

# ESG Management

## Approach to ESG Management

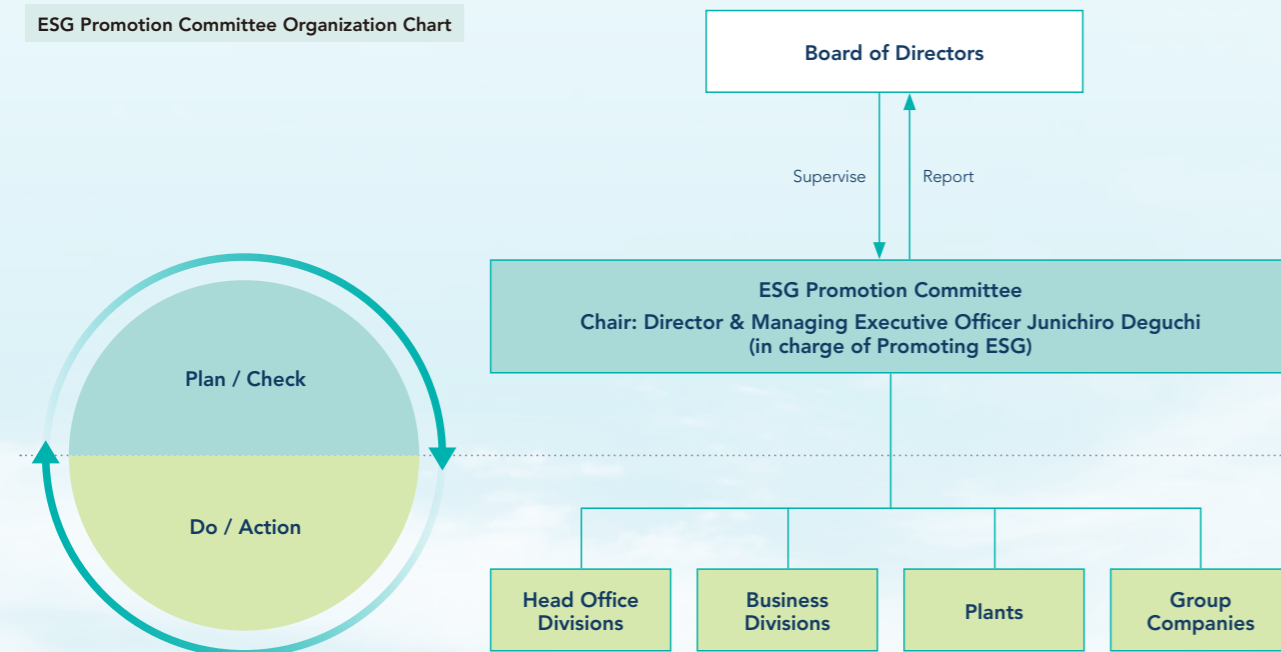
The JSW Group aims to generate sustainable growth and improve corporate value over the medium to long term. To that end, based on the spirit of *yompo-yoshi*, which calls for us to generate benefits across four areas—for customers, employees, society and shareholders—we apply *monozukuri* (good manufacturing practices) and value creation to form businesses and expand the value we provide.

As such, we recognize environment, social and governance (ESG) issues as management priorities, and engage with them through various corresponding initiatives. These initiatives include environmentally responsible production, development of environmentally conscious products, personnel training that supports sustainable social development and establishment of a transparent management system.

## Establishing the ESG Promotion Committee

In April 2021, JSW established the ESG Promotion Committee, chaired by the director responsible for ESG, to drive consistent and effective engagement with ESG issues throughout the JSW Group and horizontally among business divisions. The committee will lead ESG-related initiatives in collaboration with Head Office divisions, business divisions, plants and Group companies.

ESG Promotion Committee Organization Chart



## Identifying ESG Issues

The table below presents current issues we have identified based on CSR activities to date and the assessments of ESG evaluation organizations. Moving forward, we plan to specify the materialities (material issues) of the JSW Group through deliberation by the ESG Promotion Committee and the Board of Directors.

Category	Issue	Specific Themes for Initiatives	Contribution to Achieving SDGs	Relevant Page(s)
Environment	<b>Environmental Management</b>	<ul style="list-style-type: none"> <li>Structuring environmental management promotion systems</li> <li>Appropriately managing water use and discharge</li> <li>Appropriately managing chemical substances and determining waste volume</li> </ul>		p. 33–34 p. 37
	<b>Climate Change Countermeasures</b>	<ul style="list-style-type: none"> <li>Reducing CO<sub>2</sub> emissions</li> <li>Enhancing energy efficiency of manufacturing processes</li> </ul>		p. 35–36
	<b>Environmental Contribution through Products</b>	<ul style="list-style-type: none"> <li>Improving fuel efficiency and reducing emissions of products during use</li> <li>Advancing development of cleantech</li> </ul>		p. 15–16
Social	<b>Development of Human Capital</b>	<ul style="list-style-type: none"> <li>Promoting diversity and inclusion</li> <li>Hiring personnel</li> <li>Training and retaining personnel</li> </ul>		p. 38–40
	<b>Human Rights and Communities</b>	<ul style="list-style-type: none"> <li>Respecting human rights of all stakeholders</li> <li>Engaging with local communities</li> </ul>		p. 40, 42
	<b>Occupational Health and Safety</b>	<ul style="list-style-type: none"> <li>Managing labor issues and employee health</li> <li>Creating safe and secure workplaces</li> </ul>		p. 41
	<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>Reviewing procurement policies to be shared with and adhered to by suppliers</li> <li>Reducing environmental impact in the supply chain</li> <li>Eliminating labor and human rights issues in the supply chain</li> </ul>		p. 42
	<b>Responsibility to Customers</b>	<ul style="list-style-type: none"> <li>Establishing procedures and initiatives to ensure and improve quality</li> <li>Upgrading recycling and maintenance procedures</li> </ul>		p. 43–44
Governance	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Enhancing corporate governance systems and functions</li> <li>Ensuring Group governance</li> </ul>		p. 45–52
	<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Enhancing risk management systems</li> <li>Ensuring rigorous compliance and anti-corruption measures</li> </ul>		p. 53–54
	<b>Information Security</b>	<ul style="list-style-type: none"> <li>Enhancing information security systems</li> </ul>		p. 54



# Environmental Management

## Environmental Policy

The JSW Group is committed to being an environmentally responsible corporate citizen. We emphasize environmentally responsible production and technology as means to support sustainable social development in harmony with ecosystems.

Action Plan	Shared Business Site Policies
<ol style="list-style-type: none"> <li>Systematically implement environmental initiatives and continuously promote environmental conservation.</li> <li>Set appropriate objectives and targets to reduce environmental impact, including on biodiversity.</li> <li>Provide society with products and services that contribute to environmental conservation.               <ol style="list-style-type: none"> <li>Improve the social value of our products in terms of the environment, health and safety.</li> <li>Provide products and services that reduce environmental impact by understanding environmental needs and developing technologies.</li> </ol> </li> </ol>	<p>Business sites set environmental policies, objectives and goals in accordance with international standards with due consideration of their operations and nearby communities.</p> <ol style="list-style-type: none"> <li>Comply with laws, regulations and JSW Group agreements with external entities.</li> <li>Prevent pollution and reduce and properly process waste with due consideration for impact on ecosystems.</li> <li>Use resources more productively by saving energy and by saving and recycling resources.</li> <li>Require employees and on-site companies to understand and abide by business site policies.</li> </ol>

## Environmental Management Structure

Recognizing the importance of conducting its business activities in harmony with both the international and local communities, the JSW Group has been promoting environmental management activities throughout the Group since 1997. The Environmental Management Committee, headed by the director in charge of environmental management, determines Group-wide annual environmental management policies and action plans, and monitors and evaluates the progress of environmental management activities. Each plant has its own environmental supervisory committee and works to promote environmental management activities, as part of the JSW Group's unified approach to reducing its environmental impact.



JSW's Hiroshima, Yokohama and Meiki plants and Group companies Japan Steel Works M&E, Inc. and Nikko-YPK Shoji Co., Ltd. have obtained ISO 14001 certification, an international standard for environmental management systems.

### Business Site ISO 14001 Certification

Business Site	Original Certification Date	Current Certification Body
Hiroshima Plant	December 18, 1998	JQA
Yokohama Plant	September 4, 2006	JQA
Meiki Plant	March 4, 2005	ASR
Japan Steel Works M&E	December 18, 1998	LRQA
Nikko-YPK Shoji	February 7, 2005	JQA

Note: Certification bodies  
 LRQA: Lloyd's Register Quality Assurance Limited  
 JQA: Japan Quality Assurance Organization  
 ASR: ASR International Corporation

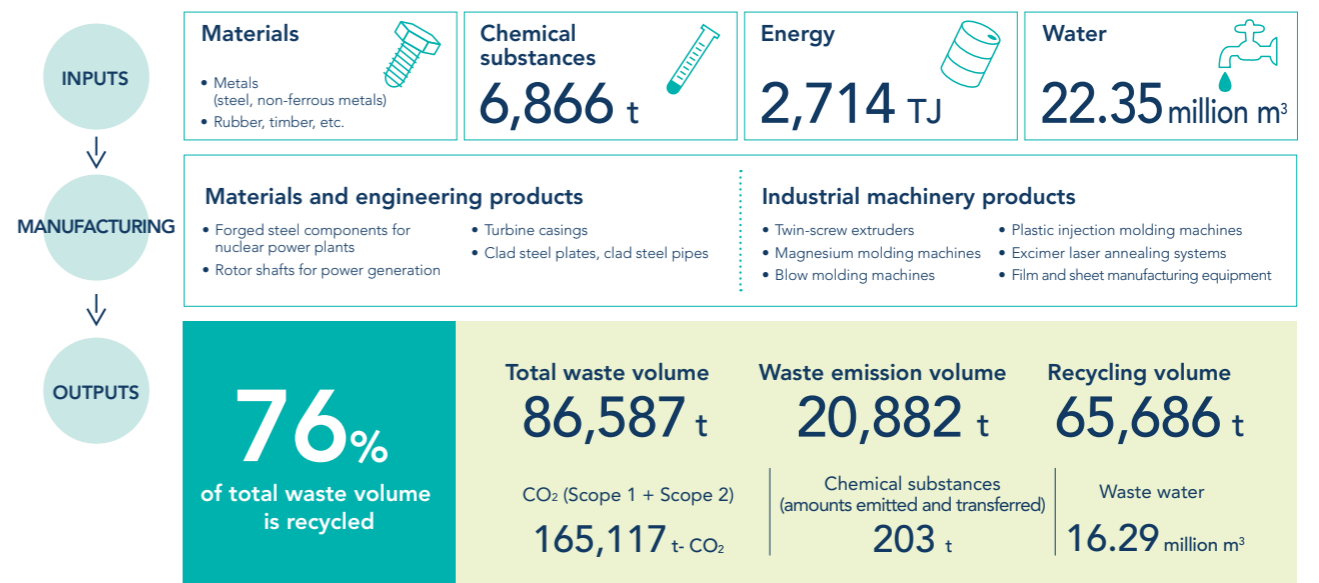
## Targets and Progress of the Medium-Term Environmental Plan

Priority Issues	Fiscal 2020 Targets	Fiscal 2020 Actual Results	Achievement Level	Medium-Term Environmental Plan (under JGP2025) Fiscal 2025 Targets
<b>Environmental Management</b>	Maintain ISO 14001 certification of plants and Nikko-YPK Shoji	Maintained ISO 14001 certification of plants and Nikko-YPK Shoji	◎	Maintain existing ISO 14001 certifications Obtain new ISO 14001 certification of domestic manufacturing Group companies
<b>Promote Measures to Curb Global Warming</b>	—	40% reduction in CO <sub>2</sub> emissions (compared with fiscal 2013)	—	60% reduction in CO <sub>2</sub> emissions by the end of fiscal 2030 (compared with fiscal 2013) 45% reduction in CO <sub>2</sub> emissions by the end of fiscal 2025 (compared with fiscal 2013)
	Improvement of 1% or more in energy usage intensity	Industrial Machinery Products Business: Worsened by 13% Material and Engineering Business: Improved by 4% (both compared with fiscal 2019)	△	Improvement of 1% or more in energy usage intensity (year-on-year and average for the past 5 years)
<b>Promotion of Resource Conservation and Recycling</b>	Recycling rate of 90% or higher	Recycling rate of 76%	△	Recycling rate of 95% or higher (excluding slag and refractories)
<b>Management of Chemical Substances</b>	Determine emission volume of chemical substances and implement reporting to local governments based on the PRTR Law	Determined emission volume of chemical substances and implemented reporting to local governments based on the PRTR Law	◎	Improve chemical substance usage intensity by 1% or more (year-on-year and average for the past 5 years)
<b>Compliance</b>	Legal or regulatory violations: 0	Legal or regulatory violations: 0	◎	Legal or regulatory violations: 0
	Treat high-concentration PCB waste by the legal deadline (March 2021)	Treated high-concentration PCB waste by the legal deadline (March 2021)	◎	Treat low-concentration PCB waste by the legal deadline (March 2027)
<b>Raising Environmental Awareness</b>	Issue an environmental report	Issued an environmental report	◎	Disclose environmental management activities in an integrated report Conduct training for employees

Achievement Level: ◎ Fully achieved ○ 80% or more achieved △ Less than 80% achieved

## Business Activities and Environmental Impact

The fiscal 2020 environmental impact in the manufacturing processes of the Material and Engineering Business and the Industrial Machinery Products Business was as shown below. The JSW Group carries out quantitative assessments of inputs, such as energy and water, and outputs, such as waste generated in manufacturing processes, carbon dioxide and waste water, and reflects the results of those assessments in its environmental improvement activities.





# Response to Climate Change

## Basic Approach

While climate change will have a significant environmental, social and economic impact, it also poses a high degree of long-term uncertainty. The JSW Group considers climate change an important issue for management, and is taking steps to counter it. We are also analyzing and studying the effects that risks and revenue opportunities related to climate change will have on our business activities and revenues. In the future, we plan to align our information disclosure with the TCFD disclosure framework.

### Governance

Recognizing the importance of conducting its business activities in harmony with both the international and local communities, the JSW Group has been promoting environmental management activities throughout the Group since 1997. The Environmental Management Committee, headed by the director in charge of environmental management, determines Group-wide annual environmental management policies and action plans, and monitors and evaluates the progress of environmental management activities.

### Strategy

Risks related to climate change include declining demand for plastic processing machinery due to the shift away from plastics and restrained investment related to thermal power generation and oil and gas due to decarbonization. Opportunities related to climate change include expansion of the electric vehicle market and the emergence of non-petroleum plastics.

### Risk Management

JSW complies with environment-related regulations through strict adherence to its environmental management system. The Environmental Management Committee meets twice a year to discuss management and responses based on changes in rules and regulations.

### Indicators and Targets

The medium-term environmental plan includes the following indicators and targets related to climate change.

- **CO<sub>2</sub> emissions reduction target:** 60% reduction in CO<sub>2</sub> emissions by the end of fiscal 2030 (compared with fiscal 2013)  
45% reduction in CO<sub>2</sub> emissions by the end of fiscal 2025 (compared with fiscal 2013)
- **Energy usage reduction target:** Improvement of 1% or more in energy usage intensity (year-on-year and average for past five years)

## Energy Usage and CO<sub>2</sub> Emissions

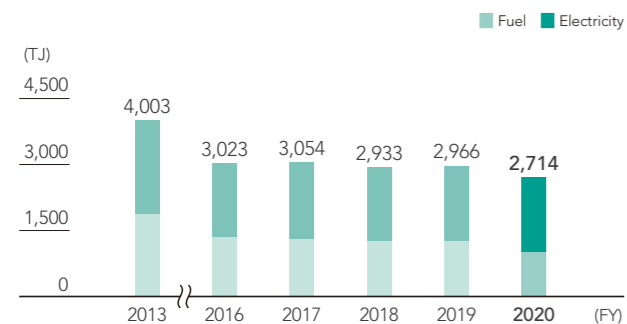
The JSW Group considers reduction of CO<sub>2</sub> emissions to curb global warming as a priority issue under its medium-term environmental plan. In fiscal 2020, the JSW Group's energy usage was 2,714 TJ, an 8.5% reduction year-on-year, and CO<sub>2</sub> emissions were 165,117 t-CO<sub>2</sub>, a 12.9% reduction year-on-year. These reductions were largely attributable to equipment upgrades as part of fuel conversion at the rolling mill of Japan Steel Works M&E, Inc.

Owing to the different characteristics of the industries they serve, there are significant differences in the business activities of the JSW Group's Industrial Machinery Products Business

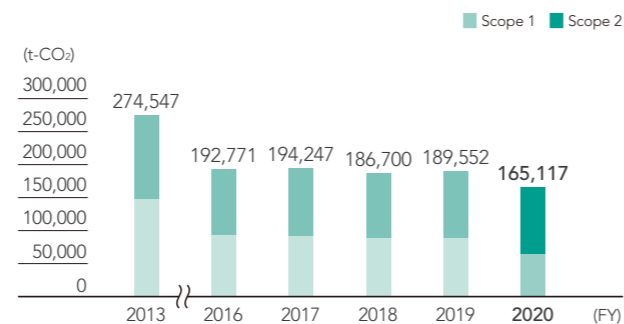
and Material and Engineering Business. Consequently, the ratio of energy usage and CO<sub>2</sub> emissions to JSW Group total sales varies depending on the sales share of the two businesses. However, in order to more accurately assess the environmental impact of each business and effectively advance environmental improvement activities, we use net sales as the basis for confirming intensity in the Industrial Machinery Products Business and steel output as the basis in the Material and Engineering Business.

We remain committed to reducing CO<sub>2</sub> emissions of the JSW Group as a whole.

### Energy Usage



### CO<sub>2</sub> Emissions



## Energy Conservation Initiatives

### Initiatives in JSW Group Operations

The JSW Group considers energy-saving performance when updating production equipment at plants in both the Industrial Machinery Products Business and the Material and Engineering Business. As an additional measure, we are converting lighting to LEDs, including at Head Office administrative divisions.

### Initiatives in the Supply Chain

In 2021, we added statements regarding eco-friendly products and green purchasing to our Basic Procurement Policy. Moreover, for stationery, office supplies and the like, we practice green purchasing, which involves procuring products with less environmental impact, such as products compliant with the Act on Promoting Green Procurement and Eco Mark products.

### Initiatives at the Product Use, Maintenance and Service Stage

As society in general continues to take on the challenge of achieving carbon neutrality, customer demands for energy conservation and the adoption of smart technologies continue to increase. Through the provision of high-quality cleantech products and services, the JSW Group is contributing to reduced environmental impact both of its customers and in society.

### Use of Renewable Energy and Future Initiatives

In April 2021, installation of solar panels with power generation capacity of 200 kW was completed on the rooftop of the eighth assembly plant at our Hiroshima Plant. Also, starting in October 2021, we began using electric power from renewable energy sources for a portion of purchased electricity at the Hiroshima Plant. We will continue efforts to expand our use of renewable energy.



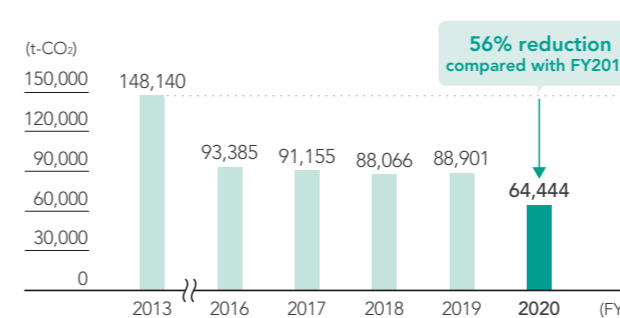
## Environmental Equipment Investment (Environmental Accounting)

We have been implementing environmental accounting, which reflects costs related to environmental conservation, since we formulated our first medium-term environmental plan in fiscal 2001. We use environmental accounting to assess our environmental impact and the costs and effects of environmental conservation, and to carry out environmental conservation activities effectively and efficiently. Total costs for fiscal 2020 were ¥943 million, a decrease of ¥421 million from the previous fiscal year.

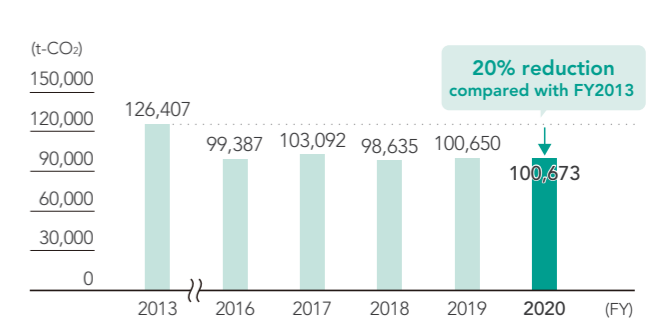
## Future Plans

We are proceeding with changing heating and heat treatment furnace fuels from heavy oil to natural gas in order to reduce CO<sub>2</sub> emissions. Furthermore, with the future aim of carbon neutrality, we are investigating the commercialization of industrial furnaces that burn ammonia as a carbon-free fuel.

### CO<sub>2</sub> Emissions (Scope 1)



### CO<sub>2</sub> Emissions (Scope 2)





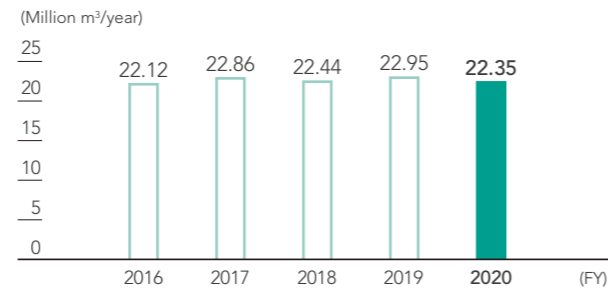
## Reduction of Environmental Impact

### Policy and Initiatives for Water Resources

Japan Steel Works M&E, Inc. accounts for more than 99% of the water used by the JSW Group. Although the company uses a large volume of industrial water and sea water in cooling, it operates in a region with low water stress, recycles a portion of the cooling water and also practices water source management for some of the industrial water it uses. Therefore, we believe there is little impact on stakeholders.

In terms of waste water quality, we will continue to conduct strict water quality management based on government ordinances.

### Water Consumption



### Proper Management of Chemical Substances

At the JSW Group, we manage chemical substances and other substances with environmental impact, and are working to reduce emissions of hazardous substances. Based on the Pollutant Release and Transfer Register (PRTR) Law, we report our release and transfer of chemical substances to local governments annually. The JSW Group uses Class 1 designated chemical substances primarily in manufacturing processes, such as steel manufacturing, welding, galvanization, cleaning and coating.

### Release and Transfer of Chemical Substances

	FY2019	FY2020
Amount released (t)	57.3	50.1
Amount transferred (t)	153.6	153.1
Total (t)	210.9	203.2

### Our Approach to Resource Recycling (Reduction of Waste Emission Volume)

The JSW Group contributes to resource recycling through eco-friendly products. Going forward, we will develop products that have a reduced environmental impact, and strive to be a company that contributes to the realization and development of a sustainable society. At our plants, we are applying the three R's (reduce, reuse, recycle) as a basic principle to reduce the volume of waste emitted directly by the JSW Group.

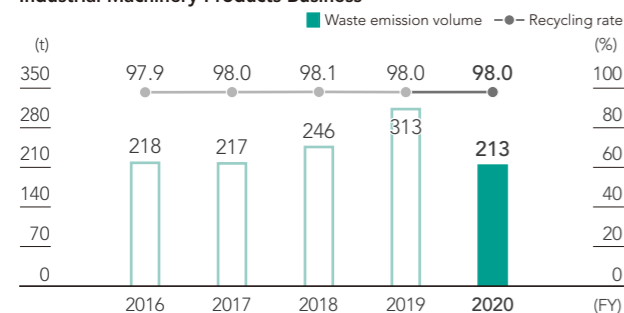
### Main Types of Waste and Resource Recycling Initiatives

Owing to the different characteristics of the industries they serve, there are significant differences in the business activities of the JSW Group's Industrial Machinery Products Business and Material and Engineering Business. Consequently, each plant emits waste materials specific to that plant. The Hiroshima Plant, the Yokohama Plant and the Meiki Plant in the Industrial Machinery Products Business have each achieved recycling rates of more than 90%. At Japan Steel Works M&E, Inc. in the Material and Engineering Business, the main waste materials are scrap metal, slag and refractories. Of these,

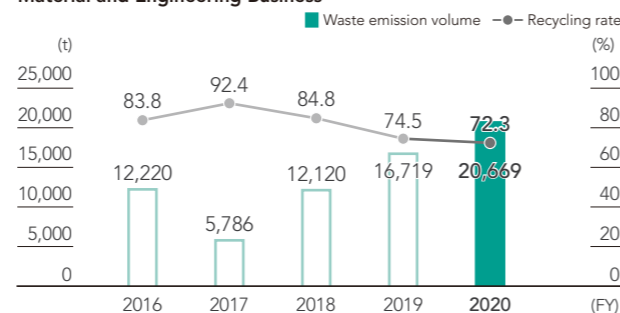
scrap metal used in the plant is 100% recycled, but refractory material and some slag are disposed of in landfills, so the plant's overall recycling rate is only about 70%. Excluding slag and refractory material, Japan Steel Works M&E has also achieved a recycling rate of more than 90%. We will consider ways to deal with slag and refractory material as a future issue. Japan Steel Works M&E uses a large amount of scrap iron as a raw material, thereby contributing to the resource recycling of society.

### Waste Emission Volume

#### Industrial Machinery Products Business



#### Material and Engineering Business



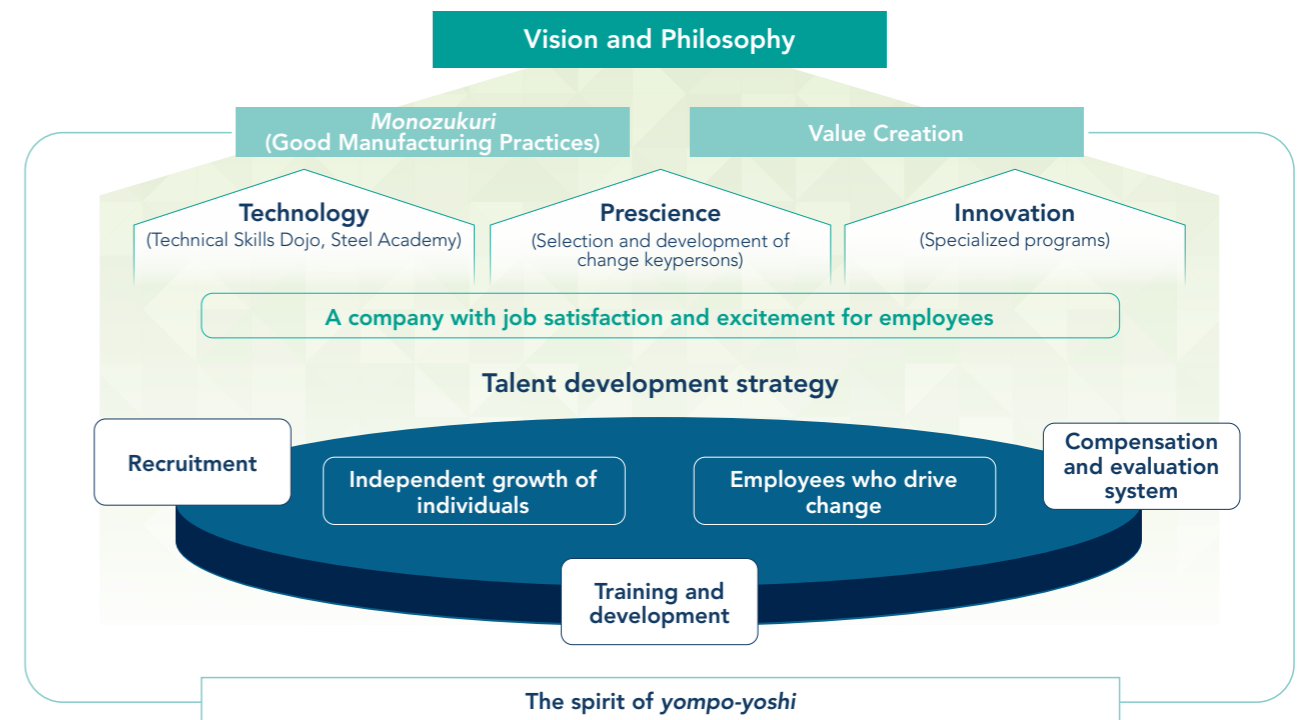
## Talent Development Strategy

At the JSW Group, we view the growth of our change-resilient management, the evolution of our business model (*monozukuri* and value creation), and the people who work here (human capital), as vital to the sustainable improvement of our corporate value.

Specifically, in terms of our talent development strategy, the key is to secure and develop people who wish to meet the challenge of creating value based on *monozukuri* (good

manufacturing practices). We will focus on effective improvement and operation of our recruiting, training, and compensation and evaluation systems, as well as the overall personnel systems that underpin them, and by providing employees with opportunities to grow and succeed we will be a company with job satisfaction and excitement for employees. In this way, the JSW Group as a whole will create social value and economic value (*yompo-yoshi*), and this in turn will increase the Group's corporate value.

### Overview of Talent Development Strategy



### Securing and Developing Human Resources

#### Our Ideal Candidate Profile and Recruitment Activities

When recruiting new university graduates, we focus on our ideal candidate profile—someone with the potential to create change—and the aspirations of candidates seeking to work for us. These are outlined below.

We use the same approach for mid-career candidates, while also emphasizing the recruitment of people with expertise and people who want to make the most of their expertise.

We find and hire excellent, ambitious students nationwide through an approach that combines face-to-face and online

interviews, which also enables close mutual communication. We also offer internships to help prospective employees gain a deeper understanding of our workplace environment and culture. Particularly when recruiting engineers, we always provide opportunities for an interview at a plant and an on-site tour, given the importance of the production site in manufacturing industries. This enables candidates and JSW to get a better idea of how and where that person might work.

#### Ideal Candidate Profile

1. Is eager to take on challenges
2. Has strong problem-solving capabilities
3. Has firm independent views and standards
4. Is able to think logically
5. Is able to act with persistence

#### Aspirations We Look For

1. Wants to create something new that is the first of its kind
2. Wants to do a job with pride while participating in manufacturing that supports society
3. Wants to try selling our unique products to customers worldwide
4. Enjoys *monozukuri* above all

### Training and Development

While primarily conducting on-the-job training (OJT) to develop people who will play a part in *monozukuri* and value creation, we also emphasize off-the-job training that includes group training by job level, from newly hired employees to management. In addition, by providing a diverse array of training options and learning opportunities, such as basic education and specialized education necessary for work, language learning that includes study abroad, and self-development support, we are creating a system that empowers individuals to take charge of their own development.

We have established in-house training programs, including the Technical Skills Dojo at the Hiroshima Plant and the Steel Academy at Japan Steel Works M&E, Inc. (Muroran Plant), both of which focus on *monozukuri* and skill transfer in particular. Here, the know-how we have cultivated over many years of manufacturing is passed on to younger employees, enabling us to maintain and refine the technologies and skills at production front lines that are essential in our build-to-order manufacturing system, which is our competitive advantage.

Our personnel strategy under JGP2025 is to take measures that focus on individual employee aptitudes to further develop and strengthen talent capable of value creation. In particular, we emphasize identifying and individually developing personnel who we expect to make a contribution to value creation and have the initiative to create change. To that end, in addition to selecting individuals for fast-track promotion to managerial positions and assigning them important missions, we actively provide on-the-job skill development, including training and career programs that leverage job rotation, and this forms the basis for succession planning.

For off-the-job training, in addition to existing training programs that are uniform for all participants, we are focusing on enhancing systems to enable employees to participate in training programs at a time suited to their diverse qualities, aspirations and career awareness, and on improving specialized training programs linked to digital transformation. These approaches will help us better foster an environment in which employees can achieve personal growth according to their ambitions, and in so doing improve job satisfaction and performance.

Indicators	FY2018	FY2019	FY2020
Training cost per employee (thousands of yen)	37.1	37.9	29.8
Number of participants in job level-specific training	279	234	285
Completion rate of job level-specific training (%)	97.5	93.2	98.6
Number of employees newly certified under The National Trade Skill Test & Certification (NTSTC)	66	79	47

### Training System

	Business Basic Skills Training	Workplace/Frontline Capability Development	Global Personnel Training	Technical Skill Development, Engineer Training	Management and Leadership Training
Managerial Level	General Managers				Executive Seminar
	Section Managers			Department Academy	Section Manager Training Section Manager Initiation Training
Employee Level	Assistant Managers	Section Manager Candidate Training Level-Based Correspondence Training		Leadership Development Seminar Academic Qualifications and Study Abroad	Assistant Manager Initiation Training
	New Employees and General Employees	5th-Year Training 3rd-Year Training 2nd-Year Training New Employee Training Business Basics Training Job-Based Training Business Essay Writing Assistant Manager Candidate Training Mid-Level Employee Training Quality Control Training Monozukuri Training (Technical Skills Dojo, Steel Academy)	Global Skills Training Language Study Abroad	Basic Seminar TOEIC English Program Overseas Placement Training	

### Approach to Diversity

The JSW Group hires people based on their qualifications, without regard to characteristics such as gender or nationality. Promotion of the active participation of women and seniors, and expansion of employment of people with disabilities are urgent and ongoing issues faced by the Group. At present, however, the share of women among new graduate hires, an indicator of the advancement of women in the workplace, and the percentage of employees with disabilities, an indicator of respect for human rights and acceptance of diversity, are still low. To address this situation, we are introducing a series of personnel systems aimed at work-life balance.

Our first concern is to increase the ratio of female employees, which is essential for increasing the number of female managers. Next, we will increase the ratio of women in supervisory positions equivalent to section chief level. Furthermore, by introducing systems for telework, staggered working hours and paid leave by the hour, we will support employees in balancing work with childcare and family care, thereby

improving the work environment for all employees. Also to this end, we are preparing training systems that support self-development that will enable employees to improve their skills according to their ambitions.

In addition, we are enhancing benefit programs, including establishing a cafeteria plan to accommodate diverse values and needs.

Along with revisions to personnel systems, we will broadly and continuously carry out education and awareness activities in order to increase the JSW Group's ability to embrace diversity.

Indicators	FY2018	FY2019	FY2020
Number of Employees Who Took Childcare Leave	6	10	11
Percentage of Employees with Disabilities (%)	1.97	2.08	2.18
Percentage of Female New Graduate Hires (%)	13.6	9.3	10.9
Reemployment Rate of Retired Employees (%)	95.9	96.2	93.8



## Human Rights

### Respect for Human Rights

To help create a more sustainable society, the JSW Group has established its Corporate Code of Conduct. A key item in this code is our commitment to "respect the human rights of all people," and we declare that "we understand the effect of our business activities on human rights, and comply with all laws regarding human rights in Japan and overseas," and that "we require understanding of human rights and legal compliance not only within the JSW Group but also in the supply chain, including raw material and component suppliers, construction contractors and distribution outsourcing contractors."

In this context, the JSW Group has focused on health and safety activities and harassment prevention, with the primary aim of ensuring that employees can perform their work in a healthy and pleasant environment where they are respected as individuals and their human rights are not violated. We have established internal and external consultation hotlines and a resolution process through the Harassment Countermeasures Committee. Furthermore, we carry out fair hiring that respects the human rights of all individuals, and have also established

systems that support work-life balance, foster a workplace environment that is inclusive of diverse personnel, and strive to provide equal opportunities to excel.

Throughout our supply chain, we require that suppliers share an understanding of human rights and legal compliance, as appropriate. However, we do not assess suppliers' impacts on human rights quantitatively or continuously at present.

The JSW Group recognizes that its business activities cover exceedingly broad fields and involve or impact a wide variety of individuals. To prevent any direct or indirect negative impacts on human rights, we engage in dialogue with all stakeholders, set priorities and address them appropriately, and otherwise strengthen the management of human rights-related risks.

We believe that achieving the SDGs and protecting and promoting human rights are inseparable and complementary. Based on that, we will conduct human rights due diligence, and work to improve our human rights management framework using the UN Guiding Principles on Business and Human Rights as a reference point.



# Occupational Health and Safety

## Policy for Health and Safety Activities

In the JSW Group, which operates primarily in manufacturing, ensuring the health and safety of employees has always been a top priority. We consider our health and safety initiatives to be part of a corporate foundation and corporate culture rooted in an emphasis on human capital and respect for human rights.

In fiscal 2020, we carried out these activities in accordance with the policy below, with the aim of maintaining and improving the health of employees and preventing occupational accidents.

### 1. Basic Philosophy

To fulfill our social responsibility, we have positioned health and safety as a vital part of our management policy, and work to ensure the health and safety of everyone involved in our business.

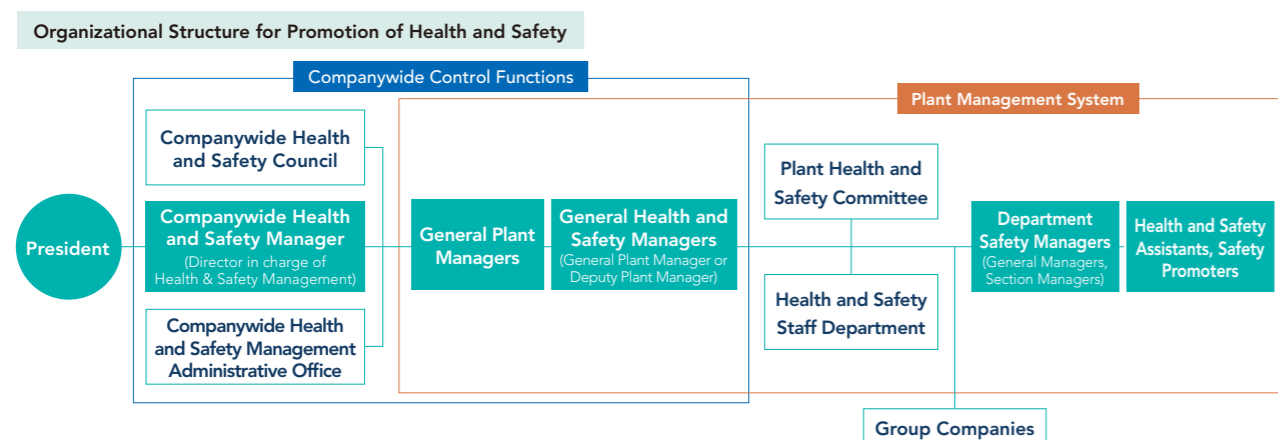
We have established and operate an occupational health and safety management system, and prioritize health and safety in all of our business activities to foster workplaces where employees can work safely and with peace of mind.

### 2. Basic Policy

- (1) We will comply with health- and safety-related laws and regulations, as well as internal standards.
- (2) We will establish a safety management system based on strong leadership from top management, the participation of all employees, and the cooperation of the labor union as well as that of Group companies and partner companies, and thereby prevent occupational accidents and health problems.
- (3) We will invest the resources necessary for effective workplace improvements.

## Health and Safety Promotion Structure

The promotion structure for health and safety activities in the JSW Group is as follows.



## Health and Safety Initiatives and Results

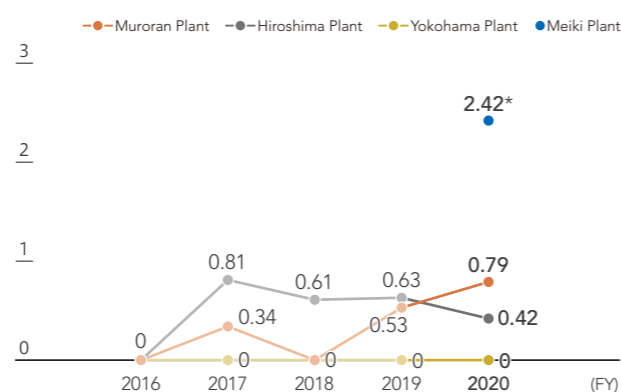
In the JSW Group, we specify priority items for health and safety activities each fiscal year, and the Group (as well as the labor union) and suppliers of each plant work together on activities aimed at achieving zero occupational accidents.

Our major sites have acquired certification of their occupational health and safety management systems, and are enhancing the effectiveness of their activities.

We plan to step up our initiatives and activities for improving the physical and mental health of employees, and are currently establishing the necessary framework and systems.

Site	Certification	Date acquired/renewed
Hiroshima Plant	ISO 45001	Sept. 11, 2021
Japan Steel Works M&E	OSHMS	June 5, 2021

Frequency Rate of Accidents per Million Workhours



Note: Frequency rate of accidents calculated from lost-worktime, serious and fatal accidents during the fiscal year.  
\* Meiki Plant merged into The Japan Steel Works, Ltd. in fiscal 2020. Frequency rate of accidents at the Meiki Plant in fiscal 2020 due to the occurrence of multiple lost-worktime accidents



# Supply Chain Management

## Approach to Supply Chain Management

We have long engaged in joint development and manufacturing with outside partners to provide products that meet customer needs worldwide. As such, the JSW Group cannot deliver excellent products on its own—procuring the necessary parts and materials through the supply chain at an appropriate level of quality and cost, and utilizing them effectively, is the source of our ability to continue supplying the world with better products. In recent years, we have focused not only on quality and cost, but also on the manufacturing processes used in

the materials we purchase, and have updated our Basic Procurement Policy to consider human rights and the environment in purchasing items, with the goal of creating a more sustainable society. We will formulate evaluation criteria for procurement and conduct successive evaluations.

To ensure that all partners in our supply chain can continue to play indispensable roles within society, we share the JSW Group's Vision and policies so that all parties can continue sound growth over the course of business transactions.

### Basic Procurement Policy

The JSW Group looks for suppliers in Japan and overseas based on the following policies.

#### 1. Fair business dealings that value strong partnerships

We seek to build better partnerships and share common interests with all of our suppliers.

We deal in an open, fair and impartial manner with all our suppliers in Japan and overseas.

#### 2. Selection of suppliers

Decisions are made according to proper procedures by evaluating suppliers with regard to the following criteria, based on economic rationality.

- (1) Compliance with the laws and regulations of each country
- (2) Eco-friendly products and green procurement
- (3) Terms and conditions including material specifications, quality, performance, price and delivery time
- (4) Technological development capability
- (5) Business reliability

#### 3. Socially conscious raw material sourcing

We consider the impact on local communities in our sourcing activities. In particular, we cooperate with suppliers to preclude the use of raw materials that could cause serious social problems,\* such as human rights or environmental problems.

\* Minerals produced in the Democratic Republic of the Congo and neighboring countries, the trading of which is used to finance armed groups (conflict minerals); RoHS restricted substances; and any materials that involve human rights violations such as child labor, forced labor and labor at unreasonably low wages.

#### 4. Mutual understanding and relationships of trust

We take the following measures to deepen sound relationships and mutual understanding with suppliers.

- (1) Regular briefings on our procurement policy
- (2) Quality management checkups and guidance to eliminate defects
- (3) Recognition of outstanding suppliers
- (4) Confidential management of sales and technology information
- (5) Establishment of whistleblowing systems for suppliers



# Local Communities



The JSW Group recognizes its responsibility as a member of society to participate in a variety of regional and other communities, and contribute to their development. The JSW Group gives back to society through its businesses, and engages in activities with an awareness of social responsibility in order to create a better society and be a company rooted in local communities.

### Community Beautification

We engage in cleanup activities around our plants and along commuting routes. These activities are also opportunities to engage with local communities and raise the environmental awareness of employees.

### Education

We conduct plant tours, workplace tours and work experience activities. We view these as opportunities to interact with local communities and convey the appeal of *monozukuri* to students and other visitors.

### Community Exchanges

**Funakoshi Summer Festival**  
JSW is a sponsor of the Funakoshi summer festival, held in the Funakoshi district of Hiroshima. We open the grounds of the Hiroshima Plant for the event, which is attended by many people, primarily local residents.

### Mikasayama Shrine Annual Festival

Mikasayama Shrine in Murooran, Hokkaido, which was built at the time of JSW's founding based on the desire to ensure our future development and safe operation, holds an annual festival in August that is attended by many local residents.

Note: The annual activities above were either scaled down or cancelled in fiscal 2020 due to the COVID-19 pandemic.



# Quality

## Approach to Quality Management

We establish quality policies at each business division and plant, and each develops its own quality assurance and quality improvement systems. This enables them to perform detailed quality control on a product-by-product basis. Plants, which are the center of manufacturing, and the subsidiaries that belong to the plants are included in these systems, and work together on quality management system (QMS) and other quality management initiatives.

## Quality Management and Product Liability System

To gain and nurture customer trust in our products and services, we have established Companywide Quality Assurance Regulations and Product Liability Prevention Regulations. The objective is to proactively prevent quality problems, and to take prompt organizational countermeasures against any problems that do arise.

The current quality management and product liability system covers The Japan Steel Works, Ltd. and Japan Steel Works M&E, Inc. Our diverse products range from materials to industrial machinery and defense equipment, and the quality management systems required also vary. Therefore, product manufacturing takes place under the quality management structure shown below, with plants—the very heart of *monozukuri*—shouldering manufacturing responsibility, and business divisions assuming ultimate product liability.

## Reporting Lines

- 1 Regular reporting**  
At meetings of the Management Council, general plant managers report on the status of quality management, improvement progress, and new developments.
- 2 When a major quality problem occurs**  
Reports are made by general plant managers, who are responsible for manufacturing, to business division directors, who are responsible for products, and ultimately to the representative directors.
- 3 When a product liability problem occurs**  
Same as **2**

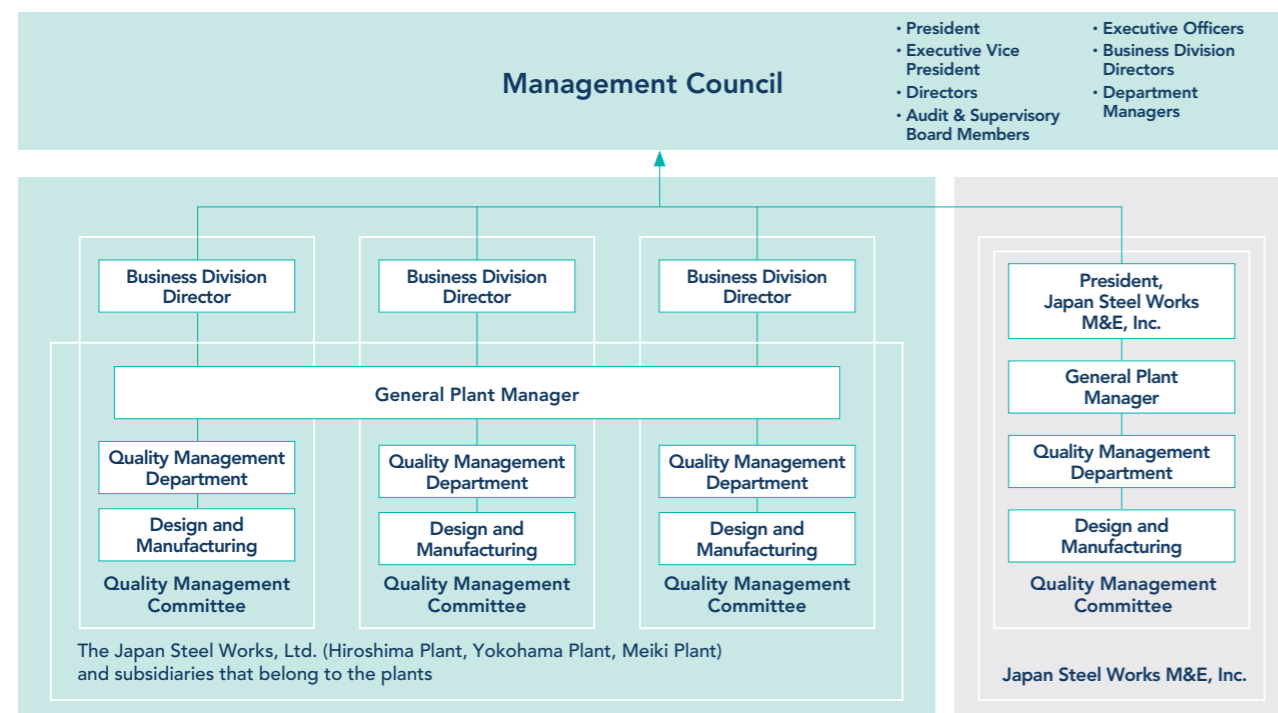
## Quality Management Initiatives

Our main initiatives for quality management of each product category are outlined below.

- 1 Acquisition and implementation of quality management system (QMS) certification**  
Acquisition and implementation of ISO 9001, a standard for QMS for general manufacturing industries, to improve customer satisfaction and the quality control system  
Acquisition of certifications and compliance with standards based on required standards in individual business areas  
Examples: ISO 9001 (QMSs at each plant), ASME (pressure vessels, tanks, parts for nuclear power generation) and others
- 2 Realization of quality that raises customer satisfaction**  
Unified quality improvement activities by design, manufacturing and research departments  
Continuation of companywide quality control improvement activities
- 3 Reliable assurance of quality (raising awareness)**  
Establishment and regular revision of quality manuals  
Reliability through education and awareness-building guided by mottoes (solicited from employees)
- 4 Activities to reduce the defect rate**  
Learning from past defects (using root cause analysis) to prevent recurrence
- 5 Countermeasures against serious defects**  
Quick resolution by forming a priority measures team for serious defects and thorough measures to prevent recurrence

### Structure of Quality Management and Product Liability System

(As of March 31, 2021)



At the JSW Group, our three strengths—technology, prescience and innovation—are evident throughout our initiatives for quality management. Our plants have been transitioning to in-house manufacture of main components for each product, and research, design and manufacturing departments are cooperating in team activities to enhance component quality.

An organizational structure that enables ideas generated through the processes of design, analysis, material production, machining, quality inspection and technological development to be fed back with good communication is the basis of our strength in technology, and incorporating views from different positions leads to innovation. The system of fully integrated production at our plants, from materials to finished products, is the source of our ability to respond to customer needs.

In our quality management activities, we take measures to ensure that products are not only free from defects prior to shipment, but that they also remain so after delivery to the customer. We focus on three key points:

- Quality improvement involving the supply chain
- Prediction and prevention of defects at the plant
- Responding to customer requests for quality improvement

For example, to predict and prevent defects at the plant, we compile and maintain a database of defects that have occurred in the past. At meetings immediately after receiving an order, the departments concerned look back to the causes of defects that occurred in similar construction projects in the past, and countermeasures that were taken, to prevent them from happening again.

In addition, the service department responds to performance improvement and modification requests after delivery as needed, and strives to increase the level of customer satisfaction. In the event that a defect occurs after delivery, the quality management, research and design departments cooperate to investigate the cause, formulate a plan for countermeasures and implement measures promptly so that there is no impediment to the customer's production plans.



# Corporate Governance

## Corporate Governance Policies

Based on the JSW Vision, the JSW Philosophy and the Corporate Code of Conduct, we recognize that it is essential to earn the trust of all stakeholders, including shareholders, customers, business partners and employees, in order to achieve sustainable growth and enhance corporate value over the medium to long term. As such, we will continue to strengthen corporate governance to ensure the transparency, soundness and effectiveness of management.

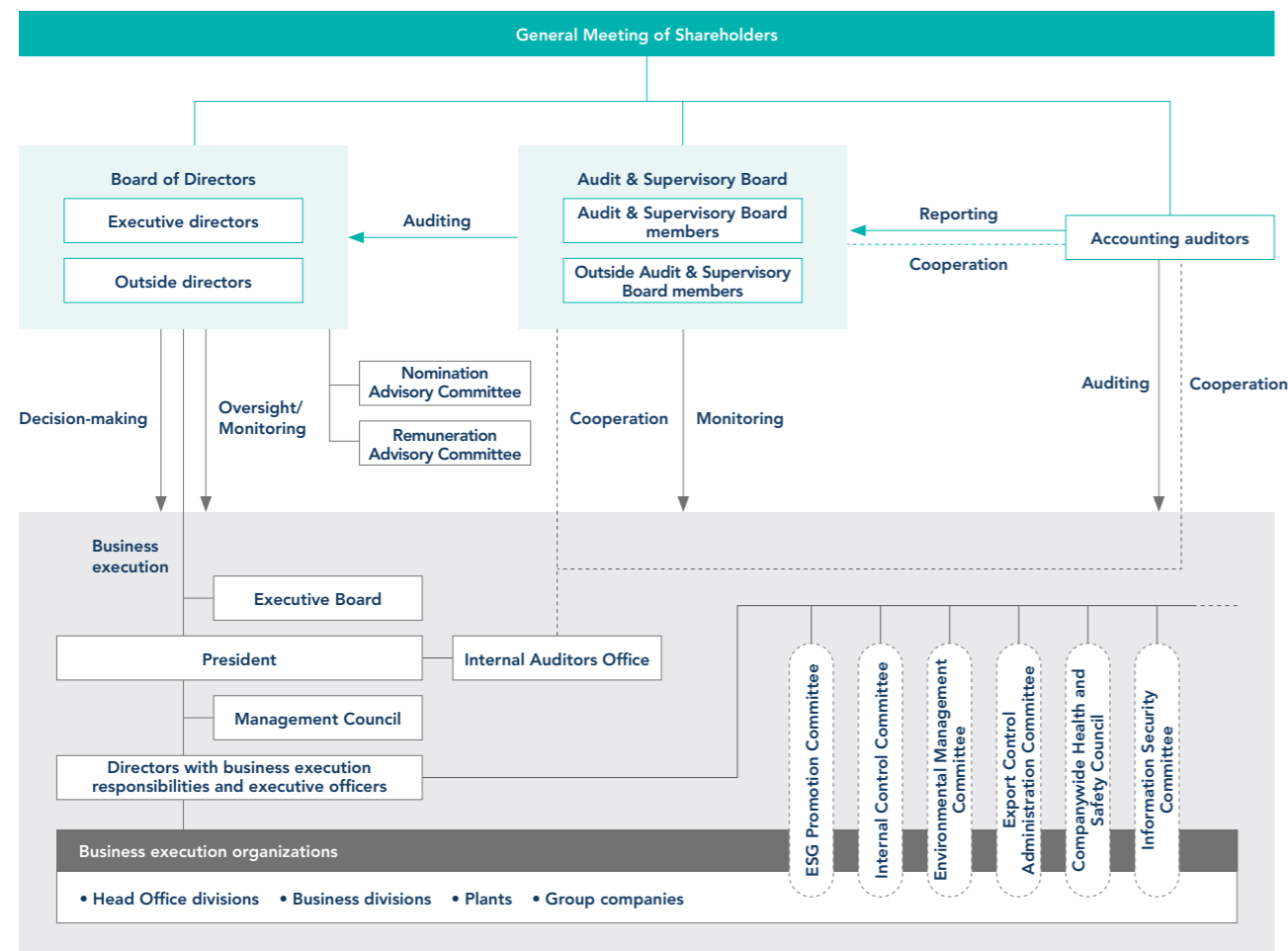
## Overview of Corporate Governance Structure

The Japan Steel Works, Ltd. ("the Company") has adopted the structure of a company with an audit and supervisory board. The Board of Directors consists of nine directors (three of whom are outside directors) and the Audit & Supervisory Board consists of four Audit & Supervisory Board members (two of whom are outside Audit & Supervisory Board members).

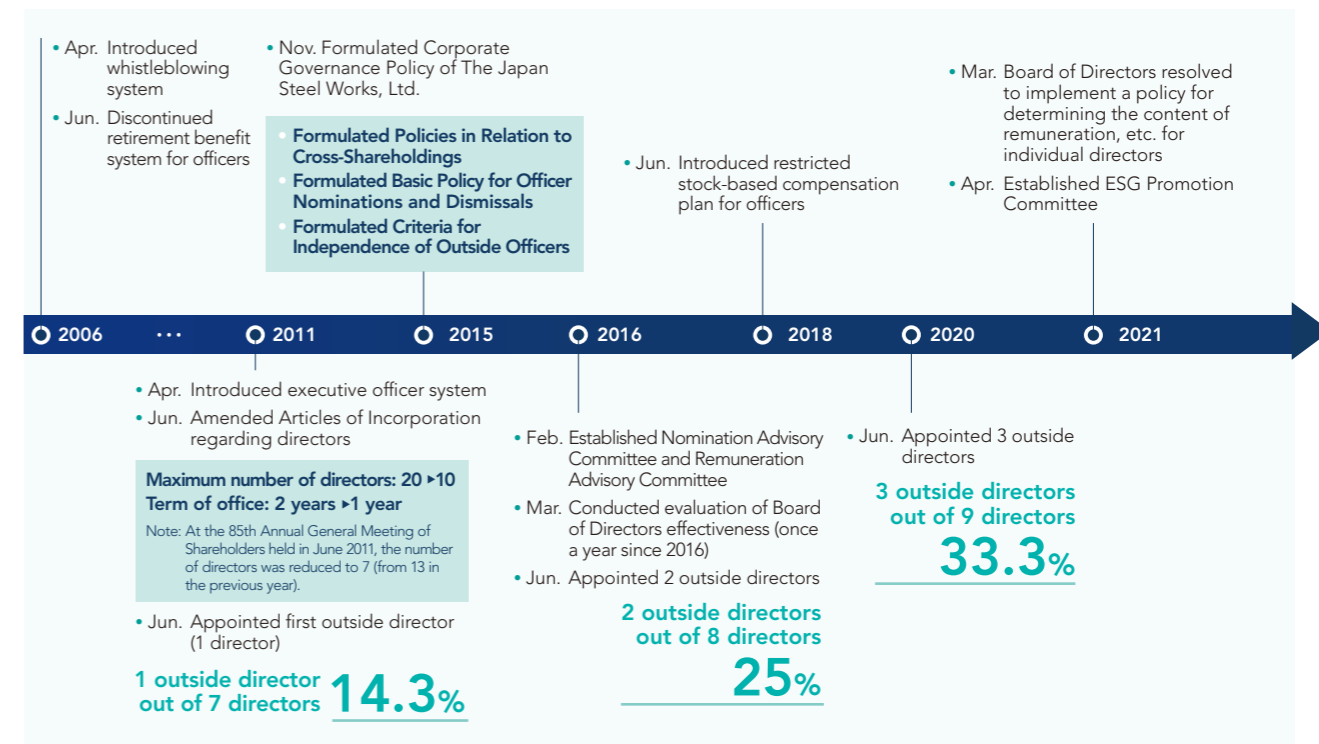
The term of office for directors is set at one year. The Company has also introduced an executive officer system that separates management decision-making and supervisory functions from business execution functions conducted by executive officers, thereby speeding up decision-making, strengthening supervision and improving business execution.

Audit & Supervisory Board members attend important meetings including those of the Board of Directors, the Executive Board and the Management Council. Once every fiscal half in principle they visit plants, sales locations and Group companies, and receive reports on necessary information from each division. They also exchange opinions with directors, executive officers and other keypersons, and based on these exchanges, advise management from an objective and impartial standpoint, while strictly monitoring the execution of duties by directors.

### Corporate Governance Structure



## Building a Stronger Governance System



## Role and Composition of Governance Bodies

		Board of Directors	Executive Board	Remuneration Advisory Committee	Nomination Advisory Committee
Composition	Attendees (with voting rights)	Directors (6 inside, 3 outside)	Inside directors (6) Non-director managing executive officers or above (2)	President (1) Director in charge of Personnel Department and Secretary Office (1) Outside directors (3)	President (1) Director in charge of Personnel Department and Secretary Office (1) Outside directors (3)
	Observers (no voting rights)	Audit & Supervisory Board members (2 inside, 2 outside)	Outside directors (3) Inside Audit & Supervisory Board member (1)	Outside Audit & Supervisory Board member (1)	Outside Audit & Supervisory Board member (1)
	Chairperson	President	President	Outside director	Outside director
Objectives and Areas of Authority		Decides and reports on basic management policies, matters stipulated by laws and regulations, and other important management matters, and monitors the execution of duties by directors and executive officers	Deliberates and decides on important management matters and matters that have a significant impact on the Company's profit and loss Discusses and reports on basic management policies and matters relating to overall management	As an advisory body to the Board of Directors, deliberates on matters relating to the remuneration of directors and executive officers, and reports the results to the Board of Directors	As an advisory body to the Board of Directors, deliberates on matters relating to the nomination of directors, Audit & Supervisory Board members and executive officers, and reports the results to the Board of Directors
	Meetings in FY2020	14	41	2	3

		Management Council	Audit & Supervisory Board
Composition	Attendees	Directors (6 inside, 3 outside) Audit & Supervisory Board members (2 inside, 2 outside) Non-director executive officers (5) Business division directors and business division deputy directors, general plant managers, Head Office division managers	Audit & Supervisory Board members (2 inside, 2 outside)
	Chairperson	President	—
Objectives and Areas of Authority		Coordinates and reports on the following important management matters and shares management information 1. Analysis of business environment, progress of business plans 2. Important matters relating to research and development 3. Matters relating to Group companies 4. Matters that have a significant impact on management including those relating to sales, production, funding, profit and loss 5. Other important management matters	Reports, discusses and makes resolutions on important matters relating to auditing; this does not preclude the exercise of individual Audit & Supervisory Board members' authority
	Meetings in FY2020	10	13



## Skill Matrix

The JSW Group's long-term vision is to be a company with job satisfaction and excitement for employees and growing to a business scale of 300 billion yen. In line with the new medium-term management plan, JGP2025, formulated in May 2021 and covering the five-year period beginning fiscal 2021, we will promote business activities based on the following four basic policies: 1) Towards the unprecedented general manufacturer of plastic processing machinery in the world, 2) Make constant profit in the Material and Engineering Business, 3) Create new core businesses, and 4) Implementation of ESG management.

From this perspective, we believe it is important to ensure that the Board of Directors has the diverse experience and capabilities necessary for promoting JGP2025's four basic policies. To that end, we have prepared a skills matrix as one selection criteria for director and Audit & Supervisory Board member candidates.

	Name	Corporate Management	Finance and Accounting	Sales and Marketing	Manufacturing, Quality Control, Technology and R&D	Environment	Personnel and Human Resource Development	Legal, Compliance and Risk Management	Information Systems and Digital Transformation
Directors	Inside	Naotaka Miyauchi	○	○	○	○			
		Toshio Matsuo	○	○	○	○			
		Junichiro Deguchi			○	○	○	○	
	Outside	Takashi Iwamoto			○	○	○		○
		Hiroki Kikuchi		○				○	
		Shingo Mito			○	○		○	
Audit & Supervisory Board Members	Outside	Sadao Degawa	○		○			○	
		Yoshiyuki Nakanishi	○		○				
		Hisao Mitsui	○			○			
Audit & Supervisory Board Members	Inside	Takashi Shibata		○	○	○			
		Toru Nishiyama		○			○		
	Outside	Fumihiko Tanizawa	○	○					
		Hiroshi Misawa	○	○					

## Reasons for Appointment of Outside Directors

JSW believes that the function and role of outside directors in corporate governance is to strictly supervise the execution of duties by directors and to make management judgments and decision-making from a neutral and objective standpoint with no conflict of interest with the Company, and from an independent standpoint with no risk of conflict of interest with general shareholders. To that end, the Company has appointed three outside directors.

The roles expected of outside directors are stipulated in the Corporate Governance Policy.

▶ Corporate Governance Policy of The Japan Steel Works, Ltd.  
[https://www.jsw.co.jp/en/ir/governance/main/02/teaserItems1/01/linkList/0/link/GovernancePolicy\\_en.pdf](https://www.jsw.co.jp/en/ir/governance/main/02/teaserItems1/01/linkList/0/link/GovernancePolicy_en.pdf)

## Succession Planning for the President and Procedures for Selection and Dismissal

### 1 Formulation and Implementation of Succession Plan for the President

With respect to the formulation and implementation of the succession plan for the president, the Nomination Advisory Committee holds appropriate discussions, considering the qualities of the candidate, such as experience, ability and character, based on the JSW Philosophy and management strategies, and reports to the Board of Directors as necessary.

### 2 Appointment Criteria and Procedures

The appointment of the president is decided by the Board of Directors after receiving a report from the Nomination Advisory Committee based on the succession plan.

### 3 Dismissal Criteria and Procedures

Dismissal of the president is decided by the Board of Directors if circumstances make it difficult for the president to carry out his or her duties.

## Support for Outside Directors and Officer Training

### 1 Support for Outside Directors

For the purpose of deepening their understanding of the JSW Group, outside directors are provided with information on the Group's business, finances, organization and other topics at appropriate times after assuming office. In addition, by participating as observers at weekly Executive Board meetings, outside directors are able to gain an understanding of important management matters within the JSW Group. They also accompany the president to twice yearly report meetings at each plant, where they also meet with plant management. Moreover, outside directors are provided with materials at least three days prior to Board of Directors meetings, and advance explanations are provided by business divisions and Head Office divisions as appropriate.

### 2 Officer Training

The Company invites outside experts to lead study sessions and offers opportunities for participation in external seminars, in order to deepen the understanding of the roles and responsibilities required of directors and Audit & Supervisory Board members.

## Evaluation of Board of Directors' Effectiveness

The Board of Directors continues to enhance its function by conducting an annual questionnaire-based evaluation and analysis. Since fiscal 2018, in order to increase the objectivity of the evaluation and analysis, a third-party organization has been employed to plan the questionnaire and aggregate its results.

The following is a summary of the evaluation and analysis for fiscal 2020.

### 1 Evaluation and Analysis Methodology

- (1) During the period March to April 2021, a questionnaire (anonymous basis) was administered to all directors and Audit & Supervisory Board members, with the planning of questionnaire items and the collection and aggregation of results outsourced to a third-party organization.
- (2) The results of the questionnaire were reported at the Board of Directors meetings held in May and June 2021, and discussions were held on the evaluation and analysis of the effectiveness of the Board of Directors based on the advice of the third-party organization.
- (3) Questionnaire content
  - Composition, operation and discussion of the Board of Directors
  - Support system for directors and Audit & Supervisory Board members
  - Self-evaluation by each director, etc.

### 2 Summary of Results from the Evaluation and Analysis

Based on responses to the questionnaire, it was confirmed that the effectiveness of the Board of Directors as a whole has been generally ensured.

### 3 Points of Improvement since Fiscal 2019

- (1) Ratio of inside to outside directors
- (2) Encouragement by the chairperson regarding participants' input
- (3) Establishment of a system to appropriately provide information necessary for the execution of duties, etc.

### 4 Issues in Fiscal 2020

- (1) Sufficiently discussing management strategies and plans for achieving sustainable growth and enhancing corporate value over the medium to long term
- (2) Addressing ESG issues and reflecting them in management strategies
- (3) Providing the necessary training opportunities for officers.

### 5 Measures to Resolve Issues

- (1) Select themes to be discussed from a medium-to-long-term perspective and schedule their discussion at Board of Directors' meetings
- (2) Enhance and systematize training for officers, etc.

## Officers' Remuneration

### 1 Basic Policy for Directors' Remuneration

The maximum amount of directors' remuneration is decided by resolution of the General Meeting of Shareholders. The basic policy is to set remuneration that provides sound incentives for sustainably enhancing corporate value, at a level corresponding to respective roles and responsibilities, and that ensures fairness and transparency in remuneration-related decision processes.

### 2 Procedures for Determining Directors' Remuneration

The remuneration of directors is determined by the Board of Directors after receiving a report from the Remuneration Advisory Committee. However, the allocation of annual remuneration by position and by individual and the allocation of bonuses by individual may be delegated to the president by resolution of the Board of Directors. In this case, the president makes decisions in accordance with the content of the report.

### 3 Composition of Directors' Remuneration

(1) Directors (excluding outside directors)

Remuneration structure	Annual remuneration		Bonuses		Stock-based remuneration
	Base component	Performance- and results-linked component	Operating income basis component	Dividend basis component	
Cash/Shares	Cash				Shares
Fixed/Variable	Fixed	Variable (short-term)			Variable (medium-to-long-term)
Percentage	60	30			10

(2) Outside directors

Outside directors, who are responsible for supervisory functions, shall be paid only fixed remuneration (base component of annual remuneration) in consideration of their duties.

(3) Performance Indicators for Variable Remuneration (Short-Term), Targets (Base Values) and Results for Fiscal 2020

	Performance indicator	FY2020			
		Evaluation criteria	Result		
Annual remuneration	Performance- and results-linked component	Orders received	Industrial Machinery Products Business	¥147.0 billion	¥145.2 billion
			Material and Engineering Business	¥48.5 billion	¥32.7 billion
		Operating income (loss)	Industrial Machinery Products Business	¥11.5 billion	¥13.9 billion
			Material and Engineering Business	¥1.5 billion	¥1.8 billion
Bonuses	Operating income basis component	Consolidated operating income calculated theoretically from dividend payout ratio		¥17.0 billion	¥10.2 billion
	Dividend basis component	Annual dividend per share		¥50	¥35

#### 4 Basic Policy and Procedure for Determining Remuneration for Audit & Supervisory Board Members

The remuneration of each Audit & Supervisory Board member shall consist only of fixed remuneration (base component of annual remuneration) from the viewpoint of emphasizing independence and objectivity. The remuneration of each Audit & Supervisory Board member shall be determined through discussions by the Audit & Supervisory Board.

## Group Governance

The JSW Group consists of The Japan Steel Works, Ltd. and 45 subsidiaries (32 consolidated, 13 non-consolidated). The Group operates the Industrial Machinery Products Business, Material and Engineering Business, and other businesses in Japan and around the world.

For Group companies, the JSW business division with primary responsibility leads the formulation of management policies and short- and medium-term management plans, and monitors their progress. Furthermore, in order to appropriately address various risks, we have established a system to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, as well as other systems necessary to ensure the appropriateness of operations (internal control systems) on a Group-wide basis.

Specifically, we assign directors or Audit & Supervisory Board members with the responsibility of supervising and auditing the

execution of duties at specific Group companies, in principle, thereby ensuring that the execution of duties by directors, etc. and employees at Group companies complies with laws and regulations and the Articles of Incorporation. In addition, in order to address various risks, including external risks, general management strategy risks, and financial and profit/loss-related risks, the Group has established various internal committees and responsible departments, as well as the necessary risk management system and management methods on a Group basis, to manage risks both comprehensively and individually. Moreover, we have established a Group Compliance Program with the goal of preventing the occurrence of legal or regulatory violations and other incidents. The program establishes and operates the necessary systems and structures, and conducts regular reviews aimed at ongoing improvement.

## Cross-Shareholdings

### 1 Policy on Cross-Shareholdings

The Company holds shares that it judges, through regular confirmation and review, to be necessary for policy purposes, and that contribute to the Company's businesses over the medium to long term in ways such as maintaining and strengthening sound, ongoing relationships with business partners, forming business alliances, and supporting the sound development of investee companies.

### 2 Regular Confirmation and Review of Shareholdings

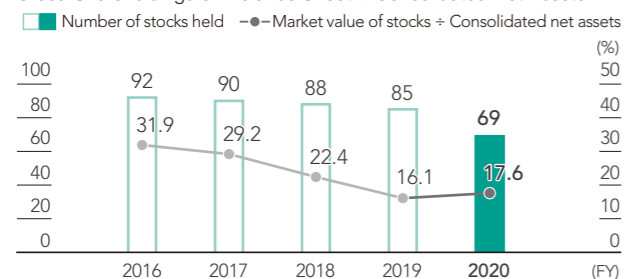
Each year, the Company confirms the purpose of individual cross-shareholdings and current transaction status, etc., and the Board of Directors verifies whether shareholdings are appropriate by comprehensively considering the significance and purpose of the Company's acquisition and holding of the shares, as well as the safety, profitability, economic viability, risks and other factors associated with the shareholdings.

### 3 Policy on Exercise of Voting Rights

The Company makes decisions on the exercise of voting rights based on factors including the business conditions of the investee company and its business relationship with the Company, having confirmed the details of each proposal from the standpoint of increasing the investee company's corporate value over the medium to long term and fulfilling that company's social responsibilities.

## Status of Holdings

Number of Listed and Unlisted Stocks Held; Market Value of Cross-Shareholdings on Balance Sheet ÷ Consolidated Net Assets



When the significance of holding a stock is confirmed to be diminished, the Company reduces or liquidates such stock holdings. In fiscal 2020, the Board of Directors reviewed the appropriateness of continuing to hold various stocks at its meeting on September 24, 2020, and based on the results of the review, the Company sold some of its holdings.

## Message from an Outside Director

I will push for further reforms to strengthen governance to achieve sustainable growth in corporate value.

Sadao Degawa  
Outside Director



I became an outside director of the Company in June 2018. I was appointed to this position with the expectation that I would draw on my experience as both a manager and a technology developer to provide advice, mainly from a technical angle, on the direction of the JSW Group's medium- and long-term business strategy and the supervision of executive functions. Since joining the Board, I have consciously focused on two main points: setting the broad direction of management that will increase corporate value, and fostering awareness of and strengthening systems for the Company's risk management.

The Company's governance is now in a period of change. As well as the change in the composition of the Board of Directors with the addition of another outside director, two notable changes are that discussions on longer-term management policies have increased and executive directors are making statements from a more company-wide viewpoint. A support system is in place for outside directors to help us understand the Company's current circumstances—for example, we have the opportunity to attend the weekly management strategy meetings as observers, and visits to plants are conducted twice a year. Outside directors also regularly exchange opinions.

As a result, agenda items at Board meetings are brought up and discussed to an appropriate degree, and the management supervisory function is sufficiently effective. However, I feel it is necessary to consider rethinking the agenda criteria of Board meetings, given that the Company will transition to a monitoring-focused Board of Directors structure.

### Shifting from "Supporting Society" to "Changing Society"

Up to now, the JSW Group has fulfilled the role of supporting society by providing products and services in fields essential to daily life, such as automobiles, power generation and medical care. As people's lifestyles change, however, the JSW Group needs to shift its role from supporting society to actively changing society.

In that sense, the JSW Group has an abundance of technological assets, including in photonics and crystallization. For example, once 5G becomes the norm, there will be more opportunities for applying the technologies of the Group's photonics business. In the mobility (automotive) category, the transition to all-electric vehicles will increase the importance of power semiconductors, and I have high expectations that this is where the Group's research and development of gallium nitride will yield results. The Group has the very earnest and talented human resources necessary to let its technologies blossom. I firmly believe that by contributing to global development with

monozukuri and value creation based on the spirit of *yom-po-yoshi*, these technologies and human resources can also secure sustainable growth for the JSW Group.

### Talent Development and Promotion and Remuneration Systems Focused on the Medium and Long Term

I also serve as the chair of the Nomination Advisory Committee, and I strongly feel the importance of cultivating people to which the Company can entrust its future from a medium-to-long-term management perspective. Assuming a presidential tenure of about six years, I think it is necessary to consider broadening the targets of presidential succession planning beyond current officers to also include general managers. Therefore, I have advised that the Personnel Department should think about linking training for managers with the executive candidate training program. As a member of the Nomination Advisory Committee, I want to use opportunities such as management strategy meetings and plant visits to actively communicate with future executive candidates.

Another issue I am aware of as a member of the Nomination Advisory Committee is diversity. In addition to gender, employee diversity also encompasses people with different values. I believe the Company's Board of Directors is becoming more diverse, but the times and the social environment are set to change at a very rapid pace. Considering the significant time required to develop human resources, the JSW Group needs to seriously consider hiring people from outside to secure diversity.








Next, the remuneration system of the Company's directors has the same structural weighting for all officers, but as chair of the Remuneration Advisory Committee, I think that for the president at least, the proportion of performance-based compensation could be higher. I also think the Company needs to study and discuss the introduction of stock compensation linked to medium- and long-term corporate value and a sustainability-linked compensation system.

By leveraging its strengths in technology, prescience and innovation to help change society, the JSW Group can move toward the sustainability of the Group and society. To that end, bold managerial decisions will be necessary; I want to provide support as an outside director to make such decisions possible. Moreover, proper execution of the oversight function of the Board of Directors is a prerequisite for taking on an appropriate amount of risk. I hope to meet my obligations to shareholders, investors and all other stakeholders through measures to enhance the effectiveness of the Board of Directors, as well as through my role on the two advisory committees.



# Management Team (As of June 30, 2021)

**NAC** Nomination Advisory Committee  
**RAC** Remuneration Advisory Committee

## Directors

Name	<b>NAC</b>	<b>RAC</b>	Title	Date of appointment to the Board	Number of shares of the Company held	Attendance record	Career
 <b>Naotaka Miyuchi</b>	<b>NAC</b>	<b>RAC</b>	Representative Director & President	Jun. 2016	23,853	14/14 (100%)	Apr. 1981 Joined the Company Apr. 2011 Deputy General Plant Manager, Hiroshima Plant Apr. 2013 Executive Officer; General Plant Manager, Hiroshima Plant Apr. 2015 Managing Executive Officer; Deputy Director of Machinery Business Division (Machinery Business Unit Head) Apr. 2016 In charge of Ordnance Business Headquarters; Director of Machinery Business Division Jun. 2016 Director & Managing Executive Officer Apr. 2017 Representative Director & President (current position)
 <b>Toshio Matsuo</b>			Representative Director & Executive Vice President	Jun. 2017	14,313	14/14 (100%)	Apr. 1984 Joined the Company Apr. 2013 Deputy General Plant Manager, Hiroshima Plant Apr. 2015 General Plant Manager, Hiroshima Plant Apr. 2016 Executive Officer Apr. 2017 Managing Executive Officer; Director of Injection Molding Machinery Business Division; In charge of Hiroshima Plant Jun. 2017 Director & Managing Executive Officer Apr. 2020 Representative Director & Executive Vice President (current position); In charge of Export Control Administration (current position); In charge of Plastics Machinery Business Division, Injection Molding Machinery Business Division (current position); In charge of Meiki Plant (current position) Apr. 2021 In charge of Ordnance Business Headquarters (current position); In charge of Business Development Office (current position); In charge of Hiroshima Plant and Yokohama Plant (current position)
 <b>Junichiro Deguchi</b>	<b>NAC</b>	<b>RAC</b>	Director & Managing Executive Officer	Jun. 2018	13,072	14/14 (100%)	Apr. 1981 Joined the Company Apr. 2013 Deputy General Plant Manager, Muroran Plant Apr. 2015 Executive Officer; Deputy Director of Steel Business Division Oct. 2017 General Manager, Personnel Department Apr. 2018 In charge of CSR & Risk Management Administration (current position); In charge of Health & Safety Management and Environmental Management (current position); In charge of Secretary Office and General Affairs Department Jun. 2018 Director & Executive Officer Jul. 2018 In charge of General Affairs Department (current position); General Manager, Secretary Office (current position) Apr. 2019 Director & Managing Executive Officer (current position) Apr. 2020 Chief Information Security Officer; In charge of Office of Information Technology; In charge of Personnel Department (current position) Apr. 2021 In charge of Promoting ESG (current position)
 <b>Takashi Iwamoto</b>			Director & Managing Executive Officer	Jun. 2018	10,123	14/14 (100%)	Apr. 1983 Joined the Company Apr. 2013 Deputy General Plant Manager, Muroran Plant Apr. 2016 Executive Officer; General Plant Manager, Muroran Plant Oct. 2017 Director of Steel Business Division Jun. 2018 Director & Executive Officer Apr. 2020 Director & Managing Executive Officer (current position); Representative Director & President, Japan Steel Works M&E, Inc. Apr. 2021 Chief Information Security Officer (current position); In charge of Promoting Digitalization (current position); In charge of Material and Engineering Business (current position); In charge of Office of Information Technology and Intellectual Property Department (current position)
 <b>Hiroki Kikuchi</b>			Director & Managing Executive Officer	Jun. 2020	7,184	11/11 (100%)	Apr. 1985 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation) Apr. 2012 General Manager, Nihonbashi-higashi Corporate Business Office, Sumitomo Mitsui Banking Corporation Apr. 2015 Joined the Company Jul. 2015 General Manager, General Affairs Department Apr. 2016 General Manager, Secretary Office Apr. 2018 Executive Officer Jul. 2018 General Manager, Corporate Planning Office (current position) Apr. 2020 Chief Financial Officer (current position), In charge of Finance & Accounting Department (current position); General Manager, Business Development Office Jun. 2020 Director & Executive Officer Apr. 2021 Director & Managing Executive Officer (current position)
 <b>Shingo Mito</b>			Director & Executive Officer	Jun. 2021	11,228	—	Apr. 1984 Joined the Company Jul. 2006 General Manager, Personnel Department Jul. 2011 Deputy General Plant Manager, Hiroshima Plant Apr. 2014 Deputy Director of Machinery Business Division Apr. 2016 Deputy Director of Research and Development Headquarters Apr. 2017 Executive Officer Oct. 2017 Deputy Director of New Business Promotion Headquarters Apr. 2021 Director of New Business Promotion Headquarters (current position) Jun. 2021 Director & Executive Officer (current position)
 <b>Sadao Degawa</b>	<b>NAC</b>	<b>RAC</b>	Director	Jun. 2018	3,194	14/14 (100%)	Apr. 1977 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation) Jun. 2009 Director and Executive Officer, IHI Corporation Apr. 2011 Director and Managing Executive Officer, IHI Corporation Apr. 2012 Executive Vice President, IHI Corporation Oct. 2015 Executive Vice President and Senior Executive Officer, IHI Corporation (–Mar. 2016) Apr. 2016 Director, IHI Corporation (–Jun. 2016) Jun. 2016 Advisor, IHI Corporation (–Jun. 2020) Outside Director, Nishishiba Electric Co., Ltd. (–Mar. 2020) Jun. 2018 Director, the Company (current position)

## Directors

 <b>Yoshiyuki Nakanishi</b>	<b>NAC</b>	<b>RAC</b>	Director	Jun. 2020	0	11/11 (100%)	Apr. 1978 Joined Dainippon Ink and Chemicals, Incorporated (currently DIC Corporation) Apr. 2010 Executive Officer, DIC Corporation Jun. 2011 Director and Executive Officer, DIC Corporation Apr. 2012 Representative Director, President and CEO, DIC Corporation (–Dec. 2017) Jan. 2018 Chairman of the Board of Directors, DIC Corporation (–Jan. 2021) Jun. 2020 Director, the Company (current position) Outside Director, IHI Corporation (current position) Jan. 2021 Director, DIC Corporation (–Mar. 2021) Mar. 2021 Executive Advisor, DIC Corporation (current position) Jun. 2021 Outside Director, Shimadzu Corporation (current position)
 <b>Hisao Mitsui</b>	<b>NAC</b>	<b>RAC</b>	Director	Jun. 2020	67	11/11 (100%)	Apr. 1978 Joined Kao Soap Co., Ltd. (currently Kao Corporation) Jun. 2006 Executive Officer, Kao Corporation Jun. 2010 Director and Executive Officer, Kao Corporation Jun. 2012 Director and Managing Executive Officer, Kao Corporation (–Mar. 2014) Apr. 2015 Auditor, National Institute of Technology and Evaluation (–Jun. 2019) Jun. 2020 Director, the Company (current position) Outside Auditor, LiveDo Corporation (current position)

## Audit & Supervisory Board Members

 <b>Takashi Shibata</b>			Audit & Supervisory Board Member (Full-Time)	Jun. 2021	13,421	—	Apr. 1984 Joined the Company Apr. 2011 Deputy General Plant Manager, Muroran Plant Apr. 2013 Executive Officer; General Plant Manager, Muroran Plant Apr. 2015 Managing Executive Officer Apr. 2016 In charge of Wind Power Business Office; Director of Steel Business Division Jun. 2016 Director & Managing Executive Officer Oct. 2017 Director of New Business Promotion Headquarters Apr. 2018 In charge of Technology and Quality Apr. 2021 Director Jun. 2021 Audit & Supervisory Board Member (Full-Time) (current position)
 <b>Toru Nishiyama</b>			Audit & Supervisory Board Member (Full-Time)	Jun. 2019	7,045	13/13 (100%)	Apr. 1982 Joined the Company Sep. 2011 Deputy General Manager, Corporate Planning Office Apr. 2015 Deputy General Plant Manager, Muroran Plant Apr. 2017 Executive Officer Oct. 2017 Deputy General Manager, Technological Strategy Office Apr. 2018 General Manager, Internal Auditors Office Jun. 2019 Audit & Supervisory Board Member (Full-Time) (current position)
 <b>Fumihiko Tanizawa</b>	<b>NAC</b>		Audit & Supervisory Board Member	Jun. 2019	0	13/13 (100%)	Apr. 1976 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation) Jun. 2003 Executive Officer, Sumitomo Mitsui Banking Corporation Oct. 2006 Managing Executive Officer, Sumitomo Mitsui Banking Corporation (–Mar. 2009) Apr. 2009 Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc. (–Jun. 2010) Jun. 2009 Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (–Jun. 2010) Jun. 2010 Representative Director, Executive Officer and Executive Deputy President, SMBC Friend Securities Co. Ltd (currently SMBC Nikko Securities Inc.) (–Mar. 2012) Dec. 2012 Representative Director, President and Executive Officer, Horai Co., Ltd. (–Dec. 2019) Jun. 2015 Outside Audit & Supervisory Board Member, Sotetsu Holdings, Inc. (–Jun. 2019) Jun. 2019 Audit & Supervisory Board Member, the Company (current position)

## Executive Officers

 <b>Toyohiko Kagawa</b>			Managing Executive Officer				
 <b>Shigeki Inoue</b>			Managing Executive Officer				
 <b>Yoshitaka Sato</b>			Executive Officer				
 <b>Seiji Umamoto</b>			Executive Officer				
 <b>Shoji Nunoshita</b>			Executive Officer				
 <b>Takeshi Shinmoto</b>			Executive Officer				

Note: Attendance record is for fiscal 2020 and indicates attendance at Board of Directors' meetings in the case of directors, and attendance at Audit & Supervisory Board meetings in the case of Audit & Supervisory Board members.

# Risk Management

## Basic Approach

The Company and its Group companies have an important responsibility to minimize risks affecting the Group, ensure the ongoing development of the Group, and thoroughly fulfill their social responsibilities by appropriately and effectively managing various risks.

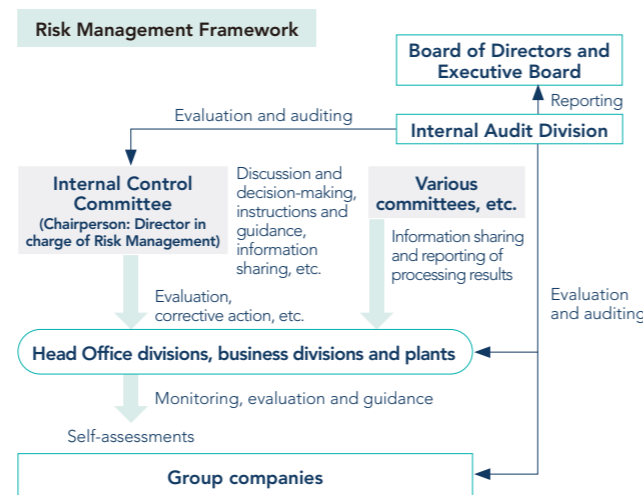
## Framework

At the JSW Group, risk management of the Company and its Group companies is overseen by the director in charge of risk management, who manages and operates risk in unison with internal control activities. The Internal Control Committee shares information on potential and emerging key issues, including the identification and evaluation of risks, and when necessary, discusses risk responses and specific initiatives, and gives instructions and guidance to relevant departments as appropriate. With regard to risks relating to specific functions, such as health and safety, environmental management, and export control administration, the relevant departments form committees or establish rules from a Group-wide perspective to ensure appropriate operations.

The management status of risks is monitored by the Internal Audit Division and reported to the Board of Directors or the Executive Board.

In the event of a major accident, disaster or materialization of any other risk that could cause serious damage to the JSW Group, the Crisis Management Headquarters, led by the director

in charge of risk management, will be promptly established to conduct a response. In fiscal 2020, in response to the spread of COVID-19 pandemic, we mobilized the Crisis Management Headquarters to monitor employee health, establish a telecommuting system and address outbreaks of infection.



# Compliance

The JSW Group has established the Corporate Code of Conduct and engages in business activities in compliance with ethics, laws and regulations, and international rules in both letter and spirit, and with the understanding that compliance is an important element in building relationships of trust with society.

In addition, the Board of Directors has decided on the Basic Policy on Internal Control and is developing internal control systems. Recognizing the importance of the proper operation of these systems, the Internal Control Committee regularly reports on matters relating to internal control and its progress.

On a regular or as-needed basis, the Internal Auditors Office audits the overall operations of JSW to ensure compliance with laws and regulations and internal rules, and reports the results to the president, as well as to the Board of Directors, the Executive Board, the Management Council, and other relevant parties, including Audit & Supervisory Board members. In fiscal 2020, there were no violations of relevant laws and regulations\* that resulted in fines or penalties.

\* Relevant laws and regulations: Laws and regulations regarding the environment, Industrial Safety and Health Act, Financial Instruments and Exchange Act, laws and regulations regarding export control administration, laws and regulations regarding competition, laws and regulations regarding bribery, and Whistleblower Protection Act

# Whistleblowing System

The JSW Group has formulated whistleblowing rules for the purpose of strengthening and promoting compliance management, and has established a system for the proper handling of reports and consultations from employees and others regarding potential organizational or individual violations of laws and regulations that may have been committed by employees or others associated with JSW or Group companies. In this way, the JSW Group is able to promptly detect potential violations of laws and regulations and take corrective action, thereby minimizing risk and damage to the Group in the event of such a violation.

In accordance with these rules, we have established internal and external whistleblowing hotlines. Furthermore, we display a manual on workplace bulletin boards and have distributed a pocket version of the manual that employees and others can refer to at any time.

Anonymous reports and consultations are accepted and disadvantageous treatment of persons who make reports or seek consultation is prohibited. In the event of disadvantageous treatment, the Company will respond with appropriate measures, including disciplinary action.

The Whistleblowing Committee, chaired by the director in charge of risk management, investigates reported cases, and if a problem is identified, the committee will take appropriate action and implement corrective measures. In principle, the Board of Directors confirms the proper operation of the whistleblowing system twice a year based on reports from the committee.

The number of reports made was 8 in fiscal 2019 and 14 in fiscal 2020, most of which were related to possible harassment. Reports were investigated by the committee and appropriately addressed.

# Information Security

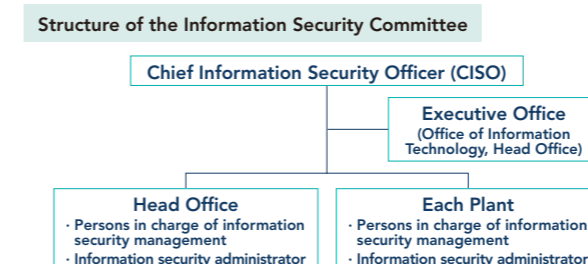
## Basic Approach

The development of information processing technology and the spread of networks has increased the importance of information and information systems in improving the efficiency of office work and production technology, and speeding up decision-making. At the same time, the threat of information leaks, falsification and destruction due to cyberattacks has grown, and the risks associated with the possession of information have increased. In this environment, in order to continue to maintain the satisfaction and trust of customers and to thoroughly fulfill our role, we recognize that it is an important management issue to accurately understand information-associated risks and protect the information assets entrusted to us by customers as well as the information necessary for doing business.

## Framework

The Chief Information Security Officer (CISO), appointed by resolution of the Board of Directors, oversees information security measures at JSW. Persons in charge of information security management and information security administrators at the Head Office and each plant manage and promote the proper operation of information security measures.

In addition, the Information Security Committee, chaired by the CISO, meets as necessary (three times in fiscal 2020) to review the appropriateness of information security measures based on the status of information security incidents and accidents, internal and external threats, the business environment, and the opinions and requests of employees and others.



## Training

We conduct information security training (e-learning) for JSW officers and employees to improve their security awareness.

## Participation Rate in Information Security Training (E-Learning)

	FY2018	FY2019	FY2020
Participation rate	97.0%	100.0%	99.3%

## Evaluation by Third-Party Organizations

### Assessments in Fiscal 2020

Assessment*	Results of evaluation
Information security risk assessment	Overall rating: B (10-step scale; A-J [lowest risk-highest risk])
Information leakage communications assessment	Information leakage communications assessment overall rating: A (no communications corresponding to information leakage)

\* Assessments consist of intrusion inspections and vulnerability assessments of company network systems, based on information security benchmarks and carried out by security vendors with information security management system (ISO/IEC 27001) certification.

### Promotion of Compliance Training

The Company is implementing the following measures to maintain and enhance awareness of compliance.

- Study sessions with experts (lawyers and other professionals) for directors (In fiscal 2020, cancelled due to COVID-19)
- Conducted by JSW's legal department, regular training sessions at plants, sales locations (branches and sales offices), and domestic JSW Group companies (In fiscal 2020, training held only at the Hiroshima Plant due to COVID-19)
- Conducted by JSW's legal department, training sessions for Head Office business divisions (as needed) (In fiscal 2020, training on themes relating to sales contracts were conducted at the Plastics Machinery Business Division)
- Conducted e-learning for officers and employees of JSW and Group companies to enhance awareness of compliance and ensure thorough risk management (In fiscal 2020, held once with a 97% participation rate)