

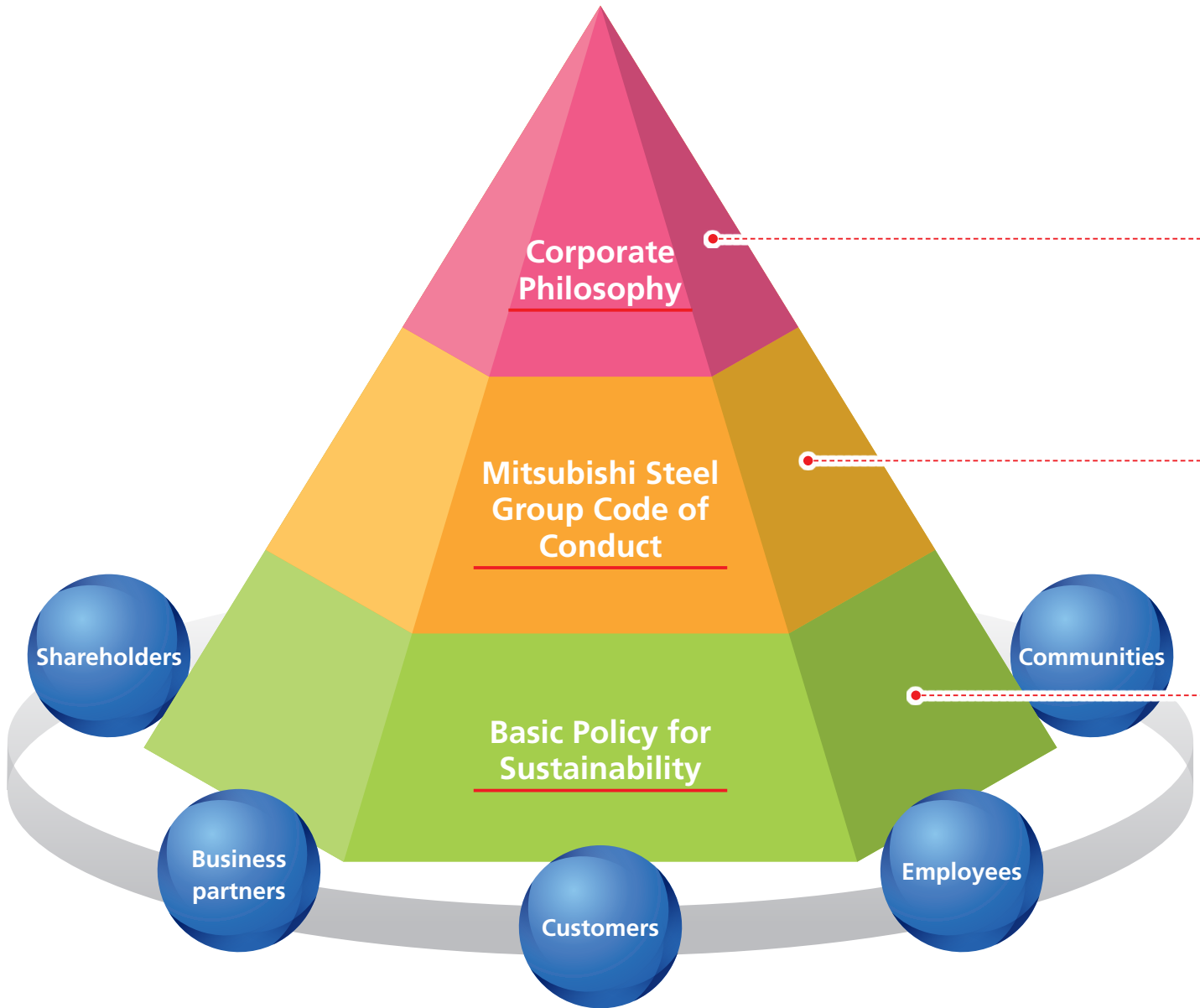
Mitsubishi Steel Mfg. Co., Ltd.
Integrated Report 2023



Integrated report
2023



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



Contents

About Mitsubishi Steel	Mitsubishi Steel's vision	Sustainability	Data
01 Introduction	13 Message from the President	29 Our sustainability promotion structure	65 10-year financial summary
03 History	19 New Mid-term Business Plan	30 Our priority materiality items	67 Operating sites/Corporate profile and stock information
05 At a Glance	23 Value-creation processes	31 Promoting sustainability management	
07 Contribution of Mitsubishi Steel Group to the society	25 Dialogue between Chairperson and Outside Directors	<p>E For the environment</p> <p>S Together with society</p> <p>G Foundations for sustained growth</p>	
09 Segment overview			

Corporate Philosophy

1. Customer First

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

2. Development of New Technology

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

3. Maximizing Human Capital

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

4. Challenge for the Future

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

5. Contribution to Society

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

Mitsubishi Steel Group Code of Conduct/Detailed Rules



See our website for the Mitsubishi Steel Group Code of Conduct and Detailed Rules.
<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 ▶ P31

Social

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

S Together with society ▶ P41

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 Foundations for sustained growth ▶ P56



See "Sustainability" on our website for more information of activities.
<https://www.mitsubishisteel.co.jp/english/csr/>



Editorial Policy

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

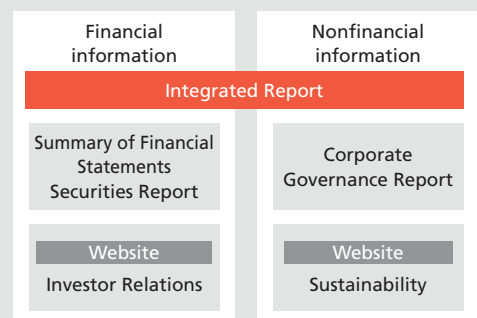
Period and scope

This report covers the initiatives of Mitsubishi Steel Mfg. Co., Ltd. and Group member companies during FY2022 (April 1, 2022–March 31, 2023). Certain content may also address other periods.

Guidelines referenced

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

Communication map



Manufacturing seamlessly from materials to products

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

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



1919

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

1937

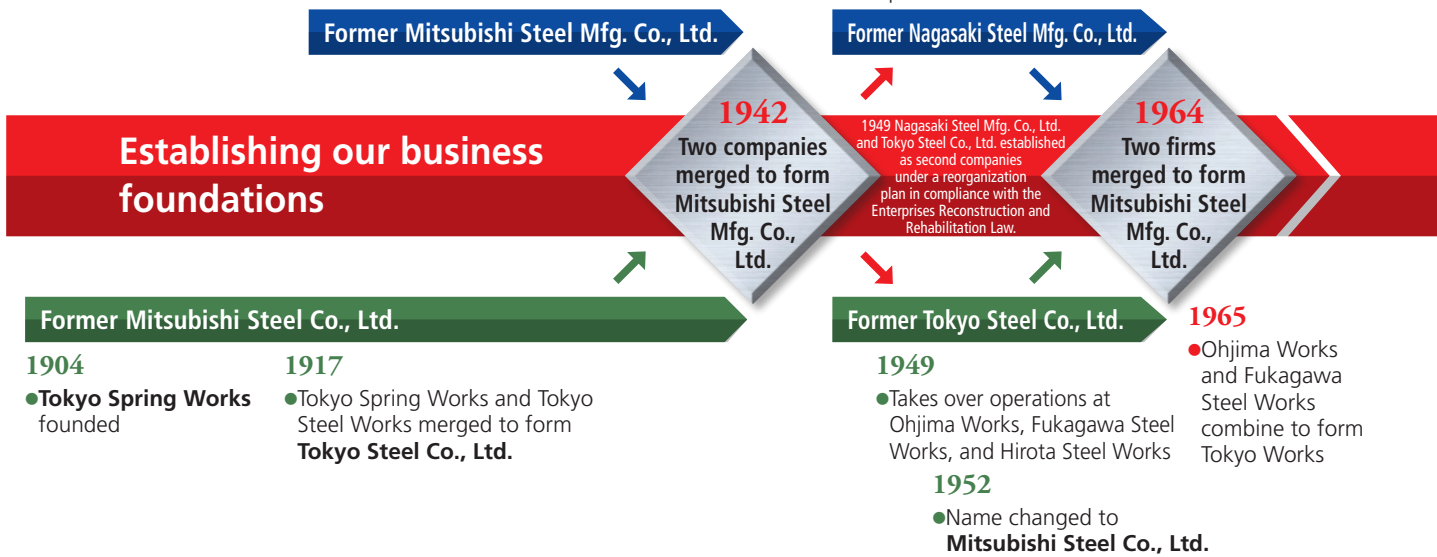
- Nagasaki Shipbuilding & Engineering Works spun off Nagasaki Steel Works of Mitsubishi Heavy Industries, Ltd.

1953

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

1949

- Took over Nagasaki Steel Works operations



Spring production in the early Showa Period

If We Don't Have It, We Make It

The Group's 119-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.



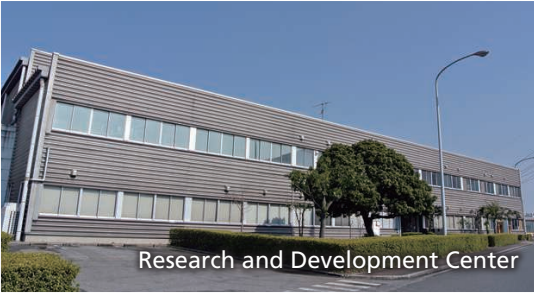
(旧)東京製作所



Chiba Works



Hirota Works



Research and Development Center



MSM Ningbo Spring Co., Ltd.



MSM SPRING INDIA PVT. LTD.



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



MSSC Ahle GmbH

Improving our manufacturing foundations and technology advances

Ensuring sustained growth of our company

1993

- Chiba Works opened; Springs Business Division to Chiba Works from Tokyo Works.

1994

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

2005

- Hirota Works opened, absorbing Ryokoh Casting Co., Ltd.

2006

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

2014

- MSM SPRING INDIA PVT. LTD. opened in India.

2016

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

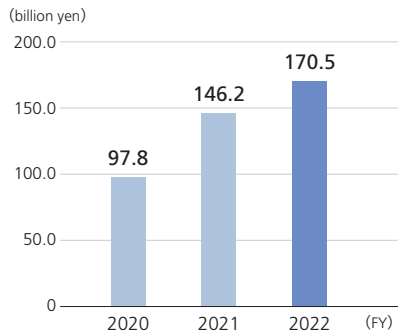
2018

- Additional shares of PT. JATIM TAMAN STEEL MFG. acquired; company made consolidated subsidiary
- 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)

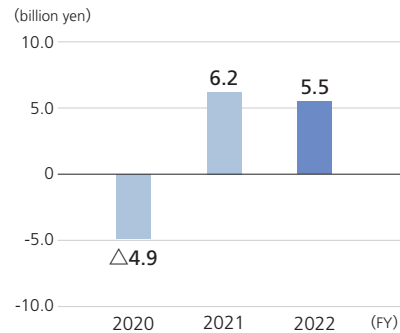
Financial information

Financial highlights (consolidated)

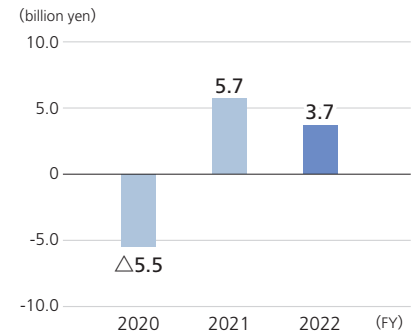
Net sales



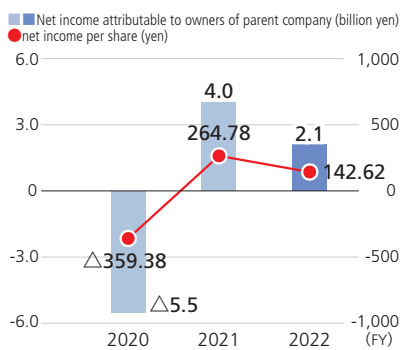
Operating income



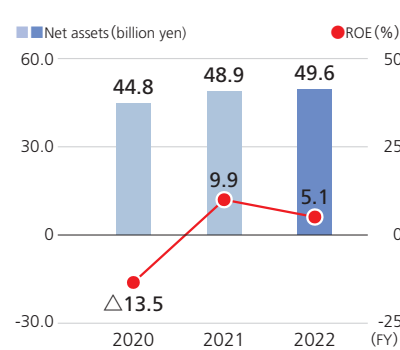
Ordinary income



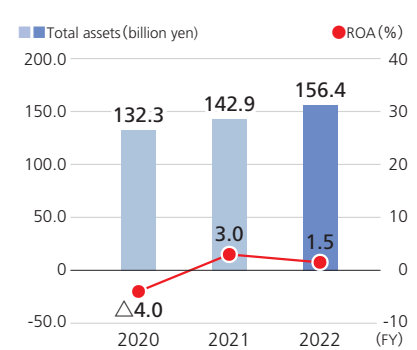
Net income attributable to owners of parent company/net income per share



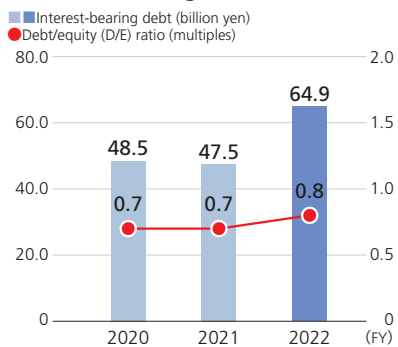
Net assets/ROE



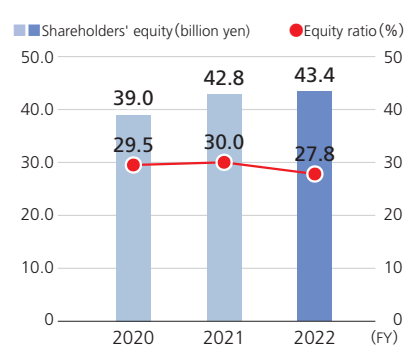
Total assets/ROA



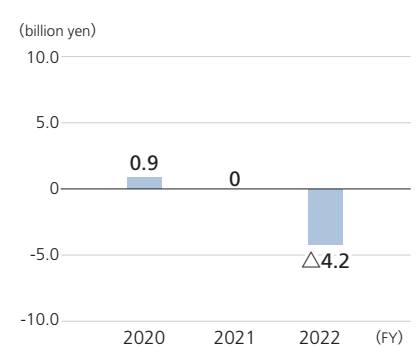
Interest-bearing debt (D/E Ratio)



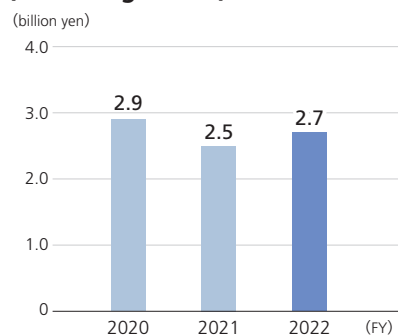
Shareholders' equity/Equity ratio



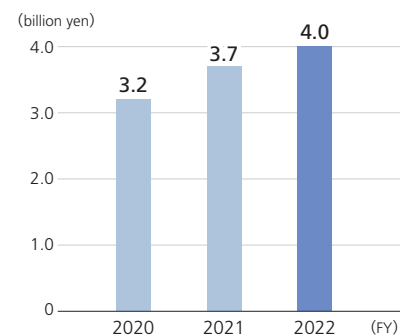
Free cash flow



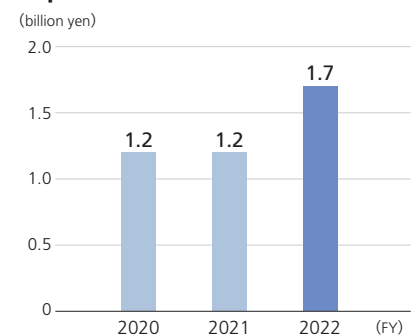
Capital investment (excluding leases)



Depreciation



Research and development expenses



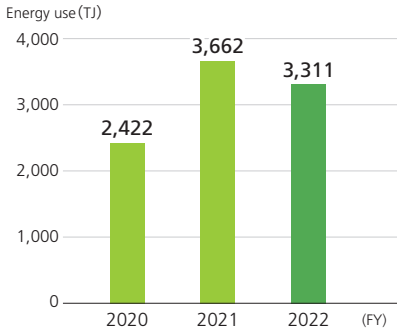
Nonfinancial information

Environment

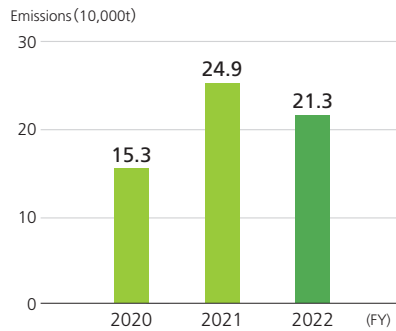
Environment



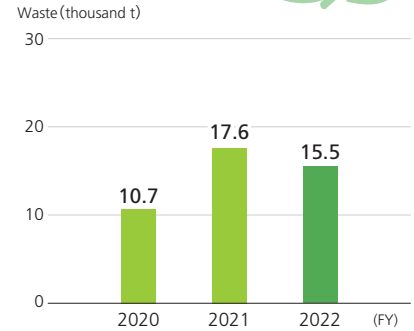
Energy use



CO₂ emissions



Total industrial waste



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

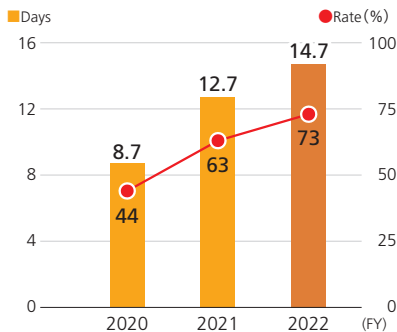
* FY2021 figures were up, as production volumes recovered from the dramatic declines attributable to COVID-19 in the previous year. See p. 21 for CO₂ emissions in the Steel Bars segment (on an intensity basis).

Social

Social

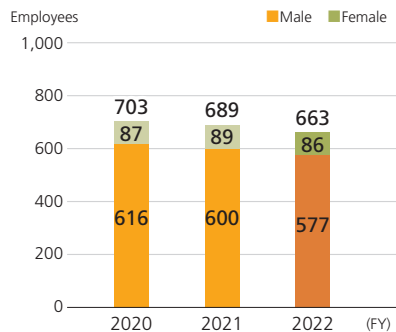


Annual paid holidays taken

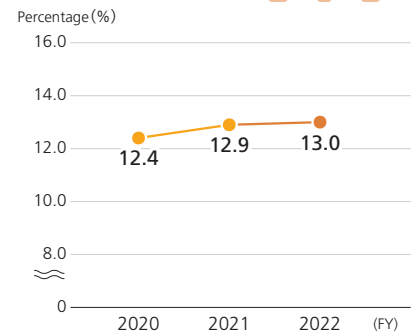


* nonconsolidated

Number of employees



Percentage of female employees



Governance

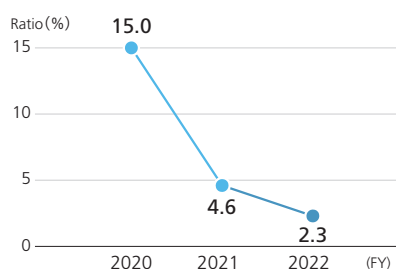
Governance

Percentage of Outside Directors on the Board of Directors **33%** (2/6)

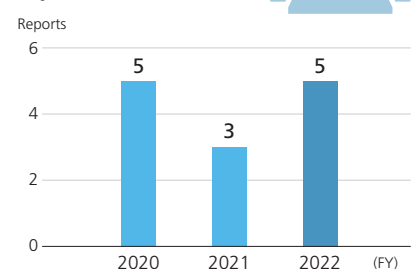
Percentage of women Directors on the Board of Directors **20%** (2/10)
* Including Corporate Auditors

Attendance rate for Outside Directors on the Board of Directors **100%** (FY2022)
* Including Corporate Auditors

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



Internal whistleblowing reports



* Includes reports at domestic and overseas subsidiaries.

Contribution of Mitsubishi Steel Group to the society


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

Offshore wind power

Offshore wind power-related products, machinery and equipment essential to their construction Machinery Business

Steel materials for offshore wind power facilities Special Steel Bars Business

We supply products to the offshore wind power industry, which is drawing attention as a source of renewable energy.

 See p. 38 for more information.

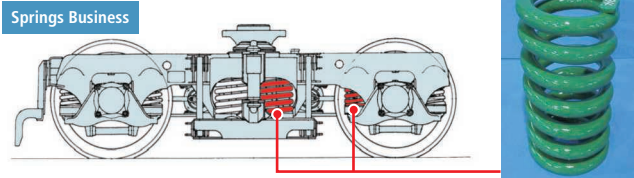
In the office

Various hinges Springs Business Precision machined products (for computers and other applications) Formed & Fabricated Products Business



Rail

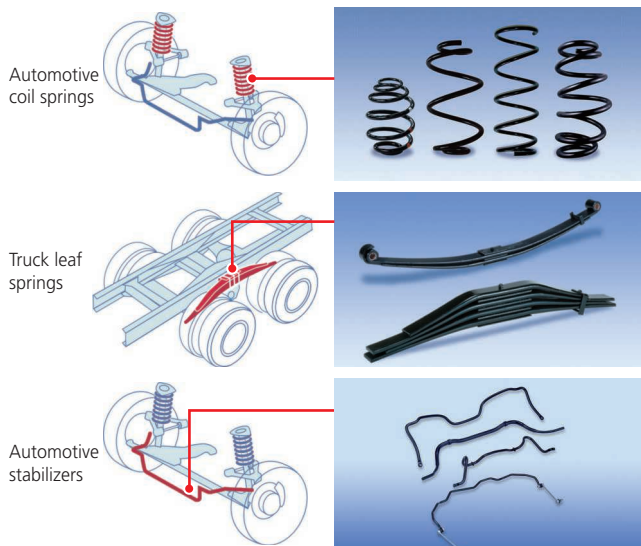
Springs for railway rolling stock Springs Business



Cars and trucks

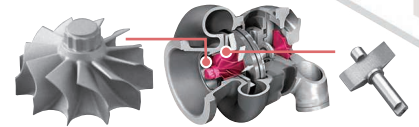
Automotive springs and stabilizers Springs Business

We produce automotive springs that contribute to passenger comfort. Our products help improve fuel consumption by meeting demand for automotive lightweighting.



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

When used in turbochargers, these products help improve vehicle fuel consumption.



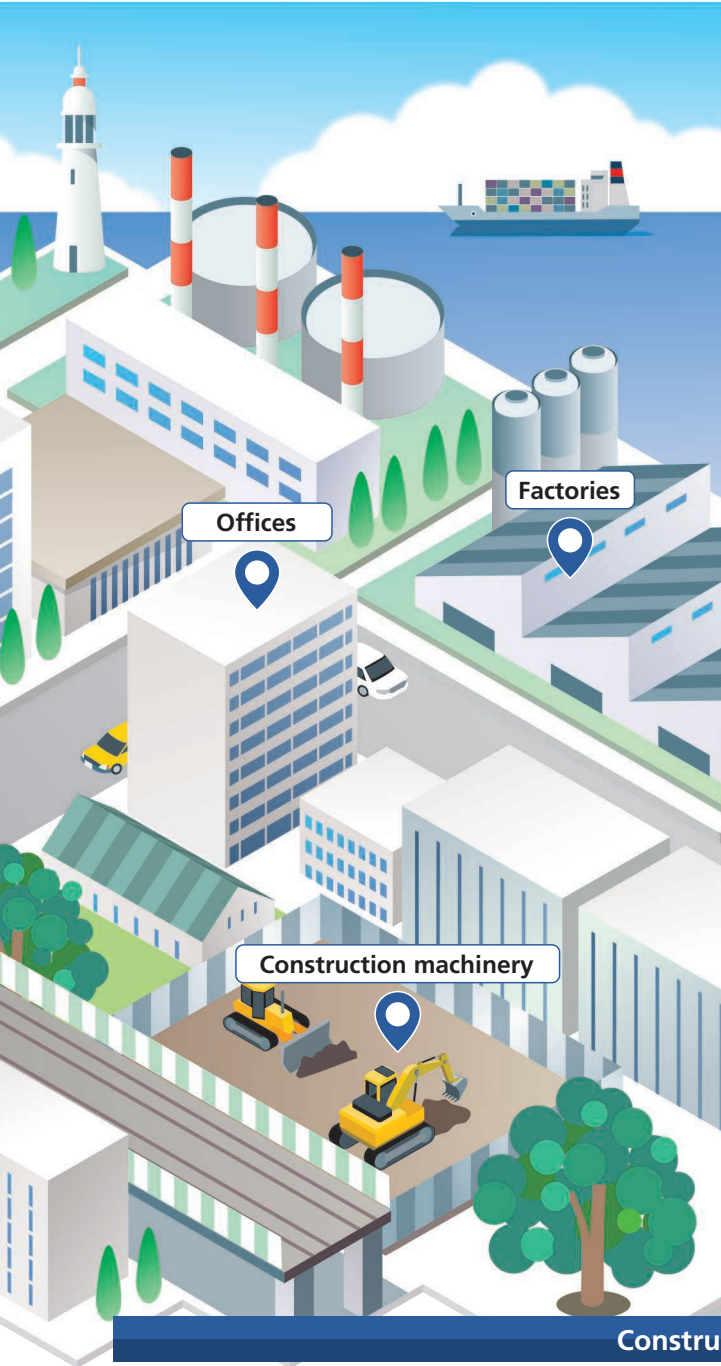
Special alloy powders Formed & Fabricated Products Business

In addition to engine valve seats, turbocharger vanes, and other automotive applications, our special alloy powders are used across a wide range of fields including electronic devices. They are expected to see increasing use along with expanded use of electric vehicles, as they are needed to produce the inductors of electronic control components.



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

* The components business is part of the Springs Business.



In factories

Industrial equipment Machinery Business

We design and manufacture a wide range of machinery used as production equipment in steelmaking and other industries.

Our machinery is used for a wide range of applications, including the manufacture of automotive engine parts and rotating rings used in offshore wind power and construction machinery.



Forging machinery



Ring rolling mill

Magnetic separators Machinery Business

We contribute to a circular economy by developing magnetic separators to recover recyclable resources from waste home appliances, motors, and other wastes.

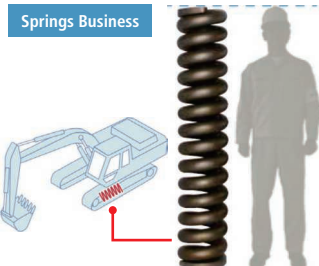
See p. 39 for more information.



Magnetic separators

Construction machinery

Heavy duty coil springs for construction machinery use Springs Business



Heavy duty coil spring about as high as a human being

We produce highly durable special steel bars and heavy duty coil springs for construction machinery used in harsh and demanding environments.

Special Steel Bars Special Steel Bars Business



Sprocket

Swing bearing

Idler

Construction machinery parts Components Business



Tire protectors

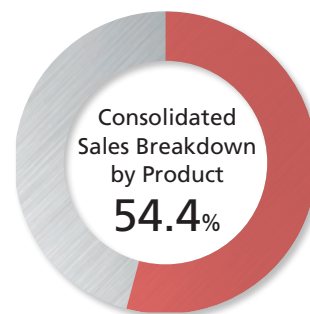
Road-protecting rubber treads for hydraulic shovels

Segment overview

Special Steel Bars Business

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

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



Adapting to changes in demand and capturing booming international demand

In the domestic business, despite the recent easing in chip and other component shortages, demand in our main markets of construction machinery and industrial machinery is low due to rising interest rates worldwide and other factors. In addition, while prices of main raw materials such as iron ore and coking coal are trending lower, raw material imports have been impacted by the weakened yen. Various costs, including those of energy, also continue to rise, making securing profit margins a challenge.

From a medium- to long-term perspective, since we cannot expect further growth in the domestic special steel bars market, we will promote sales of steel materials for use in offshore wind power facilities and in promising fields associated with the expanding use of electric vehicles. In addition, while maintaining and growing profit margins by improving sale prices, we will enhance the earnings capabilities of our core businesses through means including cutting production costs through digital transformation (DX) in factories and increasing customer satisfaction by promoting sales DX.

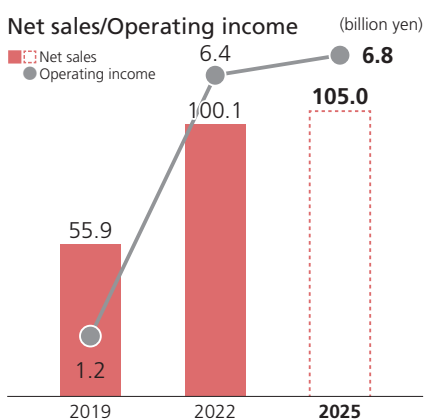
We expect rising demand for steel materials overseas, centered on Southeast Asia. To meet customer needs for local procurement, we will move forward with capital investment in stages to enhance production capacity at PT. JATIM TAMAN STEEL MFG. in Indonesia. Looking toward the future, we will consider establishing a third facility to generate synergies with the Springs Business; we will also consider producing carbon neutral steel using renewable energy and other resources. In these and other ways, we will adapt to the changing demand structure over the medium to long term.



Executive Officer General Manager, Steel Bar Division
Junya Shibata

Special Steel Bars Business Mid-term Business Plan

Securing growth opportunities in overseas markets



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

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

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

2 Improving profitability in the domestic steel bars business through portfolio adjustments

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

3 Increasing customer satisfaction by promoting sales DX

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

Production of special steel bars



Continuous casting equipment

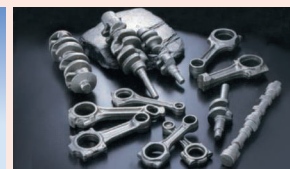


Rolling process

Product examples



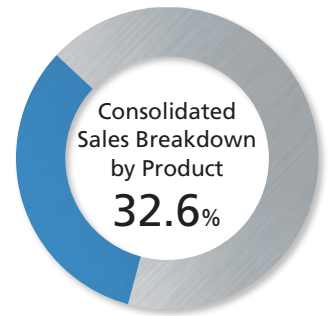
Special steels used in construction machinery (sprocket)



Special steels used in motor vehicles (crank shafts, connecting rods, cam shafts)

Springs Business

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



Production facilities	Domestic: Ichihara, Chiba Prefecture Overseas: Canada, USA, China, India, Philippines, Mexico, 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

Building a sustainable business structure by enhancing our earnings capabilities and expanding sales in growth fields

The Springs Business has continuing to record losses for the past several years, a major cause of which had been lower earnings at MSSC, the North American subsidiary. This has been resolved thanks to a rapid recovery in demand and by securing appropriate inventories to handle production disruptions caused by fluctuation factors. Other efforts, including establishing rules to reflect fluctuations in raw material prices and other costs in selling prices and raising prices for unprofitable products, have improved earnings, and we recorded an operating profit in the fourth quarter of the fiscal year ended March 2023. Under the current Mid-term Business Plan, while making progress on finishing up the rebuilding of the North American business, we will consider efficiency improvements, including consolidating and closing other facilities.

We will also enhance earnings capabilities and promote reforms to the business structure to enable stable, continuous profits through maintaining and growing profit margins in our core business segment of automotive springs and stabilizers and cutting costs.

We will make progress on growing the businesses of leaf springs for commercial vehicles and precision parts, which we see as strategic businesses. For leaf springs for commercial vehicles, we will leverage the strengths of the Group's integrated production capabilities for everything from steel bars to springs while growing sales and securing and growing profit margins through lighter products. To further enhance our strengths in integrated production, we are studying investing in a new facility that can demonstrate synergies with the Steel Bars Business. For precision components, we will grow the business of structural assemblies, among our main product lines, through technological developments to meet anticipated future needs. We will also work to bring new eco-friendly products to market and enhance competitive strengths through lighter products, optimized production processes, and DX technologies.

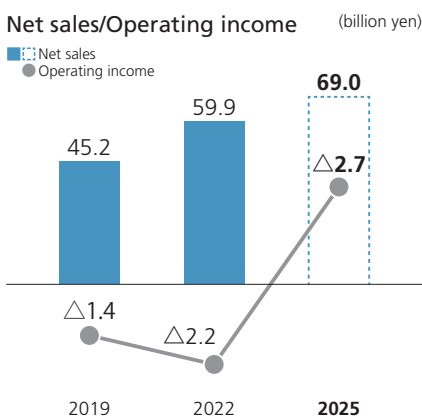


Executive Officer General Manager, Spring Division
Yasuhiro Adachi

Springs Business Mid-term Business Plan

Enhancing earnings capabilities and product power in growth businesses

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



1 Enhancing earnings capabilities

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

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

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

3 Growing applications for precision components

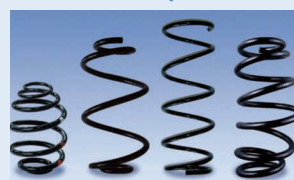
- ▲ Differentiating our hinge products by achieving higher torque, greater strength, lighter weight, thinner, and more compact dimensions
- Developing and bringing to market unit products based on precision components
- Expanding applications to fields such as information devices, automotive onboard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

Spring production



Heavy duty coil springs for construction machinery use

Product examples



Automotive coil springs



Leaf springs

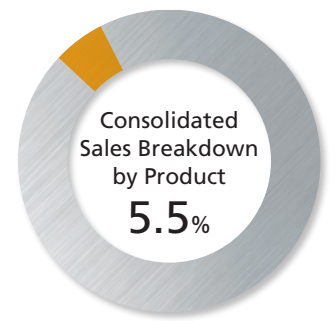


Precision parts

Formed & Fabricated Products Business

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

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



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

Expanding into growth fields through product portfolio revamp

Since demand for products used in turbochargers and other applications related to internal combustion engines will decline gradually, we are shifting focus from products centered on parts for internal combustion engines toward the special alloy powders business, for which the market is expected to grow. Special alloy powders are used in electronic components for smartphones and automotive and other telecommunications and control devices. With advancements in electric and autonomous vehicles, we expect growing demand for applications that include the inductors used in electric control components.

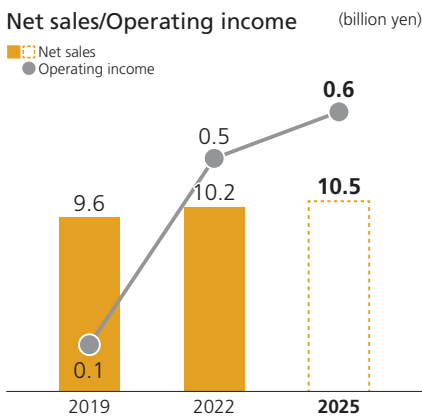
In addition to concentrating resources on the special alloy powders business to capture customer demand, we will work with the Research and Development Center to accelerate various research and development projects, making full use of the gas atomizer facilities of the Advanced Materials Center (AMC) and the water atomizer facilities of the Hirota Works. While beginning to invest in expansion of production at the Hirota Works, which is operating at full capacity, we will study the possibility of establishing a new plant for the future.

This fiscal year, as part of efforts to achieve carbon neutrality, the Hirota Works switched to use of 100% CO₂-free electricity, and we are also moving ahead to introduce carbon neutral special alloy powders in this industry, in which we expect to play a pioneering role.

Formed & Fabricated Products Business Mid-term Business Plan

Focusing on the special alloy powders business with market growth potential

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



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

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

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

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

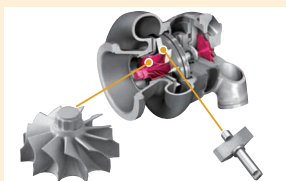
Product examples



Special alloy powders



Machined metal parts



Precision castings (Lost wax process)

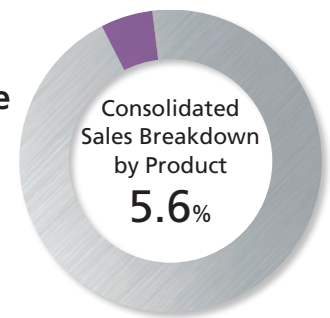


Impeller material Finished product
Special materials and machined products

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



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

Solidifying our foundations to tackle new challenges

Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., the core of the Mitsubishi Steel Group's Machinery Business, will strive to achieve sustained growth by balancing business opportunities with solutions to social challenges.

As an integrated engineering firm with reliable technological capabilities that actively passes along and develops core technologies, we will seek both to supply industrial equipment and steel fabrication machinery that meet society's needs and to grow our businesses around the theme of environmental solutions. We will undertake capital investment and grow sales in the strategic areas of achieving domestic production of offshore wind power-related products—a renewable energy field of increasing focus, production of equipment for steelmaking processes to contribute to carbon neutrality, and magnetic separators to contribute to a circular economy by recovering resources through urban mining.

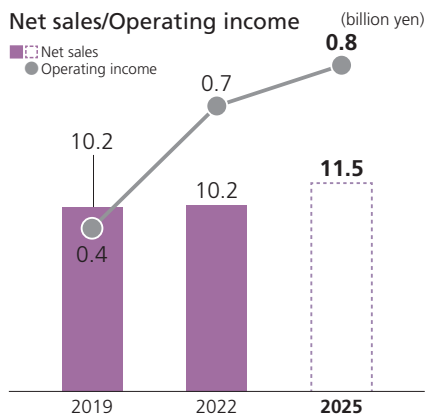
To help establish a domestic supply chain for offshore wind power-related products, we will adopt equipment capable of handling larger-scale facilities and promote testing and research on production technologies, as well as make progress on preparations for integrated production from raw materials to final products within the Group.

In the magnetic separator business, in addition to growing sales by bundling various features, we will grow the business through introducing capabilities for recovering resources from products such as EV batteries and solar panels.

Machinery Business Mid-term Business Plan

Achieving sustained growth based on businesses to provide environmental solutions

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



1 Achieving domestic production of offshore wind power-related products

- Promoting capital investment to respond to larger-scale facilities and testing and research on production technologies, with the goal of participating in Round 2 bidding
- Making progress on preparations for integrated production from manufacturing equipment and raw materials to final products entirely within the Mitsubishi Steel Group, aiming for rapid growth in 2030 and beyond

2 Growing the energy-related device business

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

3 Developing the magnetic separator business for a circular economy

- ▲ Growing sales by bundling various magnetic-separator features
- Introducing capabilities for recovering resources from EV batteries and solar panels

Product examples



Offshore wind power equipment

Magnetic separators

Free forging press

Pressure vessel



Building the foundations for sustained growth with an eye toward our ideal vision for 2030

Representative Director, President & CEO

Jun Yamaguchi

While sales grew in FY2022, profits fell for various reasons, including delays in improving earnings at the North American subsidiary.

A look at the steel industry in recent years shows that it faces a turbulent environment, including changing demand among customer industries and a declining procurement environment. In the background are changes in social conditions since COVID-19, including the effects of the Ukrainian crisis, supply-chain disruptions, rising prices of raw materials and energy, and a global inflationary trend.

Looking back on business conditions in FY2022, the auto industry was impacted strongly by the COVID-19 lockdowns in Shanghai, China and the resulting continuing impact of shortages of chips and other components. Vehicle production gradually recovered, however, in the second half. In the Group's most important customer industry of construction machinery, while sales remained strong thanks to continuing high demand, a movement towards inventory adjustments emerged for certain models in the second half of the year. In the machine tools industry, the slowdown in the China market was more pronounced than in the previous year.

In the area of procurement, even as the price hikes in raw materials such as iron ore and coking coal showed signs of leveling off,

prices of imported raw materials remained high due to the considerable impact of the weak yen. Energy prices also remained high year long.

Despite these conditions, our two main businesses of Special Steel Bars and Springs recorded sales growth thanks to foreign exchange effects associated with the weak yen in addition to making progress on reflecting raw material prices in selling prices. Net sales were higher than initially planned, at JPY170.537 billion (up 16.6% YoY). Profit, on the other hand, was down from the previous year, due to factors including delays in improving the earnings of the North American Springs Business in addition to lower domestic sales volumes in the Special Steel Bars Business and higher procurement costs in the Springs Business. Operating income stood at JPY5.547 billion (down 11.5% YoY) and ordinary income at JPY3.743 billion (down 35.2% YoY). Net income attributable to owners of parent company fell to JPY2.190 billion (down 46.2% YoY) due to factors including lower gains on sale of assets.

The North American Springs Business returned to positive operating income in the fourth quarter of FY2022 as the prospect of completion of its rebuilding efforts came into view.

We expect it to be profitable on a full-year basis in FY2023.

The most significant concern in our FY2022 initiatives was to return MSSC, the North American Springs Business subsidiary, to profitability. As a result of rebuilding efforts, in the fourth quarter of FY2022, MSSC moved back into the black, backed by substantial improvements in earnings and other positive but temporary factors. The prospect of the completion of its rebuilding is now in sight, and we expect MSSC to record positive operating income in FY2023 on a full-year basis.

Operating rates for MSSC's US plant were low due to difficulties in launching new products and past loss of orders. In response, it consolidated production at its Canada plant and planned to return to the black in FY2022 thanks to lower fixed costs and higher utilization. However, after this shift of production the Canada plant proved unable to accommodate the sharp post-COVID recovery in demand and rapid fluctuations in customer orders, resulting in production disruptions. MSSC responded by resuming operation at the closed US plant

to build up inventories, and at present the production disruptions have been resolved.

Factors related to higher costs, including skyrocketing raw material prices, also put pressure on the bottom line. Thanks to negotiations with customers that did not rule out the possibility of cancelling transactions, MSSC was able to make progress on reflecting these cost hikes in selling prices, which improved earnings in the fourth quarter as a result.

In FY2023, MSSC plans to raise earnings even higher through further progress on cutting costs and reflecting costs in selling prices, and expects to record positive operating income for the full year. However, given the significant delays in areas such as improving cash flow and ensuring financial soundness, it must proceed with various measures to transform its business structure into one capable of continually generating stable profits.

Thanks to improved earnings in the North American business, the Springs Business as a whole is projected to return to profitability in FY2023 for the first time in six years.

Turning to recent conditions of the business environment in FY2023, production continues to recover in the auto industry as the lengthy parts shortage has finally eased. However, the pace of recovery varies by type of vehicle, and there are concerns about impacts arising from uncertainty surrounding the China market. As such, we will need to monitor future developments closely. While demand remains strong in the construction machinery industry, recently there have been signs of a movement toward inventory adjustments. Demand in the industrial machinery and machine tools industries remains sluggish.

In the area of procurement, while hikes in prices of iron ore and coking coal show signs of leveling off compared to previous trends, further depreciation of the yen has led to higher prices of imported raw materials, and energy prices also continue to rise sharply.

In FY2023, we expect overall profit to increase on a full-year basis as the Springs Business returns to the black for the first time in six years thanks to progress on reflecting costs in selling prices and improvements in the earnings of its North American business, although sales are expected to fall in the Special Steel Bars Business due to factors such as lower demand for use in construction machinery.

The steady progress of efforts based on the three main directions of the previous Mid-term Business Plan generated considerable results.

The 2020 Mid-term Business Plan, which ended with FY2022, sought to lay the groundwork for sustained growth by stopping the bleeding and recovering performance at loss-making overseas businesses, improving profitability, and stabilizing profits. Toward these aims, it identified the three main directions of "Restructure our overseas businesses," "Strengthen our product appeal further," and "Expand our business model, producing materials and final products." We car-

ried out initiatives based on these main directions over the three-year period beginning with FY2020.

A look at the plan's results for each of these main directions shows that on the first topic of restructuring our overseas businesses we completed the process of achieving profitability at main overseas facilities, including PT. JATIM TAMAN STEEL MFG., our special steel bars subsidiary in Indonesia, and as noted above we brought the North

Message from the President

American Springs Business subsidiary MSSC, whose reconstruction had been delayed, back into profitability in the fourth quarter of FY2022. We project positive full-year operating income in FY2023.

Since becoming a consolidated subsidiary in 2018, JATIM experienced a worsening of profitability due to frequent difficulties in the mass-production stage. However, by narrowing down the types of steel it produces and improving its manufacturing technologies, it has greatly reduced production costs, and since FY2021 it has remained in the black in terms of annual operating income. Supporting strong sales in the Special Steel Bars Business, it was already operating at full capacity in FY2022 and is moving toward its next growth phase through means including consideration of future capacity enhancements.

To strengthen our product appeal, we have generated results through product development based on a focus on customer needs, in which the Sales Strategy Office established inside the Sales Division has played a central role. In the area of spring products in particular, these efforts have brought about some successes as we are meeting the growing customer need for lighter weight for use in EVs based on our high levels of technology. In the Formed & Fabricated Products Business, despite some delays in development of special alloy powders, one of our top priorities, we have received new orders thanks to establishment of mass-production technologies. The Special Steel Bars Business faces the need to develop carbon neutral

steel (green steel) with reduced CO₂ emissions during production, but certain aspects of this are challenging to achieve on our own. This topic must be considered in the future. The Machinery Business is generating results in environmental areas, including equipment, parts, and materials for offshore wind power generation and magnetic separators used in recycling facilities, both of which we expect to be growth fields in the future.

On expanding our business model by producing both materials and final products, we are using steel produced by JATIM to produce automotive leaf springs. The Group is the only steelmaker in the world to offer such an integrated in-house production structure, which brings us strengths in cost competitiveness and technologies for producing lightweight materials, leading to steady growth in new orders. In light of this favorable performance, we will seek to expand this integrated production model in other regions as well in the future. In our efforts toward integrated production of Formed & Fabricated Products, the Advanced Materials Center (AMC) at the Chiba Works brought its gas atomizer mass-production equipment online in FY2022, after delays in its completion due to COVID-19. We will continue to use the functions of the AMC, which has merged with the Research and Development Center, to promote development of advanced materials and new products on themes for the future, on a Groupwide level.

Enhancing our earnings capabilities while maintaining and growing profit margins will be vital to future growth.

In this way, from a qualitative perspective, we made steady progress overall on the previous Mid-term Business Plan, based on its three

main directions. Some issues remain, however, regarding its financial targets. While net sales greatly exceeded the target of JPY150.0 billion,



we fell short of both the targets of JPY7.0 billion in operating income and ROE of 8% or higher. Issues remain in the area of financial soundness as well, as key performance indicators (KPIs) such as the net D/E ratio and the equity capital ratio worsened.

In addition, even though we maintained positive income levels in both FY2021 and FY2022, cash flow was negative, and our debt increased due mainly to increasing working capital in response to the delays in rebuilding the North American business and rising purchasing costs of raw materials and other supplies. Our stock price remained low, and our price-to-book ratio (PBR) remains below one.

Issues management must address in the future include the maintenance and expansion of profit margins improved through reflecting costs in selling prices as well as enhancing our earnings capabilities. At the same time, we must bring to fruition the seeds we have sown to date in product and technological development, to grow our businesses, improve cash flow, and achieve a stronger financial footing. As nonfinancial issues, we recognize the needs to increase the value of our human capital, to further enhance ESG management, and to make our plants smarter while increasing customer satisfaction through promoting digital transformation (DX).

We have established the ideal vision for 2030 to clarify in what new directions our businesses should proceed.

Rather than merely assuming sustained growth along the current trajectory, we have established and presented a long-term Group vision as the ideal vision for 2030 to clarify the directions in which we should move.

The slogan of our ideal vision for 2030 is, "Leveraging our people and technologies to continue to succeed in a time of change." This slogan embodies our aim to build the organization from the bottom up, reflecting the views of young and midlevel employees in the Group's long-term vision, instead of a top-down approach led by senior management.

In formulating our long-term vision, we have divided the Group's business portfolio into core businesses and strategic businesses. In our core businesses, centered on domestic steel and automotive springs and stabilizers, we will generate cash by enhancing earnings capabilities. In strategic businesses, we will aggressively invest the cash generated by core businesses in future growth with a focus on the key themes of the environment, overseas business, and a shift toward electric vehicles through the businesses of overseas steel, commercial vehicle leaf springs, special alloy powders, offshore wind power, precision components, and new business spheres. The goal is to give concrete form to the ideal vision for 2030 by realizing sustained growth in corporate value through enhancing earnings capabilities in core businesses and growing strategic businesses.

As specific financial targets, we will aim for net sales of JPY220 billion, ROE of 10%, and a dividend payout ratio of 30% or more in 2030. As we grow our businesses in scale, while enhancing earnings capabilities in core businesses we expect strategic businesses to account for 50% of our businesses in 2030, up from 30% at the present (in FY2022). We plan to invest JPY75.0 billion in the future over the eight years through 2030: JPY45.0 billion in growing strategic businesses, including M&As, and JPY30.0 billion in areas such as streamlining core businesses and updating aging facilities.

To enhance earnings capabilities, our core businesses will shift from the pursuit of quantity to a focus on quality. These businesses will seek to secure profit margins by increasing customer satisfaction and by cutting costs through smart factories.

Our strategic businesses will seek to achieve rapid growth by capturing booming demand for steel overseas. At the same time, they will focus on the environment under an approach reflecting awareness of green transformation (GX) aiming for carbon neutrality through means such as decarbonization of mobility and growing use of renewable energy. We will also develop human resources and foster a corporate culture capable of creating new businesses.

We will implement the basic policies of the new Mid-term Business Plan to grow profits and enhance our financial standing as well as move forward to the next growth phase.

The Group has formulated and launched the 2023 Mid-term Business Plan covering the three-year period from FY2023 through FY2025. Considering this Mid-term Business Plan to be the first step toward the ideal vision for 2030, we will execute the plan with the aims of growing profits, enhancing our financial standing, and moving forward to the next growth phase.

The plan's four basic policies call for enhanced earnings capabilities, strategic business growth, human resource investments, and sustainability management. In addition to efforts to raise our financial soundness, it has set the following financial targets for FY2025: net sales of JPY185.0 billion; operating income of JPY11.0 billion; and ROE of 8%.

Message from the President

To achieve our numerical targets, we will enhance our earnings capabilities in core businesses to generate cash flow and invest aggressively in strategic businesses expected to grow, as we move forward with strategic business development. However, we expect full-fledged growth of strategic businesses to begin with the next Mid-term Business Plan beginning in FY2026. For this reason, during the period of the current Mid-term Business Plan we will both promote investments in strategic businesses and use excess cash flow to pay off debts. Specifically, we plan to generate a cumulative total of JPY25.0 billion in cash flow over the three-year period of the current plan, allocating JPY16.0 billion of this figure to investment and JPY9.0 billion to debt repayment and dividend payment.

To summarize the key points of efforts by each business, in Special Steel Bars, we will invest to grow production in stages at JATIM to meet booming overseas demand for steel while continuing to build on its presence as the sole integrated producer of special steel bars in Southeast Asia. In the domestic steel business, we will revamp our business portfolio by expanding the lineup of higher added value steels and steels for environmental fields, areas in which growth is expected. At the same time, we will maintain and expand profit margins and strengthen profitability by implementing factory DX technologies to cut manufacturing costs.

The Springs Business, which had recorded sustained losses, must first enhance its earnings capabilities to establish a structure under which it can generate stable, continuous profits. In addition to putting the finishing touches on rebuilding the North American business, we will consider various efficiency improvements, including facility

consolidation and closures, to cut costs still further. To develop strategic businesses, we will focus on growing sales and reducing product weight for commercial leaf springs, leveraging the strengths of our integrated production structure from the raw materials stage. In precision components such as hinges, we will expand product applications to encompass fields such as information devices, automotive onboard components, and welfare and long-term care devices.

In the Formed & Fabricated Products Business, we expect declining demand for the products used in turbochargers and other applications related to internal combustion engines. We expect, however, growing demand for the soft magnetic powders used in inductors found in electronic controls for electric vehicles and other products. We intend to reorient the product portfolio toward special alloy powders, a market in which growth is expected. While concentrating resources on the development of powders to meet individual customer needs, we will enhance production structures by expanding production at the Hirota Works, which is currently operating at full capacity.

We will achieve sustained growth in the Machinery Business by focusing on the theme of environmental solutions. As a priority target, we will play a key role in moving the production of offshore wind power-related products to Japan by leveraging our Group strengths in integrated production from materials and manufacturing equipment to finished products. Additionally, we will focus on growing our businesses involving energy-related devices as well as promoting magnetic separators as part of efforts to contribute to a circular economy.

We will build on the foundations for sustained growth by promoting investment in human resources and sustainability management.

The nonfinancial targets of the 2023 Mid-term Business Plan include employee engagement survey scores and CO₂ emissions reductions. We will target year-on-year growth in engagement survey scores while aiming for a 10% reduction in CO₂ intensity in the steel bars segment and a 75% reduction in total CO₂ emissions in other segments (both vs. FY2013) by FY2030, as we move toward the goal of carbon neutrality in FY2050. To achieve these goals, we will proceed with investments in human resources and sustainability management, both of which are included in the four basic policies of the business plan.

Reflecting a keen understanding of the essential role of human resources in business administration, the Mid-term Business Plan identifies investments in human resources as one of its four basic policies. We plan to increase our investment in human resources by a total of JPY500 million over the three years covered by the business plan to enhance employee training, support earning official qualifications, and increase employee benefits.

In the sphere of human capital, we have established two project teams to deliberate on different human capital themes. One, an HR strategy study team, whose membership is drawn primarily from the Corporate Planning Unit, formulates and evaluates HR strategies in

coordination with the Mid-term Business Plan. The second is an employee success story study team, made up of members drawn from multiple sections, primarily HR sections, the task of which is to prepare the workplace environment to invigorate employee motivation. In addition, Senior Managing Executive Officer Nagata, the officers in charge of human resources, and I visit individual sites to engage younger employees in townhall meetings. In August, we conducted our first engagement survey. In these and other ways, we are working to establish systems for gathering the candid voices of our employees in order to realize improvements.

As for the theme on sustainability management, in addition to efforts to achieve carbon neutrality, we will develop digital human resources to serve as in-house data scientists, by promoting DX strategy for three aspects of manufacturing (e.g., factory visualization and automation), sales (e.g., use of sales support systems), and business efficiency (e.g., use of robotic process automation). We will also strengthen efforts to establish a sustainable society by revising the executive compensation system to reflect nonfinancial indicators as well as bonuses and performance-linked share-based compensation, as part of enhancements to corporate governance.



Striving to achieve sustained growth through aggressive management, increasing corporate value, and contributing even more to society.

We paid annual dividends of 50 yen/share (10 yen in interim dividends and 40 yen in year-end dividends), returning value to our shareholders in FY2022 as planned. For the future, we will target a dividend payout ratio of 30% during the period of the 2023 Mid-term Business Plan and even higher by 2030. Our goal is to generate returns to shareholders by improving business results.

Our financial standing declined due to losses posted in two consecutive years, following the recording of significant impairment losses and the impact of COVID-19. However, profits have recently improved in the overseas businesses that had been posing challenges, including at MSSC in North America. Today, we stand at the starting line in pursuit of sustained growth based on aggressive management. I would like to take this opportunity to apologize to all our stakeholders, including shareholders and investors, for the concern prompted by these past losses.

Henceforth, the Mitsubishi Steel Group will make progress on enhancing the earnings capabilities of core businesses while growing strategic businesses to affirm the slogan of our ideal vision for 2030, Leveraging our people and technologies to continue to succeed in a time of change. We will also move forward with active investments in future growth, including investments in human resources, something that has been difficult due to declining business performance. Through these initiatives, we will strive to strengthen our corporate value over the medium to long term, targeting a PBR of one or more, by enhancing earning capabilities to boost ROE, identifying growth strategies, and generating solid results.

We ask for the continuing support of all our stakeholders as we make good on our promise of a more prosperous future that only Mitsubishi Steel can provide.

2023 Mid-term Business Plan

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

The new 2023 Mid-term Business Plan was formulated by backcasting from our ideal vision for 2030. It calls for developing strategic businesses based on the key themes of the environment, overseas businesses, and the shift toward electric vehicles (EVs) to become a company that will leverage our people and technologies to continue to succeed in a time of change.

In addition to resolving the financial and nonfinancial issues that remained after the 2020 Mid-term Business Plan, which ended in FY2022, the 2023 Mid-term Business Plan identifies four basic policies: (1)Enhancing our earnings capabilities; (2)Growing strategic businesses; (3)Investment in human resources; and (4)Sustainability management.

By steadily implementing measures based on the plan's four basic policies, we will strengthen our corporate value and realize sustained growth.

Ideal vision for 2030

Realizing sustained growth through aggressive management in strategic businesses

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

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

2030 targets

Net sales
JPY**220.0**B

ROE
10%

Payout ratio
30% or higher

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

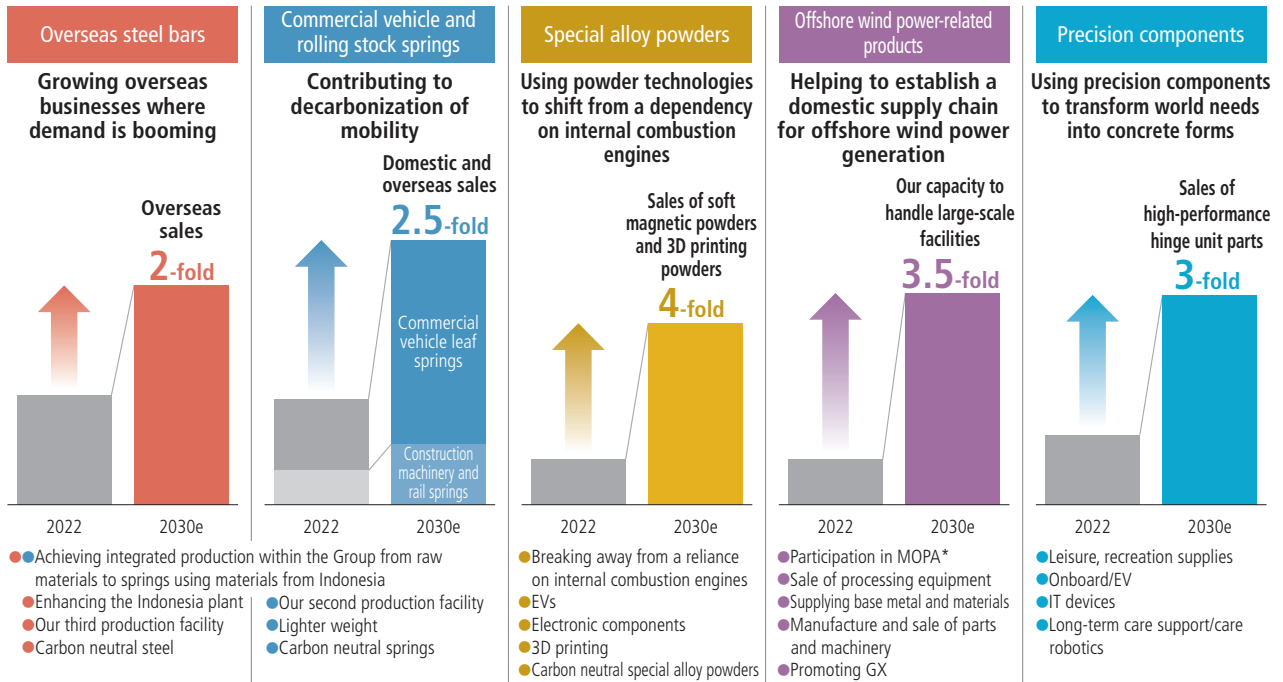
■ Enhancing core businesses and growing strategic businesses ■

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



■ Main initiatives to grow strategic businesses ■

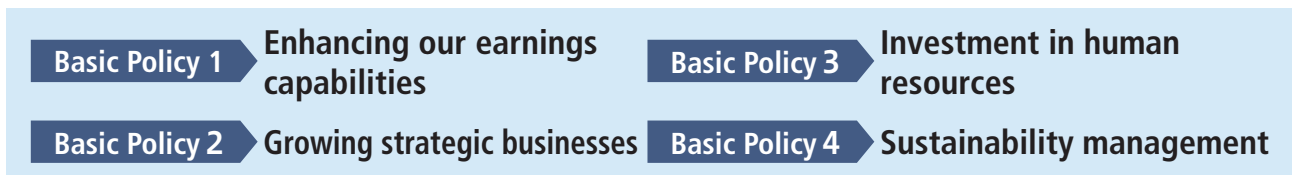
Targeting rapid growth in strategic businesses based on the key themes of the environment, overseas businesses, and the shift toward EVs



2023 Mid-term Business Plan

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

We will implement the plan based on four basic policies.



■ Financial targets

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

■ Nonfinancial targets

2025 target	2030 target	
Engagement survey	CO ₂ reductions (vs. FY2013)	
YoY improvement in scores	Intensity reduced by 10%	Total emissions reduced by 75%

Basic policy 1 → Enhancing our earnings capabilities

Pursuing enhanced earnings capabilities by cutting costs while maintaining and growing profit margins, we will use the resulting earnings to fund growth in strategic businesses and enhance our financial foundations.

Securing profit margins

- Prioritizing maintenance and growth of profit margins
- Increasing product added value by enhancing products developed jointly with customers
- Increasing customer satisfaction through means including use of digital technologies to shorten lead times for providing quotes and expansion of EDI transactions

Enhancing product capabilities

- Developing and bringing to market high-quality steel bars for growth fields (e.g., offshore wind power, EVs)
- Continuing to bring to market products such as even lighter springs (particularly for use in high-end vehicles and EVs) and ones that can contribute to decarbonization

Cutting production costs

- Cutting design and prototyping labor costs using digital technologies and saving labor through means such as use of IoT at plants and automation of manufacturing processes.
- Expanding plant improvement activities from domestic to overseas plants
- Promoting thorough streamlining of operations and control of fixed costs
- Also considering consolidation and closure of facilities

Reviewing product portfolios

- Considering changes in the product portfolio by verifying the future potential of markets, the profitability of products, and their business potential

Basic policy 2 → Growing strategic businesses

We will promote growth of strategic businesses through active allocation of management resources to them.

During the period of the 2023 Mid-term Business Plan, we will shift course toward business growth to achieve large-scale growth in these businesses toward 2030.

Investment of management resources

- Allocating people, property, and funds toward environmental solutions, the EV shift, and overseas businesses
- Investing in increasing production at JATIM, which is operating at full capacity, and in the special alloy powders business, and promoting capital investment toward production of large-scale products

Enhancing testing and research

- A large-scale shift toward ESG-related R&D
- Acceleration using digital transformation tools and AI

Structure for creating new businesses

- Adopting a program for taking on the challenges of new business development, as a practical training program
- Adopting an internal startup program through fielding wide-ranging ideas

Initiatives toward 2030

- Studying investment in facilities as a follow-up to the JATIM-leaf spring cooperative model, which is generating synergies
- Studying efforts to bring to market carbon-neutral steel bars, springs, special alloy powders, etc.
- Studying domestic production of machinery related to offshore wind power generation

Basic policy 3 Investment in human resources

We will boost productivity and realize innovation by investing in human resources.

Creating workplace environments for leveraging our people

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

Developing systems for leveraging our people

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

Flexible creativity powered by diverse human resources

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

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


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

Basic policy 4 Sustainability management

Promoting sustained increases in corporate value by making clear ESG and other nonfinancial topics

Carbon neutrality initiatives

- We will aim to reduce CO₂ intensity by 10% in 2030 in the steel bars segment, and also aim for carbon neutrality in 2050 by enhancing the CO₂-free infrastructure.
- In other segments, we aim to reduce CO₂ emissions by 75% in 2030 through expanded use of CO₂-free electricity.
- We also aim to contribute to decarbonization of the supply chain through means including studying carbon neutral products and supplying products to help reduce CO₂ emissions at customer plants.

 See p. 36 for details of carbon neutrality initiatives.

Promoting a digital transformation (DX) strategy

- Development of digital human resources (training data scientists)
- Manufacturing DX (plant visibility/automation)
- Sales DX (sales support systems/EDI enhancement)
- Business efficiency DX (use of RPA/updating the purchasing system)

Toward sustained growth and increasing corporate value

- Contributing to solutions to social challenges through social contribution activities and employee health and safety
- Incorporating into executive compensation nonfinancial incentives in addition to those toward Mid-term Business Plan financial targets

Value-creation processes

Business environment

| Accelerating decarbonization

| Biodiversity

| Decreasing workforce

Special Steel Bars

- Risk of future contraction in the domestic market
- Market growth in SE Asia and other emerging markets
- Reducing environmental impact through carbon neutral steel and other solutions

Springs

■ EV shift, CASE progress

- ➔ Basic structure of suspension components (e.g., springs, stabilizers) expected to remain unchanged
- ➔ Rising need for more lightweight materials to address increasing vehicle weights due to batteries, etc.

Input [Six types of capital]

Business Activities [Mitsubishi Steel Group business activities]

Financial capital

- Shareholder equity JPY**45.7B**
- Interest-bearing debt JPY**64.9B**
- Net D/E ratio **0.8** times

Manufacturing capital

- Global production facilities (13 sites in 10 countries)
- Capital investment JPY**2.7B**

Intellectual capital

- R&D costs JPY**1.7B**
- Promoting strategic R&D (generating synergies)
- Industry-academia collaboration

Human capital

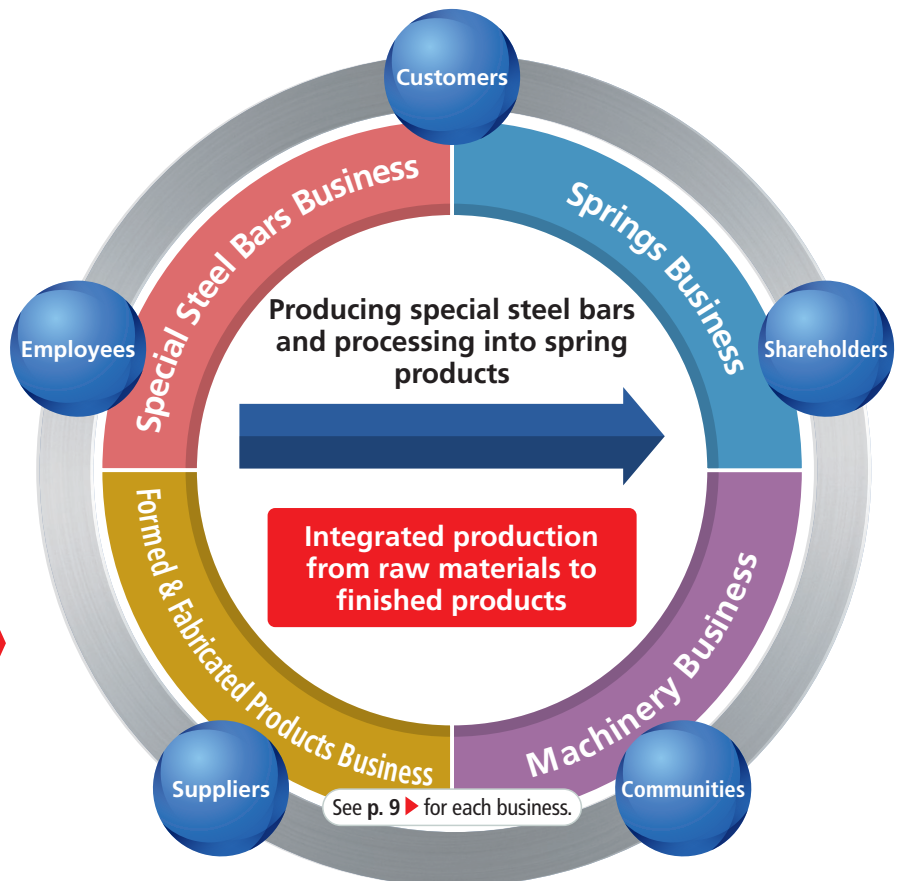
- Employees **4,030** (consolidated)

Social/relationship capital

- Coexistence with communities
- Partnerships with customers and suppliers
- Social contribution activities

Natural capital

- Raw materials (e.g., iron ore, coking coal, scrap iron)
- Energy (**3,311** TJ used)
- Industrial water



Realizing sustained growth through aggressive management in strategic businesses toward 2030

Four basic policies of the 2023 Mid-term Business Plan ▶ P.19

Basic policy 1 Enhancing our earnings capabilities

Basic policy 3 Investment in human resources

Basic policy 2 Growing strategic businesses

Basic policy 4 Sustainability management

Enhancing the governance structure ▶ P.56

Management philosophy ▶ P.1

| Progress of digital reforms | Rising uncertainty (e.g., war, disease) |

Formed & Fabricated Products

- Shrinking demand for products for internal combustion vehicles
- Growing demand for soft magnetic powders used in electronic control units for EVs and other products

Machinery

- Market growth in offshore wind power, driven in part by Japanese government policy of encouraging domestic production
- Rising awareness and growing demand related to circular economy

Outputs [Major results of business activities]

Outcomes [Value generated]

2022 results

2025 target

• Net sales

JPY170.5 B ▶ **JPY185.0 B**

• Operating income

JPY5.5 B ▶ **JPY11.0 B**

• ROE

5.1% ▶ **8.0%**

• Steel bars sales volume **406,000 t**

* Annual sales volume for the domestic Special Steel Bars Business

• CO₂ emissions **213,000 t**

• Industrial waste generation **15,000 t**

R&D ▶ P.49

- Improving product power through R&D
- Developing products to reduce environmental impact

DX initiatives ▶ P.47

- Promoting DX to improve business and production efficiency

Promoting human capital management ▶ P.41

- Flexible creativity powered by diverse human resources
- Productivity improvements and innovation achieved by investing in human resources
- Increased employee satisfaction
- Conducting engagement surveys starting this fiscal year

Realizing sustainability management



Eco-friendly products

- Offshore wind power
- Circular economy
- Products for EVs (lightweight springs, powders)

Eco-friendly production

2030	
Steel bars segment Intensity reduced by 10%	Other segments Total emissions reduced by 75%

etc. 2050

Carbon neutrality

Increasing stakeholder satisfaction

Employees Customers Communities, society Shareholders, investors

- Increasing employee satisfaction
- Developing and supplying products to meet customer needs
- Contributing to communities and society through business activities
- Increasing corporate value by enhancing earnings capabilities and realizing sustained growth

Ideal vision for 2030

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

Further increases in corporate value



Contributing to growth in corporate value by supporting efforts to build an organizational culture capable of tackling new challenges

Mitsubishi Steel from Outside Directors' perspectives

Hishikawa: This is my eleventh year since being named an Outside Director in 2013. I've seen various changes over this period. When I was first appointed to the Board, my idea of Mitsubishi Steel was a company characterized by strong, sound management. Although net sales were only about two-thirds of their current levels, it was effectively debt-free. It maintained an equity capital ratio around 40%. Under this cash-rich structure, it had to decide how to invest these funds in growth. At that time, the auto industry was increasingly adopting global supplier systems. Mitsubishi Steel proceeded with growth strategies that reflected this trend. Later, conditions for global suppliers changed. Since those growth strategies went off-track, Mitsubishi Steel was compelled to write off the book value of certain overseas subsidiaries in 2019. Still, I believe the global network of production facilities built up to date is a valuable Company asset, one likely to power future growth

in overseas markets. Looking back, it was a decade of large-scale change.

Takeuchi: I was appointed an Outside Director in 2022. Before joining Mitsubishi Steel, my idea of the Company was of a large, serious, prideful enterprise. Since then, I've come to see it as a place full of friendly, open people. Over the past year, it's been difficult for the Board of Directors to find time to discuss growth themes—we've been too busy rebuilding the North American business. But now that we've overcome obstacles, we have more time to discuss topics like growth strategies. I'm looking forward to seeing what new doors will open as we move forward. While the organization and its people seem to reflect a serious, and solid corporate culture, I think a more flexible culture will emerge as we move ahead to work on our growth strategies.

Sato: Business management may face various kinds of turbulence and you can't always get everything done. But as you say, Ms. Takeuchi, over the past year, moving on from the need to overcome business challenges in North Ameri-

“I want the Board of Directors to be an opportunity for more active discussion.”



ca to considering next steps and formulating the new Mid-term Business Plan, we've been able to intensify discussions on themes like sustainability and building comfortable workplaces. Today, the Board of Directors devotes more time to actual discussion than explanations of topics. Those on the executive side continue to produce understandable materials and provide attentive prior explanations. The entire Company appears to be aligned to move in a positive direction. Mr. Hishikawa provides valuable opinions based on an in-depth understanding of our businesses, thanks to his years of experience looking over our management. And you, Ms. Takeuchi, have encouraged various efforts since you joined the organization, not just on the Board of Directors, but through interviews and study meetings with members of the Human Resources Department and other employees. We are grateful for the close and energetic involvement of both of you.

Recent changes to the Board of Directors

Sato: From my position as Chairman of the Board of Directors, it seems like the Board of Directors used to focus on the details of specific business activities, spending more time on explaining results and discussing responses to problems than on deliberating matters like the objectives and background of initiatives and their meanings in terms of growth strategies. The division of responsibilities with the Board has advanced since the adoption of the executive officer system in FY2021 and the delegation of executive authority. The awareness of the Board members has changed accordingly. I think this change is good. I don't participate in executive meetings myself, but this separation of management and execution is functioning well,

and as noted earlier, materials prepared by executives now more clearly convey their ideas to third parties. I think we could say that we've laid the groundwork for a governance structure with a focus on monitoring.

Hishikawa: Even before these changes the Mitsubishi Steel Board of Directors was characterized by highly active communication, but for the last few years its agenda has included items to review in addition to items for proposals and reports. In this way, the Board continues to make progress in the direction of enhancing its vitality and efficacy. For example, the Board made it a rule to discuss progress on the Mid-term Business Plan and sustainability monthly. However, since each of these monthly meetings discusses large-scale topics, sometimes executives seemed to have difficulty in prepare sufficient materials and we could not deepen deliberations on such topics. We need to make improvements on this point.

Sato: I know the executive side tries to deliver monthly reports that are as consistent and complete as possible, but I would like to see the Board get involved in more active discussion to address topics still under study or subject to consultation.

Takeuchi: As you mentioned earlier, Mr. Sato, the points at issue have been made clearer through means such as enhancing briefings held in advance of Board of Directors meetings and submittal of executive summaries. The Board has been enlivened considerably over the past year. On themes like the Mid-term Business Plan and sustainability in particular, such opportunities for discussing individuals' thoughts and concerns, even if not all information is fully developed, can lay the foundation for sharing of information and discussions at an early stage. I would like us to make this structure even more effective as a system unique to Mitsubishi Steel.

Activities of the Nomination and Compensation Committee

Hishikawa: Looking back on the process of establishing the Nomination and Compensation Committee, we first set up the Governance Committee for exchange of opinions mainly among outside officers, then in compliance with the Corporate Governance Code, designated that committee as a voluntary advisory body to perform nomination and compensation functions. This Governance Committee advised the Board of Directors on executive appointments under the new management system, starting with the appointment of President Yamaguchi in 2022. Through this process, in that same year, we established the new Nomination and Compensation Committee to strengthen the independence and transparency of nomination and compensation functions still further and to enhance accountability. These functions were transferred to this new committee from the Governance Committee. The Nomination and Compensation Committee consists of Chairman Sato and us two Outside Directors. I serve as its chair. We meet once a month right now. We developed the foundations of the nomination function by establishing various matters, including requirements for management human resources, appointment and dismissal standards, and related procedures. We publish these human resource requirements internally and use them not just when appointing officers but as a tool for succession planning, refining them as we go. At the same time, in the area of the compensation function, we've established practical procedures for evaluations and calculations and revised compensation systems.

Takeuchi: On nomination functions, I've been involved in formulating human resource requirements through discussions based on my specialization in HR development. I believe making the process more visible will greatly improve the transparency and objectivity of matters like executive

appointments and succession plans while making them more acceptable to members of the organization. In the future, I plan to proceed with efforts based on succession plans, including interviews with executive officers and forming a pool of human resources who can be candidates for succession.

Sato: I think it's vital to ensure that fair human resources are chosen through a fair process. Formulating a nomination function will guarantee the fairness more than before. We don't expect to see a change in the President for some time, so this process can get off to a small start by establishing human resource requirements. I believe steady progress in HR development will lead to the selection of the best human resources a few years into the future. The approach of having members of top management choose their own successors and assume responsibility for the results will not just lead to issues of fairness, but generate extreme pressures on management. I expect our nomination function to eliminate these concerns and the associated pressures and to enhance our governance.

Takeuchi: I expect the appointment process as a whole to involve considerable workload, but I think it's off to a good start.

Discussing the new Mid-term Business Plan

Hishikawa: The previous Mid-term Business Plan sought to achieve recovery by stopping the bleeding at overseas businesses. It didn't extend to increasing growth capabilities. Against this backdrop, discussions of individual businesses have played a central role in formulating the new Mid-term Business Plan. I think room remains for further discussion of the plan as a whole from other perspectives, including the Company's purpose, vision, and mission. One of the plan's basic policies calls for enhancing our



"I see a need for all insiders to take a stronger interest in finance and be cognizant of related issues."

“I would like to provide effective support from the perspectives of human resources and organizational development.”



earnings capabilities. I believe that as the Company moves forward to implement this plan, there will be a need to focus on the essentials, like the links between realizing these enhancements and the strategies employed to do so. I also think the Company should make its future action plans clearer and refine them still further as it carries them out to enable analysis of any gaps in progress toward the plan's numerical targets.

Takeuchi: The new Mid-term Business Plan divides the business portfolio into core businesses and strategic businesses. In developing strategic businesses in particular, it's essential to foster an organizational culture capable of continuing to tackle new challenges aggressively by turning failures into learning opportunities. Since the effective deployment of human resources will grow increasingly important, I would like to check on such matters in my role as Outside Director and provide effective support from the perspectives of human resources and organizational development.

Sato: As Mr. Hishikawa noted, the period of the previous Mid-term Business Plan was three years, in which we were forced to address issues centered on overseas businesses. At last, we have been able to formulate our ideal vision for 2030 and developed the new 2023 Mid-term Business Plan through a process of backcasting from that vision. Now, instead of focusing solely on numerical targets, we need to discuss what kinds of resources to concentrate on to achieve them. Simply throwing enough personnel and funds at a plan doesn't guarantee results. As you note, Ms. Takeuchi, fostering an appropriate organizational culture is vital. I would definitely like, with your cooperation as Outside Directors, to establish firmly within the Company a culture of taking on challenges, in which people are evaluated by how many times they have taken on challenges, without regarding failure as a negative score.

Message for stakeholders

Takeuchi: Everyone within the Company naturally concentrates and works hard to achieve their immediate goals. In contrast, I believe the role of an Outside Director is to strive to increase corporate value from a different perspective by observing these efforts and asking frank and honest questions about them, not just going along to get along. While I'm an outsider to the steelmaking industry, I will use my knowledge in areas such as human rights, corporate organization, and corporate culture to find solutions to management's challenges and contribute to raising corporate value.

Hishikawa: A company's activities consist of the two aspects of business and finance. Sometimes the values of insiders, who are strongly conscious of the former, will not align with those of investors, whose focus is on the latter. But as elements common to both finance and capital have increased in recent years in line with the Corporate Governance Code and other requirements, I believe that from now on insiders too will need to take a stronger interest in finance and be cognizant of related issues. I hope to see Mitsubishi Steel increase its capital efficiency and enhance its finances by leveraging the strengths of its outstanding manufacturing capabilities while mindfully publicizing these strengths among our customers.

Sato: Each of you as an Outside Director provides support for Company management in various ways. I'd like to increase opportunities for communication in the future in response to requests from shareholders and investors to learn more about the Board of Directors and hear the views of Outside Directors. Thank you for your continuing cooperation.

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

Our sustainability promotion structure

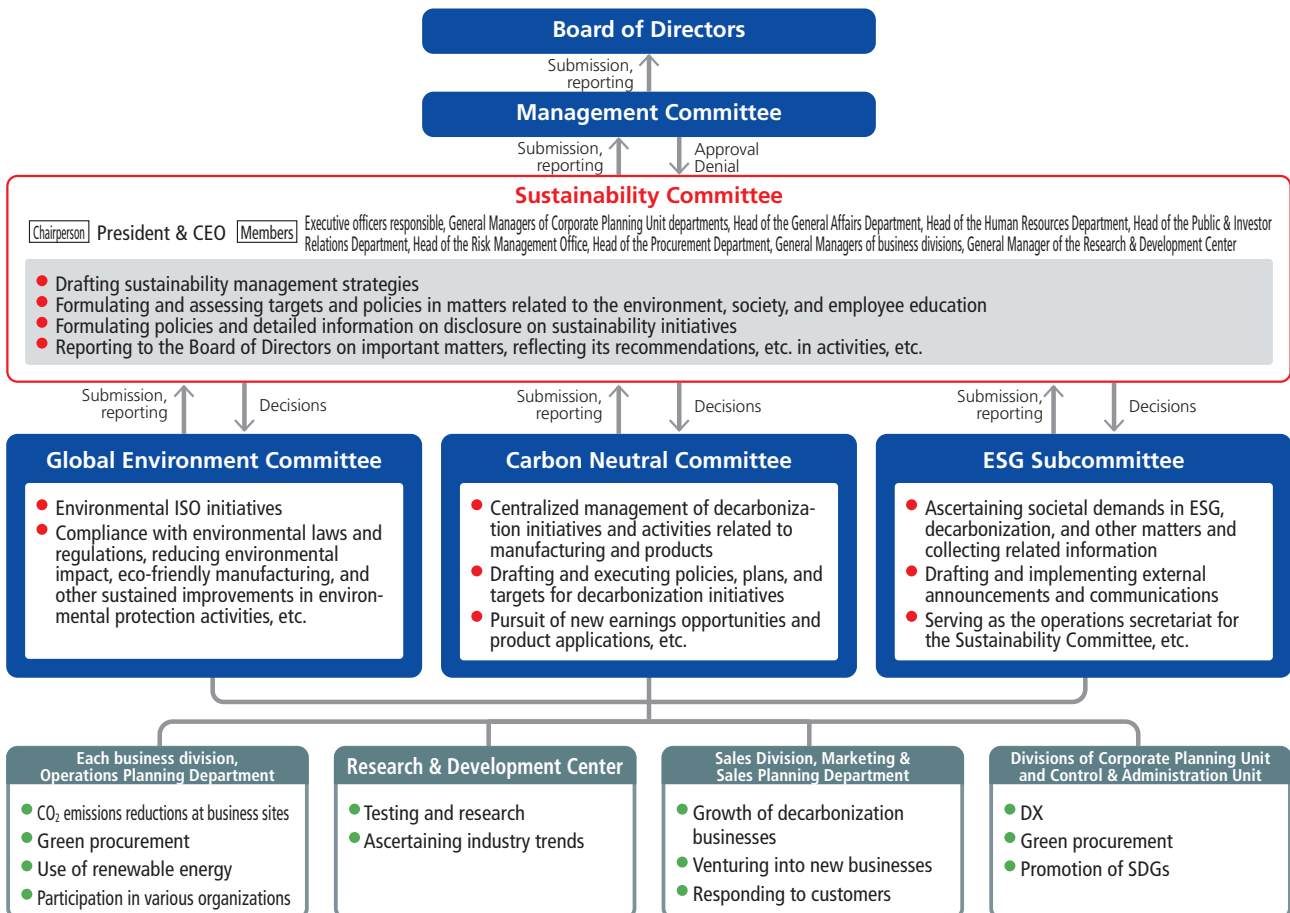
Our Sustainability Committee (chaired by the President & CEO) discusses priority topics concerning sustainability. Sustainability is also deliberated on by the Board of Directors, on a monthly basis in principle.

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

Key topics in reports to and reviews by the Board of Directors in FY2022

- Progress to achieve carbon neutrality
- Disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Human capital initiatives
- Human rights initiatives
- Activities to contribute to society and coexist with local communities
- Sustainability disclosure

Our sustainability promotion structure



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






Our priority materiality items

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

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

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

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

Priority	Main initiatives	Corresponding SDGs	See pages
New business creation and developing strategic businesses	<ul style="list-style-type: none"> Environmental initiatives (e.g., carbon neutral products, offshore wind power, circular economy initiatives) Overseas businesses (securing growth opportunities in overseas markets) Shift toward EVs (contributing to decarbonization of mobility) 		▶ pp. 31-40: For the Environment
Eco-friendly products	<ul style="list-style-type: none"> Developing lighter springs to improve vehicle fuel consumption Development of materials to contribute to CO₂ Initiatives related to renewable energy (offshore wind power equipment) Contributing to a circular economy (various separators) 		▶ pp. 49-50: Research and Development
Eco-friendly production	<ul style="list-style-type: none"> Carbon neutrality initiatives (e.g., switching to CO₂-free electricity, improving production efficiency) Compliance with environmental regulations 		
Promoting human capital management	<ul style="list-style-type: none"> Respect for human rights Building workplace environments where human resources can thrive (e.g., health and safety, work styles, employee satisfaction) Creating systems to help human resources thrive (e.g., enhancing HR development) Flexible creativity powered by diverse human resources 		▶ pp. 41-46: Human Capital Management
Enhancing governance	<ul style="list-style-type: none"> Further enhancing the governance structure Thorough compliance Building and enhancing risk-management structures (e.g., business continuity planning, quality, information security) 		▶ pp. 56-64: Governance

Activities to promote awareness of ESG and the SDGs

Mitsubishi Steel promotes activities to promote awareness of ESG and the SDGs among employees as part of its efforts to achieve sustainability management and the Sustainable Development Goals (SDGs). In FY2022, we sought to raise employee awareness of and involvement in SDG activities by preparing posters to introduce the Company's SDG initiatives, posting them in various facilities, and distributing ballpoint pens made from recycled plastic waste collected from the ocean off the Japan coast. Other activities included publicizing ESG and the SDGs in the Company bulletin and preparing original training materials for employees, which help raise awareness and understanding of the SDGs among employees through means such as introducing the SDGs and describing examples of specific Company initiatives.

We are enhancing awareness-promoting activities further based on the results of employee surveys on SDG awareness.

Recognizing efforts toward solutions to social challenges to be an important business responsibility, the Mitsubishi Steel Group promotes various initiatives toward solutions on ESG topics.

These are part of ongoing efforts to strengthen internal awareness and to encourage all employees to work together to achieve the SDGs.



SDG ballpoint pens



SDG poster



Environment ~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

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.)

■ Status of TCFD scenario analysis implementation

	FY2022	FY2023
Details	<ul style="list-style-type: none"> ● Initial review of risks, opportunities, and responses ● Formulated roadmap toward carbon neutrality by FY2050 	<ul style="list-style-type: none"> ● Reassessment of risks and opportunities by business division, scenario analysis, and financial impact assessments ● Improving our responses based on the above

① Governance

■ Management structure for addressing climate change

- Mitsubishi Steel's Sustainability Committee (chaired by the President & CEO) deliberates on materialities related to sustainability, including climate change. In principle, the Board of Directors deliberates on sustainability on a monthly basis.
- We have established a Companywide management structure to promote sustainability through various means, including assessing and managing climate change risks and opportunities. This structure includes, as organizations under the umbrella of the Sustainability Committee, the Global Environment Committee, Carbon Neutral Committee, and ESG Subcommittee.
- In November 2021, we announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In FY2022, we carried out an initial review of risks, opportunities, and responses related to climate change and formulated a roadmap to achieve carbon neutrality by FY2050. In FY2023, we reassessed risks and opportunities by business division; carried out scenario analysis and assessments of financial impact; and reviewed the responses once again.

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

	Sustainability Committee	Carbon Neutral Committee	ESG Subcommittee
Roles in addressing climate change issues	Implementing TCFD scenario analysis and formulating policies for addressing climate change and details thereof	Drafting and executing policies, plans, and targets for efforts to achieve carbon neutrality	Collecting external information on climate change and communicating this information internally and externally
Details of FY2022 activities related to climate change	Held 10 meetings in 2022, including five meetings for discussions of agenda items related to climate change.	Set annual targets for CO ₂ emissions through FY2025; formulated FY2023-2030 plans and adopted ICP regarding capital investment, advanced study of Scope 3 emissions calculations, and overseas initiatives.	Reviewed risks and opportunities related to the effects of climate change anew and revised responses once again based on scenario analysis and assessments of financial impact to enhance disclosures based on TCFD recommendations.

See "Our sustainability promotion structure" on p. 29 for a sustainability organizational chart.

② Strategy

■ Scenario analysis assumptions

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

Environmental initiatives

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

Risks	Vision of society under each scenario	External scenarios referred to in scenario analysis
1.5°C Scenario (transition risks)	<ul style="list-style-type: none"> ● Adopting carbon taxes and other climate change regulations ● Progress of EVs and CASE and decrease in gasoline-powered vehicles in the automotive industry ● Market growth of fossil fuel alternatives such as renewable energy (including offshore wind) and green hydrogen and accompanying increases in energy prices ● Rising raw material prices in connection with tight demand and supply conditions for products related to climate change with advancing decarbonization 	International Energy Agency (IEA) World Energy Outlook Report 2022 <ul style="list-style-type: none"> ● 1.5°C Scenario: APS scenario, NZE scenario, SDS scenario^{*1} Intergovernmental Panel on Climate Change (IPCC) <ul style="list-style-type: none"> ● 4°C Scenario: SSP5-8.5 scenario (SSP5, RCP8.5)^{*2} Other related IEA materials, Ministry of Economy, Trade and Industry Sixth Energy Basic Plan, etc.
4°C Scenario (physical risks)	<ul style="list-style-type: none"> ● Increasingly grave natural disasters due to increase in abnormal weather patterns ● Increasing inundation of coastal areas due to rising sea levels 	

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

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

Risks, opportunities, and corresponding timelines and impact

Scenario	Effects	Timelines		Impact	
		Short term (through 2025)	Medium/long term (2030-2050)		
1.5°C	Transition risks	●Rising procurement and manufacturing costs due to stronger regulations related to climate change (e.g., carbon taxes)		✓	High
		●Growing instability in the supply of raw materials and utilities and rising procurement costs due to changes in suppliers' lines of business		✓	High
		●Growing instability in the supply of raw materials and rising procurement costs due to tight demand and supply conditions with advancing decarbonization		✓	Medium
		●Rising manufacturing and logistics costs due to adoption of energy and equipment to contribute to carbon neutrality	✓	✓	High
		●Rising manufacturing costs due to the adoption of new technologies to contribute to carbon neutrality, impaired competitive strength in the event of delays in adopting new technologies		✓	High
	●Restructuring of plant facilities due to factors such as changing supply chains and product lineups with advancing decarbonization		✓	Medium	
	●Difficulties in raising funds or securing human resources and loss of trust within the community due to failure to achieve carbon neutrality targets		✓	Medium	
Opportunities	●Growing customer demand for products that contribute to decarbonization	✓	✓	High	
	●Progress in EVs and self-driving vehicles and market developments in related growth markets, such as semiconductors and electronics	✓	✓	High	
	●Market developments in growth markets related to energy decarbonization	✓	✓	High	
4°C	Physical risks	●Loss of plant facilities, work in process, and products due to growing frequency of sudden natural disasters	✓	✓	High
		●Supply chain disruptions due to growing frequency of sudden natural disasters	✓	✓	High
	●Worsening product quality and increase in heat stress on employees due to chronic abnormal weather		✓	Medium	

Responses to these effects are summarized on the following page.

■ Responses to transition risks and opportunities

← Short term (through 2025) × Medium/long term (2030-2050) →

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

*3 Certified non-fossil-fuel electricity

■ Strategic resilience

- Since climate change can cause major impacts on our businesses, both in the form of risks and opportunities, we recognize it as a key management issue for Mitsubishi Steel's medium-to long-term growth.
- Under the 1.5°C Scenario, in which global measures to address climate change are successful, we anticipate that climate change regulations, including carbon taxes, would be enhanced. Thus, efforts toward carbon neutrality would be essential in areas such as raw materials and manufacturing processes. While striving to realize carbon neutrality in stages, we will enhance sales of products in new growth markets created by progress with decarbonization (i.e., products that contribute to decarbonization by customers—for example, carbon neutral steel and carbon neutral springs,*4 ; EV and CASE components; semiconductors and electronic components; and energy-related components—offshore wind power components in particular). We will contribute to the pursuit of decarbonization while growing our businesses by focusing on increasing orders received for products related to offshore wind power and products that contribute to a circular economy (e.g., magnetic sorters) as well as marketing metal powders such as soft magnetic powders (carbon neutral powders*5 for electronic components, including those for CASE applications).

Environmental initiatives

- In the 4°C Scenario, in which global measures to address climate change remain inadequate, the impact of transition risks would be limited compared to the 1.5°C Scenario. However, we would enhance business continuity planning while maintaining and managing the supply chain by diversifying suppliers, maintaining appropriate inventories, and other measures, since under this scenario, loss of plant facilities and products, supply chain disruptions, and other such incidents would be expected to rise due to an increase in sudden natural disasters.
- In the face of climate change, we are studying and implementing various responses intended to mitigate risks and secure opportunities. These include efforts to achieve carbon neutrality and to gain entry into markets expected to experience growth due to climate change, and verifying the resiliency of business operations based on analyses of multiple scenarios. Going forward, we plan to promote various measures more effectively by updating and monitoring information related to these analyses.

*4 Steel bars and springs manufactured using CO₂-free electric power

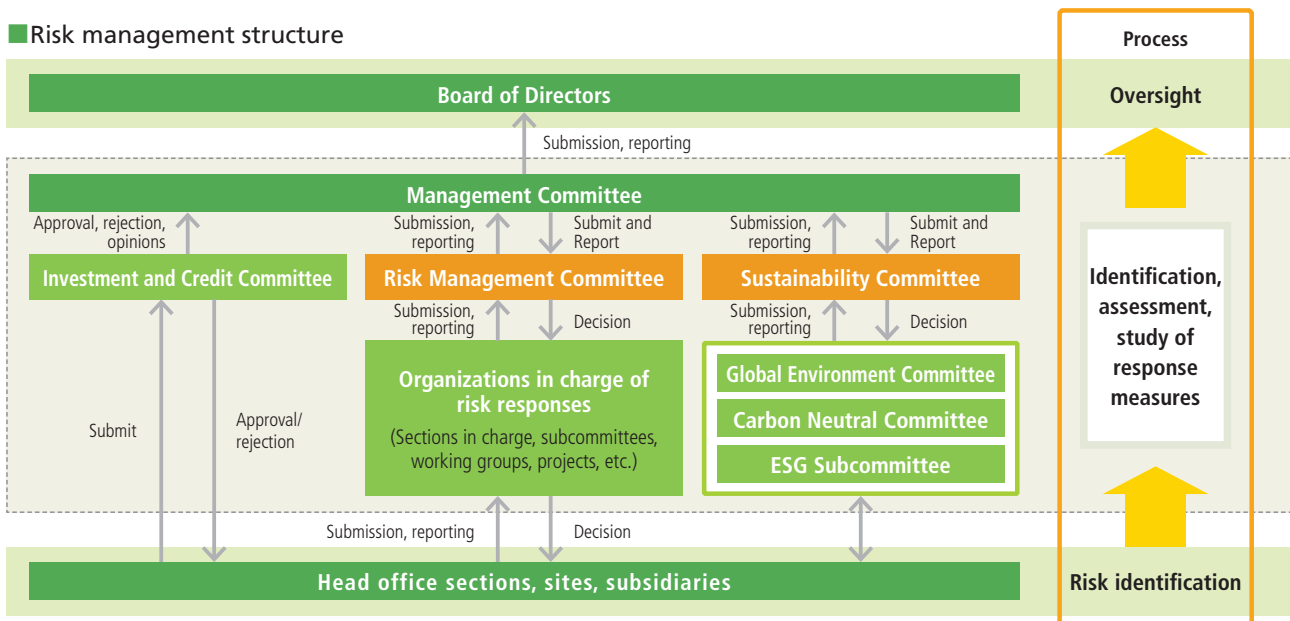
*5 Powders manufactured using CO₂-free electric power

③ Risk management

■ Climate change risk management structure

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

■ Risk management structure



4 KPIs and targets

1. CO₂ reduction targets

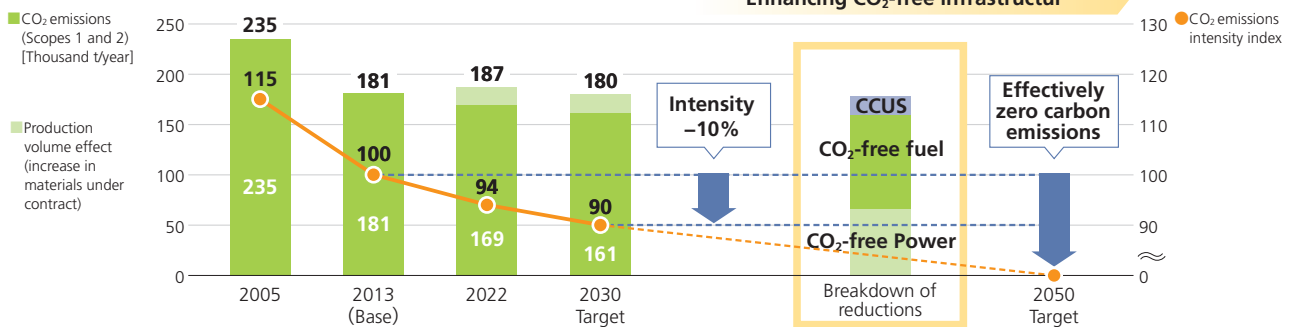
As we strive to achieve carbon neutrality (Scopes 1 and 2) by 2050, we have set the following individual targets to be achieved in the steel bars segment and other segments by the milestone year of FY2030. We will invest 3-4 billion yen by 2030 to reach these targets.

Steel Bars segment	Other segments
Targeting carbon neutrality by developing a CO ₂ -free infrastructure to achieve a target figure of 180,000 tons in reductions, or 10% of carbon intensity (vs. FY2013)	Increasing the target from a 50% to a 75% reduction in total emissions to 11,000 tons (vs. FY2013) through increased use of CO ₂ -free power

Targeting **carbon neutrality (effectively zero carbon emissions) by FY2050** by actively promoting conversion of fuel energy

Reduction targets for carbon neutrality

Steel bars

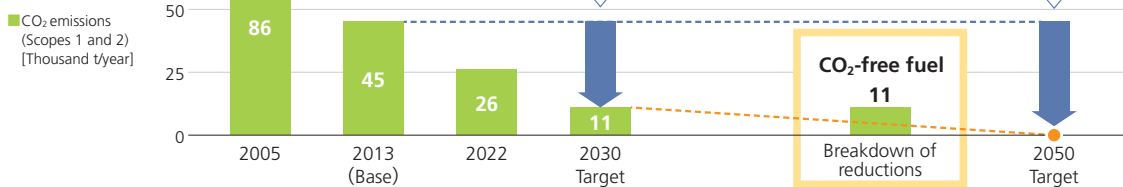


[Distinguishing features of the steel bars segment]

The Muroran Works reuses fuel gas byproducts from coke ovens and uses the electricity generated by the works for electric power.

Topic for consideration: Aiming to increase reductions in CO₂ emissions by purchasing CO₂-free power in the steel bars segment as in other segments

Springs Formed & Fabricated Products Machinery Transport



2. CO₂ emissions reduction initiatives (roadmap toward carbon neutrality)

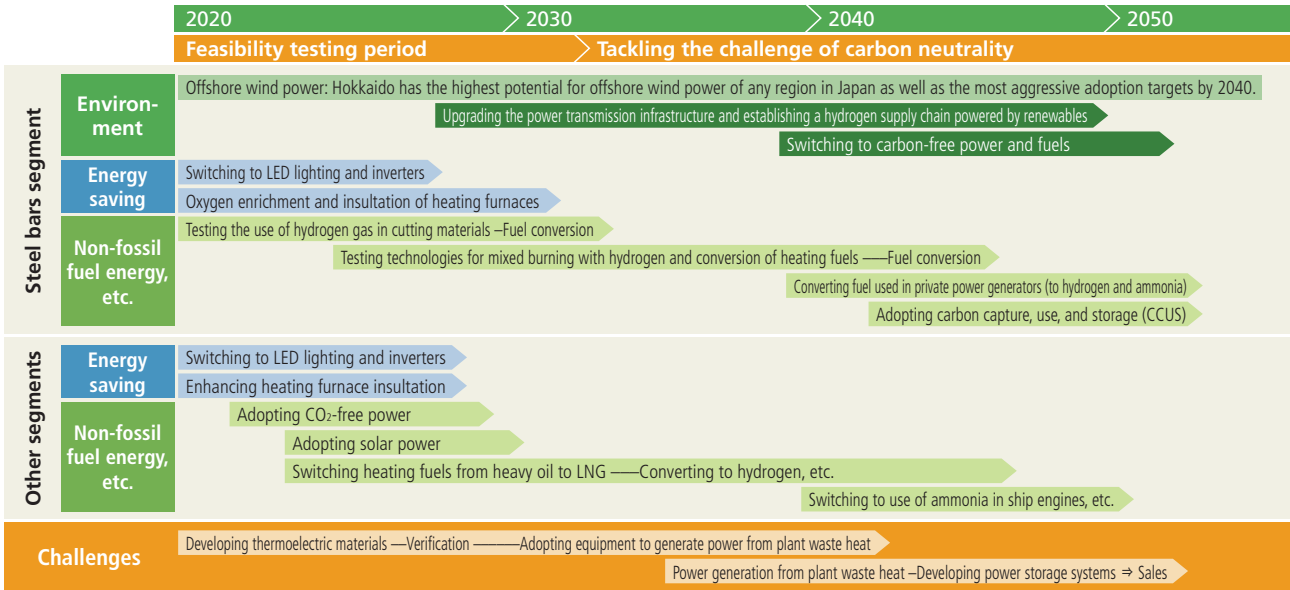
Aiming to achieve carbon neutrality (effectively zero carbon emissions) by FY2050, we have formulated the following roadmap toward carbon neutrality.

- Results of initiatives in FY2022: In segments other than steel bars, three facilities began purchasing CO₂-free power in FY2022. The Chiba Works migrated to 100% CO₂-free electric power, reducing emissions by approximately 8,000 tons (equivalent to 18% of other segments' emissions in FY2013).
- Initiatives in FY2023: A central aspect of our initiatives in FY2023 is to achieve reductions of approximately 5,000 tons (equivalent to 10% of other segments' emissions in FY2013) by streamlining operations and migrating to 100% CO₂-free electric power at the Hirota Works. Steady progress is being made on these activities.

📖 ▶ See p. 40 for the state of adoption of CO₂-free electric power.

Environmental initiatives

Roadmap toward carbon neutrality by FY2050



Scope 3 CO₂ emissions by category

Unit:kt-CO₂

Category	FY2021		FY2022		Calculation method
	Steel Bars	Springs, Formed & Fabricated Products, Machinery, transport	Steel Bars	Springs, Formed & Fabricated Products, Machinery, transport	
1. Products and services purchased	1,075	73	921	104	Volume or amount of raw materials purchased multiplied by CO ₂ emissions intensity
2. Capital goods	6	7	3	3	Amount of capital investment multiplied by CO ₂ emissions intensity
3. Energy activities other than Scopes 1 and 2	42	25	63	22	Volumes of power purchased and fuel used multiplied by CO ₂ emissions intensity
4. Upstream transport	2	33	1	31	Volume of fuel used in reporting under the Act on the Rational Use of Energy and volume of category 1 purchases multiplied by CO ₂ emissions intensity
5. Waste	0	1	1	1	Waste multiplied by CO ₂ emissions intensity
6. Business travel	0	0	0	0	Number of employees multiplied by CO ₂ emissions intensity
7. Commuting	0	1	0	0	Number of employees multiplied by CO ₂ emissions intensity
9. Downstream transport	5	3	4	4	Volume of fuel used in reporting under the Act on the Rational Use of Energy and individual shipments multiplied by CO ₂ emissions intensity
15. Investment	0	0	0	0	CO ₂ emissions of companies owned multiplied by ownership stake
Total	1,130	143	993	164	

- Scope of calculation: Mitsubishi Steel (head office, branches and sales offices, Research and Development Center, plants, Parts Sales Division service centers), Mitsubishi Steel Muroran Inc., Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., Ryokoh Express Co., Ltd.
- Calculation methods: Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 3.3, and LCI Database IDEA Ver. 3.3

3. Adopting internal carbon pricing (ICP)

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

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

4. Review of executive compensation programs

The Nomination and Compensation Committee and the Board of Directors have decided to revise our executive compensation programs to incorporate nonfinancial indicators in the assessment indicators for bonuses and stock-based compensation starting in FY2023. CO₂ emissions reductions are included as an environmental indicator. Achieving these targets is reflected in payment amounts.

5. Carbon neutrality initiatives overseas

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

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

Considering eco-friendly products to be an important topic, we develop and sell products to reduce environmental impact not just within our own organization but also at customers and across society as a whole. Provided below are examples of two such product areas in which we expect notable future market growth: machinery for offshore wind power generation and separators.

Renewable energy (machinery for offshore wind power generation)

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

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

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

Photo: Hamax Co., Ltd.
Flange bolts for tower use

Platform parts

Moorings

Drag anchors

Offshore wind turbine (bottom-mounted): monopile method
Water depth: approx. 0-30 m

Offshore wind turbine (bottom-mounted): jacket method
Water depth: approx. 30-60 m

Offshore wind turbine(floating)
Water depth: approx. 60 m or more

Offshore wind turbine(floating)
Water depth: approx. 60 m or more

Manufacturing foundation components (transition pieces)

Photo: Japan Marine United Corporation
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)

Pin piles, towers

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

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

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.

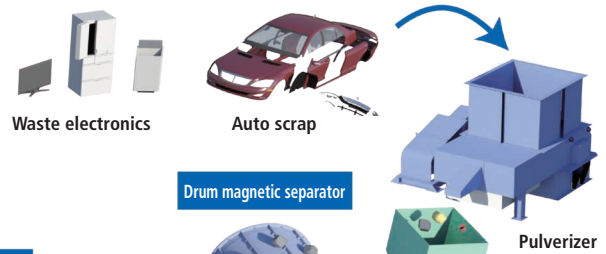
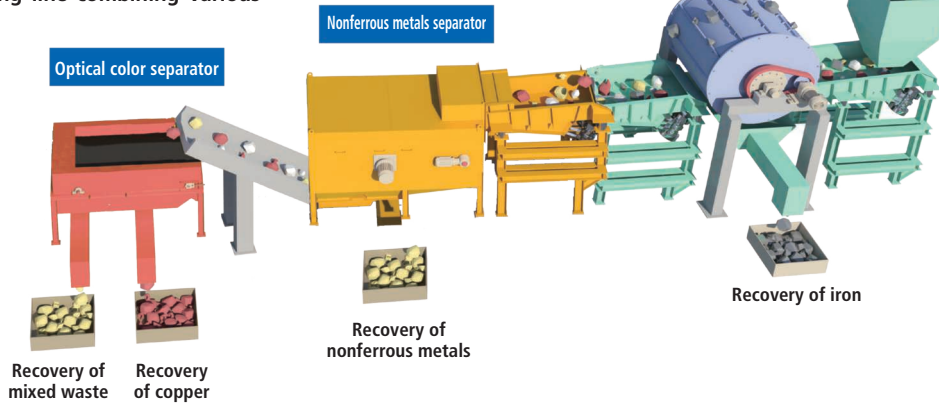


Illustration of a sorting line combining various types of separators



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

Exhibiting in the 32nd New Environmental Exposition 2023

Mitsubishi Nagasaki Machinery Mfg. exhibited its separators in the 32nd New Environmental Exposition 2023, held May 24–26 at Tokyo Big Sight.

The New Environmental Exposition is a trade show for the environmental business that attracts manufacturers of environmental equipment not just from across Japan but from Asia, Europe, and other overseas markets. It is one of the largest exhibitions of environmental equipment in Japan.

Over the three days of the event, more than 1,000 attendees visited the Mitsubishi Nagasaki Machinery Mfg. booth—an indicator of the high level of interest in the metals recycling field in efforts toward a circular economy.



The Mitsubishi Nagasaki Machinery Mfg. booth



Numerous visitors at the Mitsubishi Nagasaki Machinery Mfg.

Efforts to lessen environmental impact at our plants initiatives

To realize eco-friendly production, the Mitsubishi Steel Group strives to reduce environmental impact at its plants through means including switching to alternative energy and improving production efficiency.

Switching to purchasing 100% CO₂-free electricity (Chiba Works, Hirota Works)

The Chiba Works switched to purchasing 100% CO₂-free electricity in April 2022. The Hirota Works also completed full switchover to CO₂-free electricity in April 2023. This means that two of Mitsubishi Steel's four main plants have switched completely to CO₂-free electricity.

Site	Projected CO ₂ emissions (vs. before adoption of CO ₂ -free electricity)	Time of adoption
Chiba Works	Reduced by approx. 8,300 t (approx. 50%)	April 2022
Hirota Works	Reduced by approx. 7,600 t (approx. 90%)	March 2023

Energy conservation in tempering furnace conveyors for automotive coil springs (Chiba Works)

The Chiba Works has reduced the weight of the conveyor slats installed on the conveyors used in the tempering furnace process for automotive coil springs by switching to thinner, perforated slats. This has reduced the energy used in heating (which is sourced from city gas supplies). (The annual energy savings are equivalent to a reduction of approx. 560 t in CO₂ emissions.)



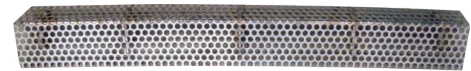
Previous slats installed on the conveyor



Previous slat

Weight reduced through use of thinner plates and perforations:
From 16 kg/slat to 7.6 kg/slat

8.4kg reduction



Improved slat

Reducing CO₂ emissions through use of hydrogen as an alternative cutting gas for cutting steel bars (Muroran Works) * A Challenge Zero Emissions project

LPG-gas cutting equipment is used to cut slabs cast in continuous casting equipment to appropriate lengths for final products. The Muroran Works aims to reduce CO₂ emissions from this process to zero by switching from LPG to hydrogen.

The Muroran Works is working to replace LPG with hydrogen as the cutting gas used to cut slabs cast in continuous casting equipment through a series of steps from the testing and inspection stage through permanent equipment modifications.



Cutting cast slabs



Promoting human capital management

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

Human capital management policies

The four basic policies of the Mid-term Business Plan announced in May include investing in human resources. In line with this policy, we will boost productivity and realize innovations through investment in human resources.

Creating workplace environments for leveraging our people

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

Developing systems for leveraging our people

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

Flexible creativity powered by diverse human resources

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

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

JPY500M over the three-year period of the Mid-term Business Plan

Human capital management initiatives

The Group's human capital initiatives include the formation of two specialized project teams. These teams are engaging in discussions and study on different human capital themes, to formulate strategies related to human capital in the Group and identify employees' needs.

1. Business-strategy linked HR strategy study team

This team, whose membership is drawn mainly from the Corporate Planning Unit, is charged with tasks that include formulation and evaluation of HR strategies coordinated with the Mid-term Business Plan.

2. Employee success story study team

Made up of members chosen from multiple sections, centered on HR sections, this team aims mainly to develop environments to stimulate and motivate employees even more.

Specific initiatives

① Engagement survey

We consider improving employee satisfaction with the Company to be an important part of leveraging our human resources, as it enables employees to get an even stronger feel for the importance of their work with the Company and to grow with motivation. The ultimate aims are to create workplace environments for leveraging our people and develop systems for leveraging their strengths.

In August of this year, we conducted our first engagement survey, intended to make employees' expectations and values visible. We are planning to make it an annual survey.

We will promote measures to increase employee engagement based on the results of this survey.

2 Townhall meetings

We held townhall meetings between top management and core employees in the second half of 2022.

Through these meetings, the President and managing directors engaged in direct, in-person dialogue with employees at the head office and main production facilities, with the ultimate goals of reducing turnover and securing capable human resources, developing systems for rewarding core employees for their performance on the job through benefits and other means, and increasing each employee's engagement in work.

The meetings included active exchange of opinions. HR-system improvements now underway in response to the frank feedback obtained in these meetings include expansion of inflation and other allowances, enhancement of training programs, and adoption of a system for direct reporting to the Human Resources Department to provide opportunities for employees desiring job transfers.

We will continue to make steady and swift progress on investments in human resources through continuing efforts such as these to make employee satisfaction visible and enable dialogue between top management and employees.

Creating comfortable workplaces

● 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.

Thanks in part to amendments to related laws, increasing numbers of men are taking childcare leave as well. Efforts such as publishing the comments of employees taking childcare leave in the Company bulletin, intended to encourage men to take childcare leave when their spouses give birth, aim to increase rates of taking the leave and encourage employees to take advantage of diverse work styles. 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 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 6th 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

My childcare leave experience

I took childcare leave for about ten months when my child was born.

My direct superior was so supportive and helpful to prepare for the leave that I had almost nothing to worry about. I made preparations including taking stock of my duties, preparing job procedures, and organizing files.

This was during the COVID-19 pandemic, so our child had to spend most time indoors for many months after birth. This had a negative effect on our lifestyle rhythms. We had to watch over the baby all the time, but as my wife and me were caring for our child together, we were able to relax at times as well. It seemed to me that the physical burden would be too much for one person to handle without enough time for breaks.

Children grow up so fast. I was able to observe up close how practically every day our child was able to do something new. I think that it is thanks to my experience on childcare leave that I am able now, after returning to work, to notice little changes in my child. I'm glad I took childcare leave.



Yusuke Takeno
Corporate Planning Department

Social Initiatives

● Measures to prevent harassment

In response to amendments to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in April 2022, we are encouraging male employees to take paternity leave through means including training for all employees on prevention of paternity harassment.

We have prepared different training programs for managers and for ordinary employees to promote efforts to prevent harassment among the workforce.

● 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.

● Taking paid vacation

The percentage of employees taking paid vacation in FY2022 was up sharply from the previous year to 73.4% as a result of implementing annual vacation plans and the Plus ONE Campaign*, which makes it easier to take paid vacation on days before and after holidays. We will continue efforts toward goals such as building more comfortable workplaces and promoting employees' good health through increasing the percentage of employees taking paid vacation in the future as well.

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

Ensuring diversity and inclusivity

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

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 provide training to promote the role of women in the workplace and individual consultation services for women employees. Our wage structures and systems do not differ between male and female employees. While there are some imbalances between males and females in areas such as their percentages in management and composition by age, training to promote the role of women in the workplace is having an effect, and we will continue related efforts.

Human resource education

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

■ Training system (for administrative/technical employees)

		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 through exchange with other companies		
General employee	Chief	Management training New chief training	Superior assistance training Risk management training	Pre-posting training for resident staff		
	Mid-level employee	Year seven training Mentor training	Job progress training Planning/problem-solving training Presentation training	Dispatching overseas employees program Domestic scholarship program	On-the-job training Compliance, diversity, and human rights training Health and safety training IT/digital training Special steel bars sales engineers training Career training for women	
	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			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, older employees, and managerial personnel, the lack of periodic training for mid-level personnel has been identified as an issue. To address this issue, we hold meetings in which employees in their seventh year with the Company make presentations to management on their current duties and future challenges.

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



● **Professional human resource development**
Presentation meeting for business improvements in engineering

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



● **Global human resource development**

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

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

● **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.

We have established a program to support employees seeking to earn official qualifications, with the goal of helping them to achieve personal and professional growth by enhancing their abilities and specialized knowledge.

To help employees grow and acquire the skills they need, we are expanding the range of official qualifications eligible for support and developing programs to support learning to earn qualifications. Those who have earned official qualifications are eligible for financial incentives in amounts specified for the type of qualification. We will continue to provide growth opportunities and broaden the base of our support programs for employee growth.

New-business creation challenge program now underway

This year, we began offering a new training program to employees called the new-business creation challenge program.

This is a practical mentored training program in which employees propose new business ideas and those that have passed an internal screening process receive training on business model development, mentoring, and other support, to enhance the detail of their ideas and acquire expertise in business development.

In addition to improving employees' skills, this program is intended to enable new business creation by training human resources able to create new businesses and fostering a corporate culture of taking on new challenges.



Program participants at a training session

Safety initiatives

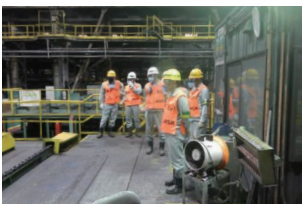
Based on the "Safety First" principle, the Group strives to build safe, healthy, and comfortable work environments for its employees. Under the Back to Basics slogan, the Group creates numerous opportunities to promote safety activities based on heightened risk sensitivity and a return to the fundamentals.

Our responses

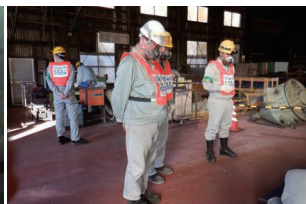
In addition to existing safety patrols, we distribute safety patches and helmet stickers to employees at all facilities in Japan and around the world to promote awareness of safety activities.



Safety patch



Mitsubishi Steel Muroran Inc. safety patrol (2022)



Hirota Works safety patrol (2022)

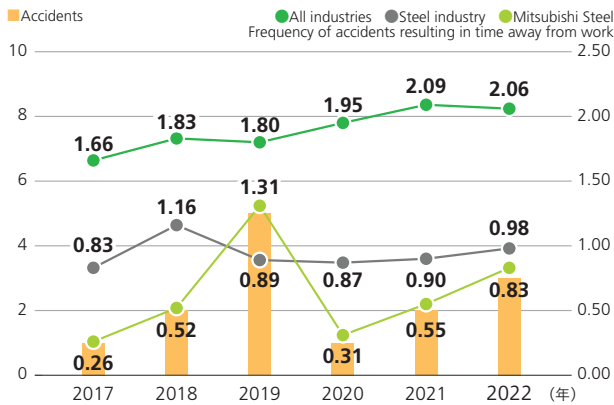
Examples of individual facilities' safety activities

Slings contest at Mitsubishi Steel Muroran Inc.
Mitsubishi Steel Muroran participated in a slinging contest intended to improve participant skills at slinging work (moving heavy loads using cranes), a dangerous task that requires special skills. Each team in the competition demonstrated its skills and its diligence in a series of basic everyday operations involving fundamental tasks such as pointing and calling out to others and identifying the load's center of gravity.



Participants at the competition

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.

Five S contest at the Chiba Works

Three times each year, the Chiba Works holds a five S contest to promote autonomous safety and ensure that safety fundamentals, based on the five S activities of *seiri* (sorting), *seiton* (straightening), *seiso* (systematic cleaning), *seiketsu* (standardizing), and *shitsuke* (sustaining), take firm root. Five S activities are based on the participation of all employees, and the Chiba Works strives to prevent accidents and increase vitality and morale in the workplace by ensuring that all understand their importance and objectives. With a focus on sorting and straightening, as fundamental to five S activities, the competition's judges also considered the four items of cleanup, systems and management, consciousness and action, and *kaizen*.



The contest

KYT contest at the Hirota Works

The Hirota Works held a KYT contest intended to help boost employee skill in predicting danger in everyday work. In this contest, 22 people in six teams from each workplace demonstrated the results of everyday KYT accident prevention activities. Within 10 minutes after the announcement of the task, competitors identified risk factors, decided key danger points, formulated feasible response actions, set targets for the team action, chose items for pointing and calling confirmation, and performed pointing and calling out to others.



The contest

Employee health

Employee health management and promotion are crucial management issues. We recognize that enabling every employee to keep in good mental and physical health leads to improved corporate performance.

We study and implement measures to maintain and promote employee health through a tripartite structure consisting of Mitsubishi Steel, the Mitsubishi Steel Health Insurance Society, and individual sites.

● 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.

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. In addition, we established a specialized team within the ESG Subcommittee to advance efforts to enhance our initiatives on respect for human rights.

● Establishing the Human Rights Policy

In November 2022, we formulated and announced the Mitsubishi Steel Group Human Rights Policy.

This Policy was prepared based on the United Nations Guiding Principles on Business and Human Rights.

It serves as the highest-level policy concerning human rights, under which we fulfill our responsibility to consider the human rights of all stakeholders involved in our business activities.

● Human rights due diligence

In FY2022, we conducted our first human rights due diligence, which covered domestic and overseas subsidiaries.

The process of human rights due diligence helps corporations identify, prevent, and mitigate any negative effects on human rights related to their business activities.

In the future, we will broaden the scope of the due diligence to include suppliers and make progress on establishing relief mechanisms.

● Human rights training

As part of our efforts to respect human rights, we provide periodic training on human rights to strengthen employee awareness and knowledge of human rights.

Recent human rights training has focused on the following themes:

- LGBT training
- Unconscious biases
- Reasonable consideration for people with disabilities

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



DX promotion

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

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

In an era of dramatic change in society and progressive advances in digitalization, Mitsubishi Steel positions DX promotion as an important management strategy. The DX Promotion Office has set the following goals under the ideal vision for 2030:

1. To transform customer service and workplace processes, strengthen customer satisfaction, and grow sales and profits
2. To enable swift management decision-making by linking operations throughout the organization and making management information visible
3. To build rewarding workplaces by connecting individual sections, thereby strengthening employee engagement

The business impact of DX promotion

DX promotion seeks to enhance corporate value by making operations more efficient, improving customer satisfaction, growing sales and profits, and creating new businesses.



Strengthening corporate value by growing sales and profits and creating new businesses

Recognition as DX-Certified Business by the Ministry of Economy, Trade and Industry

On August 1, we were recognized as a DX-Certified Business by the Ministry of Economy, Trade and Industry.

In compliance with the Digital Governance Code, which specifies requirements for business leaders as they adapt to the changes in society spurred by digital technology, the Digital Transformation (DX) Certification Program certifies as “DX-Ready” businesses that have made preparations for using digital technologies to transform their businesses.

Our 2023 Mid-term Business Plan identifies the following basic policies: **① Enhancing our earnings capabilities; ② Growing strategic businesses; ③ Investment in human resources; and ④ Sustainability management.** Digital technologies will prove essential to executing this plan based on these four policies. We will promote DX through Groupwide initiatives in management, workplaces, and systems to make existing products more competitive, to create value above and beyond business improvements, and provide to customers services that deliver new value.

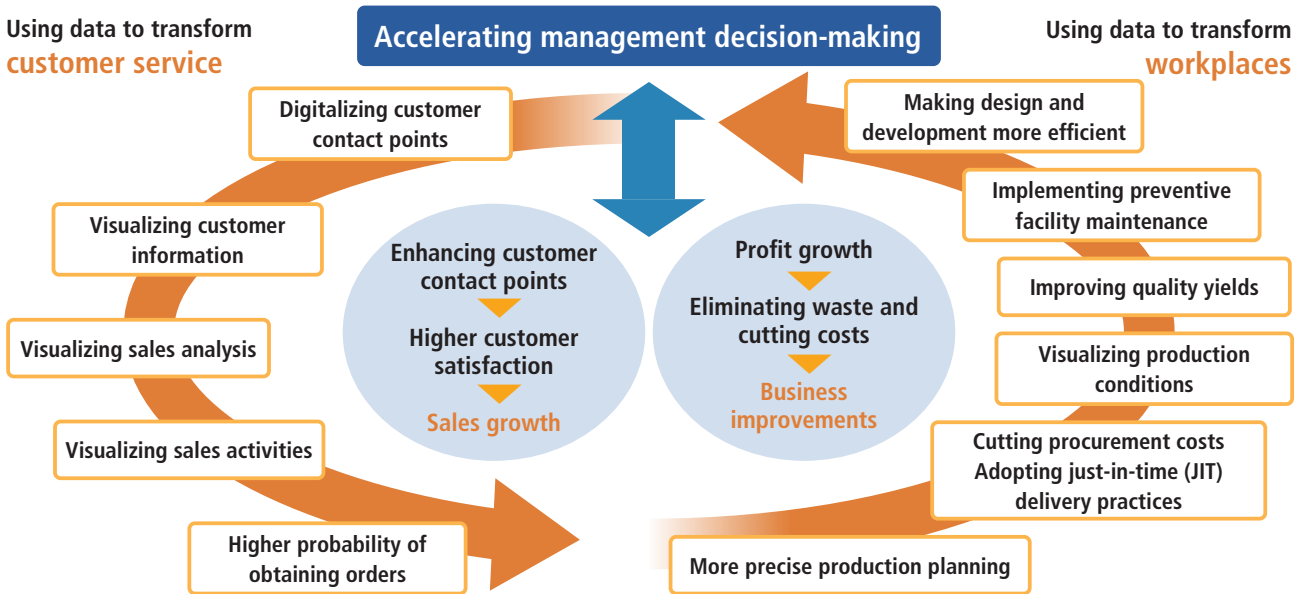


See below for more on our DX promotion initiatives.
<https://www.mitsubishisteel.co.jp/csr/social/img/002e.pdf>



Linking and visualizing businesses Groupwide through DX

We will strive to grow both sales and profits by promoting DX in the customer service and manufacturing sections. We will also strive to accelerate management decision-making using information visualized through DX.



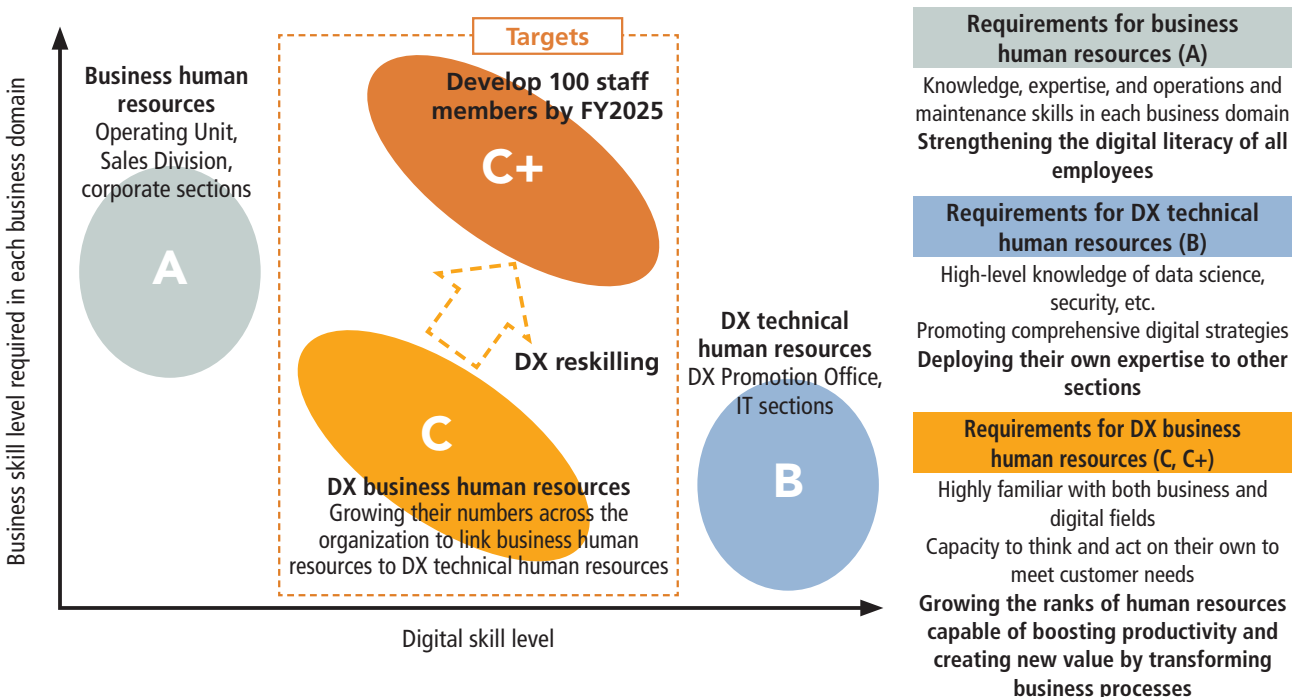
Developing the human resources needed for DX implementation

Mitsubishi Steel has a large workforce of individuals intimately familiar with the products they handle in each business domain. Most of these are business human resources (A).

Staff members in IT sections are characterized by high digital literacy. Most of these are DX technical human resources (B).

Achieving our goals will require DX business human resources (C, C+) with a profound understanding of both business and digital fields—individuals capable of linking business human resources (A) to DX technical human resources (B). For this reason, through DX reskilling for all employees, we plan to make digital technologies a standard part of doing business.

This policy calls for growing the ranks of DX business human resources (C+) organization-wide.



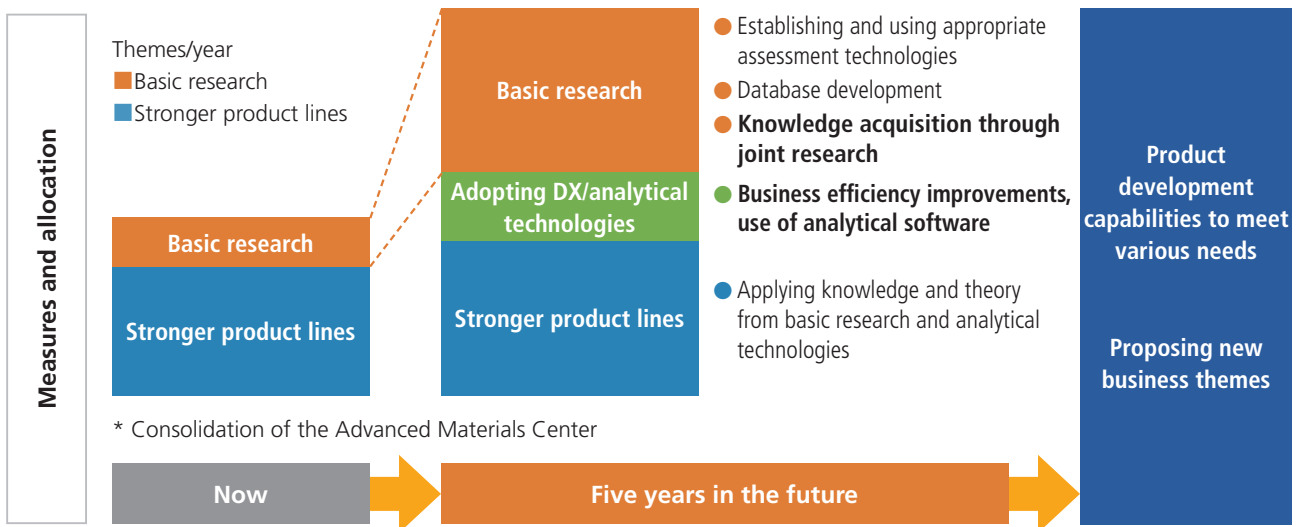
DX business human resources Developing **100** by FY2025

Research and Development

In April 2016, we consolidated R&D functions formerly distributed among business divisions to establish the Research and Development Center on the site of the Chiba Works, with the aim of enhancing research and development efforts. Since then, we have promoted strategic R&D and advanced industry-academia joint efforts and other activities under the concept of building the future of the Mitsubishi Steel Group through seamless R&D ranging from materials to products.

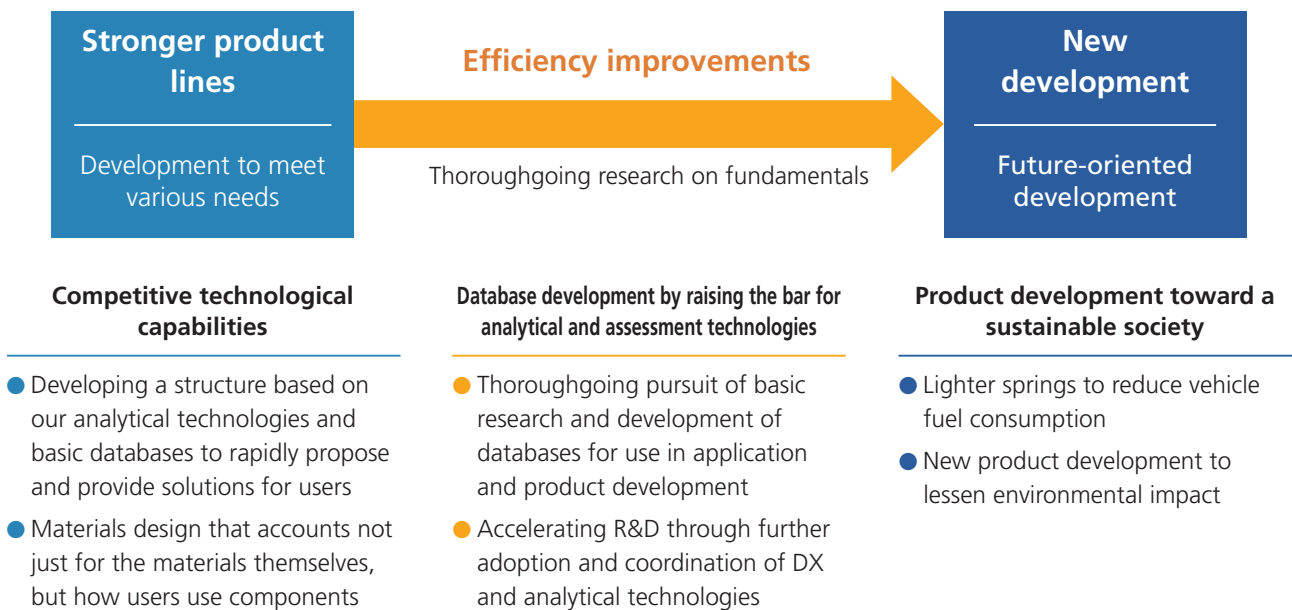
Our course of action on R&D **Focusing on basic research and analysis**

In April 2022, within the new Research and Development Center, we consolidated the Advanced Materials Center, which is home to a broad range of equipment for development, prototyping, and improvement work. The result is a structure capable of advancing R&D Groupwide to achieve stronger product lines, decarbonize society, develop and apply state-of-the-art materials, and create new products to address future needs.



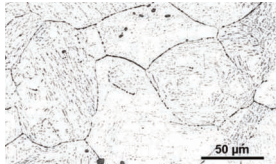
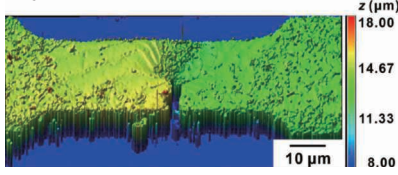
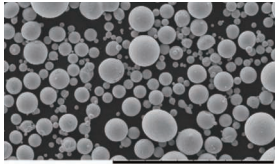
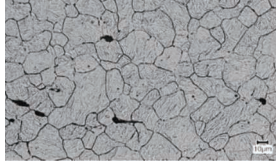


Overview of measures **Enhancing development structures to create new technologies**

We are focusing on basic research to strengthen the product lineup and develop new products by advancing industry-academia joint efforts in areas such as decarbonization and new product development.



Stronger product lines **More competitive technological capabilities**

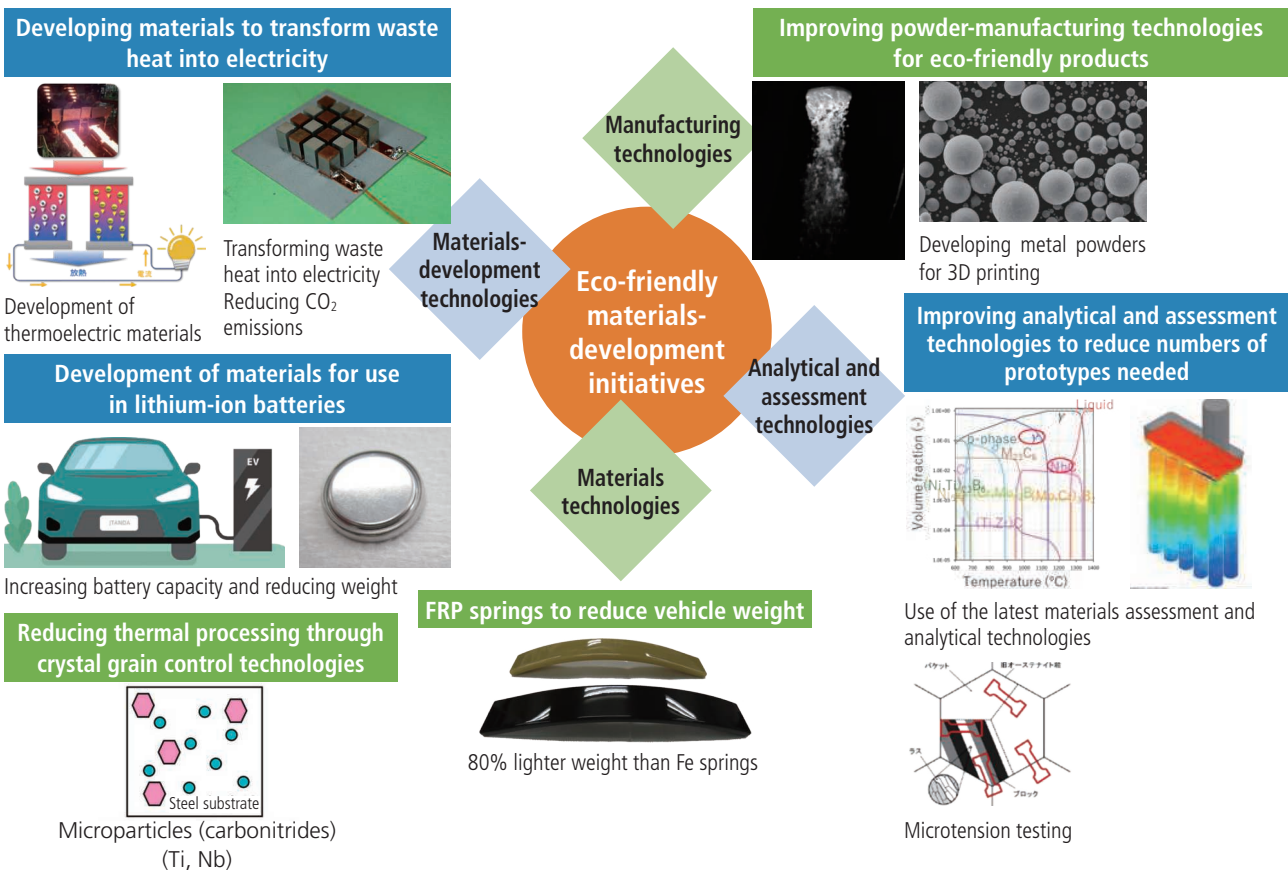
Our engineers strive to incorporate the voice of the customer into R&D.

Special Steel Bars	Springs	Formed & Fabricated Products Business
<ul style="list-style-type: none"> ● Reducing thermal processing through crystal grain control technologies ● Increasing materials purity through manufacturing process improvements 	<ul style="list-style-type: none"> ● Developing materials to eliminate use of rare metals ● Studying responses to changing requirements for EV suspension systems 	<ul style="list-style-type: none"> ● Metal powders <ul style="list-style-type: none"> ● Meeting customer needs through higher-quality soft magnetic powders ● Improving manufacturing technologies for 3D printing powders
<p>Previous materials</p>  <p style="text-align: right; font-size: small;">50 μm</p>	 <p style="text-align: right; font-size: small;">z (μm) 18.00 14.67 11.33 8.00 10 μm</p>	 <p style="text-align: right; font-size: x-small;">NMUD8.9 x500 200 μm</p>
<p>Newly developed materials</p> 		

New product initiatives **Developing eco-friendly materials**

As efforts to help build a sustainable future, we are carrying out aggressive technological innovation and R&D centered on development of eco-friendly materials. These initiatives are grounded in our next-generation materials development technologies, advanced analytical and assessment technologies, and eco-friendly manufacturing technologies.

We will continue working toward a more sustainable future through materials development technologies, analytical and assessment technologies, and manufacturing technologies.



Alongside our business partners

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

Basic Procurement Policy of the Mitsubishi Steel Group

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

1. Equitable and Fair Business

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

2. Building Partnerships with Business Partners

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

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

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

Promoting CSR procurement

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

1. Compliance with laws, regulations and societal norms

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

2. Concern for the global environment

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

3. Concern for human rights and worker safety and health

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

4. Ensuring product safety and QCD

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

● Compliance and fair transactions with global business partners

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

We verify compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, an aspect with deep connections to domestic procurement

transactions, through Mitsubishi Steel Group mutual internal audits to ensure compliance with the Act. We also hold annual training on the Act for related internal parties to avoid any violations as it is particularly vulnerable to violations and applies to familiar everyday business activities.

● CSR surveys

We address CSR, and promote CSR procurement, throughout our entire supply chain, including our business partners. To help them better understand our procurement policies, we ask business partners to participate in surveys on CSR procurement and request their understanding and cooperation in promotion of CSR activities. General meetings of partner companies were held in person in FY2022 for partner companies of 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 CO₂ emissions and other measures, we prioritize use of recycled and eco-friendly products. We also actively seek out proposals for products and services that contribute to environmental conservation activities. We partner with business partners and other stakeholders to prevent use of conflict minerals that might fund armed forces and foster human rights abuses and conflict.

● Conflict minerals initiatives

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

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

* Organization leading global conflict minerals initiatives

● Declaration of Partnership Building

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

Contributions to local communities and society

Support for athletics

Official Supporter agreement concluded with the Japan Wheelchair Basketball Federation^{1 2}

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

An official competition in the Paralympic Games, wheelchair basketball is fast-paced and energetic event, with matches drawing large, enthusiastic crowds due to its popularity. It is also gaining attention as an inclusive sport in which all can participate, regardless of age, gender, or disability status.

We are planning various activities such as opportunities to experience wheelchair basketball hands on and spectator events, to raise awareness of parasports among employees and promote understanding of diversity.

Through our sponsorship activities as an Official Supporter, we will contribute to the growth and progress of wheelchair basketball.



Men's Japan National Team



Women's Japan National Team

©JWBF/X-1

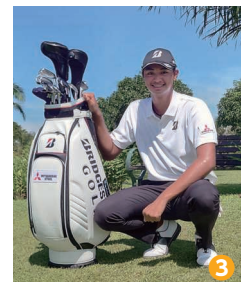


Sponsorship agreement concluded with amateur golfer Shinichi Suzuki³

In September 2023, we concluded a sponsorship agreement with Shinichi Suzuki, an amateur golfer based in the Philippines.

We concluded this agreement with the aim of helping Suzuki, who combines Japanese and Filipino backgrounds and started playing golf from early years, to realize his dream of becoming one of the world's top golfers through participation in tournaments not only in the Philippines but also Japan and around the world. We support this vision, which coincides with our desire to express our gratitude for the blessings we have received in the Philippines and to contribute to the further progress of Philippines society as we mark the approaching 30th anniversary of our advancement into the Philippines market.

We hope this agreement will power Suzuki to even greater success in the future.



Golfer Shinichi Suzuki

Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. named an Official Partner of Nagasaki Velca⁴

In 2023, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. was named an Official Partner of Nagasaki Velca, a B1 men's professional basketball team based in Nagasaki Prefecture. Mitsubishi Nagasaki Machinery will continue to support Nagasaki Velca in the future as well.



Nagasaki Velca



Contributing to society

Use of the corporate hometown tax program⁵

We used the corporate hometown tax program to donate to the cities of Muroran, Hokkaido, Aizu, Fukushima Prefecture, Ichihara, Chiba Prefecture, and Nagasaki, Nagasaki Prefecture—each of which is a location of a major Group production facility. The Japanese government's corporate hometown tax program makes it possible for businesses to donate to support the activities of municipal community vitalization projects certified by the national government. Companies using the program can reduce their tax burdens by up to roughly 90% of their donation amounts.

The first donations using the corporate hometown tax program in the Group were made in 2022, reflecting our desire to contribute to the municipalities in which we do business every day and to improve the lives of their residents and our employees through supporting various projects in the local communities that are home to our major facilities.



Presentation of a letter of thanks for donations (Ichihara, Chiba Prefecture)

Social Initiatives

Charitable Christmas activities (North America)⁶

MSSC Canada Inc. (Canada) collected unused toys and monetary donations from an in-house raffle event for the No Child Without a Christmas Campaign. This annual campaign organized by the local Goodfellows organization seeks to ensure that all children can receive toys at Christmas. MSSC Canada continued its participation in this event in 2022, helping to brighten the holiday season for the thousands of residents of Chatham Kent.

Every year MSSC US Inc. (United States) supports the activities of the Salvation Army's Angel Tree Program, which also delivers Christmas presents to tens of thousands of children nationwide. Through this activity, MSSC US helped deliver a merry Christmas to underprivileged children registered as "angels" with the Salvation Army.



Toy drive (Canada)

Earth Day (North America)

Earth Day is on April 22 each year. Various environmental events and corporate activities are held to mark Earth Day around the world by thinking about and acting for the environment. MSSC Canada Inc. (Canada) purchased nearly 400 seedlings and presented one each as a gift to its employees.

Supporting Arbor (Tree) Day 2023 (Philippines)⁷

MSM Philippines Mfg. Inc. (Philippines) supported an activity by Japan-affiliated businesses to plant and prune trees on Mt. Manghilao on Cebu Island on June 24, 2023, Arbor (Tree) Day 2023.

It planted more than 150 trees with the NGO partners, the Pollution Control Association of the Philippines and PCAPI-7.



ARBOR (tree) DAY 2023

Providing essential supplies for daily life and sanitation and participating in mosquito eradication (Indonesia)^{8 9}

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)

Donating to youth firefighters (Germany)¹⁰

In August 2023, MSSC Ahle GmbH (Germany) employees donated to the youth volunteer firefighting squads of Lindlar and Gummersbach. Currently, about 20 young people participate in these squads. The donations are used for purposes such as funding squad trips and events.



A youth volunteer firefighting squad

Donations of picture books to children in Asia¹¹

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.

In addition to Company volunteers, new employees help apply the translation stickers to the books during training sessions for new hires, in which this activity is presented as an example of our CSR activities.



Affixing stickers with translations of book text into local language

Efforts to support consumption of Japanese fisheries products¹²

We launched this activity in response to a call from the Japan Business Federation (Keidanren) to support consumption of Japanese fisheries products as China and other countries have prohibited their imports due to the release of the Advanced Liquid Processing System treated water. We purchased popular food products from the affected regions and provided them to employees in receptions held during in-house training. We also participate in the Sanriku Joban Mono Network* and are considering ways to promote efforts such as these further.



Popular food products from the Sanriku and Joban regions

* A project to promote increased consumption of fisheries products from the Sanriku and Joban regions by connecting sellers to buyers and publicizing their appeal, while encouraging participation by a wide range of parties including members of various industries, local governments across Japan, and government agencies.

Donating emergency supplies

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

Interactions with community members

Environmental briefings for local communities¹³

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



Environmental briefing

Plant tour for local residents¹⁴

The first Night of Technology Oberberg was held at MSSC Ahle GmbH (Germany). About 60 participants, young and old, toured the plant, getting a chance to view the springs manufacturing process and ask about career opportunities with MSSC Ahle.



Plant tour

Plant tour for high school students in Germany¹⁵

In September 2023, MSSC Ahle GmbH hosted a job-training truck for the metals and electronics industries, which local high school students could board.

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

Plant tour for Muroran Institute of Technology¹⁶

A plant tour was held as part of a course in the Muroran Institute of Technology Faculty of Engineering.

This tour provided an excellent opportunity for students to understand Mitsubishi Steel, as shown by comments from participating students such as, "I was deeply impressed by seeing up close the massive facilities used in steelmaking, a core industry in Muroran."



Student plant tour

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.

Social Initiatives

Memorial service for nuclear bomb victims of the Nagasaki Steel Works¹⁷

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



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

Neighborhood cleanup activities^{18 19}

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. conducted cleanup activities in the area around its plant in March.



Hirota Works



Mitsubishi Nagasaki Machinery Mfg. Co., Ltd.

Yawata Rinkai Matsuri festival²⁰

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.



Yawata Rinkai Matsuri festival

Summer evening festival²¹

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



Summer evening festival

Participation in the annual Wanishi Shrine festival²²

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.



輪西神社例大祭

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.

Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. signs up as a Nagasaki Prefecture Registered SDGs Promotion Business²³

In October, Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. was registered as a Nagasaki Prefecture Registered SDGs Promotion Business.

Intended to encourage a broad range of local companies to join efforts to achieve the Sustainable Development Goals (SDGs), this program recognizes companies working toward the goals, seeking to realize community cocreation in Nagasaki Prefecture through strengthening the businesses of prefecture firms and realizing solutions to challenges in the community. Mitsubishi Nagasaki Machinery Mfg. Co., Ltd. will continue activities to contribute to the community while further enhancing its SDG initiatives.



Nagasaki Prefecture Registered SDGs Promotion Business certificate

Participation in the Nagasaki Eco-Life Week program

At Mitsubishi Nagasaki Machinery Mfg. Co., Ltd., 48 employees participated in the city of Nagasaki's Nagasaki Eco-Life Week program. The program seeks to reduce CO₂ 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 15, 2022 was designated Eco-Life Week to encourage ecological activities among residents, who in turn sought to cut CO₂ emissions in their daily lives at home, at work, and at school.

Governance initiatives

Governance ~Foundation for sustained growth~



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.

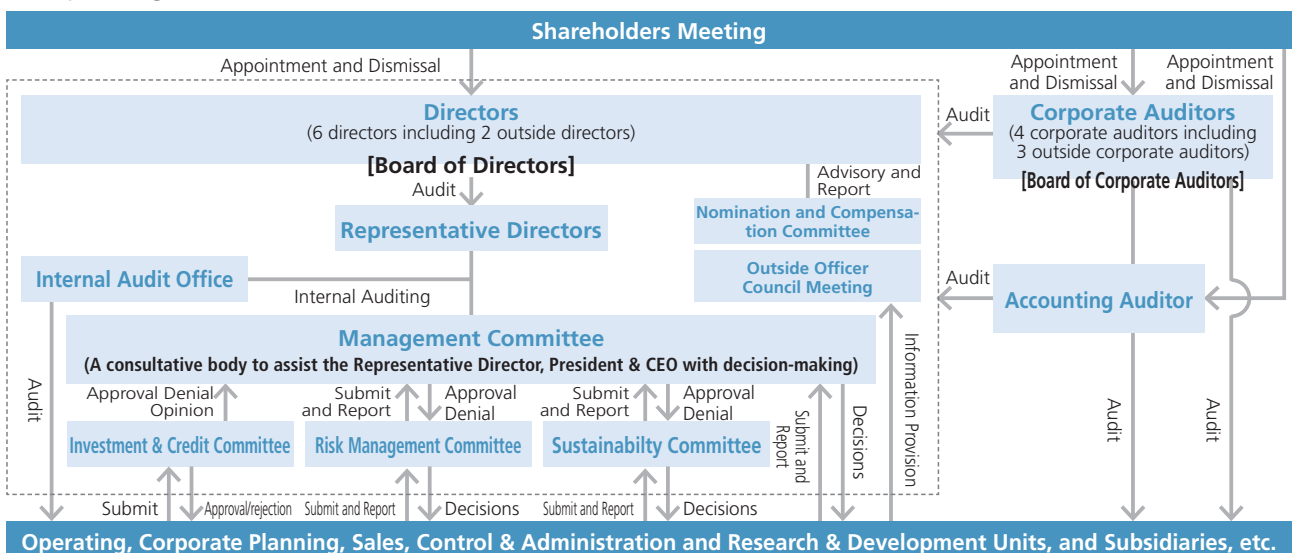
In addition, the Company further enhanced the operations of the Nomination and Compensation Committee established in FY2022. Specifically, in the area of nomination it clarified executive requirements, selection standards, and procedures, as well as enhanced its succession-planning efforts through selection, development, and evaluation of candidates for executive positions. In the area of compensation, it reformed the executive remuneration system by adopting nonfinancial environmental, social, and governance (ESG) indicators in addition to the existing financial indicators on which compensation has been based. 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"> ● New Governance Committee established ● Basic Policy for Corporate Governance established
2016	<ul style="list-style-type: none"> ● New Investment and Credit Committee established ● Assessment of efficacy of Board of Directors launched ● Board of Directors meeting held at business sites
2019	<ul style="list-style-type: none"> ● SR activities launched ● Risk Management Committee established
2021	<ul style="list-style-type: none"> ● Principle adopted to ensure Outside Directors account for at least one-third of the Board of Directors members ● Term of office of Directors reduced from two years to one ● Executive officer system adopted ● Sustainability Committee established ● Cross-shareholdings reduced (from 15% to 4% of net assets)
2022	<ul style="list-style-type: none"> ● SR activities enhanced (participation of Outside Directors) ● Women's share of executives increased to 20% with appointment of two new women executives ● New Nomination and Compensation Committee established
2023	<ul style="list-style-type: none"> ● Roles and name revised with transition from Governance Committee to Outside Officer Council Meeting
2024 and later	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



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 ad-

dition, we secure fairness and transparency in Board decision-making by appointing Outside Directors for at least one-third of the membership.

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

Skills Matrix

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

If 100% of targets are achieved:

Base remuneration 100	Bonuses 25	Stock-based compensation 20
---------------------------------	----------------------	---------------------------------------

Bonuses are paid at a rate of 25 and stock-based compensation at a rate of 20 for 100 units of baseline remuneration. Bonuses also reflect improvements in business performance.

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

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

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

■ Bonuses

Indicators	Amounts paid are determined using payment ratios reflecting the indicator of business results (consolidated operating income) on a single-year basis and achievement of ESG indicators (such as CO ₂ emissions reductions) along with the extent of improvements in business results from the previous year and are adjusted for individual evaluations.
Reason for selecting the indicators	To strengthen motivation to achieve steady increases in annual company earnings and to achieve ESG-related goals that are identified as one of the basic policies under the Mid-term Business Plan.

■ 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.

Indicators and reasons	Growth in the scale of business, improvements in profitability and capital efficiency, and achievement of ESG targets 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, ROE, and ESG goals are used as performance indicators. (2023 Mid-term Business Plan targets) In the final fiscal year of the plan (FY2025): consolidated net sales of JPY185 billion, consolidated operating income of JPY11 billion, and ROE of 8% ESG indicators (e.g., CO ₂ emissions reductions)
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 multiplied by a performance-linked coefficient varying in the range 0–200% depending on the extent of achievement of the indicators are awarded. The remainder is paid in the amount equivalent to the conversion price of the shares.

Analysis and assessment of the Board of Directors

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

(1) Progress on implementation in FY2022

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

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

The results of this assessment of the Board of Directors indicate no serious concerns or other issues in FY2022 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.

The state of progress on addressing issues identified in assessment for last year (FY2021), issues identified this year (FY2022), and future countermeasures are reviewed below.

(2) Progress on addressing issues identified in assessment for last year (FY2021)

Issues identified for FY2021

- 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 We will enhance the oversight functions of the Board of Directors 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.

Addressing issues identified for FY2021

- ① We enhanced discussions in the Board of Directors by making the progress of the Mid-term Business Plan and sustainability a scheduled agenda item in each month in principle, excluding months of settlement of financial results. We also enhanced discussions through prior briefing on materials for Board meetings, to deepen the understanding of Outside Directors with regard to important topics including the Mid-term Business Plan and sustainability.
- ② The Nomination and Compensation Committee, which meets monthly, was established. This has enhanced processes in the areas of nomination and remuneration.
- ③ A human resource development plan was formulated, and various measures based on the plan are being implemented steadily.

(3) Major issues identified this year (FY2022) and future countermeasures

- ① We will enhance discussions to contribute to future progress, including new businesses.
- ② In human-resource management, we will develop specific individual measures such as those aiming to enhance hiring, improve retention, and allocate human resources strategically.
- ③ We will consider the roles and name of the Governance Committee, since its responsibilities for sharing information among outside Directors and advising on nomination and remuneration have been transferred to the new Nomination and Compensation Committee.

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.

Executive organization (as of October 1, 2023)



Directors & Corporate Auditors

① Director/
Chairman of the Board
Motoyuki Sato

② Representative Director,
President & CEO
Jun Yamaguchi

③ Representative Director/
Senior Managing Executive
Officer
Hiroyuki Nagata
Assistant to the President
(general management)

④ Director/Managing
Executive Officer
Akira Yamao
General Manager, Sales Division,
responsible for Parts Sales Division

⑤ Director (Outside)
Akira Hishikawa

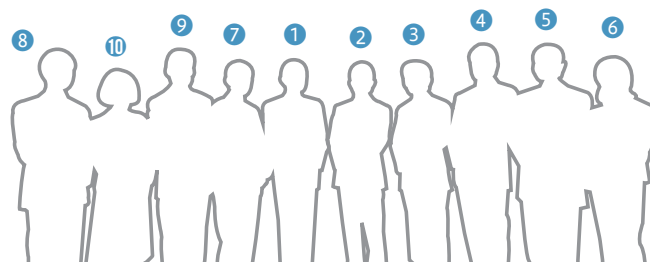
⑥ Director (Outside)
Minako Takeuchi

⑦ Full-time Corporate
Auditor (Outside)
Hirokuni Sakamoto

⑧ Full-time Corporate
Auditor
Yoshimi Nakamori

⑨ Corporate Auditor
(Outside)
Tetsuya Nakagawa

⑩ Corporate Auditor
(Outside)
Yuka Matsuda





Executive Officers (not including those serving concurrently as Directors)

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

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.

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.

We are also enhancing SR activities for our largest institutional investors.

In FY2022, we held meetings for certain specific institutional investors attended by the directors responsible for general affairs and accounting, in which Outside Directors also participated. These meetings include briefings by the Company and discussions on matters such as recent business results, progress on the Mid-term Business Plan, an outline of the next Mid-term Business Plan, and efforts to address various ESG topics. Opinions and other comments from these meetings are reported to the Board of Directors as feedback for management, to promote further initiatives.

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

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

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.

Investor Relations
<https://www.mitsubishisteel.co.jp/english/ir/>

Mitsubishisteel Introduction Video
<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.

Shareholders Meeting
<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. Since FY2022, these briefings have been held in a hybrid in-person and online format, to enable even more investors to take part.

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.



Briefing on financial results

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.

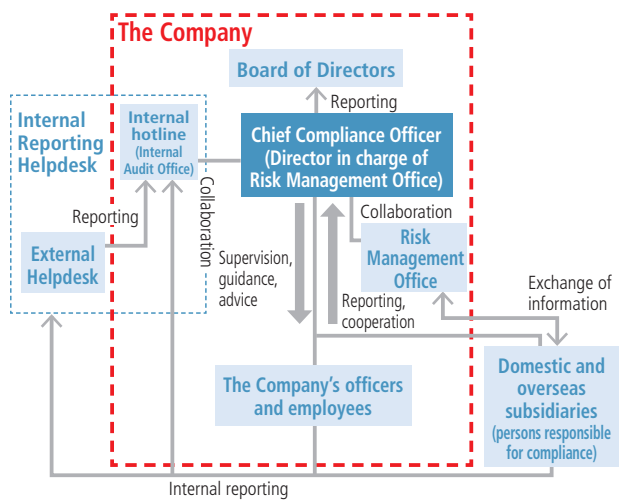
- Executive compliance training (led by an outside instructor)
- Training for managers on harassment
- Training for individuals responsible for compliance and for Sales Division general managers on prevention of cartels
- Level-specific training on the Detailed Rules for Mitsubishi Steel Manufacturing 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.

Since FY2023, we have strived to identify and resolve compliance violations and similar issues quickly by including in compliance training descriptions of this system, such as the structures for responding to reports and protecting whistleblowers, and encouraging use of the system.

■ Numbers of whistleblowing reports received

FY2020	FY2021	FY2022
5	3	5

* Includes domestic and overseas subsidiaries

Risk management

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

Development of the risk management structure

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

We have also established a Risk Management Committee, led by the Chief Risk Officer (CRO), whose members

consist of individuals responsible from the Control & Administration Unit. The purpose of the committee is to manage risks effectively in governance, compliance, and other aspects at domestic and overseas facilities. The committee seeks to identify major risks and draft countermeasures to address these risks.

■ Risk Management Structure



Information security measures

Information security risks continue to proliferate around the world. To ensure preparedness for such risks, based on 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 such as the state of retention and control of confidential or sensitive information, thereby raising awareness of the significance of information security throughout the organization. In particular, given globally increasing cyber attacks in recent years, we have enhanced training and education for all employees on targeted email attacks, performing periodic Computer Security Incident Response Team (CSIRT) drills for potential incidents, and also taken out cyber risk insurance to ensure

preparedness for any eventuality. These are part of efforts to strengthen and enhance information security.

Countermeasures against quality misrepresentation

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

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

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



Quality misrepresentation audit

Business continuity planning measures

To enable the rapid collection of information and coordinated guidance in response to severe threats to business operations such as disasters, accidents, and infectious diseases, the Group has established guidelines for establishing emergency task forces and maintains a business continuity plan (BCP) to enable each section, business site, and subsidiary to respond and achieve recovery without delay. We prepared BCPs on responding to major earthquakes in FY2020 and on responding to infectious diseases in FY2021, and we are preparing BCPs on responding to storms and flooding at sites expected to be at risk of typhoons.

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. Together with regular follow-up on the Groupwide fire risk checks launched two years ago, we are taking action to prevent fires by deploying Groupwide measures based on the lessons of past fires.

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

Lifesaving initiatives

Among its disaster prevention measures, the Company provides regular lifesaving courses for employees at the Head Office. Lifesaving has been a particular focus especially in the past few years, for example by adopting a basic goal of having all employees at the Head Office earn lifesaving qualifications and encouraging those already qualified to participate in repeat training once every three years to keep their qualifications valid. These courses continued even during the COVID-19 pandemic, with appropriate safety measures. As a result, a total of more than 180 persons (including those taking repeat training) completed the course during the six years since 2017, and the Tokyo Fire Department presented us with a letter of thanks reflecting its high regard for our contributions to lifesaving activities in the community.

We will continue these regular courses to improve employees' knowledge and skills regarding lifesaving.



An instructor demonstrates lifesaving techniques using a dummy.



The certificate from the Tokyo Fire Department

Message from the Chief Risk Officer (CRO)

Over the past few years, we have sought to enhance risk management by establishing the Risk Management Committee and Risk Management Office as well as increasing staffing in the Internal Audit Office. 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.

While we have established a structural framework for risk management, including adoption of an internal whistleblowing system that includes overseas subsidiaries, we need to continue making substantial improvements through means such as more advanced BCP drills.

As the world demands ever stronger risk management, we leverage knowledge from external sources to make our systems even more effective, while adopting an impartial attitude in judging the efficacy of our efforts.



Representative Director, Senior Managing Executive Officer
Hiroyuki Nagata

10-year financial summary

		FY2013	FY2014	FY2015	FY2016	
Net sales		111,575	118,739	106,539	103,742	
Operating income		4,748	4,933	4,286	3,861	
Ordinary income		5,915	5,824	3,286	3,214	
Net income attributable to owners of parent company		3,373	3,545	2,486	3,504	
R&D expenses		814	838	798	1,117	
Capital investment		1,513	2,276	3,164	5,136	
Depreciation		3,119	3,054	3,061	3,300	
Total assets		115,120	123,453	122,464	135,104	
Shareholders' equity		54,088	59,825	58,249	60,422	
Equity ratio (%)		47.0	48.5	47.6	44.7	
Net assets		59,760	65,884	64,397	67,073	
Interest-bearing debt		19,591	18,732	25,994	33,792	
Debt/equity (D/E) ratio (times)		0.1	0.1	0.2	0.2	
Cash flows from operating activities		5,522	5,590	3,466	5,377	
Cash flows from investing activities		△2,484	△7,059	△2,553	△3,376	
Cash flows from financing activities		△3,981	△2,059	6,345	6,855	
Net assets per share (JPY) ^{*1}		351.15	388.82	378.59	392.72	
Net income per share (JPY) ^{*1}		21.90	23.03	16.16	22.78	
Dividends per share (JPY) ^{*1}		5.0	6.0	6.0	6.0	
Dividend payout ratio (%)		22.8	26.1	37.1	26.3	
Return on assets (ROA) (%)		3.0	3.0	2.0	2.7	
Return on equity (ROE) (%)		6.3	6.2	4.2	5.9	
Net sales by segment	Special Steel Bars Business	47,425	50,503	40,569	40,160	
	Springs Business	47,283	50,104	48,162	46,733	
	Formed & Fabricated Products Business	9,695	10,386	9,122	9,462	
	Machinery Business	8,685	9,346	9,764	9,384	
	Other businesses	3,403	3,741	3,374	3,676	
	Adjustments ^{*2}	△4,919	△5,342	△4,453	△5,675	
Operating income by segment	Special Steel Bars Business	1,767	2,586	1,118	1,267	
	Springs Business	1,871	1,041	1,482	1,467	
	Formed & Fabricated Products Business	368	541	464	347	
	Machinery Business	681	554	1,006	619	
	Other businesses	178	185	194	189	
	Adjustments ^{*2}	△117	23	19	△30	
Number of Employees (Employees)		3,404	3,606	3,482	3,655	
Sales volume ^{*3} (kt)		393	438	356	388	

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

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

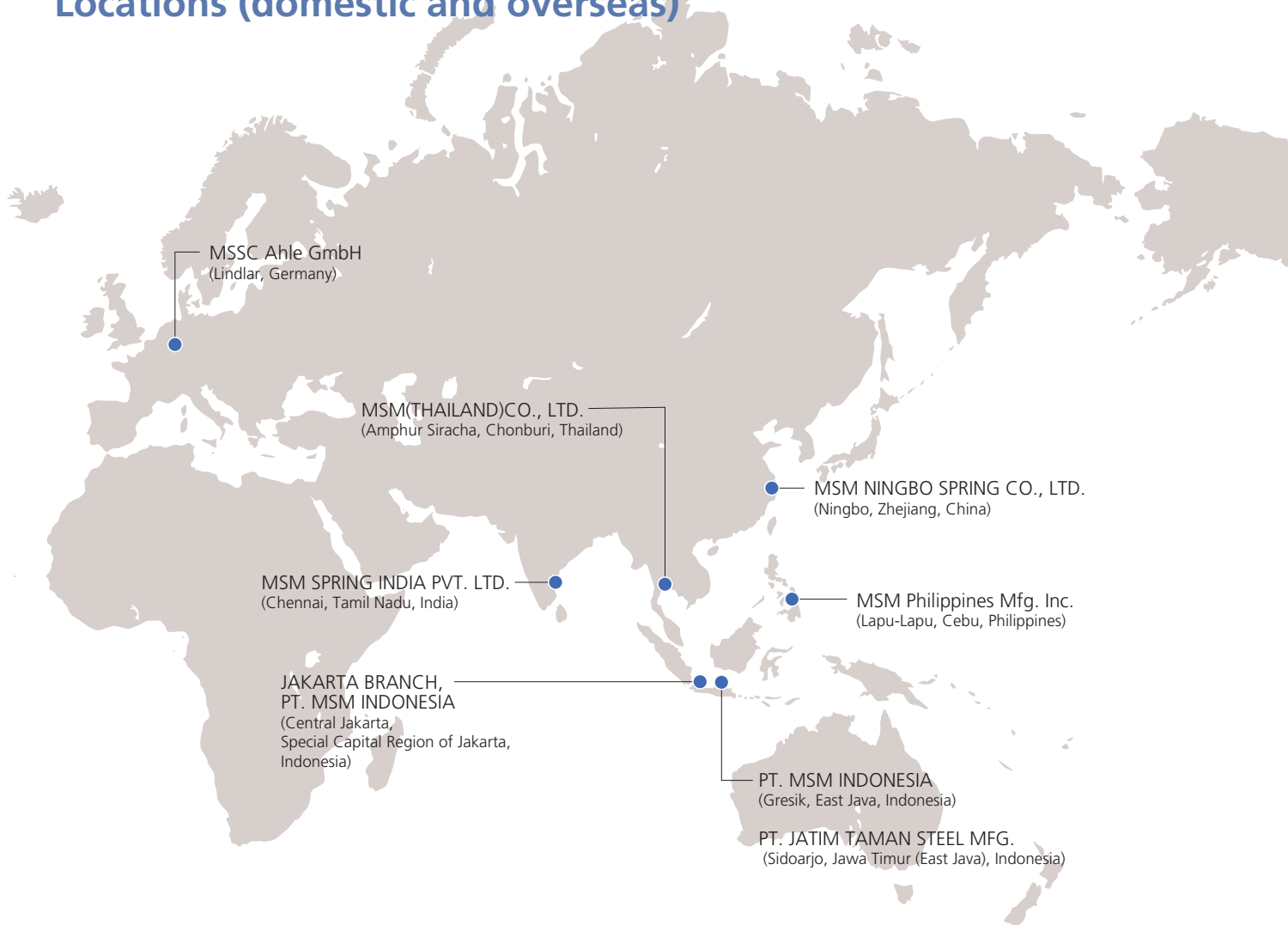
*3 (Annual) domestic sales volume of steel bars in the Special Steel Bars Business

(JPY million)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	118,742	129,370	117,138	97,804	146,292	170,537
	3,219	1,055	436	△4,943	6,270	5,547
	2,837	117	△259	△5,509	5,780	3,743
	3,488	410	△13,932	△5,528	4,068	2,190
	1,534	1,620	1,441	1,276	1,290	1,744
	5,319	5,956	7,661	2,988	2,598	2,797
	3,605	4,442	3,577	3,238	3,702	4,071
	153,757	153,327	141,391	132,320	142,962	156,409
	62,593	59,194	42,907	39,017	42,866	43,479
	40.7	38.6	30.4	29.5	30.0	27.8
	72,149	67,508	48,615	44,894	48,913	49,688
	42,013	42,242	55,134	48,593	47,505	64,926
	0.3	0.3	0.6	0.7	0.7	0.8
	△4,520	2,843	△924	3,777	△1,924	△2,777
	△6,975	△3,907	△7,546	△2,827	1,967	△1,439
	1,302	△1,236	11,813	△7,053	△3,523	14,789
	4,068.55	3,847.72	2,789.01	2,536.19	2,791.49	2,831.48
	226.72	26.68	△905.62	△359.38	264.78	142.62
	60.0	60.0	0.0	0.0	50.0	50.0
	26.5	224.9	—	—	18.9	35.1
	2.4	0.2	△9.5	△4.0	3.0	1.5
	5.6	0.5	△27.3	△13.5	9.9	5.1
	52,926	64,760	55,896	44,879	86,503	100,145
	47,897	49,654	45,232	38,457	48,555	59,858
	10,787	11,387	9,641	8,417	10,357	10,210
	9,328	9,253	10,243	8,933	9,584	10,303
	3,914	4,170	3,570	2,834	3,802	3,563
	△6,112	△9,856	△7,445	△5,717	△12,511	△13,544
	1,613	1,218	1,246	△3,619	6,615	6,350
	890	△933	△1,420	△1,857	△1,827	△2,166
	138	374	89	21	857	522
	406	237	396	452	560	725
	129	185	105	55	102	107
	41	△26	20	5	△36	8
	4,774	4,461	4,288	4,163	4,041	4,030
	461	466	304	265	432	405

Operating sites/Corporate profile and stock information

Locations (domestic and overseas)



Corporate profile

Corporate profile

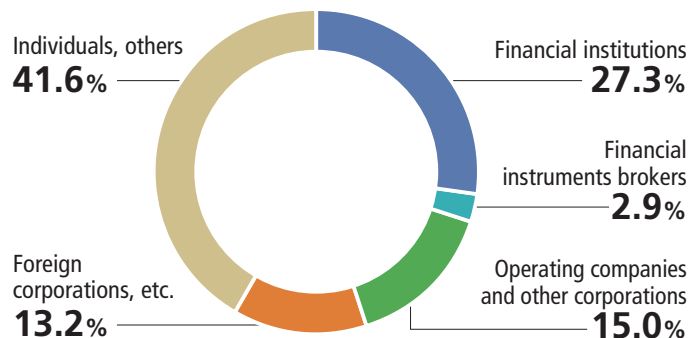
Corporate name	Mitsubishi Steel Mfg. Co., Ltd.
Head Office	Daiwa Tsukishima Bldg., 16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, 104-8550 Japan
Founded	April 1917
Established	December 1949
Capital	JPY10.03 billion (as of March 31, 2023)
Representative	Jun Yamaguchi, Representative Director, President & CEO
Annual sales	Consolidated: JPY170.5 billion (FY2022)
Employees	Consolidated: 4,030 (as of March 31, 2023)

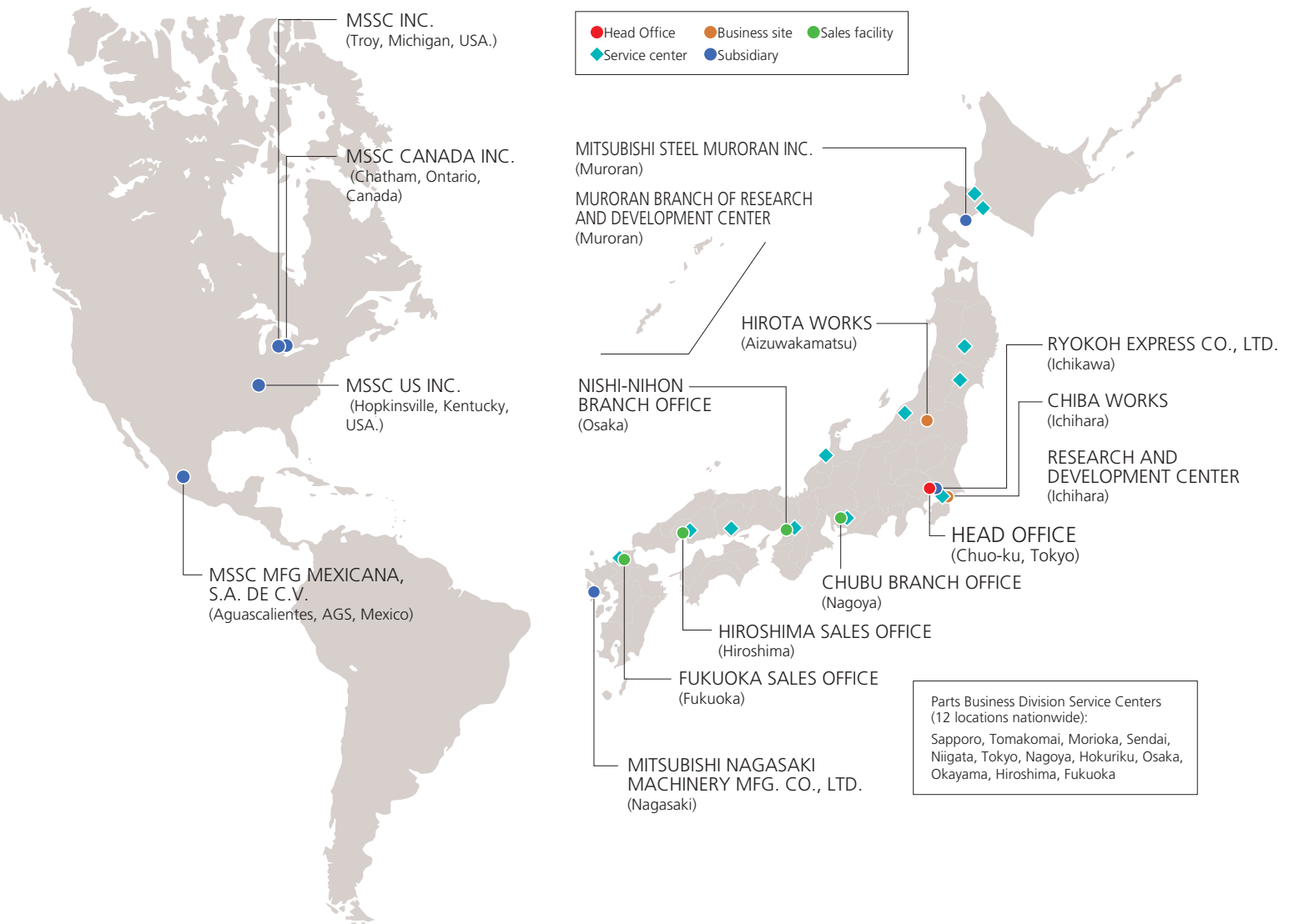
Stock information (As of March 31, 2023)

Progress on shares, etc.

Authorized shares	36,000,000 shares
Total shares issued and outstanding	15,709,968 shares
Shareholders	12,215 persons

Share ownership by category





Major shareholder

Name	Shares held (thousand)	Percentage of shares held(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,675	10.85
Mitsubishi Heavy Industries, Ltd.	1,000	6.48
Meiji Yasuda Life Insurance Co.	715	4.63
Custody Bank of Japan, Ltd. (trust account)	462	3.00
Mitsubishi Steel Mfg. Co., Ltd. Kyoeikai	421	2.73
BNY GCM Client Account JPRD AC ISG (FE-AC)	399	2.59
Tokio Marine & Nichido Fire Insurance Co., Ltd.	255	1.66
Nippon Steel Corporation	226	1.46
MUFG Bank, Ltd.	214	1.39
MSCO Customer Securities	181	1.18

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

Treasury stock excludes shares of Company stock held by the Executive Compensation BIP Trust (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/>

