

# ESG Update

**December 13, 2023**

**SANYO SPECIAL STEEL Co., Ltd.**

<https://www.sanyo-steel.co.jp/>



Santo-kun  
(Our mascot)

# ESG Update Agenda

Time	Agenda	Speaker
	Greetings	
	1. Corporate Philosophy and Medium-Term Vision	Representative Director and President MIYAMOTO Katsuhiko 
35 min.	2. Environment	Managing Executive Officer YATSUNAMI Takashi 
	3. Social	
	4. Governance	Director, Member of the Board and Managing Executive Officer TAKAHASHI Kozo 
25 min.	Q&A session	-



# 1. Corporate Philosophy and Mid-Term Vision

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Representative Director and President  
MIYAMOTO Katsuhiro

# Corporate Philosophy "Confidence-based Management"

## "Confidence-based Management"

### Confidence of Society

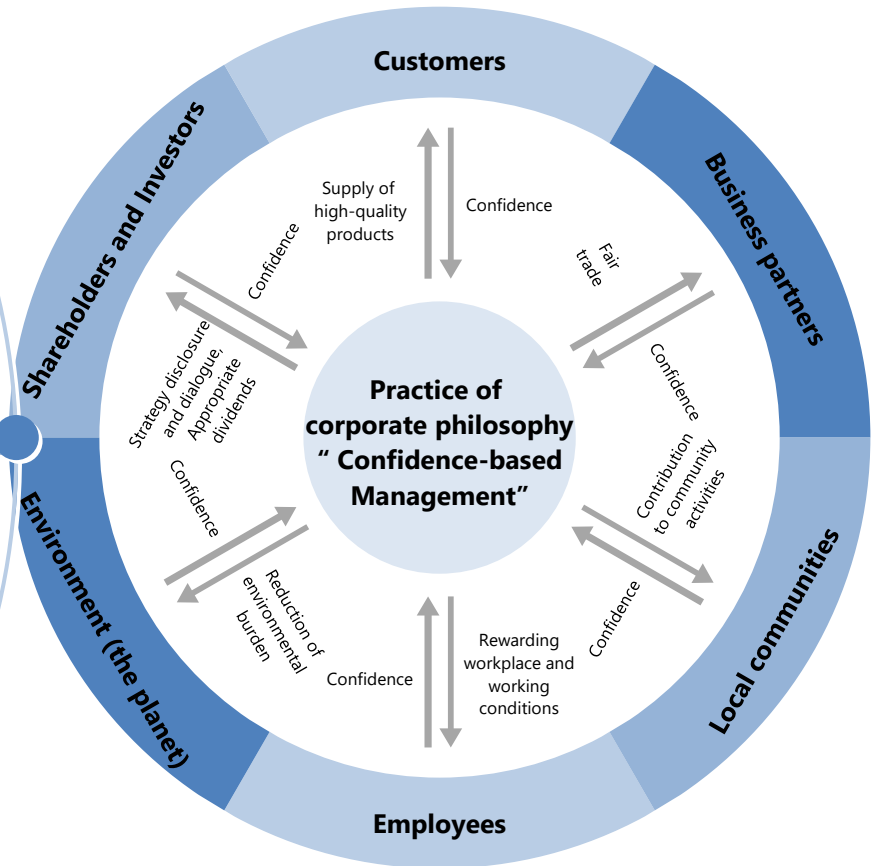
We aim to earn the confidence of society by contributing to the realization of a prosperous and culturally enriched society and fulfilling our responsibilities as a member of society through our "high quality special steel manufacturing."

### Confidence of Customers

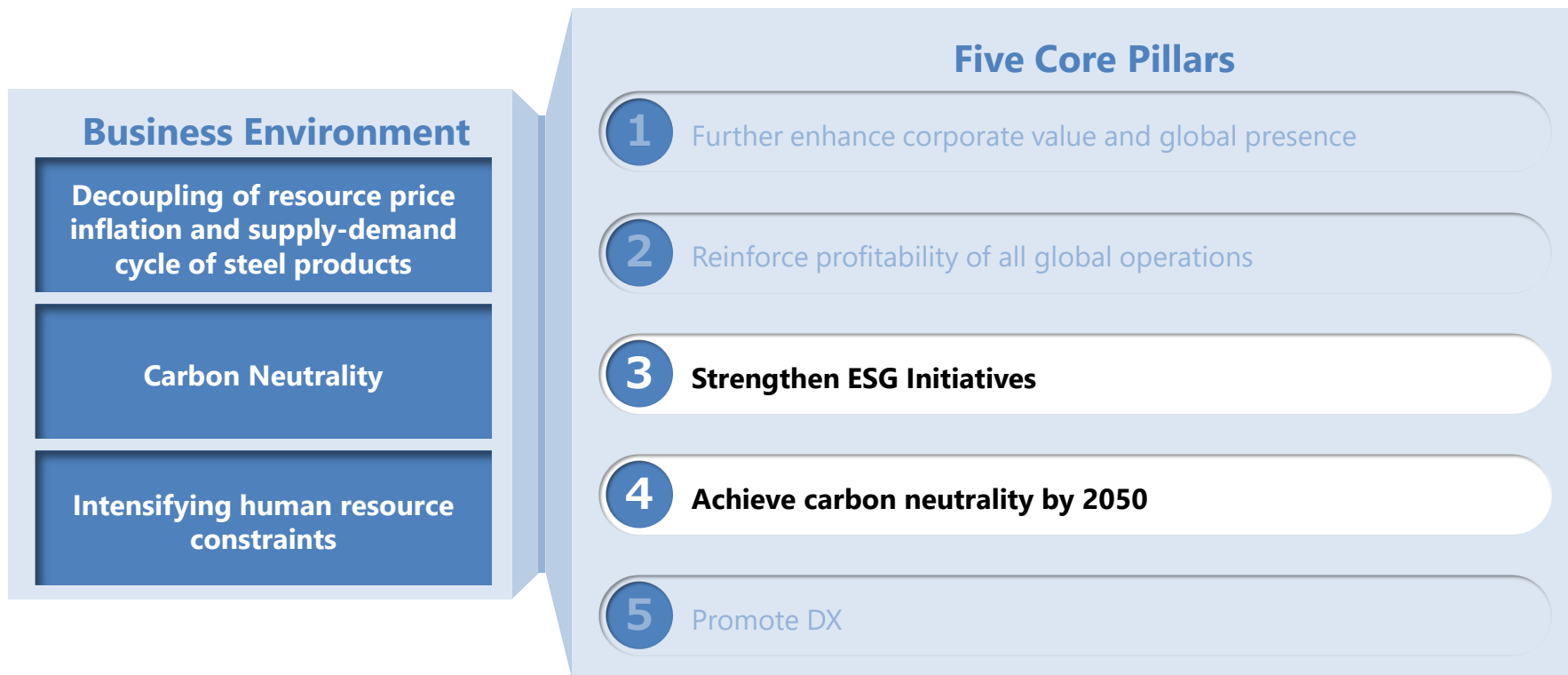
We aim to earn the confidence of our customers by rapidly and accurately identifying their needs and appropriately providing high-quality special steel products.

### Confidence among People

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



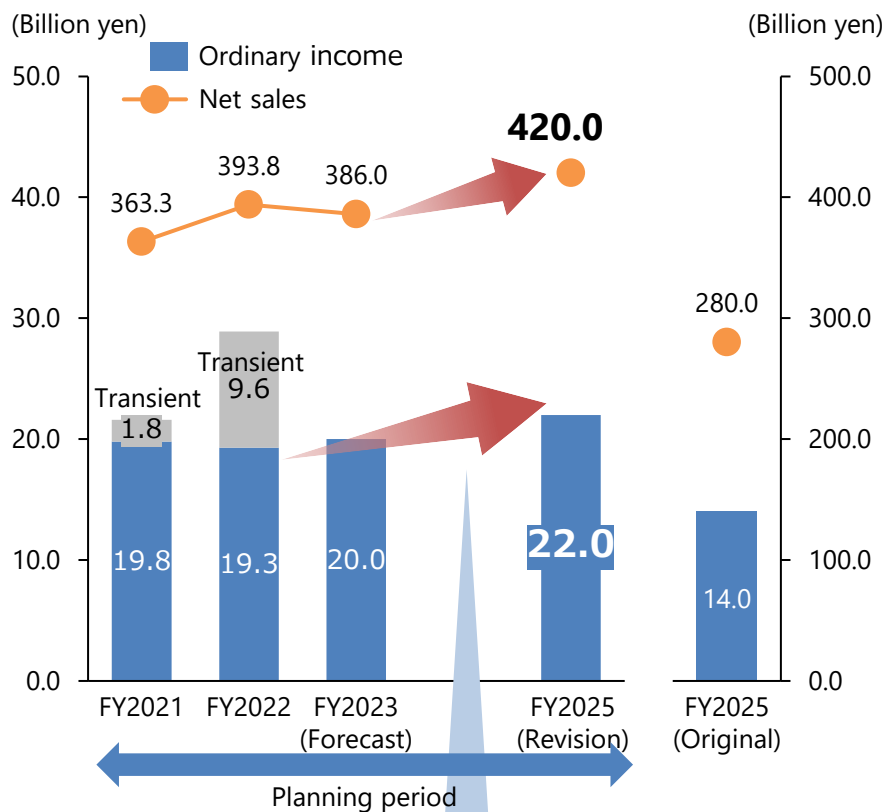
# Revision of 2025 Mid-Term Management Plan to Further Increase Corporate Value



**Aim to Realize ROE of 8 % in FY2025 and 1x PBR swiftly  
Further enhance corporate value and presence  
in the global high quality specialty steel market**

# Targets of revised 2025 Mid-Term Management Plan

## Progress and New Financial Targets



Aiming for further increase profit (22.0 billion yen) compared to FY2022 ordinary income (excluding impact of OVAKO's transient factors) and FY2023 ordinary income forecast

## Initiatives to Achieve 1x PBR

### Securing sustainable profit growth while exploring new growth opportunities

- Further strengthening our global business foundation, and simultaneously, explore growth opportunities globally that will contribute to enhance corporate value and presence.

### Revision of ROE target

- ROE target for FY2025 (excluding amortization of goodwill) revised upward to 8%.

### Strengthening of IR Activities

- Gaining an appropriate evaluation of our Carbon Neutral and ESG efforts through continuous dialogue with investors.

























### Mutual sale of cross-shareholdings

- Tradable share ratio increase.

### Revision of Dividend Policy

- Consolidated dividend payout ratio (Standard): approx. 35%

# Important ESG-related Issues and Today's Explanation Items

	Important issue	Targets and Initiatives	Related SDGs
<b>E</b> Environment	<b>Prevention of climate change</b>	Aiming to achieve carbon neutrality by 2050 FY2030 target: 50% reduction in CO2 emissions from the FY2013 level	 
	Contribution to a resource-recycling society	Reduction of by-products, promotion of 3Rs	 
	Reduction of environmental impact	Compliance with regulatory standards (Water Pollution Prevention Act, Air Pollution Control Act, etc.)	 
<b>S</b> Social	Safety and disaster prevention	Achievement of a total absence of accidents (zero occupational accidents, zero accidents on the way to work) Enhancement of disaster prevention measures and business continuity management (BCM)	 
	<b>Promotion of diversity management</b>	Promotion of participation of women (increase in average length of service and percentage of managers) and the elderly, support for participation of persons with disabilities, and promotion of work-life balance	 
	<b>Promotion of corporate health management</b>	Creation of a workplace environment in which each and every employee can work to the fullest every day	 
	<b>Human resource development</b>	Development of human resources who can think and act autonomously Development of global human resources	 
	<b>Respect for Human Rights</b>	Promotion of business activities that respect human rights	 
	Quality improvement	Continuous improvement of quality management system, etc.	 
	Further expansion of technological superiority	Rapid and continuous creation of highly reliable products and new technologies with a view to global business expansion	 
	Promote DX	Rapid problem-solving by utilizing digital technology, and strengthening of competitiveness through creation of new value	 
<b>G</b> Governance	<b>Realization of sustainable procurement</b>	Establishment of fair and equitable transactions and partnerships Establishment of a stable procurement structure	 
	<b>Corporate governance</b>	Enhancement of corporate governance	
	Internal control systems	Promotion of risk management and compliance activities	

# Reaching our 90th Anniversary with Appreciation and Heading for our 100th Year and Beyond

Specialty steel manufacturer contributing to the realization of a sustainable society



2033  
100th year since establishment

2023  
90th anniversary since establishment

2000-  
Promoting overseas expansion aiming to be a global specialty steel manufacturer

1980-  
Era of high economic growth

1960-  
Enjoying rapid growth and withstanding challenging times

1933-  
Establishment and voyage through turbulent times



150-ton electric arc furnace (1982)



New company building (current head office building) (1964)



3-ton electric arc furnace at the time of establishment (1933)



Acquired Sanyo Special Steel Manufacturing India Pvt. Ltd. (India) (2018)



Acquired OVAKO Group AB (Sweden) (2019)



# 1. Key Messages; Corporate Philosophy and Mid-Term Vision

## Corporate Philosophy "Confidence-based Management"

- Realization of sustainable growth by practicing "Confidence-based Management" for multi-stakeholders.

## Revision of 2025 Mid-Term Management Plan to Further Increase Corporate Value

- Revised mid-term management plan upward in July 2023 (Target for ROE 8% in FY2025).
- Aim for 1x PBR swiftly through measures such as strengthening of ESG Initiatives.

## Important ESG-related Issues

- E: Prevention of climate change
- S: Promotion of diversity and health management, Human resources development, Respect for human rights, Realization of sustainable procurement
- G: Fortifying Corporate governance

## Reaching Our 90th Anniversary with Appreciation and Heading for Our 100th Year and Beyond

- With our deepest appreciation for those who have continuously supported us, we are aiming to make further developments heading for our 100th year.



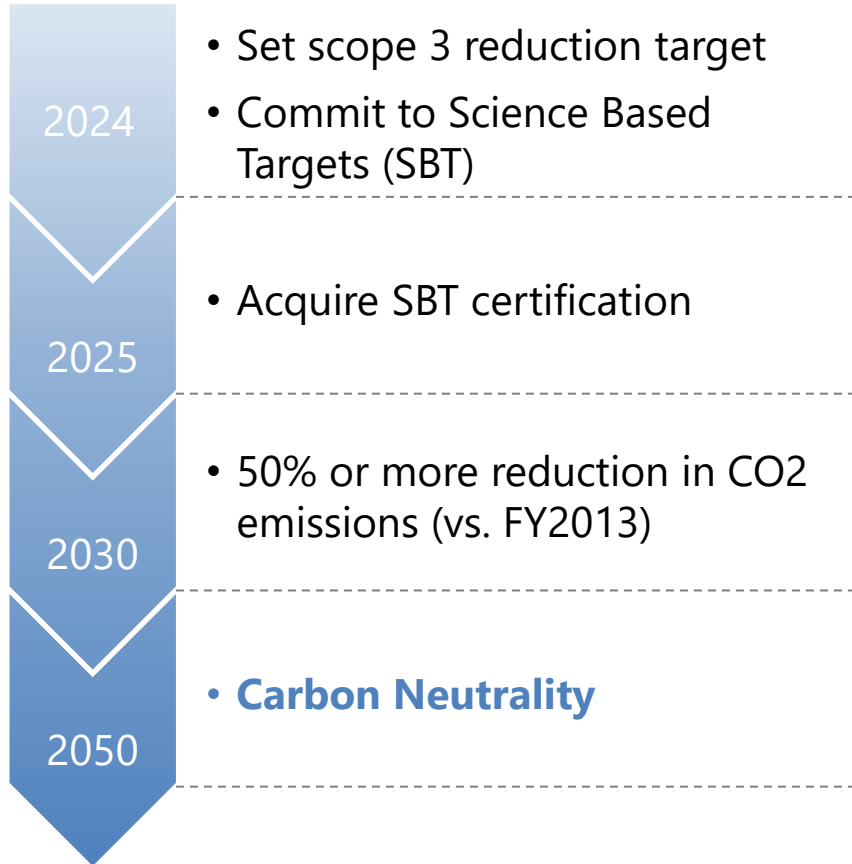
## **2. ENVIRONMENT**

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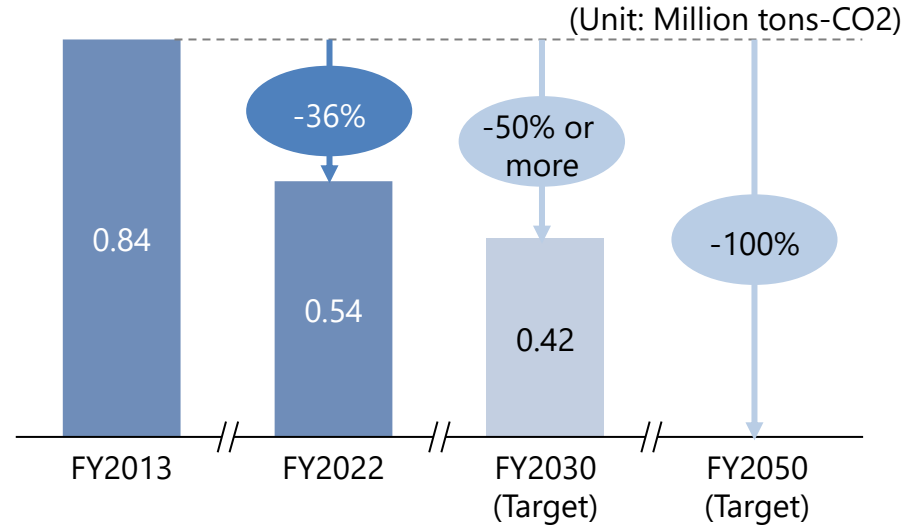
Managing Executive Officer  
YATSUNAMI Takashi

# Achieving Carbon Neutrality by 2050 (Sanyo)

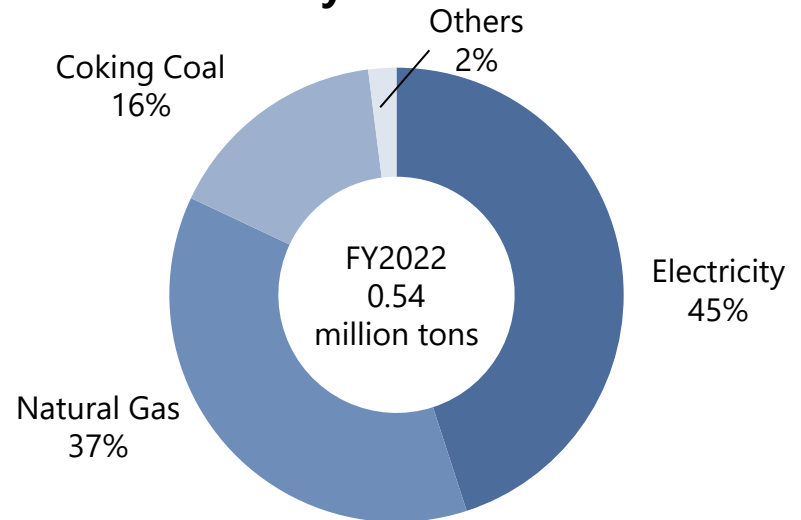
## Sanyo's Roadmap to CN



## Sanyo's CO2 Emission Trends (Scope 1 and 2)



## Breakdown of Sanyo's CO2 emissions



# Promoting Carbon Neutrality through Four Initiatives

## Reduction Initiatives of Sanyo's CO2 Emissions

Target for FY2030: -50% or more (vs. FY2013)

### Eco-process



Development of manufacturing technology to improve energy efficiency

- Introduced internal carbon pricing from FY2023.

### Green energy utilization



Utilization of carbon free electricity/fuels and natural energy

- Commenced to utilize renewable energy sources from FY2022.
- Introducing solar power generator in summer 2024 at our Himeji site.

## Reduction Initiatives of CO2 Emissions in the Value Chain

Target for FY2030: approx. -40% (vs. FY2013)

### Eco-products



Promoting R&D and supply of specialty steel products that contribute to reducing CO2 emissions in the supply chain

### Eco-solutions

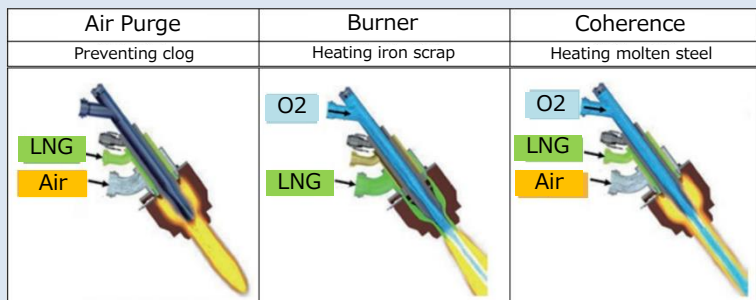


Sharing our energy saving technologies and productivity improvements among all Sanyo Group members including OVAKO and SSMI

**Strengthening groupwide initiatives to encounter all significant carbon neutral issues, steered by the "Carbon Neutrality Promotion Committee", chaired by the President.**

# Initiative to Reduce CO2 Emissions (Eco-process)

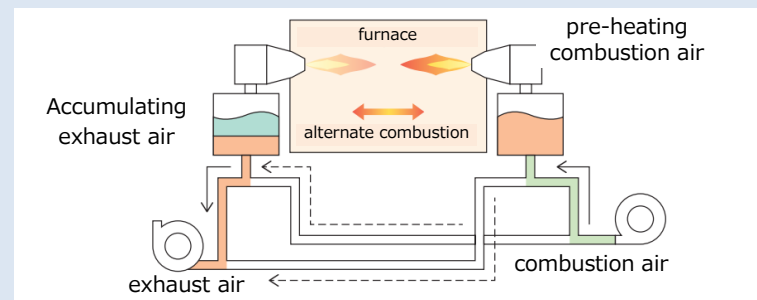
## High-efficiency Air Purge Burners Installed in Sanyo's Electric Furnace



Installed high-efficiency air purge burners in the electric furnace, effective in reducing CO2 emissions through optimized use of LNG and oxygen

**LNG consumption** – 16%

## Installation of Regenerative Burner Type Continuous Heating Furnace



Improved combustion efficiency using a pair of heat accumulator-equipped burners that repeats alternate combustion, with the exhaust air from one of the burners being used to heat the combustion air of the other burner

**Energy-saving effect** – 10% or more

# CO2 Emission Reduction Initiatives (Eco-products) (1/2)

## Stable and Long Life Bearing Steel



**Size and weight reduction of products** by improving durability and reliability

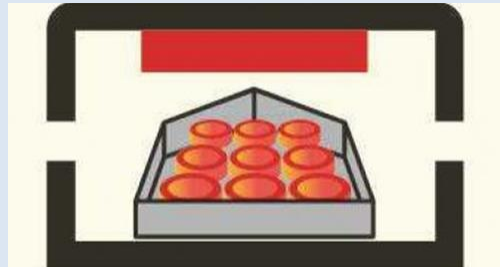


**Failure ratio reduction and maintenance free realization** by extending product lifespan (Estimated CO2 reduction effect:13,000 tons/year\*)

## Process Omitting Steel

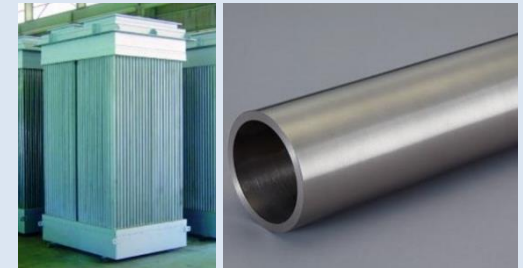


(High-strength case-hardened steel: ECOMAX® series)  
**Elimination/simplification of the parts manufacturing process**



(High hardness high toughness steel: TOUGHFIT® )  
**Reduction of CO2 emissions in heat hardening process** through original alloy designing and use of advanced heat treatment technology

## Heat Resistant Stainless Steel Tube



**Heat recovery efficiency improvement** by increasing strength



**Enhancing efficiency of power generation with refuse incineration** by improving corrosion resistance

\*Presented at the 18th Research Presentation Conference of the Institute of Life Cycle Assessment, Japan (on March 10, 2023)

# CO2 Emission Reduction Initiatives (Eco-products) (2/2)

## ECOMAX® series

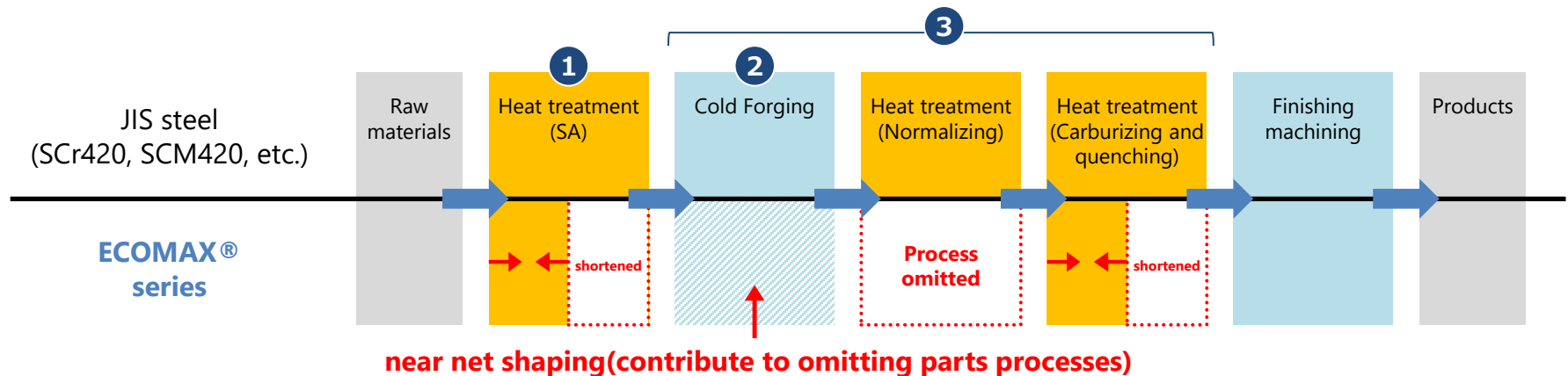
### Features for omitting or simplifying parts manufacturing processes (customer benefits)

Contributions to the reduction of CO2 emissions by simplifying or omitting parts processes

- 1 Spheroidizing with short-time heat treatment
  - Contribute to simplifying SA (spheroidizing annealing)
- 2 Prevention of cold forging cracks
  - Compatible with near net shaping
- 3 Excellent grain coarsening resistance
  - Allow normalizing process to be omitted and enables the application of high-temperature, short-time carburization



(ECOMAX® series is expected to be used for gears and shafts)

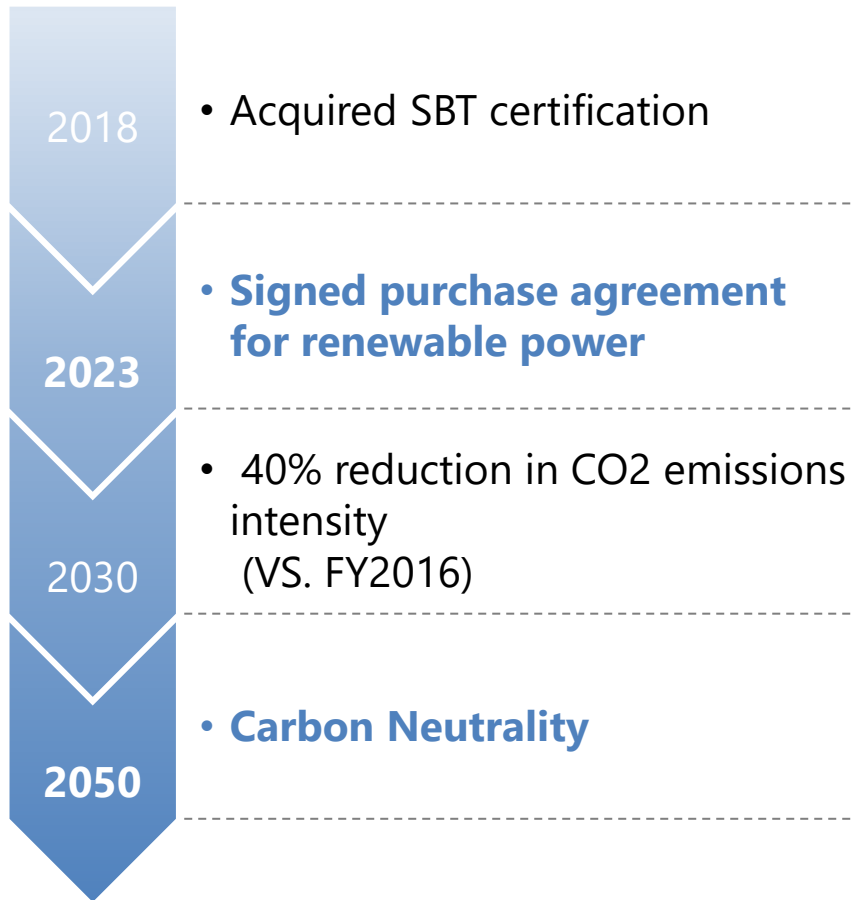




# Achieving Carbon Neutrality by 2050 (SSMI)

## SSMI's Roadmap to CN

SANYO SPECIAL STEEL  
MANUFACTURING INDIA PVT. LTD.



## Promote fuel conversion and energy conservation

- SSMI is replacing traditional fuels with natural gas, a cleaner and more efficient energy source and continually working on implementing energy-efficient processes and facilities.

## Signed purchase agreement for renewable power (August 2023)

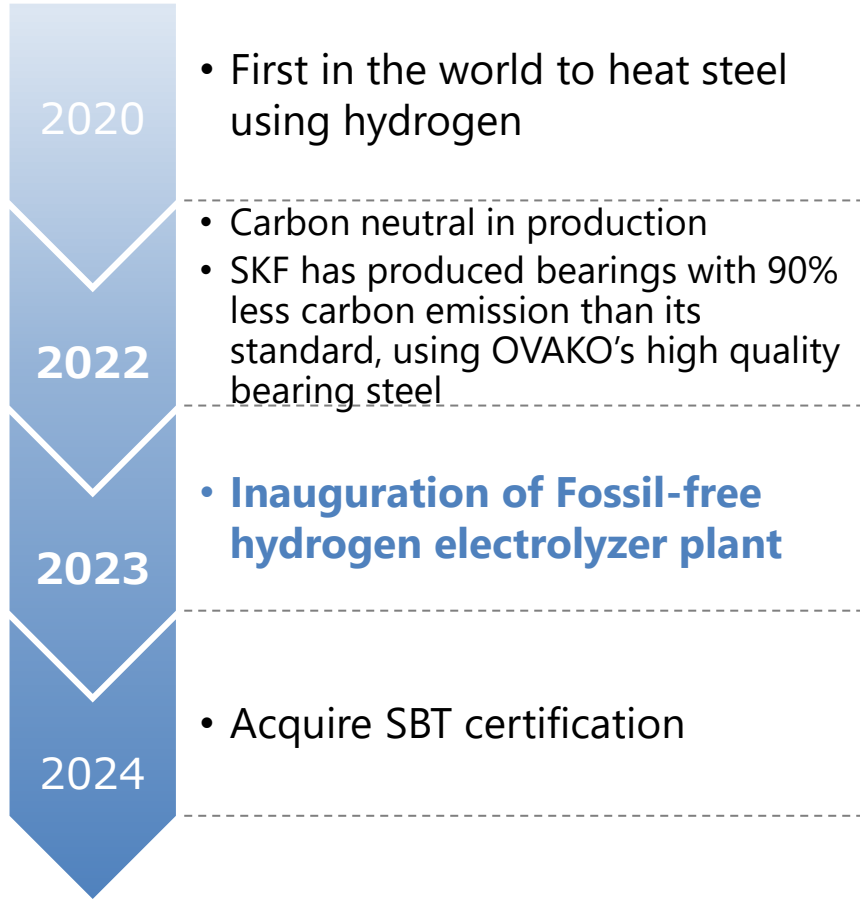
- SSMI has signed a purchase agreement of renewable electricity by solar power with a subsidiary of Tata Power. Expected to reduce CO2 emissions approx. 25% of the CO<sub>2</sub> emitted in the company's manufacturing process from March 2024.



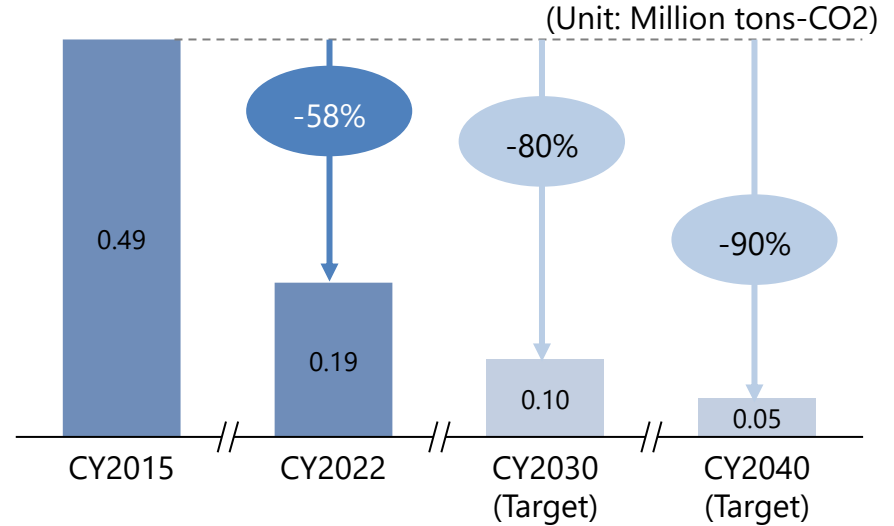


# Achieving Carbon Neutrality by 2050 (OVAKO) (1/2)

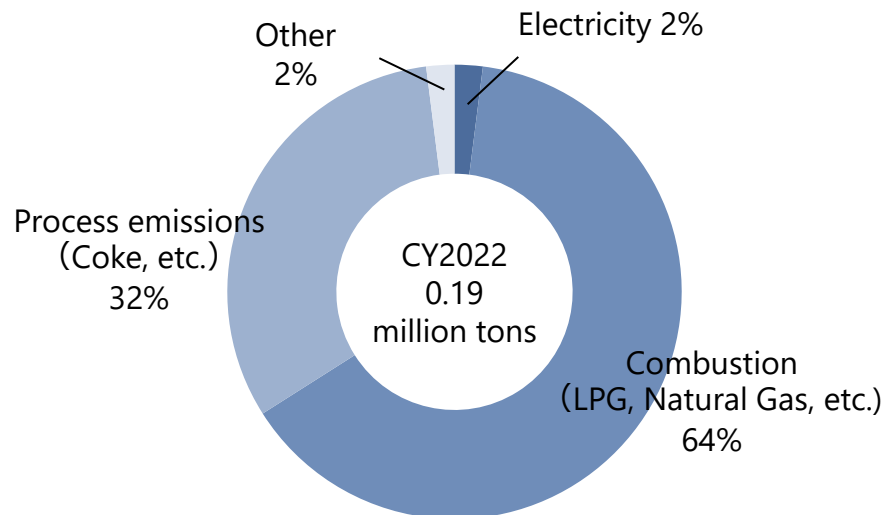
## OVAKO's Roadmap to CN



## OVAKO's CO2 Emission Trends (Scope 1,2)



## Breakdown of OVAKO's CO2 emissions



# Achieving Carbon Neutrality by 2050 (OVAKO) (2/2)

## OVAKO's Initiatives



### Carbon neutral in production (January 2022)

- OVAKO shifted to a carbon neutral production through a carbon offset program. Simultaneously, climate surcharge was introduced for OVAKO's entire steel product prices to promote further initiatives, to address climate change issues and investment in new technologies.



### Inauguration of the fossil-free hydrogen plant in OVAKO (September 2023)

- The new fossil-free hydrogen plant is one of the largest facilities in Europe and will generate approx. 4,000 cubic meters of fossil-free hydrogen per hour. By using fossil free hydrogen produced at this plant as fuel for production of specialty steel, OVAKO will be able to significantly reduce CO2 emissions.



## **2. Key Messages; Environment**

### **Achieving Carbon Neutrality (CN) by 2050 is Top Management Priority**

- Our CO2 emissions reduction efforts are on track, with emissions in FY2022 standing 36% below the FY2023 level.
- Commit to Science Based Targets (SBT) in FY2024. Aiming for 50% reduction compared to FY2013 and taking next step toward carbon neutrality in FY2050.

### **Promoting Carbon Neutrality through Four Initiatives**

- Accelerate various initiatives that contribute to CO2 emissions reduction in our company and value chain.

### **Achieving Carbon Neutrality on Global and Consolidated basis**

- OVAKO and SSMI pursue progressive initiatives to achieve their reduction targets. (OVAKO has already shifted to carbon neutral in production through a carbon offset program)
- Share knowledge within Sanyo group to realize carbon neutrality as a group.



### **3. SOCIAL**

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Director, Member of the Board and  
Managing Executive Officer  
TAKAHASHI Kozo

# Human Capital Strategy to Realize Corporate Philosophy

## Human Resource Development to Achieve “Confidence-Based Management”

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

- Multilevel training courses depending on lengths of service, job positions
- Development of global human resources
- Human resource management system focused on cultivating employees’ challenging spirit
- Self-transformation program through multifaceted observation
- Enhancement of management capabilities of managers

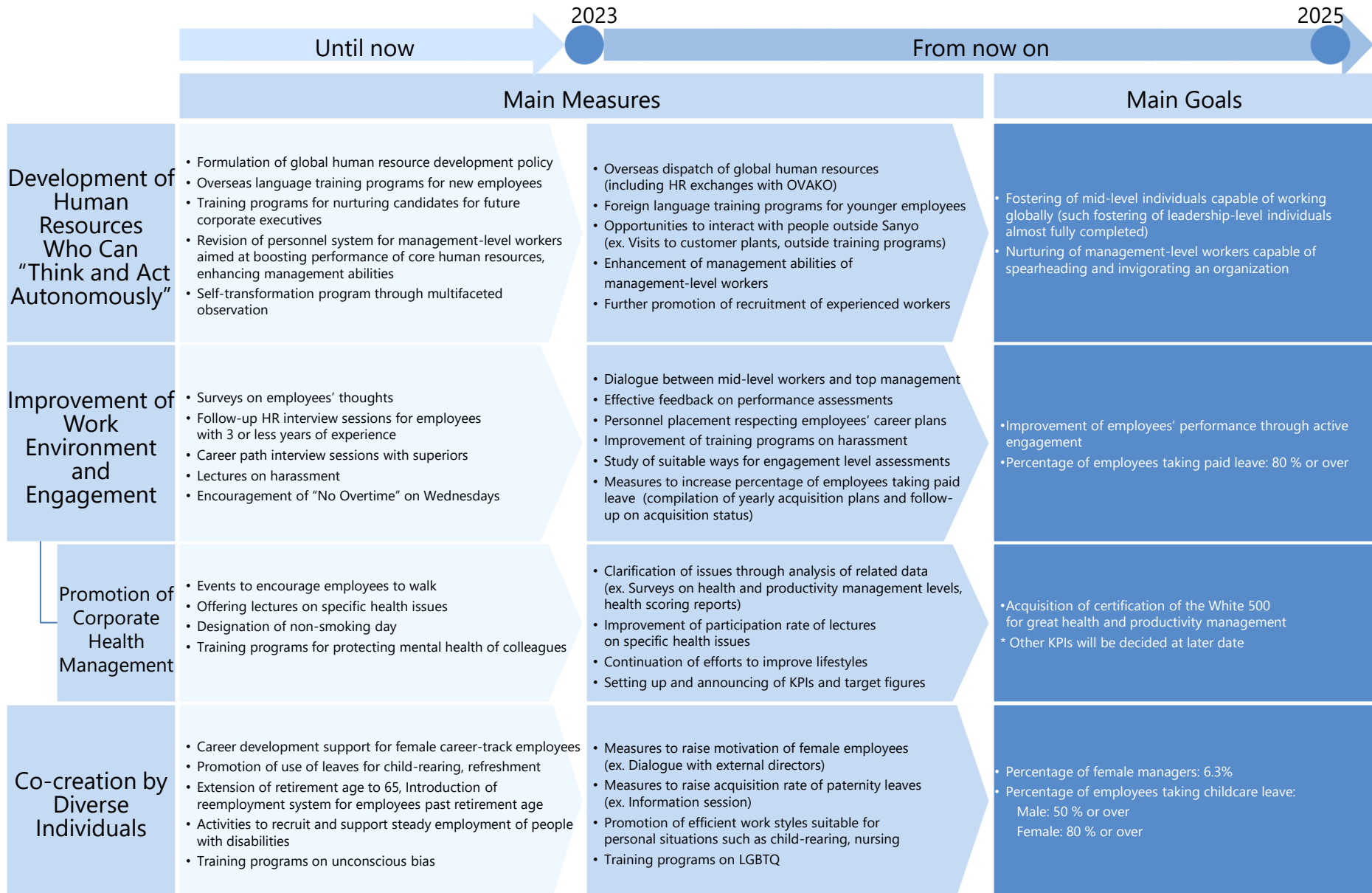
Improvement of  
Work  
Environment and  
Engagement

- Promotion of corporate health management
- Reform work styles and promote work-life balance
- Prevention of harassment
- Fostering further awareness on human rights

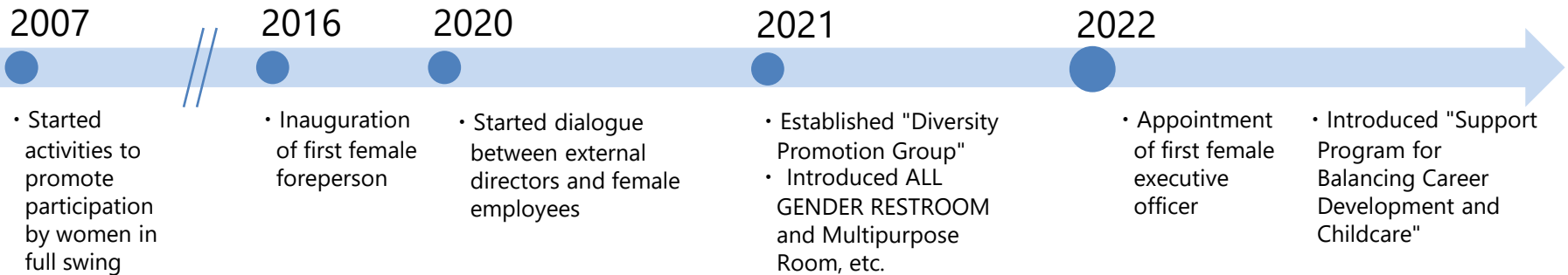
Co-creation by  
Diverse  
Individuals

- Promotion of participation by women
- Promotion of participation by senior generation
- Stable employment of persons with disabilities
- Utilization of multinational human resources

# Various Measures Underway Based on Human Capital Strategy



# Steady Progress in Promotion of Participation by Women



Maternity Uniforms



Women's break room



ALL GENDER RESTROOM



だれでもBOX  
Multipurpose Room

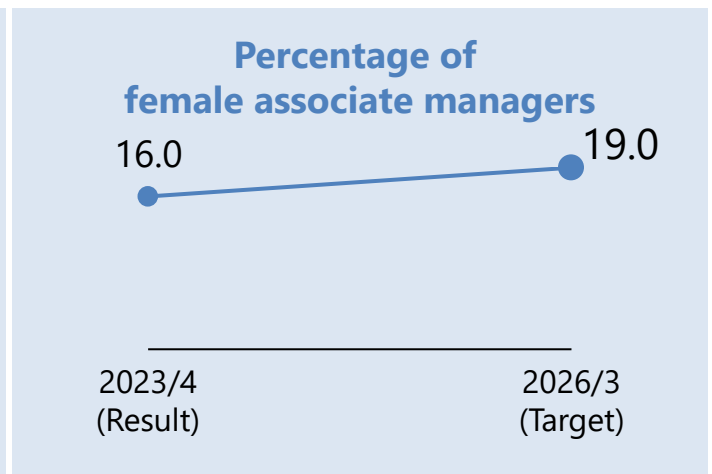
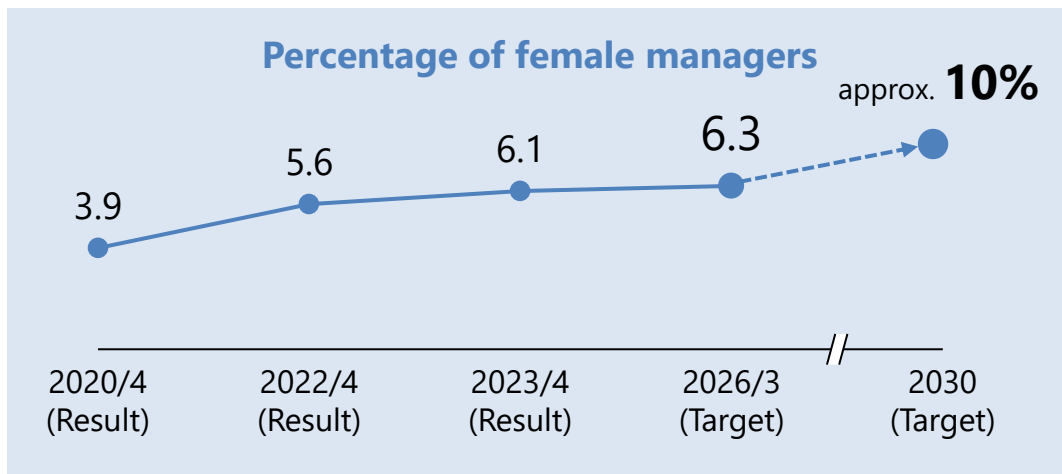


All Genders



“育児中の学び”  
にデジタル認定証明書  
「オープンバッジ」発行

## Medium- to Long-term KPIs for Promotion of Participation by Women



# Established Human Rights Policy and PDCA Cycle



## Initiatives with Awareness of Respect for Human Rights

- Provided compliance education to raise awareness of "respect for human rights "
- Established human rights due diligence in the company, group companies, suppliers, etc. (OVAKO initiative was also used as reference)
- Regular reporting to the Board of Directors on progress of human rights initiatives

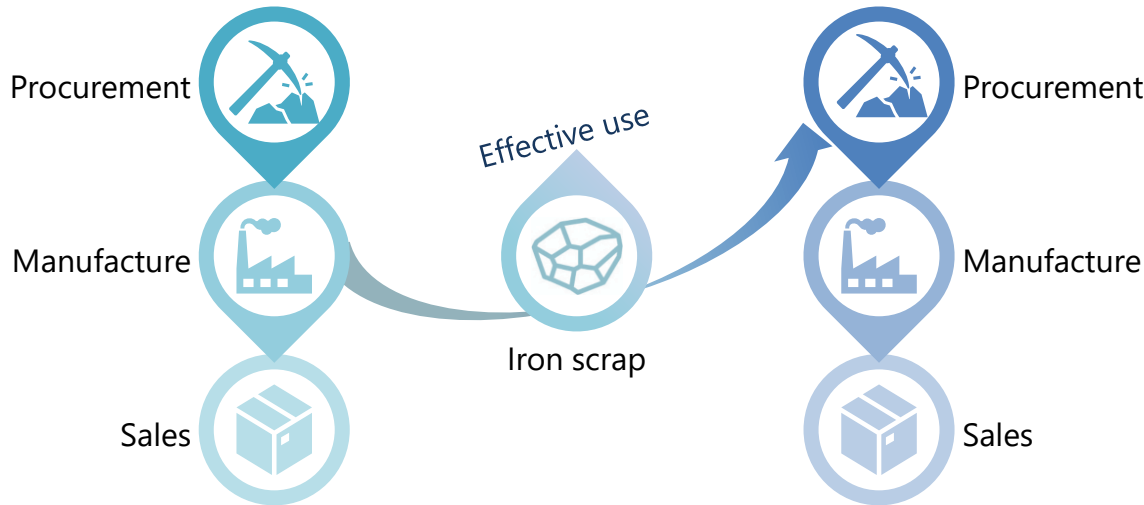


# Collaboration within and beyond Sanyo Group to Realize "Sustainable Procurement"

## Strengthen Effective Utilization of Generated Iron Scrap within Group Companies

**NIPPON STEEL**

**SANYO SPECIAL STEEL**



**Strengths Unique to the NSC Group**



## Strengthening of Partnerships

### Supplier awards system

(Implemented since May 2018)



### Declaration of partnership building

(Announced in September 2020)



### Coexistence with suppliers

Aiming for stable procurement of iron scrap, we will strengthen relationships with suppliers through investments, etc. Currently, approximately half of procurement volume is secured from capital-related companies.



## 3. Key Messages; Social

### Human Capital Strategy to Realize Corporate Philosophy

Develop human resources to achieve “Confidence-based Management” by implementing following measures.

- Improvement of work environment where employees can play active roles
- Improvement of engagement through “Nurturing of Self-Directed Individuals” and “Co-creation among Various Individuals”

### Various Measures Underway Based on Human Capital Strategy

- Steady progress in promotion of participation by female. Accelerate efforts to achieve even higher goals.
- Set the final year of the current mid-term management plan as a milestone and develop a co-creation system among various individuals.

### Establishment of Human Rights Policy, Implementation of PDCA Cycle in the Future

- Formulated human rights policy and announced in FY2023. In the future, enhance effectiveness by implementing PDCA cycle of human rights due diligence.

### Collaboration with Group Companies and Externals to Realize “Sustainable Procurement”

- Pursue sustainability by building strong relationships with parent company and business partners.



## 4. GOVERNANCE

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Director, Member of the Board and  
Managing Executive Officer  
TAKAHASHI Kozo

# Further Enrichment and Strengthening of Corporate Governance

## Strengthening of the Management Oversight Function

- **June 2015**
  - Appointed an independent external director
- **June 2010**
  - Appointed an independent officer (external auditor)

## Toward an Effective Mechanism

- **June 2020**
  - Increased the number of independent external directors to three (one-third of directors)
  - Introduced performance-linked compensation system for business execution directors
- **May 2020**
  - Established "Nomination & Compensation Advisory Committee"
- **September 2015**
  - Started effectiveness evaluation of the Board of Director

## Further Advancement of Governance

- **July 2023**
  - Added ESG indicators in performance-linked compensation system
- **June 2022**
  - Transitioned to a company with an Audit & Supervisory Committee
  - Adopted operation guidelines of "Supervisory Committee for Conflict of Interests "

# Creation of Framework to Enhance Effectiveness of the Board of Directors



## Tasks and Measures in FY2022

- (i) **Expansion of Training Opportunities for Board Members**
  - Held lectures by outside experts and Sanyo board directors
- (ii) **Increase of Opportunities for Dialogue among Inhouse, Outside Directors**
  - Set up separate meeting to exchange opinions on day of board meeting
- (iii) **Simplification of Meeting Materials and Promotion of Paperless**
  - Shifted to paperless way using online platforms in April 2022
- (iv) **Deepening of Discussions from Corporate-Wide, Mid- to Long-Term Perspectives**
  - Reported progress on mid-term management plan (through FY2025) twice during FY2022
    - ⇒ Discussions on revisions to mid-term plan scheduled to be added in FY2023

## Tasks in FY2023

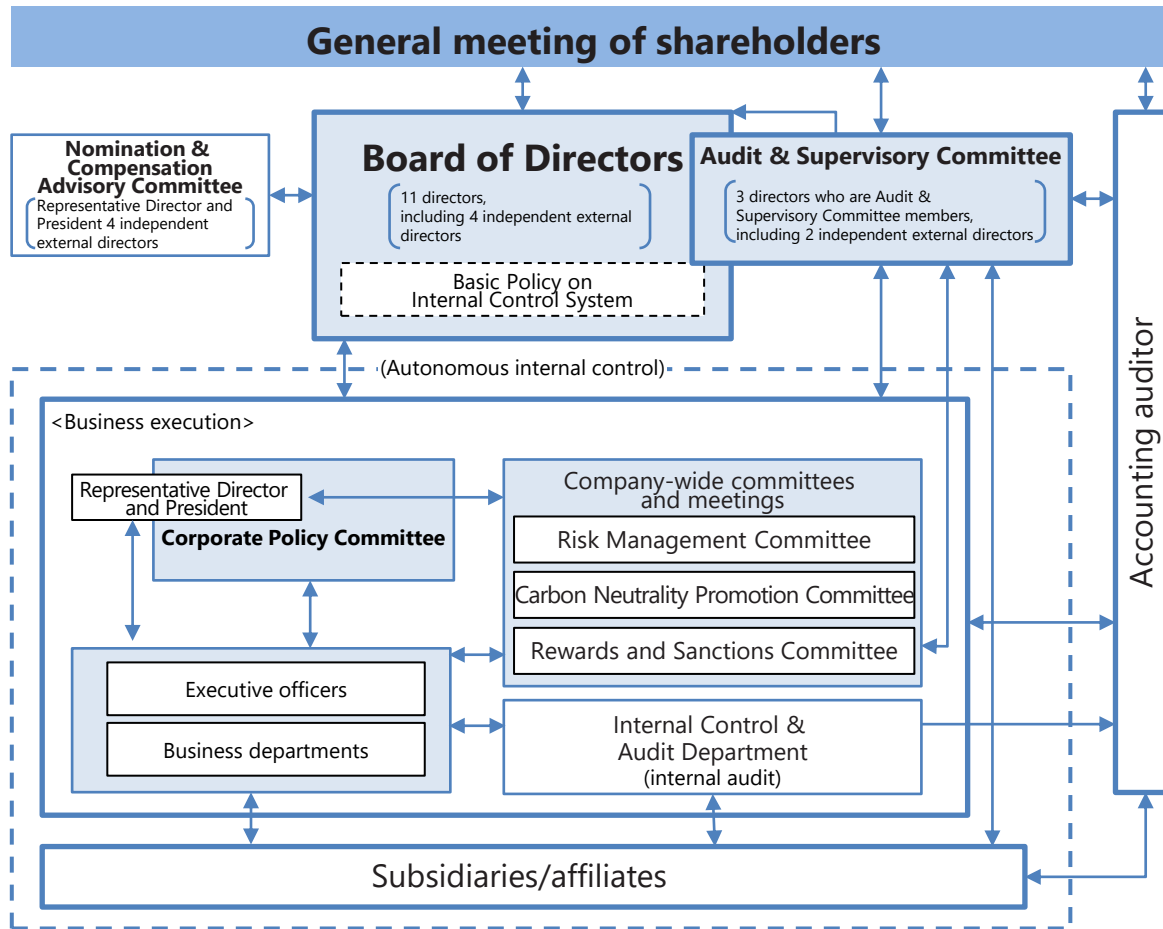
- (i) **Consideration on Diversification of Board Members**
- (ii) **Increase in Opportunities for Interactions among Board Members**
- (iii) **Expansion of Training Opportunities for Board Members**
- (iv) **Further Simplification and Selection of Meeting Materials**
- (v) **Improvement of Efficiency of Pre-Board Meeting Briefings**

# Ref.) External Directors' Assessment on Effectiveness of the Board of Directors (FY2022)

Questions in Third-Party Organization Survey (Excerpt)	External Directors' Assessment (Average)
Constructive discussions, free and active exchange of opinions	4.5/5.0
Review of management strategy in line with changes in external environment	4.5/5.0
Supervision of conflicts of interest with executives, controlling shareholders etc...	4.7/5.0
Feedback on status of dialogue with shareholders and investors	4.5/5.0
Diversity of the board members (in terms of knowledge, experience, expertise, job history, age, gender, internationality etc...)	4.2/5.0
Average of all answers	4.5/5.0

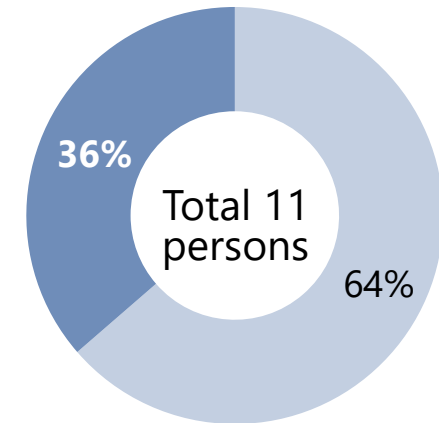
# Active Participation of External Directors in Management

## Corporate Governance Structure



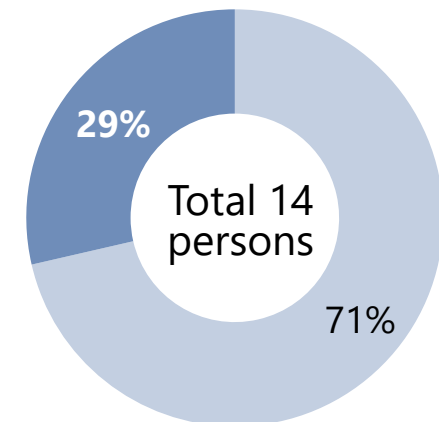
## Members of the Board of Directors

External directors Internal directors



## Members of Risk Management Committee

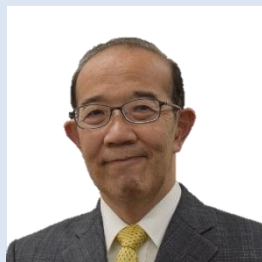
External directors Internal directors\*



\*Directors and Executive Officers

# Pursuing Better Governance through Global Dialogue

## External Directors of the Company (Interlocutor)



External Director  
(Independent)  
**USUKI Masaharu**



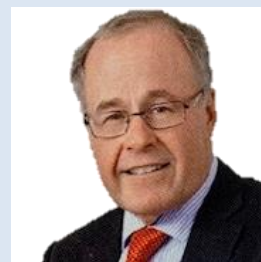
External Director  
(Independent)  
**FUJIWARA Kayo**



External Director  
Audit and Supervisory  
Committee Member  
(Independent)  
**TOIDE Iwao**



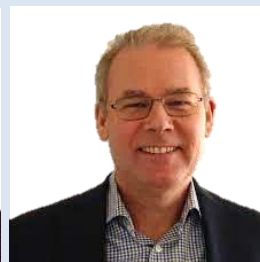
## External Directors of OVAKO (Interlocutor)



External Director  
(at the time)  
**Martin Ivert**



External Director  
**Sakari Tamminen**



External Director  
**Jan Pieters**

## Agenda

### Carbon Neutral

- Explore the possibility of green production processes together with OVAKO's hydrogen conversion know-how

### D&I

- Share examples of improved corporate performance through women's activities in Europe, and recognizing the importance of diversity (OVAKO's ratio of women in management positions: approx. 20%)
- Confirm the need to continue to aggressively and persistently strengthen the employment of women



# Deepening of Governance based on Trust

## Co-Existence and Co-Prosperity with Parent Company

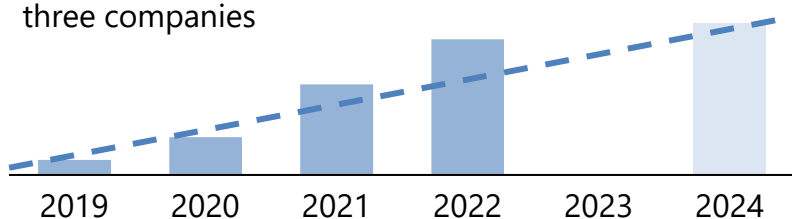


### (1) Maintaining the Sanyo brand

Placing great importance on passing on the Sanyo brand "Steel You Can Count On" to future generations

### (2) Synergies among Sanyo, Nippon Steel and OVAKO

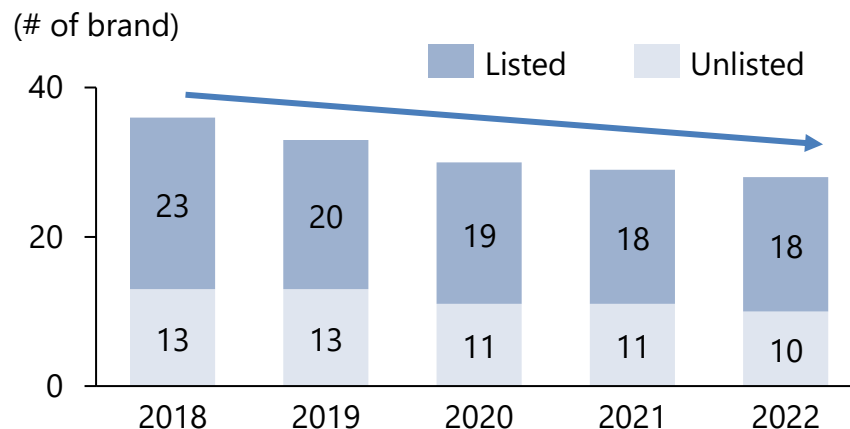
Exceeding the original target mainly due to OVAKO's productivity improvements and sales expansion of three companies



### (3) Thoughts for all stakeholders

All shareholders are equally important, and in order to protect the interests of minority shareholders, the appropriateness of transactions with the parent company are reviewed and reported to the Board of Directors

## Policy on Cross-Shareholdings



### (1) Previous Policy

Maintaining and expanding business relationships through cross-shareholdings  
(The ratio of specified investment stocks to assets is low compared to other companies in the same industry)

### (2) Future Policy

Aiming to enhance corporate value without relying on cross-shareholdings

## 4. Key Messages; Governance

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### Enhance and Further Strengthen Corporate Governance

- We are working to enhance corporate governance with an emphasis on effectiveness, not formality, and will continue to strive for further sophistication of management.

### Creation of Framework to Enhance Effectiveness of Board Meetings

- Continuously improve the functioning of board meetings by implementing PDCA cycle, including third-party surveys.

### Active Participation of External Directors in Management

- Continuously strengthen governance through measures such as participation of external directors in risk management committee.

### Pursuing Better Governance through Global Dialogue

- Conducted a dialogue between external directors of Sanyo and OVAKO. Continuously deepen communication between external directors of both companies and make efforts as a consolidated group to improve governance.

### Deepening Governance with Trust as the Starting Point

- Continue dealing with multi-stakeholders with sincerity to enhance corporate value.



**Sanyo Special Steel Report 2023 (Integrated Report)**  
[https://www.sanyo-steel.co.jp/system/upload/news/20231116\\_sanyo\\_report\\_j.pdf](https://www.sanyo-steel.co.jp/system/upload/news/20231116_sanyo_report_j.pdf)



Reaching Our 90th Anniversary with Appreciation and  
 Heading for Our 100th Year and Beyond

# APPENDIX

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# Status of Response to TCFD Recommendations

	Major climate-related events	Assumed impacts (key risks and opportunities)	Sanyo Special Steel's responses and strategies
1.5°C scenario	<b>Carbon neutral-related responses in customer industries, etc.</b>	<ul style="list-style-type: none"> <li>Increase in demand for electric arc furnace steel, which emits relatively less CO<sub>2</sub>, and materials, technologies, and products that help customers reduce CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Promote the development of eco-products that contribute to CO<sub>2</sub> emission reduction in the stage of parts manufacturing at customers and during end product use</li> <li>Promote CO<sub>2</sub> emission reduction of our Steel Group with eco-solutions such as eco-processes and the use of green energy</li> </ul>
	<b>Structural changes in demand associated with the shift to EVs, and growing need for smaller and lighter automotive parts, etc.</b>	<ul style="list-style-type: none"> <li>Growing need for our highly reliable special steel products associated with the shift to EVs</li> <li>Increase in demand for our special steel products with properties that contribute to the size and weight reduction of parts</li> </ul>	<ul style="list-style-type: none"> <li>With our strength in high-cleanliness steel, accurately respond to new customer requirements and environmental issues arising from changes in social and industrial structures</li> <li>Strengthen supply chain competitiveness by enhancing collaboration with customers</li> </ul>
	<b>Growth of wind power market due to expansion of renewable energy</b>	<ul style="list-style-type: none"> <li>Increase in demand for our highly reliable bearing steel, which leads to reduced maintenance and failure prevention of wind power generation facilities</li> </ul>	<ul style="list-style-type: none"> <li>Elucidate the fatigue mechanism under the unique environment of wind power generation, and promote development and market introduction of bearing steel for wind power generation that achieves long life and high reliability</li> <li>Approved for "TPG Certification" as a supplier of critical components of wind power generators in September 2022</li> </ul>
	<b>Intensifying competition for mineral resources due to increase in demand for electricity and storage batteries, etc.</b>	<ul style="list-style-type: none"> <li>Increasing need for our high-performance materials that do not rely on rare metals</li> </ul>	<ul style="list-style-type: none"> <li>Promote development and supply of scarce resource-saving high-performance products (ECOMAX series, Co-free maraging steel powder, etc.)</li> </ul>
	<b>Introduction of carbon pricing including carbon tax</b>	<ul style="list-style-type: none"> <li>Improve relative advantage of electric arc furnace steels with relatively low CO<sub>2</sub> emissions and especially of OVAKO, which is a leader in decarbonization</li> <li>Increase in costs for electricity, fuel, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of low-carbon (decarbonized) steel products</li> <li>Promote procurement of low-cost carbon-free electricity, etc.</li> <li>Request suppliers to reduce CO<sub>2</sub> emissions</li> <li>Promotion of further investment in energy-saving facilities through the introduction of an internal carbon pricing (ICP) system</li> <li>Negotiation with customers on price pass-on</li> </ul>
4°C scenario	<b>Shift of steel production to electric arc furnaces and increased use of iron and steel scrap</b>	<ul style="list-style-type: none"> <li>Intensifying global competition to acquire super scrap</li> </ul>	<ul style="list-style-type: none"> <li>Secure and expand sources of iron and steel scrap procurement and optimize raw material mix</li> <li>Secure iron sources in collaboration with the NSC Group</li> </ul>
	<b>Increasing frequency and severity of weather-related disaster Increase in average temperature Decrease in water resources and rise in sea levels due to climate change</b>	<ul style="list-style-type: none"> <li>Damage to production facilities and inundation of business bases and warehouses in coastal areas due to severe weather disasters, and disruptions to the procurement of raw materials, equipment, and other materials, and product supply, etc.</li> <li>Increase in risk of heat stroke and other health hazards and equipment</li> <li>Operational disruptions due to decline in water supply stability, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously improve BCM (Business Continuity Management), including enhancement of disaster prevention management and natural disaster countermeasures</li> <li>Ensure restoration financing measures by purchasing property insurance and utilizing the Group's CMS (implemented)</li> <li>Enhance procurement supply chain management</li> </ul>

Opportunity

Risk

# Harima Waterfront Area Carbon Neutral Port (CNP) Formation Plan

<p>What we aim for</p>	<ul style="list-style-type: none"> <li>• A virtuous cycle of industry and economy in Setouchi and Kansai area, triggered by the decarbonization of Harima region</li> <li>• Aiming for carbon neutrality of the entire port in 2050</li> </ul>	<p>Plan Promotion Structure</p>	<p><u>Public administration</u> Hyogo Pref.; Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism; Kinki Bureau of Economy, Trade and Industry, Ministry of Economy, Trade and Industry; Himeji City; Kakogawa City; Takasago City; Kobe City</p> <p><u>Companies</u> Iwatani Corporation; Osaka Gas Co. Ltd.; Obayashi Corporation; Kaneka Corporation, Takasago Machinery Works; Kawasaki Heavy Industries, Ltd.; The Kansai Electric Power Co., Inc.; Kobe Steel, Ltd.; <b>Sanyo Special Steel Co., Ltd.</b>; Daicel Corporation; West Japan Railway Company; Nippon Shokubai Co., Ltd.; Nippon Steel Corporation; Prime Planet Energy &amp; Solutions, Inc.; Marubeni Corporation; Mitsubishi Heavy Industries, Ltd.; AGC Inc.; J-POWER Generation Service Co., Ltd.</p> <p>In addition to the above, academic experts and related organizations participate.</p>
<p>CNP Formation Plan</p>	<p>Basic Concept: First Mover "Harima" for Setouchi and Kansai</p> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin: 10px 0; background-color: #e0e0e0;"> <p>Regional and efficient decarbonization</p> </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin: 10px 0; background-color: #e0e0e0;"> <p>Formation supply chain hubs of hydrogen, etc. in Setouchi and Kansai</p> </div>		



Source: Hyogo Pref. website "Harima Waterfront Area Carbon Neutral Port (CNP) Formation Plan: First Mover 'Harima' for Setouchi and Kansai (Draft)". Sanyo prepared based on it.

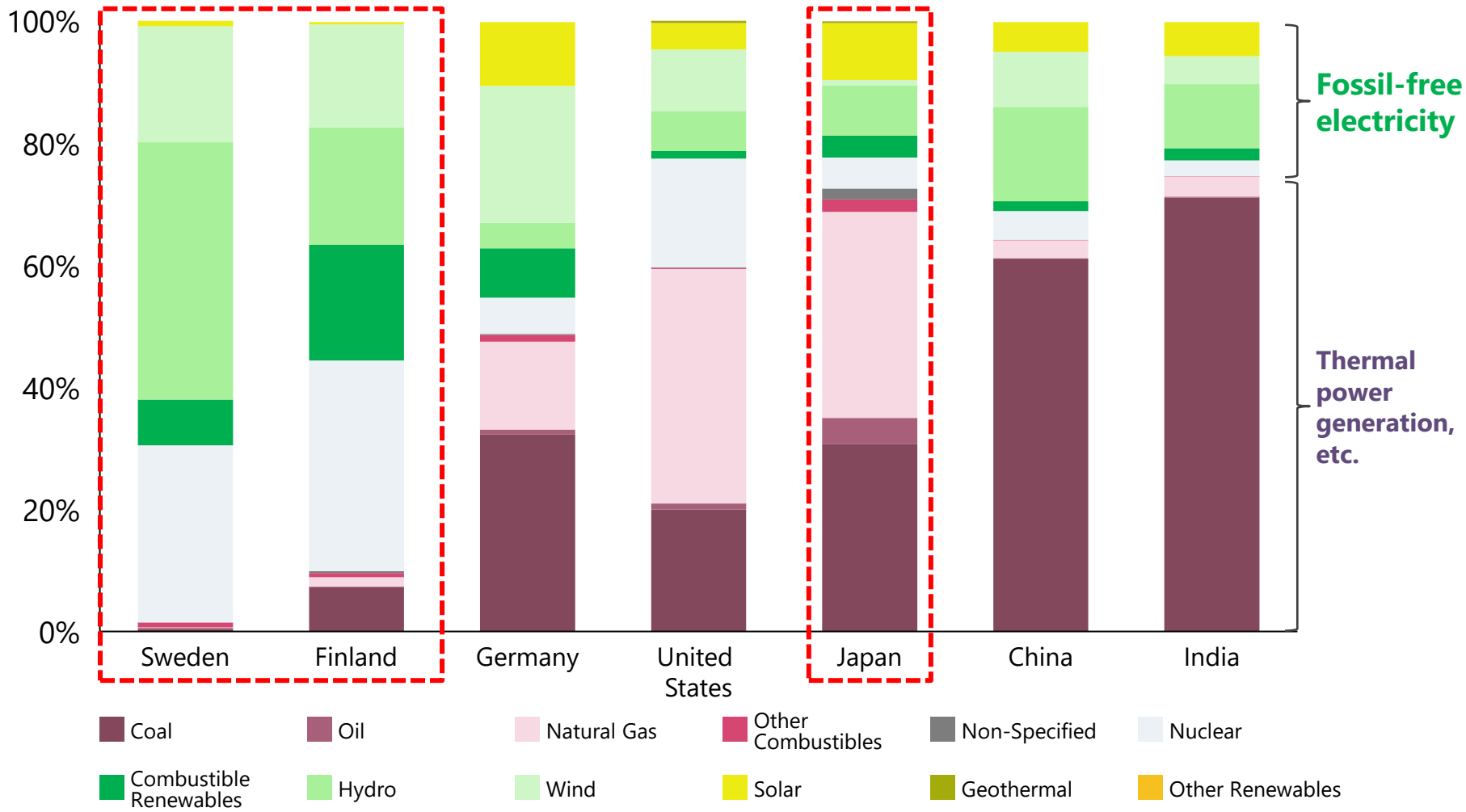
# Sanyo's CO2 Emission Trends (Scope 1, 2, 3)

		CO2 emissions (thousand tons -CO2)			
		FY2019	FY2020	FY2021	FY2022
<b>Scope1</b>	Direct emissions from fuel usage at the Company	261	237	336	286★
<b>Scope2</b>	Indirect emissions from the use of energy produced by other companies	305	254	373	249★
<b>Scope1+2</b>	Emissions	566	491	710	535★
<b>Scope3</b>	Other indirect emissions equivalent to the Company's supply chain				
	(i) Products/services purchased	356	267	378	350★
	(ii) Capital goods	67	31	18	31
	(iii) Fuel- and energy-related activities not included in Scope 1 and 2	113	100	134	117
	(iv) Upstream transportation and delivery	24	19	20	19
	(v) Waste generated from business operations	4	3	4	4
	(vi) Business trips	0	0	0	0
	(vii) Commuting by employees	1	1	1	1

★: Independent assured items



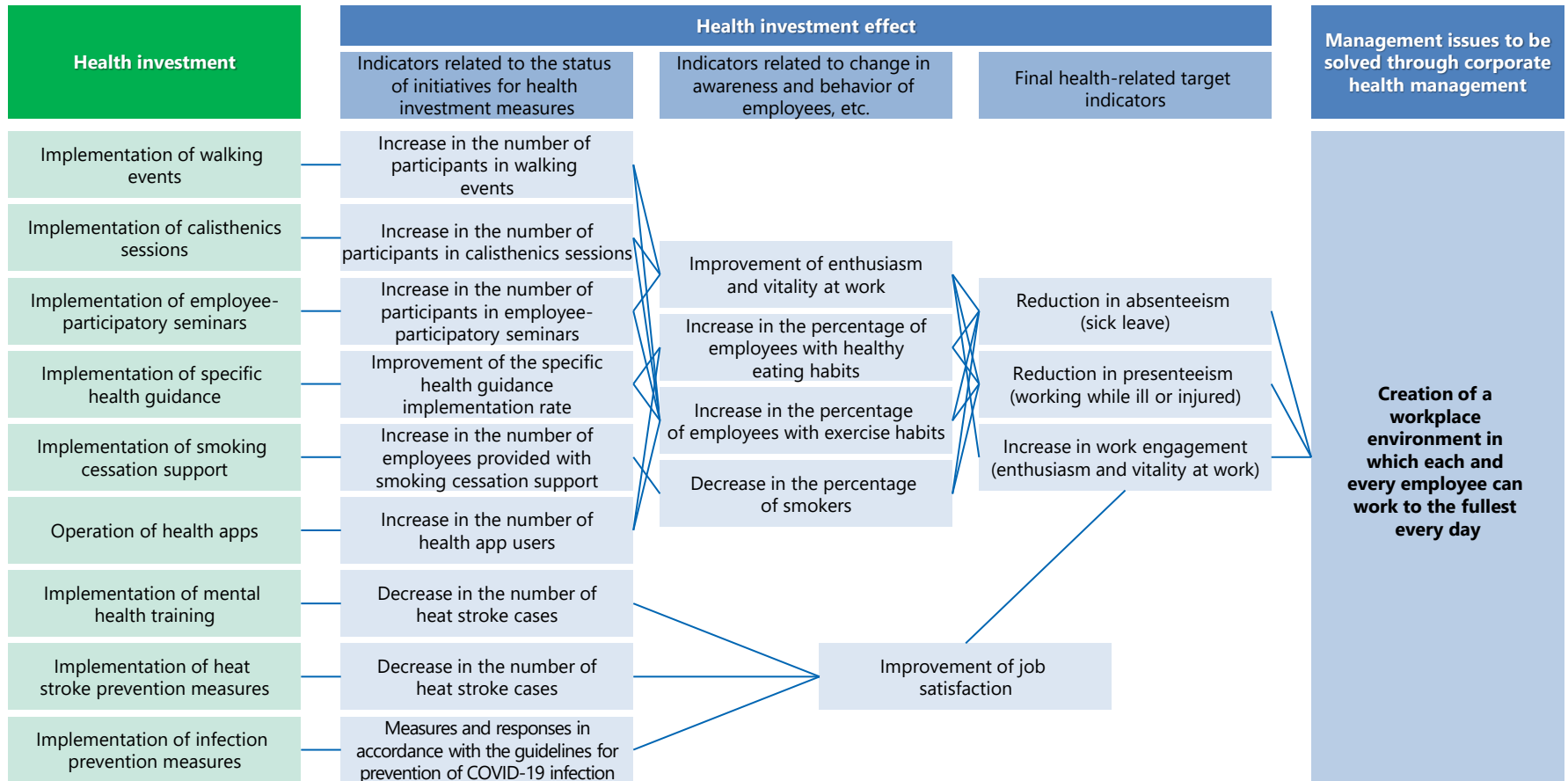
# Electricity Mix as of 2022
































Source: IEA (International Energy Agency), Monthly Electricity Statistics.



# Corporate Health Management Strategy Map



# Directors' Skill Matrix

		Full name	Expertise and experience							ESG	Knowledge of other industries	
			Corporate management	Manufacturing, engineering, research, and development	Sales and marketing	Finance and accounting	Personnel and labor relations	International experience	Legal			
Director (excluding directors who are Audit & Supervisory Committee members)	Executive	MIYAMOTO Katsuhiro*										
		TAKAHASHI Kozo										
		OI Shigehiro										
		OMAE Kozo										
		YANAGIMOTO Katsu										
	Non-executive	USUKI Masaharu*										
		FUJIWARA Kayo*										
		SONODA Hiroto										
		NAGANO Kazuhiko										
		YOGI Hiroshi*										
Director who is an Audit & Supervisory Committee member	Non-executive	TOIDE Iwao*										



\*Members of the "Nomination & Compensation Advisory Committee," a non-statutory advisory body of Sanyo Special Steel.

# ESG Indicators Progress

Classification	Evaluation items	Overview	FY2022 results
<b>E</b> <b>Environment</b>	CDP Climate Change Score	Based on answers to more than 150 questions related climate change, CDP assigns scores from D to A.	"B" Score
	Health management rating	Deviation based on answers to survey on health management (70-item) conducted by the Ministry of Economy, Trade and Industry	55.9
<b>S</b> <b>Social</b>	Safety Indicators	Indicators of occupational accidents reported monthly to the Board of Directors (Sanyo)	Occupational accidents resulting in fatalities : 0 Occupational accidents requiring time off from work: 4
	Percentage of female managers	Indicators related to diversity and human capital	5.3% (as of March 2023)
<b>G</b> <b>Governance</b>	Effectiveness evaluation of the Board of Directors by external directors	Questionnaire survey to directors to evaluate effectiveness of the Board of Directors	4.5/5.0

# ESG Topics

## ESG Ratings by External Agencies

External Rating Agency	FY2022 Ratings
 <p>CDP DISCLOSURE INSIGHT ACTION</p>	<p>Climate Change Score "B"</p> <p>Responded for the first time in FY2022, ranked 6th out of 11 Japanese steelmakers</p>
 <p>MSCI</p>	<p>A-rated (6.1)</p> <p>Ranked 3rd out of 10 Japanese companies in the Steel sector as of November 18, 2023</p>
 <p>FTSE Russell</p>	<p>2.6</p> <p>Ranked 5th out of 15 Japanese companies in the Iron &amp; Steel sector as of November 18, 2023</p>
 <p>SUSTAINALYTICS a Morningstar company</p>	<p>32.9</p> <p>Ranked 35th out of 156 global companies in the Steel sector as of April 20, 2023</p>

## Certified as one of the "Excellent Health Management Corporations 2023"

- Implement PDCA cycle of measures under the health management system with the President as the Chief Corporate Health Officer
- Efforts are being made to improve employees' lifestyles and prevent mental health problems before they occur
- Example: Radio calisthenics before work, walking events, exercise seminars



## Certified as a "Hyogo Women's Active Participation Promotion Company (Mimosa Certified Company)"

- Certified as a "Hyogo Women's Active Participation Promotion Company (Mimosa Company)" for increasing number of workplaces where women can play an active role by actively hiring women and expanding job areas, as well as for introducing support systems for women employees to continue working, such as childcare leave and shorter working hours



# Sanyo Special Steel Official Account



## YouTube

[https://www.youtube.com/@Sanyo\\_Special\\_Steel](https://www.youtube.com/@Sanyo_Special_Steel)

\* Renewed company introduction video is uploaded in November 2023.



## X (formerly twitter)

[https://twitter.com/Sanyo\\_SP\\_Steel](https://twitter.com/Sanyo_SP_Steel)



## Instagram

[https://www.instagram.com/sanyo\\_special\\_steel/](https://www.instagram.com/sanyo_special_steel/)

(Cautionary Statement)

Business forecasts contained in this document are based on the information available at the time of the release of this document, and actual results may differ from these forecasts due to various factors that may occur in the future. The business forecasts should not be interpreted as any commitment to or guarantee of future performance.

# SANYO SPECIAL STEEL - the Confident Choice



<https://www.sanyo-steel.co.jp/>