KYOEI STEEL

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KYOEI STEEL INTEGRATED REPORT 2025

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Management Principle

Spirit of Challenge

At the Kyoei Steel Group,
we strive to become a corporate group
in harmony with society through resource
circulation businesses that focus
on the steel business and that contribute
to the development of the national economy
and local communities.

Spirit of Challenge

Action Guidelines

- We act with fairness and integrity in accordance with high ethical standards.
- We cultivate a corporate culture imbued with a spirit of enterprise and innovation, eager to embrace challenges, and are enthusiastically committed to the accomplishment of ambitious goals.
- We are practical and realistic.
- We aspire to be a company where people and technologies are valued, and where work is a source of pride and satisfaction.

Editorial Policies

This report was prepared to communicate the financial and non-financial information of Kyoei Steel Ltd. and its consolidated subsidiaries to all stakeholders. With the aim of presenting integrated company information, we have issued an integrated report since 2022. In addition to directly conveying the thoughts and ideas of management in messages from our top management and financial director, we also described in detail the business environment behind our business strategies, and our responses to sustainability issues.

Period covered	This report covers FY2025 (April 2024 to March 2025), but also includes some information from outside this period.
Report publication date	November 2025
Organizations included	This report mainly applies to Kyoei Steel Ltd. and its consolidated subsidiaries. However, the environmental-related data on pages 39–40 applies to Kyoei Steel Ltd.
Reference guidelines	International Integrated Reporting Framework/GRI Standards/SASB Standards/TCFD Recommendations
Inquiries	ESG Promotion Section, Corporate Planning Department, Kyoei Steel Ltd.

Cautions Regarding Forward-Looking Statements

The forward-looking statements contained herein are based on information currently available to us as well as certain assumptions that we believe are reasonable. Actual results may differ substantially from those discussed in the forward-looking statements stemming from changes in various factors.

CONTENTS

Steel recycling that supports people's lives creates a resource-circulating society

Steel, which sees use across all parts of society, becomes steel scrap when it completes its role.
Steel is a resource that can be reused over and over again, but to do so,
we need to melt it down and recreate it.
The Kyoei Steel Group has developed a local production for
local consumption business across Japan, Vietnam and North America.
Through steel recycling under a global tripolar structure,
we are contributing to the realization of a resource-circulating society.

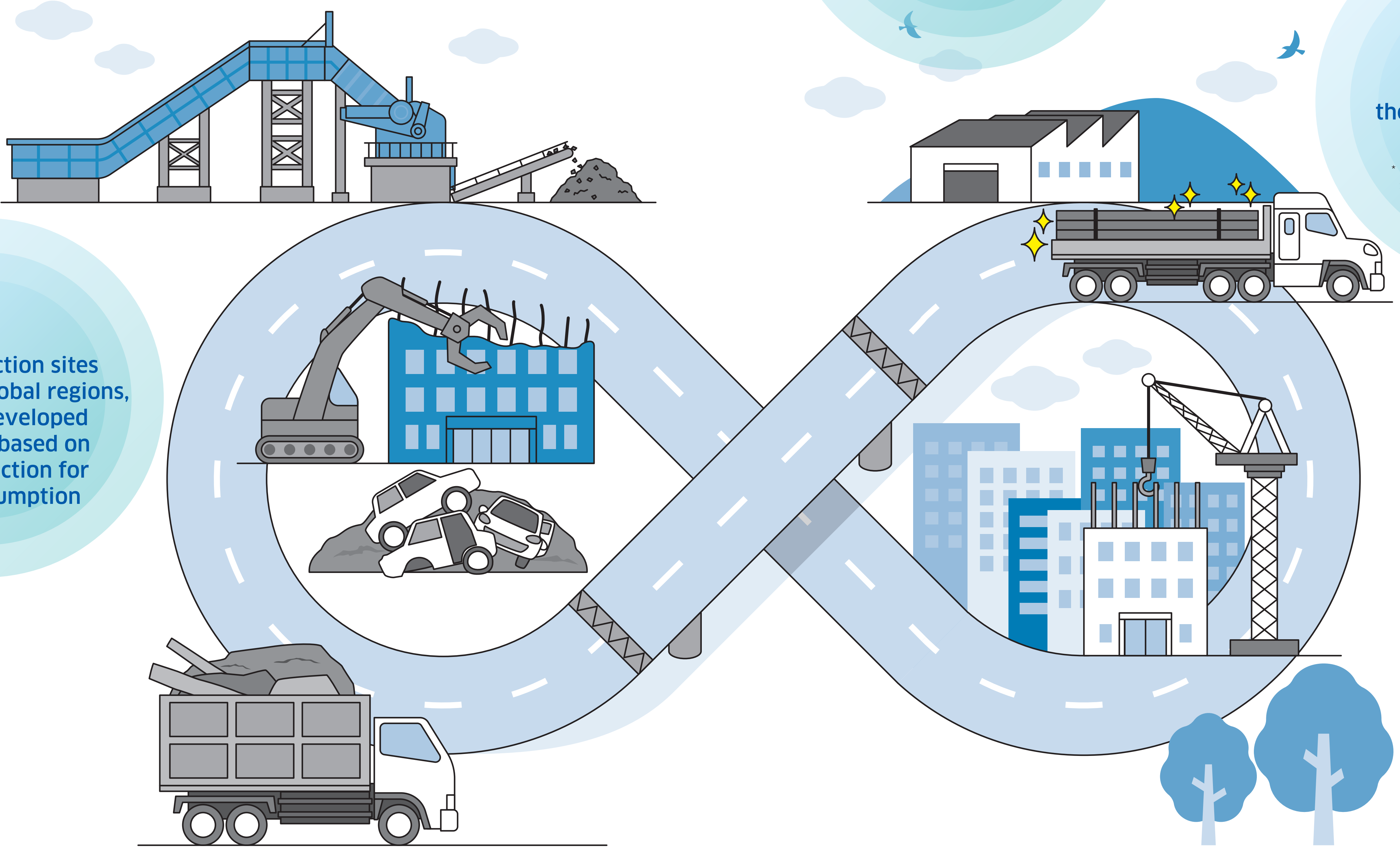
Strength 2

Beyond production, we have developed peripheral businesses both upstream and downstream of steelmaking

Strength 3

In Japan, we boast the No. 1 market share* for steel rebar

* Small rebars, steel production share, FY2024 Japan Metal Daily survey



Strength 1

With production sites across three global regions, we have developed a business based on local production for local consumption

Pursuing electric furnace technology to achieve steelmaking in harmony with the global environment

The electric arc furnace (EAF) method is a relatively low CO_2-emission steelmaking method that uses electricity to melt down steel scrap, without the process of reducing iron oxide. We were the first company in Japan to take on the challenge of implementing the technology of further making use of the high heat of such EAFs to process medical and industrial waste products while manufacturing steel products. Going forward, we will continue to realize steelmaking in harmony with the global environment by pursuing efficient EAF technology and driving efforts aimed at carbon neutrality.

Strength 1

Our unique business model that combines steelmaking and waste processing

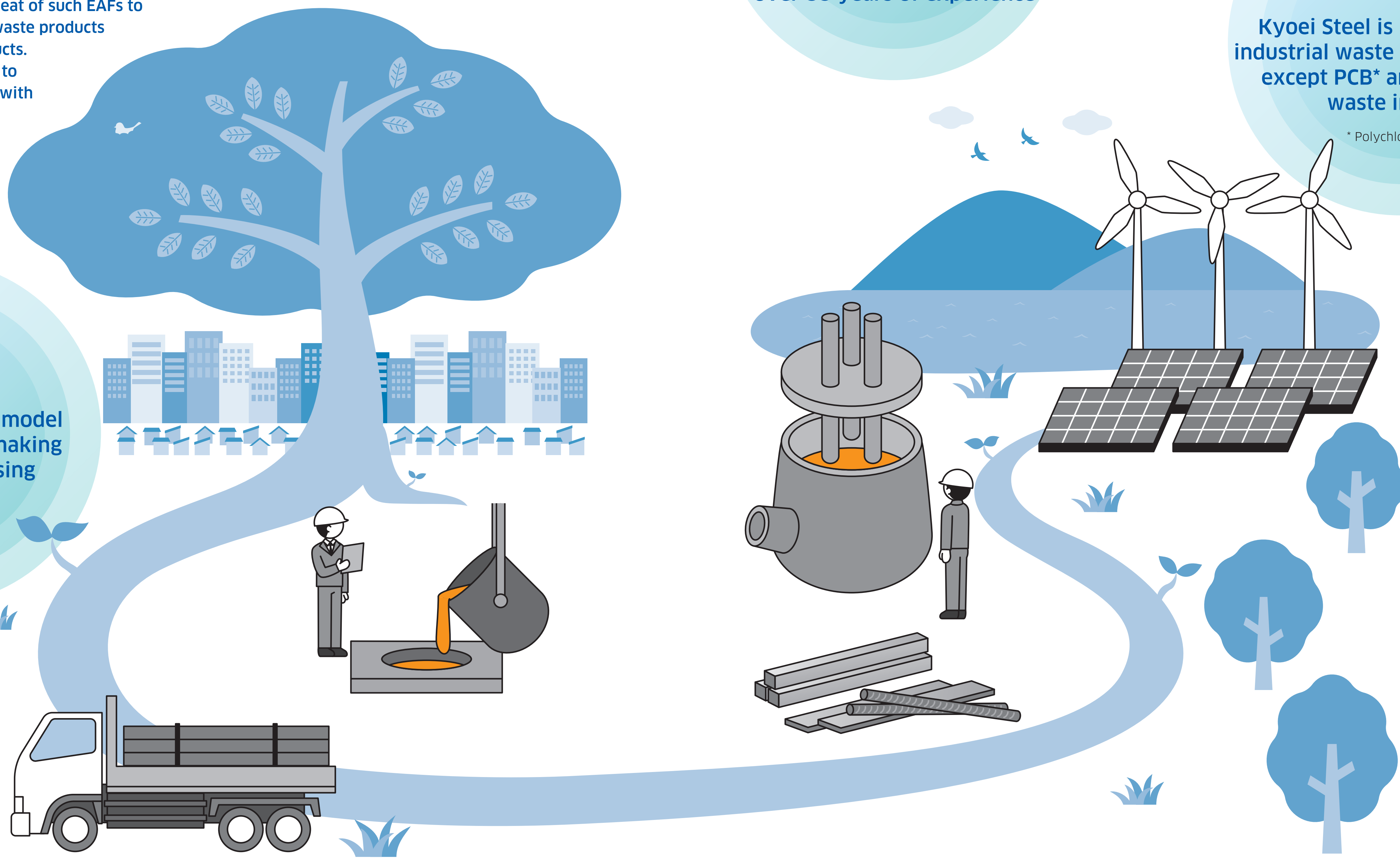
Strength 2

Environmental recycling technology leveraging the characteristics of electric furnaces, backed by over 35 years of experience

Strength 3

Kyoei Steel is licensed for all industrial waste disposal services except PCB* and radioactive waste in Japan

* Polychlorinated biphenyl

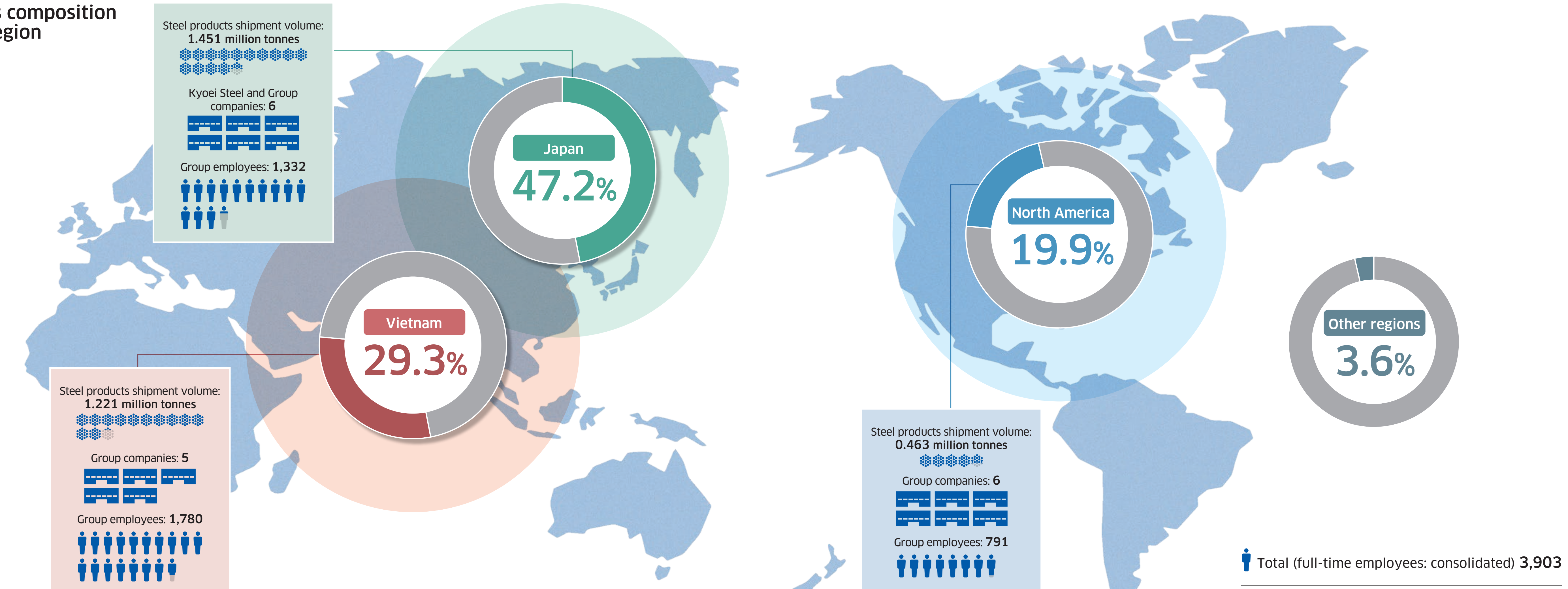


Globalization of local economies and niche industries strategy

We are enhancing the corporate value of our entire Group by pursuing autonomous and decentralized management within the tripolar structure.

Fifty years ago, Koichi Takashima, effectively the founder of our Group, advocated the *regional mini-mill concept*. This philosophy, that the EAF business should be rooted in the local community in terms of both demand and supply, has been carried over into our global tripolar system in which we operate our steel business in Japan, Vietnam, and North America, as our globalization of local economies and niche industries strategy. By pursuing autonomous and dispersed management in three areas with different business environments, we are able to enhance the corporate value of our entire Group.

Sales composition by region



The number of companies includes the Company and consolidated subsidiaries (as of March 2025).

About the strategy of globalization of local economies and niche industries

This strategy is about operating the EAF business, a local production for local consumption business, in areas with robust demand, aiming to enhance corporate value by utilizing strengths in each region, and maximize the power of the Kyoei Steel Group.

Tripolar structure in Japan, Vietnam, and North America		Operate local production for local consumption business		Area/product
Global	+	**Local**	+	**Niche**

Business overview

Domestic Steel Business

The domestic steel business melts and refines steel scrap using EAFs, conducts rolling, and manufactures and sells steel products primarily for civil engineering works and construction.

Overseas Steel Business

By bringing the manufacturing technology cultivated in Japan overseas, the overseas steel business manufactures and sells steel products based on local demands.

Material Recycling Business

The major businesses of the material recycling business include the interim treatment and final disposal of industrial waste and medical waste, and rubble recycling.

Other peripheral businesses

Other peripheral major businesses include the processed product business, port business, cast metal business, and insurance agencies.

History of Value Creation

From the source of value creation through steelmaking, and on to further progress

Aiming to achieve harmony with the global environment, we have created economic and social value while adapting to the times. Looking ahead to becoming a 100-year company, we will continue to always be receptive to change as we take on challenges at the forefront of our generation.

Aspiring to contribute to Japan's recovery through steelmaking

The history of Kyoei Steel dates back to January 1938, when Hideji Takashima, with the cooperation of his family, purchased Kyoei Shintetsusho (ironworks). The following year, he established Kyoei Tankosho (forging shop), which later became the parent company of the present Company. Although the company temporarily closed during World War II, he and his eldest son Koichi, newly demobilized, established Kyoei Iron Ltd. on August 21, 1947 **aimed at engaging in iron production to rebuild the country.** The following year, the company changed its name to Kyoei Steel. As the country began to recover from the war, demand for construction increased, boosting the demand for steel in turn. The Company continued to aggressively invest in facilities and build up its production bases, and its business expanded dramatically.

Hideji Takashima
Founder

Koichi Takashima
Former chairman

Seeking to show the world the true character of the sincere and industrious Japanese people

In response to the social issue of pollution, Kyoei Steel implemented a completely closed production system which does not discharge industrial wastewater at its new Hirakata Mill, an integrated steelmaking and rolling mill built in 1971. In 1988, the Company developed the MESSCUD system for the disposal of medical waste in response to the illegal dumping of medical needles. The Company also began its overseas expansion in 1964 with a joint venture with a Taiwanese company, and in 1973, it became the first Japanese steel manufacturer to enter the United States. The recession brought on by the oil shock, however, saw the joint venture fail and forced the Company to sell its management rights in Auburn Steel Co., Inc. In 1992, given the recovery of demand for rebar, the Company made another foray into the US with the acquisition of Florida Steel Corp.

Aspiring to help rebuild Vietnam

Kyoei Steel's founder, who had given his all to help rebuild Japan after World War II, saw Vietnam as a fellow war-ravaged Asian country, which gave him strong motivation to extend a helping hand. He resolved to enter Vietnam having become convinced that, reflecting the industriousness and seriousness of the Vietnamese people, the country would surely experience growth just as soon as it were to open up, and because experience had taught him that developing countries in the early stages of economic growth will come to need steel for the purpose of establishing infrastructure.

Aspiring to contribute to social progress and harmony with the global environment through business

In the material recycling business, which mainly involves the detoxification and melting of various types of industrial waste using EAFs, our business with large customers has increased nationwide as a result of our record of appropriate processing. Further, seeking to contribute to social progress and harmony with the global environment through business, we increased our handling of difficult-to-dispose-of waste items such as asbestos. In 2016, we acquired an EAF manufacturer in Texas and established Vinton Steel LLC. It was the third time we embarked on an EAF business in the US.

Development centered on our steel business using EAFs and our material recycling business using furnace arc heat

In a rapidly changing society, the Kyoei Steel Group is further diversifying its business by acquiring a base in northern Vietnam and a base in Canada to strengthen its global tripolar structure. It is also developing port, cast metal, processed product, and other businesses in southern Vietnam. Inheriting the Spirit of Challenge which is the DNA of our management philosophy, we will continue to strive to be an essential company indispensable to a resource-circulating society, through our EAF business.

Sales
(Unit: Billions of yen)
Domestic
Overseas
400
350
300
250
200
150
100
50
0
Value Up
to Become a 100-year Company
1947
Founded as a steel wire manufacturer based on Kyoei Forging Shop, which was established before World War II
1962
Entered the EAF business, melting steel scrap using electricity
1971
New Hirakata EAF Mill established
1972
Combined rolling mill added
1973
First foray into the US by a Japanese steelmaking company
1988
MESSCUD system (disposal of medical waste) developed
1990
New Kyoei Steel formed as a result of merger of five Group companies, with the aim of strengthening our management foundation
1992
Florida Steel Corp. acquired
1994
Vina Kyoei Steel Co., Ltd. established
2004
Kyoei Recycling Co., Ltd. established
2006
Simultaneously listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
2011
Kyoei Steel Vietnam Co., Ltd. established
2016
Vinton Steel LLC established
2018
Vietnam Italy Steel JSC acquired
2020
AltaSteel Inc. acquired
2024
Kanto Steel Ltd. merger
Fiscal year ended November 30, 1947
Fiscal year ended November 30, 1960
1963 Closing month changed from November to September
Fiscal year ended September 30, 1970
1974 Closing month changed from September to February
Fiscal year ended February 29, 1980
1983 Closing month changed from February to March
Fiscal year ended March 31, 1990
Fiscal year ended March 31, 2000
Nonconsolidated
Consolidated
Fiscal year ended March 31, 2010
Fiscal year ended March 31, 2020
Fiscal year ended March 31, 2025
Fiscal year ending March 31, 2030

Start-up Period | Period of Expansion and Turbulence | Period of Struggle and Regeneration | Recharging Period | Toward Further Dramatic Progress

Value Creation Process

To increase our corporate value, it is essential to enhance both our economic and social value. The Group's value creation process involves investing our financial, manufactured, human, intellectual, social and relationship, and natural capital into business activities that leverage the strengths of our resource circulation business and global operations in order to resolve our materialities. We then reinvest the economic and social value we create as capital, realizing a virtuous cycle that further enhances the creation of value.

External environment

- Labor shortages
- Geopolitical risks
- Climate change
- Greenflation
- Technological innovation

Materialities (material issues)

- For a Comfortable and Safe Society
- Toward a Beautiful Global Environment
- To Meet the Expectations of Everyone Who Creates Value Along with Us
- Toward Safer and More Comfortable Workplaces
- To Contribute as a Member of the Community
- Toward Fairer and More Sincere Corporate Activities

Resources supporting value creation → **Business model for activities supporting value creation** → **Value to create**

Invested resources
(Results for FY2025)

Financial

Net assets	¥209.2 billion
Total assets	¥352.8 billion
Interest-bearing debt	¥84.9 billion

Manufactured

Capital expenditure	¥17.1 billion
Production sites	9

Human

Number of employees (consolidated basis)	3,903
Percentage of overseas employees	65.9%

Intellectual

Research Center for Sustainable Technologies

Social and relationship

Social contribution activity expenditures	Consolidated net profit About 0.5%

Natural

Energy input (Kyoei Steel, non-consolidated)	203,108kL (crude oil equivalent)
Water intake (Kyoei Steel, non-consolidated)	2,889,000m³

Resource circulation business

- Manufacturing steel products
- Business centered on EAFs
- Processing waste materials

Global tripolar structure

- Japan
- Vietnam
- North America

Corporate value
(Results for FY2025)

Steel products shipped	3.13 million tonnes
Roadbed materials shipped	470,000 tonnes
Consolidated net sales	¥322.8 billion
Ratio of overseas sales	52.8%
Operating income	¥15.3 billion
ROE (return on equity)	5.4%
Dividend per share	¥90.0

Social value

For customers	Providing products and services that respond to expectations and requests
For shareholders / investors	Raising profit levels and returning profits to stakeholders; Improving framework for corporate governance and compliance
For business partners	Contributing to society through our value chain
For employees	Creating rewarding, safe, and comfortable workplaces
For local communities	Contributing to environmental conservation, SDGs, and local communities

An essential company that contributes to the realization of a **resource-circulating society**

Investing in ways to resolve social issues

Governance — Management Principle, Action Guidelines

Improving corporate value through management rooted in on-the-ground operations, centered on NeXuS Ⅱ 2026

On becoming President

Fulfilling NeXuS Ⅱ 2026 and solidifying the foundations for a 100-year company

On June 25, 2025, I became President & Representative Director of Kyoei Steel. Since joining the Company in 1999, I have been responsive for the whole-of-Japan area while working as a sales representative in the domestic steel business. Since 2020, I have served as Division Director of Yamaguchi Division, then as Board Director & Senior Vice President. When I joined the Company, it had an open culture that pursued factory floor-led manufacturing with a focus on the autonomy of each plant. There were challenges facing the Company, however, in terms of developing a sense of Group-wide unity and raising the floor on competitiveness and productivity with a view to future growth.

Former President Hirotomi dedicated his efforts not only to building the global tripolar structure centered on Japan, Vietnam and North America, but also to transforming the essence of the corporation in terms of its governance and compliance, building foundations for growth aimed at making Kyoei Steel a 100-year company. When I was sounded out about being appointed as President, I was told that the Company wanted me to "build the foundations for letting the next generation thrive, leveraging the insights built up to date on the ground." I am a great believer in the "*genba, genbutsu, genjitsu*" principles of focusing on "real places, real products and concrete facts." When I worked in sales, I would naturally visit the factory floor, and in my three years as Division Director of Yamaguchi Division, every day, without fail, I would, with my own eyes, see, sense and think through what was happening on the ground. I hope to pursue an approach to management that is informed by the insight I developed in those days and by a factory-floor perspective. I also value a culture of openness in which people can exchange views beyond the bounds of their status. I hope to develop the organization in a way that the Group as a whole can pull in the same direction to solve problems, by further fostering such an atmosphere.

I have developed a real sense that Kyoei Steel's business is underpinned by our connections with various stakeholders, including customers, partner companies, equipment vendors, suppliers and transportation vendors. Gaining the trust of all our stakeholders is of the utmost importance, making it important that we proactively disclose information and avoid misleading statements.

Now, as unpredictable circumstances prevail in Japan and abroad, I will work to further shore up our connections with various stakeholders through faithful management. I also hope to achieve the targets set forth in our medium-term business plan, NeXuS Ⅱ 2026, before going on to build the foundations for Kyoei Steel to be a 100-year company, while constantly keeping sight of changes in the market environment.

The external environment surrounding Kyoei Steel

Building a management structure leveraging various insights, amid dramatic change in the market

Electric furnace steelmakers, and especially steel rebar manufacturers, are facing a period of significant change. The domestic market demand for steel rebar has fallen to 6.2 million tonnes in FY2025, less than half of the 14 million tonnes it reached in FY1991. As demand contracts, however, the number of steel rebar manufacturers is flat, a state of affairs that one cannot avoid describing as oversupply on the level of the industry as a whole. Furthermore, as moves towards the realization of a decarbonized society gather pace, it is unavoidable that not only energy costs, but also manufacturing costs will rise, due to cost increases in secondary materials and alloys.

In contrast to the situation in Japan, however, in North America, where our Group has locations, the demand for construction steel and steel rebar is steady, and even in Vietnam, demand is recovering, so there is increasing potential to grow our results on the global market. While concerns have been raised recently over the impacts of tariff policies in the U.S., as part of our Group's "GLOCAL (global and local) - Niche" Strategy, we have established a business model centered on local production for local consumption at our overseas locations. Therefore, even though there is still some potential for indirect impacts if there is a recession due to tariff policies, the direct impacts of tariffs themselves will be limited.

Amid this business environment defined by extreme upheaval, the Company is pursuing a management style of "leveraging the areas of strength of each leader to divide up roles." We have taken the wheel of management by combining the management foundations provided by Chairman Takashima, the overall corporate planning perspective provided by Vice President Kan, the overseas strategy built and promoted by Executive Advisor Hirotomi, as well as the domestic steel business that I have been in charge of, and complementing each other's strengths and weaknesses. The four of us will continue to express our respective strengths going forward, working with the over 3,900 employees across the Kyoei Steel Group as we seek to further increase the Company's presence.

Six key points of NeXuS Ⅱ 2026

Growth strategies

Overseas Steel Business	Domestic Steel Business	Material Recycling Business
Strengthen the North American business and restructure the Vietnamese business	Strengthen coordination among the four divisions in Japan and increase our presence in the Kanto region	Improve our market presence as a pioneer in the material recycling business and enact brand strategies

Strengthen the foundations that support growth

Intangible asset investments	ESG-oriented corporate management aimed at becoming a 100-year company	Strengthen the management base
Improve our invisible value, in assets such as employee knowledge and expertise, our corporate culture, and reputation	Enact various measures to boost our economic and social value	Strengthen the engineering departments to restore our technical supremacy

Shogo Sakamoto
President & Representative Director

Looking back on the first year of NeXuS Ⅱ 2026

Recognizing where we have adapted to change and where challenges remain amid a challenging market

FY2025 saw a challenging market environment with greater than expected impacts in Japan and abroad, resulting in increased revenues and decreased profits year over year. While we fell short of our initial target of 18 billion yen in consolidated operating income, thanks to the success of sales and cost measures, we achieved our revised target from October 2024 of 15 billion yen. Even under difficult conditions, our people on the ground worked hard and with determination, and I credit them with the results we achieved.

In our overseas steel business, Canadian sales of premium-priced fine rebar are growing steadily, with profits up year over year. In the U.S., we have dispatched engineers from Japan and held regular meetings with stakeholders to address production issues stemming from the deterioration of facilities. While the issues are on their way to being resolved, this process will take time. In Vietnam, we are continuing to struggle with intensifying competition. While we have reduced the scale of losses through cost reductions, overall, we accept that the situation remains challenging.

Growth strategies

Multidimensional growth strategy focused on the shrinking of the domestic market paving the way through Kanto, the environment and foreign markets

As mentioned above, demand for steel rebar in the domestic market continues to trend down. We believe that low-margin, high-volume ideas of "chasing volume by lowering prices" will not work to continue to secure profits even as the market itself contracts. Steel rebar, Kyoei Steel's core product, is one where it is difficult for manufacturers to differentiate themselves. For that reason, how we can convey non-price value and how we can be the manufacturer of choice for customers are exceptionally important questions. I believe there are two keys to surviving in the domestic market.

The first is strengthening our presence in Kanto. While Kyoei Steel is Japan's No. 1 electric furnace steelmakers by steel rebar market share, in the Kanto region, we have only developed a subset of our products. Going forward, we will aim to stabilize sales volumes and secure profits in the Kanto region, where a certain level of demand is forecast.

The second is strengthening the brand. Kyoei Steel boasts the technology to be able to process difficult-to-process waste products such as medical and industrial waste, all while minimizing the volume of CO_2 emissions from the process. I am confident that the Ethical Steel concept, under which Kyoei Steel will be at the center of an entire supply chain, circulating resources, will be a tremendous advantage in becoming the manufacturer of choice in an era when addressing environmental issues is strongly demanded.

The Company has also positioned the overseas steel business as a future driver of growth. We have already moved forward with large-scale facilities investments in various locations, and, in June 2025, we opened our new rolling line in Vietnam Italy Steel JSC's factory in Hai Phong. While it is currently still ramping up to full production, we anticipate this will reduce costs and improve productivity going forward.

We also invested some 38 billion yen from August 2025 in Vinton Steel LLC in the U.S., beginning work on installing a new electric arc furnace to replace the deprecated one and on upgrading the rolling mill. Work is due to be completed in early 2027. While this falls outside the period of the NeXuS II 2026 plan, we hope to steadily complete this project and make it a long-term foundation for growth.

Investment in human capital

Promoting personnel development that is on-site first and aimed at the next generation, with "the power to connect" as key

Following on from NeXuS 2023, the previous medium-term business plan, we continue to make "connections" the theme of NeXuS II 2026 in the form of the power to connect among Group companies, the power to connect outside of Kyoei Steel, and the power to connect to the next generation. We are also approaching our human capital initiatives with these "three connections" in mind.

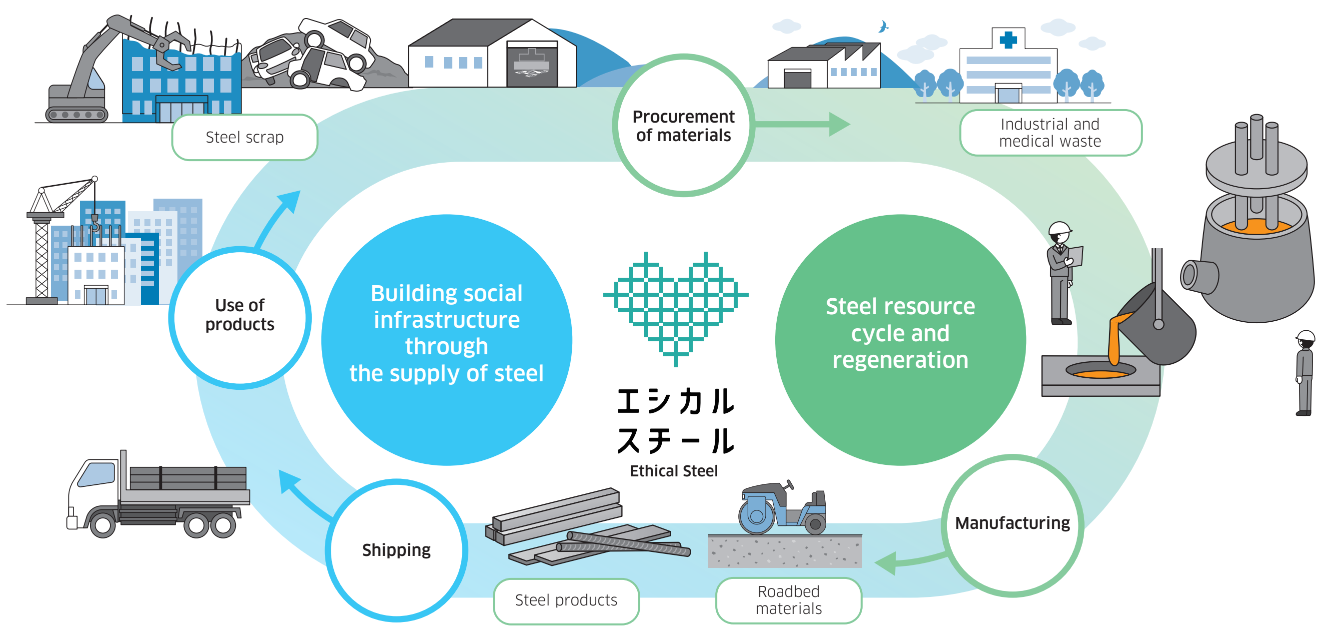
One measure we have taken under the rubric of "the power to connect among Group companies" has been an internal system called Omusubi (meaning "connection" in English). This is a system in which employees engage in practical work at a different location to usual for a set period, with the system targeting management departments in addition to manufacturing departments. The Company has four domestic locations, with each one having its own particularities in terms of management and operation methods. This initiative seeks to have people from each site learn from one another and spread the skills needed to prevent issues and accidents in advance.

For our sales departments, we are conducting training through "K-ma" (the Kyoei Marketing Academy) to have people learn about overseas manufacturing and distribution sites. Additionally, under our overseas training system, we provide young employees the opportunity to be dispatched overseas for several months and engage in practical work. We heard from employees who, in FY2025, took part in the launching of a new plant in Vietnam that they learned about how people worked locally, and that it proved to be a good experience. By having employees take on challenges locally, we aim to develop global personnel.

As part of the power to connect outside of Kyoei Steel, we are focusing on industry-academia connections, and have established a system for seconding employees to research laboratories at universities. In particular, our employees have researched topics such as how to make effective use of the slag produced as an impurity from the refining process or the technology for recovering zinc from dust in an effort to achieve zero emissions, as part of the pursuit of resource cycles for steel by-products.

As part of our efforts under the power to connect to the next generation, in FY2023, we established Human Resources Development Section, which conducts regular training targeting industrial technicians. The aim of the training is to have younger employees succeed the technique and knowledge of veteran and mid-level employees.

Ethical Steel concept see page 45 for more details



Brand strategy

Succession and inheritance, incorporating Ethical Steel and making environmentally friendly steelmaking the value customers choose us for

I believe that brand strategy and climate change measures are key to building the platform for our growth strategy.

The Company has pursued harmony between corporate growth and the global environment since the period of high economic growth, and has continued to practice environmentally conscious steelmaking. Symbolizing these efforts is our material recycling business. We established complete detoxification technology using scrap-melting heat 37 years ago, when medical waste products had become a challenge facing society, and developed this technology as a business. Similarly, using electric furnaces, we perform destructive processing of chlorofluorocarbons, with this also being a standout business of Kyoei Steel.

In FY2025, we rebranded the steel products manufactured while detoxifying medical waste as Ethical Steel. This is not to say that we developed a new product. Rather, this represented an effort to better convey as a brand the environmentally-conscious steelmaking that we had pursued for many years. Interest in the circular economy had increased compared to when the technology was first developed, and the path we had taken has begun to take on a more certain meaning. From FY2026, we further strengthened the Ethical Steel concept as an initiative across all four of our locations, expanding the concept to include industrial waste outside of medical waste.

To convey the value of Ethical Steel to the supply chain and to all our stakeholders, it is essential to start by having our employees themselves develop a deep understanding of their own efforts. In particular, the Company has worked earnestly to make steel in a way that is environmentally conscious since before the increased social interest in this. I believe it is important for employees to be reminded of this fact, and to share it widely within the Company. I also expect that if employees get a strong sense that their work has importance for society, this will help improve their pride in and engagement with their work.

In practice, when we present our Ethical Steel initiative to people outside the Company, we often find that the principle resonates with them. It is precisely for this reason that I hope to develop Ethical Steel as a brand through which we can share and co-create the principle of creating resource cycles throughout the entire supply chain with all people involved in building, including clients and builders, while personally acting as an advocate for the idea and promoting understanding of it internally. While the Company has always employed low-CO_2-emission production methods using electric furnaces, we are constantly working to improve in this area in a way that is led by people on the ground, for example, further converting to low-carbon fuels and installing solar panels. As a specific example, we have completed work on facilities to convert the heating furnace at our Yamaguchi Division from oil to LNG. While the work will take multiple years, we are also progressing on fuel conversion work at our Kanto Division. Going forward, we will continue to advance decarbonization efforts to prepare ourselves for the risks and opportunities of the future.

To all our stakeholders

Overcoming uncertainty through management rooted in the factory floor

I believe that Kyoei Steel is in the midst of a critical phase, as we now seek to create foundations oriented towards sustainable future growth, with the aim of becoming a 100-year company. I have heard some investors raise concerns over whether we can really achieve stable growth going forward, particularly when it comes to our overseas steel business. This is why we are in an important stage of the business, where we are steadily advancing strategic investment aimed at improving our competitiveness, partly with the aim of building a stable earnings base. By properly shoring up our foundations over this medium-term business plan period, I intend to make our Company's growth story even stronger, and to chart a steady course towards achieving our final target of ROE of over 8%.

Even amid a period of change, I believe the Company has many opportunities, and I am confident we are progressing towards our next stage. We will increase our capacities as a Group to a new level, based on relations of trust with people on the ground. This is why I hope that all our stakeholders will have even higher expectations with regard to the challenges and progress the Company will take on going forward.
I sincerely hope to continue enjoying your support on this path.

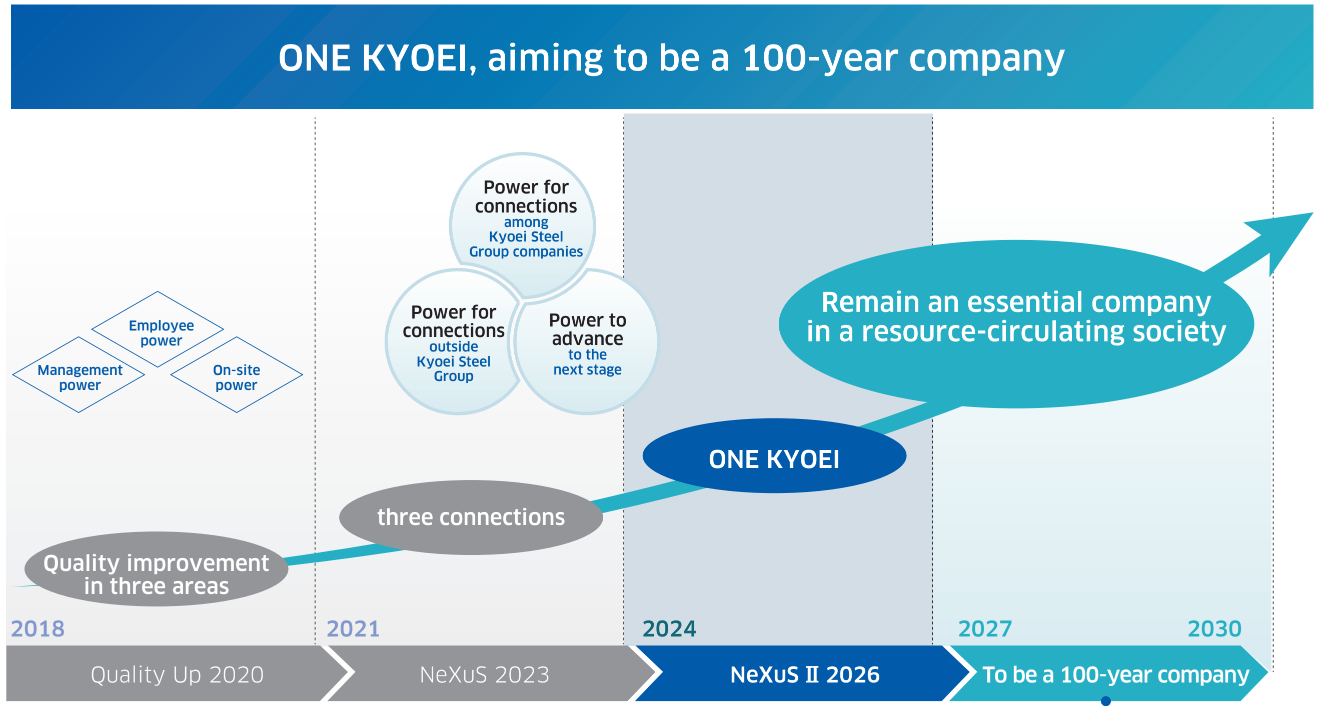
Medium-term Business Plan: NeXuS II 2026

Remain an essential company in a resource-circulating society

Changes in the environment surrounding our Group

1. Rising geopolitical and country risks
2. Climate change and corporate responsibility
3. Declining birthrate and aging population in Japan
4. Arrival of an inflationary period
5. Accelerating digital transformation

Long-term scenarios and the medium-term business plan, NeXuS II 2026



Direction by Segment (Long-term)

Domestic Steel Business
Maintain domestic four-base system, retain position with the leading share in rebars*

Overseas Steel Business
Capture strong local demand and aim to expand growth under our Globalization of Local Economies and Niche Industries Strategy

Material Recycling Business
Respond to society's heightened environmental awareness and needs, and develop resource circulating business with higher quality

Steel Peripheral Business
Dynamically endeavor to expand the scope of the businesses, grow into fourth business

* Small rebars, steel production share, FY2024 Japan Metal Daily survey

Numerical targets

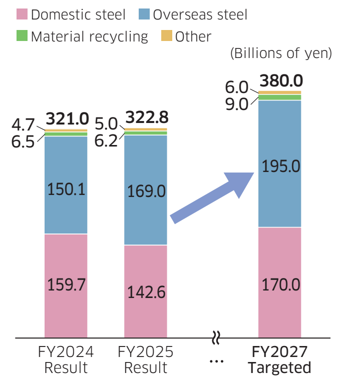
Financial KPIs

Operating income	25 billion yen
Shipment volume	4.0 million tonnes (domestic: 1.6 million tonnes; overseas: 2.4 million tonnes)
ROE	At least 8.0%
Equity to total assets	At least 50%
Net debt-to-equity ratio	No more than 0.5
Dividend payout ratio	30–35% (Minimum dividend payout of 30 yen per annum)

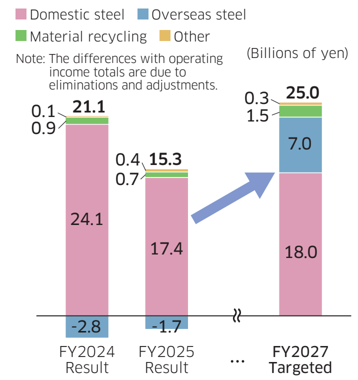
Non-financial KPIs

CO_2 emissions	-50% (2030 target, vs. the FY2014 level)
Percentage of female career-track employees	At least 15%
Percentage of females in managerial positions	At least 3.0%
Occupational injuries	0 instances/year
Education and training costs /person	150,000 yen (50% more than the FY2023 level)
Social contribution activity expenditures	Consolidated net profit About 0.5%

Net sales



Operating income

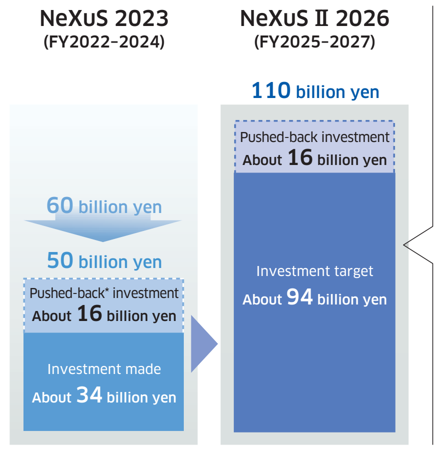


Investment targets

Investment focus on shifting the weight of the global tripolar structure and laying the foundation for future growth

- Planned total investment of some 110 billion yen cumulatively (over three years), including pushed-back investment of around 16 billion yen from the previous plan
- Included in the above is 60 billion yen of strategic investment in North America

* VIS: new rolling mill investment of 12 billion yen
Alta: rolling mill expansion investment of 4 billion yen

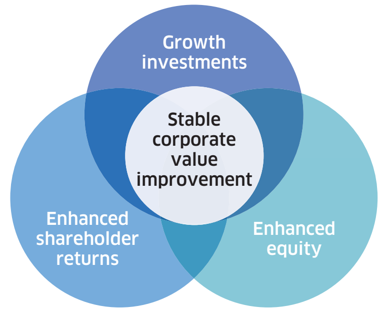


(Billions of yen)

	Domestic steel	Overseas steel	Material Recycling Other	Total
Growth investment	8.0	76.0	4.0	88.0
Environmental investment	3.0	1.0	–	4.0
Human capital	4.0	1.0	–	5.0
DX-related purposes	2.0	–	–	2.0
Maintenance investment, etc.	8.0	2.0	1.0	11.0
Total	25.0	80.0	5.0	110.0

Capital policies and shareholder returns

Strengthening investments in growth and shareholder returns while maintaining equity target indicators



- **Growth investments**
  - Focus efforts on strengthening the North American business
- **Enhanced equity**
  - Equity to total assets of at least 50%
  - Net debt-to-equity ratio of no more than 0.5
- **Enhanced shareholder returns**
  - Consolidated dividend payout ratio of 25–30% per year to be raised to 30–35% per year

Realize corporate management that takes into account capital costs and share prices

At the time of formulating targets

PBR (price-book value ratio) **is below 1**
0.54
(as of April 2024)

ROE exceeds cost of equity

ROE 7.4%
(for FY2024)

Cost of equity 7%
(calculated based on CAPM)

Improvement measures

PBR improvement = **ROE improvement** (At least 8%) × **PER improvement**

Realize growth strategies

Overseas Steel Business
- Shift weighting of investment
- Strengthen the North American business
- Restructure the Vietnamese business

Domestic Steel Business
- Improve quality through a four-division structure

Material recycling business
- Increase market presence

Improve expectations
- Enhance human capital investment
- Strengthen brand power
- Strengthen IR activities

Growth strategies

1 Overseas Steel Business — Strengthen the North American business and restructure the Vietnamese business

	Vietnam		North America
	• In response to a prolonged slump in the property and construction markets, we aim to focus efforts on operations in the northern part of the country and ensure stable profits by improving quality. • Construction of VIS's rolling mill marks the end of large investments in Vietnam.		• Focus on North America with its predictions of medium- and long-term growth and smaller risk of economic fluctuations • Large-scale investment (about 60 billion yen) to capture demand on the West Coast ➡ Building a 900,000-tonne production system
Issues	• Continued competition with mini blast furnaces and induction furnaces ➡ Overcome cost gaps • Flexible response to policy changes by the Vietnamese government, which has changed direction	Issues	• Vinton faces increased costs due to poor operation attributed to aging equipment
Measures	• Pursuit of ways to operate electric furnaces through ultimate cost reduction • VIS: Construction of state-of-the-art direct rolling plant (operations launched in June 2025) • KSVC: Secure shipment volume by strengthening coordination with VIS • VKS: Reduce market risks by placing controls on production and shipment volumes	Measures	• Vinton: Improve production efficiency and cost competitiveness by introducing cutting-edge equipment ➡ July 2024: Decided 38.0 billion yen in investment in new steel production plants, with operations to launch in 2027 • Alta: Early launch of rolling equipment currently being built ➡ Completed in July 2025

2 Domestic Steel Business — Strengthen coordination among the four divisions in Japan and increase our presence in the Kanto region

• Strengthen coordination among the four divisions in Japan and increase our presence in the Kanto region
• Strengthen the quality of the business foundations by implementing upstream and downstream strategies

Issues	• Responding to changes in the supply and demand balance of iron scrap • Shortage of truck drivers and construction workers • Increases in manufacturing and logistics costs • Initiatives to improve added value	Measures	• Added-value strategy: Increase sales of value-added products, including high-strength rebars • Downstream strategy: Strengthen the processed product business in Kanto • Upstream strategy: Diversify ways to procure production materials • Logistics strategy: Build new warehouses (Yamaguchi, Nagoya), set up relay points

3 Material recycling business — Improve our market presence as a pioneer in the material recycling business and enact brand strategies

	Material recycling business		Steel peripheral business
	• Branding of uniqueness and re-strengthening of networks		• Stable growth of the casting business
Issues	• Decreased waste processing volume in a post-COVID-19 backlash • A limit to the amount of melting treatment possible using electric furnaces	Issues	• Improving the profitability of the steel peripheral business
Measures	• Branding of the uniqueness of the business of operating steelmaking and waste treatment at the same time • Restrengthen the nationwide waste-collecting network and the MESSCUD system (agency system) • Strengthen the one-top system for industrial waste treatment in cooperation with other companies, not just electric furnace melting treatment	Measures	• Maintain stable growth of casting business (Japan/Vietnam)

Strengthen the foundations that support growth

4 Intangible asset investments

Improving our invisible value, in assets such as employee knowledge and expertise, our corporate culture, and reputation

• Human resources strategies to invest in people: →**pp. 41–42**
• Brand strategies: →**pp. 45–46**

5 ESG-oriented corporate management aimed at becoming a 100-year company

Enacting various measures to boost our economic and social value

• **(E) Environment**—Strengthening initiatives aimed at carbon neutrality: →**p. 39**
• **(S) Society**—Strengthening activities aimed at building relationships with society: →**p. 44**
• **(G) Governance**—Ensuring highly transparent management: →**p. 47**

6 Strengthen the management base

Strengthen the engineering departments to restore our technical supremacy

• Strengthen efforts toward safety and stable operations and strengthen education and training for young engineers
• Promoting DX and smart factories, starting with manufacturing

Looking Back on the First Year of NeXuS Ⅱ 2026

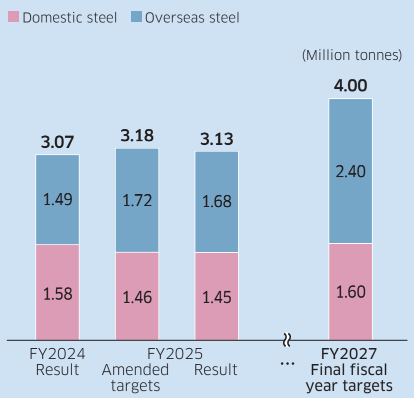
Numerical targets

Reflections on numerical targets

Due to the slow-down in the domestic steel market and the delayed recovery in performance at our overseas locations, we were forced to revise our initial targets downward in FY2025. While we have broadly achieved both results and numerical indicators in line with the amended targets, our volume of product shipments remained flat, failing to exceed 3.13 million tonnes across the Group.

	FY2024	FY2025		FY2027
	Result	Amended targets (Announced on 2024/10/31)	Result	Final fiscal year targets
Net sales	¥321.0 billion	¥323.0 billion	¥322.8 billion	¥380.0 billion
Operating income	¥21.1 billion	¥15.0 billion	¥15.3 billion	¥25.0 billion
Shipment volume	3.07 million tonnes	3.18 million tonnes	3.13 million tonnes	4.0 million tonne structure
(Domestic)	1.58 million tonnes	1.46 million tonnes	1.45 million tonnes	1.60 million tonnes
(Overseas)	1.49 million tonnes	1.72 million tonnes	1.68 million tonnes	2.40 million tonnes
ROE	7.4%	6.0%	5.4%	8% or more
Equity to total assets	54.9%	-	57.5%	50% or more
Net debt equity ratio	0.18 times	-	0.10 times	0.5 times or less
Dividend payout ratio	28.3%	32.6%	36.2%	30-35%
Capital investment and business investment	¥11.5 billion	¥19.0 billion	¥17.1 billion	-
	-	¥110.0 billion over 3 years		-

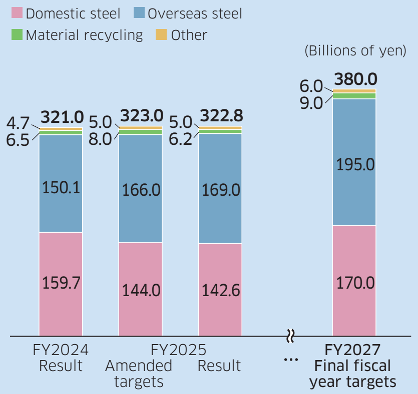
Shipment volume



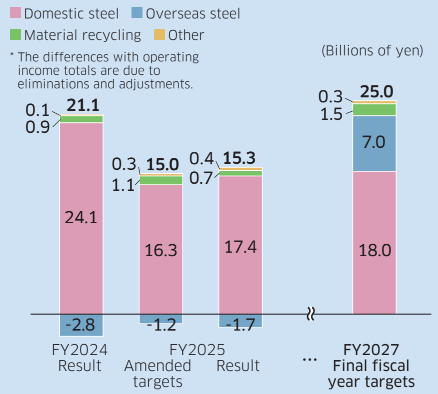
Net sales and operating income

While net sales fell slightly short of the amended target, they were still up overall year on year, with the overseas steel business covering for the decline in the domestic steel business. Operating income, on the other hand, exceeded the amended targets, with the Company securing a certain level of profit, despite this amount being down year on year. This came amid continuing losses in our overseas steel business due to a stagnant market experiencing a challenging competitive environment in Vietnam and operational issues and a weak market at our U.S. locations, and declining demand in the domestic steel business.

Net sales



Operating income



ESG initiatives and improving our foundations for growth

• We have begun full-scale branding activities centered on Ethical Steel: →**pp. 45–46**
• We have improved conditions through a second consecutive year of base-up raises among other measures, and driven improvements to the environment centered on our divisions, putting in place a better workplace environment and completely updating our work uniforms.
• The CDP survey awarded us an A- grade for the third year running in the climate change section and our first A- in the water security section.
• Kyoei Steel sought to promote DX through the implementation of an AI-enabled scrap inspection system and a delivery scheduling system.

Improving balance sheet controls and steadily executing the growth strategy

FY2025 results and FY2026 outlook

Our consolidated financial results for FY2025 saw year-over-year increases in revenue and decreases in profit. Our domestic steel business saw decreased revenues and profits year-over-year due to lower shipments and increases to costs amidst a major slump in demand for construction steel due to factors such as labor shortages, workstyle reform and extreme summer heat. The overseas steel business, meanwhile, had faced several years of challenging business conditions, but is steadily on the road to recovery overall, returning to the black from Q4.

Our outlook for FY2026 is for a certain fall in profits from our domestic steel business, as we foresee continued weak demand and high costs. However, as we foresee significant recovery in the overseas steel business, overall, we project a slight increase in profits overall compared to FY2025. This represents the success of our Group's global tripolar structure. Going forward, we believe that this will demonstrate our competitiveness compared to other companies in our industry.

The fundamental approach of our financial strategy

For us to sustain and grow our business with stability over the medium- to long-term, we will need to establish sound financial and revenue foundations. However, the company faces unique challenges, with the steel business subject to a certain degree of volatility in terms of market conditions and business results, and our overseas business taking time to turn a profit.

Amidst this context, from the point of view of financial strategy, we do believe that it is necessary to think about capital/funding/profit distribution and further shareholder returns, based on future optimal capital composition. Given the situation described above, however, we are prioritizing solving immediate problems and carrying out initiatives to shore up our foundations for the next stage of our business in our current medium-term business plan period. (See the following for further details: https://www.kyoeisteel.co.jp/en/ir/management/middle_course.html)

In our medium-term business plan, NeXuS Ⅱ 2026, we have put forward numerical targets as our main quantitative goals, including ordinary operating income of 25 billion yen and ROE of at least 8%. However, by steadily advancing our six priority policies, we also intend to raise the floor on our profitability standards, stabilize our revenue base and reduce volatility (effectively lowering capital costs).

Domestically, we are securing competitive advantage through the development of unique businesses not offered by our competitors such as Ethical Steel. Overseas, we aim to expand our growth by capturing flourishing demand. It is a strength of our Group that this business portfolio contains several growth vectors, and that even if one underperforms, it can be compensated for by the others. We believe it is important to further refine this aspect of the Company.

Facilities investment, business investment, and investment into human capital and intangible assets

In NeXuS Ⅱ 2026, we are planning a cumulative 110 billion yen in investment over three years. Among these investments, the new Vietnam Italy Steel rolling mill in northern Vietnam, in which we have invested some 12 billion yen, was completed in June 2025, and we were able to create a system to produce and sell more products by increasing the cost competitiveness of the steel by converting the plant to an integrated steelmaking/rolling mill. We expect this to deliver results going forward.

At Vinton Steel, in the US, which faces major challenges in terms of productivity and cost structure due to the aging of its facilities, we are working on a plan that seeks to significantly reduce costs and increase production and sales by updating it to a state-of-the-art mill, with the aim being to complete the project in 2027.

In relation to the overall scale of investment in NeXuS Ⅱ 2026, the scale of investment in Vinton Steel, which makes up the bulk of said investment, has been reduced to some 40 billion yen, down from an initially planned 60 billion yen. Overall investment is now projected to be 90 billion yen cumulatively over three years. We view this investment as marking one cycle of major facilities investments. Going forward, we believe it is important to use the impacts from these investments to properly raise the level of our profitability. We are also continuing to look for and explore opportunities for growth investments such as M&A, with a focus on North America.

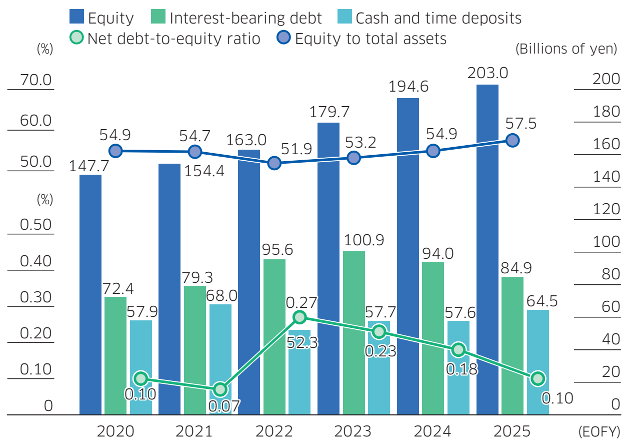
Additionally, in terms of the immediate financial and funding situation, we have strengthened our balance sheet controls in line with the shift to a world with interest rates. As a result, our capital-to-asset ratio is higher than was anticipated when the plan was formulated, and net interest-bearing debt is also lower. As limits have been set for corporate bonds and securitization, we also believe that there will be no issues in terms of funding, even when it comes time to cash out investments into Vinton Steel.

At the same time, the Company will continue to dedicate efforts to investing in human capital and intangible assets as it has thus far, as such investments into invisible assets are important sources underpinning the Group's growth. We also believe that engagement with employees is gradually improving, with, for example, the Kyoei Group Employee Shareholding Association entering our top 10 shareholders in March 2025. We have also intensified our efforts to develop Ethical Steel from this fiscal year, seeking to further improve our brand power and better differentiate ourselves from our competitors.

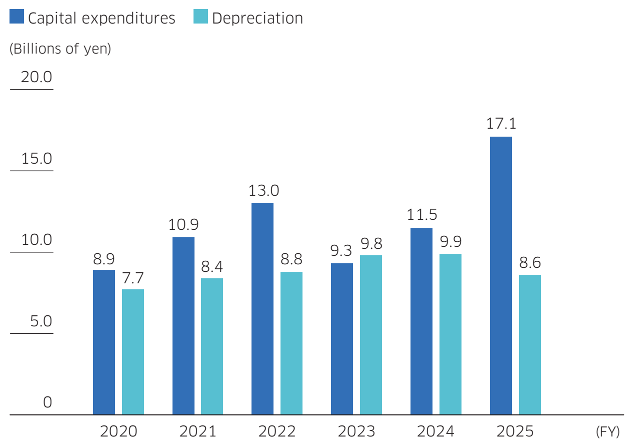
Shareholder returns

We believe that increasing the corporate value of the Company through business activity is the best return for shareholders. In an effort to achieve management that is conscious of the cost of capital and stock price in NeXuS Ⅱ 2026, which began from FY2024, we put forward the goals of increasing profit levels and improving shareholder returns by steadily implementing our growth strategy, and raised our payout ratio from 25–30% per annum to 30–35%. Based on this policy, we intend to pay stable dividends throughout the NeXuS Ⅱ 2026 period. As the next stage of the business comes into view due to the steady carrying out of our growth strategy, we also intend to consider further increasing our shareholder returns.

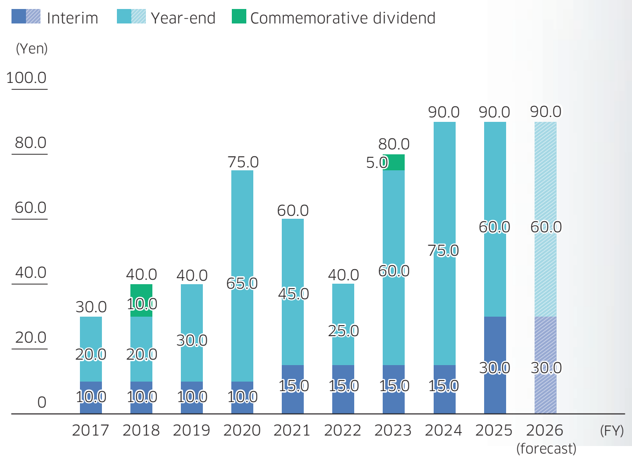
Equity to total assets/Net debt-to-equity ratio



Capital expenditures/Depreciation



Dividends



Kiminori Hashimoto
Senior Executive Officer

Sustainability Promotion Framework

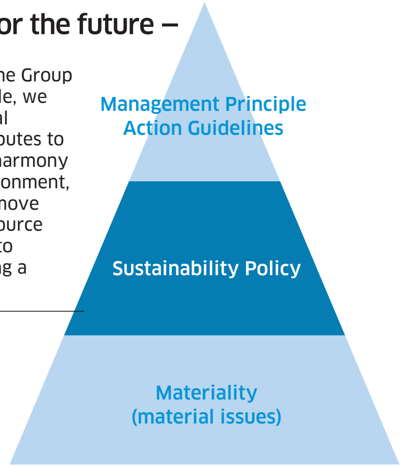
View sustainability issues as management issues, and reflect these in business strategies

Based upon our Sustainability Policy, we are accelerating initiatives with an appropriate governance structure and management processes.

Sustainability Policy

– Challenges for the future –

In accordance with the Group Management Principle, we aim to be an essential company that contributes to social progress and harmony with the global environment, while continuing to move forward through resource circulation business to contribute to realizing a sustainable society.

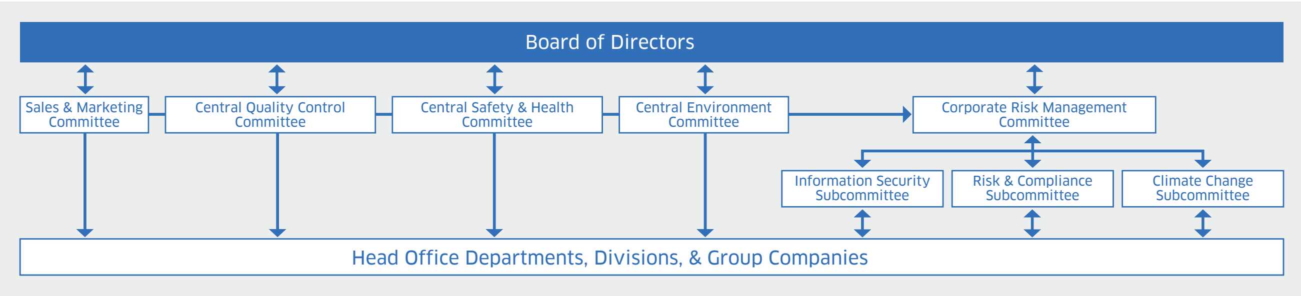


Given that our aim is to become an essential company that contributes to both social progress and harmony with the global environment, having sustainable management is absolutely essential. So that we can put our Sustainability Policy into practice, under the supervision of the Board of Directors we need to identify management issues, risks, and opportunities in light of both the Group's business situation and the external business environment, and formulate responses to these. Issues identified as of particular importance are incorporated into our medium-term business plan, as materialities, and we have established specific initiatives and KPIs.

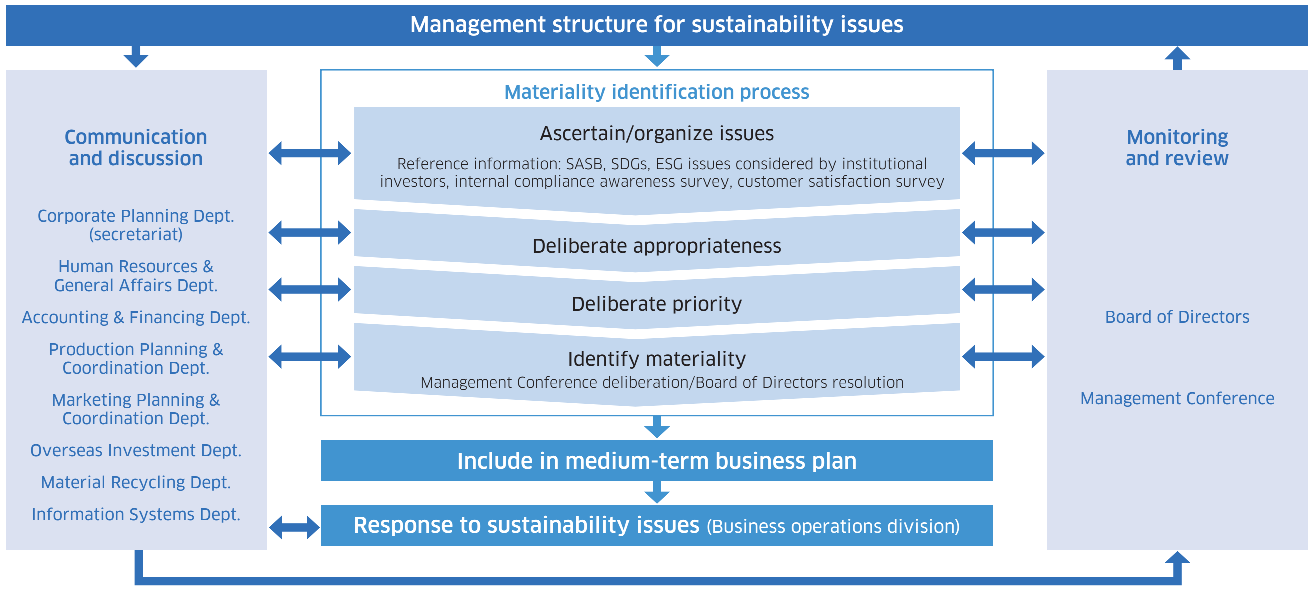
In order to achieve these KPIs, the Company established a company-wide management structure, each business operations division handled their issues through discussions in each committee and subcommittee, and we accelerated initiatives.

Materialities are reviewed when necessary, with business risks and opportunities impacting the Group discussed and reviewed annually by the Corporate Risk Management Committee.

Governance system related to sustainability issues



Management process related to sustainability issues



Risks and opportunities of sustainability issues surrounding the Group

Sustainability issues	Risks	Opportunities
Climate change	▼Increased capital investment to comply with stricter greenhouse gas emission regulations ▼Increased costs due to the introduction of carbon pricing ▼Suspension of operations due to abnormal weather conditions caused by climate change etc. ▼Suspension of operations due to natural disasters	▲Formation of new product markets through reputation gained by further contribution to resource circulation business ▲Increased demand and sales opportunities for products with low CO_2 emissions (steel production using EAFs, green steel, and carbon footprint-labeled products) ▲Increased demand and sales opportunities as a national resilience product against natural disasters ▲Increased demand for discrete products such as threaded rebars and assembled products for precast concrete, because labor savings on construction sites are required due to rising average temperatures
Steepening population decline in Japanese society	▼Workforce population decline resulting in an increasingly serious shortage of personnel ▼Shrinking domestic demand for steel ▼Discontinuity in operating techniques and skills	▲Increased opportunities to secure qualified personnel as workforce mobility rises due to decline in the working population ▲More opportunities to review human resource development methods and draw out the innate capabilities of our employees ▲Increased demand for discrete products such as threaded rebars and assembled products for precast concrete, which lead to manpower saving in on-site construction due to steepening demographic decline in society
Constraints on procurement of raw materials and secondary materials	▼Increased costs due to advancing greenflation ▼Tighter supply and demand and reduced quality in raw materials (steel scrap) due to blast furnace manufacturers shifting to EAFs ▼Depletion of resources for secondary materials (electrodes, ferroalloys, etc.), price hikes, increasing sourcing difficulty, and decline in quality grade ▼Insufficient supply of water resources	▲Increase in steel scrap supply due to improving sorting technology for low-grade steel scrap ▲Strengthened competitiveness by improving technologies for utilizing low-grade steel scrap
Energy problems	▼Increased difficulty in obtaining energy resources (LNG and other low CO_2 emission fuels) and price hikes ▼Increase in electricity costs due to take-up of renewable energy	▲Strengthened competitiveness by improving operational technologies in order to save energy and reduce environmental impact
Changes in Japanese and overseas markets	▼Decreases in sale prices and shipment volumes due to excess domestic supply capacity ▼Decrease in sales price and shipment volume due to market contraction caused by Japanese population decline ▼Raw material price hikes and earnings deterioration due to country risks	▲Reevaluation of the value of local production for local consumption businesses through economic bloc formation ▲Reevaluation of the value of local production for local consumption businesses due to changes in society's values ▲Capturing of growth markets through global expansion
Acceleration of a move to digital technologies, etc.	▼Information leaks and system failures due to cyber-attacks and system abuse ▼Loss of sales opportunities due to inability to respond to technological innovations	▲Productivity improvement through the use of digital and AI technologies

Materialities (Material Issues)

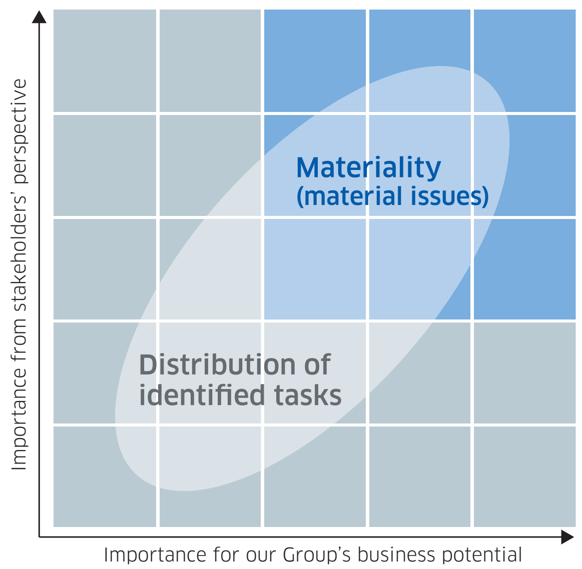
Confronting sustainability issues through our business activities

We have identified materialities that our Group should address using repeated evaluation and analysis of issues identified on the basis of the level of importance from stakeholders' perspectives. The six materialities are incorporated into our medium-term business plan, and we are working to achieve the ideal state of our Group through our business activities.

Materiality identification process

1 Ascertain/ organize issues	Reference information: SASB, SDGs, ESG issues considered by institutional investors, internal compliance awareness survey, customer satisfaction survey
2 Deliberate appropriateness	Deliberating on issues in each value chain Deliberating on issues from stakeholder perspectives
3 Deliberate priority	Mapping of priority issues
4 Identify materiality	Deliberation by the Management Conference Resolution by the Board of Directors

Our approach to materialities



		Relation with SASB	KPI in NeXuS II 2026	Concrete measures	Relevant SDGs
For a comfortable and safe society →pp. 27–32	We will contribute to global environmental conservation and support the global infrastructure by recycling resources after they have finished their roles in people's lives.	• Access and reasonable price • Impact on life cycle of products and services	• Net sales: ¥380 billion • Operating income: ¥25 billion • Shipment volume: 4.0 million tonnes (domestic: 1.6 million tonnes; overseas: 2.4 million tonnes)	[Domestic steel] • Increase presence in the Kanto region • Strengthening of processed product business (downstream strategy) • Stable procurement of scrap (upstream strategy) • Continuation of initiatives to increase added value [Overseas steel] • Strengthening profitability by shifting the weight of our tripolar structure: Emphasis on North America, reinforcement of northern Vietnam [Material recycling] • Branding of the uniqueness of the business • Reinforcement of industrial waste treatment network	9, 13
Toward a beautiful global environment →pp. 33–40	We will not only reduce greenhouse gases and byproducts produced by the Group, but we will contribute to realizing a society that has less impact on the environment by recycling various kinds of waste generated by society.	• GHG emissions volume • Air quality • Water and wastewater management • Management of waste materials and harmful substances • Management of biodiversity	• Reduction of CO_2 emissions by 50% from FY2014 by FY2031 • Improvement of energy intensity by 1.0% per year	• Initiatives to reduce CO_2 emissions at overseas related companies • Conversion to fuels with low CO_2 emission factors · Promotion of energy saving at each site · Fuel conversion · Photovoltaic power generation · Initiatives to reduce CO_2 emissions at overseas sites • Making effective use of slag and dust	7, 11, 12, 13, 14, 15
To meet the expectations of everyone who creates value along with us →p. 43	We intend to contribute to society through our value chain by providing products and services that meet the varied expectations and requests of our customers and business partners, as well as by procuring raw materials and processed materials that have a low impact on the environment.	• Product quality/ product safety • Sales customs/ product display		• Promoting support for processing departments and processors • Expanding treatment of industrial waste, which is expected to increase in the future • Reduction of waiting times for product loading	9, 12
Toward safer and more comfortable workplaces →pp. 41–42	We will create safer, more comfortable, and more appealing workplaces by eliminating occupational injuries, improving working environments, hiring diverse human resources, and adopting flexible working styles.	• Safety and health of employees • Employee engagement, diversity, and inclusion	• No occupational injury • At least 15% female career-track employees (non-consolidated) • At least 3.0% females in managerial positions (non-consolidated) • Education and training costs: 150,000 yen/person (non-consolidated)	• Improving the level of safety and stable operation of each plant by strengthening engineering departments • Introducing AI into raw material inspection and production processes • Promoting automation in production processes • Implementing concrete measures based on the human capital strategy	3, 4, 5, 8, 10
To contribute as a member of the community →p. 44	We aim to make the Group indispensable to the community by contributing through various activities, including disaster prevention.		• Social contribution activity expenditures: Approx. 0.5% of consolidated net income	• Contributing to local communities through olive grove planting • Continuation of donations through regional social foundations, MESSCUD Medical Safety Fund and other organizations	11
Toward fairer and more sincere corporate activities →pp. 47–54	We aim to earn the trust of society by building an organizational structure and a highly transparent management system that quickly respond to changes in the business environment, as well as by practicing fair and sincere corporate activities.	• Major incident risk management	• To be continuously listed in the new market segment (Prime Market) of the Tokyo Stock Exchange	• Functional enhancement of the board of directors (enhancement of the skills matrix) • Reinforcement of risk management system • Review of the structure of each committee	16

For a Comfortable and Safe Society

Domestic Steel Business

Director's message

The domestic steel business is our core business domain. We have boasted the largest share of the domestic market in reinforcing steel bars which we have been manufacturing for nearly 80 years since our founding. We also aspire to be the leading company in the EAF industry.

Demand for steel in Japan is continuing to trend down, and the business environment surrounding the Company is undoubtably growing more challenging. We must therefore build solid business foundations so that we can continue to be a leading company, even under such conditions. To that end, we are also advancing the strengthening of coordination among the four divisions in Japan and increasing our presence in the Kanto region as part of our growth strategy in our medium-term business plan. We are also seeking to qualitatively improve our business foundations through the realization of upstream and downstream strategy. Specifically, we are working to strengthen our processed product business in Kanto, build logistics warehouses, set up relay points and diversify our scrap procurement methods.

In terms of brand strategy, we are promoting the idea of "Ethical Steel." We hope to gain the understanding of stakeholders for the value of Ethical Steel and grow the number of parties who go along with this vision.

By pursuing such a growth strategy step by step, we aim to become a 100-year company.

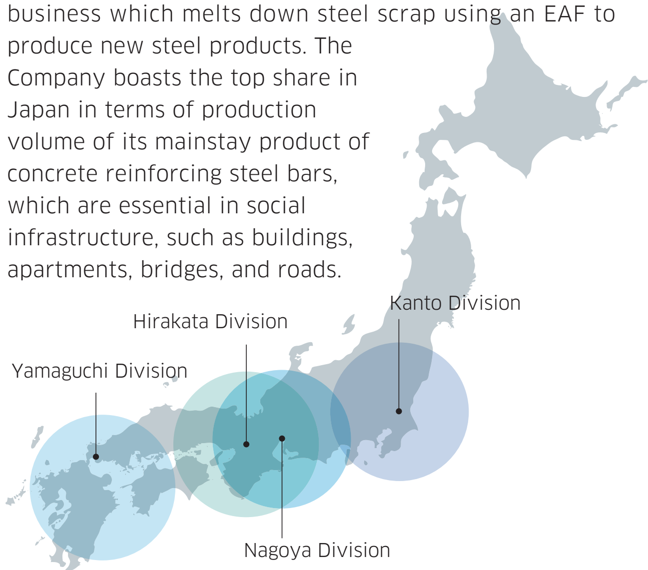
Meguru Nishimura
Senior Executive Officer

Business environment

- Climate change has resulted in the frequent occurrence of natural disasters over the past few years as well as heat waves and other abnormal rises in temperature in countries around the world. These phenomena, in turn, have created a heightened sense of crisis among people regarding global warming, and humankind as a whole is becoming increasingly concerned about efforts to realize a sustainable society. This includes with regard to corporate social responsibility initiatives aimed at such targets as realizing a decarbonized society and making the shift to renewable energy.
- Japanese society has transitioned from an aging society to one with a declining population, and decreasing demand as well as labor shortages due to the reduction in the working age population will become realities.
- Growing momentum for wage rises at Japanese companies has come on top of increases in global energy prices and increases in import costs due to the weakening yen. Accordingly, with prices rising in Japan and Japan itself suddenly finding itself in a world with interest rates, it has become necessary to operate with an awareness of interest rate costs in all spheres of economic activity.
- The impacts of the COVID-19 pandemic on our society have also significantly affected globalization and the way we work, further accelerating the trend of digital transformation (DX) as well as the emergence of generative AI such as ChatGPT.

Characteristics of business

Our Domestic Steel Business is a resource circulation business which melts down steel scrap using an EAF to produce new steel products. The Company boasts the top share in Japan in terms of production volume of its mainstay product of concrete reinforcing steel bars, which are essential in social infrastructure, such as buildings, apartments, bridges, and roads.



Strengths

- Operates business in Kanto, Chubu, Kansai, Chugoku, Shikoku, and Kyushu areas, where steel scrap is produced and there is high demand in Japan
  1. Possible to speedily deploy a business strategy that utilizes sales and purchasing information in each area
  2. Possible to speed up technological capabilities enhancement by horizontal deployment of technology information
  3. Possible to perform alternate production during emergencies for semiconductors and the mainstay product steel rebar
- Manufacture and sell products with added value, including high-strength steel rebar and threaded-type rebar, etc.
- Production of high-strength shear reinforcement bars from base material to processing entirely within the Group
- Operational technology that can achieve stable production of steel products that fulfill standards from low-quality steel scrap

Opportunities

- Steelmaking business using EAFs will expand through demands of global carbon neutrality and the circular economy
- Demand for rebar will continue to a certain extent because of the need for the upgrade of social infrastructure
- Demand for rebar which can be produced at low cost using abundant raw materials (steel scrap), will continue, as there are few alternatives to construction steel

Risks and challenges

- Medium- to long-term decrease in demand due to declining Japanese population
- Increase in steel scrap prices due to trends in CO_2 emissions reduction; potential procurement issues
- Extension of construction times arising from reform of workstyles of construction sites and shift to steel frame construction to compress construction times
- Response to new construction methods
- Difficulty in securing labor due to decline in working-age population
- Wear and deterioration of factory facilities

Growth strategy

On March 31, 2024, the Company merged with Kanto Steel Ltd., transforming it into the Kanto Division and resulting in a total of four divisions in Japan. The purposes of this merger were twofold: 1) Business continuity planning (BCP)—To build a stable supply system through coordination between four divisions; and 2) To enhance the Company's presence in the Kanto region, which is the area in Japan in which demand for the Company's products is greatest.

Initiatives under the medium-term business plan

In order to build a solid foundation for our four divisions in Japan, we will strengthen cooperation among them and increase our presence in the Kanto region, the area with the greatest demand for our products. We will also strive to expand sales of value-added products, such as the high-strength rebars manufactured at the Nagoya Division. As part of our efforts to diversify raw material procurement and other upstream strategies, we will strengthen our scrap procurement function by establishing a satellite yard centered on Group company KYOEI MATERIAL, Inc. We will establish a new engineering division in the Production Planning & Coordination Department to ensure constant, safe, and stable operations at domestic and overseas production sites. Further, following on from NeXuS 2023, we will continue to streamline and improve efficiency to address labor shortage issues, including the introduction of automatic temperature measuring and analysis equipment in steelmaking mills and sampling robots in steel rolling mills.

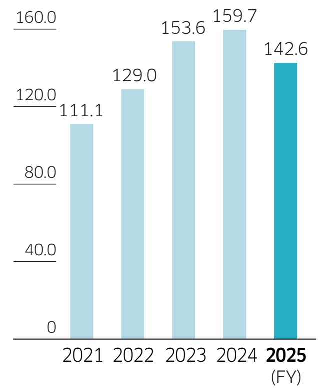
Progress on the medium-term business plan

As domestic demand fell due to the 2024 Problem (labor shortages among frontline construction and logistics workers and workstyle reforms) and delays and extension in construction times due to extreme heat, the Company capture 18% or more market share while maintaining the trading price gap (the difference in product price and raw materials price). We strengthened our steel scrap procurement capabilities by purchasing Toyo Company, Ltd., which operates a scrap business, in addition to opening a satellite yard for shipping steel scrap in Chita, Aichi.

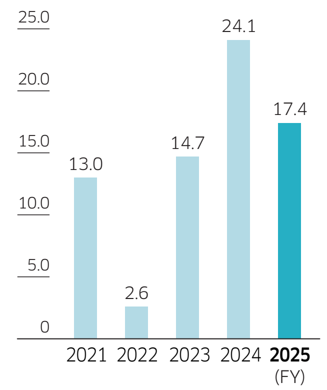
To contribute to the permanently safe, secure and efficient operation of our domestic and international manufacturing locations, we established an Engineering Section, and had a specialist team perform facilities and operations diagnostics.

We also launched Ethical Steel as our brand strategy, seeking to improve the reputation of the Company as a business that contributes to a resource recycling society, thus increasing shipments.

Net sales
(Billions of yen)



Operating income
(Billions of yen)



For a Comfortable and Safe Society

Overseas Steel Business

Director's message

Through our overseas steel business, which is one of the pillars of the Company's growth strategy, we seek to develop by going out into the world and contributing to a global society in our role as a leading company among Japanese EAF steelmakers.

In the medium-term business plan, we have focused on revising and rebuilding our Vietnam business, and on strengthening our North American business. As a result, the scale of our overseas steel business has gradually expanded, and we are in the process of building a new foundation for growth on the global stage.

If we are to realize truly sustainable growth, however, we have to go beyond simple growth of scale to raise the floor on our earning power across our overseas locations, and to strengthen our business platform.

What underpins the overseas business we aspire to is (each and every one of) our people. For us to overcome the present environment and achieve strong, sustainable growth, we must cut no corners in investing in our people, bring together the abilities of employees who take on challenges, and reboot ourselves (i.e., achieve transformation) for a new era. It is our hope that we will continue to pursue future-oriented challenges on a global level in pursuit of being an ambitious corporate group that thinks about how we can serve society, and does not shirk hard work.

Tetsuya Kan
Board Director & Senior Vice President

Business environment

- [North America] Demand for steel rebar in the US in 2024 rose to 8.78 million tonnes (+5.8% year-over-year). We expect further strong demand due to ongoing infrastructure investment and population growth, with demand rising to 9.43 million tonnes in 2028. Canadian demand for construction steel in 2024 rose to 1.45 million tonnes (+2.7% year-over-year). We expect moderate growth thanks to ongoing population growth, with this expected to reach 1.98 million tonnes in 2028. As a result of reciprocal tariffs with the US, the risk of downward price pressure from imported materials has been suppressed in our US locations. Although we thus expect increased profits from price increases, we are also concerned that the cost of investment in such facilities, which are imported from Europe, will increase, with large-scale investments in facilities lying ahead. While there may be some impact on steel exports to the US at our Canadian locations, there will also be the benefit of steel imports from the US being limited due to Canada's reciprocal tariffs, so we expect the total effects to cancel each other out.
- [Vietnam] Construction demand in 2024 recovered from the real estate recession that had continued into the previous year, rising slightly to 10.2 million tonnes (+1.7% year-over-year). We expect demand to bounce back, particularly in the north-central region, thanks to demand stimulated by large-scale public investments from 2025 onward. We are thus forecasting that demand will grow to its previous level of around 11 million tonnes.

  As our Vietnamese locations do not export steel to the US, there will be no direct effects from American reciprocal tariffs. There are, however, concerns that Vietnamese and Chinese steel exports to the US will be restricted, and that this will spill over into the Vietnamese steel market, as well as concerns over potential stagnation in the Vietnamese economy overall, as it has a high volume of exports to the US.

Characteristics of business

In 1963, we were the first steel manufacturer using EAFs to expand overseas. Since then, we have done business in more than 20 countries, whether through building plants, providing technical guidance, or launching projects. We currently have three companies in Vietnam and two in North America. We expanded into Vietnam in 1994 shortly after the Doi Moi economic reforms were initiated, and in addition to helping rebuild the country following the Vietnam War, we have earned a reputation of providing high-quality, Japanese products. We continue to boost local employment and improve the level of technology by doing business firmly rooted in local communities.

Strengths

- More than 50 years of history and results in doing business overseas
- Capability to diversify risks by having bases in both growth markets (Vietnam) and mature markets (US, Canada)
- Abundant opportunities to develop Group employees, through providing technical guidance and equipment investment locally

Opportunities

- Demand is expected to increase in both Vietnam and North America
- We will seek to improve our steelmaking business using EAFs' position due to demands for carbon-neutral circular economies on a global scale
- There are few manufacturers in North America capable of producing fine rebar, which is a specialty of the Group

Risks and challenges

- Stricter competition as other companies in the same industry enhance capabilities in expectation of increased demand for steel as the Vietnamese economy grows
- Reaching carbon neutrality (increasingly stricter government environmental regulations)
- Difficulties reaching stable profitability due to factors such as dynamic market conditions and operational issues
- Plant equipment aging, safety measures

Growth strategy

Following its second re-entry into the US in 2016, establishing a global tripolar structure consisting of Japan, Vietnam, and North America has been a major strategy for the Company. However, in light of the changing political and economic conditions in each region, the Company will shift the weight of its investment strategy to emphasize North America. The framework of the existing global tripolar structure will remain unchanged, but we will invest in growth with an emphasis on North America, while in Vietnam, we will place greater focus on the northern part of the country.

Initiatives under the medium-term business plan

Under NeXuS Ⅱ 2026, we recognize that the rebuilding our global tripolar structure is a top priority, and have decided to shift our investment strategy from the Vietnam business, where we have already made a set of large-scale investments, to our business in North America.

With regard to our operations in North America, Vinton Steel LLC will build a new steelmaking plant and partially remodel its steel rolling mill facilities to address facility aging, aiming to improve and stabilize profits by significantly reducing costs through improved productivity and by increasing production and shipment volumes. These capital investments are planned at $255 million, with operations to begin in 2027. In addition, AltaSteel Inc. is also working to build up its rolling facilities and begin commercial production of 10mm rebar, with commercial production beginning in spring of 2024.

With regard to our business in Vietnam, Vina Kyoei Steel Co., Ltd. will strive to improve its financial structure while minimizing the impact on consolidated financial results so that it can operate stably in response to changes in market conditions. Vietnam Italy Steel JSC (VIS) will aim to develop a corporate structure that can generate stable profits through the vertical start-up of a new rolling line. VIS will also strengthen cooperation with Kyoei Steel Vietnam Co., Ltd. (KSVC), a rolling mill company, to create an optimal production system for the two companies in northern Vietnam. We will develop VIS and KSVC into companies that play central roles in our operations in the country.

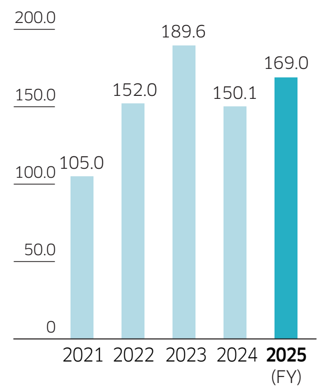
Progress on the medium-term business plan

After the fire at our US location, operations remained poor. Meanwhile, despite a weak market resulting in losses, we dispatched engineers to perform equipment and operations diagnostics, achieving cost reductions.

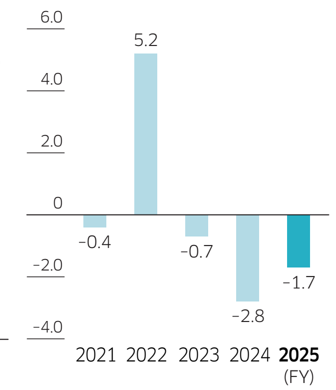
Our Canadian location successfully began commercial production of 10mm rebar, contributing a major increase in profits in FY2025. The extension of the shipping yard was completed in May 2025, with future sales expansion measures proceeding as planned.

The competitive environment in Vietnam has remained challenging, but demand is on the way to recovery, with losses being gradually contained from their bottom in FY2024. A new rolling line was completed at the VIS Hai Phong plant in June 2025. Shipping costs to the Hung Yen rolling mill were a challenge for VIS. However, with the new rolling line going into operation, VIS aims to secure greater cost competitiveness due to reduced shipping costs, and, further, to achieve even greater profits by increasing annual production volume by 500,000 tonnes to 800,000 tonnes.

Net sales
(Billions of yen)



Operating income
(Billions of yen)



For a Comfortable and Safe Society

Material Recycling Business

Director's message

The material recycling business is an important business at the center of the Company's efforts to realize a resource-circulating society. Through the medium-term business plan, it is driving the enhanced use of renewable resources and technological transformation, while seeking to combine sustainability and economy. The business has adopted the branding of Ethical Steel for the steel products it manufactures, while processing medical and industrial scrap materials, on top of recycling steel slag and waste plastics. We are thus striving to create new value that contributes to solving social issues. The Company is taking the lead in the steel industry in developing such a business, and working to co-create regional society, while improving coordination with local governments, educational institutions and partner companies. As we look to 2030, we are contributing not only to carbon neutrality, but also to the realization of a sustainable society in harmony with nature.

Masatomo Uemichi
Senior Executive Officer

Business environment

- The waste treatment and effective resource utilization markets in Japan will continue to grow. However, waste treatment and recycling—markets related to the material recycling business of the Kyoei Steel Group—are expected to trend flat as the amount of waste being generated drops.
- There is a greater need for material recycling and other more advanced recycling methods due to an increased environmental awareness at places where waste materials are generated. At the same time, 3R (reducing, reusing, and recycling) efforts to reduce the amount of waste generated are being promoted from all angles. Meanwhile, the emergence of simple and inexpensive incinerators together with the development of new recycling technology has created competition for solutions based on EAF melting technologies.
- It is difficult now to recycle new materials such as lithium-ion batteries, and so for the time being, a reliable method of treating or processing (discarding) these materials is also required in order to keep costs down.

Characteristics of business

The illegal dumping of used hypodermic needles became a social problem during the latter half of the 1980s. In response, the Company developed a technology to dispose of these needles. This idea came when we were looking for ways to effectively use thousands of degrees of heat generated when melting steel scrap in an EAF. We then launched our material recycling business based on this technology. As a pioneer in the field of safely melting waste using EAFs, our safe and reliable processes have won the trust of many companies and local governments, and we command more than 50% of the EAF industrial waste treatment market.

We use a large gasification furnace at our Yamaguchi Division to melt shredded fragments of automobiles. We then collect and recycle metallic parts as molten metal. The gas generated during this process is also used as fuel for the heating furnace used by the division.

Strengths

- EAFs generate several thousands of degrees of heat and are capable of completely detoxifying waste; iron components in waste can then be partially recycled for use in steel products
- We have developed proprietary technologies and knowledge for maintaining steel quality while burning waste in EAFs
- Our technologies can treat even difficult-to-treat waste material, such as asbestos and vehicle-mounted lithium-ion batteries
- We are also expanding into the business of treating waste using gasification furnaces

Opportunities

- The need for treating difficult-to-treat waste material is Increasing
- The effective resource utilization market is expanding
- Easier to broaden the nature of the business by forming alliances with environmental companies
(Generating revenue opportunities by complementing each other in terms of waste each company struggles to process)
- Expansion of the waste processing market due to strengthening of regulations around recycling-related laws

Risks and challenges

- There is increased competition due to the emergence of simple and inexpensive incinerators
- Developments in recycling technology will cause a transition to material recycling for difficult-to-treat waste material
- There are limits to the melting capabilities of EAFs, as treatment is performed during the steel production process

Growth strategy

We are a pioneering company in material recycling business with an over 35-year history which began with our MESSCUD operations at the Yamaguchi Division. Waste treatment has gone from being seen as a mere waste disposal business to being valued as a business that is ethical and essential for society. In light of this fact, the Company has decided to increase the visibility of its history of integrating steelmaking with medical and industrial waste treatment, and engage in the branding of the unique qualities of our business. We aim to leverage our strengths in EAF melting as we focus on developing new resource recycling technology, respond to a rising need for waste recycling driven by an increased social environmental awareness, and provide an even high level of quality as a resource circulation business.

Initiatives under the medium-term business plan

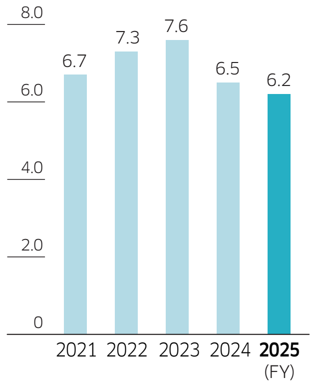
We have a history of integrating steel production with medical and industrial waste treatment, and as a pioneer in the use of EAFs to melt and treat waste, we will work to restore business performance by branding and visualizing the things which makes us unique and differentiate us from other companies, and by extensively communicating and publicizing these. Further, in addition to EAF melting, we will also strengthen our one-stop waste treatment system by collaborating with other companies. We will aim to achieve further growth through further improvements to our resource circulation business, which integrates steelmaking and waste treatment.

Progress on the medium-term business plan

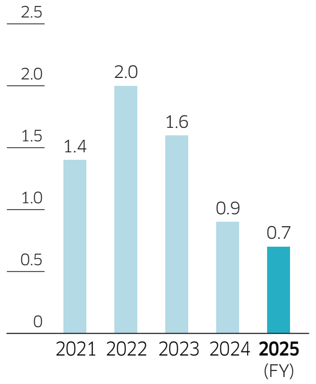
We concluded a business alliance with KOWA SEIKO CO., LTD in June 2025. Through this alliance, we are mutually complementing each other's capabilities in waste that the market finds difficult to process through the use of our EAFs and gasification furnaces combined with Kowa Seiko's chloride volatilization recycling technology. We are also making use of each other's networks to expand waste shipping volumes and developing technologies aimed at achieving a circular economy. In doing so, we are contributing to the realization of a resource-circulating society.

We have also branded the steel we produce while processing waste as Ethical Steel, seeking to increase recognition for the social value of our material recycling business.

Net sales
(Billions of yen)



Operating income
(Billions of yen)



Toward a Beautiful Global Environment

Actions based on TCFD recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

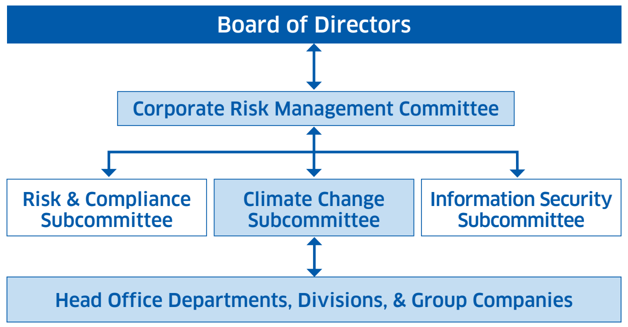
The Group has made response to climate change one of its important management issues, and has taken a number of steps to advance them. We will continue to advance our initiatives for climate-change-related risks to and opportunities for our business in 2030 and 2050, in order to strengthen our resilience to the 1.5°C and below 2°C, and 4°C scenarios.

What is the TCFD?
TCFD stands for "Task Force on Climate-related Financial Disclosures." It is a task force established by the Financial Stability Board (FSB) in which the central banks and financial regulators of major countries participate. To reduce the risk of instability in financial markets, the TCFD recommends that enterprises disclose information about the possible financial impact of climate-change-related risks to and opportunities for their businesses, alongside strategies and actions that will be taken to address them.

Governance	Disclose the organization's governance around climate-related risks and opportunities
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Governance

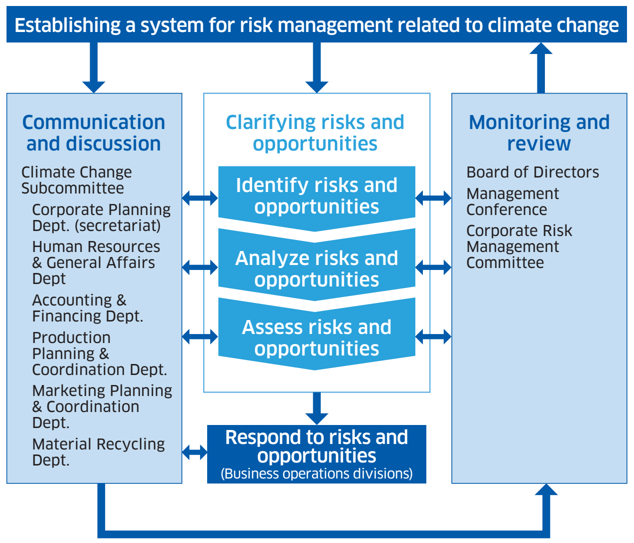
We have established a Corporate Risk Management Committee (CRMC), chaired by our president. We have also set up various subcommittees, including a Risk & Compliance Subcommittee and a Climate Change Subcommittee, which report to the CRMC. We have created a system that allows us to assess and evaluate climate-change-related business risks at regular intervals. Risks and opportunities that are identified are shared with the business operations divisions and/or subsidiaries concerned, so they can accelerate planning and implementation of countermeasures. The CRMC reports at regular intervals to the Board of Directors, which supervises measures to be implemented.



Risk management

The Group understands that climate change issues are important to its business, and recognizes that the risks and opportunities associated with climate change must significantly influence its business strategies. We have introduced the following processes into our organization to implement, support and maintain climate-related risk management as a matter of course.

(1) The Climate Change Subcommittee, whose secretariat is the ESG Promotion Section of the Corporate Planning Department, clarifies and assesses climate-change-related risks and opportunities for the entire Group.
(2) The Climate Change Subcommittee formulates policies and action plans pertaining to risk management related to climate change for the Group.
(3) Business operations divisions take appropriate actions, which may include risk avoidance, risk reduction or relocation, in accordance with the plans.
(4) The Climate Change Subcommittee reports the effects and results of risk management to the CRMC at regular intervals.



Strategy

Defining scenarios

With reference to SSP1-1.9, SSP1-2.6 and SSP5-8.5—three of the five scenarios identified in the Sixth Assessment Report of the IPCC* corresponding to, respectively, 1.5°C and below 2°C, and 4°C increases in the average temperature of the Earth—we used the Six Forces Model to define changes in society surrounding the Group in 2050.

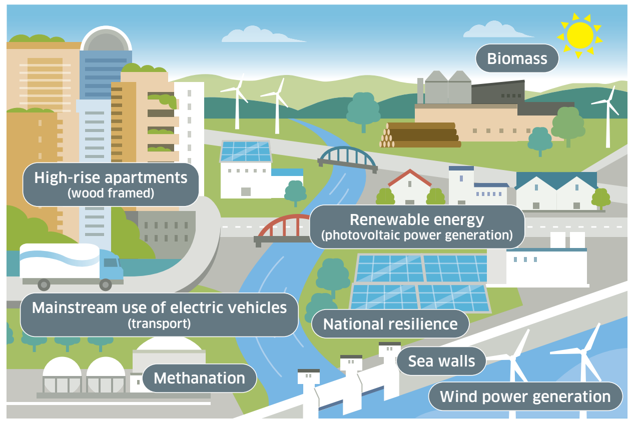
* IPCC: Intergovernmental Panel on Climate Change

	Near term: 2021 to 2040		Medium term: 2041 to 2060		Long term: 2061 to 2100	
	Central estimate (°C)	Very likely range (°C)	Central estimate (°C)	Very likely range (°C)	Central estimate (°C)	Very likely range (°C)
SSP1-1.9	1.5	1.2–1.7	**1.6**	**1.2–2.0**	1.4	1.0–1.8
SSP1-2.6	1.5	1.2–1.8	**1.7**	**1.3–2.2**	1.8	1.3–2.4
SSP2-4.5	1.5	1.2–1.8	2	1.6–2.5	2.7	2.1–3.5
SSP3-7.0	1.5	1.2–1.8	2.1	1.7–2.6	3.6	2.8–4.6
SSP5-8.5	1.6	1.3–1.9	**2.4**	**1.9–3.0**	4.4	3.3–5.7

Changes in society surrounding the Group

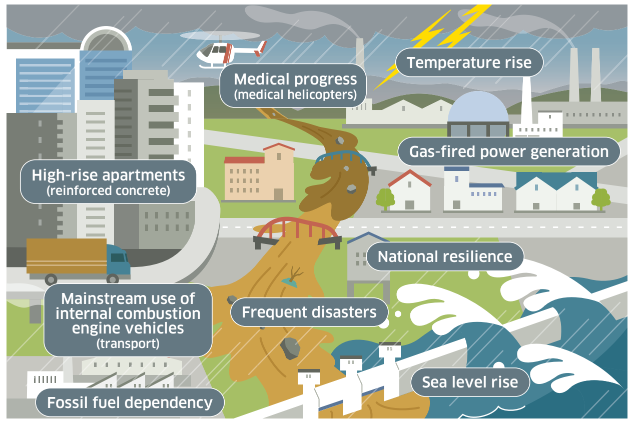
[1.5°C and below 2°C scenarios] Decarbonization progresses as demanded by society and by government regulations to mitigate climate change

- **Government requests and regulations aiming to implement decarbonization**
  - Fuel prices will rise due to the introduction of carbon pricing, e.g., carbon taxes.
  - Electricity prices will rise temporarily due to an increase in the percentage of renewable energy, but will fall again by 2050.
- **Intensifying stakeholder demand for decarbonization**
  - Decarbonization in cooperation with value chains will become important for businesses, and appropriate information disclosure and support will become important for trading.
  - Adequate information disclosure and dialogue requested by shareholders and investors will become important.
- **Mainstreaming of ESG evaluation by customers**
  - Countermeasures against climate change and other environmental issues will become mainstream and customers' requests for disclosure and improvement of environmental performance data will intensify.
- **Increase in natural disasters**
  - By 2050 the average temperature is approximately 1.2 to 2.0°C higher, so the number of natural disasters such as typhoons and floods will increase.



[4°C scenario] Adapt to productivity declines due to the impact of serious disasters and heat loads

- **Limited government policies and regulations for decarbonization**
  - Mass consumption and fossil fuel dependency continue and fuel prices soar due to exhaustion of and competition for fossil fuels.
  - Dependency on fossil fuel power generation increases electricity prices.
- **Intensifying requests for business continuity management (BCM) by stakeholders**
  - BCM linked to value chains will become important for businesses, and adequate information disclosure and support will become important for trading.
- **Products and services adapted to climate change**
  - It will become important for businesses to adapt products and services to changes to life circumstances and the work environment.
- **Intensifying natural disasters**
  - By 2050, the average air temperature rises by approximately 1.9 to 3.0°C, and natural disasters such as typhoons and floods intensify.



Toward a Beautiful Global Environment

Scenario analysis

We evaluated the risks and opportunities for the Group under the 1.5°C and below 2°C, and 4°C scenarios according to their potential impact (major/medium/minor) on our Company in the near term (occurring within three years), medium term (within 3–10 years), and long term (10 years or more).

We then organized the 15 risks and opportunities for the 1.5°C and below 2°C scenarios, and organized 10 risks and opportunities for the 4°C scenario into six categories: carbon costs, energy costs, rising material costs, product markets, natural disaster costs, and working conditions.

Impact in 2030

Risks: ▼ (minor) ▼▼ (medium) ▼▼▼ (major) ▼▼▼▼ (critical)

Opportunities: ▲ (minor) ▲▲ (medium) ▲▲▲ (major) ▲▲▲▲ (critical)

Importance: minor: less than 0.1 billion yen; medium: 0.1 billion yen or more but less than 1 billion yen; major: 1 billion yen or more but less than 10 billion yen; critical: 10 billion yen or more

Scenario	Type	Category	Theme	Important risks and opportunities	Impact	Countermeasures in NeXuS II 2026
1.5°C and below 2°C	Transition risks	Policy and legal	Breaking through with decarbonization policies	(1) Business costs increase due to the introduction of carbon pricing, an increased renewable energy levy, and the strengthening of the Promotion of Measures to Cope with Global Warming Law	Carbon costs ▼▼▼	● Promoting energy savings ● Promoting transition from heavy oil and kerosene to city gas and LNG
				(2) Competition for LNG, and LNG prices soar due to the transition to low-carbon fuels, triggered by restrictions on the use of petroleum fuels	Energy costs ▼	
		Technology	Demanding decarbonization and energy saving technologies	(3) Decarbonization and energy saving technologies are unable to keep pace with demand, making operations difficult	Carbon costs ▼▼▼	● Promotion of development of decarbonization and energy saving technologies ● Development of technologies to assist the transition from heavy oil and kerosene to city gas and LNG ● Improving technologies for collecting and sorting steel scrap suitable for recycling and transforming it without loss into new steel products
				(4) Competition and prices for steel scrap and electrodes increase due to a transition from BFs to EAFs in steel production	Rising material costs ▼▼▼	
		Market	Increasing awareness of decarbonization in society	(5) Markets and demand for products and services contract due to dematerialism and population reduction (6) Competition intensifies due to a transition from BFs to EAFs (7) Demand declines due to a transition from concrete to wood, triggered by changes in developers' values	Product markets ▼▼▼	● Developing new products for new construction methods, such as high-strength rebars and assembled products for precast concrete ● An energetic approach to new businesses, such as customer-specific processed products
				(8) Sales opportunities are lost due through being unable to comply with decarbonization requirements in value chains	Carbon costs ▼▼▼	
			Rising energy costs	(9) Electricity costs increase due to an increase in the percentage of renewable energy use in power generation	Energy costs ▼	● Passing energy costs on to products, and promoting energy saving ● Promoting in-house photovoltaic power generation and self-consumption
	Physical risks	Acute risks	Frequent natural disasters	(10) Divisions and sites shut down due to natural disasters such as typhoons and floods (11) Material procurement becomes difficult due to natural disasters	Natural disaster costs ▼▼▼	● Establishing a business continuity management (BCM) system against physical disruption and transferring risk to a third party ● Expanding supply chains to ensure reliable material procurement
	Opportunities	Products and services	Expanding markets for products	(12) Becoming known as a "resource circulation business" opens up new markets for a company's products (13) Increased demand and sales opportunities for products giving rise to low CO_2 emissions: steel manufacturing using EAFs, "green steel" and products with EPD (14) Increased demand and sales opportunities for "national resilience products" offering protection from natural disasters (15) Increased demand for discrete products such as threaded rebars and assembled products for precast concrete, because labor savings on construction sites are required due to rising average temperatures	Product markets ▲▲▲	● Enhancing external evaluation, such as ESG ratings, by actively disclosing ESG information ● Developing new products for new construction methods, such as high-strength rebars and assembled products for precast concrete ● An energetic approach to new businesses, such as customer-specific processed products

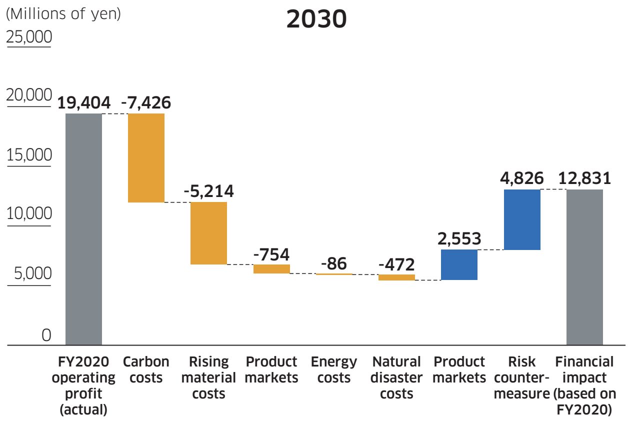
Scenario	Type	Category	Theme	Important risks and opportunities	Impact	Countermeasures in NeXuS II 2026
4°C	Transition risks	Policy and legal	Promoting national resilience	(1) Sales opportunities lost due to delays in addressing building and civil engineering standards being revised in response to growing demand for "national resilience products"	Product markets ▼▼	● An energetic approach to new businesses, such as customer-specific processed products
		Technology	Demand for national resilience	(2) Sales opportunities lost due to delays in developing disaster-resistant, high-strength steel materials and technology		● Developing new products for new construction methods, such as high-strength rebars and assembled products for precast concrete
		Market	Exhausting petroleum fuels	(3) Energy and material costs rise due to exhaustion of petroleum fuels	Energy costs ▼▼	● Passing energy costs on to products, and promoting energy saving
	Physical risks	Acute risks	Rising average temperatures	(4) Working conditions deteriorate due to rising average temperatures: it becomes difficult to ensure human safety	Working conditions ▼▼	● Increased capital investment for robotization and automation of operations
			Intensifying natural disasters	(5) Divisions and sites shut down due to natural disasters such as typhoons and floods (6) Material procurement becomes difficult due to natural disasters	Natural disaster costs ▼▼	● Establishing a business continuity management (BCM) system against physical disruption and transferring risk to a third party ● Expanding supply chains to ensure reliable material procurement
	Opportunities	Products and services	Expanding markets for products	(7) Increased demand and sales opportunities for "national resilience products" offering protection from natural disasters (8) Increased demand for discrete products such as threaded rebars and assembled products for precast concrete, because labor savings on construction sites are required due to rising average temperatures (9) Increased medical waste—caused by an increase in medical care due to deteriorating living conditions—and an increase in waste resulting from disasters increase the demand for recycling businesses (10) Economic development and an increase in international demand increases sales opportunities globally	Product market ▲▲▲	● Developing new products for new construction methods, such as high-strength rebars and assembled products for precast concrete ● An energetic approach to new businesses, such as customer-specific processed products ● Capital investment to expand sales in North America

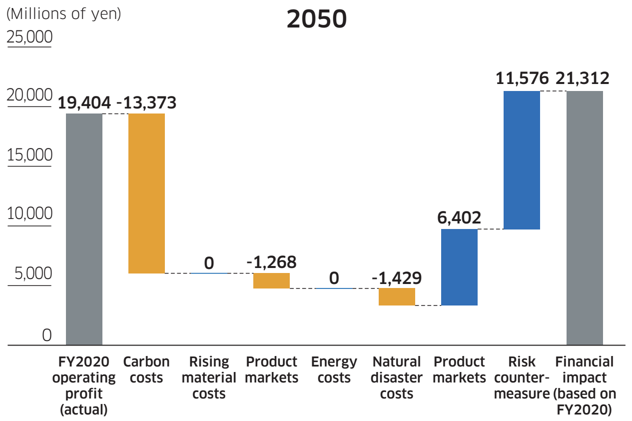
Toward a Beautiful Global Environment

Financial impact

The financial impact of the six organized risks and opportunities, and of risk countermeasures, was calculated based on parameters and quantitatively analyzed for importance. In quantifying risk, the base year is FY2020 rather than the most recent year, in order to quantify risk using production activities before the COVID-19 pandemic as the standard condition for risk estimation.

Financial impact under the 1.5°C and below 2°C scenarios





* Carbon costs calculated are for Kyoei Steel only

Financial impact estimation parameters
(base year: FY2020)

Carbon costs

We estimated the risk impact of not reducing CO_2 emissions (Scope 1 + 2) from the base year amount, if the carbon price for developed nations listed in Table B.2 of IEA/WEO 2023 (2030: \$140/t-CO_2, 2050: \$250/t-CO_2) is levied.

Rising material costs

Based on Figure 1.3 and Figure 2.11 of IEA/ISTR, assuming that direct reduced iron (DRI) using natural gas generated through carbon capture/utilization/storage (CCUS) will become standardized by 2030, and DRI using 100% H_2 by 2050, we expect that the unit cost of steel scrap will therefore increase along with the cost of crude steel.

On the other hand, based on IMF/WEO 2021, we estimated risk impact based on price changes in metal spreads from the base year, assuming that costs could be passed onto products in line with inflation in Japan, Vietnam, the US, and Canada for 2018 (prior to COVID-19). However, we evaluated FY2051 as "no risks" under the assumption that product shipment unit costs will not rise above the sharp increase in steel scrap unit costs.

Product markets

Demand for steel products for construction is expected to drop as the use of existing structures is prolonged, material quality is improved, and construction methods are optimized. Based on the sustainable development scenario (SDS) in Figure 2.2 of IEA/ISTR, we estimated the risk impact of the Group shipments for construction projects decreasing. However, demand for steel products for civil engineering is expected to increase as advances are made in power plant and transportation infrastructure construction. We estimated the opportunity impact of the Group shipments for civil engineering projects increasing.

We also see the decline in demand for construction materials to be a result of improvements in steel product quality. This presents an opportunity for the Group to expand its market share. We estimated the opportunity impact based on Figure 4.24 of IEA/ETP 2020.

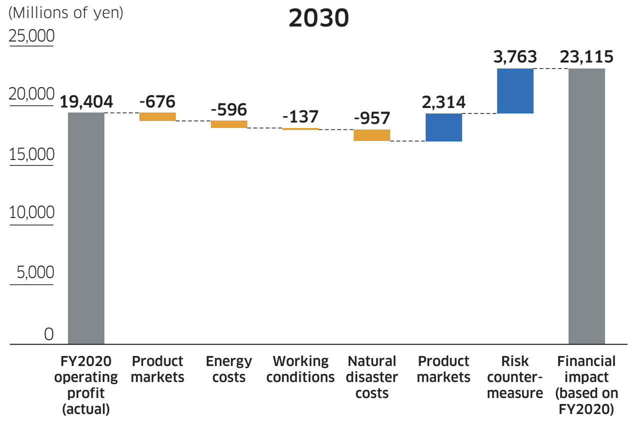
Energy costs

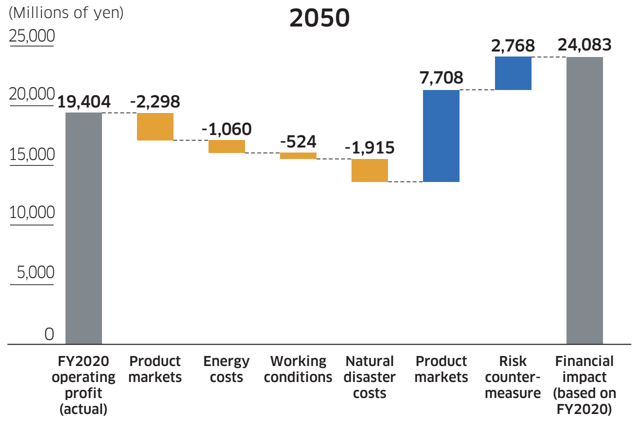
We estimated the risk impact of energy costs increasing from the base year, with the energy costs of the Group transitioning at the government's long-term forecast ratio as shown in Figure 1.6 of WWF/2050 Zero Scenario for a Decarbonized Society.

Natural disaster costs

Based on the flood frequency and sales-profit ratio every 20 years in Figure 8 of the BoJ/Quantitative Analysis of the Impact of Flood Damage on Business Management, we estimated the risk impact of the operating income margin of the Group decreasing from the base year.

Financial impact under 4°C scenario





Financial impact estimation parameters
(base year: FY2020)

Product markets

Vigorous demand for steel products for construction and civil engineering is expected. We estimated the opportunity impact of the Group construction and civil engineering shipments increasing from the base year according to the STEPS scenario (current situation maintained) in Figure 2.2 of IEA/ISTR.

We also estimated the risk impact of losing sales opportunities due to the Group being unable to develop high-strength rebars or supply products to meet requested construction methods, in response to demands to improve material quality and optimize construction methods through sturdier construction, as shown in Figure 4.24 in IEA/ETP 2020.

Based on trends in the waste treatment and effective resource utilization markets as described in MOE/Outline of the Report on the Market Size and Employment of the Environmental Industry (2019), we estimated the opportunity impact of expanding the material recycling business of the Group.

Energy costs

Based on the STEP scenario in Figure 2.2 of IEA/WEO 2020, we estimated the risk impact of the Group not reducing the amount of fuel used from the base year.

Working conditions

Based on working hours lost in Figure 2.5 of ILO/Working on a warmer planet, we estimated the risk impact of work productivity worsening and labor costs increasing compared with the base year.

Natural disaster costs

Based on the flood frequency and sales-profit ratio every 20 years in Figure 8 of the BoJ/Quantitative Analysis of the Impact of Flood Damage on Business Management, we estimated the risk impact of the operating income margin of the Group decreasing from the base year.

[Reference]
- IEA, World Energy Outlook (2020) (IEA/WEO 2020)
- IEA, Energy Technology Perspectives (2020) (IEA/ETP 2020)
- IEA, Iron and Steel Technology Roadmap (IEA/ISTR)
- IMF, World Economic Outlook Database (2021) (IMF/WEO 2021)
- ILO, Working on a warmer planet
- IEA, World Energy Outlook (2023) (IEA/WEO 2023), etc.

Metrics (indicators) and targets

At the Group, we believe it is important to determine how we should reduce CO_2 emissions, especially in light of our measures against transition risks in the 1.5°C and below 2°C scenarios and mitigation of physical risks to society in the 4°C scenario.

We have therefore established CO_2 emissions as our key measurement criterion, and have targeted a 50% reduction in emissions by FY2031 (compared with FY2014 [domestic production sites only]), based on the "CO_2 Emission Reduction Plan" to achieve net zero greenhouse gas emissions by 2050. →p. 39

Toward a Beautiful Global Environment

Initiatives to reduce environmental impact

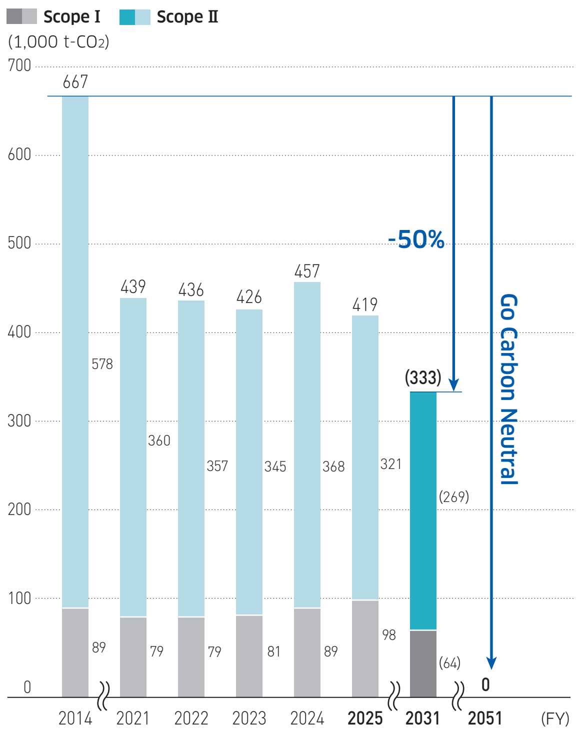
Environment-related data (non-consolidated)

Assurance scope: Scope Ⅲ emissions (Categories 1–7, 9, 10, 12) of Kyoei Steel Ltd. (non-consolidated) in FY2025

SOCOTEC GHG Verification

CO_2 emission volumes (by each Scope)

Scope Ⅰ, Scope Ⅱ

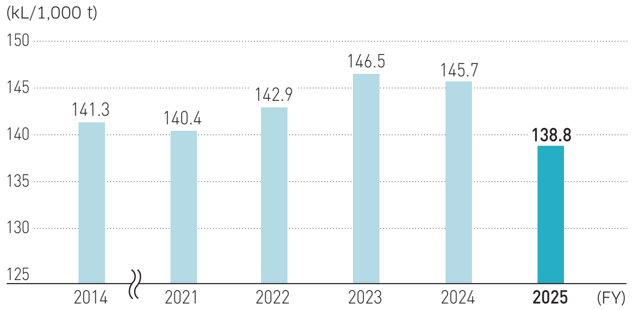


Scope Ⅲ

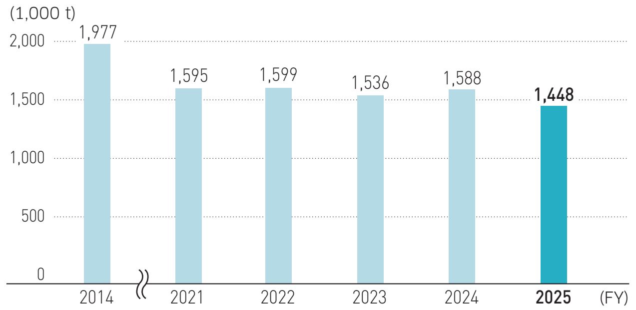
Category	Scope Ⅲ (1,000 t-CO_2e) FY2024	FY2025	Proportion (%)
1. Products and services purchased	90.466	91.483	29.9
2. Capital goods	18.517	4.934	1.6
3. Fuel and energy-related activities not included in Scope Ⅰ or Ⅱ	70.726	138.643	45.2
4. Upstream logistics	29.661	32.990	10.8
5. Waste generated by operations	5.375	4.194	1.4
6. Business travel	0.128	0.129	0.0
7. Employee commuting	0.420	0.421	0.1
8. Upstream leased assets	—	—	—
9. Downstream logistics	16.920	16.743	5.5
10. Processing of products for sale	5.078	3.827	1.2
11. Use of products sold	—	—	—
12. Disposal of products sold	14.238	13.059	4.3
13. Downstream leased assets	—	—	—
14. Franchising	—	—	—
15. Investment	—	—	—
Total	251.529	306.423	100

* On March 31, 2024 Kanto Steel Ltd. was absorbed into Kyoei Steel Ltd. as the latter's Kanto Division. Disclosure data follows the conventional Kyoei Steel and Kanto Steel boundaries.
* Scope Ⅰ and Scope Ⅱ emissions are calculated based on protocols in the Promotion of Measures to Cope with Global Warming Law. Scope Ⅲ emissions, meanwhile, are calculated according to standards produced by GHG Protocol, and the data disclosed is verified by a third party.

Energy intensity (crude oil equivalent)



Production volume



A- rating in the CDP climate change and water security surveys

Kyoei Steel earned an A- rating, which is leadership level, in the CDP's climate change and water security surveys. The CDP is an international non-profit organization that operates a disclosure system for environmental impact from companies and local governments. Through its yearly survey, the CDP collects and analyzes corporate environmental data, and then gives each body a rating from across eight grades, ranging from A to D-. Kyoei Steel has earned an A- grade for the third time for three consecutive years in the field of climate change, and for the first time in the field of water security.

CDP Discloser 2024

Installation of solar panels on the roofs of new warehouses at the Kanto Division

The Kyoei Steel Group is working on a variety of initiatives aimed to fulfilling our goal of achieving a 50% reduction in CO_2 emissions at domestic sites by 2030 relative to FY2014 levels. In May 2024, we installed solar panels on the roofs of the new warehouses built at our Kanto Division and put them into operation. The completed electricity generation facilities operate on the order of 91.5 kW, and produced 38,825 kWh in FY2025, all of which was consumed in house. This resulted in a cut to our CO_2 emissions of 16 t-CO_2. Our policy going forward is to further develop the in-house generation and consumption of electricity from solar power generation.


Solar power generation equipment at the new warehouses at our Kanto Division

Participation in the GX League

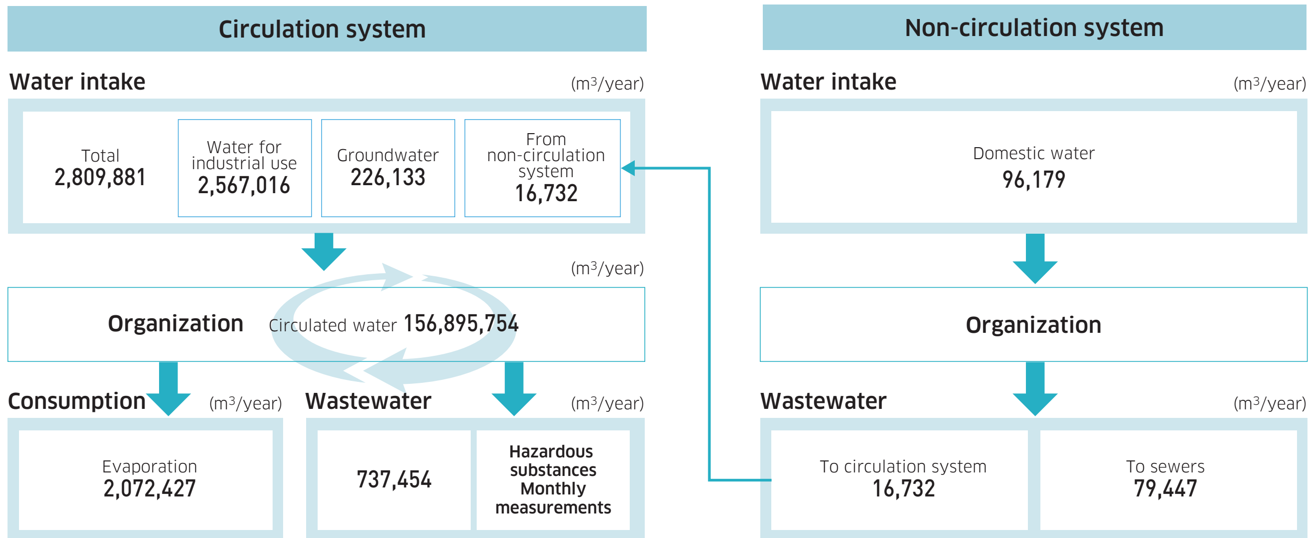
We have declared our support for the aims of the GX League, which is run by the Ministry of Economy, Trade and Industry, and have become a member. We aim to be an essential company that can help strike a balance between society's development and the natural environment, and so we will aid the league in its activities.

Water security risks (non-consolidated)

In recent years, many regions are seeing problems such as localized heavy rainfalls and flooding, or chronic droughts. These issues are predicted to worsen due to factors such as climate change. At the Kyoei Steel Group, we use large quantities of water for applications such as cooling equipment during the manufacturing process for steel products. As such, we recognize the need for us to reduce our own water risks and to consider the impact we have on the natural environment, local people, and even ecosystems. For this reason, we are promoting water recycling.

The water accounting of Kyoei Steel Ltd. (non-consolidated) in FY2025 is as described below.

Risk		Countermeasures
Policy and legal	Stricter water emission standards could raise operational costs or lead to stoppages, causing losses to operating income	Promoting improvements in the rate of reusing (recycling) industrial water
Acute	Stoppages due to water intake restrictions, resulting from water shortages, could cause losses to operating income	Promoting improvements in the rate of reusing (recycling) industrial water

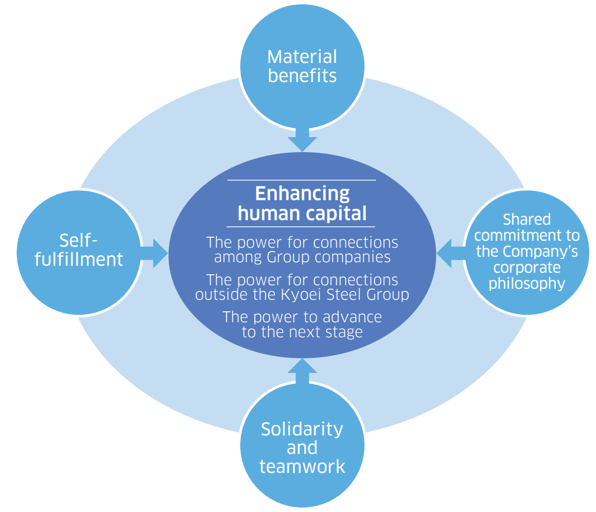


Toward Safer and More Comfortable Workplaces

At the Kyoei Steel Group, we believe that our Group's human capital is enhanced when diverse individuals maximize their individuality and connect within the organization, to society, and to the next generation, which then leads to individual growth. We will reinvest the Group's human capital in business activities that support value creation and accelerate the cycle of creating further economic and social value.

Governance

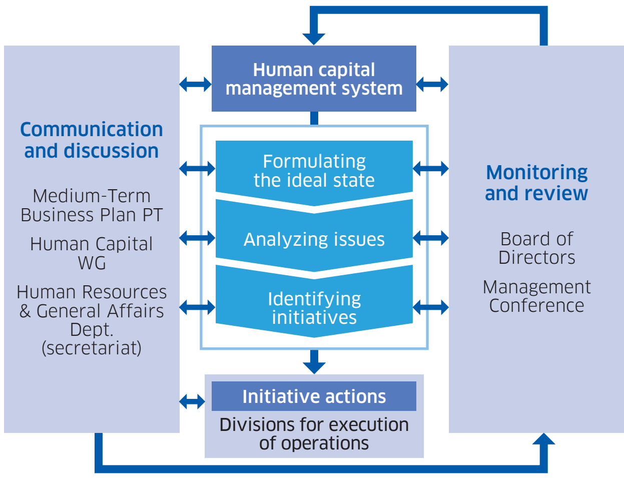
The Human Capital Working Group (WG) was established under the Medium-Term Business Plan Project Team (PT), and specific initiatives were incorporated into the medium-term business plan, NeXuS Ⅱ 2026, and shared with each division for execution of operations. Going forward, we are continuing to upgrade our system for the Human Capital WG to discuss our efforts on a regular basis. The Board of Directors will receive regular reports from the Medium-Term Business Plan PT and oversee its efforts.



Management process

The Group regards human resource strategy as a key management issue and recognizes that human capital management has a significant influence on its business strategies. We have introduced the following processes to successfully implement, support, and maintain human capital management.

1. The Human Capital WG, with the Human Resources & General Affairs Department as its secretariat, will formulate the ideal state of the entire Group.
2. The Human Capital WG will analyze the challenges faced in achieving the Group's ideal state.
3. Each division in charge of executing operations will incorporate initiatives to address issues into the medium-term business plan and implement them.
4. The secretariat shall regularly summarize the progress of the initiatives and report to the Medium-Term Business Plan PT.
5. The Medium-Term Business Plan PT shall report to the Board of Directors at least once a year on the effectiveness and results of human capital management.



■Overseas trainee program

With the aim of developing human resources who can play an active role in the global business environment, young employees are sent to locations outside Japan, mainly Group companies, for a certain period of time to improve their professional skills, language skills, and cultural adaptability. Since the program's launch in FY2024, five employees have participated in this program. While battling their own lack of experience, language barriers, and cultural differences, the trainees gain not only knowledge of the business, but also of Kyoei Steel as a whole, including the local subsidiaries, and broaden their perspective on their work.

■Personnel exchange program within the Group called Omusubi (meaning "connection" in English)

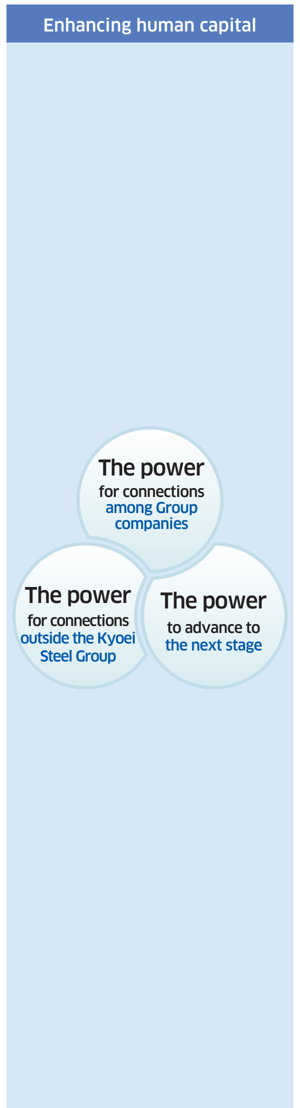
We have started an internal system that promotes personnel exchange within Group companies and divisions. Employees are to be dispatched to locations other than their home departments and perform practical duties for a certain period with the aim of solving specific issues and acquiring knowledge and skills. We expect that this can be opportunities for achieving these goals and creating partnerships by connecting people with few interactions, thereby expanding exchange within the Group and internalized knowledge. In FY2025, we conducted six Omusubi programs.

■Recognized for the fourth consecutive year as a Certified KENKO Investment for Health Outstanding Organizations Recognition Program (large enterprise category)

In 2025, we were recognized for the fourth consecutive year under the large company category as an organization that takes an organizational perspective on the health of employees and strategically manages this, under the Certified KENKO Investment for Health Outstanding Organizations Recognition Program run by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. We will continue our health and productivity management efforts in order to make workplaces even safer and more comfortable and to improve the health and welfare of employees.

Strategy

Our human capital strategy is to acquire and nurture human resources who can contribute to our medium- to long-term goal of becoming an essential company in a resource-circulating society. We believe that the implementation of our strategy requires the "three connections:" the power for connections among Group companies, the power for connections outside the Kyoei Steel Group, and the power to advance to the next stage. In order to cultivate these three connections, we have defined four themes—material benefits, self-fulfillment, solidarity and teamwork, and shared commitment to the Company's corporate philosophy, and will continue to implement these as measures in our medium-term business plan, NeXuS Ⅱ 2026.



Issues		Initiatives in NeXuS Ⅱ 2026
Material benefits	Fair and impartial evaluation of work performance and its reflection in pay	● Conducting training for evaluators and evaluees to ensure fair and impartial personnel evaluations ● Increasing employee income
	An environment in which employees can consistently work in with safety and security both physically and mentally	● Improving facilities where anyone can work comfortably (consideration for women, barrier-free facilities, etc.) ● Enhancing employee benefit systems ● Promoting health management initiatives ● Building a working environment matching employee's life stages (childcare/nursing care leave, etc.) ● Building a work environment matching diverse cultures (working hours, vacation periods, etc.) ● Strengthening mental health support ● Improving the paid leave rate ● Promoting investment in automation and remote operation of facilities ● Further enhancing safety education
	Ensuring time to connect	● Promoting smart factories ● Streamlining operations efficiency through the use of information technologies
Self-fulfillment	Ample opportunities and an environment that encourage employees to develop their skills	● Passing on technology and expertise ● Enhancing training programs ● Presenting career role models (career design training, etc.) ● Creating opportunities for post-mandatory retirement age employees to play an active role ● Expanding training programs for corporate management ● Creating an elder system ● Creating a meister system
	Cultivating talent and creating opportunities to actively collaborate with those outside the Group	● Encouraging employee participation in volunteer activities ● Sending employees on external exchange programs with other companies ● Promoting industry-academia collaboration
Solidarity and teamwork	Cultures and skills integrated within the Group through venues and opportunities that encourage interaction	● Creating opportunities for interaction across Group companies, sites, and job types (location visits, workshops, presentation conferences, events, etc.) ● Expanding the employee commendation system and spreading awareness of the system
	An environment in which all members of the Group, with their diverse ideas and experiences, can engage in free and vigorous dialogue	● Strengthening language learning (English/Japanese) to promote communication in a common language ● Fostering a culture of respect for others (carrying out skills training and promoting practices) ● Talent composition without bias in gender, nationality, age, etc. ● Bringing in diverse mid-career personnel
	Active and smooth mobility of human resources within the Group	● Domestic and overseas trainee, internal exchange, and dispatch programs ● Active and appropriate personnel allocation, including an open recruitment system
Shared commitment to the Company's corporate philosophy	Corporate objectives are instilled across the organization	● Internal communication of corporate vision and objectives by corporate management (off-site meetings with management, etc.) ● Advancing brand strategy ● Enhancing content of internal reports, integrated reports, and websites ● Conducting 100-year company workshops

Metrics (indicators) and targets

Indicators		
Metrics and indicators	Results for FY2025	Target value (final year: FY2027)
Percentage of female career-track employees	14.2%	15.0% or more
Percentage of female managers	3.6%	3.0% or more
Paid leave rate	80.8%	85.0%
Education and training costs per person	107,000 yen	150,000 yen
Occupational accident frequency rate	1.66	0.00 (degree)

We have established key indicators and targets for human capital as shown in the table on the left, and are working to create a safer and more comfortable workplace environment, and one in which female employees and other diverse human resources can take an active role. Furthermore, the working group is currently discussing its own metrics, indicators, and targets tied to the strategy of strengthening the "three connections" in the NeXuS Ⅱ 2026 medium-term business plan.

To Meet the Expectations of Everyone Who Creates Value Along with Us

Detoxification and recycling of metal waste with attached toxic substances

Kyoei Steel launched an initiative in partnership with Kajima Corporation to detoxify and recycle metal waste with attached toxic substances such as lead paint and asbestos, which is created as part of the disassembly of buildings, thus helping realize the circular economy.

Lead paint and asbestos were widely used as construction materials and insulation due to the former having antirust and hardening properties, and the latter having heat resistance, insulation and chemical resistance properties. Since the 1990s, lead and asbestos have been found to have harmful effects on human health and the environment, with the use of these materials now being restricted or forbidden. Many buildings made using these materials are entering the period when they are due to be rebuilt. As a result, there is demand for disassembling such metals with attached toxic substances in a way that protects the health and safety of technicians and of the worksite and surrounding environment, and for making productive use of the recovered materials.

Kyoei Steel is the only company in Japan officially authorized as an EAF manufacturer to process both lead and asbestos. By fully detoxifying waste materials through melting in EAFs, which have low CO_2 emissions, and reusing the metal parts (iron) as inputs for our Ethical Steel product, we achieve both the appropriate processing of toxic substances and the establishment of a steel resource cycle. Going forward, with the creation of waste metals with attached toxic substances expected to grow as more structures are dismantled, Kyoei Steel is expanding the number of Japanese sites licensed to process such industrial waste beyond our current Yamaguchi Division facility.

Holding information sessions for business partners on Ethical Steel

In July 2025, we held information sessions on Ethical Steel over six days targeting trading companies and special agents responsible for distributing Kyoei Steel products. Including online participants, a total of 168 participants took part in the sessions. The information sessions aimed to promote understanding of Ethical Steel, covering the Company's strengths in combining the operation of the steel business and the material recycling business, the aims of the Ethical Steel branding, how Ethical Steel can be ordered, and the process for issuing Ethical Steel certification. In the Q&A portion of the sessions, we received a wide variety of questions from participants, beginning with details related to the ordering and delivery of Ethical Steel. Going forward, we will conduct awareness raising measures for steel buyers with the aim of expanding orders for Ethical Steel.


Ethical Steel information session

Efforts to strengthen IR

In order to fulfill our responsibilities as a company and help enhance our corporate value, we strive to disclose company information in a timely and appropriate manner to our shareholders and investors through such means as physical publications, websites, and information sessions. We are working to enhance our dialogue with stakeholders, including financial results briefings and individual meetings for analysts and institutional investors, as well as small meetings held by our president.

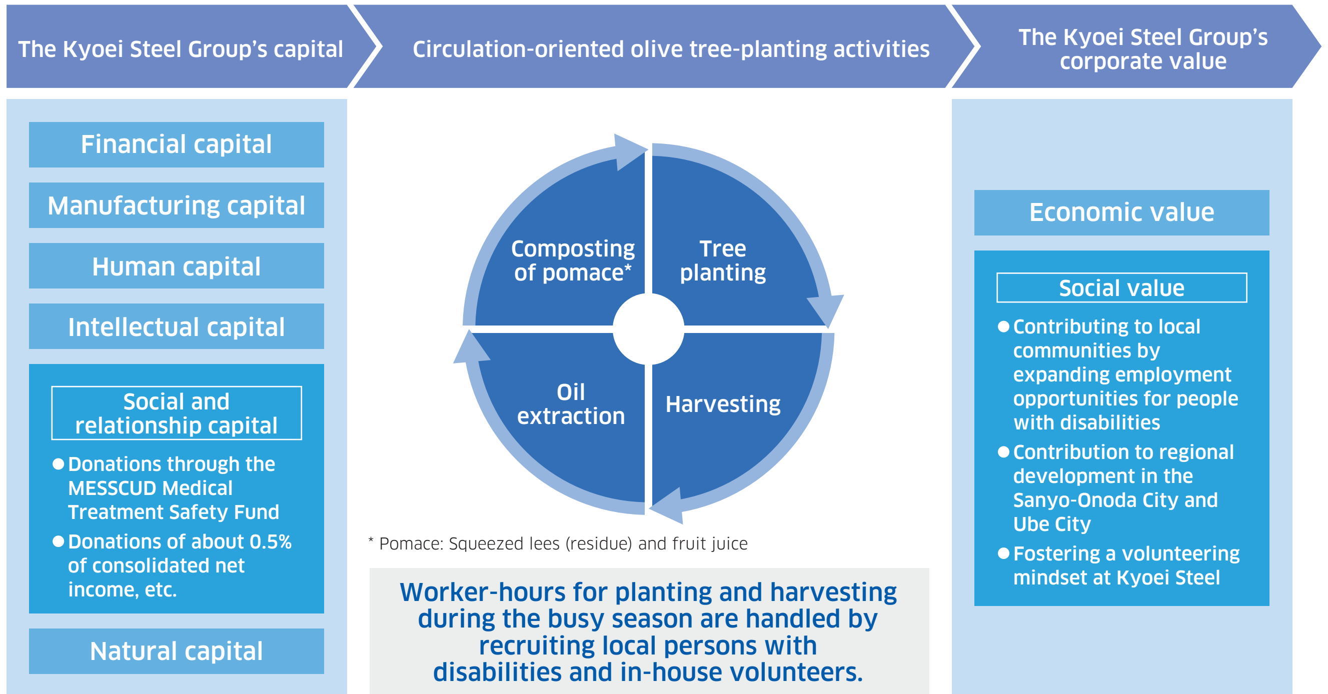
Actions for FY2025

Activity	Activities completed	Group personnel involved
Financial results briefings for analysts and institutional investors	2	President, director(s) in charge
Online conferences for analysts and institutional investors on the day of financial results announcements	4	Director(s) in charge
President's Small Meeting	1	President
Briefings for individual investors	2	President, director(s) in charge
Individual meetings with shareholders	30	President, director(s) in charge, Corporate Planning Department, Accounting & Financing Department
Individual meetings with analysts and institutional investors	85	Director(s) in charge, Corporate Planning Department & Financing Department

To Contribute as a Member of the Community

Olive tree planting

The Group's olive tree-planting activities are intended to fulfill its social responsibility by investing social and relational capital to enhance the Group's social value. Through donations within the range of 0.5% of our consolidated net income, we hope to not only benefit our communities and society at large, but also to gain significant trust from society through activities that contribute to employment of people with disabilities and regional revitalization.



* Pomace: Squeezed lees (residue) and fruit juice

In October 2024, volunteers from our recycling workshop Nijiiro (meaning Rainbow),* our Group company Kyoei Kankyo, our Yamaguchi Division and our head office took part in an olive harvest at an olive grove near our Yamaguchi Division. The olives harvested were processed into olive oil, producing 278 95 ml bottles. We also planted 143 olive trees during spring planting, bringing the total number of olive trees planted since planting began in 2021 to 845, with plans to plant a total of 2,000 trees by 2029. The olives harvested in the planned fall harvest will also be processed into olive oil, with the oil to be distributed within the company or used as novelty gifts.

* Nijiiro: Our small appliance recycling workshop employing persons hired from support offices for people with disabilities


Olive Harvesting

MESSCUD Medical Treatment Safety Fund

The MESSCUD Medical Treatment Safety Fund was established by companies that collect, transport, and process medical waste for proper treatment, and contributes to the advancement of medical and welfare services.

FY2025 marks the 23rd annual donation. This year, a total of 14 million yen in donations was given to five organizations and four municipalities, bringing the total amount donated to 480 million yen. We donated money from the fund to four organizations, as well as the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), for use in various initiatives to deliver humanitarian, medical and welfare support to people who need social support, such as refugees, cancer patients, people with disabilities and the elderly. The fund will continue to contribute to society and local communities.


MESSCUD Medical Treatment Safety Fund donation ceremony

Special Feature

Combining the Steel Resource Cycle and Waste Processing

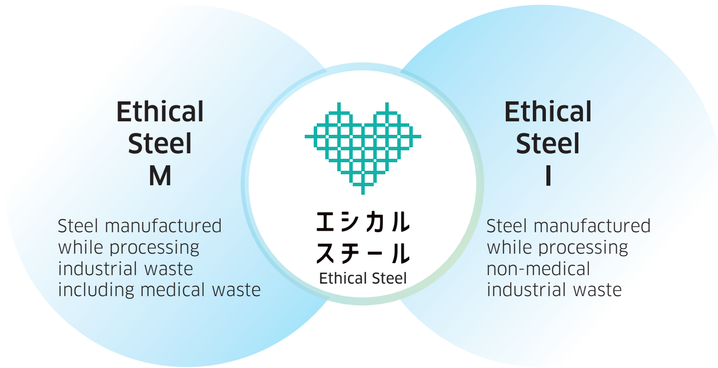
Ethical Steel — Renewed for Our 35th Year

Just like Ultraman, who fights for peace and protects our planet's future, there are heroes out there fighting for this world. But even ordinary people like us can still help the Earth.

Ethical Steel — Our Long-Standing Product, Newly Reimagined in Our 35th Year

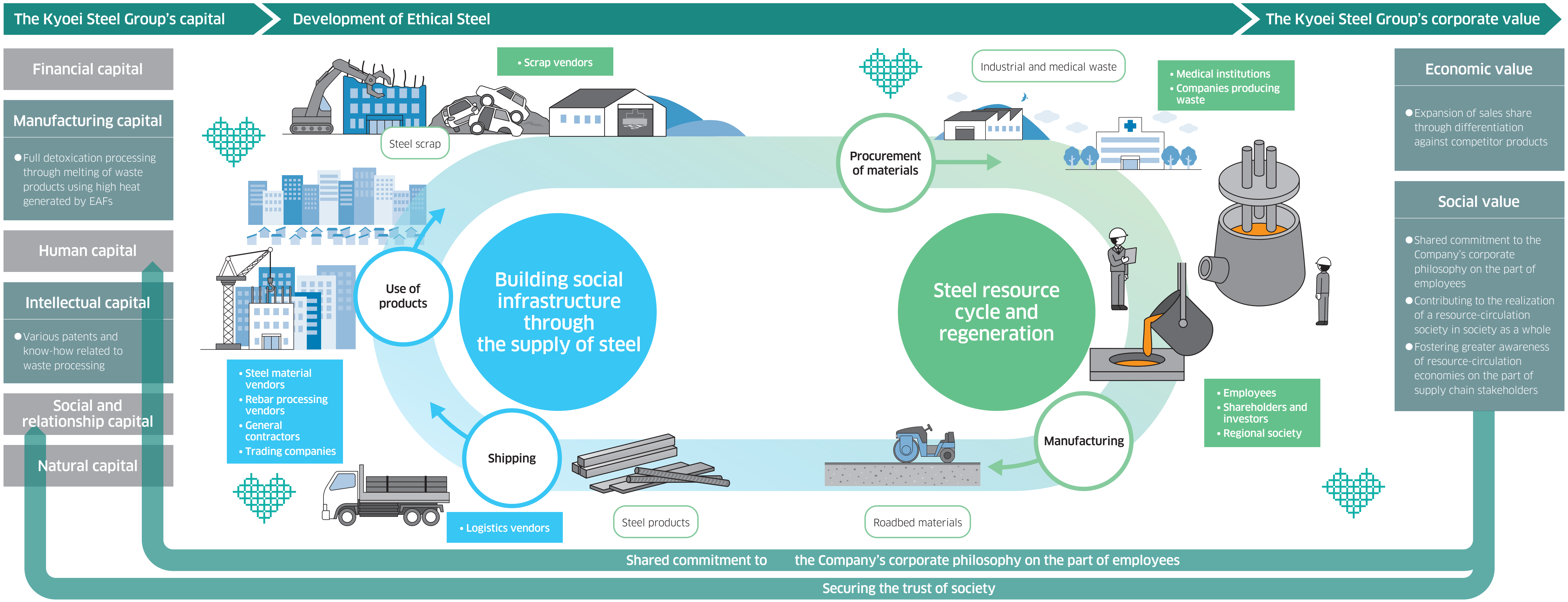
With the global population now exceeding 8 billion, the world is transitioning to an era in which corporate activities are assessed for their ethics in line with demand to reduce the environmental burden caused by waste and pollutants, and to create a circular economy in which products and raw materials are recycled.

Since 1988, the Kyoei Steel Group has been manufacturing steel products while processing waste. We have long been engaged in the business of recycling resources by transforming disused iron and steel products into new products, while reducing environmental burden by utilizing the high temperatures generated by EAFs to fully detoxify waste materials through melting. With regard to the types of waste we process, our journey began with medical waste such as syringes, and we have continued to take on the challenge of solving further social issues, such as expanding the range of waste processed to include asbestos and other difficult-to-process waste. Based on social changes together with the spread of these new values, in May 2024, we began sales having rebranded our steel products manufactured through such EAF waste processing as Ethical Steel.



What is Ethical Steel?

Ethical Steel is steel manufactured while fully detoxifying waste materials through melting using the high heat generated from an EAF. More than just a brand for the Kyoei Steel Group alone, we believe that Ethical Steel is a platform centered on EAFs for realizing a circular economy across the whole supply chain, including shipping, use of products and procurement of materials. We are working to expand the circle of Ethical Steel together with everyone who participates in the Kyoei Steel Group supply chain.



Toward Fairer and More Sincere Corporate Activities

Messages from Outside Directors

Ensuring safety and compliance in business development

Tetsuya Yamao
Board Director

With its main business being the manufacture of rebars using EAFs, Kyoei Steel fulfills an important role in the establishment of a circular economy. Additionally, by making use of the high levels of heat generated during the steelmaking process, the Company safely and securely processes difficult-to-process industrial waste such as hazardous medical waste and carbon fibers, thereby contributing to society. As an outside director, I check and consider the Company's measures for ensuring safety in its business development, and focus on the Company's compliance, particularly its compliance with the Act on Waste Management and Public Cleaning, and other environmental laws and regulations. I hope to take part in discussions for optimizing human and physical capital investments aimed at improving and stabilizing revenue in the Company's overseas businesses, which is Kyoei Steel's most pressing business challenge.

I will do my utmost to ensure that Kyoei Steel continues to be a company that both increases its earning capacity while being able to contribute to society where ESG and SDGs are emphasized.

Developing women in the company to be personnel who can contribute to management

Kimiko Funato
Board Director

Kyoei Steel's business of making steel products using steel scrap from products that have fulfilled their role is a genuine example of a resource circulation business that contributes to realizing a sustainable society. To ensure the sustainable growth of the Company itself, which operates such a business, and to improve the Company's medium- to long-term corporate value, it is important for the Company to act in a way that profits all stakeholders, including shareholders, employees, business partners, clients and regional society. The medium-term business plan, NeXuS Ⅱ 2026, which was formulated from just such a perspective, gives a strong sense of the efforts of employees, who did their utmost to formulate the plan, and comes from a genuine sense of the importance of developing people.

While the Company's percentage of females in managerial positions has increased, I believe that the challenge going forward is the need to develop women in the Company as personnel who can contribute to management early.

Compliance is also essential to the sustainable growth of the Company. Leveraging my experience as a lawyer, I will strive to contribute to further improving the governance of the Kyoei Steel Group.

Sustaining safe and stable operations that underpin Kyoei Steel's competitive advantage and improvement in marketing power

Tatsuya Kawabe
Board Director

In FY2025, Kyoei Steel shifted the focus of its investment strategy from Vietnam to North America. Although this was a decision based on changes in the business environment, there is also the aspect that the global tripolar structure the Company has built since its entry into North America in 2016 has also not necessarily functioned well enough. While the Company has addressed challenges it has experienced to date, such as the depreciation of shared domestic and international facilities as well as delays in operational streamlining overseas, I believe this shift is also an important decision in terms of contributing to further growth. To achieve the strengthening of the domestic, Kanto-based business, improvement of profitability in Vietnam and growth of revenue by expanding US facilities, which the Company is targeting, I believe it will be necessary for the Company to sustain safe and stable operations, which can be viewed as the sources of its competitive advantage and improvement in its marketing power. Leveraging my experience in the electricity industry, where stable supply is the first priority, I will give my views as necessary in terms of both hard and soft factors, and contribute to fulfilling and improving the global tripolar structure.

Proactively incorporating flexible management methods not bound by conventional frameworks

Yukako Matsuka
Board Director

Over the year that I have been involved with the Company as an outside director, I have been deeply impressed by the way in which everyone at Kyoei Steel takes pride in their company, and sincerely endeavors to contribute to society through their work. On top of the Ethical Steel message and Kyoei Steel's aim to be a 100-year company, the fact that Kyoei Steel has set out to build a sustainable business platform that looks to the future speaks highly of its maturity as a company. The tripolar structure around Japan, Southeast Asia and North America is also, I believe, functioning as an effective diversification strategy, amidst an environment defined by heightening geopolitical risks. At the same time, the key to further success going forward will be proactively incorporating leading measures and flexible management methods from other industries, without being beholden to industry customs or conventional frameworks. Making use of my external perspective, I hope to further contribute to the formation of a sustainable and open corporate culture.

Overview of Corporate Governance

Basic perspective

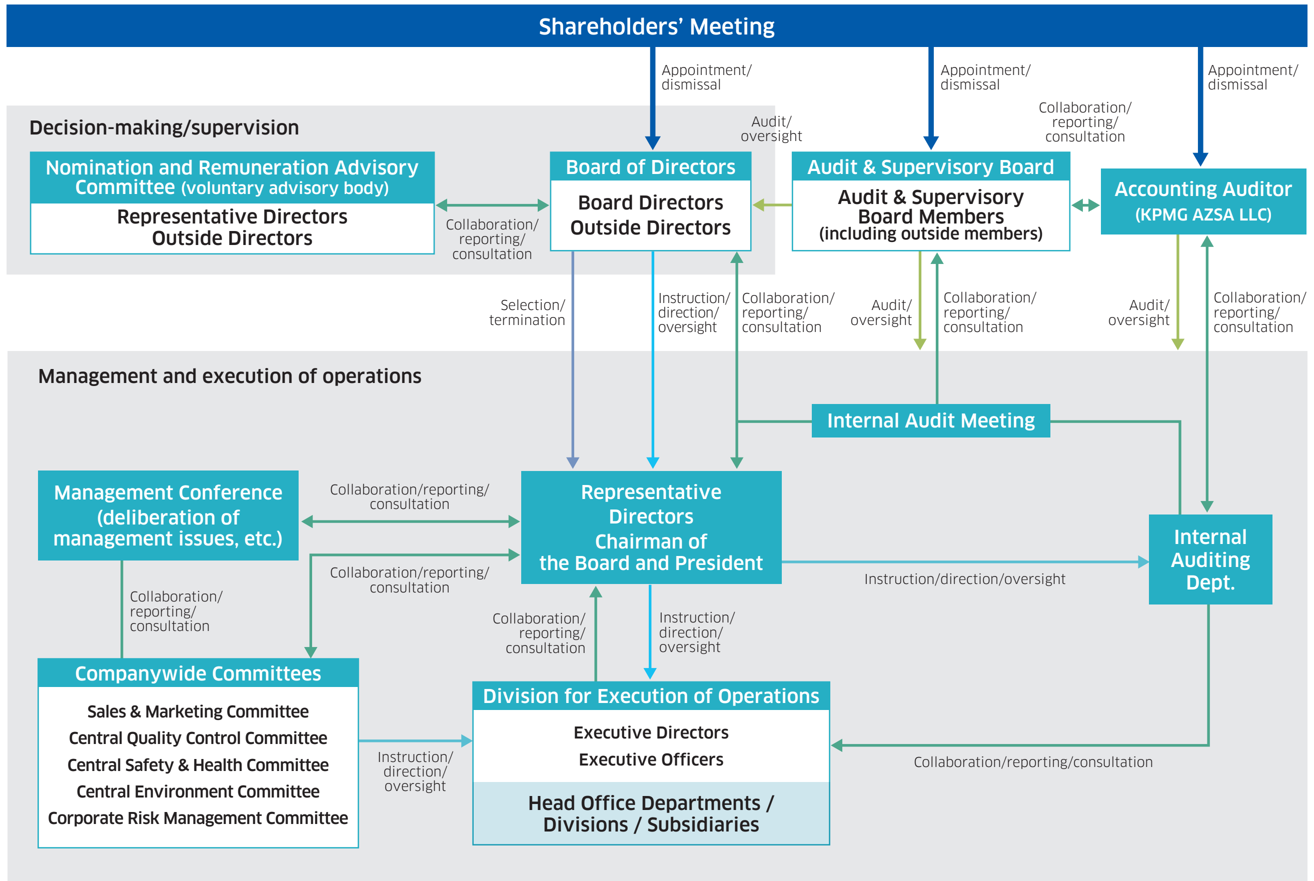
Under our management principle and founding, "Spirit of Challenge," the Kyoei Steel Group aspires to be a company that contributes to building the world's infrastructure and to the conservation of the planetary environment, a company that contributes to all stakeholders, a company that promotes a safe and comfortable workplace, and a highly trustworthy company that emphasizes compliance and quality. In this, we aim to be an essential company that contributes to social progress and harmony with the global environment. In the recognition that corporate governance is the foundation for systematically ensuring the implementation of this principle and for realizing the Group's sustainable growth and increasing its corporate value, we will always pursue the best possible system and make continuous efforts toward its enhancement.

In addition, we will disclose information fairly and promptly to our stakeholders, including shareholders, customers, business partners, local communities, and employees, and manage our business with a high degree of transparency.

Kyoei Steel organizations and bodies

The Company is a company with a Board of Auditors. The directors are thus supervised in the execution of their duties by the Board of Directors and the Audit & Supervisory Board and its members. Based on such institutional design, we have not only striven to invite outside directors whose independence is assured, we have also put in place a voluntary Nomination and Remuneration Advisory Committee in order to strengthen our supervisory functions. Elsewhere, the Company has not only adopted an executive officer system, but we have also established various committees to examine specific themes as an entire company, in order to improve executive function and ensure speed of decision making. The following diagram provides an overview of our corporate governance system.

Corporate governance structure



Toward Fairer and More Sincere Corporate Activities

Overview and activities of the Board of Directors and executive system

The Board of Directors is responsible for making management decisions, and consists of a total of nine individuals (two representative directors and seven board directors). Four of these individuals are outside directors, who are designated as independent executives as defined by the Tokyo Stock Exchange. The Board of Directors determines business administration in accordance with the Companies Act, and has the authority to supervise how board directors are performing their duties. As stipulated in our articles of incorporation, board directors are selected by a majority decision of shareholders participating in the shareholders' meeting with at least one-third of shareholders with voting rights present, with selection not determined through cumulative voting. Our articles of incorporation also state that there must be no more than 15 board directors.

Regarding the activities of the Board of Directors, 17 meetings were held in FY2025. The attendance rate of directors (including outside directors) and Audit & Supervisory Board members (including outside Audit & Supervisory Board members) was 99.3%. In principle, the Board of Directors meets once a month, and in addition to individual resolutions, it makes reports and deliberations on consolidated monthly financial results (including the results of Group companies), progress of annual and medium-term management plans, operation status of internal control systems, response to corporate governance issues, evaluation and response to major Group risks, and evaluation of the effectiveness of the Board of Directors and the status of policy investments. The Board engages in vigorous discussions and exchanges of opinions. In FY2025, we focused our deliberations on the following matters:

- Specific consideration of the strategies stated in the medium-term business plan, NeXuS Ⅱ 2026
- Consideration of capital investment and business strategies for qualitative improvement of the global tripolar structure
- Specific consideration of large-scale investment projects in North America
- Actions to achieve management conscious of capital costs and stock price
- Handling business plans such as the revenue plan, facilities investment plan and fundraising plan
- Sustainability measures (human capital management, TCFD compliance, etc.)
- Dividend policy

Skills matrix for board directors

The following table shows the areas where expectations for board directors are particularly strong with regard to knowledge, experience, and skills, so that our Board of Directors can effectively fulfill its decision-making and supervisory functions.

Position	Name	Corporate management	Business strategy / Environmental management	Manufacturing / Technology / Development / Quality control	Sales / Marketing	Treasury / Accounting / Finance	Legal / Risk management	Globalization / Overseas business	Personnel / Labor relations / Human rights / Human resources development
Chairman & Representative Director	Hideichiro Takashima	✓	✓	✓	✓			✓	
President & Representative Director	Shogo Sakamoto	✓	✓	✓	✓				✓
Board Director & Senior Vice President	Tetsuya Kan	✓	✓		✓	✓		✓	✓
Board Director & Executive Managing Officer	Masahiro Kitada	✓	✓			✓		✓	✓
Board Director & Executive Advisor	Yasuyuki Hirotomi	✓	✓		✓	✓		✓	✓
Board Director	Tetsuya Yamao		✓	✓			✓		
Board Director	Tatsuya Kawabe	✓	✓						
Board Director	Kimiko Funato						✓		✓
Board Director	Yukako Matsuka		✓			✓		✓	

Overview and activities of the Audit & Supervisory Board and its members

Kyoei Steel is a company with a Board of Auditors, which must consist of no more than five Audit & Supervisory Board members according to our articles of incorporation. It currently consists of one full-time Audit & Supervisory Board member and three outside Audit & Supervisory Board members. Although we do not have an auditing staff organization, we have established a system for supporting the work of our one full-time Audit & Supervisory Board member through the Human Resources & General Affairs Department, Accounting & Financing Department, Internal Auditing Department, and Risk Compliance Management Office. The Audit & Supervisory Board must include at least one individual with appropriate knowledge of finance and accounting, and at least one independent executive without risk of any conflict of interest with general shareholders.

The Audit & Supervisory Board held 16 meetings in FY2025. The attendance rate of Audit & Supervisory Board members (including those from outside the Company) was 100%.

In principle, the Audit & Supervisory Board meets once a month, with further meetings held as needed. In FY2025, deliberations were focused on the following matters:

- Matters to be resolved and deliberated: 25 items. Audit policy and audit planning, reappointment of accounting auditor, agreement on compensation for accounting auditor, deliberation of the Audit & Supervisory Board's audit report, etc.
- Matters to be discussed: one item. Discussion of Audit & Supervisory Board member compensation
- Matters to be reported: 65 reports. On the status of execution of duties by Audit & Supervisory Board members; on the results of on-site inspections of offices; on the results of investigations of subsidiaries, etc.

Overview and activities of Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of at least three members (the majority of whom are independent outside directors) selected by resolution of the Board of Directors from among independent outside directors and representative directors. It is an advisory body established to deliberate mainly on the nomination and compensation of representative directors, board directors, Audit & Supervisory Board members, and executive officers, and to provide advice and recommendations to the Board of Directors. It meets as needed. The Committee held three meetings in FY2025. The attendance rate of the four outside directors and two representative directors was 100%. In addition to these meetings, the Company strives to enhance deliberations such as by providing a forum for discussion between the representative directors and outside directors on important matters in advance. In FY2025, the following matters were discussed and considered.

- Executive system for the next year and personnel changes
- Consideration of candidates for executive officers
- Consideration and development plan for future top management candidates
- Status of talent pool and development of future executive candidates
- Consideration of issues and review of executive compensation
- Consideration of compensation levels based on benchmarks in view of surveys by external expert organizations
- Methods and processes for determining individual compensation

Status of accounting audit

The Company's accounting audit is conducted by KPMG AZSA LLC. The period of continuous audit is 31 years up to FY2025. Engagement partners are appropriately rotated, and as a rule, no partner is involved in audit work for more than seven consecutive accounting periods (five consecutive accounting periods for the first engagement partner). In the evaluation of the auditing firm, we collected information from the Accounting & Financing Department, the Internal Auditing Department, and the accounting auditor regarding the quality control system, independence and expertise, nature and level of audit and non-audit fees, and global audit system, among other factors, of the accounting auditor. With this, the Company evaluates the appropriateness and validity of audit activities with respect to 16 evaluation items based on "Policies for Determination of Dismissal of or Refusal to Reelect Financial Auditor" stipulated in Article 126-4 of the Regulations for Enforcement of the Companies Act and the "standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors" stipulated in Supplementary Principle 3.2.1 of the Corporate Governance Code. Based on the above, we have determined that there are no particular problems with the audit firm's systems or other areas. The details of the audit fees are as follows.

(1) Compensation to auditing certified public accountants, etc.

Category	FY2024		FY2025	
	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)
Filing company	76	–	82	–
Consolidated subsidiaries	–	–	–	–
Total	76	–	82	–

(2) Compensation to the same network (KPMG member firms) as the auditing certified public accountants, etc. (excluding those in (1))

Category	FY2024		FY2025	
	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)
Filing company	–	–	–	2
Consolidated subsidiaries	10	–	10	–
Total	10	–	10	2

Fees for non-audit services refer to compensation related to individual tax filing support for overseas secondees.

Toward Fairer and More Sincere Corporate Activities

Director compensation, etc.

(1) Policy on the determination of director compensation amounts

The Company has adopted a resolution at the Board of Directors meeting held on June 19, 2024 on the policy for determining compensation, etc. for each individual director. The resolution of the Board of Directors meeting is based on the deliberations of the Nomination and Remuneration Advisory Committee, a voluntary advisory body to the Board of Directors, regarding the details of the resolution.

The Board of Directors has also confirmed that the method of determining compensation, etc. for individual directors and the details of the determined compensation, etc. are consistent with the said decision-making policy, and that the deliberations of the Nomination and Remuneration Advisory Committee are respected. We believe that this system is in line with the related policy.

(2) Total amount of compensation, etc. by director classification, total amount of compensation, etc. by type, and number of directors subject to compensation, etc. (FY2025)

Director classifications	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc. by type (millions of yen)			Numbers of officers subject to compensation
		Basic compensation	Compensation for purchase of treasury shares	Performance-linked compensation	
Directors (excluding outside directors)	361	223	18	120	7
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	30	30	–	–	2
Outside directors	41	41	–	–	6

(Note) The above table does not include the one outside Audit & Supervisory Board member who is not compensated for their services.

Internal control and risk management systems

Overview of the systems for internal control

In general, the Board of Directors supervises how board directors are performing their duties, while Audit & Supervisory Board members audit how board directors are performing their duties. We have also adopted an executive officer system where decision-making and supervisory functions are kept separate from execution functions. Matters that must be decided at the management level are identified, defined based on internal rules, and authority is then transferred appropriately. This increases the effectiveness of supervisory functions and efficiency of business execution.

We have also established the Compliance Program run by the Risk & Compliance Subcommittee (a subcommittee of the Corporate Risk Management Committee), which encourages employees to autonomously and independently promote risk management and compliance. Meanwhile, the Internal Auditing Department, which is positioned directly beneath the president & representative director in the organization of the Company, regularly audits employees to ensure that their duties are being performed appropriately.

The Internal Auditing Department also works with the Audit & Supervisory Board member and accounting auditor to conduct internal control audits of financial reports, in order to ensure the reliability of these reports.

Risk management system

We have established the Corporate Risk Management Committee with the president serving as committee chairperson. In addition to screening Group-wide risks from a management perspective, the committee also identifies and evaluates important risks, determines which departments will handle those risks, provides instructions to these departments, and reviews their progress.

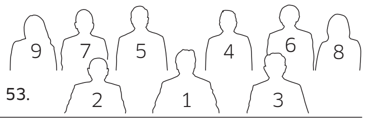
If a risk is identified as requiring a separate response, the committee may establish a subcommittee to respond flexibly and dynamically to any changes in the perceived importance of said risk. There are three subcommittees currently operating: the Risk & Compliance Subcommittee (which handles risks related to compliance and human rights), the Climate Change Subcommittee (which handles risks related to climate change), and the Information Security Subcommittee (which handles risks related to information security).

The Board of Directors receives regular reports from the Corporate Risk Management Committee, and supervises the operation of the risk management system.

We have established a response system and response procedures within our crisis management rules in preparation for any emergencies that might occur. We have also established policies to minimize the impact to society while also minimizing corporate loss. If an emergency occurs or could occur, the affected site immediately contacts the Human Resources & General Affairs Department at Head Office, which shares information with company management and other parties. We then establish a response system based on the emergency that has occurred, no matter what the case may be, to accurately and quickly determine the situation, allowing us to respond dynamically and flexibly.

Board of Directors

* The numbers on the right correspond to the numbers above names on p. 52 and p. 53.



1.

Hideichiro Takashima

Chairman & Representative Director

March 1989	Joined the Company
March 1990	Board Director
April 1991	Board Director and Executive Managing Officer
June 1992	Board Director and Senior Executive Managing Officer
June 1993	Board Director and Senior Vice President
October 1993	Senior Vice President and Representative Director
June 1995	President and Representative Director, and COO
June 2007	Vice Chairman and Representative Director
June 2010	Chairman and Representative Director (current position)

2.

Shogo Sakamoto

President & Representative Director

April 1999	Joined the Company
June 2017	Board Director and Executive Officer, Vice Division Director of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
June 2018	Board Director and Executive Managing Officer, and General Manager of Marketing Planning & Coordination Dept. of head office
June 2020	Board Director and Executive Managing Officer, and Division Director of Yamaguchi Division
June 2021	Board Director and Senior Executive Managing Officer, and Division Director of Yamaguchi Division
June 2023	Board Director and Senior Vice President; Executive Officer and Assistant to the President, in charge of Corporate Planning Dept. of head office
June 2025	President and Representative Director (current position)

3.

Tetsuya Kan

Board Director & Senior Vice President

April 1984	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
April 2017	Deputy President and Representative Director, Executive Officer of Resona Bank, Limited
November 2017	Representative Director and Executive President of Kansai Mirai Financial Group, Inc.
April 2019	President and Representative Director of Kansai Mirai Bank, Limited
April 2023	Chairman of the Board of Kansai Mirai Financial Group, Inc.; Chairman of the Board of Kansai Mirai Bank, Limited
April 2024	Joined the Company
June 2024	Senior Vice President; Executive Officer in charge of Overseas Investment Dept. of head office and assistant in charge of promotion of Group Collaboration
June 2025	Board Director and Senior Vice President; Executive Officer and Assistant to the President, in charge of Corporate Planning Dept. and Overseas Investment Dept. of head office, and promotion of Group Collaboration (current position)

Toward Fairer and More Sincere Corporate Activities

Board of Directors

4.

Masahiro Kitada
Board Director & Executive Managing Officer

October 1991	Joined the Company
October 2014	Executive Officer, General Manager of Accounting & Financing Dept. and General Manager of Overseas Investment Dept. of head office
December 2016	Executive Officer and President of Vinton Steel, LLC
June 2019	Senior Executive Officer of the Company and President of Vinton Steel, LLC
June 2020	Board Director and Senior Executive Officer of the Company, President of Vinton Steel, LLC, and Board Director and President of AltaSteel Inc.
June 2022	Board Director and Executive Managing Officer of the Company, Board Director and President of Vinton Steel, LLC, and Chairman of AltaSteel Inc.
January 2025	Board Director and Executive Managing Officer of the Company, Board Director and Chairman of Vinton Steel, LLC, and Chairman of AltaSteel Inc. (current position)

5.

Yasuyuki Hirotomi
Board Director & Executive Advisor

April 1978	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
June 2009	Representative Director, Deputy President and Executive Officer
April 2014	Joined the Company
June 2014	Board Director and Senior Vice President; Executive Officer and Assistant to the President
June 2017	Outside Director of Ichinen Holdings Co., Ltd. (current position)
October 2017	Board Director and Senior Vice President; Executive Officer and Assistant to the President, and in charge of Corporate Planning Dept. of head office of the Company
June 2018	President and Representative Director
June 2025	Board Director & Executive Advisor (current position)

6.

Tetsuya Yamao
Board Director

April 1984	Registered as an attorney at law Joined Hanshin Law Office
April 1991	Attorney, Established Tokiwa Law Office
April 2004	Attorney, Established Yamao Law Office
September 2015	Attorney and Partner of Umeda Shinmichi Law Office (current position)
March 2016	Outside Corporate Auditor of Cypressclub Co., Ltd.
June 2016	Board Director of the Company (current position)

7.

Tatsuya Kawabe
Board Director

April 1976	Joined The Kansai Electric Power Company, Incorporated ("KEPCO")
June 2007	Executive Officer, and Manager of District Symbiosis and Public Relations Office
May 2009	Executive Officer of KEPCO, and Managing Director and Head of the Secretariat of Kansai Economic Federation
June 2009	Executive Managing Officer of KEPCO, and Managing Director and Head of the Secretariat of Kansai Economic Federation
May 2011	Executive Managing Officer of KEPCO, and Senior Managing Director of Kansai Economic Federation
June 2011	Director of KEPCO, and Senior Managing Director of Kansai Economic Federation
June 2015	President of Kansai Electrical Safety Inspection Association
June 2019	Board Director of the Company (current position)
June 2021	President and Director General of Institute of Nuclear Safety System, Inc.

8.

Kimiko Funato
Board Director

April 1991	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
April 1998	Registered as an attorney at law Joined AIMANN AND ASSOCIATES (current position)
June 2021	Board Director of the Company (current position)
April 2025	Outside Director of Kin-Ei Corp. (current position)

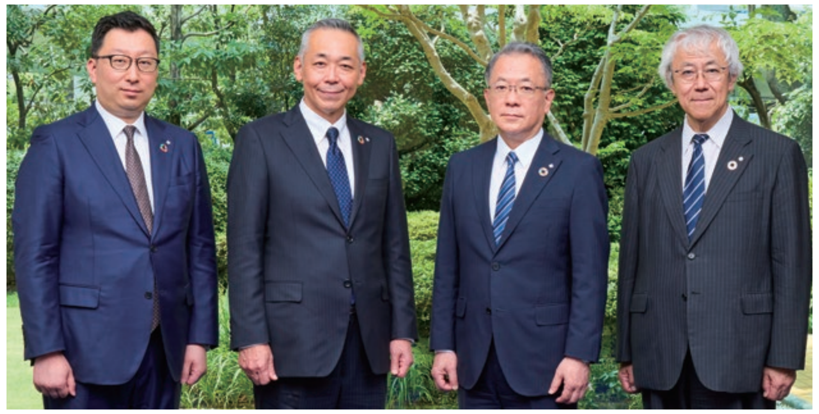
9.

Yukako Matsuka
Board Director

December 2008	Joined Sumitomo Mitsui Banking Corporation, Hanoi Branch
July 2011	Head of Business Resources & Networking Department of Hanoi Branch
April 2014	Head of Business Resources & Networking Department of Hanoi and Ho Chi Minh Branches
November 2016	Head of Information and Business Networking Team of Global Advisory Banking Department (Singapore)
May 2019	Joined YCP Solidiance Pte. Ltd. (currently YCP SG Pte. Ltd.), Director (current position)
June 2024	Board Director of the Company (current position)

Audit & Supervisory Board Members

13 11 10 12



10.

Toyoji Maeda
Audit & Supervisory Board Member

April 2014	Joined the Company and General Manager of Internal Auditing Dept.
June 2019	Executive Officer and General Manager of Internal Auditing Dept.
April 2021	Executive Officer and Assistant to the Director in charge of Internal Auditing Dept.
June 2021	Audit & Supervisory Board Member (current position)

11.

Yasuhiro Sukegawa
Audit & Supervisory Board Member (outside)

April 1993	Joined Nippon Steel Corporation
May 2021	General Manager of Group Companies Planning Div. (current position)
May 2021	Auditor of Nippon Steel SG Wire Co., Ltd. (current position)
June 2021	Outside Corporate Auditor of Godo Steel, Ltd. (current position)
June 2022	Audit & Supervisory Board Member of the Company (current position)

12.

Toru Muneoka
Audit & Supervisory Board Member (outside)

September 1984	Joined Tomatsu Aoki (currently Deloitte Touche Tohmatsu LLC)
February 1988	Registered Certified Public Accountant (April 2025 Cancellation of registration)
September 1990	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
April 2006	Professor, School of Accountancy of Graduate School of Kansai University
January 2016	Outside Director of SENSHU ELECTRIC CO., LTD. (current position)
June 2019	Audit & Supervisory Board Member of the Company (current position)
April 2025	Professor Emeritus of Kansai University (current position)

13.

Yohei Takeuchi
Audit & Supervisory Board Member (outside)

December 2008	Joined PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC)
August 2013	Registered as a certified public accountant
August 2013	Established Yohei Takeuchi C.P.A. Office Partner of Fuji Sogo Law & Accounting Office (current position)
January 2014	Registered as a certified public tax accountant
April 2023	Outside Corporate Auditor of Isojiman K.K. (current position)
June 2023	Outside Director of Mori-Gumi Co., Ltd. (current position)
June 2024	Outside Director and Audit and Supervisory Committee Member of JTP Co., Ltd. (current position)
June 2025	Audit & Supervisory Board Member of the Company (current position)

Executive Officers

Executive Managing Officers

Hiroshi Kunimaru
Division Director of Yamaguchi Division

Kenji Kawai
Division Director of Hirakata Division

Masami Yokoyama
In charge of Production Planning & Coordination Dept. of head office and Vice Division Director of Hirakata Division

Senior Executive Officers

Kiminori Hashimoto
In charge of Compliance, Human Resources & General Affairs Dept. Accounting & Financing Dept., and Assistant to Director in charge of Corporate Planning Dept.

Kosei Kawakami
Division Director of Kanto Division

Tetsuya Matsumoto
Assistant to Director in charge of Production Planning & Coordination Dept. and Material Recycling Dept. of head office

Meguru Nishimura
In charge of Marketing Planning & Coordination Dept. and Assistant to Director in charge of Overseas Investment Dept. of head office and Chairman of the Board of Directors of Vietnam Italy Steel JSC, Chairman of KYOEI STEEL America LLC, Director of Vinton Steel, LLC, and Director of AltaSteel Inc.

Susumu Hayashi
In charge of Information System Dept., Assistant to General Manager of Accounting & Financing Dept. and General Manager of Accounting & Financing Dept., and General Manager of Information System Dept. of head office

Hiroyuki Iwasa
Division Director of Nagoya Division

Shinichi Fujioka
Vice Division Director of Yamaguchi Division

Masatomo Uemichi
In charge of Material Recycling Dept., General Manager of Production Planning & Coordination Dept., Head of Production Planning & Coordination Section, General Manager of Development Center of head office, and General Manager of Research Center for Sustainable Technologies

Executive Officers

Nobuaki Nakatani
General Manager of Human Resources & General Affairs Dept. of head office

Yasuhiro Yonemura
Seconded to Vietnam Italy Steel JSC with the Overseas Investment Dept. of head office (General Director of Vietnam Italy Steel JSC)

Makoto Sawamura
Assistant to Director in charge of Marketing Planning & Coordination Dept. of head office and President & Representative Director of Yodoshi Corporation

Akinori Masuda
General Manager of Corporate Planning Dept. of head office

Seiichi Maruyama
Seconded to AltaSteel Inc. with Overseas Investment Department of head office (President and Director of AltaSteel Inc.)

Takeshi Ohgita
Assistant to Director in charge of Overseas Investment Dept. and General Manager of Marketing Planning & Coordination Dept. of head office

Hidekazu Fukunishi
Seconded to Vina Kyoei Steel Co., Ltd. with Overseas Investment Dept. of head office (General Director of Vina Kyoei Steel Co., Ltd.) (as of Oct. 20)

Financial Highlights

Consolidated 10-year summary

(FY)

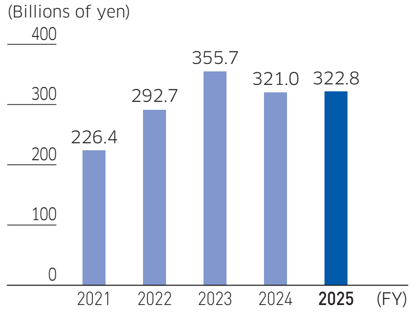
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Product shipments (Thousands of tonnes):											
Finished products (total)	2,429	2,662	2,965	3,269	3,367	3,363	3,318	3,284	3,072	**3,135**	–
Domestic	1,641	1,662	1,682	1,747	1,645	1,573	1,581	1,545	1,582	**1,451**	–
Overseas	788	999	1,284	1,522	1,722	1,790	1,737	1,739	1,490	**1,684**	–
For the year (Millions of yen/Thousands of U.S. dollars*1):											
Net sales	¥ 160,952	¥ 145,991	¥ 191,254	¥ 242,257	¥ 239,343	¥ 226,371	¥ 292,719	¥ 355,715	¥ 320,982	**¥ 322,849**	**$ 2,159,095**
Gross profit	23,889	18,726	16,472	23,474	34,743	28,258	25,899	34,274	41,969	**38,327**	**256,317**
Operating income	13,792	7,971	4,259	9,200	19,404	12,656	8,819	14,819	21,055	**15,332**	**102,538**
Income before income taxes	12,432	7,698	5,449	8,444	13,520	12,735	10,081	13,629	15,316	**16,280**	**108,881**
Profit (loss) attributable to owners of parent	8,467	4,783	3,483	6,505	7,978	8,788	6,322	13,108	13,826	**10,791**	**72,170**
Research and development expenses	104	119	177	169	180	231	235	272	236	**283**	**1,893**
Depreciation and amortization	5,026	5,961	6,663	7,476	7,719	8,402	8,840	9,770	9,861	**8,638**	**57,770**
Capital expenditures (increase in property, plant and equipment and intangible assets)	10,103	7,262	5,803	5,507	8,894	10,863	12,971	9,332	11,499	**17,064**	**114,116**
Per share amounts (yen / U.S. dollars):											
Net income (loss), basic	194.94	110.41	80.31	149.78	183.56	202.22	145.48	301.61	318.13	**248.30**	**1.66**
Net income (loss), diluted	–	–	–	–	–	–	–	–	–	**–**	**–**
Cash dividends applicable to the year	45	30	40	40	75	60	40	80	90	**90**	**0.60**
At year-end (Millions of yen/Thousands of U.S. dollars):											
Total assets	¥ 200,436	¥ 214,341	¥ 234,220	¥ 261,590	¥ 269,145	¥ 282,282	¥ 314,203	¥ 337,713	¥ 354,217	**¥ 352,828**	**$ 2,359,581**
Working capital	83,565	93,301	105,791	126,734	128,115	139,622	160,441	173,532	173,093	**163,534**	**1,093,653**
Interest bearing debt	33,149	41,414	50,088	69,247	72,407	79,272	95,584	100,897	94,011	**84,947**	**568,096**
Net assets	143,090	146,663	148,460	153,781	158,044	164,583	175,689	190,174	201,430	**209,157**	**1,398,766**
Shareholders' equity*2	134,886	138,365	140,010	143,407	147,671	154,429	162,955	179,687	194,640	**202,988**	**1,357,508**
Net assets amount per share	3,115.86	3,192.02	3,225.85	3,299.82	3,397.93	3,553.45	3,749.63	4,134.64	4,478.71	**4,670.79**	**31.24**
Ratios:											
Return on sales (%)	8.8	5.4	2.1	3.6	7.9	5.7	3.6	4.1	6.6	**4.9**	–
Return on equity (%)	6.4	3.5	2.5	4.6	5.5	5.8	4.0	7.7	7.4	**5.4**	–
Return on total assets (%)	7.1	4.1	2.2	4.0	7.6	4.9	3.3	4.9	6.5	**4.7**	–
Net debt to equity ratio (times)	(0.09)	(0.05)	0.06	0.16	0.10	0.07	0.27	0.23	0.18	**0.10**	–
Shareholders' equity*2 to total assets (%)	67.3	64.6	59.8	54.8	54.9	54.7	51.9	53.2	54.9	**57.5**	–
Other statistics:											
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	**44,899**	–
Number of employees	1,806	2,341	2,430	3,200	3,605	3,985	4,021	3,972	3,938	**3,903**	–
Stock price (yen):											
High	¥ 2,455	¥ 2,349	¥ 2,295	¥ 2,510	¥ 2,314	¥ 1,775	¥ 1,712	¥ 1,706	¥ 2,472	**¥ 2,665**	–
Low	¥ 1,584	¥ 1,387	¥ 1,594	¥ 1,473	¥ 1,161	¥ 1,153	¥ 1,243	¥ 1,217	¥ 1,531	**¥ 1,478**	–

*1 U.S. dollar amounts are converted from Japanese yen, for convenience only, at the exchange rate on March 31, 2025 (US$1 = 149.53 yen).
*2 Shareholders' equity = Net assets – Noncontrolling interests

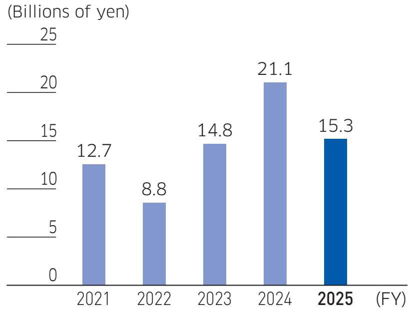
(Note) Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 2022. Figures for the fiscal year ended March 2022 and after reflect the relevant accounting standards, etc.

Financial Highlights (FY2025)

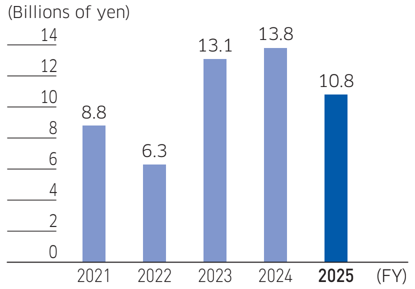
Net sales



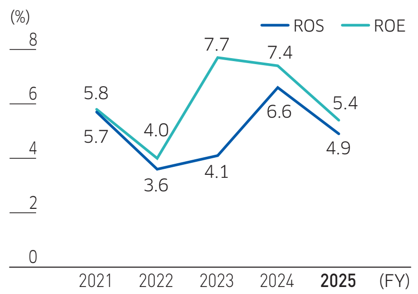
Operating income



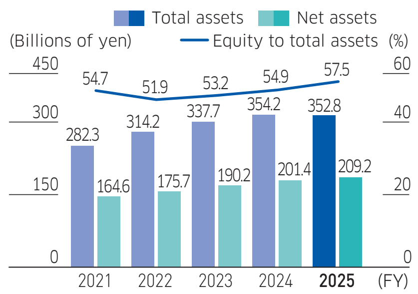
Net income attributable to owners of the parent



Return on sales (ROS) / Return on equity (ROE)



Total assets / Net assets / Equity to total assets



Business Bases

Business bases and Group companies

❺-⓮ (domestic) and ❶-❼ (overseas) are Group companies.

Domestic Bases

❶ Yamaguchi Division

Our base for the Chugoku, Shikoku and Kyushu regions. A wide variety of products are manufactured in many sizes. Products include full-size rebars, round bars, flat bars, I-shaped bars and equal angle bars. The Yamaguchi Division is a key center for the material recycling business, performing a variety of waste treatment processing, including the development of our MESSCUD System.
It is ISO 9001 and ISO 14001 certified.
Sanyo Onoda City, Yamaguchi Prefecture

❷ Hirakata Division

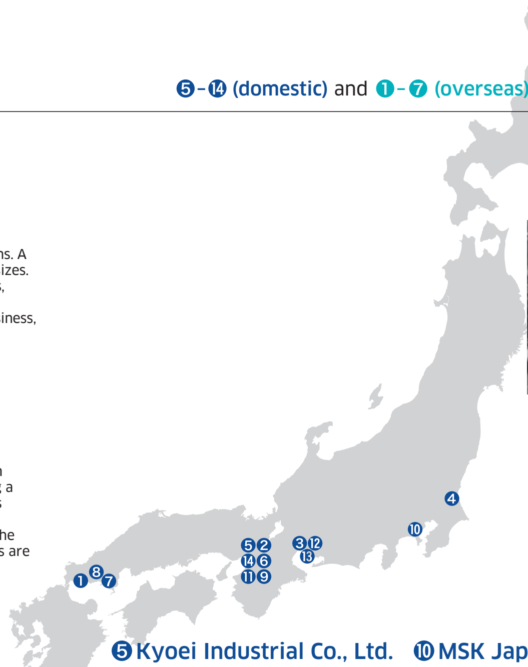
Our base in the Kansai region. The Hirakata Division specializes in the production of small bars, adopting a closed system to prevent pollution. The division has facilities that take advantage of limited space; for example, an underground tunnel directly connects the steelmaking and rolling mills. Rebars and round bars are produced in these facilities. The mill is also used for materials recycling.
It is ISO 9001 and ISO 14001 certified.
Hirakata City, Osaka Prefecture

❸ Nagoya Division

Our base in the Chubu region. The Nagoya Division has the first Consteel system to be introduced into Japan, enabling continuous preheating and charging of scrap steel. As well as producing rebars in a full range of sizes, the Nagoya Division manufactures high-strength threaded rebars. It is also engaged in material recycling. The development center develops technologies for companies across the entire Group.
It is ISO 9001 and ISO 14001 certified.
Tobishima Village, Ama District, Aichi Prefecture

❹ Kanto Division

Our base in the Kanto region. The Kanto Division produces rebars and round bars, and is also involved in the industrial waste treatment business, aiming to play a pivotal role in local recycling.
It is ISO 14001 certified.
Tsuchiura City, Ibaraki Prefecture



- ❺ Kyoei Industrial Co., Ltd.
- ❻ Kyoei Mesona Inc.
- ❼ Kyoei Recycling Co., Ltd.
- ❽ Kyoei Fabricated Steel Sales Corporation
- ❾ Yodoshi Corporation
- ❿ MSK Japan Co., Ltd.
- ⓫ KYOEI MATERIAL, Inc.
- ⓬ Tubouchi Transportation Inc.
- ⓭ Toyo Company, Ltd.
- ⓮ Nakayama Steel Products Co., Ltd.

Overseas Bases

❶ Vietnam Italy Steel JSC

Located in northern Vietnam, this company became a consolidated subsidiary in May 2018. It has a rolling mill (annual production capacity: 300,000 tonnes) alongside its head office in Hung Yen. In 2025, the company established a new roll mill (annual production capacity: 500,000 tonnes) in Hai Phong, and, as an integrated mill in combination with the existing melt shop (annual production capacity: 600,000 tonnes), it produces rebars and wire rods.
It is ISO 9001 and ISO 14001 certified.
Hai Phong, Hung Yen Province, Vietnam
https://vis.com.vn/

❷ Kyoei Steel Vietnam Co., Ltd.

Located in northern Vietnam, this company started operating in March 2012. It produces rebars and wire rods on a rolling line (annual production capacity: 300,000 tonnes).
It is ISO 9001 certified.
Ninh Bình Province, Vietnam
https://ksvc.com.vn/

❸ Vina Kyoei Steel Co., Ltd.

Located in southern Vietnam, this company was established in 1994 and started rolling mill operations in 1996. A new integrated EAF mill started operating in 2015. The annual production capacity of both mills is now 900,000 tonnes. The company produces rebars, round bars, flat bars, equal angle bars and wire rods.
It is a JIS certified mill and is ISO 9001 and ISO 14001 certified.
Ho Chi Minh City, Vietnam
http://www.vinakyoeisteel.com.vn/

❹ Thi Vai International Port Co., Ltd.

Located in the Cai Mep Thi Vai harbor district in southern Vietnam, this company started port operations in January 2018. It mainly handles steel scrap that is used as raw materials by Vina Kyoei Steel Co., Ltd. in Phu My 1 Industrial Park, adjacent to the port, and also the products of steel manufacturers adjacent to the port.
Ho Chi Minh City, Vietnam
https://thivaiport.vn/

❼ AltaSteel Inc.

Located in western Canada, this company was acquired in March 2020. It has an integrated steelmaking and rolling mill with an annual production capacity of 340,000 tonnes. It produces rebars, flat bars, square bars, round bars, ball stock and grinding rods.
It is ISO 9001 and ISO 14001 certified.
Alberta, Canada
https://www.altasteel.com/

❻ Vinton Steel LLC

Located in Texas, USA, this company was acquired in December 2016. It has an integrated steelmaking and rolling mill with an annual production capacity of 230,000 tonnes. It produces rebars and ball stock.
Texas, USA
http://www.vintonsteel.com/

❺ Vina-Japan Engineering, Ltd.

Established in January 1996. This company commenced operations at a new plant in February 2021, and boasts an annual production capacity of 12,000 tonnes.
It produces cast metal products, including parts for use in forklifts and machine tools.
Hai Phong, Vietnam
https://www.vje.com.vn/

Company Profile

Company profile / Status of shares

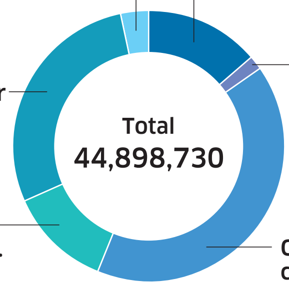
Company profile (as of March 31, 2025)

Corporate name	Kyoei Steel Ltd.
Date of establishment	August 21, 1947
Capital	18.516 billion yen
Number of employees	3,903 (consolidated: full-time employees)
Main businesses	(1) Manufacture, processing, and sale of billets and steel products. (2) Collection, transportation, and treatment of general, industrial, and medical waste. Recycling of automobiles and industrial waste. (3) Processing and assembly of rebars and threaded rebars.

Status of shares (as of March 31, 2025)

Total number of shares authorized	150,300,000
Total number of shares issued	44,898,730
Number of shareholders	33,894

Shareholders by type (as of March 31, 2025)



Major shareholders

Name	Number of shares owned	Share ownership ratio
Nippon Steel Corporation	11,592,932	26.68
Hideichiro Takashima	4,347,460	10.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,392,300	5.50
Akihiko Takashima	2,233,000	5.14
Mitsui & Co., Ltd.	1,470,000	3.38
Godo Steel, Ltd.	1,347,000	3.10
Custody Bank of Japan, Ltd. (Air Water Inc. retirement benefit trust account)	1,308,900	3.01
Custody Bank of Japan, Ltd. (Air Water Safety Service Inc. retirement benefit trust account)	692,000	1.59
AIR WATER INC.	691,500	1.59
Kyoei Group Employee Shareholding Association	665,817	1.53

Notes:
1. Share ownership ratios are shown rounded off to two decimal places.
2. Calculations of share ownership ratios exclude treasury stock (1,439,755 shares).

Share price chart