

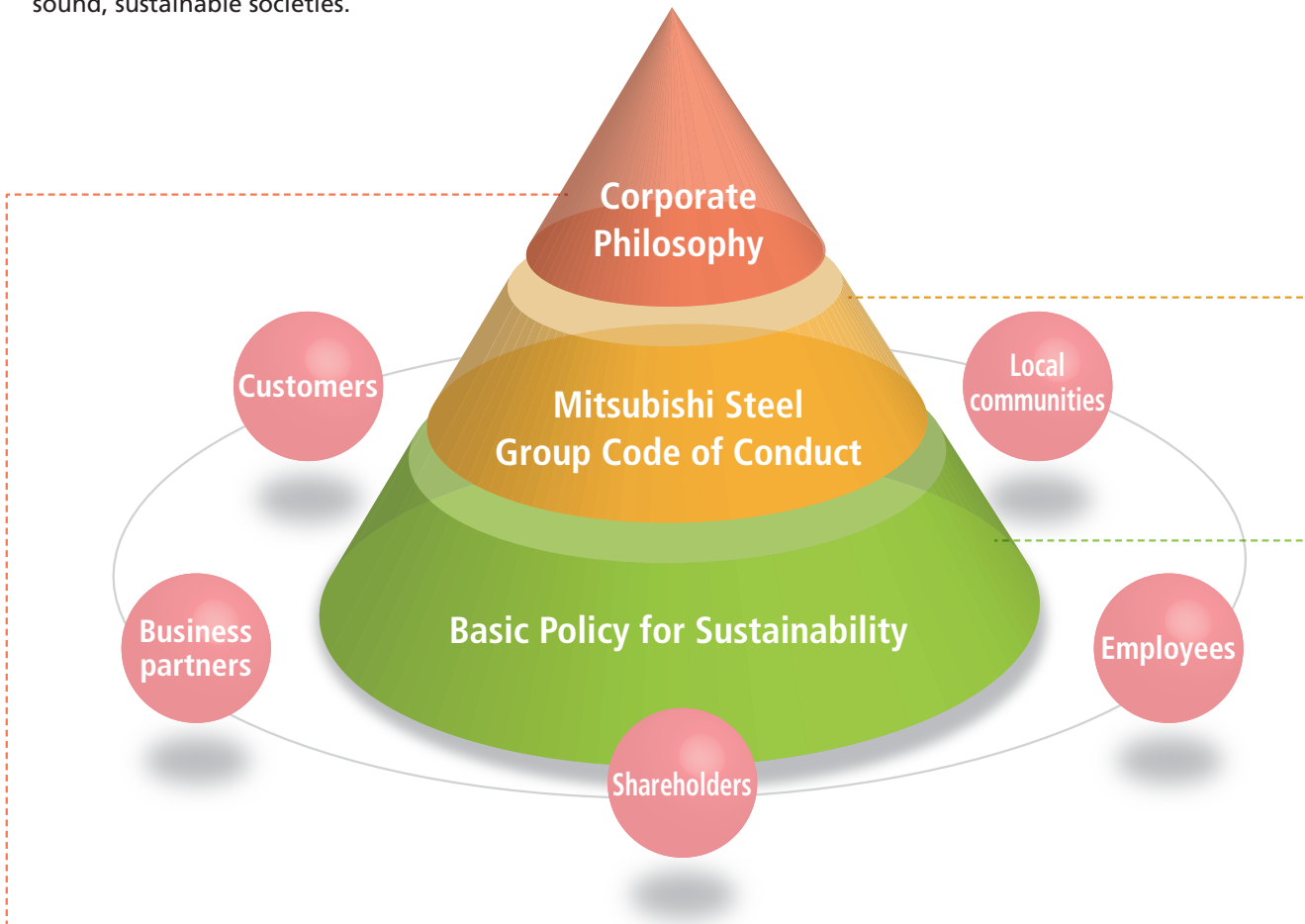
**CSR REPORT**  
**2021**





# Identifying solutions to social challenges and contributing to sustainable societies

The Mitsubishi Steel Group undertakes CSR activities in accordance with our Basic Policy for Sustainability, 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	
<b>1. Customer First</b>	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.
<b>2. Development of New Technology</b>	We focus on manufacturing excellence with a competitive edge in the global market while pursuing more advanced technology.
<b>3. Maximizing Human Capital</b>	We are committed to creating a pleasant and vigorous work environment, embracing a diverse workforce with various talents to achieve their full potential.
<b>4. Challenge for the Future</b>	We welcome any challenge with passion and creativity to respond confidently to ever-changing world markets.
<b>5. Contribution to Society</b>	Our management that is based on compliance contributes on progress of society through the business activities with environmental consideration.

## 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.

- |                                   |  |
|-----------------------------------|--|
| <b>Business Activities</b>        | 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.<br>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.<br>3. Cultivate a corporate culture that encourages people to take on a challenge without fear of failure for continuous growth.<br>4. Dedicate ourselves to improvement of society through business conduct, tapping into the opinions of all stakeholders. |
| <b>Compliance</b>                 | 5. Comply with the laws and regulations or code of ethics in society for transparent, fair, and equitable transactions under free competition.<br>6. Never be involved with destructive forces that pose a threat to peace and safety of civic society.  |
| <b>Disclosure</b>                 | 7. Disclose corporate information in a timely and appropriate manner to ensure transparency while protecting privileged information pertaining to employees and customers.   |
| <b>Respect for employees</b>      | 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.<br>9. Galvanize the company by fostering human resources as well as ensuring a safe and pleasant work environment.   |
| <b>Environmental conservation</b> | 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.  |
| <b>Globalization</b>              | 11. Respect local culture and customs as well as comply with all international rules and local laws and regulations when conducting global business.   |

## 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.

- |                    |   |
|--------------------|---|
| <b>Environment</b> | 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.   |
| <b>Society</b>     | 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.  |
| <b>Governance</b>  | 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. |

Activity highlights

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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/>



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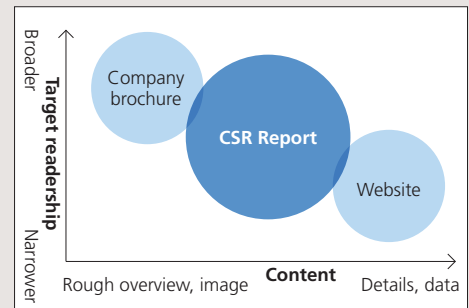
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### Editorial Policy

#### Purpose

This CSR Report is intended to help stakeholders better understand various Company activities.

#### Period

This report covers the period of FY2020 (April 1, 2020–March 31, 2021). 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 2021 reports on highly important matters concerning the Mitsubishi Steel Group and society. More detailed information is available on the Company website.



## About Mitsubishi Steel



2 Chiba Works



3 Mitsubishi Steel Muroan Inc.



5 MSM Ningbo Spring Co., Ltd.



4 Hirota Works



1 Tokyo Works

# 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.

## Improving our manu-

### 1965

Ohjima Works and Fukagawa Steel Works combine to form Tokyo Works (1)

## Establishing our business foundations

### 1919

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

### 1937

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

### 1949

Took over Nagasaki Steel Works operations

### 1953

Name changed to Mitsubishi Steel Mfg. Co., Ltd.

### 1917

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

### 1942

Two companies merged to form Mitsubishi Steel Mfg. Co., Ltd.

### 1952

Name changed to Mitsubishi Steel Co., Ltd.

### 1964

Two firms merged to form Mitsubishi Steel Mfg. Co., Ltd.

### 1904

Tokyo Spring Works founded

### 1949

Takes over operations at Ohjima Works, Fukagawa Steel Works, and Hirota Steel Works

● Former Mitsubishi Steel Mfg. Co., Ltd.

● Former Mitsubishi Steel Co., Ltd.



6 MSM SPRING INDIA PVT. LTD.



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



7 Research and Development Center



10 MSSC Ahle GmbH



9 PT. JATIM TAMAN STEEL MFG.

## facturing foundations and technology advances

### 1993

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

### 1994

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

### 2006

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

### 2005

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

### 2014

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

## Ensuring sustained growth of our company

### 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.

### 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)

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

The Group's 117-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



# 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.

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



Bloom continuous caster

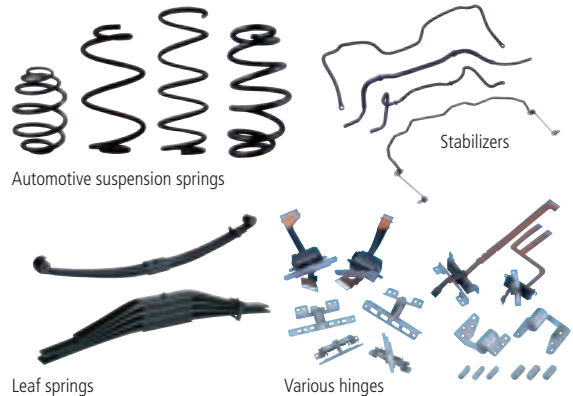


Full continuous V-H rolling machine

## 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.

<b>Products</b>	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
<b>Production facilities</b>	Domestic: Ichihara, Chiba Prefecture Overseas: Canada, USA, China, India, Philippines, Mexico, Germany
<b>Major end use applications</b>	Automobiles, construction machinery, information and communication equipment, etc.



Automotive suspension springs

Stabilizers

Leaf springs

Various hinges

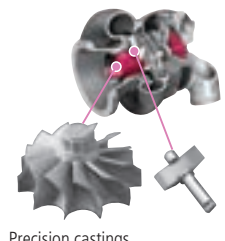
## Formed & Fabricated Products Business

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.

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



Special alloy powders



Precision castings (turbocharger parts)

## Machinery Business

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

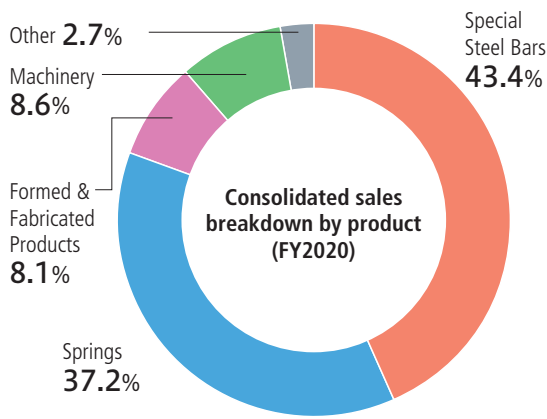
<b>Products</b>	Forging machinery, general industrial machinery, steel fabrication, environmental recycling equipment, marine equipment, etc.
<b>Production facilities</b>	Domestic: Nagasaki, Nagasaki Prefecture
<b>Major end use applications</b>	Industrial machinery, etc.



Forging machinery (ring rolling mills)



Forging machinery (forging press)



### Initiatives to address social issues

We seek to realize the eco-friendly production of special steel bars by reducing CO<sub>2</sub> emissions in the processes used to produce special steel bars. We do this in various ways, including using hydrogen as an alternative steel cutting gas. We are also developing materials to reduce CO<sub>2</sub> emissions in customer production processes. These initiatives include the development of high-temperature cement steels for large-scale reductions in heat treatment processes essential to steel processing by forging manufacturers.

### Initiatives to address social issues

The electrification of automobiles is advancing at a pace inconceivable a few years ago. We manufacture coil springs for automobile suspensions, which are essential components in electric vehicles. We are making progress on research to optimize these components for use in dedicated platforms for electric vehicles. In addition, in response to demand for reduced vehicle weights to increase fuel efficiency in the automotive industry, we have developed technologies that reduce the weight of coil springs for automobile suspensions and stabilizers still further. We are also making progress on developing technologies to achieve even greater weight reductions. We are making energetic efforts involving weight reduction initiatives for both passenger and commercial vehicles.

### Initiatives to address social issues

Some 70% of Japan's energy consumption involves low-temperature thermal energy at temperatures of 300°C or below. The bulk of this goes to waste in the form of waste heat generated from vehicles, plants, power plants, and other sources. We are currently working to develop thermoelectric materials that convert such waste thermal energy into electricity. In other potential solutions to social issues, we seek to develop and provide to customers a wide range of metallic materials that contribute to decarbonization, including soft magnetic powders for electric motor cores.

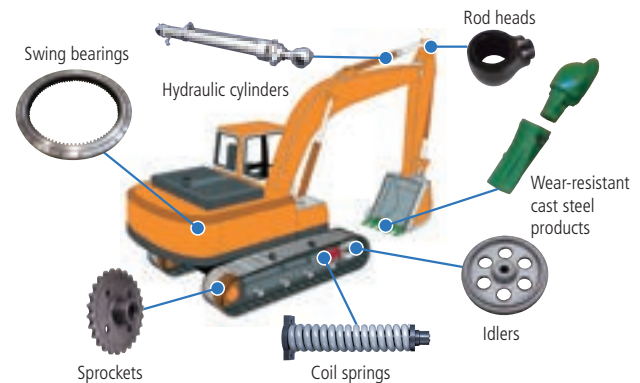
### Initiatives to address social issues

Wind power generation has drawn attention from governments around the world as a renewable energy source. We, too, are focusing on equipment for offshore wind power generation. We contribute to renewable energy use through equipment on the self-elevating platform (SEP) vessels used to set up offshore wind turbines. In addition, we are promoting sales of products to reduce environmental impact, including magnetic separator line packages that make it possible to sort multiple metals to achieve effective waste sorting and increase recycling rates.

## Products used in individual applications

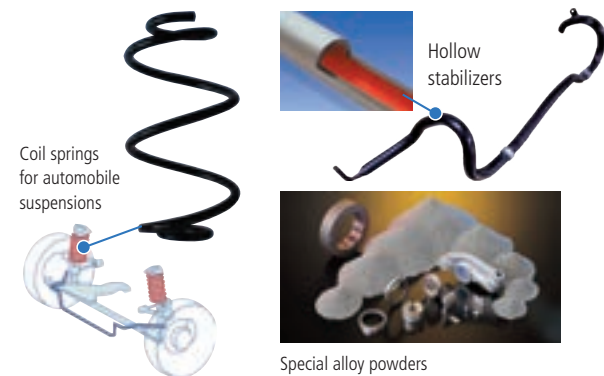
### Construction machinery

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 reducing the weight of coil springs for automobile suspensions.



### Offshore wind power generation and recycling plants

As recycling is advancing across various industrial fields, we contribute to society through equipment for offshore wind power generation and magnetic separators, which recover iron and non-ferrous materials from bulk waste, waste vehicles, waste home appliances, and other waste.





## Establishing the foundations for sustained growth by accelerating sustainability initiatives

Representative Director, President & CEO

**Motoyuki Sato**



**Thanks to a rapid recovery in demand beginning in the second half of FY2020, we are making progress on rebuilding overseas businesses. We expect to achieve increased revenues and profitability this year.**

In FY2020, the industries in which our major customers operate—automotive, construction machinery, and industrial machinery—faced difficult business conditions due to the effects of COVID-19 on production activity and significant decline in demand. Our domestic businesses recorded losses due to temporary costs associated with temporary production halts required by the blast furnace renovations undertaken once every 20 years at the Muroran Works. During this time, we met demand by drawing on inventory stockpiled in advance. In FY2020, despite apparent trends toward recovery from the impact of COVID-19 in the second half, the sheer scale of the downturns in the first half in the Special Steel Bars Business and the Springs Business resulted in a decline of 16.5% YoY in net sales in consolidated financial results to JPY97.8 billion, an operating loss of JPY4.9 billion, and net loss attributable to owners of the parent company of JPY5.5 billion.

Despite various concerns, including the rising cost of iron ore and other raw materials, the overall business environment has trended upward since the start of FY2021. Demand remains strong in the construction machinery industry, where rapid recovery began in the second half of last year. The automotive industry is experiencing recovering sales of new vehicles in China, North America, and Japan, despite the impact of the semiconductor shortage. A look at recent conditions shows that the Special Steel Bars Business is currently at full utilization, following the completion of the blast furnace renovations, thanks to strong demand mainly from the construction machinery and industrial machinery industries. Internationally, JATIM, the Indonesian special steel bars subsidiary which had prompted concerns, is making steady progress on rebuilding its business and began recording profits in the second half of FY2020.



Sales are also growing in the Springs Business, driven by growing demand from the automotive and construction machinery industries. In contrast, MSSC, the North American springs subsidiary, continued to grapple with difficulties in the first half of the fiscal year as the process of achieving business reforms through its plant consolidation remains a work in progress. We seek to bring MSSC into the black in FY2022.

The Formed & Fabricated Products Business and the Machinery Business do not account for very large percentages of total sales. However, on top of maintaining profitability under the harsh conditions of FY2020, both continue to record favorable results, boosted by recovering demand in FY2021.

The trend of rising raw material prices has persisted for longer than initially expected. Future prospects remain uncertain. Still, despite a lag in passing on higher raw material prices to customers, we are now making gradual progress with these efforts. Profit figures reflect the effects of measures implemented in FY2020 to cut fixed costs, as

well as cost savings resulting from recovering sales figures and increased production volumes.

In our FY2021 consolidated financial results, based on the conditions outlined above, we expect to secure net sales of JPY140 billion, up 43% YoY. We expect both operating income and net income attributable to owners of the parent company to recover to JPY4.3 billion and JPY1.7 billion, respectively.

In FY2020, as part of efforts to cut fixed costs, we sought participants for our first voluntary retirement program. Underlying this initiative is the need, particularly in the Special Steel Bars Business, to transition to a corporate makeup capable of generating stable profits even in the face of sharper demand fluctuations in the construction machinery industry, which accounts for a large share of customers. Based on this understanding, we made the difficult decision to seek voluntary retirees. These and other efforts to cut fixed costs have resulted in lowering the break-even point, toward a more profitable structure to achieve sustained growth.

## **We are making steady progress on initiatives based on the three main directions of the Mid-term Business Plan. We expect to achieve our operating income and ROE targets.**

Currently, the Group is making progress on the 2020 Mid-term Business Plan, which covers the three-year period from FY2020 through FY2022. This plan, the first stage in a long-term vision toward FY2030, targets sustained growth through efforts to strengthen our product appeal and to expand our business model for seamless production from materials while reviving loss-making overseas businesses and achieving higher profitability and stable earnings.

Based on our slogan—Provide the customers with added value by manufacturing seamlessly from materials to products—we are moving to achieve the goals of this plan based on three main directions: restructure our overseas businesses; strengthen our product appeal further; and expand our business model for seamless production from materials.

In the year and a half since the launch of this plan, restructuring of our overseas businesses have generated steady results. Examples include, as noted before, improved earnings consistent with plans at JATIM, the Indonesian special steel bars subsidiary. MSSC, the North American springs subsidiary, plans to complete the consolidation of its US plants in Canada and Mexico by the end of FY2021 and to achieve profitability in FY2022.

By establishing the Sales Strategy Office in the Sales Division to strengthen our product appeal further, we have made structural improvements that contribute to technological developments based on ideas unconstrained by existing frameworks and to our capacity to propose timely solutions to our customers. To enhance our manufacturing

strengths, we are striving to prevent problems and ensure the seamless launch of new products by sharing information with management on major inquiries and key performance indicators (KPIs) of plants in each country.

Based on the goal of expanding our business model for seamless production from materials, we are moving forward with efforts involving the Advanced Materials Center (AMC) at the Chiba Works. With the operational launch of its vacuum induction melting (VIM) furnace in June 2021, the AMC has established a materials development structure based on three pillars: VIM, the mass-production gas atomizer line for powder products, and the prototyping lines for precision castings and precision forgings. The AMC has also launched full-scale efforts to meet new needs identified by the Sales Strategy Office.

In light of the progress on stopping losses at overseas businesses and enhancing manufacturing strengths, we believe that at this time we are making steady progress on the measures outlined in the 2020 Mid-term Business Plan. The plan's targets for consolidated financial results include net sales of JPY150 billion, operating income of JPY7 billion, and ROE of 8% or higher. Although we expect some difficulties in achieving the target for net sales due to factors such as the impact of market conditions, we do expect to be able to achieve the targets for operating income and ROE thanks to the effects of increased utilization due to demand recovery as well as the lower break-even point, along with the projected profitability of MSSC in North America in FY2022.



## We will pursue governance to improve corporate value through approaches and initiatives targeting true efficacy and functional enhancements.

In accordance with the transition to the new market segments of the Tokyo Stock Exchange in April 2022, we have chosen to migrate to listing on the Prime Market. We are currently working to meet the listing criteria on that market and to gain listing approval. As Japan's premier equities exchange, the Prime Market requires listed firms to develop advanced corporate governance structures in various areas, including standards governing independent outside directors.

To date, we have worked to meet the demands of society by enhancing corporate governance based on the Corporate Governance Code. Nevertheless, in line with the criteria of the Prime Market, we adopted a new structure in June 2021. This structure reflects a decline in the number of directors from nine to six, and requires the presence of independent outside directors (two) in numbers accounting for at least one-third of the members of the Board of Directors, and reduces the term of office for directors from two years to one. Future plans call for ensuring the diversity of the board membership.

We understand that enhancing corporate governance means more than simply meeting requirements for membership and management makeup. Our goal is to improve corporate value through approaches and initiatives that target true efficacy and functional enhancements.

Based on this perspective, we have established the Governance Committee as an organization operating under the umbrella of the Board of Directors. Consisting of two

independent outside directors, this committee will encourage the active participation of independent outside directors by providing opportunities for open discussion. New items for deliberation will be added for items submitted and reported to the board; advance study meetings will be held on the topics deliberated on by the board. The committee will also serve as a venue for exchanging information and sharing understanding, thereby promoting fair decisions concerning business activities and management strategies. These initiatives have led to the vitalization of the board as a whole.

In June 2021, we also adopted an executive officer system. This is intended not just to supplement the business execution structure in response to a smaller board of directors, but to delegate business execution responsibilities as part of a succession plan and to develop capable candidates for director positions. Henceforth, we will seek to create opportunities for periodic discussions and presentations that will enable subsequent generations of Company executives to master the approach needed one or two decades into the future.

We see this migration to the Prime Market as an opportunity to accelerate management efforts targeting the environment, society, and governance (ESG) and the Sustainable Development Goals (SDGs) and to improve reforms to achieve true sustainability. We plan to communicate proactively with all stakeholders involved in our businesses regarding these initiatives.

## We will promote decarbonization through efforts centered on the Carbon Neutral Committee and enhance human resource development and diversity initiatives.

We have established an internal structure to promote sustainability consisting of the Sustainability Committee, of which I am the chairperson and whose membership is centered on all executive officers and managers of the general manager rank in administrative sections. We have also established organizations under the Sustainability Committee—the Carbon Neutral Committee, the Global Environment Committee, and the ESG Subcommittee. Of these, the Carbon Neutral Committee is responsible for advancing efforts to promote decarbonization.

Decarbonization, a target set for FY2030 or FY2050, is an essential goal from the perspective of the younger generation, who sense the threat to the world in which they will live. For this reason, the membership of the Carbon Neutral Committee includes younger employees as well as members from executive levels.

Since steelmaking, the Group's main business, consumes significant energy, we are obligated to make even more strenuous efforts than other companies to achieve decarbonization, by reducing CO<sub>2</sub> emissions and conserving energy. We have set separate targets for steel sections and other sections in initiatives to achieve carbon neutrality in FY2050. These call for reductions (vs. FY2013) of 10% in CO<sub>2</sub> emissions intensity in the steel sections by FY2030 and reductions of 50% in total CO<sub>2</sub> emissions in other sections. Preconditions for achieving these targets in the steel sections include detailed calculations of emissions by individual plants and facilities and making heat treatment processes more efficient. At the same time, we will strive to achieve decarbonization in the supply chain by focusing on efforts through our product lines. Such efforts include use of steel materials that do not require heat treatment or

require less time with such treatment and further developments of lightweight springs to help reduce vehicle fuel consumption.

Human resource development and diversity are also important topics for promoting sustainability within the organization.

In human resource development, in addition to providing opportunities for growth and developing education structures, we are focusing on how well managers develop subordinates. This is an element of performance evaluation under the newly adopted personnel and compensation system for managers. The goal is to make work more rewarding and motivating for individual employees by enhancing goal-setting and management systems. For the

time being, these initiatives are being promoted throughout the organization in my meetings with managers of the general manager rank.

In the area of diversity, particularly with regard to promoting women in the workplace, we are advancing efforts to develop working environments and systems that women will find more inviting and hospitable. We have set diversity targets equivalent to 10% of the workforce in each production workplace, with the goal of shattering the conventional wisdom that steelmaking is primarily a man's job. Through these efforts, we expect to improve workplace environments traditionally framed in terms of masculine roles and to drive innovations in manufacturing.

## We will strive to achieve sustained growth and create further social value based on recovery in financial results.

Based on recovery in financial results and steady progress under the Mid-term Business Plan, as described above, we plan in FY2021 to pay dividends for the first time in three years. The annual amount will be JPY40/share (interim dividend of JPY10/share and year-end dividend of JPY30/share).

Shareholders, investors, and other stakeholders endured sustained losses in FY2019 and FY2020 due to sudden declines in the business environment and poor performance

of overseas businesses. Nevertheless, we have succeeded in rebuilding our businesses. We anticipate recovery in financial results and to reward the support of our stakeholders. While movement toward ESG and SDGs management has been stalled at times over the past two years, we will accelerate our efforts in these areas to achieve sustained growth and create further social value.

We are grateful for the continuing support and understanding of our stakeholders.





# The Mitsubishi Steel Group's initiatives to achieve a sustainable future

We recognize that efforts to deliver solutions to social issues are among the key responsibilities of any enterprise. To date, the Group has focused on environmental conservation activities and social contribution activities at all facilities, including those around the world. However, evolving social attitudes have generated rapidly growing demands for enhanced ESG<sup>\*1</sup> management efforts and disclosure.

In response, we are accelerating decarbonization initiatives more than ever, including establishing a new Sustainability Committee, setting CO<sub>2</sub> emissions reduction targets, participating in the Challenge Zero initiative, and declaring our support for the TCFD<sup>\*2</sup> recommendations.

We are also striving proactively to identify solutions to social issues through our products, based on progress in developing products and materials to contribute to reduced CO<sub>2</sub> emissions in final products and customer production processes. Examples include research and development targeting further weight reductions in springs and products for electric vehicles, as well as the development of steel materials that will enable shorter heat treatment times.

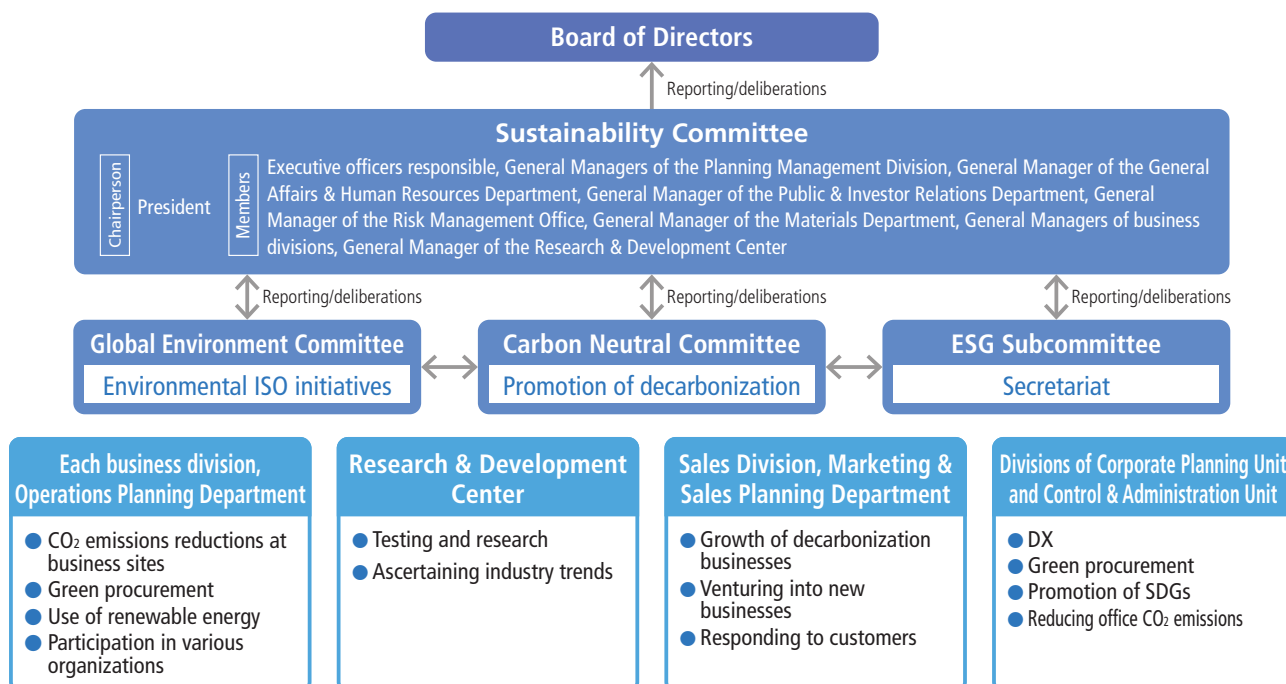
## Our sustainability promotion structure

In addition to establishing the Basic Policy for Sustainability (see p. 2), we established the new Sustainability Committee in November 2021 to deliberate on and propose measures to secure the sustained growth of the Group. We have also established a management structure capable of promoting sustainability on a cross-functional basis by establishing the new Carbon Neutral Committee and ESG Subcommittee, in addition to the existing Global Environment Committee. All are organizations under the umbrella of the Sustainability Committee.

The Group regards climate change as a key management topic. In November 2021, we declared our support for TCFD, a framework for disclosing information on the financial impact of climate change on business and specific measures to address this impact. Plans call for the Sustainability Committee to deliberate on disclosure related to climate change based on the TCFD framework.

Other examples of proactive efforts to establish a decarbonized society include participation in the Muroran Decarbonized Society Creation Council and the Muroran Offshore Wind Industry Promotion Association (MOPA) in the city of Muroran, where we operate a special steel bars production facility, as well as participation in the Challenge Zero initiative (see p. 13).

### Sustainability promotion structure



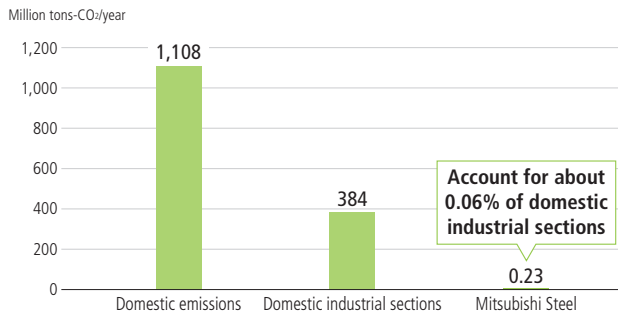
\*1 ESG: Environmental, social, and governance \*2 TCFD: Task Force on Climate-related Financial Disclosures \*3 Including domestic and overseas subsidiaries



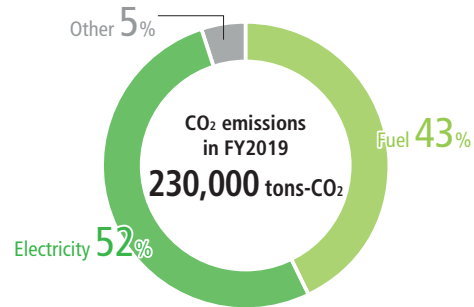
## Carbon neutral initiatives

Our carbon neutral initiatives include the formulation of a roadmap to achieve carbon neutrality by FY2050, under which we set the targets of reducing CO<sub>2</sub> emissions intensity in steel sections by 10% in light of planned business growth and reducing total CO<sub>2</sub> emissions by 50% in other sections, both by FY2030 (vs. FY2013). Steps toward these goals will include improvements in production and equipment efficiency and use of renewable energy. As part of these efforts, through the use of solar power and other measures, we will strive to achieve carbon neutrality by FY2030 in office sections.

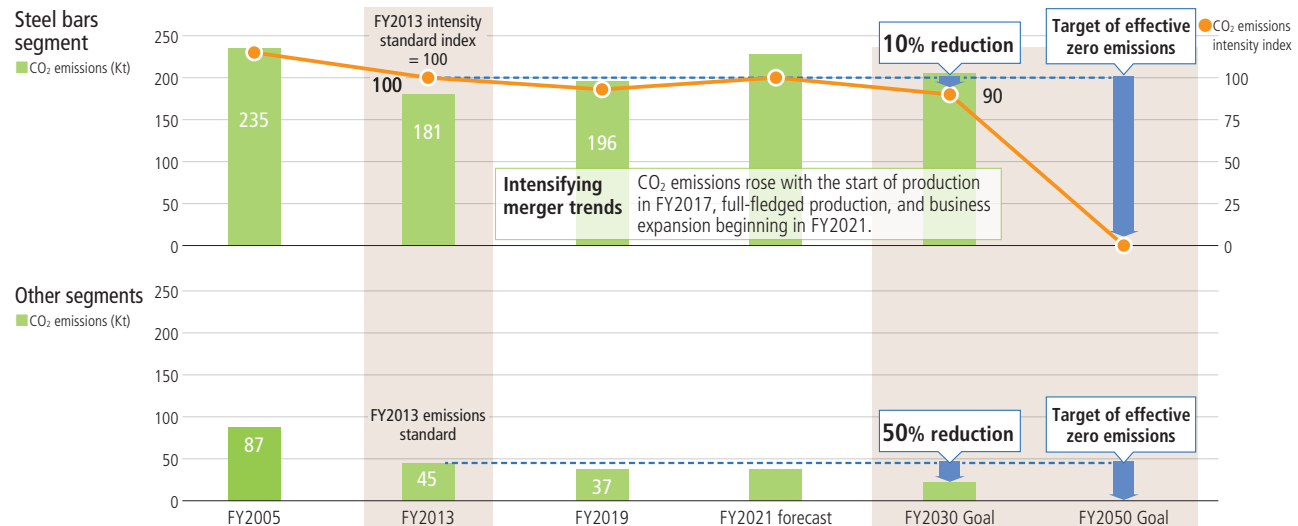
### Our CO<sub>2</sub> emissions standing in FY2019



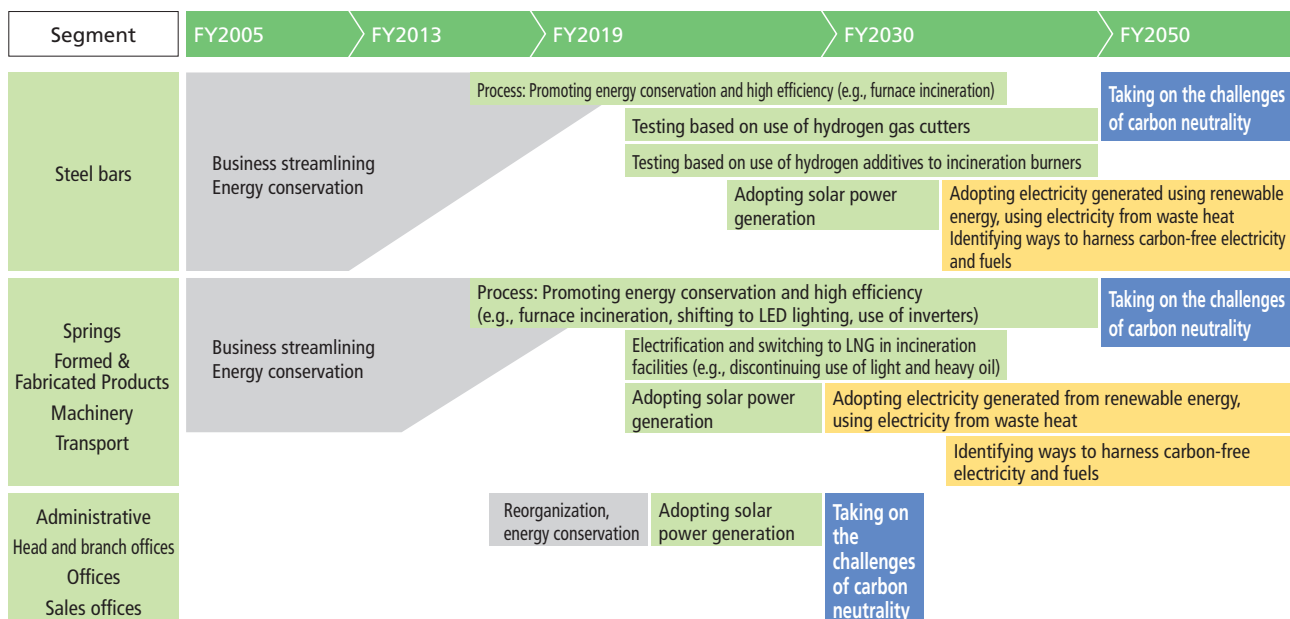
### Breakdown of our CO<sub>2</sub> emissions



### Reduction targets toward carbon neutrality



### The roadmap to 2050





## Participation in the Challenge Zero initiative to achieve a decarbonized society

We have joined the Challenge Zero initiative, whose goal is to achieve a decarbonized society. We seek to identify solutions to social issues in various ways, including helping to achieve a decarbonized society, based on the two examples of innovations described below, which have been made public through our participation in the initiative.

### Challenge Zero



Challenge Zero is a new initiative launched jointly by Keidanren (Japan Business Federation) and the Japanese government to raise awareness of and to support, both in Japan and worldwide, innovative actions by companies and other organizations to achieve a decarbonized society under the Paris Agreement, an international framework on climate change.

<https://www.challenge-zero.jp/en/member/191>



#### Innovation example 1

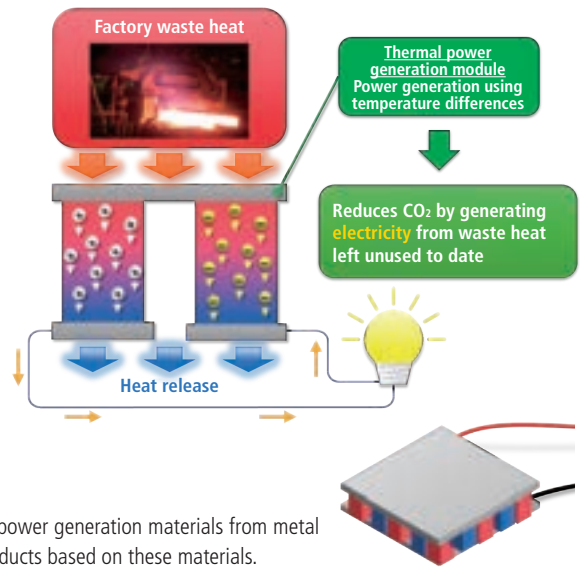
##### Utilization of wasted heat by thermoelectric materials

- Converts waste into electricity using the waste heat generated by power generation; requires no major generators.
- Our goal is to achieve rapid commercialization of this proprietary technology.
  - Thermal power generation materials are materials used to convert heat energy to electrical energy.

They are attracting attention as ways of putting unused energy released into the air from sources such as motor vehicles, factories, and power plants to effective use.

**Issues** High price, use of precious metals, poor energy-conversion efficiency, etc.

- Our current development efforts seek to produce proprietary thermal power generation materials from metal powders, free of harmful or costly elements, and to create module products based on these materials.
- These efforts, which make effective use of waste heat from factories, bring us closer to a carbon-zero society.

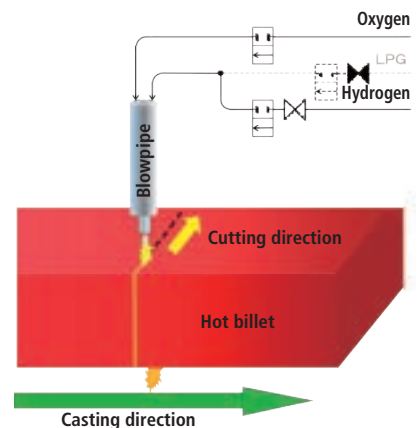
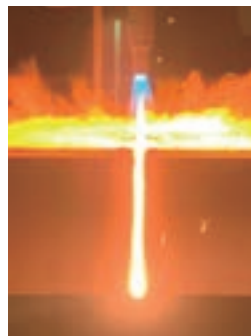


Thermal power generation module

#### Innovation example 2

##### Reducing CO<sub>2</sub> emissions by using hydrogen as an alternative steel cutting gas

- Currently, LPG gas cutting equipment is used to cut cast steel from continuous casters to lengths suitable for the final products in which the steel will be used. We are seeking to eliminate CO<sub>2</sub> emissions from this process by converting from LPG to hydrogen.
- It will take time to secure the supply of hydrogen needed for full-scale adoption as a cutting gas. Nevertheless, we will make progress on switching to hydrogen in large-scale equipment, including heating furnaces, while acquiring know-how from facilities for which hydrogen use is already suitable.

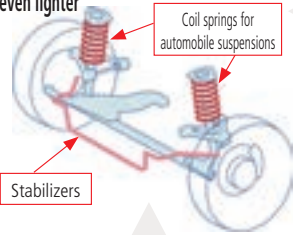


## Example of efforts to reduce environmental impact through the use of our products

In addition to research and development targeting further weight reductions in springs and products for electric vehicles (EVs), in response to the accelerating trend toward use of EVs and the CASE (connected, autonomous, shared and services, and electric) approach, we are promoting carbon neutrality through our products by drawing on strengths in manufacturing seamlessly from materials to products. These efforts include the development of materials that will reduce CO<sub>2</sub> emissions in customer production processes.

### Responding to the shift toward EVs and CASE

Making coil springs for automobile suspensions even lighter

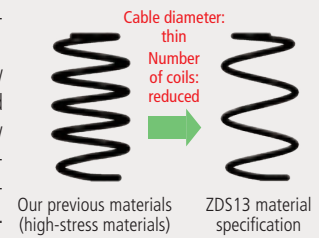


#### Coil springs for automobile suspensions

Drawing on manufacturing seamlessly from materials to products, we are striving to make coil springs for automobile suspensions even lighter through both materials development and process development.

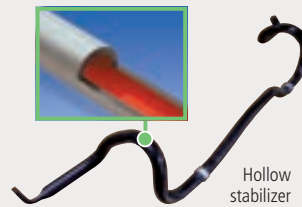
In the area of materials development, we have developed ZDS13, a proprietary high strength spring steel that strikes a balance between high strength and performance in corrosive environments, while reducing product weight by about 20%. In the area of process development, we have achieved comparable weight savings by incorporating methods that boost the strength of commercially available standard steel in the spring manufacturing process. Combining these materials and processes will enable even lower weight.

#### Achieving 20% weight reduction (vs. our previous materials)

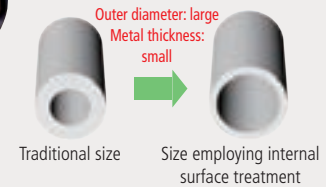


#### Stabilizers

We have developed a proprietary inner surface processing technology and achieved a weight saving of 20% or more in our stabilizer products. This technology increases durability to make it possible to build hollow stabilizers with reduced thicknesses. We plan to apply this patented technology to meet growing needs for lighter parts against the backdrop of efforts to improve fuel consumption and the accelerated development of electric vehicles.



#### Achieving 20% weight reduction (vs. hollow stabilizers)

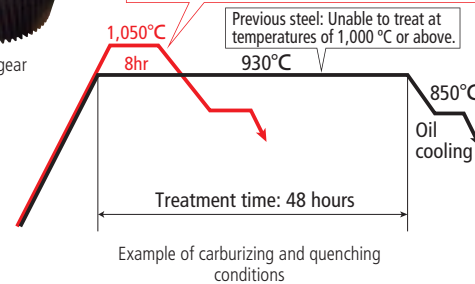


### Developing high-temperature carburizing steel and other materials for construction machinery

- The process of heat treatment (carburizing) in surface treatment achieves the high fatigue strength needed for gears.
- The higher the treatment temperature (1,000°C or above), the more quickly carburizing can be completed. (However, there are limits to high-temperature treatment times.)
- We have developed high-temperature carburizing steel for use in large parts. This steel helps reduce energy consumption and CO<sub>2</sub> emissions in customer manufacturing processes by significantly reducing heat treatment times (reducing CO<sub>2</sub> by approx. 80% in the example at right).



Proprietary high-temperature carburizing steel: Capable of treatment at 1,050 °C. Saves 40 hours compared to previous methods.



### Offshore wind power generation initiatives

Drawing on comprehensive strengths in engineering and manufacturing, Group company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. is now venturing into the renewable energy business.

- Supplying ring rolling mills for bearings and cast flanges for use in wind power generation
- Fabricating large-scale turning rolls
- Fabricating wind-power towers, monopiles, and transition pieces
- Fabricating machinery for vessels used to set up offshore wind turbines (SEP vessels)



### Efforts to develop high performance ring rolling mill technologies

We develop high performance rolling technologies for energy-saving systems to domestic and overseas customers.

- Saving energy through minimum flow idling
- Reducing use of heating furnaces by shifting from multiple heat rolling processes to a single heat process
- Improving product yields by increasing rolling accuracy





# Human resource development

## Developing autonomous human resources and harnessing diverse human resources

We will provide growth opportunities by rebuilding our education structures. We will develop autonomous human resources capable of independent thinking while shouldering responsibility for their actions. We will ensure diversity and deploy human resources capable of adapting flexibly to environmental changes.

### Increasing added value in work through digital transformation (DX)

Supporting growth in employee information and communication technology (ICT) literacy and usage skills as the foundations for DX promotion

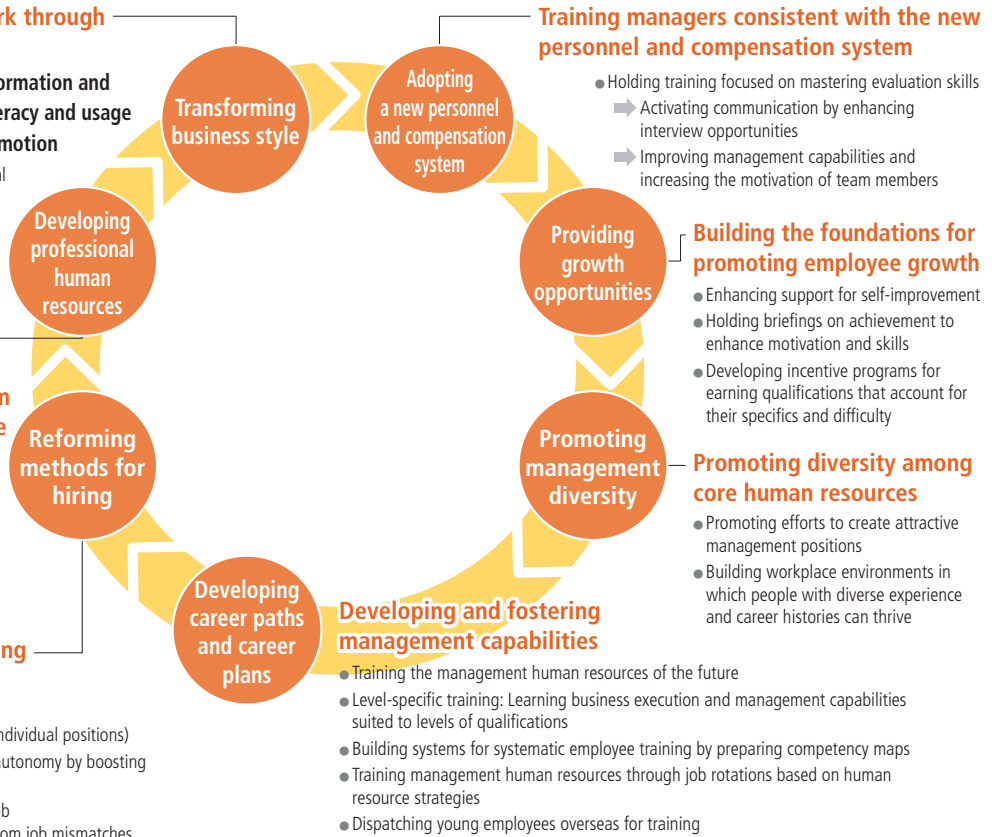
- Enhancing support for acquisition of official qualifications (IT-related qualifications)
- Implementing training on business transformation and operational improvements through DX (from management to employee levels)

### Fostering professional awareness and shifting the basis of human resources from internal value to market value

- Supporting acquisition of specialized knowledge and skills
- Supporting acquisition of a doctorate (professional PhD support program)
- Encouraging use of study programs at domestic universities and acquisition of business-related qualifications

### Reforming methods for securing human resources

- Transitioning to job-based hiring (establishing a system of hiring based on individual positions)
- Creating opportunities for demonstrating autonomy by boosting work motivation
- Matching the right people with the right job
  - ➔ Preventing early separation resulting from job mismatches



### Training managers consistent with the new personnel and compensation system

- Holding training focused on mastering evaluation skills
  - ➔ Activating communication by enhancing interview opportunities
  - ➔ Improving management capabilities and increasing the motivation of team members

### Building the foundations for promoting employee growth

- Enhancing support for self-improvement
- Holding briefings on achievement to enhance motivation and skills
- Developing incentive programs for earning qualifications that account for their specifics and difficulty

### Promoting diversity among core human resources

- Promoting efforts to create attractive management positions
- Building workplace environments in which people with diverse experience and career histories can thrive

### Developing and fostering management capabilities

- Training the management human resources of the future
- Level-specific training: Learning business execution and management capabilities suited to levels of qualifications
- Building systems for systematic employee training by preparing competency maps
- Training management human resources through job rotations based on human resource strategies
- Dispatching young employees overseas for training

## Numerical targets on workstyle measures and diversity

### Details

We promote diversity and inclusion to realize an organization in which our diverse employees can take pride in their work while demonstrating their abilities to the fullest.

**Diversity** : Welcoming diverse human resources, including women, seniors, LGBT, non-Japanese workers, and those with disabilities.

**Inclusion** : Enabling diverse human resources to demonstrate their abilities to the fullest through rewarding work

### Initiatives to encourage diverse human resources to thrive

#### Promoting women in the workplace

Promoting women in all workplaces and at all levels, including promotion to leadership positions; providing the support needed to enable them to demonstrate their abilities to the fullest throughout their careers

Percentage of employees who are women

**Target of 15% or better by 2025**  
(FY2020: 12.4%)

Percentage of managers who are women

**Target of 10% or better by 2025**  
(FY2020: 4.3%)

Percentage of officers who are women

**Target of 10% or better by 2025**  
(FY2020: 0.0%)

#### Realizing work styles to enable workers to thrive under various conditions

As a precondition of diversity initiatives, we will eliminate long working hours. We will consider ways of working and resting that enable individuals to improve their results. We will take measures toward realizing these goals as an issue shared by labor and management.

Percentage of employees taking annual paid vacation

**Target of 75% in FY2022 and beyond**  
(FY2020: 44%)





► **Appointing the President as Chief Digital Officer (CDO) and establishing a DX Promotion Office**

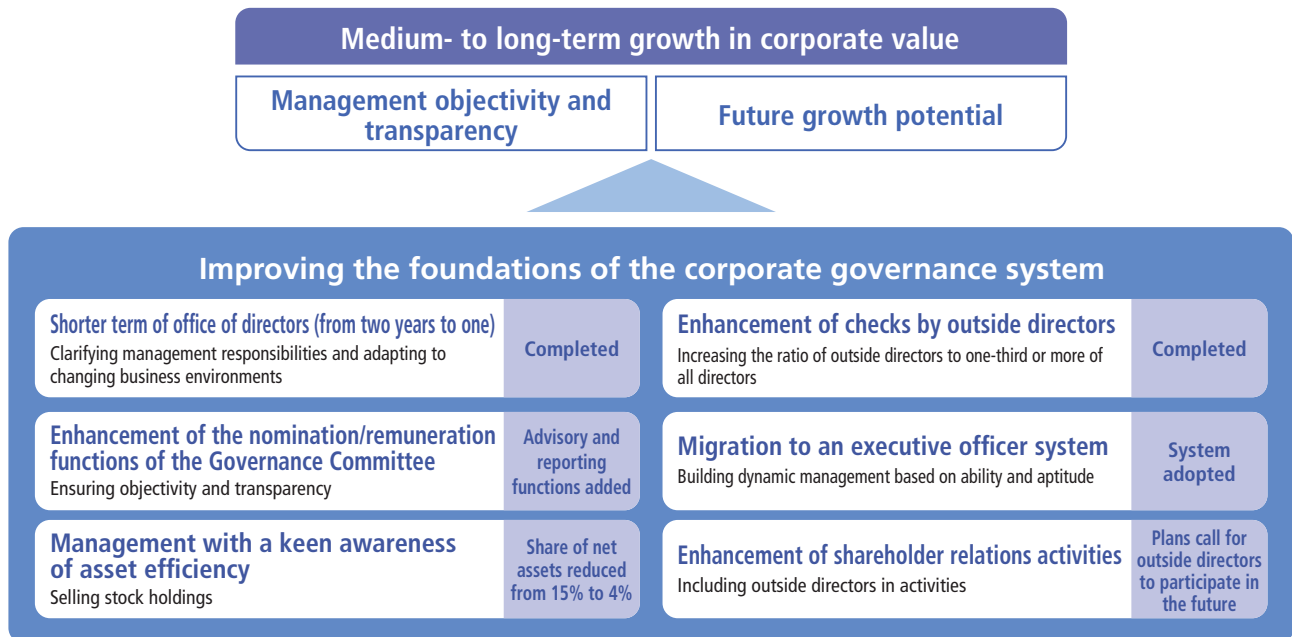
- Our goal is to boost corporate value by continually refining the corporate structure, accelerating decision making, and shortening lead times from product development to delivery. We will achieve this goal by generating new businesses and through operational processes based on digital technologies.
- Led by management, we will implement comprehensive reforms and develop new business models and new operational processes.



► **Governance enhancements targeting medium- to long-term growth in corporate value**

In June 2021, we improved the foundations of the corporate governance by shifting to a new system intended to ensure management objectivity and transparency.

As the Tokyo Stock Exchange plans to transition to the new market segments in April 2022, through further enhancements in corporate governance in preparation for listing on the Prime Market, we are enhancing our corporate governance system to build a structure recognized by shareholders and investors as a transparent management structure.





## Initiatives toward the Sustainable Development Goals (SDGs)

In FY2019, we identified themes based on the axes of "significance within the Company" and "external expectations for the Group," singling out six priority topics, which we mapped against the 17 goals and 169 targets of the SDGs.

We will contribute to achieving a sustainable society by further expanding and advancing these activities.

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

#### Business strategy domain

Creating new businesses (responding to the trends toward EVs and CASE, developing new products)



- Focusing on developing and manufacturing equipment for renewable wind power
- Manufacturing and sales of hydraulic elevators for use on SEP vessels used to set up offshore wind turbines
- Developing and launching color magnetic separators capable of sorting multiple metals to achieve effective waste segregation and increase recycling rates for reduced environmental impact
- Delivering coil springs for automobile suspensions used in platforms for electric vehicles and maintaining research and development toward further optimization

Eco-friendly products (e.g., lighter weight)



- Developing technologies to achieve weight reductions in coil springs for automobile suspensions and stabilizers and currently making progress on developing technologies for even greater weight reductions. Proactively moving forward with weight reduction initiatives for commercial vehicles.
- Currently developing and proposing various types of steel (e.g., high-temperature cement steels, non-heated steels, and high-speed nitride steels) based on the concept of contributing to CO<sub>2</sub> emissions reductions at customer plants

Eco-friendly production (e.g., CO<sub>2</sub> emissions reductions, recycling, use of renewable energy)



- Setting targets and milestones for CO<sub>2</sub> emissions reductions in plant production processes
- Promoting collaboration across the entire supply chain and in local communities to achieve carbon neutrality (e.g., participation in the MOPA)

#### Management foundation domain

Natural disaster risks (BCP measures)



- Reviewing business continuity plans (BCPs) with a focus on swift resumption of production to avoid supply chain disruptions
- Implementing BCP drills at major business sites in Japan and reflecting the results in BCPs. Planning to identify issues and implementing improvements in response through drills.

Governance/compliance



- Over the past year, improving the foundations of our corporate governance system to ensure management objectivity and transparency (See p. 29 on corporate governance for more information)

Swift responses to laws and regulations



- Recognizing changes in laws and regulations around the world and developing a structure to take the necessary measures by obtaining information from a major law firm to avoid unintentional violations involving changes in laws and regulations overseas
- Applying information on changes in laws and regulations in sales promotion activities

# Report on CSR activities

Our FY2020 activities (and some FY2021 activities) are reported beginning on page 18.



Alongside the environment



## 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

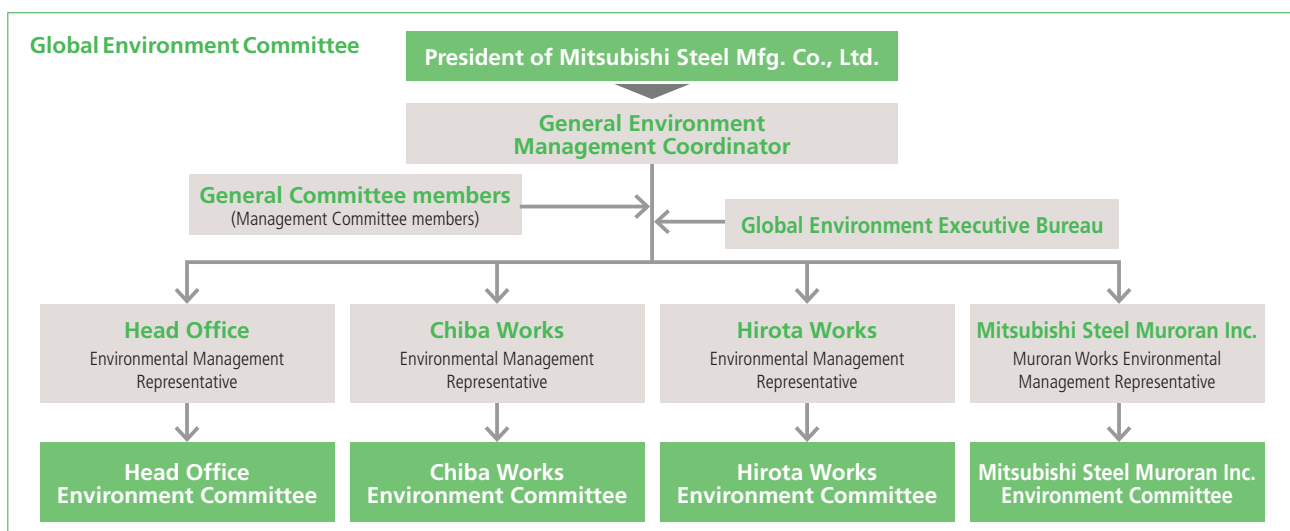
1. As an organization which contribute toward a sustainable society through manufacturing, take the environment into consideration at all stages of business activities including from product development and design to manufacturing.
2. Set environmental objectives and targets based on corporate environmental 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



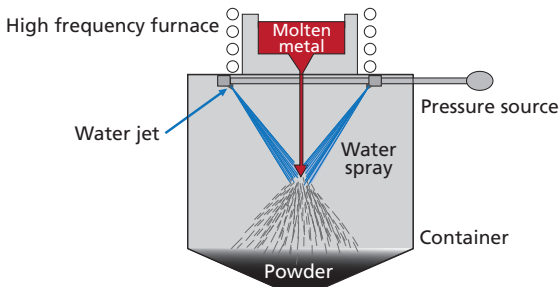


# Initiatives to reduce environmental impact

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

## ■ Reducing electricity intensity in the metal powder manufacturing process

The metal powders group at the Hirota Works has reduced electricity intensity in the melting and atomization process of manufacturing metal powders by adjusting the volume of molten metal injected during atomization. This has reduced electricity intensity in the melting and atomization process by roughly 12 kWh per ton of product weight YoY, resulting in reductions of approximately 151 tons per year in CO<sub>2</sub> emissions in the metal powder manufacturing process.



Overview of the water atomizing process

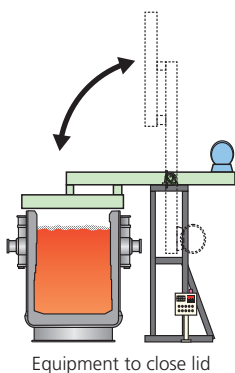
## ■ Reducing LF electricity use by installing equipment to close ladle lids

Mitsubishi Steel Muroran Inc. has installed equipment to close ladle lids by updating unneeded ladle preheating burners.

Closing the lid on molten steel in a ladle on standby helps retain heat, reducing LF electricity use.

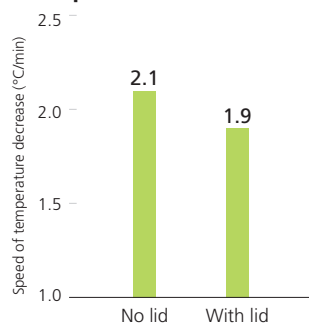
The equipment has slowed the speed of temperature decrease in molten steel on standby by 0.2°C/minute, reducing LF electricity consumption by 22,200 kWh/month—roughly equivalent to reductions of 125 tons/year in CO<sub>2</sub> emissions.

Efforts to improve energy consumption at plants will continue into the future.



Equipment to close lid

### ■ Comparison of speed of temperature decrease



## ■ Responding to amended laws and regulations (welding fumes designated as a specified chemical substance)

Welding fumes (particulate matter) generated during metal arc welding and similar activities are now known to pose a risk of nerve damage and other hazards to worker health. On April 1, 2021, the relevant laws and regulations were amended and enacted to make welding fumes subject to regulation as a specified chemical substance. Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. has implemented the following measures to prevent exposure.

### 1. Appointing forepersons trained on specified chemical substances

Forepersons have been appointed and announced who have completed training for forepersons on specified chemical substances, tetraalkyl lead, and other materials.

### 2. Conducting special health examinations related to welding fumes

These health examinations were administered for all employees working in arc welding and similar activities. Plans call for regularly administering such examinations once every six months.

### 3. Measuring airborne welding fume concentrations

Measurements were performed in August at the main plant and Isahaya No. 2 Workshop (see photos).

### 4. Plans call for testing the fit of dust masks

In addition to ventilation, depending on the results of concentration measurements, protective wear (dust masks) can help prevent exposure. The fit of dust masks will be tested once annually.



Measuring air concentrations using individual samplers



## Initiatives to build safe, comfortable workplace environments



Based on the “Safety First” principle, the Group strives to build safe, healthy, and comfortable work environments for its employees.

### Safety initiatives

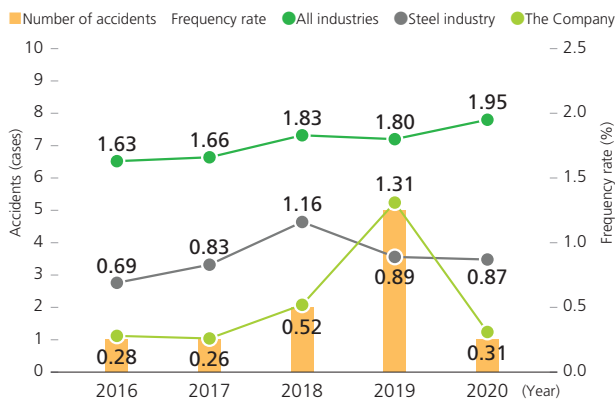
#### Current conditions at the Company

A look at the link between job-related injuries and years of work experience over the past four years shows that most of those injured were highly skilled workers. Some were injured due to negligence in performing familiar work.

#### Our responses

- (1) When a workplace accident occurs, we discuss the incident and exchange opinions with the section in which the accident occurred. We also strive to prevent similar accidents by deploying our response at other sections and at overseas facilities.
- (2) All business sites in Japan hold periodic employee meetings for safety to share information on good examples of safety initiatives, identify conditions and issues related to the extended mandatory retirement age, and exchange opinions to create workplaces that account for characteristics of older workers.

#### 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 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.

#### Prevention of 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 with the full enactment of an amended law on January 2, 2022, Mitsubishi Steel Muroran Inc. is currently implementing in-house health and safety education on full harnesses.



Safety education

### Creation of comfortable workplace environments

#### 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.

#### Measures to prevent harassment

Increasingly stringent measures to counter harassment are mandated by law. To prevent harassment, we have 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.

#### Workstyle reforms

● **Increased flexibility in working hours and locations**  
We have adopted a flextime system with no specified core hours as part of efforts to give employees the flexibility they need to make the most effective use of their time. We will continue to seek to establish diverse workstyles by



expanding the range of workplaces to which the flextime system applies and striking a balance between office work and remote work.

● **Work from home**

The Head Office sections have rapidly expanded the scope of work from home policies for office staff in response to the COVID-19 pandemic and during the Tokyo 2020 Olympic and Paralympic Games. Based on our ICT environments and operational rules, in addition to work from home policies, we are developing systems and environments to address all aspects of teleworking as a workstyle for the post-COVID age.

● **Use of Microsoft Teams**

We have adopted Microsoft Teams as a communication tool to enable diverse workstyles, no matter where employees work, whether in Japan or overseas. We have prepared related guidelines (including rules and recommendations on use) and are proposing and establishing concrete workstyles using the new tools.

**Promotion of use of childcare leave programs**

To support diverse workstyles, childcare leave programs have been enhanced in various ways, including lengthening the periods of childcare leave, expanding the scope of those eligible for shortened working hours for childcare purposes, and providing subsidies for temporary childcare services. We are also striving to make it easier to use by distributing materials summarizing childcare leave programs, 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 3 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 3 years
Nursing leave for children	Until the 3rd year of primary school: Up to 5 days/year for one child; 10 days/year for 2 or more children
Shortening of prescribed working hours	Until the 3rd year of primary school: Prescribed working hours may be shortened to 6 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 3 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

**Employee health**

Under our Corporate Philosophy—Maximizing Human Capital—the Group strives to create vital, comfortable workplace environments in which diverse human resources can thrive. An important goal is ensuring the mental and physical health of our employees. We take a proactive approach to health management to promote the health of our employees, and will continue working to create environments that maintain and improve employee health.

■ **Human resource education**

Human resources represent the source of any company's sustained growth. In April 2021, we established the new Human Resource Development to develop, plan, and operate educational structures. This is intended to create an organization that focuses on fostering and making the most of its human resources and allowing them to achieve a true sense of growth and self-realization.

To radically enhance human resource development, the Human Resource Development is implementing surveys of executives and employees on human resource development and clarifying issues we face.

Other efforts underway include formulating human resource development policies, establishing systems for promoting reforms in corporate culture and awareness, and developing an education structure.

**Human resource development of managers**

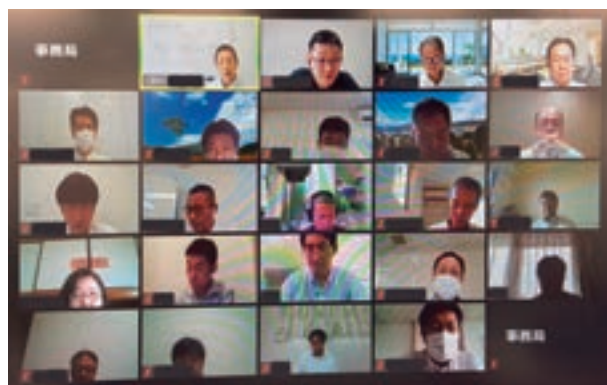
● **Evaluator training for managers**

In accordance with partial revisions to our compensation system slated to take effect from April 2022, we implemented training focused on evaluations intended to reaffirm the meaning and importance of evaluations.

The aim is to build trust through the ongoing sharing of goals and issues between superiors and subordinates, goal-setting based on dialogue, and more active communication between superiors and subordinates.

In response to COVID-19, training initially planned to be held in person was replaced in part by online training. Online training has made it possible for employees in other sections and at facilities in Japan and overseas, who typically have few opportunities to communicate, to train together without meeting in person. This has helped stimulate communication.

Plans call for continuing manager training enhancements with the goal of instilling an accurate understanding of the roles and responsibilities of managers in the career development of their subordinates and the management skills and knowledge needed to perform their duties.



Online training

## Human resource development initiatives for younger employees

### ● Training for younger employees

We implemented training for younger employees in their second, third, and fourth years of work to help them act more autonomously.

This training teaches participants not just autonomous thinking, but also the fundamental skills needed to demonstrate autonomy by controlling motivation through an awareness of objectives and goals.

Plans call for this training to be implemented periodically.

### ● Mentor program

As part of on-the-job training for new employees, we assign senior colleagues to serve as mentors for new employees in their first three years with the Company and to work with new employees in their actual tasks. Intended to help new employees achieve rapid growth on the job, this

program addresses both practical issues and emotional support in the workplace and everyday life.

We provided mentor training for the senior colleagues participating in this program to help them identify their strengths and weaknesses as mentors and to provide an opportunity to make improvements so that they, too, can grow in their training roles.

In this training, mentors also learned how to ease the sense of anxiety typical felt by new employees while strengthening their motivation. The training targeted improvements in the communication skills of listening, questioning, and empathy to help mentors serve as elders to whom new employees can turn to with questions and concerns, even as expanding teleworking policies in response to COVID-19 reduce opportunities for direct interaction among employees. The mentor program presents not just an opportunity for senior colleagues to consider how to better support new employees but also to consider anew their own workstyles and career paths.

## ■ Training system (for administrative/technical employees)

		Common training	Training on requirements for promotion	Selective training	Training on specific topics (companywide)	Self-improvement
Manager	Fellow/advisor	Management strategy training New general manager training		Language training for managers Outside training Management: human resource development (subsidiary management)		
	Councillor	Business leader training New manager training	Subordinate development training Organizational efficiency training	Language training through exchange with other companies Pre-posting training for resident staff		
General employee	Chief	Management training New chief training	Superior assistance training Risk management training			
	Mid-level employee	Year seven training Mentor training	Job progress training Planning/problem-solving training Presentation training	Dispatching younger employees overseas Domestic scholarship program	On-the-job training Compliance, diversity, and human rights training Health and safety training IT/digital training Special steel bars sales engineers training Career training for women	Level-specific business skills training Language training; e-learning; earning qualifications
	Younger/new employee	Training for younger employees on demonstrating autonomy Mentor program Engineers presentation meeting Follow-up training New employee training	Business fundamentals training Communication training Logical thinking training			



## Professional human resource development

### ● Domestic scholarship program

As part of our domestic scholarship program, we have established a professional PhD support program for employees pursuing doctorates while continuing to work. In FY2020, this program produced its first PhD graduate. We will continue to focus on professional human resource development initiatives.

### Acquisition of a doctorate through the professional PhD support program

I used the professional PhD support program to earn a doctorate, attending university classes while continuing to work as a Company employee.

I worried at first whether I could balance my everyday work with my academic research, since I was lacking in specialized knowledge, but the Company's support was instrumental in completing my doctorate in engineering.

I had to take some time off from pursuing my research for various reasons, including development trials at an overseas Company plant and work related to evaluations at a customer site, but the division of responsibilities within my group and the availability of an environment that made it possible to consult with my faculty advisor online made it possible for me to make presentations at academic conferences and prepare for submitting papers. My research created opportunities to engage in discussions with many experts, which in turn helped me gain a wide range of knowledge and build a more inquisitive spirit. It helped me grow as a well-rounded researcher.

My goals for the future include applying the knowledge and experience I have gained from the professional PhD support program to Company products and contributing to the progress of manufacturing in Japan.



Research Group 1  
 Research and Development Center  
 Tomohiro Yamazaki

### ● Enhancement of research and development through industry-academia partnership

We pursue energetic research and development through industry-academia partnerships. Established in 2016, the Research and Development Center plays a central role in these activities. As of FY2021, joint research is underway with five universities on a broad range of topics, including research to reduce the weight of coil springs for automobile suspensions, cut customer energy consumption and costs, improve quality control, and achieve carbon neutrality for the future. Results of joint research with partner universities include not just papers submitted to and presented at academic conferences, but work leading to the acquisition of a doctorate through the professional PhD support program and patent applications.

While COVID-19 currently limits interaction with universities, earlier activities included mutual tours and exchange activities between plants and university laboratories, as well as seminars and long-term internships for students invited from universities. We have also hired graduates from our laboratory partners.

We also participate in a program of university lectures organized by The Iron and Steel Institute of Japan and led by corporate top management. Through this program, we have presented lectures to university students on various topics, including examples of use of special steel bars, related manufacturing processes, and business and development case studies from the Company's activities. We intend to continue contributing to society through industry-academia partnerships.



A special university lecture held remotely

### ● Training for digital transformation

We have launched a program of executive training on digital transformation (DX) to deepen knowledge of DX and achieve a shared understanding of the Company's courses of action in this area. We are also continuing to pursue training and educational initiatives intended to obtain knowledge about responding to recent issues and to develop the next generation.

Since 2019, the Systems Department has played the leading role in employee training on robotic process automation (RPA) in efforts intended to improve business efficiency. This training is helping to improve business operations. For the future, we plan to implement training to improve digital literacy and develop DX human resources, thereby enhancing our human resource infrastructure in the field of DX.

### ● Support for self-improvement efforts

We have adopted e-learning as an educational tool for self-improvement. Since it is compatible with smartphones, this e-learning enables employees to learn in their free time with no restrictions in terms of time or place. Employees can choose from a wide-ranging curriculum, including classes on technologies and skills and practical computing knowledge, in addition to language skills and mental health and other management topics. To continually encourage employees to take part in this program, the secretariat office periodically issues e-learning bulletins.

We have also established a program to support employees seeking to earn official qualifications with the goal of helping motivate employees to earn official qualifications and achieve self-improvement. Under this program, employees who have earned official qualifications can receive financial incentives in amounts reflecting the type of qualification. A wide range of qualifications are recognized, including qualifications related to bookkeeping, industrial counseling, electrical engineering, and crane operation. In FY2021, we enhanced the range of eligible IT-related qualifications. We will also focus on efforts to enhance skills within the organization.





## Improvement of customer satisfaction



The Group's sales, manufacturing, and quality assurance sections make up an integrated organization that contributes to progress in society by continually delivering satisfying and reliable products.

### ■ Quality improvement initiatives

#### Quality assessment of high purity steel and feedback to the manufacturing process

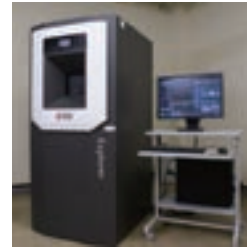
The high hardness steel used in applications like bearings and gears for various rotating devices, including those employed in automobile, rail, industrial machinery, and home electronics applications, needs to be long-lasting (i.e., resistant to metal fatigue). Nonmetallic impurities (particularly oxides) in steel can concentrate stress and reduce fatigue life. Accordingly, we work continuously to achieve high purity steel by reducing the dimensions and quantities of nonmetallic impurities.

The key to reducing nonmetallic impurities lies in optimizing the entire series of manufacturing processes from raw materials through melting, refining, and casting. We use state-of-the-art equipment for quality assessments of the manufactured steel to refine our high purity steel manufacturing technologies and provide feedback on the results to the manufacturing processes. This minimizes the

dimensions and quantities of nonmetallic impurities. Some examples of main quality assessment activities are provided below.

- Assessment of largest impurity dimensional estimates using extreme value statistics
- Impurity assessment (size, quantity, and structure) using automatic impurity measurement equipment
- Impurity assessment (size and quantity) using high frequency ultrasonic flaw detectors
- Assessment of fatigue life through rolling fatigue testing

We will continue to improve quality by refining our high purity steel manufacturing technologies.



Automatic impurity measurement equipment



Rolling fatigue testing equipment

## 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 CO<sub>2</sub> 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.



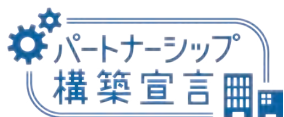
## ■ Compliance and fair transactions with global business partners

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.

### Declaration of Partnership Building

On October 26, we issued a Declaration of Partnership Building, a statement of our support for the intentions of the Council on Promoting Partnership Building for Cultivating the Future, which includes the Cabinet Office, the Ministry of Economy, Trade and Industry, and other participants. We plan to build new partnerships by promoting collaboration and mutual prosperity with all members of the supply chain and the other businesses with whom we work to create value.



## ■ 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.

## ■ Green procurement initiatives

To protect the earth's environment by reducing CO<sub>2</sub> 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.

# 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.

## ■ Communication with shareholders and investors

We strive to enhance timely and appropriate disclosure and communication through investor relations and shareholder relations activities intended to increase corporate value and earn the long-term support of shareholders and investors.

For three months, the Company website hosted video of the 97th Ordinary General Meeting of Shareholders, which shareholders were asked to refrain from attending on the day of the meeting as part of efforts since last year to stop the spread of COVID-19. Also provided on the website is a video introduction to the Mitsubishi Steel Group,<sup>(1)</sup> whose purpose is to help shareholders and investors understand aspects of the products and manufacturing processes of each business within the Group that can be difficult to convey through still images in pamphlets and similar materials.

We also meet regularly with institutional investors and shareholders and maintain a structure for swiftly relaying comments from shareholders and investors to top management and other members of the management team as feedback to be reflected in corporate management.

Twice a year, we hold briefings on financial results for securities analysts and institutional investors. Although we were forced to cancel these last year due to COVID-19, we held an online briefing via Microsoft Teams in May of this year.<sup>(2)</sup>

To earn the appropriate understanding and trust of all stakeholders, we will continue to actively provide information, create even more opportunities for dialogue, and expand fair, timely, and appropriate disclosure.



(1) Video introduction to the Mitsubishi Steel Group



(2) Online briefing on financial results



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

# Contributions to local 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 through communication.

## Volunteer activities

### Employee participation in charitable activities (North America) 12

As part of its charitable activities during the Christmas season, MSSC Canada Inc. (Canada) donates toys to the local Goodfellows organization. With the support of numerous employees, this activity, which seeks to ensure that no child goes without gifts on Christmas day, has continued for more than 20 years. MSSC CANADA also donates funds from employees and corporate donations to the local chapter of United Way Worldwide, a partner of the Central Community Chest of Japan, which raises funds through the Red Feather program. MSSC Inc. (USA) helps aid homeless people in the local community and protect their environment by making mats from plastic bags collected from home and shopping bags from supermarkets and other stores. (Mat making has been suspended since FY2020 due to COVID-19.)



Making mats



Completed mats

### Donations to schools (Thailand and China) 34

MSM (Thailand) Co., Ltd. (Thailand) continues to help school students through donations made each September to schools attended by children from impoverished households.

Since 2016, the labor union at MSM Ningbo Spring Co., Ltd. (China) has provided scholarships for three students at an elementary school, and provided the school with stationery. The school receives no subsidies from the city and is attended by children of migrant workers.



Donations in Thailand



Donating scholarships and stationery in China

### Participation in a project to help children (Philippines)

As a member of its industrial park, MSM Philippines Mfg. Inc. (Philippines) provided stationery and food to children through a program by the city of Calamba, Laguna, where its Manila Plant is located, that visits the homes of elementary and middle-school students. The program assists students unable to secure stationery and other school supplies due to various family circumstances.

### Donations of rice to local residents (India) 5

In April 2021, MSM Spring India Pvt. Ltd. (India) donated rice to local residents in the vicinity of the company site who were unable to purchase food supplies due to COVID-19 lockdowns.



Donating rice in response to COVID-19

### Mosquito eradication and supplies for daily life (Indonesia) 67

PT. Jatim Taman Steel Mfg. (Indonesia) responded to COVID-19 by donating rice, sugar, masks, and hand sanitizer to local residents.

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



Eradicating mosquito in Indonesia



Distributing food in Indonesia



### ■ Donations of picture books to children in Asia 8

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. In addition to Company volunteers, this activity is described in training for new employees as an example of our CSR activities. Trainees also help apply the stickers to the books.



Affixing stickers with translations of book text into local languages

### ■ Silver prize from the Nagasaki Chapter of the Japanese Red Cross Society

In September 2020, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. was awarded a silver prize by the Nagasaki Chapter of the Japanese Red Cross Society. This prize is awarded to individuals and companies that make substantial contributions to the funding of Red Cross activities.

## Interactions with community members

### ■ Plant tour for local residents

The Hirota Works holds plant tours for curious local residents. These tours provide an overview of the Company and describe manufacturing processes and environmental measures, as well as respond to questions from residents. This opportunity helps local residents learn more about the Company. 9 10



A plant tour at the Hirota Works



A briefing by the foreperson

MSSC Ahle GmbH (Germany) participates with several other companies in plant tours for local residents organized by the local chamber of commerce and industry. No age restrictions apply to tour participants, who board buses to tour two plants per bus. This program allows each company to publicize its corporate management policies for coexistence with the local community. 11  
 (The tours were cancelled in FY2020 due to COVID-19.)



A plant tour at MSSC Ahle GmbH (Germany)

### ■ 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. The goal is to enhance local disaster prevention structures in cooperation with local governments while fulfilling corporate responsibilities as members of the community.

### ■ Memorial service for nuclear bomb victims of the Nagasaki Steel Works 12

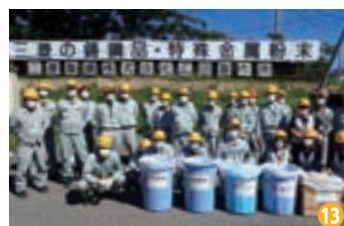
On August 9 of each year, a memorial service is held for more than 1,400 employees of the former Nagasaki Steel Works of Mitsubishi Steel Mfg. who died at work during the nuclear bombing of the city in World War II. Participants include family representatives, former Nagasaki Steel Works employees, Company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



Spirit consoling service for nuclear bomb victims at the Nagasaki Steel Works

### ■ Participation in neighborhood cleanup activities 13 14

The Hirota Works holds beautification activities on site and in the vicinity of the works every spring and autumn. Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. held cleanup activities in the area around its plant in March. Ryokoh Express Co., Ltd. (Ichikawa, Chiba Prefecture) participated in neighborhood cleanup activities organized by the Shiohama District Community Development Association.  
 (Ryokoh Express Co., Ltd. refrained from these activities in FY2020 due to COVID-19.)



Neighborhood cleanup activities at the Hirota Works



Neighborhood cleanup activities at Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.

## ■ Yawata Rinkai Matsuri festival 15

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. 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 festival was cancelled in FY2020 due to COVID-19.)



Yawata Rinkai Matsuri festival

## ■ Summer Bon festival 16

Every August, the Hirota Works holds a summer Bon festival. This festival welcomes large crowds including employees of the Hirota Works and partner companies as well as neighborhood residents. (The festival was cancelled in FY2020 due to COVID-19.)



Summer Bon festival

## ■ Athletics festival 17

Once a year, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. holds a softball tournament as an athletic and cultural activity for employees and their families. In FY2019, it hosted a large athletic festival open to employees and their families for the promotion of friendship through sports. (The festival was cancelled in FY2020 due to COVID-19.)



Athletics festival

## ■ Participation in the annual Wanishi Shrine festival 18

The annual festival of Wanishi Shrine is an event held in July by the local Wanishi retail district, neighborhood association, and local businesses in the city of Muroran, Hokkaido. Mitsubishi Steel Muroran Inc. strives to strengthen communication with the local community. A foreperson in ceremonial apparel typically carries the portable shrine through the streets. (The festival was cancelled in FY2020 due to COVID-19.)



Annual Wanishi Shrine festival

## ■ Cosponsoring of the Muroran Minato Matsuri festival

Mitsubishi Steel Muroran Inc. is a cosponsor of the Muroran Minato Matsuri festival, the city's largest festival. The festival's numerous attractions include fireworks, a dance in which all participants can take part, and a participatory parade. (The festival was cancelled in FY2020 due to COVID-19.)

## ■ Plant tour for high school students in Germany 19

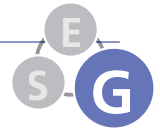
MSSC Ahle GmbH (Germany) partnered with an association of employers in the electric and metals industries in Cologne, which supports employment in those industries, to host a plant tour for high school students. Intended to encourage interest in the electric and metals industries in the younger generation, this tour helped young people learn more about local employment in metals processing.



Plant tour

## ■ Participation in the Nagasaki Eco-Life Week program

At Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., 57 employees participated in the city of Nagasaki's Nagasaki Eco-Life Week program. The program seeks to reduce CO<sub>2</sub> emissions through various ecological activities, including eco-friendly driving, use of public transport, and turning off lights during lunch. The city launched the Nagasaki Eco-Life initiative in 2010 with the goal of encouraging sustained environmental activities in which all residents take part. The week starting on December 5, 2020 was designated Eco-Life Week to encourage ecological activities among residents, who in turn sought to cut CO<sub>2</sub> emissions in their daily lives at home, at work, and at school.



# 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

To fulfill our social responsibilities as an enterprise trusted by society, in addition to establishing the Corporate Philosophy, Mitsubishi Steel Group Code of Conduct, and Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct, we established our Basic Policy for Corporate Governance, which enhances programs that seek to achieve effective corporate governance. Our corporate governance structure seeks to enhance the functions of the Board of Directors and the Board of Corporate Auditors and to strengthen oversight of business execution, compliance, and risk management through the Management Committee.

We have also established the Governance Committee as a subsidiary organization of the Board of Directors. The committee will promote exchange of information and shared understanding among independent outside directors. In these ways, we are enhancing the functions of the Board of Directors as they seek to exercise oversight of business execution through open discussions on Company businesses, governance, and other topics. In making decisions on nomination and remuneration of directors, the board consults with the Governance Committee, whose members are independent outside directors, to increase the objectivity and transparency of the board's functions with regard to director nomination and remuneration based on reports submitted by the Governance Committee.


## ■ Changes in the structure of directors from June 2021

- Adopting an **executive officer system**
- Increasing **the ratio of outside directors** to board membership to **one-third** or more
- Reducing **the term of office** of directors from **two years to one**

In June 2021, we adopted an executive officer system intended to enhance management oversight functions for rapid decision-making, strengthen checks and balances, and sharpen the focus on decisions concerning medium- to long-term courses of action. Other goals included developing systematic development management-level human resources by delegating authority for business execution to capable individuals with deep familiarity with the relevant business operations.

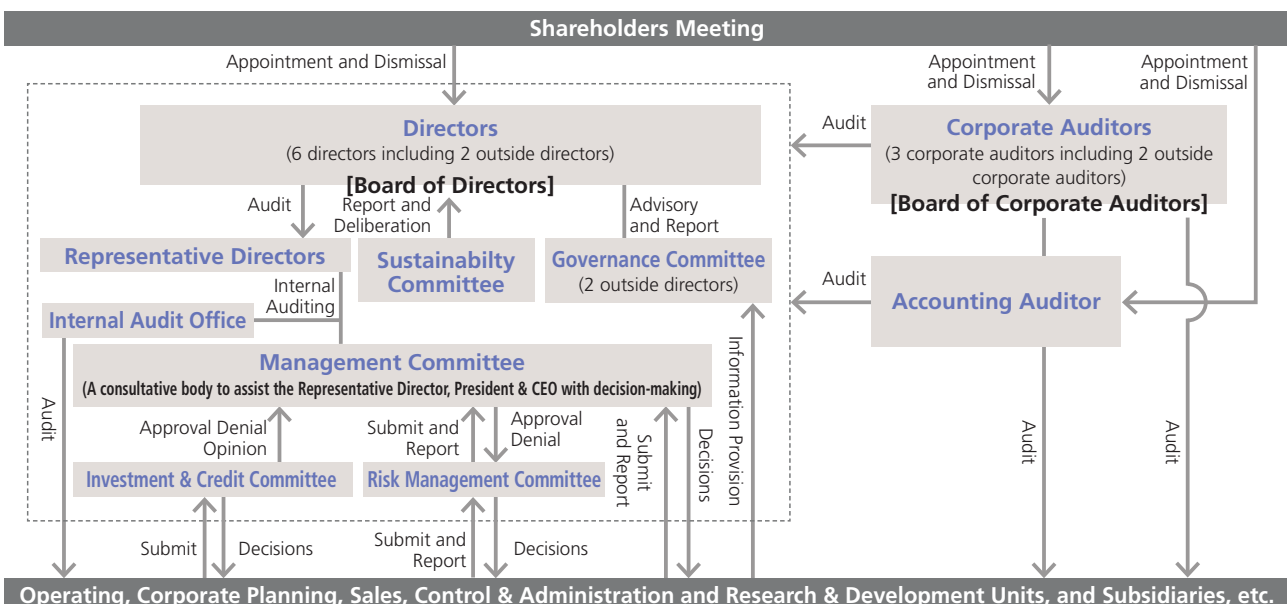
This executive officer system reduces the number of directors while increasing the ratio of outside directors to board membership to at least one-third, thereby enhancing functions related to checks and balances exercised by outside directors.

Alongside these structural changes, we reduced the term of office of directors from two years to one. By clarifying the management responsibilities of the directors, the system will create a management structure capable of responding rapidly to changing business conditions.

 The Basic Policy for Corporate Governance is available on the Company website.  
<https://www.mitsubishisteel.co.jp/english/ir/governance-policy/>



## ■ Corporate governance structure



# 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

### Compliance training

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

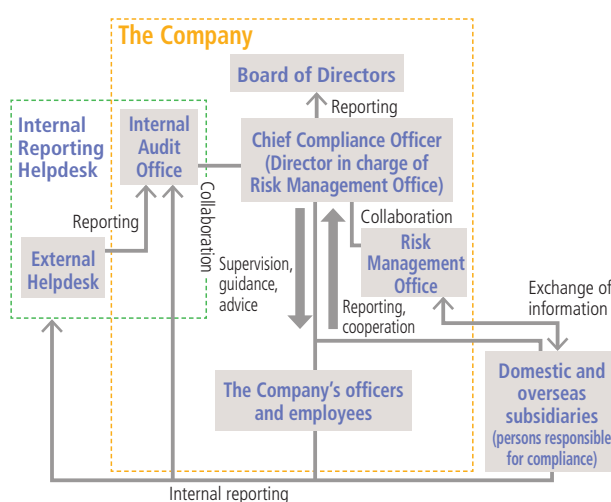
- Training for managers on harassment
- Training for individuals responsible for compliance and for Sales Division general managers on prevention of cartels
- Level-specific training on the Detailed Rules for Mitsubishi Steel Manufacturing Group Corporate Code of Conduct (for facilities in Japan, including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

We plan to sustain efforts to raise awareness of compliance issues and to ensure thorough understanding of compliance issues 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 FY2020 verified that the Company's compliance structure is operated appropriately.



## ■ Internal whistleblowing system

We have established a structure whereby Group employees, who observe violations of laws or regulations, inappropriate actions, or other potential issues but feel uncomfortable raising these issues with workplace personnel, can report to or consult with internal or external contacts outside the workplace. Whistleblowing reports and consultations are accepted by telephone, email, fax, post, and other written means, as well as in person. Reports can also be submitted anonymously. Our policy is to establish whistleblowing systems at overseas subsidiaries as well. Systems have already been introduced at subsidiaries in Thailand, China, the Philippines, and India.



## Risk management

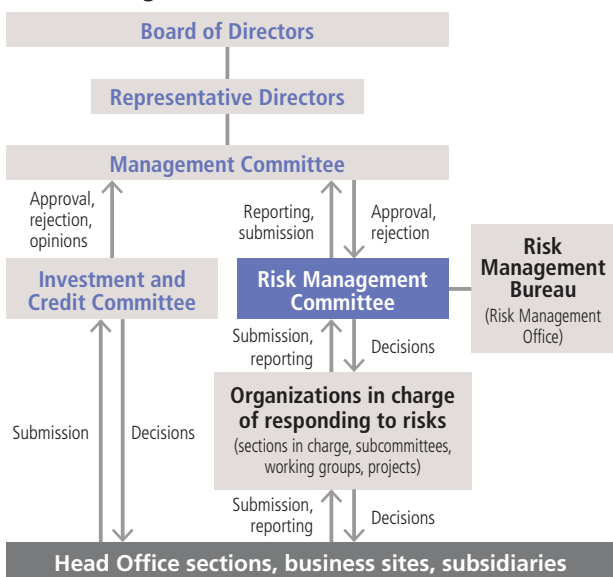
The Group carries out appropriate ascertaining and management of risks to minimize losses and maximize gains as we fulfill our social responsibilities through sustained growth.

### ■ 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.

We have also established a Risk Management Committee, led by the Chief Risk Officer (CRO), whose members consist of individuals responsible from the planning and administrative sections. The purpose of the committee is to manage risks effectively in governance, compliance, and other aspects at domestic and overseas facilities. The committee is currently making progress on identifying major risks and drafting 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 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 implementing measures to prevent information leaks, unauthorized alteration or destruction of data and ensuring swift response to major incidents. The committee oversees information security across the entire Group.

We also provide annual training and education on information security for Group employees and perform internal audits to evaluate related aspects, thus raising awareness of the significance of information security throughout the organization.

### ■ Countermeasures against quality misrepresentation

In FY2020, to enhance management structures intended to prevent unauthorized alteration of quality data and quality misrepresentation, the Group established the quality auditing rules and related manuals. The quality control section of each Group company performs internal quality audits under the leadership of the Risk Management Office. In FY2020, with the goal of heightening awareness of the importance of quality control, we provided 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. In FY2020, we carried out BCP drills at business sites to verify and revise the BCP previously formulated. We will continue to perform drills to strengthen our capacity to respond to risks and improve the BCP.

### ■ Countermeasures against COVID-19

In March 2020, we formed an infectious disease response team based at the CRO to collect accurate information on COVID-19 and to accelerate internal response. Groupwide measures to stop the spread of the virus and other responses are being implemented, with the Risk Management Office serving as the secretariat responsible.

We are also providing timely and appropriate care for infected persons and taking measures to prevent the spread of the virus within the organization through continual follow-ups in weekly Management Committee meetings on the state of the impact on the Company.

In the event of an outbreak of multiple cases in a single facility, to prevent the spread of the disease and to avoid disruptions to product manufacturing, we implement various emergency responses, including thorough disinfection of the facility and antigen testing of all staff.

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

Responding to COVID-19 has become the most important issue we face in risk management. We are implementing the following responses to protect the lives of employees and avoid stoppages in plant operations:

- (1) Thorough disinfection of the plant and antigen testing of all staff when any person at the plant contracts the virus
- (2) Antigen testing of employees from the Head Office and other facilities when they visit plants
- (3) Having staff dispatched overseas return to Japan temporarily for vaccination if they face difficulty obtaining vaccination at the locations of their assignments
- (4) Checking on the status of infected persons and helping to meet their nutritional needs

We are also adjusting our measures through online audits and other means to enable effective risk management even if we are unable to travel on business due to the pandemic.



Representative Director,  
Senior Managing Executive Officer  
Hiroyuki Nagata



## Messages from the outside directors

### Companywide resolve will be essential to launch new businesses for changing environments

This marks my 15th year as an outside director of the Company. Looking back over these 15 years, it appears that while the Company has achieved steady management in the domestic market by concentrating on the Special Steel Bars Business and the Springs Business, its efforts to launch new businesses in overseas markets have been impeded by a lack of international experience. As a result, its overseas businesses have contributed relatively little to overall earnings. The Company has, however, laid the foundations of future growth in key markets such as the US and Indonesia. The Company has also been free of any major difficulties in areas such as finances, human resources, and labor management, and it continues to fulfill its corporate social responsibilities. The voluntary retirement program in FY2020 was a difficult experience, our first effort at cutting staff. Nonetheless, it helped lower the break-even point by reducing fixed costs for this and later periods.

Business results worsened in FY2020, due mainly to a market downturn and temporary costs associated with blast furnace renovations and delays in improvements at overseas businesses. During discussions in the Board of Directors, the proposal was made to reorganize the overseas businesses and return to the fundamentals of the production structure. Perhaps the key to achieving recovery in financial results will be to seize opportunities

created by changing markets and industries and capitalizing on the current seller's market, while working to swiftly return the US and Indonesian businesses back on track. Over the two remaining years of the Mid-term Business Plan, it will be vital to achieve steady growth in the Special Steel Bars Business and the Springs Business while cutting costs through DX and other streamlining efforts. Companywide resolve will be essential to the swift launch of new businesses to meet the changing environments while clarifying organizational structures and responsibilities.

In June 2021, the Company launched a new management structure that involved reducing the number of directors to six. Simultaneously, it adopted an executive officer system. I believe this structure based on fewer directors is appropriate in light of the Company's size. At the same time, I would like the directors to ensure that they can offset the increase in responsibilities resulting from the fewer number of directors. I also expect the executive officers, as active directors, to exercise their authority objectively and with motivation, conscious of their responsibilities.



Director  
Masayuki Takashima



Director  
Akira Hishikawa

### I look forward to seeing our manufacturing capabilities demonstrated in overseas markets through the global deployment of our production processes.

The drop in demand attributable to COVID-19 was the strongest negative factor affecting financial results in FY2020. Socioeconomic activities were curtailed not just in sales, but across a wide range of fields, including the supply chain, production, and

transportation. All this resulted in severe damage.

To recover from this setback, we must analyze and assess the extent of the gap between planned and actual production attributable to COVID-19 and determine to what degree results can be expected to recover once the pandemic is under control. Overseas plants in particular have suffered even more than those in Japan. The reasons for the downturn at those plants goes beyond lower volumes. Cost structures continue to trend worse at overseas plants. One approach to considering the situation is to assume external factors are unavoidable, while internal factors are controllable. However, keep in mind that when external factors involve a large number of phenomena at deeper levels, analysis can be insufficient and it becomes difficult to implement adequate measures in response. I have also pointed this out to the Board of Directors.

To demonstrate our manufacturing capabilities in overseas markets, we must deploy our production processes globally. This can be achieved by assessing each plant's processes and developing manuals based on the best of these while inviting global employees responsible for production technologies to the mother plant and implementing training there. It will take time to complete the related structures, but I believe these efforts will promote awareness throughout the organization and bring swift results.

To date, the plans for each fiscal year have mainly involved setting single-year targets. In contrast, with the figures set in this year's plans, the Company began establishing figures by working back from the Mid-term Business Plan and identifying the necessary level of achievements. I believe this is a better approach.

From this point forward, I will strive as an outside director to support recovery in financial results by monitoring the gaps between targets and actual figures based on various indicators, with a particular focus on whether the scope and causes of these gaps have been identified, whether actions taken to ensure recovery are adequate, and whether these measures function effectively.



# Corporate information

## 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, 2021)
Representative	Motoyuki Sato, Representative Director, President & CEO
Annual sales	Consolidated: JPY97.8 billion (FY2020)
Employees	Consolidated: 4,163 (as of March 31, 2021)

## Executives (as of June 25, 2021)

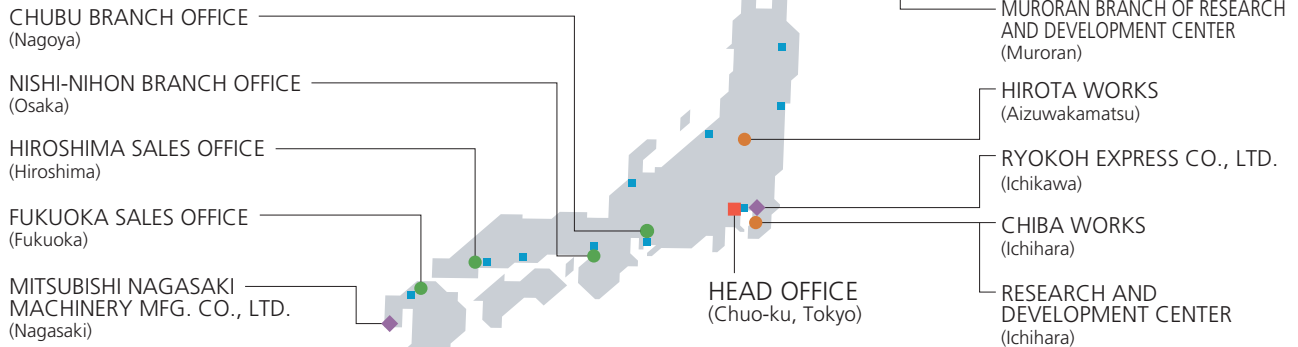
Representative Director, President & CEO	Motoyuki Sato	Director, Managing Executive Officer	Jun Yamaguchi
Representative Director, Senior Managing Executive Officer	Hiroyuki Nagata	Director, Managing Executive Officer	Hiroshi Sekine
Director	Masayuki Takashima	Full-time Corporate Auditor	Hirokuni Sakamoto
Director	Akira Hishikawa	Full-time Corporate Auditor	Takashi Nagai
		Corporate Auditor	Tetsuya Nakagawa

Note: As stipulated by the Companies Act, the four directors—Masayuki Takashima, Akira Hishikawa, Hirokuni Sakamoto, and Tetsuya Nakagawa—are outside officers. The Company has notified the Tokyo Stock Exchange of their status as independent officers.

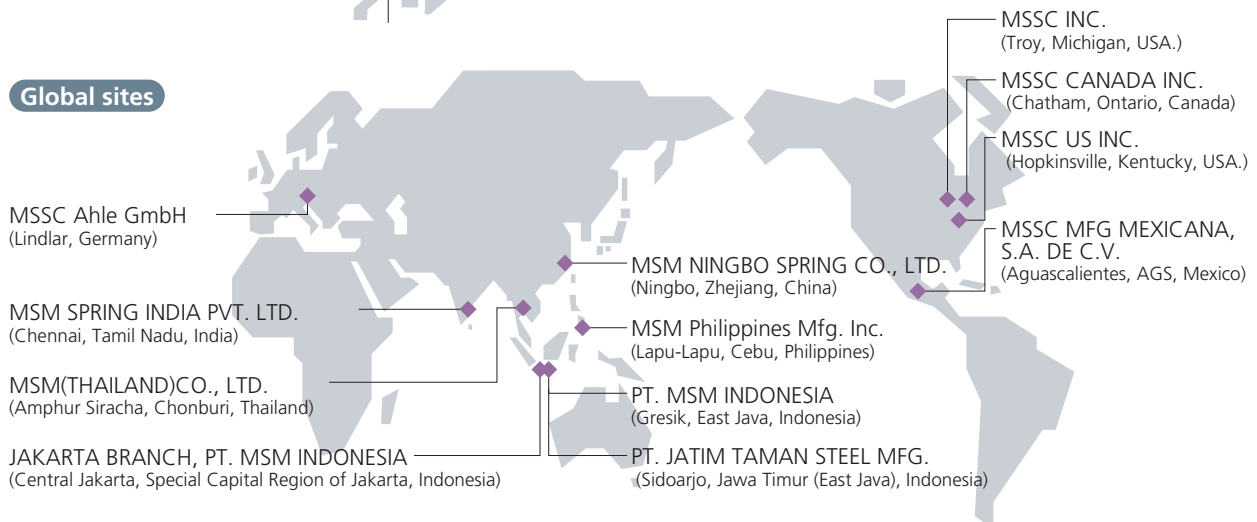
## Locations (domestic and overseas)

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

### Domestic sites



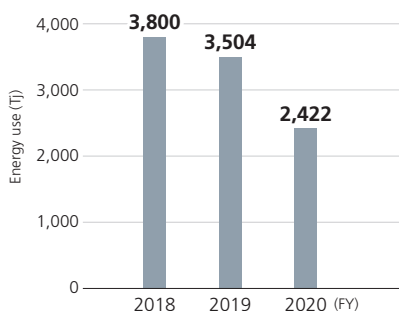
### Global sites



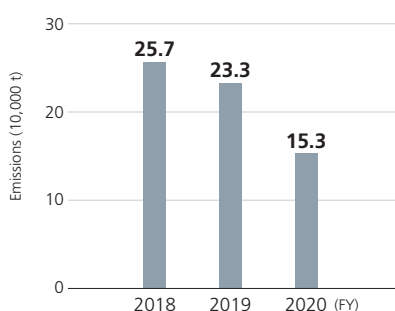
# Financial and nonfinancial information

■ **Environmental data** (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.)

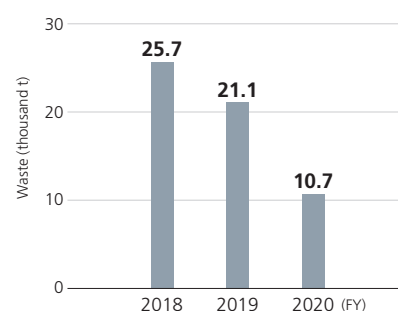
## Energy use



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



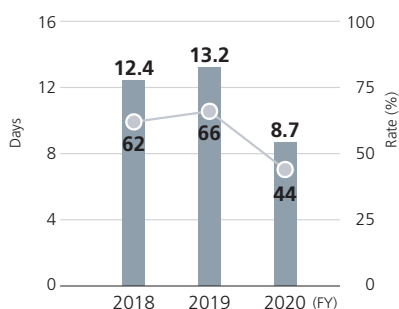
## Total industrial waste



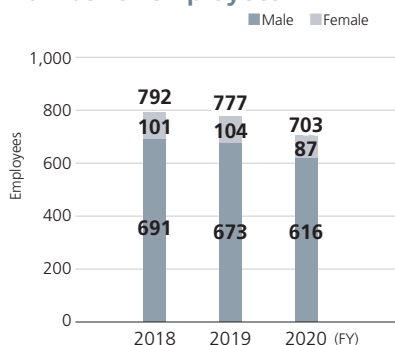
Note: Total data for domestic group companies have been modified to reflect the roadmap for 2050 (p. 12).

## ■ Labor data (nonconsolidated)

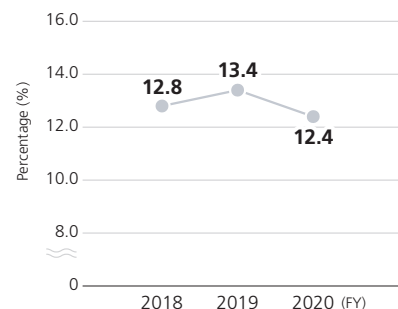
### Annual paid holidays taken



### Number of employees



### Percentage of female employees



## ■ Financial highlights (consolidated)

		FY2018	FY2019	FY2020
Financial information (billion yen)	Net sales	129.3	117.1	97.8
	Operating income	1.0	0.4	(4.9)
	Ordinary income	0.1	(0.2)	(5.5)
	Profit attributable to owners of parent	0.2	(14.0)	(5.5)
	Capital investment (excluding leases)	5.9	7.6	2.9
	Depreciation	4.4	3.5	3.2
	Research and development expenses	1.6	1.4	1.2
	Cash flows from operating activities	2.8	(0.9)	3.7
	Cash flows from investing activities	(3.9)	(7.5)	(2.8)
	Free cash flow	(1.0)	(8.4)	0.9
	Cash flows from financing activities	(1.2)	11.8	(7.0)
Financial indicators (%)	Total assets	153.3	141.3	132.3
	Interest-bearing debt	42.2	55.1	48.5
	Shareholders' equity	59.0	42.6	38.8
Per share data (yen)	Return on equity (ROE)	0.5	(27.7)	(13.6)
	Return on assets (ROA)	0.2	(10.0)	(4.0)
	Equity ratio	38.5	30.1	29.4
Per share data (yen)	Earnings per share (EPS)	18.24	(914.56)	(359.38)
	Net assets	3,837.65	2,769.51	2,528.35



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