

Response to Inappropriate Conduct in Quality Inspections

Background behind the Series of Instances of Inappropriate Conduct

Having received a report from an internal whistleblower in late February 2022, about quality inspections by Japan Steel Works M&E, Inc. (hereinafter "M&E"), JSW Group conducted an unannounced internal inspection of M&E. In late March of the same year, we confirmed that M&E had committed inappropriate conduct in the inspection of some products they had manufactured.

In response, after making a public announcement about the matter on May 9, a special investigation committee consisting of outside attorneys was established to conduct an investigation. On November 14, 2022, we received the results of that investigation and made an announcement about the initiatives we would be implementing.

Results of the Special Investigation Committee's Investigation and the Inappropriate Conduct Determined

From among the facilities investigated (at M&E, Hiroshima Plant, Yokohama Plant, and Meiki Plant), inappropriate conduct was confirmed for products manufactured and shipped by M&E. No inappropriate conduct was confirmed at the Hiroshima Plant, Yokohama Plant, or Meiki Plant.

The inappropriate conduct confirmed at M&E was independently investigated and confirmed by the Special Investigation Committee. As a result of this investigation, inappropriate conduct was confirmed in the following product groups: power products, nuclear energy products, cast steel products, forged steel products, steel Plate & Pipe products, and ordnance products. A summary of the confirmed inappropriate conduct for each product group is shown in the table below. (Additional comments below the table are supplemented by the Company.)

Regarding the affected products, we are reporting to and discussing with our customers sequentially.

The occurrence of problems in the product quality or performance owing to the inappropriate conduct has not been confirmed.

We take the facts and recommendations of the Special Investigation Committee with the utmost seriousness, and we will make company-wide and group-wide efforts to reform our systems and culture to prevent any recurrence, which will enable us to regain the trust of all stakeholders.

Product groups	Products	Type of inappropriate conduct	Number of cases and times of occurrence
Power products	Rotors, ring materials	Falsification, fabrication, or misstatement of inspection results and analysis values	341 cases (1998-2021)
Nuclear energy products ¹	Disc materials, head materials	Falsification of dimensional records, falsification or fabrication of test results, false statements in inspections	20 cases (2013-2021)
Cast steel products	Valve casing materials, steam turbine casing materials	Falsification of inspection results, test results, and analysis values	12 cases (2007-2022)
Forged steel products	Rolls, forged steel pipes	Falsification or fabrication of inspection results, test results, and analysis values	68 cases (2003-2020)
Steel Plate & Pipe products	Stainless clad steel plate	Falsification of inspection results and analysis values	2 cases (2017, 2020)
Ordnance products ²	Forged steel materials	Falsification of test results and analysis values	6 cases (2020)

1. Most of the cases were emergency measures that were triggered by sudden events that occurred in the manufacturing process, a finding that was confirmed in the investigation report by the Special Investigation Committee. There were circumstances that would not have otherwise been a problem if they had been reported to or discussed with customers, but they were covered up without reporting to or discussing about with customers, which constitutes a deviation from the procedural specifications sought by customers.

2. There was no deviation from the specifications agreed on with final customers, but instead from the internal control values of M&E, whose customer is our Company (Hiroshima Plant).

Analysis of the Causes

► 1 Inadequate organizational management system that made it difficult for a system of checks and balances to function

Authority was concentrated in the product division, which was in charge of planning and directing each process from specification coordination with customers to manufacturing and quality confirmation of products. In addition, due to the very nature of materials manufacturing, which involves only a limited number of divisions in the manufacturing process and is subject to direct or indirect involvement and guidance by the product division, it is difficult for a system of checks and balances to function between processes. This contrasts to the situation at other manufacturing plants engaged in machine manufacturing, where the series of manufacturing processes, such as design, machining, and assembly, are based on a division of labor, with process control by a production control division and at least a semblance of check-and-balance functions in place among the processes.

► 2 Lack of awareness of the importance of quality compliance

There had been a tendency toward downplaying the process of quality assurance due to there being more importance placed on the final quality of products and inadequate awareness of the fact that quality is created through the cumulative practice of adhering to each and every specification and inspection requirement in the manufacturing process that has been agreed on with the customer. In addition, it was observed that some individuals mistakenly believed that certain specification violations were acceptable as long as no quality problems were encountered while practicing individual standards. There was also a tendency to try to solve problems by independently changing the definitions and interpretations of regulations and specifications.

► 3 Overconfidence in experience and track record, and pressure to respond to customer requests and dialogue

M&E is seen as maintaining a strong commitment to perfection in terms of quality and on-time delivery. Against this background, M&E ended up engaging in inappropriate conduct due to the justification at the individual and organizational levels of taking measures without sufficient communication with customers in the event of the occurrence of quality problems.

► 4 Paper-based and manual inspection work processes and a chronic shortage of personnel

Paper-based management and manual record keeping create an environment in which there are occurrences such as the rewriting of inspection results. In addition, the considerable volume of cumbersome manual work increased the workload and put a strain on human resources, especially in responding to unexpected events, thereby triggering the omission of necessary operations in the name of efficiency.

Measures to Prevent Recurrence

Based on the analysis of the causes, and taking into consideration the recommendations from the Special Investigation Committee, the Company has formulated the following measures to prevent recurrence of this inappropriate conduct. Having granted approval of the overall approach, the Board of Directors will regularly monitor the progress and effectiveness of these measures.

Measures to Prevent Recurrence in the Company

1 Establishment of a company-wide quality assurance system (new establishment of a Quality Management Office)

► For details, please refer to p. 32.

2 Strengthen and raise awareness of the need for quality compliance

- Proper communication from top management
Top management indicating the serious commitment to quality compliance will be an activity for raising awareness among the employees who work under them. In addition, the president will hold lunch meetings with employees on a regular basis to promote dialogue and transition to a more open workplace culture.
- Establishment of a Quality Compliance Month
In order to sustain an awareness of the importance of the lessons learned from the inappropriate conduct, May of each year will be observed as Quality Compliance Month, which will entail activities such as education and training sessions pertaining to quality compliance, as well as proper communication from top management.

3 Strengthen governance and internal controls

- Strengthen internal audit functions
Strengthening the internal audit functions of the head office Internal Auditor Office, internal control will be established in the quality management process, including quality inspections by the Quality Management Office, and the status of operations will be audited as needed.
- Strengthen the internal whistleblowing system
Further awareness of the whistleblowing system will be promoted and the system will undergo further strengthening, including the establishment of a new leniency system (punishment reduction) for internal voluntary reports.
- Review the structure of the Board of Directors
The functions of the Board of Directors will be oriented toward monitoring. Regarding the composition of the Board of Directors, we will move forward in ensuring diversity through means such as considering a reduction in the number of internal executive directors and an increase in the percentage of outside directors.

Measures to Prevent Recurrence at M&E ► For details, please refer to p. 33.

1 Strengthen the independence of quality assurance functions by deconcentrating authority in the product division

2 Reform the workplace culture

3 Strengthen education pertaining to quality control

4 Digitalization of inspection operations

5 Appropriate allocation of management resources to quality control

6 Upgrade communication with customers

7 Revision of standards for the storage of quality-related documents and data

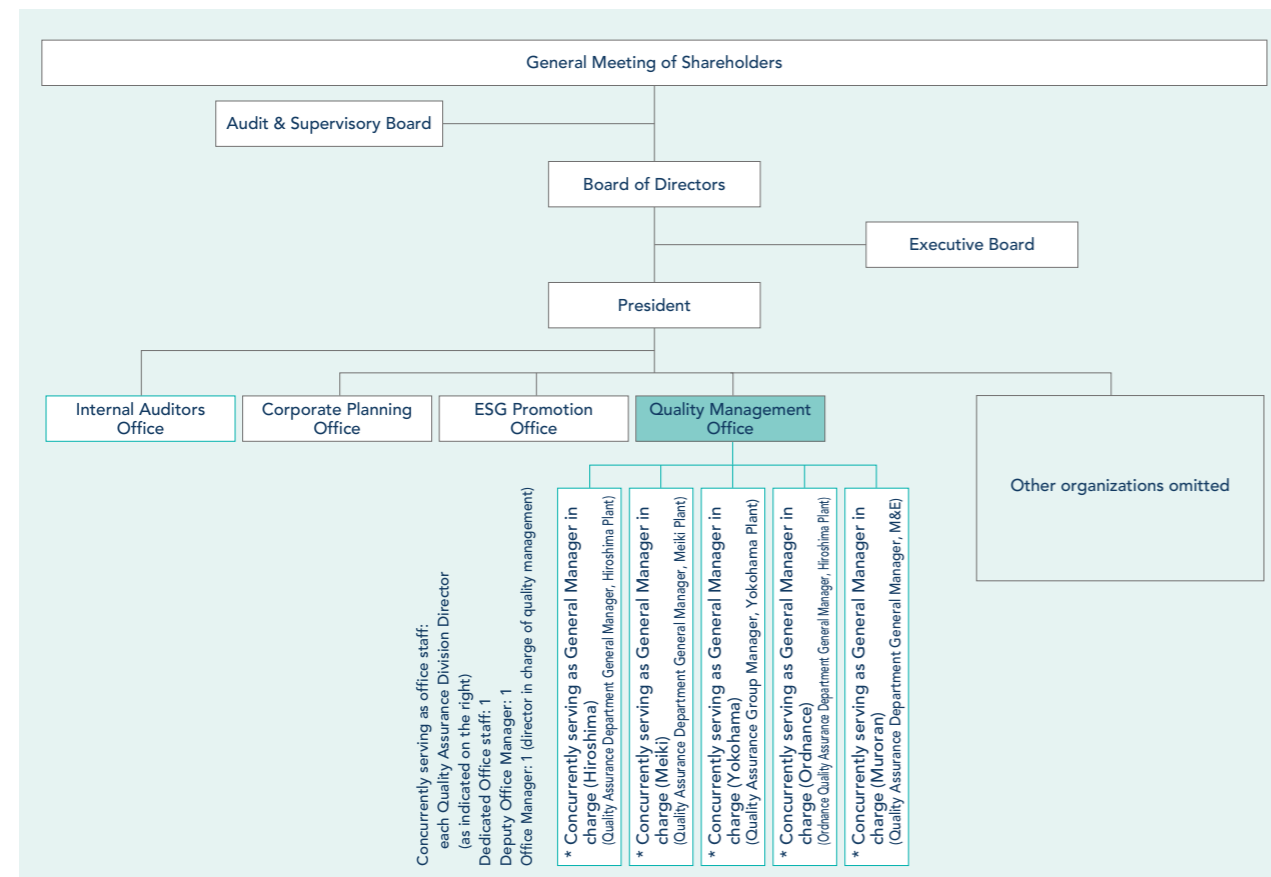
Details of the Main Recurrence Prevention Measures

Measures to Prevent Recurrence in the Company

Establishment of a company-wide quality assurance system

In order to strengthen the corporate monitoring and supervision of the self-contained quality assurance management system in each division and plant, we established the Quality Management Office on September 16, 2022. This office is headed by the director in charge of quality management to oversee the quality assurance functions in each division and plant. The Quality Management Office is responsible for the following operations

- 1 Establishment of company-wide quality policy and basic quality action guidelines (figure on right)
- 2 Guidance on consistency with the Company's management strategy pertaining to the quality activity policies at each business and plant (including M&E)
- 3 Supervision and assessment of quality assurance activities at each division and plant (including independent audits)
- 4 Guidance and recommendations for operation improvement based on the related assessments
- 5 Implementation of company-wide education and training related to quality assurance activities
- 6 Company-wide horizontal deployment of information that should be shared: information on useful quality improvement activities and problems at each division/plant
- 7 Supervision of response to serious product accidents and quality irregularities at the time of occurrence
- 8 Reports to management on important quality assurance activities of the entire company or each division/plant



Measures to Prevent Recurrence at M&E

Strengthening the independence of quality assurance functions by deconcentrating the authority of the product division

In order to prevent interference with quality control operations by the product division, which is responsible for delivery dates and costs, quality assurance functions will be integrated into the Quality Control Department, which will report directly to the president of M&E. This reorganization has been implemented as of June 1, 2022. In addition, by incorporating Quality Assurance Division Directors into the parent company's Quality Management Office for concurrent duty, there will be a system in place for ensuring personnel control. Moreover, the Quality Control Department now receives quality audits from the Quality Management Office. These changes will strengthen the monitoring and supervision functions of the parent company.

For nuclear products, we will strengthen monitoring and supervision by third parties through means such as accepting witness inspections by external inspection organizations. Though we already have witness inspection by external inspection organizations for some matters, we will consider expanding this practice in the future as based on consultations with our customers.

In addition, functions related to delivery and cost management will be separated from the product division and reorganized, and a system will be established to appropriately verify and manage the personnel and facility capabilities of the plant of M&E.

Renewal of workplace culture

The report of the Special Investigation Committee suggests that the corporate culture within the Company is not conducive to bringing attention to internal problems. We will work to create an open workplace culture where individuals can point out mistakes without fear, where such feedback is accepted, and where opinions can be freely expressed.

To this end, we will move forward with activities that raise awareness for fostering a culture of quality and safety, including senior management sending the right kind of messages and glean feedback from employees through regular round-table talks, as well as through actions such as holding regular workshops and study sessions on quality and compliance, along with the posting of posters.

Also, since divisions where human resources remain unchanged are susceptible to the onset of peer pressure, we will also promote personnel rotation across divisional boundaries in parallel with the review of business processes. The effectiveness of these actions will be verified through means such as internal attitude surveys.



Digitization of inspection work

We will construct a digitalized inspection work system to prevent the kind of errors and omissions in inspection data that could be due to intentional or negligent errors in the process of preparing inspection reports.

The Office of Digital Transformation (established on July 1, 2022) is taking the lead in the digitization of inspection operations at plants, including those of M&E, with M&E aiming to begin partial operation during the second half of fiscal 2023.

Appropriate investment of management resources in quality control

Given that the lack of personnel and equipment necessary for quality control, including inspections, was a factor in the occurrence of inappropriate conduct, we will increase the number of personnel needed, invest in education to train inspectors, and invest in the necessary equipment and measuring instruments, including digitization.

Sustainability Management

Message from the Director in Charge of Promoting ESG

Having established JSW Group corporate Philosophy, starting with Purpose, Materiality was identified as themes that should be prioritized in order to realize our Purpose. By clarifying these, we were able to reaffirm the challenges that need to be undertaken to realize the future and mission we would like to realize, as well as the very purpose of the Group's existence.

In parallel, in June 2022, we announced our endorsement of the TCFD and then in September 2022 established a Human Rights Policy and expanded our Basic Procurement Policy. Companies are increasingly expected to manage their operations in an ever more sustainable manner, and our Group is indeed one that is progressively organizing and building a framework for sustainable management. Based on this framework, we aim to further enhance our corporate value by fulfilling the host of social responsibilities that are sought in companies and contributing to the resolution of social issues through the provision of reliable products, technologies and services that place importance on quality.



Junichiro Deguchi

Representative Director & Executive Vice President
 In charge of Export Control Administration; In charge of Personnel Department; In charge of CSR & Risk Management; In charge of Promoting ESG; In charge of Health & Safety Management and Environmental Management; In charge of General Affairs Department; In charge of Material and Engineering Products Business

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Sustainability Policies

The Japan Steel Works has continued to consistently resolve social problems by innovating materials for more than a century since our founding in 1907, first in steel, then in the development of plastic that began after the Second World War and more recently in crystals such as gallium nitride (GaN). With the belief that this is the very purpose for the existence of the Group, we set forth as our Purpose Material Revolution™, making the world sustainable and prosperous. Furthermore, we identified as Materiality six themes that should be prioritized in order to realize our Purpose. With these as the basis for decisions made and actions taken in the Group's business activities, the Group will coalesce as one to consider which industrial machinery and new materials to provide for which social issues, and then work towards realizing them to create social value.

In addition, as stated in our vision, we believe that the Group's corporate value will be enhanced by benefiting all stakeholders by developing and implementing industrial machinery and new materials that solve social issues.

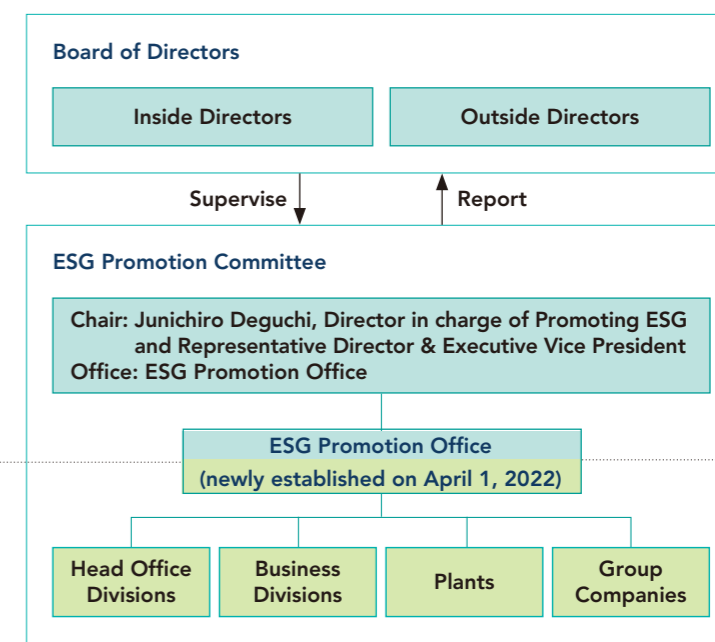
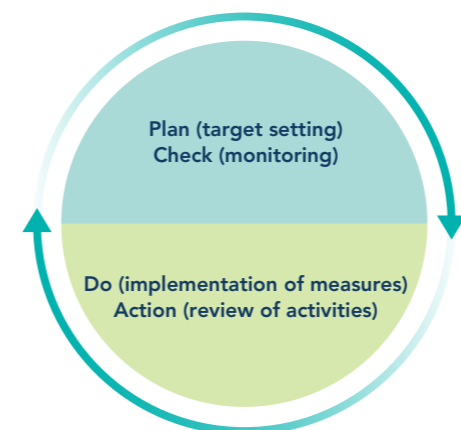
The simultaneous realization of this creation of social value and the sustainable enhancement of corporate value typify the concept of sustainability to JSW Group.

In taking specific actions in our quest to realize sustainability for JSW Group, we will continue to hold ourselves to high ethical standards in accordance with the Group Standards of Business Conduct.

Governance and Promotion System for Sustainability

Sustainability promotion activities are carried out by the ESG Promotion Committee, which was established in April 2021 and chaired by the Director in charge of Promoting ESG. In addition to considering strategies related to climate change, the committee also discusses all manner of ESG-related issues. The Board of Directors exercises appropriate oversight on the basis of input such as reports on the ESG Promotion Committee's activities.

In April 2022, the Company established the ESG Promotion Office as an organization dedicated to promoting ESG activities on a company-wide basis. The ESG Promotion Committee plays a central role in the Group's climate change response and ESG-related activities, which are promoted through the ESG Promotion Office in cooperation with head office divisions, business divisions, plants and Group companies.





Response to Climate Change

Support for and Information Disclosure in Line with the TCFD Recommendations

While climate change has a great impact on the global environment, society, and economy, it is a long-term and highly uncertain problem. We, Japan Steel Works Ltd., considers a climate change as one of the important management issues, and in June 2022, we have expressed our endorsement for TCFD (Task Force on Climate-related Financial Disclosures).

JSW Group analyzes and examines the impact of climate change as risks and profit opportunities on its business activities and is working for our disclosure of information in accordance with TCFD Disclosure Framework.

See website for detailed report.

Climate change response: <https://www.jsw.co.jp/en/sustainability/environment/climatechange.html>



* TCFD: Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB).

Governance

The Board of Directors recognizes that it is one of the important subjects to respond to climate change issues and supervises the Group's efforts to address climate change issues in terms of both risks and opportunities. Specifically, when the Board of Directors deliberates on management strategies and plans, its decisions are made based on risks and opportunities related to climate change issues as necessary. For more information, see the pages on Sustainability Management (p. 34-35).

Strategy

We conducted a scenario analysis to evaluate how the risks and opportunities of climate change affect our business strategy and to consider countermeasures. The assumptions used for this scenario analysis are as follows. The target of the analysis is covering all businesses based on consolidated financial statements, and the analysis time axis is fiscal 2030. As for the based scenarios, IEA's SDS scenario (Sustainable Development Scenario) and IPCC's RCP 2.6, etc., are used as "below 2°C scenario," and STEP scenario (Stated Policies Scenario) and IPCC's RCP 8.5 etc. are used as "4°C scenario."

As a scenario analysis process, we first identified the risks and opportunities that climate change would bring, and extracted items that are expected to have a relatively large impact on operating income from among various items. Next, we collected objective external data necessary for estimating the impact of these items, and estimated the impact as of fiscal 2030 based on the below 2°C scenario and the 4°C scenario. Then, we considered countermeasures for the results of our estimates with appropriate parameters. The extracted items and the estimated degree of impact, and countermeasures for them are as shown in the table on the right page.

The risks of the below 2°C scenario include, in addition to increased costs due to the introduction of carbon pricing, a decrease in sales of products for coal-fired power stations, increased costs for the non-fossilization of fuel for production facilities, and a decrease in sales due to reputation damage if the company's CO₂ emissions reduction measures prove to be insufficient.

In response, we are promoting the reduction of CO₂ emissions at major manufacturing plants and are also working on the introduction of renewable energy-derived power, research, and development for the shift to non-fossil fuels, and equipment refurbishment/renewal. Regarding the decline in reputation, ESG Promotion Committee will continue discussion with a view to accelerating the plan, as well as ensuring the execution of plans such as increasing the amount of electricity derived from renewable energy and shifting (repair

and renewal of production facilities) to non-fossil fuels.

In terms of opportunities provided by the below 2°C scenario, we possess multiple product groups that could potentially provide opportunities for us as environmental regulations become stricter, such as manufacturing equipment for separator film used in EVs and electrically driven injection molding machines with superior energy efficiency. To increase sales of those products, we are working to strengthen our production system, expand product substantiality that meet market needs, and strengthen our technology. In addition, we will promote resource efficiency by taking the opportunity of introducing carbon prices, such as electrification of manufacturing facilities and promotion of the use of electricity and non-fossil fuels derived from renewable energy.

Risks posed by the 4°C scenario include physical damage to production facilities and other property caused by events such as typhoons, torrential rains, floods and storm surges, costs incurred by countermeasures, and consequences such as the impact on business performance due to the shutdown of operations.

We asked an external organization to scrutinize the location conditions of our main manufacturing bases, forecasted changes in weather, existing disaster prevention facilities in and around the manufacturing bases, and damage records in the past. As a result, it was confirmed that disaster prevention measures have been strengthened not only in the manufacturing bases but also in the surrounding area such as raising the embankment. In addition, as the estimated amount of damage is expected to be covered by insurance, the impact of physical risks (acute and chronic) on business performance is expected to be minimal by the middle of this century. We will continue to monitor climate trends, and if the tendency for intensifying disasters becomes even more pronounced, we will consider parallel production of major products at bases with stronger disaster tolerance.

Based on the above, we believe that our strategy for climate change is resilient.

Financial "Risk" Impact Assumed for FY2030

Impact on Operating Income: Minor: less than ¥100 million/year; Moderate: ¥100-1,000 million/year; Major: ¥1,000 million/year or more

Category	Type	Details	Degree of impact	
			2°C	4°C
Transition risks	Policies and regulations	Introduction of carbon pricing (imposition of a carbon tax)	Major	—
		Introduction of border adjustment tax	—	Moderate
	Technology	Cost of refurbishing/updating facilities and R&D to support a shift to the use of non-fossil fuels used in production facilities	Moderate	Moderate
		Decrease in demand for thermal power related products due to the reduction in the construction of conventional thermal power plants	Minor	—
Markets	Increased procurement costs due to increased demand for steelmaking raw materials as a result of the shift from blast furnaces to electric furnaces in the steel industry (CO ₂ reduction measures)	Moderate	Moderate	
	Reputation	Damage to our ESG evaluation and reputation due to delays in CO ₂ emission reduction measures at the product manufacturing stage	Moderate	Moderate
Physical risks	Acute	Increased costs incurred by the restoration of damaged production and supply chain facilities due to severe natural disasters such as typhoons and torrential rains caused by extreme weather change	Minor	Minor
	Chronic	Increased costs (capital investment) to cope with rising sea levels	Minor	Minor

Financial "Opportunity" Impact Assumed for FY2030

Impact on operating income: Minor: less than ¥100 million/year; Moderate: ¥100-1,000 million/year; Major: ¥1,000 million/year or more

Category	Type	Details	Degree of impact	
			2°C	4°C
Opportunities	Markets	Expansion of the EV market	Major	Major
		Expansion of high-efficiency, energy-efficient power electronics market and 5G infrastructure market	Moderate	Moderate
	Energy sources	Increased demand for offshore wind turbines	Moderate	Moderate
		Increase in hydrogen stations for fuel cell vehicles	Minor	Minor
	Resource efficiency	Tax relief after the introduction of carbon pricing on CO ₂ emissions from production facilities	Major	—
		Reduction of CO ₂ emissions due to the introduction of photovoltaic installations (Scope 1, 2)	Minor	—
Products and services	Expansion of products and services that contribute to the demand for the reduction of CO ₂ emissions	Major	Major	
	Response to the demand for plastic recycling, contribution to social implementation of non-fossil fuel-derived plastics and coal alternatives	Minor	Minor	
		Response to the demand for nuclear power plants that emit less CO ₂ and are a stable source of electricity	Moderate	Moderate

For more information on our measures to address each of the risks and opportunities, please see our website.

Risk Management

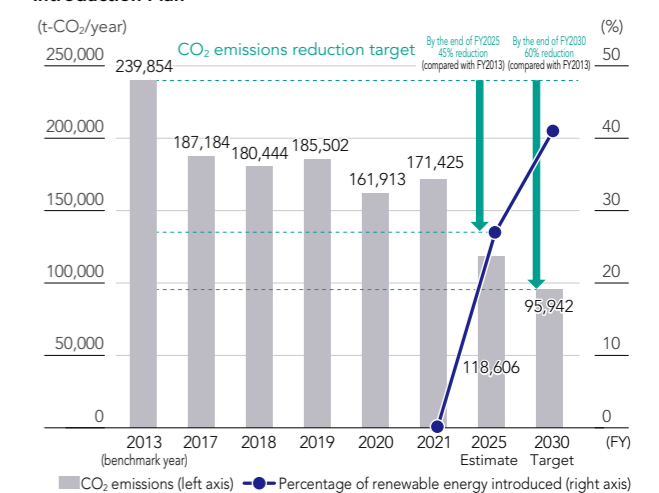
We have established rules regarding risk management and clarified the company-wide risk management system. The ESG Promotion Committee and the Environmental Management Committee conduct the identification and assessment of risks related to climate change. Important risks among those identified will be deliberated on by the Board of Directors or the Executive Board as appropriate. For more information on the environmental promotion system, please see the Environmental Management pages (p. 38-39).

Indicators and Targets

The "Indicators and Targets" that measure and manage risks and opportunities related to climate change have set the following targets for a carbon-neutral decarbonized society. We are engaged in environmentally friendly business activities that aim for improvement in terms of both "decarbonization by products" and "decarbonization of production processes." Regarding the CO₂ emission reduction target, we have initiatives underway from Scope 1 and Scope 2. As Scope 3 is being calculated, we are proceeding with efforts toward setting publication and management indicators.

Classification	Management Indicator	Target (by end of year)	
		2025	2030
Reduction of CO ₂ emissions in production activities (Scope 1, 2)	CO ₂ emissions reduction target (compared with fiscal 2013)	45% reduction	60% reduction
Promotion of the introduction of renewable energy	Percentage of renewable energy among all energy used (Scope 1, 2)	25% or more	40% or more

CO₂ Emission (Scope 1, 2) Reduction Plan and Renewable Energy Introduction Plan



* In terms of the scope covered, the CO₂ emissions calculation includes the total of the head office and the Group's main manufacturing sites (Hiroshima Plant, Yokohama Plant, Meiki Plant, Japan Steel Works M&E, JSW Aktina System).



Environmental Management

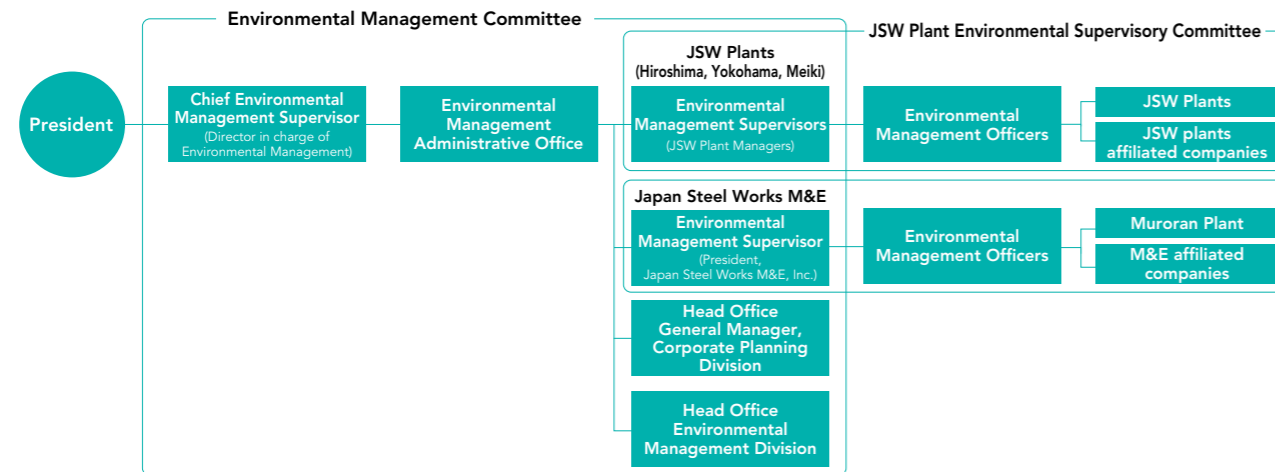
Environmental Policy

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"> 1 Systematically implement environmental initiatives and continuously promote environmental conservation. 2 Set appropriate objectives and targets to reduce environmental impact, including on biodiversity. 3 Provide society with products and services that contribute to environmental conservation. <ol style="list-style-type: none"> (1) Improve the social value of our products in terms of the environment, health and safety. (2) Provide products and services that reduce environmental impact by understanding environmental needs and developing technologies. 	<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"> (1) Comply with laws, regulations and JSW Group agreements with external entities. (2) Prevent pollution and reduce and properly process waste with due consideration for impact on ecosystems. (3) Use resources more productively by saving energy and by saving and recycling resources. (4) Require employees and on-site companies to understand and abide by business site policies.

Environmental Management Structure

Recognizing the importance of conducting its business activities in harmony with both the international and local communities, 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, formulates 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 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	JQA
Japan Steel Works M&E	December 18, 1998	LRQA
Nikko-YPK Shoji	February 7, 2005	JQA

* Certification bodies: LRQA (Lloyd's Register Quality Assurance Limited), JQA (Japan Quality Assurance Organization)

Targets and Progress of the Medium-Term Environmental Plan

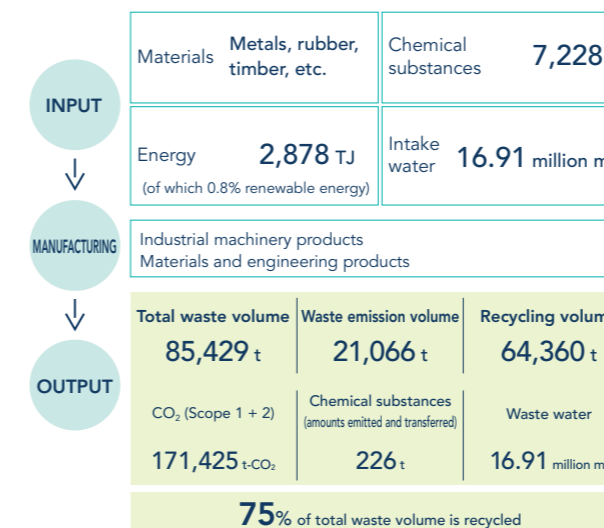
Achievement Level: ● Fully achieved ○ 80% or more achieved △ Less than 80% achieved

Priority Issues	Fiscal 2021 Targets	Fiscal 2021 Actual Results	Achievement Level	Medium-Term Environmental Plan (under JGP2025) Fiscal 2025 Targets
Environmental Management	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
Climate Change Measures	30% reduction in CO ₂ emissions (compared with fiscal 2013)	29% reduction in CO ₂ emissions (compared with fiscal 2013)	○	60% reduction in CO ₂ emissions by the end of fiscal 2030 (compared with fiscal 2013) 45% reduction in CO ₂ emissions by the end of fiscal 2025 (compared with fiscal 2013)
	Improvement of 1% or more in energy usage intensity (year-on-year and average change in intensity over 5 fiscal years)	0.1% worse than the previous year 0.8% improvement over average change in intensity over 5 fiscal years	△	Improvement of 1% or more in energy usage intensity (year-on-year and average change in intensity over 5 fiscal years)
Promotion of Resource Conservation and Recycling	Recycling rate of 95% or higher (excluding slag and refractories)	Recycling rate of 96% (excluding slag and refractories)	●	Recycling rate of 95% or higher (excluding slag and refractories)
Management of Chemical Substances	Improvement of 1% or more emissions and transfers intensity of chemical substances subject to the PRTR* law (year-on-year and average change in intensity over 5 fiscal years)	3.1% worse than the previous year 0.1% worse than the average change in intensity over 5 fiscal years	△	Improvement of 1% or more emissions and transfers intensity of chemical substances subject to the PRTR law (year-on-year and average change in intensity over 5 fiscal years)
Compliance	Legal or regulatory violations: 0	Legal or regulatory violations: 0	●	Legal or regulatory violations: 0
	Treat low-concentration PCB waste by the legal deadline (March 2027)	Progressing appropriately	○	Treat low-concentration PCB waste by the legal deadline (March 2027)
Raising Environmental Awareness	Issuance of integrated report	Issuance of integrated report	●	Disclose environmental management activities in an integrated report Conduct training for employees

* PRTR: Pollutant Release and Transfer Register

Business Activities and Environmental Impact

The fiscal 2021 environmental impact of the manufacturing processes of the Industrial Machinery Products Business and the Material and Engineering Business is as indicated below. JSW Group carries out quantitative assessments of inputs, such as energy and intake water, and outputs, such as waste generated in manufacturing processes, carbon dioxide and waste water, and applies those in its environmental improvement activities.



Renewable Energy Use Initiatives

In terms of the percentage of renewable energy sources in all energy used, the Group has set the target at 25% or more by the end of fiscal 2025 and 40% or more by the end of fiscal 2030.

In April 2021, a solar power generation equipment was installed at our Hiroshima Plant, and, in addition, from October 2021 electricity derived from renewable energy sources was introduced as part of the purchased electricity at that plant. The combined result of these two developments is that renewable energy sources accounted for 0.8% of the Group's energy consumption in fiscal 2021.

In fiscal 2022, the Hiroshima Plant increased the percentage of electricity derived from renewable energy sources in its purchased electricity, and newly introduced renewable energy-derived electricity for part of the electricity purchased at the Yokohama Plant and Meiki Plant.

In addition, there is active rebuilding and expanding of buildings at the Hiroshima Plant with an aim to achieve JGP2025, and plans are in place to install solar power generation equipment in all new buildings.

We will continue initiatives that work toward increasing the use of renewable energy sources.



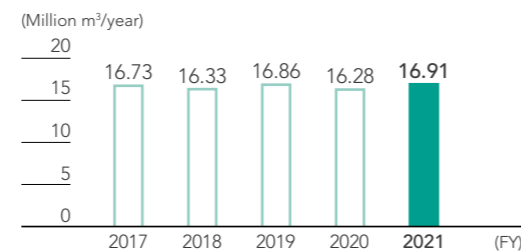
Reduction of Environmental Impact

Policy and Initiatives for Water Resources

Japan Steel Works M&E, Inc. accounts for over 99% of the intake water used by JSW Group. Although the Company uses industrial water and sea water in cooling, as it not only operates in a region with low water stress but is also engaged in initiatives such as practicing water source management for the industrial water it uses and recycling the cooling water, 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.

Intake Water Consumption



Proper Management of Chemical Substances

At JSW Group, we manage chemical substances and other substances with environmental impact and are working to reduce emissions of hazardous substances. Based on the PRTR Law, we report to local governments annually about our release and transfer of the substances that are subject to that law. Substances that are subject to the PRTR law are used primarily in manufacturing processes, such as steel manufacturing, welding, galvanization, cleaning and coating.

Release and Transfer of PRTR Substances

	FY2020	FY2021
Amount released (t)	50.1	65.1
Amount transferred (t)	153.1	161.0
Total (t)	203.2	226.1

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

The Group has set forth "Material Revolution™, making the world sustainable and prosperous." as the Purpose. In order to achieve a world that is both sustainable and prosperous, products that contribute to the reduction of environmental impact and resource recycling are indispensable, and the Group will continue to engage in the development and supply of such products. As we aim to be a comprehensive plastics processing machinery manufacturer unparalleled across the world, the realization of a plastic-resources-recycling society in support of a prosperous society is an extremely important issue for us, and we have duly placed it at the forefront of the Group's Materiality.

In addition, the Group will continue to work on reducing our direct waste emissions by applying reduce, reuse and recycle (the three R's) as a basic principle.

Plastic Resource Recycling Initiatives

Chemical recycling response

Already in use in a host of recycling fields, usage of our twin-screw extruders (TEX) is expected to expand, particularly in the field of chemical recycling for waste plastics. As a typical example of chemical recycling with the use of TEX, it is possible to decompose used acrylic resin and recover monomer, the raw material for new acrylic resin. Having opened the Recycling Technical Center (RTC) at the Hiroshima Plant in November 2022, we are stepping up our efforts toward the spread of chemical recycling.

Non-fossil fuel-derived plastics and biodegradable plastics response

Though plastics such as non-fossil fuel-derived plastics that are not reliant on fossil fuels and biodegradable plastics that prevent the problem of marine plastic litter differ in terms of their respective raw materials, have their fundamental manufacturing process of melting, mixing and solidifying raw materials is the same as that of general-use plastics. Utilizing the core competence we have developed as a comprehensive plastics processing machinery manufacturer, we are developing and supplying all manner of plastics processing machinery for the production of these environmentally friendly plastics, and supporting their social implementation.

Initiatives to Reduce Waste Emissions

Our Industrial Machinery Products Business is maintaining a high recycling rate through thorough implementation of the three R's of waste. Our Material and Engineering Business is contributing to the realization of a recycling-oriented society by utilizing internal and external steel scrap as raw materials. Though waste emissions in fiscal 2021 ended up at almost the same level as in the previous year partly due to increased operations, efforts are being made to reduce waste generation

by improving manufacturing processes and developing new recycling methods.

		FY2020	FY2021
Industrial Machinery Products Business	Waste emission volume (t)	213	124
	Recycling rate (%)	98.0	98.7
Material and Engineering Business	Waste emission volume (t)	20,669	20,943
	Recycling rate (%)	72.3	72.2



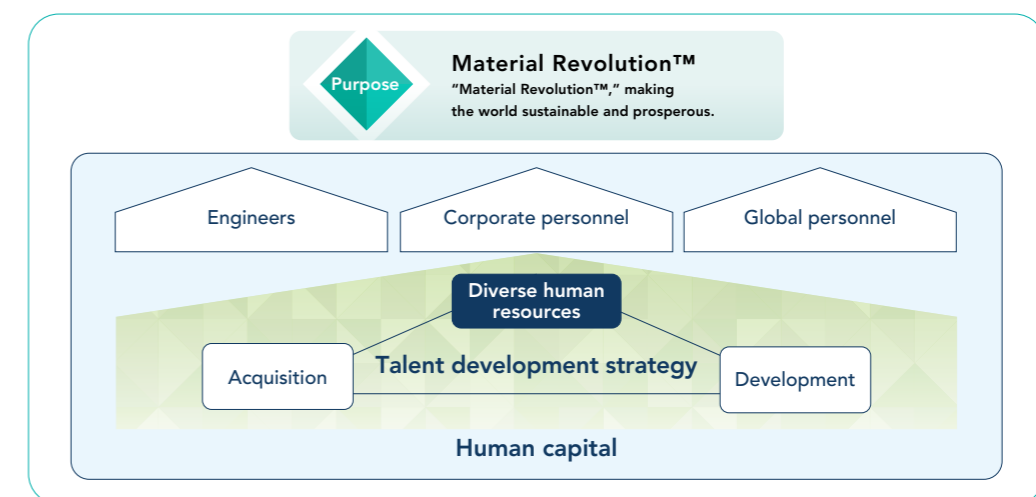
Talent Development Strategy

In order for our Group to simultaneously realize sustainable enhancement of corporate value and creation of social value, it is first and foremost important for us to acquire and develop the right human resources for realizing the Purpose of Material Revolution™, making the world sustainable and prosperous. This comprises engineers, including those in our current business divisions, who will contribute to strengthening our core competence, as well as corporate personnel who will support our management strategy to spread far and wide the value we provide to the world. In addition, it is necessary

for us to also go beyond these human resources to enhance educational opportunities so that our employees are capable of success on a global scale.

This is why we will implement measures to acquire and develop diverse human resources that will contribute to the achievement of the vision sought by the Group, based on our medium-term personnel plan and taking into consideration the composition of our human resources and our organizational nature ascertained through engagement surveys.

Overview of Talent Development Strategy



Acquiring and Developing Human Resources

Our Ideal Candidate Profile and Recruitment Activities

Setting forth the following profile of our ideal candidates to illustrate the requirements that will contribute to the implementation of our management strategy and take on the challenge of resolving social issues, we are focusing on the recruitment of new graduates and experienced personnel that meet these requirements. In order to acquire human resources from a wide range of sources, we are currently engaged in a host of hiring activities, including referral recruiting through referrals from employees and direct recruiting that entails the proactive scouting of talented individuals.

Recruitment interviews in the selection process are conducted using a combination of face-to-face and online methods to ensure that we have the opportunity to match the Company with fine and motivated individuals across the nation.

We also channel efforts toward offering internships to prospective new graduates, providing many opportunities for them to gain a deeper understanding of our workplace environment and culture. In recruiting engineers, on-site tours and interviews are conducted, while for those who come from the liberal arts we take steps such as providing the opportunity to participate in group discussions with younger employees who are principally in sales positions. This is how we are endeavoring to give prospective employees a concrete image of how we work and where they might perform best within the Company, as well as to prevent the risk of perceived incompatibility between new employees and the organization after the former have been employed.

Based on an analysis of the composition of our current crop of human resources, we know that we now need to continue to secure more diverse employees than ever before in order to realize sustainable growth. To hire and secure highly skilled and experienced personnel, we are taking steps such as establishing a new compensation system.

Going forward, we will continue to focus efforts on an activity structure that facilitates the recruiting of the core personnel and corporate personnel with high expertise who will drive our business.

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

Training and Development

To develop human resources capable of generating innovation and creating value at our company, we not only train by job level, from newly hired employees to management, but also offer selective training for younger employees with a view toward developing human resources capable of success in the global market. In addition to improving business skills such as negotiating and presenting in English, this training also gives participants the opportunity to learn styles of thinking that have global resonance. We also strive to create an environment in which employees can learn the skills they personally want to acquire by providing a variety of learning opportunities, including basic and specialized education required for work, language education that includes overseas study, and self-development support through an online learning platform.

Regarding the transfer to employees of the technical skills that are the foundation of our core competence, we have established in-house training programs such as the Ginou-Dojo (Technical Skills Dojo) (Hiroshima Plant) and the Hagane-Juku (Steel Academy) (Japan Steel Works M&E, Inc. (Muroran Plant)), where the various know-how cultivated by skilled engineers over many years of manufacturing is passed on to younger employees. In addition, we have introduced a system to encourage and reward the acquisition of official qualifications, as well as a system to certify technical skills.

In human resource development during JGP2025, we are promoting solutions to management issues and linking them to

our growth in a process where the starting point is support for the growth of the mid-level employees who drive the workplace and take the lead in deploying business strategies. The results of engagement surveys have shown that an initial focus on improving the leadership and development skills of mid-level employees leads to improved performance among all employees. In addition, by promoting the development of human resources who can take the lead in achieving strategies without being constrained by precedent, we will increase selective training with a view toward tailoring employees for future promotion to senior management. To this end, in addition to giving high performers fast-track promotion to managerial positions and assigning them important missions even if they are new, we actively provide opportunities such as training and career programs that leverage job rotation.

In digital transformation training, we will categorize employees according to their responsibilities and IT skills, and formulate a training system based on this categorization in order to ensure that the reskilling of employees is promoted and our digital transformation activities assuredly lead to innovation. We will then implement educational programs for each category, from improving basic literacy to training specialists, in order to maximize the effectiveness of the programs.

We will focus on the development of corporate human resources who will lead the planning and execution of growth strategies on a global scale and the establishment of management systems necessary to achieve these strategies, and begin work on formulating an education system for this purpose.

Indicators	FY2019	FY2020	FY2021
Training cost per employee (thousands of yen)	37.9	29.8	28.5
Number of participants in job level-specific training	234	285	277
Completion rate of job level-specific training (%)	93.2	98.6	98.9
Number of employees newly certified under The National Trade Skill Test & Certification (NTSTC)	79	47	111

Training System

■ Group training ■ Dispatched training outside the company ■ Other types of training

Employee Level	Business Basic Skills Training		Workplace/Frontline Capability Development				Global Personnel Training	Technical Skill Development, Engineer Training	Management and Leadership Training											
	New Employees and General Employees	Assistant Managers	Section Managers	General Managers	Dispatched training outside the company	Other types of training	Group training	Dispatched training outside the company	Other types of training											
New Employees and General Employees	5th-Year Training	Business Basics Training	Job-Based Training	Business Essay Writing	Section Manager Candidate Training	Level-Based Correspondence Training	Quality Control Training	OJT	CSR and Risk Management	Health and Safety	Intensive Training for Qualifications	Self-Development Support	Global Skills Training	Language Study Abroad	TOEIC English Program	Overseas Placement Training	Basic Seminar	Leadership Development Seminar	Academic Qualifications and Study Abroad	Executive Seminar
	3rd-Year Training																			
Assistant Managers	2nd-Year Training	Business Basics Training	Job-Based Training	Business Essay Writing	Section Manager Candidate Training	Level-Based Correspondence Training	Quality Control Training	OJT	CSR and Risk Management	Health and Safety	Intensive Training for Qualifications	Self-Development Support	Global Skills Training	Language Study Abroad	TOEIC English Program	Overseas Placement Training	Basic Seminar	Leadership Development Seminar	Academic Qualifications and Study Abroad	Executive Seminar
	New Employee Training																			
Section Managers																				
General Managers																				

Workplace Success for Diverse Human Resources

The Group recognizes that the execution of its management strategy hinges on the active participation of diverse human resources that can bring about new added value through a variety of thinking styles and ideas.

Regarding the percentage of female employees among managers, a major indicator of corporate diversity, currently the female career-track employees, who are the main candidates for promotion to management positions, are disproportionately numerous among the younger to mid-career employees. The task of increasing this percentage is expected to take some time. First, we will increase the percentage of female employees by boosting the recruitment of new graduates and experienced workers and implementing retention measures. This will be followed by an increase in the percentage of women in leadership positions of at least assistant-manager level, which will lead to a steady increase in the number of female managers.

In addition, we are developing each of our human resource systems to make for a work-life balance and employee-friendly workplace that enables one and all to be able to work with full assurance. Specifically, having established the legally mandated childcare leave and nursing care leave system, which is reviewed in accordance with each revision to the law, we have introduced telecommuting, staggered work hours, and an hourly paid leave system to help employees balance

work with childcare and nursing care. We are also moving ahead in preparing a training program that supports self-development so that employees can improve their own skills according to their ambitions. And regarding benefits offered, the program is being upgraded in ways such as offering a cafeteria plan that enables employees to choose the benefit options they find necessary to meet their own various values and needs.

In order to create added value through the diverse human resources in our group, we will continue to conduct a wide range of educational activities that encourage positive changes in employee awareness with the goal of promoting D&I. Furthermore, we will work to build a corporate culture of openness that provides psychological safety.

Indicators	FY2019	FY2020	FY2021
Percentage of Female New Graduate Hires for Career-track Positions (%)	8.5	10.0	15.0
Percentage of Women among Section Managers (%)	7.8	7.8	8.7
Number of Employees Who Took Childcare Leave	10	11	16
Percentage of Employees with Disabilities (%)	1.90	2.21	2.46



Human Rights

Respect for Human Rights

JSW Group respects internationally recognized codes such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We also promote efforts to respect human rights based on international guidelines such as the United Nations' Guiding Principles on Business and Human Rights.

In accordance with these, we have established The Japan Steel Works Group Human Rights Policy, which clearly prohibits discrimination, harassment, child labor, and forced labor; indicates our respect for basic labor rights; and expresses our commitment to respecting all human rights in all aspects of our business activities.

In this context, JSW Group has focused on health and safety activities and harassment prevention, with the primary aim of ensuring that each and every employee 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. We conduct fair hiring practices that respect the human rights of all individuals, and have also established systems that support a favorable work-life balance, foster a workplace environment that is inclusive of diverse personnel, and strive to provide equal opportunities so that individuals can excel.

In the creation of our supply chain, we require that suppliers share an understanding of human rights and legal compliance, as appropriate, and continue to do due diligence in the construction of a framework conducive to human rights.

Recognizing that its business activities are extremely vast in terms of the fields covered, involving a wide variety of individuals, JSW Group will engage in dialogue with labor unions and all other stakeholders, set priorities and address them appropriately, and step up the monitoring of human-rights-related risks to prevent any direct or indirect negative impacts on human rights.

For details on JSW Group's respect for human rights and Human Rights Policy, please refer to the website.
Respect for human rights: <https://www.jsw.co.jp/en/sustainability/social/diversity.html>



Occupational Health and Safety

Policy for Health and Safety Activities

In 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.

We are carrying 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

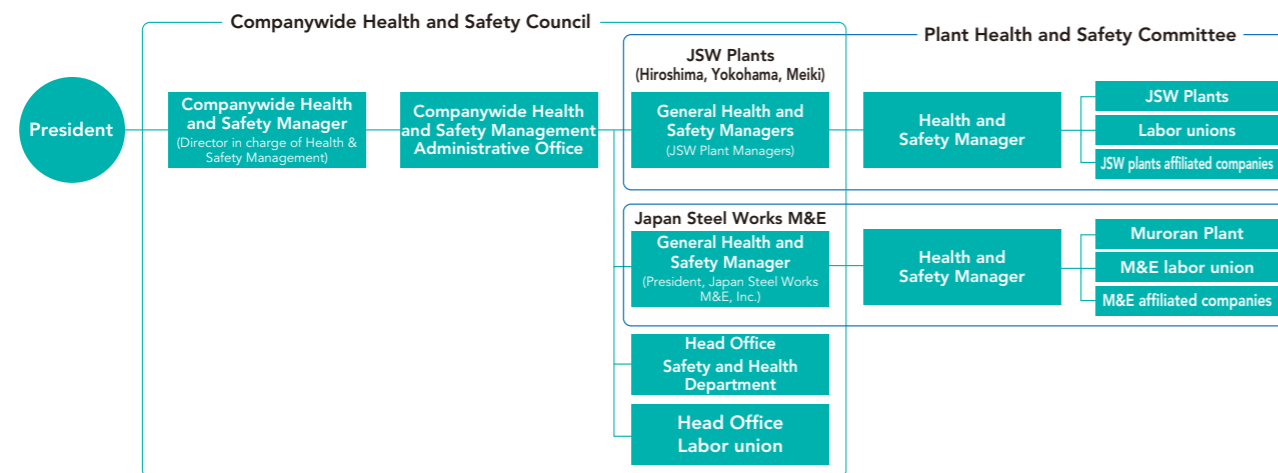
- To fulfill our social responsibility, we have positioned health and safety as a vital part of our management policy, and work to ensure the health and safety of everyone involved in our business.
- We have established and operate an occupational health and safety management system, and prioritize health and safety in all of our business activities to foster workplaces where employees can work safely and with peace of mind.

2 Basic Policy

- We will comply with health- and safety-related laws and regulations, as well as internal standards.
- 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.
- We will invest the resources necessary for effective workplace improvements.

Health and Safety Promotion Structure

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



Health and Safety Initiatives and Results

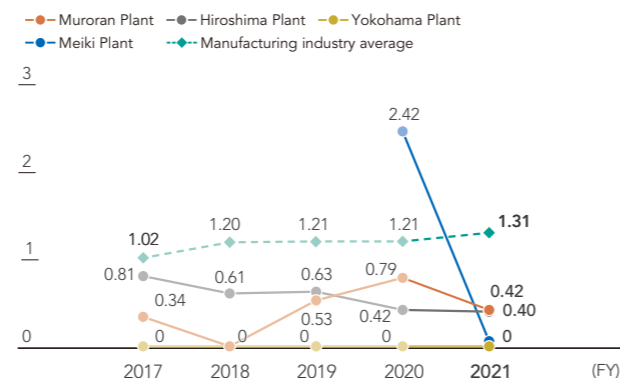
In JSW Group, we specify priority items for health and safety activities each fiscal year, and the Group (as well as the labor union) and suppliers of each plant work together on activities aimed at achieving zero occupational accidents.

Our major sites have acquired certification for 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	August 12, 2022
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
 * Manufacturing industry averages are from the survey of occupational accident trends (Ministry of Health, Labour and Welfare).



Supply Chain Management

Approach to Supply Chain Management

JSW Group has established The Japan Steel Works Group Standards of Business Conduct, which states, among other things, that the Group will respect the human rights of all people, conduct business transactions properly as based on fair and free competition, and engage in responsible procurement. In September 2022, The Japan Steel Works Group Human Rights Policy was established to promote respect for human rights in accordance with international norms. Furthermore, in September 2022, we revised the existing The Japan Steel Works Group Basic Procurement Policy to have our suppliers achieve an understanding of and cooperate with the above standards and policies, and to facilitate product procurement that takes into consideration matters such as human rights, labor, health and safety, the environment, and information management in a manner consistent with the move toward a sustainable society. We

also formulated our Request to Suppliers, a document that outlines the specifics regarding our vision of how we hope suppliers conduct business.

In moving forward, we will try to ensure thorough awareness by our suppliers of this Code of Conduct, policies, and requests, and promote activities so that we can keep track of the status of sustainability initiatives of our major suppliers and, if necessary, engage in dialogue with them to deepen their understanding of the Group's Basic Procurement Policy and improve their initiatives. If necessary, we will continue to strengthen our supply chain risk management and sustainability. To ensure that all suppliers in our supply chain can continue to play indispensable roles within society, we will share with them the Group's policies and work together to promote sustainable procurement practices that sustain sound growth together through our business dealings.

The Japan Steel Works Group Basic Procurement Policy

The Japan Steel Works Group promotes procurement activities as follows based on The Japan Steel Works Group Standards of Business Conduct and The Japan Steel Works Group Human Rights Policy.

1 Fair and impartial procurement

The Japan Steel Works Group complies with laws and international norms, treats all suppliers fairly and impartially, and always conducts transactions in good faith.

2 Relationship with suppliers based on trust

The Japan Steel Works Group aims to build partnerships to create corporate value by deepening mutual understanding with all suppliers and realizing optimal quality, prices, and delivery through stable procurements with the following activities.

- Regular briefings on our procurement policy
- Quality management checkups and guidance to eliminate defects
- Recognition of outstanding suppliers
- Confidential management of sales and technology information
- Establishment of whistleblowing systems for suppliers

3 Supplier Selection Policy

The Japan Steel Works Group places particular importance on the following conditions in selecting suppliers toward building stronger and more sustainable partnerships.

- Achieve legal compliance and fulfill social responsibility.
- Respect human rights and prohibit discrimination. Do not be complicit in human rights violations.
- Apply fair working conditions and maintain a safe and healthy working environment.
- Prohibit forced labor, child labor and discrimination in employment.
- Recognize environmental problems and strive to solve and respond to them.
- Conduct fair corporate activities under sound management.
- Have an appropriate level of quality, price, delivery time, etc., and make efforts to maintain and improve them

Request to Suppliers

We ask that our suppliers achieve an understanding of the following six items, cooperate with our own proactive efforts, and disclose information as necessary. Please refer to our website for details.

- Compliance with laws and social norms;
- Consideration for human rights and occupational safety;
- Consideration for the environment;
- Ensuring quality, price and delivery;
- Efforts on conflict minerals;
- Information security

Supply Chain: <https://www.jsw.co.jp/en/sustainability/social/supplychain.html>



Local Communities

The Group recognizes that companies are also members of society and that they are expected to participate in various community activities, including local communities, and contribute to local development. In addition to contributing to society through its business, JSW Group also engages in socially responsible activities with the aim of realizing a better society and becoming a company that is rooted in the local community. Please refer to our website for details regarding the activities we engage in, such as cleanups, education, and community exchange.

Social Contribution Activities: <https://www.jsw.co.jp/en/sustainability/social/socialcontribution.html>



Corporate Governance

Corporate Governance Policies

Based on our Philosophy and the Standards of Business Conduct, the Group recognizes that it is essential to earn the trust of all stakeholders, including shareholders, customers, business partners and employees, in order to simultaneously create social value and enhance sustainable corporate value. We therefore continue to strengthen corporate governance to ensure the transparency, soundness and effectiveness of management.

Overview of Corporate Governance Structure

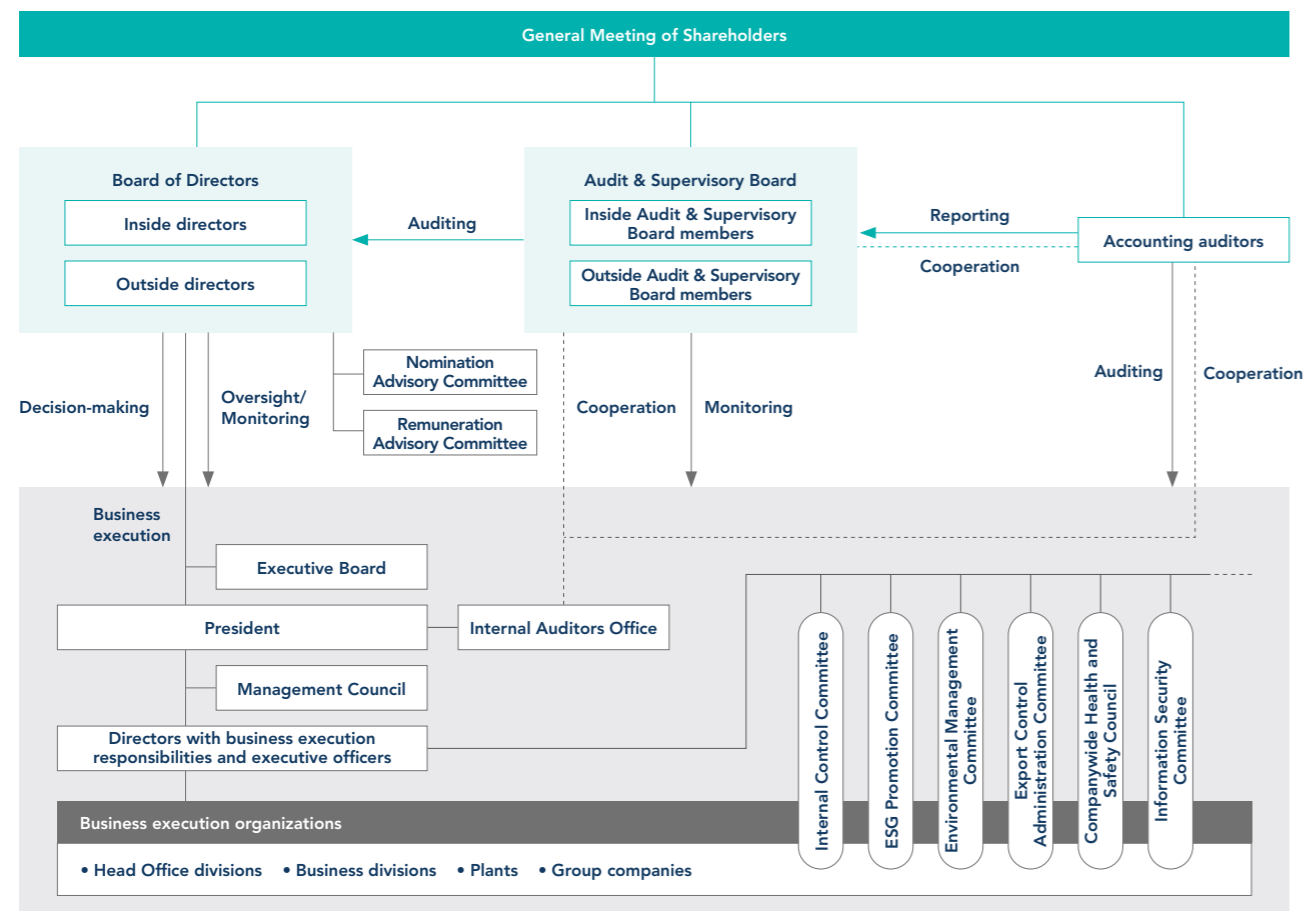
The Japan Steel Works, Ltd. ("the Company") has adopted the structure of a company with an audit and supervisory board. The Board of Directors consists of eight directors (three of whom are outside directors) and the Audit & Supervisory Board consists of four Audit & Supervisory Board members (two of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

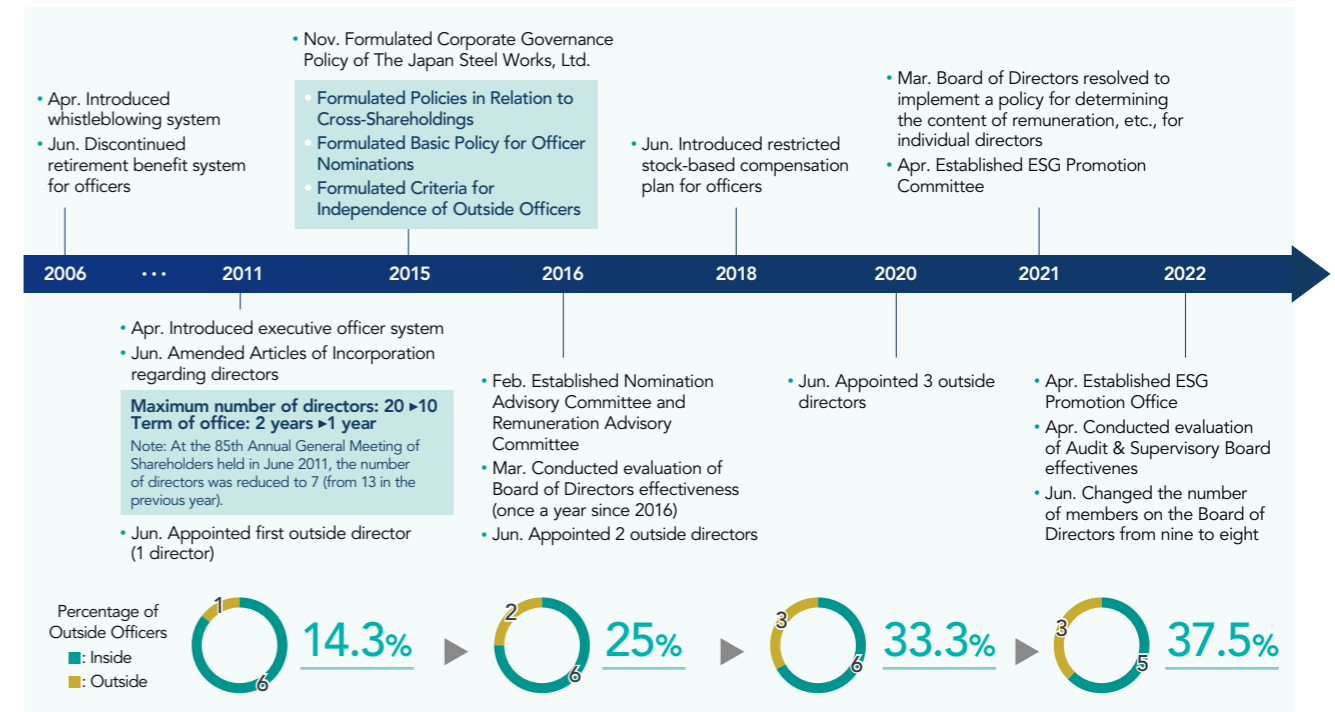
Audit & Supervisory Board members attend important meetings including those of the Board of Directors, the Executive Board and the Management Council. Once every fiscal half in principle they visit plants, sales locations and Group companies, and receive reports on necessary information from each division. 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



* The Liaison Council of Outside Officers was established as a venue to provide outside officers with advance explanations about the agenda for Board of Directors meetings, and as a forum for outside directors and executive officers to verify, report on, and exchange opinions about business execution.

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 (5 inside, 3 outside)	Inside directors (5) Non-director executive officers (5)	President (1) Director in charge of Personnel Department and Secretary Office (1) Outside directors (3)
	Observers/Advisors (no voting rights)	Audit & Supervisory Board members (2 inside, 2 outside)	Inside Audit & Supervisory Board member (1)	Outside Audit & Supervisory Board member (1)
	Chairperson/Committee Chair	President	President	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 and dismissal of directors, Audit & Supervisory Board members and executive officers, and reports the results to the Board of Directors • Consult on the succession planning for the president, and report the results to the Board of Directors
Meetings in FY2021	18	46	5	5

	Management Council	Audit & Supervisory Board	Liaison Council of Outside Officers
Composition	Attendees	Audit & Supervisory Board members (2 inside, 2 outside)	Directors (3 inside, 3 outside) Audit & Supervisory Board members (2 inside, 2 outside)
	Chairperson	President	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	Advance explanation of the resolution matters and deliberation matters of the Board of Directors, and report on the status of operations and important management matters of the Company and the Group
Meetings in FY2021	12	13	Newly established from FY2022

Major Matters Discussed at the Board of Directors Meetings in FY2021

- Medium-term management plan JGP2025
- Environmental activity initiatives
- Review of the rationality of cross-shareholdings
- Executive structure
- Market restructuring of the Tokyo Stock Exchange
- Feedback on IR/SR activities
- Evaluation of the effectiveness of the Board of Directors
- Business portfolio
- Reorganization of Yokohama Plant
- Talent development strategy
- Review of dividend policy
- Report on the status of compliance line operations
- Status of operations of internal control systems
- Officers' remuneration

Skill Matrix

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 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 criterion for director and Audit & Supervisory Board member candidates.

For information on the skill matrix, please refer to p. 52-53.

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.

▶ For information on the Corporate Governance Policy of The Japan Steel Works, Ltd., please refer to the following.

https://www.jsw.co.jp/pdf/sustainability/governance/governance/GovernancePolicy_en.pdf

Succession Planning for the President and Procedures for Appointment 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 corporate philosophy of JSW Group 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 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, the General Affairs Division at the head office serves as the secretariat for the monthly meeting of the Liaison Council of Outside Officers, which provides outside officers including Outside Audit & Supervisory Board members, with advance briefings on matters to be resolved or deliberated at meetings of the Board of Directors, reports on the state of operations and important management matters of the Company and its Group, and provides opportunities for question-and-answer sessions. They also attend the president's report meetings at each plant twice a year where they are given the opportunity to observe work on-site and meet with plant management. Moreover, outside officers also receive materials at least three days prior to Board of Directors meetings, separate to the aforementioned advance briefings provided at meetings of the Liaison Council of Outside Officers.

2 Officer Training

In order to deepen the understanding of the roles and responsibilities required of directors and Audit & Supervisory Board members, the Company invites outside experts to lead study sessions as needed. The subjects covered in the fiscal 2021 study sessions were as follows.

- May 21 ESG & SDGs Trends & Sustainable Management
- Aug. 2 Recent Trends in SR/IR Activities and Issues to be Addressed by the Company
- Nov. 4 Response to TCFD and Information Disclosure

In addition to the above, opportunities for inside officers to participate in external training, workshops, and programs are provided as-needed on an ad hoc basis.

Evaluation of Board of Directors' Effectiveness

The Board of Directors continues to enhance its functions by conducting an annual questionnaire-based analysis and evaluation.

The following is a summary of the analysis and evaluation for fiscal 2021.

1 Analysis and Evaluation Methodology

(1) During March 2022, an anonymous questionnaire was administered to all directors and Audit & Supervisory Board members. In light of the June 2021 revision of the Corporate Governance Code, the survey questions were revised to focus on evaluations of the monitoring functions of the Board of Directors. The planning of the subjects covered and the collection and tabulation of the survey results were outsourced to a third-party organization.

(2) The Board of Directors Secretariat recompiled and analyzed the results of the questionnaire, comparing them with the previous evaluations, identifying subjects given low evaluations, confirming differences in evaluation by officer type (i.e., inside directors, outside directors, inside Audit & Supervisory Board members, outside Audit & Supervisory Board members) and by individual, and extracting important comments from the open-ended responses.

(3) At the May and June 2022 Board of Directors meetings, the board discussed its effectiveness from the perspective of improving the medium-to-long-term corporate value of the entire Group, based on the re-tabulation and analysis of the results of the questionnaire by the Board of Directors Secretariat and advice from a third-party organization.

Questionnaire content

- Composition, discussion, and monitoring functions of the Board of Directors
- Performance of inside and outside directors
- Support system for directors and Audit & Supervisory Board members
- Training
- Dialogue with shareholders (investors)
- Self-evaluation by each director and Audit & Supervisory Board member
- Management of the Nomination Advisory Committee and Remuneration Advisory Committee
- Miscellaneous (pertaining to the Board of Directors in general)

2 Results of the FY2020 Analysis and Evaluation Results and an Overview of the Resultant FY2021 Initiatives

In response to the three issues identified in the fiscal 2020 effectiveness evaluation, the Board of Directors proceeded forward with the following actions in fiscal 2021. As a result, the effectiveness evaluation for fiscal 2021 confirmed that improvements have been steadily made for each of the issues and that effectiveness has been generally ensured.

- (1) Sufficiently discussing management strategies for sustainable growth and enhancement of corporate value over the medium to long term
Subjects that merit discussion from a medium-to-long-term perspective were incorporated into the Board of

Directors meeting schedules as appropriate for the timing of broaching each subject. In addition to the types of resolutions and reports normally included in the agenda, a venue for deliberation was established to provide a forum for free discussion of medium-to-long-term strategies, and sufficient time was reserved for discussion of the formulation of medium-term management plans and business portfolio management.

(2) Addressing ESG issues and reflecting them in management strategies

In the process of drafting the integrated report, ESG issues were identified and deliberated on, and progress was observed in terms of success in considering our basic sustainability policy and talent development strategy.

(3) Providing the necessary training opportunities for officers
Inviting outside lecturers, study sessions were held as a venue for the acquisition of the knowledge that officers need to fulfill their roles and responsibilities. In fiscal 2021, a total of three sessions were held featuring subjects such as sustainability management and TCFD disclosure.

3 Future Initiatives Based on the FY2021 Analysis and Evaluation Results

Based on the results of the effectiveness evaluation in fiscal 2021, the following have been identified as the major issues to be addressed in fiscal 2022.

(1) Deeper discussions at the Board of Directors meetings to work toward sustainable growth for the Group
Since evaluation revealed the need for more extensive discussions on important management issues such as formulating the Purpose, the promotion of sustainability, and assuring diversity, we will delve deeper into discussion by systematically providing multiple venues for dialogue on high-priority subjects.

(2) Close scrutiny of the progress being made by the medium-term management plan JGP2025 amid changes in the business environment

Since evaluations identified that the medium-term management plan should be aligned in a timely fashion to deal with a rapidly changing business environment, the degree of progress made by business-specific strategies will be closely scrutinized and the plan will be revised as necessary.

(3) Upgrading of risk management that includes a review of the quality control system

Since evaluations identified that it would behoove the Company to further enhance its awareness of and sensitivity to risks and opportunities, the Company will first work on the review of the quality control system, which is a top priority, and then establish a group-wide risk management system.

Officers' Remuneration

The Company's policy for determining the directors' remuneration (the "policy for determining") was resolved at the Board of Directors meeting held on March 16, 2021, and was partially revised at the Board of Directors meeting held on March 23, 2022, with the aim of improving incentives for achieving the medium-term management plan JGP2025. In accordance with the revision, the Company revised a part of the officers' remuneration system, focusing on the evaluation method related to variable remuneration.

(Outline of the revision of the policy for determining and review of the officers' remuneration system)

As a result of the revision of the policy for determining and the review of the officers' remuneration system, the variable remuneration portion of annual remuneration, which previously consisted solely of remuneration linked to divisional performance and results, was partially changed to be linked to company-wide performance. In addition, the percentage of fixed remuneration was reduced for the representative director & president, and a portion of the bonus evaluation was changed from being linked to dividends to incorporating individual performance results. These changes were designed to increase short-term incentives.

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.

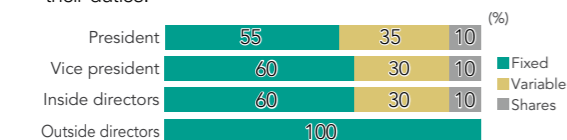
2 Procedures for Determining Directors' Remuneration

The directors' remuneration 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

The composition and percentage breakdown of directors' remuneration are as follows

- (1) Representative director & president and representative director & executive vice president
The composition shall be annual remuneration ((1) base portion, (2) company-wide performance-linked portion) and stock-based remuneration.
The president's remuneration comprises an approximate 55:35:10 ratio of fixed remuneration ((1) base portion) : variable remuneration ((2) company-wide performance-linked portion) : stock-based remuneration. For the vice president, the approximate ratio is 60:30:10 of fixed remuneration ((1) base portion) : variable remuneration ((2) company-wide performance-linked portion) : stock-based remuneration.
- (2) Inside directors
The composition shall be annual remuneration ((1) base portion, (2) company-wide performance-linked portion, (3) divisional performance/results-linked portion), bonuses, and stock-based remuneration. The approximate ratio of fixed remuneration ((1) base portion) to variable remuneration ((2) company-wide performance-linked portion, (3) divisional performance/results-linked portion, and bonus) to stock-based remuneration is 60:30:10.
- (3) Outside directors
Outside directors, who are responsible for supervisory functions, shall be paid only fixed remuneration (base portion of annual remuneration) in consideration of their duties.



4 Matters Relating to the Method of Calculation of Directors' Remuneration, Etc.

The summary of each type of remuneration is as follows. Variable remuneration is calculated by comparing actual performance against the consolidated operating income, net income attributable to shareholders of the parent company, and other indicators set forth in JGP2025 as targets for fiscal 2021, and multiplying the percentage of achievement by the base amount of remuneration for each position.

(1) Annual remuneration

1) Base portion

The base portion is fixed remuneration determined on the basis of the particular position and the number of years the position has been held by the individual.

2) Company-wide performance-linked portion

The company-wide performance-linked portion is variable remuneration that is determined on the basis of consolidated performance during each fiscal year. It consists of a net income attributable to shareholders of the parent company and a consolidated operating income portion. This indicator was selected because of its importance in terms of indicating how performance directly links to the company-wide performance targets in the medium-term management plan.

3) Divisional performance- and results-linked portion

The portion linked to divisional performance and results is determined as variable remuneration based on the performance evaluation of the division for which the director is in charge.

(2) Bonuses

Bonuses are variable remuneration determined on the basis of the performance evaluation of the division for which the director is in charge and the performance results of each individual.
The ratio of the performance evaluation portion for each division and the performance evaluation portion for each individual is 50:50. However, directors in charge of head office divisions receive only the individual performance portion.

(3) Stock-based remuneration

Stock-based remuneration is granted in the form of restricted transferable shares as remuneration for the purpose of providing medium-to-long-term incentives to increase corporate value and to further the sharing of value with shareholders. The number of shares to be allocated shall be the number of shares obtained by dividing the standard amount by position according to the director's position by the closing price of the Company's shares on the Tokyo Stock Exchange on the day before the date of resolution by the Board of Directors regarding the execution of the restricted stock remuneration allocation agreement.

In consideration of the period of time it takes

management measures to contribute to business performance, the restricted transfer period that had previously been set at three years in line with the medium-term management plan term was changed to five years in accordance with the five-year length of the medium-term management plan JGP2025.

5 Remuneration for Audit & Supervisory Board Members, Etc.

The remuneration of each Audit & Supervisory Board member shall consist only of fixed remuneration (base portion of annual remuneration) from the viewpoint of emphasizing independence and objectivity with respect to management.

Group Governance

JSW Group consists of The Japan Steel Works, Ltd. and 46 subsidiaries (33 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. In order to enhance the effectiveness of these efforts, we assign full-time or part-time 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 comply with laws and regulations and the Articles of Incorporation. In addition, regarding risks relating to specific functions, such as health and safety, environmental management, and export control administration, each Group company participates in the various committees formed by the relevant divisions of the Company, or follows the regulations developed by the Company, and appropriately manages these risks.

In addition, each company in the Group appoints individuals to be in charge of general affairs, accounting, and IT matters related to internal control. The appointed individuals receive guidance and training from the Internal Control Committee Office and conduct self-assessment of implementation and operation of internal control in step with risk assessment. The status and results of the self-assessment of internal control operations are reported to the Office and each company. In response, the Internal Audit Division of the Company, which also serves as the Office of the Internal Control Committee, monitors the governance and risk management status of each company by directly or indirectly auditing the status of each company and the methods and results of self-assessments.

With regard to internal control over quality assurance processes at Japan Steel Works M&E, Inc., the Company is promptly implementing its reorganization, including organizational reforms to strengthen mutual checks and balances among divisions and eliminate the concentration of authority, moving ahead with operations and assessments under the guidance and management of the Company.

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

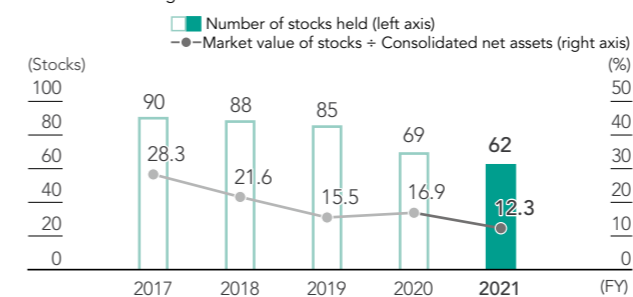
Each year, the Company confirms the purpose of individual cross-shareholdings and current transaction status, etc., and the Board of Directors verifies whether shareholdings are appropriate by comprehensively considering the significance and purpose of the Company's acquisition and holding of the shares, 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















Based on the Corporate Governance Policy of The Japan Steel Works, Ltd., we regularly confirm and review the significance of our policy cross-shareholdings, and we are gradually selling shares whose significance has diminished.

In addition, setting forth in our medium-term management plan JGP2025 the financial strategy of ensuring an appropriate balance between investment in growth and shareholder returns in order to sustainably increase corporate value, the Company plans to reduce its cross-shareholdings to less than 10% of net assets, and to allocate the funds obtained from the sale of cross-shareholdings into areas such as investment growth and shareholder returns.

Management Team (As of June 30, 2022)

Directors / Audit & Supervisory Board Members

												
Name	Toshio Matsuo	Junichiro Deguchi	Hiroki Kikuchi	Shingo Mito	Shigeki Inoue	Sadao Degawa	Yoshiyuki Nakanishi	Hisao Mitsui	Toru Nishiyama	Hiroyuki Shimizu	Fumihiko Tanizawa	Hiroshi Misawa
Title	Representative Director & President	Representative Director & Executive Vice President	Director & Managing Executive Officer	Director & Managing Executive Officer	Director & Managing Executive Officer	Director	Director	Director	Audit & Supervisory Board Member (Full-Time)	Audit & Supervisory Board Member (Full-Time)	Audit & Supervisory Board Member	Audit & Supervisory Board Member
Career	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; In charge of Export Control Administration; In charge of Plastics Machinery Business Division, Injection Molding Machinery Business Division, Industrial Machinery Business Division; In charge of Meiki Plant Apr. 2021 In charge of Ordnance Business Headquarters; In charge of Business Development Office; In charge of Hiroshima Plant and Yokohama Plant Apr. 2022 Representative Director & President (current position)	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 (current position); In charge of Export Control Administration; 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 Apr. 2019 Director & Managing Executive Officer Apr. 2020 Chief Information Security Officer; In charge of Office of Information Technology; In charge of Personnel Department Apr. 2021 In charge of Promoting ESG (current position) Apr. 2022 Representative Director & Executive Vice President (current position); In charge of Export Control Administration (current position); In charge of Personnel Department (current position) Jun. 2022 In charge of Material and Engineering Products Business (current position)	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 (current position) Apr. 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) Apr. 2022 In charge of Plastics Machinery Business Division, Injection Molding Machinery Business Division, Ordnance Business Headquarters (current position); In charge of Industrial Machinery Business Division; In charge of Business Development Office	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 Apr. 2022 Director & Managing Executive Officer (current position)	Apr. 1986 Joined the Company Apr. 2015 Deputy General Plant Manager, Hiroshima Plant Apr. 2017 General Plant Manager, Hiroshima Plant Apr. 2018 Executive Officer Apr. 2021 Managing Executive Officer; Director of Industrial Machinery Business Division (current position), General Manager, Business Development Office (current position) Apr. 2022 Chief Technology Officer (current position); In charge of Quality Management (current position); In charge of Intellectual Property Department (current position); In charge of Yokohama Plant (current position) Jun. 2022 Director & Managing Executive Officer (current position)	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)	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)	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. 2011 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)	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)	Apr. 1984 Joined the Company Oct. 1998 Houston Office Manager Jun. 2008 Nagoya Branch Manager Sep. 2015 Deputy General Manager, Corporate Planning Office Apr. 2017 Kansai Branch Manager Apr. 2019 Deputy Director of Machinery Business Division (Sales Management Supervisor) Apr. 2020 Representative Director, President and CEO of GM Engineering Co., Ltd. Jun. 2022 Audit & Supervisory Board Member (Full-Time) (current position)	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. 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. 2017 Auditor, Sumitomo Mitsui Trust Bank, Limited (-Jun. 2017) Jun. 2019 Audit & Supervisory Board Member, the Company (current position)	Apr. 1981 Joined The Mitsui Trust and Banking Company, Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) Jul. 2008 Executive Officer, Chuo Mitsui Asset Trust and Banking Company, Limited. (currently Sumitomo Mitsui Trust Bank, Limited) Feb. 2011 Managing Executive Officer, Chuo Mitsui Asset Trust and Banking Company, Limited. Apr. 2012 Managing Executive Officer, Sumitomo Mitsui Trust Bank, Limited Jul. 2012 Advisor, Sumitomo Mitsui Trust Bank, Limited (-Sep. 2012) Oct. 2012 Director and Vice President, Sumitomo Mitsui Trust Asset Management Co., Ltd. (-Mar. 2016) Apr. 2016 Audit & Supervisory Board Member, Sumitomo Mitsui Trust Bank, Limited (-Mar. 2017) Apr. 2017 Advisor, Sumitomo Mitsui Trust Bank, Limited (-Jun. 2017) Jun. 2017 Deputy Chairman of the Board of Directors, Director and Audit & Supervisory Committee Member, Sumitomo Mitsui Trust Holdings, Inc. (-Jun. 2019) Jun. 2019 Audit & Supervisory Board Member, Sumitomo Mitsui Trust Business Service Co., Ltd. (-Mar. 2021) Jun. 2020 Audit & Supervisory Board Member, the Company (current position) Apr. 2021 Advisor, Sumitomo Mitsui Trust Business Service Co., Ltd. (current position)
Number of shares of the Company held	17,733 shares	15,612 shares	9,347 shares	13,043 shares	9,003 shares	3,946 shares	0 shares	255 shares	7,421 shares	2,426 shares	0 shares	1,077 shares
Record of attendance at Board of Directors meetings (FY2021)	18/18 (100%)	18/18 (100%)	18/18 (100%)	14/14 (100%)	—	18/18 (100%)	18/18 (100%)	18/18 (100%)	18/18 (100%)	—	18/18 (100%)	18/18 (100%)
Committee	Nomination Advisory Committee	○	○			○ (Chair)	○	○				○ (Advisor)
Remuneration Advisory Committee	○	○				○ (Chair)	○	○			○ (Advisor)	
Skill Matrix	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						○						

Executive Officers

Takashi Iwamoto
Managing Executive Officer

Seiji Umamoto
Managing Executive Officer

Yoshitaka Sato
Executive Officer

Shoji Nunoshita
Executive Officer

Takeshi Shinmoto
Executive Officer

Motoyuki Shibata
Executive Officer

Masayuki Aoyama
Executive Officer

Hidenao Kudo
Executive Officer

Message from an Outside Director

Promoting Fundamental Reforms and Initiatives to Address Challenges to Realize the Purpose

Sadao Degawa, Outside Director



Rallying the Group Together as One to Enact Reforms that Prevent Recurrence

I see the inappropriate conduct in quality inspections at Japan Steel Works M&E, Inc. as an incident that should have never taken place, and as an outside director overseeing management of the Group, I take it very seriously. I offer my heartfelt apology for any inconvenience and concern this may have caused to our stakeholders. In response to the findings and recommendations of the Special Investigation Committee, we have conducted an analysis that probes into even the background of the matter. We then repeatedly discussed preventive measures to ensure compliance with all laws, contractual provisions, and internal regulations, as we maintain and improve our delivery of products of unparalleled quality, a tradition we have upheld since our founding. I too have made many proposals for reform in my capacity as an outside director. The Purpose and Materiality that were announced in November 2022 represent the very fruition of the thoughts and feelings this incident provoked in all of us.

It bears noting here that, as the Special Investigation Committee pointed out, in order to prevent a recurrence we must reform the organization so that a system of checks and balances is put in place, while also cultivating a commitment to compliance through the education and training of our employees. Nevertheless, it will take time for all employees to gain the proper understanding that enables them to thoroughly act on these measures and for an accompanying company culture conducive to such practices to take hold. To accelerate reform, in addition to these measures, it will be necessary to incorporate the right kind of inspections into the business process so that they are mandatory rather than performed at the discretion of individuals. Specifically, it would be a more effective way forward to incorporate into the business process a system in which there is planning of product inspection schedules, inspection items to be covered, costs, and personnel assignments at the time any and all product order are received, with accompanying monitoring and follow-up. I believe that this practice should be begun as early as possible in parallel with the establishment of the system itself as well as reforms to the company culture.

Though the trust of customers and other stakeholders, not to mention the general public, can be lost in a moment, it takes a great deal of time to gain that back.

I hope that this matter has served as a wake-up call for all officers and employees of the Group, and provides an excellent opportunity for the entire Group to rally together as one and promote the proper reforms.

Taking on Challenges with an Eye toward Further Growth

With the appointment of representative director & president Toshio Matsuo in April 2022, many changes have taken place on the governance front.

In establishing the Purpose and Vision that were announced in November 2022, the Board of Directors spent over six months holding a variety of discussions about how to achieve consistency with the history of the Company and management philosophy, while maintaining a bird's-eye view of the Group as a whole and based on the perspectives required for consideration. Via the exchanges of many an opinion, I believe that we were able to arrive at a laudable Purpose that well summarized the thoughts and feelings shared by

the members of the Board of Directors.

The major changes in the organizational structure were the discontinuation of participation by outside directors in the Executive Board and the Management Council, the narrowing of down the number of bodies whose meetings they attend, and further clarification of the division of roles between execution and supervision. As a result, there are now more opportunities for inside directors to speak at Executive Board of Directors meetings than before, which has made for discussions that are more animated. At the same time, the Liaison Council of Outside Officers was newly established in April 2022. By offering all outside officers not only a preliminary briefing about what is to be discussed at the Board of Directors meetings, but also reporting to them on the details of discussions by the Executive Board and Management Council, and then having them hold discussions, the aim of this council is to promote a greater understanding of the status of business execution. The outcome of this has led to the deepening of discussions at Board of Directors meetings.

Regarding the composition of the Board of Directors, the number of inside directors was reduced by one, and three of the eight directors are now outside directors, increasing the percentage of outside directors from 33.3% to 37.5%. At the same time, it will be important to further increase the depth of the Board of Directors from the perspectives of both skills and human resources. Though bolstered global expansion will be essential for the Group to achieve further growth, I feel that the organization is lacking in personnel with expertise in global marketing. Also needed is a boost in personnel with skills in legal affairs, compliance matters, and digital transformation, which seems to me to necessitate both the recruitment of candidates for executive positions from outside the company and the development of internal personnel.

Regarding management of the Board of Directors, I feel that there are two issues that need to be addressed. The first is that inside directors currently also serve as executive officers, which makes for comments that are skewed toward their respective areas of responsibility. I believe that deeper discussions can be brought about by increasing the number of directors who speak from a company-wide management perspective. Another issue to tackle is the lack of discussion about risk. The response taken for the inappropriate conduct can indeed be described as a part of risk management, but there is also a separate need to discuss in greater depth than at present the prospective risks and consideration of potential countermeasures that accompany transactions with new customers and in new countries and areas reached by business expansion.

By making all directors more strongly aware of working based on a monitoring board model, we hope to strengthen our ability to respond to all risks, not just the instance of inappropriate conduct dealt with this time.

The Group's performance is currently solid. Beyond that, I hope to see our efforts accelerate so rather than just sow the seeds of new business, we germinate and see sprouting of the seeds of businesses that will be new pillars for us over the next decade. In order to realize the Material Revolution™ that is our Purpose and create one-of-a-kind businesses unmatched by any other company, it is incumbent on us to pursue discussions that are self-directed and animated. As an outside director, I will do my utmost to provide support toward that end in ways such as offering advice and monitoring management affairs.

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

The Group has established JSW Group Risk Management Regulations, which clearly stipulate that the Company and Group companies manage risks in accordance with their respective management structures and division of duties, and that all employees, from officers to general employees, are responsible for implementing appropriate and effective risk management in accordance with their respective roles. In addition, the Company has appointed a director in charge of risk management (CRO), who oversees risk management of the Company and Group companies while also assessing the internal control of each management structure. Also, to deal with risks by divisional function, divisions such as those in charge of health and safety, environmental management and export control management are each conducting appropriate operations through steps such as forming committees or putting in place regulations from a company-wide, cross-sectional perspective.

Regarding the status of company-wide risk management, the Internal Control Committee (Chairperson: Director in charge of Risk Management (CRO)) 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 or guidance to relevant departments as appropriate.

The Internal Audit Division, which also serves as the office of the Internal Control Committee, directly or indirectly monitors the management status of risks of each division (management structures) and each committee, and reports to the Board of Directors or the Executive Board. The main risks and the status of initiatives are duly disclosed in the annual financial report and on the website.

In the event of a major accident, disaster or any other risk that could cause serious damage to JSW Group, the Crisis

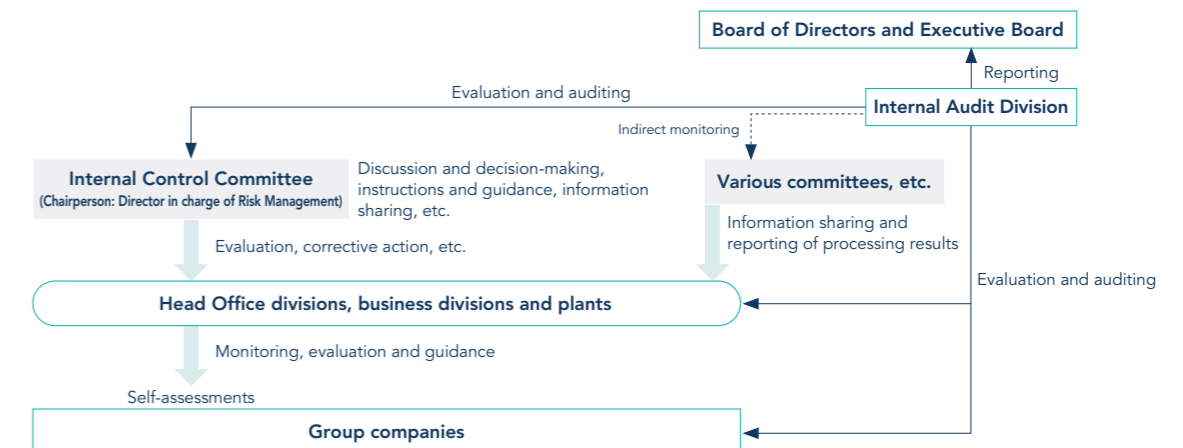
Management Headquarters, led by the director in charge of risk management, is promptly established to offer response. As the COVID-19 virus spread during the period from fiscal 2020 to fiscal 2021, a Crisis Management Headquarters was set up to provide functions such as ascertaining the health status of employees, establishing a telecommuting system and offering response to those infected.

In fiscal 2021, it was revealed that inappropriate conduct in quality inspections by Japan Steel Works M&E, Inc. had taken place (see p. 30 of this report). As this was the case of an operational misconduct risk that manifested itself in the quality assurance process, work will be done to prevent a recurrence by strengthening operational processes and management systems to ensure that operations are conducted in a proper and efficient manner.

In addition, in November 2022, a new corporate group philosophy system was established and six key issues were identified as Materiality that should be prioritized in order to realize our Purpose. Materiality comprises the two perspectives of "creating value and solving social issues through JSW Group's businesses" and "bolstering JSW Group's management foundation for sustainable growth."

From these two perspectives, we will encourage awareness that there are both risks for the sake of sustainable growth that should be taken actively and risks that should never be taken, even if for the sake of making profits. We will work to develop an operational system and framework, as well as a culture of taking risks, that give license to actively take the former type of risks under appropriate risk management controls, while minimizing the latter kind of risk. We believe that fostering this culture of taking risks advisedly and renovating our corporate culture will also lead to the prevention of the recurrence of inappropriate conduct.

Risk Management Framework



Compliance

JSW Group has established its Standards of Business Conduct and engages in business activities in compliance with ethics, laws and regulations, and international rules in both letter and spirit. The Group will continue to conduct business activities based on the understanding that compliance is not only legal compliance, but also includes adherence to internal rules and contracts, and is an important element for building a relationship of trust with society as well as a fundamental driver for increasing employee engagement.

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. The Group will also review its Basic Policy on Internal Control

to ensure quality compliance and prevent the recurrence of inappropriate conduct.

Regarding compliance with codes such as laws and regulations, and internal rules, on a regular or as-needed basis, the Internal Auditors Office audits the overall operations of JSW, and reports the results to the representative director & president, as well as to the Board of Directors, the Executive Board or the Management Council, and other relevant parties, including Audit & Supervisory Board members. In fiscal 2021, 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

Promotion of Compliance Training

The Company is implementing the following measures to further enhance compliance awareness.

- Regular training sessions at plants, sales locations (branches and sales offices), and domestic JSW Group companies are held regularly by JSW's legal department. (In fiscal 2021, training was held at the Japan Steel Works M&E Muroan Plant and Kyushu Business Office)
- Training sessions for Head Office business divisions are conducted (as needed) by JSW's legal department. (In fiscal 2021, training on the theme of confidentiality agreements was conducted at the New Business Promotion Headquarters)
- E-learning for JSW employees and Group company officers and employees was offered to enhance compliance awareness and ensure thorough risk management. (In fiscal 2021, held once with a 99% participation rate)
- Harassment awareness videos, which are required viewing by managers (and can also be viewed by general employees), are streamed on the company intranet, a development prompted by a revision to the whistleblowing rules.
- Diverse information and articles on compliance awareness raising are posted on the company intranet noticeboard, in posters and in the company newsletter.
- E-learning was provided for employees of the Company and Group companies to ensure compliance with laws, regulations and internal rules on export control administration (In fiscal 2021, held once with a 100% participation rate)
- Internal mock examinations, preparatory courses for examinations and e-learning were provided to increase the number of current employees who have passed the export control administration practical skills certification examination.

Whistleblowing System

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. This enables JSW Group to promptly detect potential violations of laws and regulations and take corrective action, thereby minimizing risk and damage to the Group that would otherwise arise from such a violation. The appropriate conduct in quality inspections by Japan Steel Works M&E, Inc., announced on May 9, 2022, (see p. 30 of this document) was prompted by an internal report issued in late February 2022. The system is thus functioning effectively in accordance with its purpose.

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 received, the Company will respond with appropriate measures, including disciplinary action. In October 2021, the whistleblowing rules were amended so that the contact point for whistleblowing was changed to external specialists in order to ensure greater

protection for the confidentiality of whistleblowers and individuals with whom they consult, while also reducing the psychological burden of whistleblowing. Furthermore, in order to facilitate further awareness of the whistleblowing system to reach even Group subsidiaries as well, we display the manual on internal workplace bulletin boards and have distributed a pocket version of the manual that employees and others can refer to at any time.

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. During this process, the office of the Whistleblowing Committee and Audit & Supervisory Board members share information as appropriate, while the Audit & Supervisory Board members monitor the progress made in individual cases and the status of operation of this system. In principle, the Board of Directors confirms proper operations of the whistleblowing system twice a year, as based on reports from the Committee.

The number of reports made was 14 in fiscal 2020 and 31 in fiscal 2021, most of which were consultations about workplace environment, including instances of harassment. Reports were investigated by the Committee and appropriately addressed.

Digital Transformation Promotion

The Group recognizes the importance of updating systems that contribute to enhanced competitiveness in these rapidly changing times. This is seen in developments such as the improvement of operations through digital transformation and the construction of system environments that enable data-driven decisions that are rapid and highly accurate.

The Group is offering and promoting a Digital Transformation Promotion Project (D-Pro) in order to build toward the following vision.

- Reconfigure the information network into a data lake to facilitate data-driven management that shares and analyzes data.
- Integrate and revamp core systems to reduce maintenance costs and promote value-enhancing investments.
- Improve operational efficiency by digitizing routine tasks, transitioning to paperless operations and enabling remote work.
- Facilitate digital transformation (i.e., business transformation leveraged by digital technology) to expand business through organizations for digital transformation promotion.

As of July 1 2022, the Office of Digital Transformation (see chart below) was established to promote D-Pro. Positioning the period through fiscal 2025 as Phase 1, the office has formulated an action plan that includes the renewal of the corporate culture and is promoting activities in each subcommittee.

Digital Transformation Promotion Structure Chart



Information Security

Basic Approach

There is a continued increase in the importance of information and information systems in improving the efficiency of office work and production technology continues to increase, as well as speeding up decision-making. At the same time, threats such as information destruction, leaks, and tampering and system destruction due to cyberattacks are increasing, and the risks associated with information and information systems are on the rise. In this environment, in order to continue to maintain the satisfaction and trust of customers and to fully fulfill our role, we recognize that an important management challenge is to accurately identify information-associated risks and protect both the information entrusted to us by customers and the information and systems necessary for us to do 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 are assigned at the Head Office and each plant. The Information Security Committee, chaired by the CISO, comprehensively discusses the status of information security incidents, recent threats to information systems, the environment in which the Company operates, and opinions and requests regarding the usability of various security measures, and conducts detailed verification on a regular basis.

In addition, we are constantly working to maintain and improve security while continuously evaluating the adequacy of countermeasures against various cyber-attacks based on detailed analysis results from continuous monitoring data from one of Japan's leading security vendors.

Structure of the Information Security Committee



Training

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

Participation Rate in Information Security Training (E-Learning)

	FY2019	FY2020	FY2021
Participation rate	100.0%	99.3%	100.0%

Evaluation by Third-Party Organizations

Diagnostic Assessments in Fiscal 2021

Assessment*	Results of evaluation
Information security risk assessment	— (Implemented with every major system change)
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.