

## Business Overview

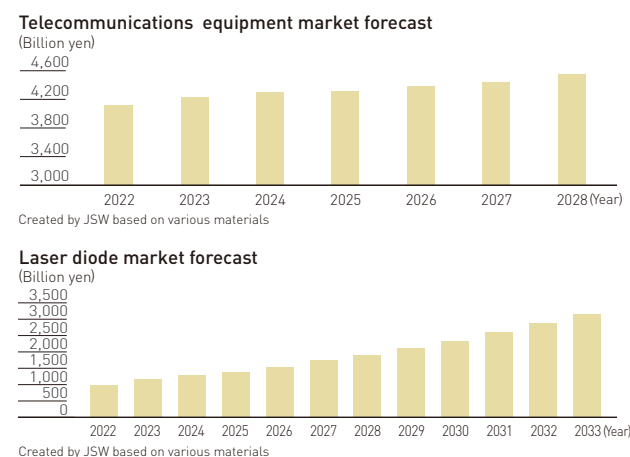
The cultivation and processing of synthetic quartz crystals are primarily managed by Fine Crystal, while Fine Crystal Iwaki oversees the cultivation and processing of LN crystals. In addition to being able to produce their own high-quality crystals, in recent years, they have advanced their technology for joining different materials and are intensifying their efforts in developing various bonded substrates required for optical communication applications.

For crystal growth process, we leverage our core competencies in the technologies of “melting” and “solidifying.” In addition to our established strengths in crystal growing and processing technologies, we have expertise in developing, designing, and manufacturing in-house pressure vessels (autoclaves) essential for growing crystals at high temperatures and pressures, using our proprietary high-heat-resistant, high-corrosion-resistant alloys. Additionally, we manufacture unique crystal materials

Our greatest strength lies in our ability to offer a comprehensive service. This includes ensuring the quality of the crystals themselves, managing the manufacturing equipment and conditions that enable that quality, and performing substrate processing with focus on the performance of the final product.

There is an increasing demand for next-generation high-speed, high-capacity communications, characterized by “high speed and large capacity,” “low latency,” and “massive simultaneous connections.” The infrastructure supporting these communication networks requires substantial quantities of substrates for optical communications and optical modulators, as well as high-radio-frequency (RF) devices that ensure both high-speed operation and energy efficiency. High-quality crystals and substrates are essential to achieve these capabilities.

On the other hand, GaN is recognized for its unparalleled potential with no competing material in applications such as laser diodes (LDs: for special high-brightness lighting such as high-brightness projectors). Compared to the traditional hydride vapor phase epitaxy (HVPE) method, our Company's ammonothermal method offers superior quality and productivity.



## Message from the Head of the Division



# Sustainability Management

We are promoting sustainability initiatives in line with our new corporate Group philosophy and material issues that we established and identified in November 2022 as well as the Basic Sustainability Policy that we formulated in July 2023. In June of 2024, JSW Group formulated a new medium-term management plan, JGP2028. Our aims for the fiscal 2033, ten years from now, include not only reaching our financial target of 500 billion yen in net sales, but also achieving our sustainability targets of contributing to the realization of a sustainable and prosperous world through the development and implementation of industrial machinery and new materials that solve social issues.

In JGP2028, which is backcasted from there and has the approach of “reforms and challenges for new growth,” we aim to grow into a corporate group with sales of at least 380 billion yen by fiscal 2028 via improving corporate value while resolving materiality and improving our financial foundation.

To achieve this goal, it is essential that we further strengthen our sustainability management. As such, we plan to enhance various initiatives related to the environment, society, and governance.

Visit our website to view the Japan Steel Works Group Basic Sustainability Policy.

 Sustainability Management: [https://www.jsw.co.jp/en/sustainability/sustainability\\_management.html](https://www.jsw.co.jp/en/sustainability/sustainability_management.html)



Hideo Nakanishi  
Director & Executive Officer  
In charge of Promoting ESG,  
In charge of Environmental  
Management, General  
Manager of General Affairs  
Department

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, we established our ESG Promotion Office as an organization dedicated to promoting ESG activities throughout the entire Group. 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.

Visit our website to view the ESG Activities Promotion Organization Chart.

 Sustainability Management: [https://www.isw.co.jp/en/sustainability/sustainability\\_management.html](https://www.isw.co.jp/en/sustainability/sustainability_management.html)



# Environmental Management

## Basic Approach

Our Group has established The Japan Steel Works Group Standards of Business Conduct, which states that we recognize that addressing environmental issues is an important corporate responsibility that the Group will pursue proactively. In October 2024, the Group's Environmental Policy was revised and approved by the Executive Board<sup>1</sup> after deliberations at the Executive Board and the Liaison Council of Outside Officers.<sup>2</sup>

1. Chaired by the representative director & president. Consists of all inside directors and executive officers appointed by the president.  
2. Chaired by the representative director & president. Consists of the president, the executive vice president, all outside officers, all inside Audit & Supervisory Board members, and executive officers appointed by the president.

### Environmental Policy

JSW Group recognizes the importance of being an environmentally responsible corporate body. We aim to prioritize environmentally responsible production and technologies to foster a sustainable and prosperous society in harmony with the ecosystems in which we live.

### Action Plan

- 1 Systematically implement environmental initiatives and consistently implement and improve our environmental management system.
- 2 Establish suitable objectives and targets by monitoring environmental performance and strive to develop a recycle-oriented society, address climate change, give due regard to biodiversity, conserve water resources, and thereby reduce environmental impact.
- 3 Provide society with products and services that contribute to environmental conservation.
  - (1) Improve the social value of our existing and developed products and services by prioritizing environmental, health, and safety aspects by focusing not only on their functional value but also on their energy- and resource-saving capabilities, recyclability, and harmlessness through life cycle assessment design and other methods.
  - (2) Provide products and services that reduce environmental impact via an understanding of environmental needs and the development of technologies.
- 4 Strive for greater harmony with society.
  - (1) Regularly report and disclose environmental information and engage in dialogue with stakeholders.
  - (2) Seek the understanding and cooperation of business partners with regard to environmental considerations while working to reduce the environmental impact of the entire supply chain.
  - (3) Raise the environmental awareness of employees through measures such as the dissemination of this policy, ongoing training in environmental issues, and participation in local clean-up activities.

### Shared Business Site Policies

Business sites set environmental policies, objectives and goals in accordance with international standards with due consideration of their operations and nearby communities.

- (1) Comply with laws, regulations and JSW Group agreements with external entities.
- (2) Manage chemical substances, work to prevent environmental pollution (including air, water, and soil contamination), and reduce and properly treat waste, exhaust gases, and discharge water with consideration to these activities' impact on biodiversity.
- (3) Use energy and resources more efficiently by conserving energy and saving and recycling resources.
- (4) Reduce CO<sub>2</sub> emissions to mitigate climate change and carefully monitor disaster risks to adapt to climate change.
- (5) Improve the efficiency of water resource utilization in accordance with regional water stress levels around manufacturing sites.
- (6) Require employees and on-site companies to understand and abide by business site policies.

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

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

Priority Issues	FY2023 Targets	FY2023 Actual Results	Achievement Level	Medium-Term Environmental Plan (JGP2025) FY2025 Targets
Environmental Management	Maintain existing ISO 14001 certifications	Maintain existing ISO 14001 certifications	●	Maintain existing ISO 14001 certifications Obtain new ISO 14001 certification of domestic manufacturing Group companies
Climate Change Measures	37.5% reduction in CO <sub>2</sub> emissions (compared with FY2013)	43.4% reduction in CO <sub>2</sub> emissions (compared with FY2013)	●	CO <sub>2</sub> emission reduction targets relative to FY2013 levels 45% reduction by FY2025, 60% reduction by FY2030
	Improvement of 1% or more in energy usage intensity (year-on-year and average change in intensity over 5 fiscal years)	5.2% improvement over the previous year 6.6% 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 95.3% (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)	8.1% improvement over the previous year Improvement of 4.3% 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 March 2027	Progressing appropriately	●	Treat low-concentration PCB waste by March 2027
Raising Environmental Awareness	Issuance of integrated report Conduct training for employees	Issuance of integrated report Conduct training for employees	●	Disclose environmental management activities in an integrated report Conduct training for employees

\* PRTR: Pollutant Release and Transfer Register

## Environmental Management Structure

JSW Group recognizes the importance of conducting business activities in harmony with regional and international communities, and has been promoting environmental management activities as a groupwide initiative since 1997. The Environmental Management Committee, headed by the director in charge of environmental management who is appointed by the Board of Directors, formulates groupwide annual environmental management policies and action plans, and oversees 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. In addition, all of the Company's plants and several of its Group companies have obtained ISO 14001 certification, an international standard for environmental management systems. Please refer to our website for more details.

 Environmental Management: <https://www.jsw.co.jp/en/sustainability/environment/ems.html>



# Reduction of Environmental Impact

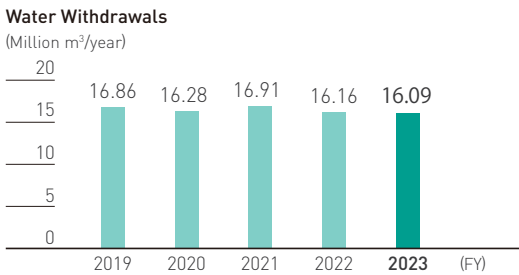
## Policy and Initiatives for Water Resources

The Group utilizes the World Resources Institute's (WRI) Aqueduct assessment tool and other tools to check water stress at its manufacturing sites annually. As of May 2024, our assessments indicate 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 its current Aqueduct assessment and in future projections.

At Japan Steel Works M&E, we are working to reduce freshwater intake by recycling cooling water and utilizing sea water, as well as practicing water source management for some industrial water utilization. We will continue to regularly check water stress levels at manufacturing sites and strive to use water resources appropriately as we take those stress levels into account.

In terms of discharge 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.

Release and Transfer of PRTR Substances		
	FY2022	FY2023
Amount released (t)	59.2	44.0
Amount transferred (t)	154.3	163.6
Total (t)	213.5	207.6

## 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 the 3Rs. 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.

Final Waste Disposal Volume and Recycling Rate			
		FY2022	FY2023
Industrial Machinery Products Business	Final disposal volume (t)	101	105
	Recycling rate (%)	99.2	98.9
Material and Engineering Business	Final disposal volume (t)	25,270	21,392
	Recycling rate (%)	64.7	65.9





# Response to Climate Change

## Support for the TCFD recommendations

Please refer to our website for details.

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



## Governance

JSW Group considers climate change as an important management issue, and in June 2022, we 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-related risks and opportunities on the Group's business activities and earnings, and disclose the resulting information.

## Strategy

### Financial "Risk" Impact Assumed for FY2030 (Extracted)

Impact on annual operating income: Minor (less than ¥100 million); Moderate (¥100–1,000 million); Major (¥1,000 million or more)

Category	Type	Details	Degree of Impact	
			2°C	4°C
Transition risks	Policies and regulations	Imposition of a carbon tax	Moderate	—
		Introduction of border adjustment tax	Minor	Minor
	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	—
		Decrease in demand for the products due to the reduction in the construction of conventional thermal power plants	Moderate	Moderate
	Reputation	Damage to our ESG evaluation and reputation due to delays in CO <sub>2</sub> emission reduction measures at the product manufacturing stage	Moderate	Moderate

### Financial "Opportunity" Impact Assumed for FY2030 (Extracted)

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 <sub>2</sub> emissions from production facilities	Major	—
	Products and services	Expansion of products and services that contribute to the demand for the reduction of CO <sub>2</sub> emissions	Major	Major
		Response to the demand for plastic recycling, contribution to social implementation of non-fossil-fuel-derived plastics	Minor	Minor
		Increased demand for nuclear power plants and high-efficiency GTCC (Gas Turbine Combined Cycle) power plants	Moderate	Moderate

## Specific Initiatives to Address Risks

### Response to carbon taxes

The Basic Policy for the Realization of GX, approved by the Cabinet in February 2023, states the following regarding the introduction of a fossil fuel levy: "If this scheme were introduced without considering availability of alternative technologies or impact on international competition, Japan risks hurting its economy and triggering an exodus of production facilities (carbon leakage). Therefore, this approach will not be introduced immediately and deferred until fiscal 2028 after a period of five years for focusing on GX ... by setting a policy for fossil fuel importers and other businesses that sets low initial prices and gradually raise them..." As such, the possibility of a carbon tax equivalent to the levels seen in Europe being imposed on CO<sub>2</sub> emissions from the Group's main production bases (four locations in Japan) by 2030 is expected to be extremely low.

The Group will continue to monitor domestic tax trends and, in order to mitigate the financial impact of taxation and achieve its CO<sub>2</sub> emission reduction targets, promote the introduction of renewable energy power generation, solar power generation facilities, and non-carbon-emitting facilities that utilize hydrogen and ammonia as fuel, in addition to various other energy-saving measures.

In fiscal 2023, the Group increased the percentage of electricity generated from renewable energy sources to 30% of Scope 2 at the Hiroshima Plant, 23% at the Yokohama Plant, and 20% at the Meiki Plant. Furthermore, the Hiroshima Plant once again expanded its solar power generation facilities in fiscal 2023, as it had in fiscal 2022. The Meiki Plant has also begun solar power generation.

## Specific Initiatives to Address Opportunities

### Initiatives for increased demand for renewable energy

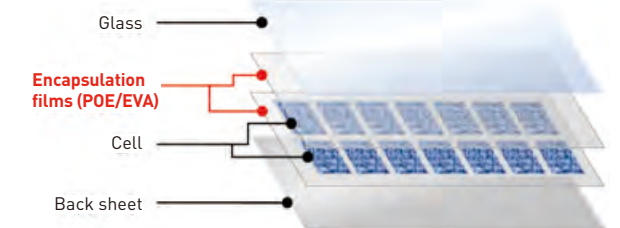
As renewable energy power generation advances globally, over half of it now comes from solar power. The Group's pelletizers and twin-screw extruders are used in the production of the raw materials (pellets) of polyolefin elastomer (POE) and ethylene vinyl acetate (EVA) resins, which serve as encapsulation materials for photovoltaic panels. With the demand for solar power expected to continue growing steadily, we see this as an opportunity for the Group.

Furthermore, in addition to contributing to the reduction of CO<sub>2</sub> emissions through the generation of renewable energy, plastics also contribute to the reduction of CO<sub>2</sub> emissions and the mitigation of climate change in various ways, such as by improving automobile fuel efficiency with lightweight plastic parts.

Given this backdrop, we expect demand for pelletizers and twin-screw extruders, which are used to mass-produce resin

materials, to remain high. To meet this demand, we advance our investment plan for the Hiroshima Plant to increase the production capacity of these machines and further improve manufacturing efficiency and assembly capabilities.

### Solar Panel Structure and Encapsulation Films



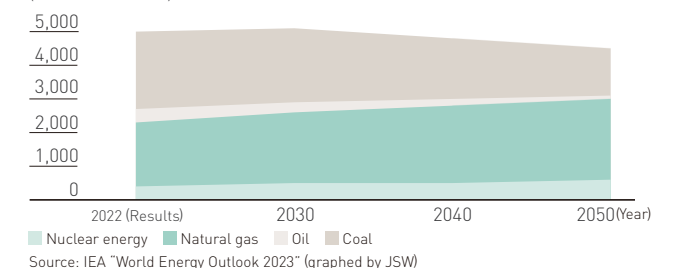
### Response to increased demand for nuclear power plants and high-efficiency GTCC power plants

Demand for nuclear power is set to increase in the medium to long term as nations adopt new policies geared toward energy security and decarbonization. We are committed to providing products that meet the needs of the market, drawing on our extensive track record in developing and manufacturing technologies in large casting and forged steel components for nuclear power plants (reactor pressure vessel components, turbine rotor shafts, and generator shafts) as well as our knowledge of the nuclear power standards of countries around the world. We will also fulfill our responsibility to supply the market by investing in the renovation of core facilities to maintain production capacity and improve efficiency.

In the medium to long term, the market is expected to continue shifting to high-efficiency power generation facilities that curb CO<sub>2</sub> emissions, including gas turbine combined cycle (GTCC) power generation that has higher efficiency than conventional coal-fired power generation. We will leverage our large-scale heat-resistant materials manufacturing capabilities to address demand for the forged steel components (turbine rotor shafts, generator shafts) used in this type of power generation.

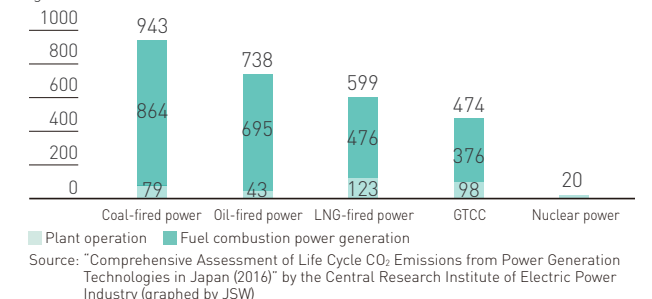
### Power Generation Capacity Outlook Breakdown by Energy Source (Based on Stated Policies)

(GW = 1 million kW)



### Life Cycle CO<sub>2</sub> Emissions by Power Source

(g-CO<sub>2</sub>/kWh)

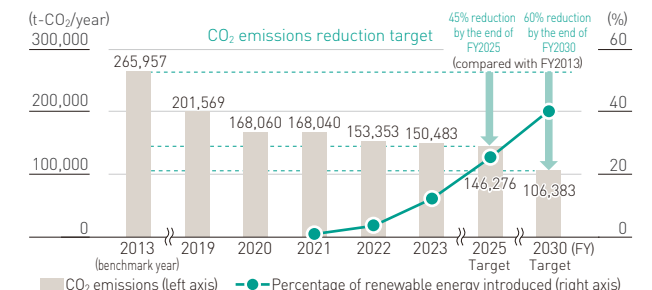


## Indicators and Targets

Classification	Management Indicator	Target (by end of year)	
		2025	2030
Reduction of CO <sub>2</sub> emissions in production activities (Scope 1, 2)	CO <sub>2</sub> 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

The above "Indicators and Targets" for measuring and managing risks and opportunities related to climate change have been set forth with the aim of achieving a carbon-neutral decarbonized society. We continue to engage in environmentally friendly business activities and are working toward improvements in both "decarbonization through products" and "decarbonization of production processes." Regarding the CO<sub>2</sub> emission reduction targets, we have initiatives underway from Scope 1 and Scope 2 and have also completed the calculations of our most recent results for Scope 3.

### CO<sub>2</sub> Emission (Scope 1, 2) Reduction Plan and Renewable Energy Introduction Plan



\* In terms of the scope covered, the CO<sub>2</sub> emissions calculation includes the total of the head office and the Group's main manufacturing sites (Hiroshima Plant, Yokohama Plant, Meiki Plant, Japan Steel Works M&E, JSW Aktina System).



# 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.

Regarding progress on measures to prevent recurrence of inappropriate conduct in quality inspections:  
<https://www.jsw.co.jp/ja/news/details/20220624112349.html>

## 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 has been implementing them to date following overall approval by the Board of Directors. From the four standpoints of Quality Assurance System Reform, Organizational Culture Reform, Process Reform, and Governance Reform, we have developed drastic measures to prevent recurrence and are working together with the Group as a whole. 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	Specific Measures and Progress in FY2023	Implementing Company
Quality assurance system reform	Establish companywide quality assurance system	Periodic quality audits by the Quality Management Office (biannually at the 5 plants, and once annually at the 14 affiliated companies)	JSW
	Strengthen the independence of the quality assurance function	Quality audits by the Quality Management Office (as a rule, biannually; in April and November in FY2023)	M&E
Organizational culture reform	Strengthen and raise awareness of the need for quality compliance	Quality Compliance Month (May in FY2023)	JSW
		Town meetings at M&E by our president (11 times in FY2023)	JSW
		M&E management get-togethers with frontline employees and young managers (monthly)	M&E
		Self-assessment to foster a culture of product safety (in February in FY2023)	M&E
	Organizational culture reform	Purpose penetration project - President town meeting (head office, 4 plants: all managers) - Purpose penetration workplace small meeting (the Company, affiliates: 4,500 employees) - Purpose training for organizational managers recommended by departments (29 managers (for initial training))	JSW
		Promote Organizational Culture Reform Project (start in August 2023)	JSW
Process reform	Digitize inspection work	Establish an inspection operation system to digitize inspection and test record preparation (start full-scale operation in September 2024)	JSW M&E
	Appropriate investment of management resources in quality control	Increase quality control personnel, promote personnel mobility	M&E
		Capital investment to enhance inspection operations efficiency (Capital investment completed. Start operation from August 2024)	M&E
	Strengthen quality assurance process	Permanent posting of Quality Management Office member to M&E (from April 2023)	JSW
	Upgrade communication with customers	Clarify characteristics of customer requirements (handling all inquiries)	M&E

\* The above table does not include items that were "Complete" or "Complete (in operation)" in the roadmap under "Quality Management" on p. 40 of the Integrated Report 2023.

## Opening of Quality Exhibition Room "VOICE509"

The quality exhibition room "VOICE509" was opened at M&E. This is a place where we disclose information such as an outline of inappropriate conduct regarding product inspections, their impact on business, and the results of cause analysis, and where each and every member of our Group can move toward a future of achieving reliable quality.

"VOICE509" was named as a place to experience and share the various voices associated with the "509" of May 9, 2022, the day on which inappropriate conduct was made public, as a lesson that is always etched in one's mind to not repeat the same mistakes.

## Pending Issues and Future Response

### Culture reform initiatives: Organizational Culture Reform Project

We divided into three areas based on our Group sites, internally recruited young employees who are passionate about wanting to change the organizational culture, launched Organizational Culture Reform Project Teams, and started activities from August 2023. Although the names and methods of activities vary depending on the area, we are continuing with activities aimed at (1) identifying issues that cannot be resolved by the department alone, and finding solutions involving top management, (2) stimulating communication across departments, and (3) fostering an organizational culture that is open to failure and encourages taking on challenges.

Area	Slogan	Main activities
Head Office / Yokohama	SCRUM Culture	• Committee for streamlining operations • Expressing gratitude • JSW borderless meetings
Hiroshima / Meiki	CHARM	• "Let's stop that" committee • Streamlining of meetings • CHARM morning assembly
Muroran	Open D00R Project	• Holding a place for resolving issues • Employee plant tours • Utilization of Teams/work type channels

## Quality Management Approach and System

### Approach

At JSW Group, we conduct quality management activities at the division or plant level with the aim of providing meticulous support for each product.

In order to strengthen the corporate monitoring and supervision functions for these activities, we established the Quality Management Office, headed by a director in charge of quality management, in September 2022, which is working

on initiatives such as formulating the JSW Group Quality Policy and Quality Code of Conduct. In May 2024, which is Quality Compliance Month, we added and clarified in Item 1 of the Quality Code of Conduct that we will comply not only with the laws, regulations, and customer requirements, but also with the internal rules we have decided on ourselves.

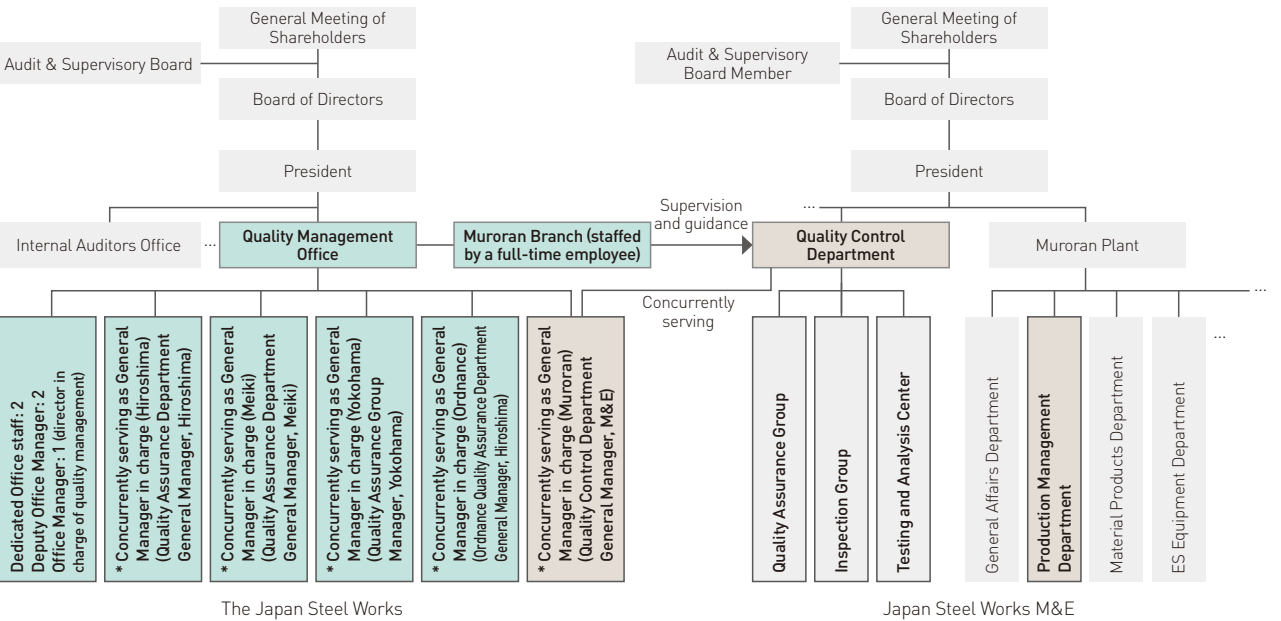
### System

Our quality assurance system ensures neutrality within the Company and the effectiveness of the check function related to quality assurance activities by having Quality Management Office members serve concurrently at each plant, including

M&E. Furthermore, we established the Muroran Branch of the Quality Management Office in April 2023, and continue to strengthen supervision and guidance of quality assurance activities at M&E.

Quality Policy and Quality Code of Conduct: [https://www.jsw.co.jp/news/news\\_file/file/20240527\\_news.pdf#page=7](https://www.jsw.co.jp/news/news_file/file/20240527_news.pdf#page=7)

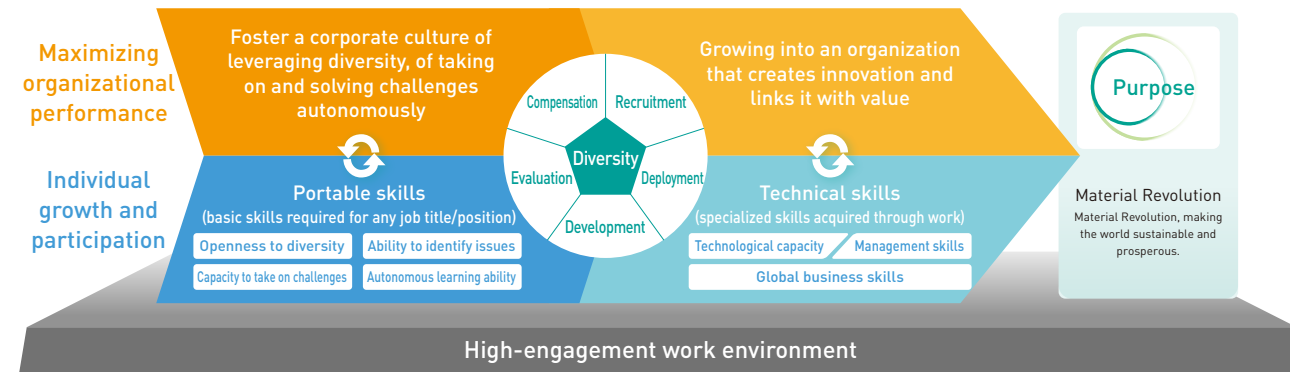
Quality Management System Diagram





# Human Capital Management

The corporate image that JSW Group is aiming for is one where “individual self-realization” and “sustainable growth of the organization” mutually circulate, and the individual and organization continue to thrive together. To this end, we are developing a human capital strategy that aims to achieve autonomous growth and active participation of diverse individuals and maximizing of organizational performance by linking human resource events of recruitment, deployment, development, evaluation, and compensation to realize sustainable growth and improved corporate value. In addition, since a good work environment is essential as a basis for developing strategies, we are promoting measures to increase engagement.



## Human Capital Strategy

### Recruitment

#### Acquisition of human resources that match our business strategy

JSW Group's workforce includes many highly skilled mid-tier personnel in their 30s to 40s who have plenty of experience. In order to execute our business strategy and achieve sustainable growth, we need to maintain and increase the number of business leaders in this age group.

In addition, while focusing on hiring new graduates as young employees who will grow into the middle tier of the future, we actively recruit experienced employees throughout the year.

#### Acquisition of diverse human resources

In order to promote DEI&B, which is a materiality, we will recruit human resources with various attributes and qualities to improve diversity.

To ensure diversity in attributes, our highest priority is to increase the ratio of female employees, which currently remains low. In particular, we are working to increase the ratio of female employees to recruit more female candidates by actively following up with female employees in the process of selecting female candidates. We also utilize various channels for people with disabilities and foreign nationals, and promote recruitment activities that emphasize matching with their career aspirations.

Meanwhile, as an initiative to recruit diverse human resources in terms of qualifications, in order to recruit unique human resources who excel in one skill, we established a new recruitment path for new graduates in fiscal 2024 called the “passionate recruitment course” that is different from the conventional selection flow. In addition, as a result of our focus on hiring experienced employees, nearly 40% of the total number of employees hired in fiscal 2023 were experienced employees, and many people with various experiences, backgrounds, and skills joined the Company, leading to an improvement in the diversity of human resources.

### 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 organizational 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 organizational managers who drive the workplace to achieve strategic goals.

Firstly, we consider it important for the organizational managers to develop the skills to enhance the psychological safety and job satisfaction of workplace members, and therefore have strengthened the training to acquire management skills with a view to contributing not only to improved engagement but also to organizational change and innovation.

In addition, because the personnel composition and issues vary

from workplace to workplace, by designing a variety of educational content for organizational managers that takes into consideration the various learning needs of each workplace, we will support these managers in enhancing their skills appropriate to the actual situation of each workplace.

We also 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 measures through internal recruitment and rotation.

### IT skills education

All employees have been categorized into levels according to responsibilities and IT skills, and the target percentage of employees at each level has been set. As we work to achieve these percentages, we are developing an environment to provide appropriate educational content to employees with various skill levels, thereby working 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 deep 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.



Ginou-Dojo (Technical Skills Dojo)

Hagane-Juku (Steel Academy)

### Global business skills

We offer employees educational opportunities to acquire global business skills. In addition to improving skills such as negotiating and giving presentations 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 workplace rotation for personnel development, including to the

Company's international locations. Through the synergistic effects of these efforts, we 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.

Indicators	FY2021	FY2022	FY2023
Training cost per employee (thousands of yen)	28.5	53.3	58.8
Number of participants in job level-specific training	277	266	317
Completion rate of job level-specific training (%)	98.9	98.1	98.1
Number of employees newly certified under The National Trade Skill Test & Certification (NTSTC)	111	100	98

### Deployment

Based on the approach of deploying the right person into the right job, we are working to systematize personnel rotation based on our medium-term development vision by assigning 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.

In addition, 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.

### Evaluation and Compensation

Separate systems have been established for general employees (non-managers) and managers. Evaluation of general employees focuses on job performance. At the 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. For management-level employees, an MBO system has been put in place, where they set goals autonomously with respect to problem-solving and organizational development linked to business objectives, and work autonomously to 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.

In the past, the MBO system for managers had set targets for a single fiscal year, which was inconsistent with the medium-term targets. Starting in fiscal 2024, we have clarified the setting of targets over a multi-year span for the execution of the medium-term management plan, and set new challenge targets so as not to operate the system in a conservative manner.



## Creating a Work Environment That Enhances Engagement

### Activity of diverse human resources: From D&I to DEI&B

The Group recognizes that the execution of its business 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. In order to maximize the potential of each and every employee, we believe that in

addition to “D (diversity) and I (inclusion),” which had previously been stated in our materiality, “E (equity)” and “B (belonging: creation of an environment where employees can be themselves),” are indispensable. Therefore, we changed “D&I” to “DEI&B” in fiscal 2024.

### Activities to promote DEI&B

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 and managers presents a challenge. We have women in management positions—at the general or section manager levels in sales, technical, and corporate departments. However, to place women in leadership positions, we will hire more new female graduates for career track positions and, through retention measures, steadily expand the number of women who aspire to become managers. In parallel, we will actively promote recruitment of experienced female hires to increase the number of female managers.



Indicators	FY2021	FY2022	FY2023
Percentage of female new graduate hires for career-track positions (%) <sup>1</sup>	15.0	15.6	25.0
Percentage of women among assistant managers (%)	8.7	10.1	9.9
Number of employees who took childcare leave	14	38	60
Percentage of employees with disabilities (%) <sup>2</sup>	2.21	2.46	2.42

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

### Initiatives based on the results of the engagement survey

We have been conducting an engagement survey annually since fiscal 2022. Based on the results of these efforts, we are enhancing education for organizational managers so that all employees can play an active role, eliminating disparities in management among workplaces and raising the level of management.

In addition, since scores tended to gradually decrease as employees continued to work after joining the Company, we

are strengthening the environment in which young employees can fully demonstrate their abilities by enhancing follow-up after joining the Company.

Female employees have higher scores than male employees, but the results of the analysis show that they need support in terms of career awareness, and in order to stay close to their respective career visions, we will consider support measures including support for female employees, including their superiors.

### 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.



## 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

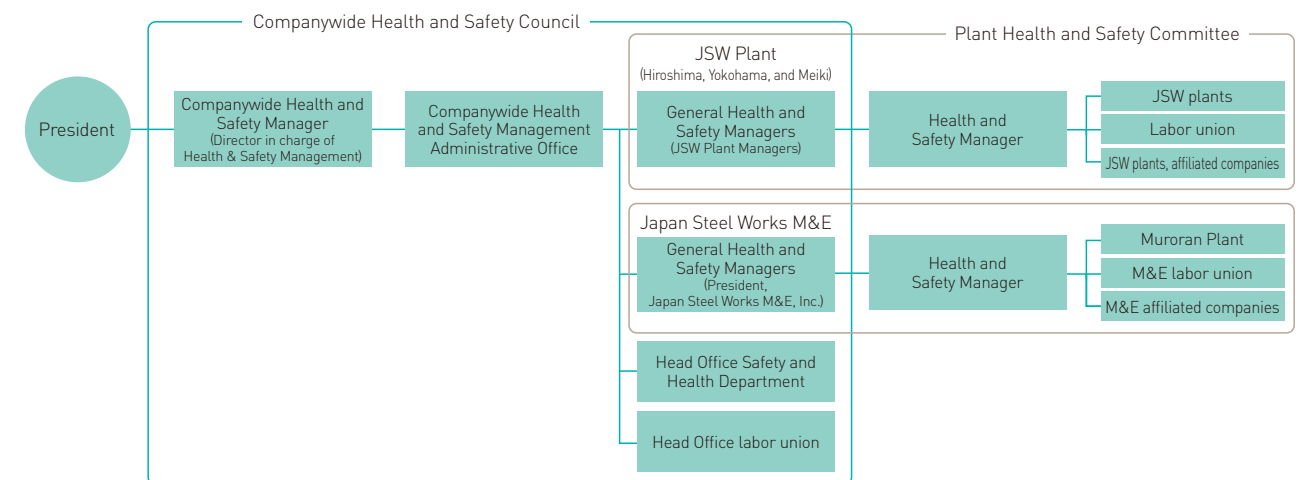
- To fulfill our social responsibility, we have positioned health and safety as a vital part of our management policy, and work to ensure the health and safety of everyone involved in our business.
- We have established and operate an occupational health and safety management system, and prioritize health 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

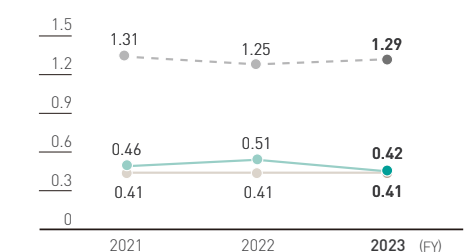
In JSW Group, we specify priority items for health and safety activities each fiscal year, and the Group (as well as the labor union) and suppliers of each plant work together on activities aimed at achieving zero occupational accidents.

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	ISO 45001	July 10, 2024

### Frequency Rate of Accidents per Million Workhours<sup>1</sup>



- 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).



## 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 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

[Supply Chain: https://www.jsw.co.jp/en/sustainability/social/supplychain.html](https://www.jsw.co.jp/en/sustainability/social/supplychain.html)

### 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 our 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 confirm that suppliers agree to The Japan Steel Works Group Human Rights Policy, The Japan Steel Works Group Basic Procurement Policy, and Request to Business Partners.

In fiscal 2023, we solicited 40 suppliers in Japan and overseas (covering over 34% of the order amount\*) to respond to a survey based on actual procurement amounts at each of the Group's major manufacturing sites. A total of 31 suppliers responded (covering over 28% of the order amount\*) by the end of fiscal 2023. Additionally, we confirmed that all 31 suppliers agreed with The Japan Steel Works Group Human Rights Policy, The Japan Steel Works Group Basic Procurement Policy, and Request to Business Partners. We will continue to solicit responses from suppliers who have not yet responded.

The results of the survey for each major item are shown in the figure on the right. The average score rates were high for Product Quality and Safety and Information Security, while the average score rates were relatively low for Human Rights and Supply Chain. Based on the aggregated results, we analyzed individual questions and provided feedback to suppliers who responded. In addition, for suppliers who scored low on

Group Policies and Request to Business Partners are published on our website, and are available to all stakeholders. We also distribute printed copies to our business partners. Furthermore, we are currently requesting confirmation of agreement from our suppliers in the supplier survey described below.

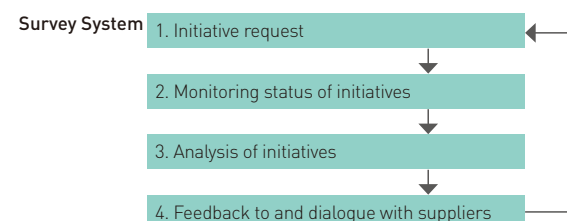
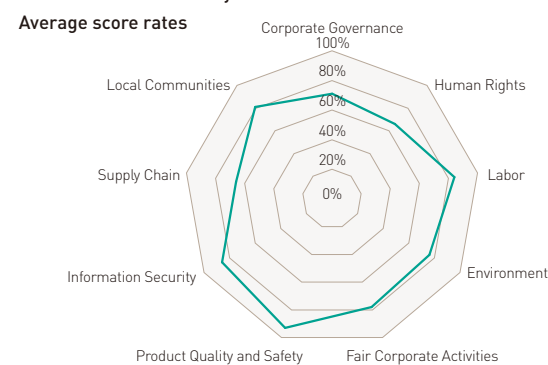
Going forward, we will work to comprehensively disseminate these Policies and Request, strive to monitor the sustainability initiatives of our major suppliers, conduct dialogue and other interactions with suppliers as needed, and continue to strengthen our supply chain risk management and its sustainability.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

For details concerning The Japan Steel Works Group Basic Procurement Policy and Request to Business Partners, please refer to our website.

questions that could lead to a particularly serious risk, we make individual inquiries to ascertain detailed conditions that cannot be ascertained through closed-ended questionnaires ((1) actual problems, (2) incorrect interpretation of questions, (3) underestimation of the company, etc.). If we determine through individual inquiries that efforts are still insufficient, we will engage in dialogues for improvement.

\* Percentage of the total amount of orders placed from the Group's main manufacturing sites to our primary suppliers for materials and subcontracting

#### CSR Procurement Survey Results



## 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 order to maximize the potential of each and every employee, we believe that in addition to the existing "D (diversity) and I (inclusion)," "E (equity)" and "B (belonging: creation of an environment where employees can be themselves)," are indispensable. Therefore, we changed "D&I" to "DEI&B" for materiality in June 2024.

In this context, JSW Group has focused on health and safety activities and harassment prevention, with the primary aim of ensuring that each and every employee can perform their work in a healthy and pleasant environment where they are respected as individuals and their human rights are not violated. We have established internal and external consultation hotlines and a resolution process through the Harassment Countermeasures Committee (chaired by the director in charge of Personnel Department). For the protection of the employee consulting with

[Respect for human rights: https://www.jsw.co.jp/en/sustainability/social/diversity.html](https://www.jsw.co.jp/en/sustainability/social/diversity.html)

us, they shall not be treated disadvantageously in any way, and to ensure this, persons who engage in unfavorable treatment shall be subject to appropriate disciplinary measures. The number of consultations was 33 in fiscal 2022 and 42 in fiscal 2023, and we recognize that the process is functioning properly. Many of the consultations concern suspected interpersonal relationships and harassment in the workplace, and the committee investigates and responds appropriately.

We conduct fair hiring practices that respect the human rights of all individuals, not only employees. We 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 April 2024, among the Group's various employee benefits systems, those that previously required the filing of marriage registration were made available based on the partnership declaration system by local governments.

Furthermore, in the wider 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 the 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. 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](https://www.jsw.co.jp/en/sustainability/social/socialcontribution.html)



Work experience activities



Sponsor and exhibitor at Hiroshima Skill Fair





## Roundtable Discussion with Outside Directors



**Yasuyuki Kuriki**  
Outside Director

**Junko Kawamura**  
Outside Director

**Hisao Mitsui**  
Outside Director

**Yoshiyuki Nakanishi**  
Outside Director

## The Evolution of Management & Governance and Promoting JGP2028

We hosted a roundtable discussion on what course the evolution of JSW Group's management and governance should take with four outside directors, who provided candid feedback on the progress of initiatives, challenges, key points in JGP2028, and future expectations for the Group.

### Evolution of JSW's Management and the Role of Outside Directors

**Nakanishi** This marks my fifth year as an outside director of JSW since joining in 2020. JSW is a serious, proud company that prizes technical capability, and while there was a strong awareness of creating good products when I joined management, awareness of governance and other aspects of management and organizational operations was lacking; however, these areas have improved in recent years.

I would like to keep making recommendations for further improvement to meet the requirements demanded by society and stakeholders.

**Mitsui** I also became an outside director of JSW in 2020, the same year as Mr. Nakanishi. I observe management based on my background and experience in technology and production. While I sense the seriousness of JSW and its commitment to technology, I also had the impression that, as a company with more than a century of history,

the organization was rigid and lacked flexibility; however, I too have noticed positive changes in recent years.

Starting around 2022, JSW has been developing a philosophy system, including its purpose, vision, value creation process, and material issues, and has identified key management issues. The discussions to formulate and identify these issues gave me the impression that the awareness among management and employees has changed. Identifying material issues in particular has made it possible to organize different scenarios based on which material issue it is related to and consider concrete measures to address challenges.

**Kawamura** I have been involved in public policy for education, culture, and research promotion and became an outside director at JSW in 2023 after running an independent administrative agency in the entertainment industry. At board meetings, I try to speak from a different perspective to help facilitate multifaceted discussions.

Management here has good teamwork, which I believe is the driving force behind increasing organizational performance. However, as we enter a phase of business expansion, I believe incorporating diversity will help build an even more resilient organization. It is vital to ensure that people with different backgrounds and attributes, including those who have newly joined JSW Group, do not feel alienated and to avoid the groupthink that highly homogeneous organizations are prone to.

In June 2024, Ms. Mizumoto, the first female director at IHI Corporation, joined as an outside director of JSW, further increasing the diversity of the board. I believe having diverse role models also serves as a boon for employees when envisioning their career paths.

**Kuriki** I have been involved in management in the semiconductor industry both in Japan and abroad for many years and became an outside director at JSW in 2023, and since I was coming from a completely different industry, I at first spoke cautiously all while trying to gain a deeper understanding of the Company. Now that a year has passed and my understanding of the Company has improved, I want to be more proactive in sharing my thoughts on things I felt were different or new based on my experience and knowledge to contribute to the development of the Company.

### Board Discussions to Formulate the JGP2028 Medium-Term Management Plan

**Nakanishi** In formulating JGP2028, we started with such themes as, "What kind of company do we want to be in the

first place?" (reassessing corporate philosophy) and "What kind of company do we want to be 10 years from now?" then backcast from there to discuss repeatedly what we should do now. This process was different from previous medium-term management plans, and I think we found a formulation process that works well.

**Mitsui** Previous plans showed sales and profit targets but did not write down any common understanding of the underlying business plan or what kind of company it was trying to be. Through repeated discussions about purpose, vision, and material issues, we were able to formulate JGP2028 based on the philosophy system.

**Kuriki** For JGP2028, I have said that how to express the reality of achieving goals and explain business growth and growth factors is an issue, and I feel a fuller explanation on what will bring about growth to achieve the FY2028 financial targets is required.

To execute JGP2028, a mechanism has been established for the board to constantly monitor action plans presented by each business division, so going forward, I'd like to supervise management by not only tracing figures but also by monitoring changes in the business environment to encourage the Company to constantly update what it should do.



**Nakanishi** Regarding targets, there are cases where figures take on a life of their own, but enhancing content such as improving in profitability, increasing capital efficiency, and strengthening competitiveness is vital, and I believe we need to explain this more carefully to investors and employees.

The business portfolio has been discussed at board meetings for several years, and while the vision for fiscal 2028 was shown in JGP2028, discussions on how to transform the portfolio beyond that are ongoing.

**Mitsui** The business portfolio in JGP2028 envisions how to grow each business from its current state, but we must discuss what will be phased out by 2030 at board meetings as well.



**Kawamura** At board meetings, I've heard explanations of different measure to maximize revenue from each business division, and I hope we will work to improve profitability for products with high market value and high technical capability cultivated by the Company over many years by fully leveraging JSW's negotiating power. Going forward, I believe we must have deeper discussions on each area of business with follow-ups at board meetings.

**Kuriki** JSW's current profitability includes a competitive edge created by factories that are fully amortized. Future investments in equipment upgrades will boost competitiveness through such measures as reduced manufacturing times, but maintaining the same business structure will increase amortization costs. That is why the Company must boost competitiveness through business transformation, which I recognize as a major challenge.

**Mitsui** Creating new businesses is also key. Since I joined, the Company has put forth all kinds of initiatives for new businesses, but I get the sense that these have yet to blossom. While I understand it takes time, I feel we've reached a point where we should focus our resources through "selection and concentration." To tie the Company's technical foundation to social issues and creating new businesses, extracting something beyond what we currently have is vital. JSW appears to have a strong desire to be self-sufficient with its own technology, but I believe it is crucial to consider M&A and alliances for the future as well.

**Nakanishi** Based on its origins, JSW's strengths lie in mechanical and electrical technologies; however, if the Company were to focus on developing technology for chemical recycling in the field of plastics, for example, it might be able to pioneer a unique domain.



**Kawamura** To create new businesses, it is vital to go beyond existing businesses and view things from a medium-to-long-term perspective when conducting research and development, so I have high hopes for the new research institute currently

under consideration. JSW has real experience in producing results for research and technological development over long spans of time, so they should be able to relay this successfully. I hope the institute will serve as a model for the next generation of the Company and as a pilot model for organizational culture reform by comprising diverse engineers and employing entirely new organizational structures and operations aimed at forward-looking, free-thinking R&D. If the creation of such a research and development center is widely communicated outside the Company, I believe it will serve as a foundation for attracting outstanding researchers and engineers and become a new strength for the Company.

**Nakanishi** I agree with Ms. Kawamura about the new research institute. JSW once had functioning technology asset sharing, but ultimately each business division began doing R&D independently. The president recognizes this as a challenge for achieving further growth and since 2023 has begun changing the organizational structure to share technology assets across business divisions, so I feel the groundwork for creating new technologies is being laid. If we are to establish new research functions, I think we need to broaden recruitment of engineers to include chemical engineers in addition to mechanical and electrical engineers.

## Challenges in Strengthening Management Foundation and Keys for Transformation

**Kawamura** As business expands, securing and developing human resources has become a major management issue. To be a company chosen by workers, it is vital to create an environment where diversity is secured and respected in all its forms, where each employee experiences psychological safety and job satisfaction so that they feel glad to work for JSW and want to stay. For that reason, I have on different occasions suggested that we should strive for DEI&B by adding Equity and Belonging to the Diversity & Inclusion (D&I), and other directors also provided advice on this as well, so it was incorporated into JGP2028. I would like to continuously support and supervise at board meetings to ensure this is reflected in a variety of measures going forward.

**Kuriki** JSW has many Group companies in Japan and abroad, meaning there is significant room for streamlining Group governance mechanisms for management, and currently, management costs are higher than necessary. Considering future international expansion, the Group governance mechanism must be simplified to reduce risks.

**Nakanishi** In terms of DX, the unification of the core system

across the Group will lead to streamlined operations, standardization, and stronger Group governance, but this is currently being applied to Japanese bases rather than from a global perspective. Going forward, it will be crucial to create unified judgment criteria for the core system to reduce governance risks associated with global expansion.



**Mitsui** In terms of horizontal partnership within the Group, I think previously, plants and business divisions operated independently, with weak cross-organizational functioning. However, the occurrence of misconduct in product inspections at our subsidiary Japan Steel Works M&E in 2022 led to reform in cross-organizational quality management and corporate culture. Cross-organizational discussions in R&D have been revitalized as well.

JSW is a big organization with business sites in many different locations, so it is vital for middle management to play their role if the message from management is to reach all employees.

**Kawamura** In organizational culture reform, I feel that bottom-up efforts have advanced, with project teams working actively and presenting the results and status of these at board meetings. Furthermore, when formulating future plans and measures such as non-financial targets and the direction of ESG, it would be a good idea to have a mechanism for companywide discussions, such as gathering opinions from all departments, consolidating them, or flexibly launching project teams based on different themes. I believe that when employees feel involved in steering the Company, bottom-up proposals are easier to make and engagement increases. When top-down direction aligns with bottom-up desires to create change in the Company, a truly powerful company can be created.

**Nakanishi** Based on my own management experience, I have told the president that changing corporate culture ultimately comes down to the top communicating with employees over and over. The president continues to hold town hall meetings with employees at each plant, and I believe that taking initiative

and repeatedly communicating the ideas of top management will foster a new culture.

**Kawamura** I agree. It's crucial for the top to consistently communicate beliefs in official, consensus-based policies without wavering.

**Kuriki** Based on employee feedback in working groups, I think middle management needs strengthening. For example, introducing different HR systems in one part of the Company, creating tangible results of "change," then expanding horizontally all while monitoring the situation may be a good approach.

**Kawamura** Proactively communicating JSW's changes to a wide range of stakeholders including shareholders, investors, local communities, and students who may work here in the future might help unleash the Company's potential. I feel JSW has been modest in its external communications so far. I hope the Company will more clearly convey the social value of its businesses and effectively communicate its new businesses, products, and facilities.



**Kuriki** The IR manager spoke of wanting to strengthen communications with individual investors. For example, we hope to expand the shareholder base by reaching out to retail-focused securities client channels, making JSW more familiar to individuals.

**Nakanishi** I think it would be effective to hold factory tours for shareholders and local residents as well as briefings on growth areas and other themes to promote JSW's initiatives. At board meetings, we are also discussing how to promote JSW Group outside the Company to increase corporate value.



# 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

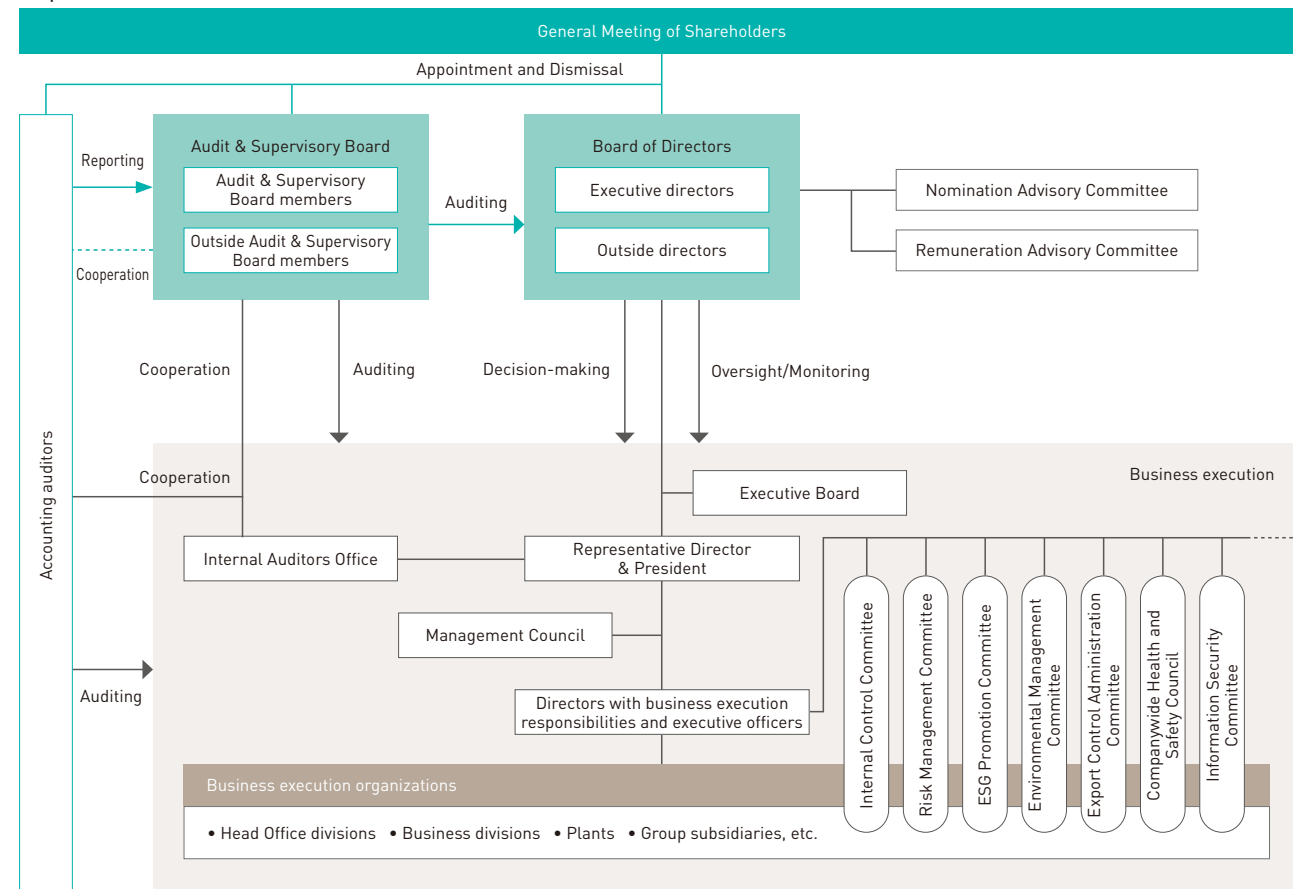
The Japan Steel Works, Ltd. ("the Company") has adopted the structure of a company with an audit and supervisory board. The Board of Directors consists of ten directors (five of whom are outside directors) and the Audit & Supervisory Board consists of four Audit & Supervisory Board members (two of whom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

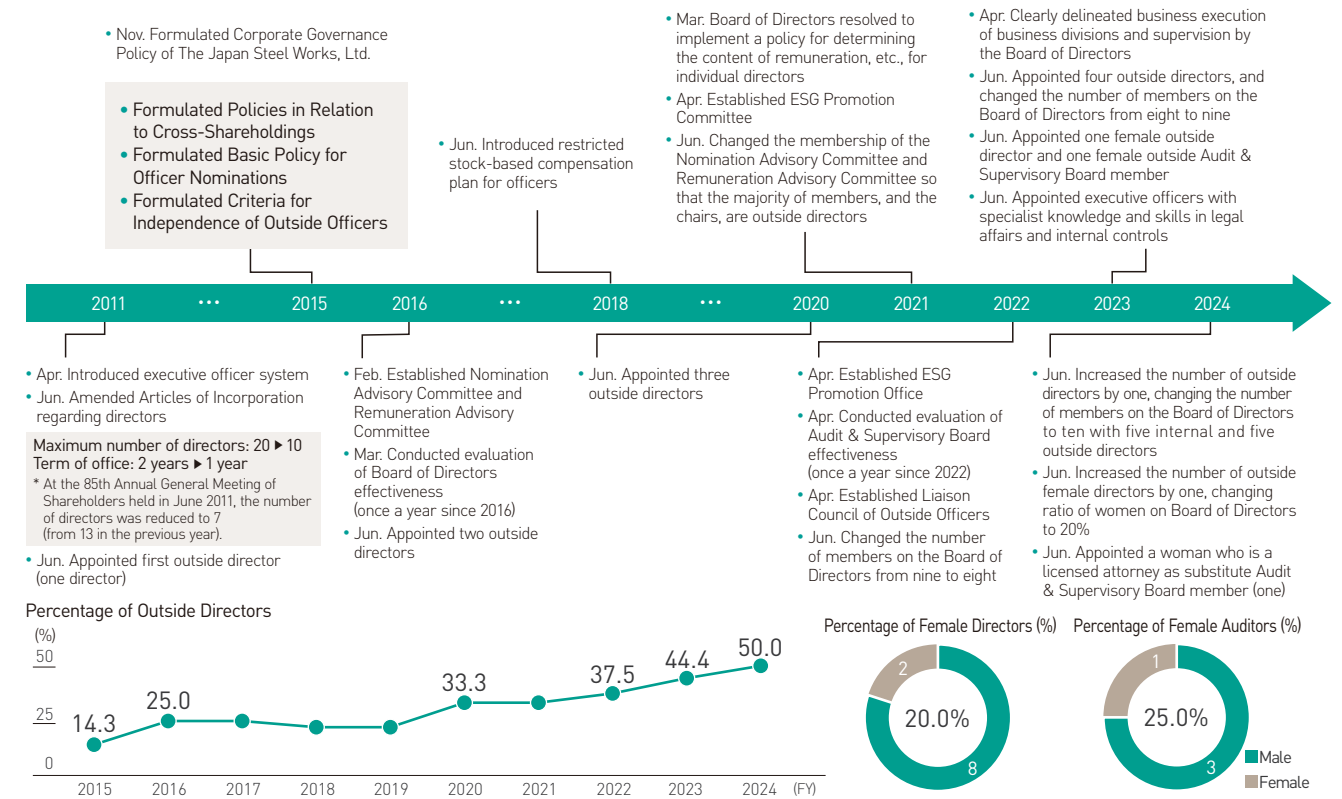
Audit & Supervisory Board members attend important meetings including those of the Board of Directors, the Executive Board and the Management Council. Once every fiscal half in principle they visit plants, sales locations and Group companies, and receive reports on necessary information from each division. 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	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Composition	Attendees (with voting right)	Directors (5 inside, 5 outside)	Audit & Supervisory Board members (2 inside, 2 outside)	President (1) Director in charge of Personnel Department (1) Outside directors (5)	
	Observers/Advisors (no voting rights)	Audit & Supervisory Board members (2 inside, 2 outside)	—	—	—
	Chairperson/Committee Chair	President	Internal auditor	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	Reports, discusses and makes resolutions on important matters relating to auditing; this does not preclude the exercise of individual Audit & Supervisory Board members' authority	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 • Consults on the succession planning for the president, and reports the results to the Board of Directors	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
Meetings in FY2023		15	13	2	5

		Executive Board	Management Council	Liaison Council of Outside Officers
Composition	Attendees	Inside directors (5) Non-director executive officers (6)	Inside directors (5) Inside Audit & Supervisory Board members (2) Non-director executive officers (6) Business division directors and business division deputy directors, general plant managers, Head Office division managers	Directors (3 inside, 5 outside) Audit & Supervisory Board members (2 inside, 2 outside)
	Observers/Advisors (no voting rights)	Inside Audit & Supervisory Board member (1)	—	—
	Chairperson	President	President	President
Objectives and Areas of Authority		• 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	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	Gives advance explanation of the resolution matters and deliberation matters of the Board of Directors, and reports on the status of operations and important management matters of the Company and the Group
Meetings in FY2023		41	11	12



Major Matters Discussed at the Board of Directors Meetings in FY2023

- New medium-term management plan JGP2028
  - Measures to prevent recurrence of inappropriate conduct
  - Evaluation of the effectiveness of the Board of Directors
  - Feedback on IR/SR activities
  - Human capital/talent development strategy
  - Business portfolio with an awareness of capital costs
- Report on the status of compliance line operations
  - Status of operations of internal control systems
  - Review of cross-shareholdings
  - Executive appointments and governance structure
  - Risk management
  - Progress report on digital transformation promotion
  - R&D framework
  - Skill matrix
- Revision of Nomination and Remuneration Advisory Committee regulations
  - Basic Sustainability Policy
  - Organizational culture reform
  - Analysis on the exercise of voting rights
  - Integrated report
  - Corporate governance report

Skill Matrix

We identified six material issues (i.e., Materiality) as themes that should be prioritized in order to embody our Purpose and, after verifying the importance of the Materiality identified, we selected the skills needed to implement management initiatives aimed at resolving these issues. During the selection of candidates for directors at the Annual

General Meeting of Shareholders in June 2024, we increased and strengthened human resources with skills and knowledge in R&D and innovation as well as human capital that includes women’s careers, considering both gender and skill diversity. For information on the skill matrix, please refer to p. 60-61.

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 five 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 our website. [https://www.jsw.co.jp/pdf/sustainability/governance/governance/GovernancePolicy\\_en.pdf](https://www.jsw.co.jp/pdf/sustainability/governance/governance/GovernancePolicy_en.pdf)

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 2023.

Analysis and evaluation methodology

- (1) During February 2024, an anonymous questionnaire was administered to all directors and Audit & Supervisory Board members. 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 2023 and verified differences between annual activity plans and actual results.
- (3) At the March and April 2024 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**
- I. Appropriateness of purpose, structure, and management of the Board of Directors
  - II. Adequacy of monitoring and deliberation by the Board of Directors
  - III. Director performance
  - IV. State of information sharing and disclosure, including shareholder response

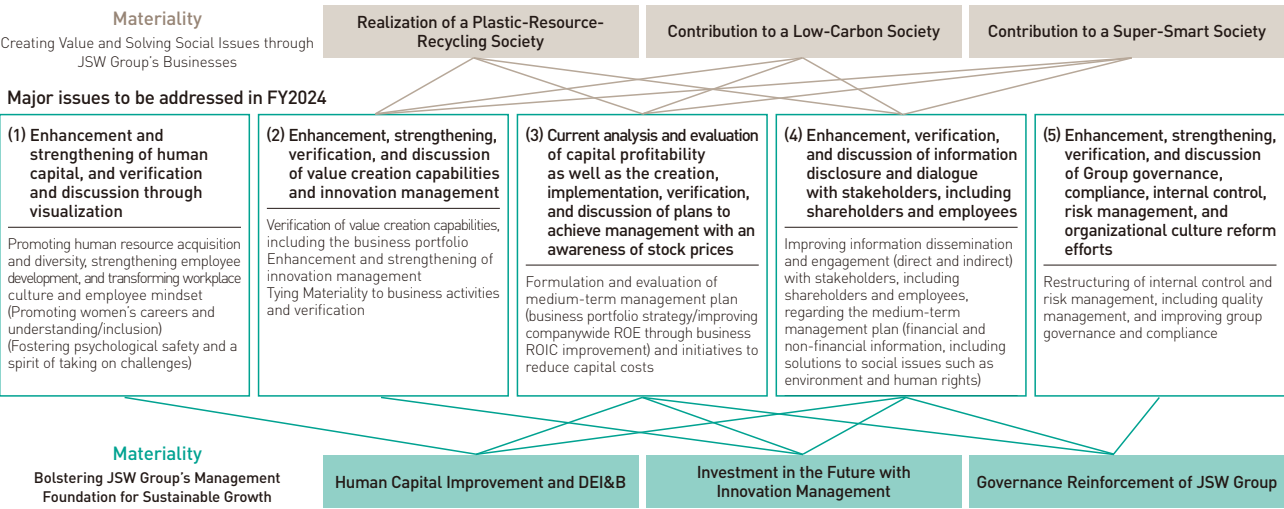
Results of the FY2022 Analysis and Evaluation and an Overview of FY2023 Initiatives

In response to the four issues identified in the fiscal 2022 effectiveness evaluation, the Board of Directors proceeded forward with the following actions in fiscal 2023. As a result, the effectiveness evaluation for fiscal 2023 confirmed that improvements have been steadily made for each of the issues and that effectiveness has been generally ensured.

Issues identified in FY2022	FY2023 initiatives
(1) Acquiring and training of human resources, investigating measures to improve human capital	(1) Verification of employee engagement survey results and formulation of human resources strategy (2) Increasing the ratio of women in new graduate and mid-career hires (3) Creating dialogue opportunities between management and female employees
(2) Investigating and strengthening value creation capabilities and innovation management systems	(1) Verification of business portfolio using ROIC spread (2) Progress of DX promotion activities and verification of investment risks (3) Review of research and development policies and revision of related regulations
(3) Investigating and improving engagement with different stakeholder groups	(1) Formulation of JGP2028, the new medium-term management plan (2) Setting KPIs for Materiality during the medium-term management plan period (3) Continued implementation of SR/IR meetings and feedback to management
(4) Investigating and strengthening corporate governance, internal controls, and risk management	(1) Promotion of Organizational Culture Reform Project to restore trust and create further development (2) Establishment of a dedicated enterprise risk management (ERM) department (effective April 1, 2024) (3) Introduction of a leniency system within the whistleblowing system

FY2023 Analysis & Evaluation Results and Future Initiatives

Based on the fiscal 2023 effectiveness evaluation and the Group’s Materiality, we identified the following as major issues to be addressed in fiscal 2024.



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.

Fiscal 2023 evaluation results verified that audit activities were generally implemented appropriately and effectively in response to the areas for improvement raised in the previous year’s reflection, which were (1) ensuring diversity and expertise by appointing a female certified public accountant as an auditor, (2) exchanging opinions with auditors of major subsidiaries for Group governance, (3) conducting regular exchanges of opinion with outside directors (four times a year), and (4) providing recommendations for establishing an ERM system and reporting

to the Board of Directors. Meanwhile, areas for improvement for the next fiscal year include (1) providing recommendations for further enhancement of internal control audits and reporting to the Board of Directors, (2) regular consultations with subsidiary auditors for Group governance, (3) exchanges of opinions with outside directors on important topics, (4) bolstering cooperation in the three-way audit, and (5) strengthening audits related to ERM efforts, information security, and compliance, all of which we will strive to improve.

As audit policies for fiscal 2024, we are actively (1) auditing internal controls of the corporate group from the perspective of group management and group governance, (2) verifying proper companywide risk control based on the three lines model, (3) focusing on the construction and operation status of internal controls and the state of efforts in each department during the term as well as following up on these and the execution status of the PDCA cycle in business execution at the end of the term, (4) developing a cooperative system with JSW Group auditors, and (5) bolstering cooperation with the Internal Auditors Office and accounting auditors.

Officers’ Remuneration

The Company’s policy for determining the directors’ remuneration (the “policy for determining”) was partially revised at the Board of Directors meeting held on April 5, 2024, with the aim of enhancing incentive effectiveness for achieving the medium-term management plan JGP2028 and further promoting shared interests with shareholders.

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

The Company has eliminated bonuses across the board and increased the proportion of stock-based remuneration as a long-term incentive for representative directors. The Company has also changed evaluation indicators for performance- and results-linked remuneration (variable remuneration) to include consolidated operating income, consolidated ROE (return on equity), and results of medium-to-long-term initiatives. These changes are designed to fortify incentives (short and medium-to-long term) to achieve the JGP2028 medium-term management plan.

Analysis and Evaluation Method

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.

The Company regularly verifies the appropriateness of the level and composition of directors’ remuneration based on benchmarks from companies of similar size and relevant industry/type and salary levels of the Company’s employees.

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 individual allocation 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

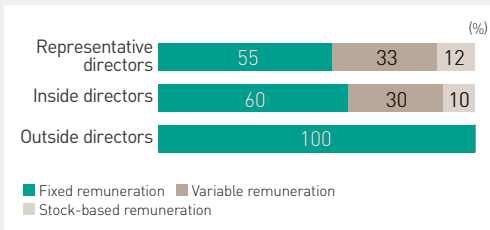
The composition shall be annual remuneration (1) base portion, (2) companywide performance-linked portion, and (3) efforts to improve medium-to-long-term corporate value and stock-based remuneration. The approximate ratio of fixed remuneration (1) base portion: variable remuneration (2) and (3): stock-based remuneration is 55:33:12.

(2) Inside directors

The composition shall be annual remuneration ((1) base portion, (2) companywide performance-linked portion, (3) results-linked portion, and (4) efforts toward medium-term action plan items and quality/safety/compliance initiatives as medium-to-long-term measures) and stock-based remuneration. The approximate ratio of fixed remuneration ((1) base portion): variable remuneration ((2), (3) and (4)): 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 quantitative evaluations such as companywide performance and results-linked portions, as well as qualitative assessments of efforts contributing to medium-to-long-term growth and other indicators, and multiplying the percentage of achievement by the base amount of remuneration for each position.

(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) Companywide performance-linked portion

The companywide performance-linked portion is variable remuneration that is determined on the basis of the consolidated performance of the previous fiscal year and consists of a consolidated operating income portion and a consolidated ROE (return on equity) portion.

This indicator was selected because of its importance in terms of indicating how performance directly links to the companywide performance targets in the medium-term management plan.

(3) Results-linked portion

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

(4) Evaluation of representative directors’ efforts to improve medium-to-long-term corporate value

The Company consults the Remuneration Advisory Committee on the results of efforts to achieve Materiality (Creating Value and Solving Social Issues through JSW Group’s Businesses and Bolstering JSW Group’s Management Foundation for Sustainable Growth), which it then reviews and incorporates into remuneration.

(5) Evaluation of inside directors’ efforts toward medium-to-long-term measures

The Company consults the Remuneration Advisory Committee on the results of efforts toward medium-term action plan items and quality/safety/compliance initiatives, which it then reviews and incorporates into remuneration.

(6) 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 set by the Board of Directors in advance for a period between three and five years (currently five years in accordance with the five-year medium-term management plan JGP2028).

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 44 subsidiaries (32 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 complies with laws and regulations and the Articles of Incorporation. In addition, regarding risks relating to specific functions, such as quality control, 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 systematically reported to the office and each company. The Internal Audit Division also 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.

The whistleblowing system will operate not only for domestic Group companies but is being rolled out sequentially for other international Group companies as well, starting with China.

Cross-Shareholdings

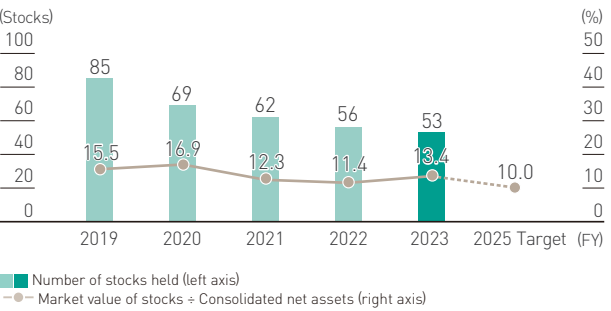
1 Policy on Cross-Shareholdings	The Company holds shares that it judges to be necessary for policy purposes through regular confirmation and review and that contribute to the Company’s businesses over the medium to long term in ways such as maintaining and strengthening sound, ongoing relationships with 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 by confirming the details of each proposal from the standpoint of the business conditions of the investee company, its business relationship with the Company, improvement in its medium-to-long-term corporate value, and its social responsibilities, while following predetermined voting rights exercise standards.

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

In addition, the medium-term management plan JGP2028 sets forth a cash allocation plan to ensure an appropriate balance between investment in growth and shareholder returns in order to sustainably increase corporate value, and as part of this, the Company plans to reduce its cross-shareholdings to less than 10% of net assets by the end of fiscal 2025.

Status of Holdings

Number of listed and unlisted stocks held; Market value of cross-shareholdings on balance sheet ÷ Consolidated net assets





















# Management Team

(As of June 30, 2024)

## Directors / Audit & Supervisory Board Members

															
Name	<b>Toshio Matsuo</b>	<b>Hiroki Kikuchi</b>	<b>Shigeki Inoue</b>	<b>Motoyuki Shibata</b>	<b>Hideo Nakanishi</b>	<b>Yoshiyuki Nakanishi</b>		<b>Hisao Mitsui</b>	<b>Junko Kawamura</b>	<b>Yasuyuki Kuriki</b>	<b>Nobuko Mizumoto</b>	<b>Shingo Mito</b>	<b>Hiroyuki Shimizu</b>	<b>Saori Yamaguchi</b>	<b>Shinya Unno</b>
Title	Representative Director & President	Representative Director & Executive Vice President	Director & Senior Managing Executive Officer	Director & Managing Executive Officer	Director & Executive Officer	Director Independent Officer		Director Independent Officer	Director Independent Officer	Director Independent Officer	Director Independent Officer	Audit & Supervisory Board Member (Full-Time)	Audit & Supervisory Board Member (Full-Time)	Audit & Supervisory Board Member Independent Officer	Audit & Supervisory Board Member Independent Officer
Career	Apr. 1984 Joined the Company Apr. 2013 Deputy General Plant Manager, Hiroshima Plant Apr. 2015 General Plant Manager, Hiroshima Plant Apr. 2016 Executive Officer Apr. 2017 Managing Executive Officer, Director of Injection Molding Machinery Business Division; In charge of Hiroshima Plant Jun. 2017 Director & Managing Executive Officer Apr. 2020 Representative Director & Executive Vice President; In charge of Export Control Administration; In charge of Plastics Machinery Business Division, Injection Molding Machinery Business Division, Industrial Machinery Business Division; In charge of Meiki Plant Apr. 2021 In charge of Ordnance Business Headquarters; In charge of Business Development Office; In charge of Hiroshima Plant and Yokohama Plant Apr. 2022 Representative Director & President (current position)	Apr. 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 Apr. 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, Industrial Machinery Business Headquarters; In charge of Business Development Office Apr. 2023 General Manager, Business Development Office (current position) Apr. 2024 Representative Director & Executive Vice President (current position); In charge of Export Control Administration (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 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. 2024 Director & Senior Managing Executive Officer (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 Director & Executive Officer Apr. 2024 Director & Managing Executive Officer (current position); CISO (current position); In charge of CSR & Risk Management (current position)	Apr. 1990 Joined the Company Jun. 2015 General Manager, General Affairs Department, Muroran Plant Apr. 2020 General Manager, Personnel Department Apr. 2022 General Manager, General Affairs Department (current position) Apr. 2024 Executive Officer; In charge of Promoting ESG (current position); In charge of Environmental Management (current position) Jun. 2024 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 (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 the Ministry of Education (currently Ministry of Education, Culture, Sports, Science and Technology, Japan) Aug. 1988 Councilor, 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. 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 2018) Jul. 2018 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. 1982 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. currently IHI Corporation Oct. 2008 General Manager, Recruiting Group, Personnel Division, IHI Corporation Apr. 2012 General Manager of Corporate Social Responsibility Division, IHI Corporation Apr. 2014 Executive Officer, General Manager of Group Business Process Platform Control Division, IHI Corporation Apr. 2016 Executive Officer, General Manager of Procurement Strategy Planning, IHI Corporation Apr. 2017 Managing Executive Officer, General Manager of Procurement Strategy Planning, IHI Corporation Apr. 2018 Managing Executive Officer, General Manager of Intelligent Information Management Headquarters, IHI Corporation Jun. 2018 Director, Managing Executive Officer, General Manager of Intelligent Information Management Headquarters, IHI Corporation Apr. 2020 Director, IHI Corporation (retired in June 2020) Jul. 2020 Advisor, Executive Fellow, IHI Corporation Apr. 2021 Advisor, IHI Corporation (retired in June 2023) Jun. 2021 External Director who is an Audit and Supervisory Committee Member, Tokuyama Corporation (current position); Outside Director, Talkisha Ltd. (retired in June 2023) Jun. 2023 Outside Director, Okamura Corporation (current position) Jun. 2024 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 Jun. 2023 Audit & Supervisory Board Member (Full-Time) (current position)	Apr. 1984 Joined the Company Oct. 1998 Houston Office Manager Jun. 2008 Nagoya Branch Manager Sep. 2015 Deputy General Manager, Corporate Planning Office Apr. 2017 Kansai Branch Manager Apr. 2019 Deputy Director of Machinery Business Division (Sales Management Supervisor) Apr. 2020 Representative Director, President and CEO of GM Engineering Co., Ltd. Jun. 2022 Audit & Supervisory Board Member (Full-Time) (current position)	Apr. 1982 Joined MITSUBISHI GAS CHEMICAL COMPANY, INC. (retired in July 1985) Oct. 1986 Joined Tohmatsu Awoki & Sanwa (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. 2020 Representative of 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)	Apr. 1980 Joined The Long-Term Credit Bank of Japan, Ltd. Oct. 1999 Joined Chugai Pharmaceutical Co., Ltd. Mar. 2005 General Manager of Corporate Planning Department, Chugai Pharmaceutical Co., Ltd. Mar. 2006 Executive Officer, Chugai Pharmaceutical Co., Ltd. Mar. 2010 Managing Executive Officer, Chugai Pharmaceutical Co., Ltd. Apr. 2016 Senior Executive Officer, Chugai Pharmaceutical Co., Ltd. Apr. 2020 Vice President & Executive Officer, Chugai Pharmaceutical Co., Ltd. Apr. 2022 Advisor, Chugai Pharmaceutical Co., Ltd. (retired in March 2023) Jun. 2023 Chairman and Park President, Sankeien Hoshokai Public Interest Incorporated Foundation (current position) Jun. 2024 Audit & Supervisory Board Member, the Company (current position)
Number of shares of the Company held	24,224 shares	12,792 shares	12,432 shares	5,255 shares	2,506 shares	0 shares		462 shares	0 shares	0 shares	0 shares	15,237 shares	2,966 shares	0 shares	0 shares
Record of attendance at Board of Directors meetings (FY2023)	100% (15/15)	100% (15/15)	100% (15/15)	100% (12/12)	—	100% (15/15)		100% (15/15)	100% (12/12)	100% (12/12)	—	100% (15/15)	100% (15/15)	100% (12/12)	—
Committee	Nomination Advisory Committee	○		○		○ (Chair)		○	○	○	○				
	Remuneration Advisory Committee	○		○		○ (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

**Seiji Umamoto**  
Senior Managing Executive Officer

**Shoji Nunoshita**  
Managing Executive Officer

**Takeshi Shinmoto**  
Managing Executive Officer

**Masayuki Aoyama**  
Executive Officer

**Miki Sawai**  
Executive Officer

**Kengo Takeya**  
Executive Officer



# 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 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. As of April 2024, the Risk Management Group has also been established in the Corporate Planning Office as a special organization to promote and oversee companywide risk management efforts. Also, to deal with risks by divisional function such as quality management, health and safety, environmental management, export control, and information security, each division has formed committees or put in place regulations from a companywide, cross-sectional perspective to reduce risk through training, guidance, and supervision.

With regard to companywide 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,

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.

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. In addition, escalation regulations have been established along with a system for the immediate reporting of incidents and materialization of significant risks that includes Group subsidiaries.

In risk management, the Internal Audit Division monitors risk management as the third line, 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 a response. In fiscal 2021, it was revealed that inappropriate conduct in quality inspections by Japan Steel Works M&E, Inc. had taken place (see p. 42–43 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 clarifying the functions of the second line in risk management (under the three lines 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

## Basic Approach

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, and with the recognition of the importance of the proper operation of these systems, we regularly report on

matters relating to internal control and its operational status to the Board of Directors.

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. In fiscal 2023, 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 is conducted annually to enhance compliance awareness and ensure thorough risk management. (In fiscal 2023, the participation rate was 94%)
- Regular harassment prevention training is conducted by our corporate divisions for subsidiaries (4 companies in fiscal 2023: Nikko Techno, JSW AFTY, Nikko YPK Shoji, and Fine Crystal).
- Information and articles are posted and continually updated on the in-house portal site, intranet noticeboard, posters, and newsletters to help raise awareness of compliance.
- E-learning for employees of the Company and Group companies is conducted annually to ensure compliance with laws, regulations and internal rules on export control administration. (In fiscal 2023, the participation rate was 99%)
- Internal mock examinations, preparatory courses for examinations and e-learning are conducted annually to increase

the number of current employees who pass the export control administration practical skills certification examination.

- Information security training is conducted annually for all employees. (In fiscal 2023, the participation rate was 100%)
- As part of Quality Compliance Month each May, the Company streams a video message from the president and conducts e-learning and quality compliance training via educational videos. (In fiscal 2024, the participation rate was 100%)
- For National Product Quality Month each November, the Company streams a video message from the director in charge of quality management and conducts e-learning and quality compliance training via educational videos. (In fiscal 2023, the participation rate was 98%)
- E-learning is conducted on patents for employees involved in technology development at the Company and Group companies who have worked for a certain number of years.

## 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. 42–43 of this report) and the system is functioning effectively in line with these goals.

This system allows for anonymous reports and consultation and stipulates that those who use it will not receive disadvantageous treatment. As of February 2024, a system of reduction or exemption of internal disciplinary action for

self-reporting of misconduct (known as a leniency system) was introduced to fortify the response to organizational misconduct and harmful practices.

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 42 in fiscal 2022 and 42 in fiscal 2023. Most reports were consultation cases on workplace environments, including harassment incidents, which were investigated by the committee and appropriately addressed.

