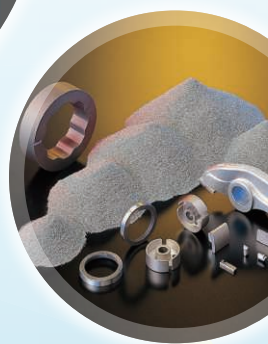


Integrated report

2024

Mitsubishi Steel Mfg. Co., Ltd.
Integrated Report 2024



Leveraging our people continue to succeed



Machinery
Business



Formed &
Fabricated
Products
Business



Springs
Business



Special
Steel Bars
Business

Our businesses

Corporate Philosophy

1. Customer First

We are committed to supplying our customers with products of superior quality and features in response to their needs while continuing to strive for more competitive costs and improved customer services.

2. Development of New Technology

We focus on manufacturing excellence with a competitive edge in the global market while pursuing more advanced technology.

3. Maximizing Human Capital

We are committed to creating a pleasant and vigorous work environment, embracing a diverse workforce with various talents to achieve their full potential.

4. Challenge for the Future

We welcome any challenge with passion and creativity to respond confidently to ever-changing world markets.

5. Contribution to Society

Our management that is based on compliance contributes on progress of society through the business activities with environmental consideration.

The Mitsubishi Group's "Sankouryou" (The Three Principles):

The founding spirit of the Mitsubishi Group on which all Group businesses are based

"Shoki Hoko"

Corporate Responsibility to Society

"Shoji Komei"

Integrity and Fairness

"Ritsugyo Boeki"

Global Understanding Through Business

Editorial Policy

To help keep our stakeholders better informed of our various activities, we have published a CSR Report since 2012. In response to growing stakeholder demand, this year we began publishing this Integrated Report, which adds information on topics such as our medium- to long-term plans, value-creation processes, and finances, aimed at enhancing our disclosure on sustainability.

Period and scope

This report covers the initiatives of Mitsubishi Steel Mfg. Co., Ltd. and Group member companies during FY2023 (April 1, 2023–March 31, 2024). Certain content may also address other periods.

Intended readership

This Report is intended for shareholders and investors, customers, trading partners, employees and their families, residents of the areas in which our facilities are located, and other stakeholders.

for 2030

and technologies to in a time of change



Governance



Social



Environment

ESG initiatives

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- 05 At a Glance
- 07 Contribution of Mitsubishi Steel Group to the society
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Guidelines referenced

- Ministry of Economy, Trade and Industry of Japan, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- International Integrated Reporting Council (IIRC), International Integrated Reporting Framework
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- ISO 26000 (Guidance on social responsibility)

Note on forecasts

The forward-looking statements found in this Report represent the Group's best judgment based on information available at the time the statement was prepared. The information, however, includes various uncertainties. For various reasons, actual business performance and other results may differ significantly.

Communication map

Financial information	Nonfinancial information
Integrated Report	
Summary of Financial Statements Securities Report	Corporate Governance Report
Website	Website
Investor Relations	Sustainability

History of Mitsubishi Steel

The history of Mitsubishi Steel Group began in 1904 with Tokyo Spring Works, Japan's first spring manufacturer. In more than one century since then, we've made steady progress as a company manufacturing and processing special steel.

Looking ahead to our next century, as a manufacturer we will respond to changes in the world and engage in "seamless manufacturing, from materials to products," and as a company, we will continue to succeed in times of change by leveraging our people and technology, aimed at sustainable growth and increased corporate value alongside societal development.



Spring production in the early Showa Period

「If We Don't Have It, We Make It」

The Group's 120-year history began with the production of small springs for use in spinning machinery. At that time, Japan relied on imported special steels to make its springs.

As World War I proceeded, it became increasingly difficult to secure special steels.

Under these conditions, the Group's predecessors began producing specialty steels in house, based on a "If we don't have it, we make it!" philosophy. This spirit of integrated manufacturing from materials to products and taking on challenges without fear of failure is the driving force underlying Mitsubishi Steel's businesses.

Centennial of the Hirota Works

The Hirota Works marked its 100th anniversary in May 2024.

Since starting to manufacture electric furnace steel ingots following the acquisition of Hirota Steel Works in 1924, Hirota Works has continued to evolve in response to the changing business environment. These changes have involved various changes in its name and businesses.

The Hirota Works is taking various steps to maintain growth, including investing to expand its facilities for special alloy powders, a strategic business area.



The Hirota Works

1917

- Tokyo Spring Works and Tokyo Steel Works merged to form **Tokyo Steel Co., Ltd.**

1924

- Steel production commences with acquisition of Hirota Steelworks (later Hirota Works).

Our roots 1

1904

Tokyo Spring Works founded as Japan's first spring maker

Former Mitsubishi Steel Co., Ltd.

Our roots 2

1919

Manufacture of steel castings and forgings begun at the Nagasaki Steel Works of Mitsubishi Shipbuilding & Engineering Co., Ltd.

Former Mitsubishi Steel Mfg. Co., Ltd.

1942

Merger of the two companies leads to the establishment of **Mitsubishi Steel Mfg. Co., Ltd.**

Former Tokyo Steel Co., Ltd.

1964

Merger of the two companies leads to the establishment of **Mitsubishi Steel Mfg. Co., Ltd.**

Former Nagasaki Steel Mfg. Co., Ltd.

1937

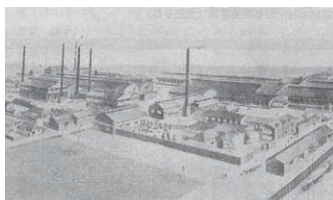
- Nagasaki Shipbuilding & Engineering Works spun off Nagasaki Steel Works of Mitsubishi Heavy Industries, Ltd.

1949

- Business was succeeded by two companies established in conformity with a reorganization plan under the Enterprises Reconstruction and Rehabilitation Law.



Coiling machine from the Company's early years



Former Tokyo Steel Co., Ltd.



MSM Ningbo Spring Co., Ltd.



PT. JATIM TAMAN STEEL MFG.



MSM SPRING INDIA PVT. LTD.

MSSC MFG MEXICANA,
S.A. DE C.V.

Acceleration of overseas expansion

2000s –

- 2006** • MSM Ningbo Spring Co., Ltd. opens in China.
• PT. MSM INDONESIA opened in Indonesia.
- 2014** • MSM SPRING INDIA PVT. LTD. opened in India.
- 2016** • Jakarta Branch of PT. MSM INDONESIA opened
• MSSC MFG MEXICANA, S.A. DE C.V. opened in Mexico.
- 2018** • Additional shares of PT. JATIM TAMAN STEEL MFG. acquired;
company made consolidated subsidiary

1975

- Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. established



Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.

1986

- Establishment of joint venture in Canada marks overseas expansion.
(later MSSC CANADA INC.)

1994

- Joint venture established in Thailand
(later MSM THAILAND CO., LTD.)
- Production facility opened in the Philippines
(later MSM Philippines Mfg. Inc.)

- 1965** • Tokyo Works established



Former Tokyo Works

Reorganization of domestic businesses

1993 – 1994

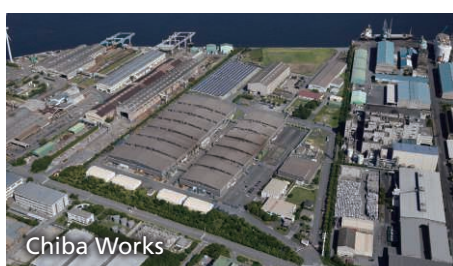
Tokyo Works closes with redevelopment of the Shinonome area.

- Springs business relocates to newly-established Chiba Works.
- Special steel bars business relocates to newly-established Mitsubishi Steel Muroran Inc.

- 2016** • Research and Development Center opened within the Chiba Works.



Research and Development Center



Chiba Works

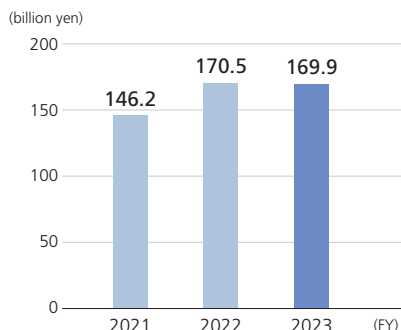


Mitsubishi Steel Muroran Inc.

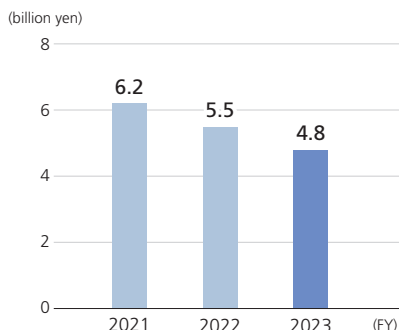
Financial information

Financial highlights (consolidated)

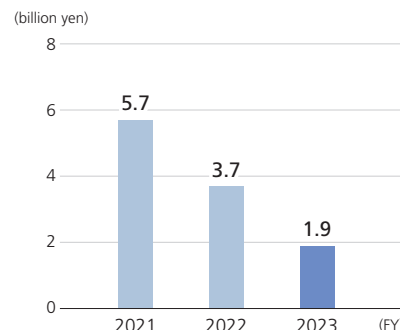
Net sales



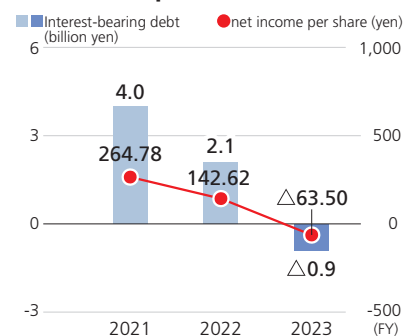
Operating income



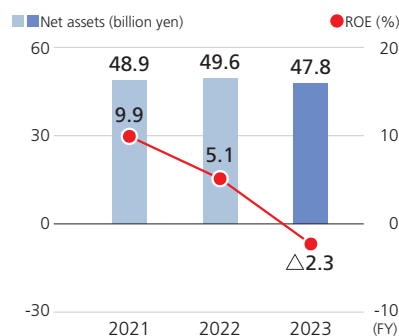
Ordinary income



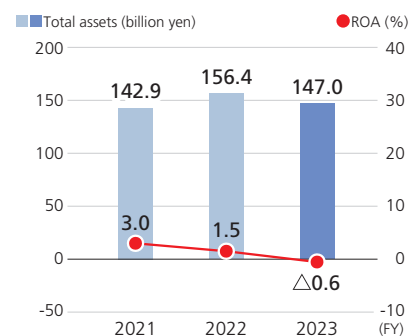
Net income attributable to owners of parent company / net income per share



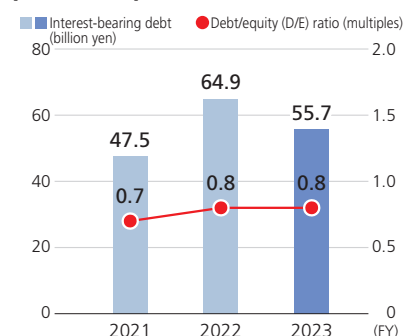
Net assets/ROE



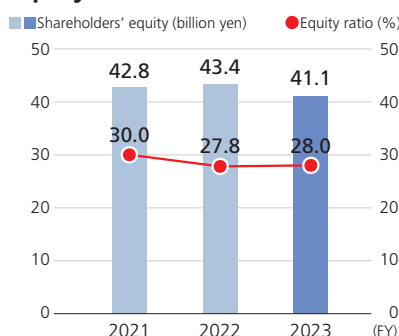
Total assets/ROA



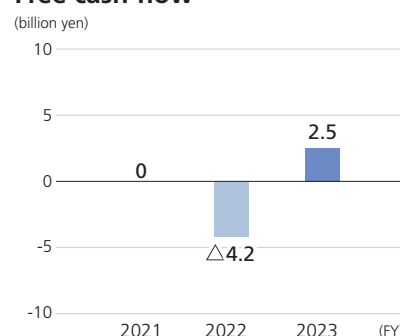
Interest-bearing debt (D/E Ratio)



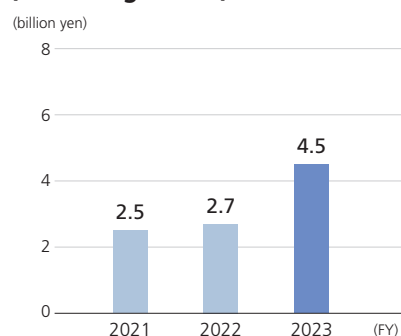
Shareholders' equity / Equity ratio



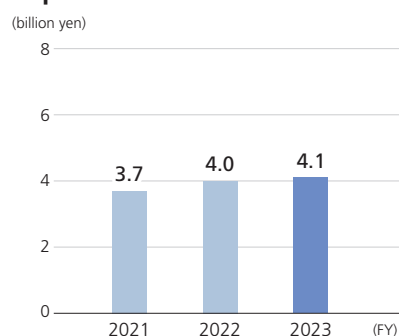
Free cash flow



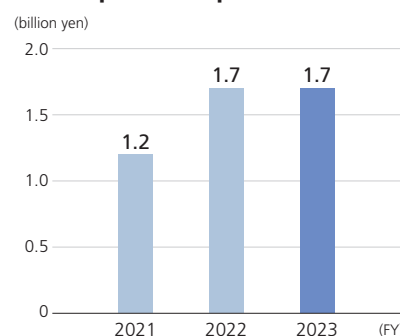
Capital investment (excluding leases)



Depreciation



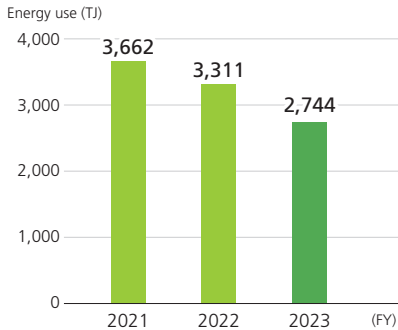
Research and development expenses



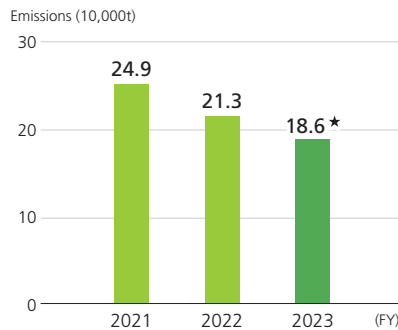
Nonfinancial information

Environment

Energy use

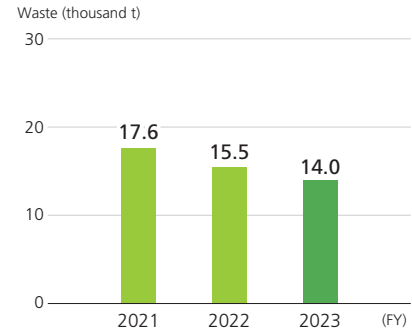


CO₂ emissions



★FY2023 figures (GHG emissions) independently verified

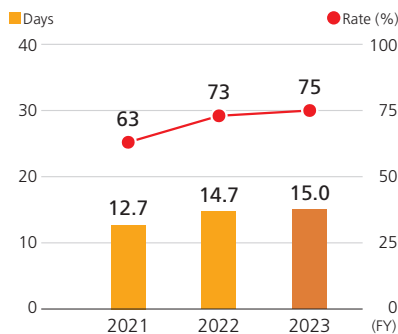
Total industrial waste



* Total data for the domestic group companies of Mitsubishi Steel Mfg. Co., Ltd., Mitsubishi Steel Muroran Inc., Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., and Ryokoh Express Co., Ltd.

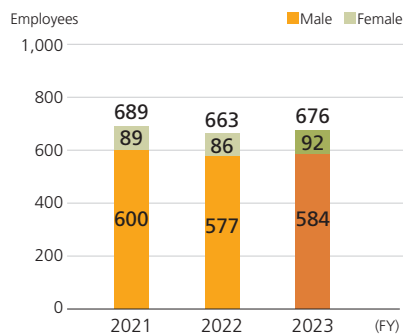
Social

Annual paid holidays taken

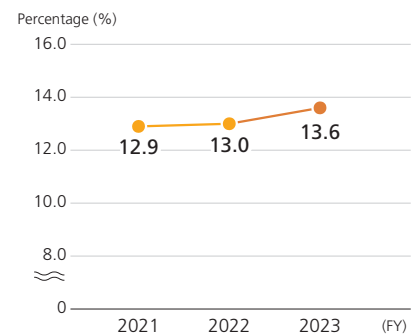


※nonconsolidated

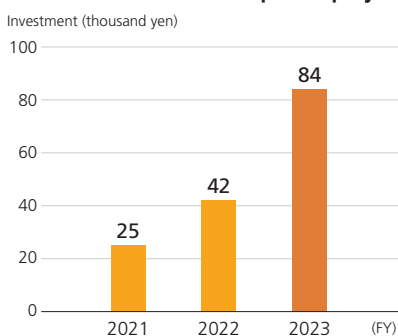
Number of employees



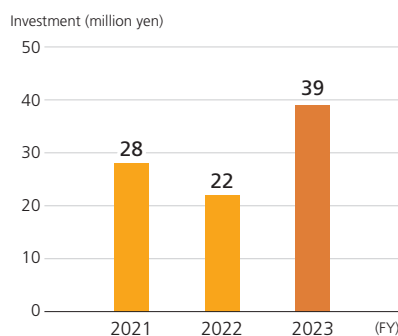
Percentage of female employees



Investment in education per employee



Investments related to social contributions



Governance

Percentage of Outside Directors on the Board of Directors

33% (2/6)

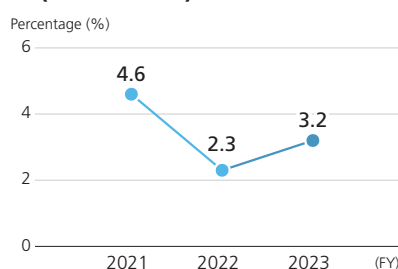
Percentage of women Directors on the Board of Directors

* Including Corporate Auditors 20% (2/10)

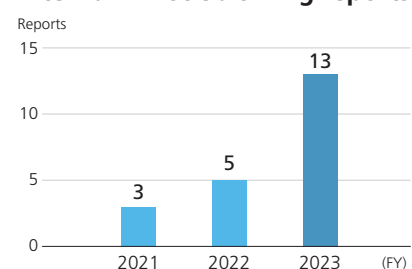
Attendance rate for Outside Directors on the Board of Directors

* Including Corporate Auditors 99% (FY2023)

Cross-shareholdings as a percentage of (consolidated) net assets



Internal whistleblowing reports



* Includes reports at domestic and overseas subsidiaries.

Contribution of Mitsubishi Steel Group to the society

The Mitsubishi Steel Group is active in four business segments: the Special Steel Bars Business, Springs Business, Formed & Fabricated Products Business, and Machinery Business. Leveraging our strengths in manufacturing seamlessly from materials to products, we contribute to society by supplying products over a wide range of fields, including the automotive and construction machinery industries. The Group's products, which contribute to our lives in various ways, are introduced below.

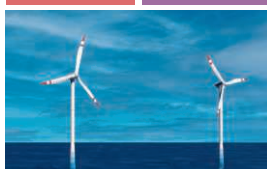
Offshore wind power

Drawing attention as a business field related to renewable energy

Contributing through our capacity to handle large-scale facilities

- Offshore wind power-related products, machinery, and steel materials for offshore wind power facilities, etc.

Special Steel Bars Business Machinery Business



See p. 47 for more information.

In the office

Developing high-performance hinges combining high torque and high durability

Expanding uses to include welfare, long-term care, recreation, and other fields

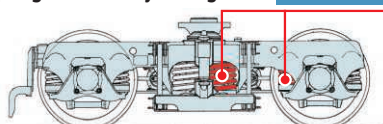
Various hinges Springs Business



Rail

Contributing to comfort and peace of mind in transportation

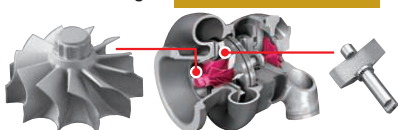
■ Springs for railway rolling stock Springs Business



Cars and trucks

Contributing to improved fuel efficiency

- Turbine wheels, vanes, etc. for turbochargers Formed & Fabricated Products Business

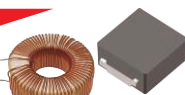


Growing demand to keep pace with progress in smart mobility

- Special alloy powders Formed & Fabricated Products Business



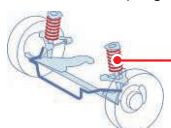
(Example of product use)
Inductors for electronic control components



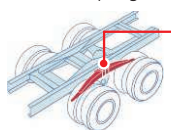
Contributing to vehicle comfort and safety
Contributing to improved fuel efficiency through lower weight

■ Automotive springs and stabilizers Springs Business

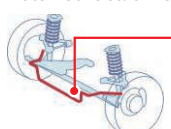
Automotive coil springs



Truck leaf springs



Automotive stabilizers



■ Special steel bars Special Steel Bars Business



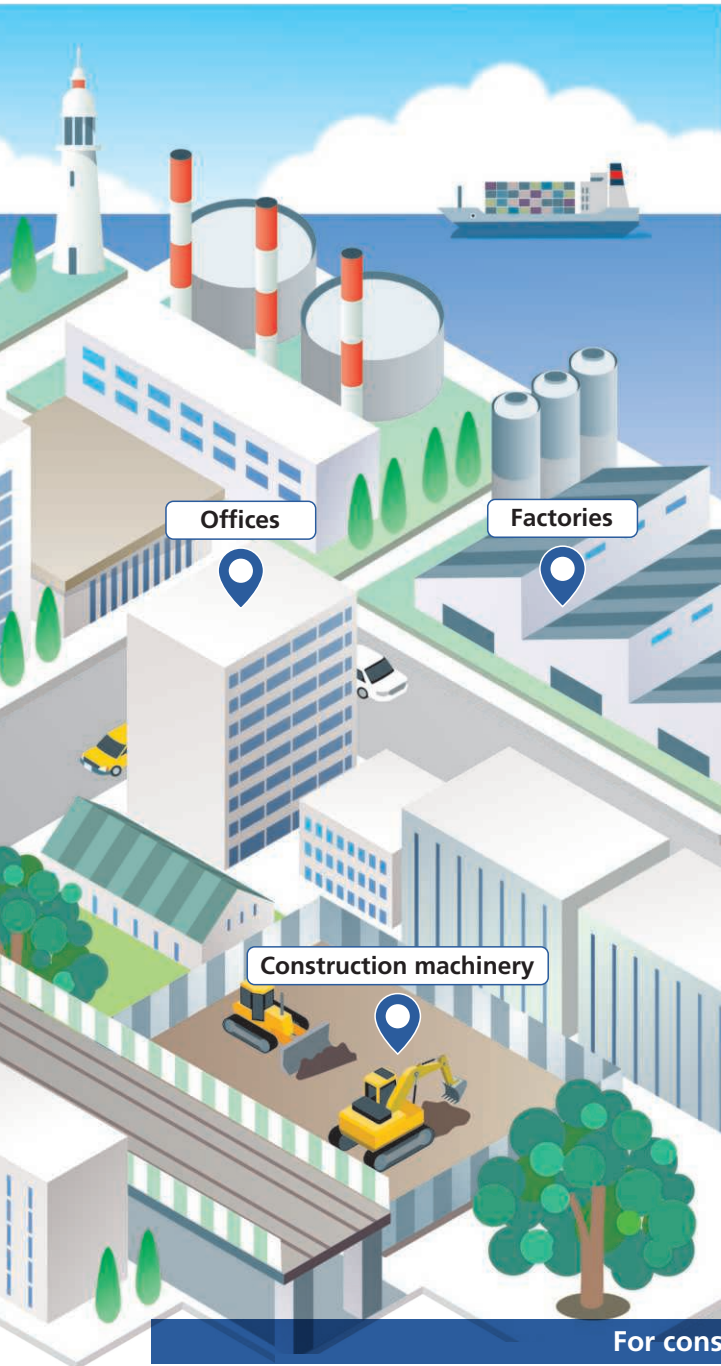
Processed into springs

Manufacturing seamlessly from materials to products

Adding strength, hardness, elasticity, durability, and other features through steel alloys

Special Steel Bars Business Springs Business Formed & Fabricated Products Business
Machinery Business Components Business*

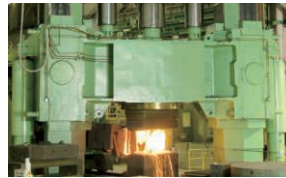
* The components business is part of the Springs Business.



Production workplaces

Strong technological capabilities to meet rigorous customer demand
Integrated handling from design to manufacture and installation

Industrial equipment Machinery Business



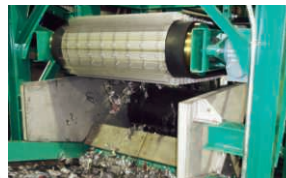
Forging machinery



Ring rolling mill

Contributing to a circular economy

Magnetic separators Machinery Business



See p. 48 for more information.

Shredder hammer Formed & Fabricated Products Business



Trucks



Construction machinery



For construction machinery

Top global market share
Heavy duty coil springs for construction machinery use

Springs Business



Heavy duty coil spring about as high as a human being

Contributing with high quality and durability for use under severe conditions

Special steel bars Special Steel Bars Business



Sprocket



Swing bearing



Idler

Meeting the diverse needs of our customers

Construction machinery parts Components Business



Tire protectors



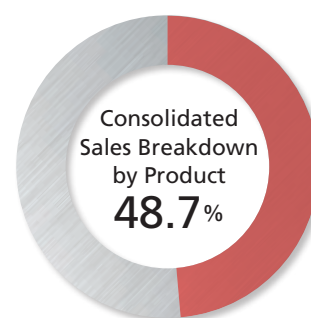
Road-protecting rubber treads for hydraulic shovels

Individual business strategies

Special Steel Bars Business

We produce special steels characterized by high strength and durability for use in construction machinery and other products critical to social infrastructure.

Production facilities	Domestic: Muroran, Hokkaido, Japan Overseas: Indonesia
Major end use applications	Construction machinery, automobiles, industrial machinery, machine tools, etc.
Major products	Special steel bars (carbon steels, low-alloyed steels, spring steels, non-heated steels, bearing steels, free-cutting steels, tool steels, nitride steels)



Product examples

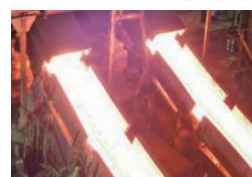
Special steel used in construction machinery (left)
Special steel used in motor vehicles (right)



See the Company website for more information on our products.
▶ <https://www.mitsubishisteel.co.jp/english/product/special-steel-bars/>



Production of special steel bars



Steel making process

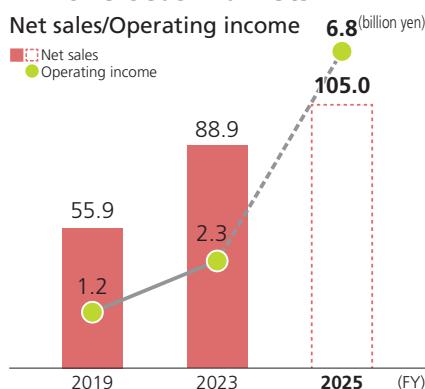


Rolling process

Special Steel Bars Business Mid-term Business Plan

Measures to strengthen sales and income during the current Mid-term Business Plan period
Capital investment, research and development, and studies for which the current Mid-term Business Plan period is the preparatory phase.

Securing growth opportunities in overseas markets



Ensuring readiness for the risk of domestic market contraction by increasing the proportion of business conducted overseas

- Enhancing JATIM's position as the sole integrated producer of special steel bars in Southeast Asia
- Boosting investment to grow production in stages and meet booming demand
- Studying the production of carbon neutral steel at JATIM and related demand
- Moving ahead with studies examining the feasibility of investing in a third facility to generate synergies between the Springs and Special Steel Bars businesses

Improving profitability in the domestic steel bars business through portfolio adjustments

- Maintaining and improving profit margins, and improving profitability by cutting manufacturing costs through factory DX
- Reforming the product portfolio through expanding types of high value-added steels and steels for growth fields (such as offshore wind power and EVs)

Increasing customer satisfaction by promoting sales DX

- Stabilizing deliveries via integrated control and visibility of matters such as the progress of manufacturing processes and inventories at intermediary points
- Accelerating processes related to specifications and estimates for new orders received and digitalization of mill sheets*

* Mill sheets: Quality assurance documents issued by steel product manufacturers

Progress on the Mid-term Business Plan

- Enhancements in round bar production capacity in preparation for expanded production at JATIM in Indonesia
- Progress in Japan on developing types of steel for high demand growth fields

Pursuing reforms for the future under challenging business conditions

Challenging conditions persist in the domestic steel business, largely due to a sudden slump in demand centered on construction machinery, a major market for the Company. Even so, we are moving forward with various measures to achieve the targets of the Mid-term Business Plan.

From a medium- to long-term perspective, given the anticipated contraction in the domestic special steel bars market, it is vital that we strengthen our overseas businesses, a strategic business area. JATIM, our Indonesian subsidiary, has begun enhancing round bar production capacity in preparation for increased sales and growing demand in the ASEAN region. JATIM is also planning to improve the production ratio of steel intended for high-strength gears, a product with high added value. With an eye on the future, JATIM is considering producing carbon-neutral steel using renewable energy and establishing a third facility to generate synergies with the Springs Business. Through these and other measures, we're preparing to adapt to medium- to long-term changes in demand structures.

In Japan, while enhancing our earnings capabilities by cutting production costs and strengthening our product appeal further, we plan to enhance productivity and competitive strengths through digital transformation (DX) for factories and sales. We will also expand the types of steel we offer and revise the product portfolio by promoting development in growth fields in which we anticipate demand growth.

Additionally, we will strengthen efforts to respond to the pressing social challenge of achieving carbon neutrality by setting even more aggressive reductions targets for FY2030 in the domestic steel bars segment, which accounts for most of our CO₂ emissions.



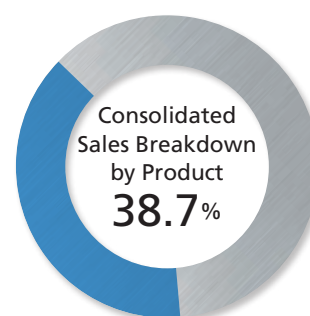
Senior Executive Officer General Manager, Steel Bar Division

Junya Shibata

Springs Business

As the only spring manufacturer in Japan to boast an integrated production system covering everything from materials to products, we offer a wide-ranging product line ranging from precision springs to supersized springs.

Production facilities	Domestic: Ichihara, Chiba Prefecture Overseas: Canada, USA, China, India, Philippines, Mexico
Major end use applications	Automobiles, construction machinery, information and communication equipment, etc.
Major products	Coil springs, stabilizer bars, leaf springs, torsion bars, coiled wave springs, precision springs, various hinges, precision press products, plastic molded products, press assemblies, and repair parts and supplies for automobiles and construction machinery



Product examples

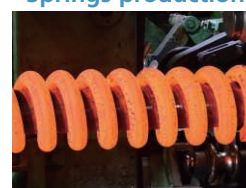
Automotive coil springs

Leaf springs

Precision parts

See the Company website for more information on our products.
▶ <https://www.mitsubishisteel.co.jp/english/product/springs/>

Springs production

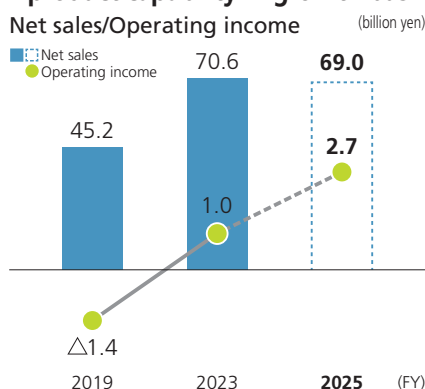


Heavy duty coil springs for construction machinery use

● Springs Business Mid-term Business Plan

▲ Measures to strengthen sales and income during the current Mid-term Business Plan period
● Capital investment, research and development, and studies for which the current Mid-term Business Plan period is the preparatory phase.

■ Enhancing earnings capabilities and product capability in growth businesses



Progress on the Mid-term Business Plan

- A return to profitability for the first time in six years thanks to improved earnings at North American subsidiary
- Withdrawing from a German subsidiary and adopting other measures to optimize the business portfolio
- Beginning mass production on a large-scale order for precision components, a strategic business area

① Enhancing earnings capabilities

- ▲ Finishing up North American rebuilding
- ▲ Enhancing earnings capabilities by maintaining and growing profit margins and cutting costs
- Studying efficiency improvements, including facility consolidation and closures

② Reducing the weight of leaf springs and growing their sales for commercial vehicles

- Developing even lighter leaf springs by refining design and manufacturing technologies
- Studying investment in a new integrated production facility for leaf springs in partnership with the Steel Bars Business

③ Growing applications for precision components

- ▲ Differentiating our hinge products by achieving higher torque, greater strength, lighter weight, thinner, and more compact dimensions
- Developing and bringing to market unit products based on precision components
- Expanding applications to fields such as information devices, automotive onboard components, and welfare/long-term care devices

Developing strategic businesses by optimizing the business portfolio

In FY2023, the Springs Business was profitable for the first time in six years, due in large part to improved earnings at the North American subsidiary MSSC, a topic of concern for years. We are now seeking to accelerate improvements in productivity to achieve sustained profit growth. At the same time, we are optimizing our business portfolio in various ways, including withdrawing from and selling businesses that continue to generate low profits, whether due to declining demand or other factors. As part of these efforts, we have chosen to withdraw from a German subsidiary we have determined is unlikely to improve profitability. We are also considering withdrawing from certain lines of business at our China subsidiary.

Our facility in India, a nation in which we anticipate market growth, is currently investing to enhance production as part of a local joint venture in response to growing automotive demand. In addition to the scheduled launch of these enhancements and the contributions to profits we expect to achieve, we will consider various other measures, including investing in a new facility, with the goal of generating synergies with the Steel Bars Business in the area of leaf springs intended for use with commercial vehicles.

In FY2024, we began mass production on a large-scale order for high-performance hinges, part of our strategic business of precision components. We plan to continue expanding our sales channels by broadening applications into various new fields.



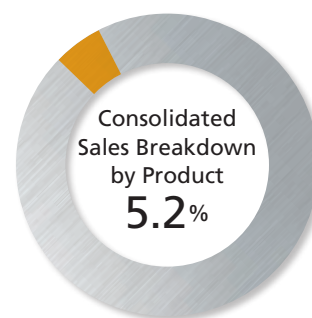
Senior Executive Officer General Manager, Spring Division

Yasuhiro Adachi

Formed & Fabricated Products Business

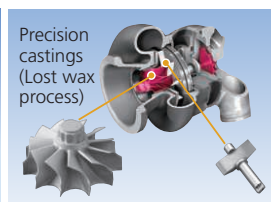
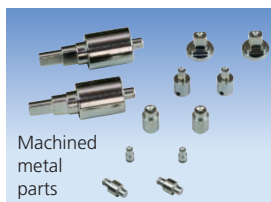
This business field creates added value from materials. We employ special alloy powders and others to manufacture formed and fabricated products with applications across a wide range of industries.

Production facilities	Domestic: Aizuwakamatsu, Fukushima Prefecture Overseas: Thailand
Major end use applications	Automobiles, electronic devices, industrial machinery, etc.
Major products	Special alloy powder, fine special alloy powder, precision castings, precision forgings, castings, general forgings, special alloy materials, and special alloy machinery products



Product examples

Special alloy powders



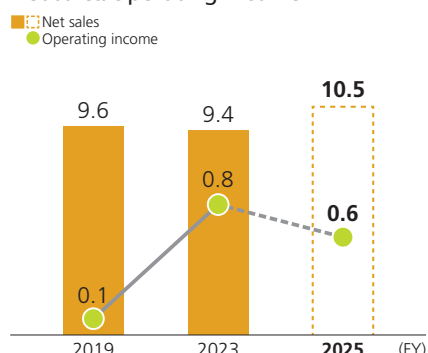
See the Company website for more information on our products. ▶ <https://www.mitsubishisteel.co.jp/english/product/formed-fabricated/>

Formed & Fabricated Products Business Mid-term Business Plan

Measures to strengthen sales and income during the current Mid-term Business Plan period
Capital investment, research and development, and studies for which the current Mid-term Business Plan period is the preparatory phase.

Focusing on the special alloy powders business with market growth potential

Net sales/Operating income (billion yen)



① A large-scale revamp of the business portfolio toward special alloy powders

- Starting with investment to expand production at the Hirota Works, which is operating at full capacity; studies examining the feasibility of a new plant
- Concentrating resources on developing powders to meet individual customer needs in soft magnetic powders, the market for which is expected to grow significantly
- Studying business expansion through means such as M&As, alliances, and entering the field of post-processing of gas-atomized metal powders
- Market research and preparing for carbon neutral special alloy powders produced using CO₂-free electricity

② Securing profitability in the Thailand business (precision castings, metal parts)

- Securing profitability by maintaining and growing profit margins and cutting costs
- Studying business portfolio shift from a focus on internal combustion engines

Progress on the Mid-term Business Plan

- Steady growth in development projects and orders received for soft magnetic powders, with production lines continuing to operate at near-full capacity
 - Capital investments to boost production at the Hirota Works
- Earnings at the Thai subsidiary have improved, as it prepares to enter the stage of further profit growth



Executive Officer General Manager,
Formed & Fabricated Products Division

Hidekazu Fukasawa

Business expansion into the growth field of special alloy powders

We are expanding the strategic business of special alloy powders in response to a shift away from product lines centered on parts for vehicles based on internal combustion engines. In particular, we anticipate sharp growth in the market for soft magnetic powders used to make inductors for electronic components for smartphones and automotive and other telecommunications and control devices. Development projects and orders received have grown steadily in recent years, while production lines are operating at near-full capacity. In response, capital investment to boost production is currently underway. We will study and plan further facility enhancements as orders received continue to increase.

As one effort toward achieving carbon neutrality, the Hirota Works now solely utilizes CO₂-free electricity for all its needs. We are undertaking market research to develop products involving carbon-neutral special alloy powders to meet the needs of customers seeking to achieve carbon zero goals.

In regard to the environment, we are also contributing to a circular economy through sales of shredder hammers made of highly wear-resistant steel, for scrap metal shredding.

At the Thai subsidiary, pricing revisions for precision castings and significant reductions in fixed costs have successfully improved earnings. The subsidiary will continue aiming to improve profitability in the subsequent stage as it revises its business portfolio to reduce the range of products intended for internal combustion engines.

Machinery Business

With our machinery and plant technologies,
we offer a wide range of products to support key industries.

Production facilities	Nagasaki, Nagasaki Prefecture (Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.)
Major end use applications	Industrial machinery, etc
Major products	Forging machinery, industrial machinery, steel fabrication, environmental and recycling equipment



Product examples



Offshore wind power equipment



Magnetic separators



Free forging press



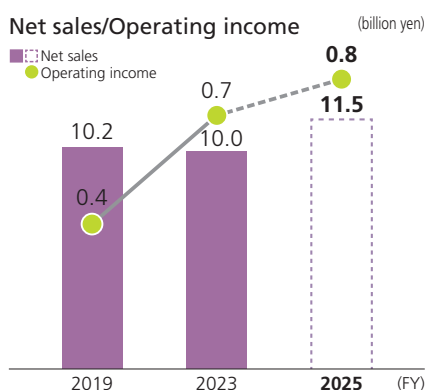
Pressure vessel

See the Company website for more information on our products. ▶ <https://www.mnm.co.jp/en/products/index.html>

● Machinery Business Mid-term Business Plan

▲ Measures to strengthen sales and income during the current Mid-term Business Plan period
● Capital investment, research and development, and studies for which the current Mid-term Business Plan period is the preparatory phase.

■ Achieving sustained growth based on businesses to provide environmental solutions



Progress on the Mid-term Business Plan

- We are currently investing to expand the facilities required to respond to orders for offshore wind power-related machinery as part of a Japanese government project to promote wind power. We expect full implementation of this project during the period covered by the next Mid-term Business Plan.
- Orders for magnetic sorters have been robust. We plan to expand this business, including potentially expanding into overseas markets.

① Achieving domestic production of offshore wind power-related products

- Adopting equipment and building supply chains to handle larger facilities and meet global demand for steel parts for floating wind turbine bases
- Making progress on preparations for integrated production from manufacturing equipment and raw materials to final products entirely within the Mitsubishi Steel Group, aiming for rapid growth in 2030 and beyond

② Growing the energy-related device business

- Growing businesses through development and improvement of devices for energy production, transport, and storage, including those related to hydrogen/ammonia, nuclear power, and gas turbine combined cycle (GTCC)/integrated gasification combined cycle (IGCC) plants

③ Developing the magnetic separator business for a circular economy

- ▲ Growing sales by bundling various magnetic-separator features
- ▲ Meeting the demand for resource recovery from EV motors and other components
- Developing high magnetic rotors for the precision separation of waste from lithium batteries



President
Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.
Hisaya Nakamura

Balancing business potential and solving the challenges faced by society

We are expanding efforts related to forging machinery and defence related products, both of which have served as core products to date. We also believe addressing and finding solutions for environmental issues, which are attracting considerable attention in society, will be central to growing our business.

In the area of offshore wind power-related machinery, a strategic business area, the Japanese government's offshore wind power promotion project is expected to be fully implemented during the period covered by the next Mid-term Business Plan. We are preparing to receive orders related to this project while enhancing equipment and building supply chains to handle larger-scale wind turbines and meet global demand for steel components for floating wind turbine bases.

We also plan to expand our business in the field of energy-related machinery, a business area that promotes carbon neutrality, by leveraging our strengths and meeting demand.

Recent sales of magnetic sorters, which contribute to the circular economy, have been strong. We plan to expand this business by meeting growing demand for resource recycling, including expanding sales into overseas markets, where we anticipate growth.

Through these and other initiatives, we will strive to achieve sustained growth while balancing business potential and the obligation to identify solutions to society's challenges.

Long-term vision

Striving forward as a group of engineers combining both the capacity to propose and execute solutions



Managing Executive Officer
General Manager,
Research & Development Center
Junji Ogura

The Mitsubishi Steel Group considers the period covered by the current Mid-term Business Plan (2023–2025) to be a period of transformation—a preparatory period for continuing to create new value. We will strengthen our development foundations while creating new products in cooperation with external parties.

We also consider the years 2026 and beyond as the periods of development and application of changes to raise the level of the organization as a whole.

Approach

Raising the level of the organization as a whole

Permeation through horizontal deployment

Leveraging IP and tackling the challenges of new products through the deployment of professional human resources

External consultants

Industry-government-academia collaboration

Strengthening the foundations by adopting DX and analytical technologies and stimulating communication

Tool adoption

Base data accumulation

HR development and training

Transformation (adoption) period

Development and application periods

2023

2025

2030

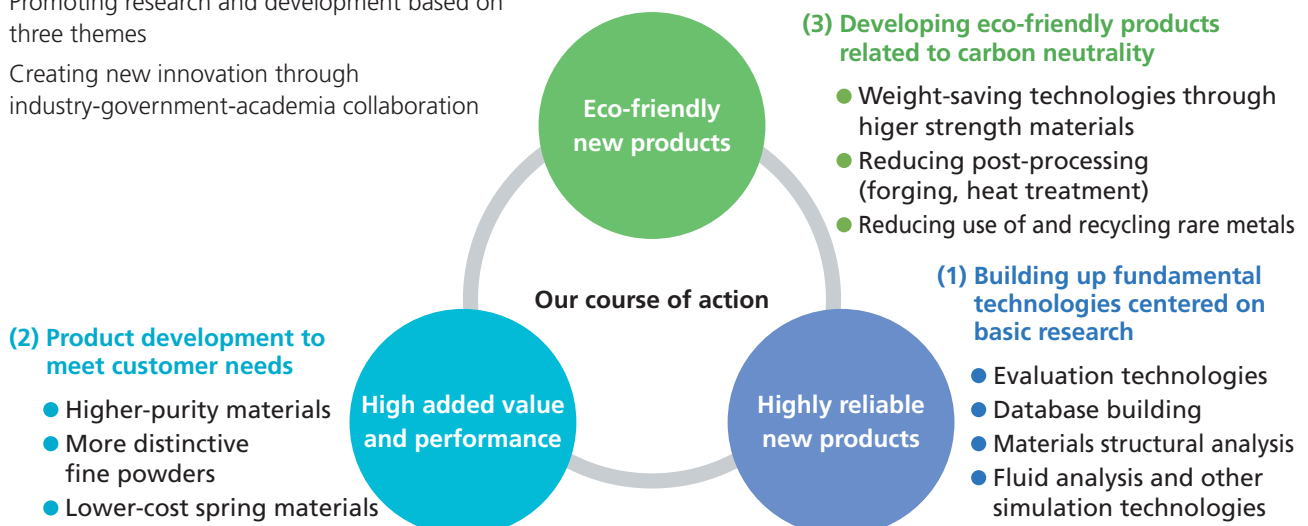
Directions in research and development

Promoting development based on the three policies of high quality, high added value and performance, and energy conservation

Promoting development of new products to realize a sustainable society

Promoting research and development based on three themes

Creating new innovation through industry-government-academia collaboration





Promoting reforms for rapid progress toward a company that succeeds in a time of change

Representative Director, President & CEO

Jun Yamaguchi

We will create and deliver the value the world needs, by overcoming change and improving our human-resource and technological capabilities.

The Mitsubishi Steel Group's roots can be traced back 120 years to its birth as Japan's first spring maker in 1904. Today, over a century later, we continue to contribute to society while earning the trust of numerous customers as a supplier of special steel, springs, formed and fabricated products, and machinery and equipment to support industrial progress. We see our mission as one of maintaining product supplies while swiftly and flexibly adapting to change according to needs.

In recent years, especially since the advent of COVID-19 in 2020, which changed the world, social and market conditions have been changing on an unprecedented scale. Examples include rising geopolitical risks, rising prices of raw materials and energy, and sup-

ply-chain disruptions. Even now, in the post-COVID era, we continue to face conditions of high uncertainty and unpredictability, such as cost hikes spurred by factors such as the impact of the Ukrainian crisis and the lengthening Palestine dispute, along with rising interest rates and slowdowns in the Chinese and European economies.

In the Mitsubishi Steel Group's business environment, the effects of these developments have been felt in the automotive, construction machinery, and other markets. They have had considerable impacts on the Company as well. At the same time, we face various issues such as the increasingly severe labor shortage as the working population shrinks and rising demands in society for decarbonization. Responding to these issues is essential to the survival of our



businesses. Over the medium to long term, we expect substantial changes to the structure of demand, due to factors including the shrinking domestic market, progress in the shift toward electric vehicles, and growth in environmental markets.

Striving to overcome these challenging conditions and achieve sustained growth into the future, the Group has formulated its ideal vision for 2030 as a long-term vision under the slogan, "Leveraging our people and technologies to continue to succeed in a time of

change." While adapting to changing social and market conditions and meeting customers' increasingly diverse needs, we will create and deliver the value the world demands, by improving our strengths in human resources and technologies.

The Group will continue to develop human resources and organizations capable of responding effectively to the swelling tides of rapid change in order to succeed in a time of change. Inspiring the best of the diverse abilities of our employees, we will build a corporate culture characterized by independence of spirit and seeking out challenges, thereby bringing us ever closer to our ideal vision.

Even as the Springs Business returns to profitability, we recorded impairment losses in Europe and China. The Special Steel Bars Business experienced a sudden decrease in demand in Japan.

A look at the business environment in FY2023 based on trends in our major customer industries shows that while vehicle production recovered in the auto industry as short supplies of semiconductors, electronic components, and other materials eased, Japanese automakers faced sales difficulties in China, where the shift to EVs is accelerating. In the construction-machinery industry, demand began to decrease in the second half due to factors such as slumping infrastructure investment as a result of political elections in major markets in Southeast Asia and continued high interest rates in Europe. Demand also decreased in the industrial machinery and machine tools industries, due to the substantial impact of the economic downturn in China.

Cost conditions remained challenging, with the cost of imported raw materials rising due to the prolonged high cost of materials and the devalued yen. Energy costs also remained high, while the cost of logistics, labor, and other factors also rose.

Given these conditions, the Mitsubishi Steel Group's Springs Business returned to profitability while the Formed & Fabricated Products and Machinery Businesses generally maintained favorable performance. In our main business of Special Steel Bars, however, results worsened due to a sharp decrease in demand for construction machinery.

Both sales and profits slumped sharply in the Special Steel Bars Business due to continued slow demand for industrial machinery and machine tools, resulting in a dramatic decrease in demand for construction machinery beginning in the second half, along with the impact of associated midyear inventory adjustments in the supply chain.

The Springs Business enjoyed higher sales thanks to growing demand for automotive use, the exchange rate effects of the devalued yen, and progress in improving selling prices of unprofitable products, with the understanding of customers. The North American subsidiary MSSC, which had been a concern, recorded a sharp improvement in revenues. As a result, the business returned to the black for the first time in six years. The German subsidiary MSSC Ahle, however, continued to post losses due to the slumping economy in Europe and high costs. The performance of the Chinese subsidiary MSM Ningbo Spring Co., Ltd. declined as well, due to slow sales and withdrawal by Japanese automakers. Each subsidiary recorded impairment losses. We made the decision to withdraw from the German subsidiary MSSC Ahle as part of efforts to optimize the business portfolio.

In the Formed & Fabricated Products Business, the subsidiary in Thailand saw improved sales of precision casting recover and costs. However, while sales declined and profit increased due to the cessation of production of specific castings products in Japan.

While the Machinery Business was affected by the end of some large-scale orders for offshore wind power-related equipment last year, sales of magnetic sorters and other machinery grew, as did profitability for various products. As a result, the business recorded sales and profit largely unchanged from last year.

Due to these factors, consolidated financial results for FY2023 show net sales of JPY 169.943 billion (down 0.3% YoY), operating income of JPY 4.808 billion (down 13.3% YoY), and ordinary income of JPY 1.949 billion (down 47.9% YoY). As a result of record-



ing as extraordinary losses JPY 1.315 billion in impairment losses on the German and Chinese subsidiaries as noted above, final net in-

come attributable to owners of parent company showed a net loss of JPY 969 million (vs. a net income of JPY 2.19 billion last year).

As the Mid-term Business Plan reaches the halfway point, we have made steady progress on efforts based on its four basic policies.

The Group is promoting the 2023 Mid-term Business Plan covering the three-year period from FY2023 through FY2025. We have reached the halfway point of eighteen months since the Plan was launched.

As mentioned above, we have established as a long-term vision the ideal vision for 2030 under the slogan, “Leveraging our people and technologies to continue to succeed in a time of change.” The 2023 Mid-term Business Plan is considered the first step toward realizing this vision.

The long-term vision sets the following targets for 2030: net sales of 220 billion yen, ROE of 10%, and a payout ratio of 30% or higher. It divides the Group’s business portfolio into core businesses and strategic businesses. Our core businesses, centered on domestic steel and automotive springs and stabilizers, are tasked with generating cash. We will aggressively invest the cash generated by core businesses in strategic businesses with the potential for future growth. We will seek to increase the share of strategic businesses to 50% of the net sales target of 220 billion yen in 2030.

The period of the 2023 Mid-term Business Plan represents the runup toward rapidly realizing this long-term vision. By implement-

ing efforts under the four basic policies of enhancing earnings capabilities, growing strategic businesses, investment in human resources, and sustainability management, we will seek to achieve net sales of 185 billion yen, operating income of 11 billion yen, and ROE of 8% in FY2025.

While in the first fiscal year of the plan we fell far short of planned profits, as the ability of the Special Steel Bars Business to adapt to volatility weakened, we made steady progress on efforts based on each of the basic policies. During the first half of the three-year plan period, we made progress on rebuilding our overseas businesses, which had been an issue since the previous Mid-term Business Plan. JATIM, the Indonesian subsidiary in the Special Steel Bars Business, got on a growth track and as noted above, the North American subsidiary MSSC in the Springs Business showed substantial improvement in earnings. Recent developments include the decision to withdraw from the German subsidiary MSSC Ahle, which had been recording sustained losses, and consideration of revisions to the product portfolio of a Chinese subsidiary. Through efforts such as these, we are making progress on optimization of the business portfolio.

We expect both sales and profit to recover in consolidated business results for FY2024, the second year of the Plan. We project net sales of 165 billion yen (down 2.9% from FY2023), operating income of 8 billion yen (up 66.4% over the same period), ordinary income of 6.2 billion yen (up 218.1% over the same period), and net income attributable to owners of parent company of 3.3 billion yen (vs. a net loss of 969 million yen in FY2023).

Despite eliminating the effects of inventory adjustment at the suppliers in the construction machinery industry, the Special Steel Bars Business seems to face considerable uncertainty with regard to a recovery in demand. Revisions to selling prices and costs have proceeded further than initially expected. The Springs Business has

begun mass production of large-scale orders for precision components, one of our strategic businesses. We expect this to contribute to improved business results. The North American subsidiary also conducted a capital increase in March 2024, and as a result it is making progress toward financial independence while enhancing its financial foundations and reducing interest costs.

As I will describe below, during the remaining 18 months of this Mid-term Business Plan we will accelerate efforts toward enhancing earnings capabilities, growing strategic businesses, investment in human resources, and sustainability management, to complete the Plan's goals of growth in profits and enhancement of our financial standing while preparing for the next stage of rapid growth.

We are optimizing the business portfolio to increase earnings capabilities. Strategic businesses are laying the groundwork for contributing to profit.

On the subject of enhancing earnings capabilities, the Special Steel Bars Business is striving to lower its breakeven point by proceeding with a project to cut costs by 10% in Japan and at the Indonesian subsidiary JATIM. It is building a structure to be able to earn profits even in a challenging demand environment. Also, its domestic facilities are developing types of steel for growth fields in which demand can be expected to grow, to strengthen its product capability, while at the same time JATIM plans to invest in expanding production capacity. Production of leaf springs using JATIM steel has improved its competitive strengths based on synergies between businesses, and this has improved the probability of receiving orders as well. We would like to expand such efforts further.

In securing profit margins, the North American subsidiary MSSC with its Springs Business achieved improvement of selling prices for unprofitable products, which was conducted with a determination to withdraw from product lines for which it could not secure appropriate prices. In the Formed & Fabricated Products Business as well, the Thai subsidiary has improved profitability by improving selling prices and cutting fixed costs. We expect these companies to enter a state of sustained growth from now on.

Another key point to enhancing earnings capabilities is business portfolio optimization. We are proceeding with analysis and countermeasures by location, from the perspectives of ROIC and market growth rate. At locations where both ROIC and market growth rate are high, we will strive to grow ROIC further through steady business growth based on aggressive allocation of management resources. In low-profit businesses, we will strive to improve ROIC through thoroughgoing measures, including revisions to production structures and slimming down product portfolios.

In FY2023, performance volatility became pronounced in the Special Steel Bars Business in Japan. We recognize the need to increase profit in the other three businesses while lessening volatility of operating income.

The three key themes in growing strategic businesses are the environment, overseas business, and a shift toward electric vehicles. These include businesses for which future market growth is expected, such as the overseas steel bars business, leaf springs for commercial vehicles, special alloy powders, offshore wind power-related businesses, and precision components, and other businesses. However, we expect these to begin fully contributing to profits during the period covered by the next Mid-term Business Plan to begin in FY2026, and later. Under the current plan, we will lay the groundwork through capital investment, market research, and research and development.

In the overseas steel bars business, as referred to under the subject of enhancing earnings capabilities as well, the Indonesian subsidiary JATIM will expand production capacity. Specifically, we will increase round bar production capacity to capture future growth in demand. Additionally, we will strive to increase earnings capabilities further by meeting market needs through increasing the percentage of production consisting of high-value-added products. Furthermore, we will also consider production of carbon-neutral steel and establishment of a new facility to generate synergies with the Springs Business.

In precision components, we began mass production of large-scale orders for high-performance hinges in FY2024. This can be said to be a substantial achievement in expanding sales channels for products for a field in which we have not been involved much until now. High-performance hinges are the result of high expertise in design, production technologies, and other abilities, and make it possible to grow sales with relatively little investment. We would like to grow the precision components business further by increasing volumes of such products.

Special alloy powders are used in products such as inductors for electronic components for smartphones and automotive and other telecommunications and control devices. We will grow them as

Message from the President

a new core product line in the Formed & Fabricated Products Business. Technological improvements have led to growth in orders received. We have initiated capital investments at the Hirota Works (Fukushima Prefecture) to boost production. Additionally, since 2023 the Hirota Works switched to CO₂-free power for all of its electricity use and achieved low carbon production. We will continue to approach customers to capture further new needs as well.

We are focusing on offshore wind power-related equipment in the Machinery Business as an eco-friendly product. Capital investment is underway, including introduction of large bending rolls (to bend sheet metal), to receive orders under the next phase of the Japanese government's offshore wind power promotion project, which will be fully implemented during the period covered by the next Mid-term Business Plan.

Aggressive investments in the vital asset of human resources. We have set more aggressive CO₂ emissions reduction targets to contribute to sustainability.

Investments in human resources represent the cornerstone of the growth in corporate value we seek to achieve. In FY2024, we fully met the labor union's demands for wage increases, raising wages by record amounts. This bold decision reflects our conviction that our people are our most important asset as a company. We believe it is essential to increase pay to ensure healthy, comfortable lives for our employees; to make work more rewarding; and to secure capable human resources. We are also focusing on enhancing employee education and benefits, while also taking steps such as remodeling facilities to improve the working environment.

At the same time as these efforts, since 2023 we have conducted engagement surveys to gauge employee satisfaction and provide feedback on HR measures. While the engagement score in the first survey was less than satisfactory, we are making improvements regarding issues identified through the survey results. I myself continue to visit individual business sites for townhall meetings in which I can exchange opinions with employees directly.

Initiatives like these are not one-time affairs. It is vital to carry them out continually. To enhance investments in human resources while maintaining our competitive strengths, the entire Company must strive together to improve productivity through means including utilization of digital transformation (DX).

In the area of sustainability management, we are focusing on carbon neutrality in particular. The 2023 Mid-term Business Plan ini-

tially called for a 10% reduction in CO₂ intensity in the steel bars segment and a 75% reduction in total CO₂ emissions in other segments (both vs. FY2013) by 2030, with the aim of achieving carbon neutrality by 2050. Lately, in response to demands from customers and other stakeholders, we have gradually adopted more aggressive targets. Currently, we are striving to reduce total emissions Group-wide by 50% (vs. FY2013) by 2030. This will be achieved mainly by accelerating the switch to CO₂-free power for all electricity use at the Muroran Works, which accounts for the bulk of Group emissions. We will also satisfy the GHG reductions target of 46% (vs. FY2013) by 2030 called for by the Japanese government.

At the same time, just as the environment proved a key theme in the area of growing strategic businesses as referred to above, customer demand is growing for products with high environmental value, such as carbon-neutral products. We will consider expanding the lineup of products to meet such needs.

Another focus of sustainability management initiatives is promotion of DX. Amid an increasingly severe labor shortage, DX is vital to lessen workloads and increase productivity with less manpower and labor to achieve sustained business growth and increase corporate value. We are holding regular meetings to present case studies on DX initiatives by individual sections within the Company. We expect continuing progress here.

In addition to improving earnings capabilities, we adopt ROIC to promote thorough improvements in capital efficiency and achieve ROE of 8%.

The Mitsubishi Steel Group seeks to achieve a PBR of 1 or better to establish a management outlook based on a keen awareness of the cost of capital and share price. But our current PBR remains at a level near 0.5. Clearly, this is a challenging goal. The main cause of this

low level of PBR is that in recent years ROE has been less than our recognized level of capital costs (approx. 8%), and the stock market remains unconvinced about the feasibility of our profit growth vision.

The target of 8% ROE in the final fiscal year of the current Mid-term Business Plan must be achieved to increase corporate value. We will do so by steadily enhancing earnings capabilities and thoroughly improving capital efficiency by adopting ROIC. We will also actively communicate and promote our profit growth vision for the future based on growing strategic businesses and enhance IR and shareholder relations activities to earn the confidence of shareholders, investors, and the stock market.

With regard to returning profits to shareholders, we have set a target dividend payout ratio of 30%. We are focusing on maintenance and continuation of stable dividends, and have set a mini-

mum annual dividend amount of 60 yen/share during the period covered by the current Mid-term Business Plan. Rather than reducing dividends when profits are low due to temporary fluctuations in business results caused mainly by external conditions, we believe it will prove essential to continue to provide stable returns while striving to grow profits over the medium to long term.

Under the above policy, even though we recorded a final loss in FY2023, we paid annual dividends of 60 yen/share (25 yen/share midyear, 35 yen/share at year-end). We plan to increase annual dividends to 64 yen/share (30 yen/share midyear, 34 yen/share at year-end, for a dividend payout ratio of 30%) in FY2024.

We are drawing out the Group's possibilities and making progress on tackling future challenges to proceed with further evolution.

Realizing the ideal vision for 2030 is predicated on fully building the basis of earnings capabilities through core businesses and using these achievements to contribute to growth in strategic businesses under the current Mid-term Business Plan. By promoting human capital management and sustainability management, we will draw out the Group's potential and make progress on tackling the chal-

lenges of the future. Thus, we will proceed with further evolution while giving even more back to society as a Group that grows and coexists together with all stakeholders.

We ask for the continuing support of our stakeholders as we focus on reforms to propel Mitsubishi Steel even further forward.



Mid-term Business Plan

In May 2023, Mitsubishi Steel announced its 2023 Mid-term Business Plan for the three-year period from FY2023 through FY2025.

This Mid-term Business Plan was formulated by backcasting from our ideal vision for 2030. It calls for resolving the financial and nonfinancial issues remaining after the previous Mid-term Business Plan while laying the groundwork for rapid progress toward the ideal vision for 2030.

Ideal vision for 2030

Realizing sustained growth through aggressive management in strategic businesses

Realizing increased corporate value and sustained growth by promoting enhancement of the earnings capabilities of core businesses and growth of strategic businesses

Leveraging our people and technologies to continue to succeed in a time of change

■ 2030 targets

Net sales JPY**220.0** B
ROE **10** %
Payout ratio **30** %
or higher

- Growing strategic businesses to account for 50% of our businesses
- Business growth conscious of GX
- Setting an investment target (capital investment and M&A) of JPY75B over the eight years through 2030

Enhancing core businesses and growing strategic businesses

Generating cash from core businesses and actively investing in strategic businesses expected to grow in the future

Core businesses



Domestic steel bars



Automotive springs and stabilizers



Special alloy powders



Commercial vehicle leaf springs



Offshore wind powerrelated products



Overseas steel bars

Strategic businesses



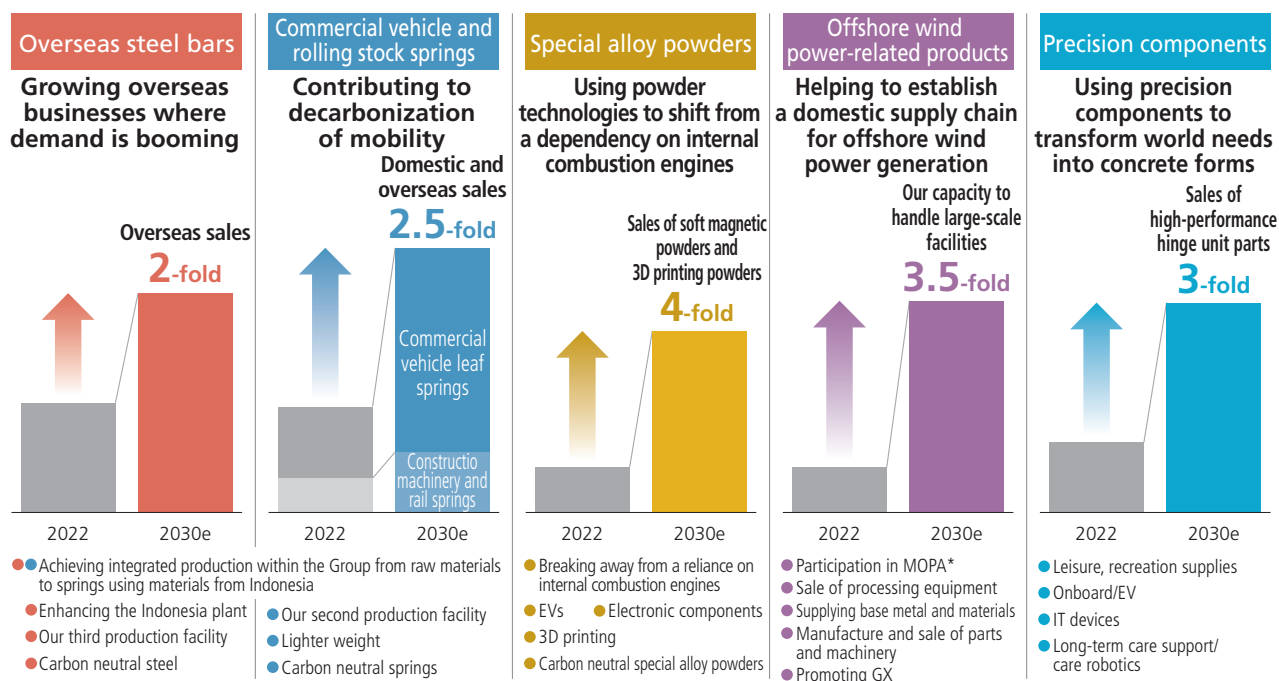
Precision components

Fostering
entrepreneurs

New businesses

Main initiatives to grow strategic businesses

Targeting rapid growth in strategic businesses based on the key themes of the environment, overseas businesses, and the shift toward EVs



* Muroran Offshore Wind Industry Promotion Association

2023 Mid-term Business Plan

Serving as a milestone to achieve our ideal vision for 2030, the 2023 Mid-term Business Plan is **intended to realize growth in profits and enhancement of our financial standing while preparing for the next stage of rapid growth.** We will implement the plan based on four basic policies.

Basic Policy 1 Enhancing our earnings capabilities

Basic Policy 2 Growing strategic businesses

Basic Policy 3 Investment in human resources

Basic Policy 4 Sustainability management

Financial targets

	2022 results	2025 target
Net Sales	JPY170.5 B	JPY185.0 B
Operating income	JPY5.5 B	JPY11.0 B
ROE	5.1%	8%

Nonfinancial targets

2025 target	2030 target
Engagement survey	CO ₂ reductions (vs. FY2013)
YoY improvement in scores	Total emissions reduced by 50% (Raised targets during the mid-term business period)

See the Company website for more information on the Mid-term Business Plan.
<https://www.mitsubishisteel.co.jp/english/ir/mid-plan/>



Policy on returns to shareholders

Decisions on dividends are made based on a comprehensive consideration of business results, financial and economic conditions, and other factors.

During the period of the 2023 Mid-term Business Plan (FY2023–2025), in addition to the existing target consolidated dividend payout ratio of 30%, we set a minimum for dividends per share, as described below.

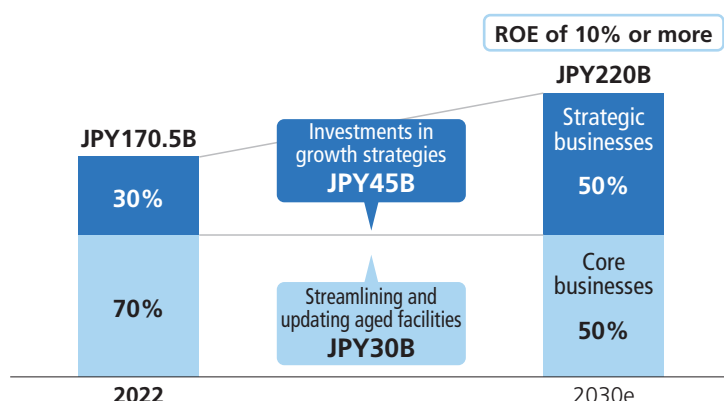
Before: Target consolidated dividend payout ratio of 30%

Revised: Target consolidated dividend payout ratio of 30%
At the same time, annual dividends will not be less than 60 yen/share for the above period.

- Rationale:**
- To determine dividends, we will focus on maintenance of stable dividends while continuing to consider return of profits reflecting business performance.
 - While the Company's business environment remains challenging, the challenges are due mainly to external conditions.
 - Even in the event of a temporary decline in business performance, we would rather maintain stable returns to shareholders than reduce dividends accordingly, while planning for recovery and profit growth.
 - We will provide returns to shareholders by promoting measures to enhance our earnings capabilities and by growing profits.

Investment and cash flow plans

As we move toward the ideal vision for 2030, we plan to invest 30 billion yen in streamlining and updating aged facilities and 45 billion yen in growth strategies. By so doing, we will grow strategic businesses until they account for 50% of our businesses.



Growing strategic businesses

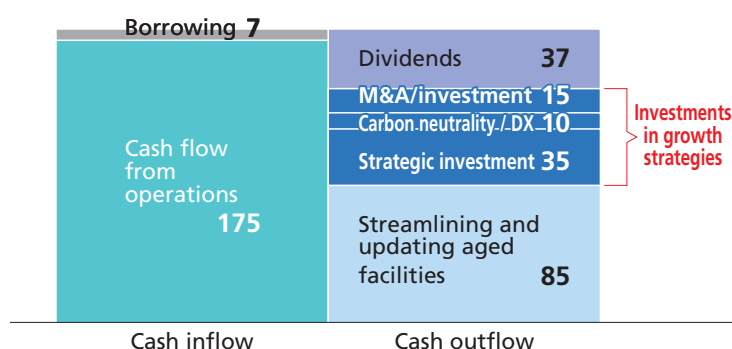
- Nurturing growth businesses and creating new businesses
- Developing and providing technologies and products one step ahead of social megatrends and market needs
- Fostering human resources and the culture needed to create new businesses Groupwide

Enhancing earnings capabilities of core businesses

- Transforming from pursuit of quantity to a focus on quality in core businesses
- Securing profit margin by improving customer satisfaction
- Cutting costs through smarter factories

The cash flow plan for the three-year period covered by the current Mid-term Business Plan is shown below.

(* Initial plans have been revised to reflect current conditions.)



- We will steadily invest in growth strategies for the future and maintain stable returns to shareholders.
- However, cash flow from operations has been less than planned during the period covered by the current Mid-term Business Plan for various reasons, including failure to achieve the Plan's target for operating income and higher non-operating expenses in FY2023.
- Achieving financial soundness through repayment of debt has been delayed. It will be difficult to achieve this goal during the period covered by the current Mid-term Business Plan, but we plan to move closer to our targets by continuing to improve earnings.

Growing strategic businesses

One of the four major policies of our current Mid-term Business Plan is to grow strategic businesses. While we expect strategic businesses to contribute fully to profits during the period covered by the next Mid-term Business Plan and later, we will make progress on preparing for nurturing such businesses during the period covered by the current Mid-term Business Plan.

New-business creation challenge program

The new-business creation challenge program is an open-enrollment training program that was launched in FY2023 as part of efforts to create new businesses. This program seeks to train entrepreneurial human resources capable of identifying issues and proposing their own solutions. It seeks to provide trainees with the expertise needed to advance their new business ideas to the practical business stage, with support from outside experts.

In FY2023, its first year, the program received 25 proposals. Through a process of training and multiple auditions, three participants who made it to the final screening stage reported to management on their proposals. Plans call for those making the proposals to play central roles in testing the feasibility of their business models, with the goal of bringing them to fruition as new businesses.



The final reporting meeting



Marketing & Sales
Planning Department
Mr. S

Participation in the new-business creation challenge program (comments from a participant who passed the final screening)

I applied for this program, which got off the ground last year, because it interested me greatly.

What makes it so interesting is the way it accepts proposals of various ideas created with total freedom, unconstrained by length of service in the Company, job title, or the scope of the Company's existing businesses.

The training taught me about the business development process and related expertise, but it also gave me a bird's-eye perspective on the Company as a whole. It's helped me grow significantly.

I'm currently leading a new business project to develop an actual business based on my idea. I plan to work as hard as I can to make my business idea reality.

Special alloy powders product production line expanded

We have decided to expand the water atomizer line at the Hirota Works to boost production of special alloy powders, for which demand is growing.

Development projects and orders received for our products are growing steadily thanks to technological improvements in powder characteristics. Our production lines are currently operating at near-full capacity, prompting investments to boost production.

We will consider and plan further equipment expansion in response to growth in orders received.

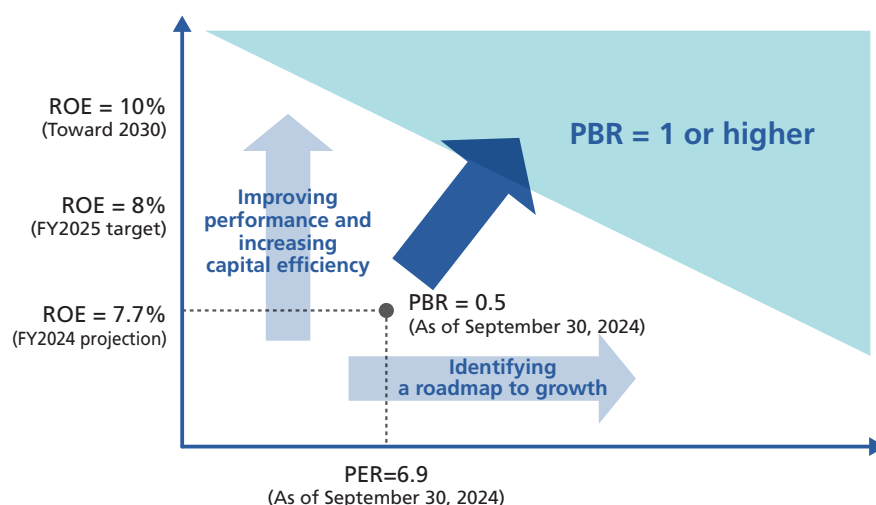
Special alloy powders

- A priority product in the Formed & Fabricated Products Business and a strategic business for which we anticipate growth.
- The market for soft magnetic powders, which are used in inductors for electronic components for smartphones and automotive and other telecommunications and control devices, is expected to see significant growth.



Achieving management based on a keen awareness of the cost of capital and share prices

By promoting various measures under the 2023 Mid-term Business Plan, we will realize a PBR of 1 or higher.



Slow business performance is understood to be a major factor in low share prices over the past few years. Improving business performance is a pressing issue. Even in the face of challenging demand trends, we are committed to securing profits beyond the cost of capital by enhancing our earnings capabilities and allocating the cash generated to investments in strategic businesses for sustained growth and returns to shareholders.

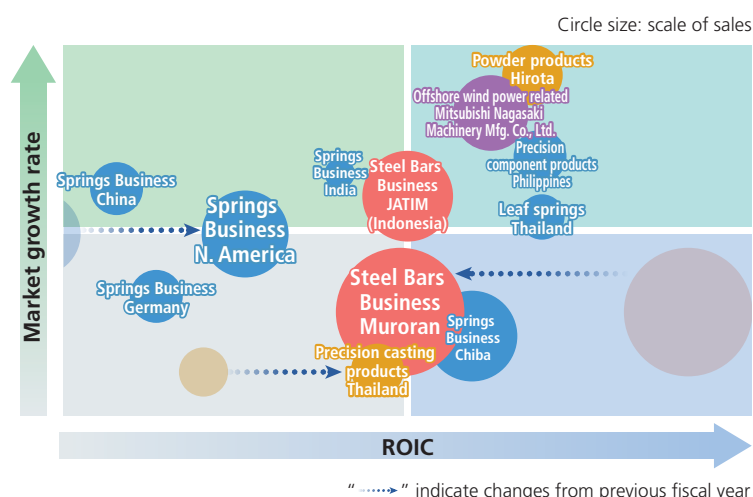
ROE improvements	<p>At current ROE levels, we are failing to generate profits in excess of the cost of capital, which we recognize to be around 8%.</p> <ul style="list-style-type: none"> ● We are committed to strengthening our profit capabilities. <ul style="list-style-type: none"> • Boosting the earnings capabilities of core businesses and nurturing strategic businesses to strengthen profit capabilities • Promoting structural reforms of overseas businesses and continuing to address the North American subsidiary, which recorded sustained losses over an extended period, to the stage of sustained profit growth ● Adopting ROIC to achieve management based on a keen awareness of capital efficiency and using ROIC to allocate management resources and make investment decisions ● KPIs: 8% in FY2025, 10% in FY2030
PER improvement	<ul style="list-style-type: none"> ● Identifying a roadmap to guide Company growth strategies by aligning and cultivating strategic businesses along the key themes of the environment, overseas businesses, and a shift toward electric vehicles ● Enhancing dialogue with capital markets and reflecting the results in management and disclosures (see p. 70 for more information)

Improving PBR by boosting corporate value is a pressing issue for the Company.
We will continue to promote and enhance related efforts based on a keen awareness of capital costs.

Business portfolio optimization

We will analyze ROIC and market growth rates at each location and implement suitable measures. We will also seek to increase ROIC by nurturing businesses in the zone in which ROIC and market growth rates are high.

Business segment portfolio by location (FY2023)

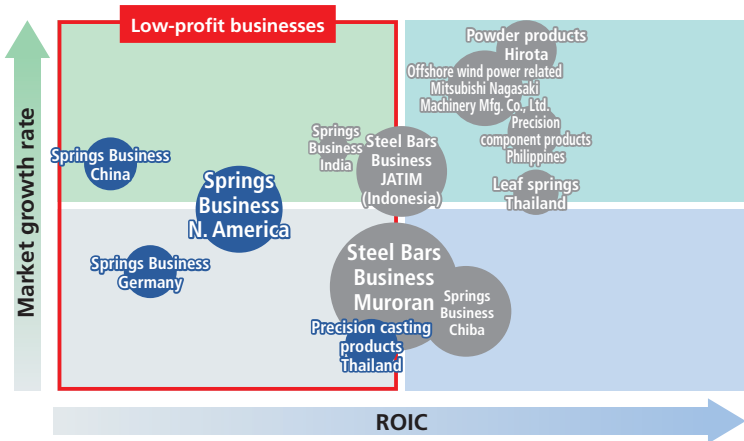


Measures related to low-profit businesses

For low-profit businesses, we are implementing thoroughgoing measures to improve location ROIC.

Of the businesses in question, performance at both the Springs Business in North America and the precision castings business in Thailand have improved, setting the stage for sustained profit growth.

However, to optimize the business portfolio, we have decided to withdraw from the Springs Business in Germany. For the Springs Business in China, we are seeking to revise the product portfolio to improve profitability; options include withdrawal from some products.

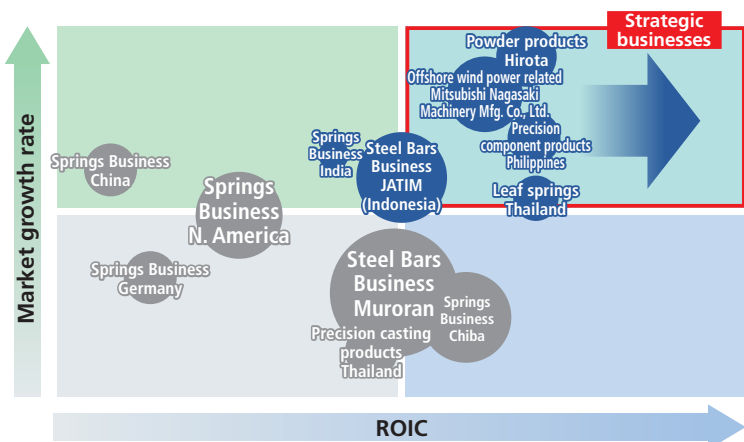


Measures related to low-profit businesses and provisional timetable

	2023– (current Mid-term Business Plan)	2026–	2030–
North American Springs Business	Achieving profitability Optimizing production structures at three North American facilities	Improving earnings capabilities through sustained management improvements	
China Springs Business	Slimming down product portfolio Restructuring our design, development, and sales structures	Venturing into the market for local manufacturers	
Germany Springs Business	Study of withdrawal/sale policies Execution		
Thailand Precision Castings Business	Large-scale price hikes and reductions in fixed costs Continuing to achieve further profitability improvements		

Measures related to strategic businesses

Each business in our portfolio identified as strategic has a high market growth rates and ROIC. Accordingly, we plan to allocate management resources aggressively to achieve steady growth.



Measures related to strategic businesses and provisional timetable

	2023– (current Mid-term Business Plan)	2026–	2030–
Overseas Steel Bars Business (Market growth)	Capital investments to expand capacity by 40%	Increased production Consideration of larger electric furnaces	
Commercial vehicle springs (High profitability)	Capital investments in mass production Consideration of new production facilities overseas		
India facility (Market growth)	Capital investments to boost production	Expanding cooperation with joint venture partners, increasing contribution to partners' profits	
Precision components (Market growth, High profitability)	Production of high-grade, high-performance hinges Technological development of mechatronics machinery parts	Expansion of high-revenue product lines	
Special alloy powders (Market growth, High profitability)	Development of high-performance powders Investments to expand production capacity	Development to meet next-generation needs Increased production, enhancing capacity in stages	
Offshore wind power-related business (Market growth)	Adoption of equipment suited to larger facilities	Participation in round two bidding	Start of deliveries

Value-creation processes

Our environment

Business environment and management issues

The shrinking domestic market

Current shift toward EVs

Growing environmental markets

Rapidly diversifying customer needs

Better quality

Cost competitiveness

Compliance

Lower environmental impact

Social issues

Carbon neutrality

Biodiversity



Shrinking workforce

Diversifying workstyles



Growing uncertainty
(Disputes, infectious diseases, etc.)



Our business activities

The sources of our strengths

Our roots

- Japan's oldest spring maker, founded in 1904
- Began producing special steel bars as spring materials



A spirit of surmounting challenges: "If We Don't Have It, We Make It"

Japan's only integrated producer from materials to products

Advanced expertise gained with years of experience producing special steel bars



Meeting the diverse needs of customers and society based on years of accumulated expertise



The power to support business growth

R&D capabilities

R&D expenses

JPY 1.7 B

R&D staff

60

(Research & Development Center employees)



Research & Development Center ▶ P.13

Human/manufacturing capital

Employees

4,076



Production facilities in Japan

4



Overseas production facilities

8



Network (Japan and overseas facilities) ▶ P.77

Sustainability management supporting our businesses



Mid-term Business Plan ▶ P.21

Four basic policies of the 2023 Mid-term Business Plan

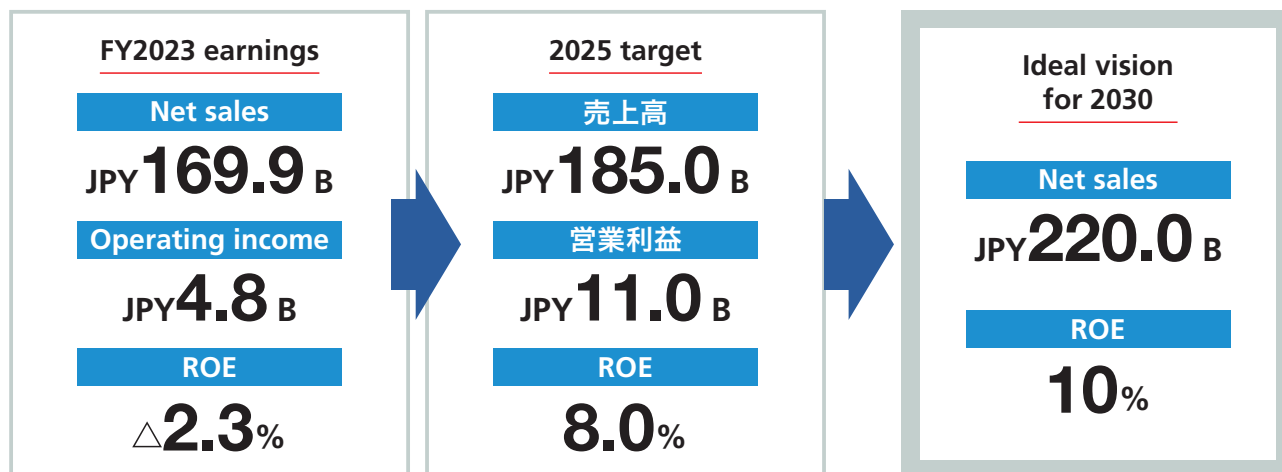
- Basic policy 1 Enhancing our earnings capabilities
- Basic policy 2 Growing strategic businesses
- Basic policy 3 Investment in human resources
- Basic policy 4 Sustainability management

Management philosophy ▶ P.1

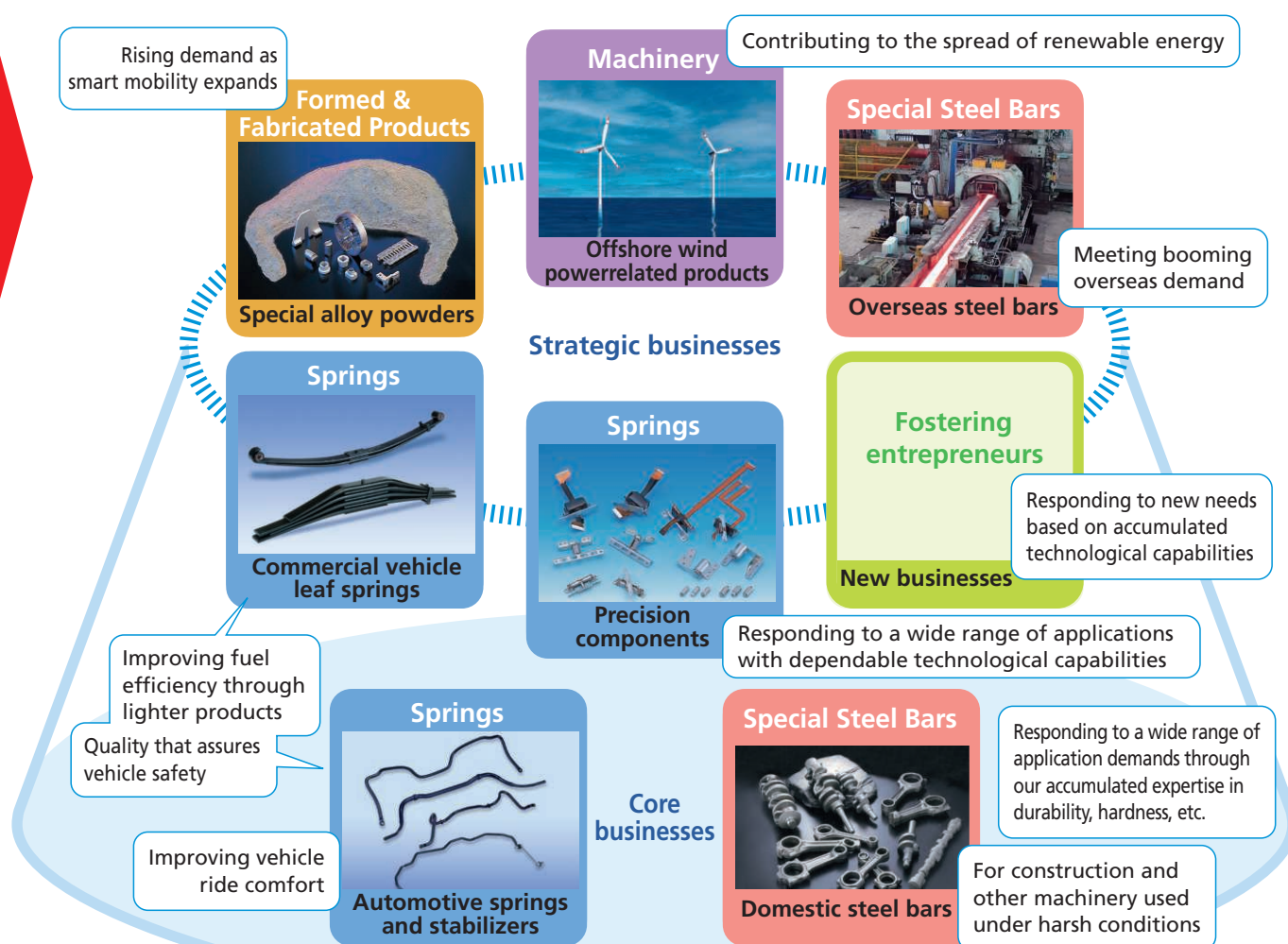
Results and value generated

Ideal vision for 2030

Leveraging our people and technologies to continue to succeed in a time of change



Products that provide value to society



Our products are also used across a wide range of other situations. For more information, ▶ see p. 7, "Contribution of Mitsubishi Steel Group to the society."

A roundtable discussion with outside officers



Supporting sustainability management through better communications and monitoring



It is essential to develop the organizational and corporate culture needed to grow strategic businesses.

The first fiscal year of the Mid-term Business Plan from an outsider's perspective

Takeuchi The current Mid-term Business Plan was formulated by backcasting from the ideal vision for 2030. This ambitious plan targets a growth cycle based on a business portfolio strategy that defines core versus strategic businesses. As seen in the way one of its basic policies calls for investment in human resources, ultimately it's our people and organization that will be key to achieving the plan's aims. It will prove vital to foster the organizational and corporate culture needed to grow new businesses and strategic businesses. During the plan's first fiscal year,

we've seen growing discussion on topics like new businesses and human capital. While full-fledged activities have yet to begin, I feel we've made a solid start.

Hishikawa Mitsubishi Steel's goal is to generate reliable and consistent returns in line with the cost of capital, and utilize those returns to provide solutions for society's issues. Due to its involvement with steel, the company is directly involved with sustainability issues across society. I believe the Company must seek to balance social contributions and profits, and pursue its initiatives with confidence.

Despite the challenge of growing new businesses to offset fluctuating business results, simply starting something new can have unexpected results. It's essential to take the time to persevere in growing businesses. At the same time, observing the existing businesses from different points of view can also lead to redefining markets and values. It is important to understand our corporate values and communicate them externally.

Sakamoto From my perspective as an outside corporate auditor, I think the Mid-term Business Plan is intended to build internal controls that contribute to corporate value. We should monitor whether this is reflected in plan execution. The governance structure is making progress on a number of points, including reforms in the operation of the Board of Directors. On the audit side, we need to carry out audits that include not just internal controls and internal management, but business administration. I will continue to monitor the Company's efforts to increase accountability and transparency even further.

Nakagawa I believe the auditor's role is to check for conflicts or inefficiencies in deliberations on the executive side under the Mid-term Business Plan, based on the facts identified. Using my knowledge and experience as an attorney, I check for anything that might constitute a violation of compliance in efforts to achieve the plan.

Another point is that Mitsubishi Steel to date appears to have grown based largely on a male-centric corporate culture. I would like to see a change in this corporate culture given the growing need to draw on a wider range of human resources.

Matsuda The current Mid-term Business Plan emphasizes sustainability management. While progress in the first fiscal year of the plan has been less than hoped for, with the Company sustaining losses and posting impairment losses, the positive approach of actively making one's case and working together toward solutions appears to have grown stronger both on the executive side and among members of the Board of Directors.

I agree with Ms. Takeuchi and Mr. Nakagawa about the need for human resource diversity and development. In particular, as a woman outside officer I want to take part in various discussions to encourage the promotion of women officers from within the organization.

What we need is a course of action that addresses issues along a clear central axis while clarifying the essence of Mitsubishi Steel and its reasons for being.



Toward continuing growth in corporate value

Takeuchi As Outside Directors, we need to optimize the plan-do-check-act (PDCA) cycle and its framework in line with the external conditions to deal with the aggressive targets set in the Mid-term Business Plan, and monitor progress toward their achievement. We must also provide appropriate advice to the executive side while addressing issues to be addressed over the medium to long term, rather than responding only to immediate, short-term topics. We must also get across the need to focus on competency (the behavior and capabilities of human resources to achieve outstanding performance) and communication, while avoiding overemphasis on skills, in human resource development and in fostering the organizational culture.

Hishikawa Due to the challenges created by high volatility, profits fell short of targets in FY2023. Nevertheless, in FY2024, we're proceeding according to plan. On the other hand, numerous issues have become apparent in areas like addressing ESG themes and the Sustainable Development Goals (SDGs) in addition to demands for management conscious of capital efficiency and share price. Each of these is highly challenging, and solving each of them individually would spread resources too thinly. I think we may need to adopt a course of action that addresses such issues along a central axis based on clarifying the essence of Mitsubishi Steel and its reasons for being.

Sakamoto As Corporate Auditors, in addition to the audits of legal violations and propriety undertaken, we've included in our audit plans discussions of perceptions with



The Board of Directors appears to engage in a livelier and deeper exchange of opinions than before.

Matsuda I agree with Mr. Sakamoto's that we should actively express our perceptions, without sticking needlessly to propriety or the conventional topics of audits of legal violations. I try to take the same approach. In this sense, I believe the discussions among Outside Directors at the Outside Officer Council Meetings are very meaningful and provide important opportunities to identify issues and think about solutions and improvements from an independent, outside perspective, separate from the management topics considered by the executive side.

Effects of making the Board of Directors more effective and efficient

those on the executive side since last year. By communicating with employees through on-site inspections and other activities and communicating what comes to light in these discussions to top management and officers, we serve as something like a hinge for sharing information between those in the field and management. As a full-time Outside Corporate Auditor, I spend more time in the Company than other outside officers, and I have more opportunities to interact directly with employees. Through these efforts, I will seek to increase value added in Corporate Auditor activities and provide proactive support.

Nakagawa The four-person Corporate Auditor team, composed of three Outside Corporate Auditors and one internal full-time Corporate Auditor, will pursue the activities described just now by Mr. Sakamoto. We're engaging in more thoroughgoing discussions in the Board of Corporate Auditors by having the two full-time Corporate Auditors provide prompt information gained from discussions in management meetings and elsewhere and by carrying out studies and the exchange of opinions in advance.

In February 2024, we established the Outside Officer Council Meeting to meet once every three months. Its membership includes all Outside Directors and Outside Corporate Officers, with the full-time Inside Corporate Auditor serving as an observer. Outside Directors and Outside Corporate Officers can speak freely in this Outside Officer Council Meeting. We've begun submitting views and proposals to the Board based on discussions in these meetings.

Matsuda The Board of Directors appears to have changed how it operates compared to two years ago, when I was appointed a Corporate Auditor. Its discussions no longer follow the format used in the past, but have gained in both depth and energy, with livelier exchange of opinions on various themes. And those on the executive side bring up and discuss topics spontaneously, expressing their own opinions, rather than simply presenting reports and sharing information.

Nakagawa Those on the executive side brief us outside officers before Board meetings, preparing for the actual

We try to provide maximum support by increasing the value added by Corporate Auditor activities, rather than sticking just to the traditional audit topics.



meetings by responding to any doubts and opinions we express in these briefings. This improves the quality of discussions in the Board of Directors. I think it's also helped stimulate discussion, as Ms. Matsuda noted.

Sakamoto One major qualitative improvement in the Board of Directors has been in the area of diversity, with the addition of women officers Ms. Takeuchi and Ms. Matsuda over the past two to three years. I hope to see further qualitative improvements in accountability by being provided more information in the Board of Directors. I believe these efforts will improve corporate capabilities overall, not just at the Board of Directors.

Hishikawa Last year, as part of efforts to stimulate the Board of Directors, we decided to discuss the progress of the Mid-term Business Plan and sustainability on a monthly basis, which has been realized. However, due in part to the scale of the individual topics, deliberations have yet to reach the stage of real-world discussion. Sustainability in particular is a very large topic on which discussions tend not to go much beyond the explanatory stage.

I'm sure that by clarifying what Mitsubishi Steel's foundations are, and in which directions it should move, we will be able to address sustainability subjects without diverging too much into individual themes. Toward this end, I've proposed in the Outside Officer Council Meeting that we establish a corporate purpose.

Takeuchi I believe the improvements made in recent years come from the effectiveness of the assessment of efficacy of the Board of Directors and feedback on the details of these evaluations and the issues identified. Another key point is how important information is reported and discussed even before this information is in its final, settled form, providing input to officers at a very early stage and allowing swift and appropriate discussions at the subsequent decision-making stages.

We've only begun discussing new businesses relatively recently. There's a need for more in-depth discussion of topics like human resource development and organizational foundations in connection with those discussions.

Expectations for Mitsubishi Steel

Matsuda It's vital to achieve solutions to the challenges of the Mid-term Business Plan during its remaining year and a half, and course corrections may be needed in some cases. I believe by sharing such information early in the Board of Directors meetings and discussing them among all Board members and the executive side, we should be able to make progress. Although I'm an Outside Corporate Auditor, I want to work alongside the employees, as

a member of the Mitsubishi Steel organization, to contribute to the Company's progress.

Nakagawa I want Mitsubishi Steel to be a company where younger employees have big dreams for the Company's future and discuss these passionately with superiors and colleagues. I intend to help the Company to become such an organization. I also want to provide support for overcoming the factors impeding promotion of women officers from within the organization, which we touched on earlier.

Mitsubishi Steel should be a company where younger employees speak passionately about their big dreams for the future of the Company



Sakamoto In sum, Mitsubishi Steel has the image of a very serious company. It needs to become a company where employees are driven to generate social value, through heating up this seriousness even more. I want to commit with the Company to making this reality.

Takeuchi Sustainability management requires that all employees agree on its meaning and link their actions and work together in a true sense. It's vital to actively take on the challenge of synchronizing corporate sustainability with social sustainability, and to learn and adapt in response to failure. We need to foster an organizational culture characterized by such broadmindedness and diversity. As an Outside Director, I will support such efforts from various approaches.

Hishikawa Mitsubishi Steel is a company that has continued to contribute to society throughout its history of more than a century. It's important now to demonstrate, both internally and to society at large, that we will continue to be a company that contributes to society. I look forward to seeing the kinds of possibilities that will arise in the future based on this cycle of broadening awareness of the value provided by Mitsubishi Steel and using it for solutions to society's challenges.

To realize sustainability management

Mitsubishi Steel has long implemented activities to contribute to society and protect the environment. Since 2012, it has reported on the details of such activities through its CSR Report.

In November 2021, we established a promotion structure and basic policy for sustainability management, and the Mid-term Business Plan for the three-year period beginning FY2023 identifies investment in human resources and sustainability management as basic policies. In these ways, we're promoting sustainability management further.

In FY2023, we published our first Integrated Report and held our first ESG briefing, as we strive to strengthen ESG disclosure.

History of our sustainability management



Main topics in the most recent year

E (Environment)	<ul style="list-style-type: none"> More aggressive carbon neutrality targets for 2030 Joining the GX League Obtaining independent validation of CO₂ emissions 	<ul style="list-style-type: none"> P.44 P.46 P.45
	<ul style="list-style-type: none"> Enhancing measures to improve employee engagement Record-high wage hikes, engagement survey, improvement initiatives, etc. Enhancing social contribution activities such as sponsorship of the Japan Wheelchair Basketball Federation 	<ul style="list-style-type: none"> P.49 P.59
	<ul style="list-style-type: none"> Promoting enhanced discussions at the Board of Directors to strengthen the governance structure Extending performance-linked share-based compensation to executive officers, enhancing remuneration programs to increase incentives to achieve medium- to long-term performance improvements, increasing corporate value 	<ul style="list-style-type: none"> P.67 P.68

Basic Policy for Sustainability

In recognition of the importance of establishing a corporate structure capable of adapting to any changes in the business environment, the Mitsubishi Steel Group has adopted sustained and global growth based on the development of competitive businesses as its fundamental management policy. We aim to be a more reliable business by fulfilling our social mission, and we will contribute to the realization of a sustainable society through dialogue with all stakeholders, including customers, suppliers, shareholders, employees, and local communities, based on our Corporate Philosophy, the Mitsubishi Steel Group Code of Conduct, and the Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct.

Environment

The Mitsubishi Steel Group will get actively involved in protecting the environment in all aspects of business activities with a heightened awareness that conservation of the global environment is one of the most crucial challenges facing mankind.

Social

The Mitsubishi Steel Group will respect human rights, character, individuality, and diversity, seeking to galvanize the company by fostering human resources as well as ensuring a safe and pleasant work environment.

Governance

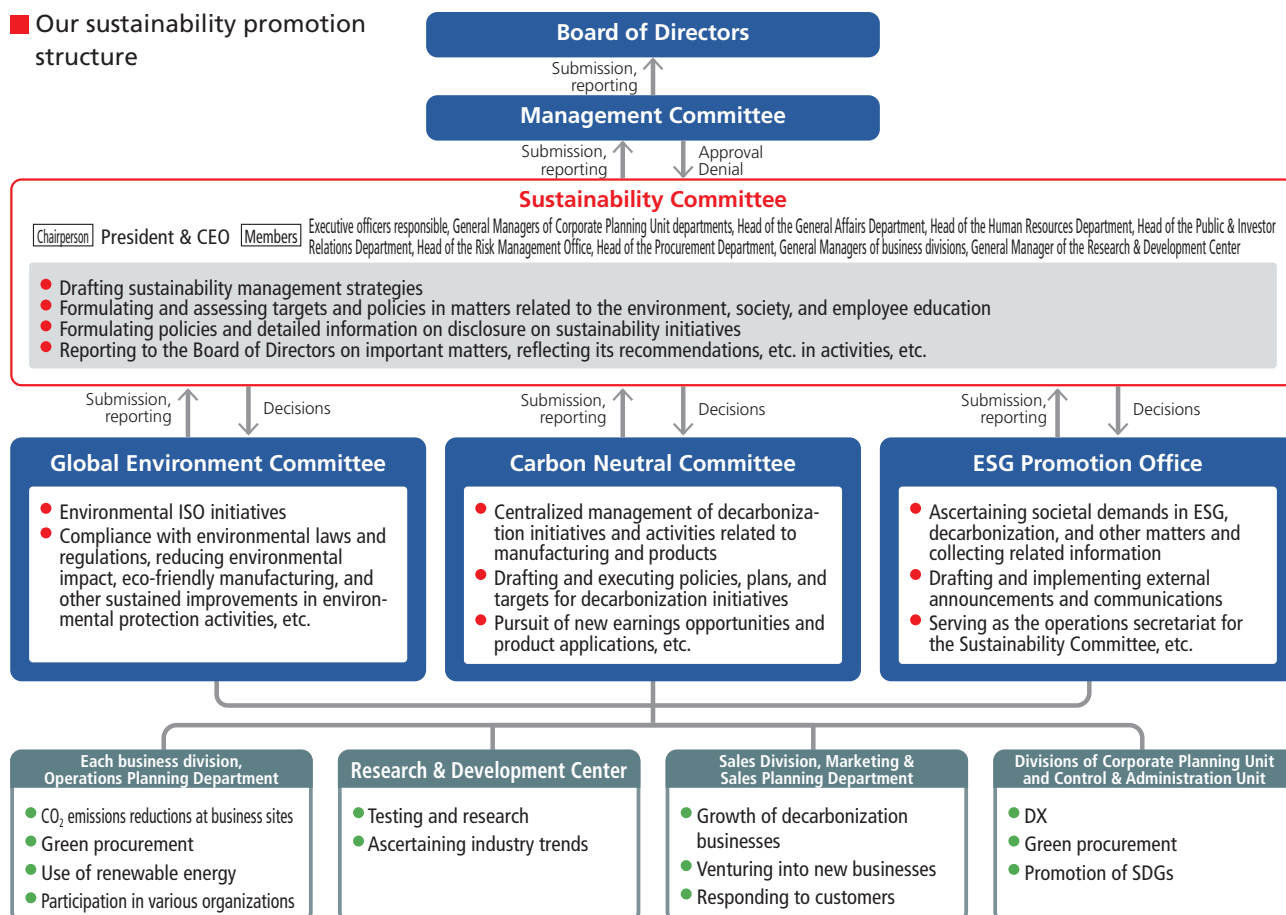
In its global business activities, the Mitsubishi Steel Group will comply with the laws and regulations or code of ethics in society for transparent, fair, and equitable transactions under free competition, pursue optimal corporate governance at all times to maximize corporate value, and continually strive to enhance these efforts

Our sustainability promotion structure

Our Sustainability Committee (chaired by the President & CEO) discusses priority topics concerning sustainability. Sustainability is also deliberated on by the Board of Directors, on a monthly basis in principle.

We have also established the Global Environment Committee, Carbon Neutral Committee, and ESG Subcommittee under the umbrella of the Sustainability Committee, to promote sustainability initiatives across the Company, including assessments and management of sustainability-related risks and opportunities.

■ Our sustainability promotion structure



* Chairpersons of individual committees are the executive officers in charge of related sections.

Message from the officer responsible for Sustainability



**As a sustainable enterprise,
we're committed to
contributing to future society
and the environment.**

Representative Director/
Managing Executive Officer
Officer responsible for Sustainability

Keisuke Aoike

Throughout its history, Mitsubishi Steel has been keenly aware of the obligation to contribute to sustainability through its business activities.

Since I joined at Mitsubishi Steel just a short while ago, in June 2024, when I was appointed to the Officer responsible for Sustainability, I would like to comment on the Group's sustainability initiatives in light of my impressions and assessments from not only in insider's, but an outsider's, perspective.

Over its history of more than a century as a manufacturer of products such as special steel bars and springs, the Mitsubishi Steel Group has supported the progress of industry and people's lives by continuing to supply outstanding products. Maintaining supply chains is an important social responsibility for any materials manufacturer, and the Group has always been aware that moving forward and making progress with not just customer firms but all stakeholders is an essential precondition for its survival and success. I believe the Group pursued growth based on an understanding of the need to approach business in ways that contribute to social sustainability long before the term came into vogue.

The Company established the Sustainability Committee and Basic Policy in FY2021 as it launched its full-fledged sustainability management initiatives. In FY2022, it broadened the related initiatives through establishment of a Human Rights Policy and disclosure based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), for which it had announced its support the previous year. Among its basic policies, the three-year Mid-term Business Plan that took effect in FY2023 includes investment in human resources and sustainability management and has established nonfinancial targets related to CO₂ emissions reductions and employee engagement survey scores. During FY2024, the Company has expanded its activity structure by reorganizing the ESG Subcommittee under the Sustainability Committee and making this a formal Company organization, the ESG Promotion Office, in order to enhance responses to related issues.

The United Nations Sustainable Development Goals (SDGs) have inspired growing interest in sustainability. The Group's own sustainability management efforts, which were fully underway in FY2021, represent something of a late start. Still, we've largely been able to make up ground by rapidly building a sustainability management system. Today, now that the Group has built a well-balanced structure of various sustainability measures and systems,

it's vital to put more effort into addressing each specific issue to make those efforts more effective.

For this reason, I see my role as the officer responsible for Sustainability to be one of encouraging a shared understanding of the issues while ensuring that a keen awareness of sustainability permeates the organization, stimulating discussions among employees and the management team, and leading those discussions to spontaneous actions. I was responsible for sustainability in my previous job as well, but I have felt a great sense of responsibility since arriving at Mitsubishi Steel, a company listed on the Tokyo Stock Exchange Prime Market and with much greater standing and a broader range of stakeholders than my previous employer. I intend to approach sustainability management based on a careful and thoroughgoing approach.

Having addressed efforts to improve governance and set more aggressive environmental targets, we will now focus on the issues of nurturing and leveraging human resources.

Based on discussions with investors, I've come to understand that the Group's ESG initiatives over the past few years have earned a degree of recognition. It has made steady progress on a number of improvements, especially in the area of governance. The introduction of the Executive Officer system in FY2021 allows the Board of Directors to focus discussions on medium- to long-term topics. This, combined with changes in the Board membership, including higher percentages of Outside Directors and women officers, has helped stimulate the Board and make it even more effective. Progress has also been made on strengthening governance by establishing the Nomination and Compensation Committee and revising the executive compensation systems, as the Company keeps pace with reforms made at other TSE Prime Market firms.

In the area of the environment, we recognized that our existing targets on reducing CO₂ emissions to contribute to carbon neutrality were lower than stakeholders had hoped, due in part to the nature of our businesses. But as global warming continues to advance and customer firms demand even greater reductions, we've adopted the more aggressive target for 2030 of reducing total emissions by 50% (vs. FY2013). This exceeds the Japanese government's target (of a 46% reduction). Adopting this more aggressive target was a bold decision by the Company, but we're determined to achieve it as an essential prerequisite for the Group's continued growth.

In addition to such efforts to reduce the Company's environmental impact, we're also expanding the lines of products we supply to meet environmental needs. In addition to existing efforts to help improve vehicle fuel efficiency by supplying lighter automotive springs, we're

focusing on products such as special alloy powders, for which demand is expected to grow further with the shift toward EVs and other developments, offshore wind-power-related products, and magnetic sorters and other products related to a circular economy as we seek to connect our environmental initiatives to the growth of strategic businesses.

We recognize that we still need to address a number of social topics. While our social initiatives have generated results through ongoing activities in various areas, including community engagement, support for athletics and culture, and social contributions, we need to enhance further our efforts in the areas of nurturing and leveraging human resources, as the bases of sustainability management. The current Mid-term Business Plan identifies investment in human resources as one of its basic policies. We're focusing on building comfortable workplace environments to empower employees. Even so, we haven't yet earned a satisfactory score on the social engagement surveys we've conducted since FY2023.

Survey results make it clear that we face specific issues in areas like workplace environmental improvements, chiefly in manufacturing workplaces, and improving communication between superiors and subordinates. We're advancing various initiatives intended to achieve improvements on these topics, including facility remodeling and training to raise the level of management and enhance subordinate development. In the area of human resource development, we're striving to train and develop employees able to generate new value while adapting to the changing business environment including human resources well versed in digital transformation (DX) and entrepreneurship.

Intensifying discussions concerning our own survival and success as an enterprise contributing to a sustainable society and environment

I believe it's critical that we set forth our commitment to sustainability management in the clearest terms possible by carefully communicating related initiatives in several ways, including the disclosures and other communications found in this Integrated Report, in order to meet stakeholder expectations and as a message to employees. We will continue to provide detailed reports on the progress of our sustainability management to gain the understanding and high regard of stakeholders.

To contribute to a sustainable society and environment, we must remain a sustainable firm ourselves. We will continue to discuss, in even greater depth, various important questions: what businesses we should grow, what kinds of products and technologies we should create, and what kinds of human resource development, organization, and governance we need to pursue.






Our priority materiality items

To promote our sustainability management more effectively, we have selected five priorities from themes identified along the axes of internal importance and external expectations for the Group and organized them based on their relationships to the 17 goals and 169 targets of the Sustainable Development Goals (SDGs).

We are also reexamining and partially revising these priorities in light of considerations such as including contemporary social conditions and the changing business environment.

We will help establish a sustainable society while realizing sustained growth and increasing corporate value by further expanding and advancing these activities. See the corresponding pages of this Report indicated below for detailed information on individual initiatives.

Relationships between priority topics and the SDGs and details of the activities

Priority	Summary	Reasons for selection as materiality topic and major initiatives	Corresponding SDGs
1 New business creation and developing strategic businesses	Nurturing strategic businesses on the key themes of: The environment Overseas businesses Shift toward EVs	Since we expect the structure of demand to change in our current core businesses of the Special Steel Bars Business in Japan and automotive springs, we recognize growing strategic businesses, including new businesses, as a key issue for the Company. The 2023 Mid-term Business Plan identifies growing strategic businesses as one of its four key policies. We are currently at the stage of laying the groundwork for aggressive investments in growth strategies. We plan to grow strategic businesses from 30% to 50% of our business structure. (▶ See pp. 21–26 for more information.)	
2 Eco-friendly products	Supplying products to contribute to reducing the environmental impact of customers and society	We consider environmental products such as lighter springs, products for use in EVs, and ones that contribute to renewable energy and a circular economy, to be important not just as solutions to society's challenges, but also as solutions that contribute to our business growth, based on the growing market for such products. (▶ See pp. 7–8, 47–48 for more information.)	
3 Eco-friendly production	Carbon neutrality and other environmental impact reductions in production processes	With society facing climate change and various other challenges, we ourselves not only face growing calls from stakeholders to reduce the environmental impact of our production processes, including calls for carbon neutrality, but also expect to be able to secure new demand for carbon-neutral steels, springs, and special alloy powders. (▶ See pp. 40–46 for more information.)	
4 Promoting human capital management	Building on the strengths of each employee and leveraging human capital as Company strengths	To realize our ideal vision and continuous growth, it's essential to enhance and develop the human resources who support such efforts. The Mid-term Business Plan identifies investment in human resources as one of its four key policies. We're promoting measures and investments intended to improve employee engagement and enhance human resource development. (▶ See pp. 49–57 for more information.)	
5 Enhancing governance	Further enhancing governance to support sustainability management	We also recognize strengthening the governance structure, on which sustainability management is based, as a key topic. In addition to strengthening the corporate governance structure, we plan to ensure thorough compliance and enhance risk-management systems, to solidify fully the foundations of our continuous growth. (▶ See pp. 63–74 for more information.)	

DX promotion

Mitsubishi Steel established the DX Promotion Office in 2021 as part of efforts to promote digital transformation (DX) throughout the organization.

Beyond simply deploying IT to make business processes more efficient, DX seeks to leverage IT and other digital technologies to transform products, services, and business models and generate new value.

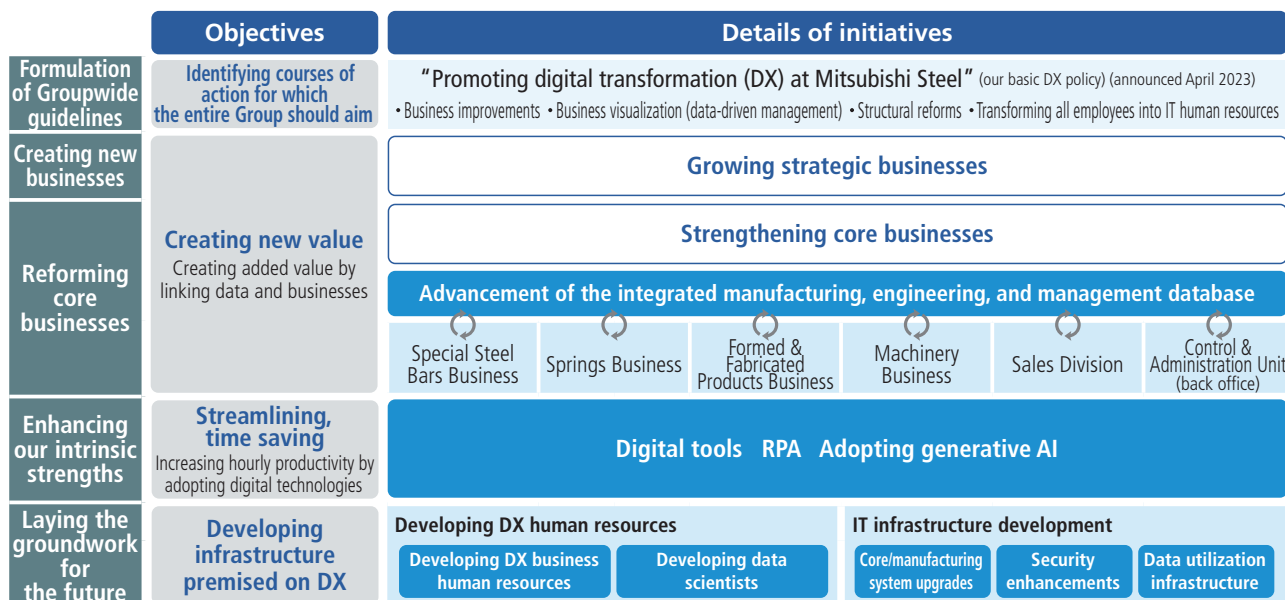
Since establishing the DX Promotion Office, we've performed various internal awareness-raising activities to put data and digital technologies to use and to promote internal reforms.

As part of these efforts, in August 2023, we were recognized as a DX-Certified Business by the Ministry of Economy, Trade and Industry.

Digital technologies will be essential to implementing the policies of the 2023 Mid-term Business Plan.

Through Groupwide initiatives that involve the management team, workers in the field, and IT, we plan to make existing products more competitive and create value above and beyond business improvements, by promoting DX to deliver new value and services to customers.

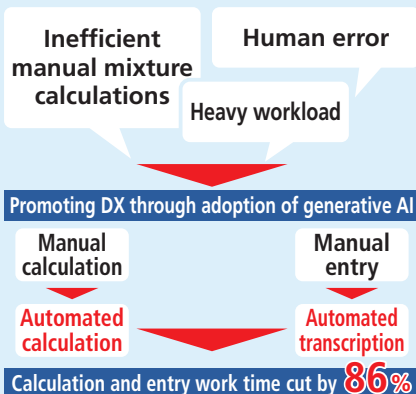
Status of DX promotion



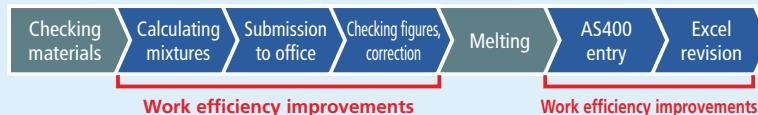
Case study of an initiative to promote DX

Formed & Fabricated Products Business: Digitalization of work instructions in powder alloy production

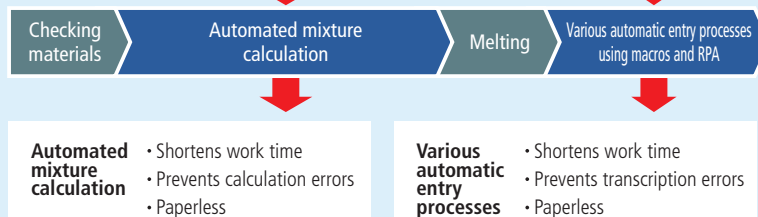
Issues in the work instruction process



Previous workflow



Improved workflow



DX at Mitsubishi Steel: A roundtable discussion among young personnel

The Group sees DX as essential to realizing the sustainability management called for in the Mid-term Business Plan.

The following roundtable discussion on DX, a topic of vital importance to the Company, was held among young employees still in their first seven years with the Company, who play active roles in DX promotion.

Discussion participants



Mr. S

DX Promotion Office



Mr. T

DX Promotion Office



Mr. R

Equipment Engineering,
Equipment Engineering
Department
Mitsubishi Steel Muroran Inc.



Ms. K

Quality Assurance
Department
Chiba Works,
Spring Division



Mr. Y

Powder Products,
Manufacturing Department
Hirota Works, Formed &
Fabricated Products Division



Ms. N

Research Group 1
Research &
Development Center

Can you tell us about your current DX initiatives?

Mr. R My section is responsible for facilities at a special steel bars production plant. We're using DX for solutions to work more efficiently in response to the growing shortage of labor on site. Currently, we're working on things like using less manpower in work processes and collecting data on facility status. In the future, we plan to automate the facilities fully.

Mr. Y I'm working on digitalization of work instructions at a powder alloys production site. Digitalization resolved the issues of description errors and the workload associated with traditional handwritten instructions.

Ms. K I've just begun working on monthly report elaboration automation in the quality assurance process. In addition to the issues of description errors and workload, we expect digitalization to help eliminate quality-related improprieties and data alteration.

Ms. N I work in DX at the Research & Development Center as one small-group activity. We believe creating a portal site for sharing not just plans and minutes but data, progress, ideas, and other content will inspire new ideas, in addition to improving work efficiency.

The difficulty of promulgation within the Company

Mr. S In the DX Promotion Office, we think the issue of how to get your initiatives to reach a wider audience within the Company is an important question. Have you experienced any challenges in promoting DX internally?

Mr. Y I think it's important that people understand how DX will benefit them. Since improvements need to be made alongside other work tasks, people face certain barriers at first. But once they experience using tools im-

proved with DX, they realize how convenient these tools are. I think this experience is important.

Ms. N I myself thought DX sounded difficult at first. But once I actually began working on it I realized how convenient it is. I hope more employees will have opportunities to participate themselves up close.

Toward further DX promotion

Mr. T Our DX promotion activities include setting up the DX Promotion Office bulletin board to communicate information and establishing a hotline for inquiries. We're also raising awareness and educating members of the organization through Company bulletins and holding internal meetings to present DX case studies.

Mr. Y It would be nice to set up a system that would allow people who face certain issues to bring up their concerns with peace of mind—to connect potential DX needs to real-world initiatives.

Ms. K One issue in my section is the need to convert documents to digital files and organize them, since it's so much work to search through the mostly paper documents. Do you have any good ideas?

Ms. N At the Research & Development Center, we've adopted a tool that simplifies workflows related to retention and searching of past experimental data. The aim is to use past data to contribute to more advanced experimental research. You might want to look into this example.

Mr. T I would love to see more opportunities for sharing information and exchanging opinions like this.

Mr. S I hope everyone understands how digital tools can make work more accurate and efficient and utilize them more and more. I'd like to bring about a DX that creates various kinds of value, with everyone using digital technologies as a matter of course.

For the environment

Environment

Disclosure based on TCFD recommendations



In November 2021, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We disclose information on business risks and opportunities associated with climate change and their financial impact based on this TCFD framework.

1 Governance

■ Management structure for addressing climate change

The Mitsubishi Steel Group strives to achieve ongoing improvements in environmental management by developing an ISO 14001 environmental management system and maintain related systems Groupwide.



See our website for the Mitsubishi Steel Group Environmental Policy.
<https://www.mitsubishisteel.co.jp/english/sustainability/environment/>



- Mitsubishi Steel's Sustainability Committee (chaired by the President & CEO) deliberates on materialities related to sustainability, including climate change. In principle, the Board of Directors deliberates on sustainability on a monthly basis.
- We have established a Companywide management structure to promote sustainability through various means, including assessing and managing climate change risks and opportunities. This structure includes, as organizations under the umbrella of the Sustainability Committee, the Global Environment Committee, Carbon Neutral Committee, and ESG Subcommittee.
- In November 2021, we announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In 2022, we implemented disclosures based on the TCFD recommendations for the first time. In 2023, we reassessed risks and opportunities by business division, carried out scenario analyses and assessments of financial impact, and reviewed the responses once again. We also set more aggressive CO₂ emissions reduction targets for the Steel Bars segment. We made these targets still more aggressive in 2024.

* The new ESG Promotion Office has been established to enhance efforts to address ESG topics, to promote further enhancement and advancement of disclosure, and to coordinate nonfinancial information for internal and external promulgation.

■ Status of activities to address issues related to climate change in major meeting bodies

	Sustainability Committee	Carbon Neutral Committee	ESG Promotion Office
Roles in addressing climate change issues	Implementing TCFD scenario analysis and formulating policies for addressing climate change and details thereof	Drafting and executing policies, plans, and targets for efforts to achieve carbon neutrality	Collecting external information on climate change and communicating this information internally and externally
Details of FY2023 activities related to climate change	Held 9 meetings in 2023, including five meetings for discussions of agenda items related to climate change. The nature and particulars of the discussions in the Sustainability Committee were also reported to the Board of Directors.	Set a more aggressive MSM Group CO ₂ emissions reduction target for FY2030, which had aimed for only a 15% reduction when converted to total emissions. The new target is 30% reductions. (We set these more aggressive targets in FY2024.) Announced participation in the GX League. Began disclosing Scope 3 emissions.	Announced the quantitative impacts of risks and opportunities related to climate change to enhance disclosure based on TCFD recommendations. Made other new efforts to enhance disclosure related to climate change, including publishing the Integrated Report and holding ESG briefings.

📖 ▶ See "Our sustainability promotion structure" on p. 34 for a sustainability organizational chart.

2 Strategy

■ Scenario analysis assumptions

- The Company carried out scenario analysis of its businesses in Japan over the course of the timelines leading to 2030 and 2050 based on two scenarios: a scenario in which global measures to address climate change succeed in keeping the increase in average temperatures by the end of the century to less than 1.5°C (the 1.5°C Scenario, in which mainly transition risks are manifested due to factors such as regulations related to climate change) and a scenario in which such measures remain inadequate (the 4°C Scenario, in which mainly physical risks are manifested due to factors such as increasing natural disasters).

Environmental initiatives

- Scenarios published by the International Energy Agency (IEA) and other authorities were referred to in the scenario analysis. The 1.5°C Scenario and the 4°C Scenario are summarized below.

Risks	Vision of society under each scenario	External scenarios referred to in scenario analysis
1.5°C Scenario (transition risks)	<ul style="list-style-type: none"> Adopting carbon taxes and other climate change regulations Progress of EVs and CASE and decrease in gasoline- powered vehicles in the automotive industry Market growth of fossil fuel alternatives such as renewable energy (including offshore wind) and green hydrogen and accompanying increases in energy prices Rising raw material prices in connection with tight demand and supply conditions for products related to climate change with advancing decarbonization 	International Energy Agency (IEA) World Energy Outlook Report 2023 <ul style="list-style-type: none"> 1.5°C Scenario: APS scenario, NZE scenario, SDS scenario*¹ Intergovernmental Panel on Climate Change (IPCC) <ul style="list-style-type: none"> 4°C Scenario: SSP5-8.5 scenario (SSP5, RCP8.5)*² Other related IEA materials, Ministry of Economy, Trade and Industry Sixth Energy Basic Plan, etc.
4°C Scenario (physical risks)	<ul style="list-style-type: none"> Increasingly grave natural disasters due to increase in abnormal weather patterns Increasing inundation of coastal areas due to rising sea levels 	

*1 APS: Announced Pledges Scenario, NZE: Net Zero Emissions Scenario, SDS : Sustainable Development Scenario

*2 SSP5: Scenario under which global economic development continues to depend on energy from fossil fuels; RCP8.5: high emissions scenario under which emissions continue to increase throughout the 21st century

Risks, opportunities, and corresponding timelines and impact

Scenario	Effects	Timelines		Impact
		Short term (through2025)	Medium/ long term (2030-2050)	
1.5°C	Transition risks	● Rising procurement and manufacturing costs due to stronger regulations related to climate change (e.g., carbon taxes)	✓	High
		● Growing instability in the supply of raw materials and utilities and rising procurement costs due to changes in suppliers' lines of business	✓	High
		● Growing instability in the supply of raw materials and rising procurement costs due to tight demand and supply conditions with advancing decarbonization	✓	Medium
		● Rising manufacturing and logistics costs due to adoption of energy and equipment to contribute to carbon neutrality	✓	High
		● Rising manufacturing costs due to the adoption of new technologies to contribute to carbon neutrality, impaired competitive strength in the event of delays in adopting new technologies	✓	High
	Opportunities	● Restructuring of plant facilities due to factors such as changing supply chains and product lineups with advancing decarbonization	✓	Medium
		● Difficulties in raising funds or securing human resources and loss of trust within the community due to failure to achieve carbon neutrality targets	✓	Medium
		● Growing customer demand for products that contribute to decarbonization	✓	High
4°C	Physical risks	● Progress in EVs and self-driving vehicles and market developments in related growth markets, such as semiconductors and electronics	✓	High
		● Market developments in growth markets related to energy decarbonization	✓	High
		● Loss of plant facilities, work in process, and products due to growing frequency of sudden natural disasters	✓	High
		● Supply chain disruptions due to growing frequency of sudden natural disasters	✓	High
		● Worsening product quality and increase in heat stress on employees due to chronic abnormal weather	✓	Medium

Responses to these effects are summarized on the following page.

■ Responses to transition risks and opportunities

Short term (through 2025)		Medium/long term (2030-2050)	
Risks	Carbon neutrality realized in stages ①		
	<ul style="list-style-type: none"> ● Increasing percentage of green raw materials procured in stages ● Expanded adoption of CO₂-free electricity*3 to decarbonize electric power and implemented replacement with renewable energy in stages ● Using hydrogen or ammonia to decarbonize fuels (addition to combustion burners and switching gas cutter fuels) ● Expanding lineup of electric furnaces with low environmental impact overseas 		
	Stable procurement of raw materials under tight demand and supply conditions with advancing decarbonization ①		
Opportunities	<ul style="list-style-type: none"> ● Considering measures to procure ferroalloys, rare metals, scrap, and other materials, including reducing volumes used and promoting recycling and reuse, procurement diversification, and corporate acquisitions to enable stable procurement ● Developing scrap iron stable procurement schemes in overseas businesses in cooperation with users, customers, other companies in the industry, and other partners 		
	Enhancing business continuity initiatives in response to physical risks ②		
	<ul style="list-style-type: none"> ● Enhancing and promoting BCP planning, including countermeasures against natural disasters ● Enhancing cooperation with suppliers, diversification of suppliers, and adjustments to secure inventories to ensure readiness for supply chain disruptions 		
Opportunities	Growth in products that contribute to customer decarbonization efforts ③		
	Practical use	<ul style="list-style-type: none"> ● Deploying products that contribute to customer decarbonization efforts, such as nitriding steel and high strength spring steel and to the development of EVs (Special Steel Bars Business, Springs Business) ● Deploying the magnetic sorters business to contribute to a circular economy (Machinery Business) 	<ul style="list-style-type: none"> ● In addition to growing the businesses at left, aiming to meet global resource recycling demand by broadening sales channels internationally for the magnetic sorters business
	Development	<ul style="list-style-type: none"> ● Developing materials such as thermoelectric materials using waste heat and materials for hydrogen refining (Formed & Fabricated Products Business) 	
	Growth in EV/CASE components, semiconductors, and electronic components ③		
	Practical use	<ul style="list-style-type: none"> ● Deploying electronic and mechanical components to reduce vehicle weights and migrating to EVs (e.g., lower-weight coil springs and stabilizers) (Springs Business, Formed & Fabricated Products Business) 	<ul style="list-style-type: none"> ● In addition to growing the businesses at left, aiming to grow our businesses by expanding transactions with new EV makers, entering growing markets related to self-driving vehicles and semiconductor-related products, and other efforts
	Development	<ul style="list-style-type: none"> ● Developing EV parts such as bearings and suspension parts (Special Steel Bars Business) 	
	Growth in components related to energy markets (chiefly offshore wind power) ③		
	Practical use	<ul style="list-style-type: none"> ● Deploying bearings, axles, and other products for offshore wind power use (Special Steel Bars Business, Machinery Business) 	<ul style="list-style-type: none"> ● In addition to growing the businesses at left, aiming to be an engineering manufacturer capable of serving various markets, including markets for peripheral machinery related to offshore wind power (e.g., handling and automation machinery)
	Development	<ul style="list-style-type: none"> ● Developing metal powders and other products for applications in the energy field (Formed & Fabricated Products Business) 	

*3 Certified non-fossil-fuel electricity

■ Growing strategic businesses (2023 Mid-term Business Plan)

- The 2023 Mid-term Business Plan includes strategic businesses intended to develop various products identified in our responses to opportunities associated in scenario analysis with major financial impacts. We will realize sustainability management by promoting the development of these strategic businesses and transforming the business portfolio to one in which strategic businesses make up a higher share (50%) of our businesses.

📖 ▶ See p. 21, "2023 Mid-term Business Plan," for more information.

■ Strategic resilience

- Since climate change can cause major impacts on our businesses, both in the form of risks and opportunities, we recognize it as a key management issue for Mitsubishi Steel's medium-to long-term growth.
- Under the 1.5°C Scenario, in which global measures to address climate change are successful, we anticipate that climate change regulations, including carbon taxes, would be enhanced. Thus, efforts toward carbon neutrality would be essential in areas such as raw materials and manufacturing processes. While striving to realize carbon neutrality in stages, we will enhance sales of products in new growth markets created by decarbonization (i.e., products that contribute to decarbonization by customers—for example, carbon neutral steel, carbon neutral springs, and carbon neutral special alloy powders*⁴; EV and CASE components; semiconductors and electronic components; and energy-related components—offshore wind power components in particular). We will contribute to the pursuit of decarbonization while growing our businesses by focusing on increasing orders received for products related to offshore wind power and products that contribute to a circular economy (e.g., magnetic sorters) as well as marketing metal powders such as soft magnetic powders (for electronic components, including those for CASE applications).
- In the 4°C Scenario, in which global measures to address climate change remain inadequate, the impact of transition risks would be limited compared to the 1.5°C Scenario. However, we would enhance business continuity planning while maintaining and managing the supply chain by diversifying suppliers, maintaining appropriate inventories, and other measures, since under this scenario, loss of plant facilities and products, supply chain disruptions, and other such incidents would be expected to arise due to an increase in sudden natural disasters.
- In the face of climate change, we are studying and implementing various responses intended to mitigate risks and secure opportunities. These include efforts to achieve carbon neutrality and to gain entry into markets expected to experience growth due to climate change, and verifying the resiliency of business operations based on analyses of multiple scenarios. Going forward, we plan to promote various measures more effectively by updating and monitoring information related to these analyses.

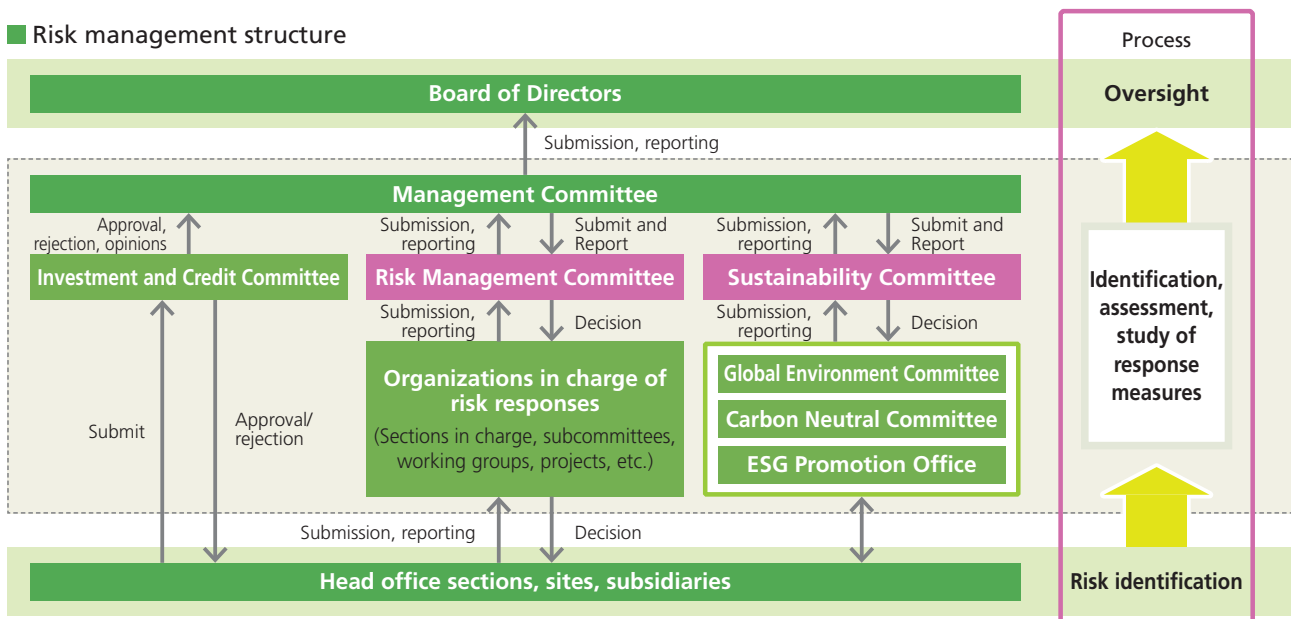
*⁴ Steel bars, springs, and special alloy powders manufactured using CO₂-free electric power

③ Risk management

■ Climate change risk management structure

- Our basic structure for managing climate change risks consists of the Sustainability Committee, which manages transition risks, and the Risk Management Committee, which manages physical risks and other risks.
- Our risk management process involves identifying Companywide short-, medium-, and long-term risks; assessing these risks; and considering measures in response through discussions at the Risk Management Committee and Sustainability Committee under the supervision of the Board of Directors.
- The Investment and Credit Committee, led by the Corporate Planning Unit, reviews business plans and risks and deliberates on capital investments including those related to carbon neutrality.
- The Risk Management Committee formulates, verifies, and reviews business continuity plans (BCPs) to ensure that each section, site, and subsidiary can respond to and recover from natural disasters without delay.

■ Risk management structure



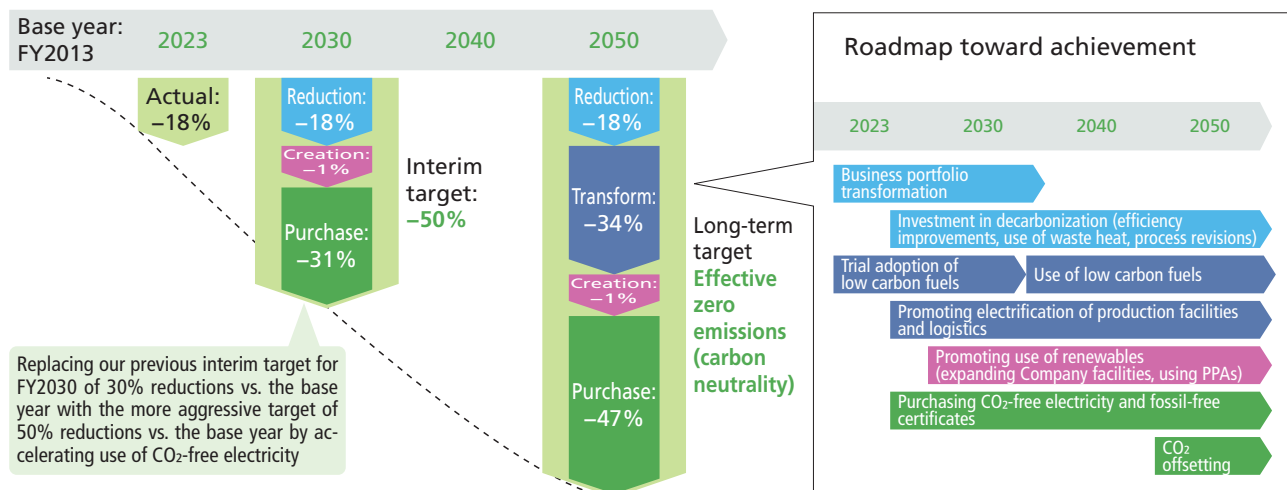
4 KPIs and targets

1. Medium- to long-term vision

The Mitsubishi Steel Group will take action toward its ideal vision for 2050 guided by the following medium- to long-term vision:

Medium- to long-term environmental vision	Themes	Typical real-world measures	Internal	Users	Suppliers
Eco-friendly production	Reducing GHG emissions throughout the life cycles of our products	Promoting energy conservation We seek to reduce GHG emissions intensity by at least 1% each year in several ways, including aggressive investment in resource conservation and revision of production, procurement, and transport processes. We're also seeking to cut GHG emissions (domestic; Scopes 1 and 2) by 50% in 2030 and by 100% in 2050 (vs. FY2013).	○		○
		Adopting renewable energy and switching to low carbon fuels In addition to internal creation of renewable energy, we will increase use of non-fossil-fuel energy such as renewables as they become increasingly available and switch to low carbon fuels.	○		○
		Cooperating with customers to increase the rate of recovery of scrap steel We will expand closed-loop cyclical transactions by increasing the rate of recovery of processing scraps generated when customers use our products.		○	○
	Reducing waste generated from production processes	Recycling waste We will strive to achieve zero waste generation through revision of production processes and other efforts.	○		
Eco-friendly products and eco-related proposals	Contributing to reducing the GHG emissions of society as a whole	Promoting technological and product development We will contribute to realizing a low carbon, cyclical society by making our low carbon and cyclical products more attractive through ongoing technological and product development.	○	○	○
		Market development Through joint efforts with customer firms, government agencies, universities, research institutions, and other partners who share our vision of establishing a low carbon and cyclical society, we will promote efforts to expand use of our low carbon and cyclical products.	○	○	
	Promoting effective use of waste (converting waste into resources)	Promoting waste recycling processes We will consider ways to put waste to effective use. One example is using our electric furnaces to recycle waste generated by municipalities and companies.	○		○

2. GHG emissions reduction targets (domestic; Scopes 1 and 2)



3. GHG emissions reduction results

The Group is striving to reduce its environmental impact and GHG emissions in the value chain, from procurement to manufacturing and transport. Mitsubishi Steel and its consolidated subsidiaries (four subsidiaries in Japan) have their Scope 1, 2, and 3 emissions from operations and activities in Japan validated independently to ensure fairness, transparency, and reliability.

Life-cycle GHG emissions

(t-CO₂)

	Direct emissions (Scope1)	Indirect emissions (Scope2)	Emissions in supply chains (Scope3)	Life-cycle GHG emissions (Scope1+2+3)
FY2023	79,157 ★	107,267 ★	1,744,807 ★	1,931,231 ★

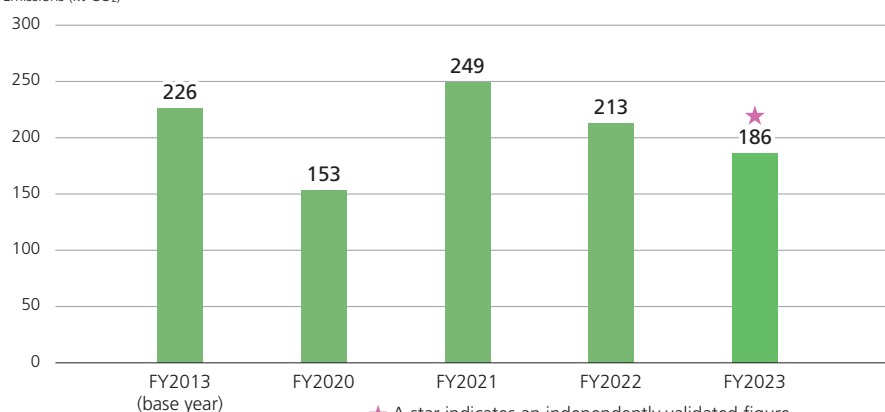
★ A star indicates an independently validated figure (for Mitsubishi Steel and its consolidated subsidiaries in Japan).



See our website for more information on independent validation.
<https://www.mitsubishisteel.co.jp/english/sustainability/environment/carbon-neutral/>



Trends in Scope 1 and 2 GHG emissions

Emissions (kt-CO₂)


★ A star indicates an independently validated figure (for Mitsubishi Steel and its consolidated subsidiaries in Japan).

Scope 3 GHG emissions by category (FY2023)

Category	GHG emissions (t-CO ₂)	Share (%)	Notes
1 Purchased goods and services	1,594,553 ★	91.4%	—
2 Capital goods	10,498 ★	0.6%	—
3 Fuel- and energy-related activities	14,449 ★	0.8%	—
4 Upstream transportation and distribution	32,376 ★	1.9%	—
5 Waste generated in operations	1,952 ★	0.1%	—
6 Business travel	200 ★	0.0%	—
7 Employee commuting	653 ★	0.0%	—
8 Upstream leased assets	—	—	N/A
9 Downstream transportation and distribution	18,359 ★	1.1%	—
10 Processing of products sold	37,961 ★	2.2%	—
11 Use of products sold	26,183 ★	1.5%	—
12 End-of-life treatment of products sold	4,047 ★	0.2%	—
13 Downstream leased assets	—	—	N/A
14 Franchises	—	—	N/A
15 Investments	3,576 ★	0.2%	—
Total	1,744,807 ★	100.0%	—

★ A star indicates an independently validated figure (for Mitsubishi Steel and its consolidated subsidiaries in Japan).

4. Efforts toward achievement of targets

■ Adopting internal carbon pricing (ICP)

Since the second half of FY2022, we have promoted capital investments related to carbon neutrality by using ICP to reflect CO₂-reduction effects as virtual prices in domestic businesses.

- Domestic carbon price: 10,000 yen/t-CO₂
- Scope: Capital investments in domestic businesses

■ Review of executive compensation programs

The Nomination and Compensation Committee and the Board of Directors decided to revise our executive compensation programs to incorporate nonfinancial indicators in the assessment indicators for bonuses and stock-based compensation in FY2023 and have started its adoption. Achieving these targets is reflected in payment amounts.

■ Carbon neutrality initiatives overseas

- We will promote the adoption of energy-saving technologies at each facility in accordance with each country's carbon neutrality targets.
- We will proceed with demand research and study the production of carbon neutral steel using electric furnaces in Indonesia (JATIM) as well as carbon neutral springs in the springs business.
- We will study preparations to adopt renewable energy in Thailand (MSM Thailand).

■ Joining the GX League

Mitsubishi Steel supports the GX League Basic Concept, which calls for reforming economic and social systems as a whole while contributing to corporate growth, consumer wellbeing, and the planet, with the goals of achieving carbon neutrality in 2050 and preparedness for future societal change. We joined the GX League in February 2024. We will continue to contribute to a carbon-neutral society through efforts to reduce CO₂ emissions while adopting renewable-energy equipment at various facilities in accordance with their countries' carbon neutrality targets.



Biodiversity initiatives

Recognizing the importance of biodiversity to society, we're taking action in various ways, including participation in various environmental conservation activities.

Participation in environmental conservation activities (Arakawa riverside environmental conservation activities)

As part of our activities to help realize a net zero society while educating and raising awareness among employees, we participated in the Satokawa Creation Project organized by the nonprofit Arakawa Clean-aid Forum. In addition to cleaning riverbanks and removing invasive weeds to restore the natural plants, participants learned through lectures and workshops about the impact of river waste on the planet and the issue of ocean plastic waste.

"While the cleanup and weeding were challenging, they also gave us a sense of accomplishment," said one participant. Another said, "This was a good opportunity to think about environmental issues and biodiversity." While remaining active in these initiatives, we will also publicize them widely among employees who did not take part, to strengthen awareness of biodiversity issues within the organization.

The activities



Participation in related associations, donations, etc.

Each year, the Company donates to the Keidanren Nature Conservation Fund, which supports biodiversity and nature conservation activities. In January of this year, we participated in the Keidanren Initiative for Biodiversity Conservation to demonstrate our support for the Keidanren Declaration for Biodiversity and Guideline.

Reducing environmental impact through the use of our products

Considering eco-friendly products to be an important topic, we develop and sell products to reduce environmental impact not just within our own organization but also at customers and across society as a whole.

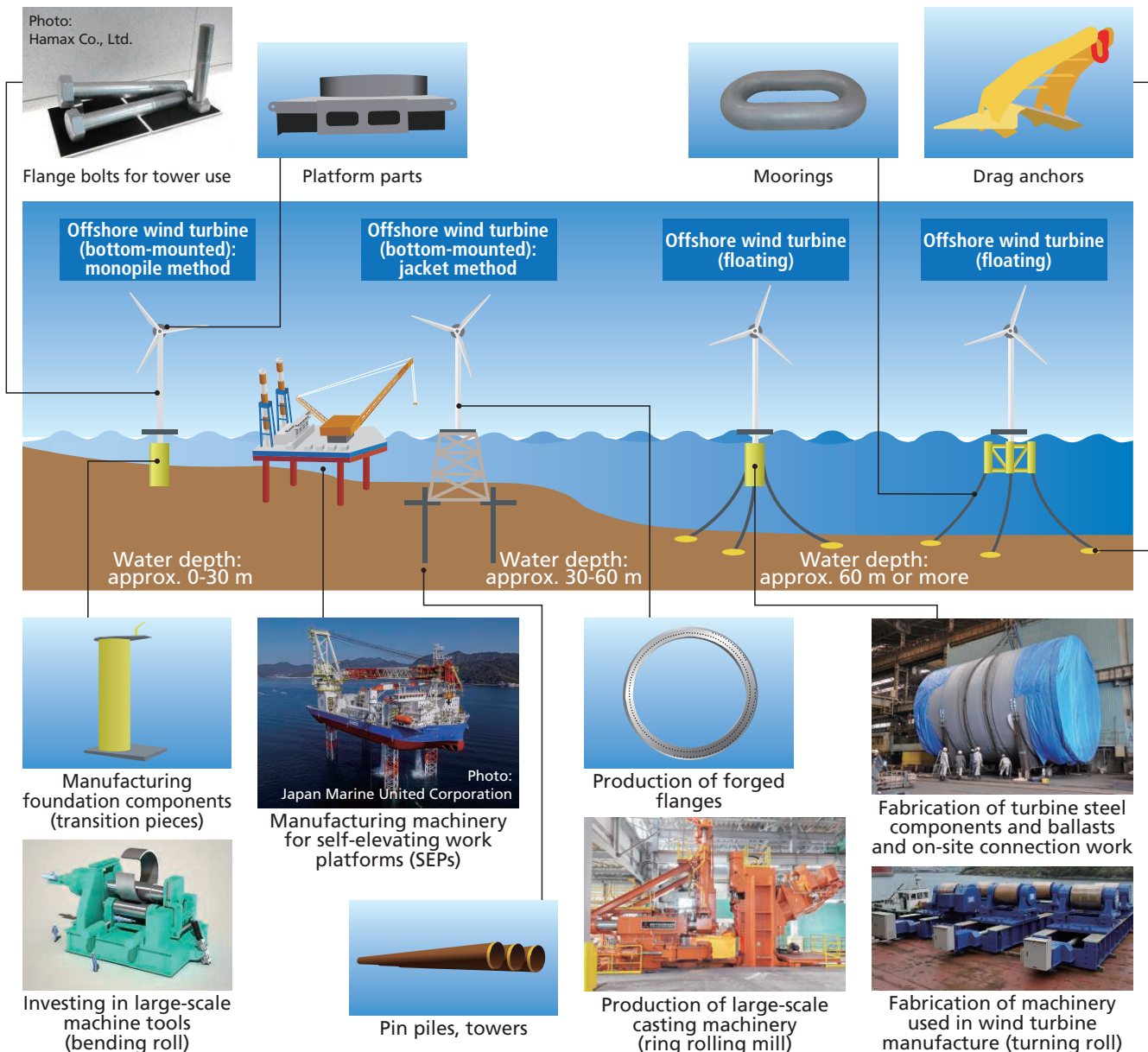
Provided below are examples of two such product areas in which we expect notable future market growth: machinery for offshore wind power generation and separators.

Renewable energy (machinery for offshore wind power generation)

In one effort to contribute to offshore wind power generation, Mitsubishi Steel Group member company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. manufactures products for offshore wind turbines and the machine and equipment needed to install them. We are also focusing on expansion and enhancement of plant facilities to increase production capacity for offshore wind power-related products.

In addition, efforts at Mitsubishi Steel Muroran Inc. include earning Transportation and Power Generation (TPG) accreditation as a supplier of steel materials for use in offshore wind power equipment parts. Leveraging strengths of the Group's ability to handle large-scale products, we will contribute to development of a domestic supply chain for offshore wind power in Japan.

As another part of its efforts related to offshore wind power generation to achieve a carbon-zero society, Mitsubishi Steel has become a member of the Muroran Offshore Wind Industry Promotion Association (MOPA), which seeks to attract businesses related to the offshore wind power industry to the city of Muroran, Hokkaido, and to stimulate local industry. Mitsubishi Steel Adviser Hiroshi Sekine was appointed MOPA chairperson in November 2021.



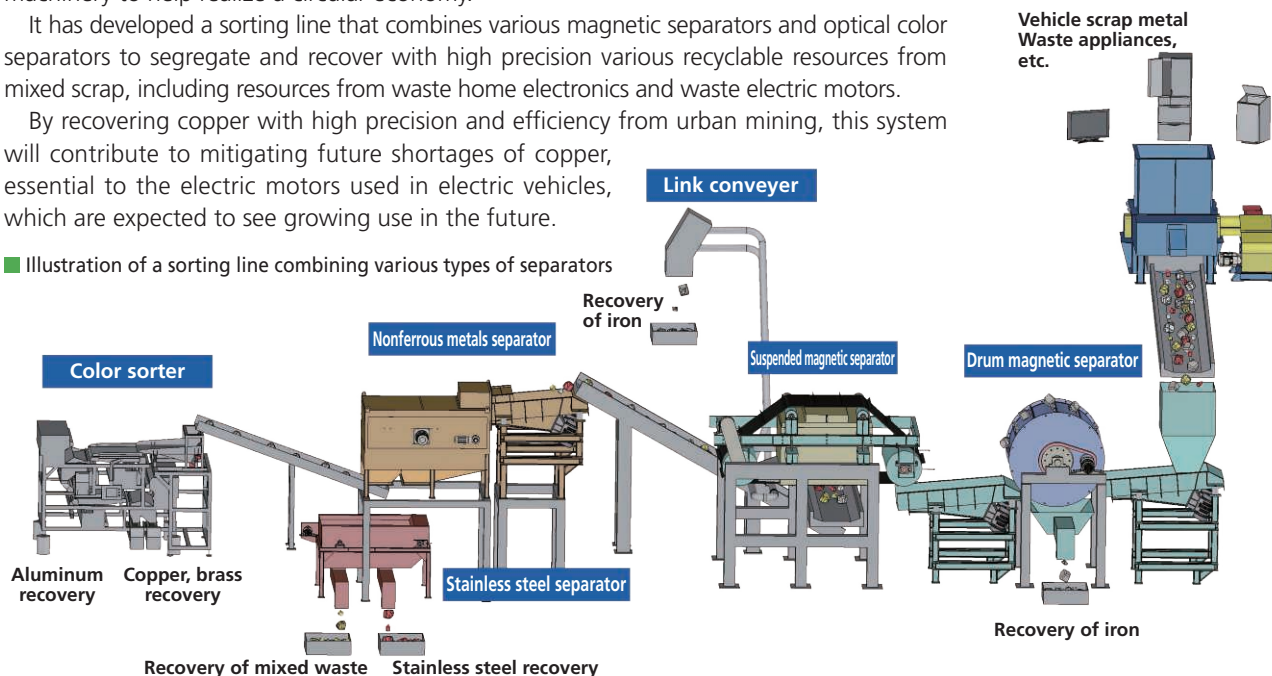
Efforts toward a circular economy

Mitsubishi Steel Group member company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. produces various types of sorting machinery to help realize a circular economy.

It has developed a sorting line that combines various magnetic separators and optical color separators to segregate and recover with high precision various recyclable resources from mixed scrap, including resources from waste home electronics and waste electric motors.

By recovering copper with high precision and efficiency from urban mining, this system will contribute to mitigating future shortages of copper, essential to the electric motors used in electric vehicles, which are expected to see growing use in the future.

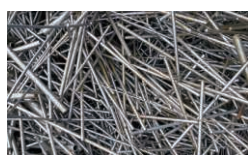
■ Illustration of a sorting line combining various types of separators



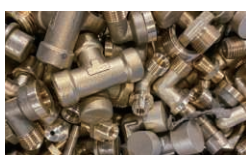
Different separators can be combined



We supply both individual products and bundles of different types of separators.



Iron



Brass



Aluminum



Copper



Stainless steel

Exhibiting in the New Environmental Exposition 2024

Mitsubishi Nagasaki Machinery Mfg. exhibited its separators in the New Environmental Exposition 2024, held May 22–24 at Tokyo Big Sight.

The New Environmental Exposition, one of the largest environmental equipment trade shows in Japan, drew some 90,000 from Japan and around the world.



Shredder hammers

The Formed & Fabricated Products Division produces shredder hammers, which are used for shredding in the steel product recycling process.

These products incorporate technologies that draw on our years of experience with wear-resistant castings to provide long service lives and enable high productivity, even under challenging conditions.



Promoting human capital management



Executive Officer
Head of Human
Resources Department
Masahiro Murata

Management to utilize human resources toward realization of our ideal vision

We consider use of human capital through inspiring the best from each and every employee and deploying our employees as corporate strengths to be essential to the Mitsubishi Steel Group's sustained growth. Toward these ends, we promote sustainability initiatives within the organization with an emphasis on human resource development, diversity, and work-style reforms.

Human capital management

Improving employee engagement

Human resource strategy and development

Increasing diversity

Employee health and safety

Respect for human rights

Improving employee engagement

To realize human capital management, we continually run through the cycle illustrated at right every year, seeking to realize higher productivity and innovation by building an environment in which all employees can demonstrate their capabilities to the fullest, by promoting reforms led by the management team.

To realize our ideal vision for 2030, we are promoting various measures to implement human capital management. At the same time, we are promoting continual improvements by holding townhall meetings between top management and those at various levels of the organization to collect opinions and conducting evaluation and analysis through engagement surveys.



1 Planning to address topics

The ideal vision for 2030 in the MSM Group's 2023 Mid-term Business Plan for the years FY2023–2025, "Leveraging our people and technologies to continue to succeed in a time of change," identifies investing in human resources as one of its four basic policies.

We will realize higher productivity and innovation by promoting the following measures under the Mid-term Business Plan.

Creating workplace environments for leveraging our people

- Transformation into an organization characterized by high levels of time performance through digital transformation (DX) and operational streamlining
- Building a more comfortable working environment by enhancing paid vacations, childcare programs, etc.
- Enhancing and improving efforts to learn about employee satisfaction through engagement surveys

Developing systems for leveraging our people

- Reviewing HR evaluation systems to increase employee motivation and eagerness to take on new challenges (enhancing feedback from evaluation and promoting the internal startup program)
- Providing opportunities for reskilling based on HR requirements (supporting lifetime learning)
- Developing autonomous human resources (improving HR quality) by enhancing programs that support earning official qualifications

Flexible creativity powered by diverse human resources

- Developing workplaces to enable more women to work in plants and training to promote women in the workplace
- Leveraging diverse knowledge and ideas through active midcareer hiring
- Realizing global exchange of human resources through means such as employing staff hired overseas in Japan

Increased investment in human resources
(education, support for earning official qualifications, enhancement of employee benefits)

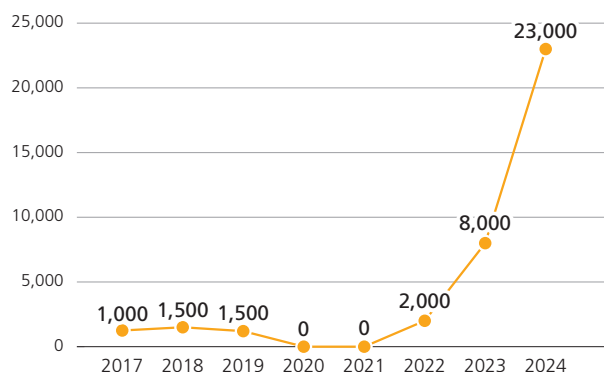
JPY 500 M over the three-year period of the Mid-term Business Plan

2 Improvement measures and initiatives

We're implementing various initiatives to build comfortable working environments in which employees can do rewarding work.

● Revising wages to record-high levels

In the 2024 spring wage negotiations, we accepted the union's demand for a wage increase of 23,000 yen (on average per union member) in full. This is the highest wage increase in history. Combined with regular raises, it will result in an increase of approximately 9% in pay. We also raised pay by 8,000 yen last year (including inflation adjustments), which combined with regular raises resulted in an increase of approximately 13% in pay.



● New Tsurugasaki Dormitory built to secure human resources (Mitsubishi Steel Muroan Inc.)

The new Tsurugasaki Dormitory for single employees has been completed in Miyukicho, Muroan.



Fully equipped with beds, air-conditioning, and other facilities, the new dormitory's comfortable living environment for residents includes a dining hall, meeting rooms, and affordable breakfast and dinner.

The voice of the employee

The air conditioned and sound-proofed rooms make it possible for those working night shifts to get good sleep even during the day. I like how the modular baths mean we can take our time and enjoy bathing.



Mr. S, Mitsubishi Steel Muroan Inc.

● Working environment improvements in manufacturing workplaces

Last year's engagement survey made it clear that the Company faces major issues regarding workplace environments—particularly the need to improve working environments in manufacturing workplaces. In response, we established an additional budget and took measures to address heat in manufacturing workplaces, including coolers, fans, and thermal insulating coatings.

The voice of the employee

It's very helpful to be able to cool down in a plastic tent, even for just a little while.

Deputy Head of Operations, K, Manufacturing Department, Chiba Works



The improvements have definitely helped with the intense heat in the late summer. I hope they prove even more effective with the extreme heat in the mid-summer period next year.

Head of Operations, Y, Powder Products, Manufacturing Department, Hirota Works

3 Monitoring, visualization (engagement surveys)

Since FY2023, we've carried out engagement surveys intended to visualize and monitor employee expectations and evaluations.

The first survey in FY2023 made it clear that the Company has weaknesses on the following points:

- Workplace environments (facilities, equipment)
- Communication between superiors and subordinates and subordinate development

Based on analysis of these survey findings, we're promoting efforts to improve employee engagement centered on improvements on the issues identified. (See "4. Analyzing and sharing results to achieve further improvements" for details.)

The second engagement survey was carried out through July and August 2024.

Investments in human resources, as called for in the Mid-term Business Plan, have had some effects, including major improvements in percentages of employees giving positive answers to the survey questions.

Question: Do you agree that measures implemented in FY2023 have increased investment in human resources beyond that at the time of the previous survey (August 2023)?

⇒ The percentage of employees giving positive answers ("strongly agree," "agree") rose sharply to 68%.

While the overall score also improved slightly from last year, it remains at a level that cannot be called satisfactory. We believe further efforts are needed. The issues of workplace environments (facilities, equipment) and communication between superiors and subordinates and subordinate development, identified in the previous survey, remain important issues. We plan to maintain efforts to achieve improvements regarding these issues by implementing various measures and periodically assessing the results.

4 Analyzing and sharing results to achieve further improvements

● Sharing results

Results of the engagement survey are reported to the management meeting and the Board of Directors and summarized in internal bulletins. In addition, managers participate in separate meetings to share engagement survey results at individual facilities, and opportunities are provided for outside experts to explain matters such as how to interpret survey results and how to draft action plans.

Furthermore, action plans drafted by individual sections are carried out and focused surveys are carried out to collect opinions on individual items. Evaluation of results and other means are used to promote efforts not just across the Company but in individual sections as well, with the goal of achieving solutions to the issues identified in the surveys.

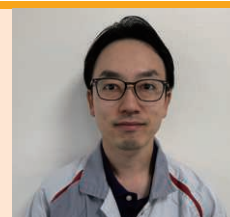


Participating in a meeting to share results

After participating in a meeting to share results

In the meeting held to share results, we had the opportunity to learn basic ways of thinking about the engagement survey. We were able to draft action plans for improvements, by making clear issues related to satisfaction in each workplace. Later, in accordance with plans, we held regular meetings in our section to share results with team members. As a result of aggressive efforts on the particular issue of communicating customer needs, we were able to get a true sense of achievement by increasing satisfaction in the FY2024 survey.

We plan to maintain improvement efforts in the future as well.



Group Leader K,
Procurement, Administration
Department, Mitsubishi Steel
Muroan Inc.

● Efforts toward improvement

We implemented the following efforts to address issues identified in the FY2023 survey.

● Workplace environment (facilities, equipment)

The need for environmental improvements, including measures to combat summer heat and improvements to parking, bathing, and other facilities, was cited commonly in survey results, chiefly at manufacturing facilities. In response, in FY2024 we established a budget of approximately 500 million yen to fund facility and environmental improvements at each business site. We're making progress on improvements to facility environments.

● Communication between superiors and subordinates and subordinate development

Through training using role-playing, we teach effective communication to promote subordinate autonomy and maintain motivation. We're also identifying issues based on measurements of individual levels to improve the quality of management to strengthen development of subordinates.

Furthermore, through meetings to share results, individual managers prepare action plans to address priority issues in their sections, and improvements are being promoted in line with these plans.

● Systems to support the improvement cycle (opportunities for dialogue between the Company and employees)

We're making progress on improving engagement by actively establishing opportunities for open dialogue between the Company and employees.

In addition to existing opportunities for regular dialogue between the labor union and the Human Resources Department or individual business sites, we're building a general livelihood inspection program, a system under which the labor union submits employee requests to the Company in writing.

In addition, since 2022 we've held townhall meetings intended to collect feedback directly from employees regarding matters such as their everyday concerns and requests. The views and requests brought up in these meetings, in addition to engagement survey results and other feedback, are incorporated into improvement measures, to enable more effective measures to increase employee engagement.



Townhall meeting

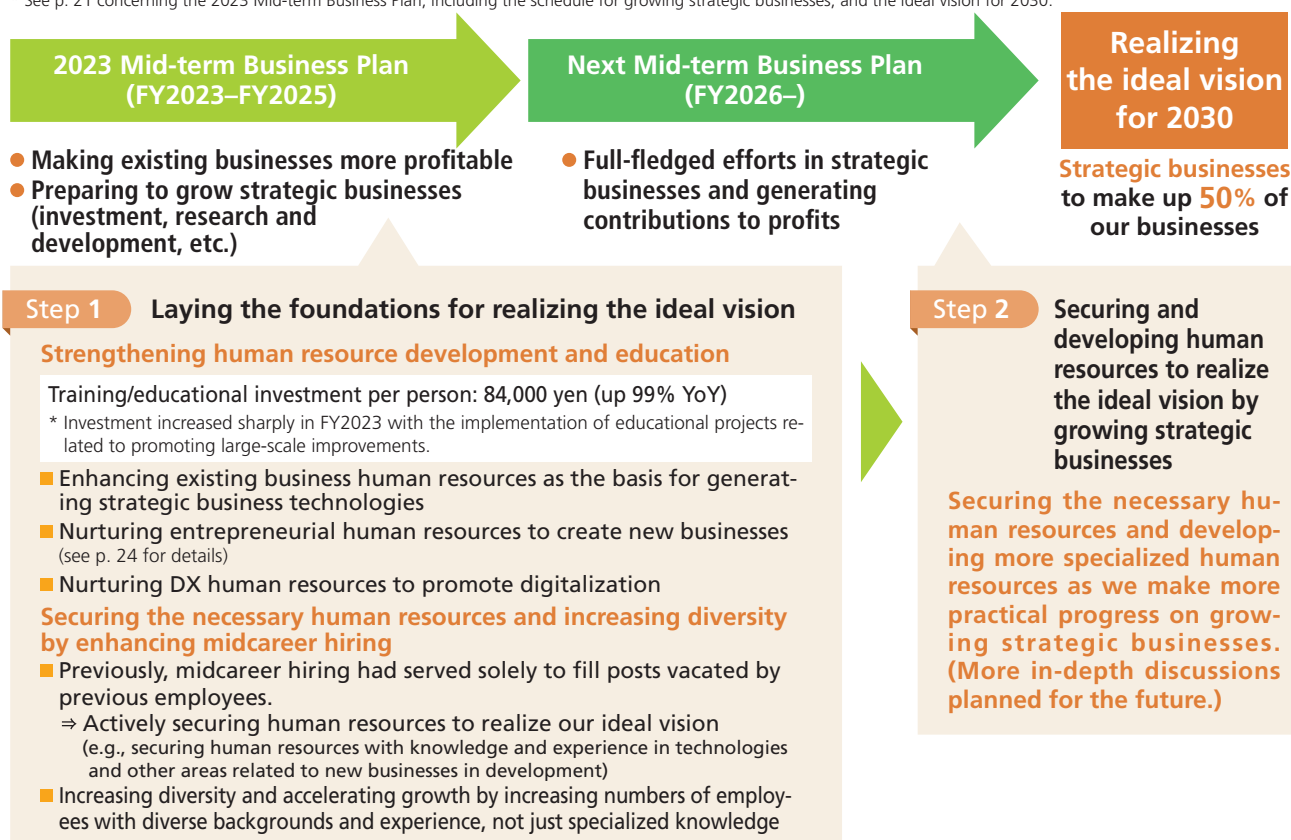
Human resource strategy to achieve sustained growth

We've established the ideal vision for 2030 of "Leveraging our people and technologies to continue to succeed in a time of change." Our current 2023 Mid-term Business Plan covers the preparatory period for moving toward this ideal vision.

To achieve the ideal vision—particularly in the area of growing strategic businesses—it will be essential to secure and develop the human resources needed.

Full-fledged strategic business development is planned for the periods of the next Mid-term Business Plan and beyond. During the period of the current Mid-term Business Plan, as the preparatory period, we will make progress on building the foundations of human resource development to support growth, through means including more active midcareer hiring and education.

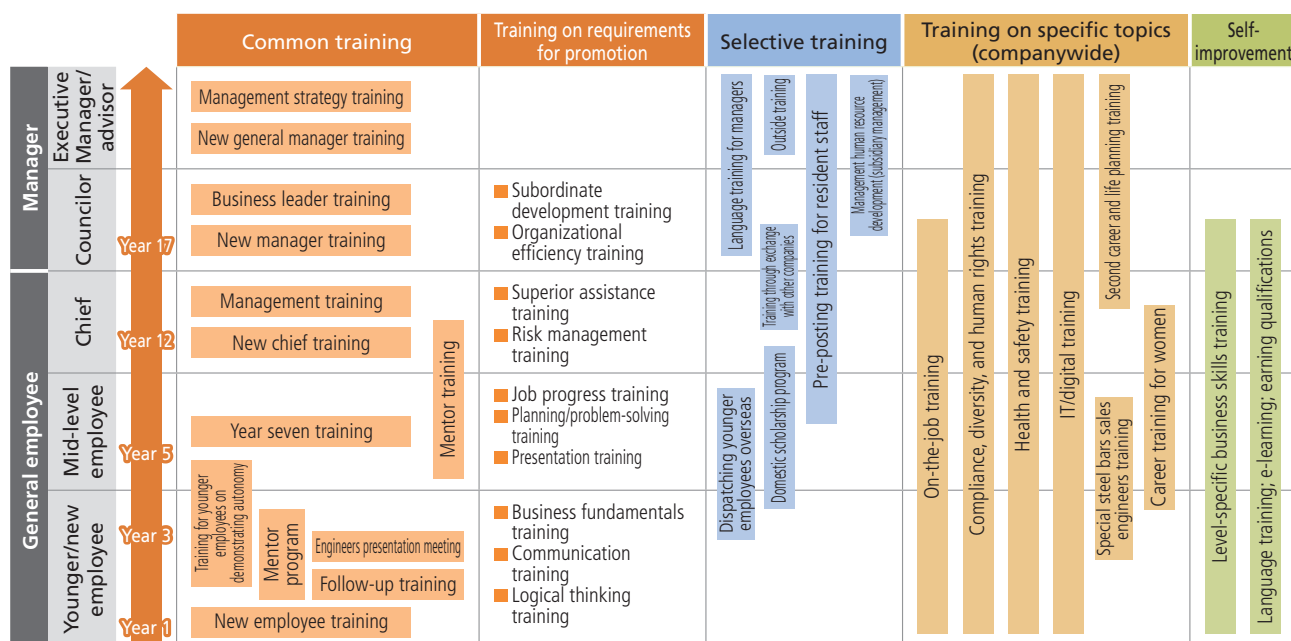
* See p. 21 concerning the 2023 Mid-term Business Plan, including the schedule for growing strategic businesses, and the ideal vision for 2030.



Human resource education

Human resources represent the wellspring of any company's sustained growth. Accordingly, our human resource development efforts focus on fostering and making the most of our human resources and allowing them to achieve a true sense of growth and self-realization. We have also developed competency maps to make clear the kinds of human resources the Company needs and to describe the actions and qualities required at each level. We will continue to implement training by job level to allow employees to meet the required levels indicated in the competency maps; develop systems for promoting reforms in corporate culture and awareness; and implement training in line with our education structure.

■ Training system (for administrative/technical employees)



● **Managerial human resource development**

Strengthening subordinate development capabilities at the management level

One human resource management issue concerns the need to improve managerial capabilities and to develop systems that allow the demonstration of these capabilities. As first steps under the Management Skills Improvement Project, this fiscal year we're implementing an action learning program that addresses communication and management skills tailored to individual team members for managers in corporate and sales sections. Next fiscal year, we plan to expand this program to managers in business sections as we strive to build systems to strengthen overall management and draw out the maximum capabilities of each and every employee.

● **Efforts to support employee career building**

Employees in their fifties and beyond are expected to play even more active roles from now on. Accordingly, we held career interviews with the participation of outside career consultants for employees aged 55 and older, intended to review their careers, recognize anew their individual strengths and motivations, and help them to play even more active roles in the future.

We plan to continue supporting active employee career building by expanding opportunities for self-actualization and external resources.

● **Industry-academy collaboration initiatives**

We participate in the Iron and Steel Institute of Japan's program of special university lectures by corporate management, lecturing to students on subjects such as uses of special steel bars, their manufacturing process, and our business development and research and development case studies.

We're also carrying out industry-academy collaboration in which the Research & Development Center plays a cen-

tral role. We're moving forward with joint research and development with universities from across Japan that offer synergies in technological development, with the goal of improving our technological development capabilities.

Furthermore, to promote systematic development of human resources who will lead Mitsubishi Steel in the future, we've begun a program intended to enable employees to earn doctorates by attending graduate school while remaining affiliated with the Company.

● **Professional human resource development**

Presentation meeting for business improvements in engineering

In response to the lack of opportunities for presentations on results following engineers' presentation meetings for new hires, a presentation meeting for business improvements was held for engineering staff. This opportunity to gain a sense of accomplishment involves reporting on business improvements at specific workplaces. We plan to continue holding presentation meetings to achieve business improvements, encourage exchange across sectional boundaries, and strengthen motivation to pursue improvements.



● **Global human resource development**

We offer a training program intended to develop more human resources capable of succeeding in international business. This program provides employees planned for posting abroad with training on foreign languages, basic business norms and practices, and intercultural understanding required for overseas workplaces.

We also provide support for language study, to raise the level of employees' English skills.

● Human resource development initiatives for younger employees

Year Seven training

Despite progress on developing systematic training programs for new hires, younger employees, older employees, and managerial personnel, the lack of periodic training for mid-level personnel has been identified as an issue. To address this issue, we hold meetings in which employees in their seventh year with the Company make

presentations to management on their current duties and future challenges.

We will continue holding these meetings in the future to strengthen morale among mid-level personnel.



Diversity initiatives

We have identified diversity and inclusivity initiatives as part of our management strategies to be a strong enterprise that can realize sustained growth. These initiatives are intended to realize a company in which the full spectrum of our diverse employees can contribute a variety of ideas and experiences, demonstrate their abilities to the fullest, thrive in rewarding workplaces, and take pride in what they do.

● Building an environment in which a diverse group of employees can thrive

We're making continual efforts to promote awareness and improve the corporate culture, including through training on diversity and human rights. In addition to enhancing systems to help employees balance work with childcare, long-term care for family members, and their other responsibilities, we are also promoting new work styles such as remote work, flextime, and staggered working hours.

In addition, since FY2022 we've aimed to ensure that employees take at least 75% of their annual paid vacation time. In several ways, including the Plus ONE Campaign* that makes it easier to take paid vacation on days before and after holidays, we are also striving to build a workplace culture that makes it easier for employees to take paid vacation. In FY2023, we achieved the target of employees taking at least 75% of their annual paid vacation time.

* The Plus ONE Campaign designates the days before and after holidays during the three-month period September–November as days on which employees are encouraged to take paid vacation time and sets a target of having each employee take at least one paid vacation day during this period.

● Promoting women in the workplace

In April 2021 the Company established an action plan under the Act on the Promotion of Women's Active Engagement in Professional Life, for the period through the end of FY2025. We're implementing various measures under this plan. While we're far short of our target percentage of women managers, the percentage of

managerial candidates accounted for by women has improved sharply—from 1.8% in FY2022 to 8.3% as of April 2024—clear signs of progress toward developing the next generation of women managers. We're also enhancing systems to support diverse work styles, including extending the period of childcare leave, expanding the ranks of those eligible for shortened working hours, and support for use of temporary childcare programs. In recent years, we've sought to increase the percentage of men taking childcare leave, for example by encouraging male employees whose spouses have given birth to take the leave and publishing in Company bulletins the experiences of employees who have taken the leave. Numbers of male employees taking childcare leave for lengthy periods of three months to one year (not just short-term leave immediately after childbirth) are increasing steadily. In the future, we will continue to implement measures such as promoting awareness of these systems and holding seminars to encourage understanding of them among all employees.

	Women employees	Women managers
Target	15% or more by 2025	10% by 2025
FY2023 result (nonconsolidated)	13.6%	3.9%
(Reference) Consolidated rate (including global organizations)	24%	15%

Acquisition of Kurumin Certification

This past November, we earned Kurumin Certification under the Act on Advancement of Measures to Support Raising Next-Generation Children.

This certification is awarded by the Minister of Health, Labour and Welfare to companies that meet certain criteria for supporting employee childrearing for workplaces that make it easier to balance work and family life and certify those companies as "childcare support companies."

We earned this certification in recognition of our efforts through now to increase the percentage of men taking childcare leave, permeate understanding of balancing childcare with work, and encourage employees to take annual paid vacation while reducing overtime work.

We plan to continue enhancing efforts to develop workplaces in which all employees can demonstrate their capabilities to the fullest through measures that facilitate not just employee childcare, but measures that provide all employees with the flexibility needed to choose comfortable working environments.



Safety initiatives

Based on the “Safety First” principle, the Group strives to build safe, healthy, and comfortable work environments for its employees. Under the Back to Basics slogan, the Group creates numerous opportunities to promote safety activities based on heightened risk sensitivity and a return to the fundamentals.

● Efforts to build safe workplaces

Employee meetings for safety

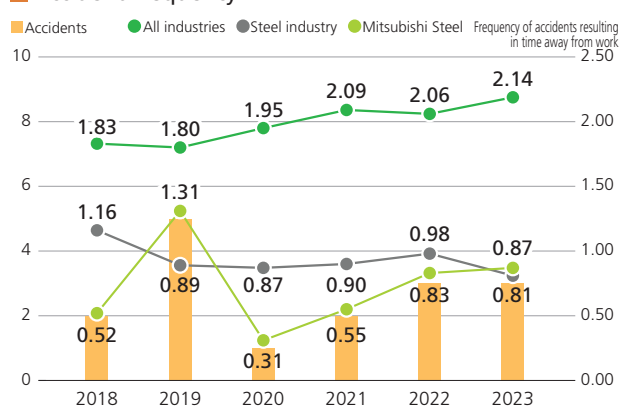
Periodic meetings are held among employees in charge of safety at business sites in Japan, including Group companies. In those meetings, employees exchange opinions on safety and strive to raise the levels of safety management and share information and awareness of related issues.

Safety meetings

We have begun holding safety meetings following accidents to allow other business divisions and the secretariat to investigate reports from the business division involved concerning the causes of and responses to the accident. These meetings seek to enhance organization-wide safety efforts through communication across sectional boundaries.

● Safety performance

Accident frequency



* Frequency of accidents resulting in time away from work (number of accidents resulting in time away from work per million hours)
Calculated from total data for Mitsubishi Steel Mfg. Co., Ltd., Mitsubishi Steel Muroran Inc., and Mitsubishi Nagasaki Machinery Mfg. Co., Ltd

● Examples of individual facilities' safety activities ●

In addition to existing safety patrols, we're striving to promote safety awareness and improve technical capabilities through contests and in other ways.



Distributing safety patches and helmet stickers

Safety patches and helmet stickers are distributed to employees at all facilities in Japan and around the world to promote awareness of safety activities.



Safety patch

Five S contest



◀ Regular five S contests are held to promote autonomous safety and to ensure that safety fundamentals based on the five S activities take firm root.

Forklift competition



The annual forklift competition is intended to improve forklift drivers' technical skills and promote awareness of safe operation.

KYT contest



The annual KYT contest boosts employee skills in predicting danger in everyday work.

Sliding contest



The annual sliding contest is intended to improve participants' skills at slinging work (moving heavy loads using cranes), a dangerous task that requires special skills.

Employee health

One element of the Mitsubishi Steel Group's Corporate Philosophy states, "We're committed to creating a pleasant and vigorous work environment, embracing a diverse workforce with various talents to achieve their full potential." We implement activities intended to realize this philosophy, seeking to be a company in which our diverse group of employees can work with peace of mind and take on challenges with a sense of vitality.

While taking steps to prevent worsening and reoccurrence of conditions for employees identified to have health issues in regular checkups or complete medical examinations, employees with mental health concerns, and employees being treated for diseases, we are also promoting prevention of lifestyle-related illnesses to help healthy people stay healthy, as we group and respond to health risks by category.

● Health Management Statement

Under our Corporate Philosophy—Maximizing Human Capital—we strive to create vital, comfortable workplace environments in which diverse human resources can thrive.

We will continue working to create environments that maintain and improve employee health while working with the Mitsubishi Steel Health Insurance Society to make environmental improvements that contribute to good health.

■ Promotion structure



Respect for human rights

The Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct states, "The MSM Group respects human rights, personality and diversity, and does not engage in discrimination. We respect employees, and secure a safe and comfortable working environment, while also aiming to maintain and improve our corporate vitality." In line with these principles, we take action based on respect for human rights and strive to create workplace environments in which all individuals can demonstrate their abilities to the fullest extent. To ensure the respect for human rights demanded of businesses, we're proceeding with the procedures identified in the Japanese government's Action Plan on Business and Human Rights.

1 Human Rights Policy (Guiding Principle 16)	2 Human Rights Due Diligence (Guiding Principles 17–21)	3 Remediation (Guiding Principle 22)
Communicating our commitment to human rights through a corporate policy	Conducting evaluations and explaining response methods, to identify, prevent, and mitigate impacts on human rights	Taking remediation measures through appropriate procedures in response to any negative effects on human rights caused or fostered by the Company

Establishment of the Human Rights Policy

The Group's Corporate Policy calls for Maximizing Human Capital. We established the Mitsubishi Steel Group Human Rights Policy in 2022 based on the conviction that regard for human rights is fundamental to business activities. This Policy was prepared based on the United Nations Guiding Principles on Business and Human Rights. It serves as the highest-level policy concerning human rights, under which we fulfill our responsibility to consider the human rights of all stakeholders involved in our business activities. Under "3. Obligation to respect human rights," the Policy identifies the following responsibilities to society:

See our website for more information on the Mitsubishi Steel Group Human Rights Policy.
<https://www.mitsubishisteel.co.jp/english/csr/social/img/001e.pdf>

■ Priorities of the Mitsubishi Steel Group Human Rights Policy



Human rights due diligence

We launched human rights due diligence efforts for domestic subsidiaries in FY2022 and for overseas subsidiaries in FY2023. The results indicate no serious violations in the Group in Japan or overseas. In the category of other risks, we did identify cases such as inadequate facilities at some subsidiaries and inadequate procedures to check various types of personal information prior to employment based on overseas business practices. In addition to continuous monitoring, we plan to survey suppliers in FY2024 and beyond. Since FY2019, we've used CSR surveys to check the status of human rights risks, including those related to child labor and forced labor, at suppliers. No serious violations were identified.

Remediation mechanisms

We've established an internal whistleblowing hotline, a harassment hotline, and other complaint resolution systems. In FY2024, we will continue considering establishing a separate hotline for human rights inquiries.

Roadmap for human rights initiatives since FY2023

	FY2023	FY2024	FY2025
Promoting awareness of the Human Rights Policy	Promoting awareness among internal and external stakeholders	Explaining initiatives to suppliers, etc.	Continuing to encourage understanding
Identification and evaluation of human rights risks	Identifying and evaluating risks at overseas Group companies	Identifying and evaluating risks at suppliers	Monitoring
Remediation mechanisms		Establishing a hotline for remediation mechanisms	
Human rights education	Human rights literacy training, training to improve understanding of the relationship between business and human rights (for all Mitsubishi Steel Group employees)		
Addressing harassment	Harassment surveys and interviews	Education based on harassment survey	

Initiatives for respecting human rights

● Procurement policy, promoting CSR procurement

We conduct our procurement activities under the Basic Procurement Policy of the Mitsubishi Steel Group and "Promoting CSR Procurement." Under these, we prohibit all kinds of discrimination, child labor, and forced labor and give consideration to the development of the work environment, as well as safety and health. We also request the understanding and cooperation of our business partners.

● Harassment surveys and education

In FY2023, we interviewed more than 200 randomly chosen employees about the state of compliance. The results indicate some cases that could be considered harassment. In response, we carried out training for all employees on the subject of harassment. This training included familiar examples of potential harassment based on employee feedback.

● Measures to permeate understanding of the relationship between business and human rights in the organization

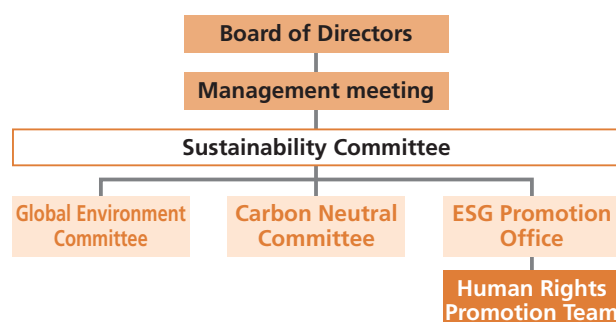
We have long included human rights training as part of training for new employees and other training programs. However, as all employees of Group companies underwent human rights training since FY2022, we saw the need to promote understanding of the objectives of Company human rights initiatives. Accordingly, we have provided training on the relationship between business

activities and human rights. Some 1,300 employees in total from all Group companies have undergone this training (for an 87.5% training participation rate), and their average understanding of the subject has been graded at 4.03 on a five-point scale.

● International benchmarks and human rights issues related to our businesses

As a manufacturer of special steel bars and products including parts used in automobiles, we operate in two of the five industries assessed by the *Corporate Human Rights Benchmark (CHRB)*: the extractives sector and the automotive manufacturing sector. We're pursuing human rights due diligence efforts while remaining particularly conscious of high-risk human rights issues (such as those of child labor and forced labor) in each of these sectors.

● Mitsubishi Steel's human rights promotion structure



Alongside our business partners

We fulfill our corporate social responsibilities in procurement activities as part of our efforts to be a company trusted and chosen by our business partners and other stakeholders.

Basic Procurement Policy of the Mitsubishi Steel Group

The Company will promote material procurement activities based on the following three basic policies:

1. Equitable and Fair Business

In all our dealings with business partners, we offer opportunities for equitable and fair business. We select suppliers in good faith through overall and equitable evaluation on quality, costs, technologies, delivery deadlines and other related aspects.

2. Building Partnerships with Business Partners

We seek the establishment of true partnerships in the spirit of co-existence and co-prosperity with our business partners based on mutual trust and cooperation.

3. Proper Management of the Confidential Information, Intellectual Property and Assets, etc. of Our Business Partners

We properly manage and protect the confidential information, intellectual property, and assets, etc. of our business partners while procuring materials.

Promoting CSR procurement

We advance CSR procurement in accordance with the following four principles, for which we request the understanding and cooperation of our business partners.

1. Compliance with laws, regulations and societal norms

We perform corporate activities in compliance with corporate ethics, as well as the laws, regulations and ordinances of each country.

2. Concern for the global environment

We will ensure promotion of green procurement with low environmental impact, management of hazardous chemicals, and reduction in CO₂ emissions.

3. Concern for human rights and worker safety and health

We will respect human rights and prohibit any kind of discrimination, child labor and forced labor. We also give consideration to the development of the work environment, as well as safety and health.

4. Ensuring product safety and QCD

We promote material procurement activities that ensure safety and QCD (quality, cost and deadline) to maintain and improve product values.

● Compliance and fair transactions with global business partners

We provide procurement information to create fair transaction opportunities to business partners in Japan and around the world.

We verify compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, an aspect with deep connections to domestic procurement transactions, through Mitsubishi Steel Group mutual internal audits to ensure compliance with the Act. We also hold annual training on the Act for related internal parties to avoid any violations as it is particularly vulnerable to violations and applies to familiar everyday business activities.

● CSR surveys

We address CSR, and promote CSR procurement, throughout our entire supply chain, including our business partners. To help them better understand our procurement policies, we ask business partners to participate in surveys on CSR procurement and request their understanding and cooperation in promotion of CSR activities.

General meetings of partner companies of the Chiba and Hirota Works feature reports on the results of CSR surveys and calls for further initiatives.

● Green procurement initiatives

To protect the earth's environment by reducing CO₂ emissions and other measures, we prioritize use of recycled and eco-friendly products. We also actively seek out proposals for products and services that contribute to environmental conservation activities. We partner with business partners and other stakeholders to prevent use of conflict minerals that might fund armed forces and foster human rights abuses and conflict.

● Conflict minerals initiatives

Conflict minerals refer to the four minerals of tin, tantalum, tungsten, and gold sourced from the Democratic Republic of the Congo and nine neighboring countries. There are concerns that sales of these minerals play a role in human rights violations, armed conflict, and funding for military actions.

We investigate whether suppliers use conflict minerals. As requested by customers, we also use the investigation template issued by the Responsible Minerals Initiative (RMI)* to report that products are free of conflict minerals.

* Organization leading global conflict minerals initiatives

● Declaration of Partnership Building

In support of the aims of the Council on Promoting Partnership Building for Cultivating the Future, being promoted by the Ministry of Economy, Trade and Industry, the Small and Medium Enterprise Agency, and others, we have announced our Declaration of Partnership Building.

Contributions to local communities and society

The Group Corporate Philosophy calls for Contributions to Society. We see efforts to find solutions to social challenges as a key business responsibility and strive to contribute to local communities and to society throughout the Group.

Formulating guidelines for Group social contribution activities

The Group has formulated the Mitsubishi Steel Group Social Contribution Activity Guidelines to further enhance our activities to contribute to society. By making clear the Group's courses of action, we aim to promote integrated social contribution activities Groupwide.

● Mitsubishi Steel Group Social Contribution Activity Guidelines

Grounded on the principle of contributing to solutions and achieving sustained growth for both society and the Group, these Guidelines identify priority topics with deep

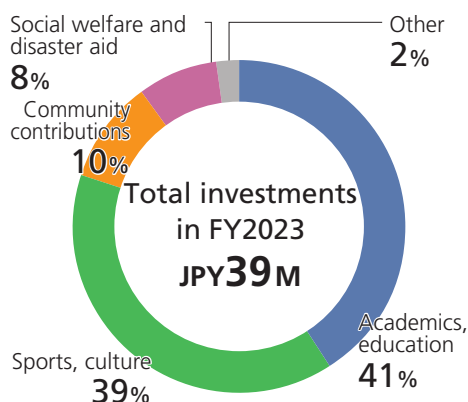
connections to our business activities and stakeholders, in three themes related to the environment, communities, and people.

■ Mitsubishi Steel Group Social Contribution Activity Guidelines

Theme	Why it matters	Corresponding SDGs	Specific examples
Global environmental protection	As a manufacturer, we believe use of energy and other resources and CO ₂ and other emissions generated by our production processes and other activities have an impact on the global environment. In addition to eco-friendly manufacturing and products, we will contribute to environmental protection and raise employee awareness through our social contribution activities.	   	Local cleanup activities, participation in and support for environmental initiatives, donations to the Keidanren Nature Conservation Fund, etc.
Contributing to local communities	We operate a global network of production facilities. We believe co-creation with our communities and promoting their progress and livable community development are essential to sustained growth as a company. These activities not only help build positive relationships with local governments and residents; they contribute to greater employee engagement at each facility.	  	Participation in community events, holding briefings and plant tours for local residents, cooperating in community disaster prevention, tax payments through the corporate hometown tax program, cosponsoring athletes and teams with ties to the community, etc.
Nurturing people	We believe nurturing future generations is essential to realizing a sustainable society. We will contribute to society's progress through activities to promote education for children and support their growth and independence. At the same time, we plan to strengthen employee awareness of sustainability through activities in several areas, including diversity and inclusion, to realize sustainability management in the organization.	  	Donating picture books to children in Asia, holding classes and plant tours for students, sponsoring the Japan Wheelchair Basketball Federation and holding experience opportunities and lectures, etc.

In addition to the priority areas above, we will fulfill our corporate social responsibilities through activities in the social-welfare field, support for disaster recovery, etc.

● Investing in social contributions



● Efforts toward permeation within the Company ●

We're making efforts toward permeation of social contribution activities within the Company to promote employee awareness of social issues.

- 1 Educational and awareness promotion activities through internal bulletins (introductions to activities, reports by participants, etc.)
- 2 Employee awareness surveys
- 3 Use of the volunteer leave program

Surveys show that employees are particularly interested in the volunteer leave program. Accordingly, to make this program serve as a basis for further permeation and participation in social contribution activities, we're publicizing the program in the organization and taking actions such as modifying the program to make it easier to use.

Contributing to society

Use of the corporate hometown tax program

We used the corporate hometown tax program to donate to the cities of Muroran, Hokkaido, Aizu, Fukushima Prefecture, Ichihara, Chiba Prefecture, and Nagasaki, Nagasaki Prefecture—each of which is a location of a major Group production facility.

This marked the second time the Group made donations through the corporate hometown tax program; the first donations were made in FY2022. This time, we chose to donate to local government projects with deep connections to our businesses, as well as ones intended to support future employment through the education of middle- and high-school students and ones related to childcare support, a familiar topic to many of our employees.



Letter of thanks for donations

Charitable donations (North America)

MSSC Canada Inc. (Canada) donated to the local charitable organization Goodfellows. Its employees also donated through Goodfellows four boxes of toys for children in the local community of Chatham Kent. MSSC Canada participates in this program every year, to ensure that all children can receive toys at Christmas.



MSSC Canada's charitable donations

Donations and visit to an orphanage (Thailand)

MSM (Thailand) Co., Ltd. donated educational funds as well as baby supplies donated by employees to the nearby Pattaya Orphanage. On the same day, company representatives served lunch and interacted with children at the orphanage.



Visiting the orphanage

Participation in a project to eliminate child labor (Philippines)

MSM Philippines Mfg. Inc. (Philippines) participated in Project Angel Tree, organized by the Province of Laguna Department of Labor and Employment to eliminate child labor.

Company employees participated in the Project Angel Tree Eco Run, a marathon in which a part of the costs of participation is donated to prevention of child labor and helping child laborers to become independent.



The Project Angel Tree Eco Run

Providing essential supplies for daily life and sanitation and participating in mosquito eradication (Indonesia)

PT. JATIM TAMAN STEEL MFG. (Indonesia) donated rice, sugar, instant ramen, and oil to local residents as part of its CSR activities. It also donated funds to support orphans and donated building materials for a mosque, among various other activities, including the construction of a catfish pond to increase income for local residents.

The company also undertakes annual mosquito eradication efforts to prevent outbreaks of mosquito-borne dengue fever.



Donating food and other supplies



Mosquito eradication

Support for A Dream A Day in Tokyo

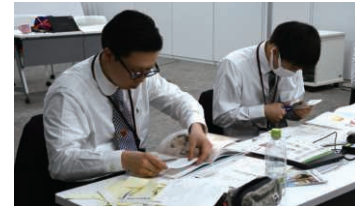
Mitsubishi Steel donates to A Dream A Day in Tokyo, a nonprofit that helps seriously ill children and their families visit Tokyo for memorable experiences in addition to providing medical support.

Company employees also participated as volunteers, helping with family travel.

Donations of picture books to children in Asia

Since 2013, we have supported a program to donate picture books led by the Shanti Volunteer Association, which provides educational assistance to children throughout Asia.

The program delivers picture books to countries where libraries are lacking to help children with reduced access to educational opportunities for economic and social reasons in areas affected by poverty and conflict. Volunteers affix stickers with translations of the book text to the pages of the Japanese picture books to be donated.



Affixing stickers with translations of book text into local language

Donating emergency supplies

When it refreshed its stocks of emergency supplies at facilities across Japan, Mitsubishi Steel donated unexpired emergency foods to the Second Harvest Japan food bank. In addition to helping reduce food loss, this initiative also delivers meals to people who need them at welfare and other facilities such as children's homes and parent-child support facilities.

Interactions with community members

Yawata Rinkai Matsuri festival (Chiba Works)

The Chiba Works participates in the Yawata Rinkai Matsuri festival, organized jointly by the local neighborhood association, merchants' association, and other organizations as well as local businesses affiliated with the Yawata Rinkai district council of neighborhood associations. The Chiba Works seeks to facilitate communication with the local community through various activities, including planning and organizing the festival and operating a refreshments booth.



The Yawata Rinkai Matsuri festival

Summer evening festival (Hirota Works)

The Hirota Works holds a summer evening festival in August each year, welcoming large crowds including not just employees and business partners of the Hirota Works but local residents as well.



The summer evening festival

Environmental briefings for local communities (Hirota Works)

The Hirota Works holds environmental briefings on request for members of local communities, including heads of individual districts and staff from city environmental and consumer affairs departments. It also offers plant tours on request. This opportunity helps local residents learn more about the Company.



Environmental briefing

Plant tours for Hokkaido students (Mitsubishi Steel Muroran Inc.)

Mitsubishi Steel Muroran welcomes students from educational institutions in Hokkaido, including Sapporo Kogyo High School and the Muroran Institute of Technology on plant tours carried out as part of their coursework. These include summary briefings by the General Manager of the Manufacturing Department and tours of three plants: the Steel Making, Rolling, and Inspection & Conditioning plants.



A plant tour

Memorial service for nuclear bomb victims of the Nagasaki Steel Works

On August 9 of each year, a memorial service is held for more than 1,400 employees of the former Nagasaki Steel Works of Mitsubishi Steel Mfg. who died at work during the nuclear bombing of the city in World War II. Participants include family representatives and former Nagasaki Steel Works employees, as well as the President of Mitsubishi Steel and the President, executives, and employees of Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.



Memorial service

Neighborhood cleanup activities

Each facility works to beautify the site and the surrounding areas.



Hirota Works



Mitsubishi Nagasaki Machinery Mfg. Co., Ltd



Mitsubishi Steel Muroran Inc.

Participation in local disaster prevention efforts

The Chiba Works and Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. continue to be certified by their local governments as business sites who work with fire prevention organizations. Under these programs, the sites help bring disasters swiftly under control by dispatching employees registered with the fire prevention organizations in the event of a disaster within the local community. We aim to enhance local disaster prevention structures in cooperation with local governments.

Support for athletics

In June 2023, we concluded an Official Supporter agreement with the Japan Wheelchair Basketball Federation (JWBF).

One of the most popular para sports, wheelchair basketball is a fast-paced and energetic event. It's also gaining attention as an inclusive sport in which all can participate, regardless of age, gender, or disability status.

Through our sponsorship activities as an Official Supporter, we help to support and grow the sport of wheelchair basketball. To promote understanding of diversity and improve employee solidarity and satisfaction, we also provide information on and opportunities to experience wheelchair basketball hands on and spectator events within the Company.



Men's Japan National Team



Women's Japan National Team

©JWBF/X-1

Experience opportunities and lectures related to wheelchair basketball

To promote understanding of diversity and as part of training for new employees, we provide opportunities to experience wheelchair basketball hands on and lectures by wheelchair basketball athletes.



Wheelchair basketball experience opportunity

We also strive to contribute to the community and increase employee satisfaction by supporting teams and athletes with ties to the communities where our facilities are located.



Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. is an Official Partner of the Nagasaki Velca professional basketball team



Cosponsoring sports events held in facility locations (above, Aizu Sports Festival)



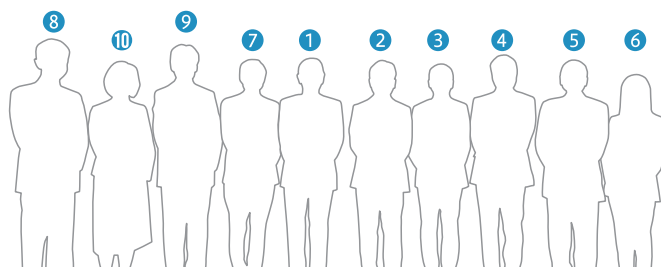
We concluded a sponsorship agreement with Shinichi Suzuki, a junior golfer with roots in the Philippines and Japan.

Executive organization (as of October 1, 2024)



Directors & Corporate Auditors

- | | | | |
|---|--|---|---|
| 1 Director/
Chairman of the Board
Motoyuki Sato | 2 Representative Director,
President & CEO
Jun Yamaguchi | 3 Representative Director/
Managing Executive
Officer
Keisuke Aoike
Assistant to the President
(general management),
responsible for Sustainability | 4 Director/Managing
Executive Officer
Akira Yamao
General Manager, Sales Division,
responsible for Parts Sales Division |
| 5 Director (Outside)
Akira Hishikawa | 6 Director (Outside)
Minako Takeuchi | | |
| 7 Full-time Corporate
Auditor (Outside)
Hirokuni Sakamoto | 8 Full-time Corporate
Auditor
Yoshimi Nakamori | | |
| 9 Corporate Auditor
(Outside)
Tetsuya Nakagawa | 10 Corporate Auditor
(Outside)
Yuka Matsuda | | |





Executive Officers (not including those serving concurrently as Directors)

Junji Ogura	Managing Executive Officer	General Manager, Research & Development Center/Head of DX Promotion Office, responsible for Procurement Department
Koichi Yaginuma	Senior Executive Officer	Head of Accounting Department
Junya Shibata	Senior Executive Officer	General Manager, Steel Bar Division, Director/President, Mitsubishi Steel Muroran Inc.
Yasuhiro Adachi	Senior Executive Officer	General Manager, Spring Division/General Manager, Chiba Works
Tsutomu Murayama	Executive Officer	Head of Public & Investor Relations Department, Head of Systems Department
Takuya Kurauchi	Executive Officer	Head of General Affairs Department, Head of ESG Promotion Office
Kazumasa Tokuchi	Executive Officer	Head of Operations Planning Department, responsible for quality assurance, safety, carbon neutrality
Masahiro Murata	Executive Officer	Head of Human Resources Department
Hidekazu Fukasawa	Executive Officer	General Manager, Formed & Fabricated Products Division
Yasumasa Ohoka	Executive Officer	Head of Steel Sales Department, Sales Division
Toshiki Akabane	Executive Officer	Head of Corporate Planning Department
Shigeo Adachi	Executive Officer	Head of Functional Parts Sales Department, Sales Division

Corporate governance

Recognizing the importance of establishing a corporate structure capable of responding to any changes in business conditions, the Group has adopted sustained global growth based on development of competitive strengths in businesses as its fundamental management policy. For this reason, we regard as vital efforts to enhance corporate governance and carry out swift and reasonable management decision-making while securing functions related to checks and balances.

Corporate governance structure

We keep our Board of Directors to the minimum size needed. As part of efforts to ensure efficient oversight of business execution, we've established the Nomination and Compensation Committee and the Outside Officer Council Meeting as subsidiary organizations under the Board of Directors.

To mitigate business risks, we've also established various committees capable of objective, transparent, expert discussions of investment and credit, risk management, and sustainability.

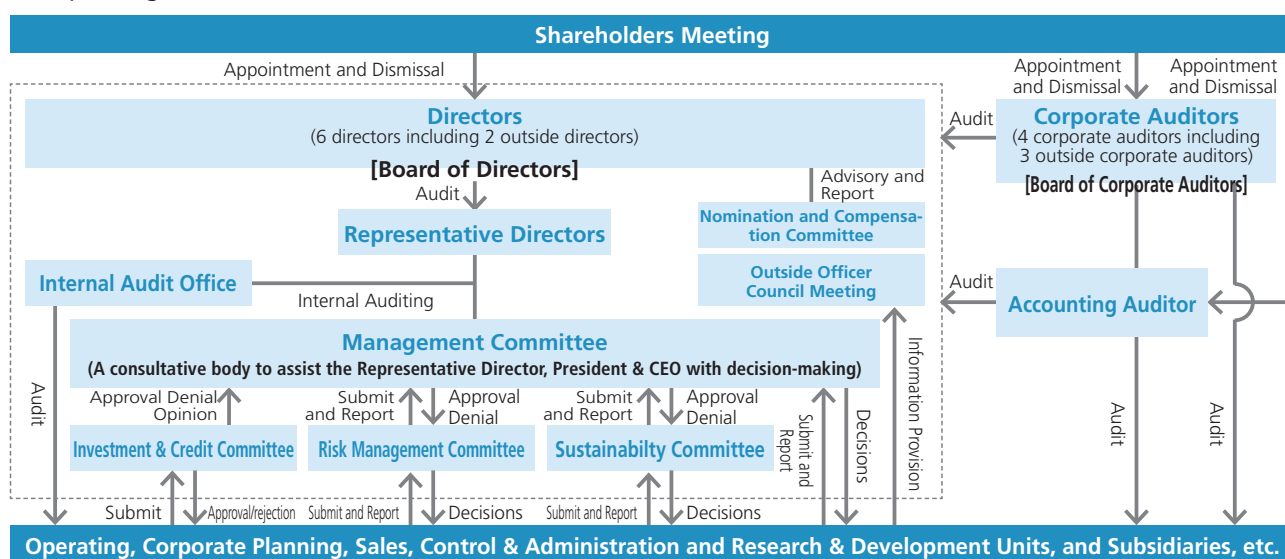
To ensure mutual cooperation, the management meeting and the Board of Directors may request reports on important matters discussed by these committees.

The important topics discussed in committees are shared with the management meeting and the Board of Directors when reporting is requested, to improve cooperation.

Furthermore, the Board of Corporate Auditors, Internal Audit Office, and accounting auditor work together toward more effective auditing of business execution.

We strive to enhance various functions and intensify cooperation so that these governance systems can function even more efficiently.

■ Corporate governance structure



The Basic Policy for Corporate Governance is available on the Company website.

<https://www.mitsubishisteel.co.jp/english/sustainability/governance/corporate-governance/governance-policy/>



Board of Directors meeting held at business sites

The Board of Directors meetings are held at major Company business sites other than the head office once a year in principle. This activity began in 2016 as an opportunity for Company officers (outside officers in particular) to gather even more information needed for more appropriate management decision-making and oversight. By visiting and touring an actual plant or other site, officers get a feel for the atmosphere and interact with employees on site.



A plant tour

History of our enhancements to corporate governance

The Group has sought to enhance governance to increase both transparency and objectivity. To further increase the diversity of the Board of Directors, it has welcomed a woman independent Director and a woman Corporate Auditor, for even more diverse exchange of expert opinions.

In addition, while already the views of outside officers had been reflected in officer personnel decisions through the Governance Committee, we've established the independent Nomination and Compensation Committee to enable even more in-depth discussions. By doing so, we're seeking to ensure transparency through nomination and compensation measures that reflect recent trends.

Furthermore, the Governance Committee has been reorganized into the Outside Officer Council Meeting to contribute to a shared understanding of the issues through close exchange of opinions and information about outside officers and strengthen cooperation with the Board of Directors.

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Basic Policy on Corporate Governance		Policy established							
Corporate governance structure		Governance Committee *1	Investment and Credit Committee		Risk Management Committee			Nomination and Compensation Committee *3	Outside Officer Council Meeting *2
Director composition									
Number of Outside Directors									
Total number of Directors									
(Number of women Directors in parentheses)									
	2/8	2/9	2/9	2/9	2/6	2/6(1)	2/6(1)	2/6(1)	2/6(1)
Total number of women officers (Including Corporate Auditors)								2	2
Executive compensation system			BIP trust (performance-linked stock-based remuneration)						Nonfinancial indicators (ESG indicators) added
SR					Meetings began			Outside Directors also attending meetings	

*1 The Governance Committee was established with two Outside Directors as members to exchange information and achieve shared understanding among Outside Directors.

*2 The Outside Officer Council Meeting was established with Outside Directors and Outside Corporate Auditors as members to exchange information and achieve shared understanding among outside officers and to enhance cooperation between Outside Directors and Corporate Auditors.

*3 The Nomination and Compensation Committee was established as an advisory body to the Board of Directors to strengthen the independence, objectivity, and accountability of Board functions affecting officer nomination and compensation. It is chaired by an Outside Director.

Regular officer training

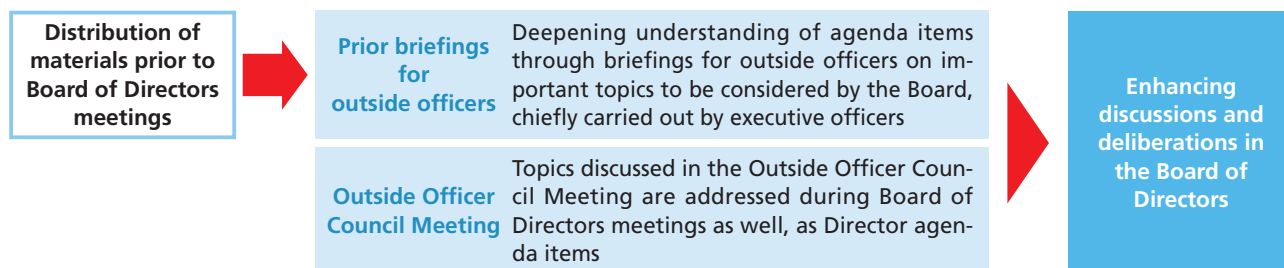
This fiscal year, in one effort to enhance governance, we began holding officer training on the latest business trends and developments.

The first training session, held in August, 2024, featured a lecture on sustained growth in corporate value from the investors' perspective, led by an outside instructor. We plan to continue holding officer training twice a year.



Officer training

Key efforts to enhance corporate governance



Point 1 Further stimulating Board of Directors discussions

We're enhancing discussions and deliberations in Board of Directors meetings by distributing materials prior to Board meetings and holding prior briefings for outside officers.

Main agenda items in FY2023

Management overall	ESG	Other
<ul style="list-style-type: none"> Reporting on the formulation and progress of the new Mid-term Business Plan Reporting on the progress of business planning for overseas subsidiaries Reporting on shareholder relations activities 	<ul style="list-style-type: none"> Sustainability activity reports Advising and recommendation by the Nomination and Compensation Committee Evaluating and reporting on Board of Directors efficacy 	<ul style="list-style-type: none"> Reporting on engagement survey results and deciding on response policies Reporting on compliance plans and activities Risk management structure

Point 2 Ensuring transparency and strengthening governance in the Nomination and Compensation Committee

We're striving to ensure transparency and strengthen governance by enhancing meetings between committee members and core management on the subject of nomination, increasing the percentage of compensation linked to business performance, and incorporating nonfinancial indicators into KPIs.

Point 3 Free discussions and cooperation with the Board of Directors in the Outside Officer Council Meeting

Outside officers exchange opinions on important management topics the Company faces and, as necessary, cooperate with the Board of Directors through discussions of agenda items proposed by outside officers.

Message from the Chairperson of the Nomination and Compensation Committee

The Nomination and Compensation Committee generally meets on a monthly basis to systematically discuss matters related to nomination and compensation. Currently, in the area of nomination we're enhancing succession planning by launching 360° evaluation of executive officers and holding one-on-one meetings between Nomination and Compensation Committee members and executive officers.

In the area of compensation, in addition to adopting nonfinancial ESG indicators we're expanding the scope of personnel eligible for stock-based remuneration (BIP trust) to include executive officers in addition to Directors (other than Outside Directors), as we strive to reform the executive compensation system.

Under the current Mid-term Business Plan, the Company has adopted a posture of focusing on human resource development and sustainability promotion while also enhancing the earnings capabilities of our core businesses and growing strategic businesses. The Nomination and Compensation Committee will strive to develop and enhance management human resources to help achieve the goals of the current Mid-term Business Plan by increasing corporate value and realizing sustained growth.



Outside Director
Minako Takeuchi

Thinking on Board of Directors balance, diversity, and size

For the Board of Directors, we seek to strike a balance between size and diversity based on a membership structure that accounts for range of experience, knowledge, and abilities, including international considerations. The number of members is maintained at the necessary minimum to enable swift, decisive, effective decision-making. In addition, we secure fairness and transparency in Board decision-making by appointing Outside Directors for at least one-third of the membership.

A Skills Matrix presenting the knowledge, experience, abilities, and other properties expected of each Director and Corporate Auditor is shown below.

Skills Matrix

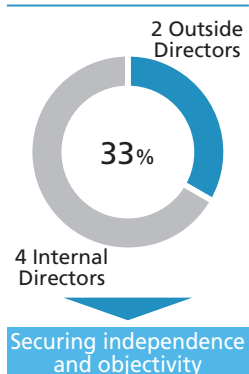
	Name	Nomination and Compensation Committee	Expected fields									
			Corporate management, management strategy	Industry and specialized knowledge	Global	Sales and marketing	Manufacturing and R&D	IT, digital	Legal and risk management	Personnel, labor, and HR development	Finance and accounting	ESG, sustainability
Directors	Motoyuki Sato	○	●	●	●		●	●		●		●
	Jun Yamaguchi		●	●	●	●				●		●
	Keisuke Aoike		●		●				●	●	●	●
	Akira Yamao		●	●		●						
	Akira Hishikawa <small>Outside Independent Director</small>	○	●		●	●	●					
	Minako Takeuchi* <small>Outside Independent Director</small>	○ (Chairperson)	●					●		●		●
Corporate Auditor	Hirokuni Sakamoto <small>Outside Independent Director</small>				●				●		●	
	Yoshimi Nakamori			●		●						
	Tetsuya Nakagawa <small>Outside Independent Director</small>								●			
	Yuka Matsuda* <small>Outside Independent Director</small>				●				●		●	

* Female executive

Makeup of the Board of Directors and subsidiary bodies

	Board of Directors	Nomination and Compensation Committee	Outside Officer Council Meeting
Members	10	3	5
Outside Directors	2	2	2
Internal Directors	4	1	—
Outside Corporate Auditors	3	—	3
Internal Corporate Auditors	1	—	—

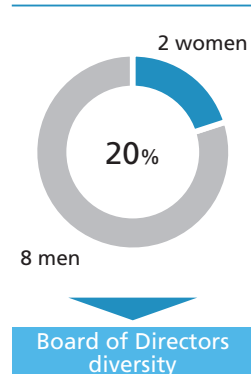
Percentage of Outside Directors



Percentage of non-executive Directors



Percentage of women officers



Executive remuneration

(1) Basic policy on determining executive remuneration

The Board of Directors sets the policies for determining executive remuneration. Remuneration for Directors other than Outside Directors consists of a fixed base remuneration corresponding to the Director's position, as well as bonuses and stock-based compensation.

Since Outside Directors are appointed to provide advice based on broad-ranging knowledge and experience, they are paid a fixed base remuneration reflecting their roles and responsibilities.

Detailed decisions concerning remuneration for each Director are entrusted to the Representative Director, President & CEO. To ensure the appropriate exercise of this authority by the Representative Director, President & CEO, the Board of Directors is advised by the Nomination and Compensation Committee, a majority of whose membership consists of Outside Directors.

(2) Indicators related to remuneration, reasons for selecting these indicators, and how actual remuneration is determined

(Compensation structure)	Short term			Medium to long term			
	Monetary remuneration			Non-monetary remuneration			
	Base remuneration	Bonuses		Stock-based remuneration *			
	100%	25%		20%			
KPIs	—	Operating income ESG		Net sales	Operating income	ROE	ESG
Range of variation in accordance with degree of achievement of KPIs	—	Varies within the range 0–200% in accordance with achievement of annual targets + Adjusted for payment rates reflecting YoY performance improvements and individual evaluations			Varies within the range 0–200% in accordance with achievement of Mid-term Business Plan targets		
Subject period	—	1 year			Period of Mid-term Business Plan: FY2023–FY2025		
Reason for choice of indicators	—	To increase motivation toward steady growth in annual earnings and achieving ESG targets			Mid-term Business Plan target figures are set based on the view that business growth, higher profitability and capital efficiency, and achievement of ESG targets contribute to medium- to long-term increases in corporate value.		

* Stock-based compensation (non-monetary remuneration): The Board Incentive Plan (BIP) Trust was adopted to incentivize improvements in business results and boost corporate value over the medium to long term. This year, the executive compensation program has been reformed with the expansion of eligibility to include executive officers in addition to Directors (other than Outside Directors). At the end of the period covered by the Mid-term Business Plan or upon the executive's retirement, shares corresponding to 50% of the number of points calculated based on points allocated annually to each position multiplied by a performance-linked coefficient varying in the range 0–200% depending on the extent of achievement of the indicators are awarded. The remainder is paid in the amount equivalent to the conversion price of the shares.

Analysis and assessment of the Board of Directors

As the Company strives to improve corporate governance, it analyzes and assesses the efficacy of the Board of Directors annually based on evaluations by each Director and Corporate Auditor to determine whether the Board of Directors has effectively fulfilled its roles. The state of progress on addressing issues identified in assessment for last year (FY2022), issues identified this year (FY2023), and future countermeasures are reviewed below.

(1) Progress on addressing issues identified in assessment for last year (FY2022)

Issues identified for FY2022	<ol style="list-style-type: none"> ① We will enhance discussions to contribute to future progress, including new businesses. ② In human-resource management, we will develop specific individual measures such as those aiming to enhance hiring, improve retention, and allocate human resources strategically. ③ We will consider the roles and name of the Governance Committee, since its responsibilities for sharing information among outside Directors and advising on nomination and remuneration have been transferred to the new Nomination and Compensation Committee.
Addressing issues identified for FY2022	<ol style="list-style-type: none"> ① The Board of Directors began discussions of strategic businesses as identified in the Mid-term Business Plan, to contribute to future growth and progress. ② Some results were achieved in several areas, including enhancing hiring (adequate hiring secured in business and technical fields) and improving retention (YoY reduction in the rate of separation within three years). Employee satisfaction was made visible through an engagement survey. Analysis of the survey results indicate the need for improvement measures in individual sections and levels, in addition to promotion of Companywide measures by the Human Resources Department alone. Currently we're implementing both these types of measures in parallel. ③ The Governance Committee was renamed the Outside Officer Council Meeting. It meets once every three months to share information among outside officers and Corporate Auditors regarding issues recognized in the Company.

(2) Progress on implementation in FY2023

As was the case last year, assessments were conducted through the following evaluation process, based mainly on the methods of operating the Board of Directors, deliberations in the Board, and the structure of the Board, among other perspectives.

- Self-assessments based on surveys of all Directors, including outside Directors, and all Corporate Auditors, including outside Corporate Auditors
- Individual interviews with only outside Directors and outside (part-time) Corporate Auditors
- Discussion in the Board of Directors and the Governance Committee based on survey results
- Decision by the Board of Directors on the assessment of the Board of Directors based on these self-assessments, discussions, etc.

The results of this assessment of the Board of Directors indicate no serious concerns or other issues in FY2023 with regard to the effectiveness of the Board of Directors. The assessment points to no concerns with regard to the operations, deliberations, or structure of the Board of Directors. As a whole, the Board of Directors functions effectively.

(3) Main issues recognized and future responses

- Human resource strategy and development
 - Visualization of progress on improvement measures based on engagement surveys (shared)
 - Drafting and implementing measures to ensure diversity among core human resources
- New businesses
 - Discussions of strategic businesses where growth can be expected

(4) FY2024 plans

In evaluation of Board of Directors efficacy in FY2024, we plan to ask an outside agency to conduct evaluation and analysis to verify efficacy from a neutral, objective point of view.

Alongside our shareholders and investors

Based on the Mitsubishi Steel Group Code of Conduct and the Basic Policy for Corporate Governance, we engage actively in fair, accurate, and timely disclosure with shareholders and investors. We also engage in constructive dialogue with shareholders and investors to contribute to sustained growth and increasing corporate value over the medium to long term.



In addition to energetic and sustained disclosure and dialogue with shareholders and investors, we report promptly on opinions and issues identified through such dialogue to top management, including the Board of Directors, to reflect them in corporate management. In the future as well, we will strive to enable sustained growth and medium- to long-term increases in corporate value in several ways, including enhancing disclosure to contribute to constructive dialogue.

Executive Officer, Head of Public & Investor Relations Department **Tsutomu Murayama**

Policy on dialogue

We've formulated a Basic Policy for Dialogue with Shareholders and Other Investors, which is available on our website.

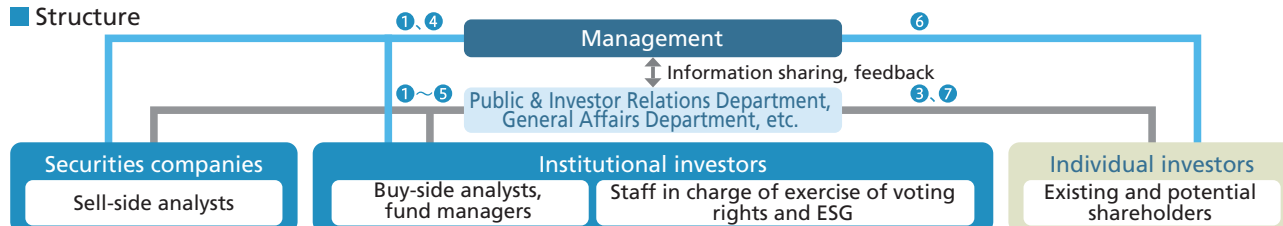


Basic Policy for Dialogue with Shareholders and Other Investors
<https://www.mitsubishisteel.co.jp/english/sustainability/governance/basic-policy/dialogue/>



Dialogue structure and results

■ Structure



■ FY2023 results

Details	Our personnel responsible	Times (cumulative total)
① SR meetings (meetings with institutional investors)	Hiroyuki Nagata, (then) Representative Director, Senior Managing Executive Officer Akira Hishikawa, Outside Director Executive officers responsible for the Public & Investor Relations Department and General Affairs Department	9
② IR meetings	Executive officer responsible for the Public & Investor Relations Department	24
③ Responding to inquiries	Public & Investor Relations Department	As needed
④ Briefings on financial results	Jun Yamaguchi, Representative Director, President & CEO Hiroyuki Nagata, (then) Representative Director, Senior Managing Executive Officer, and others	2
⑤ ESG briefings	Executive officers responsible for sustainability and carbon neutrality	1 (newly introduced in FY2023)
⑥ General meetings of shareholders	Jun Yamaguchi, Representative Director, President & CEO, and others	1
⑦ Shareholder surveys	—	1

④ Briefings on financial results ⑤ ESG briefings

Twice a year, members of the management team explain the details of financial results along with topics such as the progress of the Mid-term Business Plan and future business development.

In addition, we held our first ESG briefing in FY2023, to enhance disclosure on nonfinancial aspects.

These briefings as well as summaries of questions and answers were posted on the Company website.



Briefings on financial results
<https://www.mitsubishisteel.co.jp/english/ir/library/presentation/>



⑥ General meetings of shareholders

The General Meeting of Shareholders features a briefing using explanatory materials intended to deepen shareholder understanding of our current conditions and future initiatives on topics ranging from current financial results and the outlook for the following period to progress on the Mid-term Business Plan. Materials filmed and distributed on the day of the meeting are posted to the website. For shareholders unable to attend on the day of the meeting, a video of the General Meeting of Shareholders was posted on the website for three months.



General meetings of shareholders
<https://www.mitsubishisteel.co.jp/english/ir/stock/shareholders-meeting/>



Status of implementation of feedback



Details of feedback

	Details	Subjects	Frequency
① SR meeting reports	Opinions collected in dialogue with shareholders and investors, response policies, etc.	Members of the Board of Directors Members of management meetings	Once/year
② Financial results briefing reports	Summaries of questions asked in financial results briefings, etc.	Members of the Board of Directors Members of management meetings	Twice/year (end of first half, end of year)
③ Other than regular reports	Issuing PR and IR reports (details of IR meetings and shareholder inquiries)	Members of management meetings	Monthly
④ Explanations and feedback to employees	Deployed through internal bulletins and other means • Explanation of financial results and progress reports on the Mid-term Business Plan • Introductions to ESG initiatives • Summaries of IR meetings and shareholder inquiries	Company employees	Monthly

Main themes of dialogue

General <ul style="list-style-type: none"> ● Disclosure regarding management based on capital costs ● Use of ROIC and business portfolio optimization ● Progress and details of strategic businesses ● Enhancement of the content of the Integrated Report 	Environment (E) <ul style="list-style-type: none"> ● Setting emissions reduction targets for carbon neutrality ● Disclosure of quantitative data on climate change ● Enhancement of disclosure of Scope 3 emissions
Society (S) <ul style="list-style-type: none"> ● Engagement survey results and measures to improve survey results ● Human resource strategy to realize the Company's ideal ● Status of implementing human rights due diligence ● Diversity (percentages of women officers, managers, and employees) 	Governance (G) <ul style="list-style-type: none"> ● Status of Nomination and Compensation Committee activities ● Composition of Board of Directors membership (including skills matrix) ● Executive compensation (including incorporation of non-financial indicators)

Examples of initiatives based on dialogue

	Main items implemented	Main responses and topics under consideration
General	<ul style="list-style-type: none"> ● Setting nonfinancial targets (setting nonfinancial targets in the Mid-term Business Plan) ● Business portfolio improvements based on ROIC and making future policies clear ● Preparing the Integrated Report (since November 2023) ● IR enhancements (disclosing materials from 1Q and 3Q financial results briefings, posting video of financial results briefings, etc.) 	<ul style="list-style-type: none"> ● Regular progress reports on ROIC management ● Expanding KPIs on nonfinancial targets
E	<ul style="list-style-type: none"> ● Revising 2030 reduction targets to achieve carbon neutrality (setting a more aggressive target of a 50% reduction overall by 2030) ● Expanding the range of Scope 3 emissions disclosure 	<ul style="list-style-type: none"> ● Enhancing disclosure of quantitative data on climate change
S	<ul style="list-style-type: none"> ● Disclosing engagement survey results and efforts toward improvements ● Implementing human rights due diligence 	<ul style="list-style-type: none"> ● Formulating and publishing human resource strategies ● Improving diversity (percentages of women managers and employees)
G	<ul style="list-style-type: none"> ● Establishing the Nomination and Compensation Committee ● Incorporating nonfinancial indicators (such as CO₂ emissions reductions) into executive compensation 	<ul style="list-style-type: none"> ● Further stimulating discussions within the Board of Directors (focusing on strategic topics) ● Enhancing disclosure of the skills matrix

Compliance

As described in the Mitsubishi Steel Group Code of Conduct, the Group carries out business activities in compliance with laws, regulations, and societal norms.

Enhancement of the compliance structure

Based on the Basic Regulations on Compliance, which applies to all Group companies, the Group strives to enhance its compliance structure by appointing individuals responsible for compliance at individual facilities and subsidiaries and cooperating with a Chief Compliance Officer (director in charge of Risk Management Office).

As the section in charge of overseeing compliance, the Risk Management Office exchanges information regularly with the individuals responsible for compliance and also drafts and implements compliance measures.

Compliance initiatives

● Response to serious compliance risks

We are currently studying and implementing the following measures to address serious compliance risks, including risks posed by corruption, cartels, and quality misrepresentation. These measures are intended to prevent compliance violations in Japan and overseas.

- Establishing and implementing regulations on compliance with the Antimonopoly Act
- Establishing and implementing guidelines and response flowcharts to prevent corruption
- Establishing and implementing quality audit regulations and quality audit manuals (internal audits by quality sections)
- Strengthening and enhancing operations by revising rules and regulations, including rules for establishing leak response flows in response to the amendment of the Act on Protection of Personal Information

● Compliance training

The Group is currently enhancing its compliance training programs. Training efforts include reviews of practical case studies, preparation of content and teaching materials tailored to specific employee levels from executives to ordinary employees, discussions, and other activities. Examples of training programs implemented to date are given below.

- Executive compliance training (led by an outside instructor)
- Training on harassment
- Training for individuals responsible for compliance and for Sales Division general managers on prevention of cartels
- Level-specific training on the Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct (for facilities in Japan, including subsidiaries)
- Training on prevention of quality misrepresentation (for quality control sections at manufacturing facilities in Japan)

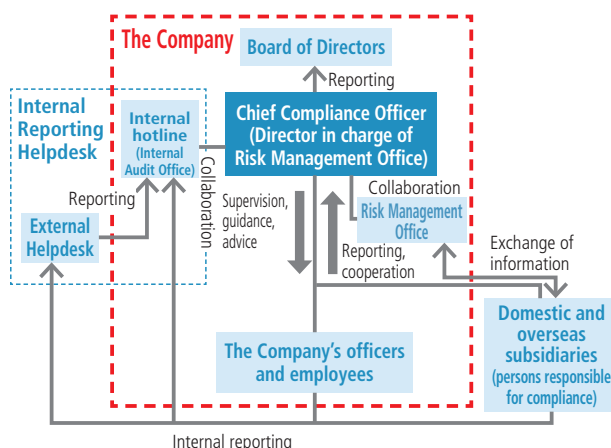
Since September 2023 the Risk Management Office has undertaken individual compliance interviews with all employees of all facilities in Japan. These are intended to strengthen compliance by deepening employee understanding of compliance through individual communication and striving swiftly to identify any issues that could lead to compliance violations.

We plan to maintain these efforts to promote awareness of compliance further and to ensure penetration of an understanding of compliance among all Group employees.

● Review of the state of operation of the compliance Structure

To enhance oversight of the compliance structure, matters related to the state of its operation are reviewed and submitted annually to the Board of Directors.

Results of the review conducted in FY2023 verified that the Company's compliance structure is operated appropriately.



Internal whistleblowing system

Internal whistleblowing systems are in operation not just at all Group companies in Japan but at subsidiaries in Thailand, China, the Philippines, and India. Since We've collected employee opinions to help permeate the system throughout the organization and have implemented the following since June 2024 to make the system easier to use:

- Renamed Hotline
- Email address is newly added to the hotline's telephone and fax numbers as an external contact point

We have also incorporated in compliance training explanations of topics such as this system's response structure and the whistleblower protection system, to encourage use of the system.

■ Numbers of whistleblowing reports received

FY2019	FY2020	FY2021	FY2022	FY2023
4	4	3	5	13

Risk management

The Group carries out appropriate ascertaining and management of risks to minimize losses and maximize gains as we fulfill our social responsibilities through sustained growth.

Development of the risk management structure

The Group established the Investment and Credit Committee, led by the Corporate Planning Division, to contribute to management decisions through close examination of business plans and risks from a neutral perspective on issues potentially entailing risks of business losses.

We have also established a Risk Management Committee, led by the Chief Risk Officer (CRO), whose members consist of individuals responsible from the Control & Administration Unit. The purpose of the committee is to manage risks effectively in governance, compliance, and other aspects at domestic and overseas facilities. The committee seeks to identify major risks and draft countermeasures to address these risks.

■ Risk Management Structure



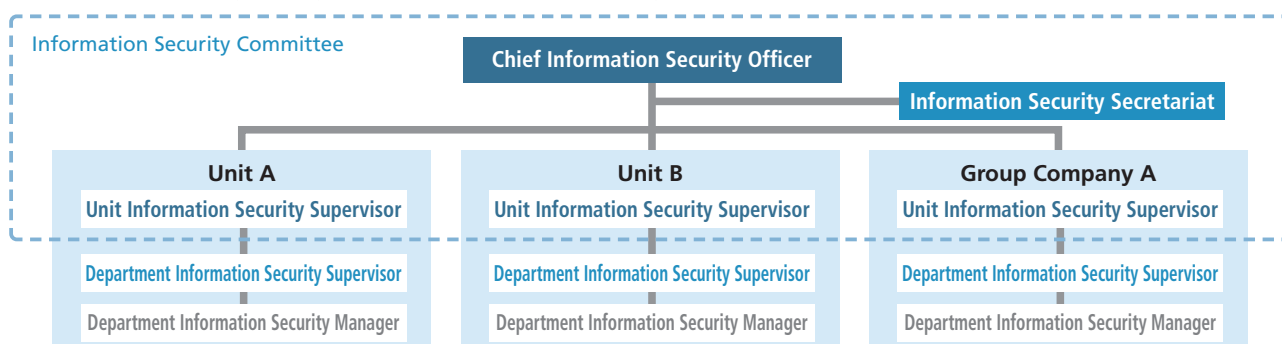
Information security measures

Information security risks continue to proliferate around the world. To ensure preparedness for such risks, based on the our Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct, the Group has established a Basic Policy for Information Security, as well as associated regulations and associated information security management structures.

These measures focus on establishing an Information Security Committee whose members consist of the individuals responsible from the Company's sections and the Group companies. The committee is charged with promoting measures to prevent information leaks and unauthorized alterations or destruction of data and with overseeing information security across the entire Group to enable prompt response to major incidents.

We also provide continual training and education on information security for Group employees and perform internal audits to evaluate related aspects such as the state of retention and control of confidential or sensitive information, thereby raising awareness of the significance of information security throughout the organization. Recognizing that high

■ Information security management structure chart (summary)



awareness of information security and aggressive security actions by individual employees are key to enhancing the defensive capabilities of the entire organization, officers take the lead in maintaining a high level of awareness of security in everyday business activities by all employees.

In particular, given expanding cyber-attacks in recent years, we've enhanced training and education for all employees on targeted email attacks, organizing periodic Computer Security Incident Response Team (CSIRT) drills for potential incidents, and have also taken out cyber risk insurance to ensure preparedness for any eventuality. These are part of efforts to strengthen and enhance information security.

Countermeasures against quality misrepresentation

The Group has established quality assurance structures at each production facility and strives to enhance these structures to deliver quality that keeps customers satisfied. As part of these efforts, since FY2020 quality control sections have continued to perform internal audits that aim to prevent unauthorized alteration of quality data and quality misrepresentations under the leadership of the Risk Management Office.

These internal audits check for the three main contributing factors to improprieties: motive, opportunity, and justification. The audits strive to prevent unauthorized alteration of quality data and quality misrepresentations before they occur.

With the goal of heightening awareness of the importance of quality controls, we provide periodic compliance training for our employees in quality control sections. In addition, we are currently making progress on automating inspection systems and developing related automation technologies.

Business continuity planning measures

To enable the rapid collection of information and coordinated guidance in response to severe threats to business operations such as disasters, accidents, and infectious diseases, the Group has established guidelines for establishing emergency task forces and maintains a business continuity plan (BCP) to enable each section, business site, and subsidiary to respond and achieve recovery without delay.

We prepared BCPs on responding to major earthquakes in FY2020 and on responding to infectious diseases and storms and flooding at business sites expected to be at risk of typhoons in FY2021. Since last year, we've shifted our focus to BCP verification and revision in various ways, including periodic education to promote awareness of the BCP and desktop drills based on the BCPs formulated.

We plan to continue carrying out drills to strengthen our capacity to respond to risks and improve the BCP, thereby enhancing business continuity capabilities.



BCP drill

From training to implementation

The Hirota Works carried out its second desktop BCP drill in November 2023.

Since the scope of participants was expanded in this second drill, we worked hard to enhance the introductory explanations and consider the balance of drill topics, particularly with regard to their difficulty, seeking to ensure the drill would be both practical and easy for first-time participants to understand. It was also a challenge to complete the drill schedule in the limited time available.

This drill gave me a strong sense not just of the importance of BCP, but of the importance of the drill planning process.

We received a wide range of opinions and comments concerning the BCP. We also identified some new issues, including the need to consider drills for different situations and actual hands-on drills.

Through these drills, we will continue to improve our BCP.



Co-ordination, Hirota Works,
Formed & Fabricated
Products Division
Mr. H

Fire prevention measures

As part of its safety measures, each manufacturing facility in the Group strives to enhance fire prevention measures. In addition to routine follow-ups on fire risk checks by all Group companies, we're taking action to prevent fires by deploying Groupwide measures based on the lessons of past fires.

We are also promoting fire prevention awareness through continual monitoring, improvements, and periodic patrols to highlight fire risks.

10-year financial summary

		FY2014	FY2015	FY2016	FY2017
Net sales		118,739	106,539	103,742	118,742
Operating income		4,933	4,286	3,861	3,219
Ordinary income		5,824	3,286	3,214	2,837
Net income attributable to owners of parent company		3,545	2,486	3,504	3,488
R&D expenses		838	798	1,117	1,534
Capital investment		2,276	3,164	5,136	5,319
Depreciation		3,054	3,061	3,300	3,605
Total assets		123,453	122,464	135,104	153,757
Shareholders' equity		59,825	58,249	60,422	62,593
Equity ratio (%)		48.5	47.6	44.7	40.7
Net assets		65,884	64,397	67,073	72,149
Interest-bearing debt		18,732	25,994	33,792	42,013
Debt/equity (D/E) ratio (times)		0.1	0.2	0.2	0.3
Cash flows from operating activities		5,590	3,466	5,377	△4,520
Cash flows from investing activities		△7,059	△2,553	△3,376	△6,975
Cash flows from financing activities		△2,059	6,345	6,855	1,302
Net assets per share (JPY)*1		388.82	378.59	392.72	4,068.55
Net income per share (JPY)*1		23.03	16.16	22.78	226.72
Dividends per share (JPY)*1		6.0	6.0	6.0	60.0
Dividend payout ratio (%)		26.1	37.1	26.3	26.5
Return on assets (ROA) (%)		3.0	2.0	2.7	2.4
Return on equity (ROE) (%)		6.2	4.2	5.9	5.6
Net sales by segment	Special Steel Bars Business	50,503	40,569	40,160	52,926
	Springs Business	50,104	48,162	46,733	47,897
	Formed & Fabricated Products Business	10,386	9,122	9,462	10,787
	Machinery Business	9,346	9,764	9,384	9,328
	Other businesses	3,741	3,374	3,676	3,914
	Adjustments*2	△5,342	△4,453	△5,675	△6,112
Operating income by segment	Special Steel Bars Business	2,586	1,118	1,267	1,613
	Springs Business	1,041	1,482	1,467	890
	Formed & Fabricated Products Business	541	464	347	138
	Machinery Business	554	1,006	619	406
	Other businesses	185	194	189	129
	Adjustments*2	23	19	△30	41
Number of Employees (Employees)		3,606	3,482	3,655	4,774
Sales volume*3 (kt)		438	356	388	461

*1 The Company implemented a one-for-ten reverse stock split effective October 1, 2017. The per-share information given above assumes that this reverse stock split took place at the start of FY2017.

*2 Adjustments to net sales consist of internal transactions; adjustments to operating income involve eliminating intersegment transactions and other components.

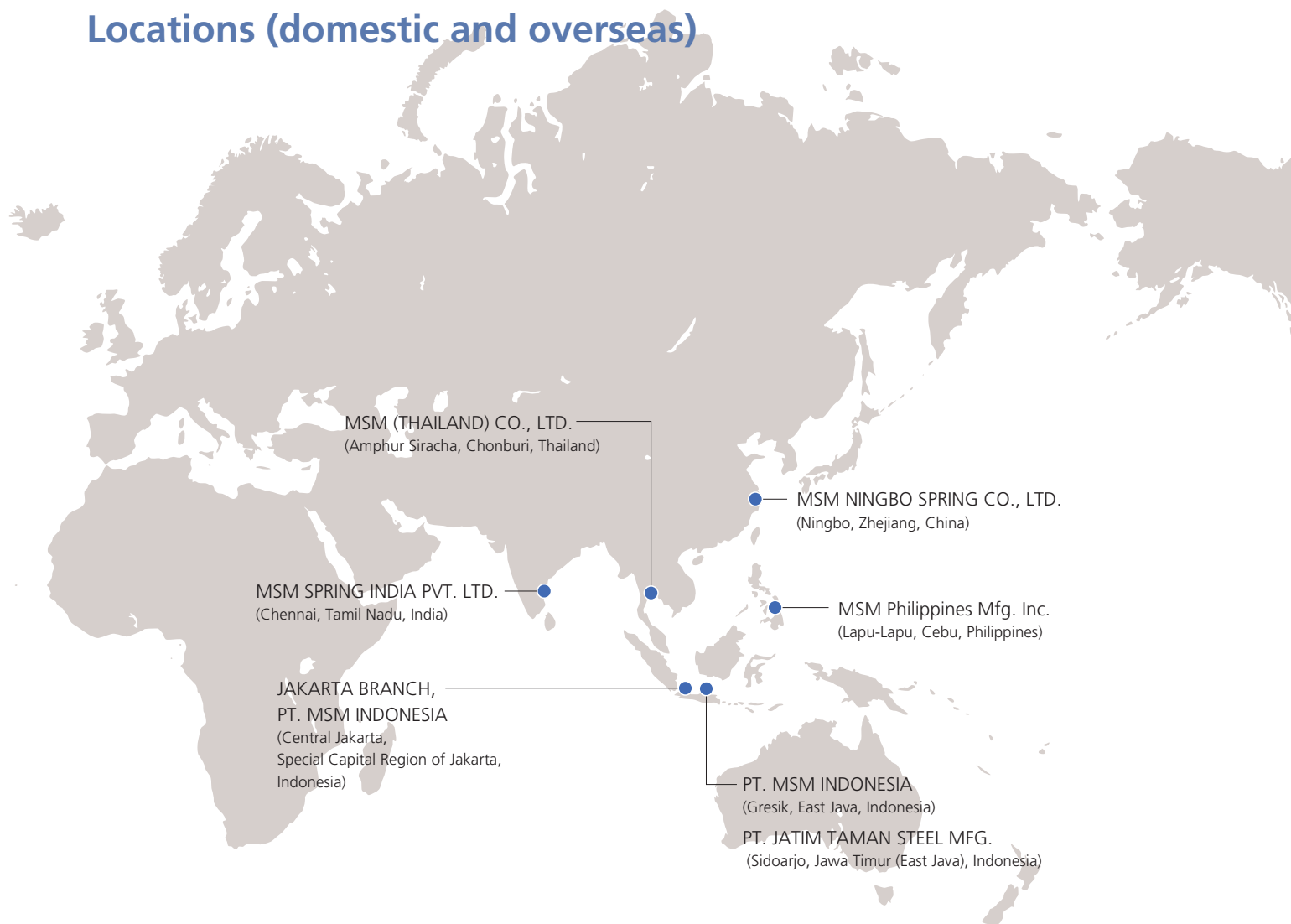
*3 (Annual) domestic sales volume of steel bars in the Special Steel Bars Business

(JPY million)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	129,370	117,138	97,804	146,292	170,537	169,943
	1,055	436	△4,943	6,270	5,547	4,808
	117	△259	△5,509	5,780	3,743	1,949
	410	△13,932	△5,528	4,068	2,190	△969
	1,620	1,441	1,276	1,290	1,744	1,793
	5,956	7,661	2,988	2,598	2,797	4,595
	4,442	3,577	3,238	3,702	4,071	4,139
	153,327	141,391	132,320	142,962	156,409	147,071
	59,194	42,907	39,017	42,866	43,479	41,148
	38.6	30.4	29.5	30.0	27.8	28.0
	67,508	48,615	44,894	48,913	49,688	47,832
	42,242	55,134	48,593	47,505	64,926	55,739
	0.3	0.6	0.7	0.7	0.8	0.8
	2,843	△924	3,777	△1,924	△2,777	6,477
	△3,907	△7,546	△2,827	1,967	△1,439	△3,971
	△1,236	11,813	△7,053	△3,523	14,789	△11,607
	3,847.72	2,789.01	2,536.19	2,791.49	2,831.48	2,704.29
	26.68	△905.62	△359.38	264.78	142.62	△63.50
	60.0	0.0	0.0	50.0	50.0	60.0
	224.9	—	—	18.9	35.1	—
	0.2	△9.5	△4.0	3.0	1.5	△0.6
	0.5	△27.3	△13.5	9.9	5.1	△2.3
	64,760	55,896	44,879	86,503	100,145	88,850
	49,654	45,232	38,457	48,555	59,858	70,570
	11,387	9,641	8,417	10,357	10,210	9,419
	9,253	10,243	8,933	9,584	10,303	10,018
	4,170	3,570	2,834	3,802	3,563	3,411
	△9,856	△7,445	△5,717	△12,511	△13,544	△12,326
	1,218	1,246	△3,619	6,615	6,350	2,311
	△933	△1,420	△1,857	△1,827	△2,166	962
	374	89	21	857	522	751
	237	396	452	560	725	704
	185	105	55	102	107	78
	△26	20	5	△36	8	△0
	4,461	4,288	4,163	4,041	4,030	4,076
	466	304	265	432	405	356

Operating sites/Corporate profile and stock information

Locations (domestic and overseas)



Corporate profile

Corporate profile

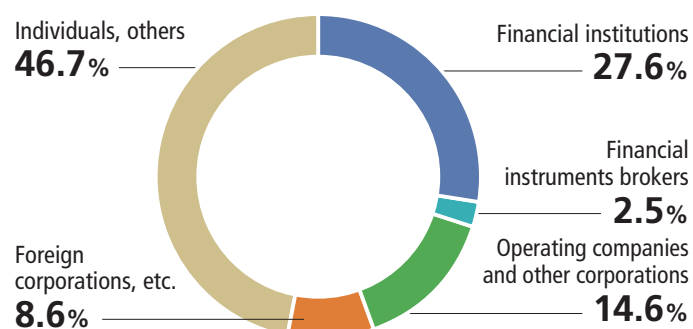
Corporate name	Mitsubishi Steel Mfg. Co., Ltd.
Head Office	Daiwa Tsukishima Bldg., 16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, 104-8550 Japan
Founded	April 1917
Established	December 1949
Capital	JPY10.03 billion (as of March 31, 2024)
Representative	Jun Yamaguchi, Representative Director, President & CEO
Annual sales	Consolidated: JPY169.9 billion (FY2023)
Employees	Consolidated: 4,076 (as of March 31, 2024)

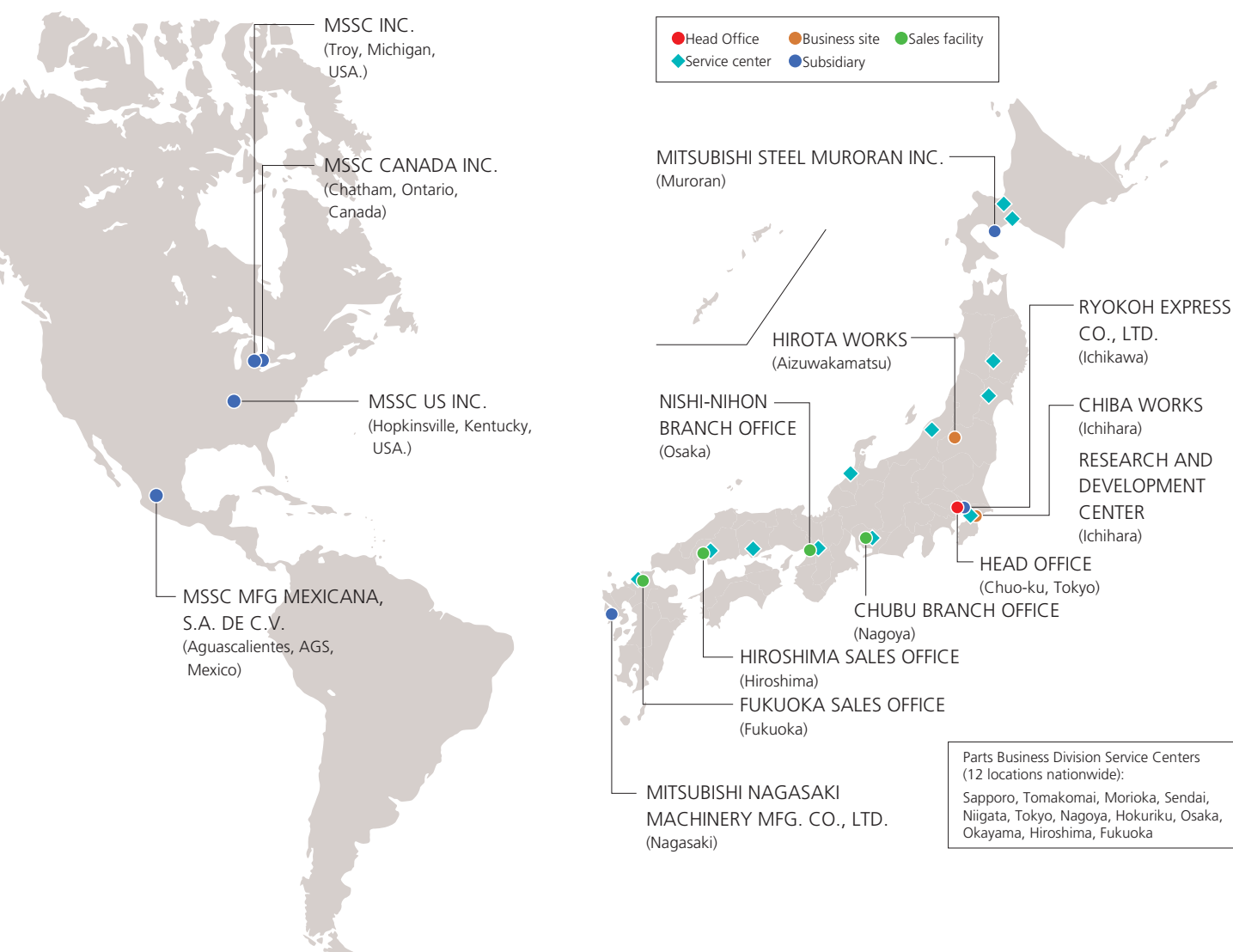
Stock information (As of March 31, 2024)

Progress on shares, etc.

Authorized shares	36,000,000 shares
Total shares issued and outstanding	15,709,968 shares
Shareholders	15,101 persons

Share ownership by category





Major shareholder

Name	Shares held (thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,852	12.0
Mitsubishi Heavy Industries, Ltd.	1,000	6.5
Meiji Yasuda Life Insurance Co.	715	4.6
Mitsubishi Steel Mfg. Co., Ltd. Kyoeikai	450	2.9
Custody Bank of Japan, Ltd. (trust account)	352	2.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	255	1.7
Nippon Steel Corporation	226	1.5
INTERACTIVE BROKERS LLC	225	1.5
The Master Trust Bank of Japan, Ltd. (employee compensation BIP trust account, account 76119)	221	1.4
The Hachijuni Bank, Ltd.	178	1.2

Note: Percentage of shares held exclude 272 thousand shares of treasury stock.

Treasury stock excludes shares of Company stock held by the Executive Compensation BIP Trust (221 thousand shares).

MITSUBISHI STEEL MFG. CO., LTD.

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