and the enhancement of medium to long-term corporate value. In accordance with laws and regulations, the Articles of Incorporation and related regulations of the Company such as the regulations of the Board of Directors, the Board of Directors makes material decisions on management including formulation of management plans of the Group and basic policies on management. Further, the Board of Directors supervises the overall management including business execution by the executive person.
- (2) According to the internal rules of the Company, the Company establishes clear standards which clarify the authority of decision-making and the decision-making procedures concerning the matters pertaining to the Company and each company within the Group, and significant matters are subject to deliberation at the Company's JFE Group Management Strategy Committee or Management Committee and resolution of the Company's Board of Directors.
- (3) For the purpose of facilitating prompt decision-making related to business execution, the authority of making decisions other than those related to significant business execution set forth in the regulations of the Board of Directors, in principal, is given to Corporate Officers in charge of the corresponding business. (Basic Policy on Corporate Governance 4-2.(1))

[Principle 4.8 Effective Use of Independent Directors]

The Company elects several Independent Outside Directors with the aim of composing one-third or more of the Directors by Independent Outside Directors. Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge.

3 of the 8 Directors of the Company are Independent Outside Directors who satisfy the Independence Standards of the Company. The Company has already appointed one-third or more of Independent Outside Directors.

(Basic Policy on Corporate Governance 4-2.(2) 2) and 4), 4-2.(5))

[Principle 4.9 Independence Standards for Independent Directors]

The Company has established a set of Standards for Independence of Outside Directors/Audit & Supervisory Board Members, the outline of which is stated in “II.1.(4) Independent Directors/Audit & Supervisory Board Members” of this report and disclosed on the Company’s website.

(<https://www.jfe-holdings.co.jp/en/company/info/pdf/independence.pdf>)

(Basic Policy on Corporate Governance, Appendix, 4-2.(2) and (5))

[Supplementary Principle 4.11.1 View on Appropriate Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, and on Diversity and Size of the Board]

- (1) The Company’s Board of Directors comprises of members who possess diversified knowledge, experiences and abilities. The number of the Directors shall not exceed 12.
- (2) With regard to inside Directors, persons with appropriate insight to bear decision-making of management of the whole Group and supervision of business execution will be elected from those who possess profound understanding and knowledge on the business by way of processes such as engagement in management of the Company or each Operating Company.
- (3) The Company elects several Independent Outside Directors with the aim of composing one-third or more of the Directors by Independent Outside Directors. Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge, and satisfy the Company’s Independence Standards.

(Basic Policy on Corporate Governance 4-2.(2))

[Supplementary Principle 4.11.2 Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members]

The Company discloses significant concurrent positions of Directors and Audit & Supervisory Board Members as well as candidates thereof in the Notice of the Ordinary General Meeting of Shareholders of the Company each year.

The significant concurrent positions of Outside Directors and Outside Audit & Supervisory Board Members as of the date of the update of this report are also shown in “II.1.(2) Directors and (3) Audit & Supervisory Board Members” of this report.

(Basic Policy on Corporate Governance 4-2.(4) 2), 4-3.(3) 2))

[Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors]

In line with the Basic Policy on Corporate Governance, the Board of Directors of the Company has conducted analysis and evaluation of the overall effectiveness of the Board of Directors since FY2015. The analysis and evaluation for FY2017 were carried out by conducting a survey aimed at all the Directors and Audit & Supervisory Board Members concerning the following items, and the results of the initiatives taken in FY2017, based on opinions and recommendation obtained from the analysis and evaluation conducted in FY2016, were also examined.

[Main content of survey]

- Deliberations and operations of the Board of Directors (prior preparation, briefing materials, content of deliberations, etc.)
- Composition of the Board of Directors
- Provision of information to Outside Directors/Audit & Supervisory Board Members
- Responsibilities and roles of the Board of Directors (involvement in the Medium-Term Business Plan, appropriateness of resolutions and reports, etc.)

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- Relationships with shareholders and other stakeholders
- Operations of the Nomination Committee and the Remuneration Committee

Based on the discussions in light of the survey results, the Board of Directors determined that its overall effectiveness had been ensured through invigorated discussions primarily by the Outside Directors/Audit & Supervisory Board Members, mainly by conducting a preliminary briefing session where all Outside Directors/Audit & Supervisory Board Members attended.

Considering evaluation results of effectiveness up to last year, in formulating the sixth Medium-Term Business Plan of the Group released in April 2018, reports were made to the Board of Directors from the planning stage of each Operating Company, and the Board of Directors discussed the strategic direction and vision.

Moreover, in order to grasp and respond to opinions and concerns, etc. of employees as stakeholders, the Board of Directors discussed the future issues and direction of responses based on the survey results on employees' awareness at the Company and the Operating Companies.

Welcoming Presidents of JFE Engineering Corporation and JFE Shoji Trade Corporation to the Board of Directors in June 2017 and increasing the number of Outside Directors/Audit & Supervisory Board Members led to further fruitful discussions at the Board of Directors. Based on the results of these initiatives, the effectiveness of the Board of Directors was determined to have improved compared with FY2016.

Furthermore, Audit & Supervisory Board Members are conducting audits on the execution of duties by Directors in an accurate and fair manner, as well as proactively voicing their opinions and questions regarding the managerial decision-making and reports made at the Board of Directors meeting, which has encouraged more invigorated deliberations. All things considered, it was determined that the Company functions effectively as a company with an Audit & Supervisory Board.

On the other hand, the following issues were extracted from this survey for further improvement of effectiveness.

- Should consider visits to offices of operating companies and further improvement of business status briefings in order for Outside Directors/Audit & Supervisory Board Members to deepen the understanding of business contents and environment of the Company.
- Should follow up in a timely and appropriate manner in order to strengthen supervision of the Board of Directors regarding the sixth Medium-Term Business Plan and should appropriately make a report when there is any environmental change which requires modification to the plan.
- Should discuss initiatives on ESG issues at the Board of Directors meeting, as they are indispensable for sustainable growth of the Company.
- Although election of personnel with various experience and personal knowledge is progressing, should address further expansion of diversity regarding composition of the Board of Directors.

Bearing the above points in mind, initiatives will be proactively undertaken to further increase the effectiveness of the Board of Directors and enhance the corporate value of the Group.

(Basic Policy on Corporate Governance 4-2.(7))

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]

With regard to matters concerning laws and regulations, corporate governance and risk management, etc. necessary for appropriate accomplishment of the roles and duties of Directors and Audit & Supervisory Board Members, the Company provides training opportunities and funding support appropriate for each Director and Audit & Supervisory Board Member at the time they assume office and continuously thereafter. In addition, especially for Outside Directors and Outside Audit & Supervisory Board Members, information is provided such as briefings on the Company's business content, performance, finance and management issues and site visits of major business bases.

(Basic Policy on Corporate Governance 4-5.)

[Principle 5.1 Policies concerning Improvement of Systems and Measures for Promoting Constructive Dialogue with Shareholders]

- (1) The Company makes effort to contribute to the enhancement of sustainable growth of corporate value through dialogue with shareholders and investors, and establishes the Investor Relations and Corporate Communications Dept. responsible for promoting constructive dialogue.
- (2) In addition to the appointment of Directors/Corporate Officers who supervise and are in charge of the Investor Relations and Corporate Communications Dept. as the persons responsible for promoting constructive dialogue with shareholders and investors, the Investor Relations and Corporate

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Communications Dept. acts as the core and ensures close collaboration including appropriate exchange of information with related departments providing assistance to facilitate dialogue.

- (3) In order to promote active dialogue with institutional investors, a Representative Director offers various briefings concerning Medium-Term Business Plan and results announcements, etc., and domestic and international investors' interviews, etc. With regard to individual shareholders and investors, corporate briefings and plant tours are organized.
- (4) The Company collects opinions and questions from the dialogue regularly, reports and shares information with Directors, Audit & Supervisory Board Members and Corporate Officers.
- (5) The Company establishes the disclosure policy and endeavors to prevent leakage of insider information and provide fair disclosure.

(Basic Policy on Corporate Governance 2-1.(3))

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## 2. Capital Structure

(1) Foreign Shareholding Ratio

From 20% to less than 30%

(2) Status of Major Shareholders

Name / Company Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	36,834,800	6.39
Japan Trustee Services Bank, Ltd. (trust account)	30,487,900	5.29
Nippon Life Insurance Company	20,821,161	3.61
Mizuho Bank, Ltd.	13,403,380	2.32
The Dai-ichi Life Insurance Company, Limited	13,127,425	2.28
Japan Trustee Services Bank, Ltd. (trust account 9)	10,974,700	1.90
Japan Trustee Services Bank, Ltd. (trust account 5)	10,206,100	1.77
STATE STREET BANK WEST CLIENT - TREATY 505234	10,204,298	1.77
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,006,087	1.56
Japan Trustee Services Bank, Ltd. (trust account 1)	7,575,800	1.31

(3) Controlling Shareholder (except for Parent Company)

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(4) Parent Company

None

(5) Supplementary Explanation

BlackRock Japan Co., Ltd. submitted the Report of Possession of Large Volume, available for public inspection as of June 21, 2017 (date on which reporting obligation arose: June 15, 2017), which states that seven companies jointly own the following shares. However, as of March 31, 2018, the Company could not confirm the number of beneficially owned shares and thus did not include them in the Status of Major Shareholders, as stated above.

Name / Company Name	Number of share certificates owned (thousand shares)	Holding ratio of share certificates, etc. (%)
BlackRock Japan Co., Ltd.	10,420	1.70
BlackRock Fund Managers Limited	629	0.10
BlackRock Life Limited	1,205	0.20
BlackRock Asset Management Ireland Limited	2,077	0.34
BlackRock Fund Advisors	7,692	1.25
BlackRock Institutional Trust Company, N.A.	7,932	1.29
BlackRock Investment Management(UK) Limited	1,380	0.22
Total	31,338	5.10

## 3. Corporate Attributes

(1) Listed Stock Market and Market Section

Tokyo Stock Exchange, First Section  
Nagoya Stock Exchanges, First Section

(2) Fiscal Year-End

March

(3) Type of Business

Iron & Steel

(4) Number of Employees (consolidated) as of the End of the Previous Fiscal Year

1,000 or more

(5) Sales (consolidated) as of the End of the Previous Fiscal Year

1 trillion yen or more

(6) Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year

300 or more

#### **4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

Among the consolidated subsidiaries of the Company, the 3 companies, Gecoss Corporation, JFE Container Co., Ltd. and JFE Systems, Inc. are the listed subsidiaries. Rules are applied to these listed companies which differ from those applicable to other consolidated subsidiaries, and other measures are also implemented to ensure the independence of the listed companies.

## 1. Organizational Composition and Operation

### Company with Audit & Supervisory Board

1) Maximum Number of Directors Stipulated in Articles of Incorporation 12

2) Term of Office Stipulated in Articles of Incorporation	1 year
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3) Chairperson of the Board President

4) Number of Directors	8
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5) Appointment of Outside Directors	Appointed
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a) Number of Outside Directors	3
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b) Number of Independent Directors	3
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c) Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masao Yoshida	From another company								Δ			
Masami Yamamoto	From another company								○			
Nobumasa Kemori	From another company								Δ			

“Δ” when the director fell under the category in the past

“▲”when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

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- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/audit & supervisory board member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

d) Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masao Yoshida	○	<p>(Significant concurrent posts)            Senior Advisor of Furukawa Electric Co., Ltd.            Outside Director of FURUKAWA CO., LTD.            External Director of Tokyo Century Corporation</p> <p>(Attributes of Outside Director)            Furukawa Electric Co., Ltd., where Mr. Yoshida served as Director until June 2017, had business transactions with operating companies of the Company (JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation) in FY2017. However, the Company determined that these transactions should not influence the judgment of shareholders and investors, as follows.</p> <ul style="list-style-type: none"> <li>- Mr. Yoshida does not fall under the person for whom the Company or its operating companies is a major business partner (see * in "II. 1. (4) Independent Directors/Audit &amp; Supervisory Board Members" of this report) and the person who is a major business partner of the Company or its operating companies, and thus he satisfies the Independence Standards established by the Company.</li> </ul>	<p>Mr. Yoshida has been successful in managing Furukawa Electric Co., Ltd. for many years and has long experience and broad knowledge in management of the manufacturing business. He operated businesses based on the core material technologies of copper and a broad range of other materials, tapped into new businesses, reorganized businesses and promoted global business development. Based on such in-depth knowledge and his outstanding insight, as well as his performance as an Outside Director of the Company since his assumption of office the Company has judged it to be appropriate to reappoint him as an Outside Director of the Company, a post responsible for reinforcing corporate governance. In addition, Mr. Yoshida satisfies the standards for independence stipulated in the "Securities Listing Regulations" and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Yoshida as Independent Director, based on the judgment that Mr. Yoshida is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>

		<p>The Company established the Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members as described in “II.1.(4) Independent Directors/Audit &amp; Supervisory Board Members” of this report. An Outside Director or Outside Audit &amp; Supervisory Board Member is deemed not to have independence from the Company in the event that he/she falls under any of the items stipulated in the standards.</p>	
Masami Yamamoto	○	<p>(Significant concurrent posts) Chairman and Director of Fujitsu Limited</p> <p>(Attributes of Outside Director) Fujitsu Limited, where Mr. Yamamoto serves as Chairman and Director, had business transactions with operating companies of the Company (JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation) in FY2017. However, the Company determined that these transactions should not influence the judgment of shareholders and investors, as follows.</p> <ul style="list-style-type: none"> <li>- Mr. Yamamoto does not fall under the person for whom the Company or its operating companies is a major business partner (see * in “II.1.(4) Independent Directors/Audit &amp; Supervisory Board Members” of this report) and the person who is a major business partner of the Company or its operating companies, and thus he satisfies the Independence Standards established by the Company.</li> </ul> <p>The Company established the Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members as described in “II.1.(4) Independent Directors/Audit &amp; Supervisory Board Members” of this report.</p>	<p>Mr. Yamamoto has been successful in managing Fujitsu Limited for many years, a company that engages in the total solutions business globally in ICT fields, and he has extensive experience and knowledge in corporate management, which he acquired through reforming conventional business structures and processes in the rapidly changing ICT industry. Based on his deep knowledge, outstanding judgment, his ability to provide valuable proposals and advice regarding the use of ICT, which is expected to become increasingly important for raising corporate value in the future, the Company has judged Mr. Yamamoto to be suitable as an Outside Director of the Company, a post responsible for reinforcing corporate governance. In addition, Mr. Yamamoto satisfies the standards for independence stipulated in the “Securities Listing Regulations” and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Yamamoto as Independent Director, based on the judgment that Mr. Yamamoto is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>

		An Outside Director or Outside Audit & Supervisory Board Member is deemed not to have independence from the Company in the event that he/she falls under any of the items stipulated in the standards.	
Nobumasa Kemori	○	<p>(Significant concurrent posts) Executive Advisor of Sumitomo Metal Mining Co., Ltd. Outside Director of NAGASE &amp; CO., LTD.</p> <p>(Attributes of Outside Director) Sumitomo Metal Mining Co., Ltd., where Mr. Kemori served as Director until June 2017, had business transactions with operating companies of the Company (JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation) in FY2017. However, the Company determined that these transactions should not influence the judgment of shareholders and investors, as follows.</p> <ul style="list-style-type: none"> <li>- Mr. Kemori does not fall under the person for whom the Company or its operating companies is a major business partner (see * in “II.1.(4) Independent Directors/Audit &amp; Supervisory Board Members” of this report) and the person who is a major business partner of the Company or its operating companies, and thus he satisfies the Independence Standards established by the Company.</li> </ul> <p>The Company established the Standards for Independence of Outside Directors/Audit &amp; Supervisory Board Members as described in “II.1.(4) Independent Directors/Audit &amp; Supervisory Board Members” of this report. An Outside Director or Outside Audit &amp; Supervisory Board Member is deemed not to have independence from the Company in the event that he/she falls under</p>	<p>Mr. Kemori has been successful in managing Sumitomo Metal Mining Co., Ltd., which engages in a broad range of businesses in non-ferrous metal resource development, smelting, materials production, etc., for many years, and has remarkable knowledge in metallic materials, in addition to broad experience in corporate management, including leading the construction of an overseas plant for nickel smelting, a mainstay business of Sumitomo Metal Mining Co., Ltd., and a development project for a large copper mine. Based on his ability to utilize his deep knowledge and outstanding insight to provide valuable proposals and advice regarding the improvement of the corporate value of the Company, the Company has judged Mr. Kemori to be suitable as an Outside Director of the Company, a post responsible for reinforcing corporate governance. In addition, Mr. Kemori satisfies the standards for independence stipulated in the “Securities Listing Regulations” and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Kemori as Independent Director, based on the judgment that Mr. Kemori is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>

(Translation for reference only)

		any of the items stipulated in the standards.	
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- 6) Voluntary Establishment of Committee(s) Corresponding to  
Nomination Committee or Remuneration Committee      Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Remuneration Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	2	2
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Nomination Committee deliberates and reports to the Board of Directors on matters pertaining to the successor of the Chief Executive Officer of the Company, the election of Representative Directors and Directors with executive powers, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members. The Nomination Committee comprises of 6 members including 2 Inside Directors, 2 Outside Directors and 2 Outside Audit & Supervisory Board Members.

The Remuneration Committee deliberates matters pertaining to the basic policy on the remuneration of Directors, etc. of the Company and each Operating Company and reports to the Board of Directors. The Remuneration Committee comprises of 6 members including 2 Inside Directors, 2 Outside Directors and 2 Outside Audit & Supervisory Board Members. In FY2017, the Nomination Committee was convened four times and the Remuneration Committee was convened seven times.

(3) Audit & Supervisory Board Members

- 1) Establishment of Audit & Supervisory Board      Established
- 2) Maximum Number of Audit & Supervisory Board Members  
stipulated in the Articles of Incorporation      6
- 3) Number of Audit & Supervisory Board Members      5
- 4) Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit  
Departments

Audit & Supervisory Board Members closely cooperate with Ernst & Young ShinNihon LLC, the Accounting Auditor, by holding meetings (11 times in FY2017) periodically or whenever necessary, where Audit & Supervisory Board Members receive detailed reports on audit plans, status of audit implementation and audit results, and detailed explanation on the quality control system of the accounting auditor, and provide explanation on audit plan, etc. and opinions are exchanged. The Audit & Supervisory Board Members also closely cooperate with the internal auditing department by holding meetings (5 times in FY2017) periodically or whenever necessary, where the Audit & Supervisory Board Members receive detailed reports on internal audit plans, status of internal audit implementation and results of internal audit, and opinions are exchanged.

(Translation for reference only)

5) Appointment of Outside Audit & Supervisory Board Members Appointed

a) Number of Outside Audit & Supervisory Board Members 3

b) Number of Independent Outside Audit & Supervisory Board Members 3

c) Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigeo Ohyagi	From another company													
Isao Saiki	Lawyer													
Tsuyoshi Numagami	Scholar													

\* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

\* Categories for “Relationship with the Company”

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & supervisory board member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as audit & supervisory board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)

k. Executive of a company, between which and the Company outside directors/audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m. Others

(Translation for reference only)

d) Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigeo Ohyagi	○	(Significant concurrent posts) Senior Advisor, Member of the Board of Teijin Limited Outside Director of KDDI CORPORATION	<p>Mr. Ohyagi has a wealth of knowledge and experience as senior executive officer of Teijin Limited, which globally develops a wide range of businesses in diversified fields, including advanced fibers &amp; composites, electronics materials &amp; performance polymer products, pharmaceuticals and home healthcare. He also has actively strived to reinforce corporate governance of said company. The Company has judged that Mr. Ohyagi is capable of contributing to the audit operations of the Company in an independent manner and with a broad perspective.</p> <p>In addition, Mr. Ohyagi satisfies the standards for independence stipulated in the "Securities Listing Regulations" and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Ohyagi as Independent Audit &amp; Supervisory Board Member, based on the judgment that Mr. Ohyagi is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>
Isao Saiki	○	(Significant concurrent posts) Partner Lawyer of Abe, Ikubo & Katayama Law Firm	<p>Mr. Saiki has vast experience and impressive knowledge in corporate legal affairs and other matters as a lawyer. Moreover, he has served as Outside Audit &amp; Supervisory Board Member for other listed companies, including the Company. Although he does not have past experience in corporate management other than having served as Outside Audit &amp; Supervisory Board Member, the Company believes that Mr. Saiki is very capable of augmenting the audit operations of the Company in an independent manner and with a broad perspective, given his extensive experience and impressive knowledge, and has judged Mr. Saiki to be suitable</p>

			<p>as an Outside Audit &amp; Supervisory Board Member of the Company.</p> <p>In addition, Mr. Saiki satisfies the standards for independence stipulated in the “Securities Listing Regulations” and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Saiki as Independent Audit &amp; Supervisory Board Member, based on the judgment that Mr. Saiki is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>
Tsuyoshi Numagami	○	<p>(Significant concurrent posts)</p> <p>Board Member and Executive Vice President of HITOTSUBASHI UNIVERSITY</p>	<p>Mr. Numagami has actively worked on the research on corporate management for many years, and has an impressive academic knowledge with regard to corporate management strategy and an ideal state of an organization, in addition to being familiar with many industrial fields. He also has experience of university management as Executive Vice President of HITOTSUBASHI UNIVERSITY. Although he does not have past experience in corporate management other than having served as Outside Director, the Company believes that Mr. Numagami is very capable of augmenting the audit operations of the Company in an independent manner and with a broad perspective, given his extensive experience and impressive knowledge, and has judged Mr. Numagami to be suitable as an Outside Audit &amp; Supervisory Board Member of the Company.</p> <p>In addition, Mr. Numagami satisfies the standards for independence stipulated in the “Securities Listing Regulations” and the Independence Standards established by the Company, and would have no conflict of interests with general shareholders. Hence, the Company has designated Mr. Numagami as Independent Audit &amp; Supervisory Board Member, based on the judgment that Mr. Numagami is capable of adequately bearing the supervision function from a standpoint independent from the management of the Company.</p>

(Translation for reference only)

(4) Independent Directors/Audit & Supervisory Board Members

Number of Independent Directors/Audit & Supervisory Board Members 6

Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company has designated all Outside Directors/Audit & Supervisory Board Members who meet qualification for Independence as Independent Directors/Audit & Supervisory Board Members.

Standards for Independence of Outside Directors/Audit & Supervisory Board Members of JFE Holdings, Inc.

JFE Holdings, Inc. (the “Company”) establishes the standards for independence of Outside Directors and Outside Audit & Supervisory Board Members as described below. An Outside Director or Outside Audit & Supervisory Board Member is deemed not to have sufficient independence from the Company in the event that he/she falls under any of the items below.

- 1) A person who is or was an executive director, executive officer or employee (collectively the “Executive”) of the Company or its subsidiary.
- 2) A person who is currently a major shareholder of the Company. In the event that the person is a legal entity such as a company, a person who is or, in the past 3 years, has been the Executive of such legal entity or the parent company or a significant subsidiary of such legal entity.
- 3) A person for whom the Company or its operating company is a major business partner. In the event that the person is a legal entity such as a company, a person who is or, in the past 3 years, has been the Executive of such legal entity or the parent company or a significant subsidiary of such legal entity.
- 4) A person who is a major business partner of the Company or its operating company. In the event that the person is a legal entity such as a company, a person who is or, in the past 3 years, has been the Executive of such legal entity or the parent company or a significant subsidiary of such legal entity.
- 5) A financial institution or other major creditor of the Company or its operating company who is indispensable for the fundraising of the Company or its operating company and on whom the Company or its operating company depends to the extent that it is irreplaceable. In the event that the financial institution or other major creditor is a legal entity, a person who is or, in the past 3 years, has been the Executive of such legal entity or the parent company or a significant subsidiary of such legal entity.
- 6) A person who has received donations exceeding a certain amount (an annual average, over the past 3 years, of either 10 million yen or 30% of the person’s total expenses, whichever is larger) from the Company or its operating company. In the event that the person is a legal entity such as a company, a person who is or, in the past 3 years, has been the Executive of such legal entity or the parent company or a significant subsidiary of such legal entity.
- 7) A consultant, accounting professional such as a certified public accountant, or legal professional such as a lawyer who has received a large amount of money or other assets (an annual average of 10 million yen or larger over the past 3 years) in addition to the director’s or audit & supervisory board member’s remuneration from the Company or its operating company. In the event that the consultant, accounting professional or legal professional is an organization such as a legal entity or an association, a person who belongs to such organization.
- 8) An accounting auditor of the Company or its operating company, or a person who is a partner, etc. of such accounting auditor; or a person who performed auditing on the Company or its operating company as a partner, etc. of such accounting auditor in the past 3 years.
- 9) A person who is a director, audit & supervisory board member, executive officer or corporate officer of a company which has accepted directors from the Company or its operating company, or of the parent company or a subsidiary of such company.
- 10) A person who is or, in the past 3 years, was the Executive of a lead managing underwriter of the Company.
- 11) A relative of a person falling under any of foregoing items 1) through 10) (the person’s spouse, relatives within the third degree of kinship, or relatives living with the person).

Nevertheless, in the event that a person who falls under any of the foregoing items is deemed by the Company appropriate for an independent outside director/audit & supervisory board member of the Company in light of the person’s personality, insight, etc., the Company may nominate such person as a candidate for an independent outside director/audit & supervisory board member, by providing the reason to assume that the person is

(Translation for reference only)

appropriate for an independent outside director/audit & supervisory board member of the Company, and by explaining that the person fulfills the requirements for an independent outside director/audit & supervisory board member.

- \* “Operating company” refers to JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation.
- \* “Major business partner” refers to the case where the aggregate amount of transactions with the business partner exceeds 1% of consolidated net sales in the most recent fiscal year.

(5) Incentives

- |                                     |   |
|-------------------------------------|---|
| 1) Incentive Policies for Directors | Introduction of a stock remuneration plan linked to performance |
|-------------------------------------|---|

Supplementary Explanation

This is described in “(6) Director Remuneration” below.

- |                                |   |
|--------------------------------|---|
| 2) Recipients of Stock Options | — |
|--------------------------------|---|

(6) Director Remuneration

- |   |                    |
|---|--------------------|
| 1) Disclosure of Individual Directors’ Remuneration | Selected Directors |
|---|--------------------|

Supplementary Explanation

Total amount of remuneration, etc. for Directors (excluding Outside Directors) is 288,020 thousand yen. Information on remuneration (including remuneration as a Director of a consolidated subsidiary) for Directors who receive 100 million yen or more is disclosed in the Annual Securities Report on an individual basis.

- |   |             |
|---|-------------|
| 2) Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|---|-------------|

Based on deliberations by and reports from the Remuneration Committee as an advisory body to the Board of Directors, with the majority comprising Outside Directors/Audit & Supervisory Board Members, the Board of Directors of the Company, has established a basic policy on remuneration for the Company’s Directors and Corporate Officers as follows.

(1) Basic policy on determination of remuneration for Directors and Audit & Supervisory Board Members

- The Board of Directors shall determine remuneration system for Directors and Corporate Officers based on deliberations regarding its appropriateness by the Remuneration Committee to ensure fairness, objectiveness and transparency.
- The remuneration level for Directors and Corporate Officers shall be determined to secure excellent human resources who are able to put the Group’s corporate vision into practice, taking into consideration the business environment of the Group and remuneration levels at other companies in the same industry or of the same scale.
- The ratio between basic remuneration and performance-linked remuneration (annual bonus and stock remuneration) shall be properly established according to the roles and responsibilities, etc. of each Director and Corporate Officer so as to function as sound incentives toward the sustainable growth of the Group.

The Company pays only basic remuneration to Outside Directors and Audit & Supervisory Board Members, given their roles of supervising and auditing management from an independent and objective standpoint.

(2) Composition of remuneration for Directors and Audit & Supervisory Board Members

- Basic remuneration

A fixed amount of cash will be paid on a monthly basis according to each position, etc.

(Translation for reference only)

- Annual bonus

An amount of cash determined according to the consolidated performance results for a single fiscal year will be paid to Directors, excluding Outside Directors, and Corporate Officers on an annual basis.

- Stock remuneration

The stock remuneration plan (the “Plan”) is a remuneration plan under which the Company’s shares and an amount of cash equivalent to the market price of the Company’s shares are provided to Directors (excluding Outside Directors) and Corporate Officers of the Company and its operating companies. Under the Plan, the Company’s shares and cash shall, in principle, be provided through a trust upon retirement at a payment level determined through linkage with performance targets under the Medium-Term Business Plan of the Group. Stock remuneration shall be composed of a “performance-linked portion” and “service-length portion” as follows.

- Performance-linked portion

The Company’s shares, etc. are granted to Directors and Corporate Officers according to the level of achievement against performance targets under the Medium-Term Business Plan.

- Service-length portion

The Company’s shares etc. are granted to Directors according to the length of the terms of office for the relevant position.

(3) Method of determining remuneration for Directors and Audit & Supervisory Board Members

- Basic remuneration and annual bonus

The amounts of basic remuneration and bonus for each Director shall be determined by resolution of the Board of Directors in accordance with the above basic policy within the limit of total annual remuneration. The amounts of basic remuneration for each Audit & Supervisory Board Member shall be determined by deliberation of the Audit & Supervisory Board Members within the limit of total annual remuneration.

- Stock remuneration

1) Those eligible for the Plan

Those eligible for the Plan are as follows. Hereinafter, those eligible for the Plan shall be collectively referred to as the “Group’s Directors/Officers.”

(1) Directors of the Company and its operating companies (excluding Outside Directors)

(2) Corporate Officers of the Company and its operating companies not concurrently serving as Directors excluding residents outside Japan under the Income Tax Act (the “Corporate Officers”).

2) Structure of the Plan and granting of points

(1) Structure of the Plan

Remuneration under the Plan is composed of the following.

[1] Performance-linked portion

The performance-linked portion is granted to the Group’s Directors/Officers according to the level of achievement against performance targets under the Medium-Term Business Plan.

The level of achievement against performance targets shall be evaluated for every fiscal year from April of the respective year to March of the following year and reflected in the remuneration for the execution period of duties specified in (2).

For the three fiscal years from FY2018 covered under the sixth Medium-Term Business Plan (the “Sixth Medium-Term Plan”), the Company has set the target of profit attributable to owners of the parent as an indicator for calculating the performance-linked portion, and has set 200 billion yen annually as the target of profit attributable to owners of the parent under the Sixth Medium-Term Plan.

[2] Service-length portion

The service-length portion shall be granted to Directors of the Company and its operating companies according to the length of the term of office for the relevant position for the execution period of duties specified in (2).

(2) Execution period of duties

Remuneration under the Plan shall be granted in consideration for the execution period of duties to the Group’s Directors/Officers who had been in office for one month or more in the period specified as follows (the “Execution Period”).

(Translation for reference only)

[1] Directors of the Company: From the date of the Ordinary General Meeting of Shareholders of the Company for the respective year to the date of the Ordinary General Meeting of Shareholders of the Company for the following year

[2] Others: From April 1 of the respective year to March 31 of the following year

(3) Points

- The Company and its operating companies shall calculate points equivalent to the performance-linked portion and the service-length portion to each Execution Period and grant them to the Group's Directors/Officers.
- The points granted for each Execution Period shall be accumulated until retirement, and the number of the Company's shares, etc. shall be calculated by converting the accumulated points as "one point = one share."

(4) Calculation method of points

- For calculating points, the following base points and adjustment rates shall be used.

[1] The base points according to each position in the performance-linked portion (hereinafter, the "Performance-linked Points")

Position	The Company	JFE Steel Corporation	JFE Engineering Corporation	JFE Shoji Trade Corporation
Director and President/ Corporate Officer and President	10,000	10,000	5,000	5,000
Director and Vice President/ Corporate Officer and Vice President	4,000	4,000	2,500	2,500
Managing Director	3,000	3,000	1,250	1,250
Senior Vice President	2,000	2,000	1,000	1,000
Vice President	1,000	1,000	600	600
Corporate Officer	—	—	—	300

(Note) If a Director of the Company retires from Corporate Officer at the end of March, the Performance-linked Points from April to the date of the Ordinary General Meeting of Shareholders shall be determined according to the position as of the end of March.

[2] The base points according to each position in the service-length portion (hereinafter, the "Service-length Points")

Position	The Company	JFE Steel Corporation	JFE Engineering Corporation	JFE Shoji Trade Corporation
Director and President	4,000	4,000	2,000	2,000
Director and Vice President	1,600	1,600	1,000	1,000
Managing Director	1,200	1,200	600	600

(Note) If a Director of the Company retires from Corporate Officer at the end of March, the Service-length Points from April to the date of the Ordinary General Meeting of Shareholders shall be determined according to the position as of the end of March.

[3] Adjustment rate regarding profit attributable to owners of the parent under the Medium-Term Business Plan

(the "Adjustment Rate of Profit")

Based on the level of achievement for each fiscal year against 200 billion yen annually as the target of profit attributable to owners of the parent under the Sixth Medium-Term Plan, the adjustment rate shall be set as follows (setting the adjustment rate to 100% in the case that the target has been achieved).

(Translation for reference only)

Level of achievement of profit target	Adjustment rate
150% or more	150%
From 140% to less than 150%	140%
From 130% to less than 140%	130%
From 120% to less than 130%	120%
From 110% to less than 120%	110%
From 100% to less than 110%	100%
From 90% to less than 100%	90%
From 80% to less than 90%	80%
From 70% to less than 80%	70%
From 60% to less than 70%	60%
From 50% to less than 60%	50%
Less than 50%	0%

[4] Adjustment rate according to the length of the term of office for the relevant position for the Execution Period

(the “Adjustment Rate According to Service Length”)

Length of the term of office for the Execution Period	Adjustment rate
Entire service period	100%
Other than the above	$(\text{The number of months of the term of office} \div 12) \times 100\%$

- Calculation formula of points

[1] Performance-linked portion

Performance-linked Points  $\times$  Adjustment Rate of Profit

The adjustment rate shall be 0% in the case that ROE is less than 5% in the relevant fiscal year. The adjustment rate applicable to Directors, etc. at an operating company shall be 0% in the case that the relevant operating company records a consolidated ordinary loss in the relevant fiscal year.

[2] Service-length portion

Service-length Points  $\times$  Adjustment Rate According to Service Length

(5) Changes during the “Execution Period”

- With regard to (4) above, if there are changes in the positions for the Execution Period, the number of months shall be divided according to each of the positions.
- If the number of service-length months during the Execution Period is less than 12 months, the performance-linked portion shall be calculated according to the number of service-length months.

(6) Date of granting points

For points for the Execution Period, both the performance-linked portion and service-length portion shall be granted on the date of the Ordinary General Meeting of Shareholders of the Company for the following year held for the first time after the end of the Execution Period (for Directors of the Company, this shall be on the date of the end of Execution Period).

(7) Officers concurrently serving at operating companies

(Translation for reference only)

The Company's Director who concurrently serves as an Executive Director of any operating company shall be granted points from the operating company.

3) Time of granting and date of vesting

(1) Time of granting

When the Group's Directors/Officers retire, in principle.

(2) Date of vesting

- Shares and cash to be granted shall be calculated by the number of points accumulated up to the date of the Ordinary General Meeting of Shareholders held for the first time after the Group's Directors/Officers retire (including the case of retiring on the same day, hereinafter referred to as the "Vesting Date") (including the points provided on the Vesting Date).

4) Provision

Provision to the Group's Directors/Officers shall be prescribed in the respective items according to the cases listed in the following items.

[1] Expiration of the term (\*)

Shares prescribed in (a) below and cash prescribed in (b) shall be granted.

(a) Shares

The number of shares that is calculated as "one point = one share" by the following formula (Formula)

Number of shares = {Number of points accumulated up to the Vesting Date × Coefficient based on the reason of retirement} (the "Defined Number of Points") × 70% (Fractions corresponding to points less than one unit share shall be rounded down)

(Note) The coefficient based on the reason of retirement shall be 1.0.

(b) Cash

The amount of cash that is calculated by the following formula (Formula)

Amount of cash = {Defined Number of Points - Number of points equivalent to the number of shares to be granted calculated by (a)} × Market value of the Company's shares at the Vesting Date

\* Including the case that Directors of operating companies are retired at the termination of their Execution Period.

[2] Other cases

The number of shares that is calculated as "one point = one share" by the following formula shall be provided.

(Formula)

Number of shares = Number of points accumulated up to the Vesting Date × Coefficient based on the reason of retirement

(Note) The coefficient based on the reason of retirement shall be 1.0.

(Note) The market value of the Company's shares under the Plan shall be the closing price of the day when it is required to calculate at its main financial instruments exchange where listed, and if the closing price is not announced on the respective date, it shall be calculated retroactively back to the latest date when the closing price can be acquired.

5) The exceptional cases that provision shall not be made

Notwithstanding the above, in the event that matters specified in the following items concerning the Group's Directors/Officers (including those who retired) occur, the right to receive provision may be revoked by the resolution of the Board of Directors of the Company and each operating company.

- (1) The case where the General Meeting of Shareholders resolved to dismiss a Director or the Board of Directors resolved to dismiss a Corporate Officer
- (2) The case where certain illegal acts were committed during their tenure or certain illegal acts were committed between the date of retirement and the date when provision is made

(Translation for reference only)

(7) Supporting System for Outside Directors and/or Audit & Supervisory Board Members

A Board of Directors' Secretariat is set up in the General Administration Dept. to support Outside Directors with necessary communication and arrangements, etc.

Furthermore, dedicated staff to support the duties of Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members is allocated in the Audit & Supervisory Board Members' Secretariat. Personnel affairs of the dedicated staff are discussed with Audit & Supervisory Board Members.

The Company provides Outside Directors and Outside Audit & Supervisory Board Members with briefings, etc. prior to the Board of Directors meetings, and gives materials and explanations on each agenda item.

In addition to the above, the Company strives to provide adequate information necessary for execution of their duties by providing explanations on important management issues of the Company and the Group companies from time to time, and offering opportunities such as exchanges of opinions with the senior management including the President, attendance of hearings of important business reporting by each department as necessary, convening of Board of Directors meetings at major business bases and inspections of Group companies, etc.

(8) Status of Those Who Retired from Representative Director, President, etc.

Name of Senior Advisors, Advisors, etc. who are a former Representative Director, President and CEO, etc.

Name	Title/Position	Work duties	Working style/conditions (Full-time/part-time, whether or not remuneration was paid, etc.)	Date of retirement from President, etc.,	Term of office as Senior Advisors, Advisors, etc.
Hajime Bada	Senior Advisor	- Activities outside the Company - Advice to the current management	Full-time, Remuneration was paid	April 1, 2015	For 4 years
Fumio Sudo	Special Advisor	- Activities outside the Company	Part-time, No remuneration was paid	April 1, 2010	Perpetual

Total number of Senior Advisors, Advisors, etc. who are a former Representative Director, President, etc.	2
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Other Matters

- Concerning Senior Advisors and Special Advisors, internal rules have been established.
- A Senior Advisor may advise according to requests of the Company based on his/her experience of being engaged in management for many years and knowledge, but is not involved in any management decisions.
- A Special Advisor is a retired Senior Advisor with an honorary post and is not involved in any management decisions.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

### **(1) Organizations of the Company**

The Company and its operating companies have adopted a system of “Company with Audit & Supervisory Board” with dual supervision functions of the Directors supervising business execution and Audit & Supervisory Board Members conducting audits. In addition, the Corporate Officer System has been introduced to clarify authority and accountability by separating decision-making on management from business execution and to enhance prompt execution.

The Company’s Board of Directors strives to maintain and improve management efficiency, while making decisions on statutory issues, formulating important management policies and strategies, and supervising business execution, while the Audit & Supervisory Board monitors management and enhances sound management.

The Group’s governance system has been strengthened by reinforcing the fairness, objectivity and transparency of management with the aim of continuously increasing the corporate value and the common interest of shareholders. In June 2007, 2 Outside Directors were added and the term of Directors was shortened from 2 years to one for greater versatility in developing an optimal management structure and greater clarity of management responsibilities.

In October 2015, the Company has established the Nomination Committee and Remuneration Committee which act as an advisory body of the Board of Directors to ensure fair, objective and transparent personnel affairs and remuneration of the Board of Directors.

The Nomination Committee and Remuneration Committee comprise of a majority of Outside Directors/Audit & Supervisory Board Members, respectively, and the chairpersons are determined from Outside Directors/Audit & Supervisory Board Members.

The Nomination Committee deliberates and reports to the Board of Directors on matters pertaining to the successor of the Chief Executive Officer of the Company, the election of Representative Directors and Directors with executive powers, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members.

The Remuneration Committee deliberates matters pertaining to the basic policy on the remuneration of Directors, etc. of the Company and each Operating Company and reports to the Board of Directors.

The Company has conducted analysis and evaluation of the overall effectiveness of the Board of Directors since FY2015. Considering these evaluation results, due to active expansion of the Group’s engineering and trading businesses, in addition to its steel business, and the increasing importance of management of both businesses, the Company decided to change the composition of the Board of Directors by increasing the number of Directors by 3, including 1 Outside Director, in order to further enhance its corporate governance and reinforce the Company’s Group management systems. The Company has also added 1 Outside Audit & Supervisory Board Member to the Audit & Supervisory Board, in an effort to reinforce the audit framework and enhance its neutrality and independence.

As a result, more than one-third of the Company’s Board of Directors (3 of 8 Directors) continue to be Independent Outside Directors and the majority of the Audit & Supervisory Board (3 of 5 Audit & Supervisory Board Members) are Independent Outside Audit & Supervisory Board Members who satisfy the Company’s Standards for Independence of Outside Directors/Audit & Supervisory Board Members.

### **(2) Business Execution**

With regard to significant matters of each company within the Group, internal rules of each company stipulate clear standards which clarify the determination procedures, and significant matters pertaining to the management as the Group is ultimately subject to deliberation and determination at JFE Holdings, Inc.

Specifically, each Operating Company decides significant matters concerning itself and its own group companies through deliberation at the Management Committee, etc., after which the Board of Directors renders its decisions. JFE Holdings, Inc. revised the operational framework for important meetings in April 2017, under which the JFE Group Management Strategy Committee deliberates matters relating to the management strategies involving the entire Group and the Management Committee deliberates specific significant matters involving the Company, Operating Companies or Group Companies. Based on these deliberations, the Board of Directors makes its decisions on the significant matters in accordance with the Rules of the Board of Directors.

(Translation for reference only)

JFE Holdings, Inc., JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation hold the Management Committee and the Board of Directors meeting once or twice a month, respectively. The JFE Group Management Strategy Committee of JFE Holdings, Inc. (Chair: President, Secretariat: Corporate Planning Dept.) consists of all full-time Directors, including the 3 Presidents of the Operating Companies, and Corporate Officers. The Audit & Supervisory Board Members also take part in the Committee, which is held two to four times each quarter. The Management Committee (Chair: President, Secretariat: Corporate Planning Dept.) consists of 2 full-time Directors as well as Corporate Officers. The Audit & Supervisory Board Members also take part in the Management Committee.

All Directors, major Corporate Officers and Audit & Supervisory Board Members take part in the Management Committee of JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation (Chair: President of each company, Secretariat: Corporate Planning Dept. of each company).

Businesses within the Group utilize the best systems to optimize their products and operations, working to achieve unity between strategies and earnings by products and operations. Specifically, JFE Steel Corporation has adopted the By Product Center System, the By Product Sector System and the By Business Division System; JFE Engineering Corporation has adopted the By Business Division System; and JFE Shoji Trade Corporation has adopted the By Sales Division System segmented by products and regions. Meanwhile, as a measure shared across the Group, with regard to technology development, the JFE Group Management Strategy Committee has been set up to deliberate basic policy and important matters.

In addition, the JFE Group Information Security Committee has been established as a body to deliberate and decide on important issues concerning information security, and deliberations are carried out on such important issues. Furthermore, the JFE-Security Integration and Response Team (JFE-SIRT), a team dedicated to responding to information security incidents, has been set up for the purpose of protecting information assets within the Group from increasingly sophisticated cyber attacks and the risk of information leakage.

(3) Internal Audits, Audit by Audit & Supervisory Board Members and Audit by Accounting Auditor

(a) Internal audit

Internal audit organizations have been established at the Company (4 members), its principal Operating Companies (23 members) and key Group companies, and conduct the audit of business operations of each company to enhance overall internal auditing structure within the Group, by mutually sharing information.

(b) Audit by Audit & Supervisory Board Members

With regard to audit by Audit & Supervisory Board Members, it is carried out by a structure of 5 Audit & Supervisory Board Members including 3 Outside Audit & Supervisory Board Members, and they attend the Board of Directors meeting and the Management Committee as well as other important meetings. They audit the manner in which Directors execute their duties by conducting interviews on operational status from Directors and Corporate Officers and by receiving operational reports from subsidiaries. Audit & Supervisory Board Members of the Company, operating companies and the Group companies exchange information to promote cooperation.

(c) Audit by Accounting Auditor

Ernst & Young ShinNihon LLC has been designated as the Accounting Auditor. The names of the certified public accountants who executed accounting audit, and the audit corporations which they belong to are as follows.

Yasuharu Nakajima  
Certified Public Accountant  
Designated and Engagement Partner  
(Ernst & Young ShinNihon LLC)

Yusuke Nakamura  
Certified Public Accountant  
Designated and Engagement Partner  
(Ernst & Young ShinNihon LLC)

(Translation for reference only)

Yoshihiro Shibata  
Certified Public Accountant  
Designated and Engagement Partner  
(Ernst & Young ShinNihon LLC)

Takashi Inayoshi  
Certified Public Accountant  
Designated and Engagement Partner  
(Ernst & Young ShinNihon LLC)

- (Notes) 1. Continuous years of service of each of the above persons are not more than seven years.  
2. Composition of assistants in the accounting audit is determined in accordance with the selection standards of the Audit Corporation and specifically, they are composed of certified public accountants and other assistants as major members in addition to the system professionals.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company is a pure holding company comprising 3 Operating Companies with diverse business operations. With the aim of ensuring the autonomy and efficiency of management and exercising the appropriate management supervision function at each Operating Company, the Company adopts for them the Corporate Officer System to clarify authority and accountability by separating decision-making on management from business execution and to enhance prompt execution, and adopts Outside Directors with strong independence to improve transparency of the Board of Directors and secure sound management.

Furthermore, in October 2015, the Company has established the Nomination Committee and Remuneration Committee which each comprise of a majority of Outside Directors/Audit & Supervisory Board Members, to reinforce the management supervision function by the Board of Directors, by enhancing the engagement of Outside Directors/Audit & Supervisory Board Members in appointment of the Chief Executive Officer and determination of Directors' remuneration.

As the Company's business activities consist of a broad and diverse range of business areas, the Company emphasizes preventing misconducts on a Group-wide basis and ensuring the internal control and compliance system. From this perspective, the Company considers that full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members who act as single-person organs and who are legally empowered to exercise rights such as the right to investigate, right to demand cessation of any misconduct, etc. shall supervise management, independent of the Board of Directors.

The Company considers the current system is most effective in pursuing the sustainable growth and enhancement of corporate value, while striking a proper balance between growth-oriented governance and defensive governance.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
a. Early Notification of General Shareholder Meeting	Date of mailing of the Notice of the 16th Ordinary General Meeting of Shareholders: May 30, 2018 (Wednesday)
b. Scheduling General Shareholder Meetings Avoiding the Peak Day	Date of the 16th Ordinary General Meeting of Shareholders held: June 21, 2018 (Thursday)
c. Allowing Electronic Exercise of Voting Rights	An electronic voting system is adopted.
d. Participation in Electronic Voting Platform	A platform for exercise of voting rights for institutional investors operated by ICJ Inc. is adopted.
e. Providing Convocation Notice in English	Full English translation of the Notice was posted on the Company's website on June 4.
f. Other	The Notice (Japanese version) was posted on the Company's website on May 18.

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## 2. IR Activities

	Supplementary Explanations	Presentation by Representatives
a. Preparation and Publication of Disclosure Policy	The Disclosure Policy is posted on the Company's website.	
b. Regular Investor Briefings for Individual Investors	Briefings are held around once a month at various locations and explanations are provided principally by Directors/Corporate Officers who are responsible for investor relations.	Available
c. Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held around every 3 months for around 200 analysts and institutional investors.	Available
d. Regular Investor Briefings for Overseas Investors	Conference calls for foreign institutional investors are organized quarterly following release of the quarterly financial results. In addition, management of the Company visits overseas investors.	Available
e. Posting of IR Materials on Website	Financial results information, timely disclosure information other than financial results information, securities reports, references at the Company briefings, notice of ordinary general meeting of shareholders, "To Our Shareholders," etc.	
f. Establishment of Department and/or Manager in Charge of IR	Department in charge of investor relations: Investor Relations and Corporate Communications Dept. Directors/Corporate Officers in charge of investor relations: Vice President, Toshihiro Tanaka	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
a. Stipulation of Internal Rules for Respecting the Position of Stakeholders	Respect for the position of stakeholders is stipulated in the JFE Group's "Corporate Vision," "Corporate Values" and "JFE Group Standards of Business Conduct."
b. Implementation of Environmental Activities, CSR Activities etc.	<p>The Group, aiming to contribute to the betterment of society as a responsible member, strives to make the implementation and further strengthening of corporate social responsibility (CSR) central to its business. The JFE Group CSR Council, which was established by the Company in October 2005 and convenes quarterly, chaired by the President, supervises and instructs the Group's overall CSR activities and related issues such as compliance, environment, personnel affairs and labor, safety, disaster prevention, and social contributions. The JFE Group CSR Council, as well as the JFE Group Compliance Committee, JFE Group Environmental Committee, JFE Group Internal Control Committee established under the Council, deliberate, supervise and share information on JFE Group's CSR activities in areas including compliance, environment, human resources and labor, safety &amp; disaster prevention and internal control.</p> <p>Each Operating Company is continuing to promote CSR. JFE Steel Corporation established the CSR Council chaired by the President in July 2005, following the establishment of the CSR Section in April 2005. Specific committees and sub-committees in areas such as compliance, global environment, risk management, safety and disaster prevention, customer satisfaction, social contributions, etc. established under the CSR Council have been actively conducting the activities in each area, while promoting CSR awareness together with the Group companies. JFE Engineering Corporation</p>

	<p>and JFE Shoji Trade Corporation are promoting CSR activities, with the Compliance Council, etc. taking the lead.</p> <p>In order to enhance environmental initiatives, each Operating Company established not only an independent environmental management organization but also a system for environmental audits by the internal auditing department, and is also striving to further ensure quality control. In order to prevent the occurrence of fraud concerning quality assurance, each Operating Company, including the Group companies, has a quality assurance management organization which is independent from design and manufacturing departments and conducts audits on quality assurance.</p> <p>The Company has issued the “JFE Group CSR Report 2017” describing the Group’s CSR activities from managerial, environmental and social aspects of the Group’s businesses.</p>
c. Development of Policies on Information Provision to Stakeholders Specifically	<p>The Company recognizes the importance of timely and appropriate disclosure of information, and strives to improve its internal systems to conduct timely, accurate and fair disclosure of corporate information to its shareholders and investors. The Company filed a declaration with the stock exchanges to pledge to the effect that the Company will carry out disclosure of information in good faith.</p> <p>Specifically, as an internal system, the Company established internal regulations concerning treatment of material facts, based on which departments for controlling, aggregating, confirming and announcing the material facts are established respectively to conduct timely and appropriate disclosure of significant corporate information with cooperation among the departments.</p>
d. Other	<p>&lt;Promotion of diversity&gt;</p> <p>The Group recognizes promotion of diversity as one of the Group’s key strategies to maximize the capabilities of its employees coming from varied backgrounds, and is actively hiring women and promoting their participation. Promotion of diversity is also stated in the JFE Group’s Basic Policy on Human Resources Management established in April 2015. The Group has been proactively advancing the recruiting of women not only for general positions but for manufacturing sites as well, and the ratio of women among new recruits of the Company and Operating Companies (JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Trade Corporation) in FY2018 was approximately 14% (150 out of 1,050 persons). Among the newly recruited women, the ratio was approximately 16% (59 out of 376 persons) for clerical general positions and approximately 11% (73 out of 656 persons) for on-site positions. Considering the increase in female employees and the diversification of employee needs, the Group has been promoting even more initiatives to support the balance between work and family life, including the establishment of its own childcare facilities (JFE Engineering Corporation: Children’s Forest, JFE Steel Corporation: Umikaze Minami-cho Childcare Center and JFE Sorairo Childcare Center) as well as more childcare support programs than those required by Japanese laws. Diversity Promotion Sections have been set up at all Operating Companies. They provide education and enlightenment activities including position-specific trainings and gatherings for female employees, and also focus on the promotion of career advancement of female employees. The Group has set the numerical targets to increase the number of female employees in management positions by 3 times (282 persons) from that as of August 2014, by 2020, and has been working to expand appointment of female employees in management positions as early as possible (Numerical targets set in August 2014: 94 persons, April 2018: 274 persons).</p> <p>&lt;Promotion of work style reforms&gt;</p>

	<p>In September 2016, the JFE Group issued the “JFE Group Health Declaration” in order to step up its efforts to create a safe, attractive and rewarding workplace. The Group has promoted various activities that contribute to health management, collaborating with JFE’s health insurance union, with three initiatives for “Workplace Health,” “Physical Health” and “Mental Health” as priority measures. As a result of these initiatives, the Company was selected as one of the brands for the Health &amp; Productivity Stock Selection by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc., for its excellent track record in facilitating health management.</p> <p>Moreover, the Company and its operating companies have been proactively promoting work style reforms under the common understanding that it is indispensable to radically revamp conventional work styles, create new value through high productivity and fulfill a work style reform in which each employee can take pride and feel satisfaction in his or her work in order to address various management problems.</p> <p>The Group is promoting operational reforms by utilizing its systems and IT tools, based primarily on the activities of the “Steel works business process reform team” at JFE Steel Corporation and “Super Shape-Up” activities at JFE Engineering Corporation, while at the same time raising the awareness of each employee and maintaining a balance between work and life through such initiatives as encouraging no-overtime workdays and setting official days when employees are encouraged to take paid holidays. Furthermore, the Company and the Operating Companies have conducted trial runs of telecommuting, as part of a system to allow for more flexible work styles, and JFE Engineering Corporation and JFE Shoji Trade Corporation have started more flexible operations of their flextime system. Going forward, the Group will continue to focus its efforts on achieving more diverse work styles for its employees.</p>
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## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

For the systems to ensure the propriety of business operations, the Basic Policy for Building an Internal Control System was resolved by the Board of Directors, pursuant to which the Company operates and improves the systems.

[Basic Policy for Building an Internal Control System]

JFE Holdings, Inc. shall establish its internal control systems as described below to comply with laws, regulations and the Articles of Incorporation and maximize its corporate value toward the realization of the Corporate Vision—“The JFE Group—contributing to society with the world’s most innovative technology”—and the goal of establishing a highly sustainable business structure. JFE Holdings, Inc. shall endeavor to review and improve the basic policies and the internal control systems established in accordance therewith on an ongoing basis.

1. Systems Set Forth in Article 362, Paragraph 4, Item 6 of the Companies Act and in the Respective Items of Article 100, Paragraph 1 of the Ordinance for Enforcement of the Companies Act
  - (1) Systems to ensure compliance of the execution of duties by Directors and employees with laws, regulations and the Articles of Incorporation
    - (a) The authority of Directors, Corporate Officers and employees shall be clarified in the in-house rules for authority and responsibilities and other internal policy guidelines. Their respective duties shall be executed in compliance with the relevant rules and regulations.
    - (b) A Compliance Council shall be established. It shall deliberate and make decisions on the basic policies and important matters regarding the compliance of ethics, laws and regulations. The Compliance Council shall also supervise the progress of the measures implemented.

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- (c) A “Corporate Ethics Hotline” to help ensure that important information regarding the compliance of ethics, laws and regulations is directly communicated from the front lines to top management shall be provided, streamlined and appropriately operated.
- (d) The internal auditing department shall audit the compliance conditions of the relevant laws, regulations and the Articles of Incorporation.
- (2) Systems to ensure the efficient execution of Directors’ duties
  - (a) The Directors shall encourage in-depth deliberations at the meetings of the Board of Directors, the JFE Group Management Strategy Committee and the Management Committee. The Directors shall also sufficiently deliberate before drawing conclusions at appropriate organizational bodies, as required.
  - (b) The internal auditing department shall audit the effectiveness and efficiency of the business.
- (3) Systems to keep and manage information pertaining to the execution of duties by Directors
  - (a) The minutes of the Board of Directors meetings shall be prepared with regard to information on matters to be resolved by and reported to the Board of Directors, in accordance with the relevant laws and regulations. The board minutes shall be appropriately kept and managed.
  - (b) Information regarding organizational bodies, such as the JFE Group Management Strategy Committee and the Management Committee, that addresses important management matters shall be appropriately recorded, stored and managed.
  - (c) Important corporate documents, such as kessaisho (documents for approval), which are related to the execution of Directors’ duties, shall be appropriately recorded, stored and managed.
- (4) Rules and other systems regarding loss risk management
  - (a) As for risk management of risks involving business activities, compliance with ethics, laws and regulations, financial reporting and information disclosure, the Corporate Officers in charge shall endeavor to recognize their respective risks. The appropriate organizational bodies shall check, identify and evaluate the risk factors, as required, and deliberate and make decisions on how to cope therewith.
  - (b) Important management matters shall be deliberated and decided in accordance with the decision-making procedures set forth in the Rules of the Board of Directors, etc.
- (5) Systems to ensure the propriety of business operations conducted by the corporate group
  - (a) The respective Group companies of the JFE Group shall streamline their in-house systems with regard to the matters specified in the basic policies, as required, by taking into account their corporate size, business lines, organizational design of the in-house body, and corporate individuality and characteristics.
  - (b) JFE Holdings, Inc., shall determine its decision-making procedures, etc., for important group management matters, as well as important matters (including matters with regard to loss risk management.) of the operating companies (significant subsidiaries being operating companies of which JFE Holdings, Inc., directly holds shares thereof) and their affiliated Group companies in accordance with the regulations of the Board of Directors, etc., then deliberate and make decisions on such matters at the appropriate organizational bodies or receive reports therefrom.

Each operating company shall determine its decision-making procedures, etc., for important matters for itself and its affiliated Group companies in accordance with its regulations of the Board of Directors, etc., then deliberate and make decisions on such matters at the appropriate organizational bodies or receive reports therefrom.
  - (c) JFE Holdings, Inc. shall establish the JFE Group Compliance Council to deliberate and make decisions related to the Group’s basic policy and important matters in regard to compliance with the code of ethics and laws and regulations, and supervise the status of the implementation of related measures. And, in order to promote its group management that is compliant with the code of ethics and laws and regulations, JFE Holdings, Inc. shall closely coordinate with the Compliance Councils of operating companies.

Each operating company shall establish a Compliance Council to deliberate and make decisions related to the basic policy and important matters in regard to compliance with the code of ethics and laws and regulations for itself and its affiliated Group companies, and supervise the status of the implementation of related measures.

JFE Holdings, Inc., shall streamline and appropriately operate the Corporate Ethics Hotline as a system to help ensure that important information of the entire Group regarding the compliance with the code of ethics, laws and regulations is directly communicated from the front lines to top management.
  - (d) The internal auditing department of JFE Holdings, Inc., shall audit the effectiveness and efficiency of the business and the compliance status with regard to the relevant laws, regulations and the Articles of Incorporation at the operating companies, or receive reports from the respective internal auditing

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departments of such operating companies. The internal auditing department of each operating company shall audit the effectiveness and efficiency of the business and the compliance status with regard to the relevant laws, regulations and the Articles of Incorporation at its affiliated Group companies, or receive reports from the respective internal auditing departments of such Group companies.

- (e) The respective Group companies of the JFE Group shall streamline their required systems, which are necessary to ensure the reliability of their financial reporting, and disclose appropriate information at appropriate times.

2. Systems Set Forth in the Respective Items of Article 100, Paragraph 3 of the Ordinance for Enforcement of the Companies Act

- (1) Matter regarding employees as assistants to support Audit & Supervisory Board Member's duties  
Employees who support any Audit & Supervisory Board Member in conducting his/her duties shall be staff of the Audit & Supervisory Board Member's Secretariat.
- (2) Matter regarding the independence of employees as assistant to support Audit & Supervisory Board Member's duties from Directors  
The personnel affairs of the employees who serve as assistants to the Audit & Supervisory Board Members shall be consulted with the Audit & Supervisory Board Members.
- (3) System for ensuring the effectiveness of the instructions given to employees as assistants to support Audit & Supervisory Board Member's duties  
The employees who serve as assistants to the Audit & Supervisory Board Members shall perform their operations of supporting an Audit & Supervisory Board Member's duties under the supervision of said Audit & Supervisory Board Member.
- (4) System for reporting to the Audit & Supervisory Board Members
  - (a) The Audit & Supervisory Board Members shall attend the meetings of the Board of Directors, the JFE Group Management Strategy Committee and the Management Committee and other important meetings and receive reports thereat.
  - (b) The Directors, Corporate Officers and employees shall report the execution of their duties (including important matters regarding the operating companies and their affiliated Group companies) to the Audit & Supervisory Board and/or any Audit & Supervisory Board Member as required or if so requested by the Audit & Supervisory Board or any Audit & Supervisory Board Member. The Directors, Corporate Officers and employees of the operating companies or their affiliated Group companies shall report the execution of their duties to the Audit & Supervisory Board and/or any Audit & Supervisory Board Member as required or if so requested by the Audit & Supervisory Board or any Audit & Supervisory Board Member.
  - (c) JFE Holdings, Inc., shall streamline the Corporate Ethics Hotline as a system that allows anyone to directly report to or consult with an Audit & Supervisory Board Member. The details of any violations that have been reported or discussed over the Corporate Ethics Hotline are handled by the department in charge thereof and shall then be reported to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members, as they occur.
- (5) System to ensure that anyone who has reported to an Audit & Supervisory Board Member does not suffer detrimental treatment for the reason of having made said report  
JFE Holdings, Inc. shall stipulate in the relevant regulations that anyone who has reported any violations through the Corporate Ethics Hotline and that anyone who has reported or discussed any violations with the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated, and shall appropriately operate said regulations.
- (6) Policies with regard to expense prepayment and/or reimbursement procedures related to the execution of duties by the Audit & Supervisory Member, and the handling of any other expenses or obligations that derive from the execution of the relevant duties  
JFE Holdings, Inc., shall respond to the request as soon as possible if a request is made with regard to the prepayment or reimbursement of expenses that are required for the execution of duties of Audit & Supervisory Board Members.
- (7) Other systems to ensure effective audits by the Audit & Supervisory Board Members
  - (a) The Directors, Corporate Officers and employees shall cooperate with the Audit & Supervisory Board Members in improving the auditing environment so that various Audit & Supervisory Board Members' activities can be smoothly executed, including access to important documents, site examinations, exchanges of opinion with Directors and others, examination of subsidiaries and collaboration with the

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Audit & Supervisory Board Members of any subsidiaries, all of which are considered necessary for the audits executed by the Audit & Supervisory Board Members.

- (b) The Audit & Supervisory Board Members shall receive reports from the Accounting Auditor and the internal auditing department on their audit results (including important matters regarding the operating companies and their affiliated Group companies) in an appropriate and timely manner and maintain a close working arrangement with the Accounting Auditor and the internal auditing department.

## 2. Basic Views on Eliminating Anti-Social Forces

- (1) Basic views on eliminating anti-social forces

The Company has established “JFE Group Policies for Addressing Anti-social Forces” by resolutions of the Board of Directors and, based on the policies, works to ensure sound company management through uniform organization-wide measures under the JFE Group’s compliance system in response to anti-social activities.

“JFE Group Policies for Addressing Anti-social Forces”

The JFE Group aims to completely avoid any relationships with anti-social forces, and the general administration and legal affairs departments of Group companies have been designated as the departments responsible for dealing with issues related to anti-social forces. These departments report any incidents involving anti-social forces, establish regulations for dealing with such incidents, and will work with police and other authorities to resolutely address matters involving anti-social forces.

- (2) Progress of eliminating anti-social forces

- (a) Establishment of JFE Group Standards of Business Conduct

The JFE Group Standards of Business Conduct stipulates “Firmly resist all elements and organizations that threaten social order and stability, and refuse all illegal and improper demands.”

- (b) Establishment of Regulations for Addressing Violence Directed at Companies

“Regulations for Addressing Violence Directed at Companies” have been established to clarify the standards of response to anti-social forces, including a manual on the initial steps that should be taken in responding to violence targeting companies.

- (c) Training conducted

E-learning are conducted and guidebooks on compliance are distributed to ensure that all JFE Group executives and employees are thoroughly informed on the “JFE Group Policies for Addressing Anti-social Forces” and the standards of response to anti-social forces, etc.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation

The Company, at the meeting of the Board of Directors held on March 1, 2007, made the decision to adopt the “Policy Toward Large-scale Purchases of JFE Shares” (the “Policy”), and given the approval of shareholders at the Ordinary General Meetings of Shareholders held in the same year and thereafter every two years, which is the effective term of the Policy, has continued to operate the Policy.

The Group’s basic management stance is to endeavor to enhance, in good faith, corporate value and the common interests of shareholders by committing to the Corporate Vision of contributing to society with the world’s most innovative technology, which has guided the Group since its founding. In the long term, the Group must secure and improve the source of its corporate value, built up through many years of management initiatives and ongoing investments, as described below, always taking into account the characteristics of its business. This will ensure that the Group can secure and improve sustainable corporate value and shareholders’ common interests.

- [1] Advanced technical capabilities (process technology and product development capabilities) and intellectual properties that surpass other companies
- [2] World-class production capacity and cost competitiveness
- [3] Highly skilled human capital resulting from long-term education, training and practical experience

- [4] Long-term relationships based on trust with customers, shareholders, business partners, employees, local communities and all other stakeholders

Maximizing these strengths underpinning the source of corporate value of the Company and steadily carrying out various measures from a long-term perspective solidifies its business foundation and contributes to higher corporate value and sustainable growth. This kind of management requires that the Company make appropriate decisions and allocate resources based on the deep understanding, knowledge and experiences related to the source of its corporate value. This includes sufficiently considering merits from a long-term perspective and consistently making the necessary investments even when short-term costs are to be incurred.

The Company believes that a change of control is an effective means of revitalizing corporate activities and economy, and that when a large-scale purchase is commenced, it should be the shareholders of the Company who, in principle, make decisions as to whether or not the large-scale purchase is acceptable.

With respect to a large-scale purchase or a proposal related to a large-scale purchase, the Company recognizes that the shareholders of the Company need to precisely evaluate the effects of the large-scale purchase or the proposal on the corporate value of the Company and the common interests of the shareholders. However, current laws in Japan do not go far enough in ensuring that the information provided or time given to consider the information are adequate.

The Policy has been adopted to ensure that the shareholders of the Company can, if a large-scale purchase of the Company's shares is proposed, precisely evaluate the effects of the proposal on the corporate value of the Company and the common interest of shareholders. It aims at providing promptly the shareholders with necessary and sufficient time, opinions and suggestions from both the large-scale purchaser and the Company's Board of Directors, and giving necessary and enough time for the shareholders to review them, in line with the basic management stance above.

Specifically, the Policy requires any large-scale purchaser that has the intent to hold 20% or more in the voting rights ratio to present in advance its management policies and business plans after the completion of the intended large-scale purchase. For a certain period thereafter, the Company's Board of Directors evaluates and examines the proposal from the following viewpoints: whether the large-scale purchaser has complied with the rules according to the Policy; whether the content of the proposal would irretrievably harm the Company; or whether the proposal would seriously impair the corporate value of the Company or the common interests of shareholders. The Board of Directors may also disclose its opinion externally, negotiate with the large-scale purchaser and submit any alternative plans to the shareholders. In order to ensure that the decision by the Company's Board of Directors will be made in a transparent, objective, fair, and reasonable manner, a Special Committee, as an organization independent from the Board of Directors, is established with 3 members composed of Outside Directors and Outside Audit & Supervisory Board Members. In case the Special Committee submits recommendations to the Company's Board of Directors to the effect that the Board of Directors should take countermeasures against the large-scale purchase, the Board of Directors may take countermeasures against the large-scale purchase to protect the corporate value of the Company and the common interests of the shareholders by referring to advice from outside professionals and respecting the recommendations to the maximum extent possible. Such countermeasures include the issuance of subscription rights to shares or any other measures that the Board of Directors is permitted to take under the Companies Act or other laws and the Company's Articles of Incorporation.

The Company did a review on the Policy, including the advisability of continuing with the Policy, in terms of its aim to raise corporate value and improve the common interests of the shareholders, while considering subsequent changes in conditions. This review, as well as recommendations from the Special Committee, led to the approval of shareholders at the Ordinary General Meeting of Shareholders Meeting held on June 23, 2017, to continue with the Policy after making partial changes. Accordingly, the Company decided that the Policy will remain effective until the close of the Ordinary General Meeting of Shareholders relating to the final fiscal year ending within two years after the date of this Ordinary General Meeting of Shareholders.

The Policy has been amended, in line with requests and other matters from capital markets, mainly in the following ways, in order to place more emphasis on decisions of shareholders and increase objectivity.

- [1] Types of large-scale purchases deemed, in principle, to result in irreparable damage or loss to the Company and severe damage of the corporate value of JFE or the common interests of the shareholders, were partially deleted, and the only relevant cases were limited to the four situations in which defensive measures were ruled by the Tokyo High Court to be acceptable as countermeasures in hostile takeovers and coercive two-tiered tender offers.

(Translation for reference only)

- [2] A mechanism was introduced that enables the shareholders to consider whether or not to implement countermeasures.
- [3] An upper limit was set on the period of time that JFE's Board of Directors can request information on the large-scale purchase from the large-scale purchaser.

Note: Details of the Policy are stated in the material below (on the Company's website)

News release of April 27, 2017

"Notice Concerning the Continuation of Policy Toward Large-Scale Purchase of JFE Shares (Anti-Takeover Measures)"

(the Company's website: <https://www.jfe-holdings.co.jp/>)

## 2. Other Matters Concerning Corporate Governance System

### Outline of timely disclosure system

In order to maintain the credibility of the Group in the securities markets, the Company, Operating Companies and Group companies formulate internal regulations concerning material facts, and, by establishing departments managing information and judging and implementing timely disclosure of information, disclose significant corporate information in a timely and appropriate manner in addition to statutory disclosure such as annual securities reports and extraordinary reports based on the Financial Instruments and Exchange Act.

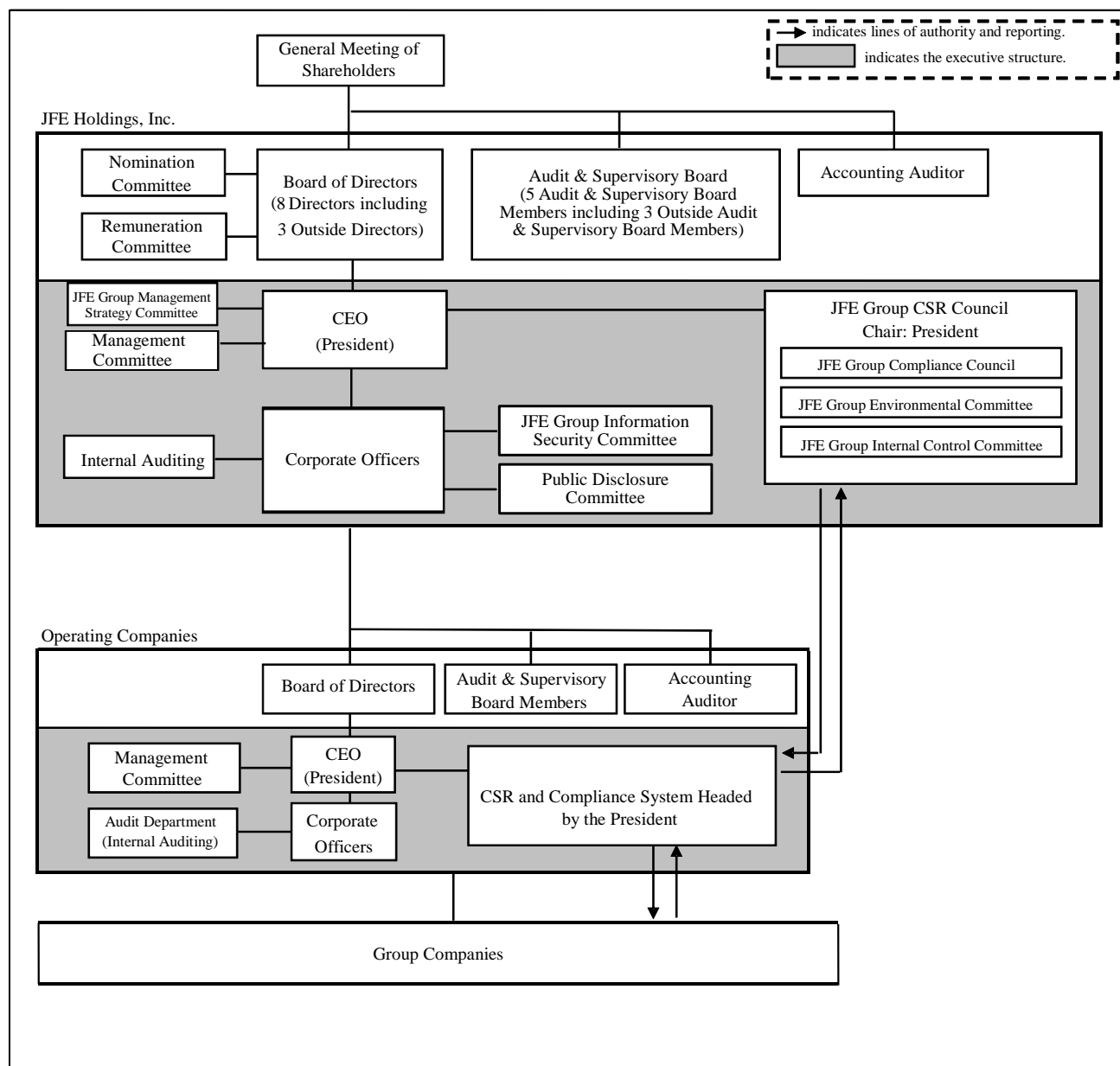
With regard to timely disclosure of corporate information, the information is disclosed by registering with TDnet, in accordance with the "Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities" set out by the Tokyo Stock Exchange (the "Timely Disclosure Rules").

[Flow of timely disclosure of corporate information]

- 1) "Information on decisions made" and "Information on financial results" that fall under the "Timely Disclosure Rules"  
"Department controlling material facts" which administers relevant events communicates and coordinates with "department aggregating information on material facts" (department in charge of general administration), "department confirming material facts" (department in charge of legal affairs) and "department controlling announcement" (department in charge of public relations) on the form and contents, etc. of the timely disclosure. In the event that the Company makes decisions on the events, the "department controlling announcement" promptly conducts the timely disclosure via TDnet.
- 2) "Information on events occurred" that falls under the "Timely Disclosure Rules"  
In the event that relevant events occur, "department controlling material facts" which administers relevant events communicates and coordinates with "department aggregating information on material facts" (department in charge of general administration), "department confirming material facts" (department in charge of legal affairs) and "department controlling announcement" (department in charge of public relations) on the form and contents, etc. of the timely disclosure, and the "department controlling announcement" conducts the timely disclosure via TDnet appropriately.

(Translation for reference only)

[Diagram 1] Corporate Governance System



(Translation for reference only)

[Diagram 2] Timely Disclosure System

### JFE Holdings, Inc.

