

Sustainability Management

Message from the Director in Charge of Promoting ESG

In November 2022, we established a new corporate philosophy for JSW Group, starting with the Purpose, and identified six key issues, or Materiality, as priority items to be addressed to realize the 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 reason for the Group's existence.

Furthermore, we are making steady efforts to organize and build a framework for sustainability management, including by expressing our support for the recommendations of the TCFD, establishing our Human Rights Policy, and enhancing our Basic Procurement Policy.

Amid ongoing environmental changes for our business, we will use this framework as a basis for speedy action going forward. In addition, we intend to set KPIs related to our Materiality in our next medium-term management plan, JGP2028, which is currently being formulated.

Looking ahead, we aim to further enhance our corporate value by leveraging our core competencies to solve social issues through products, technologies, and services relied upon by all.

Junichiro Deguchi

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



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The Japan Steel Works Group Basic Sustainability Policy

Based on its Purpose, "Material Revolution™, making the world sustainable and prosperous," JSW Group will contribute to stakeholders as follows through the development and implementation of industrial machinery and new materials that solve social issues, and simultaneously realize the creation of social value and the sustainable enhancing of corporate value.

For our customer and society

Through our supply of highly reliable products that emphasize quality, we aim to solve the problems faced by customers and society, and to realize a sustainable and prosperous society.

For the global environment

We will strive to reduce the environmental impact of our business activities and the entire supply chain and contribute to enhancing a circular economy and curbing a climate change.

For our people working together

We respect human rights and provide a healthy, safe, and open working environment where everyone can find their work rewarding.

For our business partners

Through fair and equitable transactions, we create social value together and build partnerships for co-existence and co-prosperity.

For local communities

We engage actively in community involvement activities and contribute to community development as a good corporate citizen.

For shareholders and investors

We will ensure the transparency, soundness, and efficiency of management, and strive to continuously improve corporate value. In addition, we will strive to disclose appropriate corporate information in a timely and appropriate manner.

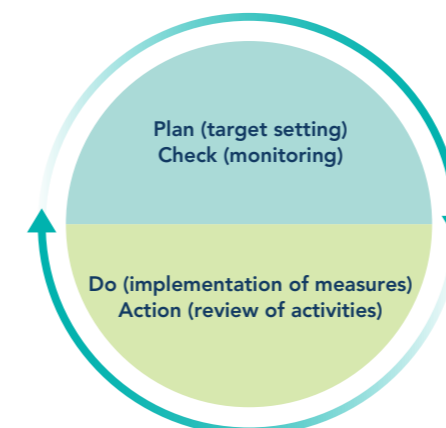
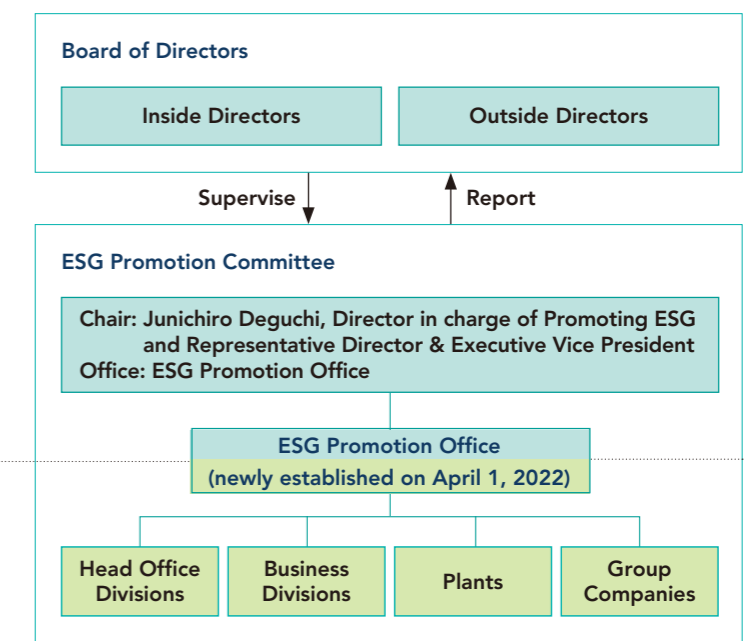
In putting the above into practice, we will strive to ensure compliance and work to enhance corporate governance.

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.

ESG Activities Promotion Organization Chart





Environmental Management

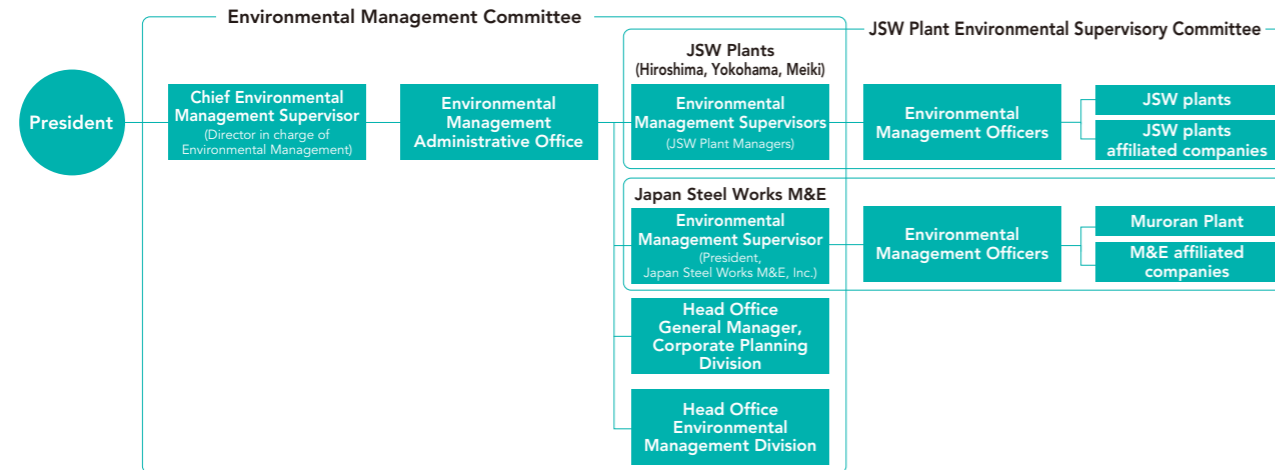
Environmental Policy

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

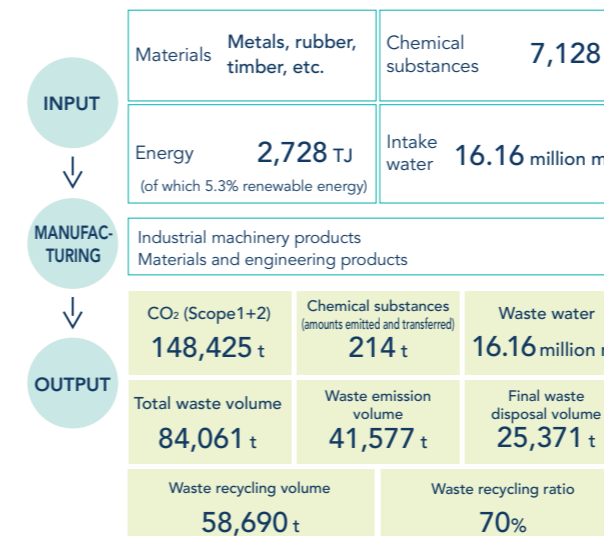
Achievement Level: ◎ Fully achieved ○ 80% or more achieved △ Less than 80% achieved

Priority Issues	Fiscal 2022 Targets	Fiscal 2022 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	33.75% reduction in CO ₂ emissions (compared with fiscal 2013)	41.9% 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)	15.5% improvement over the previous year 3.0% 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 95.2% (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)	15.5% improvement over the previous year Improvement of 1.9% in 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 2022 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.

Not only do we conduct solar power generation at the Hiroshima Plant, but a portion of the electricity purchased at the Hiroshima Plant, Yokohama Plant, and Meiki Plant is derived from renewable energy sources. Use of renewable energy sources covered 5.3% of the Group's total energy use in fiscal 2022.

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. The total capacity of all installations as of fiscal 2022 is 400 kW.

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



Response to Climate Change

Support for the TCFD recommendations

JWS Group considers climate change as one of the important management issues, and in June 2022, we have expressed our endorsement for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). In the same year, we completed a scenario analysis and impact assessment. In accordance with the TCFD's disclosure framework, we analyze and consider the impact of climate change-related risks and opportunities on the Group's business activities and earnings, and disclose the resulting information.

Please refer to our website for details.
Climate change response: <https://www.jsw.co.jp/en/sustainability/environment/climatechange.html>



Strategy

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	Imposition of a carbon tax	Major	-
		Introduction of border adjustment tax	-	Moderate
	Technology	Cost of switching fuels at production facilities and R&D	Moderate	Moderate
		Markets	Decrease in demand for the products due to the reduction in the construction of conventional thermal power plants	Minor
Increased procurement costs due to increased demand for steel-making raw materials as a result of the shift from blast furnaces to electric furnaces	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	

Financial "Opportunity" Impact Assumed for FY2030

Category	Type	Details	Degree of Impact	
			2°C	4°C
Opportunities	Markets	Expansion of the EV market	Major	Major
		Expansion of power electronics market and 5G infrastructure market	Moderate	Moderate
	Energy sources	Increased demand for renewable energy power generation	Moderate	Moderate
	Resource efficiency	Tax relief after the introduction of carbon pricing on CO ₂ emissions from production facilities	Major	-
		Expansion of products and services that contribute to the demand for the reduction of CO ₂ emissions	Major	Major
Products and services	Response to the demand for plastic recycling, contribution to social implementation of non-fossil-fuel-derived plastics	Minor	Minor	
	Response to the demand for nuclear power plants	Moderate	Moderate	

Specific Initiatives to Address Risks

• Response to carbon taxes

In the 2°C scenario, we assume a carbon tax of 120 USD/t-CO₂. In order to reduce the financial impact of taxation, the Group is working to introduce electricity generated from renewable energy and install solar power generation facilities, in addition to taking various energy conservation measures.

In fiscal 2022, we have increased the percentage of electricity generated from renewable energy sources to 30% of Scope 2 at the Hiroshima Plant, 16.3% at the Yokohama Plant, and 20% at the Meiki Plant. Furthermore, the Hiroshima Plant once again expanded its solar power generation facilities in fiscal 2022, following expansion in fiscal 2021.

• Response to decreasing demand for thermal power-related products due to the reduction in the construction of conventional thermal power plants

The market is shifting to prefer power generation facilities with technologies that curb CO₂ emissions. Specifically, this power generation takes place in ultra-supercritical and ultra-high-temperature environments, and the requirements on these are ever-evolving. The Group has been consistently pursuing research and development to address these requirements. These efforts have resulted in ongoing strong orders for products related to power generation, following the shift to higher-efficiency gas turbine combined cycle power generation.

Specific Initiatives to Address Opportunities

• Initiatives for increased demand for renewable energy power generation

With greater introduction of renewable energy around the world, there has been a marked increase in demand for resins used for encapsulation of photovoltaic panels, such as ethylene vinyl acetate resin. Demand for pelletizers, the mass production equipment used for this kind of resin material, is expected to remain at a high level going forward.

To meet demand, we will advance our investment plan at the Hiroshima Plant to increase the production capacity and efficiency of these large pelletizers and to improve the assembly capacity of large pelletizers.

► For details, please refer to p. 22-23.

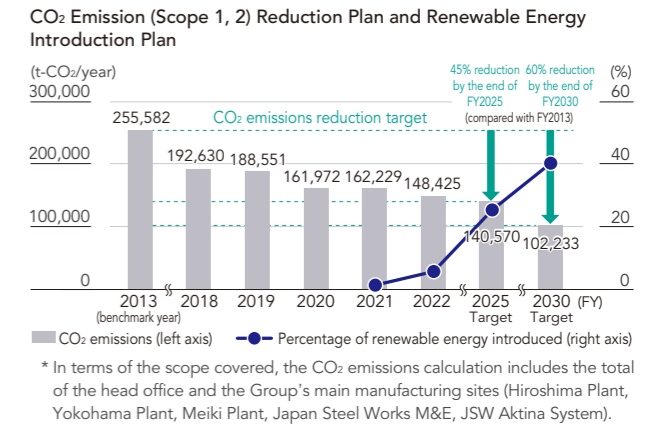
• Response to the demand for nuclear power plants

Nuclear power capacity is expected to trend upward in the medium to long term as nations transition toward policies emphasizing energy security and decarbonization. We will provide the appropriate products to the market by leveraging our extensive development and manufacturing technologies in large cast and forged steel components for nuclear power plants (reactor pressure vessel components, turbine rotor shafts, and generator shafts) and our knowledge of nuclear power standards in various countries.

► For details, please refer to p. 28-29.

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 emissions are 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 rate (compared with FY2013)	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



Reduction of Environmental Impact

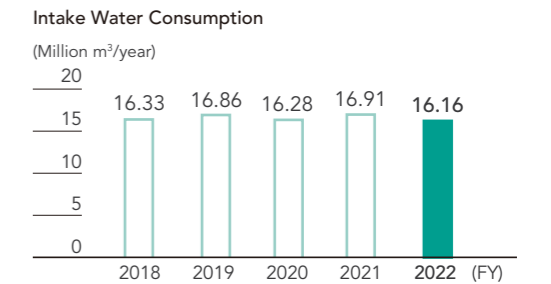
Policy and Initiatives for Water Resources

JSW Group recognizes that climate change and population growth are causing water resource shortage problems in regions all over the world.

The Group utilizes the World Resources Institute's (WRI) Aqueduct assessment tool and other tools to check water stress at its manufacturing sites. As of July 2023, our assessment indicates that the Group has no manufacturing sites in water-stressed areas.* Japan Steel Works M&E, which accounts for more than 99% of the Group's water withdrawals, is located in Japan's Hokkaido Prefecture, where water stress is rated as Low in both Aqueduct's current assessment and future projections. At Japan Steel Works M&E, we are working to reduce freshwater intake by recycling cooling water after use and utilizing sea water, and are also practicing water source management for some industrial water used. We will continue to regularly check the water stress at Group manufacturing sites and strive to use water resources appropriately considering the water stress level.

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

*Areas rated with High or Extremely High water stress by Aqueduct



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.

	FY2021	FY2022
Amount released (t)	65.1	59.2
Amount transferred (t)	161.0	154.3
Total (t)	226.1	213.5

Initiatives to Reduce Waste

JSW Group is working to reduce waste volumes founded in 3Rs of waste: Reduce, Reuse, and Recycle. Our Industrial Machinery Products Business is maintaining a high recycling rate through thorough implementation of 3Rs 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.

	FY2021	FY2022
Industrial Machinery Products Business	Waste final disposal volume (t)	124
	Recycling rate (%)	98.7
Material and Engineering Business	Waste final disposal volume (t)	20,943
	Recycling rate (%)	72.2

Quality Management

Summary of Circumstances Surrounding Inappropriate Conduct in Product Quality Inspections

In May 2022, the Company announced that a subsidiary, Japan Steel Works M&E (hereinafter, M&E) had engaged in inappropriate conduct, including falsifications, fabrications, and misstatements of product inspection results. Subsequently, we have taken with the utmost seriousness the findings and recommendations of a special investigation committee, consisting of outside attorneys, and are continuing efforts to prevent recurrence. Please refer to the URL below for details of the inappropriate conduct and the findings and recommendations of the Special Investigation Committee.

In Response to Inappropriate Conduct in Quality Inspections by Our Subsidiary
https://www.jsw.co.jp/news/news_file/file/20230509_news_en.pdf

Roadmap to Prevent Recurrence, and Progress Status

Based on analysis of the causes of the inappropriate conduct, and after considering the recommendations of the Special Investigation Committee, JSW Group formulated measures to prevent recurrence, and is implementing them following overall approval by the Board of Directors. From the four standpoints of System, Culture, Process, and Governance, we are working diligently to develop specific measures to prevent recurrence, some to be carried out by the Group as a whole and some by M&E. Regarding implementation, the Quality Management Office as the second line leading, directing, and supervising, and the Internal Auditors Office as the third line is auditing progress periodically and reporting results to the Board of Directors.

Category	Measures to Prevent Recurrence	From May 2022 to September 2023	From October 2023 to March 2024	FY2024	Situation (as of October 2023)
Quality assurance system reform	Establish company-wide quality assurance system	Established Quality Management Office (September 2022)	Plant quality audits (biannual) and affiliated companies audits (annual) by the Quality Management Office		Complete Ongoing
	Strengthen the independence of the quality assurance function	Established Quality Assurance Division reporting directly to the President, M&E (June 2022)	Consolidated product division delivery and cost control functions in the Production Management Department (January 2023)	Quality audits by the Quality Management Office (minimum biannually)	Complete Complete Ongoing
Organizational culture reform	Strengthen and raise awareness of the need for quality compliance	Established Quality Policy and Quality Code of Conduct (September 2022)	President's employee lunch meeting (monthly)	President's site inspection and town hall meetings with employees (monthly)	Complete Ongoing Ongoing
		Quality Compliance Month (annually, May)	Quality Compliance Month (annually, May)	Quality Compliance Month (annually, May)	Ongoing
		National Product Quality Month (annually, November)	National Product Quality Month (annually, November)	National Product Quality Month (annually, November)	Ongoing
		M&E management get-togethers with frontline employees and young managers (monthly)	M&E management get-togethers with frontline employees and young managers (monthly)	M&E management get-togethers with frontline employees and young managers (monthly)	Ongoing
Organizational culture reform	Organizational culture reform	Self-assessment to foster a culture of product safety (annually, February)	Self-assessment to foster a culture of product safety (annually, February)	Self-assessment to foster a culture of product safety (annually, February)	Ongoing
		Established Purpose (November 2022)	Promote Organizational Culture Reform Project	Promote Organizational Culture Reform Project	Complete Ongoing
Process reform	Digitize inspection work	Establish an inspection operation system to digitize inspection and test record preparation	Establish an inspection operation system to digitize inspection and test record preparation	Establish an inspection operation system to digitize inspection and test record preparation	Ongoing
		Partial system launch → Enlarge scope of application (deploy across Company)	Partial system launch → Enlarge scope of application (deploy across Company)	Partial system launch → Enlarge scope of application (deploy across Company)	Ongoing
	Appropriate investment of management resources in quality control	Increase quality control personnel, promote personnel mobility (multi-skills training, promote rotation)	Increase quality control personnel, promote personnel mobility (multi-skills training, promote rotation)	Increase quality control personnel, promote personnel mobility (multi-skills training, promote rotation)	Ongoing
		Capital investment to enhance inspection operations efficiency (renew inspection equipment, consolidate inspection stations, automate and digitize inspections)	Capital investment to enhance inspection operations efficiency (renew inspection equipment, consolidate inspection stations, automate and digitize inspections)	Capital investment to enhance inspection operations efficiency (renew inspection equipment, consolidate inspection stations, automate and digitize inspections)	Ongoing
	Revision of standards for the storage of quality-related documents and data	Quality Assurance Group reconciliation of inspection/test source data with final results	Quality Assurance Group reconciliation of inspection/test source data with final results	Quality Assurance Group reconciliation of inspection/test source data with final results	Ongoing
		Define retention period of inspection records (original data and submitted rating form) in Quality Manual	Define retention period of inspection records (original data and submitted rating form) in Quality Manual	Define retention period of inspection records (original data and submitted rating form) in Quality Manual	Complete (in operation)
Strengthen quality assurance process	Strengthen in-production monitoring by Quality Assurance Division (e.g., unannounced inspections, monitoring, etc.)	Strengthen in-production monitoring by Quality Assurance Division (e.g., unannounced inspections, monitoring, etc.)	Strengthen in-production monitoring by Quality Assurance Division (e.g., unannounced inspections, monitoring, etc.)	Complete (in operation)	
	Review internal quality audit procedures (e.g., random sampling of construction documents on day of audit)	Review internal quality audit procedures (e.g., random sampling of construction documents on day of audit)	Review internal quality audit procedures (e.g., random sampling of construction documents on day of audit)	Complete (in operation)	
	Strengthen involvement of Quality Assurance Group (approval and review at each stage of nonconformity reporting, action orders, outcome confirmations)	Strengthen involvement of Quality Assurance Group (approval and review at each stage of nonconformity reporting, action orders, outcome confirmations)	Strengthen involvement of Quality Assurance Group (approval and review at each stage of nonconformity reporting, action orders, outcome confirmations)	Complete (in operation)	
Upgrade communication with customers	Permanent posting of Quality Management Office member to M&E	Permanent posting of Quality Management Office member to M&E	Permanent posting of Quality Management Office member to M&E	Ongoing	
	Management evaluation/approval of order acceptance/rejection (order acceptance/rejection based on appropriate judgment)	Management evaluation/approval of order acceptance/rejection (order acceptance/rejection based on appropriate judgment)	Management evaluation/approval of order acceptance/rejection (order acceptance/rejection based on appropriate judgment)	Ongoing	
Governance reform	Strengthen internal controls	Clarify characteristics of customer requirements (concerns about requirements, if any, to be discussed with customer through to resolution)	Clarify characteristics of customer requirements (concerns about requirements, if any, to be discussed with customer through to resolution)	Clarify characteristics of customer requirements (concerns about requirements, if any, to be discussed with customer through to resolution)	Ongoing
		Review internal pre-inspection and testing operations (such pre-inspection and testing to be described clearly in specifications, with records disclosure upon request)	Review internal pre-inspection and testing operations (such pre-inspection and testing to be described clearly in specifications, with records disclosure upon request)	Review internal pre-inspection and testing operations (such pre-inspection and testing to be described clearly in specifications, with records disclosure upon request)	Complete (in operation)
	Strengthen Board of Directors monitoring function	Strengthen internal audit function (timely operational status audits of the Quality Management Office by head office Internal Auditors Office)	Strengthen internal audit function (timely operational status audits of the Quality Management Office by head office Internal Auditors Office)	Strengthen internal audit function (timely operational status audits of the Quality Management Office by head office Internal Auditors Office)	Complete (in operation)
		Strengthen internal whistleblower system (further publicize system, etc.)	Strengthen internal whistleblower system (further publicize system, etc.)	Strengthen internal whistleblower system (further publicize system, etc.)	Complete (in operation)
		Strengthen board structure (perform more monitoring, boost proportion of outside directors, ensure diversity)	Strengthen board structure (perform more monitoring, boost proportion of outside directors, ensure diversity)	Strengthen board structure (perform more monitoring, boost proportion of outside directors, ensure diversity)	Complete (in operation)

▲ : Overall JSW Group measures ▼ : M&E-specific measures

Progress to Date

1 Customer relations and acquisition of certifications at M&E

- M&E temporarily suspended manufacturing, shipment, and new order acceptance for principal products where inappropriate conduct was confirmed in fiscal 2022, prioritizing its response to customers, but resumed manufacturing, shipment, and new order acceptance for products where quality and manufacturing processes were successively confirmed as sound (substantially remedied as of the end of fiscal 2022). Nuclear products are undergoing quality assurance verification processes by certain customers, and manufacturing has resumed for products approved by customers.
- Suspended ISO manufacturing certifications were reinstated in March 2023. Revoked certifications were re-certified to ISO 9001 in August 2023, and re-certified by a testing laboratory under ISO/IEC 17025 in September 2023.

2 Disposition of officers and others

- May 2022: Non-reappointment of one director with past experience as an executive director of the Material & Engineering Products Business, and resignation of one Audit & Supervisory Board member were accepted.
- November 2022: Monthly salaries of the eight executive directors and executive officers serving when inappropriate conduct occurred were reduced in line with their responsibilities. To clarify management and supervision responsibility, the Company reduced monthly salaries or took disciplinary action (including demotion) against officer- and manager-level employees (including those seconded from the Company to M&E) in line with their responsibilities, and publicly announced the disciplinary action internally and on M&E's website.

3 Strengthening governance

- The Board of Directors undertook to ensure diversity by increasing the number of outside directors (independent officers). Going forward, we will continue to shift the functions of the Board of Directors toward a greater monitoring role, to prevent the recurrence of misconduct in general.
- To strengthen our internal control functions, we established a company-wide Quality Management Office in September 2022 and appointed a director in charge of quality management. In conjunction with separation of business execution from business division supervisory functions, the second line function in the three-line of risk defense in risk management model was clarified, and personnel were deployed to ensure effectiveness.

Pending Issues and Future Response

Culture reform initiatives

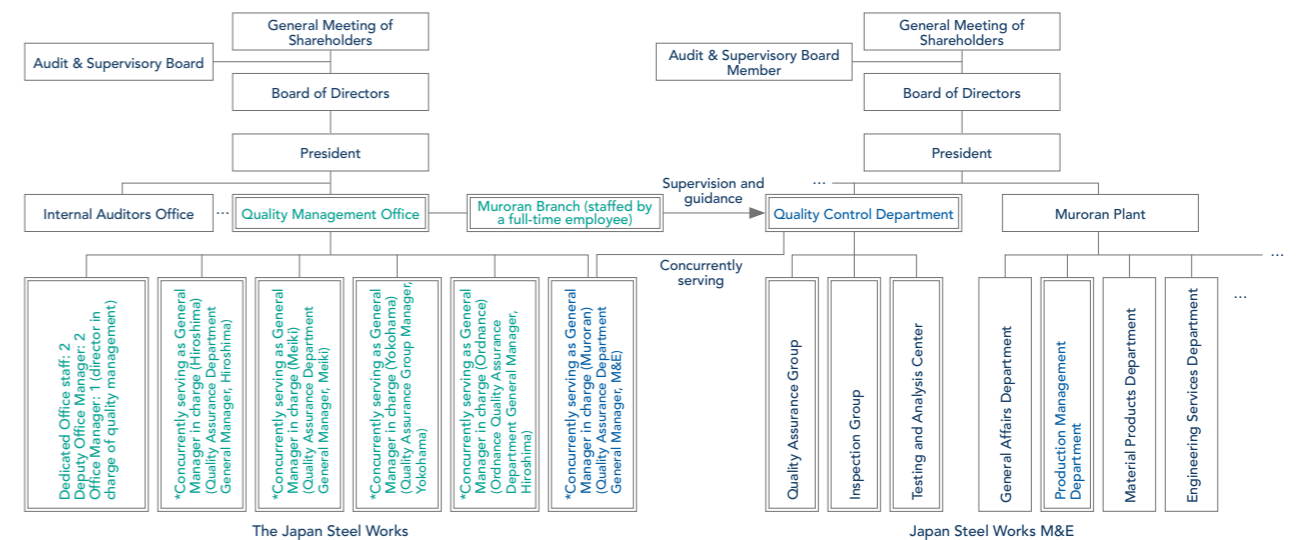
The Special Investigation Committee found a culture of discouraging free expression of opinions, a lack of communication between departments, and a corporate culture that did not encourage or value taking on challenges. We recognize that this is an important challenge, not only for enhancing quality compliance, but for innovation and corporate growth. In response, the Board of Directors has approved a fundamental policy of pursuing initiatives to cultivate high ethical standards and a spirit of taking on challenges, as well as psychological safety in all operations and situations.

With respect to corporate culture reform, we are formulating and pursuing measures at multiple levels, with ongoing followup through employee surveys, engagement surveys, etc., the results of which are reported to the Board of Directors as appropriate.

In addition, we have launched an Organizational Culture Reform Project Team made up of internally recruited young employees with a passionate desire to reform the Group's organizational culture. This team commenced activities in August 2023.

Quality Control Framework

In June 2022, a Quality Control Department was established, reporting directly to the president, M&E. In September 2022, to strengthen corporate monitoring and supervisory functions, the Quality Management Office was established to oversee quality assurance at each business division and manufacturing plant. To ensure personnel control, the managers in charge of quality control at each manufacturing plant, including M&E, are incorporated as concurrently serving in the Quality Management Office. In January 2023, delivery and cost control functions were separated from M&E's product departments and brought under Production Management Department. A Muroran Branch of the Quality Management Office (staffed by a full-time employee) was established to further strengthen supervision, guidance, and mutual monitoring.





Human Resources Strategy

Human Resource Strategies to Realize Our Purpose

To realize its Purpose while enhancing corporate value and creating social value, JSW Group must formulate and pursue a human resource strategy contributing to strengthening human capital improvement and diversity and inclusion, which we have established as a Materiality. Based on our shared Purpose and Vision, we will pursue our human resource strategy by promoting policies that focus on the organization as a whole as well as on individuals, respectively.

While organizational performance is first and foremost a function of the sum total of individual abilities, we have defined the skills we want our personnel to acquire in the course of their careers to execute our business, and are undertaking to promote individual growth through a variety of human resource policies.

Through skills development, employees will help realize our Purpose, and by promoting an organizational culture that encourages diverse personnel to grow and play active roles autonomously, we will generate synergy between organizational performance and individual growth.



Motoyuki Shibata
 Director, Executive Officer
 In charge of Export Control Administration,
 In charge of Health & Safety Management,
 General Manager, Personnel Department

Maximizing organizational performance

To realize our Purpose, society must continue to need us. To this end, it is necessary to maintain the JSW Group Value Creation Process, and to enhance sustainable corporate value while simultaneously creating social value. We recognize that to create these types of value, we must undertake to grow as an organization that can generate innovation and link it to value, thereby maximizing performance. Therefore, based on the results of our group's workforce composition analysis and engagement survey, we are furthering a wide range of measures and Organizational Culture Reform projects.

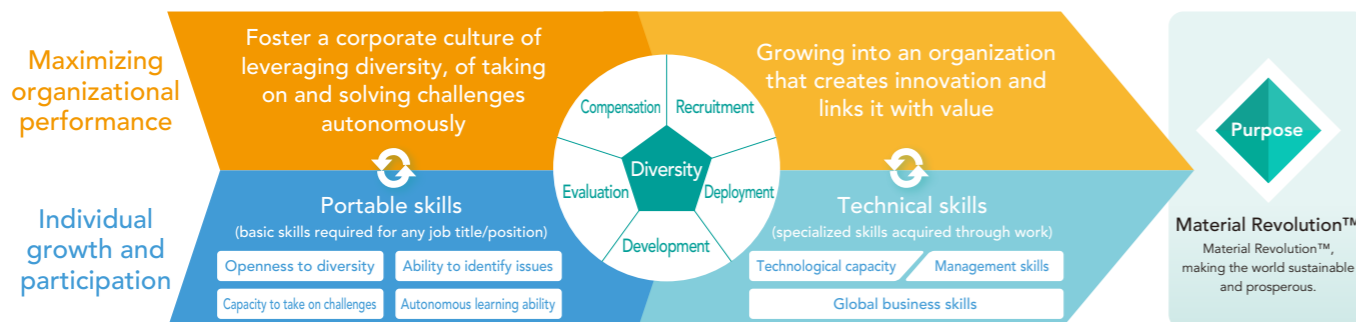
Individual growth and participation

We believe that leveraging diversity and fostering a culture of autonomous problem-solving is essential if an organization is to create innovation and link it to value. The most important factor among those that determine culture is the individual abilities of the people making up an organization. In terms of individual abilities, we define portable skills as basic skills that are required for any job title or position, and technical skills as specialized skills acquired through work.

Our human resource strategy emphasizes individual growth and participation, and we collaborate with individuals at each stage—recruitment, deployment, development, evaluation, and compensation—to develop their skills and link them to organizational performance.

Portable skills (basic skills required for any job title/position)	
Openness to diversity	Openness to diverse values and ideas, capable of leveraging them to boost team performance
Ability to identify issues	Capable of identifying and raising issues proactively to keep the organization's awareness of issues current
Capacity to take on challenges	Able to take on challenges without being constrained by precedent, and capable of involving others in the process
Autonomous learning ability	Capable of adapting flexibly and promptly to changes in the environment, of learning autonomously, and of growing throughout their career

Technical skills (specialized skills acquired through work)	
Technological capacity	High-level specialist knowledge that reinforces the Company's core competences (melting, mixing, and solidifying technologies)
Management skills	Ability to maximize organizational performance and support management strategies and corporate foundations
Global business skills	Skills that enable the individual to extend and grow the Company's business on a global scale



Recruitment

The portable skills that should be acquired by personnel who contribute to the realization of our Purpose, are defined as: openness to diversity, ability to identify issues, capacity to take on challenges, and autonomous learning ability. In our recruiting activities, we are engaged in a range of efforts to hire a diverse workforce that possesses these portable skills.

• Hiring of new university graduates

To obtain contact with a broad range of people from across the country, we are engaged in in-person and online recruiting activities. When recruiting personnel with a technical background, we conduct on-site tours and interviews at our manufacturing sites. When recruiting personnel with a humanities background, we provide opportunities for roundtable discussions with young employees, particularly in

sales positions. We also offer internships as an opportunity for interns to gain work experience, and a deeper understanding of our work environment and corporate culture.

• Hiring of experienced personnel

To continue attracting an even larger and more diverse workforce, we strive to hire experienced personnel. We are also working on a new compensation system that will help us secure core personnel with high-level expertise who can become the leaders of the future.

In addition to general recruitment routes, we also use a wide range of targeted recruiting in our search for diverse personnel, such as employee referrals and proactively approaching prospective candidates.

Development

• Level-specific training and self-development support

We provide level-specific training for all employees, from new hires to managers. Furthermore, to support self-development, we make online learning platforms available, and strive to create an environment where people can acquire the skills they are seeking.

• Growth support for middle-level managers

Based on the results of the engagement survey, we believe that to raise the level of performance for the organization as a whole, it is important to enhance the skills of middle-level employees who drive the workplace as well as business strategy execution, in order to enable them to boost the level of job satisfaction and desire to take on challenges felt by employees at each workplace. As such, by designing educational content for middle-level employees that takes into consideration the needs of each workplace, we will support these employees in enhancing their guidance and development skills, and this will in turn vitalize our workplaces. We also promote the development of personnel who are capable of leading strategy execution without being constrained by precedent. Consequently, we actively fast-track young high performers into management in anticipation of future advancement to senior management. We task these individuals with critical missions involving significant responsibility, and actively conduct development programs through internal recruitment and rotation.

• IT skills education

All employees will be categorized into levels according to responsibilities and IT skills, and the target percentage of employees at each level will be set. As we work to achieve these percentages, we will formulate a system to provide appropriate educational content to each employee, thereby undertaking to maximize the effectiveness of efforts to improve IT literacy throughout JSW Group. In addition to the foregoing, we will also work to develop department leaders, familiar with business as well as IT, who will promote digitization of business operations to derive concrete results from DX activities.

• Support and monetary incentive programs for technology and skills transfer, and acquisition of official certifications

We have established in-house training environments such as Ginou-Dojo (Technical Skills Dojo) (Hiroshima Plant) and Hagane-Juku (Steel Academy) (Japan Steel Works M&E Muroran Plant). We are transmitting skills that have been passed down by generations of skilled technicians to younger employees, and broadening the base of employees with technical backgrounds.

We also encourage employees to obtain official certifications and reward them when they do, and have introduced a skills certification system to promote autonomous learning and growth.



• Global business skills

We offer employees educational opportunities to acquire global business skills. In addition to improving skills such as negotiating and presenting in English, this training also gives participants the opportunity to learn styles of thinking that have global resonance. Moreover, we provide the basic and specialized education required for global business, such as language training including study abroad, and flexible rotation for personnel development, including to the Company's international locations. These efforts are fostering the human resources who will lead the development of our business on a global scale.

Going forward, we will begin to structure an educational system to effect management skills acquisition, including the expertise to formulate and execute growth strategies and establish corresponding management structures, and knowledge of M&A.

Deployment

To deploy the right person into the right job, we assign employees to the most suitable positions for business execution, after consideration of their individual aptitudes and personalities. This will ensure that all employees can exercise their abilities and acquire technical skills (specialized abilities) through their work.

Indicators	FY2020	FY2021	FY2022
Training cost per employee (thousands of yen)	29.8	28.5	42.9
Number of participants in job level-specific training	285	277	266
Completion rate of job level-specific training (%)	98.6	98.9	98.1
Number of employees newly certified under The National Trade Skill Test & Certification (NTSTC)	47	111	100

Evaluation and Compensation

Separate systems established for general employees and managers. Evaluation of general employees focuses on job performance. Upon advancement to assistant manager level, the highest general employee level, the Company sets goals based on the individual's scope of responsibility, and evaluates based on achievement of those goals.

Management-level employees set goals autonomously with respect to problem solving and organizational development linked to business objectives, and work autonomously to

In addition, in fiscal 2023, we are embarking on initiatives that will promote autonomous career development, including implementing planned internal open recruitment in certain divisions, with the aim of developing personnel by encouraging them to take on the challenge of developing new businesses.

achieve them. Communication with supervisors is mandatory in setting goals for managers and assistant managers. Such communication reinforces the link between management and individual goals, and ensures that all employees can exercise their individual abilities and play an active role in furthering the organization's pursuit of management strategy.

Going forward, we will further clarify our goal-setting priorities, and aim to make the system even more conducive to the achievement of the medium-term management plan.

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.

Activities to promote diversity and inclusion

We provide onboarding training for experienced hires, to ensure smooth integration and participation. We provide advance training to departments hiring persons with disabilities, to ensure smooth personnel integration and departmental understanding of the nature of the disability. We are also developing educational content addressing female health issues, and working to obtain support and understanding at each workplace.

JSW Group's relatively low percentage of female employees overall, and female managers in particular, presents a challenge. We have women in management positions—at the general manager level in sales, and at the section manager level in technical and corporate departments. However, to place women in leadership positions, we will hire more career-track women and, through retention measures, steadily expand the number of assistant manager-level women who aspire to become managers. In parallel, we will actively promote general-level individuals with demonstrated competence, and make more experienced-female hires. In conjunction, we will provide support that is attentive specifically to women's needs, such as training and networking.

Support for work-life balance

In addition to establishing a childcare and family care leave system and ensuring that it conforms with current law, we are working to create an environment that facilitates a balance of work with childcare and family care, with telecommuting, staggered work hours, and an hourly paid leave system.

In terms of education, we are promoting measures to support self-development, so that employees can upgrade their skills in line with their motivation.

Employee benefits

To accommodate the diverse values and needs of our employees, we are undertaking to enhance our system by offering them a cafeteria (benefit) plan from which they can select the benefits that fit their needs.

Indicators	FY2020	FY2021	FY2022
Percentage of female new graduate hires for career-track positions (%) ¹	10.0	15.0	15.6
Percentage of women among assistant managers (%)	7.8	8.7	10.2
Number of employees who took childcare leave	11	16	34
Percentage of employees with disabilities (%) ²	1.90	2.21	2.46

1. The percentage of female new graduate hires for career-track positions is based on the number of women who were offered employment during the fiscal year in question and who joined the Company on April 1 of the next fiscal year.

2. As of June 1 of each fiscal year



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

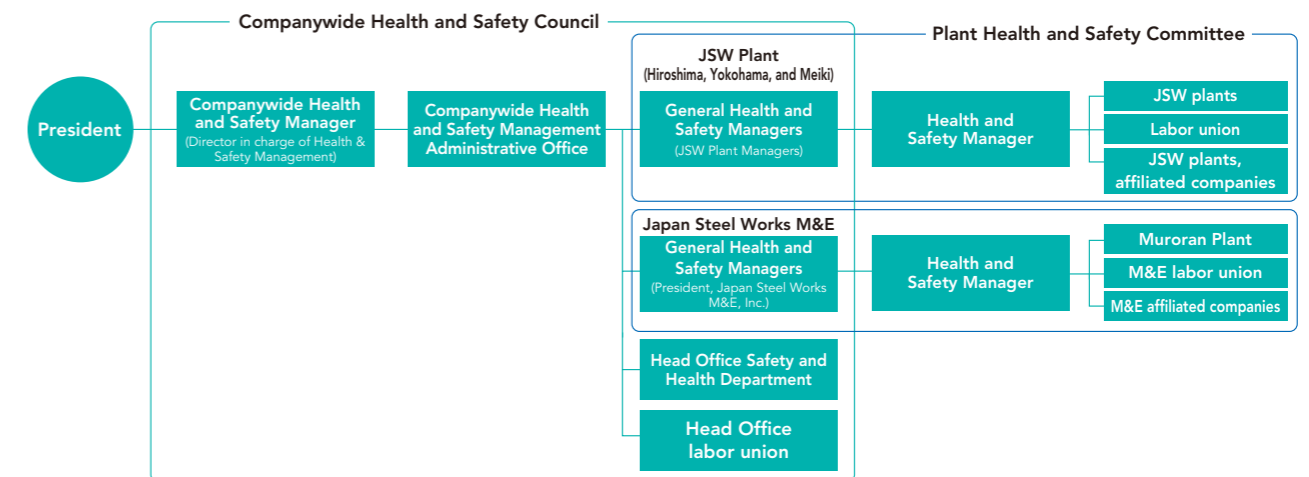
- To fulfill our social responsibility, we have positioned health and safety as a vital part of our management policy, and work to ensure the health and safety of everyone involved in our business.
- We have established and operate an occupational health and safety management system, and prioritize health 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, and steadily promote their establishment as rules, customs, and culture.
- Based on strong leadership from top management, employees, the labor union, and JSW Group will work in unison to establish a safety management system to prevent occupational accidents and health hazards.
- 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

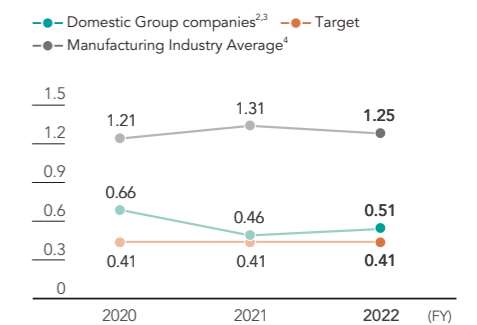
In JSW Group, we specify priority items for health and safety activities each fiscal year, and the Group (as well as the labor union) and suppliers of each plant work together on activities aimed at achieving zero occupational accidents.

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

To promote employee health, including mental health care, the Group conducts periodic stress checks and strives to properly manage working hours, among other activities.

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 Workhours¹



- Frequency rate of accidents calculated from lost-worktime, serious and fatal accidents during the fiscal year
- Including partner companies on Company premises
- Excluding certain Group companies
- Manufacturing industry averages are from the survey of occupational accident trends (Ministry of Health, Labour and Welfare).



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. To ensure that this policy is propagated throughout the Group's business activities, we use in-house newsletters, bulletin boards, portal sites, e-learning programs and other means to disseminate the policy and educate employees.

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

The Japan Steel Works Group Human Rights Policy, please refer to our website. Respect for human rights: <https://www.jsw.co.jp/en/sustainability/social/diversity.html>

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 building our supply chain, we request, as appropriate, that suppliers understand and respect human rights and comply with relevant laws and regulations. In an effort to build human rights due diligence, we began conducting CSR Procurement Survey in fiscal 2023.

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 concerning The Japan Steel Works Group Human Rights Policy, please refer to our website.



Local Communities

The Group believes that companies are members of society, and that they progress in collaboration with various communities, including local communities. 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>



Work experience activities



Sponsor and exhibitor at Hiroshima Skill Fair



Supply Chain Management

Our Perspective and Basic Procurement Policy

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

For details concerning The Japan Steel Works Group Basic Procurement Policy and Request to Business Partners, please refer to our website. Supply Chain: <https://www.jsw.co.jp/en/sustainability/social/supplychain.html>

society. We also formulated our Request to Business Partners, a document that outlines the specifics regarding our vision of how we hope suppliers conduct business. The Japan Steel Works Group Policies and Request to Business Partners are published on our website, and we are requesting confirmation of agreement.

Going forward, we will work to comprehensively disseminate these Policies and Request, strive to monitor the sustainability initiatives of our major suppliers, conduct dialogue and other interactions with suppliers as needed, and continue to strengthen our supply chain risk management and its 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.

Supplier Survey

Since fiscal 2023, we have been soliciting participation in a CSR Procurement Survey of our major suppliers, to monitor the status of their sustainability initiatives. The survey is divided into nine major sections, based on such themes as Request to Business Partners and The Ten Principles of the UN Global Compact. Representative survey topics include child labor and forced labor prevention (Labor), respect for human rights and discrimination prevention (Human Rights), and initiatives to prohibit conflict minerals (Supply Chain). In addition, in conjunction with soliciting response to the CSR Procurement Survey, we also request that suppliers confirm their agreement with The Japan Steel Works Group Human Rights Policy, The Japan Steel Works Group Basic

Procurement Policy, and Request to Business Partners. Suppliers whose response was requested to the CSR Procurement Survey for fiscal 2023 were selected based on the actual value of procurement made by each of the Group's major manufacturing locations. We are currently collecting the survey responses. Once we have completed this process, we will analyze the responses and provide feedback to suppliers. If our analysis reveals the presence of high-risk challenges, we will seek to grasp the actual situation in more detail and encourage improvement through dialogue with suppliers. Beginning with the next fiscal year, we will strive to establish a periodic survey system, updating its content as needed based on our analyses and the latest social trends.

- CSR Procurement Survey Items
1. Corporate Governance Relating to CSR
 2. Human Rights
 3. Labor
 4. Environment
 5. Fair Corporate Activities
 6. Product Quality and Safety
 7. Information Security
 8. Supply Chain
 9. Co-existence with Local Communities

Survey System (first-time initiatives in parentheses)





Corporate Governance

Basic Approach

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

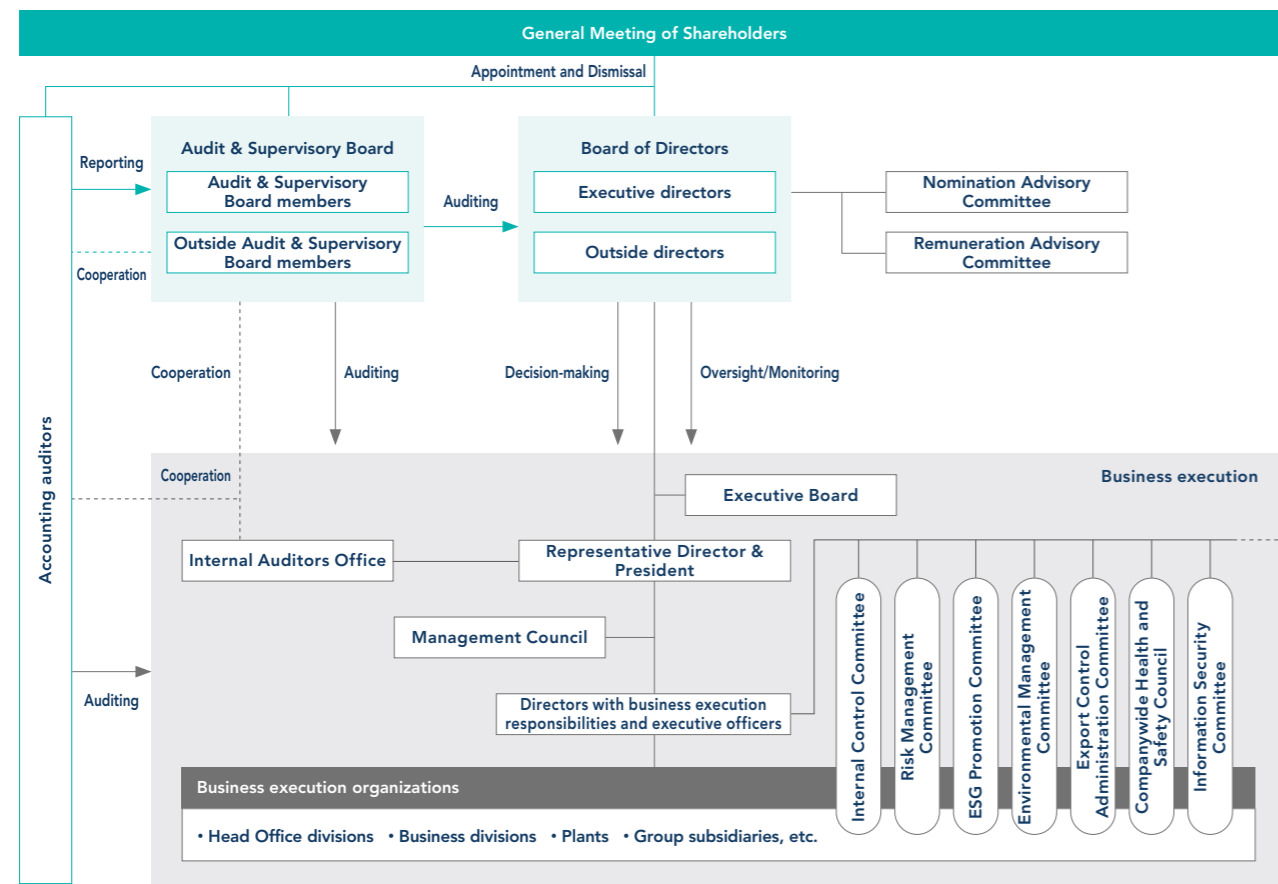
The Japan Steel Works, Ltd. ("the Company") has adopted the structure of a company with an audit and supervisory board. The Board of Directors consists of nine directors (four of whom are outside directors) and the Audit & Supervisory Board consists of four Audit & Supervisory Board members (two of whom 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. Since April 1, 2023, the Company has implemented a system that, in principle, ensures that in the case of head office divisions directors and executive officers, and for business divisions executive officers and other

employees, are each responsible for oversight and business execution for the tasks they are delegated or assigned by the Board of Directors. This clearly delineates business execution of the business divisions from supervision by the Board of Directors.

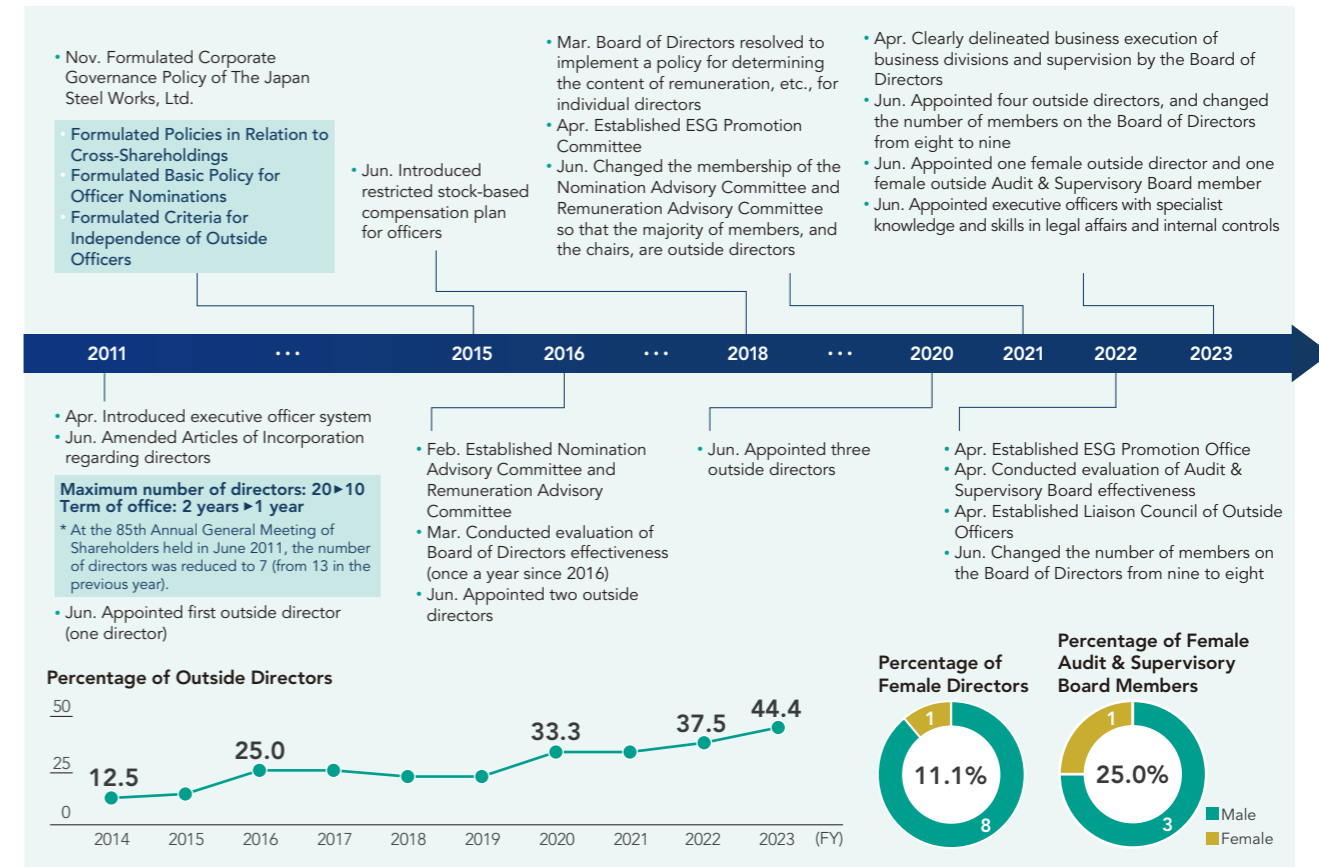
Audit & Supervisory Board members attend important meetings including those of the Board of Directors, the Executive Board and the Management Council. Once every fiscal half in principle they visit plants, sales locations and Group companies, and receive reports on necessary information from each division. 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 right)	Directors (5 inside, 4 outside)	Inside directors (5) Non-director executive officers (5)	President (1) Director in charge of Personnel Department and Secretary Office (1) Outside directors (4)
	Observers/Advisors (no voting rights)	Audit & Supervisory Board members (2 inside, 2 outside)	Inside 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 FY2022	18	39	4	3

	Management Council	Audit & Supervisory Board	Liaison Council of Outside Officers
Composition	Attendees	Audit & Supervisory Board members (2 inside, 2 outside)	Directors (3 inside, 4 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 FY2022	12	13	12

Major Matters Discussed at the Board of Directors Meetings in FY2022

- Medium-term management plan JGP2025
- Evaluation of the effectiveness of the Board of Directors
- Agreement with the TCFD's recommendations and disclosure of information
- Business portfolio
- Review of the rationality of cross-shareholdings
- Digital Transformation Promotion
- Measures to prevent recurrence of inappropriate conduct
- Feedback on IR/SR activities
- Formulation of the Purpose
- Report on the status of compliance line operations
- Executive structure
- R&D Framework
- Quality Control Framework
- Talent development strategy
- Identification of Materiality
- Status of operations of internal control systems
- Risk Management

Skill Matrix

We identified six issues (i.e., Materiality) as themes that should be prioritized in order to realize our Purpose at the Board of Directors meeting in November 2022. After verifying the importance of the Materiality identified, we selected the skills needed to implement effective management initiatives aimed at resolving these issues.

Moreover, during the selection of candidates for roles as directors or Audit & Supervisory Board members at the Annual General Meeting of Shareholders held in June 2023, with consideration to responding to inappropriate conduct—and preventing its recurrence—we increased and strengthened human resources with skills and knowledge in the areas of legal affairs and internal controls. We also undertook a partial revision of quality-related skills, separating the previous category of “Manufacturing, Quality Control, Technology and R&D” into two: “Quality” and “Manufacturing, Technology and R&D.”

For information on the skill matrix, please refer to p. 54-55.

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 four 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, or if his or her suitability comes into question, after receiving this recommendation from the Nomination Advisory Committee.

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 2022.

1 Analysis and Evaluation Methodology

- (1) During February 2023, an anonymous questionnaire was administered to all directors and Audit & Supervisory Board members. As well as reorganizing and revising the questions of the questionnaire around strengthening monitoring functions, we plan to identify issues from the comments we receive, and so we increased the number of open-ended questions. 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 compared the results of the questionnaire with previous evaluations, and recompiled and analyzed the results, including identifying subjects given low evaluations and extracting important comments from the open-ended responses. In addition, the secretariat compiled and analyzed data on discussion times in fiscal 2022 and verified differences between annual activity plans and actual results.
- (3) At the April and May 2023 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 compiled results of the questionnaire, the re-tabulation and analysis of those results by the Board of Directors Secretariat, and advice from a third-party organization.

- Questionnaire content
- Purpose of the Board of Directors
 - Composition, discussion, and monitoring functions of the Board of Directors
 - Performance of inside and outside directors
 - Management of the Nomination Advisory Committee and Remuneration Advisory Committee
 - Miscellaneous (pertaining to the Board of Directors in general)

2 Results of the FY2021 Analysis and Evaluation Results and an Overview of the Resultant FY2022 Initiatives

In response to the three issues identified in the fiscal 2021 effectiveness evaluation, the Board of Directors proceeded forward with the following actions in fiscal 2022. As a result, the effectiveness evaluation for fiscal 2022 confirmed that improvements have been steadily made for each of the issues and that effectiveness has been generally ensured.

Issues identified in FY2021

Deeper discussions at the Board of Directors meetings to work toward sustainable growth for the Group

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

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

FY2022 initiatives

(1) We systematically provided multiple opportunities for discussions, and made decisions on TCFD-related disclosure, the formulation of the Purpose, and identifying Materiality.
 (2) During discussions on important topics such as the business portfolio and the R&D system (including the establishment of the Innovation Management Headquarters), there were repeated deliberations about the approach the Group should take to achieve sustainable growth.

(1) As the business environment undergoes dramatic changes, in order to adjust the medium-term management plan as necessary, we looked carefully at the progress of business-specific strategies in Q1.
 (2) When discussing individual resolutions (important investments, etc.), members exchanged opinions with a focus on the next medium-term management plan.

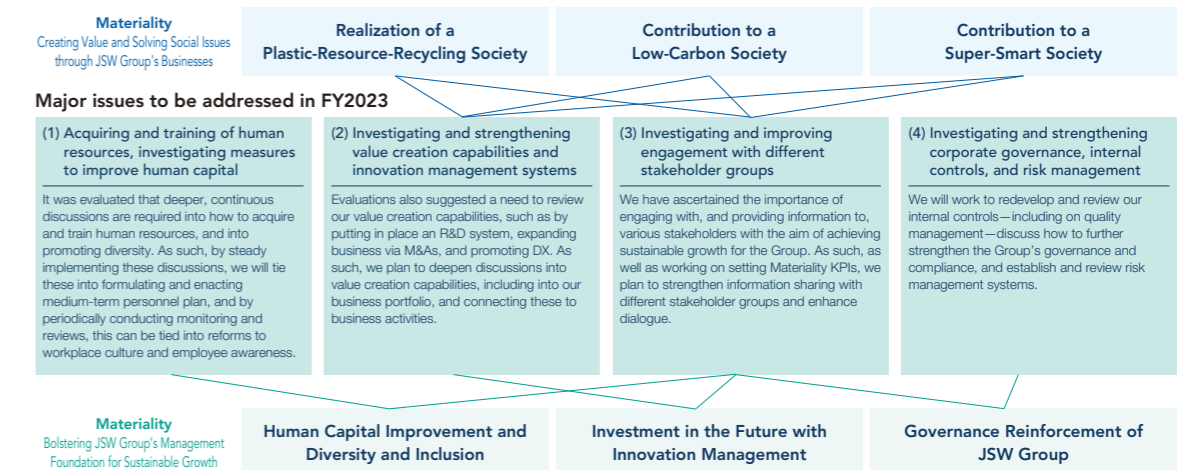
(1) Responding to the inappropriate conduct, and preventing recurrence, has been set as a highest-level priority, and a company-wide quality assurance system.
 (2) We have developed a mechanism (the Liaison Council of Outside Officers) to reflect the opinions of outside officers in agenda items put before the Board of Directors. We have also worked to improve awareness and sensitivity toward risk-taking, and while not perfect some progress has been made.

Governance initiatives related to our response to the inappropriate conduct

For the 97th Annual General Meeting of Shareholders held in June 2023, we strove to provide shareholders with information to help guide them in exercising their voting rights with due care in advance (publishing information on the website, by posting out letters, etc.).

3 Future Initiatives Based on the FY2022 Analysis and Evaluation Results

Based on the fiscal 2022 effectiveness evaluation and the Group's Materiality, we identified the following as major issues to be addressed in fiscal 2023.



Evaluation of the Audit & Supervisory Board's Effectiveness

The Audit & Supervisory Board evaluates its own effectiveness so as to clarify areas of its activities that require consideration or improvement. These are then reflected in audit plans for the following fiscal year. By doing so, the board aims to improve the quality of its audits and its effectiveness overall.

As part of the evaluation, the four Audit & Supervisory Board members, the president, one outside director, and the general manager of the Internal Auditors Office, answer a questionnaire about the effectiveness of the board's responsibilities, composition, and operations; Group audits; interaction with the Board of Directors; its three-way audits; and internal controls.

The evaluation for fiscal 2022 showed that improvements had been made in areas identified in the previous fiscal year as needing improvement namely, (1) greater diversity in the selection of Audit & Supervisory Board members, (2) cooperation with outside directors, (3) cooperation with the Internal Auditors Office, and (4) involvement in company-wide risk management—and was determined to be largely carrying out its auditing activities appropriately and functioning effectively. The following four areas of improvement were identified for the following fiscal year: (1) more effective operations through a more suitable composition for the Audit & Supervisory Board, (2) stronger cooperation with auditors at subsidiaries for better Group governance, (3) opportunities for periodic discussions with outside directors, and (4) enhanced auditing with regards to company-wide risk management activities and compliance.

To reflect these, the fiscal 2023 auditing policy that the board follows in its auditing activities is as follows: (1) carrying out audits of the Group's internal controls from the perspective of Group governance; (2) auditing the status of appropriate risk controls, that follow the three lines of defense model, in company-wide risk management activities; and (3) placing greater importance on internal controls audits during the fiscal year and year-end follow-up audits to achieve more effective auditing activities.

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 to this move to clarify the responsibility all inside directors hold for company-wide performance, the portion of the bonus evaluation linked to dividends was changed to reflect individual performance results. The percentage of fixed remuneration was reduced for representative directors. These changes were designed to increase performance-linked 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

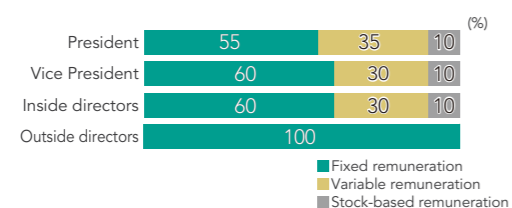
The composition shall be annual remuneration ((1) base portion, (2) company-wide performance-linked portion) and stock-based remuneration.

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 independence from management, objectivity, and in light of their supervisory duties, which include mutual checks on directors.

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 profit attributable to shareholders of the parent company, and other indicators set forth in JGP2025 as targets for fiscal 2022, 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 profit 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. Moreover, in consideration of the period of time it takes management measures to contribute to business performance, the restricted transfer period is 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 45 subsidiaries (33 consolidated, 12 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 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.

Each company in the Group also 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

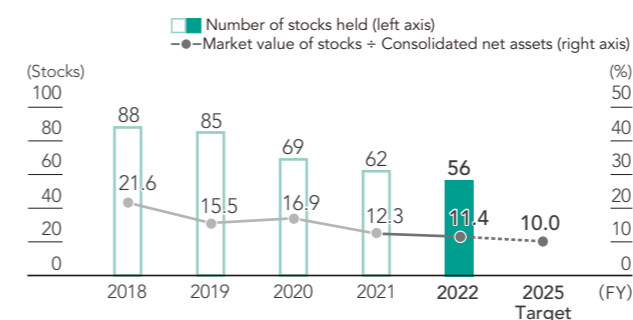
Each year, the Company confirms the purpose of individual cross-shareholdings and current transaction status, etc., and the Board of Directors verifies whether shareholdings are appropriate by comprehensively considering the significance and purpose of the Company's acquisition and holding of the shares, 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 by the end of fiscal 2024, 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, 2023)

Directors / Audit & Supervisory Board Members

														
Name	Toshio Matsuo	Junichiro Deguchi	Hiroki Kikuchi	Shigeki Inoue	Motoyuki Shibata	Yoshiyuki Nakanishi	Hisao Mitsui	Yasuyuki Kuriki	Junko Kawamura	Shingo Mito	Hiroyuki Shimizu	Hiroshi Misawa	Saori Yamaguchi	
Title	Representative Director & President	Representative Director & Executive Vice President	Director & Managing Executive Officer	Director & Managing Executive Officer	Director & Executive Officer	Director	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; 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; In charge of 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 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 Jul. 2018 General Manager, Corporate Planning Office (current position) Apr. 2020 Chief Financial Officer (current position), In charge of Finance & Accounting Department (current position); General Manager, Business Development Office Jun. 2020 Director & Executive Officer Apr. 2021 Director & Managing Executive Officer Apr. 2022 In charge of Plastics Machinery Business Division, Injection Molding Machinery Business Division; In charge of Ordnance Business Headquarters; In charge of Business Development Office Apr. 2023 General Manager, Business Development Office (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, General Manager, Business Development Office 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 Jun. 2022 Director & Managing Executive Officer (current position) Sep. 2022 General Manager, Quality Management Office (current position) Apr. 2023 In charge of New Business Promotion Headquarters (current position); General Manager, Innovation Management Headquarters (current position)	Apr. 1986 Joined the Company Jun. 2015 Deputy General Plant Manager, Hiroshima Plant Apr. 2018 General Manager, Finance & Accounting Department Apr. 2020 Director, Japan Steel Works M&E, Inc. General Manager, Business Promotion Office Apr. 2022 Executive Officer, the Company; In charge of Export Control Administration (current position); General Manager, Personnel Department (current position) Apr. 2023 In charge of Health & Safety Management (current position) Jun. 2023 Director & Executive Officer (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 (retired in December 2017) Jan. 2018 Chairman of the Board of Directors, DIC Corporation (retired in January 2021) Jun. 2020 Director, the Company (current position) Jun. 2020 Outside Director, IHI Corporation (current position) Jan. 2021 Director, DIC Corporation (retired in March 2021) Mar. 2021 Executive Advisor, DIC Corporation (retired in March 2023) 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. 2012 Director and Managing Executive Officer, Kao Corporation (retired in March 2014) Apr. 2015 Auditor, National Institute of Technology and Evaluation (retired in June 2019) Jun. 2020 Director, the Company (current position) Jun. 2020 Outside Auditor, LiveDo Corporation (current position)	Apr. 1979 Joined Tokyo Electron Ltd. Apr. 1999 Executive Officer, Tokyo Electron Ltd. (retired in March 2005) Apr. 2005 President & Representative Director, Tokyo Electron Korea Ltd. (retired in May 2010) Jun. 2010 President & Representative Director, TOKYO ELECTRON DEVICE LIMITED (retired in December 2014) Jan. 2015 Corporate Director, TOKYO ELECTRON DEVICE LIMITED (retired in June 2015) Jul. 2015 Representative Chairman, Tokyo Electron Korea Ltd. (retired in June 2019) Jul. 2019 Senior Advisor, Tokyo Electron Korea Ltd. (retired in March 2020) Jun. 2023 Director, the Company (current position)	Apr. 1979 Joined the Ministry of Education (currently Ministry of Education, Culture, Sports, Science and Technology, Japan) Aug. 1988 Councillor, Legislative Bureau of the House of Representatives Apr. 2006 Board Member, National Institute of Technology Jul. 2008 Director of Private Education Institution Department, Higher Education Bureau, Ministry of Education, Culture, Sports, Science and Technology Sep. 2011 General Manager, Department of Facilities Planning, Minister's Secretariat, Ministry of Education, Culture, Sports, Science and Technology Jan. 2012 Deputy Commissioner, Agency for Cultural Affairs Jul. 2014 Director-General, Lifelong Learning Policy Bureau, Ministry of Education, Culture, Sports, Science and Technology Jan. 2016 Director General, National Institute for Educational Policy Research Jun. 2016 Counsellor, Cabinet Secretariat (retired in September 2017) Apr. 2018 President, Japan Arts Council (retired in March 2023) Jun. 2023 Director, the Company (current position)	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 Jun. 2021 Director & Executive Officer Apr. 2022 Director & Managing Executive Officer Apr. 2023 Director, the Company (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. 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 (retired in September 2012) Oct. 2012 Director and Vice President, Sumitomo Mitsui Trust Asset Management Co., Ltd. (retired in March 2016) Apr. 2016 Audit & Supervisory Board Member, Sumitomo Mitsui Trust Bank, Limited (retired in March 2017) Apr. 2017 Advisor, Sumitomo Mitsui Trust Bank, Limited (retired in June 2017) Jun. 2017 Deputy Chairman of the Board of Directors, Director and Audit & Supervisory Committee Member, Sumitomo Mitsui Trust Holdings, Inc. (retired in June 2019) Jun. 2019 Audit & Supervisory Board Member, Sumitomo Mitsui Trust Business Service Co., Ltd. (retired in March 2021) Jun. 2020 Audit & Supervisory Board Member, the Company (current position) Apr. 2021 Advisor, Sumitomo Mitsui Trust Business Service Co., Ltd. (current position)	Apr. 1982 Joined MITSUBISHI GAS CHEMICAL COMPANY, INC. (retired in July 1985) Oct. 1986 Joined Tohmatsu Awoki & Sarwa (currently Deloitte Touche Tohmatsu LLC) Aug. 1990 Registered as a Certified Public Accountant Jun. 2005 Appointed Partner at Deloitte Touche Tohmatsu LLC (retired in December 2019) Jan. 2009 Member of the Defense Equipment Procurement Council, Ministry of Defense (retired in December 2018) Dec. 2019 Established Yamaguchi Saori Certified Public Accountant Firm Representative (current position) Jun. 2023 Audit & Supervisory Board Member, the Company (current position)	
Number of shares of the Company held	21,778 shares	18,775 shares	11,570 shares	11,209 shares	4,327 shares	0 shares	461 shares	0 shares	0 shares	15,232 shares	2,961 shares	1,488 shares	0 shares	
Record of attendance at Board of Directors meetings (FY2022)	100% (18/18)	100% (18/18)	100% (18/18)	100% (12/12)	—	100% (18/18)	100% (18/18)	—	—	100% (18/18)	100% (12/12)	100% (18/18)	—	
Committee	Nomination Advisory Committee ○ Remuneration Advisory Committee ○	○ ○	○ ○	○ ○	○ ○	○ (Chair) ○ (Chair)	○ ○	○ ○	○ ○	○ ○	○ ○	○ ○	○ ○	
Skill Matrix	Corporate Management and Governance ○ Finance and Accounting ○ Legal Affairs, Internal Controls, and Risk Management ○ Personnel, Labor Administration, and Human Capital ○ Information Systems and Digital Transformation ○ Sales and Marketing ○ Quality ○ Manufacturing, Technology, and R&D ○ Environment ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○ ○

Executive Officers

Takashi Iwamoto
Managing Executive Officer

Seiji Umamoto
Managing Executive Officer

Shoji Nunoshita
Managing Executive Officer

Yoshitaka Sato
Executive Officer

Takeshi Shinmoto
Executive Officer

Masayuki Aoyama
Executive Officer

Message from an Outside Director

Expectations for Steady Reforms and Efforts Focused on Meeting Long-term Targets

Strengthen Our Governance System and Enhance Its Effectiveness

As an outside director, I recognize that my role is to monitor management, and so while ensuring I remain objective as I oversee the executive side (those in charge of business execution), I must also look at things from their perspective and be careful to neither watch on as a passive bystander nor to criticize needlessly. During communication with the executive side, I utilize my experiences from my own time in management and take care so that they can make use of my knowledge as an outside director. Also, throughout revisions to the Corporate Governance Code, we outside directors had more opportunities for direct dialogue, whether it be Q&A sessions at general meetings of shareholders or small meetings with investors. I think our role in this area is growing.

Three years have now passed since I was appointed back in 2020, and in that time the Company's governance structure has steadily been strengthened. In April 2022, the Liaison Council of Outside Officers was established. At its meetings, we receive advance explanations of items on the Board of Directors' agenda, and can check the content of discussions by the Executive Board and the Management Council. Then, in 2023, we went for a system that clearly separates oversight by the Board of Directors from business execution of business divisions. In the same year, we saw the Company appoint its first female outside director and outside Audit & Supervisory Committee member. As well as enhancing diversity, this change has resulted in four of the nine directors (44.4%) being outside directors, and as such the Board of Directors is shifting to more of a monitoring role.

On the other hand, if there is one issue that stands in the way of strengthening the effectiveness of the Board of Directors, it is a sense of urgency. I do feel that this is somewhat lacking when it comes to implementing the PDCA cycle for instructions and advice at the Board of Directors. We need to further strengthen monitoring if we are to speed up the "check" and "action" steps of the cycle. Another problem to address is strengthening Group governance at overseas subsidiaries. As overseas sales increase, governance at the subsidiaries will become increasingly important, and the Company will need a system in place that can lead the entire Group. Looking to the future, there is also a need for more full-on discussions into CEO succession plans. It is a topic that requires time, and one I hope we will cover properly.

Need for Steadfast Publicization of Reforms by Top Management

In response to the inappropriate conduct by one of our subsidiaries, Japan Steel Works M&E, with regard to product checks, JSW Group is working to ensure it does not happen again and these measures have been evaluated as appropriate. We are making steady progress, first with framework and



Yoshiyuki Nakanishi
Outside Director

system reforms, such as organizational changes and systemization. That said, the corporate culture is something that has taken root, formed as it was over many years of the Company's history. It is therefore not something that can be transformed overnight, but top management needs to continue promoting that message. President Matsuo is frequently visiting M&E and different plants, and we are working hard to take up opinions from those on the frontlines wherever possible.

The Group's plants have impressive frontline capabilities, and seem to have discretion in how they act. Firstly, M&E should have a sense of urgency in promoting reforms and rolling these out within the Group to other plants too, and I hope that through these and similar measures, the Group will continue to work on these in earnest. It is important that information on this progress is also communicated to stakeholders on a regular basis. I too will play my part in offering proper advice and oversight to management so that the Group can once again earn the trust of society as soon as possible.

Tackling Issues with an Eye on Long-term Targets

The Group has challenged itself, as an ideal for where it wants to be in 10 years' time, to achieve net sales of ¥500 billion in fiscal 2033. To achieve that I think that improving human capital and managing the business portfolio will be key points.

For the former, in addition to securing demographic diversity, we also need to secure task-based diversity so as to enhance the Group's strengths in R&D, marketing, and global expansion. In recent years, there has been greater recruitment of external experts or individuals with experience at other companies, and I hope that the Group will continue to actively push forward with this.

In the case of the latter key point, this is something we have only just started to work on and so discussions are currently underway. For product groups in which the business divisions have strengths, it is vital that instead of just changing business portfolios, we consider how to manage these going forward. To that end, we need to set KPIs for business evaluations, for ROIC for instance.

Toward future growth, a Materiality that has been identified is the realization of a plastic-resource-recycling society. We must look at both the risks and opportunities associated with this, but I think that it will present us with many business chances. In addition to the above, there is a need to focus on expanding the business into new regions globally. I want the Group to have more in-depth regional strategies that take into account geopolitical risks.

JSW Group has been continuously striving for material innovation and solving social issues. The role that we fulfill as outside directors is to make the public more aware of the Group's strengths and appeal as it works to develop and fabricate the industrial machinery and new materials able to address society's issues. This is the part I will do my best to play.

Risk Management

Basic Approach

The Company and other companies in the Group work to avoid and mitigate different types of risk, and manages these to keep their impact to a permissible amount. In this way, the Group recognizes that working on continuous development and sufficiently fulfilling its social responsibilities are important management issues.

In selecting Materiality, the Group considers two perspectives: creating value and solving social issues through

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. The Operations Management Division acts as the risk management secretariat, and the Company has constructed a risk management framework based on the three lines of defense model. The Company is pushing forward with risk management for the entire Company by strengthening the risk management divisions, which forms the second of those lines. 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.

With regard to company-wide risk management, the Risk Management Committee (chaired by the CRO) endeavors to share information on role-specific risks and on evaluations, for important issues, whether potential or apparent problems in different management organizations. Where necessary, the committee responds to these and discusses specific efforts and as needed utilizes the lines of reporting shown in the risk

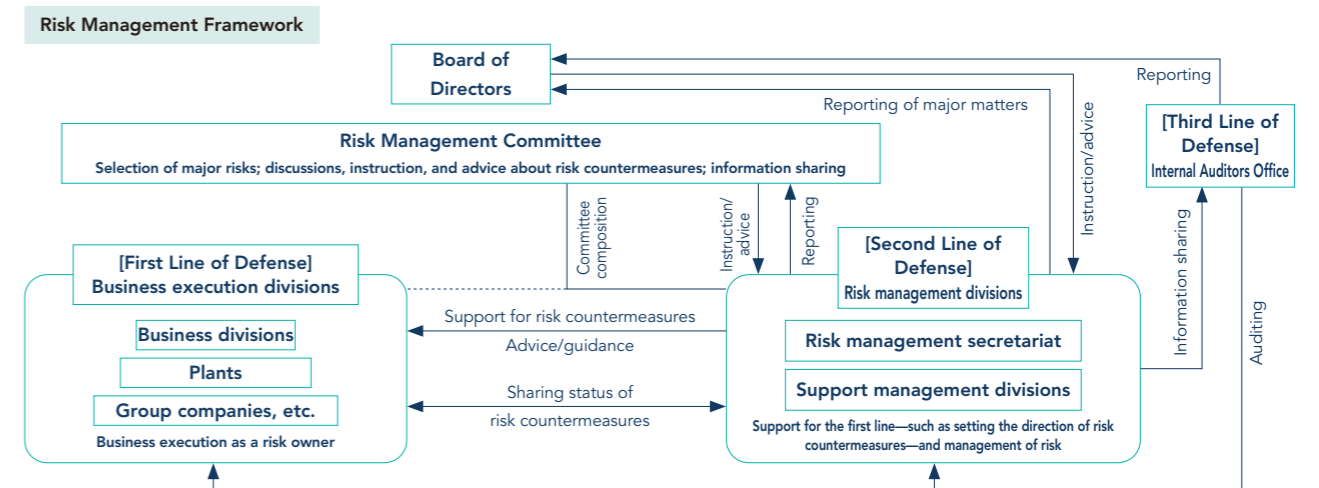
management framework diagram to guide or instruct relevant divisions. JSW Group's businesses, and bolstering JSW Group's management foundation for sustainable growth. Based on these, we will encourage awareness that there are both risks for the sake of sustainable growth that should be taken actively and risks that should never be taken, even if for the sake of making profits. We will also carry out appropriate and efficient risk management.

management framework diagram to guide or instruct relevant divisions.

As the third line of defense, the Internal Audit Division monitors risk management, and reports to the Board of Directors and the Executive Board. Information on major risks and related efforts are suitably announced via the annual financial reports and 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 2022, 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. 40–41 of this report) and this was the case of an operational misconduct risk that manifested itself in the quality assurance process. After this discovery, in September 2022, the Group set up the Quality Management Office to control quality assurance functions and by as clarifying the functions of the second line of risk defense in risk management (under the three lines of defense model), it has strengthened the work processes and the management framework to secure work suitability and efficiency. In these ways, the Group is striving to prevent recurrence.



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. In particular, 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 to the Board of Directors. 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 Board of Directors and Audit & Supervisory Board, as well as the representative director & president and, the Executive Board or the Management Council, or other relevant parties, as necessary. In fiscal 2022, 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.

- E-learning for JSW employees and Group company officers and employees was offered to enhance compliance awareness and ensure thorough risk management. (In fiscal 2022, the participation rate was 97%)
- Harassment awareness videos, which are required viewing by managers are streamed on the company intranet. (Can also be viewed by general employees)
- Information and articles are posted on the in-house portal site launched in October 2022, intranet noticeboard, posters, and newsletters to help raise awareness of compliance.
- 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 2022, the participation rate was 100%)
- 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.
- Intellectual property education seminars were held online for managers of technical divisions to learn more about the technical scope of patented inventions and their application.
- Information security training was enacted for all employees.
- The president and director in charge of quality throughout the Company posted video messages on the company intranet. As part of Quality Compliance Month in May 2023 and the National Quality Month in November 2023, the Company implemented e-learning and quality compliance training via educational videos.

Whistleblowing System

JSW Group has formulated and operates 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. This system brought about events such as the discovery of inappropriate conduct in quality inspections by Japan Steel Works M&E, Inc. (see p. 40–41 of this report) and the system is functioning effectively in line with these goals.

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 16 in fiscal 2021 and 42 in fiscal 2022, most of which were consultations about workplace environment, including instances of harassment. As a result of changing the contact point for whistleblowing to external specialists, and efforts to raise awareness of the system, the number of reports—which includes those from Group subsidiaries—is increasing. Reports were investigated by the Committee and appropriately addressed.

Information Security

Basic Approach

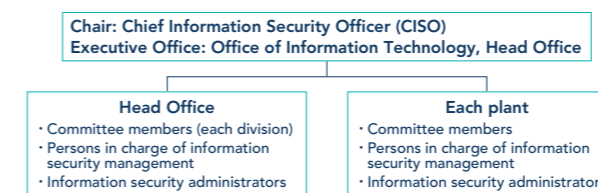
There is a continued increase in the importance of information and information systems in improving the efficiency of office work and production technology, as well as speeding up decision-making. At the same time, threats such as information destruction, leaks, and tampering and system destruction due 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)

	FY2020	FY2021	FY2022
Participation rate	99.3%	100%	100.0%

Evaluation by Third-Party Organizations

Diagnostic Assessments in FY2022

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.