



# ESG Report

(FY2021)



## Contents

Editing Policy	••• P.1		
The Maruichi Steel Tube Group's Sustainability	••• P.2		
<b>Environment</b>		<b>Governance</b>	
Environmental Policy	••• P.5	Philosophy and Strategy	••• P.25
Reducing CO <sub>2</sub> Emissions	••• P.6	Medium-Term Management Plan	••• P.26
Balance of Materials in Business Activities	••• P.9	Material Risk Factors	••• P.26
Initiatives for Environmental Conservation	••• P.10	Corporate Governance Structure	••• P.28
Contribution to the Environment through Products	••• P.11	Board of Directors	••• P.28
Environmental Management	••• P.12	Directors' Compensation	••• P.29
		BCP Initiatives	••• P.30
<b>Social</b>			
Stakeholder Engagement	••• P.13		
Human Resources & Working Styles	••• P.14		
Diversity and Inclusion	••• P.15		
Human Resource System & Training System	••• P.17		
Work-Life Balance & Welfare Program	••• P.19		
Employee Engagement	••• P.19		
Human Rights	••• P.20		
Compliance	••• P.21		
Labor Health and Safety	••• P.22		
Supply Chain Management	••• P.23		
Social Contribution Activities	••• P.24		

## Editing Policy

This report has been prepared to achieve Maruichi Steel Tube's target vision and to categorize the status of materiality issues that increase the medium- and long-term corporate value from an ESG (Environment, Society, Governance) perspective, and to provide a reference to all stakeholders. Going forward, we will enhance the content and disclose information in a timely and appropriate manner. We look forward to fulfilling our accountability through opportunities for various dialogue with you all.

- ❑ Reporting period: April 1, 2020 to March 31, 2021  
(Some details include information from outside the reporting period)
- ❑ Scope of report: The Maruichi Steel Tube Ltd. (non-consolidated)  
(Some details include information from some Group companies. We are currently working on future coverage of the entire Maruichi Steel Tube Group, including each consolidated subsidiary.)
- ❑ Posted on the Internet: From April 2021 (FY2020) with plans to update in August each year.

Note. This report has been prepared for the purpose of providing information about Maruichi Steel Tube's business activities. Opinions and forecasts are based on judgements of the Company at the time of preparation and no assurance is given in relation to the accuracy of the information.

## Maruichi Steel Tube's Sustainability



### Management Philosophy

1. As a leading steel tube company, our mission is to contribute to society by providing outstanding products and responding to the trust of customers.
2. We respect all stakeholders, including business partners, employees and shareholders based on respect for human rights.
3. We promote the creation of energy for growth and new values for the future by enhancing product reliability, technological capability, and sales capability by means of the wisdom, passion and action of each employee.
4. We will continue being an outstanding company filled with dreams that our employees feel worthy of entrusting their lives to.

## Basic Policy on Sustainability

Under the management philosophy of “contributing to society by responding to the trust of customers and placing a high value on all people, based on respect for humanity,” the Maruichi Steel Tube Group aims to realize sustained growth through business activities that consider all stakeholders. In addition to the Group’s own sustained growth, we engage in important issues (materiality) in accordance with the policies set out below and aim to increase corporate value in order to contribute to realizing sustainable societies.



### Organizational Governance

The Maruichi Steel Tube Group respects the rights of shareholders and strives to ensure equitability and transparency of management while fulfilling our fiduciary responsibilities and providing accountability to our shareholders, led by our Board of Directors. At the same time, we position corporate governance as a critical management issue as we strive to achieve our management vision, and reinforce speedy and accurate decision-making as well as supervisory functions. In addition, in order to improve medium- and long-term corporate value and maintain sound management, we pursue the optimal corporate governance and engage in ongoing efforts for enhancement.



### Consumer Issues

The Maruichi Steel Tube Group strives to provide safe, high-quality products to meet the needs of our customers, while bearing in mind the effect on end-users, and to respond with sincerity, swiftness and accuracy to the trust placed in us. The Group also endeavors to provide appropriate product information, and secure, maintain and enhance the satisfaction of all customers. We adhere to the word and spirit of the law of each country, and thoroughly protect the personal information of customers and all other people who are involved in our business activities.



### The Environment

The Maruichi Steel Tube Group regards the fulfillment of social responsibility through legal compliance as fundamental, and contributes to the further protection of the global environment, in order to provide a livable environment for future generations. By providing products using iron, which is highly recyclable, the Group plays a part in supporting a recycling-oriented society, while production activities are structured to prevent environmental pollution such as air, water or soil pollution. In addition, the Group continually strives for better technology, to realize more efficient use of resources including energy, water and raw materials. The Group sets goals and targets related to these efforts and establishes management systems to engage in continuous improvement activities.



### Labor Practices

The Maruichi Steel Tube Group works in accordance with the philosophy of “respect for humanity,” to create companies brimming with dreams, in which diverse employees can engage in fair, decent and meaningful work, and to which they can entrust their lives. To this end, the Group facilitates a work-life balance suited to individual circumstances, and diverse and flexible working styles. Each and every employee is encouraged to develop his or her abilities under high health and safety standards, and we create a work environment that ensures the mental and physical health and safety of employees. The Group also establishes sound labor-management relations, with opportunities for dialogue with employee representatives.



### Fair Operating Practices

The Maruichi Steel Tube Group acts with proper judgement and moderation in commercial transactions, neither giving nor receiving unfair profits, to prevent mistaken or dishonorable evaluation. Commercial transactions, regardless of whether they pertain to products or services, are carried out through proper processes, after fair comparison and evaluation of transaction details based on honest and legitimate negotiation. The Maruichi Steel Tube Group does not permit bribery, discontinues relationships with antisocial forces, and does not participate in corruption of any form.



### Community Involvement and Development

The Maruichi Steel Tube Group aspires to develop and grow together with various countries and local communities. The Group contributes through its business activities, by providing a stable supply of products to meet diverse needs in each country or region, thus supporting the construction and development of industry platforms. In addition, the Group also contributes to realizing rich societies, through the expansion of employment opportunities and the redistribution of profits through tax payments and the like. The Group pursues business sustainability, by considering ways to reduce the environmental and social burden of its business activities. Moreover, as a member of communities, the Group is conscious of the need to solve social issues. By actively taking part in activities that contribute to society, with awareness for resolving social issues as a member of local communities, the Group strives for proactive engagement with people in the same communities, sharing the same hopes and aspirations.



### Human Rights

The Maruichi Steel Tube Group works to prevent any and all acts of human rights violations, including indirect involvement. The Group protects the human rights of all stakeholders, including people in a weak social position or crisis situation, regardless of individual attributes such as gender or nationality. Products are not supplied to, or purchased from, business entities that violate human rights, and measures are implemented to provide relief for people whose human rights have been violated.

# Key Sustainability Challenges (Material Issues)



## **E**nvironment Consideration for the environment

- Global environmental conservation
- Formation of a recycling-oriented society
- Biodiversity conservation
- Transition to environmentally-friendly products



## **S**ocial Human resources & working styles Social Contribution Activities

### Human Resources & Working Styles

- Diversity and inclusion
- HR management
- Recruiting policy
- Labor health and safety
- Business efficiency and productivity improvement

### Social Contribution Activities

- Cooperation and support for cultural activities
- Promotion of sports
- Contribution to local communities
- Contribution to the global community



## **G**overnance Corporate governance

- Ensuring fairness and transparency in management
- Swift and accurate decision-making and a stronger supervisory function
- Stronger internal controls
- BCP completion and renewal

## Environmental Policy

Through the manufacture of steel tubes using iron, a highly-recyclable material, we endeavor to ensure a comfortable environment for the next generation.

With our basic philosophy of “co-existence and co-prosperity of the earth, nature and humanity,” we strive to provide a valuable link. To this end, we engage in the following activities.

1. We endeavor to prevent pollution, conserve resources and conserve energy, with consideration for their effect on the environment.
2. We engage in business activities in accordance with social norms, including laws and regulations related to the environment, and agreements with local residents.
3. We establish aims and targets related to the environment, and engage in activities aimed at continual improvement, including environmental management systems. We review these regularly.
4. We disclose this policy internally and externally.

Externally: we publish it on our website, and disclose it in an appropriate manner when requested.

Internally: we disseminate it among all employees, and aim to heighten environmental consciousness.

## Commitment to environmental issues

### Target to reduce CO<sub>2</sub> emissions

In recent years, as the problem of climate change has become more critical, the Company has taken the prevention of global warming to be a critical management issue and we are also participating in ongoing initiatives to find solutions. In response to the Japanese government’s declaration of “realizing a carbon neutral society by 2050,” the Maruichi Steel Tube Group has also set a target to reduce CO<sub>2</sub> emissions by 2030 as a step toward achieving carbon neutral and we are working to achieve that target.

Specifically, we aim to reduce CO<sub>2</sub> emissions of the Maruichi Steel Tube Group in Japan by 46% by 2030 (compared to the FY2013 baseline). In addition, each overseas company in the Maruichi Steel Tube Group is promoting activities to reduce CO<sub>2</sub> to similar levels as Japan.

### 2030 Target to reduce CO<sub>2</sub> emissions

**-46%**

(Compared to FY2013 baseline)

### Participation in the Japan Hydrogen Association

Hydrogen is attracting attention as one necessary element to achieve a decarbonized society. Hydrogen has the potential to be a new energy, but many issues need to be resolved such as cost reduction and building infrastructure through technical innovation, and creation of demand for hydrogen to be implemented by society.

The Japan Hydrogen Association was established in December 2020 as a cross-industry organization with a target to solve these many issues.

By joining as a member of this association and undertaking activities, the Company will contribute to the acceleration of a hydrogen society.



### Information disclosure through CDP

The Company’s stance on environmental issues such as climate change and water security are disclosed through our responses to the CDP questionnaire. In addition, our initiatives for internal decarbonization will be accelerated through proactive disclosure.



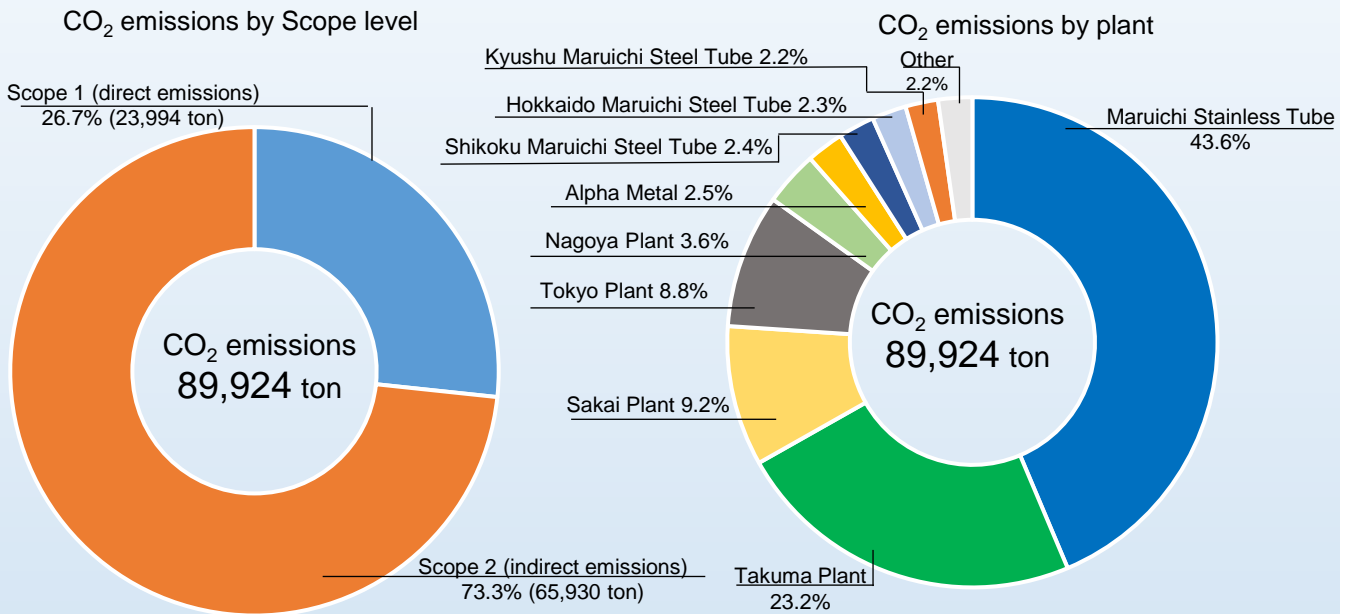
## Reducing CO<sub>2</sub> Emissions

The Maruichi Steel Tube Group has set a target to reduce CO<sub>2</sub> emissions in Japan by 46% by 2030 (compared to the FY2013 baseline).

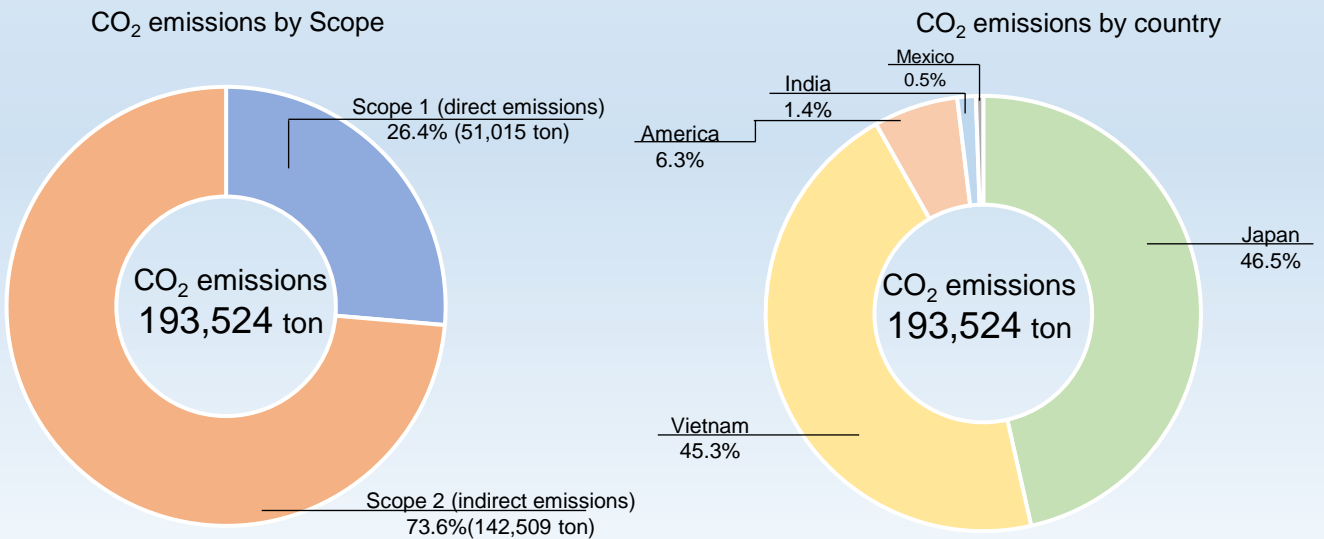
In FY2020 the Maruichi Steel Tube Group emitted 89,924 tons of CO<sub>2</sub> in Japan, and approximately 73% of this corresponded to emission from energy consumption (Scope 2: indirect emissions). Therefore, we are taking proactive measures to achieve this target to reduce emissions, by promoting further energy conservation activities, while purchasing from renewable energy sources and installing solar energy generation facilities for household use. In addition, each overseas company in the Maruichi Steel Tube Group is promoting activities to reduce CO<sub>2</sub> to similar levels as Japan.

### Actual CO<sub>2</sub> emissions in FY2020

#### The entire Maruichi Steel Tube Group in Japan



#### The entire Maruichi Steel Tube Group including overseas consolidated subsidiaries



#### Applicable companies

- Japan: Maruichi Steel Tube Ltd., Hokkaido Maruichi Steel Tube Ltd., Shikoku Maruichi Steel Tube Ltd. Kyushu Maruichi Steel Tube Ltd., Maruichi Stainless Tube Co., Ltd., Alpha Metal Co., Ltd., Maruichi Kohan Ltd.
- Vietnam: Maruichi Sun Steel Joint Stock Company, Maruichi Sun Steel(Hanoi) Co., Ltd
- America: Maruichi American Corporation, Maruichi Leavitt Pipe & Tube, LLC, Maruichi Oregon Steel Tube, LLC
- India: Maruichi KUMA STEEL TUBE PRIVATE LIMITED
- Mexico: MARUICHIMEX S.A. de C.V.

## Our activities – CO<sub>2</sub> reductions achieved to date

The Company has been engaged in various methods to reduce CO<sub>2</sub> emissions to date. Apart from the initiatives described below, we have also undertaken a wide range of energy conservation measures and activities to reduce CO<sub>2</sub> such as the adoption of high-efficiency lighting (LED lighting, etc.), upgrade to high-efficiency transformers, adoption of inverters for pumps and fans.

### Reduction through improvements in welding method

We converted from gas welding to electric welding for the welding method used in manufacturing steel tubes. In addition, we commenced the conversion to inverters (increased efficiency) and upgrading of welding equipment from 1995 and 95% of the equipment within the Maruichi Steel Tube Group has now been upgraded.



**Improve welding efficiency 20%**

\*1

### Reduction through fuel conversion

We reduced CO<sub>2</sub> emissions by converting the heat source used in the Takuma Plant from LPG to LNG in 2011.



**Reduce CO<sub>2</sub> emissions 2100 ton/year**

\*2

We conserved energy by upgrading the equipment that sprays air on the steel plate surface to control the volume of alloy applied in Takuma Plant's galvanizing line from a compressor to a blower.

**Reduce CO<sub>2</sub> emissions 400 ton/year**

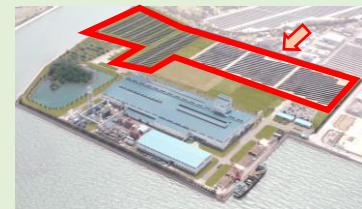
\*3

### Reduction through improvements to blower method on the galvanizing line

**Reduce contribution to CO<sub>2</sub> emissions 7620 ton/year**

\*4

We installed solar power generation equipment on the roofs of plants, product warehouses and offices and commenced generating electricity in 2013.



Aerial view of Takuma Plant

### Contribution to emissions through installation of solar power generation equipment

\*1 Comparison of performance during the 1 year before and after upgrade

\*2 Comparison of performance during the 1 year before and after fuel conversion

\*3 Calculated from the FY2019 emissions coefficient based on the forecast reduction in electricity

\*4 Calculated from the FY2019 emissions coefficient based on the amount of electricity generated in FY2019



## Our activities - CO<sub>2</sub> reduction from energy conservation activities

### Upgrade to super high-efficiency transformers

The Company considers the adoption of super high-efficiency transformers that surpass the efficiency of top runner transformers when newly installing or renewing transformers. We have installed a total of 7 super high-efficiency transformers during the past three years.

### Reduction in compressor air

We set a company-wide target to reduce the compressor air used in production plants by 3% per unit of production for the two years FY2020 and FY2021 (versus the FY2019 baseline) and have introduced compressor air reduction campaigns in each production plant.

### Shift to energy efficient lighting on the ceilings of the production plants

The Company has proactively adopted energy efficient lighting such as LED. We plan to upgrade all ceiling lighting in production plants to energy efficient lighting by 2023.

### Shift to inverters for pumps and fans

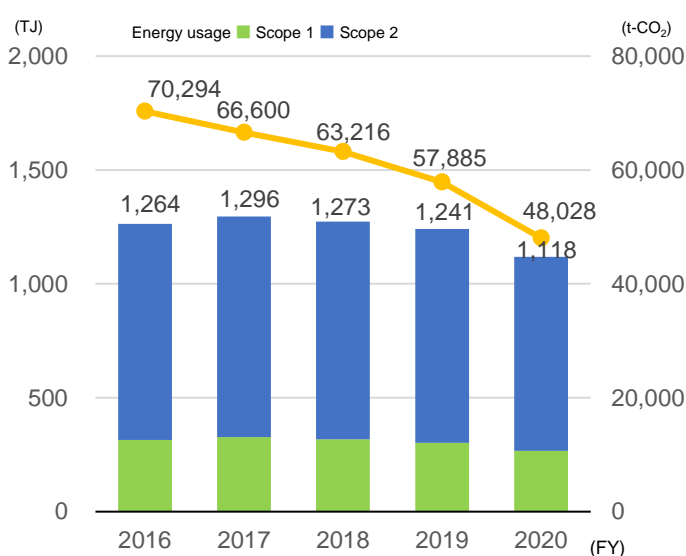
We have proactively shifted to inverters for pumps and fans used in production plants and are engaged in energy conservation activities.

Installation of energy efficient lighting

FY2018	FY2019	FY2020	FY2021 (Forecast)
67 lights	259 lights	886 lights	483 lights

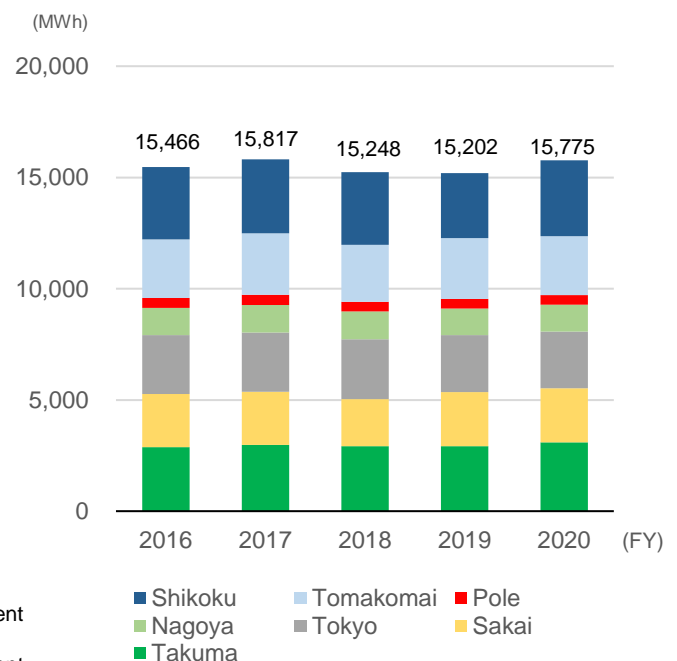
### Trend in CO<sub>2</sub> Emissions and Energy Usage

CO<sub>2</sub> emissions have fallen during the 5 years up until FY2020. In addition, FY2020 energy usage was 1,118 TJ, down 123 TJ on the previous fiscal year.



### Trend in Solar Power Generation

The installation of solar power generation equipment commenced in 2013 and annual power generation has exceeded 15,000 MWh every year since 2016.

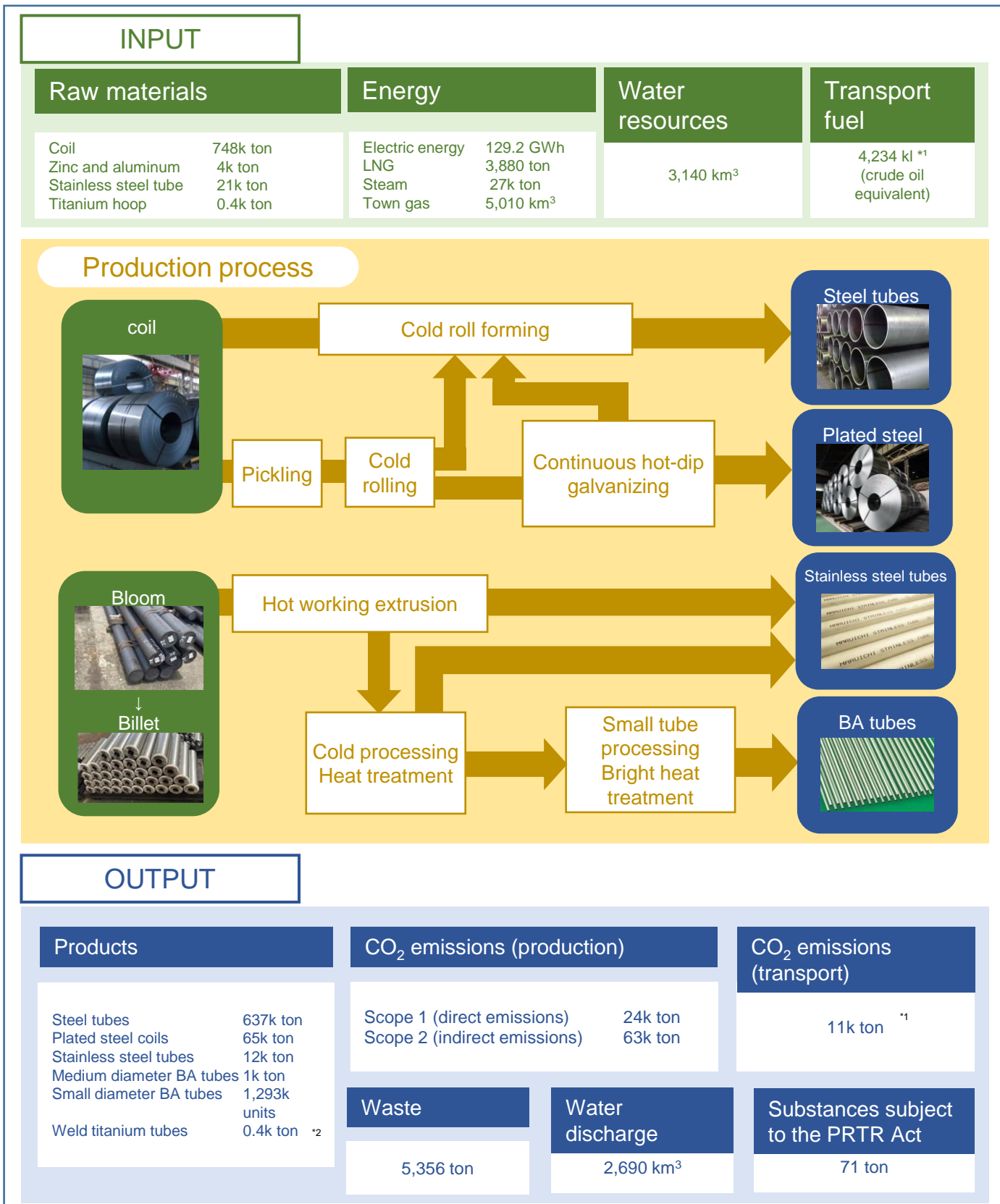


Energy usage is calculated using the thermal conversion coefficient based on the Act on Rationalizing Energy Use for each energy type. CO<sub>2</sub> emissions are calculated using the CO<sub>2</sub> emissions coefficient announced by each electric power company each fiscal year. This data applies to the Maruichi Steel Tube Group in Japan, excluding Maruichi Stainless Tube Co., Ltd. and Alpha Metal Co., Ltd.

## Balance of Materials in Business Activities

The Company manufactures carbon steel and stainless steel tubes, BA tubes, and plated steel coils using highly recyclable iron as raw materials. In addition, we are continuously engaged in initiatives to reduce waste emissions and CO<sub>2</sub> emissions in each manufacturing process as well as energy conservation activities.

FY2020 Results (results for the entire Maruichi Steel Tube Group in Japan)



\*1 Results for Maruichi Steel Tube Ltd. (non-consolidated)

\*2 Weld titanium steel tube production ended in September 2020

## Initiatives for Environmental Conservation

### Shift to PHV for company cars

Company cars at the Sakai Plant have been upgraded to electric vehicles, which contributes to reducing CO<sub>2</sub> emissions when using company cars. We have also installed an electric vehicle charging station within the Sakai Plant in conjunction with the upgrade of company cars.



Electric vehicle charging station

### Environmental education

The Company has established an Environmental Management Committee with the President as the Chief Environmental Officer. The committee promotes company-wide energy conservation activities, sharing information about the energy conservation initiatives at each plant at the committee meetings, which are held, in principle, once a month. Employee education and study groups concerning aspects such as energy conservation and SDGs are held at each plant, with the aim of increasing employee awareness about the environment.

### Biodiversity

We are engaged in activities to protect the glasswort plants (designated endangered plants II in the Ministry of the Environment's Red Data Book) that grow naturally within the grounds of the Takuma Plant (Mitoyo City, Kagawa Prefecture) and blue-berried honeysuckle, a tree flower designated by Tomakomai City, that grow naturally within the grounds of the Hokkaido Maruichi Steel Tube's Tomakomai Plant (Tomakomai City, Hokkaido). Glasswort plants are halophytes that grow on tidal flats and salt pans.



Glasswort plants



Blue-berried honeysuckle

### Initiatives for PCB conservation

The Company appropriately stores devices containing polychlorinated biphenyls (PCB) used in equipment in each office in accordance with the Act concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law). In addition, we also inspect the storage conditions and submit reports. In addition, we have completed the delivery and storage registration for highly-concentrated PCB waste with the Japan Environmental Storage & Safety Corporation (JESCO) and dispose in accordance with the basic plan for disposal prescribed by the government.

### Promoting green purchases

The Company is steadily switching the copy papers used in each office to Green Purchase Act compliant products. We will continuously promote green purchases to increase the usage ratio of environmentally-friendly products, and contribute to reducing our environmental burden.

### Status of environmental qualifications

The Company encourages employees to obtain environmental qualifications. We have introduced a system to pay a certain allowance to holders of public qualifications such as the Qualified Person for Energy Management and Pollution Control Manager, with the aim of improving employee capabilities and self-development.

#### Status of qualifications obtained

Qualified Person for Energy Management		16
Pollution Control Manager (Air, Water)	First Grade	4
	Second Grade	14
Certified Environmental Specialist		16

### Mitigation of noise on surrounding areas

We have introduced measures to mitigate noise on surrounding areas such as double glazing and soundproof construction for buildings and external walls at the Hamamatsu Processing Plant.



Hamamatsu Processing Plant

### Contribute to the recycling business for waste plastic

Kawase Industry Co., Ltd., in which the Company has invested, is developing the waste recycling business and proactively working on environmental conservation. The Kawase Industry product RePlagi® is a lumber made of 100% recycled plastic and greatly contributes to the prevention of global warming by suppressing deforestation through a reduction in the use of lumber. The Company also uses RePlagi® as raw materials and lumber products.



RePlagi® installed in product warehouse



## Contribution to the Environment through Products

The Company contributes to environmental conservation by selling products that respond to customers' needs to reduce their environmental burden.

### ▶ Reducing waste by extending life

AL-Z55 (hot-dip 55% Al-Zn alloy plated)



The Company manufactures 55% Al-Zn alloy plated steel coils "AL-Z55" at the steel sheet processing plant Takuma Plant, and manufactures AL-Z55 steel tubes at the steel tube plant, which have applications including agricultural steel tubes, scaffolding tubes, and electrical conduits. This has two to six times the corrosion resistance of conventional zinc galvanization, which extends the product life and suppresses the waste generated from replacement.

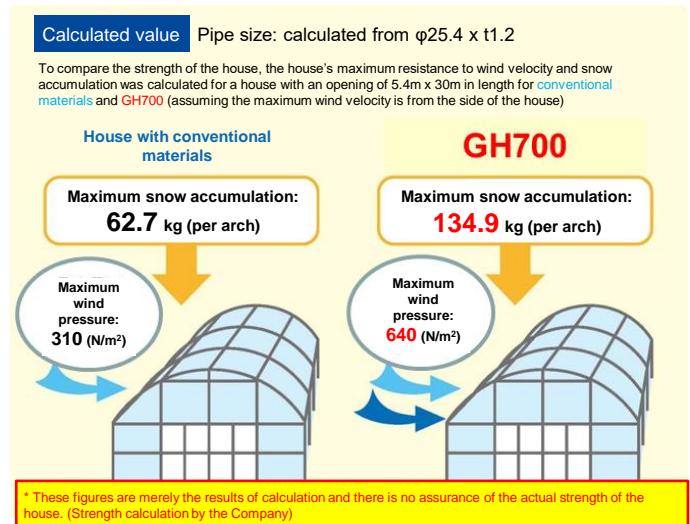
### ▶ Lower CO<sub>2</sub> emissions during transport due to lighter weight

Maruichi Handy Pipe STK700



←By adopting high tensile steel (700N/mm<sup>2</sup>), the weight is almost 25% lighter than steel tubes used in conventional single tube scaffolding. Consequently, CO<sub>2</sub> emissions are reduced during production as well as transport.

### Strong agricultural steel tubes GH700



By adopting high tensile steel (700N/mm<sup>2</sup>), the strength of a house is approximately double that of a house made with conventional agricultural steel tubes. It is resilient to wind and snow damage and suppresses the waste generated if the house were to collapse in a disaster.

### ▶ Reducing emissions of environmentally-hazardous substances

Non-chrome products



As an alternative to conventional chromate, we have developed non-chrome type agricultural steel tubes and steel tubes for conveyor rollers that have the same level of corrosion resistance and do not contain hexavalent chromium, which are environmentally-hazardous substances.

Colored products (square steel tubes • C-shaped steel)

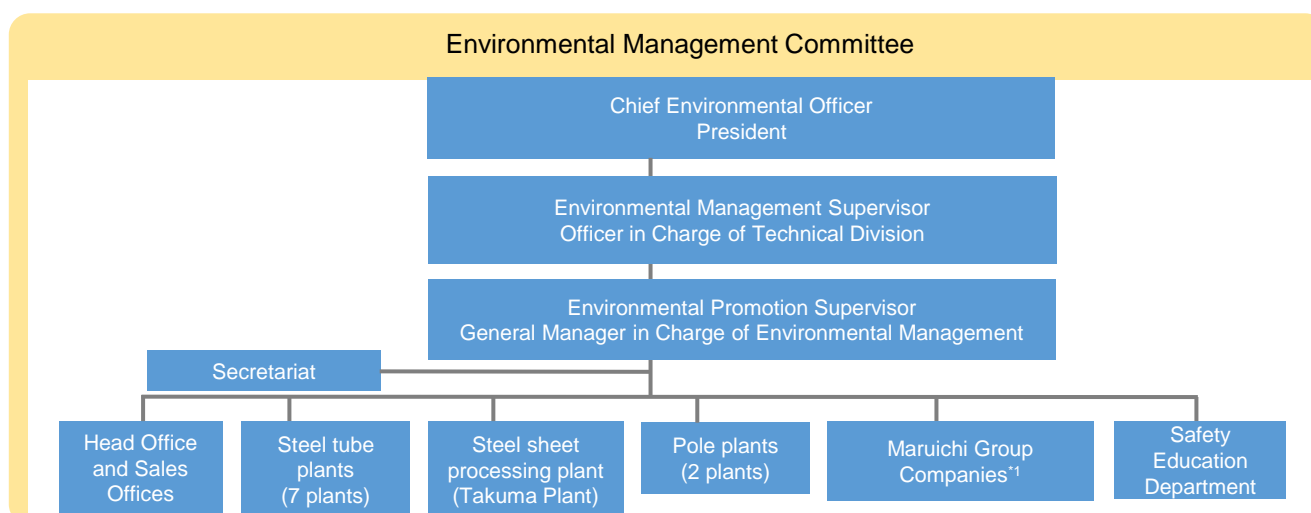


We reduce the environmental impact by coating with "JIS K 5674 (lead-free, chrome free anticorrosive paints) class 2," a paint that is corrosion resistant and does not contain hexavalent chromium.

## Environmental Management

### Environmental Management Structure

The Maruichi Steel Tube Group has established an Environmental Management Committee with the President as the Chief Environmental Officer. The committee promotes corporate activities that consider environmental conservation. The committee meetings are held, in principle, once a month and considers measures and policies on various environmental issues and determines company-wide initiatives. Note that at the present point in time, overseas group companies and some other subsidiaries do not participate in this committee, so we are considering rebuilding the structure to comprehensively encompass environmental management for the entire group.



\*1 Here, Maruichi Group Companies refers to Alpha Metal Co., Ltd. and Kasuga Industry Ltd.

### Status of ISO 14001 Certification

The Maruichi Steel Tube Group is building ISO 14001 environment management systems for continuous improvement of environmental management. We have also obtained the following certifications and renew the certifications as appropriate.

Registering organization	Maruichi Steel Tube Ltd. (Manufacturing location) Sakai Plant/Tokyo Plant/Nagoya Plant/Takuma Plant/Sakai Pole Plant/Kashima Pole Plant/Hokkaido Maruichi Steel Tube Ltd. Tomakomai Plant/Shikoku Maruichi Steel Tube Ltd. Shikoku Plant, Tachibana Plant/Kyushu Maruichi Steel Tube Ltd. Kyushu Plant	Maruichi Stainless Tube Co., Ltd. (Shimonoseki Head Office and Plant)
Scope of registration	<ol style="list-style-type: none"> <li>Design and manufacture of welded steel tubes for industrial plants, general and machinery structures, car and automotive parts, electrical conduits, gas and water pipes, and pipe piles.</li> <li>Design and manufacture of Maruichi Poles, pylons and pillars</li> <li>Design and manufacture of pickled steel coils, cold-rolled steel coils, plated steel coils (hot-dip galvanized steel coils and hot-dip 55% aluminum-zinc alloy plated steel coils)</li> <li>Design and manufacture of shaped steel for general structural uses</li> </ol>	Business activities relating to the manufacture of stainless steel tubes and titanium tubes
Registration number	JSAE699	E1714
Date of registration	August 8, 2003	February 15, 2007
Most recent date of renewal	August 8, 2021	February 15, 2019

## Stakeholder Engagement

The Maruichi Steel Tube Group considers all stakeholders to be the source of the Company's creation of value. Through communication we respond to stakeholders' expectations and demands, and leverage these to achieve sustained growth.

Stakeholders		Main responsibilities of the Maruichi Steel Tube Group	Approaches	Points of contact
Customers	Meeting the diverse needs of various customers as a comprehensive manufacturer of steel and providing high quality products with excellent resilience and durability in line with customer deadlines.	<ul style="list-style-type: none"> <li>Provision of safe, secure, and valuable products</li> <li>Appropriate provision of product information</li> <li>Appropriate response and support for customers</li> <li>Appropriate management of customer information</li> </ul>	<ul style="list-style-type: none"> <li>Regular sales activities</li> <li>Quality assurance support</li> <li>Corporate site &amp; product information site</li> <li>Website inquiries service (email)</li> <li>Exhibitions &amp; events</li> <li>Plant tours</li> </ul>	Sales Departments Quality Assurance Divisions, Sales Offices
Business Partners	We treat our business partners with respect, as partners in the creation of value for society. We are careful to ensure that transactions are fair and founded on a relationship of trust.	<ul style="list-style-type: none"> <li>Fair trade</li> <li>Fair and reasonable criteria for the selection of business partners</li> <li>Elimination of questionable relationships</li> <li>Consideration for human rights in supply chains</li> <li>Consideration for the environment in supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Information exchange through business partner visits</li> <li>Regular procurement activities</li> <li>Quality audits</li> </ul>	Procurement & Outsourcing Division Quality Assurance Divisions, Sales Offices
Shareholders & Investors	In addition to providing value through the return of profits from sustained growth, we engage in fair and transparent corporate management, with the timely distribution of information and ample opportunities for dialogue through our IR activities.	<ul style="list-style-type: none"> <li>Timely and appropriate information disclosure</li> <li>Appropriate distribution of profits</li> <li>Maintaining and enhancing corporate value</li> <li>Applying shareholder and investor perspectives in management</li> </ul>	<ul style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Briefings for institutional investors</li> <li>Plant tours</li> <li>Annual Report &amp; business reports</li> <li>Website for investors</li> <li>Mail magazine</li> <li>Individual interviews with institutional investors</li> </ul>	Human Resources & Administration Dept. (PR & IR)
Employees	Based on our philosophy of respect for humanity, we strive to create environments that bring out the best in each and every employee.	<ul style="list-style-type: none"> <li>Fair evaluation and conditions</li> <li>Consideration for labor health and safety</li> <li>Proactive empowerment of human resources</li> <li>Respect for human rights and diversity</li> <li>Support for diverse working styles</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>1 on 1 meetings</li> <li>Meetings in each workplace</li> <li>Company newsletter</li> <li>Relationship with the labor union</li> <li>Compliance hotline</li> <li>Regular transmission of messages from top management</li> <li>Production site inspection tours by top management</li> </ul>	Human Resources & Administration Dept. Corporate Planning Division
Local Communities	The Maruichi Steel Tube Group respects the culture and customs of each region where we have bases in Japan and overseas and engages in business activities with care for the local environment.	<ul style="list-style-type: none"> <li>Respect for local culture and customs</li> <li>Activities to contribute to local communities</li> <li>Prevention of plant accident and disaster</li> <li>Support for surrounding regions in the case of disaster</li> </ul>	<ul style="list-style-type: none"> <li>Support for cultural and artistic activities</li> <li>Contribution through businesses to local communities</li> <li>Information exchange meetings</li> <li>Support for social studies learning</li> <li>Participation in events held by local governments and regional groups</li> <li>Participation in volunteer activities</li> </ul>	Each office Human Resources & Administration Dept.
Global Environment	In addition to preventing environmental pollution through business activities, the Maruichi Steel Tube Group plays a part in building a recycling-oriented society, by providing products using iron, which is highly recyclable.	<ul style="list-style-type: none"> <li>Anti-pollution measures</li> <li>Global environmental protection through effective use of resources</li> <li>Appropriate disposal of waste</li> <li>Biodiversity conservation</li> <li>Provision of environmentally-friendly products</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance</li> <li>Communication with those responsible for ultimate disposal</li> <li>Activities to protect specific animals and plants</li> <li>Research and development activities</li> </ul>	Each office General Manager in charge of environmental management Human Resources & Administration Dept.

## Human Resources & Working Styles

### Our values

- **Philosophy of respect for humanity**

Aiming to maintain employment and create a workplace that gives everyone a fulfilling and exciting purpose in life.

- **Multitasking**

Under the idea of “creating few and efficient,” striving to cultivate each individual to be adept at a wide variety of skills in multiple operations (in the case of plants, the ability to work on multiple lines).

### Our vision

- **Diversity and inclusion**

In light of the large changes in the business environment and global development, we promote diverse sense of values and embrace and accept different cultures.

- **Empowerment of females, non-Japanese and seniors, etc.**

In addition to the above, we strive to further develop our response to the lower birth rate and aging society.

### Challenges and opportunities

- Expansion of the recruitment channels
- Establish a new human resource system and cultivate and educate from a long-term perspective

Transition of basic data

	End of Mar 2017	End of Mar 2018	End of Mar 2019	End of Mar 2020	End of Mar 2021
Number of employees (Non-consolidated)	631	633	623	627	626
of which male	592	590	579	580	578
of which female	39	43	44	47	48
Average age (years)	39.4	37.9	39.9	38.7	39.8
Average number of years of continuous employment (years)	17.9	16.5	17.8	17.6	18.2
Average salary (million yen)	6.25	6.36	6.37	6.38	6.10
Initial salary (High school graduate, yen)	172,750	173,750	177,000	178,500	179,500
Initial salary (University graduate, yen)	220,450	221,450	224,500	226,000	227,000

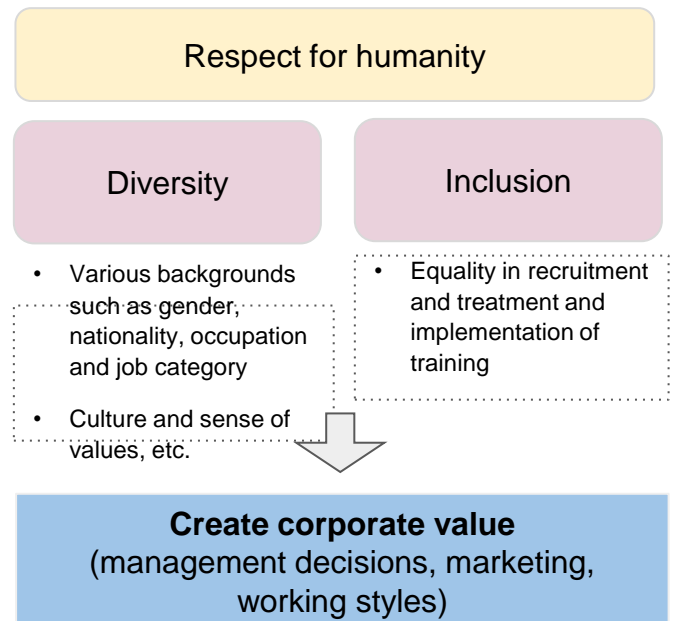
## Basic approach

The Maruichi Steel Tube Group has pursued becoming a company that places a high value on all people based on the philosophy of respect for humanity.

The following types of human resources are necessary to create corporate value in the current society where there are big changes and high uncertainty.

- Human resources with diverse backgrounds
- Diverse human resources with different gender, nationality, culture and sense of values

In addition, there simultaneously needs to be a structure that embraces and accepts such sense of values as an organization.



## Diversity and Inclusion

### Create an environment where females can play an active role

- We are proactively incorporating a female perspective that had tended to be overlooked in the steel industry, which had originally been a domain of “male society.”
- We are implementing measures such as a system that responds to life events and training to cultivate skills to build an environment where females can continuously exhibit their abilities and to prevent them from leaving.



#### Diversity promotion training

We implemented female participation promotion training for female employees and male managers and shared issues and solutions with each office.



Training to promote active participation by females

#### Transition in the number of employees

	End of Mar 2017	End of Mar 2018	End of Mar 2019	End of Mar 2020	End of Mar 2021
Number of employees	631	633	623	627	626
of which female (ratio)	39 (6.1%)	43 (6.7%)	44 (7.0%)	47 (7.5%)	48 (7.7%)
Number who have taken maternity leave	4	6	7	7	6
Number of managers	69	70	75	71	81
of which female (ratio)	0 (0%)	0 (0%)	1 (1.3%)	1 (1.4%)	1 (1.2%)
Average number of years of continuous employment (years)	17.9	16.5	17.8	17.6	18.2
of which female	9.3	9.3	10.5	10.7	11.6



#### Program of reduced working hours for childcare

Ability to have reduced working hours until children enter elementary school.



#### Childcare leave and support for early return to work

Childcare leave can be taken up until the child reaches 2 years of age at most. In addition, a support allowance is paid to female employees who return to work early after childcare leave with ongoing support for the careers of females.



#### Upgrade the plant equipment

We are upgrading the equipment and the environment to make it easier for female employees to work even at plants that tend to be seen as male workplaces.



A female engineer working at the Sakai Pole Plant

#### Transition in the number of recruits

	End of Mar 2017	End of Mar 2018	End of Mar 2019	End of Mar 2020	End of Mar 2021
Number of new recruits (University/Graduate School)	3	6	3	5	3
of which female	1	2	0	1	0
Number of mid career recruits	6	7	1	8	7
of which female	2	3	0	3	3
Total number of recruits in the year (University/Graduate School)	9	13	4	13	10
of which female (ratio)	3 (33.3%)	5 (38.4%)	0 (0%)	4 (30.7%)	3 (30.0%)



Inside the Head Office building



## Promoting the empowerment of non-Japanese employees

Against a backdrop of rapidly developing globalization, the Maruichi Steel Tube Group is creating a work environment that is very conducive to non-Japanese personnel and creating a company where personnel can play an active role regardless of race, country or region of origin. Engineers from overseas subsidiaries are welcomed at domestic plants, contributing to improving the skills of local staff and development of local production once they return to their country of origin.

### • Proactive recruitment of non-Japanese students

Even within the recruitment activities, we proactively recruit non-Japanese students with the aim of increasing diversity. There are also employees who have been seconded as candidates for key personnel at overseas subsidiaries soon after accumulating practical experience in Japan.

### • Welcoming technical employees from overseas subsidiaries

Technical employees from SUNSCO, Vietnam, have been welcomed at domestic plants with the aim to for exchange of personnel and technology within the group and to improve the skills of overseas personnel.

	End of Mar 2017	End of Mar 2018	End of Mar 2019	End of Mar 2020	End of Mar 2021
Number of non-Japanese employees	3	4	4	4	5
Number of technical employees from overseas subsidiaries	0	0	0	2	8
Number of technical interns	0	2	2	6	8
Total	3	6	6	12	21



Technical employees from SUNSCO, Vietnam (Takuma Plant)



Technical employees from SUNSCO, Vietnam (Nagoya Plant)

## Other employment policies

### Employment of seniors

Many employees utilize the re-employment system following regular retirement up until the age of 65. We strive to maintain and increase motivation by reflecting the evaluation of individual performance and capabilities.

### Employment of people with disabilities

We employ 13 people with disabilities compared to the statutory requirement of 12 (as of May 31, 2021)

### Consideration for LGBT

We incorporate content that deepens understanding such as anti-harassment measures for sexual minorities in compliance training.

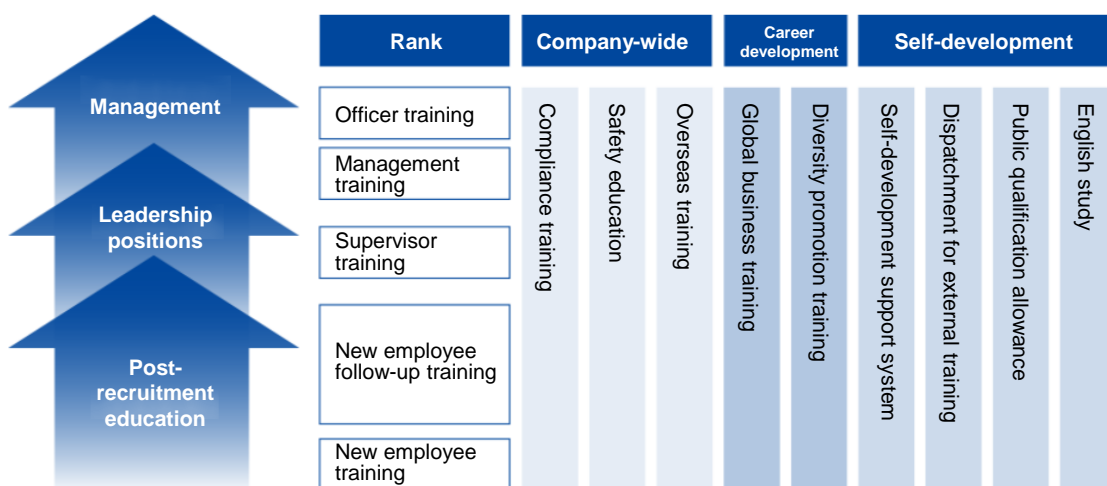
# Human Resource System

## Cultivate human resources

The Maruichi Steel Tube Group is cultivating multiskilled human resources that respond to wide-ranging operations with each individual acquiring multiple skills and knowledge.

We revised the human resources system from FY2020, in a radical revision that promotes the creation of a system for rapid advancement of careers for talented employees and not by seniority.

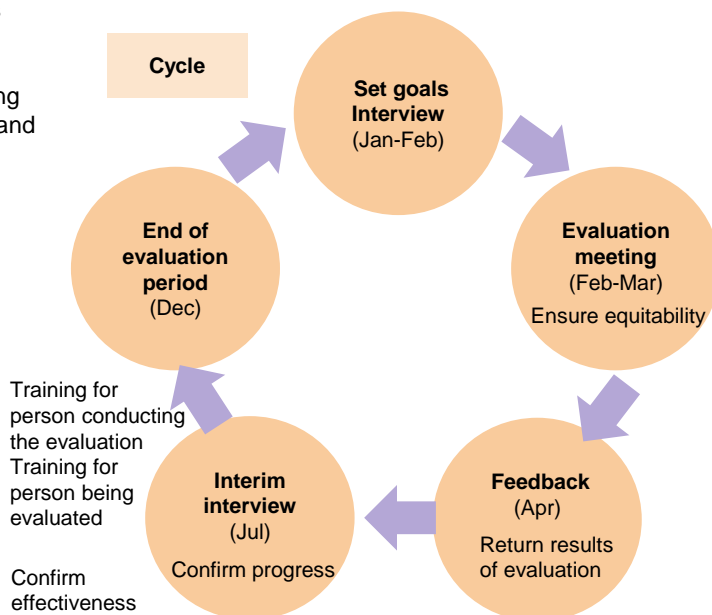
## Education and training systems



## New human resource evaluation system (FY2020 revision)

In recent years, the change in social circumstances due to rapid technological innovation and the low birth rate and aging society has also led to major change in peoples' working environments. To respond to such changes, we started a new human resource evaluation system from FY2020 targeting stimulation of the organization and increasing motivation and desire to work across a broad generation of employees. The key points of the revision are as follows.

- Rather than seniority, focuses on an individual's qualities such as ambition, desire, and capabilities
- Introduces a system for challenging at high levels, defining the capabilities required by grade for each job category, and clarifying the mission according to such grade
- Strengthens employee engagement
- Evaluates on the basis of both goals management and capabilities (behavior)



## Training by rank

### • New employee training

When joining the Company, we provide all new employees with an induction that includes training to learn the fundamental matters as an employee of the Maruichi Steel Tube Group such as the history of the Maruichi Steel Tube Group, preparedness as a working adult, and safety initiatives. Subsequently, we conduct OJT when actually working on the line at the plant.

• 2017: 33 • 2018: 34 • 2019: 33 • 2021: 21

### • New employee follow-up training

When 3 months have elapsed since joining the Company, we conduct follow-up training on matters such as safety together with mutual confirmation of growth and issues by presenting what has been learned during the intervening period.

• 2017: 30 • 2018: 34 • 2019: 33 • 2021: 20

### • Supervisor training

We conduct training for new supervisors on matters such as preparedness and confirmation of the role as a supervisor, how to progress work, instructions and communication with subordinates and creation of a workplace atmosphere.

• 2017: 27 • 2018: 19 • 2019: 11 • 2021: 43 (Planned)

### • Management training

We conduct training for new managers on matters necessary for a manager such as management capabilities to bring subordinates together, preparedness and compatibility of a playing manager and a manager, cultivating subordinates and strengthening the organization.

• 2017: 7 • 2018: 10 • 2019: 7 • 2021: 17

### • Officer training

We conduct training on matters such as market analysis, business environment, state of earnings and future issues for each overseas base bringing together domestic officers, general managers, and officers of overseas bases.

• 2017: 35 • 2018: 31 • 2019: 37 • 2021: Suspended to prevent the spread of COVID-19

\*All the aforementioned training was suspended in 2020 to prevent the spread of COVID-19

## Overseas training

We form teams spanning divisions according to the year of joining the Company and visit overseas subsidiaries. Our target is to cultivate a global perspective through inspections of overseas manufacturing bases, visits to local business partners and similar measures.



Business partner visits in Hanoi

Timing	Number of participants	Destination
2004 to 2010	211	MMP (China) and others
2011	28	SUNSCO (Vietnam)
2013	29	SUNSCO (Vietnam)
2014	20	SUNSCO (Vietnam)
2015	20	ISTW (Indonesia)
2016	27	SUNSCO (Vietnam)
2017	18	ISTW (Indonesia)
2018	19	SUNSCO (Vietnam)
2019	18	SUNSCO (Vietnam)
Total	390	

## Global business training

We provide training to persons scheduled to be seconded overseas on necessary matters such as overseas life and communication with different cultures.



Global business training

Timing	Number of participants
Apr 2017	6
Apr 2018	7
Apr 2019	5
Total	18

## System to support public qualification

We have introduced a system for an allowance to be paid on top of the monthly salary according to the degree of difficulty of a qualification to employees who have obtained a public qualification necessary for work.

Category of public qualification and the number of persons who have obtained such qualification

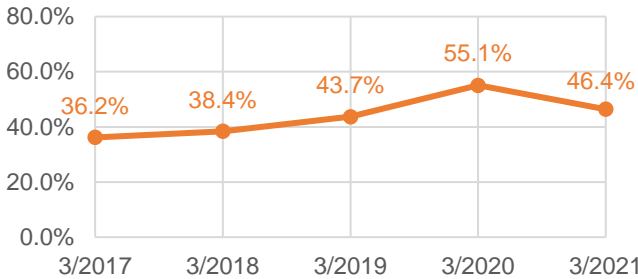
Environment and disaster prevention	Health and safety	Construction and equipment	Quality and audits	Business	Computer	Language	Total
167	38	84	189	86	26	24	614

## Work-Life Balance & Welfare Program

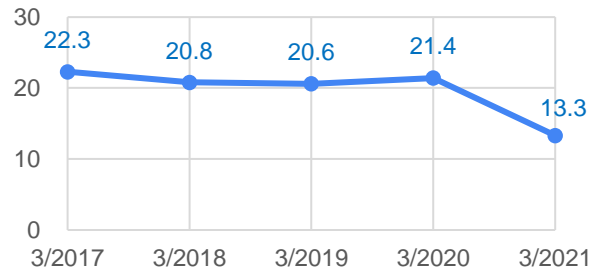
### Work-life balance

In line with the aims for the “work style reform” promoted by the government, we support both working and private lives by promoting enhanced operational efficiencies and aim to achieve flexible working styles according to each and every employee’s circumstances.

Rate of taking paid leave



Overtime hours (monthly)



### Welfare program

Apart from providing a residential environment complete with dormitories and company housing so that employees can work with security, we support various life plans and implement arrangements to foster personal growth through self-development and initiatives for better health and active communication between employees.

#### • Supporting the housing environment



- Singles dormitories/company housing...dormitories and company housing are provided in areas near plants and sales offices (Chiba, Aichi, Osaka, Kagawa)
- We provide a housing allowances to homeowners and people living in rental homes

#### • Supporting employee education



- Internal English conversation lessons
- Public qualification allowance
- Self-development support system
- Japanese language lessons...including for employees from overseas including technical interns

#### • Supporting life plans



- Employee stock holding association ... participation rate of 70% (FY2021 3Q)  
Number of shares: 484,226 (0.52%)
- Wealth accumulation system
- Employee Stock Ownership Plan (ESOP) ... treasury stock that is accumulated by the Company according to the term of service that is provided on retirement
- Mutual aid lending system
- Housing loan system

#### • Supporting better health



- Health examinations
- System for the Company to bear the cost of flu vaccinations
- Corporate contract for welfare program services
- Sports day ... annual, convened with the inclusion of employees of partner companies in each region and their families

## Employee Engagement

### Basic approach

We share our corporate philosophy and future vision company wide and foster and environment that generates a desire to contribute and trust in the company so that employees and society move together in the same direction and write the same future. In addition, we also promote initiatives that foster interaction between employees.

### Union

We have adopted a union shop system since the formation of the labor union at the Maruichi Steel Tube Group in March 1964, and improve labor conditions and the welfare program, conduct mutual aid activities and activities for safe production measures. The Company and the labour union hold opportunities for discussion throughout the year to protect both employees and their families and to build an even better workplace environment.

## Formulate and share the medium- to long-term vision



We share the ideal direction of the company with the formulation of the “01 x 100” concept of aiming to be a 100-year old company and through company-wide distribution of an explanatory video for employees as well as the Company newsletter.

## President’s Message

(Monthly salary, bonus time, anniversary of foundation, beginning of the year, etc.)

The President sends a message to all employees on matters such as the issues and initiatives at the time and policies.

## Initiative to stimulate communication

For recreation expenses in each office, a certain amount to be borne by the Company can be set aside to cover the cost of get-togethers, etc.

## Company history and publication of Company newsletter

The Company history has been compiled twice with the 50-year history and the 70-year history.

We distribute details of internal events, reports from each office, personnel, OB news, etc. two to three times a year.



(Explanatory video for employees)

## Interviews for personnel evaluation

Individual interviews are conducted with each and every employee to set goals, check on interim progress and provide feedback, sharing issues that lead to growth.

## Debrief on return of employees who have been seconded overseas

With a growing number of secondees due to the acceleration in overseas development, debrief meetings are held with top management on the return of such secondees to share information on the status of their work and living conditions.

	Number of employees seconded overseas
End of Mar 2017	34
End of Mar 2018	31
End of Mar 2019	32
End of Mar 2020	29
End of Mar 2021	32

## Human Rights

### Basic approach

The Maruichi Steel Tube Group aims to create an environment where everyone can work fairly and honestly regardless of country or region, nationality or gender based on the corporate philosophy of valuing all people such as business partners, employees and shareholders based on respect for human rights.

### Specific initiatives

We treat employees from overseas as well as Japanese employees equally and continuously conduct human rights development activities to gain the proper understanding and knowledge about human rights.

#### • Treatment of overseas subsidiaries and engineers from non-Japanese technical interns

We prepare the same housing environment as for Japanese employees, pay the same for the same grade of job category, while providing opportunities for Japanese language training and various communication so that such employees can fit into the Company.

#### • Compliance training

We conduct training with external lecturers on the themes that are established for each year at the company-wide meeting where the heads of all plants gather once a year. We strive to raise awareness of human rights by recording the details so that all employees can hear.

FY held	Training topic
FY2015	Diverse employment styles; sexual harassment
FY2017	Communication using SNS
FY2018	Sexual harassment (pregnancy discrimination/LGBT), power harassment
FY2019	Power harassment

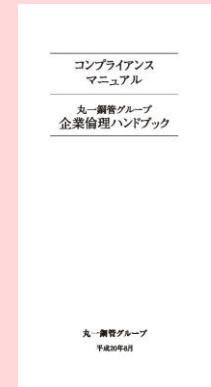
## Compliance

### Dissemination of corporate ethics and compliance

We have compiled the compliance requirements and corporate ethics that should be adhered to by all employees in the performance of their everyday duties in a handbook that is known to all.

#### Compliance Items

1. Respect for human rights; prohibition of discrimination, sexual harassment, and power harassment; protection of personal information	2. Compliance with the Antimonopoly Act and related laws and regulations	3. Prohibition against unfair competition
4. Compliance with laws and regulations	5. Regulations against insider trading	6. Intellectual property related laws and regulations
7. Prohibition against bribery, and rules on gifts, entertainment, etc.	8. Prohibition against providing benefits to antisocial forces	9. Environmental conservation
10. Appropriate management of information	11. Appropriate use of information systems	12. Appropriate accounting, tax filing, and appropriate disclosure of company information
13. Prohibition against conflicts of interest	14. Reporting to authorities and cooperation with investigations	15. Rules for participation in political movements, etc.



#### Compliance Rules (extract)

- Respect for human rights; prohibition of discrimination, sexual harassment, and power harassment; protection of personal information

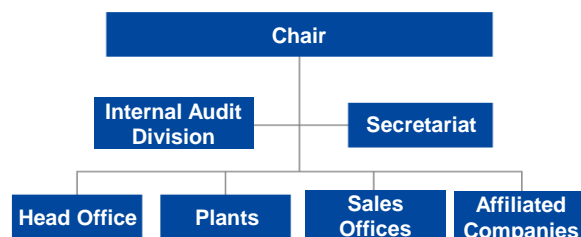
Discrimination on the basis of race, skin color, beliefs, religion, nationality, gender or otherwise shall be condoned. Human rights shall be respected and there shall be no discrimination, sexual harassment or power harassment. Personal information shall be strictly managed and not disclosed without the confirmation of the person concerned.
- Prohibition against bribery, and rules on gifts, entertainment, etc.

There shall be no bribery and no provision, offers or promises of illegal benefits to public servants. In addition, gifts and entertainment, etc. in respect of business partners shall not exceed the scope of socially-accepted conventions.
- Environmental conservation

Being aware of our responsibilities as a good corporate citizen, we do our utmost to conserve a sound global environment while aiming to be in harmony with the prosperity of human society.

#### Establishment of a Compliance Committee

We have established the Compliance Committee, which reports directly to the President, to support and guide the thorough practice of compliance by officers and employees of the Maruichi Steel Tube Group. A Compliance Committee member has been appointed for each plant, office and Group company.



#### Internal reporting system

We have established an internal compliance hotline, an internal compliance hotline for women and an external compliance hotline to enable employee consultations concerning violations such as harassment. The hotlines handled any inquiries with securely based on duty of confidentiality and the consulter as well as persons who cooperate in confirming the facts take particular care in their response to ensure that no disadvantages arise.

## Labor Health and Safety

As a manufacturer, the Maruichi Steel Tube Group is implementing initiatives to improve the workplace environment for employees at manufacturing sites and for persons at companies contracted for operations, while promoting better physical and mental health for all employees.

### Labor health and safety policy

The Maruichi Steel Tube Group prioritizes safety over everything based on our management philosophy of “respect for humanity” and understands the social responsibility of a company to prevent labor disasters. We have proactively developed labor health and safety management systems to further improve the health and safety levels and strive to create a comfortable workplace environment that secures the health and safety of all employees with initiatives to definitely reduce risks in the workplace.

#### Guidelines

1. Safety first – strive to create a comfortable workplace through 5 S activities, maintaining physical and mental health.
2. Strive to continuously improve the level of health and safety in the workplace by developing voluntary health and safety activities in the workplace, aiming to prevent labor disasters, and through effective and efficient implementation of labor health and safety activities.
3. Create self-awareness of one’s own role and labor health and safety obligations through safety education training for all employees of the Maruichi Steel Tube Group and partner companies working at the same business location and strive for thorough awareness of our labor health and safety policy and labor health and safety goals.
4. Comply with laws and regulations and internal rules concerning health and safety management structures.

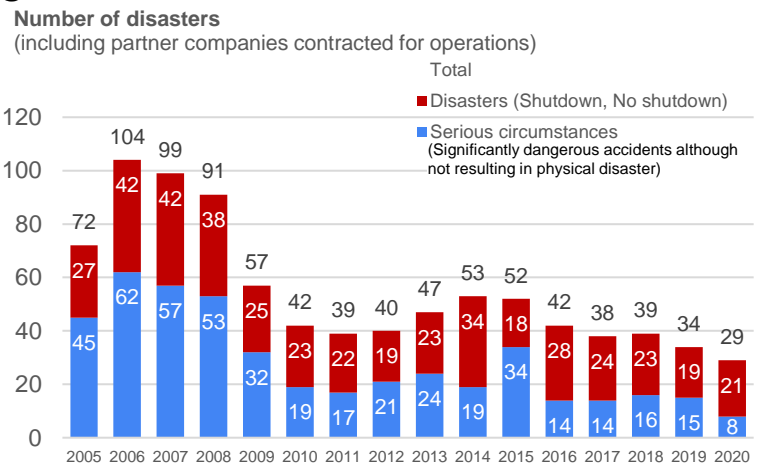
### Status of disasters and countermeasures

#### Disaster prevention measures

- When a disaster occurs, thoroughly investigate the cause, propose countermeasures and rollout across all plants
- Conduct risk assessment at plants for each workplace in one with partner companies and report past incidents and near misses
- Improve equipment and revise behavior in light of discussion at the Safety Conference, etc.
- Install safety barriers • Eliminate steps • Install sensors, etc.

#### Improving the workplace environment

- Install ventilators to deal with the summer heat
- Distribute work clothes that have fans
- Install double roofing
- Install large ceiling fans and thermal barrier sheets on ceiling



#### Hold Safety Conference

The person responsible at each plant including the President and the Head Office safety officer simultaneously tour all plants nationwide and identify unsafe behavior and provide instructions such as point and call to eradicate human error. Five times a year, with 20 to 25 participants each time.

#### Safety education

We established the Safety Education Department in 2015 and conduct training for each level starting with new employees.



Training at the Sakai Plant hazard simulation facility

Year	Frequency per year	Educational content
Year 1	12 times	Fundamental knowledge and safe operations (point and call, slinging work, crane operation), equipment handling, heatstroke prevention, quality management
Years 2 to 3	4 times	fundamental knowledge (5S, human error, work procedures, improved danger sensitivity)
Years 4 to 8	2 times	Practical knowledge (risk assessment, quality management)
Years 9 to 14	2 times	Preparedness for middle management, methods for instructing subordinates
Years 15 to 20	3 times	Safety education for foreman, prevention of disasters from falling, preparedness for middle management, methods for instructing subordinates
Year 21	1 time	Prevention of disasters from falling

#### Mental health care

- We conduct training on self-care by employees themselves and line-care by management supervisors at each office nationwide
- We conduct stress checks of all employees annually and, for those who desire, interviews with industrial physicians

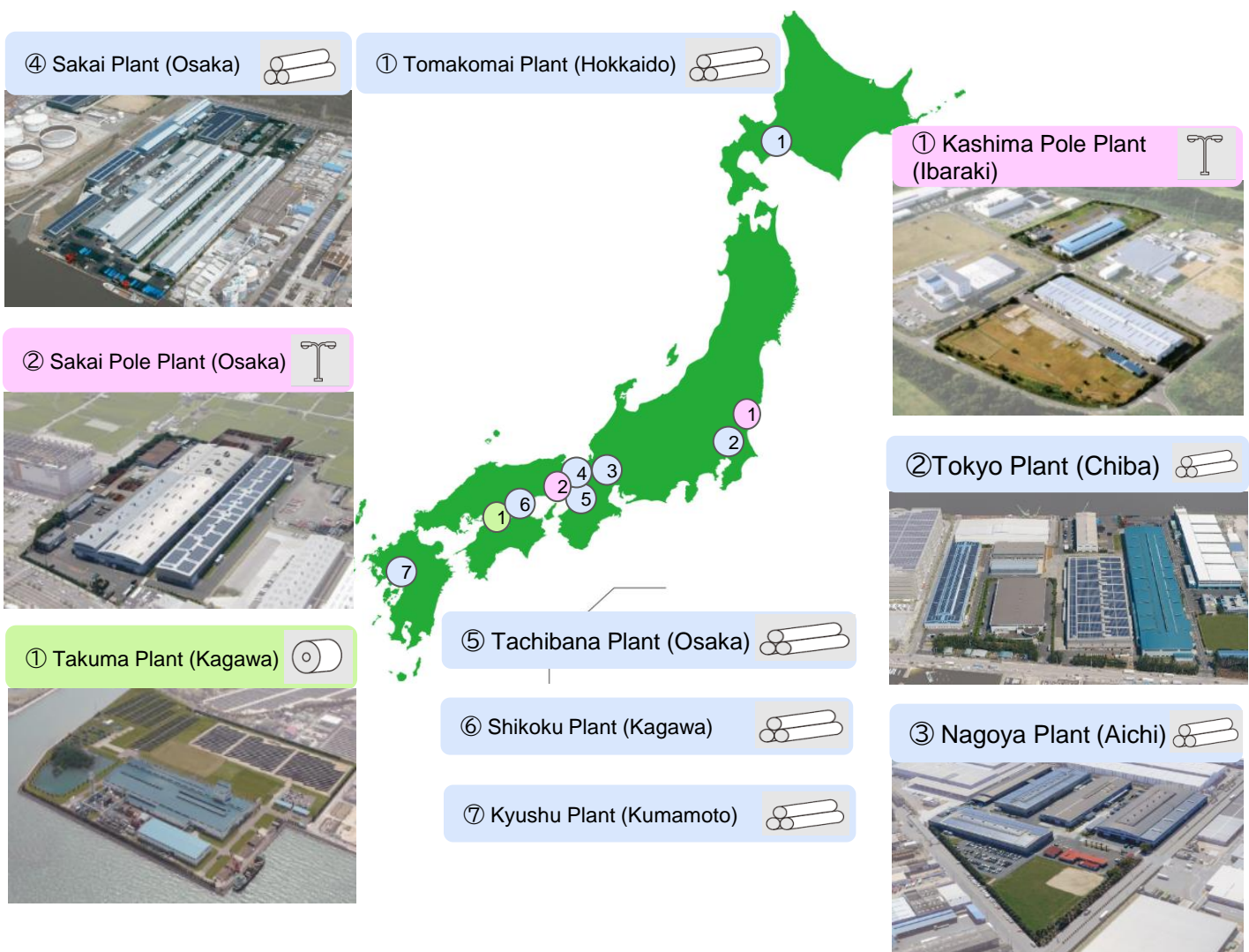
## Supply Chain Management

### Basic approach

The Maruichi Steel Tube Group strives to build trust with all partners through open and fair trade and we promote a supply chain management that considers aspects such as the environment, quality, labor safety and human rights.

### Credit management and compliance evaluation of business partners

When commencing transactions with new business partners, the Company requires the submission of a written oath and transaction registration for the understanding of the Company's Basic Policy and also confirms and revises matters such as credit once a year. In addition, in view of the recent increase in public awareness concerning compliance and human rights including forced labor, child labor and human trafficking, we plan to incorporate such details in the written oath.



### Securing a stable supply structure

The steel tubes manufactured by the Company are involved in various products and uses and the production activities of customers in broad and wide-ranging fields including construction, automobiles, and agriculture.

We have production bases, including affiliated companies, spanning from Hokkaido to Kyushu and to ensure that the supply chain is not disrupted even when there are events such as flood, wind and snow damage due to abnormal weather, we have prepared a structure for alternative production and increased production from regional production bases to complement production including in a BCP response.



## Social Contribution Activities

The Maruichi Steel Tube Group contributes to society by donating around 1% of non-consolidated net income after the payment of dividends every year, and is proactively engaged in activities that contribute to society to be a company that grows with the region by being involved with issues that encompass countries and regions where we are developing business.

In Japan we focus on contributing to culture and the arts sports, health care, education and environmental protection, while overseas we focus on contributing to health care and medical promotion and education promotion. We proactively participate in activities that address local conditions and requirements.

### Supporting cultural activities

Since 2012, the Company has continuously sponsored the exhibition of the Treasures of Emperor Shomu with an exhibition of Shoso-in Treasures at the Nara National Museum held in autumn each year. We sponsored the 72nd Annual Exhibition of Shoso-in Treasures held at the Nara National Museum from October 24 to November 9, 2020.

The Osaka Philharmonic Orchestra, which is operated by the Osaka Philharmonic Orchestra Association, has contribute to the popularization of musical culture in the Kansai region as Osaka's leading orchestra for 60 years. The Company has been a sponsor since 2015.

### Contributing to measures to prevent the spread of COVID-19

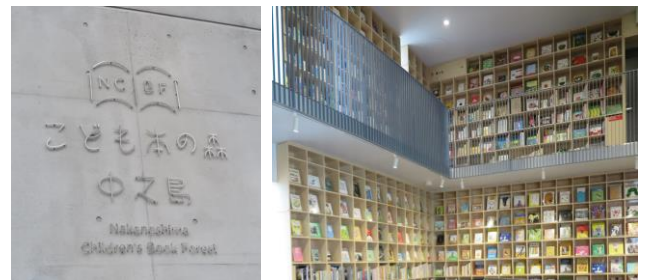
To support the health care community that has been constrained by COVID-19, which has been menacing the world since last year, we donated a total of 20 million yen to Osaka Prefecture, Chiba Prefecture, Aichi Prefecture and Hokkaido, where our plants are located. We hope that COVID-19 will be contained as early as possible.

### Supporting education

Endorsing activities that cultivate children's sensitivity we sponsor Shiki Theatre Company 's Theatre of the Heart, Nakanoshima Children's Book Forest, and the Stories of Pictures Told by Companies in Osaka exhibition.



Supporting the health care community



Supporting Nakanoshima Children's Book Forest

### Protecting the environment and local contribution

As part of the activities to reduce ocean waste, the Company's employees also participated in the "UMIGOMI (ocean waste) Zero Week" cleanup activities (September 12-19, 2020) promoted by the Nippon Foundation and the Ministry of the Environment. We continue to participate in environmentally-friendly activities.

### Supporting overseas health care

Since 2015, we have supported the activities of ophthalmologist Dr. Tadashi Hattori's Asia Prevention of Blindness Association, which was launched to help many Vietnamese in danger of losing their sight due to the inability to receive treatment because of being poor.



Participation in UMIGOMI (ocean waste) Zero Week



**アジア失明予防の会**  
Asia Prevention of Blindness Association

## Philosophy and Strategy

### Management Philosophy

1. As a leading steel tube company, our mission is to contribute to society by providing outstanding products and responding to the trust of customers.
2. We respect all stakeholders, including, business partners, employees and shareholders based on respect for human rights.
3. We promote the creation of energy for growth and new values for the future by enhancing product reliability, technological capability, and sales capability by means of the wisdom, passion and action of each employee.
4. We will continue being an outstanding company filled with dreams that all of our employees feel worthy of entrusting their lives to.

### Basic approach on corporate governance

1. The Company aims to improve corporate value by continuing to develop together with shareholders and customers, employees, business partners and local communities under the basic philosophy of a mission to contribute to society by providing outstanding products and responding to the trust of customers that is in the Maruichi Steel Tube Group's management philosophy.
2. The Company respects the rights of shareholders and strives to ensure equitability and transparency of management. At the same time, the Company positions corporate governance as a critical management issue as we strive to achieve our management vision, and aims to reinforce speedy and accurate decision-making and supervisory functions to fulfill our fiduciary responsibilities and provide accountability to shareholders, led by the Board of Directors.
3. In order to improve medium- and long-term corporate value and maintain sound management, we pursue the optimal corporate governance and engage in ongoing efforts to enhance corporate governance.

### Strategy - 2030 Vision

As the first step to becoming a company that continues to create value into the next century, Maruichi Steel Tube has created a vision to achieve sustainable development by 2030 in 2020. On top of our established business models and value creation processes, we develop a business strategy in view of anticipated changes in the surrounding environment, with an eye to bringing about a better society with all our stakeholders.



### Key points for sustainable growth

(Improving profitability by deepening and evolving operations)

- Adopting digital transformation (DX)
- Promoting open innovation
- Accelerating our global expansion with awareness for resolving social issues (Take bold challenges in new domains)
- Attempt to open up new fields

### What we aim for

- Transform into an organization that can create innovation

## Medium-Term Management Plan

We formulated the first Medium-Term Management Policy in 2005 with the aim of increasing profits and reinforcing group management with an eye on a global strategy. Thereafter, we have formulated medium-term management plans setting goals for the next three year periods. The period covered by the Fifth Medium-Term Management Plan concluded in March 2021, and we have recently announced a new Sixth Medium-Term Management Plan.

### Sixth Medium-Term Management Plan (April 2021 – March 2024)

- Basic Policy

- (i) Profit foundations for long-term growth: net sales of 200 billion yen, operating income of 26 billion yen, and operating margin of 13%
- (ii) Improve productivity in manufacturing and sales through the further promotion of digitalization
- (iii) Aim for the Company's long-term, stable growth through ESG-conscious management

- Commitments in Japan

- (i) Recovery of sales volumes and maintenance of high-profit structure
- (ii) Target of 10% operating margin for Maruichi Stainless Steel Tube Co., Ltd.: Reinforce production capacity of BA tubes for semi-conductors/ automobiles, improve productivity through investments in automation
- (iii) Demonstration of synergy effects among Group companies: Among Maruichi Stainless Tube Co., Ltd., Toyo Superior Steel Tube Works, Ltd., Alpha Metal Co., Ltd., and Maruichi Kohan Ltd.
- (iv) Investment of 16.8 billion yen, such as in the Sakai Plant's SR finishing process, the Kyushu Plant's GH line, and equipment refurbishment at the Tokyo and Nagoya Plants
- (v) Improvement of productivity and efficiency through the further promotion of digitalization in production and sales
- (vi) Preparation of ESG reports. Progressive roll-out of zero-carbon actions to affiliated companies in Japan and to overseas subsidiaries
- (vii) Greater empowerment of female and non-Japanese human resources
- (viii) Utilization of idle land and vacant buildings
- (ix) Roll-out of open innovation: Development of new tube manufacturing technologies in collaboration with equipment manufacturers

- Commitments Overseas

- (i) Operating margin target: Set target of achieving 10% margin at all companies except Leavitt (U.S.), which will have a target of 5%
- (ii) SUNSCO: Raise domestic sales ratio further (to 50% or more) and reinforce profit foundations
- (iii) Continue capital investments and expansion of profits at automobile and motorcycle-related plants
- (iv) KUMA in India to capture demand for products other than stainless steel tubes for automobiles and motorcycle exhaust pipes and consider investment
- (v) Consider overseas expansion by Maruichi Stainless Tube Co., Ltd.
- (vi) Further promotion of localization of workforce through development of local human resources
- (vii) ESG commitments overseas
- (viii) Continue proactive consideration of M&A and other business investments in Japan and overseas

- Shareholder Returns and Social Contributions

- (i) Shareholder returns: Firmly uphold dividend policy
- (ii) Social contributions: Continue contributions to society in each country (aim for around 1% of net income after payment of dividends)

## Material Risk Factors

Matters that could have a material impact on the Company's business are noted below.

### (1) Impact on operating results due to trends in demand for the Company's products

The various types of steel tubes and galvanized steel plate manufactured and sold by the the Maruichi Steel Tube Group are mainly used in construction materials for medium and low-rise buildings such as shops, factories and warehouses, for transport equipment such as automobiles, agricultural materials such as greenhouses, electrical conduits in public facilities, various factories and plants, materials for pipes, and braces for road signs and street lights. Therefore, investments in medium and low-rise construction, production volumes of transport equipment, capital expenditure by companies and public investment and the production trends for users of the Company's products could have an impact on consolidated earnings.

### (2) Fluctuations in the markets for raw materials

The various steel tubes carried by the Maruichi Steel Tube Group use hot rolled coil as a key raw material, and the market for hot rolled coil fluctuates with global trends in demand for steel raw materials and steel products. The Maruichi Steel Tube Group strives to purchase at a stable prices as a supplier of raw materials from Japanese and overseas blast furnace manufacturers and to build an appropriate sales price structure. However, in the event of a rise in the price of raw materials and where we are unable to sufficiently pass on the increase to the sales price, this could have an impact on consolidated earnings.

### (3) Risk of claims against products

The Maruichi Steel Tube Group produces products in accordance with various regulations and quality control standards, and we do our utmost to maintain and improve the quality needed to meet the needs of customers. However, this does not necessarily mean all products are without defect and there is the possibility that costs could arise due to claims on the manufacturer's product liability.

#### **(4) Decline in the value of non-current assets**

If the profitability of non-current assets owned by the Maruichi Steel Tube Group declines and it appears that the investment may not be recovered, impairment loss on the non-current assets may arise which could have an impact on consolidated operating results.

#### **(5) Fluctuation of values in securities and investment securities**

The securities and investment securities held by the Maruichi Steel Tube Group account for approximately 20 to 30% of total assets. These are mainly shares of the Company's affiliated companies and shares and bonds of major trading partners. The Maruichi Steel Tube Group records an impairment loss on securities that have market values where the market value on the last day of the fiscal year has fallen by 30% or more. Therefore, in the event of substantial fluctuation in the market value of securities and investment securities held by the Maruichi Steel Tube Group due to a sluggish stock market for example, this could have an impact on consolidated operating results.

#### **(6) Responding to technological change**

The Maruichi Steel Tube Group has mature technological capabilities in steel tubes manufacture and a production structure that meets the demand of customers for high quality, multi-type, small lot products and secured dominance over other companies in the same industry. However, in the event of technological innovation in the manufacture of steel tubes, the Company could lose its dominance, which could have an impact on consolidated operating results.

#### **(7) Risk of natural disasters, pandemics and accidents**

The Maruichi Steel Tube Group has a structure to produce locally for demand in Japan and overseas, so it has diversified its risk against natural disasters and pandemics by establishing production bases in regions where there is demand. In addition, there is thorough education of employees by the Safety Education Department as a safety measure for each plant, etc. However, in the event of disruption of the Maruichi Steel Tube Group plant operations due to major disasters such as earthquakes, wind and water damage or a pandemic and accidents there could be an impact on consolidated operating results.

#### **(8) Geopolitical risks, country risk**

In the event of conflicts or terrorism, demonstration, strike, political instability, a currency crisis or similar in the countries and regions where the Maruichi Steel Tube Group is conducting its business activities, there is risk of major impact on the Maruichi Steel Tube Group's business.

#### **(9) Environmental regulations on business activities**

The Maruichi Steel Tube Group has advanced initiatives to reduce its environmental impact installing solar power generation equipment and adopting environmentally-conscious paint. However, in the event that new environmental regulations such as obligations to reduce CO<sub>2</sub> emissions put constraints on the business activities of the Maruichi Steel Tube Group and large costs arise such as for the upgrade of regulatory compliant equipment, this could have an impact on consolidated operating results.

#### **(10) Laws and regulations**

The Maruichi Steel Tube Group is expanding its business globally and complies with the laws, regulations and ordinances in each country. However, in the event of the business activities being impeded by a hike in customs duties due to trade frictions or stricter export and import regulations, there is the risk of impact on consolidated operating results.

#### **(11) Securing human resources**

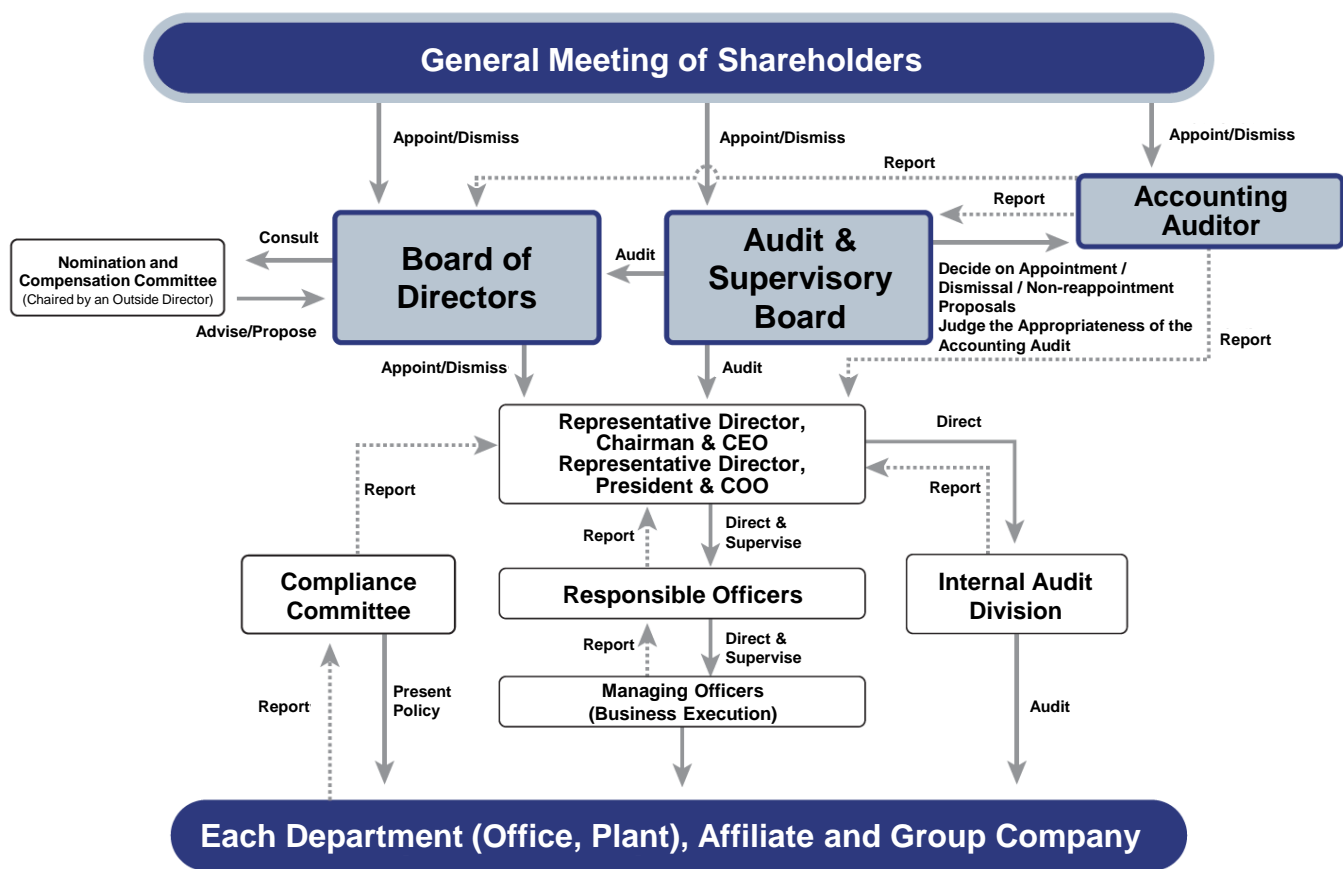
The Maruichi Steel Tube Group has been proactive in initiatives to recruit females and for overseas training to cultivate overseas humane resources that can play an active role and to improve the level of local human resources in response to the declining working population in Japan. We are also promoting the passing down of techniques through the reemployment system and labor-saving measures through equipment upgrades.

In the event that these measures do not proceed as planned and we are unable to secure talented human resources, and pass down techniques, there is the risk of impact on the Maruichi Steel Tube Group's continuous development.

#### **(12) Information security**

The Company has formulated an information security policy and making every effort to ensure complete information management. However, in the event that confidential information of customers, business partners and others and employees' personal information and sales secrets are leaked due to unforeseen circumstances, there could be a negative impact on the Maruichi Steel Tube Group's reputation and business results.

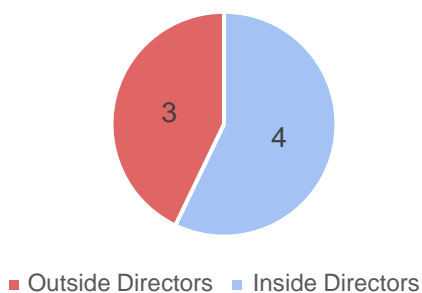
# Corporate Governance Structure



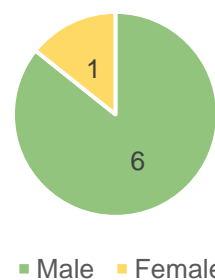
## Board of Directors

### Composition of the Board of Directors

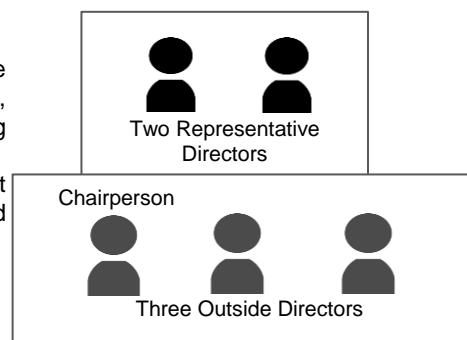
Inside and Outside Directors (Number)



Diversity of Directors (Number)



### Composition of the Nomination and Compensation Committee



### Nomination and Compensation Committee

The Nomination and Compensation Committee is established under the Board of Directors for the purposes of strengthening the independence, objectivity and accountability of the Board of Directors' function pertaining to the nomination and compensation of Directors and Managing Officers. The Nomination and Compensation Committee comprises independent Outside Directors and Representative Directors and is currently chaired by an Outside Director.

## Board of Directors Evaluation

A Board of Directors evaluation survey has been conducted by Directors and Audit & Supervisory Board Members since 2017, evaluating the effectiveness of the Board of Directors with the results of the Board of Directors effectiveness evaluation reported at the Board of Directors with an overview published in the Corporate Governance Report.

## FY2020 – Overview of the Board of Directors Effectiveness Evaluation

In regard to the Company's Board of Directors effectiveness evaluation for FY2020, a survey concerning the effectiveness evaluation of the Board of Directors was completed by each Director and Audit & Supervisory Board Member, with the responses analyzed and evaluated in relation to aspects such as the operations of the Board of Directors, the composition of the Board of Directors and the activities of the Board of Directors. There were free and easy comments from each Director and Audit & Supervisory Board Member regardless of whether internal or outside and resolutions are made with ample discussion. Although there were areas with scope for improvement such as communication with shareholders and investors, the evaluation indicated that the Board of Directors evaluate that the effectiveness of the Board of Directors is generally secure. In addition, in light of such analysis and evaluation, initiatives are being advanced to further enhance the effectiveness of the Board of Directors so that the objective monitoring function of management is fulfilled under a more appropriate composition of the Board of Directors.

## Directors' Compensation

### Guidelines for Directors' Compensation

#### Basic Policy

##### (1) Decision process for Directors' compensation

(Matters concerning the decision of details such as compensation for individual directors)

The amount of compensation, etc. for the Company's Directors and the policy concerning the determination of the calculation method is determined at the Board of Directors. To increase transparency, such procedures are deliberated by the Nomination and Compensation Committee, comprised of independent Outside Directors and Representative Directors as an advisory body to the Board of Directors, which provides advice and recommendation to the Board of Directors. The Nomination and Compensation Committee provides advice and recommendation on the compensation for individual Directors as an advisor to the Board of Directors and the specific amount is redelegated to the Representative Director and Chairman by resolution of the Board of Directors. The Representative Director and Chairman respects the advice and recommendations from the Nomination and Compensation Committee to the utmost and determines the amount within the scope of the total compensation amount approved at the General Meeting of Shareholders (no more than 300 million yen for Directors (including no more than 40 million yen per year for Outside Directors)).

##### (2) Types of Director compensation

The Company's Director compensation system comprises fixed compensation in the form of basic compensation and restricted stock compensation (stock compensation), performance-linked compensation in the form of bonuses paid according to annual earnings and long-term incentive compensation paid as an amount equivalent to contributions (acquisition of stock) subject to the dividend level set by the Company being attained. Note that Outside Directors are only paid basic compensation in light of their duties.

Restricted stock compensation and long-term incentive compensation (acquisition of stock) is positioned so that it not only has merit when the Company's stock prices rise but also shares the risk of stock prices falling with shareholders, so the objective is to boost Director's desire to increase earnings and also boost the motivation to increase corporate value, including social value.

### Compensation Scale for Directors (excluding Outside Directors)

	Monetary compensation	Non-monetary compensation
Fixed compensation	Basic compensation	Restricted stock compensation
Performance-linked compensation	Bonus	Long-term incentive compensation

### Amount of Compensation Paid to Directors (excluding Outside Directors) by Year

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of Directors		4	4	4	4	4
Amount paid (million yen)		178	194	199	212	217
Ratio (%)	Basic compensation	51.0	50.6	52.0	51.0	50.2
	Bonus	29.5	29.7	29.2	26.6	27.2
	Long-term incentive compensation	6.9	8.3	8.1	7.6	7.4
	Stock options/ Restricted stock compensation (RS)*	10.6	11.4	10.6	14.7	14.3
		100.0	100.0	100.0	100.0	100.0

\*RS was introduced in FY2019  
Stock options up until FY2018

## BCP Initiatives

The Maruichi Steel Tube Group has steel tube plants in each region nationwide, so the structure allows for alternative production at another regional steel tube plant in the event that some plants are affected and unable to manufacture, which is a structure that fulfills our responsibility to supply to customers.

Manufacturing bases in each region have formulated disaster prevention plans to deal with major disasters such as major earthquakes and tsunamis. In addition, each base has measures in place such as storing disaster prevention stockpiles, installation of satellite telephones and the introduction of systems for confirming the safety and wellbeing of employees when there is a disaster. In addition, plants in coastal areas have measures in place such as the establishment of evacuation locations in high areas to deal with tsunami.

• Satellite telephone practice

Satellite telephone practice is conducted on the first business day of each month to prepare for disruption to communication in a disaster.

• Returning home practice

Head Office practices returning home on foot in preparation for disruption to transport such as by train once a year.



Satellite telephone/ Disaster prevention stockpiles

### Preparation of a disaster response pocket manual

As part of the BCP initiatives we plan to prepare a disaster response pocket manual that compiles the actions that should be taken by each and every employee in a disaster and distribute this to all employees. We plan to be of use in further increasing awareness of disaster prevention.



**Guidelines for Action when there is a Disaster**

- In the event of a major disaster, prioritize ensuring the safety of yourself and your family.
- Act in accordance with instructions from the government, ministry and local government bodies.
- If there is no instruction from the Company, prioritize your own decisions.
- Report that you are safe as soon as possible, in the event of receiving a safety confirmation email.
- In the event that you are injured or have evacuated to a refuge center or if there could be an impediment to operations, notify the head of your division once you have ensured your own safety.

**Response when there is a Tsunami**

- Evacuate to a safe place that is as high as possible.
- When there is a tsunami think about height rather than speed when evacuating. If in an urban area, evacuate to a sturdy building of at least 3-storeys high.
- Quickly evacuate in the event of feeling tremors near coastal areas.
- Tsunami are faster than anticipated and reach unexpected places.
- Remain in the refuge area until warning alarms and advisory calls have been cancelled. Sometimes a second wave will follow the first wave at about the time you return home and further tsunami may occur due to aftershocks.

Pocket manual

Please contact the following with any comments or questions concerning this report.

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This report can also be viewed on the internet.  
URL : <https://www.maruichikokan.co.jp/>

