

**CSR REPORT**  
**2020**



# Identifying solutions to social challenges and contributing to sustainable societies

The Mitsubishi Steel Group undertakes CSR activities in accordance with our Basic CSR Policy, which in turn is based on our Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct. Based on the six pillars of business activities, compliance, disclosure, respect for employees, environmental conservation, and globalization, the Mitsubishi Steel Group Code of Conduct clearly identifies 11 factors that together form the shared approach of Group employees. Through our business activities, we strive to improve corporate value and realize sound, sustainable societies.

## 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.



## Basic CSR 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 and the Mitsubishi Steel Group Code of Conduct.

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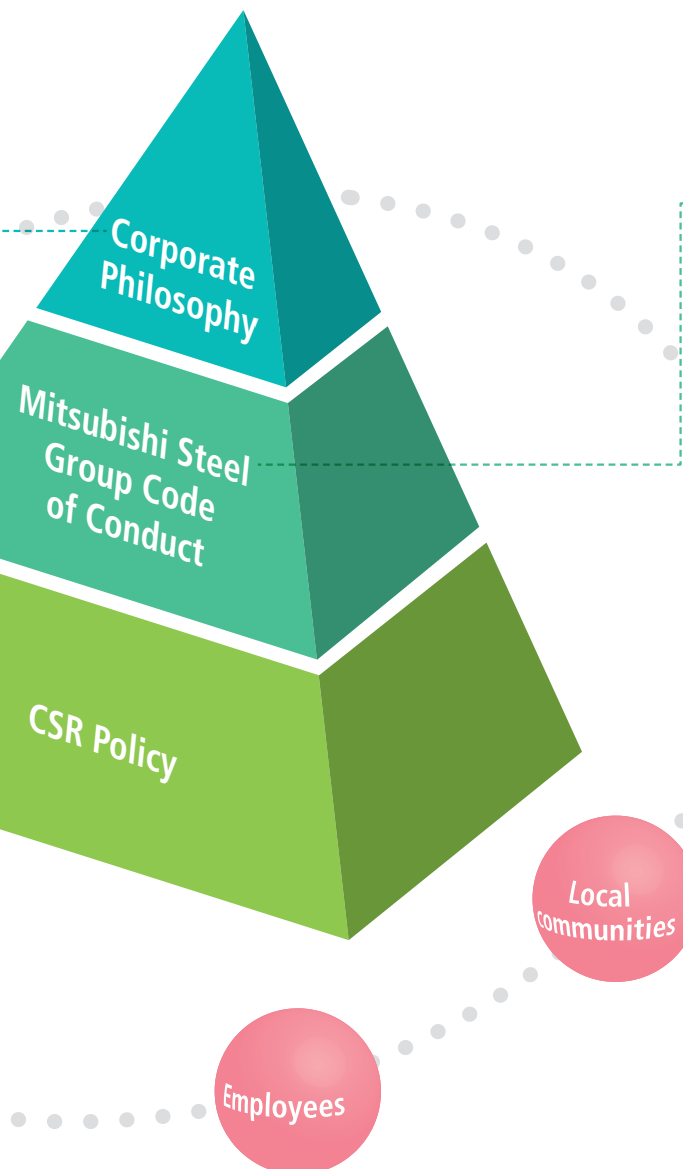
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## Mitsubishi Steel Group Code of Conduct

The purpose of the Mitsubishi Steel Group Code of Conduct is to ensure that the company is in line with expectations of society while retaining its flexibility to accommodate demands from a rapidly changing business environment to pursue sustainable global endeavors. All executives and employees of the group's companies share the responsibility to abide by the Code of Conduct.

### Business Activities

1. Supply high quality and functional products along with excellent services consistently to satisfy customer needs to play a part in the progress of society.
2. Focus on developing unique and advanced technology by mobilizing various areas of expertise developed within the organization to strive for profit and improved corporate value through efficient operation.
3. Cultivate a corporate culture that encourages people to take on a challenge without fear of failure for continuous growth.
4. Dedicate ourselves to improvement of society through business conduct, tapping into the opinions of all stakeholders.

### Compliance

5. Comply with the laws and regulations or code of ethics in society for transparent, fair, and equitable transactions under free competition.
6. Never be involved with destructive forces that pose a threat to peace and safety of civic society.

### Disclosure

7. Disclose corporate information in a timely and appropriate manner to ensure transparency while protecting privileged information pertaining to employees and customers.

### Respect for employees

8. Respect human rights, character, and the individuality of employees along with diversity in the workforce, and never discriminate on the basis of difference in characteristics.
9. Galvanize the company by fostering human resources as well as ensuring a safe and pleasant work environment.

### Environmental conservation

10. 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.

### Globalization

11. Respect local culture and customs as well as comply with all international rules and local laws and regulations when conducting global business.

Activity highlights



Corporate governance  
▶ p.12



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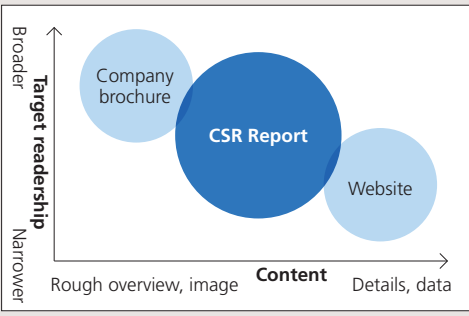
Together with society  
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For more information on our activities, refer to "CSR Information" on the Mitsubishi Steel Manufacturing website.



<https://www.mitsubishisteel.co.jp/english/csr/>

### Communication map



### Editorial Policy

- Purpose** This CSR Report is intended to help stakeholders better understand various Company activities.
- Period** This Report covers the period of fiscal 2019 (April 1, 2019 – March 31, 2020). Certain content may also address other periods.
- Scope** While this report covers Mitsubishi Steel Mfg. Co., Ltd., certain content also addresses Group member companies.
- Significance and comprehensiveness** CSR Report 2020 reports on highly important matters concerning the Mitsubishi Steel Group and society. More detailed information is available on the Company website.

About Mitsubishi Steel

Mitsubishi Steel's vision

Mitsubishi Steel's initiatives toward a sustainable future

Corporate information/financial and nonfinancial information

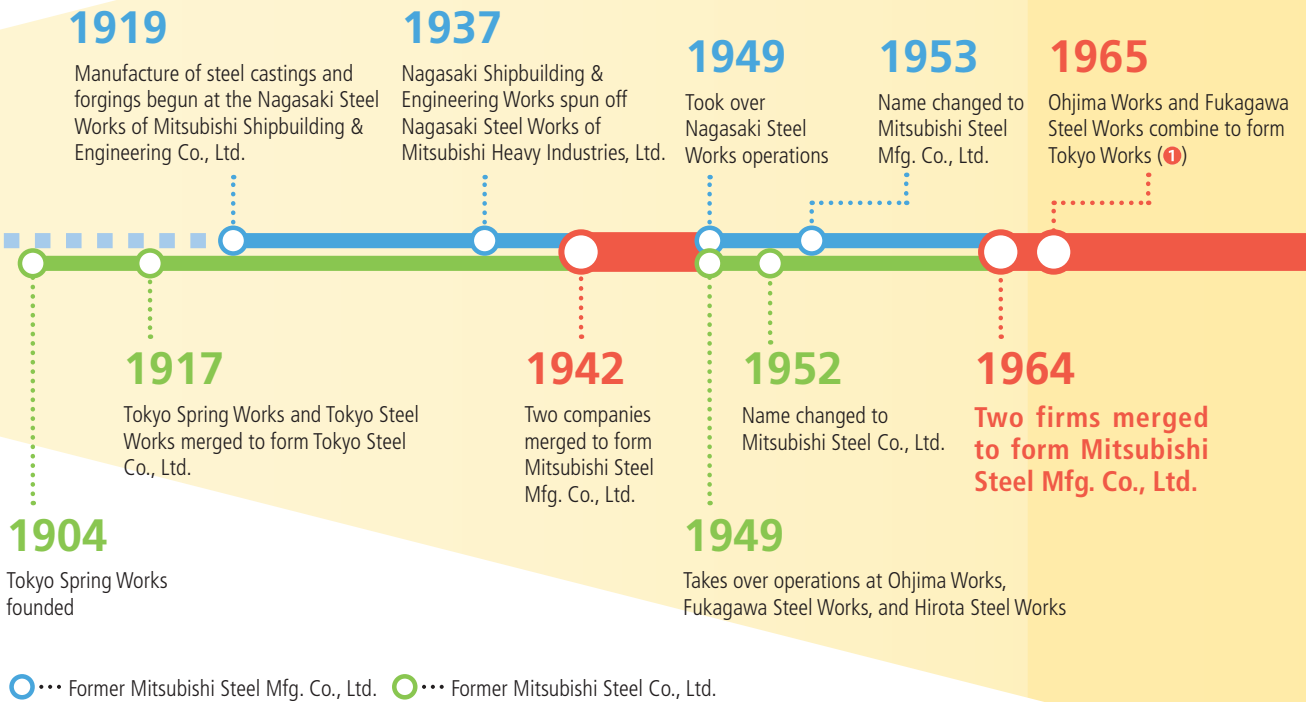


# Provide the customers with added value by manufacturing seamlessly from materials to products

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. As we look ahead to the next century, we will contribute to societal progress by adapting to our changing world and evolving into a company that provides the customers with added value by manufacturing seamlessly from materials to products.

## Establishing our business foundations

## Improving our manu-



1 Tokyo Works



2 Chiba Works



4 Hirota Works



3 Mitsubishi Steel Muroan Inc.



5 MSM Ningbo Spring Co., Ltd.

## 1904 // If We Don't Have It, We Make It

The Group's 115-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.



Spring production in the early Showa Period

### facturing foundations and technology advances Ensuring sustained growth of our company

**1993**

Chiba Works (2) opened; Springs Business Division to Chiba Works from Tokyo Works.

**2006**

- MSM Ningbo Spring Co., Ltd. (5) opens in China.
- PT. MSM INDONESIA opened in Indonesia.

**2016**

- Research and Development Center (7) opened within the Chiba Works.
- Jakarta Branch of PT. MSM INDONESIA opened
- MSSC MFG MEXICANA, S.A. DE C.V. (8) opened in Mexico.

**1994**

Tokyo Works Special Steel Bars Division relocated to Muroran, with production transferred to Mitsubishi Steel Muroran Inc. (3).

**2005**

Hirota Works (4) opened, absorbing Ryokoh Casting Co., Ltd.

**2014**

MSM SPRING INDIA PVT. LTD. (6) opened in India.

**2020**

- Formulated the 2020 Mid-term Business Plan

**2018**

- Additional shares of PT. JATIM TAMAN STEEL MFG. (9) acquired; company made consolidated subsidiary
- Gebrüder Ahle GmbH & Co. KG (10), a German spring manufacturer, acquired and made wholly owned subsidiary (Company name changed in September 2018 to MSSC Ahle GmbH)



6 MSM SPRING INDIA PVT. LTD.



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



7 Research and Development Center



MSSC Ahle GmbH 10



9 PT. JATIM TAMAN STEEL MFG.



# Mitsubishi Steel's lines of business and contributions to society

The Mitsubishi Steel Group is currently in the midst of a transformation from a special steel manufacturer and processor to an enterprise focusing on creating added value from materials. The goal is sustained growth and growing corporate value over the medium- to long-term. Drawing on Group strengths acquired in work as an integrated manufacturer handling materials to products, we seek both to meet the diverse needs of our customers and to expand the scope of our activities by maximizing synergies through cooperation across business segments. By delivering solutions only we can offer, that is by creating new value, we will help identify and create solutions to societal and environmental issues.

## Special Steel Bars Business

We produce special steel from blast furnace molten pig iron, characterized by high strength and durability, for demanding applications in construction machinery and other products.

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



Bloom continuous caster

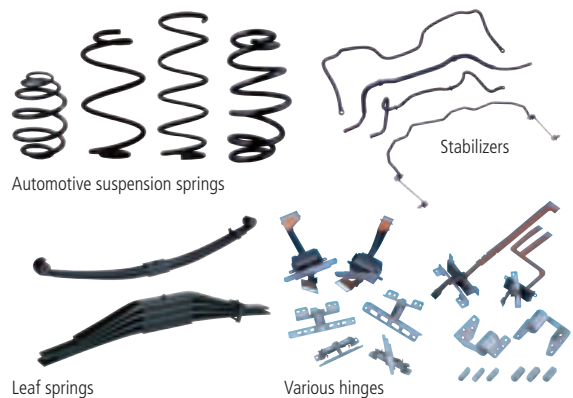


Full continuous V-H rolling machine

## 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. We hold the world's leading market share in heavy duty coil springs for construction machinery use.

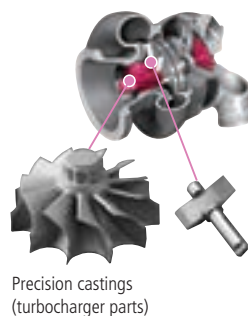
Products	Coil springs, stabilizer bars, leaf springs, torsion bars, coiled wave springs, precision springs, various hinges, precision press products, plastic molded products, press assemblies, and repair parts and supplies for automobiles and construction machinery
Production facilities	Domestic: Ichihara,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



## Formed & Fabricated Products Business

In this business field focused on creating added value from materials, we employ processing technologies centered on casting to manufacture formed and fabricated products used across a wide range of fields.

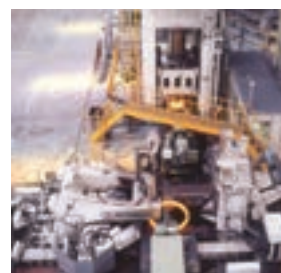
Products	Castings, precision castings, precision forgings, general forgings, special alloy materials, special alloy machinery products, special alloy powder, and fine special alloy powder
Production facilities	Domestic: Aizuwakamatsu, Fukushima Prefecture Overseas: Thailand
Major end use applications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



## Machinery Business

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

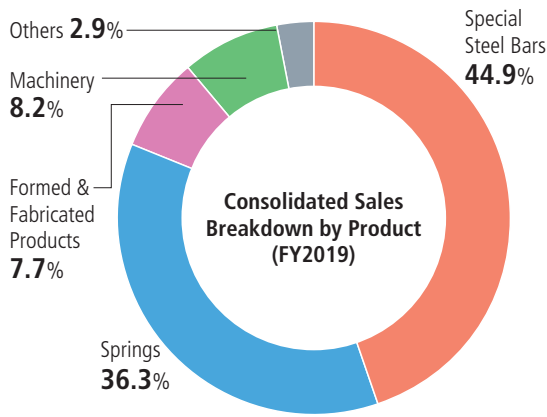
Products	Forging machinery, general industrial machinery, steel fabrication, environmental equipment, magnetic separators, conveying equipment, instrumentation equipment, and anti-vibration equipment
Production facilities	Domestic: Nagasaki, Nagasaki Prefecture
Major end use applications	Industrial machinery, etc.



Forging machinery (ring rolling mills)



Forging machinery (forging press)



### Initiatives to address social issues

Mitsubishi Steel is a world leader in the production of structural steels made using the ladle furnace (LF) process. Our work has had a major impact on quality improvements in this process. We seek to produce eco-friendly special steels made primarily from pig iron and scrap through efforts focusing on significant improvements in quality, energy conservation, and productivity gains using these technologies.

### Initiatives to address social issues

We have earned abiding trust in various fields through our efforts to develop application-specific technologies and promote enhanced quality control in pursuit of high-performance products. We deliver proactive technical support to meet customer needs in areas such as design and analysis at the development stage. We help minimize the environmental impact of automotive parts through technological developments targeting reduced weight.

### Initiatives to address social issues

To date, as one of Japan's leading manufacturers of steel castings and forgings, we've manufactured a wide range of components that lie at the heart of core modern industries. Our castings, forgings, and alloy powders made using high-performance special alloys provide essential support for a wide range of fields, including automobiles, aerospace, ships, energy, and electronics.

### Initiatives to address social issues

We deliver high-quality forging machinery, general industrial machinery, and steel fabrication equipment based on an integrated system covering products from large-scale machinery to precision devices. We support manufacturing through powerful technologies that fuse engineering and superior manufacturing.

## ◆ Specific initiatives for individual applications

### Construction Machinery

Our products, including special steels, heavy-duty coil springs for construction machinery, and wear-resistant cast steels, help build and sustain social infrastructures, playing key roles in construction machinery parts for which high strength and durability are essential.

### Trucks and Automobiles

We help reduce CO<sub>2</sub> emissions and improve fuel efficiency by applying our casting technologies to reduce the weights of turbine wheels for turbocharger use and coil springs for automobile suspensions.

### Recycling Plants

With recycling advancing across various industrial fields, we contribute to society through our magnetic separators, which recover iron and non-ferrous materials from bulk waste, waste vehicles, waste home appliances, and other waste.



## 2020 Mid-term Business Plan (FY2020–2022)

### Slogan

**Provide the customers with added value by**

### What we aim to be

- Achieve higher profitability and stabilize earnings by exercising the comprehensive capabilities of the Group
- Develop products keeping a half-step ahead of customer needs and provide them with the products as new value

### Three main directions

#### 1. Restructure our overseas businesses

<urgent needs for swift upgrading of the profitability of our overseas bases>

- Achieve profitability at our Indonesian subsidiary JATIM and stop loss-posting by our North American subsidiary MSSC and turn it around promptly
- Integrate, shut down or merge overseas businesses and bases

#### 2. Strengthen our product appeal further

<products keeping a half-step ahead of customer needs>

- Reinforce our comprehensive ability to obtain customer feedback promptly and reflect it in products
- Expedite development by revising technology development items flexibly

#### 3. Expand our business model for seamless production from materials

- Exercise the strength of the Company's seamless production from materials by deploying our business model of seamless production of lightweight springs using steel materials from Mitsubishi Steel Muroran Inc. and JATIM material-based leaf springs to construction machinery springs and stabilizer bars
- As a seamless production model, strengthen the Formed & Fabricated Products Business that has to date had a standalone-centric product lineup, including its upstream and downstream segments

### Numerical targets

(JPY100 million)

	FY2015 results	FY2019 results	FY2022 targets
Net sales	1,065	1,171	1,500
Operating income	43	4	70
Ordinary income	33	(2)	63
ROE*	4.2%	(27.7)%	8% or higher
Operating profit margin	3.9%	0.4%	4.7%

\* ROE = Net income/equity (starting/ending average)

Note: Numerical targets for FY2022 exclude the impact of COVID-19. The effects of a prolonged pandemic on the global economy and lack of recovery in business conditions may lead to revisions. In such cases, further efficiency improvements will be considered.

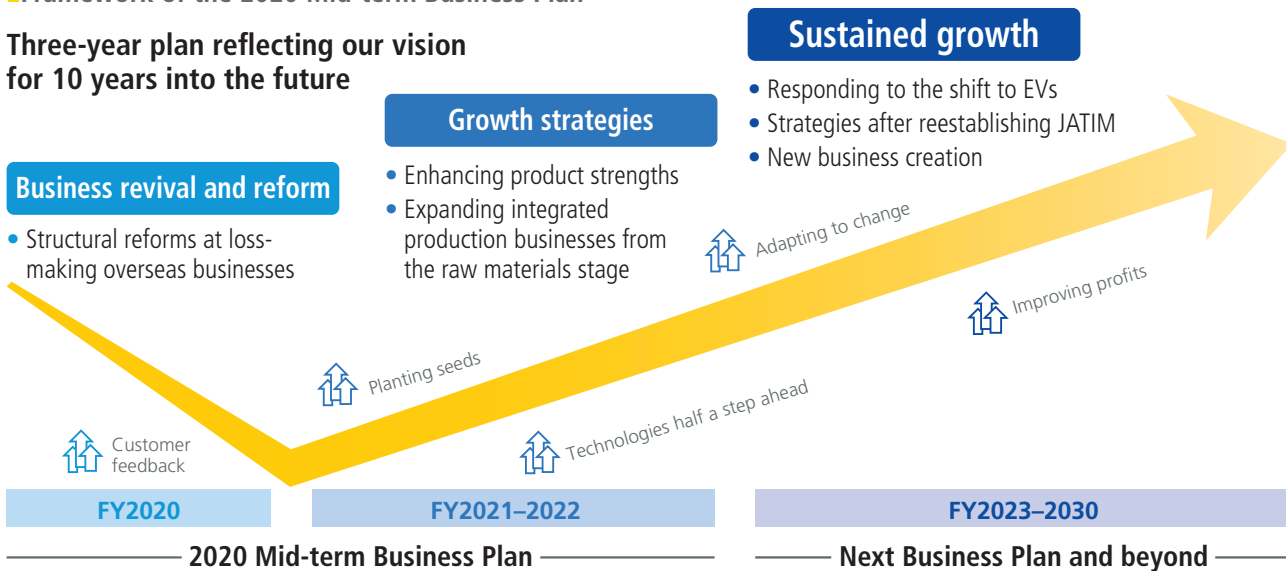




# manufacturing seamlessly from materials to products

## Framework of the 2020 Mid-term Business Plan

Three-year plan reflecting our vision for 10 years into the future



## Eleven initiatives

Initiatives	Specific measures	Related divisions
1. Pursuit of synergies between springs and Steel Bars	• Enhancing the integrated production business model for leaf springs using JATIM materials and deploying horizontally to other products	Spring Steel Bar
2. Restructuring the production capacity of Springs business facilities	• Consolidating production of North American MSSC from the US to Canada and Mexico; optimizing the two plants in the Philippines after ascertaining future risks and incentives	Spring
3. Improving manufacturing strengths	• Enhancing manufacturing strengths in Japan and transplanting them overseas • Strengthening the functions of the mother plant • Sharing information with management from the order receipt stage	Spring Steel Bar Formed & Fabricated Products
4. Improving product development strengths	• Improving marketing strengths • Timely development of products suited to customer needs • Successively sharing development strategies with management	R&D Center Sales
5. Improving MSR's cost competitive strengt	• Implementing strategic investments to help reduce manufacturing costs • Improving production efficiency by strengthening joint efforts within Murooran Works	Steel Bar
6. Shifting to a two-pronged production facility structure for steel bars	• Strengthening sales expansion in ASEAN through quality improvements and cost cutting at JATIM, the only Japanese-affiliated special steel bars manufacturer in the ASEAN region	Steel Bar
7. Building an integrated production model for the Formed & Fabricated Products business	• Accelerating mass production of products from the materials development stage after the completion of the Chiba mother plant	Formed & Fabricated Products
8. Measures in environment related businesses	• Expanding businesses such as renewable energy-related machinery, magnetic separators, lightweight springs, and turbocharger components	Spring Machinery Formed & Fabricated Products
9. Structural reforms in procurement	• Consolidating functions such as procurement strategy and new supplier development in the Head Office Procurement Department • Shifting to a procurement structure utilizing trading companies and other external organizations instead of relying solely on in-house supplier development	Corporate
10. Visualization of business risks	• Strengthening the investment and credit committee and received order screening functions • Supporting business divisions by strengthening the capabilities needed to identify signs of business risks	Corporate
11. Restoration of financial foundations	• Restrained capital investments until recovery of earning power • Continuing Companywide cost reductions	Corporate

In FY2020, its first year, the Mid-term Business Plan got off to a rough start due to the impact of COVID-19. We intend to continue pursuing the main measures planned, with all employees working together as one to achieve the goals set.



## Launching the new three-year Mid-term Business Plan reflecting our vision for 10 years in the future

President

**Motoyuki Sato**

### In FY2019, we focused on restructuring the special steel bars subsidiary in Indonesia and springs subsidiary in North America, while reviewing manufacturing overseas.

A look back on FY2019 shows that the automotive industry experienced decreasing new vehicle sales both domestically and overseas, due to factors such as the increase in consumption tax in Japan and lengthening US-China trade frictions, while conditions in the construction machinery industry declined for various reasons, including decreased production by some construction machinery makers as a result of typhoon damage during the second half and slowing demand for exports, centered on Southeast Asia. It also was a year of substantial decreases in both domestic and foreign demand in the industrial-machinery and machine-tools industries. In addition, since the start of the 2020 calendar year, the COVID-19 pandemic has dramatically impacted market conditions as well as production and sales activities around the world. The future outlook remains uncertain even now.

Amid such business conditions, our net sales in FY2019 were down JPY12.2 billion YoY to JPY117.1 billion. Operating income was down JPY0.6 billion over the same period to JPY0.4 billion, due to slow demand for construction machinery in the special steel bars business and the considerable impact of decreased sales at overseas subsidiaries in the springs business. Net loss attributable to owners of parent company totaled JPY14 billion, as a result of recording impairment losses at overseas subsidiaries.

Business results in the first half of FY2020 were impacted by decreased demand as a result of COVID-19. While demand in the second half showed signs of recovering grad-

ually, we expect it will be some time before demand returns to pre-COVID levels.

In FY2019, we focused on restructuring our special steel bars subsidiary JATIM in Indonesia and our springs subsidiary MSSC in North America. At JATIM, which has seen worsening profitability due to frequent problems in the mass production stage, we've shifted to a structure that can be expected to lead to profitability through large-scale cost improvements based on enhancement of manufacturing technologies, while also narrowing the types of steel produced. MSSC, on the other hand, has been unable to turn a profit due to problems arising during the launch of new products and low utilization rates at its US plant resulting from loss of orders several years ago. We will strive to achieve profitability at the US plant by cutting its fixed costs and improving utilization rates through shifting its production of coil springs to the plant in Canada and its stabilizer production to the plants in Canada and Mexico. Mitsubishi Steel Muroran Inc. (MSR) in the domestic special steel bars business handles production under contract based on supplies of molten iron from Nippon Steel Corporation at Muroran Works. We expect blast furnace renovations initiated this past July to lead to substantial improvements here in overall productivity. While FY2020 results were strongly affected by the renovations and COVID-19, we plan to enhance our practical capabilities while advancing strategic investments to cut costs, as well as renovations of aging facilities and investments addressing environmental performance.

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## Enabling medium- to long-term growth through accurately ascertaining and responding to new trends in the automotive industry, a main customer sector

The automotive industry, one of our main customer sectors, is approaching what is said to be a once-in-a-century turning point as technological innovations advance based on the “CASE” (connected/autonomous/shared and services/electric) concept.

In response to this new trend, we’re moving forward with various initiatives, including the establishment of an EV Project Team in the area of electric vehicles (E). Since EV vehicles have simple body structures, they use fewer parts and can be designed with more freedom. This requires a new approach to suspension structures. We expect rising demand for springs made using different materials. We also expect growing use of magnetic materials technologies in electric motors and have begun developing high performance powder materials with this in mind.

Despite the difficulty of anticipating how COVID-19 will affect industrial structures, we expect the market for commercial vehicles to remain stable or even grow, in light of developments such as the CASE trend and the shift from transporting people to transporting things. Based on this outlook, we plan to enhance and grow the business of leaf springs for use in commercial vehicles as a product line capable of generating synergies between business segments.

To date, the Group has seen issues arise and impact profits in our core area of manufacturing. These include problems in the mass production stage at JATIM in Indonesia and in the launch of new products at MSSC’s US plant, as referred to above. However, these issues already have been resolved, and to prevent similar issues from arising in the future we have enhanced the mother plant functions in Japan. Now our engineers with experience working at overseas facilities are brought together at mother plants in Japan where they will establish mass production technologies before deployment to overseas facilities.

At the same time, we will demonstrate synergies by continuing to move forward with the Group’s unique seamless production model, under which we manufacture products using materials manufactured in house. We plan to deploy the seamless production model, under which at present flat bars manufactured by JATIM are used to manufacture leaf springs and materials manufactured by MSR are used in lightweight spring products, to other product lines, including springs and stabilizers for construction machinery use. We will enhance competitive strengths by pursuing total quality control while broadening the scope of cost controls through materials manufactured in house.

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## We formulated and launched the 2020 Mid-term Business Plan to expand our business model based on seamless production from materials to products while enhancing our production capabilities.

Under the 2016 Mid-term Business Plan covering the five-year period FY2016–2020, the Group advanced a transformation from a company focused on processing special steel to one creating added value from materials. However, due to various factors, including the shift away from globalization among automakers, who are among our major customers, following rising protectionism spurred by US-China trade frictions and other developments, the business environment underwent dramatic changes. This has delayed thoroughgoing solutions. As a result, the progress of this plan differed greatly from our initial expectations.

For this reason, we ended the plan one year early, in FY2019, and formulated and launched the new three-year 2020 Mid-term Business Plan for the period FY2020–2022. Under the slogan Provide the customers with added value by manufacturing seamlessly from materials to products, this plan is considered the first stage toward a long-term vision for 10 years into the future. It is based on advancing revival of loss-making overseas businesses in the first fiscal year and targeting sustained growth through expansion of the seamless production business from materials to products. Numerical targets for FY2022 are consolidated results of JPY150 billion in net sales, JPY7 billion in operating income, and ROE of 8% or more.

As priority themes of the 2020 Mid-term Business Plan, we will focus on structural reforms at overseas plants, enhancing our product development capabilities, clarifying the functions of the mother plant, and structural reforms in procurement, as we advance with the following initiatives: In the area of structural reforms at overseas plants, we expect to staunch the bleeding at JATIM and MSSC’s US plant. In the springs business, we will freeze investment in the European acquisition MSSC Ahle and consolidate the three North American facilities into two, as part of efforts to adjust the shift to the global supplier structure already underway under the previous mid-term business plan. We’re also considering the optimization of the two plants of the Philippines subsidiary MSM CEBU.

To enhance product development capabilities, we’ve established the new Sales Strategy Office to improve collaboration between production and sales sections, based on the fact that we have fallen behind the competition in proposing attractive product functions. In this way, we’ve established structures for accelerating the cycle from ascertaining of customer needs through technological development, product development, and sales by sharing customer needs among business divisions, the Sales Division, and the Research and Development Center.



To clarify the functions of the mother plant, we've laid the groundwork for a structure intended not just to establish mass production technologies and verify equipment adoption in Japan, but to share information with management from the stage of order receipt, thereby preventing various potential issues at overseas plants. We plan to adopt a trial development line at the Chiba Works for leaf springs for commercial vehicle use. We also plan to introduce production functions for small-lot aftermarket products. In the Formed & Fabricated Products Business, we're making progress on hardware improvements in areas such as trial production equipment for powder products. Capital investments intended to enhance the mother plant functions of domestic plants are largely complete. We plan to adopt and commence utilization of vacuum induction melting (VIM) furnaces to develop in-house materials for turbocharger turbine wheels and vane nozzles mass produced in Thailand.

In the areas of structural reforms to procurement, we will stabilize procurement and optimize inventories, as the Head Office Procurement Department shares information with management on procurement strategies and procurement risks among all plants, both in Japan and worldwide.

We will also rely on the external procurement capabilities of trading companies and other parties.

Through the three-year period of the 2020 Mid-term Business Plan, the Group will swiftly move to rebuild its overseas businesses and enhance product capabilities while expanding its business model of seamless production from materials to products. By demonstrating the Group's comprehensive capabilities, we will realize a company capable of delivering new value through product development a half-step ahead of customer needs while improving profitability and stabilizing earnings.

In light of the possibility that demand for our main products may be roughly 20% lower than anticipated due to slowing economic activities and substantial changes in market conditions due to COVID-19, we are also studying measures to lower the breakeven point amid falling demand.

With regard to countermeasures against COVID-19, the new Risk Management Office, established as part of our efforts to enhance risk management, manages conditions Groupwide from a central perspective. We've secured a structure to ensure rapid response based on appropriate management decision-making.

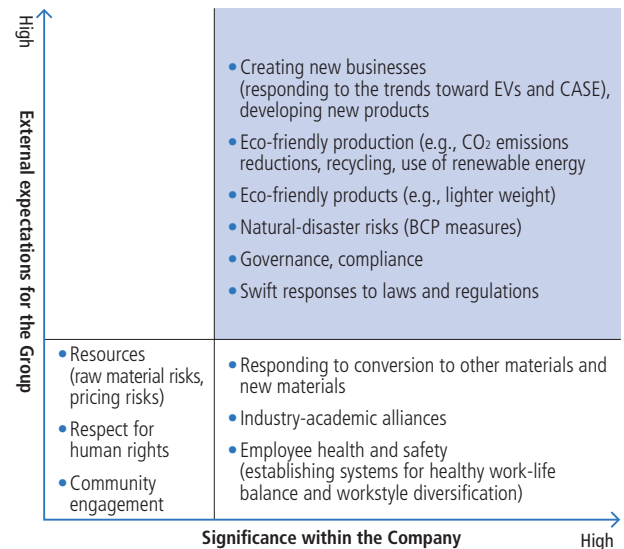
## Drawing on the SDGs as one tool among others, we will strive to create the social value the Group is expected to deliver.

We recognize efforts to deliver solutions to social issues as among the key responsibilities of any business enterprise. To date, based on the perspective of ESG (environment, society, governance) management, the Group has focused on environmental conservation activities, chiefly by reducing the use of substances with high environmental impacts, and social contribution activities while contributing to industrial progress through high-value-added products. At the same time, we've striven to enhance corporate governance to increase our own corporate value. In addition to these initiatives, from now on we will also proactively contribute to building an enriched future through responding to new societal needs such as those seen in the CASE trend in the auto industry.

In FY2018, the Company launched the SDGs Working Group to consider how the Group can contribute to the achievement of the Sustainable Development Goals (SDGs; goals for 2030 adopted by the United Nations). In FY2019, we identified themes based on the axes of importance within the Company and external expectations and interviewed executives and members of core management to identify priority topics for the Company, as shown in the figure at right. Beginning in FY2020, we intend to create the social value we are expected to deliver based on these priority issues, drawing on the SDGs, among various tools.

We appreciate the continued support and understanding of our stakeholders as we continue to realize progress in the Group's businesses.

### ■ Priority topics





## 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

In FY2015, we formulated the Basic Policy for Corporate Governance and revised the Rules of the Board of Directors accordingly. As we pursue more effective corporate governance, we are seeking to enhance the oversight functions of the Board of Directors through the exchange of information and realization of shared understanding among independent Outside Directors in the Governance Committee, an organization established under the Board of Directors.

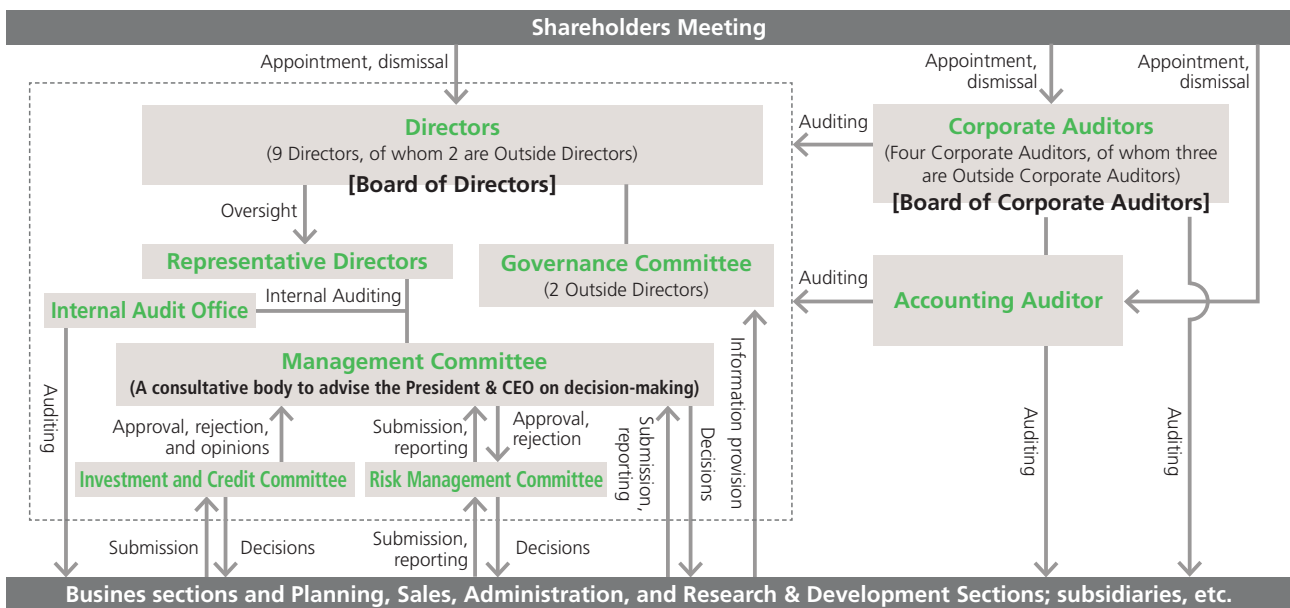
We established the Investment and Credit Committee in

FY2016 as a committee independent of business sections and other units to enhance risk management structures based on assessments from an objective and neutral perspective.

Our Basic Policy for Corporate Governance is available on the Mitsubishi Steel Manufacturing website.

 Basic Policy for Corporate Governance

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



### ► Internal controls system

The Basic Policy for Internal Control System is reviewed annually. Decisions on this basic policy are made through resolutions of the Board of Directors, and the status of operation of the policy is disclosed in business reports. In FY2019, we appointed a Chief Compliance Officer in accordance with the Basic Regulations on Compliance and added to the basic policy provisions on matters such as maintenance of structures to promote compliance Groupwide. In the future, we will continue to promote compliance management and enhance our internal management systems.

### ► Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct

In September 2019, we established the Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct to promote awareness of compliance by giving more concrete form to the Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct. We surveyed employees to assess understanding and will continue in-house training and surveys to improve the penetration of the Rules and understanding within the organization.



## 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.

### ► Compliance initiatives

#### Compliance training

The Group is currently enhancing its compliance training programs. Training efforts include studying practical case studies of actual incidents, use of teaching materials suited to individual employee levels, and incorporating discussions and other activities as necessary, to enable employees to get a true feel for compliance issues.

In FY2019, we implemented training on harassment and quality compliance for managers in Japan and training on measures to prevent cartels for leaders and sales managers of domestic and overseas subsidiaries. In the future, we will continue efforts to raise awareness of compliance and ensure its penetration among executives and all Group employees as well.

#### Review of the state of operation of the compliance structure

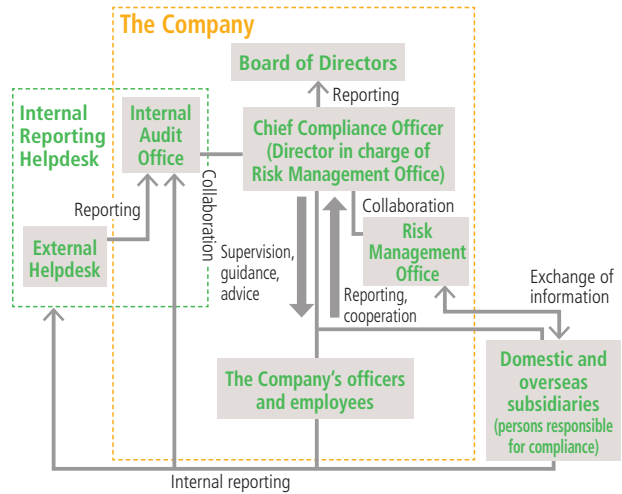
To enhance oversight of the compliance structure, matters related to the state of its operation are submitted to the Board of Directors (annually).

Results of the review conducted in FY2019 verified that the Company's compliance structure is operated appropriately. We plan to implement compliance management by securing effective and appropriate operation of the compliance structure based on periodic reviews.

### ► Enhancing the Implementation of Basic Regulations on Compliance

We are enhancing and improving the implementation of the Basic Regulations on Compliance, which apply Group-wide. We are also enhancing governance Groupwide by

clarifying compliance-related rules and the development of related structures.



### ► Internal Reporting System

The internal reporting system consists of internal and external helpdesks positioned outside the workplace to accept reports and requests for consultation from Group employees regarding any illegal or improper actions or potential issues they may have noticed but feel uncomfortable addressing within their workplaces. Reports may be submitted by telephone, email, fax, post, in writing, or in person; they may be made anonymously as well. We have established a policy of introducing internal reporting systems at overseas subsidiaries and introduced such systems at subsidiaries in Thailand, China, and the Philippines. We plan to introduce internal reporting systems at other facilities.

### Communicating with shareholders and investors

To help stop the spread of COVID-19, we asked shareholders to refrain from attending the 96th General Shareholders Meeting in person and to view a video of the meeting posted for three months on our website instead.

Our website features a video introducing the companies of the Mitsubishi Steel Group, intended to help investors and shareholders to better understand the products and manufacturing technologies of each business that are difficult to convey through static images such as those in pamphlets.

In addition, to encourage two-way communication with shareholders and investors, we collect opinions from shareholders and investors and immediately provide feedback to top management and other members of the management team. We will continue to proactively disclose information to gain the understanding and trust of all stakeholders while striving to create further opportunities for dialogue and enhance fair, timely, and appropriate information disclosure.



Video of the General Shareholders Meeting posted on the website

Video introducing the companies of the Mitsubishi Steel Group  
<https://www.mitsubishisteel.co.jp/english/video/>



# 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 examinations of business plans and risks from neutral perspectives on issues potentially entailing business risks.

In FY2018, we launched a risk management project intended to promote the development of structures to manage business risks in areas such as governance and compliance at domestic and overseas business facilities. This project investigated and assessed risks in each section and selected those deemed to pose major risks to the Group. We are planning and implementing countermeasures to address these major risks in a subcommittee organized by the relevant sections.

In July 2019, to further promote and enhance our risk management structures, we established the Risk Management Committee and set forth the Risk Management Regulations.

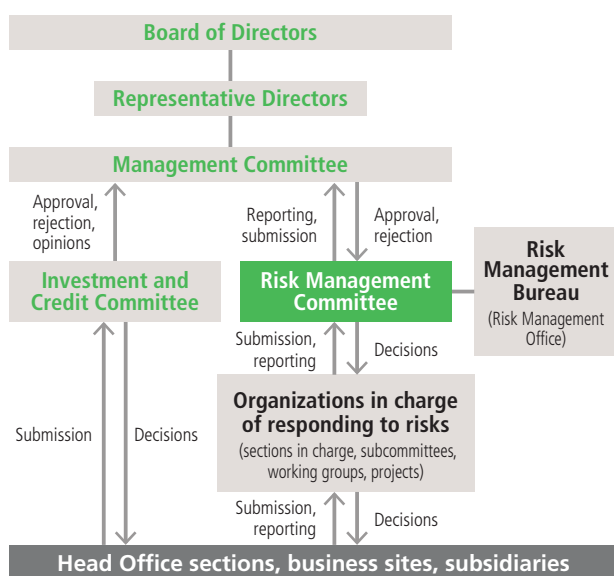
To enhance this structure still further, the functions of the risk management project have been transferred to the new Risk Management Office established in April 2020.

## ► Information security measures

The Group has established an information security management structure through the Basic Policy for Information Security and regulations regarding that policy, based on the Corporate Philosophy and the Mitsubishi Steel Group Code of Conduct.

Specific measures include measures to prevent unauthorized external access and malware infections, in addition to measures to counter internal improprieties through means such as PC operations logs and prohibiting employees from saving data to external storage media. These measures protect information assets from threats such as leakage, destruction, and unauthorized alteration. We've also established an Information Security Committee charged with approving and promoting these information security measures and responding to serious incidents. We implement sustained education and training on information security for Group employees and check on related matters through internal audits. We strive to raise awareness of the importance of information security throughout the organization.

### ■ Risk Management Structure



### Message from the Chief Risk Officer (CRO)

Over the past few years, the Company has strived to enhance its risk management organization and rules. In the future, we intend to focus on increasing their efficacy by implementing hands-on business continuity plan (BCP) drills and enhancing audits to verify compliance with rules.



Managing Director  
Hiroyuki Nagata



## Environmental Management

We strive to advance a proactive approach to environmental conservation efforts through the development and deployment of our environmental management system.

### ► Mitsubishi Steel Group Environmental Policy

The Group Environmental Policy was revised to reflect revisions made between the 2004 and 2015 editions of ISO 14001.

#### Environmental Philosophy

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.

#### Code of Conduct

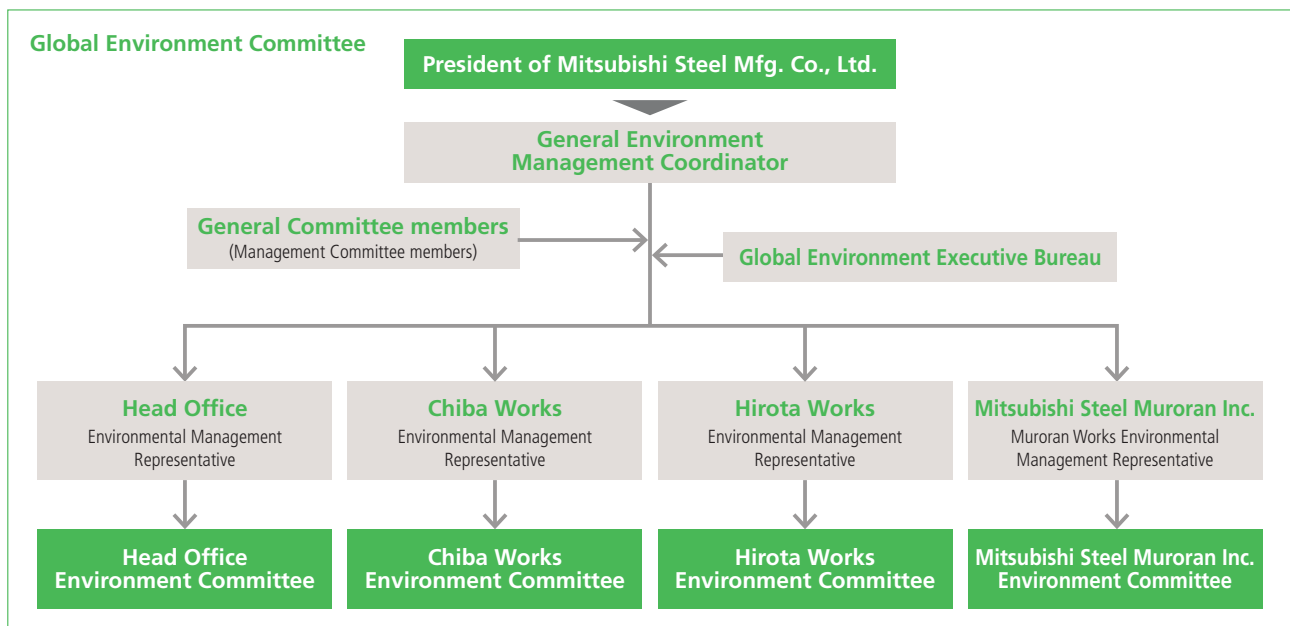
1. As an organization which contribute toward a sustainable society through manufacturing, take the environment into consideration at all stages of business activities including from product development and design to manufacturing.
2. Set environmental objectives and targets based on corporate environmental policy and conduct periodic review.
3. Engage in environmental conservation activities, such as prevention of pollution, use of sustainable resources, climate change mitigation, throughout all areas of business activities.
4. Comply with environmental laws and regulations as well as other requirements which we consent.
5. Pursue continuous improvement in environmental management system through implementation of PDCA cycle, for the better performance in environmental activity.
6. Inform environmental policy to every member of our group through education and intra-group publication, and disclose the policy to stakeholders.

Revised March 15, 2016

### ► Environmental Management Organization

This companywide organization centered on the Global Environment Committee carries out environmental conservation activities.

#### ■ Mitsubishi Steel Group Environmental Organization Chart





## Initiatives to lessen environmental impact

Each business site is implementing initiatives to reduce CO<sub>2</sub> emissions and waste.

### ► Hirota Works: Cubicle (power receiving equipment) upgrades

Cubicles at the Hirota Works were upgraded to 500kVA special high-voltage receiving substation cubicles.

Upgrading transformers that were 50 years old improved transformer efficiency and reduced power consumption by 50,000 kwh/year, equivalent to approximately 26 t/year in CO<sub>2</sub> emissions.

In addition, since the previous transformers included low concentrations of PCB, this upgrade involved appropriate disposal of PCB waste.



### ► Hirota Works: Promoting adoption of LED plant lighting

The mercury lamps used in plant interior lighting are being steadily replaced with LED lighting.

In FY2019, conversion to LED lighting was completed for about one-quarter of the special alloy powders plant, reducing power required for lighting by 54,000 kwh/year, equivalent to approximately 28 t/year in CO<sub>2</sub> emissions. This initiative contributes not just to power conservation, but to preventing mercury pollution.

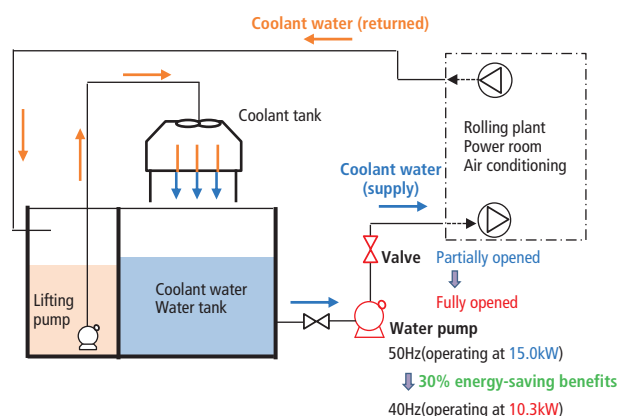


### ► Mitsubishi Steel Muroran Inc: Energy conservation through speed control of air conditioning coolant pumps in the power room of the rolling plant

The equipment was made more energy efficient by modifying the water coolant system of the water-cooled air conditioning equipment in the power room of the Mitsubishi Steel Muroran rolling plant.

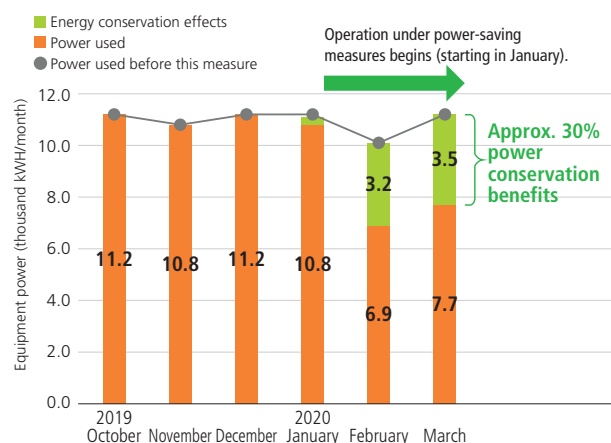
By switching from adjusting coolant water flows via valves to water pump revolutions, the works cut water pump power consumption by 3,400 kwh/month, equivalent to approximately 20 t/year in CO<sub>2</sub> emissions.

Efforts to improve energy efficiency at production plants will continue in the future.



Conceptual diagram of equipment: air conditioning water coolant system in rolling plant power room

### ■ Energy conservation benefits





## Building safe, comfortable workplace environments

Based on the "Safety First" principle, the Group strives to realize comfortable work environments that are safe and healthy for its employees to work in.

### ► Building safe, comfortable workplace environments

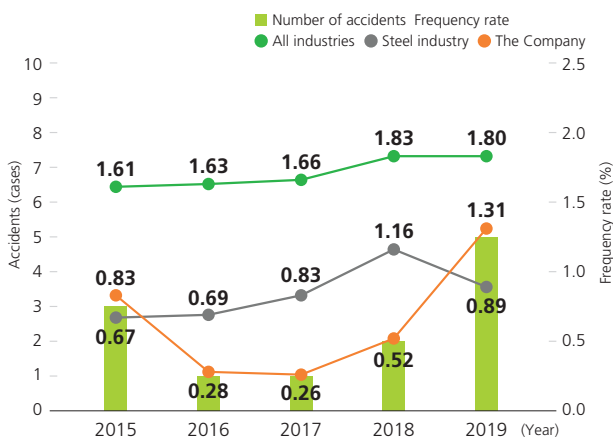
#### Safety awareness activities

Every year on February 12, the day on which a serious accident occurred at Muroran in 2017 and now designated as "Safety Restart Day," the President delivers a message concerning safety. All domestic and overseas facilities, including Group member companies, pledge to put safety first, and observe a moment of silence in contemplation of their resolve to avoid the recurrence of an accident of such gravity, to ensure the lessons of the accident are never forgotten.



A moment of silence for safety

#### ■ Frequency rate of injuries



\* Rate of accidents requiring time off from work: number of occupational injuries requiring time off from work per million hours  
 The data above represent totals for Mitsubishi Steel Mfg. Co., Ltd., Mitsubishi Steel Muroran Inc., and Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.

#### Employee meetings for safety

Periodic meetings are held among employees in charge of safety at business sites in Japan, including Group member companies. In those meetings, employees exchange opin-

ions on safety and strive to raise the levels of safety management and share awareness of related issues.

#### Preventing traffic accidents

Aiming to eradicate traffic accidents, we are striving to increase sensitivity to danger and prevent accidents through implementing the following preventive measures related to personal safety and vehicle safety.

**Personal safety** → Checking for alcohol and blood pressure before driving, setting break times when driving for extended periods, prohibiting use of mobile phones while driving, planning drives with leeway for safety, securing safe distances between vehicles

**Vehicle safety** → Thorough pre-driving inspections, periodic air pressure checks

#### Safety education

Due to the requirement for special health and safety education regarding the use of safety harnesses that will become mandatory equipment as per related amended act due to take effect on January 2, 2022, Mitsubishi Steel Muroran Inc. is implementing in-house health and safety education on full harnesses.



Safety education

### ► A comfortable corporate culture

#### Workstyles in response to the New Normal

The Head Office implemented work from home on a trial basis for eligible employees who needed to care for children or other family members as one way to alleviate traffic congestion during the planned Tokyo Olympic and Paralympic Games. The range of eligible employees was broadened in response to the subsequent COVID-19 pandemic. Work-from-home programs continue to be de-

ployed. We were able to migrate to work from home relatively smoothly since preparations were already complete in the areas of ICT environments and operational rules. In addition, we've adopted Microsoft Teams as a communication tool to support diverse workstyles, regardless of where employees do their work, both in Japan and overseas. We've prepared the related guidelines (including rules and recommendations on use) and are studying, proposing, and establishing concrete workstyles using the new tools. System and environmental improvements will proceed in the future as new ways of working for the age of the New Normal.

### Promoting use of childcare leave programs

To support diverse workstyles, childcare leave programs have been enhanced by lengthening the periods of childcare leave and expanding the scope of those eligible for shortened working hours for childcare purposes. We are also striving to make it easier to use and expand awareness of these programs by distributing materials summarizing childcare leave procedures and schedules and taking steps to address concerns about the programs.

#### ■ Childcare Leave Regulations

Leave period	Extendable up to the end of the fiscal year in which the child turns three years old
Actions taken if the employee does not wish to take childcare leave	Exemption from overtime work upon request, until the child reaches the age of three years
Nursing leave for children	Until the third year of primary school: up to 5 days/year for one child, 10 days/year for two or more children
Shortening of prescribed working hours	Until the third year of primary school: Prescribed working hours may be shortened to six hours/day (shifts adjusted on a case-by-case basis).
Exemption from overtime work	Exemption from overtime work until the child reaches the age of three years
Limitations on overtime work	No more than 24 hours/month, 150 hours/year until the child begins primary school
Limitations on late-night work for childcare purposes	Exemption from late-night work upon request until the child begins primary school

### Preventing harassment

Increasingly stringent measures to counter harassment are mandated by law. To prevent harassment, we've revised the Harassment Regulations and are working to raise awareness through articles in the Company bulletin and newsletters summarizing major points. In addition, we strive to promote understanding of harassment through training and other activities targeting managers and office staff.

## ▶ HR education

### Overseas training

In 2008, to train as many human resources as possible to succeed in global business, we introduced an overseas training program. Trainees sent on this two-year program take part in on-the-job training while strengthening their foreign language skills and deepening their understanding of the relevant country's unique systems and culture to attain the flexible thinking that will allow them to respect different values.

Despite the difficulties posed by COVID-19, we are studying new training methods.

### Global management training

Based on training provided by instructors with a wealth of experience overseas, we provided global management training for human resources we anticipate playing active roles in global business, thus addressing the mindset and management skills in demand in global business. This training will continue in the future.

### Educational initiatives for new employees

As a result of efforts to stop the spread of COVID-19, training for newly hired employees was held later than usual in 2020, starting in June. While remaining at home in April and May, new employees underwent e-learning and prepared presentations through group work using the Microsoft Teams webconferencing tool adopted around the same time, presenting their results with the participation of the Director in charge of human resources and staff hiring and training. The style of the series of training activities that took place during this period is expected to serve as inspiration in designing new training systems for the post-COVID era.

After being placed in their new positions, each new employee is assigned one senior employee as a mentor to provide training and advice under the elder employee program to facilitate rapid professional growth.



## 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.

### ► Fair trade with business partners

To ensure compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the "Subcontractors Act" hereinafter), with its deep connections to procurement transactions, we implement mutual audits of the Mitsubishi Steel Group on the Subcontractors Act to verify compliance. We hold annual trading sessions on the Subcontractors Act for related parties within the organization to circumvent any violations of the Act, which is particularly vulnerable to violations because it concerns matters familiar as aspects of everyday operations.



FY2019 Subcontractors Act training (conducted in December 2019)

### ► 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 promote green procurement with low environmental burden, and ensure the thorough control of hazardous chemical materials.

#### 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.

### ► 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.

### ► Basic Policy on Conflict Minerals

We promote efforts to achieve more responsible mineral procurement in cooperation with our business partners and various other stakeholders.

Conflict minerals refer to four minerals (tin, tantalum, tungsten, and gold) mined in the Democratic Republic of the Congo and nine surrounding countries. There are concerns that profits from the trade in such minerals may further human rights violations and disputes as sources of funding for armed forces.

In procurement of minerals, we verify that our business partners do not use conflict minerals.

## Contributions to our communities and society

As members of our local communities, we seek to coexist with society through a wide range of social- and community-contribution activities and proactive communication.

### ▶ Plant tour for neighboring residents

In October 2019, the Hirota Works held a plant tour for neighboring residents. This tour included an overview of the Company and accounts of manufacturing processes and environmental measures, as well as responses to questions from residents. This opportunity helped neighboring residents learn more about the Company. Every year, the Hirota Works holds an environmental briefing for the heads of local neighborhood associations. Hirota Works is committed to efforts to maintain close ties to neighboring residents as an essential aspect of its business activities.



Plant tour (October 2019)



Foreperson greets attendees (October 2019).

### ▶ Donating picture books

We support and participate in activities to donate picture books led by the nonprofit Shanti Volunteer Association, which provides educational assistance to children through-

out Asia. This program delivers picture books to countries where libraries are lacking to aid children with reduced access to educational opportunities for economic and social reasons in areas affected by poverty and war. Volunteers from Mitsubishi Steel affix stickers with translations of the book texts to the pages of Japanese picture books.

### ▶ Parasports experience

As part of our activities to support athletics, the Company holds a program at the Head Office that allows employees to experience playing blind soccer. This program conveys the difficulty of sports for people with disabilities and the high skills of para-athletes through participants playing soccer while wearing eye masks. Experiencing such activity without the sense of vision both reaffirms the importance of teamwork and trust and improves our understanding of diversity.



Employees experience playing blind soccer (April 2019)

### ▶ Disaster supply donations

When it refreshed its stocks of disaster supplies at facilities across Japan, Mitsubishi Steel donated unexpired emergency foods to the Second Harvest Japan food bank. In FY2019, we donated some 2,000 meals.

This initiative reduces food loss and waste and helps deliver food to those who in need at welfare facilities, childcare facilities, and other sites.



# Corporate Information

## ■ Corporate Profile (as of March 31, 2020)

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
Representative	Motoyuki Sato, President
Annual sales	Consolidated: JPY117.1 billion (FY2019)
Employees	Consolidated: 4,288

## ■ Executives (as of June 26, 2020)

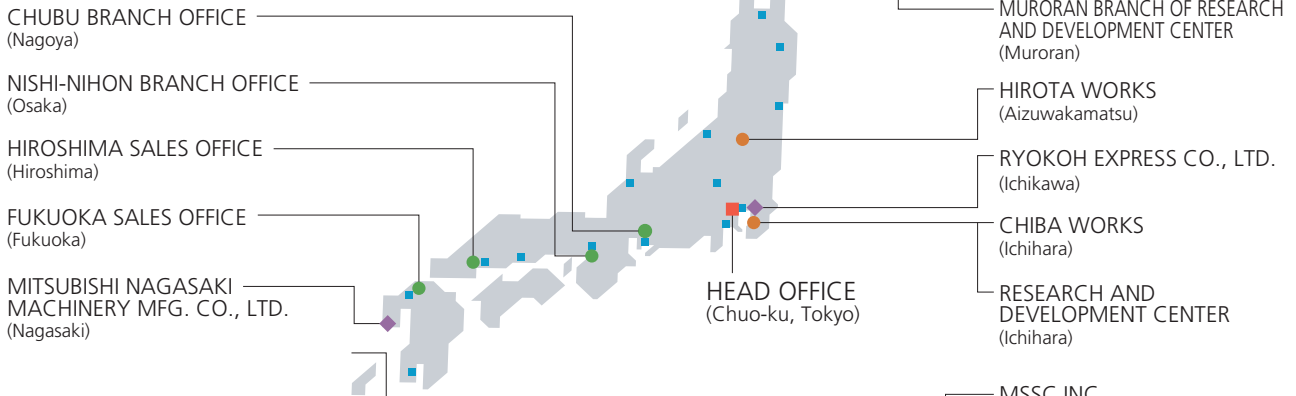
President (Representative Director)	Motoyuki Sato	Director	Jun Takayama
Managing Director (Representative Director)	Hiroyuki Nagata	Director	Akira Yamao
Director	Masayuki Takashima	Director	Jun Yamaguchi
Director	Akira Hishikawa	Full-time Auditor	Hirokuni Sakamoto
Director	Hiroshi Sekine	Full-time Auditor	Takeshi Nagai
Director	Hiroshi Amano	Auditor	Tetsuya Nakagawa

Note: The four Directors (Masayuki Takashima, Akira Hishikawa, Hirokuni Sakamoto, and Tetsuya Nakagawa) are Outside Officers, as stipulated by the Companies Act. The Company has notified the Tokyo Stock Exchange of their status as independent officers.

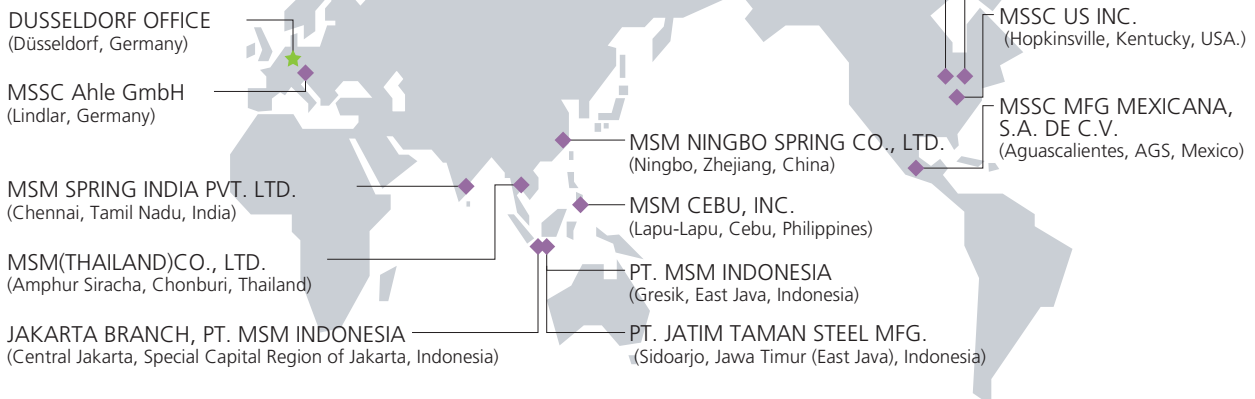
## ■ Locations (domestic and overseas)

- Head Office    ● Business site    ● Sales facility    ★ Overseas office
- Service center    ◆ Subsidiary

### Domestic sites



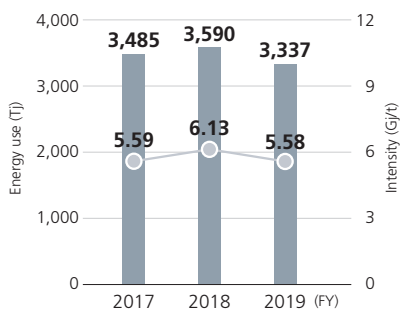
### Global sites



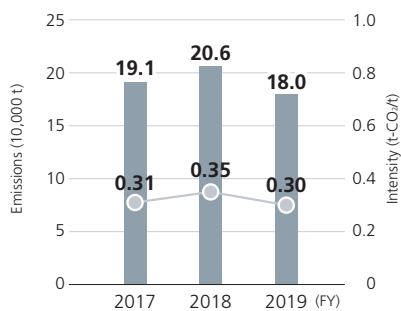
# Financial and nonfinancial information

## ■ Environmental data (totals for Mitsubishi Steel Mfg. Co., Ltd. and Mitsubishi Steel Muroran Inc.)

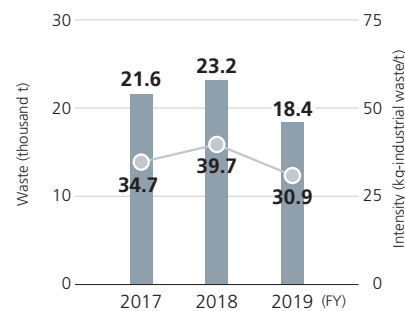
### Energy use



### CO<sub>2</sub> emissions

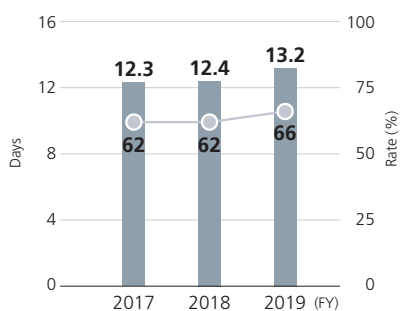


### Total industrial waste

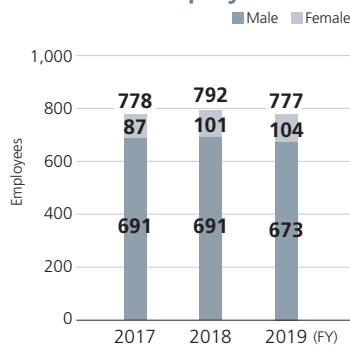


## ■ Labor data (nonconsolidated)

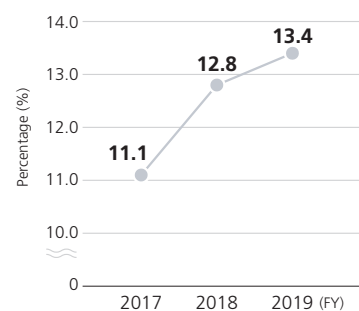
### Annual paid holidays taken



### Number of employees



### Percentage of female employees



## ■ Financial highlights (consolidated)

	FY2017	FY2018	FY2019	
Financial information (billion yen)	Net sales	118.7	129.3	117.1
	Operating income	3.2	1.0	0.4
	Ordinary income	2.8	0.1	(0.2)
	Profit attributable to owners of parent	2.9	0.2	(14.0)
	Capital investment (excluding leases)	5.3	5.9	7.6
	Depreciation	3.6	4.4	3.5
	Research and development expenses	1.5	1.6	1.4
	Cash flows from operating activities	(4.5)	2.8	(0.9)
	Cash flows from investing activities	(6.9)	(3.9)	(7.5)
	Free cash flow	(11.4)	(1.0)	(8.4)
	Cash flows from financing activities	1.3	(1.2)	11.8
	Financial indicators (%)	Total assets	153.3	153.3
Interest-bearing debt		42.0	42.2	55.1
Shareholders' equity		62.6	59.0	42.6
Per share data (yen)	Return on equity (ROE)	4.7	0.5	(27.7)
	Return on assets (ROA)	1.9	0.2	(10.0)
	Equity ratio	40.9	38.5	30.1
Per share data (yen)	Earnings per share (EPS)	188.79*	18.24	(914.56)
	Net assets	4,072.09*	3,837.65	2,769.51

\* The Company proceeded with a reverse stock split, consolidating 10 shares of common stock into one share, effective October 1, 2017. Earnings per share and net assets per share above have been calculated assuming that this reverse stock split had taken place at the beginning of FY2017.



**MITSUBISHI STEEL MFG. CO., LTD.**

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