SANYO SPECIAL STEEL

REPORT 2024

APRIL 1.2023-MARCH 31.2024

Sanyo Special Steel Report 2024
(Integrated Report)

NIPPON STEEL | SANYO SPECIAL STEEL

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Editorial Policy

This report summarizes the Sanyo Special Steel Group's environmental, social, and governance (ESG) initiatives aimed at realizing a sustainable society.

Period and Scope of Coverage

This report contains information on the initiatives of Sanyo Special Steel and its Group companies in FY2023 (April 1, 2023 to March 31, 2024), but also includes information outside the period covered.

Reference Guidelines and Other Documents

"International Integrated Reporting Framework," IIRC

"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation," Ministry of Economy, Trade and Industry

"Environmental Reporting Guidelines 2018," Ministry of the Environment

Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

Notes on Forecasts

The forward-looking statements in this report are based on the judgment of the Group based on the information currently available. These statements are subject to a number of uncertainties, and actual results may differ materially depending on a number of factors.

Corporate Philosophy

Confidence-based Management

Confidence of Society

We aim to earn the confidence of society by contributing to the realization of an affluent and culturally rich society and fulfilling our responsibilities as a member of society through our "high-quality special steel manufacturing."

Confidence of Customers

We aim to earn the confidence of our customers by rapidly and accurately identifying their needs and appropriately providing high-quality special steel products.

Confidence among People

We will build confidence among people by deepening communication with all stakeholders and acting autonomously in accordance with social norms.

Top Message

Even under major changes in society and industrial structure, such as carbon neutrality, the highly reliable special steel products of our Group will be in greater demand around the world as important materials to support the development of society. Under these circumstances, the Sanyo Special Steel Group will further build up the reliability of the brand “Sanyo Special Steel - the confident choice” by, on a group-wide scale, strengthening its business foundation and innovating technologies that are ahead of the times.

Without evolution on a constant basis, companies are not able to grow. Taking into consideration the principle of fluidity and immutability, our Group is aware of the importance of addressing changing social needs. With the support and cooperation of our stakeholders, we will continue to actively take on new challenges, striving to maintain our status as a company putting into practice “Confidence-based Management” as set forth in our corporate philosophy.

I hope you will look forward to how the Sanyo Special Steel Group takes on various challenges.

MIYAMOTO Katsuhiro,
Representative Director and President

President Miyamoto giving a greeting at the year opening ceremony

Review of FY2023 and Current Business Environment

Business Results for FY2023

In FY2023, while sales prices increased due to the application of energy surcharges among other factors, we ended up with a decline in both sales and profits with our consolidated net sales falling by 40 billion yen year-on-year to 353.8 billion yen and our consolidated ordinary income falling by 16.7 billion yen to 12.1 billion yen, resulting from a decrease in sales volume, a deterioration in our sales mix, the rising costs of raw materials and fuels, and inflationary impacts on various materials, as well as from, for example, a decrease in the sales volume of OVAKO and the reduction of transient effects.

Forecasts for FY2024

In FY2024, while demand for special steel is expected to recover from the second half of the year, our full-year sales volume is expected to remain at the FY2023 level due to, for example, concerns about the impact of uncertainties surrounding the Chinese and European economies, as well as inflationary impacts, on the global economy, in addition to the slow recovery of demand in relation to automobiles. Furthermore, raw material prices are expected to remain high despite a year-on-year decline, which is likely to cause inflationary impacts on distribution costs and other relevant factors. The demand environment to date reflects the anticipated challenges in the business environment surrounding our Group, exemplified by the impact of automotive production and shipment being suspended and the sluggish economies of China and Europe.

Under these circumstances, our Group will continue to steadily make progress in revising our selling prices based on the increased outsourcing, distribution, and labor costs and also to engage in our cost reduction initiatives, thereby aiming to achieve consolidated ordinary income of 13 billion yen.

2025 Medium-Term Management Plan

In light of major changes in the business environment that have arisen since the original 2025 Medium-Term Management Plan was formulated, such as resource price inflation (decoupled from the steel supply and demand cycle), intensifying human resource constraints, and accelerated drive to EVs and carbon neutrality, as well as the fact that our current financial results have been outperforming the original plan, we revised the plan on July 28, 2023.

Our Group, as a whole, will seek to strengthen our business base and profitability in Japan and overseas by making aggressive investment and flexibly allocating the necessary human capital, centrally for carbon neutrality and DX, as well as by flexibly revising prices based on value in use, expanding and enhancing the surcharge system, continuously working to sophisticate our sales mix, exploring opportunities to further enhance our presence, and taking other relevant actions. Furthermore, we will strive to improve our corporate value and presence in the global special steel market, with the aim of realizing 1x PBR through strengthening of our ESG initiatives such as those for carbon neutrality and through management with capital cost and our share price taken into account.

Top Message

President Miyamoto speaking at a Keidanren (Japan Business Federation) panel discussion

Hydrogen plant inauguration ceremony at OVAKO (President Miyamoto, second from the right)
On the far right is Swedish Prime Minister Ulf Kristersson

Regular on-site patrol

Three-Company Synergies Among Sanyo Special Steel, OVAKO, and Nippon Steel Corporation (NSC)

Sanyo Special Steel, OVAKO, and NSC have planned to generate synergies worth about 10 billion yen among them, on a 50% scale by the third year (FY2021) and on a 100% scale by the sixth year (FY2024), and have currently implemented specific collaborative measures.

We have dispatched engineers to OVAKO to support its technical and operational improvement toward better productivity, having been steadily realizing cost reductions. In addition, as synergies with NSC, we have implemented various initiatives including those seeking to reduce distribution costs and the costs of materials, equipment, and ferroalloy through utilization of the iron sources and transportation infrastructure of the group. These initiatives have also steadily yielded results. Furthermore, various other activities have also been implemented, including the production consolidation of specialty product and R&D collaboration utilizing the knowledge, manpower, etc., of the NSC Group. In FY2023, the fifth year of these synergies, we achieved more results than planned. We are focusing on implementing collaborative measures to bring out full synergy effects by FY2024 as scheduled.

In order to survive among increasingly fierce global competition, it is important to have rock-solid cost competitiveness as well as technological and quality competitiveness. By utilizing the strengths that are unique to us and continuously expanding and maximizing synergies among the three companies, we will strive to further enhance our corporate value and presence in the increasingly competitive global special steel market.

Responses to the Shift to EVs

The shift toward electrification of automobiles for carbon neutrality is accelerating around the world. The shift from engines to motors as a power source affects special steel consumption, as well. At the same time, we foresee the rise of new demand following the shift to EVs. In particular, the downsizing and weight reduction of EV parts for energy-saving purposes cause an increased load for such parts, and the materials used for those parts inevitably require high quality (strength, etc.) and reliability. It is this aspect where we believe our Group can take advantage of its high manufacturing technologies to produce highly reliable and high-quality special steel.

Furthermore, there is growing need for green steel products and for special steel that can contribute to reducing greenhouse gas (GHG) emissions generated in the course of parts production at customers' sites. Each of Sanyo Special Steel, OVAKO, and SSMI manufactures special steel products by recycling materials with steel scrap as the main raw material, which puts them into a position of relative superiority in terms of GHG emissions, as well. Special steel is characterized not only by its properties as a steel material but also by its superior functionality achieved by combining different processing processes such as forging and heat treatment. In this regard, our Group has enhanced its technologies, quality, and service capabilities, for example, by working closely with customers on joint development and meeting advanced needs including the reduction of processing costs and the realization of weight reduction. Such collaboration and the knowledge that we have built up through such collaboration have led to the development of products such as "ECOMAX® Series" and "TOUGHFIT®" which can contribute to the reduction of GHG emissions at customers' sites by enabling them to omit or simplify processes.

Leveraging these strengths, we will promote the development of eco-products aimed at realizing a decarbonized society and meet new needs arising from the shift to EVs, etc., will expand our technological superiority and strengthen our cost competitiveness through, for example, the development of differentiated products, and will utilize our technologies to steadily address demand in those non-automotive fields which are expected to grow in the future (such as wind power generation and railroad bearings).

Toward Carbon Neutrality

Roadmap to Carbon Neutrality by 2050

Based on the roadmap of the Sanyo Special Steel Group toward carbon neutrality, in addition to reducing our own GHG emissions (Scope 1 and 2) by 42% or more compared to the FY2021 level by FY2030 through promotion of eco-processes, green energy utilization, and other actions, we are aiming to contribute to reducing emissions by approximately 50% of the FY2021 level by employing eco-products that contribute to customers' GHG emission reductions and eco-solutions that deploy energy-saving and productivity-enhancing technologies at overseas Group companies.

For eco-processes, we have been promoting the use of regenerative burners for heating furnaces, inverters for large motors, and LEDs for factory lighting among other items, having made steady progress with the GHG emissions during FY2023 (Scope 1 and 2) being 550 thousand tons (a 22% reduction from the FY2021 level). Furthermore, starting from April 2024, we purchase the full purchasable volume of hydroelectric power generated in Hyogo Prefecture and have commenced, since July of the same year, solar power generation based on the PPA model at our head office plant. Since FY2023, we have set up an internal carbon pricing system to facilitate investment in energy conservation and further reduce GHG emissions.

To achieve carbon neutrality, it is necessary to reduce GHG emissions not only in our own manufacturing processes but also throughout the entire life cycle of products covering raw material procurement and customers' processing and use of such products as end products. Advancing its initiatives for emission reduction, our Group collaborates with our customers in working out the reduction of GHG emissions throughout the supply chain, including Scope 3 emissions. We will put more energy into the development of eco-products that can contribute to the reduction of GHG emissions generated in customers' steel processing and parts manufacturing processes.

Initiatives Implemented by OVAKO

Having promoted the world's pioneering initiatives, OVAKO became carbon neutral in January 2022 and at the same time started selling green steel with climate surcharges (premiums) applied to all of its steel products. In parallel with these actions, OVAKO has been working on its initiatives to reduce GHG emissions even further, starting operation of a plant for production of carbon-free hydrogen through electrolysis of water with fossil-free electricity in September 2023.

Initiatives Implemented by SSMI

Since September 2024, SSMI has purchased renewable-energy-based electricity from solar power generation. By using this type of electricity for its own special steel production, SSMI is expected to be able to reduce GHG emissions generated from its own special steel manufacturing processes by approximately 25%.

In the midst of global demand for addressing climate change issues, the Sanyo Special Steel Group will promote initiatives to reduce GHG emissions and achieve carbon neutrality through its global business activities involving not only Group companies in Japan but also OVAKO and SSMI.

Top Message

Giving an address at the commemorative ceremony for the 90th anniversary of Sanyo Special Steel's foundation

First ESG explanatory session (December 2023)

Initiatives to Expend Human Capital

Initiatives for Safety

For the Sanyo Special Steel Group as a group of manufacturing companies, the safety and wellbeing of employees form the basic premise of its business activities and take precedence over everything else. Based on this recognition, our Group promotes the reduction of work-related risks and the creation of a safe workplace by "integrating top-down and bottom-up approaches" and "implementing both hard and soft measures" and also works to prevent the spread of damage in the event of a disaster by raising employees' awareness of disaster prevention and conducting disaster drills.

Development of Global Human Resources

In order for our Group to survive fierce international competition, the technology and skills to produce world-class, distinguished products and the ability to negotiate with customers and other stakeholders around the world are indispensable. For that reason, we are accelerating the development of global human resources. By enabling new employees to go abroad for language study and young and mid-career employees to gain experience, for example, from working at overseas affiliates and studying abroad, we will systematically develop human resources who can act from diverse perspectives beyond borders and who can produce results through sufficient communication with customers and other stakeholders around the world.

Promotion of Participation by Women and Work-Life Balance

Our Group has long been promoting the development of an environment for the active participation of women from both hard and soft aspects. In June 2022, we appointed our first female executive officer. Furthermore, in April 2024, our second female executive councilor was appointed through internal promotion. In January 2021, we established a specialized organization, Diversity Promotion Group in our efforts to organize a structure to support the active roles of all employees in the global arena regardless of gender, age, etc. We also make efforts to improve employees' work-life balance, for example by encouraging male employees to take childcare leave, develop multiskilled workplaces, and improve work efficiency.

Corporate Health-oriented Management

Having formulated the " Sanyo Special Steel Declaration of Corporate Health-oriented Management," we work on improving employees' lifestyles and preventing mental health problems through walking events supporting them in making physical exercise an established routine, health seminars, and other relevant activities. We will continue to promote the creation of a work environment in which all employees can work in a fulfilling manner every day.

Creating a Workplace Culture of Open Communication

As the value in working diversifies, the creation of a workplace culture that encourages employees to feel fulfilled with work and proud to work for Sanyo Special Steel is a crucial challenge. New company housing for single employees was constructed in the spring of 2024 as part of the development of a fulfilling living environment for young employees who have joined our company from distant areas. During FY2023, we implemented projects commemorating the 90th anniversary of the company's founding for the purpose of raising employees' sense of belonging and deepening mutual understanding between organizations, among other purposes. Through a "greeting campaign" and a "campaign for attaching 'san' to worker's names" among other activities, we will promote communication and deepen dialogue within the company on a regular basis without distinction of rank or organ and work on creating a workplace where all employees can work comfortably and find fulfillment.

Further Enhancement of Corporate Governance

In order to ensure that the Sanyo Special Steel Group is trusted by various stakeholders including shareholders, customers, and communities, we are making efforts to strengthen corporate governance by establishing a corporate governance structure suited to our Group's business, thereby seeking to improve the efficiency, soundness, transparency, etc., of our management.

Company with an Audit & Supervisory Committee

Sanyo Special Steel underwent a transition to a Company with an Audit & Supervisory Committee in order to accelerate management decision-making, enhance discussions of basic management policies at Board of Directors meetings, and strengthen the supervisory function of the Board of Directors in the execution of operations.

Reflection of ESG Indicators in Executive Compensation

In addition to the conventional performance-linked numerical indicators for executive compensation, we have decided to reflect five more ESG indicators in performance-linked compensation from FY2023 in order to further strengthen our ESG initiatives toward sustainable growth.

In December 2023, we held our first ESG explanatory session for securities analysts and institutional investors and explained the situation surrounding our Group's initiatives to them.

We will continue to make ongoing efforts to enhance corporate governance in order to live up to the trust and confidence placed in us by our shareholders, suppliers, and other stakeholders, achieve sound and sustainable growth of our Group, and enhance our corporate value over the medium- to long-term.

We hope that this report, which introduces our initiatives, will help you understand the activities of the Sanyo Special Steel Group better, and we look forward to your continued support and assistance.

Our Business

Highly reliable steel that supports global manufacturing

High-cleanliness steel manufacturing technology

Japanese, European, and Indian manufacturing bases

In the Steel Products business, we manufacture and sell a variety of special steel products, including bearing steel, engineering steel, stainless steel, heat-resistant steel, and tool steel.

The Sanyo Special Steel Group's special steel products are used as materials for some of the most important parts of automobiles, industrial machinery, and plants, contributing to the functional improvement of end products and the reduction of environmental impact in the manufacturing processes of our customers.

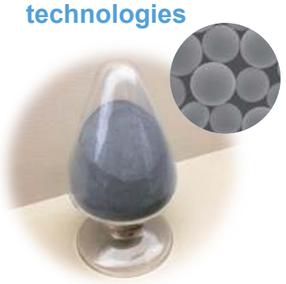
Steel Products

Bearing steel | Engineering steel | Stainless steel | Heat-resistant steel | Tool steel | High alloy steel

High-performance metal powders that support the development of advanced technologies

Spherical powder with good flowability

Metallurgical technology evaluation and analysis system



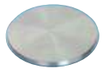
In the Metal Powders business, we manufacture and sell metal powder products.

Sanyo Special Steel manufactures high-performance metal powders with low impurities and excellent flowability and powder metallurgy products formed by our unique technology to support the development of advanced technologies in various settings, from the front lines of research and development to manufacturing sites.

Metal Powders

Metal powders | Powder metallurgy high-speed steel | Powder metallurgy products

Example of additive manufacturing product



Sputtering target materials

Supply system to meet global needs

Integrated production from high-cleanliness steel

Global supply chain

In the Formed and Fabricated Materials business, we manufacture and sell formed and fabricated materials made from special steel bars and tubes.

In addition to Japan, the Sanyo Special Steel Group has established a supply system for formed and fabricated materials in North America and China, which are growth markets for the automotive industry, thereby contributing to the simplification of the processing process and local production for local consumption for customers who are expanding their business globally.

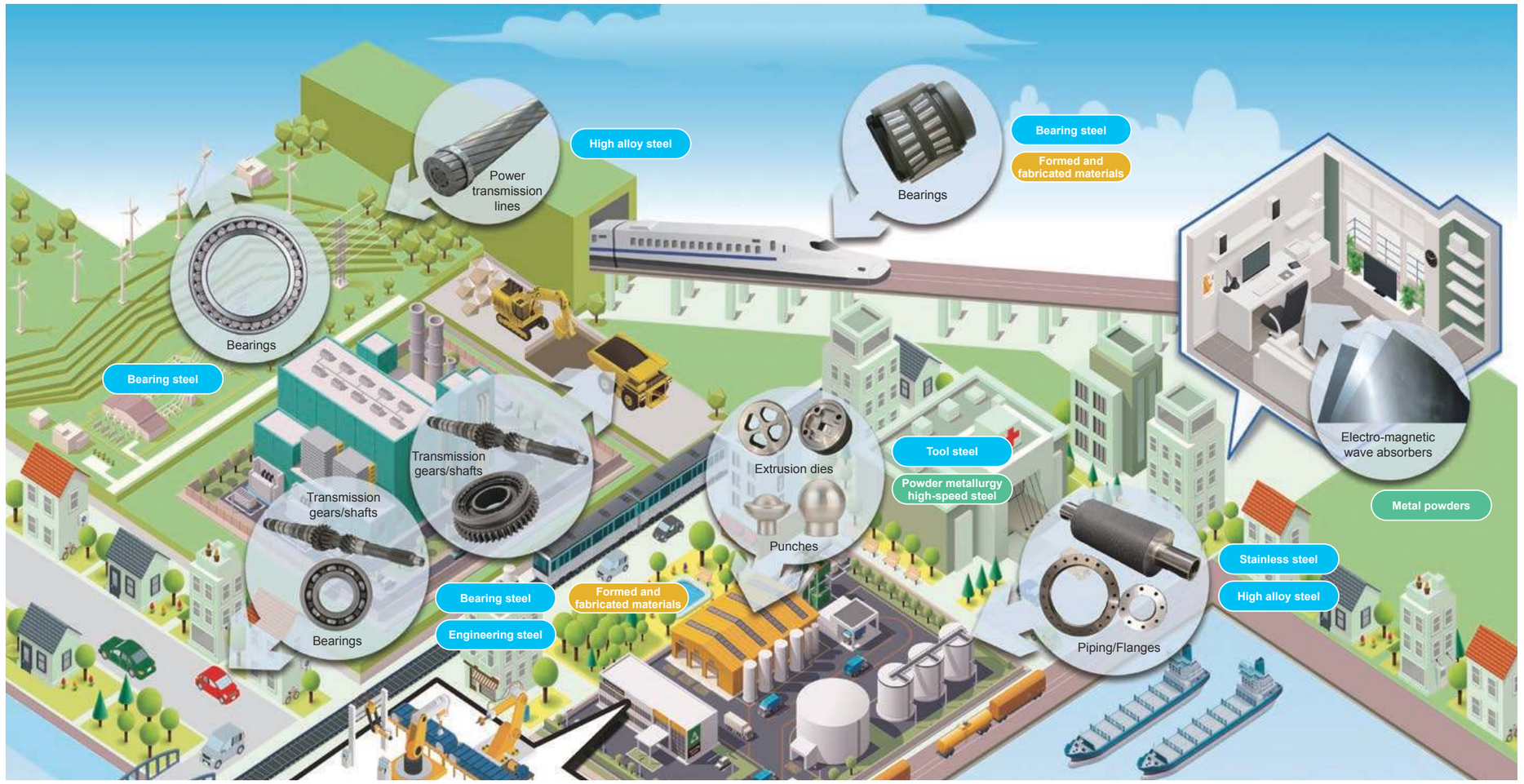
Formed and Fabricated Materials

Formed and fabricated materials

Forged and rolled rings

Die-forged products

The Sanyo Special Steel Group's special steel is used in these places.



(From top) Manufacturing facilities for the Steel Products business, the Metal Powders business, and the Formed and Fabricated Materials business

Global Business Development

OVAKO

OVAKO Group AB
President & Chief Executive Officer
Marcus Hedblom

As we navigate through these dynamic times, I want to take a moment to reflect on our journey and look ahead to the exciting opportunities that lie before us. Our commitment to safety, climate efficient steel production and circularity, as well as innovation has been the cornerstone of our success, and I am immensely proud of the progress we have made in these areas.

OVAKO's View on Safety

Safety is the cornerstone of our operations at OVAKO. We believe that a safe work environment is not only a fundamental responsibility but also a key driver of operational excellence. Every individual in our organization is empowered to contribute to a culture of awareness, where proactive measures and rigorous safety standards are upheld at all times. By prioritizing safety, we are not just preventing incidents, we are creating a workplace where every employee feels valued, secure, and motivated to perform at their best.

Current Market Conditions and OVAKO's Performance

The current market has presented significant challenges, particularly due to the downturn in demand and the impact of the European manufacturing slowdown. Despite these headwinds, OVAKO has demonstrated resilience by maintaining robust margins and safeguarding our market position. While the steel industry in Europe faces pressure, we have successfully navigated these uncertainties, leveraging strategic opportunities to strengthen our performance.Through innovation and a focus to capture new business, we continue to drive operational efficiency and aim for growth, even in difficult times.

OVAKO's Progress in Sustainability

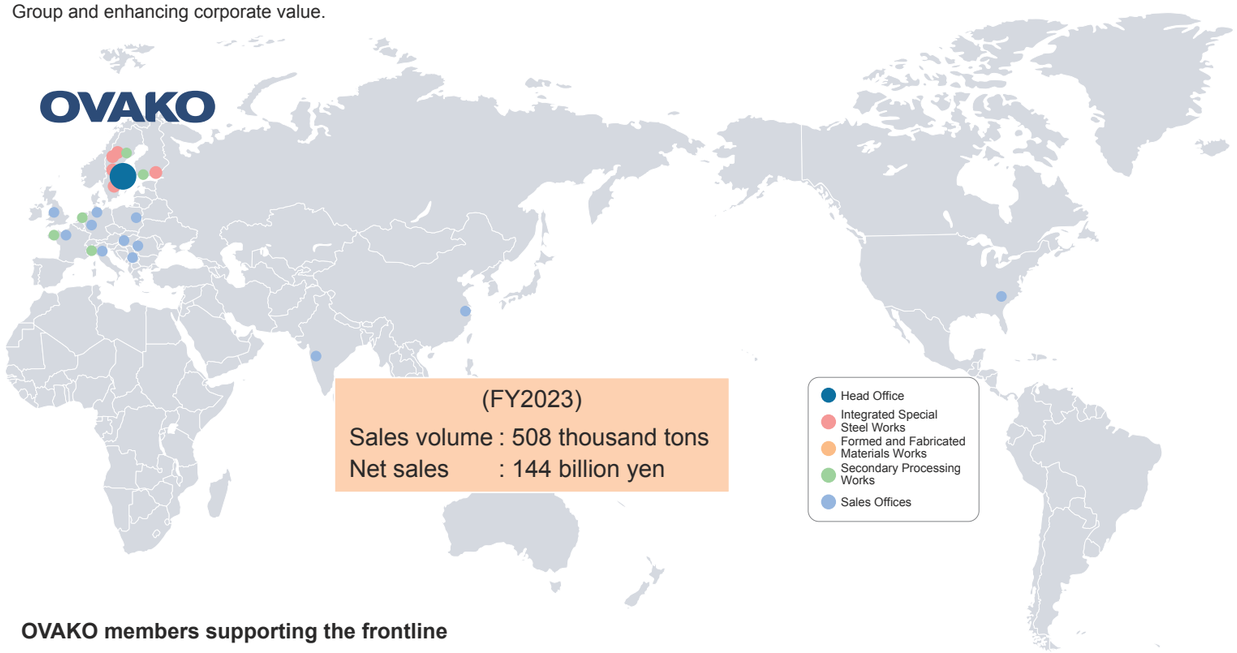
Sustainability remains at the core of OVAKO's strategy. We are committed to reducing our environmental footprint and leading the way in the transition to a low-carbon economy. One of the most exciting areas of focus is hydrogen technology. Hydrogen offers tremendous potential as a clean energy source, and OVAKO is actively investing in its development.

From sustainable energy solutions in operations to decarbonizing transportation, we are positioning ourselves as pioneers in this field, playing a crucial role in shaping the future of energy and sustainability. Our ongoing efforts in circularity and innovation further underscore our commitment to creating lasting value for our stakeholders and the environment.

As we continue to navigate through uncharted waters, our unwavering commitment to safety, profitability, circularity, and innovation will be the foundation of our success. By staying true to our core values and embracing the opportunities brought by change, I am confident that we will not only overcome the challenges ahead but also emerge as a stronger, more agile, and resilient organization. Together, we will build a future defined by sustainable growth and shared success.

Global Network to Meet Special Steel Needs Around the World

The Sanyo Special Steel Group has integrated special steel manufacturing bases in Japan, Europe, and India to meet the needs of special steel in all regions of the world through a tripolar global structure. In addition, we have established a supply chain in the growing automotive market through our Formed and Fabricated Materials business to meet the local procurement needs of our customers who are expanding their business globally. By making full use of these global networks, we will steadily capture the growing global demand for special steel over the medium- to long-term and provide a stable supply of high-quality special steel products to customers around the world, thereby achieving profitable growth for the Group and enhancing corporate value.



OVAKO members supporting the frontline

OVAKO's main factories

Hofors (Sweden)

Smedjebacken (Sweden)

Boxholm (Sweden)

Imatra (Finland)

Global Business Development

Sanyo Special Steel Manufacturing India Pvt. Ltd.

Sanyo Special Steel Manufacturing India Pvt. Ltd.
Managing Director
Dilipkumar Pachpande

As Sanyo Special Steel Manufacturing India (SSMI) strategically positions itself within the Indian manufacturing landscape, particularly in the production of high-quality special steel, our commitment to sustainability has never been more critical. We are dedicated to meeting both domestic and international demand for premium steel while enhancing our competitiveness through collaboration with Sanyo and Nippon Steel Group companies.

Key Sustainability Initiatives

1. Climate Action Leadership

SSMI is at the forefront of climate action, achieved 50% reduction in GHG emissions in FY 2023 compared to our FY 2021 baseline. We have set ambitious science-based targets, with a long-term goal of achieving carbon neutrality by 2050.

2. Renewable Energy Adoption

We are transitioning from fossil fuels to renewable energy sources to decrease our carbon footprint and reliance on non-renewable resources. Our captive solar project in partnership with Tata Power Renewable Energy Limited is now operational, contributing to our renewable energy portfolio.

3. Fuel Substitution

SSMI is replacing traditional fuels with natural gas, a cleaner and more efficient energy source, to further minimize emissions while maintaining operational integrity.

4. Resource Efficiency and Circularity

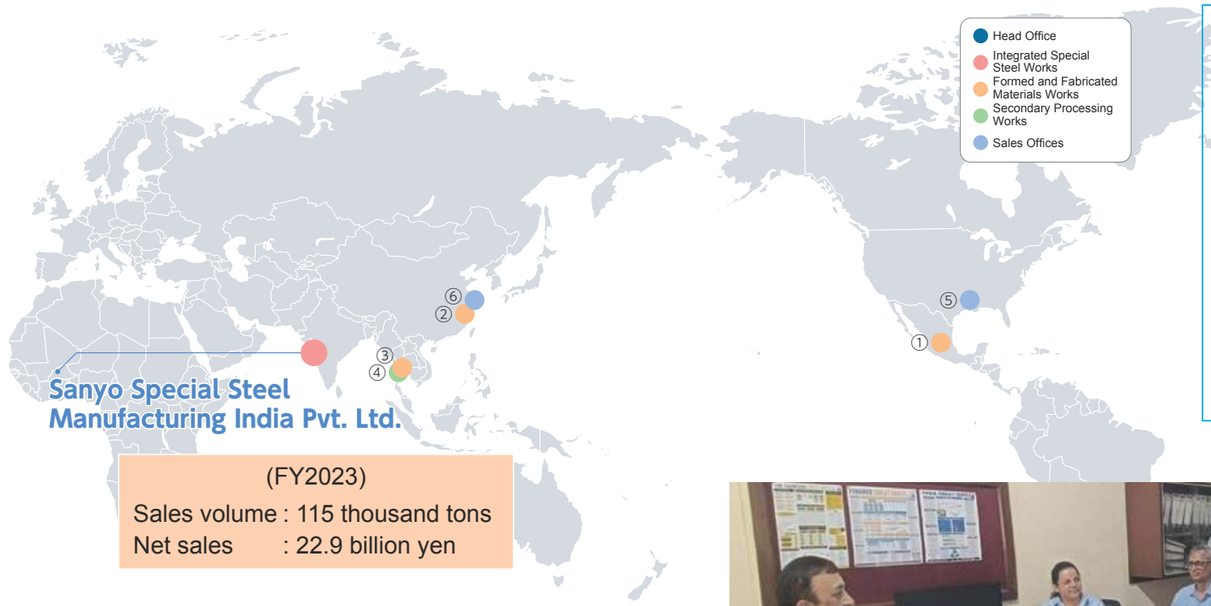
We are committed to optimizing resource usage and minimizing waste by adopting circular economy principles throughout our value chain, focusing on resource efficiency at every stage.

5. Safety Commitment

Our dedication to social sustainability emphasizes creating a safe work environment for our workforce and surrounding communities. Our goal is Zero Harm, ensuring that everyone feels valued and protected.

6. GreenPro Ecolabel & Certification

Our Automotive Steel has received the GreenPro Ecolabel, signifying our commitment to environmentally responsible manufacturing practices throughout the product lifecycle—from raw material sourcing to end-of-life management.



(FY2023)
Sales volume : 115 thousand tons
Net sales : 22.9 billion yen

In addition to OVAKO and SSMI, we have also set up other global bases.

Formed and Fabricated Materials Works
①Sanyo Special Steel Manufacturing de México, S.A. de C.V. (Mexico)
②Ningbo Sanyo Special Steel Products Co., Ltd. (China)
③Siam Sanyo Special Steel Product Co., Ltd. (Thailand)

Secondary Processing Works
④SKJ Metal Industries Co., Ltd. (Thailand)

Sales Offices
⑤SANYO SPECIAL STEEL U.S.A., INC(U.S.)
⑥SANYO SPECIAL STEEL TRADING (SHANGHAI) CO., LTD. (China)

Overall Vision

Our commitment to addressing climate change and promoting sustainable development is integral to SSMI's long-term success and value creation for all stakeholders. We recognize the importance of our actions in shaping a sustainable future and are devoted to integrating economic, environmental, and social responsibility into our core strategy. By collaborating with stakeholders, we not only contribute to combating climate change but also ensure the resilience and profitability of our operations.

Acknowledgments

I would like to extend my heartfelt gratitude to our management, employees, partners, and stakeholders for their unwavering support and contributions to our sustainability journey. Your dedication has been instrumental in driving our progress toward sustainable development.

Together, we are proud to make a positive impact and contribute to carbon neutrality through the production of “green steel.”

Meeting scene

Dispatched Japanese employee

Opinion exchange at SSMI

Solar power generation equipment

Value Creation Process

Since its establishment in 1933, the Sanyo Special Steel Group has played a role in a resource-recycling society by manufacturing special steel products from iron and steel scrap, a recycled resource, and has contributed to industrial and economic development by providing highly reliable, high-quality special steel products.

We will continue to strive for the sustainable growth of the Group and contribute to the realization of a sustainable society through the practice of our corporate philosophy, “Confidence-based Management,” which aims to establish confidence of society, confidence of customers, and confidence among people.

Inputs

Inputs
(six capitals)

Financial capital

Shareholders’ equity: 208.3 billion yen
Interest-bearing debt (net): 51.5 billion yen
D/E ratio: 0.23 times

(End of March 2024)

Manufactured capital

Global manufacturing bases

P.6-7 Global Business Development

Natural capital (resources and energy)

Approximately 95% of raw materials are recycled materials

Iron and steel scrap / Ferroalloy
Energy (electricity and city gas)
Industrial water

More than 90% of water used in the production process is reused

Intellectual capital

Basic research technology
Manufacturing and product development technology
Evaluation and analysis technology

(Research and development expenses: 2.2 billion yen / FY2023)

Human capital

Group employees: 6,397

(End of March 2024)

Social capital

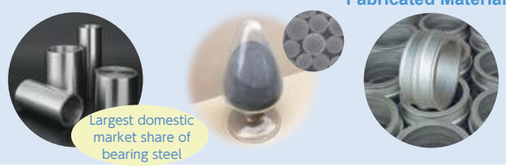
Coexistence with local communities
Partnerships with customers and suppliers
Collaboration with NSC and OVAKO

Business Activities

Business Activities
(Initiatives of the Sanyo Special Steel Group)

Understanding user needs → Manufacturing technology development Product development → Manufacture Quality assurance Sales

Steel Products | **Metal Powders** | **Formed and Fabricated Materials**



Management Plan “2025 Medium-Term Plan”

Establishment of a solid corporate structure by strengthening the business foundation

Corporate philosophy “Confidence-based Management”

Establishment of confidence with all stakeholders

Corporate governance

Autonomous internal control

Outputs

Outputs
(Major achievements of business activities)

Business Results for FY2023
Net sales: 353.8 billion yen
Ordinary income: 12.1 billion yen

Shareholder return
Annual dividend for FY2023: 65 yen per share
(Interim: 35 yen Year-end: 30 yen)

Provision of high-performance, high-quality, and highly reliable special steel products that are utilized in various fields of society

Sales volume for FY2023: 1,429 thousand tons

Eco-products toward carbon neutrality

Creation of a workplace where each and every diverse individual can work in a safe, healthy, and fulfilling manner every day

Development of human resources who can think and act autonomously and global human resources

Environmental conservation and GHG emission reduction

Strengthening of partnerships with customers and suppliers

Synergies with NSC and OVAKO

Outcomes

Outcomes
(Values created)

Creation of economic value

Enhancement of corporate value in the global special steel market

Global branding of “Sanyo Special Steel - the Confident Choice”

Creation of social value

Contribution to the realization of a sustainable society

Development of an affluent and culturally rich society
Carbon-neutral society
Establishment of a resource -recycling society
Realization of a safe and secure society
Diversity and inclusion

SUSTAINABLE DEVELOPMENT GOALS

Ambition to Make Sanyo Special Steel into an Environment Where Everyone Can Play Active Roles

Independent External Director, Member of the Board
FUJIWARA Kayo

Independent External Director, Member of the Board, and Audit & Supervisory Committee Member
MIYAGUCHI Aki

Executive Officer (General Manager, Head of the Internal Control & Audit Department)
SUDA Atsuko

Executive Councilor (General Manager, Head of the Human Resources Planning Department)
ADACHI Eriko

Employees Embodying "Confidence-based Management"

—— I would like you to talk centrally about diversity from the perspective of female officers. May I begin by asking the two external directors to share their impressions of the company?

MIYAGUCHI

Sanyo Special Steel has an exceptionally strong sense of compliance. I believe this is to do with the fact that the culture developed over the 90-year history of the company and the PDCA cycle for internal control led by Ms. Suda have taken root in everyone's consciousness as a means of risk management. I sense this forms the foundation of the corporate philosophy "Confidence-based Management."

Also, the strong awareness of the company's personnel about safety, which is an essential element of the "S" (Society) aspect of ESG, can be felt from its culture of greeting with the words "Be safe," as well as from active discussions in board meetings on safety and disaster prevention. Additionally, I think that continuous initiatives such as the Sanyo Thorough Thinking Academy (safety education for new employees of the company) and training according to hierarchical levels have led to the social contribution that the company has made and its own corporate sustainability.

FUJIWARA

I believe the greatest strength of Sanyo Special Steel lies in the earnest dedication of its employees and officers to work. Over the two years since I took office as a director, this abstract impression first became an actual opinion of mine and then has grown into my confidence in the company. I would like to raise three other points as its strengths. The first point is its priority on safety, as Ms. Miyaguchi has also pointed out. The second is its focus on the environment. The company has exerted itself to reduce the environmental impact generated in its manufacture, particularly OVAKO serving as a pioneering example of this. In Europe, environmental consideration weighs heavily in the choice of products, and Japan is likely to follow suit. The third point is the fact that the company has entered the world stage from Himeji City. I am delighted to be involved in its development.

SUDA

It is encouraging to know that our company is seen in such a positive light from outside. I think our emphasis on safety, the environment, disaster prevention, and quality has gradually taken root, as the management layer has been repeatedly and carefully communicating it.

ADACHI

I wholeheartedly agree with the notion of Sanyo Special Steel being a sincere company. In my opinion, one of the reasons for the company being honest is that it handles special steel, which is a material used in critical safety parts that affect human lives. The company's ruling passion for and deep commitment to products serve as the center and foundation of employees' work. I wonder whether the corporate philosophy of "Confidence-based Management" has been led by such company style or by everyone's efforts to create a company commensurate with the corporate philosophy. Either way, it is an excellent corporate philosophy.

What Is Required for Women to Play Active Parts Even More?

—— What are your thoughts on supporting women's active engagement and diversity?

SUDA

While men and women are treated on an equal footing when they are students, why does a career wall emerge between them once they enter the workforce at companies? I have always found it odd although childbirth is a matter only applicable to women. On a field level, the realization of a good work-life balance poses various challenges amid the situation where plants are in operation 24 hours a day, particularly, for example, in relation to the balancing of work and family life by employees with young children. The difficulty for women to take up managerial positions in sales is not unique to our company, but rather it seems to be a cultural issue in Japan.

ADACHI

The initial goal at the time when we began reforming systems to ensure women's active engagement was to create a mechanism to enable them to continue working without quitting their jobs even after experiencing major life events. We believe this goal has been achieved to an extent. However, the participation of women in the decision-making of the company and workplace remains limited.

MIYAGUCHI

It is essential to increase the number of female employees who aspire to take on managerial positions. There are still many female employees who place a cap on their own abilities, thinking, "This is as far as I can go." It is necessary to convey the joy and fulfillment that come with being able to make decisions independently.

FUJIWARA

I believe the issue does not lie so much in systems but in the possible situation where the mindsets of both for men and women are not accustomed to the concept. For instance, women often lack role models and thus, if there are no successful women nearby, find it difficult to imagine that they can take up managerial positions themselves. In relation to male employees, it is important for them to gain and build successful experience from working with female colleagues. For example, I have heard that, at OVAKO, the increase in female leaders and workers has led to more listening to each other and also to a reduction in accidents and damage caused to tools on production sites.

Ambition to Make Sanyo Special Steel into an Environment Where Everyone Can Play Active Roles

Leaders Drawing out Everyone's Strengths

—— What do you think is necessary to accelerate initiatives for diversity promotion?

SUDA

The percentage of men taking parental leave has significantly risen recently. It is becoming more normal for both women and men to work, and the recognition of younger employees is also changing. It is rather essential to change the mindset of older generations.

FUJIWARA

It is true that older generations should not hinder the ideas of younger employees. I have my own thoughts, of course, but so do younger people. That is why I listen carefully first and, if their ideas have merit, have a discussion on what to do. To create an atmosphere where younger employees feel comfortable speaking up, the "campaign for attaching 'san' to worker's names"(*) should be promoted.

(*) The company's initiative to encourage its employees to address each other with "san" following their surnames instead of using their titles.

SUDA

Friendly approaches from leaders are also important. For instance, one of the most challenging situations for subordinates who raise children is when their children suddenly fall ill. Since it may be hard for them to bring it up themselves, the managers of employees with small children need to regularly reassure them that it is okay to prioritize their children. I believe it is also important to tell other employees, "Let's take turns supporting each other," and "When it's your turn, we'll fully back you up, too."

MIYAGUCHI

It is helpful for employees with children to proactively share their situations with their colleagues, since this helps those colleagues mentally prepare. Also, I think it is important for parent employees to show an attitude of working hard to their colleagues while their children are fine.

SUDA

If communication with colleagues is not sufficient, employees might feel guilty about taking time off, choose not to take time off, or even decide to quit in some cases. On the other hand, if a person focuses too much on asserting their rights, this could cause resentment among colleagues, causing the human relationships to be strained. It is difficult to strike the right balance. The question that should be solved is how to create an atmosphere where everyone feels comfortable speaking up. Ultimately, a workplace with open communication means a workplace that naturally fosters such a balance.

ADACHI

It is understandable that some people might hesitate to share personal matters, like parenting or nursing care, at work. However, taking a little courage to share your situation could lead to a greater understanding of colleagues and foster a sense of mutual support.

FUJIWARA

If the leader and the workplace atmosphere change, people might feel that it is easier to speak up. In fact, individuals who are considerate of such matters may be better suited for leadership roles. Until now, leaders have basically been chosen based on being the "best at their jobs." Going forward, it might also be better to include, among leaders, those who excel at coordinating and bringing people together.

MIYAGUCHI

When everyone is in good spirits at work, productivity naturally improves. This manner of working enables the strengths of all workers to be brought out, generating greater results compared with what a single leader can achieve by working hard alone.

FUJIWARA

Parenting and nursing care are not lifelong responsibilities. The kind of management that future leaders are required to implement might be to create an environment where the leader brings out the strengths of people and everyone is willing to take the initiative in work.

Company Enabling Its Employees to Cheerfully Come to Work and Return Home

—— Finally, what are your expectations for the company?

ADACHI

Supporting the active participation of women is just one aspect of diversity. Compared to the past, our Group's workforce has become truly diverse in terms of not only gender but also age, disability, nationality, and more. At the same time, as a group of companies with over 6,000 employees, rules of a certain degree are necessary. Striking a balance between diversity and rules, which are two opposing elements in a sense, will be key, in my opinion. I hope the company will take on various challenges, and I will do my best in the department for the company's human resource planning.

SUDA

At its core, a company is all about its people. If employees can cheerfully come to work and return home every day, feeling, "I am glad to work at this company" and "I have my own place in this company," this kind of environment naturally enables them to perform good work. I would like to help create an environment that brings smiles into everyone's workplace.

MIYAGUCHI

While it is true that this is an industry with relatively few women, I consider the appointment of Ms. Adachi as an officer following Ms. Suda a significant step forward. Because it takes time to develop people and transform organizations, let us tenaciously continue our work.

FUJIWARA

While we must accept that the decline of Japan's population will inevitably continue into the future, global markets still have substantial room for growth. I firmly believe that having managed to build a global network from Himeji, a city in Hyogo Prefecture, the company has a bright future. Working with diverse colleagues is the only path to future growth and development. Let us work together and give it our all!

To Be a Company Growing and Expanding in a Changing Society

Independent External Director, Member of the Board, and Audit & Supervisory Committee Member
YOGI Hiroshi

Independent External Director, Member of the Board
TOIDE Iwao

Initiatives for Achieving Carbon Neutrality by 2050

YOGI

For the steel industry, in which significant GHG emissions are generated, the achievement of carbon neutrality is a substantial challenge. I feel that Sanyo Special Steel is making progress with sufficient understanding that the challenge is a theme of paramount importance on a company-wide scale. Addressing carbon neutrality involves a wide range of divisions and fields, posing a significant operational burden. In this regard, I think the company has made unified efforts through strong interdivisional collaboration. The directors are also deeply committed, each demonstrating a strong sense of ownership and exercising strong leadership in discussions during board meetings and cross-divisional collaboration.

Furthermore, a significant advantage of the company lies in the fact of its having OVAKO, a subsidiary that has already achieved carbon neutrality ahead of other special steel manufacturers around the world. In activities related to carbon neutrality, it is important to concurrently implement both proactive initiatives leveraging the company's strengths and defensive initiatives to align with social trends. I expect to see the management team continuously exercising leadership in these endeavors.

Human Capital-based Management and Initiatives for DX

TOIDE

In terms of human resource development, given its multiple overseas business companies such as OVAKO, it is essential for the company to develop global human resources capable of driving its overseas businesses and eventually taking on business management responsibilities. Furthermore, with respect to DX, a DX project team was set up during the previous year to accelerate the utilization of digital technologies. However, it is necessary to ensure that this initiative goes beyond mere improvement of operational efficiency and leads to the reform of the company's business models in alignment with social changes.

Discussions on both of those topics have been held at various forums including board meetings. With clear views presented on each of such occasions, I think the management team has a very high level of awareness of the company's issues. What I expect to see in the time to come is how these efforts are led to specific outcomes.

YOGI

In terms of human capital-based management, the company holds a sense of crisis amid the actual situation of the steel industry as a whole in which the proportion of female managers is lower than in other industries. For Sanyo Special Steel, the proportion of female managers has been steadily increasing, albeit gradually, and is at a relatively high level in the industry, which I appreciate.

The core of human capital-based management lies in the maximization of the value of human resources. Setting overly ambitious targets based on numerical concerns could lead to confusion on the ground, potentially compromising safety and security, which are the basic premise of business activities. I would like the company to take the on-the-ground situation at the time and the sentiments of its employees into consideration while continuing to implement actions suited to its situation.

Effectiveness of the Board of Directors

YOGI

Through continuous improvements based on the results of effectiveness evaluations, constructive discussions have accelerated. This enables the board to discuss topics according to the significance of each corporate activity in today's society. Among the evaluation items, "Do you feel that external directors fulfill their functions?" is a critical element of the expected board effectiveness, which also provides us with an opportunity to reflect on our own roles. Additionally, I highly regard the President's efforts to create a discussion-friendly atmosphere.

If I were to highlight an issue, it would be the need to further enhance the diversity of human resources. Incorporating a wide range of opinions from diverse positions, such as those on the active participation of women and the appointment of overseas human resources, can invigorate discussions. It is important to discuss what actions should be taken and when, based on the company's current circumstances.

Initiatives Concerning Conflicts of Interest and Protection of Minority Shareholders

TOIDE

In March 2019, Sanyo Special Steel became a subsidiary of Nippon Steel Corporation, which may have raised concerns for some people about conflicts of interest regarding parent-subsidiary listing and the protection of minority shareholders. In this regard, the management team is highly aware of these issues and has taken actions with the prevention of conflicts of interest and the protection of minor shareholders sufficiently taken into consideration, not only in business administration but also in the execution of regular business operations. In meetings of the Board of Directors, discussions for each agenda item are centrally led by the external directors with constant attention paid to preventing conflicts of interest and protecting minority shareholders.

Furthermore, I feel it essential to continue in-depth discussions on the pros and cons of parent-subsidiary listing itself on various occasions. According to changes in the world, the demands of various stakeholders have also changed. Through continuous discussions on the positive and negative aspects of the parent-subsidiary listing concerned, it is necessary to aim for the minimization of its disadvantages and the maximization of its benefits.

Company's Actions in the Situation Where There Is Increasing Demand for Management Aiming for 1x PBR

YOGI

It is important to concurrently engage in implementing both short-term market-related measures and actions to enhance long-term market value. In the short term, the company has revised its dividend policy and has enriched its IR and SR activities, with an ESG explanatory session held last year. From the above, I believe the company has implemented sufficient initiatives.

Looking ahead, it is necessary for the company to indicate its intention to enhance its corporate value in the longer term and gain market understanding. The achievement of carbon neutrality and DX promotion, which are particularly high-visibility topics, are also included as priority measures under the 2025 Medium-Term Management Plan, and the company's efforts to make progress in these endeavors can be observed even from the outside. In order to ensure that these approaches are maintained, I will keep a close eye as an external director.

What is Expected from Future Sanyo Special Steel

TOIDE

Sanyo Special Steel's corporate culture, which values each and individual employee, is its great strength from an external perspective. I hope that Sanyo Special Steel will continue to focus on social contributions and human resource development and to maintain its standing as a beloved local business rooted in Himeji City, and will, at the same time, expand its reach overseas and thereby become able to make contributions to the international community. Balancing these two aims is an ideal vision for Sanyo Special Steel, and I believe that, through realization of this vision, the company will become a 100-year standing company that is highly regarded by wide-ranging stakeholders including its shareholders. I, myself, hope to make contributions to its development through the Board of Directors.

YOGI

I hope that Sanyo Special Steel will aim for further growth as a global company while maintaining its qualities that make it a source of pride for the local community. Many of the company's employees are diligent, reliable, and cooperative, and I feel that the cooperation of all employees with each other has been key to the success of the company's initiatives such as the achievement of carbon neutrality. In a fast-moving world, I hope Sanyo Special Steel will continue to grow without losing such unique strength. The journey toward the 100th anniversary of its founding is a long one. However, I hope that Sanyo Special Steel will, by continuously making consistent efforts, continue to thrive for the next decade and beyond.

Topics

Hosting the First ESG Explanatory Session

In December 2023, Sanyo Special Steel held its first-ever ESG explanatory session in Tokyo. This session was attended by securities analysts and institutional investors, in which we gave them explanations mainly on our ESG (environment, society, and governance) initiatives aimed at sustainable growth and some specific items of our initiatives including climate change prevention, the promotion of diversity management and corporate health-oriented management, human resource development, respect for human rights, the realization of sustainable procurement, and corporate governance.

Hosting the First ESG Explanatory Session

CDP Climate Change Score “A-” in 2023

CDP is a UK-based non-profit organization (NGO) that operates a global environmental disclosure system, working in collaboration with institutional investors to encourage companies to disclose information regarding their initiatives to address climate change, greenhouse gas emissions, and other relevant matters.

Since 2022, Sanyo Special Steel has participated in CDP climate change questionnaire surveys. On this occasion, we received an “A-” score, improving by one grade compared to our score in 2022. The scores of “A” and “A-” represent leadership levels, which are awarded to companies that are regarded as leading the development of a decarbonized society. Sanyo Special Steel is the only special steel manufacturer in Japan to achieve a score of “A-” or higher.

Acquisition of “SuMPO EPD” (Former Name: “EcoLeaf”) Certification, an Environmental Product Declaration that Discloses Environmental Information Relating to Special Steel Products

SuMPO EPD (former name: “EcoLeaf”) is an environmental product declaration (EPD) that employs the LCA (Life Cycle Assessment) to disclose quantitative environmental information based on the entire life cycle of a product from resource gathering, manufacturing, logistics and use, to disposal and recycling. Through the disclosure of data verified by a third party to ensure reliability and transparency, customers are able to assess the quantitative environmental impact of the products they use and incorporate this information in their decision making when selecting environmentally-friendly products.

We have obtained SuMPO EPD certification in connection with the special steel products that we manufacture and sell (bearing steel, engineering steel and alloy steel, carbon steel for machine structural use, and tool steel). With this certification, we are now able to present our customers with objective and highly transparent environmental information related to our products. We will continue to contribute toward the realization of a sustainable society by supplying high-quality and environmentally-friendly special steel products.

JR-AW-23001E

◆Japan EPD Program by the Sustainable Management Promotion Organization (SuMPO)
https://ecoleaf-label.jp/

Commencement of Use of Electricity from Renewable Energy (Hydroelectric Power Generation and Solar Power Generation)

Starting from April 2024, we purchase renewable-energy-based electricity derived from hydroelectric power stations in Hyogo Prefecture.

Hyogo Prefecture, where our head office and plants are located, is home to many mountainous areas, in which many hydroelectric power stations utilizing the flow of rivers are installed. To actively leverage the environmental value generated from the rich natural environment of our surrounding areas, we annually purchase 40 million kWh of renewable-energy-based electricity derived from hydroelectric power stations in the prefecture, which amounts to the full purchasable volume of such electricity. This electricity is used for our production of special steel. The purchased volume corresponds to approximately 5% of our annual electricity consumption, allowing us to reduce the greenhouse gas (GHG)[*1] emissions generated in our business sites by approximately 17,000 tons per year.

In July 2024, we started solar power generation at our head office plant. Based on the PPA model[*2] for self-consumption, solar power generation facilities were installed on the rooftop of an approximately 5,600 m² product warehouse.

Solar power generation facilities on the rooftop of the product warehouse

These installed solar power generation facilities can provide, from renewable energy (solar power generation), approximately 600,000 kWh/year of electricity, which exceeds the annual electric power consumption of our product warehouse and head office building. The solar panels have a capacity of 512.43 kW, expected to be able to reduce GHG emissions by approximately 260 tons annually.

*1 GHG: An abbreviation of Greenhouse Gas. This term refers to the following seven types of greenhouse gases causing global warming: carbon dioxide (CO_2), methane (CH_4), dinitrogen monoxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).

*2 PPA (Power Purchase Agreement) model: A contractual arrangement under which the PPA business operator that owns and manages solar power generation facilities installs power generation facilities on the space provided by the electricity user, such as the user’s site or building rooftop, and supplies the generated electricity to the electricity user.

Participation in the “Environmentally-Conscious Electric Furnace Steel Working Group”

Since March 2024, Sanyo Special Steel has participated in the “Environmentally-Conscious Electric Furnace Steel Working Group” established by [*1] 29 domestic electric furnace companies (22 companies using ordinary steel and seven companies using special steel) under the “Recommendations Concerning the Addition of Value to Green Products”[*2] of the GX League[*1] launched by the Ministry of Economy, Trade and Industry (METI).

This Working Group explores the business application (sale and standardization) of “environmentally-conscious electric furnace steel,” which is a green product offering the value of reduced environmental impact in steel manufacturing processes (green premium) as newly added value in addition to the basic qualities of steel (performance, quality, etc.) supplied to the market by electric furnace business operators.

*1: Established based on the “GX League Basic Concept” announced by the Industrial Science and Technology Policy and Environment Bureau, METI, on February 1, 2022. It is a forum for a “group of companies” actively engaged in GX to, together with players from the government, academic, or financial sector who take on challenges toward GX, hold discussions on the transformation of economic and social systems in their entirety and to put into practice the creation of new markets.

*2: The “Recommendations Concerning the Addition of Value to Green Products” is a compilation of the results of activities published in December 2023 by the “Working Group for Considering the Addition of Value to Green Products,” which began its activities in January 2023 as the GX League’s “Market Rulemaking Working Group.”

SSMI Commended by CDP

In June 2024, at a joint event held in the capital city of New Delhi by CDP and the Federation of Indian Chambers of Commerce and Industry (FICCI), SSMI, our Indian subsidiary, was honored and commended for its initiatives for the environment over many years, exemplified by its receipt of the highest rating of “A” in the 2023 CDP Supplier Engagement Rating (SER) category.

Received a commemorative plaque (on the right)

Topics

Revision of Greenhouse Gas Reduction Targets

In September 2024, the Sanyo Special Steel Group revised its GHG (greenhouse gas) emission reduction targets. Previously, for GHG emissions under Scope 1 and 2 (direct emissions and indirect emissions), a reduction targets was set for CO_2 emissions derived from energy use by the company alone. However, calculating both the company's standalone GHG emissions and the Group's consolidated ones, we have now established reduction targets based on GHG emissions aligned with our SBTs[*1] as standard levels. For Category 1[*2] in Scope 3 emissions (indirect emissions from the supply chain), progress was made in replacing the value based on the emission factor of the Ministry of the Environment's calculation guidelines with the actual value, in collaboration with our suppliers. Accordingly, the latest situation has been reflected in the actual value, and consolidated GHG emissions have been calculated with a target set.

*1: An abbreviation of Science Based Target. It refers to an "international reduction target that aims to align greenhouse gas emissions reduction with the level required under the Paris Agreement."

*2: Category 1 refers to the GHG emissions generated through the activities involved in the production of raw materials, various other materials, etc., that the company purchases, as well as the GHG emissions generated through activities conducted at vendors for outsourced services.

<FY2030 Targets>

(Unit: 10,000 t-CO_2e)

		Previous targets					New targets				
		Targeted gas	Base year	Standard level of emissions	Target level of emissions	Reduction rate	Targeted gas	Base year	Standard level of emissions	Target level of emissions	Reduction rate
Consolidated	Scope1+2						GHG	FY2021	110.3	64.0	△42%
	Scope3								217.0	162.7	△25%
Non-consolidated	Scope1+2	CO_2	FY2013	84.1	42.0	△50%	GHG	FY2021	71.7	41.6	△42%
	Scope3	GHG	FY2021	139.6	104.7	△25%			150.0	112.5	△25%

Note: for the reduction rate for the Scope 1 and 2 emissions of Sanyo Special Steel alone , the base year has been changed from FY2013 to FY2021. Accordingly, with the past reduction achievements taken and other relevant factors into consideration, the target reduction rate is set to -42%.

Allocation of "Yasashisa Parking Spaces"

Starting in June 2024, among the car spaces of the parking area in front of the head office building, the four parking spaces closest to the entrance are now designated as "Yasashisa Parking Spaces." These spaces are equipped with sufficiently wide zebra zones on both the right and left sides to facilitate safe and easy boarding and alighting from a vehicle. The name "Yasashisa Parking Spaces" incorporates two meanings: the "ease" of use and the "kindness" that users are encouraged to show toward one another. These spaces are intended for use by individuals with disabilities, expectant and nursing mothers, and those with injuries or illnesses.

"Yasashisa Parking Spaces" (4 spaces)

Capital Participation in Sanyo Corporation

In light of the shift to electric furnaces, etc., in steel production toward achievement of carbon neutrality, a tightening supply-demand balance for steel scrap will be inevitable in the future. Amid this situation, in order to ensure stable procurement of steel scrap, Sanyo Special Steel has been working to secure and expand procurement sources while, among other activities, strengthening its collaboration with the NSC Group. As part of these efforts, we have acquired shares of Sanyo Corporation, with which we have had a close relationship as our long-standing main supplier of steel scrap, to further solidify our partnership with Sanyo Corporation. Through capital participation in this company, we will be able to stably secure over 50% of the steel scrap that we require, from our capital ties including the NSC Group.

President and Representative Director Kaneshiro of Sanyo Corporation (on the right), and Director and Managing Executive Officer Takahashi (the positions as of that time)

Completion of "Orka SANYO," New Company Housing for Single Employees

In March 2024, the construction of the first new company housing in 22 years was completed. The word "Orka" in the name is derived from the Swedish word for "vigor," and the company housing is so named to reflect the hope that it will serve as a gathering place for employees. The company housing is expected to serve as a base for the lives of young employees and as a place for personal exchange beyond gender, age boundaries, and departments, among those in vertical and horizontal relationships, as well as those in different departments and at different seniority levels from each other.

Each room is equipped with a bathtub and a toilet, thereby securing personal privacy. Safety is ensured with an automatic locking system and security cameras. The company housing is designed to promote interaction among residents with its indoor and outdoor common spaces.

Appearance of the new company housing

Indoor common space

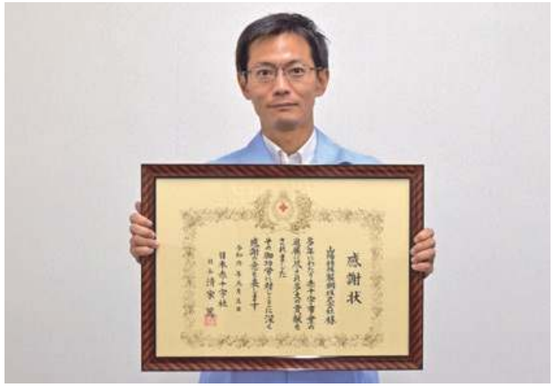
Common terrace surrounded by greenery

Topics

Commended as a Company Promoting Blood Donation by the Japanese Red Cross Society

In recognition of more than 50 years of continuous blood donation campaigns at its head office plant, Sanyo Special Steel was awarded a certificate of appreciation by the Japanese Red Cross Society. Our company's employees have continuously participated in volunteer activities on their own initiatives, contributing to saving the lives of patients in need of blood transfusions for treatment or surgery.

Blood donation campaign at the head office plant



Certificate of appreciation

Dialogue Between External Directors and Female Employees

A round-table talk was held between Director FUJIWARA Kayo, who is a female independent external director, and female managers in December 2023. This talk was regarded as an opportunity for female managers to envision how they can step up in their careers by listening to the hands-on experience of Director Fujiwara, who had been involved in overseas procurement and corporate management at energy-related companies, and by receiving advice in response to the female managers' questions. In order to ensure that the continuous implementation of such initiatives, etc., enables many female employees to play active roles in managerial positions or positions involved in management in the future, we will raise their awareness and promote a workplace culture in which they feel comfortable to play active roles.

FUJIWARA Kayo, Independent External Director
(on the right in the back)

90th Anniversary Commemorative Events (Planting of Commemorative Trees, Family Plant Tours, and Provision of Overseas Bases' Local Specialty Dishes)

Sanyo Special Steel reached its 90th anniversary in November 2023. During the two-day period on November 18–19, we hosted a variety of events such as plant tours and welcomed over 400 attendees including group employees' families and our alumni.

In the hope that employees would feel familiar with colleagues working for our Group around the world, a "tasting event for local specialty dishes from overseas group companies" was held over about a month. Featuring unique dishes which employees did not normally have in their everyday lives, the event was well-received by them and served as an opportunity for fostering communication.

In February 2024, ten dogwood trees were planted near the main gate of the main office by new employees, symbolizing our wish to grow together toward our 100th anniversary ahead.

Welcome speech on a plant tour

Tasting of local specialty dishes from overseas bases

Plant tour (continuous casting display room)

Tree-planting by new employees

Important ESG-related Issues

The Sanyo Special Steel Group aims to achieve sustainable growth of the Group and contribute to the realization of a sustainable society by building trust relationships with all stakeholders.
A company is a member of society, and its development would not be possible without the trust of its stakeholders. We will continue to practice our corporate philosophy of “Confidence-based Management” and contribute to the realization of a sustainable society.

	Important issue	Targets and initiatives	FY2023 results (some are FY2024 results)	Reference page	Related SDGs
E Environment	**Prevention of climate change**	Aiming to achieve carbon neutrality by 2050 FY2030 target: from FY2021, 42% reduction in Scope 1 and 2 25% reduction in Scope 3	Our GHG emissions in FY2023: values in round brackets are comparisons with FY2021 Scope 1 + 2 consolidated: 825,000 t-CO_2e (25.2% (278,000 t-CO_2e) reduction) Scope 3 consolidated 1.778 million t-CO_2e (18.1% (392,000 t-CO_2e) reduction)	P.17～21	13 CLIMATE ACTION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Contribution to a resource-recycling society	Reduction of by-products, promotion of 3Rs	Achieved 84% recycling rate of our by-products	P.22	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Reduction of environmental impact	Compliance with regulatory standards (Water Pollution Prevention Act, Air Pollution Control Act, etc.)	Attainment of compliance with regulatory standards for all items (no case of violation or deviation from laws, regulations, and agreements)	P.22～23	6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
	Biodiversity conservation	Realization of a sustainable society in coexistence with nature	Corporate Forest Creation Activities (Santo-kun’s Forest of the Future) Community greening activity (Castle Garden in front of Himeji Station)	P.24	15 LIFE ON LAND
S Social	**Safety and disaster prevention**	Achievement of a total absence of accidents (zero occupational accident and zero accident on the way to work), enhancement of disaster prevention measures and business continuity management (BCM)	Promotion of the reduction of work risks and the creation of a safe workplace by “integrating top-down and bottom-up approaches” and “implementing both hard and soft measures” Implementation of disaster drills, etc., in preparation for factory fires and wide-area disasters	P.25～26	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH
	Promotion of diversity management	Promotion of the participation of women (improvements concerning female managers, etc.) and the elderly, support for the participation of persons with disabilities, and promotion of work-life balance	Percentage of female employees : 13% (26% in planning positions and 6% in technical service positions) Percentage of female managers : 6.7% (increase of 2.8% from April 2020) Percentage of male employees taking childcare leave : 88%	P.27	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
	Promotion of Corporate Health Management	Creation of a workplace environment in which each and every employee can work to the fullest every day	Organizing of an in-house walking event “SANYO WALK” in the spring and autumn (participation rate of over 50%)	P.28	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH
	Human resource development	Development of human resources who can think and act autonomously Development of global human resources	Initiatives for long-term development of human resources who can think and act autonomously and of global human resources Implementation of a self-transformation program based on multifaceted observation	P.29	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Respect for human rights	Promotion of business activities that respect human rights	Operation of human rights-related education and relief mechanisms (help desk) Procurement of ferroalloys with respect for human rights Due diligence on human rights in the supply chain	P.29	1 NO POVERTY, 10 REDUCED INEQUALITIES
	Quality improvement	Continuous improvement of the quality management system, etc.	Maintaining, managing, and improving the quality management system	P.30	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Further expansion of technological superiority	Rapid and continuous creation of highly reliable products and new technologies with a view to global business expansion	Expanding the development of advantageous technology to meet the needs for even higher reliability in areas of “EV (new drive train mechanisms, etc.),” “wind power generation (high quality materials for large-scale applications, etc.),” “railroad (global high-speed railroad bearings, etc.)” and “hydrogen society (hydrogen-related equipment, etc.)” Commercialization of “S-MEC®” Series, new alloy powders for die casting molds with higher thermal conductivity	P.30	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Promotion of DX	Rapid problem-solving by utilizing digital technology, and strengthening of competitiveness through creation of new value	Establishment of the DX Promotion Project Team led by the Representative Director and President	P.31	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Realization of sustainable procurement	Establishment of fair and equitable transactions and partnerships Establishment of a stable procurement structure Promotion of procurement that respects the environment and human rights	Promotion of stable procurement (achievement of procurement of over 50% of our main raw materials from within the Group) Presentation of supplier awards	P.31	10 REDUCED INEQUALITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
G Governance	**Corporate governance**	Enhancement of Corporate Governance	Continued improvement of operation of the Board of Directors based on effectiveness evaluation	P.32～34	
	Internal control systems	Promotion of risk management and compliance activities	Continued improvement of autonomous internal control systems Implementation of internal control education and dissemination activities Appropriate operation of the compliance help desk (whistle-blowing system)		

Environmental Management

Sanyo Special Steel has established an environmental policy that forms the basis of our environmental conservation activities. Based on this policy, we have formulated an improvement plan for environmental preservation and are working to reduce environmental risks through the use of an environmental management system, including the implementation of measures to prevent global warming, recycling of by-products, and measures to prevent environmental pollution.

In addition, we contribute to the recycling of metal resources by manufacturing products using iron and steel scrap as the main raw material, and we also promote the manufacturing of products that contribute to the reduction of environmental impact by extending the service lives of, and reducing the sizes and weights of, parts and dies.

Environmental Policy

<Philosophy>

We recognize that environmental problems, such as global warming, the pollution of air, water, and soil, and waste problems, are important issues common to all humankind. As a company located in a rich natural environment with the World Cultural Heritage National Treasure “Himeji Castle” to the north and the Setonaikai National Park to the south, we are committed to contribute to the construction of a recycling society by giving consideration to environmental conservation in all stages of our business activities.

<Policy>

Based on the fact that we are a company with plants that manufacture and sell special steel and nonferrous metals, we will implement environmental management based on the following policies.

1) We will contribute to the recycling of metal resources through the manufacture of steel products made from iron and steel scrap.
2) In addition to complying with environmental laws, regulations, agreements, etc., we will strive to continuously improve our environmental management system to enhance our environmental performance, and responsibly manage business activities that may have an adverse impact on the environment.
3) We will promote resource and energy conservation, recycling of by-products and waste reduction, and reduction of pollutants and greenhouse gas emissions to reduce the environmental impact in all stages of our business activities and contribute to environmental conservation and climate change mitigation. In addition, we will strive to prevent environmental pollution by developing products that contribute to the reduction of environmental impact.
4) We will focus on raising the environmental awareness of each and every employee in our environmental conservation activities.
5) In order to achieve this environmental policy, we will set environmental targets, review them at least once a year, and revise them as necessary.
6) We will appoint the General Manager, Head of the Environmental Management & Carbon Neutrality Promotion Department as the Environmental System Manager to ensure that all employees are thoroughly familiar with this environmental policy through education and training and that the environmental system is operated and managed properly.

Environmental Management Structure

Carbon Neutrality Promotion Committee/Working-Level Liaison Meeting

The Carbon Neutrality Promotion Committee meets four times a year to deliberate on basic strategies for achieving carbon neutrality by 2050, as well as short- and long-term themes related to its promotion, and reports the main deliberated details to the Board of Directors.

Furthermore, a working-level liaison meeting attended by the general managers of relevant offices and groups within divisions of Sanyo Special Steel is held monthly from February 2023 to select issues to be addressed and manage the progress of each individual issue, thereby promoting initiatives toward achieving carbon neutrality on a company-wide scale.

Environmental Conservation Committee

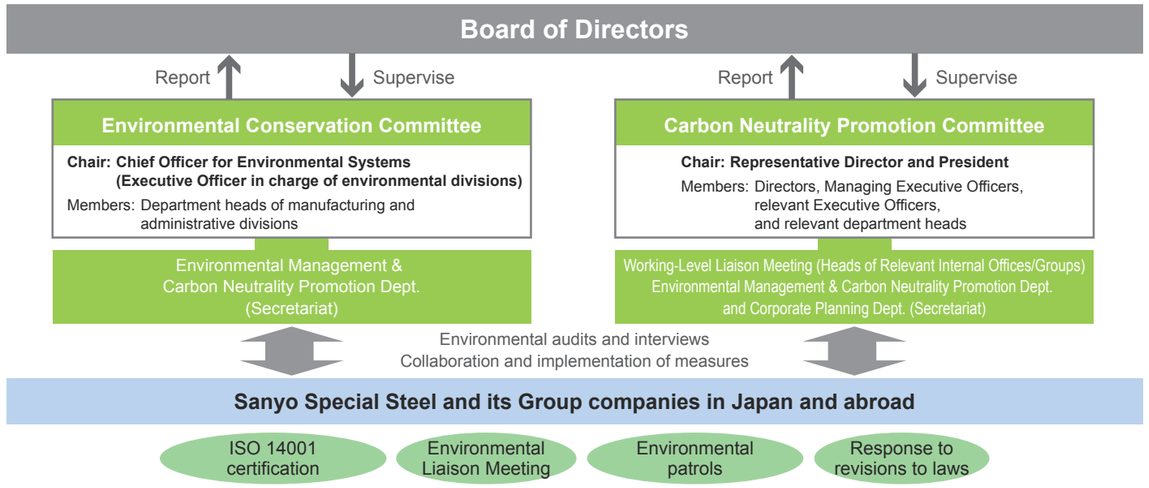
In order to promote the strengthening of environmental management and the reduction of environmental risks, the Environmental Conservation Committee meets annually to formulate basic guidelines for environmental conservation and deliberate on matters related to basic measures.

In FY2023, the Committee deliberated on the FY2022 results and FY2023 plan under the Environmental Conservation Improvement Plan, including GHG emission reduction targets, and reported the content of the deliberation to the Board of Directors.

Acquisition of ISO 14001 Certification

Sanyo Special Steel has acquired ISO 14001 certification, the international standard for environmental management systems, at our head office plant (manufacturing base) and the main plants of OVAKO and SSMI which are special steel manufacturing subsidiaries, and are working to have this certification taken root through annual internal audits and external audits.

We, through internal environmental audits, work on facilitating the understanding of company-wide environmental management systems and improving those systems, and periodically confirm through external audits that the environmental management systems effectively function.



Environmental Liaison Meetings

An Environmental Liaison Meeting is held monthly to share information on the environment; those attending include the Chief Officer for Environmental Systems, officers, department heads, etc.

At the meeting, information is shared on the following items, etc., to reduce environmental risks.

(i) Status of responses to items pointed out in environmental patrols

(ii) Legal and regulatory compliance assessment results
We share the results of measurements of air, wastewater, etc., as required by laws and agreements.

(iii) Status of industrial waste treatment and results of inspection of industrial waste disposal facilities
We share the status of industrial waste treatment and the results of inspections of the industrial waste disposal facilities of contractors.

(iv) Communication on the environment with the government, industry associations, etc.

(v) Latest revisions to environmental laws

Responding to Revisions to Environmental Laws

If there is a revision to laws and regulations related to our business, we revise our internal environmental standards and provide education, etc., to persons concerned. We also hold “Study Sessions on Environmental Laws and Regulations” and “Educational Sessions on Waster Sorting” to deepen understanding of legal compliance obligations for all employees of Sanyo Special Steel and its group companies and promote education for employees at all levels to reduce the risk of legal violations due to insufficient knowledge.

Conducting Environmental Patrols

A team consisting of the Chief Officer for Environmental Systems, officers, department heads, pollution control managers, etc., conducts a patrol once a month, mainly at manufacturing sites. We make efforts to reduce environmental risks by taking action at each manufacturing site in response to points raised through patrols.

(i) Checks on the status of environmental management
Patrols are conducted at manufacturing sites to check on the control status of soot, smoke, and wastewater, the waste separation status, etc., thereby working on improving environmental management levels and reducing risks.

(ii) Checks on emergency response drills
Emergency response drills are conducted to verify that there are no problems with emergency operating procedures, and that there are no defects in equipment and instruments.

(iii) Patrols attended by the President
Once a year, an environmental patrol is conducted with the attendance of the President. During FY2023, the environmental control status of steelmaking plants was checked.

(iv) Inspection of industrial waste disposal facilities
Visits are made to industrial waste disposal facilities close to our company to inspect the equipment in those facilities and broaden knowledge about the relevant environment.

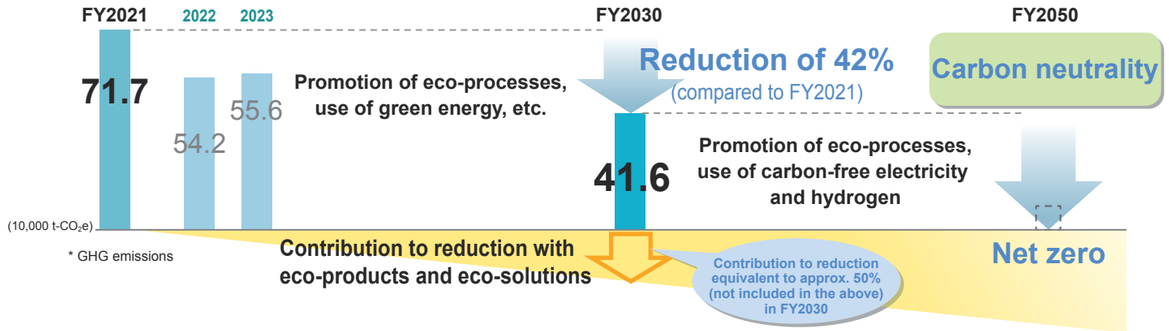
Climate Change Prevention Initiatives (Non-consolidated)

Roadmap to Carbon Neutrality by 2050

Recognizing that climate change is an important issue that affects the survival of humankind, Sanyo Special Steel adopted, in its Board of Directors meeting held in 2021, a policy to “aim to achieve carbon neutrality by 2050” in connection with its non-consolidated Scope 1 and 2 emissions, and formulated and announced, in July of the same year, a roadmap for achieving this goal. Furthermore, in 2024, with the aim of acquiring SBT certification, we raised our FY2030 target level of Scope 1 and 2 emissions and set a reduction target for Scope 3 emissions.

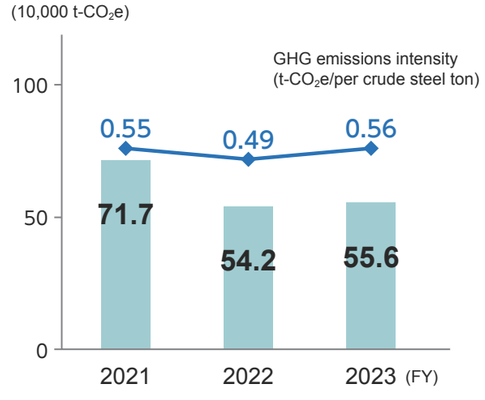
We aim to reduce GHG emissions not only in our own manufacturing processes but also in every stage of society by saving energy, utilizing green energy in our manufacturing processes, and making contributions with eco-products and eco-solutions, and through collaboration with various parties in our supply chain.

[Non-consolidated Scope 1 and 2 emissions*]

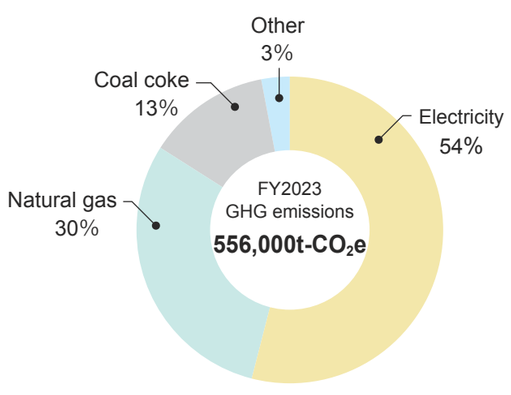


Note: The increase in emissions for FY2023 compared to the previous year was primarily due to a rise in the CO_2 emission factor for the electricity purchased by us.
The CO_2 emission factor for electricity also remains high in FY2024, and we have formulated our roadmap on the assumption that this situation will continue beyond FY2025.

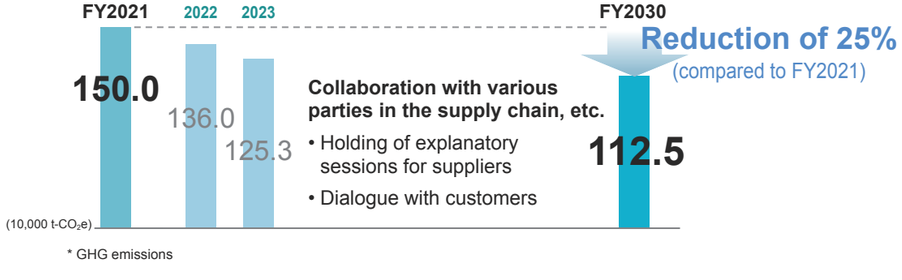
Trends in GHG emissions



Breakdown of GHG emissions



[Non-consolidated Scope 3 emissions*]



* GHG emissions

GHG Emissions in the Value Chain

★ : Independently assured items

		GHG emissions (10,000 t-CO_2e)			Calculation method
		FY2021	FY2022	FY2023	
Scope1	Direct greenhouse gas emissions from the business operator itself	34.3	29.4	**25.1**★	See the previous page
Scope2	Indirect emissions from the use of energy produced by other companies	37.3	24.9	**30.5**★	
Scope1+2	Emissions	71.7	54.2	**55.6**★	
Scope3	Other indirect emissions equivalent to the company’s supply chain				
(i)	Products/services purchased	47.9	43.3	**42.4**★	The recorded value is calculated by multiplying the actual value obtained from suppliers and the volume of activity by the emissions intensity
(ii)	Capital goods	1.8	3.1	**2.8**	Calculated by multiplying the amount of capital investment by the emissions intensity
(iii)	Fuel- and energy-related activities not included in Scope 1 and 2	13.4	11.7	**9.9**★	Calculated by multiplying the quantity of electricity purchased and fuel used by the emissions intensity
(iv)	Upstream transportation and delivery	2.3	2.2	**2.1**	Calculated by multiplying the quantity of fuel used for product transportation by the emissions intensity
(v)	Waste generated from business operations	0.3	0.3	**0.2**	Calculated by multiplying the volume of waste by the emissions intensity
(vi)	Business trips	0.0	0.0	**0.0**	Calculated by multiplying the number of employees by the emissions intensity
(vii)	Commuting by employees	0.1	0.1	**0.1**	Calculated by multiplying the number of employees by the emissions intensity
(viii)	Lease assets (upstream)	0.0	0.0	**0.0**	Recorded as zero since emissions under this item are included in Scope 1 and 2
(ix)	Downstream transportation and delivery	3.3	2.9	**2.6**	Calculated by multiplying the transportation distance by the shipped product weight and then by the emissions intensity
(x)	Processing of sold products	79.9	71.3	**64.3**	Calculated by multiplying the sold product (steel) weight by the emission intensity
(xi)	Use of sold products	0.0	0.0	**0.0**	Excluded from calculation since GHG emissions are not directly generated during product use
(xii)	Disposal of sold products	0.9	0.8	**0.7**	Calculated by multiplying the weight of discarded products and recycled products by the emission intensity
(xiii)	Lease assets (downstream)	0.0	0.0	**0.0**	Calculated by multiplying the quantity of fuel used in association with the use of lease assets by the emission intensity
(xiv)	Franchise	0.0	0.0	**0.0**	Excluded from calculation because there are no franchisees
(xv)	Investment	0.2	0.3	**0.1**	The emissions calculated by multiplying the Scope 1 and 2 emissions of investee companies by the investment ratio are recorded
Scope3	Emissions	150.0	136.0	**125.3**	

Preconditions for calculating Scope 1 and 2 emissions

<Scope of aggregation>
Sanyo Special Steel (Head Office/Works, Tokyo Regional Office, Nagoya Branch, Osaka Branch, Hiroshima Branch, and Kyushu Sales Office)
<Converted emission factor>
Source: List of calculation methods and emission factors posted on the Ministry of the Environment’s website “Greenhouse Gas Emissions Accounting, Reporting, and Disclosing System”
<Calculation method>
Calculated in accordance with GHG Protocol
<Calculation period>
FY2023 (April 1 to March 31)

Preconditions for calculating Scope 3 emissions

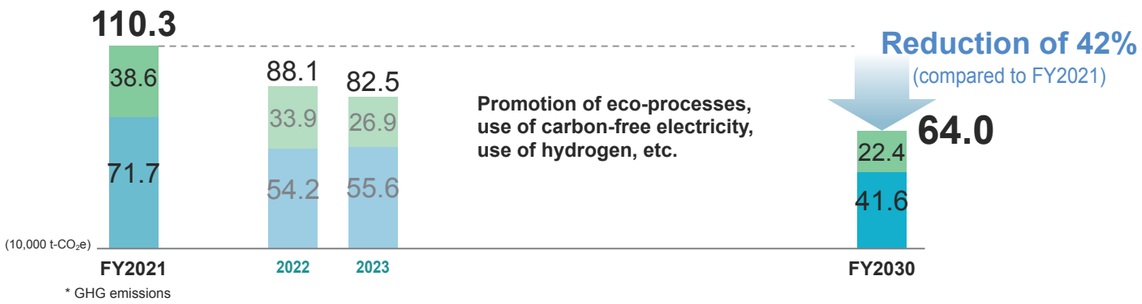
<Scope of aggregation>
Sanyo Special Steel (Head Office/Works, Tokyo Regional Office, Nagoya Branch, Osaka Branch, Hiroshima Branch, and Kyushu Sales Office)
<Converted emission factor>
Sources: “Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain” posted on the website of the Ministry of the Environment/Ministry of Economy, Trade and Industry “Green Value Chain Platform”
: Inventory Database IDEA v2.3
<Calculation method>
Calculated in accordance with GHG Protocol
<Calculation period>
FY2023 (April 1 to March 31)

Climate Change Prevention Initiatives (Consolidated)

Roadmap to the 2030 Target of 1.5°C (Scope 1 and Scope 2)

In September 2024, with the aim of acquiring SBT certification, the Sanyo Special Steel Group calculated consolidated Scope 1 and 2 emissions and set a reduction target in alignment with the "1.5°C target" of the SBT certification criteria. We will deploy energy-saving and productivity-enhancing technologies, which can contribute to reducing our unit energy consumption, to Group companies to make progress in reducing the GHG emissions of Group companies as a whole.

[Consolidated Scope 1 and 2 emissions*]



* GHG emissions

Roadmap to the 2030 Target of 2°C (Scope 3)

In September 2024, with the aim of acquiring SBT certification, the Sanyo Special Steel Group calculated consolidated Scope 3 emissions and set a reduction target in alignment with the "2.0°C target" that the Paris Agreement aims to achieve. In collaboration with various parties in the supply chain for our Group as a whole including our overseas Group companies, we will aim to reduce GHG emissions in every stage of society.

[Consolidated Scope 3 emissions*]

* GHG emissions

GHG Emissions in the Value Chain

★ : Independently assured items

		GHG emissions (10,000 t-CO_2e)			Calculation method
		FY2021	FY2022	FY2023	
Scope1	Direct greenhouse gas emissions from the business operator itself	59.4	51.1	**44.4**★	See the previous page
Scope2	Indirect emissions from the use of energy produced by other companies	50.9	37.0	**38.1**★	
Scope1+2	Emissions	110.3	88.1	**82.5**★	
Scope3	Other indirect emissions equivalent to the company's supply chain				
(i)	Products/services purchased	83.9	76.9	**72.1**	The recorded value is calculated by multiplying the actual value obtained from suppliers and the volume of activity by the emissions intensity
(ii)	Capital goods	5.9	5.2	**7.9**	Calculated by multiplying the amount of capital investment by the emissions intensity
(iii)	Fuel- and energy-related activities not included in Scope 1 and 2	25.6	18.6	**16.4**	Calculated by multiplying the quantity of electricity purchased and fuel used by the emissions intensity
(iv)	Upstream transportation and delivery	8.8	8.5	**6.5**	Calculated by multiplying the quantity of fuel used for product transportation by the emissions intensity
(v)	Waste generated from business operations	0.7	1.0	**0.7**	Calculated by multiplying the volume of waste by the emissions intensity
(vi)	Business trips	0.1	0.1	**0.1**	Calculated by multiplying the number of employees by the emissions intensity
(vii)	Commuting by employees	0.4	0.3	**0.3**	Calculated by multiplying the number of employees by the emissions intensity
(viii)	Lease assets (upstream)	0.0	0.0	**0.0**	Recorded as zero since emissions under this item are included in Scope 1 and 2
(ix)	Downstream transportation and delivery	4.4	3.7	**3.5**	Calculated by multiplying the transportation distance by the shipped product weight and then by the emissions intensity
(x)	Processing of sold products	84.5	75.3	**68.2**	Calculated by multiplying the sold product (steel) weight by the emission intensity
(xi)	Use of sold products	0.0	0.0	**0.0**	Excluded from calculation since GHG emissions are not directly generated during product use
(xii)	Disposal of sold products	2.4	2.1	**1.7**	Calculated by multiplying the weight of discarded products and recycled products by the emission intensity
(xiii)	Lease assets (downstream)	0.1	0.1	**0.1**	Calculated by multiplying the quantity of fuel used in association with the use of lease assets by the emission intensity
(xiv)	Franchise	0.0	0.0	**0.0**	Excluded from calculation because there are no franchisees
(xv)	Investment	0.2	0.3	**0.1**	The emissions calculated by multiplying the Scope 1 and 2 emissions of investee companies by the investment ratio are recorded
Scope3	Emissions	217.0	192.1	**177.8**	

Preconditions for calculating Scope 1 and 2 emissions

<Scope of aggregation>
Sanyo Special Steel, OVAKO Group AB, Sanyo Special Steel Manufacturing India Pvt. Ltd., Santoku Tech, Santoku Seiken, Ningbo Sanyo Special Steel Products Co., Ltd., SKJ Metal Industries Co., Ltd., Sanyo Special Steel Manufacturing de México, S.A. de C.V., Santoku Computer Service, Santoku Kogyo, Yohkoh Bussan, Siam Sanyo Special Steel Product Co., Ltd., Sanyo Special Steel U.S.A., Inc., and SANYO SPECIAL STEEL TRADING (SHANGHAI)
<Converted emission factor>
Sources: List of calculation methods and emission factors posted on the Ministry of the Environment's website "Greenhouse Gas Emissions Accounting, Reporting, and Disclosing System"
: IEA Emissions Factors 2023, etc.
<Calculation method>
Calculated in accordance with GHG Protocol
<Calculation period>
FY2023 (April 1 to March 31)

Preconditions for calculating Scope 3 emissions

<Scope of aggregation>
Sanyo Special Steel, OVAKO Group AB, Sanyo Special Steel Manufacturing India Pvt. Ltd., Santoku Tech, Santoku Seiken, Ningbo Sanyo Special Steel Products Co., Ltd., SKJ Metal Industries Co., Ltd., Sanyo Special Steel Manufacturing de México, S.A. de C.V., Santoku Computer Service, Santoku Kogyo, Yohkoh Bussan, Siam Sanyo Special Steel Product Co., Ltd., Sanyo Special Steel U.S.A., Inc., and SANYO SPECIAL STEEL TRADING (SHANGHAI)
<Converted emission factor>
Sources: "Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain" posted on the website of the Ministry of the Environment/Ministry of Economy, Trade and Industry "Green Value Chain Platform"
: Inventory Database IDEA v2.3
: Ecoinvent 3.0 (V3.9), etc.
<Calculation method>
Calculated in accordance with GHG Protocol
<Calculation period>
FY2023 (April 1 to March 31)

Climate Change Prevention Initiatives

Energy-saving heating furnace with a regenerative burner

Eco-processes

Promoting company-wide energy conservation measures mainly at manufacturing sites, and development of manufacturing technologies to improve energy efficiency

*Adopted an internal carbon pricing system since FY2023

Green energy utilization

Utilizing carbon-free electricity, fossil-free fuels, and renewable energy

*Started partial use of electricity derived from renewable energy sources in FY2022

Development of bearing steel for long-life wind power generation

Eco-products

Promoting development and supply of products that contribute to GHG emission reduction in the stage of product use and products that contribute to the eco-processes of consumers

Deployment of technologies to overseas Group companies

Eco-solutions

Deployment of energy-saving and productivity-enhancing technologies that contribute to reduction of unit energy consumption to overseas Group companies including OVAKO and SSMI

Commencement of Solar Power Generation at the Head Office Plant

Based on the PPA model for self-consumption, solar power generation facilities were installed on the rooftop of an approximately 5,600 m² product warehouse, and the operation of those facilities started from July 2024. Approximately 600,000 kWh/year of electricity, which exceeds the annual electric power consumption of our product warehouse and head office building, can be secured from renewable energy (solar power generation). The solar panels have a capacity of 512.43 kW, expected to be able to reduce GHG emissions by approximately 260 tons annually.

Solar power generation facilities on the rooftop of the product warehouse

Commencement of Use of Renewable-energy-based Electricity Derived from Hydroelectric Power Stations

Hyogo Prefecture, where our head office and plants are located, is home to many mountainous areas, in which many hydroelectric power stations utilizing the flow of rivers are installed. To actively leverage the environmental value generated from the rich natural environment of our surrounding areas, we annually purchase 40 million kWh of renewable-energy-based electricity derived from hydroelectric power stations in the prefecture, which amounts to the full purchasable volume of such electricity. This electricity is used for our production of special steel. This volume of electricity corresponds to approximately 5% of our annual electricity consumption, allowing us to reduce the GHG emissions generated in our business sites by approximately 17,000 tons per year.

Explanatory Sessions Held for Suppliers with the Aim of Reducing Scope 3 Emissions

Explanatory sessions were held for key suppliers associated with Scope 3 emissions (Category 1). Reducing Scope 3 emissions requires collaboration with parties involved in the supply chain, and we will continue to implement relevant initiatives including the holding of regular explanatory sessions.

Explanatory session for suppliers

Eco-products' Contribution to Reducing GHG Emissions —Contribution to Stable Operation of Wind Power Generators—

The bearing steel developed by Sanyo Special Steel for wind power generation has achieved a service life approximately four times longer than that of conventional steel (SUJ2) by optimizing the alloy composition and leveraging our customer's special heat treatment of "Super-TF."[*1] This can reduce downtime of wind power generators caused by bearing failures.

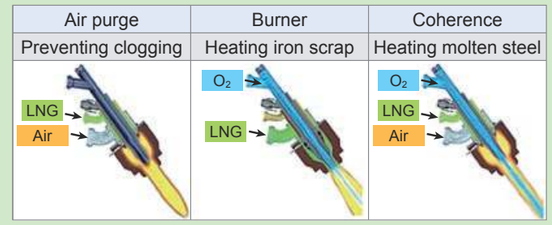
Based on calculations using publicly available information and factual data, we estimate that the stable operation of wind power generators made possible by our steel product can contribute to a CO_2 emission reduction of approximately 13,000 tons per year.[*2]

*1: "Super-TF" is a heat treatment technology to extend the usable life of bearings under special environments and is a registered trademark of NSK Ltd.

*2: Presented at the 18th Research Presentation Conference of the Institute of Life Cycle Assessment, Japan on March 10, 2023.

Introduction of High Efficiency Air Purge Burners to Electric Furnaces

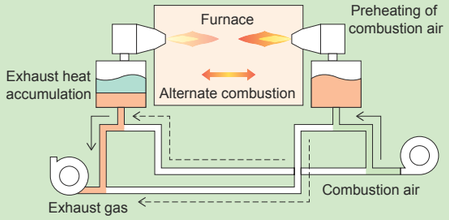
For electric furnaces, oxygen blowing and auxiliary burners are used as heat sources in addition to electricity. The introduction of high-efficiency air purge burners, which optimize the use method of LNG and oxygen employed by conventional auxiliary burners and are thereby effective in reducing GHG emissions, has reduced LNG consumption by 16% compared to the auxiliary burners used before the introduction. In addition, the change and optimization of burner locations and the reduction of burner units have made it possible to suppress electrode wear.



Schematic diagram of the newly installed burners by operation mode

Introduction of Regenerative Burner Type Continuous Heating Furnaces

A regenerative burner type heating furnace was introduced for billet heating in the small and medium bar rolling mill. While a pair of two burners equipped with heat accumulators repeats alternate combustion, the exhaust air from one of the burners is used to heat the combustion air of the other burner, thereby greatly improving combustion efficiency and resulting in an energy-efficiency effect of over 10% compared to the heating furnace used before the introduction.



Schematic diagram of the regenerative burner

Initiatives Implemented by OVAKO

In September 2023, the operation of a carbon-free hydrogen plant started. This plant has the capability to generate about 4,000 m^3 of carbon-free hydrogen per hour through water electrolysis using fossil-free electricity. By using hydrogen produced at this plant as the fuel required for production of special steel, it is possible to reduce the GHG emissions generated by the heating process of Hofors Mill by 50% (approximately 20,000 tons).

Initiatives Implemented by SSMI

SSMI has concluded an agreement with the Tata Power Company Limited Group (TPREL Group), one of India's largest integrated power companies, to purchase renewable-energy-based electricity derived from solar power generation.

Starting its solar power generation on its premises in September 2024, SSMI is expected to contribute to GHG emission reduction by an annual volume of 43,000 tons for FY2024.

Climate Change Prevention Initiatives (Independent Assurance)

Independent Assurance Report

August 21, 2024

Mr. Katsuhiro Miyamoto
Representative Director and President
Sanyo Special Steel Co., Ltd.

Ryoichi Kanno, President
JIC Quality Assurance Ltd.
2-1-1 Irifune, Chuo-ku, Tokyo, Japan

We performed an independent and limited assurance engagement for Sanyo Special Steel Co., Ltd. (the "Company") on the Scope 1 emissions, the Scope 2 emissions, and the emissions under Category 1 and Category 3 of Scope 3 among the greenhouse gas (GHG) emissions for FY2023 (from April 1, 2023 to March 31, 2024) as stated in the FY2023 Consolidated GHG Emissions prepared by the Company ("Company's FY2023 Consolidated GHG Emissions").

- Scope of calculation: 14 companies of the Sanyo Special Steel Co., Ltd. Group
- Consolidated GHG emissions: Scope1: 444,051t-CO_2eq
  Scope2: 381,095t-CO_2eq
  Scope 3 (Category 1) : 510,210 t-CO_2eq (except for Ovako Group AB)
  Scope 3 (Category 3) : 116,154 t-CO_2eq (except for Ovako Group AB)
  (The GHG emissions of each consolidated company are stated at the end of this document.)

1. The Company's Responsibility

The Company is responsible for the preparation of the GHG emissions in accordance with its own criteria and procedures for their calculation and reporting ("Company's criteria"). As mentioned in International Standard on Assurance Engagements (ISAE) 3000 Revised "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), the Company's calculation of GHG emissions is subject to inherent uncertainties that are difficult to completely eliminate.

2. Our Independence and Quality Control

We have established and maintained a comprehensive quality control management system as a certification and assurance body, based on ISO 17029:2019 "Conformity assessment — General principles and requirements for validation and verification bodies." To conduct the engagement, we have complied with the basic principles including independence, as required in ISO 17029:2019.

3. Our Responsibility

Our responsibility is to express a limited assurance conclusion as to whether GHG emissions have been properly prepared, through the procedures that we performed and based on the information that we obtained. To execute our responsibility, we conducted our engagement in accordance with ISAE 3000 and ISO 14064-3:2019 "Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements."

Our engagement consisted of a combination of tasks, such as conducting inquiries with the Company's members, visits to and observations of the process related to GHG emissions, review of the related documents and records, evaluation of the suitability and internal control of the Company's criteria, analysis and deliberation of information for the assurance, and matching and checking the records forming the basis of this report and their original data. Each engagement was conducted at the Company's head office and/or works.

Our assurance team selected for fulfilling this engagement consisted of professionals and practitioners based on their knowledge, experience, and qualifications. The team included a lead verifier for GHG emissions verification.

As defined in ISAE 3000, the nature, timing, and extent of procedures performed in a limited assurance engagement are limited compared with those necessary in a reasonable assurance engagement. Therefore, the level of our assurance is not as high as that provided by a reasonable assurance, although limited assurance provides a level at which assurance is meaningful for the intended users.

4. Conclusion

Based on our procedures performed and evidence obtained, nothing has come to our attention that leads us to believe that the GHG emissions stated in the Company's FY2023 Consolidated GHG Emissions are not prepared, in all material respects, in accordance with the Company's criteria.

<GHG Emissions by Company>

Company name	Scope 1	Scope 2	Scope 3, Category 1	Scope 3, Category 3
Sanyo Special Steel Co., Ltd.	250,865	304,829	423,713	99,336
OVAKO Group AB	153,585	3,944	—	—
Sanyo Special Steel Manufacturing India Pvt. Ltd.	32,981	53,304	67,030	12,169
Santoku Tech Co., Ltd.	1,525	4,341	1,427	1,073
Santoku Seiken Co., Ltd.	718	2,045	672	505
Ningbo Sanyo Special Steel Products Co., Ltd.	2,462	7,010	2,305	1,733
SKJ Metal Industries Co., Ltd.	274	781	257	193
Sanyo Special Steel Manufacturing de México, S.A.de C.V.	1,499	4,268	1,403	1,055
Santoku Computer Service Co., Ltd.	4	15	349	2
Santoku Kogyo Co., Ltd.	5	19	437	3
Yohkoh Bussan Co., Ltd.	126	514	11,979	81
Siam Sanyo Special Steel Product Co., Ltd.	6	25	583	4
Sanyo Special Steel U.S.A., Inc	0	1	33	0
SANYO SPECIAL STEEL TRADING (SHANGHAI) CO., LTD.	0	1	22	0
Total	444,051	381,095	510,210	116,154

Information Disclosure According to TCFD Recommendations

TCFD is the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB). The Task Force released its final report (TCFD Recommendations) in June 2017, setting forth a framework for corporate information disclosure of climate-related risks and opportunities.

Sanyo Special Steel has expressed its endorsement of the TCFD Recommendations in October 2021, in light of the situation of international society that is working to achieve the long-term goals of the Paris Agreement. Based on this, we will disclose information on the impact of climate change on our business activities, etc.

(Reference) TCFD-recommended disclosure items and where to find in this report

Overview of TCFD-recommended disclosure items	Page
[Governance] The organization's governance around climate-related risks and opportunities	
a) The Board of Directors' oversight of climate-related risks and opportunities	P.16
b) Management's role in assessing and managing climate-related risks and opportunities	P.16
[Strategy] The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
a) The climate-related risks and opportunities the organization has identified over the short, medium, and long term	P.21
b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	P.21
c) The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	P.21
[Risk Management] How the organization identifies, assesses, and manages climate-related risks	
a) The organization's processes for identifying and assessing climate-related risks	P.16
b) The organization's processes for managing climate-related risks	P.16
c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	P.16
[Metrics and Targets] The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
a) The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	P.17～18、23
b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	P.17～18
c) The targets used by the organization to manage climate-related risks and opportunities and performance against targets	P.17～18、23

TCFD Scenario Analysis

The TCFD Recommendations call for disclosure of strategies and organizational resilience, taking into account climate-related risks and opportunities under multiple climate change scenarios, including the 2°C or lower scenario. In the special steel industry, investors and other stakeholders are increasingly concerned about the impact of, and responses to, changes in key customer industries, such as a shift to EVs, and introduction of carbon pricing for significant reductions in GHG emissions in the future.

Sanyo Special Steel has conducted a scenario analysis by referring to the International Energy Agency's (IEA) Net Zero Emissions by 2050 (1.5°C scenario) and the Intergovernmental Panel on Climate Change's (IPCC) SSP5-8.5 (4°C scenario) to consider the long-term impacts on the Group through 2050.

* Net Zero Emissions by 2050 : A roadmap scenario modeling what will be needed to put the world on track to net zero CO_2 emissions by 2050.
* SSP5-8.5: A higher reference scenario without introducing climate policy under fossil fuel dependent development.

TCFD scenario analysis

Scenario	Major climate-related events	Assumed impacts (key risks and opportunities)		Sanyo Special Steel's responses and strategies
1.5°C scenario	**Carbon neutral-related responses in customer industries, etc.** (growing need for low-carbon and decarbonized steel and products/ technologies that reduce environmental impact, shift to transportation with less GHG emissions (railroad), shift to a hydrogen society, etc.)	• Increase in demand for electric arc furnace steel, which emits relatively less GHG, and for materials, technologies, and products that help customers reduce GHG emissions (long-life bearing steel, hydrogen-resistant stainless steel, etc.)	Opportunity (sales) High	• Promote the development of eco-products that contribute to GHG emission reduction in the stage of parts manufacturing at customers and during end product use (deepen technologies to meet the needs for higher reliability in the fields of "EV," "wind power generation," "railroads," and "hydrogen society," etc., which are expected to grow globally toward carbon neutrality, address the transformation of heat treatment, and develop and expand the sale of strategic items (such as metal powders for 3D printers) * Commercialization of high-hardness, high-toughness, and high-carbon steel TOUGHFIT® that is produced without carburization to contribute to reduction of GHG emissions (announced in March 2023) • Promote GHG emission reduction of our Group with eco-solutions such as eco-processes and the use of green energy
	Structural changes in demand associated with the shift to EVs, and growing need for smaller and lighter automotive parts, etc.	• Growing need for our highly reliable special steel products associated with the shift to EVs • Increase in demand for our special steel products with properties that contribute to the size and weight reduction of parts	Opportunity (sales) High	• With our strength in high-cleanliness steel, accurately respond to new customer requirements and environmental issues arising from changes in social and industrial structures • Strengthen supply chain competitiveness by enhancing collaboration with customers
		• Decrease in special steel consumption per automobile	Risk (sales) Medium	
	Growth of the wind power market due to expansion of renewable energy	• Increase in demand for our highly reliable bearing steel, which leads to reduced maintenance and failure prevention for wind power generation facilities	Opportunity (sales) High	• Elucidate the fatigue mechanism of wind power generation under its unique environment, and promote the development and market introduction of bearing steel for wind power generation that achieves a long service life and high reliability • Approved for "TPG Certification" as a supplier of critical components of wind power generators in September 2022
	Intensifying competition for mineral resources due to increase in demand for electricity and storage batteries, etc.	• Increasing need for our high-performance materials that do not rely on rare metals	Opportunity (sales) High	• Promote the development and supply of scarce resource-saving high-performance products (ECOMAX® series, Co-free maraging steel powder, etc.)
		• Instability in procurement of secondary raw materials due to restrictions on rare metal exports, etc.	Risk (cost) Medium	• Secure and expand sources for ferroalloy procurement • Further enhance procurement supply chain management
	Introduction of carbon pricing including carbon tax	• Increase in costs for electricity, fuel, etc. * If additional burdens such as carbon tax arise, this will result in the loss of resources for research and development, etc., raising concerns about a potential decline in the international competitiveness of Japan's industries as a whole.	Risk (cost) High	• Promote the procurement of low-cost carbon-free electricity, etc. • Request suppliers to reduce GHG emissions • Promote further investment in energy-saving facilities through the introduction of an internal carbon pricing (ICP) system • Negotiate with customers on price pass-on • Promote low-carbon (decarbonized) steel products
		• Enhancement in the relative advantage of electric arc furnace steels with relatively low GHG emissions, and in that of OVAKO as a leader in decarbonization of such steels	Opportunity (sales) High	
	Shift of steel production to electric arc furnaces and increased use of iron and steel scrap	• Intensifying global competition to acquire superior scrap	Risk (sales) High	• Secure and expand sources of iron and steel scrap procurement and optimize raw material mix • Secure iron sources in collaboration with the NSC Group
4°C scenario	**Increasing frequency and severity of weather-related disasters** **Increase in average temperaturea** **Decrease in water resources and rise in sea levels due to climate change**	• Damage to production facilities and inundation of business bases and warehouses in coastal areas due to severe weather disasters, disruptions to the procurement of raw materials, equipment, and other materials and to product supply, etc. • Increase in risk of heat stroke and other health hazards and equipment failure • Operational disruptions due to a decline in water supply stability, etc.	Risk (sales) High	• Continuously improve BCM (Business Continuity Management), including enhancement of disaster prevention management and natural disaster countermeasures • Ensure restoration financing measures by purchasing property insurance and utilizing the Group's CMS • Enhance procurement supply chain management

[Definition of the degree of impact]
High: Risks/Opportunities that potentially have a significant impact on business performance, such as an increase or decrease in sales, or a loss or gain, in the order of billions of yen or more.
Medium: Risks/Opportunities that potentially have a certain impact on business performance, such as an increase or decrease in sales, or a loss or gain, in the order of hundreds of millions of yen.

Contribution to a Resource-recycling Society

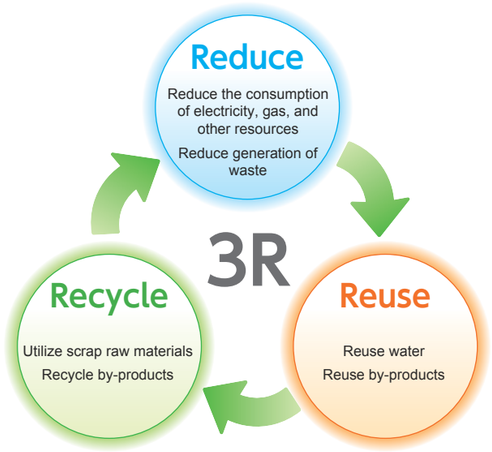
Special Steel Products Produced From Recycled Raw Materials

Sanyo Special Steel manufactures special steel by the electric arc furnace steelmaking method using iron and steel scrap as the main raw material, contributing to the recycling and effective use of iron and steel resources. In FY2023, iron and steel scrap accounted for approximately 74% of the raw materials, and with internally recycled materials included, approximately 94% of the raw materials were turned into recycled products.

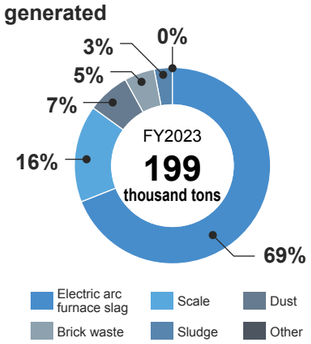
Initiatives to Reduce By-Products

In FY2023, the volume of by-products generated by our production activities was 199 thousand tons, and the volume processed, including the volume sold, was 194 thousand tons. By-products include electric arc furnace slag, scale, dust, brick waste, and sludge.

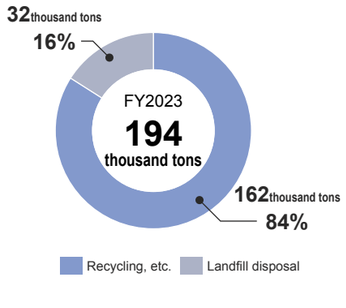
We promote resource recycling based on the 3R (Reduce, Reuse, and Recycle) concept. In FY2023, we reduced 84% of the processed volume either by recycling or incineration and finally disposed of the remaining 16% in landfills. We will continue to work to expand the use of by-products in new applications in order to reduce the volume of landfill disposal.



Breakdown of by-products generated



Breakdown of by-product processing



Recycling of Electric Arc Furnace Slag

Sanyo Special Steel promotes the recycling of electric arc furnace slag generated as a by-product of the manufacturing process and continues to achieve a 100% recycling rate by stabilizing the quality of relevant products and meeting diversifying needs. Electric furnace arc slag has attracted attention mainly as a substitute for natural resources such as stone and sand, and is used for roadbed material and asphalt aggregate applications. In the future, it is expected to be used as an inhibitor to control foam expansion in steelmaking process, and as an aggregate for recycled pavement.

Our electric arc furnace slag products are pressure-processed to the highest standards in Japan, using pressurized steam aging equipment that is effective in stabilizing expansion. In addition, we use multi-functional classification equipment made up of a classifier that can sort electric arc furnace slag products into six stages simultaneously, from coarse-grained aggregate to fine powder, and a granulator that chamfers aggregate particles to adjust grain size and improve wear resistance. Using these manufacturing processes, we provide customers with high-quality electric arc furnace slag products.

We will continue to focus on the realization of a sustainable society by putting in place a management system covering all aspects of production, quality, and sale in compliance with the “Guidelines for Management of Iron and Steel Slag Products” of the Nippon Slag Association, and by undergoing reviews by third-party organizations to strengthen the management system and further improve its reliability.

Electric arc furnace slag

Recycled pavement in Himeji City

Reduction of Environmental Impact

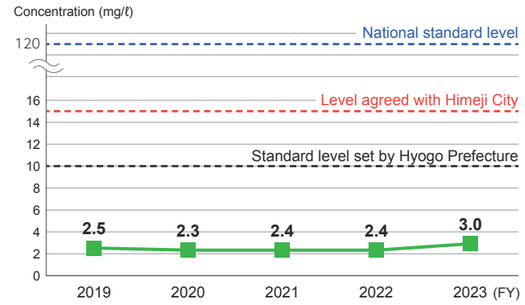
Efficient Use of Water Resources

Water is essential in the manufacture of our products, for cooling steel and equipment, and as a source of power for equipment. Sanyo Special Steel’s manufacturing base (Himeji City, Hyogo Prefecture) is not located in an area exposed to high water stress as so assessed by WRI Aqueduct, and is blessed with rich sources of water. We reuse more than 90% of the water used in our production processes, based on our recognition that water is a limited resource. In addition to water supply from the industrial waterworks, we also have our own source of water (groundwater). Contaminated water that has been used in the plant is sent to an on-site treatment facility to be purified. The purified water is then reused within the plant, while any remainder undergoes further treatment before being discharged into public waters. At the drainage outlets to public waters, a system is in place to constantly monitor pH levels, turbidity, chemical oxygen demand (COD), nitrogen, and phosphorus by automatic measurement; if they exceed our voluntary internal management standards, which are stricter than the standards set by prefectural ordinances, an alarm is issued to enable the staff in charge to respond quickly. In addition, the periodic analysis of hazardous substances, etc., is conducted by an external organization as part of our efforts to manage water quality and prevent water pollution.

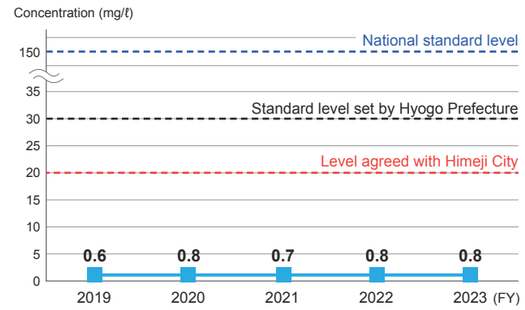
Wastewater treatment facility

Patrol of wastewater treatment facilities

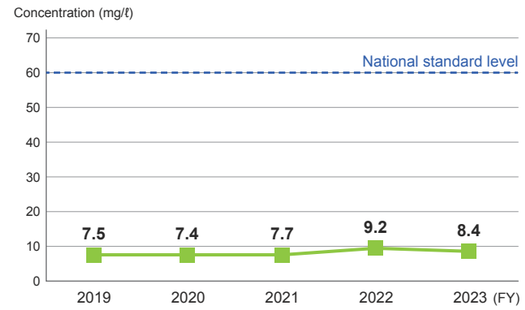
Chemical oxygen demand (COD) in wastewater



Suspended particulate matter (SS) in wastewater



Nitrogen concentration in wastewater



Reduction of Environmental Impact

Reduction of Air Pollutant Emissions

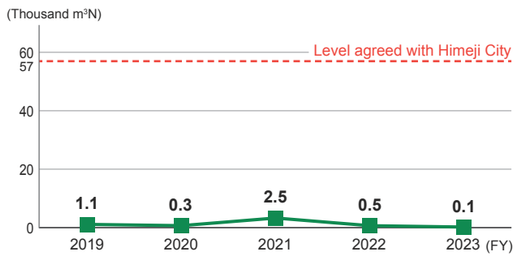
At facilities that generate soot and smoke, Sanyo Special Steel has achieved SOx (sulfur oxide) emissions well below the value agreed with Himeji City by switching the fuel from heavy crude oil with high sulfur content to LNG (city gas) which contains almost no sulfur. For NOx (nitrogen oxides) emissions, we employ low NOx burners and proper combustion controls, etc., to reduce the emissions. We have also installed automatic NOx measurement equipment in our system to enable constant monitoring of heating furnaces, which emit large amounts of NOx.

In addition, the April 2018 revision of the Air Pollution Control Act prescribes that mercury concentrations in the exhaust gas from electric arc furnaces for steelmaking should be voluntarily reduced. We regularly measure and record mercury concentrations in accordance with the voluntary standards recommended by the Japan Iron and Steel Federation to confirm that the concentrations meet the voluntary control standards.

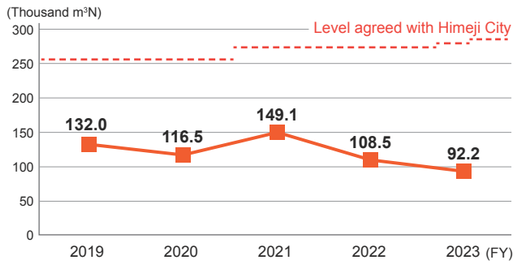
As for dust collection facilities, we are working to increase the capacity of our equipment, including by installing additional dust collectors in the buildings of continuous casting factories in FY2018.

We have also utilized traditional methods to help prevent dust dispersion, including patrols using water sprinkler vehicles and street sweepers.

Sulfur oxide emissions



Nitrogen oxide emissions



Improvement Plans for Environmental Conservation

Our plans to improve environmental conservation and the status of our initiatives

Topic	Target/KPI	Status of initiatives (FY2023 results, etc.)	Self-assessment*
Energy-saving and global warming prevention	Reduction in Scope 1 and 2 emissions (FY2030 target: 42% reduction from the FY2021 level)	• (Non-consolidated) FY2023 GHG emissions: 22% reduction from the FY2021 level • Commencement of solar power generation at the head office plant • Commencement of use of renewable-energy-based electricity derived from hydroelectric power stations	○○
	Reduction in Scope 3 emissions (FY2030 target: 25% reduction from the FY2021 level)	• (Non-consolidated) FY2023 GHG emissions: 16% reduction from the FY2021 level • Holding explanatory sessions for suppliers to share the significance of reducing GHG emissions in the supply chain as a whole	○○
Recycling of byproducts	Improvement of the recycling rate of brick waste	• Use of brick waste as a heat-resistant raw material	○○
Compliance with laws and regulations	Compliance with regulatory standards (Water Pollution Prevention Act, Air Pollution Control Act, etc.)	• Attainment of regulatory standards for all items (no case of violation or deviation from laws, regulations, or agreements)	○○○
Education and awareness-raising activities for employees	Regular implementation of education and awareness-raising activities for employees	• Implementation of community beautification activities (approx. 250 participants)	○○○
	Increase in the number of employees with environment-related public qualifications	• Ongoing initiatives to increase the number of employees qualified as pollution control managers	○○
Promotion of information disclosure	Periodic publication of environmental reports	• Publication of “Sanyo Special Steel Reports” and their release on our website	○○○
	Cooperation with local governments and other environmental administrations	• Implementation of initiatives for Environment Month events	○○○

* Self assessment: The level of achievement of each target is indicated on a 3-point scale.
○○○ : The plan has been achieved ○○ : Steady progress toward achieving the plan ○ : Further initiatives will be undertaken to achieve the plan

Proper Management of Chemical Substances

In accordance with the PRTR Act,* Sanyo Special Steel monitors the emissions and transfers of chemical substances and reports them to the Ministry of Economy, Trade and Industry annually and works on its initiatives to suppress the emissions. In addition, PCB waste is properly stored and managed in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, and the renewal/disposal of relevant equipment is carried out systematically in order to complete disposal within the time limit specified by the Act.

* PRTR (Pollutant Release and Transfer Register): Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement

Emissions and transfers of chemical substances

Proper Disposal of Waste

Sanyo Special Steel outsources disposal to industrial waste disposal companies and ensures that they can properly dispose of our waste by checking their licenses and conducting preliminary inspections of their disposal facilities. In addition, we confirm that our waste is properly disposed of, through periodic inspections of disposal facilities and by checking the status of industrial waste disposal using manifests. We have introduced electronic manifests to ensure proper operation, and are working to thoroughly separate waste at the sites where waste is generated.

Environmental Awareness Development Activities

We believe that it is important to raise the environmental awareness of each and every employee in working on our environmental conservation activities, and accordingly regularly provide new employee education and grade-based environmental training. In addition, we have established an incentive program to encourage employees to acquire environmental conservation related qualifications, such as pollution control managers, and have also been working to have employees create their household eco-account books.

Environmental Accounting

The costs of environmental conservation measures in FY2023 were aggregated in accordance with the guidelines of the Ministry of the Environment.

Expenses related to environmental conservation, such as costs for maintenance and management of dust collectors, water treatment facilities, and other equipment for environmental measures, and costs for recycling and disposal of by-products, totaled approximately 3.1 billion yen.

In addition, approximately 140 million yen was invested in the maintenance of dust collectors and the renewal of water treatment facilities, air conditioners aimed for energy conservation, and other relevant equipment. We will continue to implement measures to protect the environment.

(Millions of yen)

Classification	Expense	Investment
Cost of environmental measures	1,183	129
Cost of global warming measures	145	14
Resource recycling cost	1,283	0
Administrative activity cost	165	0
R&D cost	290	0
Other environmental costs	10	0
Total	**3,076**	**143**

Biodiversity Conservation

The Sanyo Special Steel Group believes that the realization of a “sustainable society in coexistence with nature,” in which human society continues to exist while benefiting from biological resources, is a crucial challenge that impacts the survival of the human race. Through, for example, participation in activities for conserving forests and satoyama areas (undeveloped woodland near populated areas) and community greening activities, we will promote biodiversity conservation activities.

Participate in “Corporate Forest Creation Activities”

In May 2024, Sanyo Special Steel conducted its first activity as part of “Corporate Forest Creation Activities.” Under the guidance of members of NPO Hyogo-Mori-no- Club, our employees engaged in forest thinning.

In Corporate Forest Creation Activities, companies, local communities, and local governments work together on forest conservation activities. An agreement has been concluded among the four parties of Sanyo Special Steel, Hyogo Prefecture, Himeji City, and the Hyogo Prefecture Greenery Promotion Association for an activity implementation period up until May 2029. In our engagement in Corporate Forest Creation Activities, we have named a section of the forest (1.46 ha) in Fujinokiyama Nature Park of Himeji City ”Santo-kun’s Forest of the Future.”

In this satoyama woodland where oak wilt*1 and a transformation into a laurel forest*2 are observed, we aim to improve the light environment and thereby achieve the recovery and conservation of understory vegetation, etc.

*1 Oak wilt is a disease that causes mass die-offs of oak trees, such as Quercus serrata, due to infection by the Raffaelea quercivora fungus, transmitted by the Platypus quercivorus beetle. It does not pose a risk to humans.

*2 Trees can generally be divided into deciduous trees, which shed their leaves in autumn, and evergreen trees, which retain their leaves year-round. Evergreen broadleaf trees, known as 'shoyoju' in Japanese, reflect sunlight off their leaves, creating a shimmering effect. Historically, before the shift to alternative fuel sources, satoyama forests featured bright, deciduous-dominated landscapes with trees like Quercus serrata. However, as satoyama use declined, these areas rapidly shifted to evergreen forests, resulting in darker forests with reduced species diversity.

Both *1 and *2 above are excerpts from the website of Hyogo Prefecture.

Naming the place “Santo-kun’s Forest of the Future”

Forest thinning

Community Greening Activity

Since December 2023 , in support of the activities of the Himeji Urban Development Foundation, we have been participating in a volunteer greening activity in collaboration with Himeji City and volunteers. This activity involves planting management and cleaning for “Castle Garden,” which is located at the north entrance of Himeji Station.

Volunteer greening activity

OVAKO’s Activity for Promoting Natural Circulation

OVAKO (Hofors Mill) manages a part of the mill site as a grazing land to protect rare plant species. Cattle are grazed on this land where they eat grass, and their feces serve as manure for the plants on the land, thereby a healthy ecosystem is maintained.

Cattle on the grazing land of the mill site

Tree-planting Activity by SSMI

SSMI conducts a tree-planting activity annually in June in line with the World Environment Day, as part of its initiatives to raise awareness of the importance of environmental conservation and to aim for a sustainable future. Its employees actively participate in the activities, contributing to the greening of the community.

Managing Director Dilipkumar Pachpande (third from the right), giving a greeting in the tree-planting activity

Creating a Safe Workplace

For a manufacturing company, safety is the basic premise of business activities and should take precedence over all other matters.The Sanyo Special Steel Group promotes safety activities for which top-down approaches and bottom-up approaches are integrated, aiming to achieve the total absence of accidents.

There are no shortcuts in safety activities.We continue our daily safety activities and work on ensuring a workplace where all workers can work with peace in mind in terms of security.

2024 Comprehensive Health and Safety Management Policy

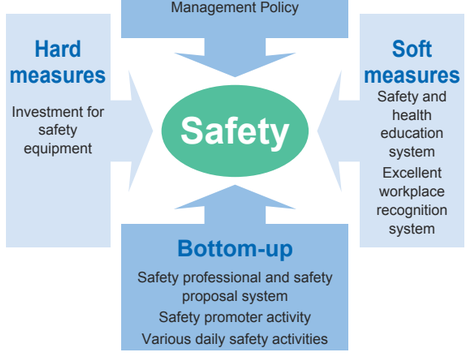
■Basic policy	Safety activities and matters subject to safety compliance are meant to protect workers' own life and the lives of their colleagues.Rather than focusing on "what" to do, establish the attitude of thoroughly adhering to and fully implementing what has been decided and established rules, and develop a safety culture where safety is the highest priority and represents the greatest value.
■Slogan	Safety is every and each person's responsibility. Build a truly safety-first workplace with the power of thorough adherence and full implementation.
■Three safety principles	Stop, step back, check hands & feet – then double-check that it is really safe
■Goals	Achievement of a total absence of accidents " 0 " occupational accident & " 0 " accident on the way to work

Safety and Health Management

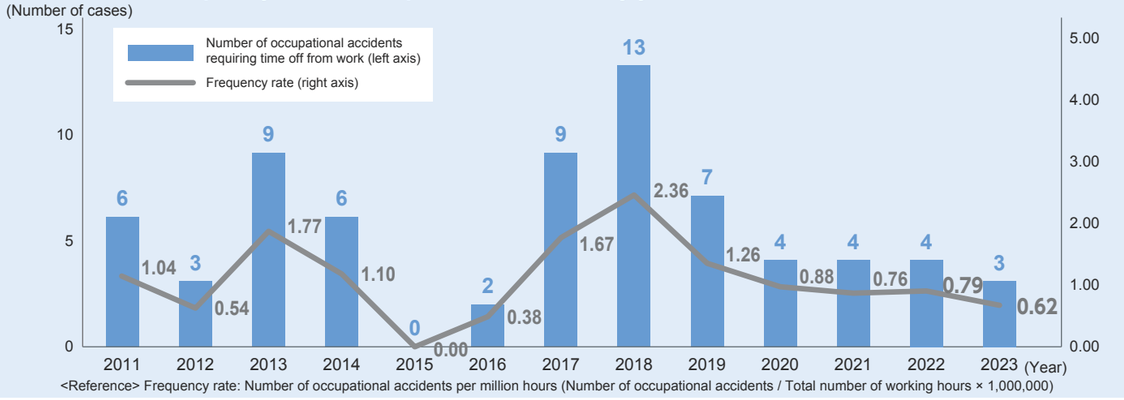
The Safety and Health Committee meets monthly to deliberate on basic measures to prevent employee hazards and health problems, as well as on the causes of occupational accidents and measures to prevent recurrence, etc. Half of the members of the Safety and Health Committee are labor union representatives, in accordance with laws and regulations, to ensure that the opinions of workers are reflected in safety and health measures. We also promote the reduction of work risks and the creation of a safe workplace by "integrating top-down and bottom-up approaches" and "implementing both hard and soft measures" and report the monthly implementation status of safety activities and the annual summary of safety and health activities to the Board of Directors, thereby effectively implementing the PDCA management cycle (planning, implementing, monitoring/supervising, and taking improvement measures) for constant improvements.

For our overseas subsidiaries, we monitor safety at local plants and use web-conferencing to identify weak points in terms of safety and provide support and guidance for safety activities by exchanging opinions and sharing information on each company's initiatives, etc., thereby promoting the safety activities of the entire Group.

Safety activity support at an overseas subsidiary



<Number and frequency rate of occupational accidents by year>



<Reference> Frequency rate: Number of occupational accidents per million hours (Number of occupational accidents / Total number of working hours × 1,000,000)

Safety Proposal System and Safety Professionals' Activities

A safety proposal system has been put in place, under which workers in each workplace can propose measures to improve the safety of their own work and workplace.

Soliciting safety proposals from workers who actually engage in work on-site is not only effective in formulating specific safety measures but also raises workers' safety awareness through the proposal process and leads to a transformation to true bottom-up safety activities which form the core of our safety activities.

In addition, safety professionals are appointed from among team leaders at work sites to identify work risks through patrols in their own workplaces, analysis of near-accidents, etc. and to work on making improvements. Safety professionals who are well-versed in operations on manufacturing sites are expected to take the initiative in improving the work operations and environments at their own workplaces, thereby raising safety awareness and creating a synergy with the safety proposal system.

Safety Promoter Activity

Sanyo Special Steel has been implementing a "safety promoter activity" to develop human resources who can make judgments and act on their own by educating young and mid-career employees selected from each workplace on correct safety knowledge and the importance of compliance with rules.

Young and mid-career employees appointed as safety promoters patrol their own and other workplaces to enhance their perspectives for recognizing good and bad points of their own workplaces and their sensitivity to recognizing dangerous conditions as hazardous. In addition, they experience risk assessment activities to identify hazardous operations and assess risks, leading to the improvement of intrinsic safety through improvement measures including equipment measures.

Safety Experience Training Center

We have established a Safety Experience Training Center that enables us to have simulated experience of hazards. In 2023, 2,376 employees received training at the center, and to date the total is 36,065.

In 2018, we installed VR(virtual reality) equipment to provide a more realistic experience. We will continue to add new educational content and work with our employees to think about the importance of avoiding hazards.

Organizing "Sanyo Thorough Thinking Academy"

To Improve the Sanyo
(Awareness, Initiative, Independence, and Autonomy)

The Sanyo Thorough Thinking Academy has been organized since FY2023, which is for new employees who have been assigned to workplaces for some time.

Through this training program, we educate new employees who have actually experienced their workplace environments and actual work so that they understand again the importance of fully following rules, acquire knowledge about health and safety, and independently think and act to ensure safety. By providing this educational occasion, we develop safety-conscious employees who will forge the future of Sanyo Special Steel.

Awareness
Deeply understanding your own individuality

Initiative
Active actions to compensate for your weakness

Independence
Aiming for further self-growth

Autonomy
Realizing your own emotional dependence and carelessness and correcting yourself

Lecture

Participants learned in greater detail about the objectives and key points of safety activities such as the 6S activities and the pointing and calling practice.

Through classroom training, group discussions, and exercises, they experienced firsthand how communication not only prevents human errors but also fosters teamwork within an organization.

* 6S activities: Seiri (sort), Seiton (set in order), Seiso (shine), Seiketsu (standardize), Shitsuke (sustain), and Saho (behavior)

Practical Training

Participants underwent practical training in hitching and hooking and hazard prediction training. In practical training in hitching and hooking, they learned relevant procedures from the basics and were thoroughly familiarized with the pointing and calling method and the correct manner of using tools. In hazard prediction training, they learned the perspectives required for, and the concept of, hazard prediction and then had hands-on practice of hazard extraction using illustrations of work situations, thereby improving their hazard prediction skills.

Disaster Prevention Initiatives

Risk Management for Emergency Situations

Many employees work at Sanyo Special Steel, which has a variety of equipment and facilities. In addition to establishing a permanent fire and disaster prevention management system, we are working to prevent accidents from occurring and to prevent the spread of (minimize) damage in the event of a disaster by developing manuals in preparation for plant accidents such as fires and explosions and natural disasters such as earthquakes, and by conducting regular disaster drills, etc. In FY2023, we set the following five points as priority promotion items under our basic policy for the year, “All employees in the workplace shall raise their awareness of fire and disaster prevention through risk assessment to prevent disasters, and acquire higher-level disaster response capability through education and training.”

- Enhancement of fire and disaster prevention management
- Strengthening of management of facilities and other equipment at high risk of fire, explosion, and oil leakage
- Improvement of disaster prevention awareness and strengthening of disaster response capabilities through implementation of fire and disaster prevention training
- Strengthening of disaster prevention measures through the activities of dedicated disaster prevention teams
- Acceleration of initial response by reviewing evacuation sites, installing signs, and arranging additional radio transceivers

In addition, fire and disaster prevention risk assessment activities started in FY2020 are reviewed annually, such as the addition of new check items for storm and flood damage, crisis management, etc., in FY2021. We will strive to raise employees’ awareness of disaster prevention and reduce potential risks by identifying new risks and formulating and implementing countermeasures, both in plants and offices.

Initiatives to Raise Disaster Prevention Awareness

With the aim of further raising employees’ awareness of disaster prevention, Sanyo Special Steel holds workshops for hazardous materials safety supervisors and managers and workshops for managers in charge of fire and disaster prevention every year. We are working to improve the management level of licensed hazardous material facilities, small quantity hazardous material facilities, etc., by providing direct instructions to workplace managers and those responsible for handling hazardous materials and high-pressure gases. In FY2023, at the workshops for hazardous materials safety supervisors and managers held in July, the participants were again informed of the importance of security measures by referencing accident cases involving hazardous material facilities, in addition to their responsibilities and duties as safety supervisors and managers, and main points on storage and handling management. At the workshops for managers in charge of fire and disaster prevention held in September, the participants received an explanation of the disaster prevention management rules and fire fighting plans that workplace managers should be aware of, and were informed about fire-fighting equipment in addition to daily preventive management and the standards of behavior at time of emergency. They also deepened their understanding of the necessity of chest compressions and AED to save lives from disasters, accidents, and sudden illnesses. Regarding the management of facilities, we worked on the 3S activities for licensed hazardous material facilities and high-pressure gas facilities, with June and March designated as the months for strengthening the management of licensed hazardous material facilities and October as the month for strengthening the management of high-pressure gas facilities. We will continue to promote further improvement in awareness of disaster prevention through these disaster prevention education and management enhancement activities. In addition, we have been holding first aid training sessions for each workplace since FY2018 and also training sessions for female employees since FY2023, where the participants receive practical training on emergency medical care (chest compressions and the use of AED), hemostatic techniques, etc., from in-house first aid instructors and nurses serving as their instructors.

Conducting Disaster Drills

In Sanyo Special Steel, equipment and hazardous materials used vary from workplace to workplace. In addition, employees’ awareness of and experience with disaster prevention vary widely, not to mention new employees participating in disaster drills for the first time. Furthermore, depending on the scale of the disaster, cooperation with firefighters may also be required. For this reason, disaster drills are conducted in a more realistic and practical manner by identifying specific emergency situations.

Number of disaster drills conducted in FY2023 **53**

Large-scale earthquake disaster drill

In FY2023, we conducted a large-scale earthquake disaster drill under the assumption that a huge earthquake with an epicenter in the Nankai Trough occurred, shutting down lifelines such as electricity, water, gas, communications, and transportation. After confirming information on the earthquake and tsunami, we set up a Disaster Task Force and collected information from each department on the safety of employees and damage to facilities. In response, the Disaster Task Force issued instructions for initial response in relation to injured people and damaged facilities, for confirmation of the safety of cooperative companies, and for prevention of secondary disasters caused by blackouts (loss of power), tsunamis, etc., and each department reported its activities to the Disaster Task Force. We will continue to work to raise employee awareness and improve their disaster response capabilities through drills.

Scenes from the large-scale earthquake disaster drill in November (upper left & lower left)

Scenes from the joint factory disaster drill with the Shikama Fire Department in December (upper right & lower right)

Joint factory disaster drill with the Shikama Fire Department

In December 2023, we conducted a joint factory disaster drill with the Shikama Fire Department under the assumption that a fire occurred on the 1st floor of No.2 Technical Research Laboratories. During the drill, the Disaster Task Force played a central role and collaborated with the fire department members in implementing initial fire fighting (use of fire extinguishers and fire hydrants) and evacuation from the building led by the fire brigade, fire fighting activities and rescue and first-aid activities for the injured by private and public fire brigades, among other relevant activities. After the drill, the participants exchanged opinions and received feedback and guidance on the drill from the members of the Shikama Fire Department. We will continue to conduct drills that will help raise the level of the entire organization.

Preparedness for Large-Scale Earthquakes and Other Wide-area Disasters

In the event of a wide-area disaster such as a large-scale earthquake, it would be difficult to confirm the safety of employees and consolidate such information through ordinary means of communication such as telephone calls. Sanyo Special Steel has therefore introduced an Internet-based safety confirmation system to quickly gather information on the safety of employees in the event of an emergency and, based on that information, take measures necessary for business continuity.

In addition, at our head office plant, we have stockpiled emergency food and drinking water necessary for our employees and the employees of our subsidiaries and cooperative companies working on our plant premises to safely return home and stand by. Furthermore, in preparation for the unlikely event of a wide-area disaster such as a large-scale earthquake, we have stockpiled disaster prevention supplies at sales bases located in urban areas, on the assumption that employees would have difficulty returning home in such situation.

Promotion of Diversity Management

Innovation creation is the key in enhancing corporate value over the medium to long term, and co-creation by diverse individuals is the driving force behind such innovation creation. The Sanyo Special Steel Group considers it necessary to proactively work on diversity in knowledge and experience, such as expertise, experience, sensibility, and a set of values. In addition, we strive to create a system that enables employees to achieve a good work-life balance and fully demonstrate their abilities with a sense of fulfillment in their work, and strive to develop a comfortable workplace environment where employees can continue to work with peace in mind and an environment that allows for a work style that is not restricted by time or place.

Promotion of Women's Participation

With the goal of increasing the percentage of female employees to 25%, Sanyo Special Steel has increased the number of workplaces where female employees can actively work by systematically hiring female employees and expanding their work areas, and has introduced support systems, such as childcare leave and shorter working hours, to reduce their burden during life events and enable them to continue working. Furthermore, we are promoting the awareness building of female employees themselves through external training, etc., and promoting the creation of an organizational culture that encourages female employees to take an active role in the company.

Childbirth, Childcare,
and Nursing Care Support Guidebook

Awareness Reform for Diversity Promotion

In order to promote diversity management and create a workplace in which each and every employee can demonstrate their abilities and work as effectively as possible, it is essential to change the understanding and awareness of each and every employee.

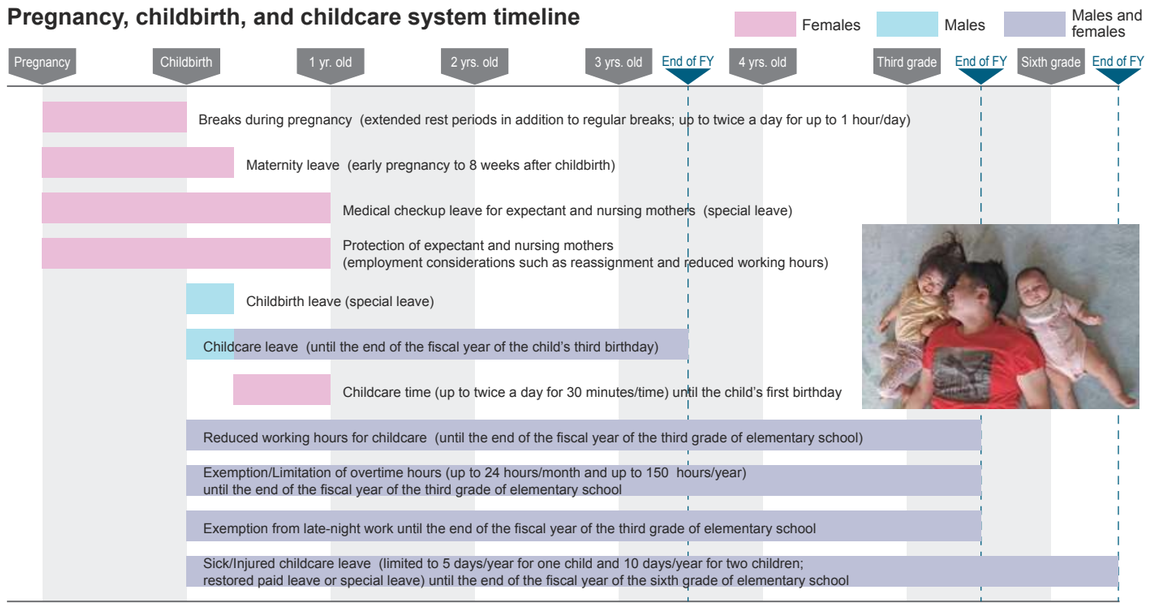
From this perspective, Sanyo Special Steel organizes training programs such as unconscious bias training, in which organizational leaders and leader candidates learn skills to understand and control unconscious biases related to gender and age; round-table talks with female directors as opportunities for female employees to envision attractive managerial positions; and management candidate training, in which female employees learn about diverse role models and interact with other companies' female employees to improve their awareness and motivation to become managers. In this way, we are working to improve the mindset of, and career education for, female employees in order to promote their participation.

Percentage of female employees
(As of April 2024)
13 %
(26% in planning positions, 6% in technical service positions)

Percentage of female managers

(As of April 2020)		(As of April 2024)
3.9 %	→	6.7 %

Pregnancy, childbirth, and childcare system timeline



General Employer Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children [7th Term: April 1, 2023 to March 31, 2026]

1 Initiatives primarily for employees engaged in childcare

Target 1: Percentage of employees taking childcare leave Male: 50% or higher Female: 80% or higher

<Outline of initiatives>
- Internal posting of information on this Action Plan and the childcare leave system
- Provision of individual guidance and counseling to eligible individuals

Target 2: Provision of support to female employees in balancing their work and family lives, raising their motivation, etc.

<Outline of initiatives>
- Effective use of the Support Program for Balancing Career Development and Childcare

Fostering a workplace culture that enables employees to work and rest as they wish

2 Initiatives for employees including those not engaged in childcare

Target 3: Percentage of employees taking annual paid leave: 80% or higher by FY2025

<Outline of initiatives>
- Continuing to encourage employees to take annual paid leave in a planned manner and to use the consecutive paid leave system
- Labor-management consultation and deliberation on and implementation of effective measures

3 Initiatives that are not limited to the company's own employees and things outside of improving the employment environment

Target 4: Continuing to accept local elementary school students for plant tours, junior high school students for work experience, and high school students for internships

<Outline of initiatives>
- Acceptance of plant tours and work experience, and arrangement of visiting classes
- Provision of steel materials for practical training to nearby high schools with the aim of helping students acquire knowledge and improve their skills

Contributing to local communities

General Employer Action Plan Based on the Act on the Promotion of Women's Active Engagement in Professional Life [3rd Term: April 1, 2023 to March 31, 2026]

Target 1: (1) Increase by 1 point in the percentage of female managers (5.3% to 6.3%)
(2) Increase by 3 points in the percentage of female employees in unit chief ranks, who are hoped to be next-generation managers (16.0% to 19.0%)

Fostering a culture in which female employees can play active roles

<Outline of initiatives>
- Training on gender unconscious bias and external career development training for female employees
- Dialogue between female directors and female employees

Communication of the attractive points in working at a higher level

Target 2: Number of employees using the work-from-home system: 50% or higher of all employees in planning positions by FY2025

<Outline of initiatives>
- Promotion of paperless work and development of an environment that enables work-from-home by DX
- Improvement of the work management levels of supervisors over employees engaged in work-from-home

Internal dissemination of the work-from-home system

Promotion of Work-life Balance

Sanyo Special Steel flexibly responds to the diversification of work styles through introduction of its flexible working hour system, shorter working hour system, and work-from-home system, and also works to increase the rate of paid leave taken, in addition to the implementation of "no overtime day" every Wednesday and work efficiency improvements aimed at reducing overtime hours. Furthermore, we encourage employees to take consecutive paid leave and special incentive leave, and have established systems that surpass legal standards, such as leave systems for maternity, childcare, and nursing care. Also, we support the realization of a work-life balance for each and every employee by creating a workplace environment and culture that makes it easier for employees to take such leave.

Percentage of employees taking paid leave (FY2023) **83.3 %**

Percentage of male employees taking childcare leave (FY2023) **88 %**

Promotion of Participation by Senior Generation

Sanyo Special Steel extended the retirement age from 60 to 65 in April 2021. Additionally, it established the "Senior Citizen Partner Program" as a system for extending the employment of employees over the age of 65. We work on strengthening our competitiveness by maintaining and improving our manufacturing capabilities through extension of the employment of those employees who have reached the age of 65 and who are deemed necessary from the viewpoints of business execution and of the transfer of technology and skills as "senior citizen partners"; and through further enhancement of the environment for promoting the transfer of technology and skills and the development of future generations.

Stable Employment of Persons with Disabilities

Sanyo Special Steel and its domestic Group companies promote the employment of persons with disabilities in order to realize a society in which everyone can work to the best of their abilities. In addition to promoting recruitment activities in cooperation with Hello Work offices (public employment security offices) and special support schools, we are also continuously working to improve the work environment in both hard and soft aspects with working life counselors for persons with disabilities in the companies playing a central role, in supporting the long-term stable employment of such persons. For employees who are certified as persons with disabilities after joining their companies, consideration is given to the nature and hours of their work so that they can continue to work with peace of mind.

In April 2023, we began operating an indoor farm "IBUKI" in Toyonaka City, Osaka Prefecture, expanding the job categories of persons with disabilities. This farm features an integrated production system, from hydroponic cultivation to package processing, with a work environment tailored to the characteristics of each individual's disability. Products such as herbal tea are distributed both within and outside the company to promote understanding of employment for people with disabilities.

Indoor Farm IBUKI

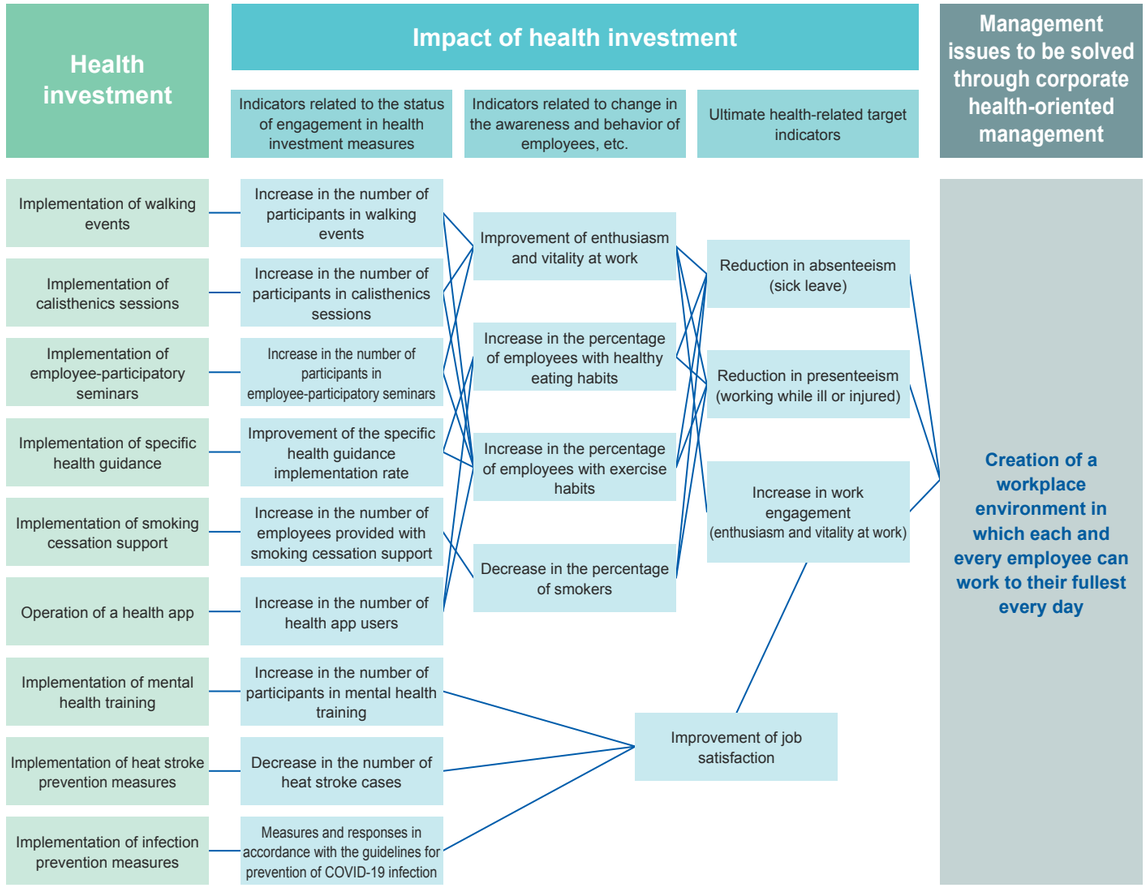
Promotion of Corporate Health-oriented Management

Based on the recognition that the safety and health of its employees is a prerequisite for its business activities and is thus an important management issue, Sanyo Special Steel formulated the “Sanyo Special Steel Corporate Health-oriented Management Declaration” in August 2021 and established a corporate health-oriented management structure with the Representative Director and President as the Chief Corporate Health Officer. We will promote initiatives for improving employees’ lifestyles and preventing mental health problems through, for example, walking events supporting them in making physical exercise an established routine, and will work on creating a workplace environment where each and every employee can work to their fullest every day.

Sanyo Special Steel Declaration of Corporate Health-oriented Management (August 2021)

Based on the recognition that the safety and health of its employees is a prerequisite for its business activities and an important management issue, Sanyo Special Steel declares that it will work together with the Sanyo Special Steel Health Insurance Association to comprehensively address health maintenance and promotion, and continue to create a workplace environment in which each and every employee can work to their fullest every day.

Corporate health-oriented management strategy map



For the Promotion of Corporate Health-oriented Management

Poor mental and physical health among employees not only causes a decline in productivity, but may also lead to an outflow of human resources in some cases due to leave of absence, leaving a job, or other reasons. In addition to providing employees with statutory health checkups, medical checkups for metabolic syndrome, and health guidance, Sanyo Special Steel continues to conduct stress checkups, which were made mandatory in FY2016, and group analysis based on the results of these checkups, and recommends employees with high stress levels to see an occupational physician. Moreover, we have a mental health help desk in place and provide smoking cessation support, dietary restriction counseling, etc. Our Corporate Health Management Promotion Council, which includes occupational physicians and our health insurance association and labor union as its members, regularly meets as a meeting body for continuous improvement, and an employee in charge of health promotion is appointed in each workplace. In addition, we are also promoting initiatives including the establishment of a “No Smoking Day” and rules on smoking during working hours, the creation of a comfortable workplace environment by providing cooling workwear, the holding of walking/health-check events to prompt the establishment of exercise habits, and the organization of radio broadcast calisthenics sessions at start of work and health related lectures.

Additionally, in FY2023, we selected those KPIs (Key Performance Indicators) which were to serve as follow-up indicators based on issues in key initiatives. Using three employee performance indicators—”Presenteeism,” “Absenteeism,” and “Work engagement”—as KPIs, we will verify their effectiveness and further promote our health-oriented management.

The members of the winning team in a walking event

Health check event

Health lecture by a physician invited from the Japanese Red Cross Society

Heat Stroke Prevention Measures

With recent summers of extreme heat, the risk of heat stroke inside plants has increased, in response to which Sanyo Special Steel has strengthened heat stroke preventive measures. Designating April as the preparation period, we hold heat stroke prevention seminars for managers, superintendents, and workers in plants, including those from cooperative companies, and, during the activity period from May to September, implement wide-ranging initiatives from diverse viewpoints to prevent heat stroke, including the distribution of cooling workwear and heat stroke prevention food products (such as oral rehydration solutions and salt tablets), the installation of ice slurry (sherbet-like beverage) machines and cooling spaces at multiple locations in plants,the monitoring of the WBGT value, and the implementation of heat stroke prevention patrols to encourage workers to hydrate themselves and to take supplemental salt.

Employee performance indicators

	FY2023 results
Presenteeism (*1)	69.3
Absenteeism (*2)	93.4
Work engagement (*3)	46.4

(*1) A completely optimal state (no decrease in work performance due to health problems) is rated with a score of 100.
(*2) A completely optimal state (the number of absent days from work = 0) is rated with a score of 100.
(*3) A positive and fulfilling psychological state in relation to work, represented as a deviation value with its national average set at 50.

Installation of ice slurry machines

Human Resource Development

Development of Human Resources Who Can “Think and Act Autonomously”

Under our basic policy of “developing employees and making full use of their potential,” we have developed a meticulous education and training system. In addition to education through daily work, we provide grade-specific training based on the years of service and positions and education for promotion of the participation of women, and reform the awareness of individuals in the company, in order to develop human resources with an independent mindset and motivation to take on challenges who can “think and act autonomously,” such as those having the ability to set and solve challenges on their own. Furthermore, for the purpose of broadening the perspective of employees and strengthening their solidarity, we provide them with opportunities to interact with outsiders, such as visits to clients’ factories and the dispatch of personnel to various external training sessions, and work on energizing employees’ mutual communication by, for example, organizing opinion exchange sessions between employees from different workplaces and workplace visits among employees.

Development of Global Human Resources

We are accelerating the development of human resources who can play active roles on a global stage due to our increasingly globalized business environment, and developing a global mindset through overseas language training for new employees in management track positions and short-term language study abroad for selected employees, among other initiatives. We also promote international exchange and innovation through technical collaboration and mutual dispatch of human resources with overseas Group companies and assign employees to overseas affiliates based on a human resource development model or to study abroad.

Human Resource Management System (establishing work tasks and training themes through dialogue)

Under the personnel appraisal system of Sanyo Special Steel, each employee is supported in building up and fully demonstrating their abilities from when they join the company until they reach the retirement age and in working with pride and a sense of fulfillment. In so doing, the system rewards individuals who have boldly taken on challenges and produced results, thereby enhancing the comprehensive strength of the company in terms of human resources. We focus not only on resultant achievements but also on whether employees “set high goals and boldly strived to achieve them” or whether they “executed the process to achieve the goals without fail” in their appraisal, in order to foster employees’ autonomy and motivation to take on challenges. In addition, the items covered in personnel appraisal include “the development and management of subordinates and junior colleagues” and “the creation of a comfortable-to-work workplace,” thereby indicating within the company the importance of human resource development and also striving to enhance employees’ engagement. Furthermore, we support the self-realization of each and every employee, for example, by enabling them to have a dialogue with their superior aimed at clarifying topics and issues in the improvement of their skills and to have career consultations with personnel in charge of personnel affairs from a long-term perspective.

Self-transformation Program Through Multifaceted Observation

We have introduced a self-transformation program through multifaceted observation. The program is designed for officers, department heads, and other management levels to confirm their evaluations by superiors, colleagues, and subordinates and understand how their actions are viewed by their subordinates and others around them, thereby providing them with an opportunity to objectively recognize their own management and behavioral characteristics for self-transformation.

In April 2024, a new department “Human Resources Planning Department” was established to specialize in recruitment activities, education and training, and diversity promotion, among other relevant business operations.

Respect for Human Rights

In the “Guidelines for Corporate Behavior,” which describe the actions to be taken as a company, the Sanyo Special Steel Group has stipulated that it shall respect human rights both in Japan and overseas, comply with relevant laws and regulations, international rules, and the spirit thereof, and shall fulfill its social responsibilities with high ethical standards to create a sustainable society. Furthermore, we endorse and respect the “International Bill of Human Rights” and the “Declaration on Fundamental Principles and Rights at Work” and promote business activities that respect human rights with the “Guiding Principles on Business and Human Rights” as our guidelines to follow.

Sanyo Special Steel Group Human Rights Policy (excerption)

[Respect for Human Rights]

- We understand that human rights may be affected through our business activities, such as procuring raw materials, manufacturing, selling, and distributing products, research and development, and recruitment. We are also aware that our business relationships with other stakeholders may end up impacting human rights. We will strive to neither violate human rights ourselves nor support any human rights abuse by our stakeholders, including business partners.
- Supporting and respecting the “International Bill of Human Rights” and the “Declaration on Fundamental Principles and Rights at Work,” we will conduct our business activities under the “Guiding Principles on Business and Human Rights.”
- We will prohibit discrimination based on nationality, race, religion, age, gender, physical or mental disorders, gender identification, sexual orientation, and upbringing, or discrimination for any other irrational reason. We will also strive to prohibit long working hours, harassment, forced labor, and child labor, respect the freedom of association and collective bargaining rights, and ensure safety and health in the workplace.
- We will comply with the laws and regulations of the countries and regions where we conduct business activities. When there are discrepancies between globally recognized human rights and the laws and regulations of a specific country or region, we will seek appropriate ways to respect the internationally recognized human rights to the extent possible while complying with such laws and regulations.

Human Rights-related Education and Relief Mechanisms

Through various educational opportunities, such as grade-based training and labor management seminars, we are working to develop a corporate culture in which each employee’s human rights and diversity are respected.

In addition, we have established a help desk for various compliance issues including those related to human rights, and have made known to all employees and other concerned parties the details of the system, contact information for the service, and the fact that no one would suffer any disadvantages for consulting or reporting. This mechanism makes it easier for them to consult and for the company to understand and identify human-rights violation cases.

In dealing with each individual case received at the help desk, we investigate the facts with due care to ensure that the privacy of those who have informed/consulted is protected and that they are not treated disadvantageously, and, if necessary, obtain advice from lawyers and external experts to seek appropriate resolution of the case.

Procurement of Ferroalloys with Respect for Human Rights

In the procurement of ferroalloys needed for special steel production, Sanyo Special Steel has confirmed through its suppliers that its procurement is “DRC conflict-free” (free from concerns that its procurement forms any source of funding for armed groups, infringes human rights, or instigates any conflicts).

Initiatives for Human Rights Due Diligence

In order to identify, evaluate, prevent, and mitigate any adverse impact of Sanyo Special Steel and its Group companies, suppliers, etc., on human rights, and for the effectiveness evaluation of initiatives, we will construct a mechanism for human rights due diligence. Last November, we conducted a human rights survey on our suppliers, seeking their support for our human rights policy and confirming their initiatives regarding the respect for human rights. We have a plan to continue confirming their initiatives on a regular basis.

Prevention of Child Labor and Forced Labor

Based on international norms on human rights, the Guidelines for Corporate Behavior, etc., Sanyo Special Steel ensures compliance with labor-related laws and regulations in each country and region, and prevents the occurrence of child labor and forced labor in its business activities.

Building and Maintenance of Sound Labor-management Relations

Sanyo Special Steel respects the “right to organize” and “right to collective bargaining” of the labor union in accordance with laws, regulations, and labor agreements, and strives to build and maintain sound labor-management relations. The relationship with the labor union is based on mutual understanding through bilateral dialogues, and we regularly hold discussions with the labor union on management conditions, health and safety, various management-related issues, working conditions such as salaries and bonuses, and work-life balance, among other matters.

In addition to complying with the minimum wages, etc., prescribed by the laws and regulations of each country and region, we also set salaries and other treatment based on the conditions agreed upon through sincere negotiations with the labor union. We have adopted a performance-linked bonus system in which the amount to be paid is determined based on the business performance of the previous fiscal year after reaching an agreement through negotiations with the labor union.

Labor-management talks

Quality Improvement Initiatives

Quality assurance is to improve customer satisfaction by accurately identifying customer needs and building up a process that enables a stable supply of products that meet those needs, and is directly linked to our corporate philosophy of “Confidence-based Management.” The Sanyo Special Steel Group has established a quality management system based on ISO 9001 and promotes quality control activities in which the sales, engineering, production, and quality assurance divisions work together to build quality in order to satisfy the product quality required of each product, such as JIS, overseas standards, and the specifications of each individual customer. We aim to become a company that continues to grow sustainably by focusing not only on controlling product quality but also on improving the quality management system, which is a key part of our corporate structure, to make it more efficient and responsive to changes in the environment, such as globalization and changing customer needs.

Quality Assurance System

The Quality Assurance Department plays a central role in maintaining and managing the quality management system, which is the cornerstone of our quality assurance system. In product quality control, the sales division identifies customer needs, the engineering division reflects those requirements in process design, and the production division manufactures the product according to that design. This process is implemented through collaboration among divisions. In addition, the Quality Assurance Department, an independent division, is responsible for overall quality assurance operations so as to perform an effective check and balance function, thereby ensuring that the quality assurance function is optimized and enhanced to provide more reliable products. The Quality Assurance Committee, chaired by the Officer in Charge of Quality Assurance, meets regularly to discuss basic quality assurance policies and plans for the fiscal year, and implements improvement activities such as “systematic improvement of important issues,” “prevention of quality complaints,” and “enhancement of customer satisfaction.”

Quality Assurance Initiatives

In response to the ISO 9001 requirement of “addressing risks and opportunities,” each organization conducts risk assessments of its operations. Based on the issues identified through this process, the PDCA (Plan, Do, Check, and Act) cycle is implemented from a medium- to long-term perspective to improve the level of quality assurance. Specifically, Sanyo Special Steel is working to improve its quality management system by continuously revising its quality manuals, conducting quality patrols, and promoting information sharing between organizations through internal quality audits. Furthermore, we promote awareness-raising activities in this regard, for example through e-learning programs on quality compliance and quality lectures, to raise employees’ awareness.

Understanding and Reflecting Customer Needs

Once a year, Sanyo Special Steel asks its customers to evaluate its QCDD (Quality, Cost, Delivery, and Development), analyzes the results of such evaluation, and then identifies and improves the items with low evaluation results, leading to further enhancement in customer satisfaction. In addition, in order to understand customer needs in a timely manner, we hold meetings to exchange technical ideas with customers and take part in domestic and international exhibitions. We introduce products and new technologies developed by us, provide detailed information on our products, and collect information on the latest customer needs, which is then used to develop and improve our products.

Expanding Technological Superiority

The Sanyo Special Steel Group is promoting further expansion of its technological superiority by strengthening its research and development and quality competitiveness in order to further enhance its corporate value in the global special steel market. To this end, we are clarifying the functions of product development, process development, and basic research, and strengthening the medium- to long-term research and development planning function to ensure the rapid and continuous creation of highly reliable products and new technologies with a view to global expansion.

Basic research:
Pursuing principles with an eye toward product characteristics

All technologies are based on principles. Now more than ever before, it is essential to pursue principles by strengthening basic research, given today’s demands for ever more advanced product characteristics and mass-production technology. The Sanyo Special Steel Group is analyzing things at the microscopic level to elucidate various mechanisms while keeping an eye on the performance of final products.

New product and technology development:
Responding to needs through a multilateral approach

As progress has been made toward carbon neutrality and the pace of technological progress accelerates, customer needs are becoming increasingly diverse and sophisticated. The Sanyo Special Steel Group uses customers’ perspectives to identify the truly key characteristics of their needs and optimizes the composition, structure, and production of steel, thereby exploring the very limits of steel’s potential for meeting society's needs.

Evaluation technology:
Earning trust with advanced evaluation and analysis technologies

For special steels, even slight differences in composition, microstructure, etc., can affect their properties. The development of evaluation technology that makes the invisible visible and the unknown known is a source of new knowledge. The Sanyo Special Steel Group utilizes cutting-edge evaluation and analysis technologies as the basis for reliability in product and technology development.

Research and Development Activities

The research and development activities of the Sanyo Special Steel Group are promoted mainly by Sanyo Special Steel’s “Research and Development Center,” and the total amount of research and development expenses in FY2023 was 2,228 million yen. With the creation of “eco-processes” and “eco-products” toward carbon neutrality in 2050 in mind, we are pursuing the deepening of technologies to meet the needs for even higher reliability, especially in the fields of EVs, wind power generation, railroads, and hydrogen society, which are expected to grow globally. Furthermore, we are focusing on the early realization of synergies through collaboration among Group companies.

The status of research and development activities by segment is shown in the table below.

Segment	Research purposes	Major issues and results	R&D expenses (FY2023)
Steel Products	• Development of high-performance products to be launched in the fields of wind power generation, automobiles, railroads, environment and energy, etc., which are expected to grow • Strengthening of quality and cost competitiveness through utilization of DX for the manufacturing processes of core products such as bearing steel, structural steel, stainless steel, and tool steel • Development of eco-products that can contribute to carbon neutrality in customers’ processes	• Promotion of high-carbon steel “TOUGHFIT®” that can contribute to achieving a carbon-neutral society • Commercialization of “SIC12ES,” which enables recuperators for various types of industrial furnaces to be highly efficient	1,780 million yen
Metal Powders	• Development of new products, mainly information recording and processing products and powders for 3D printing, which can be expected to grow in the future	• Commercialization of “S-MEC®” Series, new alloy powders for die casting molds with higher thermal conductivity, in the “NOVASHAPE®” lineup of metallic powder products suitable for 3D printers	412 million yen
Formed and Fabricated Materials	• Development of manufacturing technology for newly ordered products of the Formed and Fabricated Materials business • Establishment of rapid design technology for optimal molds and ring rolling analysis technology, and development of manufacturing technology for saving manpower, with the aim of strengthening cost competitiveness	• Establishment of die forged parts manufacturing technology using CAE analysis technology • Formulation of optimal processing dimensions by applying CAE analysis technology to forecast the amount of deformation by heat treatment, and quality improvement of ring rolling products	35 million yen

Promotion of DX

Sanyo Special Steel promotes digital transformation (DX) utilizing data and digital technology which has made remarkable progress in recent years.

In January 2023, we set up a DX Promotion Project Team led by the Representative Director and President. In order to be able to deal with accelerating changes in society and markets and maintain its high level of competitiveness into the future, the Sanyo Special Steel Group aims to break away from an analog mindset and practice relying on the large-scale mobilization of labor and from KKD (Keiken (experience), Kan (intuition), and Dokyo (nerve)) to accomplish the transformation of its Group companies into digital companies that can execute measures on the basis of reasoning (data).

Purposes of the DX Promotion Project:

- To promote the resolution of issues through fault-finding and DX in work/operations
- To construct an integrated database and facilitate the sharing of necessary data between operational systems
- To utilize the latest digital technology to facilitate the visualization of information, the introduction of real-time information, the automation and labor-saving of operations, etc.
- To enhance the business structure through operational transformation based on DX initiatives, and enhance the corporate value

Building of a Data Utilization Infrastructure and Human Resource Development

In the DX Promotion Project, the building of an integrated information infrastructure (integrated database) to share necessary data between operations is underway in reforming business processes by utilizing digital data.

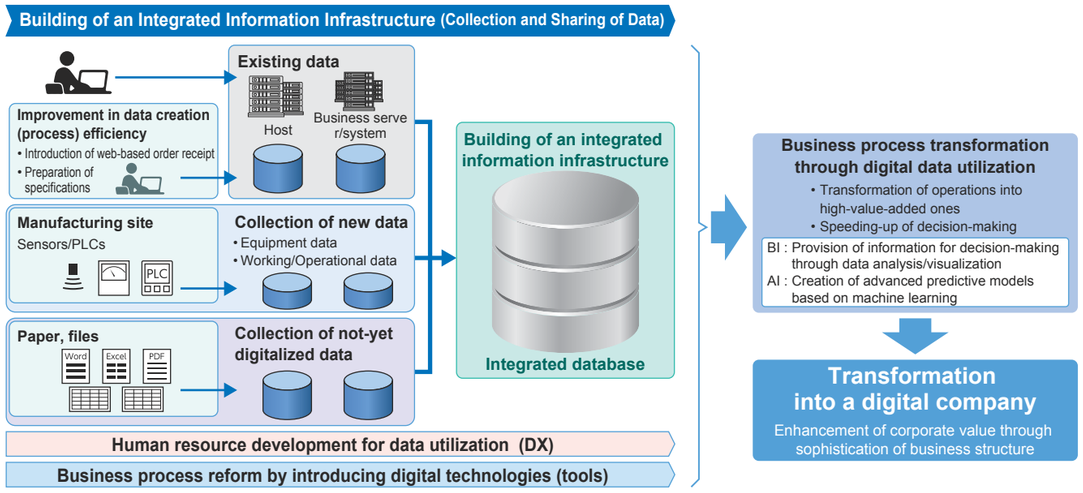
This infrastructure is for the sharing of data necessary for operations and is being built in a cloud environment. In addition to collecting and accumulating existing operational data, Sanyo Special Steel is newly gathering sensor data from equipment, as well as working/operational data from important equipment, successively. This effort has brought forward the development of a data infrastructure that can be utilized on a company-wide basis.

On the basis of insights gained from data analysis and visualization with BI tools, etc. based on the built data utilization infrastructure, we will strive to accomplish our transformation from judgments relying on experience and intuition into rapid, data-driven actions and decision-making. We are also fostering human resources who are essential in executing these processes. Through classroom training and OJT, we are developing personnel who are capable of analyzing collected data and solving issues by using such data as the data utilization leaders of their organizations.

Business Process Reform Utilizing Digital Technology

Each working group leads the department under its charge in considering how the built data utilization infrastructure should be utilized and the introduction of digital technology, and works on the transformation of business processes and business models. Specific ongoing efforts in the business process reform of Sanyo Special Steel include the introduction of digital tools tailored to each operation and the formulation of a web-based system for acquisition of information on orders received from customers.

These efforts are aimed at improving operational efficiency through realization of the automation of operations and manpower reduction. This reform initiative promotes a shift toward high-value-added operations and seeks to streamline overall business operations, serving as an important element in supporting the company's sustainable growth. We will continue to make progress in our business reform from various perspectives and also promote the transformation of the organization as a whole through innovation of the business processes of each division and strengthening of interdepartmental collaboration.



Realization of Sustainable Procurement

The Sanyo Special Steel Group ensures compliance with laws, regulations, and social norms in accordance with its Procurement Policy, conducts fair and equitable transactions with a wide open door policy both in Japan and overseas, and promotes environmentally friendly procurement activities with its suppliers. In our procurement activities, we confirm the principles of "sustainable procurement," which cover accountability, transparency, respect for human rights, and ethical behavior, for the raw materials and services we procure, and reflect them in our procurement decision-making. We also strive to maintain and improve mutual understanding and trust relationships with our suppliers, aiming for mutual development as a business partner, and are working to realize "sustainable procurement" that contributes to the sustainability of our suppliers' business operations through strengthened partnerships.

Procurement Policy

In our procurement activities, we, Sanyo Special Steel, comply with relevant laws and regulations, maintain an open-door policy across the board both domestically and internationally, engage in fair and equitable transactions, and thereby strive to build partnerships with our suppliers. We also promote environmentally friendly procurement activities.

1. Compliance with laws, regulations, and social norms

We comply with all relevant laws, regulations, and social norms, act in good faith, and thoroughly manage information obtained in the course of business transactions.

In addition, we ensure that no relationship will be formed with anti-social forces that threaten the order and security of civil society.

2. Fair and equitable transactions

We maintain an open-door policy across the board both domestically and internationally to provide all suppliers with opportunities to participate, and engage in transactions based on economic rationality.

3. Partnership building

We conduct transactions with all of our suppliers on an equal and fair basis, strive to maintain and improve mutual understanding and trust relationships, and aim for mutual development as business partners.

4. Promotion of environmentally friendly procurement activities

In collaboration with our suppliers, we build a system to avoid purchasing raw materials, equipment, and various other materials containing hazardous chemicals.

Initiatives to build a stable procurement structure

Sanyo Special Steel plants are normally in production 24 hours a day. Therefore, with the cooperation of our suppliers, we receive shipments of iron and steel scrap, our main raw material, on a 24-hour basis. We also procure the required quantities of ferroalloys, secondary materials, etc., when needed.

In anticipation of risks such as supply disruptions due to disasters, etc., we strive to understand the production status, production locations, delivery routes, etc., of our major procurement items by, for example, visiting the factories of our suppliers. We have also established a system that enables us to sustain production activities even in the event of an emergency by sharing information on procurement items with our suppliers on a daily basis, promptly securing substitute items in an emergency, and maintaining an appropriate amount of stock on our premises.

Supplier award system

Sanyo Special Steel values its partnerships with suppliers. As part of our appreciation, we have established a supplier award system. Under the supplier award system, we comprehensively evaluate each supplier's quality, cost competitiveness, delivery date management, business status, environmental responsiveness, services provided, and other factors in transactions carried out with us over a certain period of time in terms of the areas of raw materials, various other materials, maintenance, and outsourcing, select those suppliers which have attained outstanding achievements, and present them with awards. In FY2023, five companies were awarded for their outstanding achievements.

Declaration of Partnership Building

Sanyo Special Steel has announced its "Declaration of Partnership Building," which aims to increase added value throughout the supply chain by promoting cooperation, co-existence, and co-prosperity with our suppliers in the supply chain. We will prevent small- and medium-sized enterprises (SMEs) and small businesses from bearing burdens caused by unfair trade conditions, continuously make subcontracting transactions fair and proper, and work on promoting new collaborations such as initiatives to increase added value throughout the supply chain and open innovation beyond business scales, groups, etc.

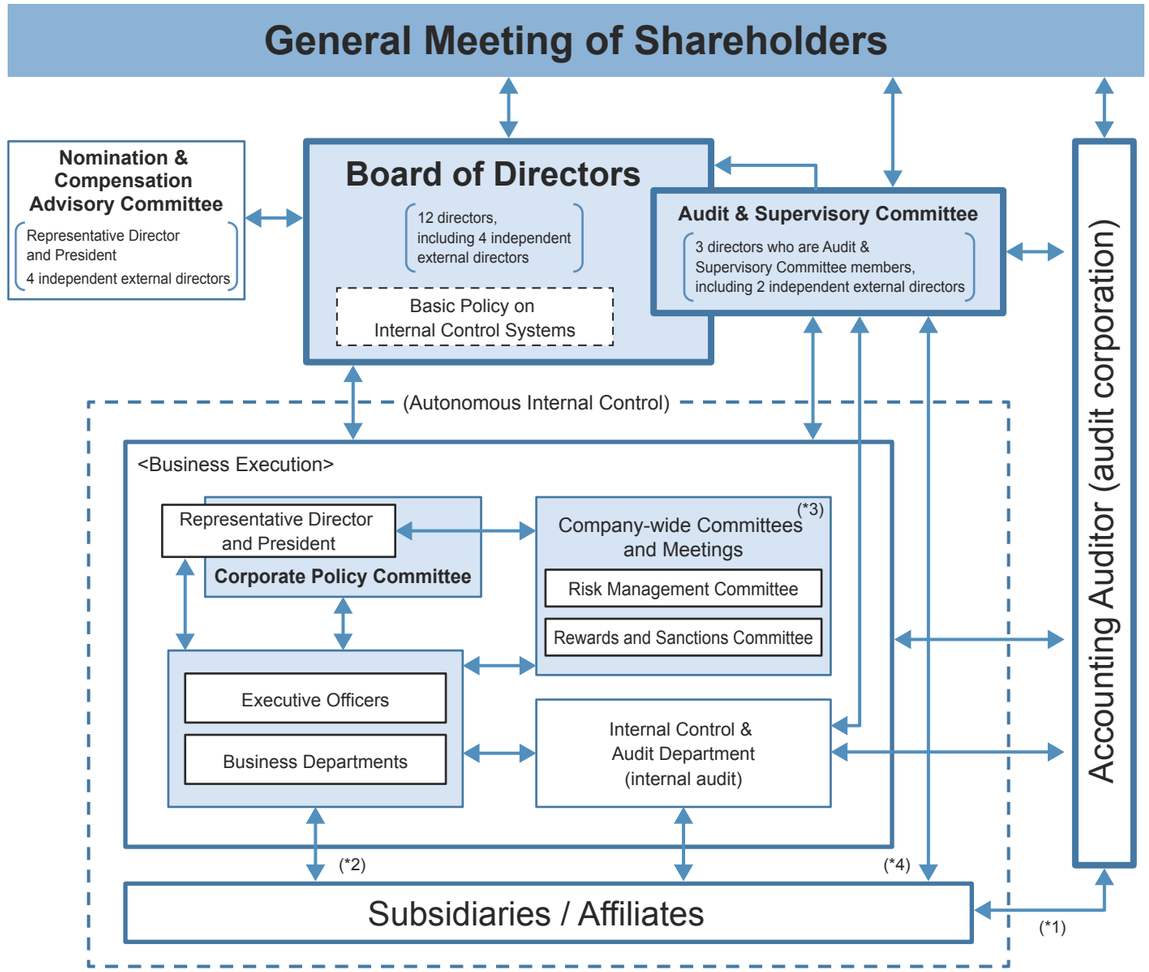
In FY2023, we held an explanatory session on cybersecurity for suppliers to raise the security level of the entire supply chain.

Enhancement of Corporate Governance

Based on its corporate philosophy “Confidence-based Management,” Sanyo Special Steel aims to earn the confidence of society by contributing to the realization of an affluent and culturally rich society and fulfilling its responsibilities as a member of society through the “manufacture of high-quality special steel.” In addition, we aim to earn the confidence of our customers by promptly and accurately identifying their needs and appropriately providing them with high-quality special steel products. We also strive to communicate with all stakeholders and build confidence among people through autonomous actions in accordance with social norms. We recognize that these are the requirements for the survival of the company and also constitute its mission.

In order to achieve this, we will strive to strengthen corporate governance by establishing a corporate governance structure suited to the Group’s business in order to improve the efficiency, soundness, transparency, etc., of our management.

Corporate Governance Structure



(*1) Audits of subsidiaries and affiliates are conducted by the audit corporation through its audits of consolidated financial statements.

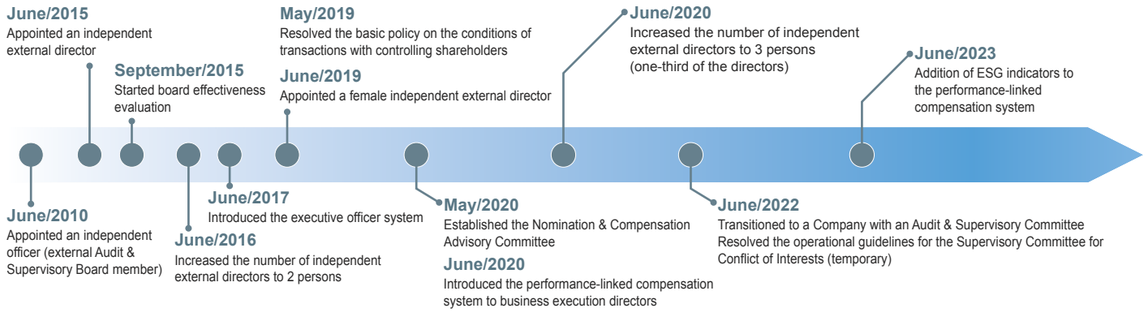
(*2) A supervisory department is designated for each subsidiary and affiliate.

(*3) In addition to the above, other committees and meetings include the Carbon Neutral (CN) Promotion Committee and the Safety and Health Committee. In order to prevent the occurrence or recurrence of any breach of compliance, we have also established a whistle-blowing system called the “compliance help desk.”

(*4) Directors who are Audit & Supervisory Committee members investigate the status of operations and assets of subsidiaries as necessary.

(*5) With respect to an important transaction that may cause any conflict of interest between the parent company and minority shareholders, a “Supervisory Committee for Conflict of Interests” consisting of all independent external directors is established to deliberate and examine the appropriateness of the subject transaction on a case-by-case basis, and the Board of Directors makes a decision based on the results of such deliberation and examination.

Initiatives Implemented so Far to Enhance Corporate Governance



Board of Directors

In Sanyo Special Steel, the Board of Directors meets once a month in principle to discuss management policies and important management matters relating to business execution, the appointment and dismissal of officers, the policy for determining executive compensation, matters relating to ensuring the appropriateness of operations, matters relating to the dividend of surplus, and other relevant matters.

In FY2023, the Board of Directors held a total of 15 meetings and discussed the following matters.

<Main proposals discussed by the Board of Directors during FY2023>

- Monthly closing of accounts
- Budgeting for the fiscal year and the second half of the year
- Announcement of quarterly and year-end financial results
- Convocation of a general meeting of shareholders
- Internal control plan and J-SOX audit
- Changes to the policy for determining executive compensation, and the compensation and performance targets of officers, etc.
- The situation of shareholders and IR activities
- The situation surrounding transactions with controlling shareholders
- Revision of the 2025 Mid-Term Management Plan, and the status of its progress
- Safety and health activities
- The status of progress of ESG measures
- Initiatives for environmental protection and carbon neutrality
- Establishment of a group human rights policy
- Board effectiveness evaluation
- Significance of retention of cross-shareholdings and selling thereof
- Capital policies such as those on financing
- Assessment of the management soundness of affiliates

Nomination & Compensation Advisory Committee

In order to ensure the soundness of the procedures for determining the appointment and compensation of officers, the Board of Directors of Sanyo Special Steel resolves on the nomination of director candidates, the selection of representative directors, and the determination of the compensation of directors (excluding directors who are Audit & Supervisory Committee members) after discussion held by, and hearing the opinions of, the Nomination & Compensation Advisory Committee for the sake of enhanced transparency and objectivity.

In FY2023, a total of five meetings of the Nomination & Compensation Advisory Committee was held in April, June, and December 2023 and February and March 2024.

Risk Management Committee

The Risk Management Committee of Sanyo Special Steel, which consists of all the directors including the Audit & Supervisory Committee members and the officers in charge of the functional departments responsible for risk management in the relevant areas, meets quarterly to discuss, and exchange opinions on, the status of formulation and implementation of an internal control plan; matters related to risk management, including compliance with relevant laws, regulations, company rules, etc., occupational safety, human rights violations such as sexual harassment and power harassment, and sustainability risks such as those related to the environment, disaster prevention, quality, financial reporting, and information security; the operational status of the whistle-blowing system; and other relevant matters.

Audit & Supervisory Committee

In accordance with the Standards for Audit & Supervisory Committee Audits, etc. established by the Audit & Supervisory Committee, and in close cooperation with the internal audit division, audits are conducted on the status of development and operation of internal control systems in light of the audit policy, the division of duties, and other relevant matters. Furthermore, the Audit & Supervisory Committee monitors and verifies the status of performance of duties by business execution directors, employees, etc., by attending important meetings, such as meetings of the Board of Directors, of the Risk Management Committee, and of the Corporate Policy Committee, by viewing important approval documents such as approval requests, and by taking other relevant actions. In addition, by receiving reports from the accounting auditor on the status of performance of their duties and requesting explanations as necessary, the Committee monitors and verifies that the accounting auditor maintains an independent position and executes appropriate audits.

In FY2023, the Audit & Supervisory Committee held ten meetings.

Enhancement of Corporate Governance

Internal Control Systems

In Sanyo Special Steel, since the Board of Directors resolved to adopt the Basic Policy on Internal Control Systems, the Internal Control & Audit Department, which is in charge of internal control planning and internal auditing, and functional departments in charge of risk management in their respective areas have been established to form an operational structure for the internal control systems of the Sanyo Special Steel Group.

In addition, a risk management officer is assigned to each department and Group company to be in charge of planning and promoting autonomous internal control activities in the department and Group company.

Compliance and Risk Management Systems

Sanyo Special Steel has formulated the “Guidelines for Corporate Behavior” that define the code of conduct we should follow as a corporation, and the “Code of Conduct” as guidance on conduct to be observed in the course of business activities based on the “Guidelines for Corporate Behavior.” We are working to ensure that all officers and employees are familiar with these guidelines and code. Furthermore, a compliance promotion structure has been put in place with the establishment of a compliance help desk and the periodic holding of Risk Management Committee meetings, among other details, prescribed in company rules.

By continuing to periodically provide employees with education on the need and significance of observing various laws, regulations, and rules associated with corporate management, we will strive to cultivate higher ethical standards. We will also maintain and improve the soundness of management not only of Sanyo Special Steel but also of the entire Group, and will fulfill our corporate mission of “making a social contribution through business” by promoting business activities rooted in high ethical standards.

Guidelines for Minority Shareholders Protection Policy in Transactions with Controlling Shareholders

The Board of Directors has resolved that transactions with the parent company’s group shall be based on appropriate terms and conditions similar to those generally applicable to transactions with other companies, and has confirmed that for transactions required under internal regulations, the terms and conditions of such transactions shall not differ significantly from those normally applicable to transactions with third parties, and that the implementation of such transactions shall contribute to our business and shall not be detrimental to our interests.

With respect to important transactions or actions that may cause conflicts of interest between the parent company and minority shareholders, the Board of Directors sets up a “Supervisory Committee for Conflict of Interests” consisting of all independent external directors to deliberate and examine the appropriateness of the subject transaction, etc., on a case-by-case basis, and makes a decision based on the results of such deliberation and examination.

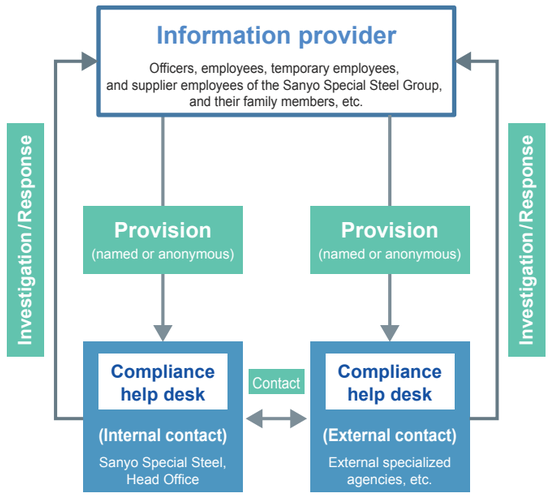
Officer Training

Sanyo Special Steel provides directors with opportunities to acquire necessary knowledge such as their responsibilities under the Companies Act and other important laws and regulations, as well as systems, etc., related to their work. Such opportunities include training given by outside instructors. In addition, we actively provide external directors with opportunities to visit our plants and to interact with the Representative Director and President, internal directors, etc., so as to enable them to deepen their understanding of our Group’s business operations.

Compliance Help Desk (Whistle-blowing System)

In order to prevent the occurrence and recurrence of incidents or actions that are or may have been in violation of laws, regulations, social norms, company rules, etc., Sanyo Special Steel has established a compliance help desk as a whistle-blowing and consultation system that also takes into account the Whistleblower Protection Act amended in June 2022. This help desk can be used by anyone in the Sanyo Special Steel Group, including officers, employees, temporary employees, supplier employees (including those who fell under any of these categories within one year prior to the date of reporting or consultation), and their family members, etc. For those with problems that are difficult to solve in their workplaces or concerns that they cannot talk to anyone about, the help desk is available for consultation so that they do not need to take on such problems or concerns on their own. Anonymous consultation and reporting are also possible, and no one will be disadvantaged as a result of consultation or reporting. In addition to our help desk, the Compliance Consultation Office of our parent company, NSC, can also be used. It is our policy to take prompt and appropriate action in the event of consultation or reporting.

The compliance help desk also has a role in monitoring the status of internal control activities.

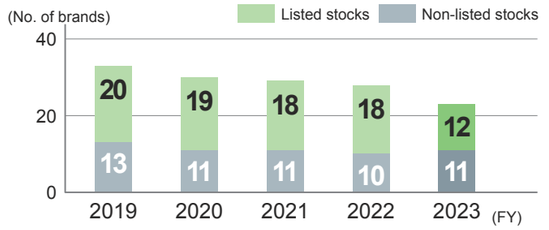


* No one will be disadvantaged as a result of consultation or reporting. Sensitive information is maintained in strictest confidence.

Cross-shareholdings

Sanyo Special Steel holds cross-shareholdings (all shares other than those of its affiliates) for the purpose of enhancing its medium- to long-term corporate value by, for example, maintaining and strengthening business and trade relationships, maintaining and developing partnerships, and smoothly promoting its business activities. With respect to each brand included in the cross-shareholdings, the Board of Directors annually reviews the rationality of holding the shares in light of the purpose of holding them, the situation surrounding relevant business transactions, etc. For share brands the holding of which we have found not to be rational, we are working on reducing the number of their shares held by us through dialogue and negotiations with the business partners concerned.

Trends in the number of cross-shareholding brands held



Dialogue With Shareholders and Investors

With a view to achieving sustainable growth and enhancing its medium- to long-term corporate value, Sanyo Special Steel is taking various measures to promote constructive dialogue with shareholders and investors and is committed to enriching such measures through the cooperation of various divisions in the company with each other, including officers, the Accounting & Finance Department, and the General Administration Department.

During FY2023, we held four briefings[*1] on the days of announcement of the quarterly and year-end financial results, 103 individual talks[*2] with investors, etc., and one ESG explanatory session[*3] for institutional investors.

<Main topics of dialogue>

- Performance results of Sanyo Special Steel and its consolidated subsidiaries
- Trends in major customer industries
- Responses to the soaring prices of raw materials and fuels and to the rising fixed costs
- Initiatives toward carbon neutrality, etc.

*1: The Representative Director and President attended the briefings for announcement of the second-quarter and year-end financial results. The Japanese version and English version of explanatory materials were released simultaneously.
*2: Individual talks were conducted to communicate with a total of 184 shareholders and investors, among whom a total of 50 overseas shareholders and investors were included.
*3: Our initiatives for ESG were explained to institutional investors. The Representative Director and President, the Directors and Managing Executive Officers, and the Managing Executive Officer appeared before the attendees to give explanations. A video of the explanatory session and its materials and minutes are published on our website.

Board Effectiveness Evaluation

In order to improve the functions of the Board of Directors, Sanyo Special Steel conducts analysis and evaluation of the effectiveness of the Board of Directors. Specifically, we conduct, through a third-party organization, a questionnaire survey of the members of the Board of Directors on general matters related to the Board of Directors, such as its composition and operation method, the status of deliberation, and the state of cooperation with external officers. On the basis of the results of analysis of the survey results, the Board of Directors evaluates its effectiveness.

In FY2023, based on the results of the board effectiveness evaluation for FY2022, we set the following tasks and took measures to address them.

<FY2023 tasks and measures>

(1) Consideration of matters concerning the diversity of the members of the Board of Directors
In December 2023, the Nomination & Compensation Advisory Committee discussed the diversity of directors. In the February 2024 meeting of the Board of Directors, it was resolved to increase the number of female directors by one (from one to two female directors) from the general meeting of shareholders scheduled for June onward.

(2) Enhancement of the interaction among the members of the Board of Directors
During FY2023, five opinion exchange sessions were held on the days on each of which a meeting of the Board of Directors was held. In the opinion exchange sessions, opinions were expressed and information was exchanged in a free-spirited manner. These sessions served as an opportunity for external directors to deepen their understanding of Sanyo Special Steel, and as an opportunity for internal directors to view the company’s issues from an outside perspective.

(3) Enhancement of opportunities for officer training
In September 2023 and January and February 2024, we invited experts from external organizations to give lectures on “the present situation surrounding the disclosure of information on human capital,” “management power,” and “digestive system cancer cases and the importance of health checkups.” Furthermore, in December 2023, a lecture on the theme of “compliance and international mindset” was held with Director Fujiwara as the lecturer.

(4) Further simplification and prioritization of board meeting materials
Since 2022, we have shifted to paperless meetings using a web conferencing function. Relevant parties were informed again of the rules and points to note (e.g., the colorization of graphs) for the preparation of materials.

(5) Efficient operation of explanation provision prior to meetings of the Board of Directors
Meetings were scheduled in a manner that would minimize the number of pre-explanation sessions, and a policy of gathering attendees five minutes before the start of explanation was implemented to avoid waiting time.

Based on the results of the evaluation of effectiveness for FY2023, which took into account the above measures, we have concluded that Sanyo Special Steel’s Board of Directors functions effectively. In FY2024, based on the results of the questionnaire survey conducted, we will continue to enhance officer training and the interaction among the members of the Board of Directors and also to consider making further enhancements in the Board of Directors and expanding the roles and diversity of external directors.

<Tasks for FY2024>

(1) Consideration of the composition of the Board of Directors (2) Deepening of discussions held by the Board of Directors (3) Enhancement of officer training (4) Improvement of the operation of the Board of Directors (5) Enhancement of the interaction among the members of the Board of Directors

Officers

Representative Director and President

MIYAMOTO Katsuhiro

Director, Member of the Board, and Managing Executive Officer

OI Shigehiro

Director, Member of the Board, and Managing Executive Officer

OMAE Kozo

Director, Member of the Board, and Managing Executive Officer

YANAGIMOTO Katsu

Director, Member of the Board, and Managing Executive Officer

YATSUNAMI Takashi

Director, Member of the Board, and Executive Officer

HORI Yoshiro

Independent External Director, Member of the Board

FUJIWARA Kayo

Independent External Director, Member of the Board

TOIDE Iwao

Director, Member of the Board

SONODA Hiroto

Director, Member of the Board, and Senior Audit & Supervisory Committee Member

NAGANO Kazuhiko

Independent External Director, Member of the Board, and Audit & Supervisory Committee Member

YOGI Hiroshi

Independent External Director, Member of the Board, and Audit & Supervisory Committee Member

MIYAGUCHI Aki

Composition of the Board of Directors and Expertise and Experience of Its Members

In order to ensure flexible decision-making in response to changes in the business environment and the development of an effective corporate governance system, Sanyo Special Steel ensures that the size of the Board of Directors is appropriate to its Group's business and management issues, and that the member composition of the Board of Directors is well-balanced in terms of experience, knowledge, and expertise, taking account of its diversity in terms of gender, etc.

		Name	Expertise and experience								
			Corporate management / Management strategy	Manufacturing / Engineering / R&D / DX	Sales / Procurement	Finance / Accounting	Personnel and labor relations / Diversity	International experience	Risk management / Compliance	Environment / Sustainability	Knowledge of other industries
Directors (excluding those who are Audit & Supervisory Committee members)	Executive	MIYAMOTO Katsuhiro*	●	●	●	●	●	●	●	●	●
		OI Shigehiro	●	●	●					●	
		OMAE Kozo	●	●	●		●	●	●		
		YANAGIMOTO Katsu	●	●	●			●			
		YATSUNAMI Takashi	●		●	●		●		●	
		HORI Yoshiro	●		●			●			
	Non-executive	FUJIWARA Kayo* Independent External	●		●		●	●			●
		TOIDE Iwao* Independent External	●		●			●	●	●	●
		SONODA Hiroto	●		●		●				
Directors who are Audit & Supervisory Committee members		NAGANO Kazuhiko	●		●	●	●		●	●	
		YOGI Hiroshi* Independent External	●			●		●			●
		MIYAGUCHI Aki* Independent External				●	●		●		●

* MIYAMOTO Katsuhiro, FUJIWARA Kayo, TOIDE Iwao, YOGI Hiroshi, and MIYAGUCHI Aki are members of the Nomination & Compensation Advisory Committee, a non-statutory advisory body of Sanyo Special Steel.

Ratio of independent external directors

33.3 %

(4 out of 12 directors are independent external directors)

Number of female directors

2

(2 out of 12 directors are female directors)

Policies and Procedures for the Appointment and Removal of Executives and Nomination of Director Candidates

It is our policy that the Board of Directors determines the appointment of executives based on the experience, knowledge, and expertise of each individual without distinction as to gender, age, nationality, etc., so as to create an optimal structure in which each person can appropriately fulfill their role and responsibilities and the management issues of the Sanyo Special Steel Group's businesses can be accurately addressed.

In addition to the above conditions, our policy is to make decisions on the nomination of director candidates by taking into consideration the overall size of the Board of Directors and Audit & Supervisory Committee as a whole and the balance of candidates who are to make up the Board and Committee.

It is our policy that the Board of Directors makes a comprehensive judgment before deciding on the removal of executives in the event of any irregularity or serious violation of laws, regulations, or the Articles of Incorporation in the execution of their duties, or in the event that the person is deemed unable to fulfill their roles and responsibilities.

Procedures for the appointment and removal of executives and the nomination of director candidates are to be adopted by resolution of the Board of Directors after deliberations by the Nomination & Compensation Advisory Committee consisting of the Representative Director and President and independent external directors. The prior consent of the Audit & Supervisory Committee is to be obtained for the nomination of candidates for directors who are Audit & Supervisory Committee members.

In addition, the dismissal of a director is determined after deliberations by the Nomination & Compensation Advisory Committee and by resolution of the Board of Directors, followed by the submission of a proposal for dismissal of the director to a general meeting of shareholders. The dismissal is then finalized by resolution on the said proposal.

Policies and Procedures for Determining Directors' Compensation

(i) Policy details

Directors (excluding those who are Audit & Supervisory Committee members)

The base amount is determined by position, taking into consideration the required abilities and responsibilities as well as the substance of the duties of each position according to whether it is a full-time or part-time position. For business execution directors, the total amount of compensation is performance-linked so as to provide incentives for the sustainable growth of the Group and for the improvement of corporate value, with the base amount varying within a certain range according to the consolidated performance of Sanyo Special Steel, and the amount of monthly compensation for each director is determined within the limit approved in the relevant general meeting of shareholders.

For non-executive directors, the total amount of compensation is fixed in consideration of their duties, and the amount of monthly compensation for each director is determined within the limit approved in the relevant general meeting of shareholders.

Directors who are Audit & Supervisory Committee members

The amount of monthly compensation for each director that is an Audit & Supervisory Committee member is determined within the limit approved in the relevant general meeting of shareholders, taking into consideration their position and the substance of their duties according to whether the position is full-time or part-time.

(Performance-linked compensation)

As indicators for performance-linked compensation, Sanyo Special Steel uses consolidated ordinary income from the perspective of short-term and medium- to long-term performance incentives (taking into consideration earnings targets in the mid-term management plan, etc.), the return on equity (ROE) from the perspective of contribution to shareholders, and, from an ESG perspective, the CDP climate change score, health management rating, safety index, ratio of female managers, and board effectiveness evaluation by external directors.

Sanyo Special Steel's performance-linked compensation is calculated by multiplying the base amount determined for each position by a variable rate determined based on the performance of the above indicators.

(ii) Method of determining policies

For directors (excluding those who are Audit & Supervisory Committee members), the policy is determined by resolution of the Board of Directors after discussions held by the Nomination & Compensation Advisory Committee consisting of the Representative Director and President and independent external directors; for directors who are Audit & Supervisory Committee members, the policy is determined through discussions held by the Audit & Supervisory Committee.

(iii) Procedures for determining the amount of compensation

The specific amount of compensation for each director (excluding directors who are Audit & Supervisory Committee members) is to be determined by resolution of the Board of Directors after discussions held by the Nomination & Compensation Advisory Committee.

The specific amount of compensation for each director that is an Audit & Supervisory Committee member is to be determined through discussions held by the Audit & Supervisory Committee.

Key Financial Data

		FY2014 (103rd period)	FY2015 (104th period)	FY2016 (105th period)	FY2017 (106th period)	FY2018 (107th period)	FY2019 (108th period)	FY2020 (109th period)	FY2021 (110th period)	FY2022 (111th period)	FY2023 (112th period)
Business results											
Net sales	(Millions of yen)	171,495	149,148	138,680	157,485	185,818	262,452	210,721	363,278	393,843	**353,810**
Operating income	(Millions of yen)	9,169	12,188	11,685	10,969	10,123	-1,417	-5,493	21,416	28,492	**11,366**
Ordinary income	(Millions of yen)	9,735	11,540	11,736	10,659	9,437	-1,521	-4,762	21,664	28,856	**12,119**
Profit attributable to owners of the parent	(Millions of yen)	6,547	7,416	7,784	7,034	7,721	-3,717	-6,870	15,267	20,743	**9,056**
Financial conditions											
Total assets	(Millions of yen)	202,243	179,898	183,444	209,146	374,246	327,963	319,360	377,911	401,218	**398,706**
Net assets	(Millions of yen)	113,644	113,140	123,143	128,959	200,200	182,202	179,887	198,845	216,024	**228,597**
Interest-bearing debt (net) *2	(100 millions of yen)	332	143	127	284	690	487	469	587	667	**515**
Equity ratio	(%)	55.8	62.4	66.7	61.0	52.3	54.4	55.9	52.1	53.4	**56.9**
D/E ratio (net)	(Times)	0.29	0.13	0.10	0.22	0.34	0.27	0.26	0.30	0.31	**0.23**
ROS • ROE											
ROS (Rate of Sales)	(%)	5.7	7.7	8.5	6.8	5.1	-0.6	-2.3	6.0	7.3	**3.4**
ROE (Return on Equity)	(%)	6.1	6.6	6.6	5.6	4.8	-2.0	-3.9	8.1	10.1	**4.1**
Per share information											
Net assets per share *1	(Yen)	699.51	696.69	759.36	3,960.99	3,480.62	3,273.07	3,273.84	3,615.39	3,934.50	**4,160.27**
Net income per share *1	(Yen)	40.60	46.00	48.29	218.34	237.75	-67.14	-126.07	280.19	380.70	**166.21**
Dividend per share *1	(Yen)	10.00	12.00	12.50	31.70	69.00	15.50	—	90.00	100.00	**65.00**
Capital investment / Research and development											
Capital expenditures	(Millions of yen)	7,176	9,908	9,795	8,119	10,618	27,553	14,446	11,720	13,594	**17,703**
Depreciation expenses	(Millions of yen)	9,826	9,343	9,098	9,047	9,338	15,033	14,187	15,903	13,764	**13,744**
Research and development expenses	(Millions of yen)	1,383	1,596	1,608	1,716	1,773	2,475	2,110	2,219	2,019	**2,228**
Cash flows											
Cash flows from operating activities	(Millions of yen)	20,698	28,770	15,090	-5,566	10,792	39,425	22,313	7,086	12,155	**40,644**
Cash flows from investing activities	(Millions of yen)	-5,873	-8,510	-11,141	-8,354	-69,046	-12,463	-19,412	-13,298	-12,766	**-15,924**
Cash flows from financing activities	(Millions of yen)	-17,426	-18,807	-10,775	14,705	65,929	-21,093	-5,473	2,286	8,525	**-27,446**
Other											
Sales volume	(Thousand tons)	1,054	988	1,013	1,069	1,171	1,615	1,367	1,995	1,607	**1,429**

*1: In October 2017, a reverse stock split of five shares into one share was implemented.
*2: Interest-bearing debt (net) is the balance of interest-bearing debt minus cash and cash equivalents and deposits to affiliates.

Non-financial Data (Non-consolidated)

		FY2019 (108th period)	FY2020 (109th period)	FY2021 (110th period)	FY2022 (111th period)	FY2023 (112th period)
Number of employees	(Persons)	1,366	1,602	1,611	1,623	**1,623**
Number of new hires	(Persons)	74	61	56	50	**58**
Females included in the above	(Persons)	11	9	13	10	**17**
Percentage of female employees	(%)	13	13	14	14	**13**
Percentage of female managers	(%)	3.9	3.8	5.6	6.1	**6.7**
Rate of employment of persons with disabilities	(%)	1.70	2.26	2.12	2.21	**2.93**
(Statutory rate of employment)	(%)	2.2	2.2	2.3	2.3	**2.3**
Percentage of employees taking paid leave	(%)	77.9	48.4	74.7	83.6	**83.3**
Percentage of male employees taking childcare leave	(%)	—	2	37	74	**88**
Percentage of female employees taking childcare leave	(%)	—	140	66	100	**128**
Difference between males and females in wages	(%)	—	—	69.9	70.1	**68.6**
Rate of receiving health checkups	(%)	93	100	100	100	**100**
Rate of receiving stress checkups	(%)	86.3	91.9	90.8	94.9	**95.8**
Leave frequency rate	–	1.26	0.88	0.76	0.79	**0.62**
Scope 1 + 2 GHG emissions	10 thousand $t\text{-}CO_2e$	—	—	71.7	54.2	**55.6**
Scope 3 GHG emissions	10 thousand $t\text{-}CO_2e$	—	—	150.0	136.0	**125.3**

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