



# CSR REPORT 2022



## Introduction

# 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, the Mitsubishi Steel Group Code of Conduct, and the Detailed Rules for 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. The Detailed Rules for Mitsubishi Steel Group Code of Conduct breaks these down further into their details. Through our business activities, we strive to improve corporate value and realize sound, sustainable societies.

### Corporate Philosophy

#### Customer First

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

#### Development of New Technology

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

#### Maximizing Human Capital

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

#### Challenge for the Future

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

#### Contribution to Society

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.

#### Business Activities

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

#### Compliance

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

#### Disclosure

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

#### Respect for employees

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

#### Environmental conservation

10. Get actively involved in protecting the environment in all aspects of business activities with a heightened awareness that conservation of the global environment is one of the most crucial challenges facing mankind.

#### Globalization

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



The Detailed Rules for Mitsubishi Steel Group Code of Conduct is available on our website.  
<https://www.mitsubishisteel.co.jp/english/company/philosophy/>



## Basic Policy for Sustainability

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

### Environment

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

**E** For the Environment ▶P19

### Society

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.

**S** Together with Society ▶P28

### Governance

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

**G** Foundation for sustained growth ▶P39



See "CSR" on our website for detailed information on our activities.

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



### Editorial Policy

#### Purpose

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

#### Period

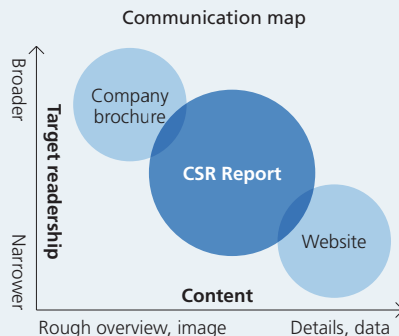
This report covers the period of FY2021 (April 1, 2021–March 31, 2022). Certain content may also address other periods.

#### Scope

While this report covers Mitsubishi Steel Mfg. Co., Ltd., certain content also addresses Group member companies.

#### Significance and comprehensiveness

CSR Report 2022 reports on highly important matters concerning the Mitsubishi Steel Group and society. More detailed information is available on the Company website.



\* In preparing this year's CSR Report, we have expanded disclosures concerning the environment, society, and governance (ESG) in response to growing demand from stakeholders. Next year, we plan to shift to an Integrated Report, to be released alongside the next Mid-term Business Plan. Our goal is to continue to enhance ESG initiatives and expand disclosure into the future.

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## History

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

### 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.**

Former Mitsubishi Steel Mfg. Co., Ltd.

Former Nagasaki Steel Mfg. Co., Ltd.

### 1942

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

1949 Nagasaki Steel Mfg. Co., Ltd. and Tokyo Steel Co., Ltd. established as second companies under a reorganization plan in compliance with the Enterprises Reconstruction and Rehabilitation Law.

**Establishing our business foundations**

### 1964

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

Former Mitsubishi Steel Co., Ltd.

Former Tokyo Steel Co., Ltd.

### 1904

**Tokyo Spring Works** founded

### 1917

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

### 1949

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

### 1952

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

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

The Group's 118-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





Tokyo Works

**1965**  
Ohjima Works and Fukagawa Steel Works combine to form Tokyo Works



Chiba Works

**1993**  
Chiba Works opened; Springs Business Division to Chiba Works from Tokyo Works.

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 manufacturing foundations and technology advances



Mitsubishi Steel Muroan Inc.

**1994**  
Tokyo Works Special Steel Bars Division relocated to Muroan, with production transferred to Mitsubishi Steel Muroan Inc.



Hirota Works

**2005**  
Hirota Works opened, absorbing Ryokoh Casting Co., Ltd.



MSM Ningbo Spring Co., Ltd.

**2006**  
■ MSM Ningbo Spring Co., Ltd. opens in China.  
■ PT. MSM INDONESIA opened in Indonesia.



MSM SPRING INDIA PVT. LTD.

**2014**  
MSM SPRING INDIA PVT. LTD. opened in India.

## Ensuring sustained growth of our company



Research and Development Center

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



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

■ Jakarta Branch of PT. MSM INDONESIA opened  
■ MSSC MFG MEXICANA, S.A. DE C.V. opened in Mexico.



PT. JATIM TAMAN STEEL MFG.

**2018**  
■ Additional shares of PT. JATIM TAMAN STEEL MFG. acquired; company made consolidated subsidiary



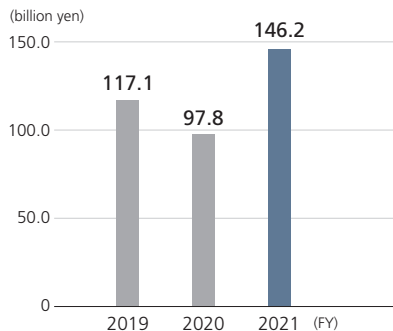
MSSC Ahle GmbH

■ Gebrüder Ahle GmbH & Co. KG, a German spring manufacturer, acquired and made wholly owned subsidiary (Company name changed in September 2018 to MSSC Ahle GmbH)

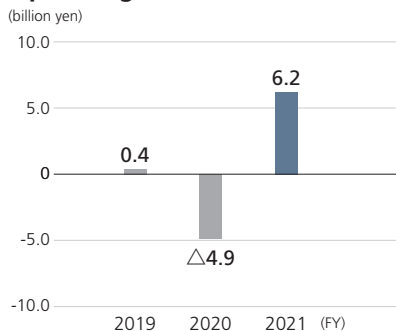
# Financial information

## Financial highlights (consolidated)

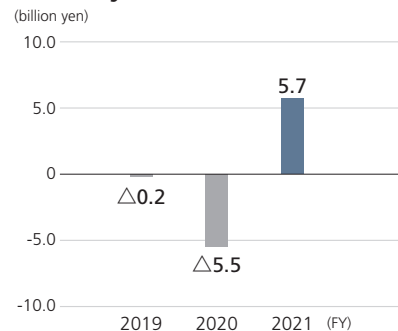
### Net sales



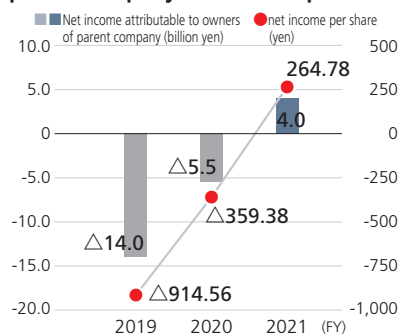
### Operating income



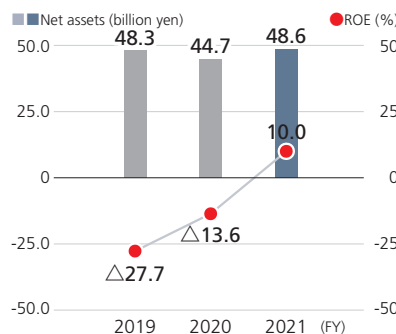
### Ordinary income



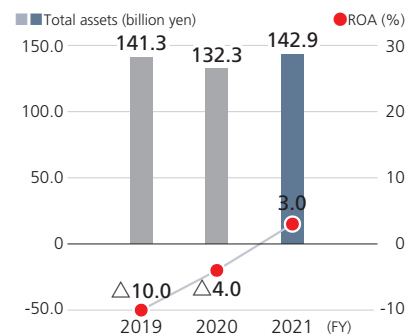
### Net income attributable to owners of parent company/net income per share



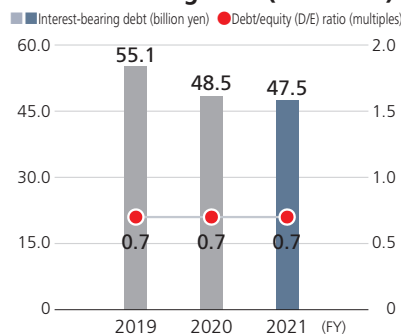
### Net assets/ROE



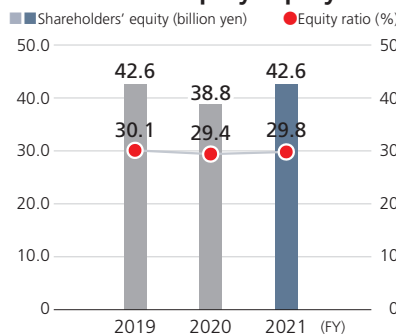
### Total assets/ROA



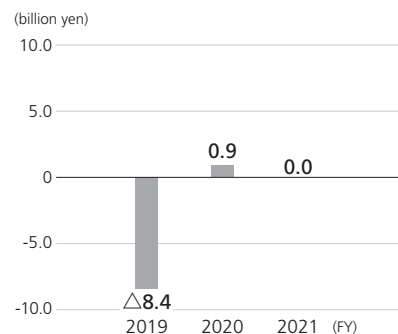
### Interest-bearing debt (D/E Ratio)



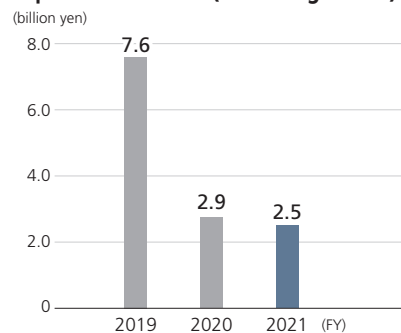
### Shareholders' equity/Equity ratio



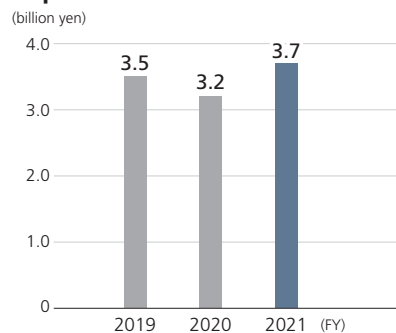
### Free cash flow



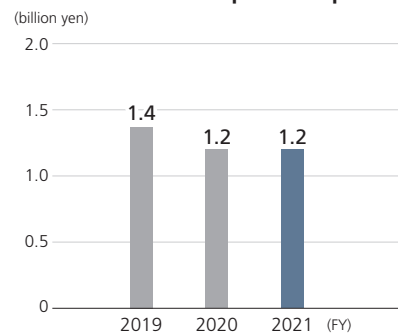
### Capital investment (excluding leases)



### Depreciation



### Research and development expenses



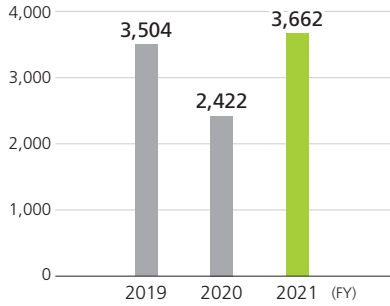
# Nonfinancial information

## Environment

### E

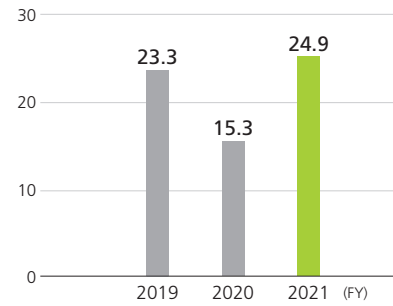
#### Energy use

Energy use(TJ)



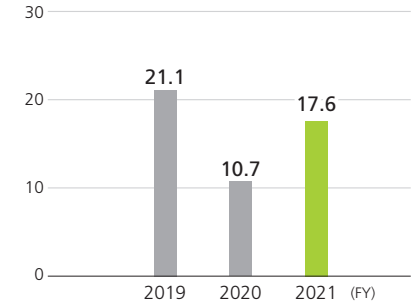
#### CO<sub>2</sub> emissions

Emissions(10,000t)



#### Total industrial waste

Waste(thousand t)



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

\* FY2021 figures were up, as production volumes recovered from the dramatic declines attributable to COVID-19 in the previous year. See p. 21 for CO<sub>2</sub> emissions in the Steel Bars segment (on an intensity basis).

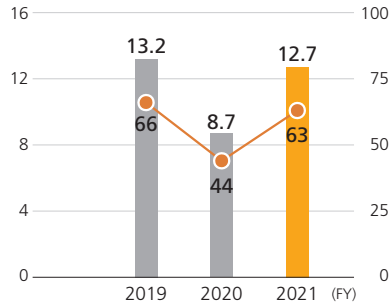
## Society

### S

#### Annual paid holidays taken

Days

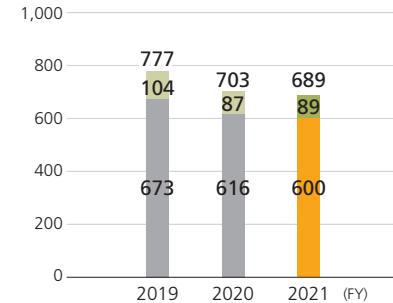
Rate (%)



#### Number of employees

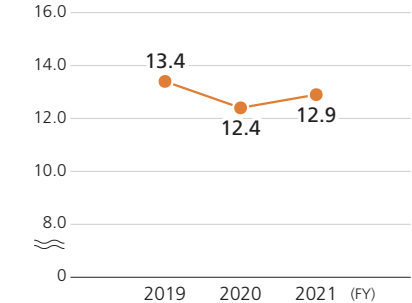
Employees

Male Female



#### Percentage of female employees

Percentage (%)



\* nonconsolidated

## Governance

### G

Percentage of Outside Directors on the Board of Directors

**33%**  
(2/6)

Percentage of women Directors on the Board of Directors

**20%**  
(2/10)

\* Including Corporate Auditors

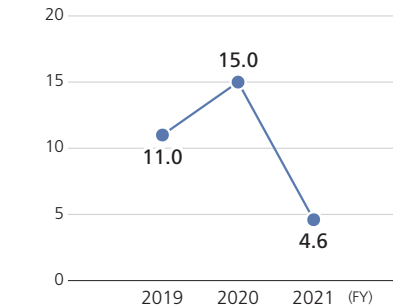
Attendance rate for Outside Directors on the Board of Directors

**98%**  
(FY2021)

\* Including Corporate Auditors

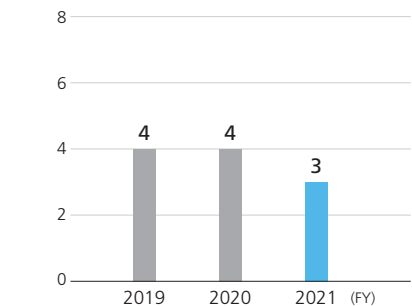
#### Cross-shareholdings as a percentage of net assets

Ratio (%)



#### Internal whistleblowing reports

Reports

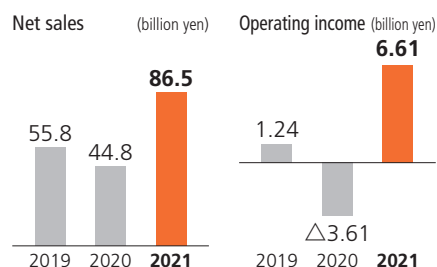




## Special Steel Bars Business

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.

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



### Major products

#### Hot-rolled special steel bars for construction machinery parts

Construction machinery must withstand far more demanding usage than automobiles. Hot-rolled special steel bars used to make the parts of such machinery must provide both high strength and durability.



Sprocket

Swing Bearing

Idler

#### Hot-rolled special steel bars for automotive parts

Modern automobiles are being made lighter to minimize fuel consumption and protect the environment. Our trusted special steel bars are used to make critical automotive engine, power train, and suspension components.



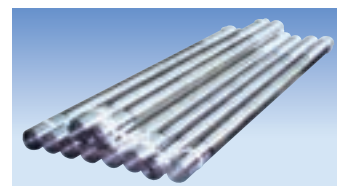
Crankshaft, connecting rod, camshaft

Pinion Gear

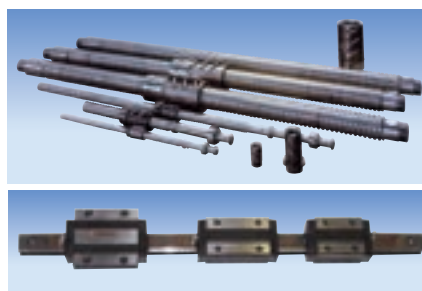
Knuckle

#### Special steel bars used for industrial machinery

The steel bars used to make machine tool and working machine parts require special characteristics, including high mechanical strength and precision. The Company manufactures special-purpose special steel bars to meet these needs.



For injection molding machine: tie bars



For machine tools: ball screws/linear guides

### Delivering products with higher added value, including contributions to decarbonization and increasing use of electric vehicles (EVs)

A look at recent business conditions shows that while demand remains strong in the construction machinery industry—our largest source of demand—we must continue to monitor demand trends closely. Signs of a potential economic slowdown have begun to emerge. Costs are being impacted by the skyrocketing cost of fuel and other resources, by inflation, and by the rising cost of imported raw materials due to the devalued yen. While we are making progress on reflecting these rising costs in our selling prices, we must improve profit margins in light of expectations for capital investments and other investments to achieve carbon neutrality. We will continue to engage in attentive negotiations with customers to better reflect rising costs in our selling prices.

JATIM, an overseas business in Indonesia that faced challenges at the mass production stage, has operated profitably since FY2021 due to large-scale improvements in production efficiency alongside sales growth. With the completion of its restructuring efforts, as we shift toward a two-pronged structure consisting of JATIM and the domestic (Muroran) business, JATIM will now proceed to boost production capacity.

To respond to changes in the demand structure over the medium to long term, we are making progress in the growing renewable energy field to improve the performance of bearing steels for use in offshore wind power generation. We also plan to enter the market for materials for use in EVs, which pose more challenging durability requirements than gasoline-powered vehicles. At the same time, in addition to reducing CO<sub>2</sub> emissions at our own plants, we offer steel bars to help reduce CO<sub>2</sub> emissions at customer plants. We are studying the production of carbon neutral steel using renewable power and other resources at JATIM in Indonesia. We will provide products that offer higher added value by achieving comprehensive overall streamlining, by achieving performance improvements in bearing steels, and by providing products that help reduce CO<sub>2</sub> emissions at customer plants. We will also shift to respond to the growing use of EVs.



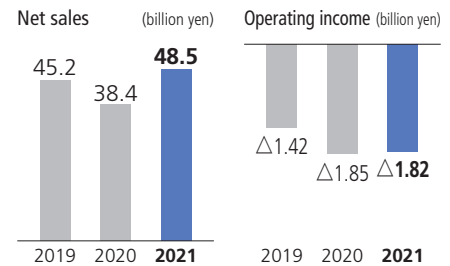
**Kazumasa Tokuchi**  
Executive Officer  
General Manager,  
Steel Bar Division



## 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.

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



### Major products

#### Coil springs

We produce springs that improve ride comfort, reduce overall vehicle weight, and require less mounting space.



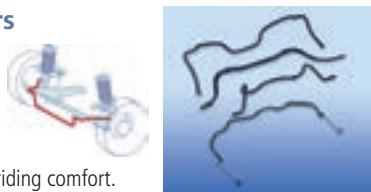
#### Leaf springs

Our leaf springs, often used in truck and trailer suspensions, are manufactured under rigorous quality controls using the latest manufacturing technologies. Our long tapered leaf springs are particularly effective in decreasing weight and increasing durability.



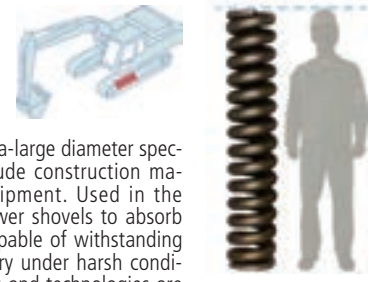
#### Small stabilizer bars

Stabilizers prevent the horizontal tilt caused by turning an automobile or by driving on uneven surfaces. This enhances steering characteristics and riding comfort.



#### Heavy-duty coil springs

Produced on exclusive manufacturing lines worldwide, our heavy-duty coil springs are capable of handling parts built to standard to ultra-large diameter specifications. Applications include construction machinery and industrial equipment. Used in the tracks of bulldozers and power shovels to absorb shocks, these springs are capable of withstanding use in construction machinery under harsh conditions. Our distinctive facilities and technologies are capable of producing large heavy-duty coil springs.



Heavy-duty coil spring about as tall as a human being

#### Precision parts

Drawing on know-how accumulated over many years, we offer products ranging from precision springs to assemblies. We provide active technical support through design and analysis that reflect customer needs at the development stage. Our organizational structures make it possible to secure local procurement based on our growing international network of facilities.



Hinges

### Promoting human resource development and building a corporate culture for growth

Today, factors such as COVID-19 lockdowns overseas and shortages of chips and other components continue to generate fluctuations in motor vehicle production. Our most pressing recent challenge has been declining earnings at our North American subsidiary. We are currently responding to production disruptions in North America, where we are pursuing rapid production normalization. In addition, our sales sections are playing central roles in asking customers to accept appropriate selling prices to reflect dramatic growth in the cost of raw materials and energy.

Dramatic change and these conditions leave the future uncertain. Nevertheless, we have launched new efforts in the areas of human resource development and in efforts to build a corporate culture to achieve continual improvements, aiming to establish a durable structure. We plan to launch these activities first at the Chiba Works, our mother plant, in FY2022, and then to deploy them at overseas facilities starting next year. Through plant improvements and other efforts, we are organizationally advancing efforts to improve workstyles and eliminate operational waste, not just in frontline sections, but in engineering and other back office sections. We seek to become a company capable of incorporating state-of-the-art technologies as a matter of course, including technologies related to digital transformation (DX), in our improvement efforts, while making autonomous, forward-looking efforts to achieve carbon neutrality and address other societal challenges.

With regard to carbon neutrality, in addition to reducing CO<sub>2</sub> emissions at our own plants by switching to renewable energy, improving energy efficiency, and other efforts, we are making progress on various activities, to improve fuel consumption, including making automotive springs continually lighter. We are also responding to the growing use of electric vehicles (EVs) as we strive to lessen environmental impact through our products. FY2022 marks the final fiscal year of our 2020 Mid-term Business Plan. Despite the challenging circumstances, we will maintain our activities with a focus on people. We believe human growth will lead to business and company growth.

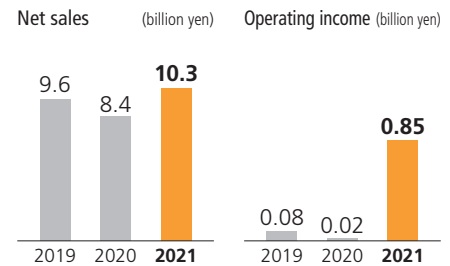


**Yasuhiro Adachi**  
Executive Officer  
General Manager,  
Spring Division

## 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.

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



### Major products

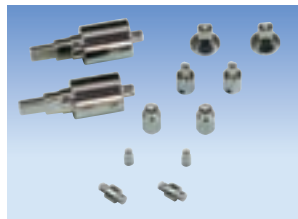
#### Special alloy powders

Varying in size from several μm to 850 μm and optimized for specific applications, our special alloy powders are manufactured using unique water atomizing technologies that combine our best technologies and skills. We also manufacture MIREX powders using the only mass production vacuum annealing system in Japan to meet a wide range of customer needs.



#### Machined metal parts

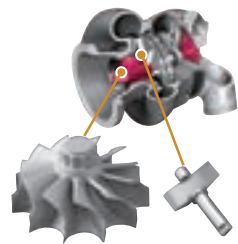
We employ CNC automatic lathes and 3D simulation software to produce machined metal parts with high productivity and cost benefits, drawing on knowledge of materials gained from years of experience as a special steel manufacturer. We excel in producing parts of complex design and parts made from difficult to cut materials in diameters ranging from 1 to 12 mm. Our products are widely used in telecommunication devices, including mobile phones, cameras, and other precision products, as well as in automobiles and motorcycles.



Computer parts

#### Precision castings (Lost wax process)

We manufacture small lost wax products ranging from 1 g to 20 kg, including designs for complex and thin shapes. We make full use of our casting technologies to minimize customer costs, recommending ways to lighten and integrate various parts. By using 3D printers to produce prototypes, we quickly provide customers with trial production samples. In addition, noncontact three-dimensional measuring machines enable prompt measurements of products of complex shapes. We also handle special materials that require vacuum melting.



#### Special materials and machined products

We provide high-grade special steel forgings, special materials, and machined products for customers in the markets of energy, aerospace, communications, transportation systems, environmental equipment, and industrial machinery. Our wide range of products includes turbine parts, boiler parts, and parts for environmental equipment.



Impeller material



Finished product

### Focusing on growing the metal powder business and developing products with consideration for decarbonization and the environment

A review of recent business conditions shows that markets have largely recovered from the effects of COVID-19 but that the impact of shortages of chips and other parts persists. The future outlook remains uncertain. In addition, production costs are rising alongside the rising cost of raw materials, subsidiary materials, and purchased products. Reflecting these rising costs in selling prices remains a pressing issue.

A look at progress on the Mid-term Business Plan under these conditions shows that we have yet to fully demonstrate the results of the vacuum induction melting (VIM) furnace, gas atomizer furnaces, and the precision castings prototype line installed at the Advanced Materials Center (AMC) at Chiba Works, where COVID-19 delayed operations. However, we have begun shipments of metal powder samples, and customer evaluations are now flowing in. We will strive to achieve the goals of the Mid-term Business Plan, of which this marks the final fiscal year, by working to launch mass production at the earliest possible date.

We expect demand for turbocharger components such as turbine wheels and vanes, a major product line, to gradually decline as increasing use of electric vehicles (EVs) reduces demand for internal combustion engines. At the same time, the market for soft-magnetic metal powders for use in the inductors found in electric control components is growing with expanding use of EVs and self- and assisted-driving technologies and the proliferation of IoT devices and the shift toward 5G mobile networks. We believe powders for 3D printer use also have a bright future. We plan to focus on these areas while assigning top priority to growing the metal powder business.

We will strive to develop products that reflect consideration for decarbonization and the environment by developing new technologies and new materials based on the new equipment installed at the AMC.

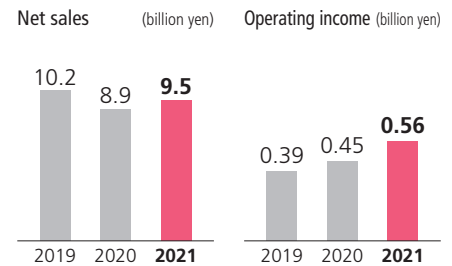


Hidekazu Fukasawa  
Executive Officer  
General Manager,  
Formed & Fabricated  
Products Division

## Machinery Business

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

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



### Major products

#### Renewable energy

Offshore wind power generation is drawing attention as a renewable energy source. Taking full advantage of the tall roof of our plant, we manufacture products such as machine used in wind power facility construction and machinery for self-elevating work platforms (SEPs).



#### Steel fabrication machinery

We manufacture a broad range of pressurizing machinery and steel-making machinery used with various industrial equipment.



Steelmaking machinery



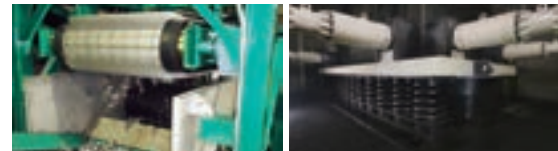
Hard soil grab bucket



Pressure vessels

#### Environmental machinery

We produce environmental machinery, including the magnetic separators used in recycling facilities, in waste treatment plants, and for other applications, as well as vibration isolators that reduce vibrations generated by forging presses and other machinery.



Magnetic separators

Vibration isolator

#### Industrial equipment

We design and manufacture a wide range of machinery used as production equipment in steelmaking and other industries. These include forging presses, ring rolling mills, and the associated manipulators. We also manufacture weighing instruments to prevent overloading and conveyor equipment to achieve automation.



Free forging press

Ring rolling mill

### Supplying products that meet society's needs based on our reliable technological capabilities

In the past, we manufactured energy-related products used chiefly in thermal power. However, with society's rising demand for decarbonization, we have made progress on shifting our business focus toward machinery for offshore wind power. At the same time, we have realized large-scale reductions in CO<sub>2</sub> emissions while changing the product lines we manufacture. Recently, in response to dramatic changes in the international situation in addition to the COVID-19 pandemic, the world has seen adjustments to fundamental policies in areas such as energy and security. In addition, the worsening of the procurement environment has become pronounced as global networks have broken down. Nearly all the business domains are experiencing skyrocketing prices and longer delivery times. Attention is focusing in particular on the availability of materials such as thick steel plates and electronic components. We will strive to turn these environmental changes into opportunities by adapting swiftly.

Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. is committed to continuing to supply industrial and steel fabrication machinery grounded in our solid technological capabilities to meet society's needs. In particular, while continuing to advance the business of machinery for offshore wind power as a company capable of contributing to carbon neutrality via renewable energy, we will contribute through a flexible energy mix enabled by our diverse lines of business. In the area of environmental machinery, we will help minimize environmental impact by providing the magnetic separators used in recycling and vibration isolators that help resolve vibration-related issues.

As dramatic changes in the business environment continue, we will realize sustained growth as a company that is both needed and trusted by customers, society, and our local community while advancing our existing diverse businesses and implementing, on a rolling basis, business plans that include taking on the challenges of new fields. We will pursue business activities that balance business performance with solutions to social challenges in areas such as the environment, society, and governance (ESG).



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



## Message from the President



**We will promote sustainability management to realize sustained growth and increase corporate value**

Representative Director, President & CEO

**Jun Yamaguchi**

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**I pledge to strive to achieve business growth by applying my sales experience and listening even more intently to the voices of our customers.**

My name is Jun Yamaguchi, and I was appointed Representative Director, President & CEO of Mitsubishi Steel Mfg. Co., Ltd. on June 24, 2022. My goal is to meet the expectations of all stakeholders while making progress, alongside all our employees and executives, to achieve the continuing progress and sustained growth of the Mitsubishi Steel Group, an organization with a proud history of more than a century.

I first joined the Company in 1989, thirty-three years ago. I spent two decades working chiefly in auto parts as a member of the Formed & Fabricated Products Division. Later, I served for five years as Head of the Spring Sales Department, after which I was transferred to the Corporate Planning Division in 2016 before joining the management team in 2019 as a Director. While I accumulated experience in both the Formed & Fabricated Products and Springs businesses over my first 25 years with the Company, it was considered rare at the time for personnel to be transferred between the business divisions. I believe this transfer helped broaden my own frames of reference. I witnessed firsthand a number of changes and transitions, including

our withdrawal from some businesses of the Formed & Fabricated Products business and our recovery from losses in the Springs business.

Former President Motoyuki Sato (now Director/Chairman of the Board) and his predecessor Nobumichi Ono had engineering backgrounds. I am the first President in 13 years to have a background in the humanities and sales. I believe this background indicates that I am expected to contribute to business growth by leveraging my sales experience to listen even more carefully to our customers and to reflect their feedback in management. The Group we strive to be is best expressed in the slogan of our Mid-term Business Plan: "Provide the customers with added value by manufacturing seamlessly from materials to products." Amid continuing dramatic changes in social and market environments, to increase the value we can offer, we must adopt an approach of growing and prospering alongside our customers. Listening to our customers will undoubtedly become increasingly important to the Group.

Since its founding as a manufacturer of special steel bars used as spring materials, Mitsubishi Steel has passed on



the spirit of taking on any and all challenges without fear of failure. Our corporate culture values teamwork. It is by having all members of the organization working together to fulfill our roles in supporting industry as a materials manufacturer that we have been able to earn the strong regard and trust of so many customers over the years.

However, I feel that even as we demonstrate this outstanding teamwork, we have been unable to generate the results needed in the area of growing the individual strengths of each and every employee and leveraging them as Company strengths. Our business portfolio is highly dependent on the two business pillars of Special Steel Bars and Springs. For years, we have struggled with an inability to develop new businesses as our next pillars of business. While I will return to this in greater detail below, we have made steady progress in preparations for strengthening our product capabilities through the current three-year Mid-term Business Plan. The next Mid-term Business Plan to be formulated will strive to grow new business pillars by bringing to fruition the preparations made to date and by boldly leveraging the capabilities of individual team members.

My mission as the new President begins with the steady implementation of the current Mid-term Business Plan, which will reach its completion this year. We are making

steady progress on efforts to achieve structural reforms in our businesses, including addressing the issue of reviving loss-making overseas businesses. We will also proceed to wrap up remaining challenges, including rebuilding the North American springs subsidiary. I see further promotion of management emphasizing the environment, society, and governance (ESG) as yet another mission. Since sustainability is a prerequisite for corporate survival today, we will strive to enhance the sustainability of the Group by incorporating elements to enhance ESG management in the next Mid-term Business Plan.

Since taking office as President, I have created opportunities to listen to employee opinions about, employee proposals to, and employee thoughts on the Company, seeking to deepen dialogue with our employees. I have begun visiting facilities around the Group to participate in in-person discussions with employees at the rank of middle managers and above. By continuing these efforts, I will strive to learn what employees really think, while communicating my own views as a manager, so that we can increase corporate value by building workplaces in which each and every individual can do rewarding work and by making progress on fostering a corporate culture whose members can demonstrate their individual strengths.

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## Sales and profits are up, thanks to favorable conditions in the construction machinery industry in FY2021. This contributed to stronger than expected recovery in profitability.

As the economy recovered from the effects of COVID-19 and with demand particularly strong in the construction machinery industry—an important customer industry for the Group—we made progress on reflecting rising prices of iron ore, coking coal, and other raw materials in product prices, which helped secure net sales above last year's figures. Profits also increased substantially, thanks to cost improvements resulting from increased production volumes, the effects of cutting fixed costs by about 10% last year, and other factors.

A look at consolidated financial results in FY2021 shows net sales of JPY146,292 million (up 49.6% year on year); operating income of JPY6,270 million (vs. operating loss of JPY4,943 million in the previous year); ordinary income of JPY5,780 million (vs. ordinary loss of JPY5,509 million in the previous year); and net income attributable to owners of parent company of JPY4,068 million (vs. loss of JPY5,528 million in the previous year). These figures reflect a recovery in profitability much stronger than had been expected at the start of the period.

In the Special Steel Bars business, growth in sales volumes and cost improvements reflecting increased production at domestic businesses, combined with the elimination of one-time costs associated with blast furnace renovations in the previous year, led to increased profits. Indonesian special steel bars subsidiary JATIM also recorded operating profits, supported by booming demand and progress on its own structural reforms.

While the Springs business saw improvements in losses and profits at its domestic businesses thanks to a recovery in sales, losses at the North American springs subsidiary MSSC increased. Even as it received increasing orders with recovering production at automakers since the second half of last year, it experienced sudden changes in orders and short supplies of raw materials, leading to a marked decrease in productivity. In addition, steel prices in North America have increased even more sharply than in Japan. MSSC has been unable to fully reflect these higher costs in its product prices. These were the main causes of its worsening losses. MSSC now has a target in sight for completing efforts to reflect rising steel prices in selling prices. It has addressed production disruptions in various ways, including temporary resumption of operations at the US plant, where a consolidation with the Canadian plant was underway as a part of reconstruction efforts, while expanding its range of materials suppliers to secure the stable inventories required to withstand sudden changes in orders. These efforts should help address the production disruptions.

In the Formed & Fabricated Products business, new products for which orders are being accepted—special alloy powders and precision castings—are showing positive performance, while the Machinery business recorded certain large-scale orders. As a result, both of these businesses posted increased sales and profits.

## Message from the President

In FY2022, the current fiscal year, demand for the construction machinery industry has remained strong. Demand in the auto industry is also increasing, as the industry recovers from the impact of the chip shortage. Group business performance is expected to continue growing, chiefly in the Special Steel Bars business. At the same time, as short-term spikes in the cost of iron ore and coking coal abate, the cost of raw materials remains unstable and unpredictable. Factors such as rising energy costs and the rapid devaluation of the yen are being felt. We will need to reflect these in product prices in the second half. Since we must also undertake capital investments, both to enable the stable supply of high-quality products and to make progress toward carbon neutrality, we will continue to work to reflect rising costs in selling prices based on dialogue with our customers.

In light of the above factors, our consolidated financial results in FY2022 are currently projected to show higher sales but lower profit. The latter expectation reflects consideration of risks, including risks associated with the devalued yen and fluctuations in raw material prices, as well as the effects of production disruptions at our North American springs business. We project increased costs attributable to higher R&D and depreciation expenses, as well as investments for growth, including human resource development and digital transformation (DX).

As noted above, the North American Springs Business is making progress on various measures, including the temporary resumption of operation of its US plant and efforts to expand sources of materials and supplies. We expect to resolve the supply disruptions in the second half of FY2022.

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## We continue to make steady progress on the priorities of the current Mid-term Business Plan; nor have we given up on reaching our profit targets.

The 2020 Mid-term Business Plan, for which FY2022 marks the last of its three fiscal years, calls for efforts to achieve sustained growth by strengthening our product capabilities and expanding integrated production businesses, starting with raw materials, while increasing profitability and stabilizing revenues. The plan's slogan calls for us to "Provide the customers with added value by manufacturing seamlessly from materials to products." We are advancing growth strategies to achieve this goal through three major policies: restructure overseas businesses, strengthen our product appeal further, and expand our

business model for seamless production from materials. A look back at the first two years of the Mid-term Business Plan in terms of progress on each of these strategies shows that in the area of structural reforms in overseas businesses, our overseas subsidiaries, most of which were recording losses at the time the plan began, have made steady progress to record operating profits. With the exception of the North American springs business, all are within sight of achieving their structural reform targets. In particular, the Indonesian special steel bars subsidiary JATIM, despite worsening profitability attributable to several difficulties at



the mass production stage, has achieved sales growth while dramatically boosting production efficiency by improving manufacturing technologies, with a focus on the production of specific types of steel. On a full-year basis, it recorded operating profits in FY2021. Our subsidiaries in China and India have also improved their revenues thanks to growing demand for large coil springs for use in construction machinery. Our subsidiary in the Philippines, which manufactures products such as camera hinges and other precision components, remains profitable thanks to successful efforts to cut fixed costs; its growth potential is expanding as it broadens the range of products for which it receives orders. The German subsidiary, which manufactures and sells coil springs for automotive use, was forced to record losses due to a plant fire in June 2021. While operations at its plant were partially suspended due to the fire, it plans to resume them in the second half of FY2022. Regarding the strategy of further strengthening our product appeal, the establishment of the Sales Strategy Office in the Sales Division has made it possible to secure orders by developing products to meet customer needs. We are accelerating efforts to develop products that reduce weight; products for use in EVs; and products for environmental protection and renewable energy, including equipment, parts, and materials for offshore wind power generation. This is a major theme that will carry over to the next Mid-term Business Plan. In addition, we are improving our manufacturing capabilities by working to achieve smooth production launches and circumventing problems by sharing information in advance with management on new products.

On the strategy of expanding business models for seamless production from materials, we are accumulating new orders by demonstrating the strengths of integrated production from steel bars through leaf springs, centered on

Indonesia, where we can leverage cost benefits. At the same time, in the integrated production of formed and fabricated products, the gas atomizer mass production equipment at the Advanced Materials Center (AMC) at Chiba Works, whose completion had been delayed by COVID-19, came online this year. We have merged the functions of the AMC with the Research and Development Center to promote development of state-of-the-art materials and next-generation products Groupwide. We will further accelerate these initiatives.

A look at current conditions in the final fiscal year of the Mid-term Business Plan shows that while we must still complete the reconstruction of the North American springs business, the bleeding of red ink in our overseas businesses has been staunched. We have made progress in various areas based on our strengths in manufacturing; we have achieved progress largely according to plan on the priority topics of the Mid-term Business Plan.

This Mid-term Business Plan sets numerical targets for FY2022, including consolidated financial results: net sales of JPY150 billion, operating income of JPY7 billion, and ROE of at least 8%. While we currently expect to surpass the net sales target, we expect the operating income target to remain challenging in light of various risks, including the risk of fluctuations in raw materials prices. However, these outcomes will depend in large part on market conditions in the second half. We will continue to pursue efforts to improve profits. We have not given up on reaching the target of JPY7 billion. While ROE exceeded the target one year early in FY2021, when it reached 10.0% thanks to factors including recording of extraordinary income, there will be no such positive extraordinary factors in FY2022. Based on projections announced at the start of the year, we expect to fall short of this target. Still, as with operating income, we will continue to seek to achieve this target.

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## Under the next Mid-term Business Plan, we will strive to establish new growth businesses while improving the earnings potential of our main businesses.

We are currently making progress on formulating the next Mid-term Business Plan for the three-year period from FY2023 through FY2025. The Group's Mid-term Business Plans are based on a long-term vision 10 years into the future to enable progress by achieving growth targets in stages. Under this structure, the next Mid-term Business Plan represents the second stage after the current plan. We will establish specifics for the next Mid-term Business Plan, including specific themes, priority policies, and numerical targets, after ascertaining detailed information on the business environment. The core of the plan's directions based on the long-term vision involves realizing sustained growth and increasing corporate value. To do so, as I noted earlier, the Group will need to establish new growth businesses. We plan to develop businesses in line with the trend toward carbon neutrality and oriented toward the creation of social value based on ESG elements in domains related to our existing businesses. At the same time, we will build robust business foundations capable of generating stable profits by strengthening the earning power of our main businesses of special steel bars and springs.

To prepare for the next Mid-term Business Plan, we are striving to improve the earning ability of our main businesses, including moving ahead to build a sustainable revenue structure for the North American springs business and boosting added value by delivering new products to meet customer needs on a timely basis. Through these efforts, we will secure the resources needed for new growth businesses and sustainability strategies.

To establish new growth businesses, we must strengthen our marketing and R&D capabilities and grow the green shoots of businesses in new fields while expanding the lines of business of the Formed & Fabricated Products and Machinery businesses. As priority domains, we will develop manufacturing to provide greater social value by supporting carbon neutrality and a circular economy in areas such as soft magnetic powders for use in electronic control components, demand for which is expected to grow with progress in the trend toward electric vehicles (EVs) and CASE (connected, autonomous/automated, shared, and electric); sorting lines capable of efficiently and precisely recovering copper, a mineral for which concerns of short

## Message from the President

future supplies have emerged due to the EVs, from urban mining; and equipment, parts, and materials related to offshore wind power generation, which is drawing attention as a renewable energy source.

Another important element of the next Mid-term Business Plan is our sustainability strategy. As a system to support the Group's future management, we will employ DX to build flows from recognition and identification of market trends and customer needs through R&D and product introduction. Within the Company, we will enhance efforts to develop the next generation of human resources by expanding measures based on the themes of workstyle reforms, diversity, and inclusion to take full and even more effective advantage of our human capital. We will broaden

the Group's efforts to promote carbon neutrality to include not just domestic but overseas subsidiaries.

The current 2020 Mid-term Business Plan has been implemented under conditions that compel us to keep up with various changes in the external environment that emerged after the plan was formulated. Recent examples include the emergence of considerable instability factors in response to the effects of the Ukraine crisis and rapid yen devaluation. We recognize that these circumstances demand that we proceed with measures that prove feasible as we move forward, thereby reducing risk factors in the next Mid-term Business Plan.

We plan to announce the next Mid-term Business Plan around May 2023.

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## We will enhance our efforts in ESG management and sustainability as essential prerequisites for realizing sustained growth.

To promote ESG management and sustainability within the Group, we have established the Sustainability Committee and the organizations under its umbrella; the Carbon Neutral Committee, the ESG Subcommittee, and the Global Environment Committee. I am honored to serve as chairperson of the Sustainability Committee, whose membership consists mainly of Senior Managing Executive Officers, Managing Executive Officers, and Senior Executive Officers, General Managers of administrative sections, and General Managers of business divisions. This committee discusses and drafts measures to ensure the sustained growth of the Group.

I believe we face two main challenges related to environmental themes: reducing our own internal CO<sub>2</sub> emissions and helping to reduce CO<sub>2</sub> emissions from customer plants and society at large. To reduce CO<sub>2</sub> emissions from our own plants, we are proceeding with decarbonization activities in which the Carbon Neutral Committee plays a central role. Our efforts to achieve carbon neutrality by FY2050 are based on considering the steel bars segment separately from other segments and on setting FY2030 goals of reducing intensity by 10% in the steel bars segment and reducing total emissions by 50% in other segments (both compared to FY2013 levels).

We are pursuing various activities to help reduce CO<sub>2</sub> emissions from customer plants and society at large, including the development of components for offshore wind power generation equipment, bearing steel for EV use, and steel bars that make it possible to shorten and reduce thermal treatment processes. We see decarbonization as a business opportunity. We will also examine the possibility of producing green steel using renewable energy and other eco-friendly resources at JATIM, our special steel bars production facility in Indonesia, as well as external sales of green leaf springs and other products.

As part of our efforts to achieve a circular economy, we will strengthen sales of systems for use in so-called urban mining: recovering minerals and other resources from waste. Examples include the development of sorting and recovery systems to separate and recover with high precision copper wire from waste home electronics and electric motors

recovered from waste vehicles. Furthermore, we are striving to recycle the significant volumes of waste heat generated in factories. We are making progress on developing thermoelectric materials and modules as part of experimental research on generating electricity using waste heat. In November 2021, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a framework for disclosing the financial impact of climate change on businesses and the responses. In June 2022, we disclosed information based on this framework on the subjects of governance, strategy, risk management, and metrics and targets.

In the area of social issues, we are emphasizing human resource development, diversity, and improvements in workplace environments. We are pursuing related efforts internally as sustainability initiatives. As I noted at the beginning of this message, we recognize that growing the individual strengths of each and every employee and leveraging our human capital as Company strengths are essential prerequisites for the Group's continuing growth.

In the area of human resource development, in addition to providing opportunities for growth and developing training structures, we are emphasizing the development of subordinates as a criterion in evaluating managers, based on a new HR treatment system adopted to enhance goal setting and management by objectives. These efforts will encourage employees to take action on their own as individuals while making their work more rewarding and inspiring. Furthermore, as a group of companies doing business on a global scale, we are considering exchanging and increasing the fluidity of human resources with our subsidiaries and facilities overseas, as we strive to substantially broaden how we deploy our human capital.

We consider diversity to be an important initiative for fostering an innovative corporate culture in which each team member can demonstrate his or her own individual abilities. In particular, in promoting the role of women in the workplace, we seek to create more inviting workplace environments as part of efforts to build workplaces and systems more amenable to the women in our organization. We seek to do so by breaking free of the preconceived





notion that the steel industry is a man's world and by providing opportunities for women to work, even at production sites.

I believe improving efficiency and productivity through business process reforms based on digital technologies is key to improving the workplace environment. We will implement IT training for all personnel as a force multiplier of digital technologies, using robotic process automation (RPA) and teleworking in administrative operations, collecting and utilizing various types of data from sales through technological development and production management, and remotely managing and operating production facilities.

In FY2021, in the area of our governance structure, we reduced the number of Directors from nine to six and

achieved a ratio of Outside Directors on the Board of Directors of at least one-third (two persons) to match the levels required for a company whose shares are listed on the Tokyo Stock Exchange's Prime Market. We also adopted a new executive officer system to improve the business execution structure. In FY2022, we welcomed two new women members to our management team: one Outside Director and one Outside Corporate Auditor. In this way, the membership of the Board of Directors is growing increasingly diverse. We also established a new Nomination and Compensation Committee and transferred to this committee authority on nomination and compensation issues from the previous Governance Committee. We are striving to make our governance even more effective.

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## **We will act swiftly and boldly to tackle challenges, based on sound judgment, while assiduously monitoring the business environment.**

In FY2021, as profits recovered substantially and we made steady progress on the Mid-term Business Plan, we decided to pay dividends for the first time in three years, at an annual figure of 50 yen per share (10 yen/share in interim dividends in 40 yen/share in year-end dividends). We plan the same to return the same amounts to shareholders in FY2022. We will strive to improve business performance so that we can provide greater returns to our shareholders. While our business faces various risks, including changing social and market conditions and fluctuations in material prices and exchange rates, the trends toward ESG and

sustainability management and a carbon-zero society will bring new growth opportunities. Group management must act swiftly and boldly to tackle challenges based on sound judgment at all times while carefully monitoring conditions within the business environment.

We will proceed to make further progress in the future, remaining a company that plays an essential role in society and seeking to build and share a more prosperous future with all our stakeholders. We deeply appreciate your continuing support of the Mitsubishi Steel Group.

# Report on CSR activities

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

### Our sustainability promotion structure

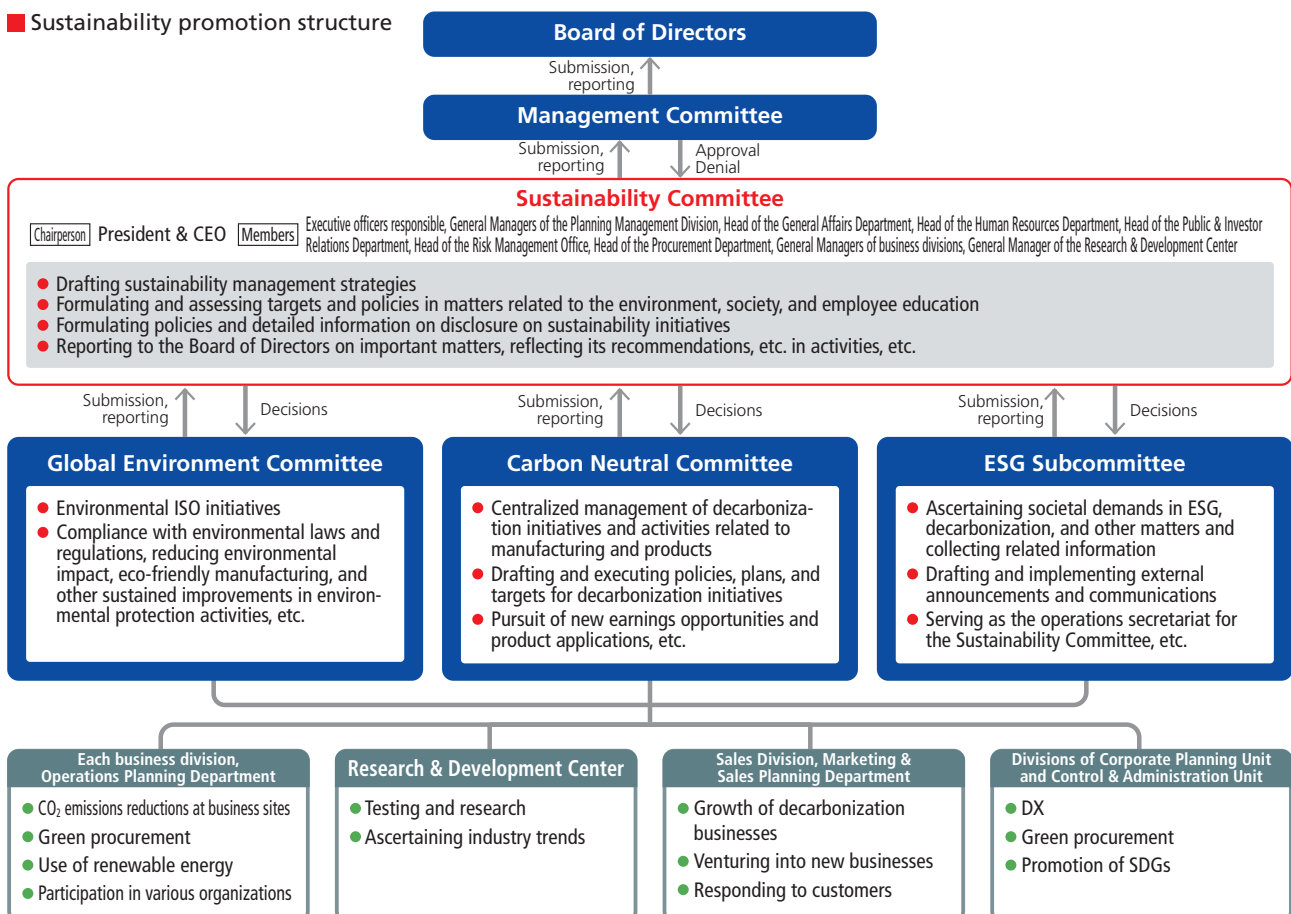
In addition to establishing the Basic Policy for Sustainability (see p. 2), we established the new Sustainability Committee in November 2021 to deliberate on and propose measures to secure the sustained growth of the Group. Under this structure, priority topics concerning sustainability, including climate change, are deliberated on in the Sustainability Committee and, on a monthly basis in principle, in the Board of Directors.

We have also established a management structure capable of promoting sustainability on a cross-functional basis, including assessments and management of climate change risks and opportunities, 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, which is chaired by the President & CEO.

#### ■ Key topics in reports to and reviews by the Board of Directors

- Establishment of the Sustainability Committee
- Setting targets toward carbon neutrality
- Announcing support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Participation in the Challenge Zero program
- Company human rights initiatives
- Progress reports by the Carbon Neutral Committee (future efforts involving CO<sub>2</sub> emissions reductions)
- Reports on promotion of digital transformation (DX) (including the organizational structure for DX promotion)
- Climate disclosure in accordance with the TCFD recommendations

#### ■ Sustainability promotion structure



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



## Initiatives toward the Sustainable Development Goals (SDGs)

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

We are also reexamining and partially revising our priorities in light of various considerations, including contemporary social conditions and the changing business environment.

We will help establish a sustainable society by further expanding and advancing these activities.

See the corresponding pages of this Report indicated below for detailed information on individual initiatives.

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

Priority	Corresponding SDGs	Main initiatives	See pages
New business creation		<ul style="list-style-type: none"> <li>Adapting to trends toward EVs and CASE</li> <li>Developing new products to help reduce environmental impact</li> <li>Entering product fields related to offshore wind power generation</li> </ul>	▶ pp. 19-27: For the Environment
Eco-friendly products		<ul style="list-style-type: none"> <li>Developing lighter springs to improve vehicle fuel consumption</li> <li>Development of materials to contribute to CO<sub>2</sub> emissions reductions at customer plants</li> <li>Efforts toward a circular economy</li> </ul>	
Eco-friendly production		<ul style="list-style-type: none"> <li>Carbon neutrality initiatives (e.g., use of renewable energy and alternative fuels)</li> <li>Promoting initiatives across supply chains and our communities</li> </ul>	
Human rights, employee health and safety, diversity and inclusion		<ul style="list-style-type: none"> <li>Respect for human rights</li> <li>Enhancing HR development</li> <li>Health management initiatives</li> <li>Efforts to increase women as a percentage of the workforce and to help women employees succeed</li> </ul>	▶ pp. 28-31: Building Safe, Comfortable Workplaces
Governance, compliance		<ul style="list-style-type: none"> <li>Operation of the Nomination and Compensation Committee</li> <li>Further corporate governance enhancements</li> </ul>	▶ pp. 40-43: Corporate Governance and Compliance
Natural disaster risk		<ul style="list-style-type: none"> <li>Formulating and periodically reviewing business continuity plans (BCPs) and conducting BCP drills</li> </ul>	▶ pp. 44-45: Risk Management

# For 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

#### 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

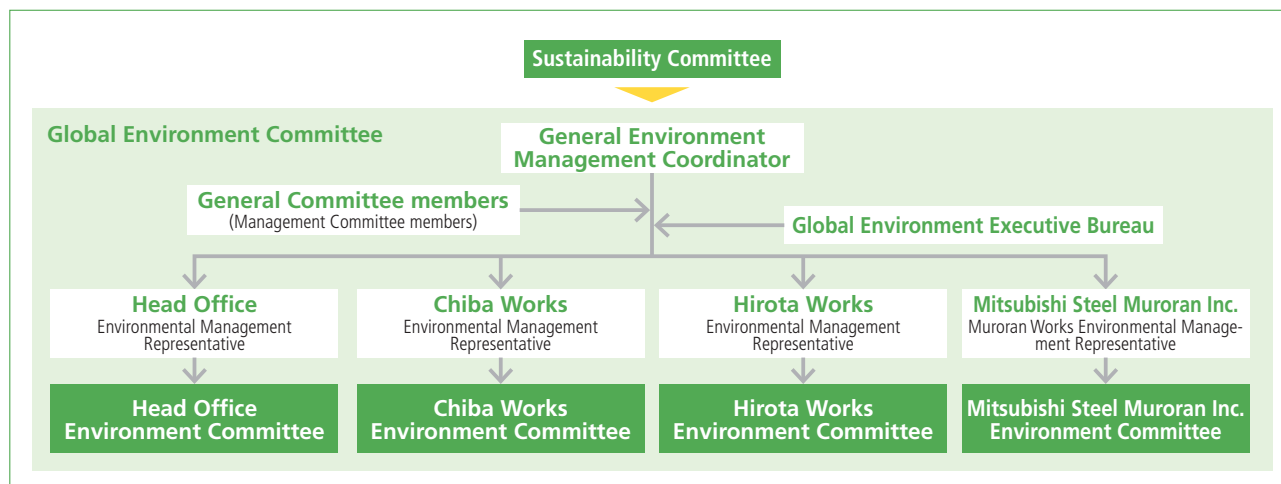
1. As an organization which contribute toward a sustainable society through manufacturing, take the environment into consideration at all stages of business activities including from product development and design to manufacturing.
2. Set environmental objectives and targets based on corporate environmental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



\* The Global Environment Committee was established as an organization under the umbrella of the Sustainability Committee established in 2021, which is primarily responsible for environmental ISO compliance and other such efforts. We also established the new organizations of the Carbon Neutral Committee, which will promote our decarbonization initiatives, and the ESG Subcommittee, which serves as the secretariat of the Sustainability Committee. This new management structure will allow us to respond across the organization to important sustainability topics, including climate change. (See p. 17 for detailed information on the sustainability promotion structure.)



# Carbon neutral initiatives

## Carbon neutrality promotion structure

In August 2021, we established the organization-wide Carbon Neutral Committee and began studies toward achieving carbon neutrality by FY2050. In November 2021, we established the new Sustainability Committee to promote our sustainability initiatives. Under this structure, the Carbon Neutral Committee will function as an organization under the umbrella of the Sustainability Committee. Leaders of the Carbon Neutral Committee were selected from among younger personnel in their 20s and 30s. The committee is tasked with developing a future outlook based on a long-term perspective. Related efforts launched at overseas facilities include the addition to the committee organization of the Indonesian business, which generates high levels of CO<sub>2</sub> emissions, in August 2022. We will move forward successively with initiatives at other overseas facilities.



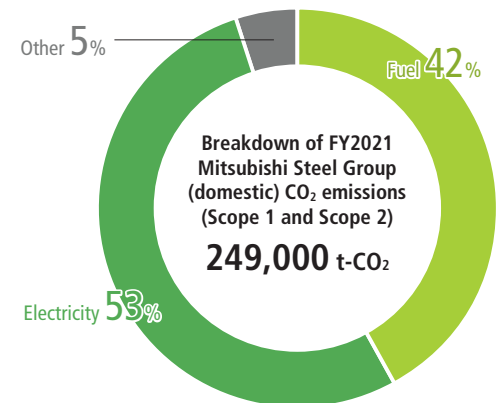
## Actual CO<sub>2</sub> emissions in FY2021 and targets for FY2022 and FY2030

- We have FY2030 goals for reducing intensity by 10% (target: 214,000 t) in the steel bars segment, to be achieved through improvements in production and machinery efficiency; and for reducing total emissions by 50% (target: 22,400 t) in other segments, to be achieved through increased use of renewable energy and other measures (both compared to FY2013 levels).

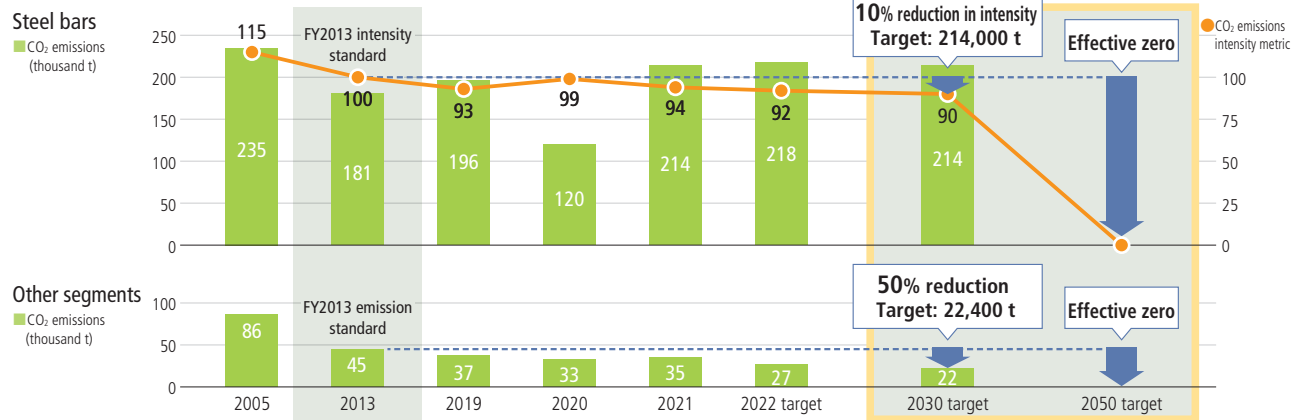
\* Due to business expansion accompanying the intensification of joint venture activities in the steel bars segment (with production beginning in FY2017 and full-fledged production in FY2021), we have set a target for reduced intensity in that segment.

- Actual results for FY2021 show an increase in total CO<sub>2</sub> emissions, as production volumes recovered from the impact of COVID-19 and other factors.
- Major measures to be implemented in FY2022 in the steel bars segment include continual energy conservation efforts, a switch to LED lighting, and use of thermal insulating and fireproofing. In other segments, we will switch to renewable energy at the Chiba and Hirota works while carrying out continual energy conservation efforts, such as switching to LED lighting, switching to inverters, and renovating heating furnaces.
- In setting targets for FY2022, we do not expect large-scale reductions in intensity in the steel bars segment since its efforts are limited to energy conservation. In other segments, we will strive to achieve year-on-year emissions reductions of 28% (40% vs. FY2013) based on progress in areas such as electricity purchases from renewable energy sources.
- We will adopt an internal carbon pricing (ICP) system at our domestic businesses in the second half of 2022, as we make further progress on capital investment related to decarbonization.

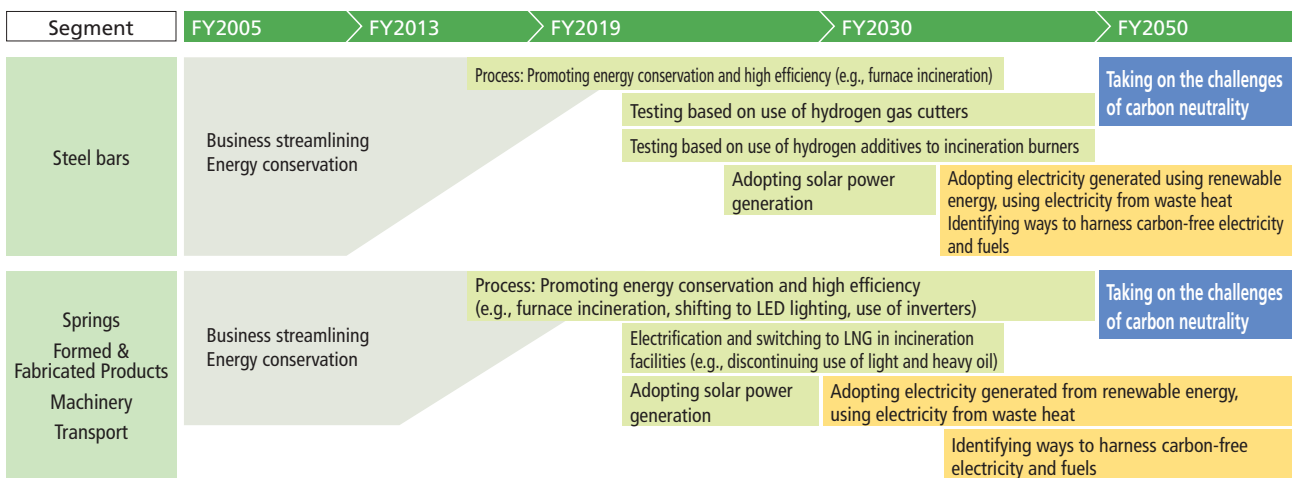
### Breakdown of our CO<sub>2</sub> emissions



Reduction targets toward carbon neutrality and progress toward these targets



The roadmap to 2050



## Initiatives toward carbon neutrality: Challenge Zero

### Challenge Zero

Challenge Zero is a new initiative launched by the Japan Business Federation (Keidanren) and the Japanese government to promote awareness of and gather support for, both domestically and internationally, innovative actions by companies and other organizations to take on the challenge of realizing a carbon-zero society.

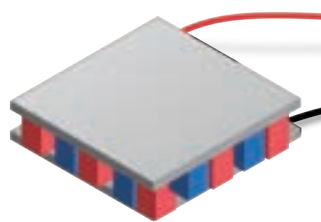
#### Progress of innovation example 1

##### Utilization of waste heat using thermoelectric materials

- We have completed the development of a prototype with a lower price than existing materials and are currently proceeding with development to achieve further improvements in performance, productivity, and cost.
- We are preparing to move toward our next goal, a prototype thermoelectric module



Photo of thermoelectric materials now under development



A thermoelectric module

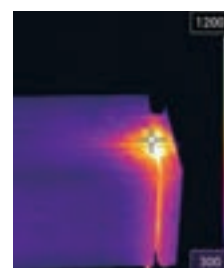
#### Progress of innovation example 2

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

- We achieved success in tests involving the use of hydrogen gas in place of LPG to cut cast steel billets from continuous casters.
- Next, we will strive to quickly put this technology to practical use by verifying final cutting conditions, such as cut surface quality.



Illustration of billet cutting



Billet cutting (thermographic image)

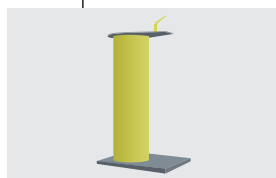
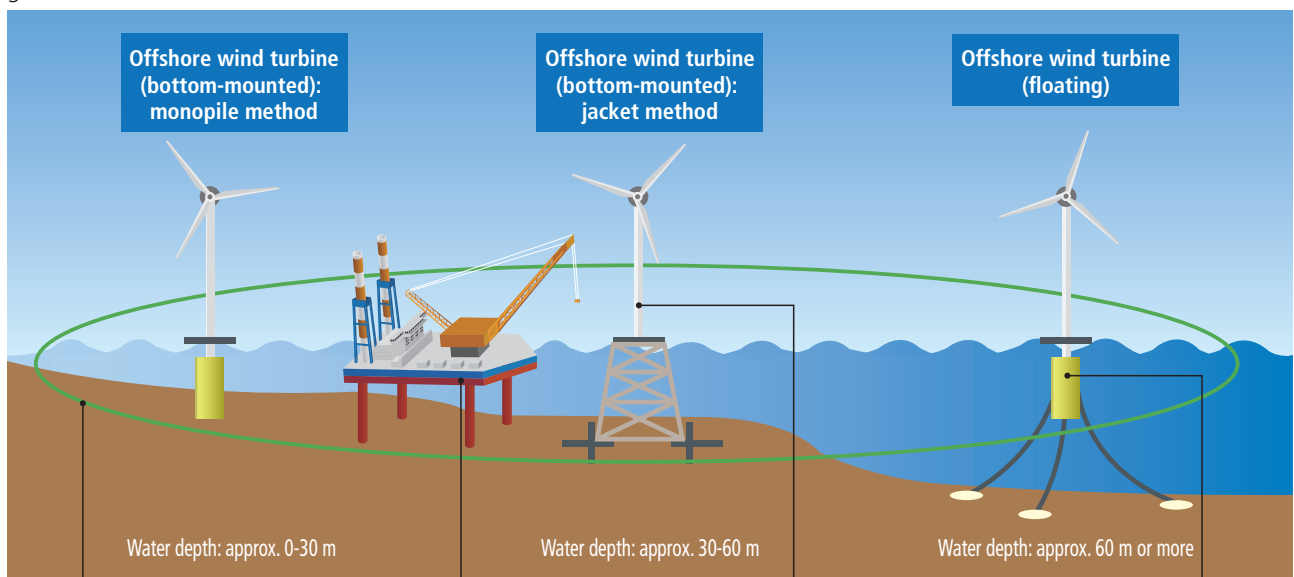
## Example of efforts to reduce environmental impact through the use of our products

In addition to efforts to respond to the accelerating trend toward electric vehicles (EVs) and to the CASE (connected, autonomous/automated, shared, and electric) movement, including further reducing the weight of automotive springs and the development of products for use in electric vehicles, we are contributing to the movement toward a carbon neutral society through various efforts involving renewable energy (machinery for offshore wind power generation) and efforts toward a circular economy.

### Renewable energy (machinery for offshore wind power generation)

In one effort to contribute to offshore wind power generation, Mitsubishi Steel Group member company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. manufactures products for offshore wind turbines and the machine and equipment needed to install them.

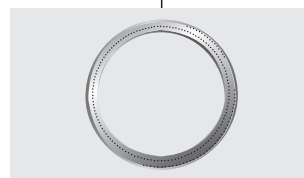
We are also focusing on areas including expansion and enhancement of plant facilities to increase production capacity for machinery for offshore wind power generation.



Manufacturing foundation components (transition pieces)



Manufacturing machinery for self-elevating work platforms (SEPs)



Production of forged flanges



Fabrication of turbine steel components and ballasts and on-site connection work



Investing in large-scale machine tools (bending roll)



Production of large-scale casting machinery (ring rolling mill)



Fabrication of machinery used in wind turbine manufacture (turning roll)

### TPG accreditation earned as supplier of steel bars for use in wind power generation facility components

Mitsubishi Steel Group member company Mitsubishi Steel Muroran Inc. has earned accreditation under the Transportation and Power Generation (TPG) Accreditation Program for tower flange bolts for use in offshore wind power generation. This will enable use of its special steel bars in offshore wind power generation equipment parts that require TPG accreditation.

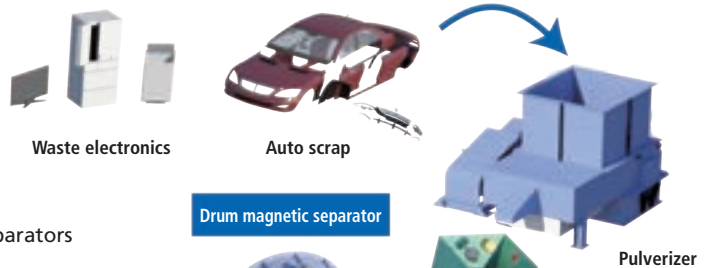
TPG is an American accreditation program for the manufacture of transportation and power generation products that satisfy TPG requirements. Mitsubishi Steel Muroran is only the world's third firm (the second in Japan) to earn accreditation in the field of steel production.

### Efforts toward a circular economy

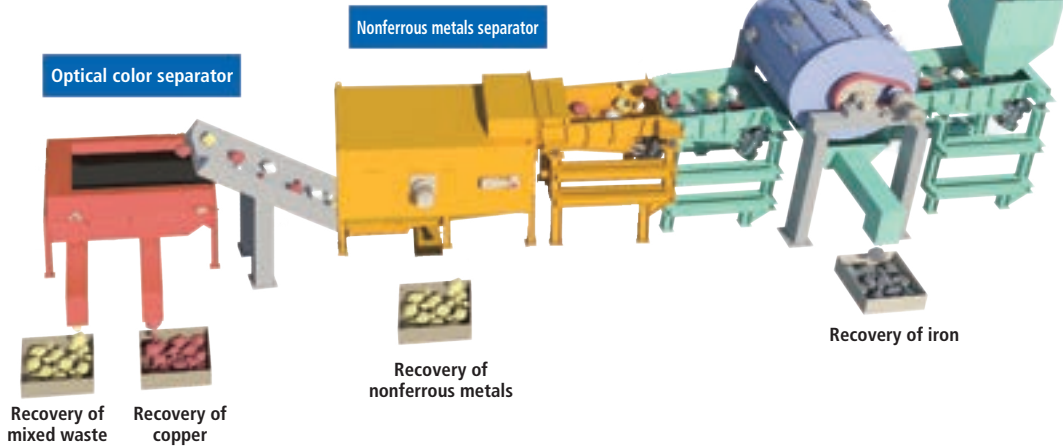
Mitsubishi Steel Group member company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. produces various types of sorting machinery to help realize a circular economy.

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

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



■ Illustration of a sorting line combining various types of separators



<p><b>Optical color separator</b></p> 	<p><b>Nonferrous metals separator</b></p> 	<p><b>Drum magnetic separator</b></p> 	<p><b>Suspended magnetic separator</b></p> 
<p><b>Copper</b></p> 	<p><b>Aluminum</b></p> 	<p><b>Iron</b></p> 	

### Winner of the Japan Society of Industrial Machinery Manufacturers Chairman's Award for 48th Excellent Environmental Equipment Awards



The award certificate and plaque



Delivery conveyor

Nonferrous metals separator

Optical color separator

Mitsubishi Nagasaki Machinery Mfg. has set up a demonstration sorting line combining a nonferrous metals separator and an optical color separator at Isahaya Plant No. 2 in the city of Isahaya, Nagasaki Prefecture, and is proceeding with R&D to achieve even more precise sorting. Line products delivered in June 2020 based on this model won the Japan Society of Industrial Machinery Manufacturers Chairman's Award in the Japan Society of Industrial Machinery Manufacturers Excellent Environmental Equipment Awards.



## Non-heated steels and steels for direct quenching after casting

Motor vehicles and construction machinery use numerous forged parts. Normally, forged parts are cooled to room temperature after hot forging (heating to approx. 1,200°C), then heated once again to temperatures of 800°C or more for quenching and tempering.

Using the following materials, we are helping customers reduce their CO<sub>2</sub> emissions while conserving energy and simplifying processes.

### 1 Non-heated steels

- Ideal for achieving a wide range of strengths, these steels are hardened through a process involving the deposition of carbide and nitride elements.
- These materials make it possible to secure the designated mechanical properties (strength and toughness) by controlling the speed of cooling after hot forging. They do not require quenching and tempering through thermal processing after hot forging.

### 2 Steels for direct quenching after casting

- Quenching and tempering are essential for certain parts, since non-heated steels cannot meet the required specifications.
- We are developing materials that can be quenched immediately after forging. The production of these materials applies residual heat from hot forging.
- The appropriate combination of materials and forging conditions allows direct quenching after casting.



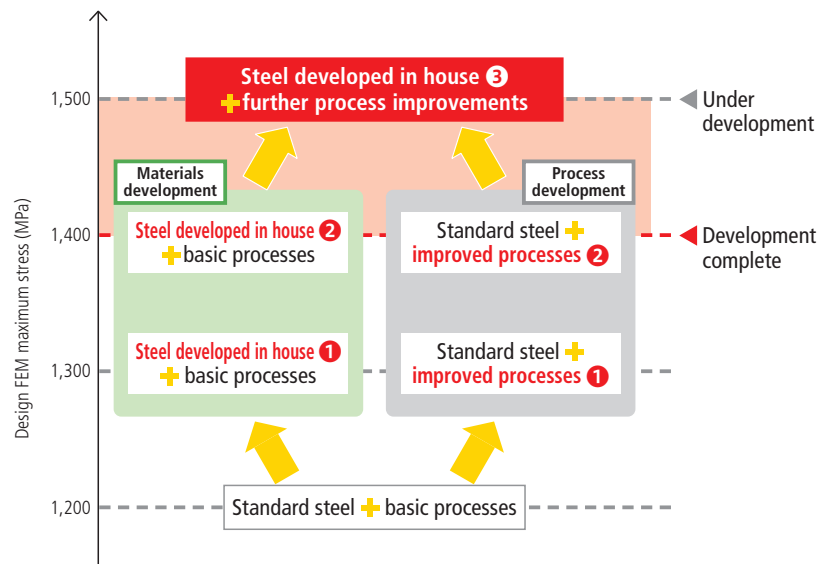
## Making automotive springs lighter

### ● Coil springs

As a manufacturer who handles all processes from raw materials through final products, we draw on materials and process developments to make automotive springs lighter and thereby reduce automotive CO<sub>2</sub> emissions.

Progress on the development of materials and processes has generated practical solutions involving steel developed in house ② + basic processes and standard steel + improved processes ②. These processes cut spring weight by about 20% compared to standard steel + basic processes.

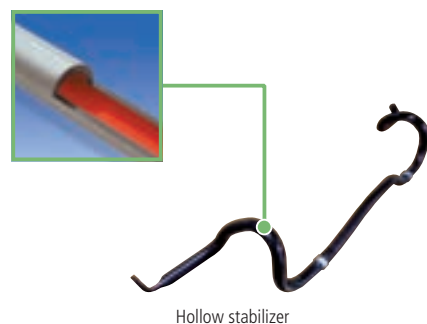
We are moving forward with development efforts that combine materials development with process improvements. Our goal is to help reduce the environmental impact of motor vehicles by making automotive springs lighter.



### ● Stabilizers

We improve durability and reduce the thickness of hollow stabilizers by applying proprietary interior surface treatment technologies.

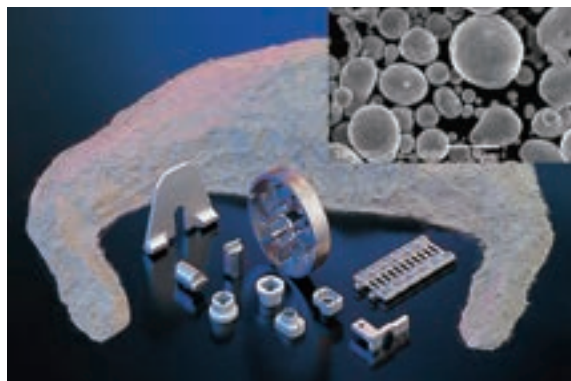
We have reduced the weight of stabilizer products by more than 20%. We plan to begin mass production of these lightweight stabilizers no later than FY2025.



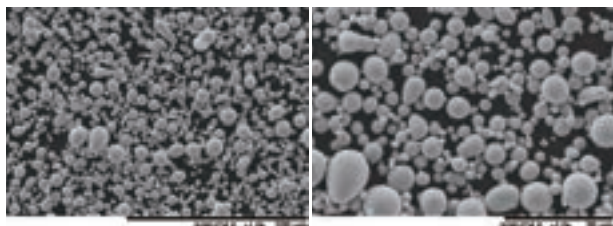
Hollow stabilizer

### High-performance powders

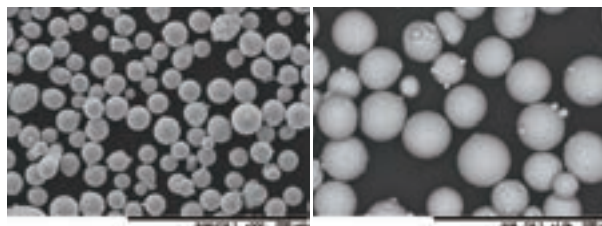
Our soft magnetic metal powders are used to make the electronic components found in communication and control devices for smartphones, motor vehicles, and other products. With expanding use of electric vehicles and self-driving vehicles, demand is expected to grow for soft magnetic powders for use in the inductors found in electronic control components. We develop high-performance soft magnetic powders for automotive applications that require minimal energy loss. The powders are ideal for device miniaturization and high frequency components.



Water-atomized powder



Gas-atomized powder



## Efforts to lessen environmental impact at our plants

### Upgrading automatic marking equipment to cut use of designated chemical substances

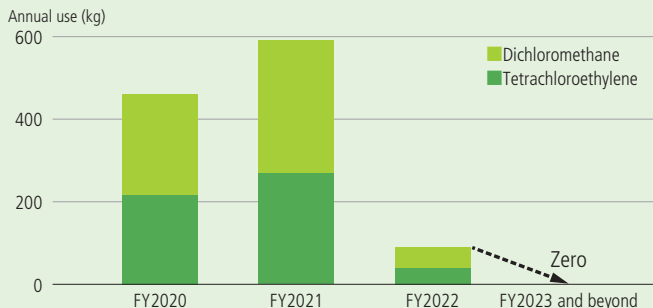
The Mitsubishi Steel Muroran Inc. processing plant uses automatic scratch detection equipment in final inspections of steel bars. The automatic marking process uses dyes that containing designated chemical substances (tetrachloroethylene and dichloromethane).

The plant recently upgraded its automatic marking equipment to use alcohol-based dyes.

This has reduced the of tetrachloroethylene and dichloromethane used from approx. 500 kg/year to zero.

We remain committed to promoting eco-friendly clean production.

Volumes used at processing plants



Automatic scratch detection equipment



Visit the Company website for other initiatives and environmental data (environmental protection costs, material flows, PRTR, air and water quality).  
<https://www.mitsubishisteel.co.jp/english/csr/environment/>



# Disclosure based on TCFD recommendations



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

We disclose information on business risks and opportunities associated with climate change and their financial impact based on this TCFD framework. (This disclosure applies to the Company and to domestic subsidiaries.)

## TCFD recommendations

The TCFD refers to the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) to reduce the risk of instability in financial markets in response to the conclusions of a G20 conference of finance ministers and central bank governors. The risks and opportunities presented by climate change will significantly affect corporate finances over the medium to long term. The final TCFD recommendations were published following consideration of methods of disclosure that would best enable financial markets to assess climate risks and opportunities.

For investors and other parties, accurate assessments of the financial impacts of climate risks and opportunities are crucial for decisions regarding potential investments. Based on this perspective, the TCFD recommendations call for disclosures concerning the four core elements of governance, strategy, risk management, and metrics and targets.

## 1 Governance

Priority topics related to sustainability, including climate change, are deliberated on in the Sustainability Committee and (in principle) on a monthly basis by the Board of Directors.

➡ For more information, see [Our sustainability promotion structure](#) on p. 17.

## 2 Strategy

Based on a vision of the world in 2050, we have identified the risks and opportunities posed by the potential impact of climate change on the Company by considering future societal and physical changes. (See below.)

We will continue to assess risk impacts moving forward.

	Item	Impact of societal changes on the Company (risks, opportunities)		Our response	
Migration risks, opportunities	Policy, regulations	Enhancing policies on decarbonization and environmental protection measures	Risk	Rising business costs due to the adoption of carbon pricing, etc.	<ul style="list-style-type: none"> <li>Promoting energy conservation and using renewable energy</li> <li>Implementing the roadmap toward carbon neutrality (see pp. 20-21)</li> <li>Promoting capital investment through adoption of ICP</li> </ul>
		Markets	Electrification of motor vehicles and marine craft (compact, lightweight)	Risk	Decreased sales due to lower demand for parts related to internal combustion engines (e.g., turbochargers, metal parts)
	Changes in raw material prices associated with decarbonization		Risk	Increased sales due to growth in demand for lightweight special steel bars and springs	<ul style="list-style-type: none"> <li>Promoting weight reductions for springs, etc.</li> </ul>
	Energy prices (fuel and electricity)		Risk	Increased costs due to rising raw material prices	<ul style="list-style-type: none"> <li>Reflecting in selling prices</li> </ul>
	Spread of offshore wind power		Risk	Increased costs due to rising energy prices	<ul style="list-style-type: none"> <li>Energy conservation and diversification</li> <li>Reflecting in selling prices</li> </ul>
	Technology	Development of products related to renewable energy (thermoelectric materials, etc.)	Opportunity	Increased sales due to sales expansion related to fabrication and maintenance of offshore wind power equipment	<ul style="list-style-type: none"> <li>Machinery related to self-elevating work platforms (SEP)</li> <li>Developing technologies for high performance rolling using large-scale ring mills</li> <li>Participation in MOPA, etc. (see p. 27)</li> </ul>
		Progress with and development of manufacturing technologies in house	Risk	Increased sales due to sales expansion of products developed	<ul style="list-style-type: none"> <li>Enhancing development of energy-conservation technologies (see Challenge Zero Case Study ② on p. 21, etc.)</li> </ul>
		Expanding use of alternative energy	Risk	Decreased sales due to inability to keep up with energy conservation technologies	<ul style="list-style-type: none"> <li>Collecting information from the national government and various companies and studying investments</li> </ul>
		Shift toward products with lower environmental impacts	Risk	Increased costs due to continued high prices of alternative energy and delays in developing supply structures	<ul style="list-style-type: none"> <li>Development of materials and components for electrification and technologies to achieve weight savings</li> <li>Development of products to reduce CO<sub>2</sub> emissions through changing manufacturing processes</li> <li>Thermoelectric materials (see Challenge Zero Case Study ① on p. 21)</li> </ul>
	Reputation	Worsening or gaining reputation among customers and investors	Risk	Increased development costs, lower sales due to lateness of development	<ul style="list-style-type: none"> <li>Addressing assessment programs</li> <li>Reviewing decarbonization roadmap and strategies</li> </ul>
Opportunity			Effects on corporate reputation of failure to achieve decarbonization targets or inadequacies in assessment programs		
Physical risks	Chronic, acute	Risk	Effects on corporate reputation of sales growth in products contributing to a low carbon society	<ul style="list-style-type: none"> <li>Enhancement of Business Continuity Planning (BCP)</li> </ul>	
		Risk	Effects on corporate reputation of failure to achieve decarbonization targets or inadequacies in assessment programs		
		Effects of extreme weather events (e.g., torrential downpours, typhoons, flooding, rivers drying up due to higher temperatures)	Risk	Suspension of operations at our plants, supply chain interruptions	
			Risk	Insufficient industrial water supplies due to rivers drying up	

Other examples of proactive efforts to realize 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.

**\* Muroran Offshore Wind Industry Promotion Association (MOPA)**

Launched in January 2020, the MOPA initiative seeks to attract businesses related to the offshore wind power industry to the city of Muroran, Hokkaido, and to stimulate local industry.

As of September 30, 2022, 63 companies and other organizations had joined the association. The association engages in various activities, including promoting the advantages of Muroran’s port and industrial cluster to businesses in Japan and around the world and promoting awareness and understanding of the future potential of wind power in the community, all based on industry-academia-government cooperation. Mitsubishi Steel Director/ Managing Executive Officer Hiroshi Sekine was appointed MOPA chairperson in November 2021.

Through our MOPA membership, we will strive to help realize a low carbon society through wind power.

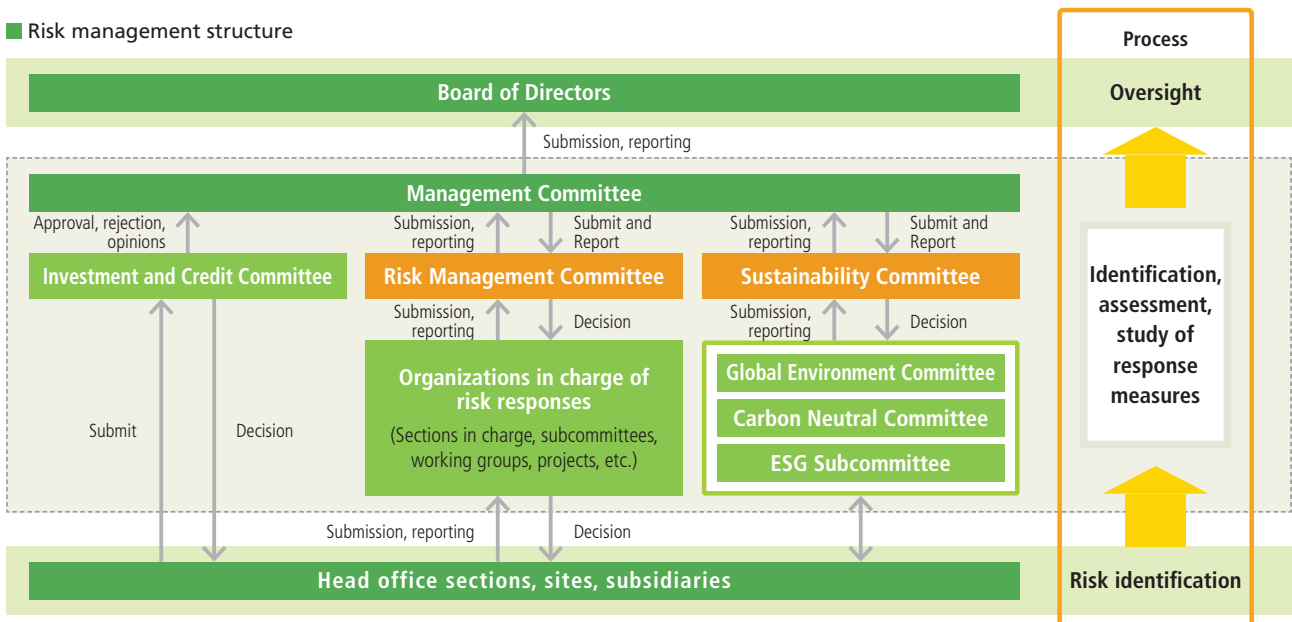
MOPA official website: <https://mopa-j.com/en/>

### 3 Risk management

Our basic structure for managing climate change risks consists of the Sustainability Committee, which manages migration risks, and the Risk Management Committee, which manages physical risks and other risks.

- Our risk management process involves identifying Companywide short-, medium-, and long-term risks through the Risk Management Committee and Sustainability Committee; assessing these risks; and considering responses and countermeasures, all under the supervision of the Board of Directors.
- Led by the Planning Management Division, the Investment and Credit Committee reviews capital investments, including investments related to carbon neutrality, to make management decisions based on a careful and impartial consideration of business plans and risks.
- The Risk Management Committee formulates, verifies, and reviews business continuity plans (BCPs) to ensure that each section, site, and subsidiary can respond to and recover from natural disasters without delay.

■ Risk management structure



### 4 Metrics and targets

We have chosen CO<sub>2</sub> emissions as a climate change metric and set the goal of achieving carbon neutrality by 2050. Our goals for FY2030 are to reduce intensity by 10% through efficiency promotions in production and machinery in the steel bars segment and to reduce total emissions by 50% by taking, in addition to the measures above, action on renewable energy and deploying other measures in other segments (both compared to FY2013 levels).

➡ See **Carbon Neutral Initiatives** on pp. 20-21 for detailed information on the roadmap toward carbon neutrality, recent progress, and other matters.



# Together with Society

## Building safe, comfortable workplaces

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

### Safety initiatives

Under the slogan "Back to Basics," the Group creates numerous opportunities to promote safety activities based on heightened risk sensitivity and a return to the fundamentals.

#### ● Our responses

Having designated the period from October 1, 2021 through March 31, 2022 as a period of enhanced efforts to achieve accident-free status, we focused on three priorities: the Five S activities of (seiri [sorting], seiton [straightening], seiso [systematic cleaning], seiketsu [standardizing], and shitsuke [sustaining]); thorough inspections and maintenance, and compliance with work procedures, all under the Back to Basics slogan. We distributed safety patches and helmet stickers to employees at all facilities in Japan and around the world to promote awareness of safety activities.



Safety patch

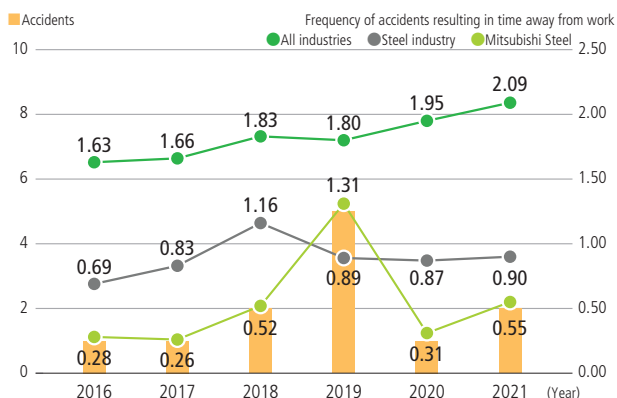


Mitsubishi Steel Muroran Inc. safety patrol (2021)



Chiba Works safety patrol (2021)

#### ■ Accident frequency



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

#### ● Employee meetings for safety

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

#### ● Safety meetings

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

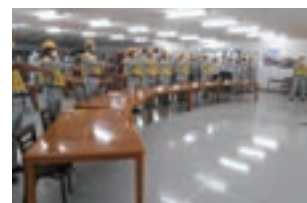
#### ● Safety activities

The Hirota Works holds a slinging contest. Held at the powders plant, this contest featured seven representatives of individual workplaces in the casting group, powders group, and office, who competed in a series of tasks involving slinging a 220 kg load and using a radio-controlled 2.8 t hoist to move this from the designated location to a stand over a bar two meters high. This competition generated high tension, even for the fundamental tasks of lifting a load off the ground, pointing and calling out to others, and motioning.



The contest

The Chiba Works holds a KYT contest. In this contest, 28 people in nine teams from each workplace demonstrated the results of everyday KYT accident prevention activities. Competitors were graded on a scale of 1-10 on how well they identified risk factors and set feasible response targets within 10 minutes of the presentation of an illustration just before the announcement of the task. This contest is intended to help boost employee skill in predicting danger and reduce the risk of on-the-job accidents.



The contest

## Creating comfortable workplaces

In September 2022, we reorganized the previous General Affairs and Human Resources Department into two new sections: the General Affairs Department and the Human Resources Department. This move was intended to address efforts targeting pressing HR issues, such as enhancements in human resource development, reforming HR programs, and disclosures related to human rights and human capital, as well as issues related to the environment, society, governance (ESG), and the Sustainable Development Goals (SDGs).

Other activities intended to develop workplaces in which diverse human resources can do rewarding work included discussions between representative directors and mid-level employees and other opportunities for the exchange of opinions between the management team and employees.

### ● 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.

Seeking to achieve workplaces in which all can work with vitality, this fiscal year we implemented training to teach the basics of human rights, including LGBT issues. In addition, we established a specialized team within the ESG Subcommittee to formulate human rights policies and advance efforts to enhance our initiatives on respect for human rights, including due diligence on human rights issues and the development of remediation mechanisms.

### ● Measures to prevent harassment

Laws have called for increasingly stringent measures to counter harassment. Using various materials, including case studies on the abuse of power, the most common form of harassment, we provide harassment training for managers in Japan and at certain overseas facilities.

### ● Workstyle reforms

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.

### ● Promotion of use of childcare leave programs

To support diverse workstyles, we have sought to enhance childcare leave programs in various ways, including lengthening childcare leave, expanding the scope of those eligible for reduced working hours for childcare, and providing subsidies for temporary childcare services. We distribute materials to summarize childcare leave programs, procedures, and schedules and strive to address concerns about the programs.

Men have begun taking childcare leave as well, thanks to efforts to address this issue in the Company. These efforts also encourage employees to take advantage of diverse workstyles. We remain committed to building a corporate culture that allows each and every employee to experience truly rewarding work in various ways, including improving workplace environments and promoting more efficient work.

### ■ 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

### ● Health initiatives

Employee health management is a crucial management issue. We have established a Health Management Statement and are moving forward with various initiatives to enable each and every employee to maintain their mental and physical health.

#### (Health Management Statement)

Under our Corporate Philosophy—Maximizing Human Capital—we strive to create vital, comfortable workplace environments in which diverse human resources can thrive. We will continue working to create environments that maintain and improve employee health while working with the Mitsubishi Steel Health Insurance Society to make environmental improvements that contribute to good health.

### ■ Health Management Policies

#### 1. Prevention, early detection, and treatment of disease

Together with efforts to prevent disease, we encourage employees who have received health checkup results calling for follow-up examinations or treatment to take the steps needed and monitor their progress.

#### 2. Preventing infectious disease

We strive to prevent infectious disease among employees through sanitary management.

#### 3. Mental health measures

We’re committed to building more positive workplace environments by responding appropriately to mental health issues through stress checks.

#### 4. Health improvement measures

We implement various health improvement measures, including providing opportunities for nutritional improvements and exercise.

## Ensuring diversity and inclusivity

We promote diversity and inclusivity initiatives to realize a company in which the full spectrum of our diverse employees can demonstrate their abilities to the fullest, thrive in rewarding workplaces, and take pride in what they do.

On the theme of promoting women employees, we have set targets for the percentage of employees and managers accounted for by women, targeting at least 15% of employees and at least 10% of managers by 2025. We have expanded women's career options, including factory work, to help raise these rates. In addition to training to promote the role of women in the workplace and individual consultation services for women employees, we have launched various measures, including career consultation interviews with women managers conducted by female director appointed in FY2022. In these and other ways, we seek to develop more comfortable workspace and to strengthen systems that support women within the organization.

We have set a target for increasing the percentage of employees taking paid vacation, targeting a rate of 75% or better in FY2022 and beyond. To promote a successful and diverse workforce, we will take steps to eliminate long working hours and reconsider workstyles and rules on breaks that empower individuals to achieve even greater productivity. In FY2022, we established the Plus ONE Campaign, which encourages employees to take the days before and after holidays during the three-month period from September to November as paid vacation. The program sets the target of each employee taking at least one day off per month during this period. We will continue to work to achieve the target of at least 75% of employees taking paid vacation.

## Human resource education

Human resources represent the wellspring of any company's sustained growth. Accordingly, we have established a human resource development structure to focus on fostering and making the most of our human resources and allowing them to achieve a true sense of growth and self-realization.

We have also developed competency maps to make clear the kinds of human resources the Company needs and to describe the actions and qualities required at each level.

In the future, we plan to implement training by job level to allow employees to meet the required levels indicated in the competency maps; develop systems for promoting reforms in corporate culture and awareness; and implement training in line with our education structure.

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

		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 Pre-posting training for resident staff Management human resource development (subsidiary management)		
	Councilor	Business leader training New manager training	Subordinate development training Organizational efficiency training	Language training for managers Training through exchange with other companies Pre-posting training for resident staff Management human resource development (subsidiary management)		
General employee	Chief	Management training New chief training	Superior assistance training Risk management training	Pre-posting training for resident staff Management human resource development (subsidiary management)		
	Mid-level employee	Year seven training	Job progress training Planning/problem-solving training Presentation training	Dispatching younger employees overseas Domestic scholarship program Pre-posting training for resident staff	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	Dispatching younger employees overseas Domestic scholarship program Pre-posting training for resident staff	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

### Human resource development initiatives for younger employees

#### Year Seven training

Despite progress on developing systematic training programs for new hires, younger employees, and managerial personnel, the lack of periodic training for mid-level personnel has been identified as an issue. In response, to strengthen morale among mid-level personnel, we held presentation meetings on current duties and future challenges for employees in their seventh year with the Company.





Together with Society

**Dispatching younger employees to India**

In 2008, we introduced an overseas training program intended to develop more human resources capable of succeeding in international business.

This program dispatches employees abroad for two years for practical business training while improving their foreign language skills. The program deepens knowledge of the

host country's unique systems and culture and helps employees acquire the flexibility needed to respect and account for differing values. Our hope is that employees participating in this program will contribute to the Group's success by returning overseas as resident staff or by leading international business operations in Japan.

**Working at an Indian subsidiary under the overseas training program**

I have been sent to MSM Spring India Pvt. Ltd. (India) as an overseas trainee.

Here I work in maintenance and training on expertise while studying the local language.

I found it quite difficult at first to adjust from my previous operational background to the role of instructing and guiding people overseas. But as the training program progressed, I sensed improvements in my own abilities.

As part of this overseas training, I also participated in training sessions and other activities in the local culture, which improved my understanding of the local community in ways work duties alone couldn't. I plan to apply this knowledge in my future work.



MSM SPRING INDIA PVT.LTD.  
Engineer- Equipment & Electrical  
Tomoyuki Miyano

**Professional human resource development**

**Presentation meeting for business improvements in engineering**

In response to the lack of opportunities for presentations on results following engineers' presentation meetings for new hires, a presentation meeting for business improvements was held for engineering staff. This opportunity to gain a sense of accomplishment involves reporting on business improvements at specific workplaces.

We plan to continue holding presentation meetings to achieve business improvements, encourage exchange across sectional boundaries, and strengthen motivation to pursue improvements.



**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, practical computing, and digital transformation (DX), in addition to language skills, 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 established a program to support employees seeking to earn official qualifications, with the goal of helping to motivate employees to earn official qualifications and achieve personal and professional growth. Under this program, those who have earned official qualifications are eligible for financial incentives in amounts reflecting the type of qualification.

The range of official qualifications eligible for support expanded this year. We will continue to provide growth opportunities and expand our support for employee growth.

**Activities to promote awareness of ESG and the SDGs**

We are undertaking the activities indicated below to strengthen employee awareness of the environment, society, governance (ESG), and the Sustainable Development Goals (SDGs).

These are part of ongoing efforts to strengthen internal awareness and to encourage all employees to work together to advance ESG and SDG initiatives.

- Special feature on ESG and the SDGs in the Company bulletin
- Employee awareness survey on ESG and the SDGs
- SDG posters

We prepared posters to introduce the Company's SDG initiatives and posted them in various facilities.

- Distributing SDG ballpoint pens

To raise employee awareness of SDG activities, we distributed ballpoint pens made from recycled plastic waste collected from the ocean off the Japan coast.



SDG ballpoint pens



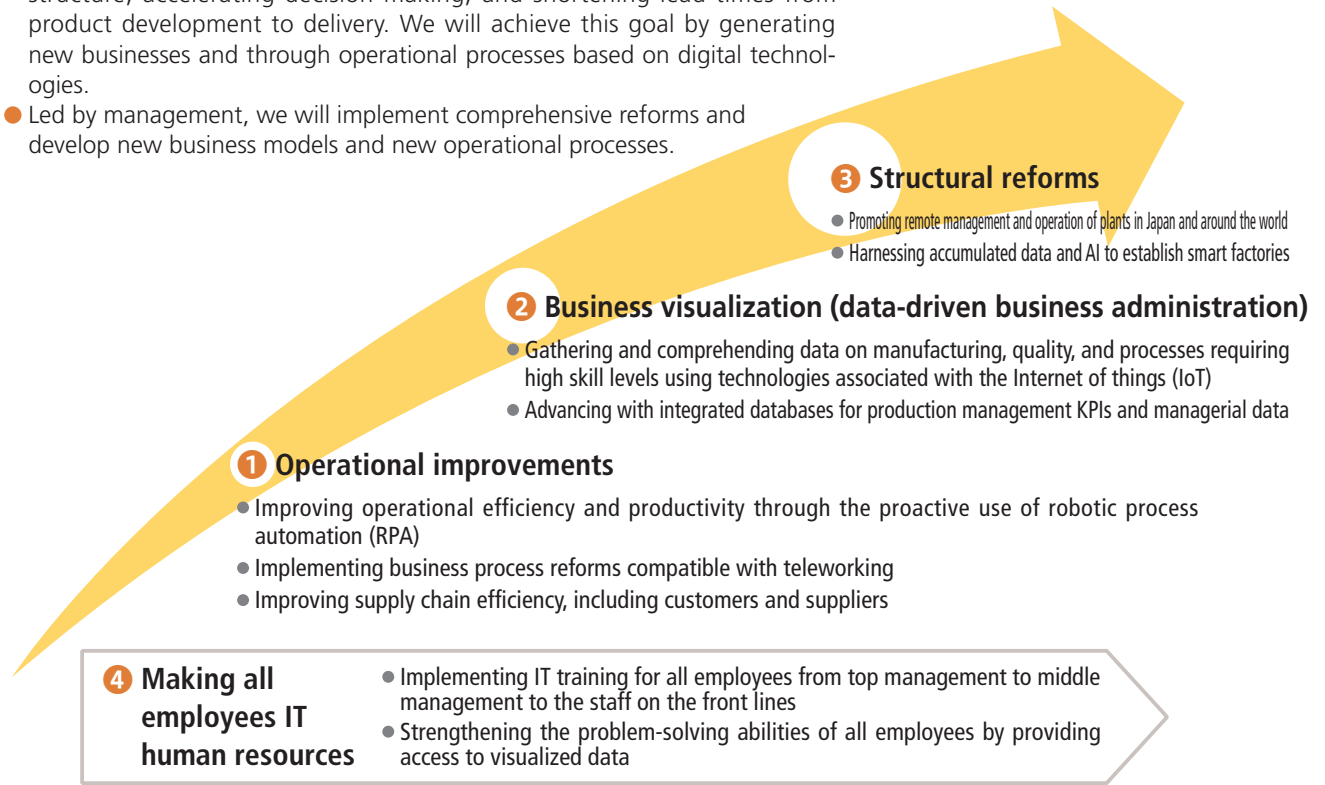
SDG poster



# DX promotion

## Promoting business process reforms by sharing and making use of data and information

- 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.



### Activities of the DX Promotion Office (launched in November 2021)

**● Promoting DX human resource training**  
To achieve thorough promulgation of the thinking behind digital transformation (DX), DX human resource training has gradually broadened beyond the management ranks. Plans call for promoting training for general employees. In addition, as part of efforts to increase the digital literacy of all employees, we are participating actively in seminars and encouraging employees to take the IT Passport exam.

**● Further promotion of RPA activities**  
We implemented full-fledged robotic process automation (RPA) activities Companywide since April 2021. At first, most cases involved the adoption of RPA to automate regular, labor-intensive tasks; more recently, a growing number of cases involve the DX concept of not merely increasing operational efficiency, but transforming how we work. A second internal RPA contest held in August



Presenting an award in the second RPA contest

2022 generated eight entries. As this example shows, RPA activities continue to expand across the organization, with activities in sections using RPA growing ever more active.

**RPA activities**  
(FY2021-July 2022)  
**Adopted by: 36 sections**  
**Completed: 94 initiatives**

**● Centralized management and shared management of knowledge and expertise**  
Efforts are underway to eliminate overreliance on individual staff members and to put information to effective and strategic use through the centralized management and sharing of information used by personnel in sales, R&D, and procurement sections. This has led to progress with reforms in how we work. We plan to deploy these efforts to the plant side.

## 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 award awarded by Isuzu Motors Ltd.

Isuzu Motors presented us with its FY2020 Quality Award in recognition of the delivery quality and market quality of our leaf springs. We are among the top 18 suppliers to win the award. We will continue divisionwide efforts to increase customer satisfaction through strong quality control.



The award



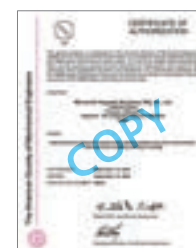
Leaf springs

### ASME U3 certification stamp earned

Previously, Group member company Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. earned ASME S, U, and U2 stamps\* for pressure containers. In September 2021, it also won the U3 stamp (excluding welding, brazing, and thermal spraying) based on a certification review.

This certification means it can manufacture ultra high pressure containers rated to approximately 70 MPa and above. Only some 50 companies worldwide have earned this certification, among whom only three, including Mitsubishi Nagasaki Machinery, are located in Japan (as of September 30, 2022). By highlighting technological advantages, the certification is expected to contribute to growth at Mitsubishi Nagasaki Machinery.

\* American Society of Mechanical Engineers (ASME) S, U, U2, and U3 stamp standard



ASME-U3 certificate

### 2021 Quality Excellence Award awarded by Canon Business Machines (Philippines), Inc.

Group member company MSM Philippines Mfg. Inc. won the 2021 Quality Excellence Award from Canon Business Machines (Philippines), Inc. for sustained high quality maintained all year long in the precision springs and precision assemblies it supplies.

This award was presented to 12 companies, including MSM Philippines Mfg. Inc. MSM Philippines Mfg. Inc. will continue divisionwide efforts to increase customer satisfaction based on strong quality controls.



### Special Appreciation Excellent in Local Material Development award awarded by PT. Toyota Motor Manufacturing Indonesia

Group member company PT. JATIM TAMAN STEEL MFG. (JATIM) won the Special Appreciation Excellent in Local Material Development award from Toyota Motor subsidiary PT. Toyota Motor Manufacturing Indonesia (TMMIN) in recognition of its contributions to local materials development and the production of JATIM materials used in automotive stabilizers manufactured by TMMIN.

JATIM will continue to seek to increase customer satisfaction in processes ranging from development through mass production of materials that provide the added features customers demand.



The award

### Quality Production Cooperation Award awarded by SUBARU Corp.

SUBARU Corp. presented us with its Quality Production Cooperation Award in recognition of the swift response by our business division in joint efforts with related sections to urgent issues at the start of the mass production of a new vehicle model. These efforts allowed mass production to proceed without delay.

We will continue Companywide efforts to boost customer satisfaction.



The award

## 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.

### ● CSR surveys

We address CSR, and promote CSR procurement, throughout our entire supply chain, including our business partners. To help them better understand our procurement policies, we ask business partners to participate in surveys on CSR procurement and request their understanding and cooperation in promotion of CSR activities. General meetings of partner companies were held in person in FY2022 at the Chiba and Hirota works, with special COVID-19 precautions in place. These meetings featured reports on the results of CSR surveys and calls for further initiatives.

### ● 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.

### ● Conflict minerals initiatives

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

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

\* Organization leading global conflict minerals initiatives

● Declaration of Partnership Building

On October 26, 2021, we issued a Declaration of Partnership Building, a statement of 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. The Council strives to build sustainable relationships to enable continued growth while promoting efforts to improve productivity across the supply chain. We plan to form new

partnerships by promoting joint efforts with all members of the supply chain and other businesses with whom we work to create value and to achieve mutual prosperity. Since issuing this Declaration, we have tackled action based on the specifics set forth, including reviews of basic transaction agreements concluded with business partners.



## 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 have formulated a Basic Policy on Communication with Shareholders and Investors, which is available on our website.

Basic Policy on Communication with Shareholders and Investors  
<https://www.mitsubishisteel.co.jp/english/ir/basic-policy/>



We 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 for corporate management.

In FY2021, to enhance SR activities for our largest institutional investors, we held meetings for specific institutional investors attended by the directors responsible for general affairs, human resources, and accounting. Outside Directors also participated in these meetings.

We will continue to enhance efforts to ensure constructive communication with shareholders and investors.

### Posting materials to the website

We post timely materials to the corporate website, including annual financial briefings, quarterly financial briefings, securities reports, quarterly reports, materials from briefings on financial results, time-sensitive information, information on important topics, and materials for the Ordinary General Meetings of Shareholders.

The website also features a video introduction to the Mitsubishi Steel Group to help shareholders and investors better understand aspects of the products and manufacturing processes of each business within the Group—aspects that can be difficult to convey through the still images included in pamphlets and similar materials.

Information for shareholders and investors  
<https://www.mitsubishisteel.co.jp/english/ir/>



Video introduction to the Mitsubishi Steel Group  
<https://www.mitsubishisteel.co.jp/english/video/>



### General Meeting of Shareholders

The General Meeting of Shareholders features a briefing by the Representative Director, President & CEO using explanatory materials intended to deepen shareholder understanding of our current conditions and future initiatives on topics ranging from current financial results and the outlook for the following period to progress on the Mid-term Business Plan. Materials filmed and distributed on the day of the meeting are posted to the website.

For shareholders unable to attend on the day of the meeting, a video of the General Meeting of Shareholders was posted on the website for three months.

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



### Briefings for analysts and institutional investors

Twice a year, we hold briefings on financial results for securities analysts and institutional investors in which the Representative Director, President & CEO and other members of the management team provide detailed information on financial results and the future business outlook. Due to COVID-19, these briefings have been held online since March 2021.



Online briefing

To gain the understanding and trust of all stakeholders, we will continue to provide information proactively; create even more opportunities for dialogue; and broaden fair, timely, and appropriate disclosure.



# 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) ①

MSSC Canada Inc. (Canada) donated money to the local Goodfellows organization and collected unused toys for the Goodfellows' No Child Without a Christmas Campaign.\* It also donated to the United Way of Chatham Kent. The Goodfellows strive to ensure that Christmas is a special time for children and families through campaigns involving for donations and volunteer activities. United Way activities are intended to create opportunities for all residents of Canada to live better lives. MSSC Canada engages in community activities to express support for these goals.

\* Toy drive intended to ensure that all children can receive toys at Christmas



Donating toys (North America)

### Donations to schools (China) ②

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 stationary. The school receives no subsidies from the city and is attended by children of migrant workers.



Donations to schools (China)

### Participation in a project to help children (Philippines) ③

MSM Philippines Mfg. Inc. (Philippines) supports the activities of the Angel Tree Project, a campaign by the Philippines Department of Labor and Employment (DOLE) to prevent and abolish child labor. In June and December 2021, it also provided stationery and food to children and their families to support the state of Laguna, where its Manila Plant is located.



Supporting children (Philippines)

### Visiting a senior home (Thailand) ④

Representatives from MSM (Thailand) Co., Ltd. (Thailand) visited a senior citizens' home in July 2022. While COVID-19 restrictions prevented close interaction with the residents, some of its Thai staff members donated essential supplies to the home.



Visiting a senior home (Thailand)

### Providing essential supplies for daily life and sanitation and participating in mosquito eradication (Indonesia) ⑤⑥

PT. JATIM TAMAN STEEL MFG. (Indonesia) donated rice, sugar, tea, and oil to local residents as part of its CSR activities. The company also undertakes annual mosquito eradication efforts to prevent outbreaks of mosquito-borne dengue fever.



Mosquito eradication (Indonesia)



Food distribution (Indonesia)

### COVID-19 vaccination bus (Germany) ⑦

MSSC Ahle GmbH (Germany) arranged for a COVID-19 vaccination bus on two occasions in FY2021 for use not just by employees, but by elementary school students, seniors, and other local residents.



Vaccination bus (Germany)

### Raising funds for Ukrainian refugees (Germany) 8

MSSC Ahle GmbH conducted a fund-raising drive for refugees forced from their homes by Russia's invasion of Ukraine. Employees also donated blankets, pillows, diapers, and other sanitary supplies.



Donating sanitary supplies

### Donations of picture books to children in Asia 9

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

## Interactions with community members

### Plant tour for local residents

The Hirota Works holds plant tours for local residents. These tours provide an overview of the Company and present manufacturing processes and environmental measures and provide time to respond to questions from residents. The opportunity helps local residents learn more about the Company. 10 11



A plant tour at the Hirota Works



A briefing by the foreperson (Hirota Works)

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 to further coexistence with the local community. (The tours were canceled in FY2021 and FY2022 due to COVID-19.) 12



A plant tour at MSSC Ahle GmbH

### 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 13

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 14 15

The Hirota Works holds beautification activities on site and in the vicinity of the works every spring and fall. Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. organized cleanup activities in the area around its plant in March.



Hirota Works (left), Mitsubishi Nagasaki Machinery (right)



### Yawata Rinkai Matsuri festival 16

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 tours were canceled in FY2021 and FY2022 due to COVID-19.)



Yawata Rinkai Matsuri festival

### Summer Bon festival 17

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 tours were canceled in FY2021 and FY2022 due to COVID-19.)



Summer Bon 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 tours were canceled in FY2021 and FY2022 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. (Although the festival was canceled in FY2021 due to COVID-19, we were able to sponsor it once again in FY2022 for the first time in three years.)

### Cosponsoring the Swan Festa Doshin Fireworks

Mitsubishi Steel Muroran Inc. was a cosponsor of the Swan Festa 2022 Doshin Fireworks, a fall event in the city of Muroran. Launched in 1998 to commemorate the opening of Hakucho Ohashi (Swan Bridge), this event features numerous booths, activities on the central wharf of the Port of Muroran, and fireworks over the port at night. (This festival was canceled in FY2021 due to COVID-19. We sponsored the first Swan Festa in three years in FY2022.)

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

MSSC Ahle GmbH accepted a job-training truck for the metals and electronics industries and hosts tours of local high school students.

The students stayed at the Ahle plant for two days, touring the plant and learning about the springs manufacturing process. In addition to the job training program at Ahles, students were introduced to employment options in the local metals and electronics industries.



Plant tour

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

At Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., 56 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 October 23, 2021 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.



# Foundation for sustained growth

## Executive organization (as of October 1, 2022)

### Directors & Corporate Auditors



Director/  
Chairman of the Board  
**Motoyuki Sato**



Representative Director,  
President & CEO  
**Jun Yamaguchi**



Representative Director/  
Senior Managing Executive Officer  
**Hiroyuki Nagata**  
Assistant to the President (general management),  
responsible for General Affairs Department,  
Human Resources Department, Risk Management  
Office, Accounting Department



Director/Managing  
Executive Officer  
**Hiroshi Sekine**  
Responsible for Steel Bar  
Division, Spring Division, Formed  
& Fabricated Products Division



Director (Outside)  
**Akira Hishikawa**



Director (Outside)  
**Minako Takeuchi**



Full-time Corporate Auditor  
(Outside)  
**Hirokuni Sakamoto**



Full-time Corporate Auditor  
**Takashi Nagai**



Corporate Auditor (Outside)  
**Tetsuya Nakagawa**



Corporate Auditor (Outside)  
**Yuka Matsuda**

### Executive Officers (not including those serving concurrently as Directors)

<b>Akira Yamao</b>	Managing Executive Officer	General Manager, Sales Division, responsible for Parts Sales Division
<b>Tsutomu Murayama</b>	Senior Executive Officer	Head of Planning Management Division, responsible for sustainability, Systems Department
<b>Junji Ogura</b>	Senior Executive Officer	General Manager, Research & Development Center/Head of DX Promotion Office Engineering fellow, Sales Division, responsible for Procurement Department
<b>Jun Takayama</b>	Executive Officer	Head of Internal Audit Office
<b>Takuya Kurauchi</b>	Executive Officer	Head of General Affairs Department, responsible for Public & Investor Relations Department
<b>Koichi Yaginuma</b>	Executive Officer	Head of Accounting Department
<b>Yoshimi Nakamori</b>	Executive Officer	Head of Operations Planning Department, Planning Management Division, responsible for quality assurance, safety, carbon neutrality
<b>Kazumasa Tokuchi</b>	Executive Officer	General Manager, Steel Bar Division, Director/President, Mitsubishi Steel Muroan Inc.
<b>Junya Shibata</b>	Executive Officer	Head of Overseas Project Office, Steel Bar Division, President, PT. JATIM TAMAN STEEL MFG.
<b>Satoshi Narita</b>	Executive Officer	Director, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.
<b>Teruhisa Hanamura</b>	Executive Officer	Chairman, MSSC Ahle GmbH
<b>Masahiro Murata</b>	Executive Officer	Head of Human Resources Department
<b>Hidekazu Fukasawa</b>	Executive Officer	General Manager, Formed & Fabricated Products Division
<b>Yasuhiro Adachi</b>	Executive Officer	General Manager, Spring Division/General Manager, Chiba Works
<b>Yasumasa Ohoka</b>	Executive Officer	Head of Steel Sales Department, Sales Division



# Corporate governance

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

## Corporate governance structure


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.

The Company has long advanced efforts to strengthen corporate governance. In FY2021, it migrated to a new system that requires Outside Directors to account for at least one-third of the Board of Directors membership and establishes an executive officer system. In FY2022, the Company established a Nomination and Compensation Committee and appointed women executives to promote diversity among the Board membership. The Company remains committed to continuing to enhance its corporate governance structures.

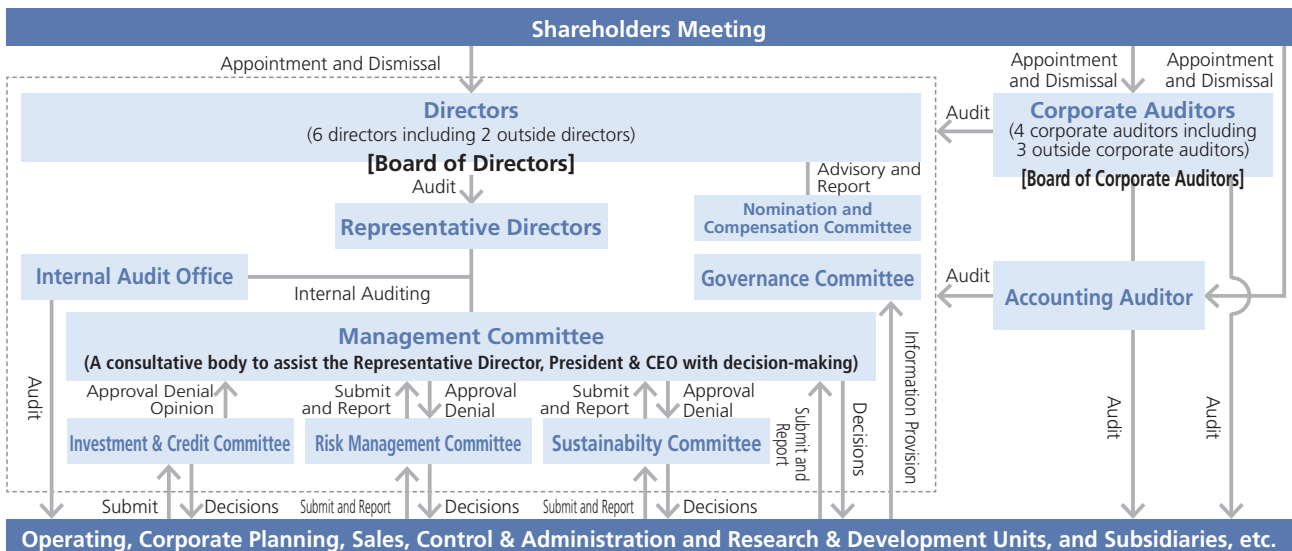
## History of enhancement of corporate governance (since 2015)

2015	<ul style="list-style-type: none"> <li>New Governance Committee established</li> <li>Basic Policy for Corporate Governance established</li> </ul>
2016	<ul style="list-style-type: none"> <li>New Investment and Credit Committee established</li> <li>Assessment of efficacy of Board of Directors launched</li> <li>Board of Directors meeting held at business sites</li> </ul>
2019	<ul style="list-style-type: none"> <li>SR activities launched</li> <li>Risk Management Committee established (▶See p. 44 for more information.)</li> </ul>
2021	<ul style="list-style-type: none"> <li>Principle adopted to ensure Outside Directors account for at least one-third of the Board of Directors members</li> <li>Term of office of Directors reduced from two years to one</li> <li>Executive officer system adopted</li> <li>Sustainability Committee established (▶See p. 17 for more information.)</li> <li>Cross-shareholdings reduced (from 15% to 4% of net assets)</li> </ul>
2022	<ul style="list-style-type: none"> <li>SR activities enhanced (participation of Outside Directors)</li> <li>Women's share of executives increased to 20% with appointment of two new women executives</li> <li>New Nomination and Compensation Committee established</li> </ul>
2023 and later	Toward further enhancements to the corporate governance system,

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



## Corporate governance structure



Foundation for sustained growth

Thinking on Board of Directors balance, diversity, and size

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

decision-making by appointing Outside Directors for at least one-third of the membership.

The Company has prepared and published a Skills Matrix presenting the knowledge, experience, abilities, and other properties of each Director and Corporate Auditor. The skills of each Director and Corporate Auditor are shown below.

Skills Matrix

	Name	Nomination and Compensation Committee	Expected fields									
			Corporate management strategy	Industry and specialized knowledge	Global	Sales and marketing	Manufacturing and R&D	IT, digital	Legal and risk management	Personnel, labor, and HR development	Finance and accounting	ESG, sustainability
Directors	Motoyuki Sato	○	●	●	●		●	●				●
	Jun Yamaguchi		●	●		●						
	Hiroyuki Nagata		●		●				●		●	
	Hiroshi Sekine		●	●	●		●					
	Akira Hishikawa	○ (Chairperson)	●		●	●	●					
	Minako Takeuchi*	○						●		●		●
Corporate Auditor	Hirokuni Sakamoto				●				●		●	
	Takashi Nagai										●	
	Tetsuya Nakagawa								●			
	Yuka Matsuda*				●				●		●	

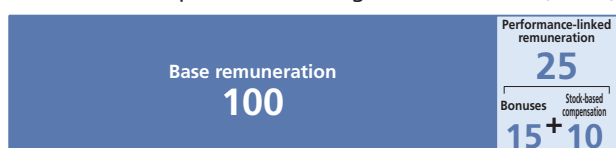
\* Female executive

Executive remuneration

(1) Basic policy on determining executive remuneration

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

■ If all business performance targets are achieved (100%)



Performance-linked remuneration is paid at a rate of 25 (15 for bonuses and 10 for performance-linked stock-based compensation) for 100 units of baseline remuneration.

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

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

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

**■ Performance-linked bonuses**

Business performance indicator	The actual amounts paid reflect the indicator of business results (consolidated operating income) on a single-year basis and the extent of improvements in business results from the previous year.
Reason for selecting the business performance indicator	To strengthen motivation to achieve increased annual company earnings and to establish a system with improved incentives.

**■ Performance-linked stock-based compensation (non-monetary remuneration)**

The Board Incentive Plan (BIP) Trust was adopted to incentivize improvements in business results and boost corporate value over the medium to long term.

Business performance indicators and reasons	Improvements in profitability and capital efficiency, together with growth in the scale of business, strengthen corporate value over the medium to long term. Based on this perspective, progress toward the Mid-term Business Plan's targets for consolidated net sales, consolidated operating income, and ROE are used as business performance indicators. (2020 Mid-term Business Plan targets) In the final fiscal year of the plan (FY2022): consolidated net sales of JPY150 billion, consolidated operating income of JPY7 billion, and ROE of 8%
Payment method	At the end of the period covered by the Mid-term Business Plan or upon the executive's retirement, shares corresponding to 50% of the number of points calculated based on points allocated annually to each position by a performance-linked coefficient in the range 0-200% are awarded, based on the extent to which business performance targets are achieved. The remainder is paid in the amount equivalent to the conversion price of the shares.

**Analysis and assessment of the Board of Directors**

As the Company strives to improve corporate governance, it analyzes and assesses the efficacy of the Board of Directors annually based on evaluations by each Director and Corporate Auditor to determine whether the Board of Directors has effectively fulfilled its roles.

**(1) Progress on implementation in FY2021**

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

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

The results of this assessment of the Board of Directors indicate no serious concerns or other issues in FY2021 with regard to the effectiveness of the Board of Directors. The assessment points to no concerns with regard to the operations, deliberations, or structure of the Board of Directors. As a whole, the Board of Directors functions effectively.

**(2) Progress on addressing issues identified in assessment for last year (FY2020)**

- ① Discussions were held monthly (in principle) to enhance discussions of the Mid-term Business Plan.
- ② To deepen understanding of business operations among Outside Directors, plant briefings and exchange of opinions with plant senior management were held via web conferences with overseas plants.

**(3) Major issues identified this year (FY2021) and future countermeasures**

- ① To enhance discussions in the Board of Directors, we will make the progress of the Mid-term Business Plan and sustainability a scheduled agenda item. We will also make operational improvements that deepen the understanding of Outside Directors with regard to the formulation of the new Mid-term Business Plan.
- ② The oversight functions of the Board of Directors were enhanced by establishing a Nomination and Compensation Committee independent of the Governance Committee.
- ③ Efforts will seek to increase corporate value over the medium to long term by developing core management and securing the necessary skills through the steady implementation of a human resource development plan.

We will strive to ensure that the Board of Directors functions effectively through timely future improvements in these areas, as well as by assessing their results and making further improvements.

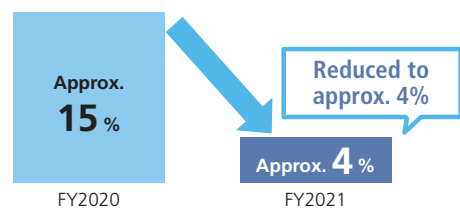
**Cross-shareholdings**

The Company Board of Directors has established basic policies on cross-shareholdings of publicly traded stock and on the exercise of voting rights on cross-shareholdings.

(See Article 5 of the Basic Policy for Corporate Governance)

Thanks to progress on the sale of cross-shareholdings during FY2021, cross-shareholdings have decreased substantially as a percentage of net assets.

**■ Cross-shareholdings as a percentage of net assets**



## Compliance

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

### Enhancement of the compliance structure

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

### Compliance initiatives

#### ● Response to serious compliance risks

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

- Establishing and implementing regulations on compliance with the Antimonopoly Act
- Establishing and implementing guidelines and response flowcharts to prevent corruption
- Establishing and implementing quality audit regulations and quality audit manuals (internal audits by quality sections)

#### ● Compliance training

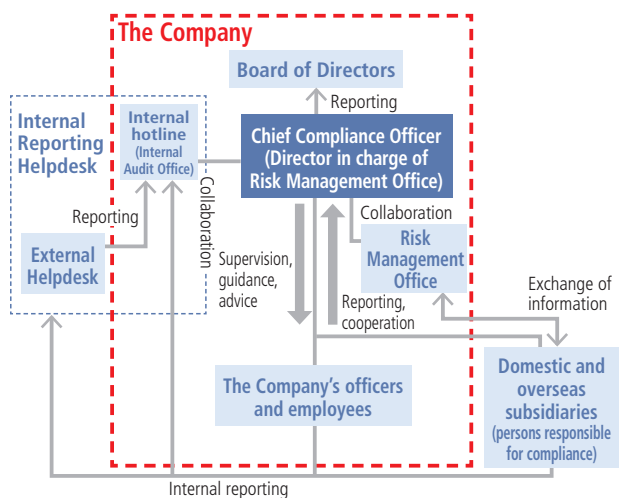
The Group is currently enhancing its compliance training programs. Training efforts include reviews of practical case studies, preparation of content and teaching materials tailored to specific employee levels from executives to ordinary employees, discussions, and other activities. Examples of training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

- Executive compliance training (led by an outside instructor)
- Training 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 FY2021 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 overseas facilities also continue to adopt internal whistleblowing systems. To date, these systems have been adopted at subsidiaries in Thailand, China, the Philippines, and India.

#### ■ Numbers of whistleblowing reports received

FY2017	FY2018	FY2019	FY2020	FY2021
3	7	4	4	3



# 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 continual training and education on information security for Group employees and perform internal audits to evaluate related aspects, thereby raising awareness of the significance of information security throughout the organization. In particular, since last year, we have enhanced training and education for targeted email attacks, such as Emotet, and taken out cyber risk insurance to ensure preparedness for any eventuality. These are part of efforts to strengthen preparedness for

the growing global threat of cyberattacks.

## Countermeasures against quality misrepresentation

In FY2020, to enhance management structures intended to prevent unauthorized alteration of quality data and quality misrepresentation, the Group established quality auditing rules and related manuals. The quality control section of each Group company performs periodic internal quality audits under the leadership of the Risk Management Office. These internal audits check for the three main contributing factors to improprieties: motive, opportunity, and justification. The audits strive to prevent unauthorized alteration of quality data and quality misrepresentations before they occur.

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

## Foundation for sustained growth

### 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. Last year, as part of efforts to stop the spread of COVID-19, we prepared a BCP to enable continuity of important business operations even if on-site employee numbers temporarily drop due to an infectious disease.

Each business site carries out periodic BCP training to promote awareness of the BCP and BCP drills 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, thereby enhancing our business continuity capabilities.



BCP drill

### Fire prevention measures

As part of its safety measures, each manufacturing facility in the Group strives to enhance fire prevention measures. Last year, we implemented Groupwide fire risk checks based on the lessons of past fires at the Company and

fires at other companies. We enhanced fire prevention measures to target the main causes of fire: oil, gas, molten metal, and electricity. We are also promoting fire prevention awareness through continual monitoring, improvements, and periodic patrols to highlight fire risks.

### 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 are currently being implemented, with the Risk Management Office serving as implementation liaison.

Particularly when cases are rising among the general public, our response includes work from home, staggered working hours, and web conferencing, among other measures, along with socially distanced work in vacant meeting rooms and unused desk space to keep interpersonal contact to a minimum.

We also provide timely and appropriate care for infected persons, including not just healthcare, but support for everyday life. We swiftly implement measures to prevent the spread of the virus within the organization by sharing information between management and employees through continual follow-ups in weekly Management Committee meetings on the status of the impact on the Company.

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

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

Over the past few years, we have sought to prevent improprieties by strengthening business audits and enhancing subsidiary checklists. As part of these efforts, we have in particular enhanced structures for addressing quality misrepresentation and information security, areas in which issues can have significant impact.

But we cannot rest on our laurels or proceed with an unwarranted sense of complacency simply because things have improved or because we have established strict rules. We keep in mind at all times the following question: Do our responses truly satisfy ever-increasing demands? Additionally, we continue to solicit the review and impartial perspectives of consultants and other parties.

We will continue to seek to do business based on a healthy sense of skepticism.



Representative Director, Senior  
Managing Executive Officer  
Hiroyuki Nagata

## Messages from the outside directors

### My goal is to enhance governance by increasing familiarity and understanding of the nomination and Compensation functions.



Akira Hishikawa  
Director

A look at business results in FY2021 shows the Special Steel Bars business recorded significant improvements based on strategic investments made in recent years. I am very impressed by the hard work on the part of Company employees as they move steadily toward the goal of setting new record highs in sales. But while sales in the Springs business have recovered, profit has lagged behind, with earning power declining in particular in international businesses. There appears to be a pressing need to visualize all the factors that underlie this decline in earnings, including procurement and logistics costs, fixed costs, and selling prices. We must establish a sustainable business structure that adequately reflects recent changes. While the Company has temporarily exceeded the Mid-term Business Plan's target of ROE of 8% or above, thanks in part to extraordinary factors such as sales of stock last year, its business portfolio remains largely undiversified. It must sustain its efforts to stabilize its earning capabilities.

The Board of Directors has adopted a structure whereby it discusses matters such as progress on the Mid-term Business Plan and sustainability themes on (in principle) a monthly basis. This has accelerated processes for ascertaining conditions and identifying issues. In the future, I would like to see the Board trace not just qualitative factors, but quantitative ones, such as trends in major KPIs. An initiative recently launched by the Board involves web conferences with overseas plants to exchange perspectives. I hope to see this initiative expanded to other facilities as well. This highly effective approach to communication makes it possible to check on conditions in the field at sites that are difficult to visit.

With regard to the executive appointments in the new management structure, including the appointment of new presidents, the Governance Committee deliberated on proposed appointments submitted by the previous president, including their suitability and other characteristics in light of management policies and plans and selection criteria. The Governance Committee chose to support the proposed appointments, concluding that the candidates would contribute to medium- to long-term growth in corporate value. In addition, the new Nomination and Compensation Committee was established to increase independence and transparency and to enhance accountability for the nomination and compensation functions transferred from the Governance Committee. I plan to contribute to enhanced governance by improving both understanding and general familiarity among committee members and by making the committee even more effective.



Minako Takeuchi  
Director

### Supporting efforts to build a flexible, robust organization by shining a spotlight on the people and organizations responsible for examining and resolving management issues

I was appointed an outside Director in June 2022. My impression is that Mitsubishi Steel has earned the trust of markets and stakeholders by diligently confronting manufacturing challenges while strengthening its technical capabilities and expanding its customer base. The corporate culture appears solid. My areas of specialization are human resource development, organizational development, and governance; I wish to apply my knowledge and experience in these areas to help build a robust, flexible organization in which each and every employee is positioned to succeed and to work with a sense of vitality.

A look from a bird's-eye view at the management issues facing Mitsubishi Steel suggests that, with profitability restored, we must strive not just to make our business foundations

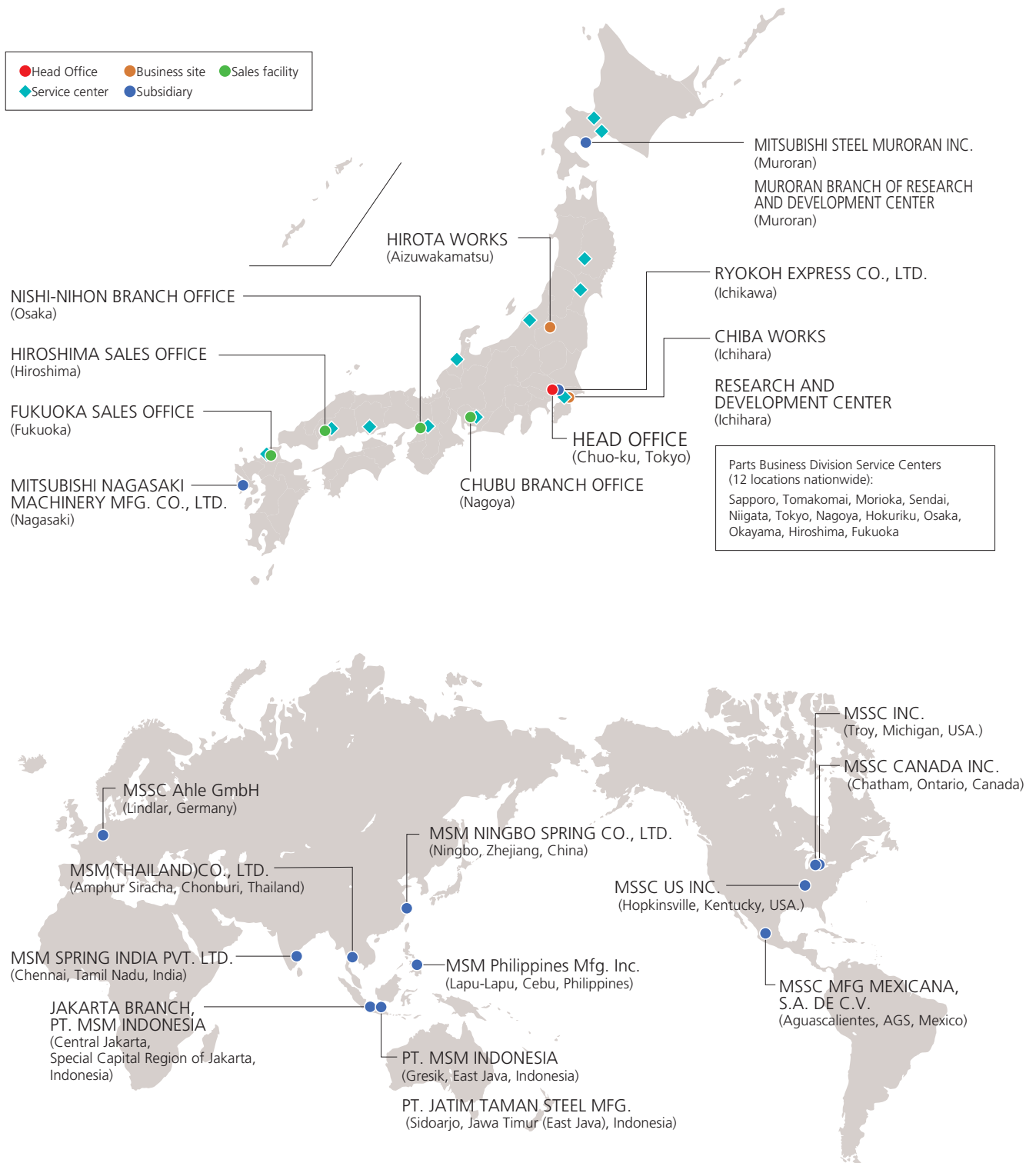
more robust, but to develop the drive to effect changes from a medium- to long-term perspective. In formulating the next Mid-term Business Plan, I believe the first order of business must be to clarify the Company's mission and purpose. Then, we can build an organizational structure that strikes a healthy balance between offense and defense, one capable of boldly tackling new technical challenges.

Henceforth, as a member of the Board of Directors, my role will be to shine a spotlight on themes related to the people and organization at the root of our capacity to tackle management topics, with the goal of strengthening awareness of others within the Company. In addition, as a member of the Nomination and Compensation Committee, I will take part in establishing requirements for the management team to strengthen the Company's corporate value. I will advise the Company on proposals for nomination and compensation based on a transparent, objective, and persuasive selection process. These missions will ensure effective corporate governance and oversight based on the decisive execution of these tasks. It will also stimulate employees in ways that inspire motivation and dreams for their own career development.

I will do all that I can to meet the expectations of our stakeholders and to support the continuing growth of Mitsubishi Steel.

# Data Section

## Locations (domestic and overseas)





## Corporate profile

### Corporate profile

Corporate name	Mitsubishi Steel Mfg. Co., Ltd.
Head Office	Daiwa Tsukishima Bldg., 16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, 104-8550 Japan
Founded	April 1917
Established	December 1949
Capital	JPY10.03 billion (as of March 31, 2022)
Representative	Jun Yamaguchi, Representative Director, President & CEO
Annual sales	Consolidated: JPY146.2 billion (FY2021)
Employees	Consolidated: 4,041 (as of March 31, 2022)

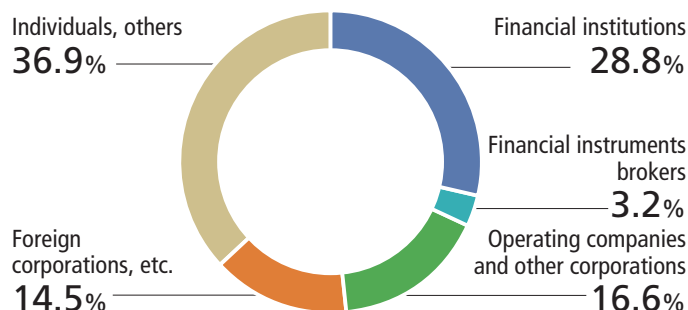


## Stock information (As of March 31, 2022)

### Progress on shares, etc.

Authorized shares	36,000,000 shares
Total shares issued and outstanding	15,709,968 shares
Shareholders	10,253 persons

### Share ownership by category



### Major shareholders

Name	Shares held (thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,690	11.0
Mitsubishi Heavy Industries, Ltd.	1,000	6.5
Goldman Sachs International	833	5.4
Meiji Yasuda Life Insurance Co.	715	4.6
Custody Bank of Japan, Ltd. (trust account)	668	4.3
Mitsubishi Steel Mfg. Co., Ltd. Kyoekai	388	2.5
UBS AG London A/C IPB Segregated Client Account	363	2.4
Tokio Marine & Nichido Fire Insurance Co., Ltd.	255	1.7
Nippon Steel Corporation	226	1.5
MUFG Bank, Ltd.	214	1.4

Note: Percentage of shares held exclude 271 thousand shares of treasury stock.

Treasury stock excludes shares of Company stock held by the Executive Compensation BIP Trust (81 thousand shares).



 **mitsubishi STEEL MFG. CO., LTD.**

Daiwa Tsukishima Bldg., 16-13,  
Tsukishima 4-chome, Chuo-ku, Tokyo, 104-8550 Japan  
Tel. +81-3-3536-3111  
<https://www.mitsubishisteel.co.jp/english/>