

KYOEI STEEL REPORT 2022
(INTEGRATED REPORT)

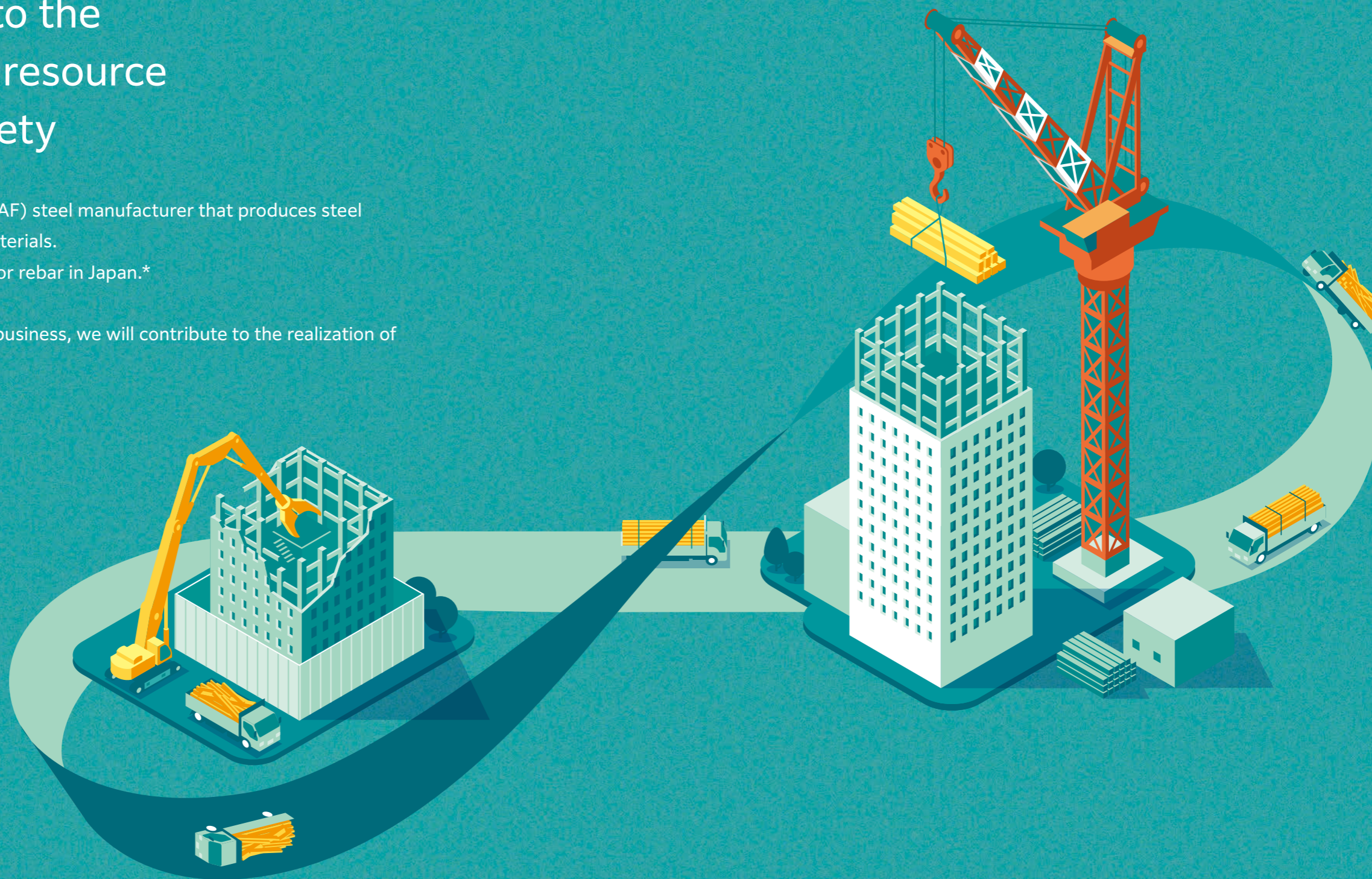


By creating
"steel from steel,"
we contribute to the
realization of a resource
circulation society

We are an Electric Arc Furnace (EAF) steel manufacturer that produces steel products from steel scrap raw materials.

We have the No. 1 market share for rebar in Japan.*

Through our resource circulation business, we will contribute to the realization of a sustainable society.



* Small rebars, FY2020 Japan Metal Daily survey

By creating
steel using **electricity**,
we will contribute to
the preservation of the environment.

We are pursuing EAF technology that recycles steel
by using high heat effectively.

We will continue to promote power generation
using renewable energy, and contribute to the realization of
carbon neutrality.



From Harmony with the Environment to Sustainability, Our Challenge Is Never-ending.

Management Principle

Spirit of Challenge

At the Kyohei 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.

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.

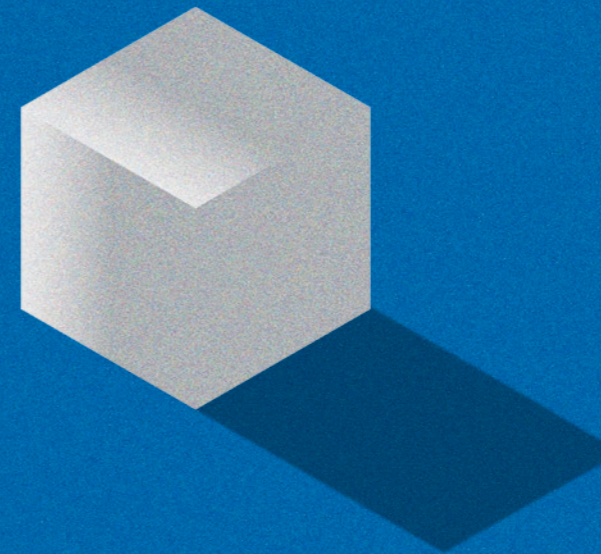
We are practical and realistic.

We aspire to be a company where people and technologies are valued, and where work is a source of pride and satisfaction.

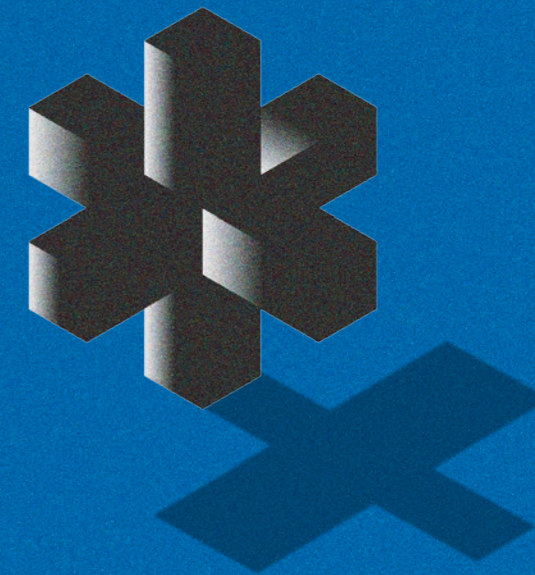
Creating a clean future



Rebirth using EAF



Steel that represents the fulfillment of our many missions



Kyoei Steel Group is contributing to the realization of a sustainable society with steel and electricity.

Contents

Introduction

Management Principle / Action Guidelines	5
Editorial Policies	6

Business Overview

At a Glance	7
Corporate History	9
Value Chain and Social Roles of the Kyoei Steel Group	11
Value Creation Process	13

Growth Strategies

Message from Management	15
Medium-term Business Plan: NeXus 2023	19
Special Feature: Execute Globalization of Local Economies and Niche Industries Strategy with Global Tripolar Structure	23
Message from the Financial Director	25

Initiatives in Line with Materiality

Response to Sustainability Issues	27
For a Comfortable and Safe Society	
Domestic Steel Business	29
Overseas Steel Business	31
Material Recycling Business	33
Toward a Beautiful Global Environment	
Actions Based on TCFD Recommendations	35
Approach to Carbon Neutrality	41
Recycling System Contributing to Global Environmental Protection	42
To Meet the Expectations of Everyone	
Who Creates Value along with Us	43
Toward Safer and More Comfortable Workplaces	43
To Contribute as a Member of the Community	44
Toward Fairer and More Sincere Corporate Activities	45

Corporate Data

Financial Highlights	51
Business Bases	53
Company Profile	54

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.

Until 2021, we disclosed an Annual Report in English that focused primarily on financial information, as well as the KYOEI STEEL REPORT (previously called the Environmental Report), which contained non-financial information.

In 2022, however, with the aim of presenting integrated company information, we have issued this KYOEI STEEL REPORT as an integrated report.

With our Message from Management and Message from the Financial Director, we have been conscious of directly conveying the thoughts and opinions of our management group, alongside presenting our responses to sustainability issues, including actions based on TCFD recommendations, in as detailed a manner as possible.

Period covered

This report covers in full the period from April 2021 to March 2022, but also includes some information from outside this period.

Report publication date

November 2022

Organizations included

This report mainly applies to Kyoei Steel Ltd. and its consolidated subsidiaries. However, the environmental data on page 41 applies to Kyoei Steel Ltd. and Kanto Steel Ltd., which are domestic production bases.

Reference guidelines

IIRC
GRI
SASB

Inquiries

ESG Promotion Section
Corporate Planning
Department
Kyoei Steel Ltd.

URL: <https://contact.kyoeisteel.co.jp/english/>

At a Glance

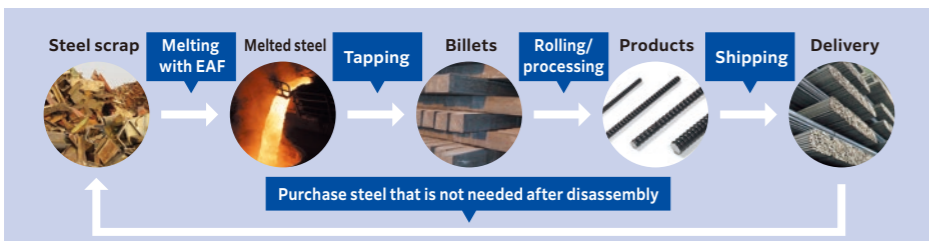
Business Overview

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. Mainstay products are rebars, round bars, flat bars, equal angle bars, I-shaped bars, threaded-type rebars (Tough Screw Bars®), billets (semi-finished products), steel rebar processed products, etc. The domestic steel business also procures and sells steel products and operates a transportation business for steel products.

Overseas Steel Business

Bringing the manufacturing technology cultivated in Japan overseas. The overseas steel business manufactures and sells steel products based on local demands. Mainstay products are rebars, threaded-type rebars, wire rods, grinding rods, ball stock, and billets.



Material Recycling Business

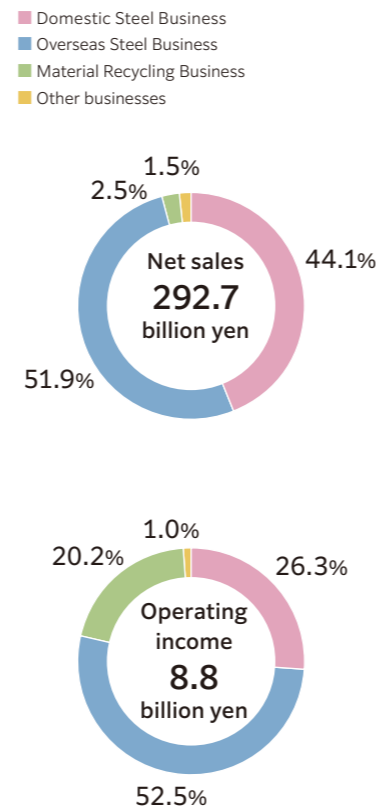
The major businesses of the material recycling business include the interim and final treatment of industrial waste and medical waste, and rubble recycling.



Other peripheral businesses

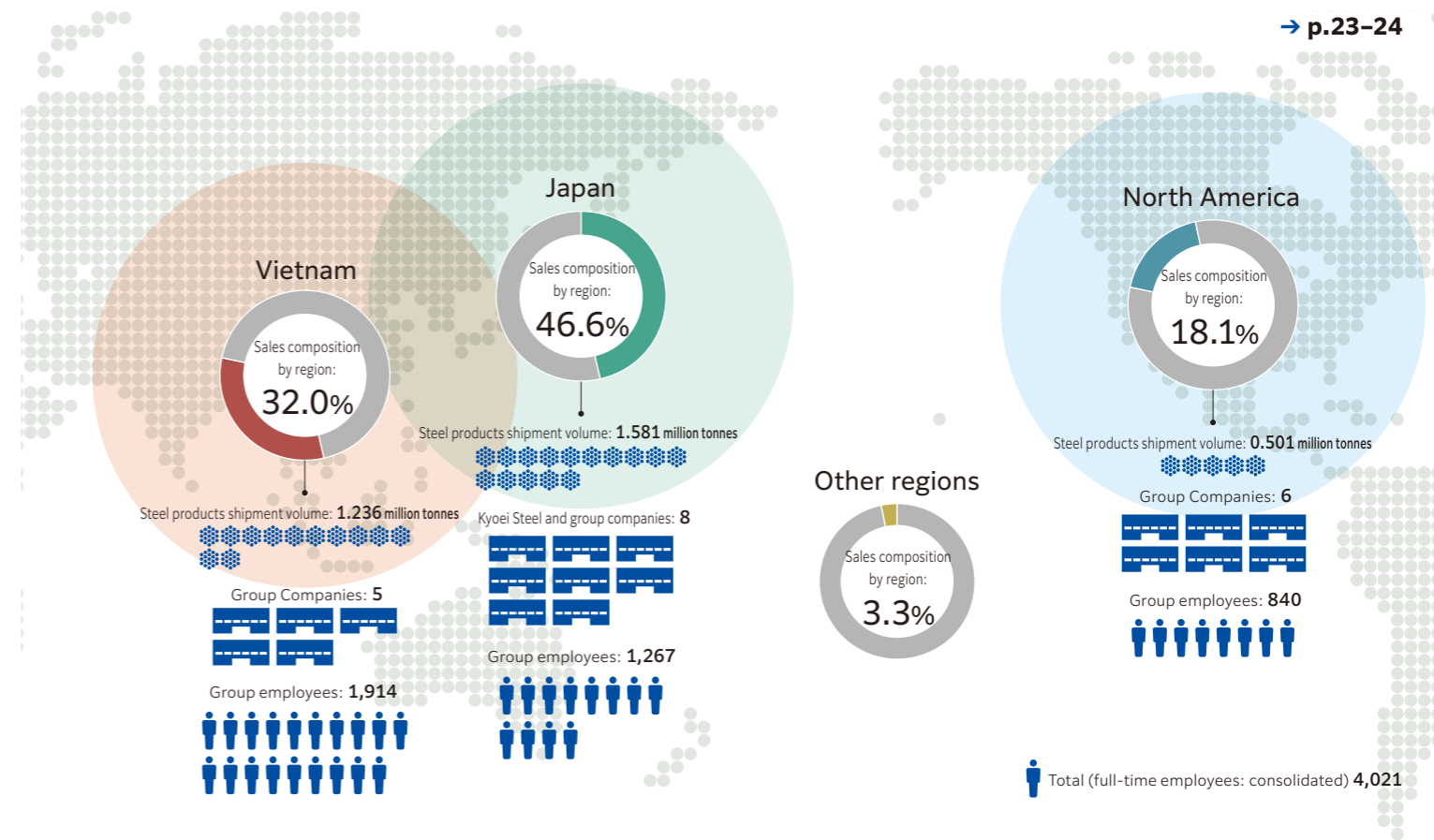
Other peripheral major businesses include the civil engineering resource sales business, port business, cast metal business, and insurance agencies.

Segment comparison (FY2022)



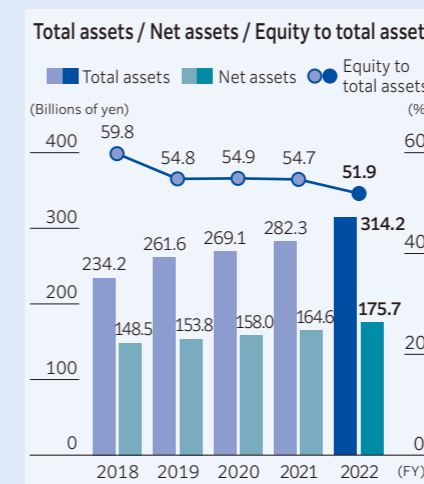
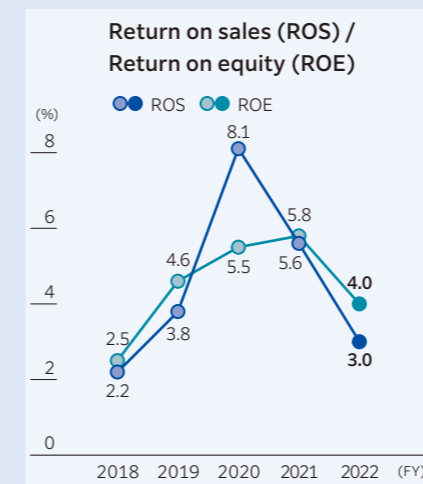
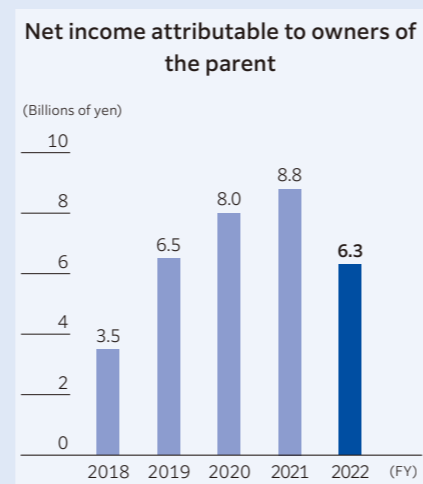
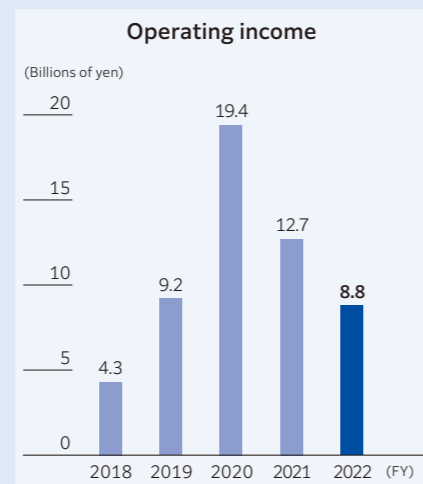
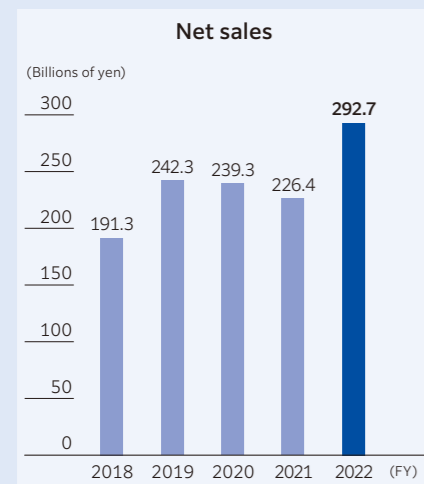
Kyoei Steel Group's Global Tripolar Structure (Japan, Vietnam, North America)

Aiming for the further growth of the Group, proactively expand business in global tripolar structure. We will contribute to realizing a resource circulation society through a structure that can respond immediately to different market demands in different areas.



The number of companies is the Company and consolidated subsidiaries (as of March 2022).

Financial Highlights (FY2022)



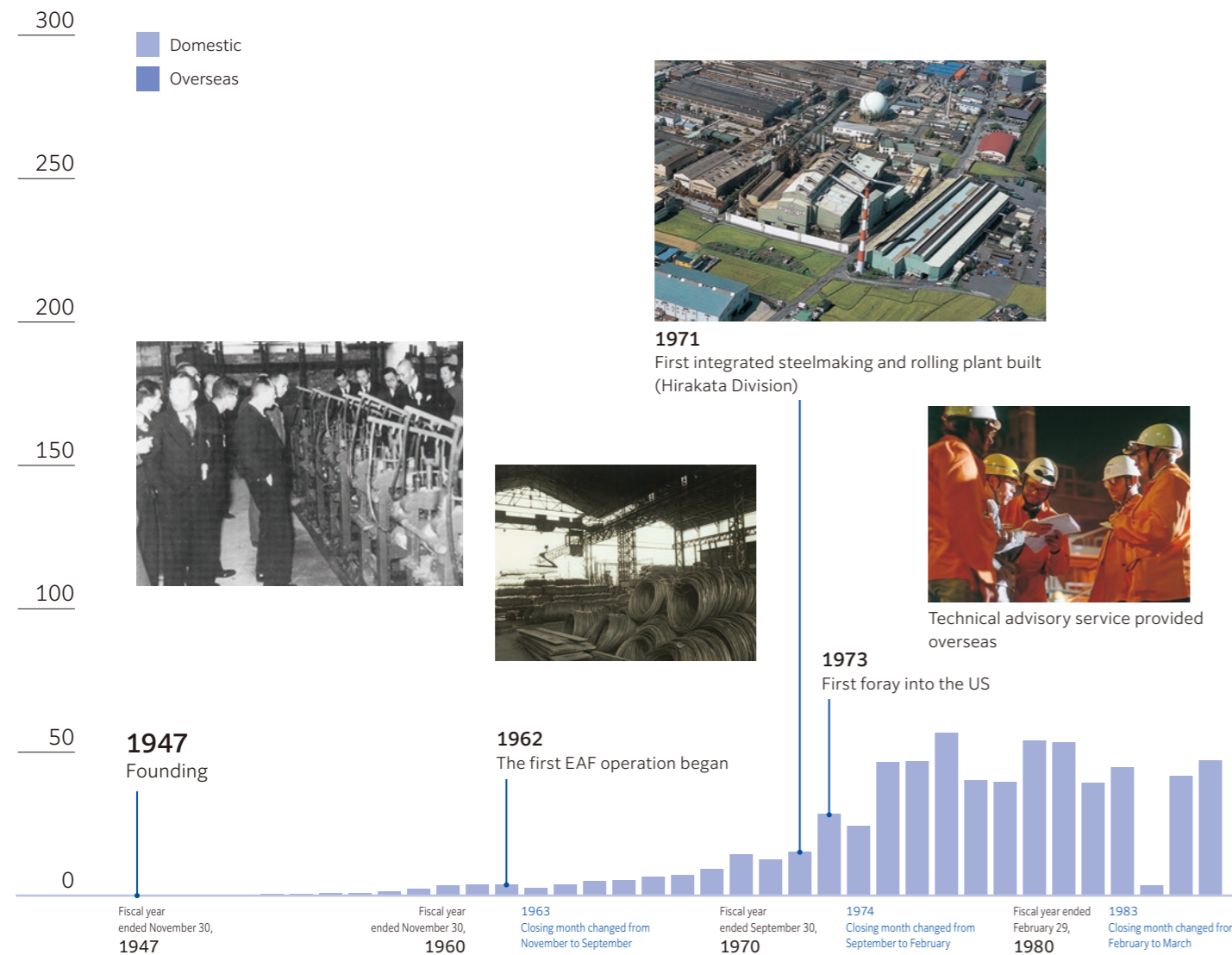
Corporate History

Becoming a company that contributes broadly to society through steelmaking

Aiming to achieve harmony with the global environment, we have engaged in business compatible with social value. 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.

Sales

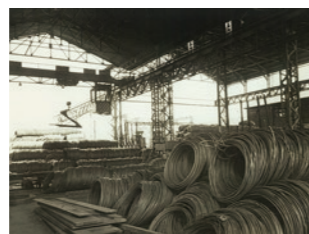
(Unit: Billions of yen)



1971
First integrated steelmaking and rolling plant built (Hirakata Division)



1947
Founding



1962
The first EAF operation began



Technical advisory service provided overseas

1973
First foray into the US

“Wishing to contribute to the reconstruction of Japan through steelmaking”

“Wishing to show Japan’s excellence to the world”



1988
MESSCUD business started to dispose of medical waste



2006
Simultaneously listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange



2020
AltaSteel Inc. acquired

1990
New Kyohei Steel formed as a result of merger of Group companies

2004
Kyohei Recycling Co., Ltd. established

2018
Vietnam-Italy Steel JSC acquired

2016
Vinton Steel LLC established

2011
Kyohei Steel Vietnam Co., Ltd. established



1994
Vina Kyohei Steel Co., Ltd. established

“Aspiring to contribute to the reconstruction of Vietnam”

“Wishing to contribute to global environmental conservation through business”

Historic events

After World War II, national land reform and industrial reconstruction were called for across the country. Demand for steel grew as the need for construction rose.

Treaty of San Francisco (1951)

Pollution problems; two oil shocks

Jinmu Boom (1954 to 1957)
Iwato Boom (1958 to 1961)
Izanagi Boom (1965 to 1970)
First oil shock (1973)
Second oil shock (1979)

Higher consumption and more growth in production due to the Bubble Boom increased the amount of waste.

Bubble Boom (1986 to 1991)
Bubble burst (1991 to 1993)
Asian currency crisis (1997)

Individual legislative acts for recycling were founded on the Basic Act on Establishing a Sound Material-Cycle Society.

With the aim of building a resource circulation society, environmental awareness increased across society.

Izanami Boom (2002 to 2008)
Kyoto Protocol officially enacted (2005)
Global financial crisis (2008)

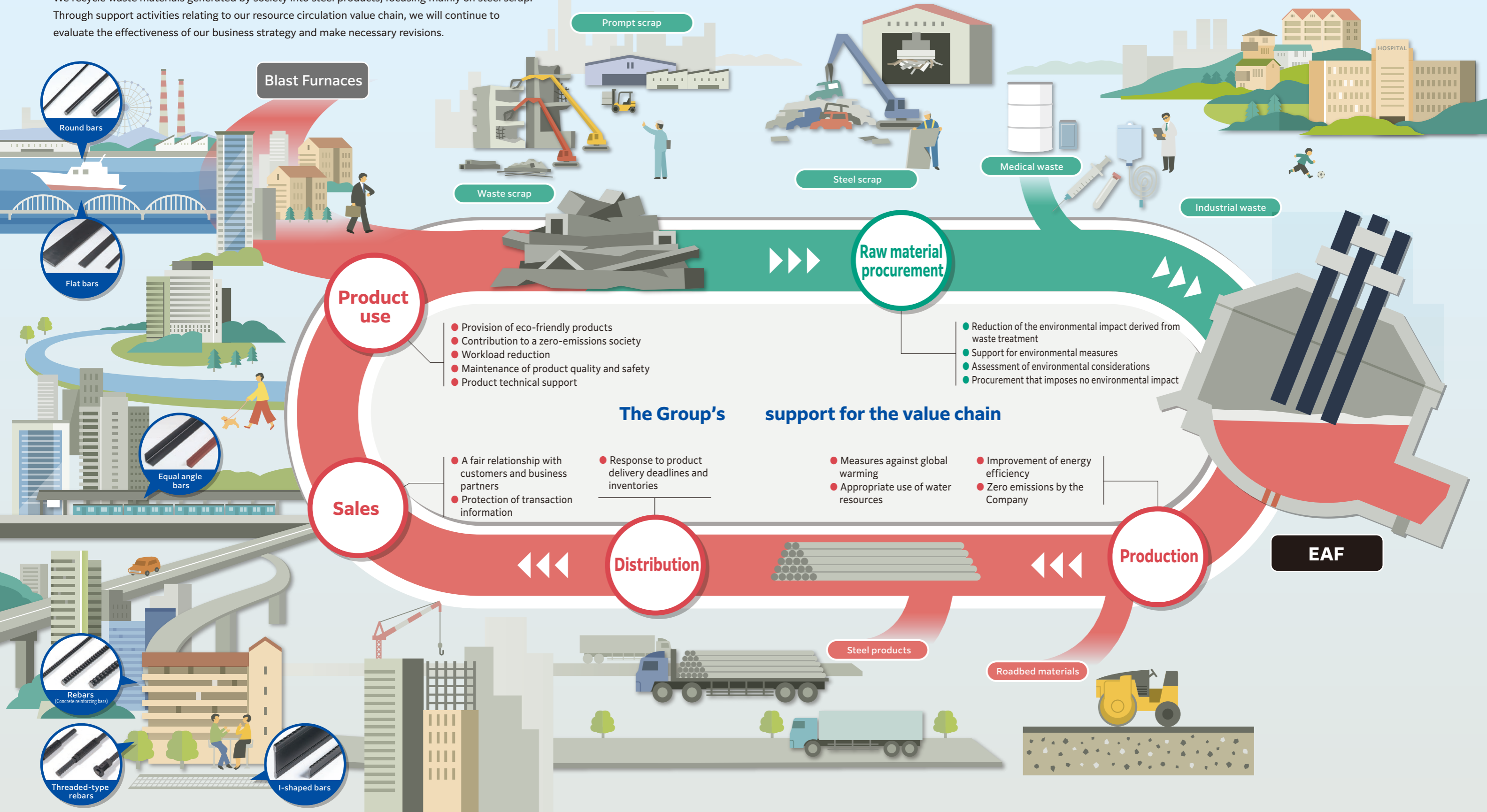
Our company is approaching its 100th year

Value Chain and Social Roles of the Kyohei Steel Group

The Group supports the comfortable and safe lives of people through its circulation of steel resources.

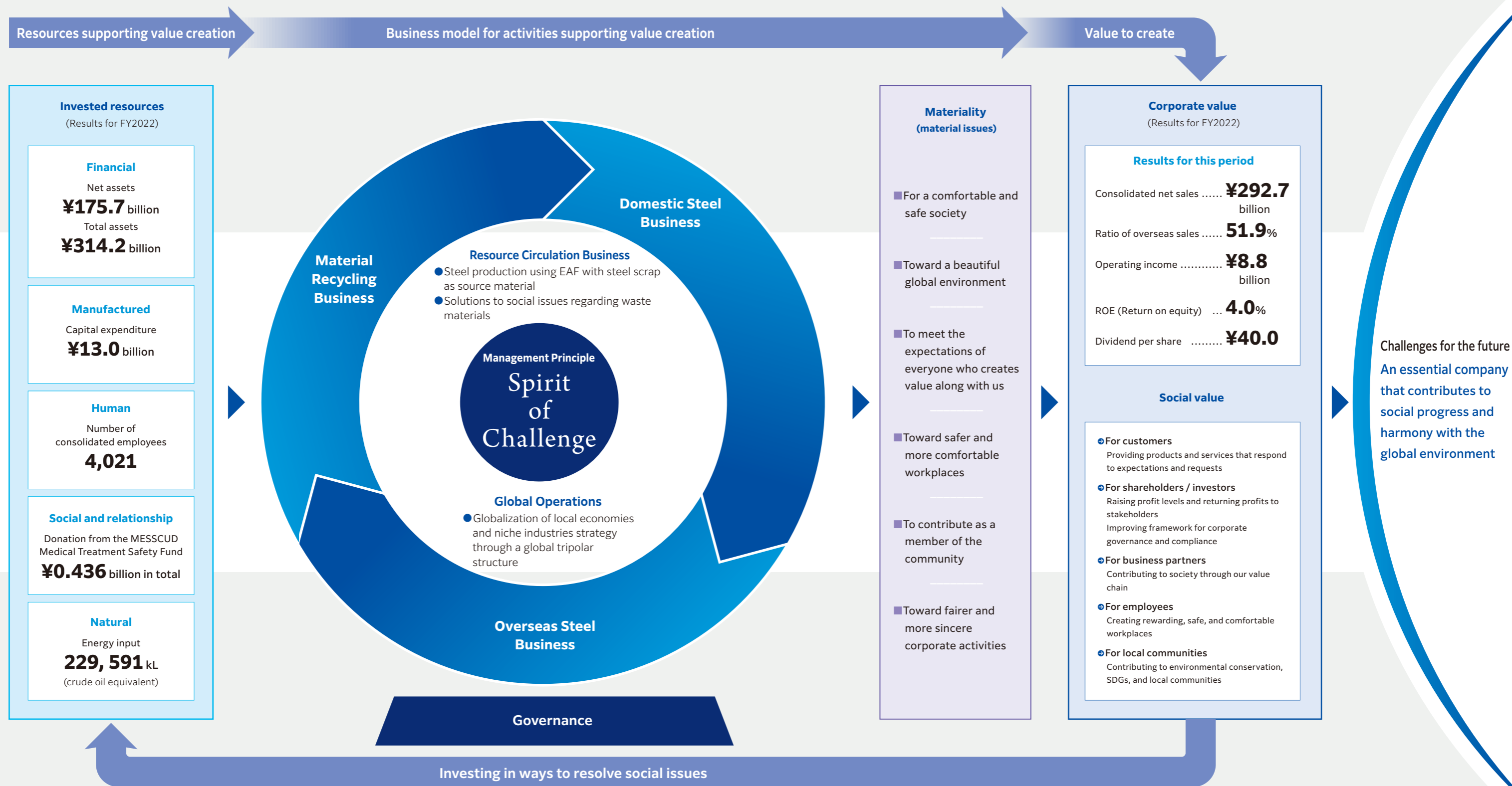
We recycle waste materials generated by society into steel products, focusing mainly on steel scrap.

Through support activities relating to our resource circulation value chain, we will continue to evaluate the effectiveness of our business strategy and make necessary revisions.



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 reinvesting generated economic and social value into capital that supports value creation—including financial, manufactured, human, social and relationship, and natural—and effectively utilizing our strengths in our resource circulation business and global expansion to realize a virtuous cycle that further enhances the creation of value.



Message from Management

View environmental change as an opportunity, and contribute to society through business growth



Yasuyuki Hiroto
President & Representative Director

Progress of the medium-term business plan “NeXuS 2023”

Toward good results in the overseas steel business and material recycling business

The first year of the medium-term business plan NeXuS 2023 lacked a sense of speed. Facing a harsh external environment, we took efforts to reduce manufacturing costs and were able to book operating income of 8.8 billion yen in the first year. However, restrictions on movement due to COVID-19 dragged on longer than expected. The new rolling line project in North America and Vietnam will be difficult to complete within the time frame of the medium-term business plan. Also, due to the impact of Russia’s invasion of Ukraine, the price of steel scrap, a raw material, has inflated to more than three times the level of two years ago. Manufacturing costs, including prices of crude oil and various resources, have risen significantly higher than the levels expected

when formulating the plan. As a result, the Company was unable to record profits as expected. However, amidst this, the investments overseas made over approximately ten years have begun to bear fruit. The overseas steel business reached record high profits. Also, in Japan, the material recycling business achieved the highest profits since the closure of the Osaka Plant in 2016 (center for industrial waste treatment in Kansai). As such, results gave hope for future growth. Project ONE, which will construct the systems that will be the base of the operations process transformation has also proceeded steadily.

Expected risks and opportunities

Trends toward carbon neutrality and resource circulation represent major opportunities for Kyoei Steel

The medium-term business plan expects five developments: the arrival of a carbon neutral society from environmental consciousness, the arrival of a circular economy, new globalization, the acceleration of DX, and changes to shareholder capitalism. However, the Russian invasion of Ukraine began, making it necessary to respond to new geopolitical risks. In the steel industry, there has been more of a focus on Electric Arc Furnaces (EAFs), which produce relatively fewer CO₂ emissions during production as the industry accepts the global trend toward a carbon neutral society. On the other hand, the shift to EAFs by steel manufacturers using blast furnaces and *greenflation*, the increase in cost of goods due to transferring to a green economy, have accelerated, significantly boosting the risks of higher cost of procuring materials and manufacturing for steel manufacturers utilizing EAF, a serious issue for our Company. However, we view carbon neutrality, resource circulation, and simultaneous globalized and localized economies

as opportunities for a company like Kyoei Steel that has continued to operate a local production for local consumption business in steel manufacturing based on the concept of “creating environmentally friendly clean steel from used steel scrap.” Demand has grown in North America and Vietnam in particular. Even the mainstay rebar business is in a position to be able to secure profits because we were able to shift costs of raw materials to product prices relatively easily. We aim to further enhance the production structure in both regions and boost profits. We will also take efforts including M&A to utilize our competitive manufacturing and sales know-how in construction steel materials cultivated in Japan in other regions where demand is growing. The material recycling business not only treats difficult-to-treat waste materials as steel resources, but also elevates the business by extracting resources from steel slag and dust generated in this process and recycling new waste materials such as carbon textiles and lithium-ion batteries.

Initiatives for global tripolar structure

Further accelerate the globalization of local economies and niche industries strategy—local production for local consumption of steel

Currently, the Group operates four factories in Japan, four in Vietnam, and two in North America in the steel business. Before the global financial crisis, we shipped over two million tonnes of products in the domestic steel business. However, corresponding with the decline in demand for steel in Japan, this is currently around 1.6 million tonnes. Shipping volume has grown to around 1.7 million tonnes in Vietnam as we have shifted to a strategy of using the overseas steel business to cover shipment volume decline in Japan. We expect that the supply capabilities will continue to exceed demand in Japan. As such, we are focused on our specialty areas, such as high-strength steel rebar and processed products. Under these circumstances, we will expand in overseas markets, where demand is growing. Our globalization of local economies and niche industries strategy, which minimizes the risk of revenue changes resulting from product prices fluctuating by domestic demand and steel scrap prices that move with the international market, will become even more important in these new environmental changes such as greenflation and the

Russian invasion of Ukraine. As geopolitical risks are increasing and the global economy becomes fragmented, our business of local production for local consumption means not concentrating our business in a single country, but rather establishing hubs in regions where it is easy to obtain the raw materials and by-products necessary for steel manufacturing and developing a business on a scale that fits our capabilities. In the medium-term business plan, we targeted a structure for four million tonnes in shipment volume within and outside Japan, and have taken on measures to expand production and shipment volumes. In our long-standing business in Vietnam, we built a new rolling line at the Hung Yen factory at Vietnam-Italy Steel JSC as we aim to become a major manufacturer that can boast a product shipment volume of two million tonnes across all Vietnam hubs. In North America, Vinton Steel LLC and AltaSteel Inc. are in regions where it is easy to procure steel scrap, so we aim to expand sales on the west coast of North America. If we can construct a production structure for a total of 4.5 million tonnes (1.6-1.7 million

Message from Management

tonnes in Japan, two million tonnes in Vietnam, and one million tonnes in North America), we will be able to see the results of our globalization of local economies and niche industries strategy, a strength of the Company. Even with the impact of market fluctuations, we believe this structure can target approximately 20 billion yen in operating income each year. However, Group governance that enhances regionally dispersed management, including overseas, will be important in making this strategy a success. Because business customs and supply and demand environments

vary by region, the role of the main office will be to narrow down the required internal controls and produce results while granting authority to local business sites as much as possible. We must nimbly identify market needs and take efforts for building a company that is required in this new era through creativity produced at worksites. Therefore, we are focusing on strengthening management capabilities of leaders at each site and base. We are also proactively hiring highly specialized personnel, including local human resources.

A human resources strategy utilizing diverse personnel

Invest in creating a comfortable working environment and human resource development

In over ten years, the Group's consolidated subsidiaries increased from eight to 18 companies and the number of employees within and outside Japan grew to more than 4,000. We have been hiring at least ten core personnel (employees in general management positions) each year for several years. Corresponding with the growth of the company, we have focused on hiring mid-career employees. Currently, more than 30% of employees in general management positions are mid-career hires. We began hiring new graduate female employees in general management positions five years ago, and see three to five hired each year. Further, we are increasing the number of female hires of manufacturing technology employees who are in charge of technology instruction at factories.

In order to continue to secure diverse human resources, we plan to establish an environment where each employee is conscious of the company's purpose to contribute to society through a resource circulation

business and can utilize their specialties to be successful. In particular, this medium-term business plan focused on establishing the workplace environment. With the new construction of administrative offices and welfare facilities in Yamaguchi and Nagoya, facilities in mainstay factories, as well as upgrades of production equipment, we will create workplaces where everyone, including women, feel comfortable to work. I believe this will also lead to the recruitment of highly skilled human resources. For human resource development, in April of this year we established the Human Resources Development Section and the Corporate Education Center in the Hirakata Division. We aim to introduce internal training utilizing VR and wearable devices to spread the training of employees who work in production facilities to a global level. From April of this year, we extended the retirement age to 65 years old. We established a system that guarantees the same benefits to utilize the excellent technical skills of employees at production facilities.

Initiatives for sustainability issues

Stable management foundation required to fulfill social responsibilities

In the 1970s, as Japan's pollution issue worsened, the de facto founder of the company Koichi Takashima said this: "We must not rely on the planet's abundant self-healing power, but instead employ our steelmaking expertise in the pursuit of abundance for humankind, and in helping achieve harmony with the global environment." It will not be easy to realize the world of which the founder dreamed, but we must take on each challenge that we can, and solve these issues. During the Edo period (1603–1868), the agricultural revolutionary Sontoku Ninomiya said that "an economy without ethics

is criminal; ethics without economy is nonsense." While averse to ill-gotten gains, he encouraged necessary profits and savings and strove to reinvigorate Japanese agriculture. In order for Kyoei Steel, a leading Japanese steel manufacturer, to be an essential company that seeks true richness and harmony with the environment as our social responsibility, we must maintain capital for business continuation and a stable management foundation. Beyond business continuity, a major issue for us is contributing to carbon neutrality that is a global goal in



achieving harmony with the environment. Based on the global framework of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, we will deliberate on climate change risks and opportunities and incorporate them into our management plan.

On the other hand, business continuation risks such as higher costs in a carbon neutral society and operational risks from increased disasters are expected to significantly impact the business of the Company. We will aim for the stable continuation of our business by a regionally dispersed management, including in Japan, that is not just concentrated in the global tripolar structure.

Beyond stability of the business foundation, we cannot neglect the manifest management related to industrial waste treatment nor quality management. Also, at sites for infectious medical waste treatment, there is a possibility that accidents, including explosions, may occur in EAFs and gasification melting furnaces if foreign materials or liquids enter the sealed containers that contain these waste products. Therefore, it is important to check the state of waste materials with close attention beforehand and conduct proper pre-treatment. Without the hard work of employees at these sites, we cannot

contribute to the realization of a sustainable society. Further, through our solar power generation business, the planting of olive trees and other greenification business initiatives, and the hiring of employees with disabilities, it is essential that we instill an SDGs mindset and awareness of sustainability throughout the entire Company. In particular, we have been planting olive trees in the open land near the Yamaguchi Division since 2021. In a few years, we can produce olive oil and expand the operations of employees with disabilities who work at our small-appliance recycling shop, Rainbow. Among Group businesses, the MESSCUD system is considered to contribute greatly to society. Facing the issue of infections by used needles, this was an innovation brought about by Kyoei Steel technology that solved the issue of safe treatment of medical waste. Following this, in order to generate innovation for resource circulation technology that contributes significantly to society, we newly established the Research Center for Sustainable Technologies in the Production Planning & Coordination Department. We aim to contribute to true richness by proactively investing in the sources of value for our Company—human resources and intellectual property.

To all stakeholders

Aiming to be a company where all enjoy the merits of enhanced corporate value

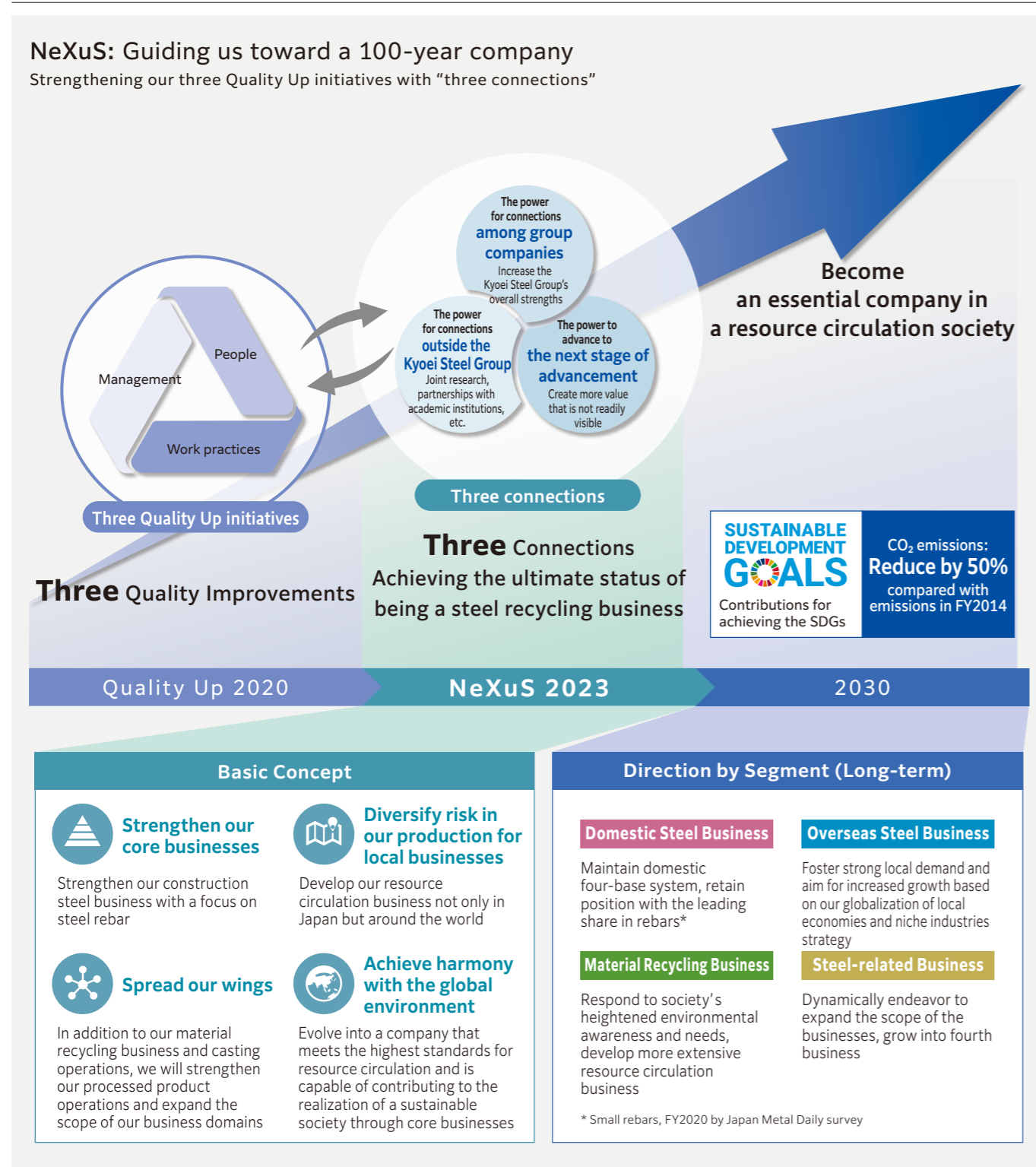
Kyoei Steel will celebrate its 75th anniversary this year. Based on the will of the founder to create this Company in a devastated Osaka following World War II and to "contribute to the restoration of Japan through steel manufacturing," Kyoei Steel spread to each part of Japan and began to grow overseas as well in the 1960s. Inheriting the will of the founder to "employ our steelmaking expertise to help in achieving harmony with the global environment," we will effectively utilize the resource of iron, which comprises 30% of the weight of the Earth, and aim for the progress of humanity and

harmony with the natural environment and progress in humanity through recycling and circulation. We also aim to grow as an essential company that can steadily increase profits. In order to become a company essential to a resource circulation society that earns the support of a great many people, we will endeavor to improve both our results and our quality as an organization, and strive to become a company where all shareholders can also enjoy the rewards of increased corporate value.

Medium-term Business Plan: NeXuS 2023

To become an essential company in a resource circulation society

Medium-term business plan: NeXuS 2023



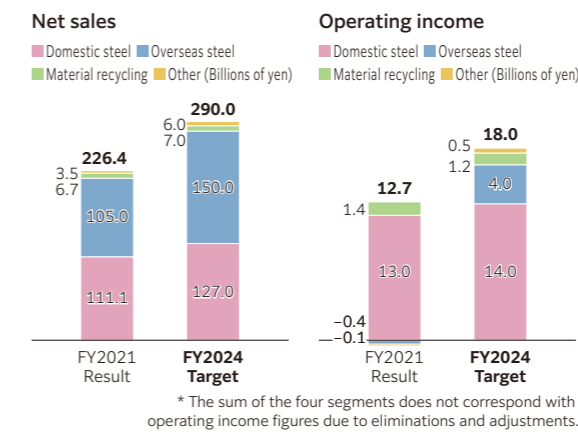
Numerical Targets and Measures to Achieve Them

Numerical targets

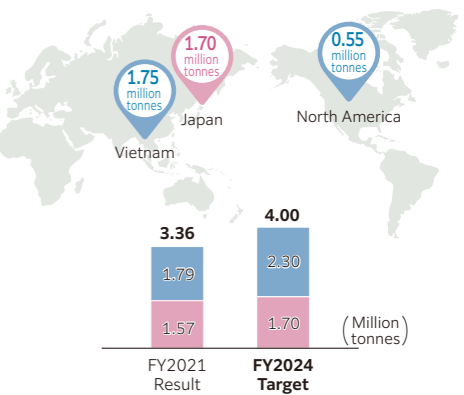
Final targets (KPIs) for FY2024

Net sales	¥290 billion
Operating income	¥18 billion
Shipment volume (million tonnes)	4.0 million tonnes (domestic: 1.7; overseas: 2.3)
ROE	7% or more
ROS	6% or more
Equity to total assets	50% or more
Net debt equity ratio	0.25 times or less
Dividend payout ratio	Approx. 30%

Net sales and operating income by segment



Shipment volumes by area



Specific measures to grow businesses

1 Overseas steel business: Become more profitable and build a base for growth

Strengthen profitability

There is an urgent need for activities to improve the profitability of overseas steel business

Framework for annual shipments of 2.3 million tonnes.

Raise production and sales by improving productivity and increasing equipment capacity

Build a base for growth

Preparing for future expansion of scale using globalization of local economies and niche industries strategy

	Vietnam	North America
Issues	<ul style="list-style-type: none"> Demand is growing but supply capacity is also rising, intensifying competition Our EFs have higher costs than blast furnaces and induction furnaces 	<ul style="list-style-type: none"> We have issues with productivity and safety due to equipment aging and inadequate operation technology Our Company is struggling with mining products due to the significant impact of the COVID-19 pandemic
Measures	<ul style="list-style-type: none"> Strengthening our steelmaking cost competitiveness Integrated management for northern bases Increasing shipment volumes through pricing policies in the southern region 	<ul style="list-style-type: none"> Improving safety, quality and technical level by strengthening cooperation with Kyohei Steel Stable operations and productivity improvement via equipment upgrades
	<ul style="list-style-type: none"> Challenges to development and sales expansion of new sizes and new product/steel types Establishing a system to increase production/sales ⇒ 1.75 million tonnes in Vietnam, 0.55 million tonnes in North America 	

2 Domestic steel business: Become more competitive and upgrade equipment for more progress in the future

Strengthen profitability

Aiming to remain a top rebar manufacturer with 1.7-million-tonne shipments, and striving to improve productivity and sales capabilities, and reduce costs

Upgrading equipment for the future

Considering large-scale capital investment to accommodate aging at each base and to maintain operations in the future

	Domestic
Issues	<ul style="list-style-type: none"> There is excess supply capacity in Japan, where demand is expected to decline Responding to diverse customer needs Factory facilities are aging
Measures	<ul style="list-style-type: none"> Deliveries may be adversely affected by driver shortages or other factors Human resources must be secured and employee safety improved Improving distribution efficiency, e.g., by constructing warehouses Making an aggressive investment to save labor and manpower Proactive actions to reorganize the industry and establish business partnerships
	<ul style="list-style-type: none"> Securing appropriate metal spreads and strengthening cost competitiveness by improving sales capabilities and reviewing business practices Expanding sales of value-added products such as high-strength rebars Considering large-scale investment in equipment upgrades for the future

Medium-term Business Plan: NeXuS 2023

3 Material recycling business and steel-related business: Increase opportunities to earn income

Expanding opportunities for income

We will further enhance opportunities for income in our existing business by increasing our waste treatment capacity, and strengthen our efforts in new steel-related businesses.

	Material recycling business	Steel-related business
Issues	• There are limits to the melting capacity of EAF	• The steel business accounts for a high percentage of sales and profits
Measures	<ul style="list-style-type: none"> Increasing waste treatment capacity Constructing environmentally friendly waste treatment facilities Mergers and acquisitions (M&A) and capital tie-ups Improving difficult-to-treat waste treatment Vehicle-mounted lithium-ion batteries, carbon fibers, asbestos, and other materials for which treatment needs are expected to rise 	<ul style="list-style-type: none"> Strengthening the processed product business, e.g., by expanding sales of high-strength shear reinforcement Developing products to cater for new construction methods Strengthening the profitability of the casting business and port operations Strengthening approaches to new businesses: searching for "business seeds"

ESG initiatives and establishment of a stronger foundation for growth

4 More activities for carbon neutrality and resource circulation

Medium- to long-term goals

To aim for virtually zero CO₂ emissions by 2050

CO₂ emissions by FY2031 Reduced by 50%

(compared with FY2014 at domestic production bases)

CO ₂ emissions reduction	<ul style="list-style-type: none"> Reducing energy intensity Expanding solar panel installations Expanding our tree planting activities (olive tree planting started in August 2021) Use of renewable energy based electricity 	<ul style="list-style-type: none"> Fuel conversion (from heavy oil to LNG)
Zero emissions	<ul style="list-style-type: none"> Zero emissions of steelmaking byproducts Effective use of slag, and developing applications for it (jointly with external organizations) 	
Other measures	<ul style="list-style-type: none"> Information disclosure based on TCFD recommendations 	

5 More activities that produce benefits for all stakeholders

Employees	We aim for zero occupational injuries and strive to establish a safe and pleasant workplace environment. We aim to improve our employees' welfare, and are working on "health management." We aim to establish a workplace environment where female employees can take an active role.	Customers	We work to strengthen quality control, and to respond to new structural methods as requested by customers.
Shareholders / investors	We work to improve disclosure of information, including non-financial information. We intend to make our Group management strategies consistent with the expectations of our investors, through active dialogue with them.	Business partners	We work to strengthen our supply chain to ensure stable procurement of raw and auxiliary materials, and to establish business continuity management (BCM).
		Local communities	We continue donations with respect to community issues such as medical care, the environment, education and culture.

6 Strengthen management framework of the Group

Fairer and more sincere corporate activities

- Strengthening and improving risk management and internal audits
- Strengthening information security systems and IT audits
- Improving compliance education

Promoting digital transformation (DX)

- Transforming sales operations through mission-critical system standardization
- Paperless and adoption of robotic process automation (RPA) for routine tasks
- Promotion of the Smart Factory: improving operational efficiency and labor savings through best use of digital technologies

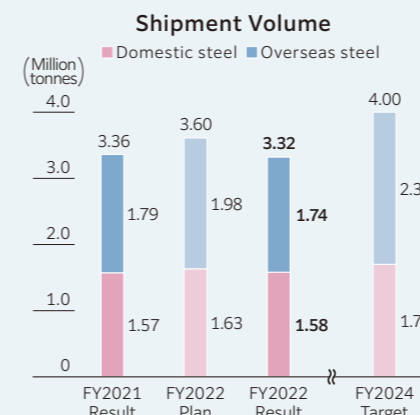
Measures to strengthen our financial base

- Diversifying financing, e.g., by issuing corporate bonds
- Adhering to financial discipline to maintain our "A" rating

Looking Back on the First Year of NeXuS 2023

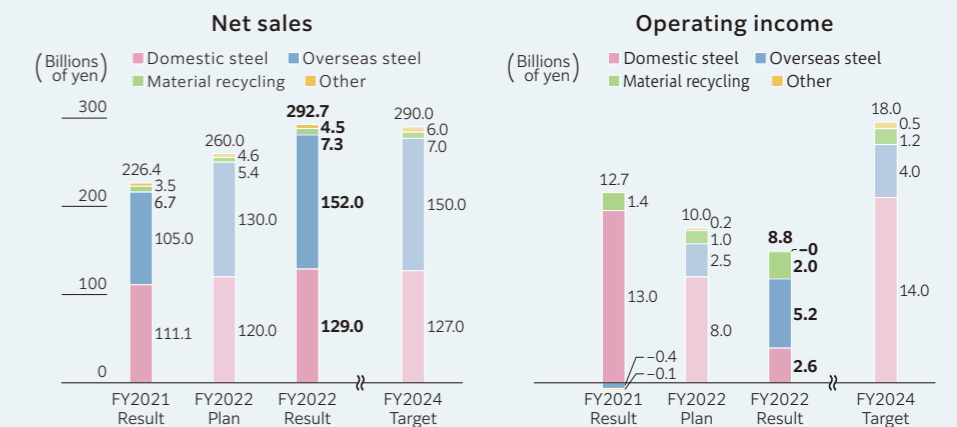
Numerical targets

Although we were unable to reach our domestic and overseas shipment volume targets due to the prolonging of the COVID-19 pandemic and other factors in FY2022, sales and operating income surpassed the targets set forth in the medium-term business plan. However, an increase in working capital saw equity to total assets and net debt equity ratios, among others, fall short of the targets set for the first fiscal year of the plan.



	FY2022		FY2024 Medium-term business plan
	Medium-term business plan	Result	
Net sales	¥260.0 billion	¥292.7 billion	¥290.0 billion
Operating income	¥10.0 billion	¥8.8 billion	¥18.0 billion
Shipment volume (Million tonnes)	3.60	3.32	4.00
(Domestic)	1.63	1.58	1.70
(Overseas)	1.98	1.74	2.30
ROS (Return on sales)	3.8%	3.0%	6% or more
ROE (Return on equity)	4.0%	4.0%	7% or more
Equity to total assets	53.3%	51.9%	50% or more
Net debt equity ratio	0.09 times	0.27 times	0.25 times or less
Dividend payout ratio	29.0%	27.5%	Approx. 30%
Capital investment and business investment	¥13.0 billion	¥13.0 billion	¥60.0 billion over 3 years

In terms of sales, owing to the rising price of steel products both in Japan and overseas and an increase in high unit price orders received in the material recycling business, among other factors, we achieved the target set for the first fiscal year of the plan. However, despite operating income at the overseas steel business and material recycling business greatly surpassing first fiscal year targets, increases in raw materials and manufacturing costs at the domestic steel business, and other factors saw profit levels fall far short of the target, and as a result operating income was 1.2 billion yen under overall.



Strengthening foundations to support ESG initiatives and growth

- We are continuing with actions based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and calculated the financial impact and amount of domestic Scope 3 CO₂ emissions using scenario analysis. → p.35-41
- We were certified by the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program for FY2022. → p.44

- We have established a governance system to deal with sustainability issues, and are continuing with initiatives across all committees. → p.27-28
- We maintained our Credit Rating of A, and in June 2021, issued our 1st naked debenture of 10 billion yen. → p.25-26

Special Feature

Execute Globalization of Local Economies and Niche Industries Strategy with Global Tripolar Structure

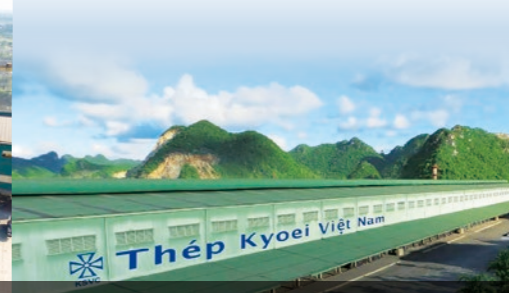
50 years ago, the de facto founder of the Group Koichi Takashima advocated that for the EAF industry, the regional mini-mill concept should be a business rooted in the local community in terms of both supply and demand, whether in Japan or overseas.

The globalization of local economies and niche industries strategy is based on this concept and is currently operated through the steel business in the tripolar structure of Japan, Vietnam, and North America.

By operating a local production for local consumption business in three areas with different markets, we are able to pursue autonomous and dispersed management and enhance the corporate value of our entire Group.



Vietnam-Italy Steel JSC
Hai Phong, Hung Yen Province, Vietnam (Acquired 2018)



Kyoiei Steel Vietnam Co., Ltd.
Ninh Binh Province, Vietnam (Acquired and established 2011)



AltaSteel Inc.
Alberta, Canada (Acquired 2020)



Vina Kyoiei Steel Co., Ltd.
Ba Ria-Vung Tau Province, Vietnam (Established 1994)



Vinton Steel LLC
Texas, USA (Acquired 2016)

What is the globalization of local economies and niche industries strategy?

A strategy to operate the EAF business, a local production for local consumption business, in areas with robust demand, aim to enhance corporate value by utilizing strengths in each region, and maximize the power of the Kyoiei Steel Group.



future. While maintaining the No. 1 share of the rebar market in Japan, We aim to capture growing demand overseas and grow the overall Group.

To achieve this, we are making large-scale capital expenditures to

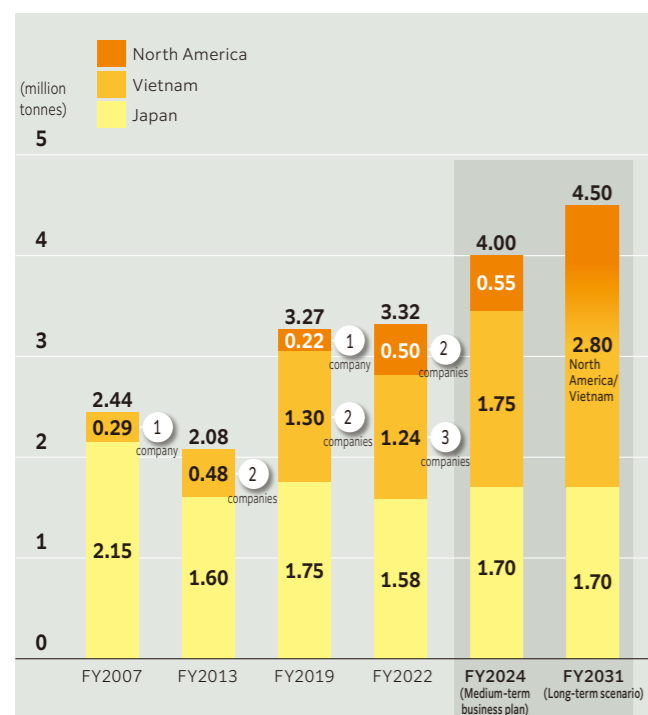
reinforce production capabilities in Vietnam and Canada to establish a system that can achieve four million tonnes in product shipment volume in the tripolar structure.

→ p.31-32

Aspect as driver in growth strategy

Invest in areas that can be expected to see greater demand and produce raw materials, and secure the fruits of growth

Production volume in tripolar structure



The EAF business, the core of the Group, is a business based on local production for local consumption that sells steel products manufactured with steel scrap generated in that region, primarily to that region. Under the regional mini-mill concept, the Company places business hubs in high-demand areas and conducts the steel business rooted in the region itself. Based on this same concept, in the globalization of local economies and niche industries the Company holds competitive mini-mills (EAF plants) in areas near high-demand regions overseas, and aims to enhance corporate value by tapping into the strengths of each region.

In the last decade, the Company has positioned the overseas steel business as one of the main important businesses in its growth strategy and has proactively made investments. Since entering Vietnam in 1994 (establishing Vina Kyoiei Steel Co., Ltd.), this was the only overseas hub for many years. However, in 2016, the Company purchased a North American hub (Vinton Steel LLC) and established the global tripolar structure in Japan, Vietnam, and North America. In 2020, we also acquired a hub in Canada (AltaSteel Inc.) to further strengthen this structure.

Vietnam remains a growing nation and demand for structural steel, in particular rebar, has grown significantly, up 1.7 times from 2010. While the competitive environment is hard, demand for steel is expected to grow along with economic growth. On the other hand, North America is a mature market with developed nations and population growth, where stable demand is still expected into the

Contributes to dispersing revenue fluctuation risks caused by inflation of steel scrap prices

Covers higher costs in international markets by raising product prices based on local demand

Because the manufacturing costs of main raw materials make up a large percentage of expenses in the steel business, the gap between the product price and main raw material price (metal spread) is an important management indicator.

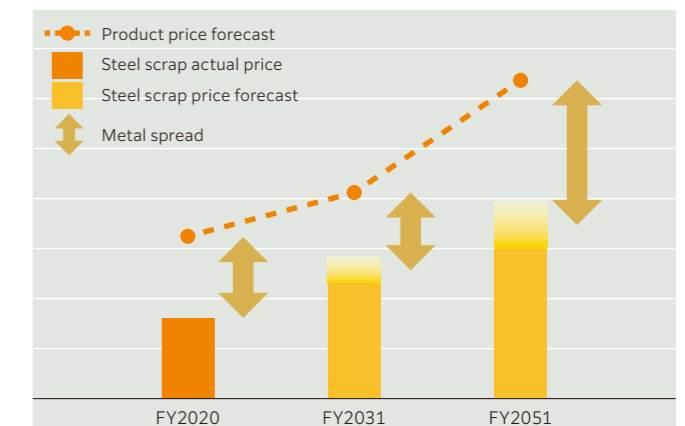
The blast furnace method uses coke to turn iron ore (oxidized iron) into iron. EAFs that mainly use steel scrap from manufactured steel products that have fulfilled their purpose produce one-seventh the CO₂ emissions of blast furnaces and converters that use iron ore as a main material (compared to as achieved by Kyoiei Steel Group). In the coming carbon neutral society, demand for steel scrap will rise as converters will mix steel scrap into molten iron and the entire process shifts from blast furnaces to EAFs, causing inflated prices for the resource. In the case of higher crude steel costs resulting from shifting the process that uses iron ore as a main material to CO₂ capture, utilization and storage (CCUS) and direct reduced iron (DRI) that utilizes natural gas and hydrogen, steel scrap prices are predicted to rise in accordance with the price of DRI.

In an environment with sudden and steep greenflation—the increase in cost of goods due to the transition to the green economy, the Company will need to raise product prices according to local demand to absorb higher costs from inflation of steel scrap in the international market in order to secure a profit.

By covering delays in product price increases in areas with low demand with product price increases in areas with high demand,

the globalization of local economies and niche industries strategy contributes to the dispersion of revenue fluctuation risks.

Metal spread of tripolar structure



- Evolution of decarbonization technology in processing, using iron ore as its main material
- Steel scrap price inflation in accordance with the price of DRI
- Pass higher costs to product prices in global tripolar structure

* Company analysis based on IEA/Iron and Steel Technology Roadmap

Message from the Financial Director



We will aim for medium- to long-term corporate value enhancement while striving to maintain a stable and healthy financial foundation that can respond flexibly with continuous growth investments

Hiroshi Kunimaru
Board Director & Executive Managing Officer

FY2022 results and FY2023 outlook

In FY2022, the mainstay domestic steel business faced a very harsh business environment due to the COVID-19 pandemic and the impact of inflated steel scrap costs resulting from efforts toward carbon neutrality. However, the overseas steel business and material recycling business recorded significant profit increases. In particular, investments in the overseas steel business that have been a focus in recent years are producing results, in part absorbing the fall in profit in the domestic steel business, which faced a harsh business environment.

In the FY2023 business outlook, we forecast year-over-year increases in revenue and profit despite an unclear future, including the prolonging of the Ukraine conflict, inflation from more expensive resources, and concerns of a slowdown of the economy. We will respond flexibly to environmental changes in and outside of Japan and take efforts to secure profits.

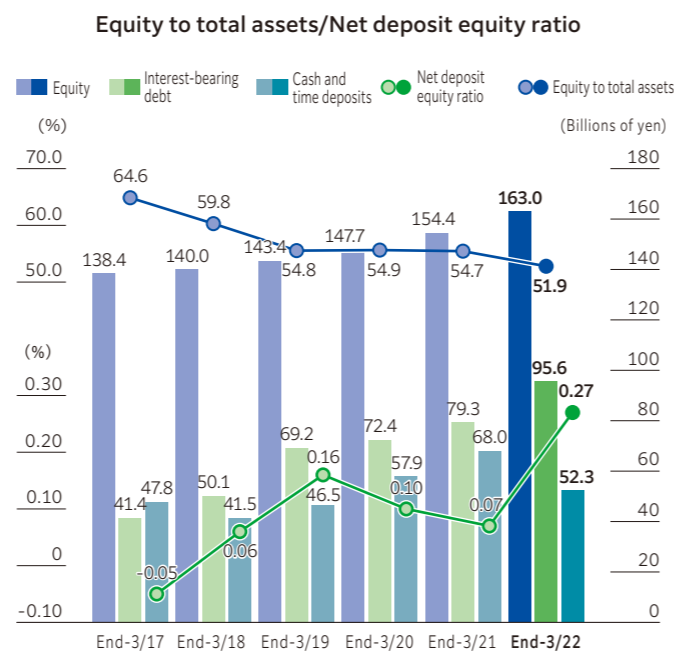
Basic thinking on financial strategy

The basic thinking on the Group financial strategy is to “maintain a stable and healthy financial foundation that can respond flexibly with continuous growth investments in order to achieve medium- to long-term corporate value enhancement.” In the medium-term business plan NeXuS 2023, we target financial discipline of net debt equity ratio of 0.25x or less as the scope to maintain financial health, as well as 50% or higher equity to total assets as the standard for optimal financial leverage.

At end-FY2022, the shareholders’ equity to total asset ratio was over 50% (51.9%); however, net debt equity ratio was 0.27x, below the target level. At end-FY2023, we expect to lower equity to total assets

and net debt equity ratio by increasing the operating capital through the impact of greenflation. We will continue to strive to improve capital efficiency on a global basis.

The main capital demands of the Group are the operating capital required for business activities, investment capital for renewing production facilities, and strategic business investment capital. This capital demand is covered by cash on hand and cash flow from operations. However, we will procure capital from issuing bonds and using debt when necessary. Also, we have secured registered 30 billion yen in corporate bonds that can be used for more nimble fundraising.



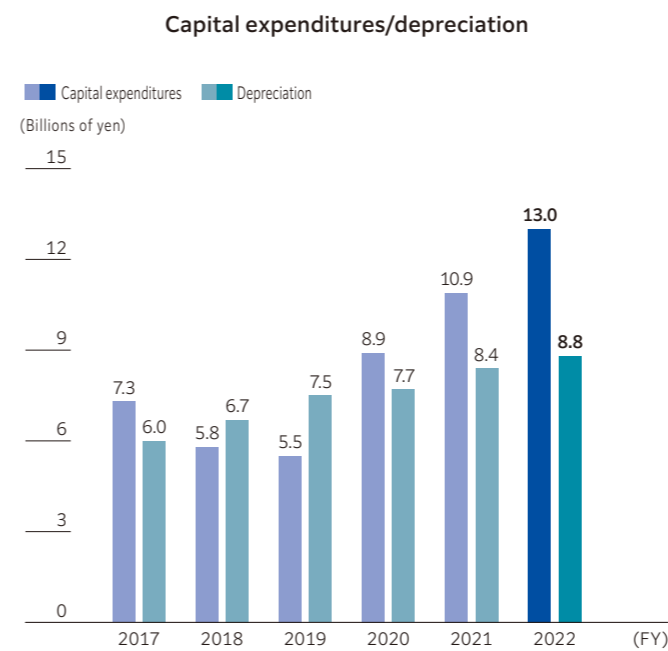
We also prepared against capital fluctuation risks by signing contracts for a total of 19.5 billion yen in commitment lines and overdraft contracts with financial institutions.

In order to boost the health and transparency of the financial foundation and make it possible to achieve nimble capital procurement that responds to changes in the business environment, we have obtained a credit rating from Japan Credit Rating Agency, Ltd. of A- (Outlook: Stable) at end-FY2022.

Capital expenditures and business investments

As the Group makes capital expenditures and business investments to enhance medium- to long-term corporate value and sustainable growth, we verify the investment efficiency and profitability from multiple angles while remaining conscious of capital costs when considering large-scale capital expenditures and company acquisitions in particular. After completing a capital expenditure or business investment, we continuously monitor those effects.

In the medium-term business plan NeXuS 2023, Kyohei Steel plans to invest 60 billion yen over three years from FY2022 for capital expenditures and business investments. While looking closely at the balance in and outside Japan, we will make strategic investments to increase production, sales, and tap into new businesses, make investments to maintain and update facilities to strengthen the competitiveness of existing businesses, and invest in environmental measures and workplace environment improvements. In FY2022, within Japan we invested 8.7 billion yen to renovate and update production facilities that aim to maintain, update, and streamline existing steel production facilities as well as construct warehouses that aim to strengthen the logistics structure, reduce



labor, and implement safety measures. Overseas, we invested 4.2 billion yen, primarily for the maintenance, update, and streamlining of production facilities in the US and Canada. In total, the Company invested 13 billion yen in capital expenditures.

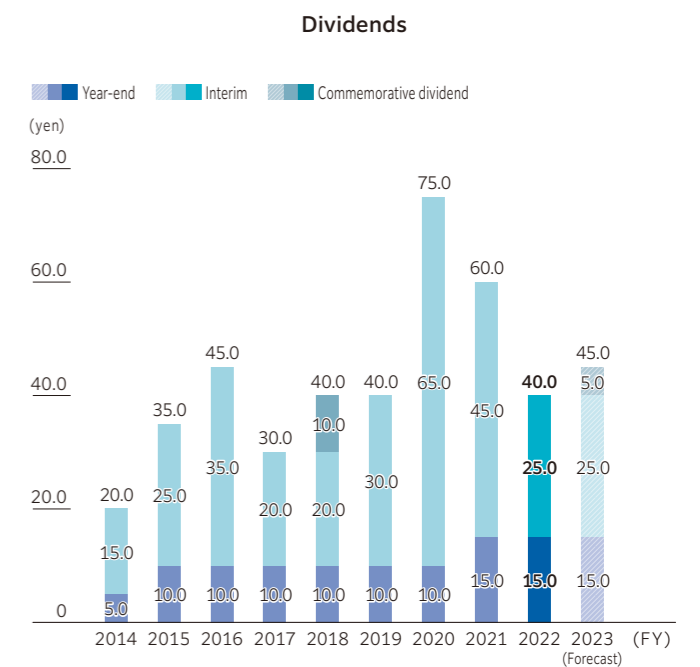
In FY2023, it has been approved for the Company to invest 9.8 billion yen, primarily to maintain and update production facilities as well as construct offices and welfare facilities in Japan, and 23.2 billion yen to strengthen production capabilities centered around Vietnam and Canada. In total, the Company plans to invest 33 billion yen.

Return to shareholders

The Company believes that enhancing medium-to long-term corporate value through business activities provides the greatest return to shareholders. We maintain a policy of securing internal reserves needed to invest in sustainable growth while performing stable return to shareholders based on result. Specifically, we aim for 25-30% consolidated payout ratio each year and at least 30 yen per share in yearly dividends.

In FY2022, we distributed a yearly dividend of 40 yen per share. In FY2023, we forecast a full-year dividend of 45 yen per share. Of this, five yen is a commemorative dividend to celebrate the 75th anniversary of the founding of the Company.

Kyohei Steel will continue to take on challenges as we aim for our 100th anniversary. It is my job to support this from the financial side. I would like to realize both a healthy financial foundation as well as initiatives for growth to achieve the vision of the next-generation Kyohei Steel Group.



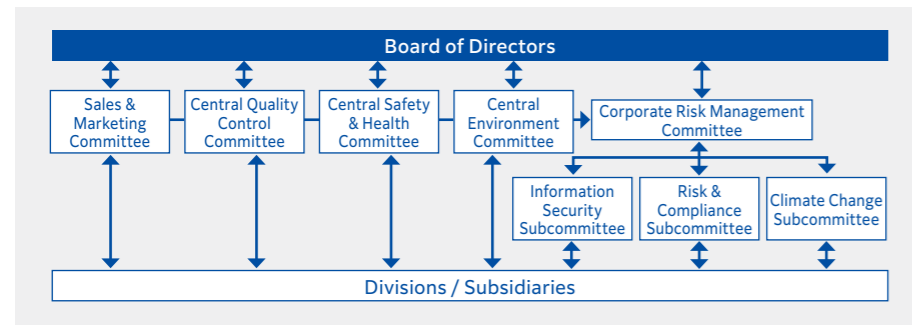
Response to Sustainability Issues

Sustainability policy

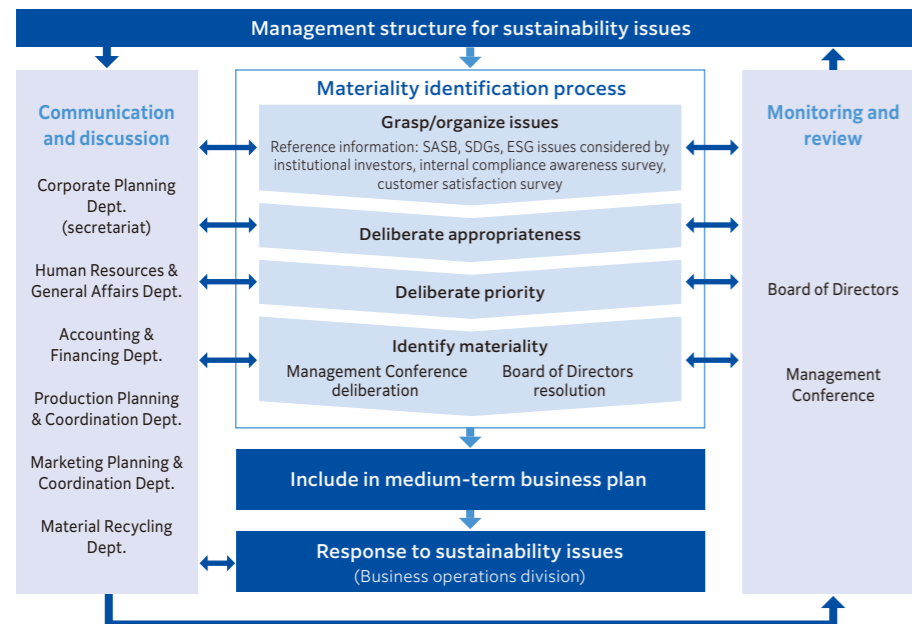
Challenges for the future

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.

Governance system related to sustainability issues



Management process related to sustainability issues



In the medium-term business plan "NeXuS 2023" that started in FY2022, we established the KPI and specific initiatives for materiality (material issues) identified from the perspective of stakeholders and the Group. In order to achieve this KPI, the Company established a company-wide management structure, each business operations division handled their issues through discussions in each committee, and we accelerated initiatives. Also, the Board of Directors receives a report once a year and monitors the initiatives for materiality. In FY2023, the Company reconfirmed its materiality using the SASB materiality map to determine whether this information was important to investors in making investment decisions. As a result, while there were no changes to the materiality from FY2021, "disclosure of NOx, SOx emissions" and "disclosure of purchase volume of industrial water and comprehensive wastewater volume" were added to specific initiatives based on the need to manage air quality and drawn water/wastewater.

Materiality (material issues)

		Relation with SASB	KPI in NeXuS 2023	Concrete measures	Relevant SDGs	Details
	For a comfortable and safe society	<ul style="list-style-type: none"> ● Access and reasonable price ● Impact on life cycle of products and services 	<ul style="list-style-type: none"> ● Net sales: ¥290 billion ● Operating income: ¥18 billion ● Shipment volume: 4.0 million tonnes (domestic: 1.7 million tonnes; overseas: 2.3 million tonnes) 	<ul style="list-style-type: none"> ● [Domestic steelmaking] Sales promotion of value-added products and capital investment to respond to aging, save labor and human resources, and improve distribution efficiency ● [Overseas steelmaking] Establishment of production/sales increase structure through large-scale investment ● [Material recycling] Improvement of treatment for difficult-to-treat waste, and increase of waste treatment capacity ● [Peripheral steel businesses] Strengthening of processed product business and new businesses 	 	→p.29-34
	Toward a beautiful global environment	<ul style="list-style-type: none"> ● GHG emissions volume ● Air quality ● Water and wastewater management ● Management of waste materials and harmful substances ● Management of biodiversity 	<ul style="list-style-type: none"> ● Reduction of CO₂ emissions by 50% from FY2014 by FY2031 ● Improvement of energy intensity by 1.0% per year ● No byproducts to be disposed of in landfill 	<ul style="list-style-type: none"> ● Measures to reduce CO₂ emissions <ul style="list-style-type: none"> - Promotion of energy saving and fuel conversion within each division - Photovoltaic power generation and self-consumption - Planting olive trees ● Information disclosure based on TCFD recommendations ● Making effective use of slag ● Disclosure of NO_x, SO_x emissions (added) ● Disclosure of purchase volume of industrial water and comprehensive wastewater volume (added) 	 	→p.35-42
	To meet the expectations of everyone who creates value along with us	<ul style="list-style-type: none"> ● Product quality/product safety ● Sales customs/product display 		<ul style="list-style-type: none"> ● Reform of sales operations (mission-critical system standardization) ● Development and sales of new Color Angle (Eco74) product ● Development and sales of high-strength shear reinforcement bars ● Acquisition of Ecoleaf EPD ● Research on waste treatment according to the needs of the source of emissions 	 	→p.43
	Toward safer and more comfortable workplaces	<ul style="list-style-type: none"> ● Safety and health of employees ● Employee engagement, diversity, and inclusion 	<ul style="list-style-type: none"> ● No occupational injury ● Acquisition of Health and Productivity Management Organization certification ● 11% of female employees in general management positions (in FY2024) ● Paid leave rate (in FY2024): 70% for managers and employees in general management positions 85% for production engineers and general office workers 	<ul style="list-style-type: none"> ● Introduction of forefurnace temperature sampling robots ● Automation control of gunning repair according to the wear amount on the refractory of the EAF ● Reduction of slinging by introducing a new automated warehouse ● Implementation of a health campaign ● Implementation of health seminars for managers and female employees ● Consideration of establishing new offices, welfare buildings and training/research facilities ● Certified as Health and Productivity Management Organization certification 	 	→p.43-44
	To contribute as a member of the community		<ul style="list-style-type: none"> ● Total amount of donations: Approx. 0.5% of nonconsolidated net income 	<ul style="list-style-type: none"> ● Continuation of donations through regional social foundations, MESSCUD Medical Safety Fund and other organizations ● Participation in regional activities of each division and company ● Support for local events ● Joint disaster drills with local governments, etc. 		→p.44
	Toward fairer and more sincere corporate activities	<ul style="list-style-type: none"> ● Major incident risk management 	<ul style="list-style-type: none"> ● To be continuously listed in the new market segment (Prime Market) of the Tokyo Stock Exchange 	<ul style="list-style-type: none"> ● Functional enhancement of the board of directors: increasing the numbers of external and female directors, and disclosing the skills matrix ● Response to the revised Corporate Governance Code: strengthening the risk management system and reviewing the committee 		→p.45-50



For a Comfortable and Safe Society

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.



Domestic Steel Business

Business environment

The demand for steel construction products in Japan is expected to structurally shrink along with the decline in population. However, steel rebar, a mainstay product of the Group, is an important steel product in supporting the social infrastructure. Therefore, demand itself will not vanish completely. Also, steel scrap is a precious resource in Japan, which is one of the world leaders in accumulated steel volume (FY2021: approximately 1.4 billion tonnes). Recycling this resource in Japan is an important role of a steel manufacturer.

- Due to the recent trend in reducing CO₂ emissions, steel manufacturers using blast furnaces have shifted to using EAFs to produce steel products. The supply of steel scrap, primarily high-quality scrap with low impurity, is expected to be tight against demand.
- Facing the current global circumstances, the energy costs for electricity and fuel have been inflated.
- While the demand for steel rebar is expected to decline, there will be excess supply capacity for steel manufacturers producing rebar with EAFs. A hard business environment is expected in the medium to long term, when some companies will not survive.

Characteristics of business

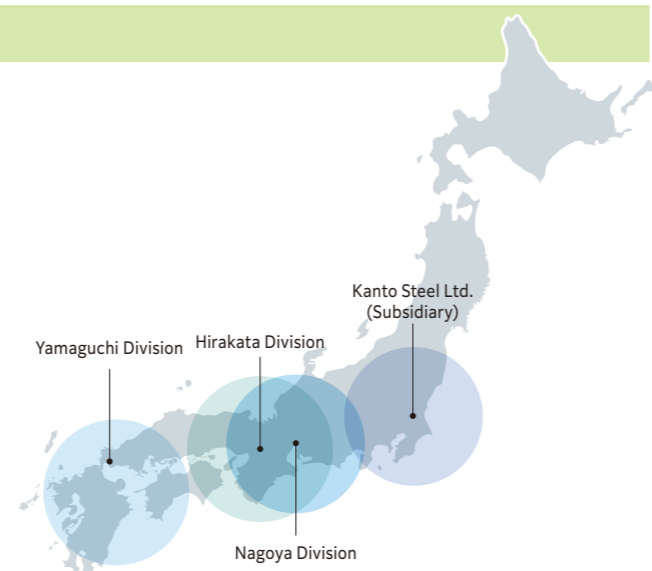
This resource circulation business melts down steel scrap using an EAF to produce new steel products. The Company boasts the top share in Japan in terms of production volume of its mainstay product of concrete reinforcing steel bars, which are essential in social infrastructure, such as buildings, apartments, 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
 - Possible to speedily deploy a business strategy that utilizes sales and purchasing information in each area
 - Possible to speed up technological capabilities enhancement by horizontal deployment of technology information
 - 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.
- Operational technology that can achieve stable production of steel products that fulfill standards from low-quality steel scrap

[Opportunities]

- Steelmaking business using EAFs expands through demands of global carbon neutrality and the circular economy
- Demand continues for steel materials for construction (steel rebar) as there are few replacements due to price and supply of resources
- Generation of steel scrap (raw materials) continues thanks to abundant iron reserves



[Risks and challenges]

- Reduced demand in medium to long term
- Increase in steel scrap prices due to trends in CO₂ emissions reduction; potential procurement issues
- Response to new construction methods
- Difficulty in securing labor due to primary operations times at night or on weekends
- Wear and deterioration of factory facilities

Growth strategy

It is predicted that the demand for steel rebar will decline in Japan in the medium to long term. However, we will maintain a structure at four bases in Japan, the core of the Group, to achieve 1.7 million tonnes in product shipment volume as we lead the industry with the No. 1 share

for steel rebar manufacturers. We will establish an advantage over other competitors through manufacturing and sales initiatives and survive this coming period of natural selection.

Initiatives in medium-term business plan

Because many of the bases in Japan have been operating for over 40 years, we will take measures against their deterioration, proactively make capital expenditures for workplace environment facilities so that employees engaged in production can maximize their abilities, and strengthen our competitiveness. Also, to reduce manufacturing costs and increase employee safety, we will introduce AI/IoT, cut energy in operations through robots (energy saving), and cut down on labor. In terms of sales, we will continue to take the lead as a top

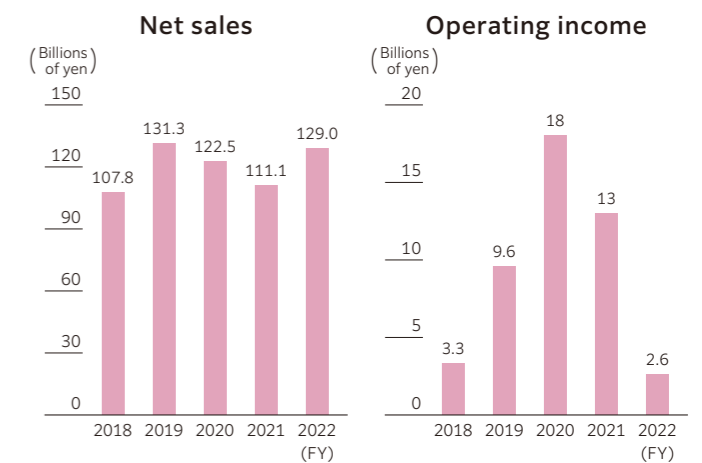
manufacturer to revise business practices in the industry to reduce market fluctuation risks, including raw material prices. We will aim for operations reforms, including increasing convenience of customers, through a project to construct a core business system that began in 2018. In addition, we are proactively engaged in new businesses based on customer needs, such as processed goods businesses, as we take on the challenge of diversifying business.

Progress in medium-term business plan

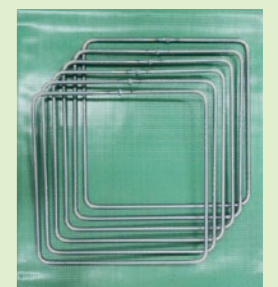
In FY2022, while construction demand was stagnant due to the impact of COVID-19, product shipment volume (including exports) was 1.58 million tonnes, slightly up year-over-year. On the other hand, the price of steel scrap trended up throughout the year due to global iron shortages and the effects of carbon neutrality, leading to a 77% year-over-year rise. The Group strove to raise product prices, but could only raise them 28% year-over-year. This was unable to absorb the increase in steel scrap prices during this fiscal year, leading to a significant reduction in the gap between purchase/sales prices (difference in product price and raw materials price), which is its source of profit. In addition, the cost of secondary materials, such as electricity, fuel, and ferroalloys rose significantly in the second half of this fiscal year. Impacted by this and the rising manufacturing costs, we significantly lowered targets for the first year of the medium-term business plan.

In terms of specific initiatives, we operated a new warehouse with an automated system at the Hirakata Division, implemented a forefurnace temperature sampling robot at the Yamaguchi Division and Kanto Steel Ltd., streamlined and improved efficiency at manufacturing sites, and constructed new offices and welfare wings at multiple sites. Also, the

high-strength shear reinforcement Kyoei Ring 685 sold by a group company in April 2021 exceeded sales targets for its first year, demonstrating a strong start.



New warehouse at Hirakata Division (began operation in July 2021)



High-strength shear reinforcement bars Kyoei Ring 685 (Launched April 2021)



Overseas Steel Business

Business environment

[Vietnam]

- ▶ The economy continues to expand due to factors such as population growth, and this is expected to drive demand for steel material required for building infrastructures and homes.
- ▶ Even so, we find ourselves faced with difficult competition due to increased investment by competitors aimed at meeting this increased demand.
- ▶ Vietnam relies on imports for 70% of its steel scrap, and so material costs are largely controlled by international market conditions. However, economic growth is expected to boost the amount of scrap produced domestically.

- ▶ Stricter environmental regulations may actually provide opportunities for EAFs, which are better for the environment than blast furnaces.

[North America]

- ▶ Demand for construction steel materials is expected to remain stable in developed nations such as the US and Canada, due to their stable economies.
- ▶ The US has seen enthusiastic investment in new EAFs, which plan to go into operation by 2023. There are concerns that prices may remain high within the US due to tightening supply and demand for steel scrap.

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 bases 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 hedge 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

We will continue to expand local production for local consumption firmly rooted in local communities, based on our globalization of local economies and niche industries strategy mainly in North America and Asia, where we can expect demand and profits to grow. We will promote localization with a focus on the unique characteristics of each region and company, and build a territorially distributed management

structure. We will then make capital investments in order to increase production and sales, with the goal of further increasing profit through scaling up (increasing shipment volume). We will continue to monitor demand for steel within Japan, while aiming to further expand our overseas steel business.

Initiatives in medium-term business plan

We will further strengthen cooperation between sites in Japan and overseas in order to stabilize profitability and will expand Japanese operation technologies overseas, in order to improve the level of safety, quality, and technology, and to enhance profitability by improving safe operations and productivity.

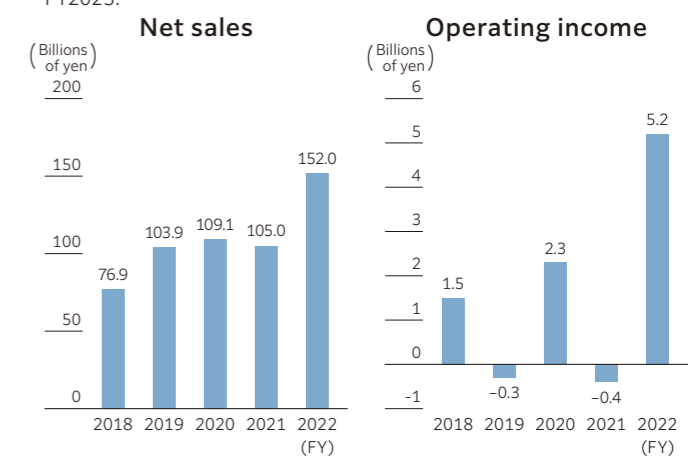
We aim to build a framework capable of shipping 2.3 million tonnes of products from overseas sites during FY2024, by enhancing our business foundation in Vietnam and North America. Toward that end, we continue to plan to invest in enhancing production capability in Vietnam and Canada.

Progress in medium-term business plan

In Vietnam, the wider gap in purchase prices caused by a rapid increase in product prices generated favorable business results for the first half of this fiscal year. However, the COVID-19 pandemic forced us into a difficult business situation during the second half. Even so, we reached record profitability for all Vietnam sites throughout this fiscal year. We also acquired additional stock in Vietnam-Italy Steel (VIS) JSC, with the goal of accelerating decision-making there and enhancing cooperation between our bases in northern Vietnam. Our hold of shares increased from 73.8% to 98.0%.

As for North America, demand for construction steel materials and mining products remained vigorous throughout the year in both the US and Canada, and we made improvements to our production equipment. These factors allowed us to increase product shipments, significantly improving business results. Both countries were able to emerge from stagnation in economic activities due to the spread of COVID-19, resulting in excellent business conditions and record profit across our North American bases overall. Our overseas steel business was able to exceed targets for the final fiscal year of our medium-term business plan.

Although we aimed to start operating sites in Vietnam and Canada during the medium-term business plan period, plans to invest in increasing production capability at these sites were delayed due to factors including COVID-19. We now plan to start operation during FY2025.



Overview of investments to increase production capability in Vietnam and Canada



VIS JSC

We plan to construct a new steel rolling plant for Vietnam-Italy Steel (VIS) JSC with an annual production capability of 500,000 tonnes next to the steel plant in Hai Phong, for a combined annual production of 800,000 tonnes, in order to reduce manufacturing costs and increase our share of the Vietnamese market. We will invest a total of 80 million dollars in this project.



AltaSteel Inc.

There are currently no manufacturers producing fine rebar in Canada, so we plan to add a new rolling line for AltaSteel Inc. in Canada with an annual production of 100,000 tonnes to produce this product, for a combined annual production of 360,000 tonnes. We will invest a total of 110 million Canadian dollars in this project.



Material Recycling Business

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 Kyohei 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 carbon fiber and 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 of 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, carbon fiber, and vehicle-mounted lithium-ion batteries
- We are also expanding into the business of treating waste using gasification furnaces

[Opportunities]

- There will continue to be a need for treating difficult-to-treat waste material
- The effective resource utilization market is expanding

[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 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 higher level of quality as a resource circulation business.

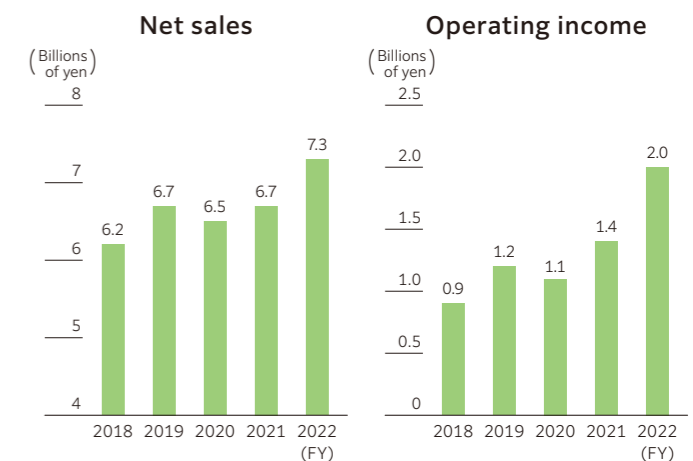
Initiatives in medium-term business plan

EAF melting is limited by the amount of steel produced, and so it would be difficult to increase waste treatment capabilities. We continue to construct environmentally friendly treatment facilities and actively consider collaborations with other companies, with the goal of increasing treatment capabilities. Meanwhile, we will leverage

our unique strengths in EAF melting as we focus on receiving orders to treat waste outside of the medical waste field that is both difficult and expensive to treat (such as asbestos, carbon fiber, and vehicle-mounted lithium-ion batteries), and will continue to maintain a high level of quality and reliability.

Progress in medium-term business plan

Since closing Osaka Plant (a site involved in treating medical waste) in 2016, we had focused on efforts such as reorganizing business within the Group and aggregating business functions within the Head Office's Material Recycling Department, in an attempt to strengthen business capabilities. As a result of these efforts, we were able to increase the number of orders received to treat waste that is both difficult and expensive to treat and obtain new orders to treat medical waste related to COVID-19 during FY2022, resulting in our third-highest operating profit since the Company was taken public in 2006. We have also seen a record profit of two billion yen after closing Osaka Plant, and were able to exceed targets for the final fiscal year of our medium-term business plan.



Crusher (shredding machine)



Medical waste collection



Gasification furnace



Small home appliance recycling (at our recycling workshop, Rainbow)



Toward a Beautiful Global Environment

The Group will not only reduce greenhouse gases and byproducts produced by the Group, but will contribute to realizing a society that has less impact on the environment by recycling some of the waste generated by society.

Actions Based on TCFD recommendations



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 2°C or lower and 4°C scenarios.

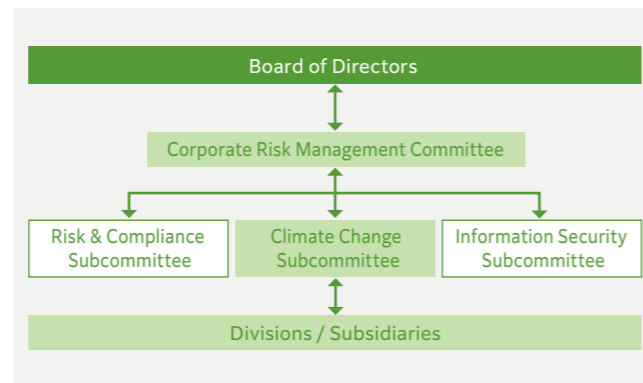
What is the TCFD?

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	Risk Management	Strategy	Metrics and targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose how the organization identifies, assesses, and manages climate-related risks	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	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Governance

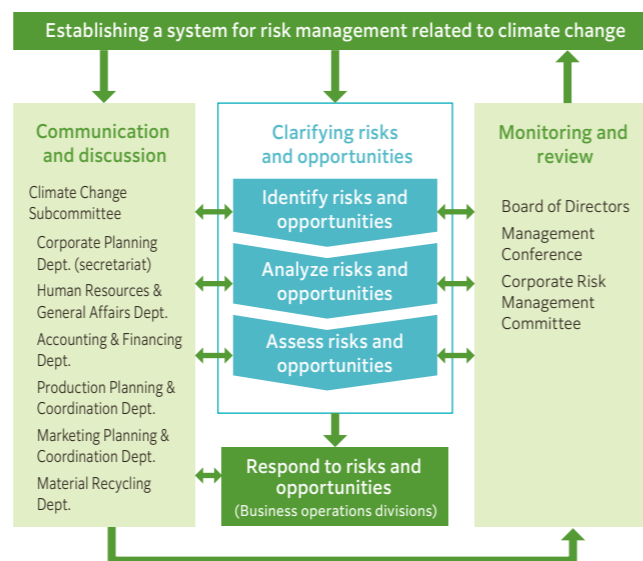
We have established a Corporate Risk Management Committee (CRMC), chaired by our president. We have also set up various subcommittees, including a Risk & Compliance Subcommittee and a Climate Change Subcommittee, which report to the CRMC. We have created a system that allows us to assess and evaluate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

- 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.
- The Climate Change Subcommittee formulates policies and action plans pertaining to risk management related to climate change for the Group.
- Business operations divisions take appropriate actions, which may include risk avoidance, risk reduction or relocation, in accordance with the plans.
- The Climate Change Subcommittee reports the effects and results of risk management to the CRMC at regular intervals.



Strategy

Defining scenarios

With reference to SSP1-2.6 and SSP5-8.5—two of the five scenarios identified in the Sixth Assessment Report of the IPCC* corresponding to, respectively, 2°C or lower 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.

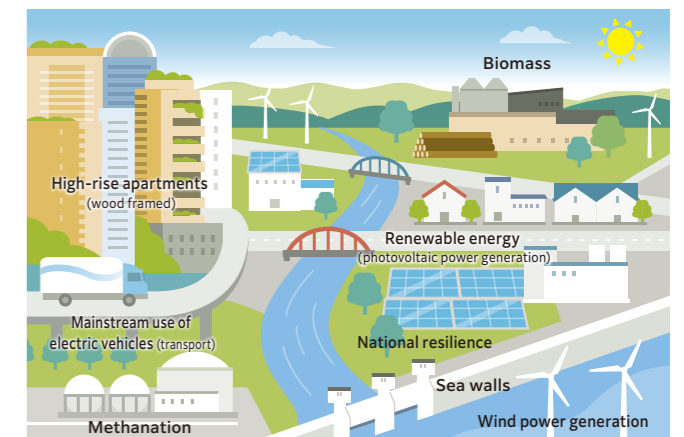
* IPCC: Intergovernmental Panel on Climate Change

	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

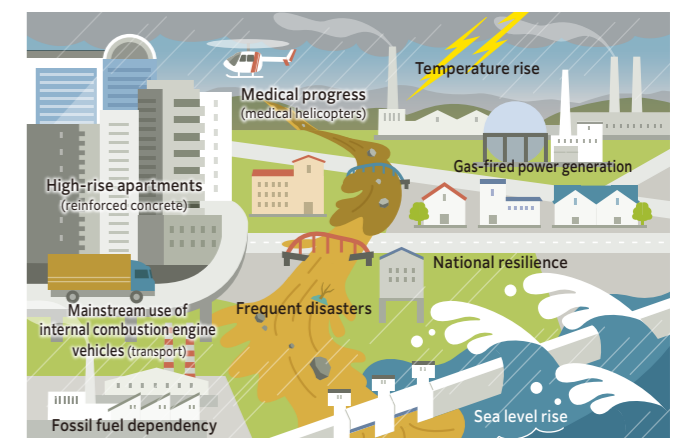
[2°C or lower scenario] Decarbonization progresses as demanded by society and by government regulations to mitigate climate change

- 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 1.3 to 2.2°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.



Scenario analysis

We evaluated the risks and opportunities for the Group under the 2°C or lower and 4°C scenarios according to their potential impact (major/medium/minor) on our company in the near, medium, and long terms. We then organized the 15 risks and opportunities for the 2°C or lower scenario and 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.

		Important risks and opportunities	Countermeasures in NeXuS 2023
2°C or lower	Transition risks	Political 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 a Promotion of Measures to Cope with Global Warming Law (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	Carbon costs • Promoting energy savings • Promoting transition from heavy oil and kerosene to city gas and LNG 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 (4) Competition and prices for steel scrap and electrodes increase due to a transition from BFs to EAFs in steel production	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 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 (8) Sales opportunities are lost due to failure to fulfill decarbonization requirements in value chains	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 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 • Increasing waste treatment capacity by installing new facilities • 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	

		Important risks and opportunities	Countermeasures in NeXuS 2023
4°C	Transition risks	Political 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
		Acute risks 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 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 • Increasing waste treatment capacity by installing new facilities • Continued consideration of overseas site acquisitions	

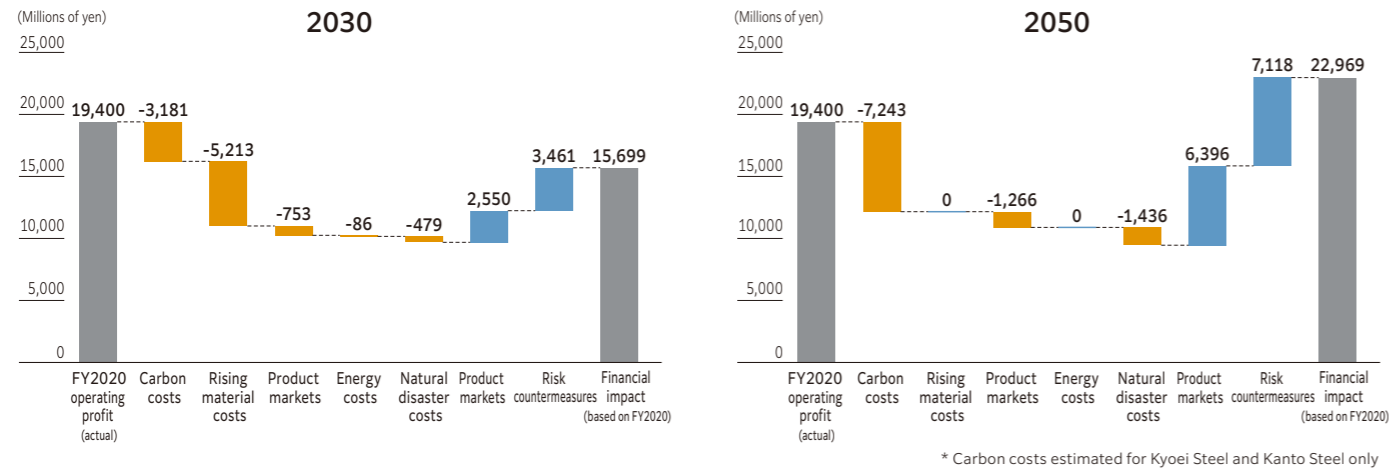
[Reference]
 ● IEA, World Energy Outlook (2020) (hereinafter IEA/WEO 2020)
 ● IEA, Energy Technology Perspectives (2020) (hereinafter IEA/ETP 2020)
 ● IEA, Iron and Steel Technology Roadmap (hereinafter IEA/ISTR)
 ● IMF, World Economic Outlook Database (2021) (hereinafter IMF/WEO 2021)
 ● ILO, Working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

Financial impact

We estimated our financial impact based on parameters related to the six risks and opportunities we identified along with risk countermeasures. We then quantitatively analyzed the importance of these parameters.

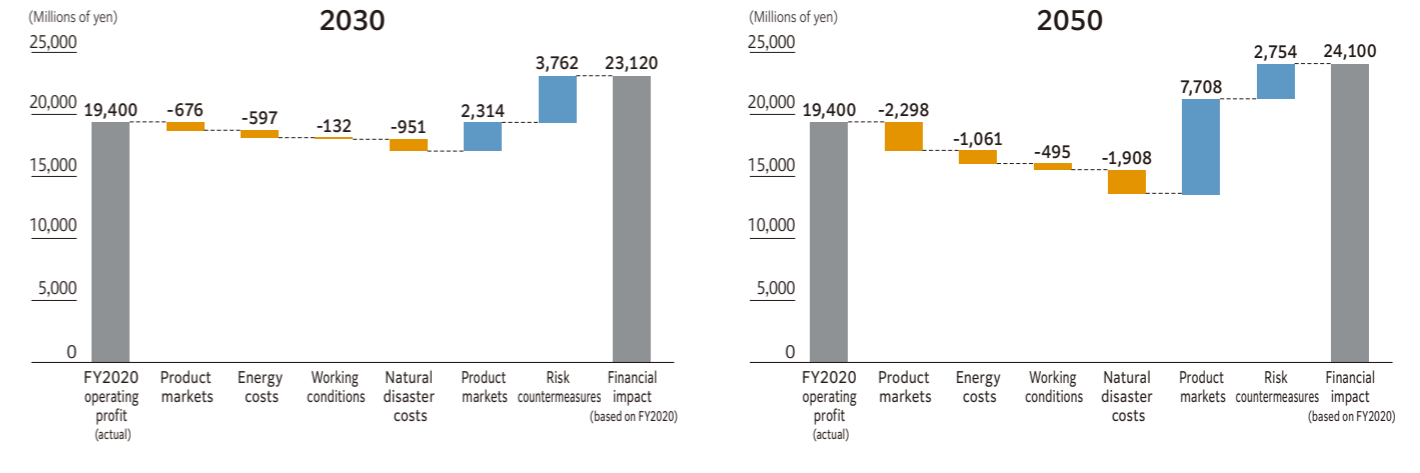
Financial impact under 2°C or lower scenario

((Importance) Minor: Less than 0.1 billion yen, Medium: From 0.1 billion to 1 billion yen, Major: From 1 billion yen to 10 billion yen, Critical: More than 10 billion yen)



Financial impact under 4°C scenario

((Importance) Minor: Less than 0.1 billion yen, Medium: From 0.1 billion to 1 billion yen, Major: From 1 billion yen to 10 billion yen, Critical: More than 10 billion yen)



Financial impact estimation parameters (base year: FY2020)

Carbon costs

We estimated the risk impact of not reducing CO₂ emissions (Scope 1 + Scope 11) from the base year amount, if the carbon price for developed nations listed in Table 2.3 of IEA/WEO 2020 (2030: \$63/t-CO₂, 2050: \$140/t-CO₂) 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% Hz 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/ISTR.

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 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/ISTR.

Based on trends in the waste treatment and effective resource utilization markets as described in METI/Outline of the Report on the Market Size and Employment of the Environmental Industry (FY2020), 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.

Metrics and targets

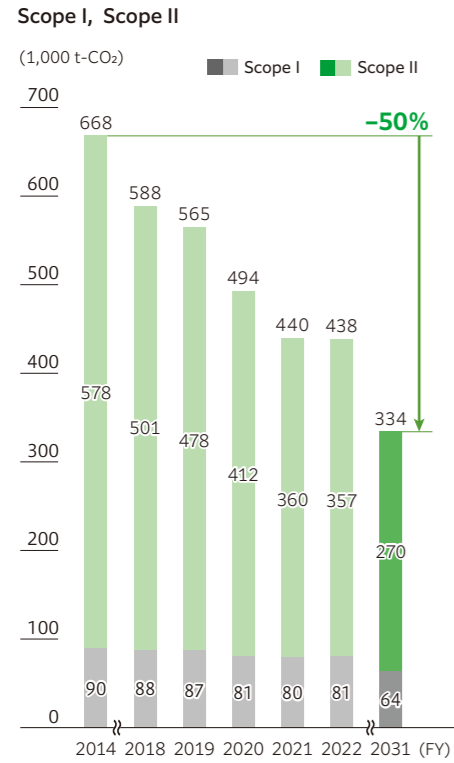
We believe it is important for the Group to determine how it is to reduce CO₂ emissions, especially in light of our measures against transition risks in the 2°C or lower scenario and mitigation of physical risks to society in the 4°C scenario. We have therefore established CO₂ emissions as our key measurement

criterion, and have set a target of a 50% reduction in emissions by FY2031 (compared with FY2014 [domestic production sites only]), based on the goal of the Japanese government to achieve net zero greenhouse gas emissions by 2050. →p.41

Approach to Carbon Neutrality

Environmental data (Kyohei Steel + Kanto Steel)

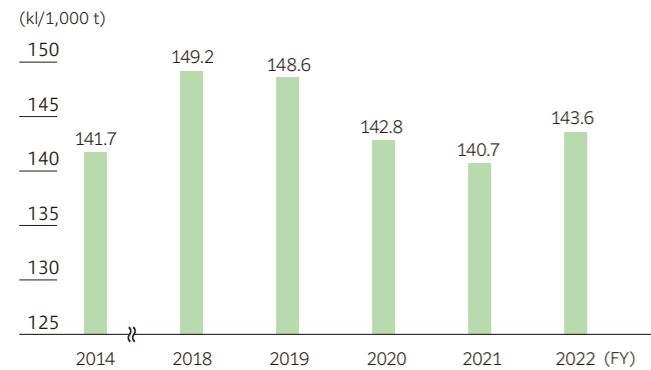
CO₂ emissions



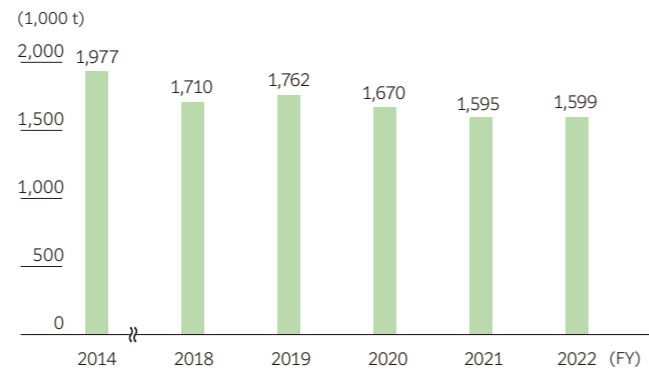
Scope III (FY2022)

Category	Details	Emissions [1,000 t-CO ₂]	Ratio [%]
1. Purchased products/services	• Alloy iron manufacturing • Industrial water usage/transport • Steel scrap manufacturing	109	37.4
2. Capital goods	• Capital investments	21	7.3
3. Fuel/energy-related activities not included in Scope I or II	• Fuel mining, refining, transport • Power generation fuel mining, refining, transport	70	23.9
4. Transportation and distribution (upstream)	• Product shipping transport • Steel scrap procurement transport • Alloy iron procurement transport	31	10.5
5. Waste generated in operations	• Waste treatment, transport	5	1.7
6. Business travel	• Employee business travel	0	0.0
7. Employee commuting	• Employee commuting	0	0.1
8. Leased assets (upstream)	N/A		
9. Transportation and distribution (downstream)	• Transport from rebar processors to construction sites	12	4.2
10. Processing of sold products	• Rebar processing	4	1.4
11. Use of sold products	N/A		
12. End-of-life treatment of sold products	• Steel product reduction to steel scrap	14	4.6
13. Leased assets (downstream)	N/A		
14. Franchises	N/A		
15. Investments	• Nakayama Steel Products (equity method affiliate) Scope I & II × 45% (capital contribution ratio)	26	8.9
Total		292	

Energy consumption (crude oil equivalent)



Production volume



Photovoltaic power generator at Hirakata Division product warehouse

In January 2022, we finished installing solar panels on the roof of the Hirakata Division product warehouse and began operating them. This photovoltaic power generator is expected to cut CO₂ emissions by around 190 tonnes per year. As a steel manufacturer using EAFs, the Company consumes a large amount of power for operations such as melting steel scrap. Although this single power generator will have only a limited effect on total power consumption, we plan to install more of these generators throughout the Group as model cases demonstrating that generating and consuming our own power using photovoltaic power can help ensure business profitability.



Product warehouse construction completed in July 2021

Recycling System Contributing to Global Environmental Protection

Recycling diverse resources

During the latter half of the 1980s, we have independently developed a safe and secure method of melting and detoxifying medical waste using an extremely high-temperature EAF, and began offering this as a commercial service called "MESSCUD System." We now detoxify various kinds of industrial waste using EAF operation technology. We

also recycle byproducts from steel production by converting them for other uses, such as raw materials for roadbeds. We are committed to contributing to global environmental protection through appropriate waste treatment and resource recycling.

Industrial waste treatment



We have deployed throughout Japan a MESSCUD System that collects, transports, and treats medical waste such as syringes and needles. We have also obtained a permit for all industrial waste management services except for treating PCB waste. We offer treatment services fulfilling a range of needs, from difficult-to-treat waste such as asbestos to waste containing confidential information concerning product development such as carbon fibers and vehicle-mounted lithium-ion batteries.

Automobile recycling



We have obtained all necessary permits related to the Act on Recycling of End-of-Life Automobiles. End-of-life vehicles are recycled by separating them into steel, which is used as raw materials for steel products, non-ferrous metals, which have significant resale value, and shredded fragments, which are subject to thermal recycling.

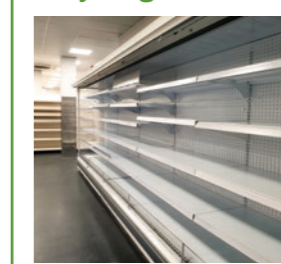
Destructive treatment of CFCs



We provide destructive treatment for CFC gases used as refrigerants in air conditioners, refrigerators, and freezers, as well as treatment of SF₆ (sulfur hexafluoride), PFCs (perfluorocarbon), and halon gases which other treatment facilities tend to avoid. These activities contribute to the prevention of global warming.

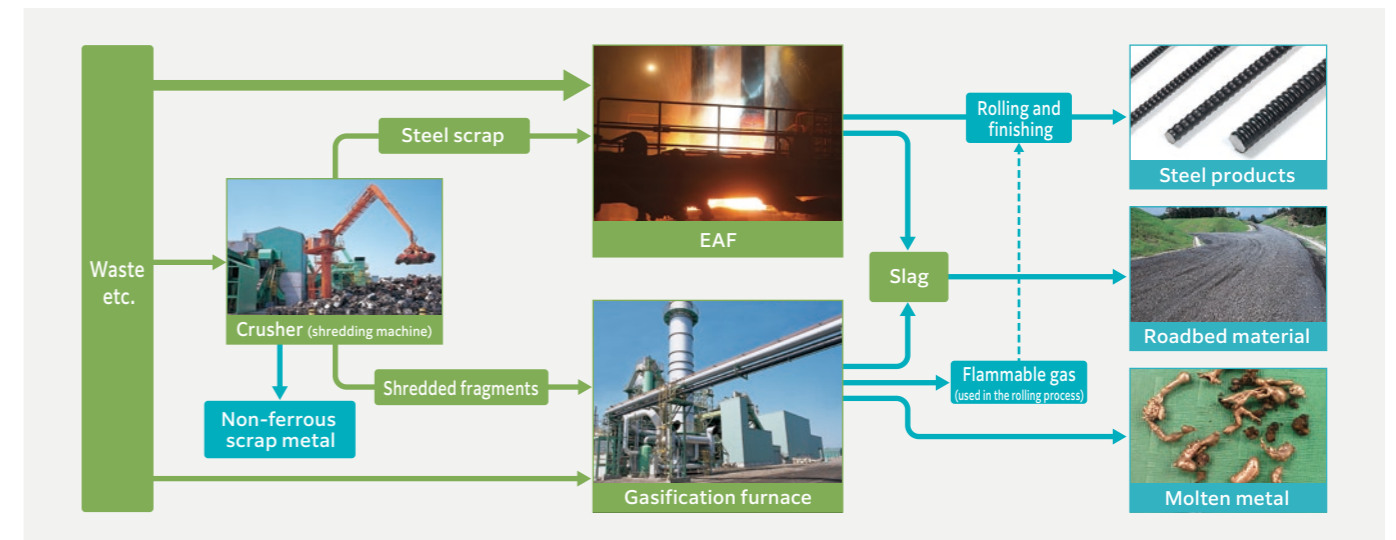
CFCs destructive treatment equipment

Collecting and recycling steel



We collect and dismantle display shelves and showcases (removed during closure or renovation of chain stores), vending machines, and other large machines, and recycle them separately according to resource type. We have also obtained ministerial certification according to the Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment. We elaborately disassemble used computers, digital cameras, and other electronic devices, recycling scarce resources such as steel, copper, and rare metals.

Comprehensive recycling system with EAF as the core





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

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.

Declaration of partnership-building

We are setting up new partnerships by promoting collaboration and prosperous coexistence with our supply chain partners and value-creating enterprises. Toward that end, we declare the following items as priority measures.



1. Prosperous coexistence throughout the supply chain and new partnerships regardless of company scale, corporate affiliation, etc.

We will take measures to improve added value throughout the supply chain by exerting influence to downstream of our direct suppliers, and we intend to create prosperous coexistence throughout the supply chain using partnerships that go beyond existing business connections, corporate size, etc.

2. Observance of Promotion Standards

We will observe the Promotion Standards defined under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises set up as good trade practices between subcontracting enterprises and subcontractors, and will actively take measures to correct trade or business practices that obstruct the establishment of partnerships with suppliers.

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.

A financial results briefing is held by our president & representative director twice per year for institutional investors and securities analysts. An online conference is held by the executive responsible for IR each quarter on the day that financial results are announced, covering topics such as an overview of business results. The executive responsible for IR also participates in individual meetings to provide explanations and exchange opinions.

In addition to holding company briefings twice per year for private investors, we also distribute information through such means as content aimed at private investors on our website, shareholder communications, and articles in media aimed at private investors.



Toward Safer and More Comfortable Workplaces

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.

Using robots for dangerous jobs

We are working to introduce robots to do dangerous work previously done by humans, such as in front of furnaces. We first introduced these robots in Hirakata Division, and have now introduced them in Yamaguchi Division and Kanto Steel Ltd. We are also using AI to perform image and video analysis to automate component analysis, in an effort to work with academia to solve issues and to continue to eliminate dangerous work.



Wireless robot for measuring the temperature of molten steel (Yamaguchi Division)



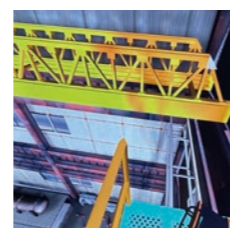
Sampling robot (Kanto Steel Ltd.)

Hands-on accident training

We use virtual reality (VR) technology to provide workers with opportunities to consider how to prevent accidents and become more safety conscious, by experiencing dangerous situations (such as falling, getting shocked, or getting caught in machinery) safely in VR.



Training while wearing a dedicated VR headset and gloves



Scene viewed from goggles (falling from high ground)

Recognized as a "2022 Certified Health & Productivity Management Outstanding Organization (large enterprise category)"



We were recognized for the first time in 2022 under the large company category as an organization that takes an organizational perspective on the health of employees and strategically manages this, under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program run by METI and the Nippon Kenko Kaigi.

The Certified Health & Productivity Management Outstanding Organizations Recognition Program is a program established by METI in FY2017 that highlights outstanding large enterprises and SMEs implementing health and productivity management and thereby aims to develop an environment in which such enterprises are able to gain enhanced recognition, e.g., from employees, employment seekers, related enterprises and financial institutions. "More activities that produce benefits for all stakeholders" is listed as a focus point in our medium-term business plan, NeXus 2023, and was announced in the Kyoei Steel Group's Declaration on Health in April 2021. 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.



Recognized for the second year in a row as a company promoting employee welfare under the Employee Welfare Award & Recognition Program (Hataraku Yell 2022)



We were recognized for the second year in a row in FY2023 as a company promoting employee welfare under the Employee Welfare Award & Recognition Program (Hataraku Yell), which recognizes organizations that focus on enhancing employee welfare. It is thanks to our employees that we can continue to grow, and we will continue to enhance efforts to support them.



To Contribute as a Member of the Community

We aim to make the Group indispensable to the community by contributing through various activities, including disaster prevention.

Donations to Ukraine

In order to provide humanitarian relief due to the current situation in Ukraine, we donated one million yen plus another 230,707 yen collected from employees to the Ukraine Refugee Emergency Support Project run by Fukudenkai, a social welfare corporation. These funds will be provided to Poland, which is accepting many Ukrainian refugees. Personnel from the Fukudenkai Poland Branch situated in Krakow are working together with Japanese expatriates, refugees from Ukraine, and the Polish people to provide support including donating goods. Our relationship with Poland goes back to 1992 when the Takashima Memorial Fund was established using funds donated to the Japanese Studies program in the Faculty of Oriental Studies of University of Warsaw from the late Koichi Takashima, the de facto founder of our company. Since then, the fund has helped to spread Japanese culture throughout Poland, and to stimulate academic cooperation and cultural interaction between Poland and Japan. Poland will continue to need support due to the country's ongoing commitment toward receiving refugees, and so we decided to support these efforts through Fukudenkai which has ties to the country.

We are deeply concerned with the difficulties facing the Ukrainian people, and hope that peace and safety will soon return.

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. FY2022 marks the 20th annual donation. This year, a total of 14 million yen in donations was given to 10 organizations nationwide, bringing the total amount donated to 436 million yen. Donations from the fund were given to Yamaguchi Prefecture and the city of Sanyo-Onoda, with the primary goal of helping to stop the spread of COVID-19. The fund will continue to contribute to society and local communities.



MESSCUD Medical Treatment Safety Fund Presentation Ceremony (Yamaguchi Prefecture)



Toward Fairer and More Sincere Corporate Activities

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.

Overview of corporate governance

Basic perspective

As competition between companies becomes fiercer, we realize that we must be capable of making quicker management decisions and aim to increase corporate value, while at the same time maintaining compliance (legal compliance) in order to continue to grow. Toward that end, we have established a corporate governance system to ensure that this is done at an organizational level.

The main objectives of this system are:

- (1) To ensure continuous and thorough compliance with an awareness of corporate social responsibility;
- (2) To maintain highly transparent management through fair and prompt disclosure of information to our shareholders, employees, and other stakeholders;
- (3) To ensure accountability for the processes and results of management decisions; and
- (4) To pursue management efficiency based on rational management decisions. Based on this perspective, we have established

a management organization that is both fair and highly transparent, and conduct in-depth employee training to spread awareness of the importance of corporate ethics.

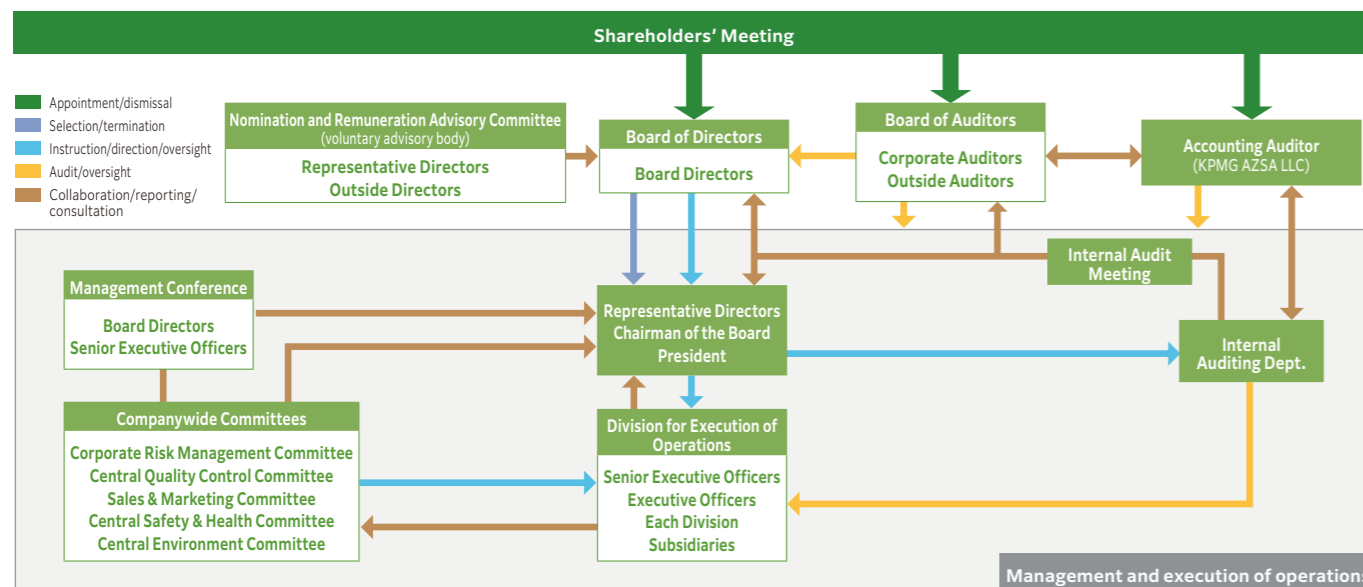
We have adopted a flat management organization capable of adapting quickly and accurately to changes in the business environment while maintaining a small HQ organization. We aim to earn the trust of shareholders and investors, maintaining healthy management, fairness and transparency, by working as effectively as possible to perform the functions of monitoring management and operations through the auditing capacity of corporate auditors, the restraints imposed by a division of duties, and timely disclosures. Also, to strengthen our management oversight, we welcome the presence of independent outside directors.

Kyoei Steel organizations and bodies

The company uses a system of corporate auditors and a Board of Auditors, who work together with the Board of Directors to supervise and audit how board directors are executing their duties. We have established a corporate governance system better suited to our unique systems of operation and business structure based on the independent

management systems of each division and group company, and continue to enhance this system. The following figure provides an overview of our corporate governance system.

Corporate governance structure



Board of Directors and executive system

The Board of Directors is responsible for making management decisions, and consists of a total of 10 individuals (two representative directors and eight 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. We have also established the Nomination and Remuneration Advisory Committee, which is a voluntary advisory body of the Board of Directors.

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	Yasuyuki Hiroto	✓	✓		✓	✓		✓	✓
Board Director & Senior Executive Managing Officer	Shogo Sakamoto	✓	✓	✓	✓				✓
Board Director & Executive Managing Officer	Hiroshi Kunimaru	✓	✓		✓	✓		✓	✓
Board Director & Executive Managing Officer	Masahiro Kitada	✓	✓			✓		✓	✓
Board Director & Senior Executive Officer	Kenji Kawai		✓	✓	✓				✓
Board Director	Tetsuya Yamao		✓	✓			✓		
Board Director	Tatsuya Kawabe	✓	✓						
Board Director	Takehiko Yamamoto	✓	✓					✓	
Board Director	Kimiko Funato						✓		✓

Corporate auditors and the Board of Auditors

Kyoei Steel is a company with a Board of Auditors, which must consist of no more than five corporate auditors according to our articles of incorporation. It currently consists of one full-time corporate auditor, one corporate auditor, two outside auditors, and one reserve corporate auditor. Although we do not have an auditing staff organization, we have established a system for supporting the work of our one full-time corporate auditor through the Human Resources & General Affairs Department, Accounting & Financing Department, Internal Auditing Department, and Risk Compliance Management Office. The Board of Auditors 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.

Management conferences

Management conferences are held regularly once per month and as needed, in order for the Board of Directors to deliberate on essential issues and discuss important matters related to management. These conferences are attended by the chairperson, president, board directors, full-time corporate auditor, and senior executive officers of Kyoei Steel; the president of Kanto Steel Ltd.; and any other individuals requested by the chairperson or president. These conferences are opportunities for discussing basic policies and important matters related to management.

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, corporate auditors, and executive officers, and to provide advice and recommendations to the Board of Directors. It meets as needed. In addition to making use of insight and advice from outside executives, the committee ensures the objectivity and transparency of procedures related to decisions on nomination and compensation.

Sales & Marketing Committee

This committee generally meets once per month, and consists of the president (serving as committee chairperson), executive responsible for the Marketing Planning & Coordination Department, heads of sales & marketing from each division, and any other individuals requested by the committee chairperson. It is an opportunity for exchanging information on conditions and situations surrounding steel scrap and product markets, and for planning and proposing sales and marketing strategies for Kyoei Steel.

Corporate Risk Management Committee

This committee meets at the start of each fiscal year, and consists of the president (serving as committee chairperson) and management conference members. 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).

Central Quality Control Committee

This committee generally meets twice per year, and consists of the executive responsible for the Head Office Production Planning & Coordination Department (serving as committee chairperson), Head Office executives, heads of each division or presidents of related companies, and any other individuals requested by the committee chairperson. In addition to identifying issues related to quality assurance and providing instructions on making improvements in order to strengthen quality control governance, the committee also reports important matters during management conferences and contributes toward improving quality control systems.

Central Safety & Health Committee

This committee generally meets twice per year, and consists of the executive responsible for the Head Office Production Planning & Coordination Department (serving as committee chairperson), Head Office executives, heads of each division or presidents of related companies, and any other individuals requested by the committee chairperson. In addition to performing overall planning, coordination, and information exchange related to safety and health, and providing instructions on improving results of safety and health audits and safety and health patrols, the committee also reports important matters during management conferences, and aims to stimulate safety and health activity within the Group and increase the level of safety awareness.

Central Environment Committee

This committee generally meets twice per year, and consists of the executive responsible for the Head Office Production Planning & Coordination Department (serving as committee chairperson), Head Office executives, heads of each division or presidents of related companies, and any other individuals requested by the committee chairperson. In addition to discussing issues related to maintaining and improving the Environmental Management System, and providing instructions on improving environment audit results, the committee also reports important matters during management conferences, and contributes toward further improving the Environmental Management System. It is also involved in managing the progress of efforts to reduce CO₂ emissions with the goal of achieving carbon neutrality, as well as efforts related to recycling byproducts with the goal of achieving zero emissions.

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 corporate auditors 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 corporate auditor 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).

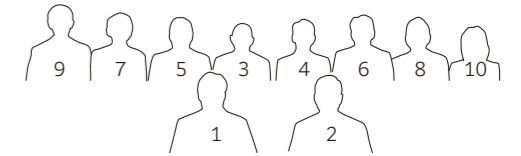
The Board of Directors receives regular reports from the Corporate Risk Management Committee, and supervises the operation of the risk management system.

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.

Establishment of the Kyoei Steel Group Human Rights Policy

In April 2022, we established the Kyoei Steel Group Human Rights Policy out of consideration for the human rights of our partners, local communities, employees, and all other stakeholders, as our policy for the ongoing promotion of respect for human rights based on the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), Declaration on Fundamental Principles and Rights at Work, and The UN Guiding Principles on Business and Human Rights.

Board of Directors



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)



Yasuyuki Hiroto
President & Representative Director

April 1978 Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
 October 2003 Executive Officer
 June 2005 Managing Executive Officer, and General Manager of Osaka Sales Division and Osaka Central Sales Division
 June 2008 Director and Senior Managing Executive Officer
 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)
 June 2018 President and Representative Director (current position)



Shogo Sakamoto
Board Director & Senior Executive Managing Officer

April 1999 Joined the Company
 June 2014 Executive Officer, Vice Division Director of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
 June 2017 Board Director and Executive Officer, Vice Division Director of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
 January 2018 Board Director and Executive Officer, General Manager of Marketing Planning & Coordination Dept. of head office, and Vice Division Director 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 (current position)



Hiroshi Kunimaru
Board Director & Executive Managing Officer

May 2016 Joined the Company
 June 2017 Executive Officer, and General Manager of Corporate Planning Dept. of head office
 June 2018 Senior Executive Officer, and General Manager of Corporate Planning Dept. of head office
 June 2019 Senior Executive Officer
 June 2020 Board Director and Senior Executive Officer
 June 2021 Board Director and Executive Managing Officer in charge of Corporate Planning Dept. and Accounting & Financing Dept. of head office (current position)

1. Chairman & Representative Director	Hideichiro Takashima
2. President & Representative Director	Yasuyuki Hiroto
3. Board Director & Senior Executive Managing Officer	Shogo Sakamoto
4. Board Director & Executive Managing Officer	Hiroshi Kunimaru
5. Board Director & Executive Managing Officer	Masahiro Kitada
6. Board Director & Senior Executive Officer	Kenji Kawai
7. Board Director	Tetsuya Yamao
8. Board Director	Tatsuya Kawabe
9. Board Director	Takehiko Yamamoto
10. Board Director	Kimiko Funato

Board of Directors



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
March 2020 Senior Executive Officer of the Company, President of Vinton Steel, LLC, and Board Director and President of AltaSteel Inc.
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 2021 Board Director and Senior Executive Officer of the Company, Board Director and 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.



Kenji Kawai
Board Director & Senior Executive Officer

March 1992 Joined the Company
October 2014 Executive Officer, General Manager of Sales & Marketing Dept. of Hirakata Division, and General Manager of Marketing Planning & Coordination Dept. of head office
April 2016 Executive Officer and Vice Division Director of Hirakata Division
April 2018 Executive Officer and Vice Division Director of Nagoya Division
June 2020 Senior Executive Officer and Vice Division Director of Nagoya Division
June 2021 Board Director and Senior Executive Officer, and Division Director of Hirakata Division (current position)



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)



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. (current position)



Takehiko Yamamoto
Board Director

April 1975 Joined Mitsui O.S.K. Lines, Ltd.
June 2005 Executive Officer of Mitsui O.S.K. Lines, Ltd. and Director of DAIBIRU CORPORATION
June 2007 Managing Executive Officer of Mitsui O.S.K. Lines, Ltd.
June 2009 Director and Senior Managing Executive Officer in charge of Group Business Division and Kansai Business District of Mitsui O.S.K. Lines, Ltd.
June 2010 Representative Director, Vice President and Executive Officer of DAIBIRU CORPORATION
June 2011 Representative Director, President and Chief Executive Officer of DAIBIRU CORPORATION
April 2016 Representative Director and Chairman of DAIBIRU CORPORATION
April 2019 Director and Chairman of DAIBIRU CORPORATION
June 2019 Corporate Advisor of DAIBIRU CORPORATION
June 2020 Board Director of the Company (current position)
July 2020 Senior Fellow of DAIBIRU CORPORATION (current position)



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)

Corporate Auditors



- | | |
|-----------------------------------|--------------------------|
| 11. Standing Corporate Auditor | Toyoji Maeda |
| 12. Corporate Auditor | Shuji Ichihara |
| 13. Corporate Auditor (part time) | Yasuhiro Sukegawa |
| 14. Corporate Auditor (part time) | Toru Muneoka |



Toyoji Maeda
Standing Corporate Auditor

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 Standing Corporate Auditor (current position)



Shuji Ichihara
Corporate Auditor

March 1974 Joined the Company
June 2006 Executive Officer, General Manager of Human Resources & General Affairs Dept. of head office
April 2010 Executive Officer, General Manager of Human Resources & General Affairs Dept. of head office, General Manager of Tokyo Office
June 2010 Standing Corporate Auditor
June 2021 Corporate Auditor (current position)



Yasuhiro Sukegawa
Corporate Auditor (part time)

April 1993 Joined Nippon Steel Corporation
April 2019 General Manager of General Administration Div. of Nagoya Works, 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 External Auditor of Godo Steel, Ltd. (current position)
June 2022 Corporate Auditor of the Company (current position)



Toru Muneoka
Corporate Auditor (part time)

September 1984 Joined Tomatsu Aoki (currently Deloitte Touche Tohmatsu LLC)
February 1988 Registered Certified Public Accountant
April 2006 Professor, School of Accountancy of Graduate School of Kansai University (current position)
March 2011 Statutory Auditor of DDS Inc. (current position)
January 2016 Outside Director of SENSU ELECTRIC CO., LTD. (current position)
June 2019 Corporate Auditor of the Company (current position)

Executive Officers

Senior Executive Officers

Aimei Shiraiishi
Division Director of Nagoya Division

Masami Yokoyama
in charge of Production Planning & Coordination Dept. and Material Recycling Dept. of head office

Kiminori Hashimoto
in charge of Compliance, Human Resources & General Affairs Dept., and Information System Dept. of head office

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

Meguru Nishimura
Assistant to Director in charge of Overseas Investment Dept. of head office, Assistant to Director in charge of Marketing Planning & Coordination Dept., Assistant to Director in charge of Material Recycling Dept., Chairman of KYOEI STEEL America LLC, Chairman of Vinton Steel, LLC, and Director of AltaSteel Inc.

Executive Officers

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

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

Akio Miyamura
Seconded to Thi Vai International Port Co., Ltd. with the Overseas Investment Dept. of head office (President of Thi Vai International Port Co., Ltd.)

Hiroyuki Iwasa
Vice Division Director of Nagoya Division and General Manager of Safety & Material Recycling Dept.

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

Shinichi Fujioka
Vice Division Director of Hirakata Division, General Manager of Administration Dept., General Manager of Material Recycling Dept. and Manager of Material Recycling Section of Hirakata Division

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

Makoto Sawamura
Assistant to Director in charge of Marketing Planning & Coordination Dept. of head office

Financial Highlights

Consolidated Ten-Year Summary

For the years ended March 31, 2013 through 2022

	2013	2014	2015	2016	2017
Product shipments (Thousands of tonnes):					
Finished products (total)	2,081	2,357	2,338	2,429	2,662
Domestic	1,603	1,720	1,680	1,641	1,662
Overseas	478	637	657	788	999
For the year (Millions of yen):					
Net sales	¥ 142,305	¥ 174,694	¥ 181,436	¥ 160,952	¥ 145,991
Gross profit	13,256	12,293	21,900	23,889	18,726
Operating income	4,343	2,857	11,796	13,792	7,971
Income before income taxes	3,738	9	10,730	12,432	7,698
Profit (loss) attributable to owners of parent	2,069	(795)	6,923	8,467	4,783
Research and development expenses	95	188	231	104	119
Depreciation and amortization	4,254	4,232	4,147	5,026	5,961
Capital expenditures	3,809	7,344	15,920	10,103	7,262
Per share amounts (yen):					
Net income (loss), basic	47.59	(18.28)	159.30	194.94	110.41
Net income (loss), diluted	—	—	—	—	—
Cash dividends applicable to the year	20.00	20.00	35.00	45.00	30.00
At year-end:					
Total assets	¥ 165,129	¥ 180,771	¥ 201,760	¥ 200,436	¥ 214,341
Working capital	63,811	79,699	81,872	83,565	93,301
Interest bearing debt	11,231	26,530	32,810	33,149	41,414
Net assets	125,257	128,788	138,052	143,090	146,663
Shareholders' equity*	122,515	121,622	129,546	134,886	138,365
Net assets amount per share	2,819.07	2,798.53	2,980.84	3,115.86	3,192.02
Ratios:					
Return on sales (%)	3.1	1.6	6.5	8.6	5.5
Return on equity (%)	1.7	(0.7)	5.5	6.4	3.5
Return on total assets (%)	2.9	2.1	6.6	7.1	4.1
Net debt to equity ratio (times)	(0.15)	(0.07)	(0.06)	(0.09)	(0.05)
Shareholders' equity* to total assets (%)	74.2	67.3	64.2	67.3	64.6
Other statistics:					
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899
Number of employees	1,327	1,611	1,741	1,806	2,341
Stock price (yen):					
High	¥ 1,781	¥ 2,220	¥ 2,286	¥ 2,455	¥ 2,349
Low	¥ 1,105	¥ 1,372	¥ 1,618	¥ 1,584	¥ 1,387

2018	2019	2020	2021	2022	
2,965	3,269	3,367	3,363	3,318	Product shipments (Thousands of tonnes):
1,682	1,747	1,645	1,573	1,581	Finished products (total)
1,284	1,522	1,722	1,790	1,737	Domestic
					Overseas
					For the year (Millions of yen):
¥ 191,254	¥ 242,257	¥ 239,343	¥ 226,371	¥ 292,719	Net sales
16,472	23,474	34,743	28,258	25,899	Gross profit
4,259	9,200	19,404	12,656	8,819	Operating income
5,449	8,444	13,520	12,735	10,081	Income before income taxes
3,483	6,505	7,978	8,788	6,322	Profit (loss) attributable to owners of parent
177	169	180	231	235	Research and development expenses
6,663	7,476	7,719	8,402	8,840	Depreciation and amortization
5,803	5,507	8,894	10,863	12,971	Capital expenditures
					Per share amounts (yen):
80.31	149.78	183.56	202.22	145.48	Net income (loss), basic
—	—	—	—	—	Net income (loss), diluted
40.00	40.00	75.00	60.00	40.00	Cash dividends applicable to the year
					At year-end:
¥ 234,220	¥ 261,590	¥ 269,145	¥ 282,282	¥ 314,203	Total assets
105,791	126,734	128,115	139,622	160,441	Working capital
50,088	69,247	72,407	79,272	95,584	Interest bearing debt
148,460	153,781	158,044	164,583	175,689	Net assets
140,010	143,407	147,671	154,429	162,955	Shareholders' equity*
3,225.85	3,299.82	3,397.93	3,553.45	3,749.63	Net assets amount per share
					Ratios:
2.2	3.8	8.1	5.6	3.0	Return on sales (%)
2.5	4.6	5.5	5.8	4.0	Return on equity (%)
2.2	4.0	7.6	4.9	3.3	Return on total assets (%)
0.06	0.16	0.10	0.07	0.27	Net debt to equity ratio (times)
59.8	54.8	54.9	54.7	51.9	Shareholders' equity* to total assets (%)
					Other statistics:
44,899	44,899	44,899	44,899	44,899	Number of shares outstanding (thousands)
2,430	3,200	3,605	3,985	4,021	Number of employees
					Stock price (yen):
¥ 2,295	¥ 2,510	¥ 2,314	¥ 1,775	¥ 1,712	High
¥ 1,594	¥ 1,473	¥ 1,161	¥ 1,153	¥ 1,243	Low

*Shareholders' equity = Net assets – Non-controlling interests
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the current fiscal year, the figure for the current fiscal year is reflecting the relevant accounting standards, etc.

Business Bases and Group Companies

④-⑬ and ①-⑦ are Group companies.

Domestic Bases



① 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, structural round bars, flat bars, I-shaped bars and equal angle bars. The Yamaguchi Division was an early investor in industrial waste treatment, and some of its technology has been used to develop our MESSCUD System. It is ISO 9001 and ISO 14001 certified. Sanyo Onoda City, Yamaguchi Prefecture



④ Kanto Steel Ltd.

Established in 1994, Kanto Steel is a consolidated subsidiary serving as a base for the Kanto region and aims to play a pivotal role in local recycling. The company produces rebars and structural round bars, while also operating an industrial waste treatment business. It is ISO 14001 certified. Tsuchiura City, Ibaraki Prefecture <http://www.kantosteel.co.jp/> (Japanese only)



② 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, round bars and structural 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



③ 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 focuses on manufacturing high-strength threaded rebars for a variety of purposes, and on environmental recycling. It has a development center that develops technologies for our Group companies. It is ISO 9001 and ISO 14001 certified. Tobishima Village, Ama District, Aichi Prefecture

- ⑤ Kyohei Industrial Co., Ltd.
- ⑥ Kyohei Mesona Inc.
- ⑦ Kyohei Recycling Co., Ltd.
- ⑧ Kyohei Fabricated Steel Sales Corporation
- ⑨ Yodoshi Corporation

- ⑩ KYOEI MATERIAL, Inc.
- ⑪ MSK Japan Co., Ltd.
- ⑫ Tubouchi Transportation Inc.
- ⑬ Nakayama Steel Products Co., Ltd.

Overseas Bases



① 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, and a melt shop (annual production capacity: 450,000 tonnes) in Hai Phong. The company produces rebars and wire rods. It is ISO 9001 and 14001 certified. Hung Yen Province, Vietnam <http://vis.com.vn/>



② Kyohei 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 Binh Province, Vietnam <http://ksvc.com.vn/>



③ Vina Kyohei 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 14001 certified. Ba Ria-Vung Tau Province, Vietnam <http://www.vinakyoheisteel.com.vn/>



④ 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 Kyohei Steel Co., Ltd. in Phu My 1 Industrial Park, adjacent to the port, and also the products of steel manufacturers adjacent to the port. Ba Ria-Vung Tau Province, Vietnam <http://thivaiport.vn/>

⑦ AltaSteel Inc.

Located in western Canada, this company was acquired in March 2020. It has an integrated steelmaking and rolling plant with an annual production capacity of 270,000 tonnes. It produces rebars, flat bars, square bars, round bars, ball stock and grinding rods. It is ISO 9001 and 14001 certified. Alberta, Canada <http://www.altasteel.com/>



⑥ Vinton Steel LLC

Located in Texas, USA, this company was acquired in December 2016. It has an integrated steelmaking and rolling plant with an annual production capacity of 230,000 tonnes. It produces rebars and ball stock. It is ISO 9001 certified. Texas, USA <http://www.vintonsteel.com/>



⑤ 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/Status of Shares

Company Profile (as of March 31, 2022)

Corporate Name	KYOEI STEEL LTD.
Date of Establishment	August 21, 1947
Capital	18.516 billion yen
Number of Employees	4,021 (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.

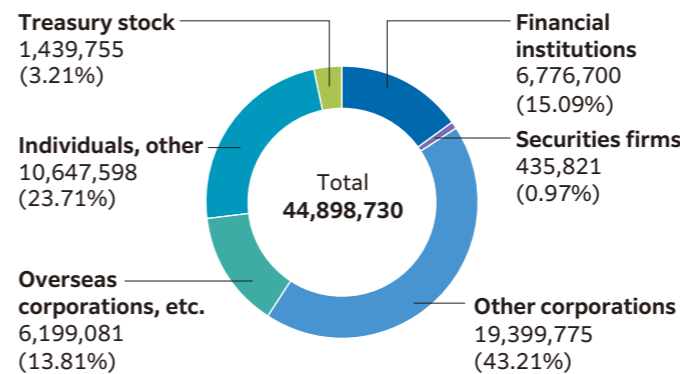
Status of Shares (as of March 31, 2022)

Total number of shares authorized	150,300,000
Total number of shares issued	44,898,730
Number of shareholders	17,846

Major Shareholders

Name	Number of shares owned	Voting rights 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)	2,705,200	6.22
Akihiko Takashima	2,233,000	5.14
Mitsui & Co., Ltd. (Standing proxy, Custody Bank of Japan, 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
AIR WATER INC.	1,291,500	2.97
SSBTC Client Omnibus Account (Standing proxy, Custody Business Dept., HSBC Tokyo Branch)	922,538	2.12
Custody Bank of Japan, Ltd. (Air Water Safety Service Inc. retirement benefit trust account)	692,000	1.59

Shareholders by Type (as of March 31, 2022)



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

Share Price Chart

