KYOEI STEEL INTEGRATED REPORT 2023

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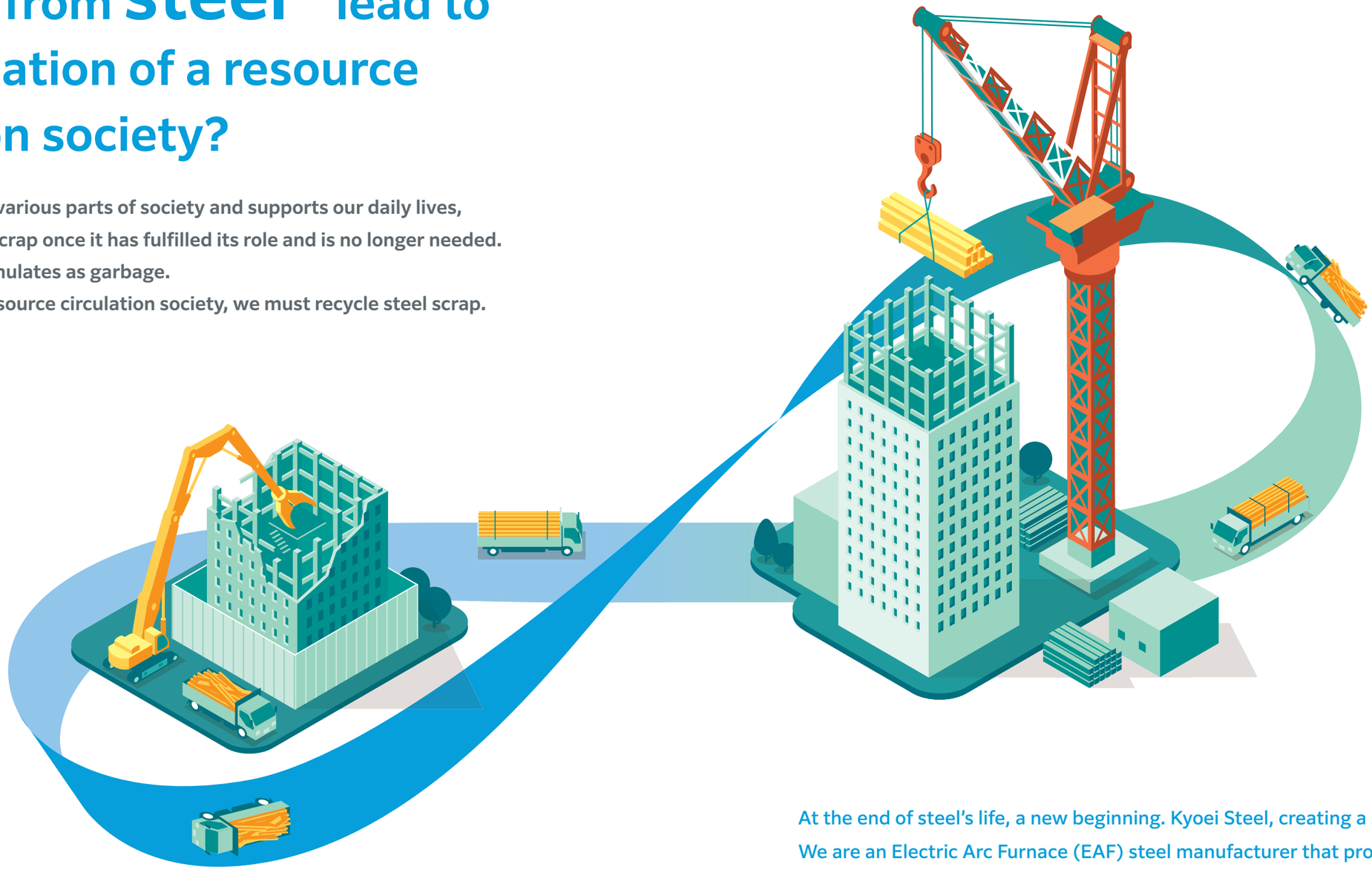
https://www.kyoeisteel.co.jp/en/

Head Office
18F Aqua Dojima West Building 1-4-16 Dojimahama Kita-ku Osaka 530-0004, Japan
TEL: +81-6-6346-5221, FAX: +81-6-6346-5330

KYOEI STEEL LTD.

Why does creating “steel from steel” lead to the realization of a resource circulation society?

Steel, which is used in various parts of society and supports our daily lives,
is discharged as steel scrap once it has fulfilled its role and is no longer needed.
If it’s not used, it accumulates as garbage.
If we are to realize a resource circulation society, we must recycle steel scrap.

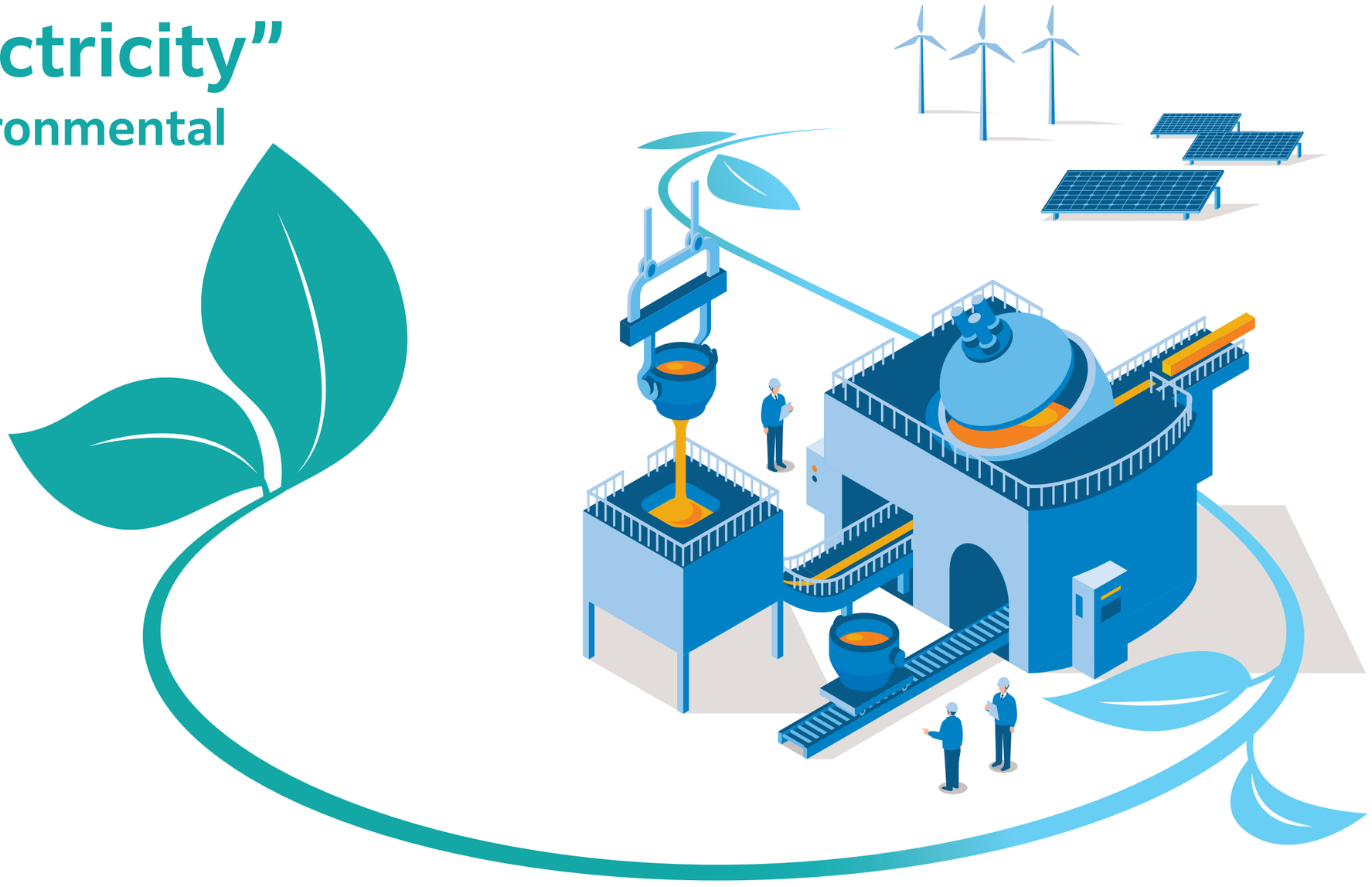


At the end of steel’s life, a new beginning. Kyoei Steel, creating a sustainable tomorrow
We are an Electric Arc Furnace (EAF) steel manufacturer that produces steel products from steel scrap raw materials.
We have the No. 1 market share for rebar in Japan, which is indispensable for structures such as commercial buildings, condominiums, and bridges.

*Small rebars, FY2022 Japan Metal Daily survey

Why does making "steel with electricity" lead to global environmental conservation?

There are two main methods of making steel. These are the blast furnace method, in which iron ore is reduced with carbon, and the EAF method, in which steel scrap is melted with electricity.
The EAF method has been attracting attention in recent years as a steelmaking method that can contribute to global environmental conservation, because there is no carbon reduction process and CO_2 emissions are relatively low.



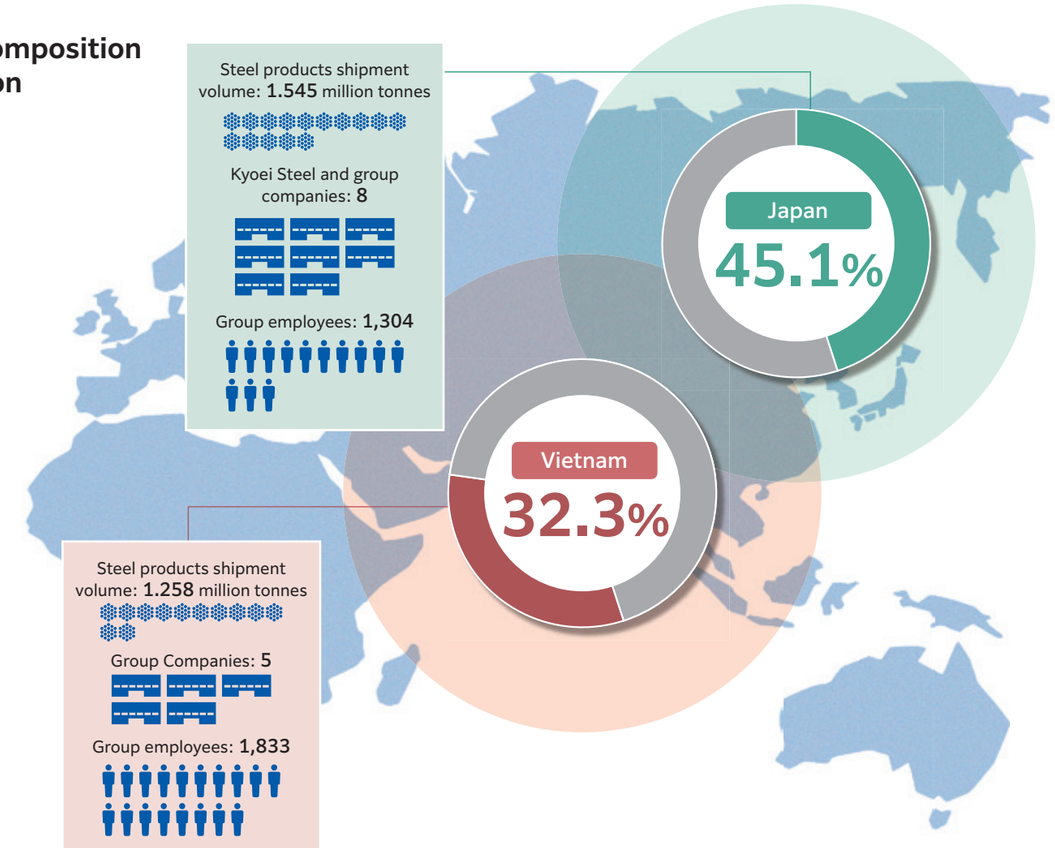
For 60 years, we have been pursuing EAF technology that efficiently uses electricity to create high temperatures to regenerate steel.
We will continue to promote power generation from renewable energy sources to achieve carbon neutrality.

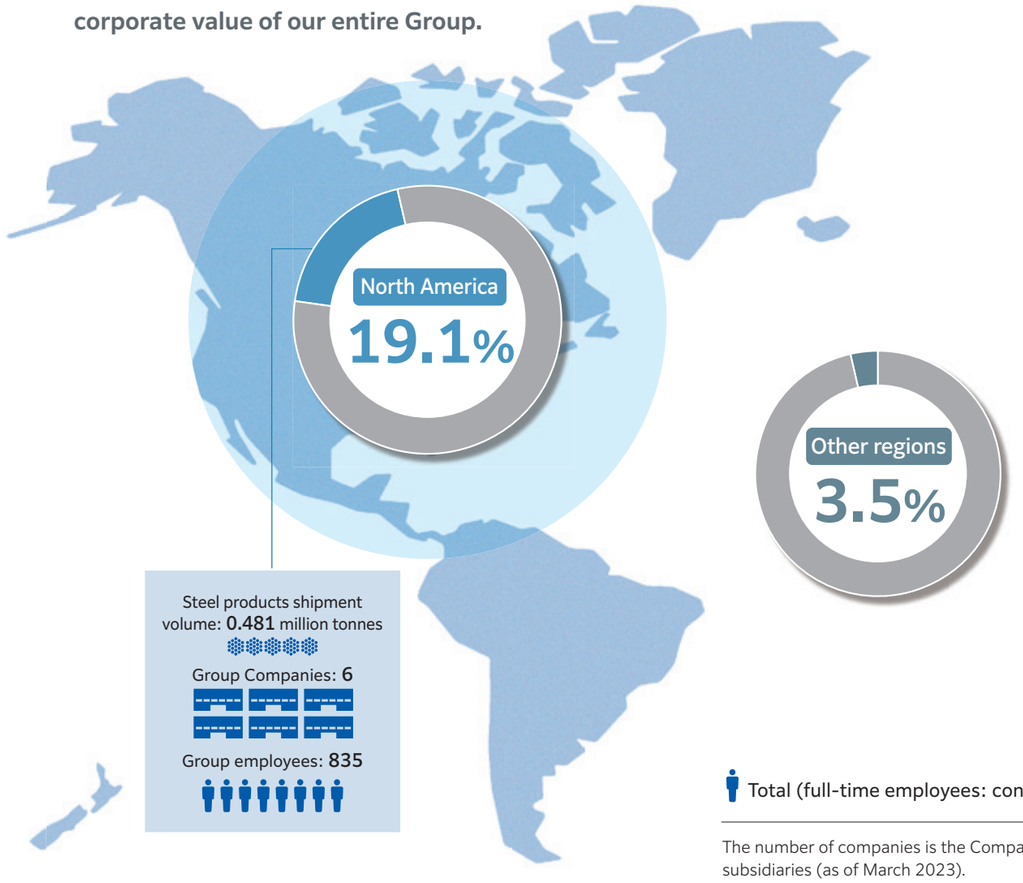
Globalization of Local Economies and Niche Industries Strategy

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

Fifty years ago, Koichi Takashima, effectively the founder of our Group, advocated the "regional mini-mill concept."
This philosophy, that the EAF business should be rooted in the local community in terms of both demand and supply, has been carried over into our "Global Tripolar System" in which we operate our steel business in Japan, Vietnam, and North America, as our globalization of local economies and niche industries strategy.
By 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.

■Sales composition by region





Total (full-time employees: consolidated) 3,972

The number of companies is the Company and consolidated subsidiaries (as of March 2023).

■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 Kyoei Steel Group.

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

■Business Overview

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

Overseas Steel Business
Bringing the manufacturing technology cultivated in Japan overseas. The overseas steel business manufactures and sells steel products based on local demands.

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

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

We will continue to confront the challenge of achieving a truly sustainable society.

Economic Development

Social Development

Environmental Protection

Management Principle

Spirit of Challenge

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

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.

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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 issued this KYOEI STEEL REPORT as an integrated report.
In addition to directly conveying the thoughts and ideas of management in messages from our top management and financial director, we also painstakingly described the business environment behind our business strategies, and our responses to sustainability issues.

Cautions Regarding Forward-looking Statements

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

Period covered
This report covers FY2023 (April 2022 to March 2023), but also includes some information from outside this period.

Report publication date
November 2023

Organizations included
This report mainly applies to Kyoei Steel Ltd. and its consolidated subsidiaries. However, the environmental-related 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.

01 Value Creation at Kyoei Steel

Advancing through Challenges

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

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

Start-up Period
1947–1961

The history of Kyoei Steel dates back to January 1938, when Hideji Takashima, with the cooperation of his family, purchased Kyoei Shintetsusho (ironworks). The following year, he established Kyoei Tankosho (forging shop), which later became the parent company of the present Company. Although the company temporarily closed during World War II, he and his eldest son Koichi, newly demobilized, established Kyoei Iron Ltd. on August 21, 1947 aimed at engaging in iron production to rebuild the country. The following year, the company changed its name to Kyoei Steel. The Company at that time had 20 employees with a monthly production capacity of 18 tonnes. The early sounds of postwar Japanese reconstruction echoing signaled the beginning of Kyoei Steel. The Company continued to aggressively invest in facilities and build up its production bases, and its business expanded dramatically propelled by the economic boom of the 1950s.

Founder
Hideji Takashima

Former chairman
Koichi Takashima

Period of Expansion and Turbulence
1962–1992

In 1962, when the Tsukuda Mill started operation with an EAF, Kyoei Steel shifted to a new integrated steelmaking/rolling system. The Hirakata Mill was equipped with the most advanced EAF at that time, being newly constructed in 1971. To further broaden the scope of our business, we took on the challenges of a processed product business and overseas business, establishing a solid presence in these areas. In overseas business, starting with its joint venture with a Taiwanese company in 1964, the Company established Auburn Steel Co., Inc. in New York in 1973 as the first Japanese steelmaker to enter the US market, however, the recession brought on by the oil shock forced the Company to reduce production at its domestic bases for a significant period, and its cash flow deteriorated. Auburn Steel's management rights were also sold when the partner in the joint venture went bankrupt. Amid the rapid changes in the electric furnace market, the Company entered into a capital alliance with Sumitomo Metal Industries in 1982. In 1990, the new Kyoei Steel was born as a result of integration and reorganization within the Group, becoming the fourth largest electric furnace company in the industry. In 1992, given the recovery of demand for rebar, the Company made another foray into the US with the acquisition of Florida Steel Corp.

Period of Struggle and Regeneration
1993–2006

The collapse of the bubble economy hit Kyoei Steel, which had been on a path of expansion, including the establishment of Kanto Steel to expand into the Kanto region, and Vina Kyoei Steel Co., Ltd. to enter the Vietnamese market. Due to the impact of this bold business expansion, the entire group's debt amounted to approximately 120 billion yen, more than twice our 57 billion yen in non-consolidated net sales at the time. Nevertheless, although we embarked on supporting other companies in reforming the industry's structure, the deteriorating business environment forced us to make the difficult decision to once again sell our US business, which had been doing well. The Company returned to profitability through cost reductions, internal streamlining, and other hard work on the frontlines. Since then, the Company's performance has remained strong, and in 2006 it was listed on the First Sections of both the Tokyo Stock Exchange and Osaka Securities Exchange.

Recharging Period
2007–2017

After listing on the stock exchanges, Kyoei Steel sought new development paths, including expansion of overseas business and our material recycling business. In the material recycling business, which mainly involves the detoxification and melting of various types of industrial waste using EAFs, our business with large customers has increased nationwide as a result of our record of appropriate processing. We also increased our handling of difficult-to-dispose-of waste items such as carbon fiber. In 2016, we acquired an EAF manufacturer in Texas and established Vinton Steel LLC. It was the third time we embarked on an EAF business in the US.

Toward Further Dramatic Progress
2018–Present

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

Value Up as Our Company approaches its 100th year

Sales
(Unit: Billions of yen)

Domestic
Overseas

400
350
300
250
200
150
100
50
0

1947
Founded as a steel wire rod manufacturer based on Kyoei Forging Shop, which was established before World War II.

1962
Entered the EAF business, melting steel scrap using electricity.

1971
New Hirakata EAF Mill established

1972
Combined rolling mill added

1973
First foray into the US by a Japanese steelmaking company.

1988
MESSCUD system (disposal of medical waste) developed in response to the illegal dumping of medical needles.

1990
New Kyoei Steel formed as a result of merger of 5 Group companies, with the aim of strengthening our management foundation.

1992
Florida Steel Corp. acquired

1994
Vina Kyoei Steel Co., Ltd. established

2004
Kyoei Recycling Co., Ltd. established

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

2011
Kyoei Steel Vietnam Co., Ltd. established

2016
Vinton Steel LLC established

2018
Vietnam-Italy Steel JSC acquired

2020
AltaSteel Inc. acquired

Fiscal year ended November 30, 1947
Fiscal year ended November 30, 1960
1963 Closing month changed from November to September
Fiscal year ended September 30, 1970
1974 Closing month changed from September to February
Fiscal year ended February 29, 1980
1983 Closing month changed from February to March
Fiscal year ended March 31, 1990
Fiscal year ended March 31, 2000
Nonconsolidated | Consolidated
Fiscal year ended March 31, 2010
Fiscal year ended March 31, 2020
Fiscal year ended March 31, 2023
Fiscal year ended March 31, 2030

"Wishing to contribute to the reconstruction of Japan through steelmaking"

"Wishing to show Japan's excellence to the world"

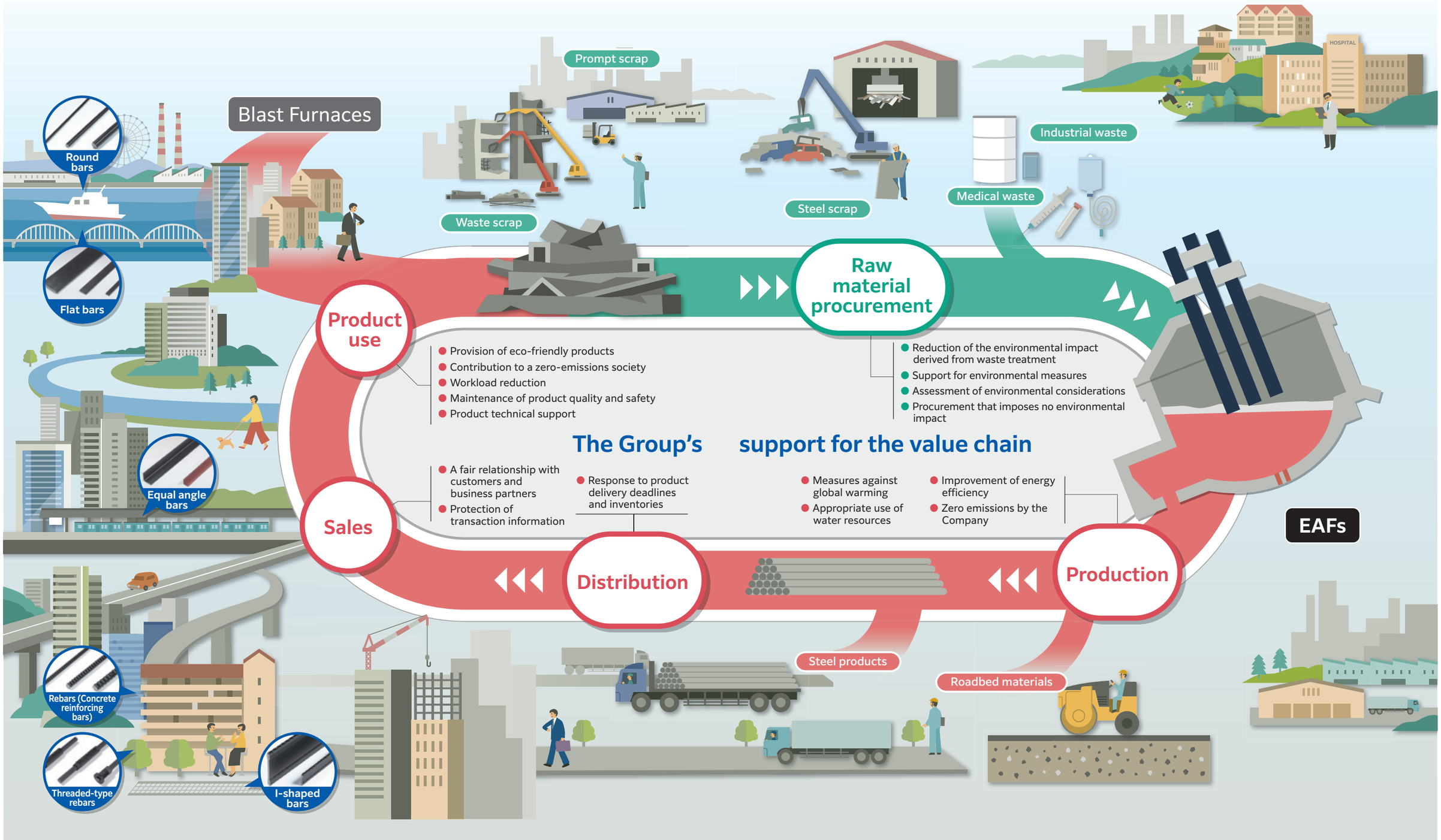
"Aspiring to contribute to the reconstruction of Vietnam"

"Wishing to contribute to global environmental conservation through business"

Developing centered on steel business using EAFs and material recycling business using arc heat from the furnaces

Value Chain and Social Roles of the Kyoei Steel Group

The Group supports the comfortable and safe lives of people through its business providing society with a stable supply of construction steel. Our recycling of waste materials generated by society into steel products and roadbed materials, focusing mainly on steel scrap, also generates value.



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, intellectual, 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.

External Environment

- Global demographic change
- Geopolitical risks
- Climate change
- *Greenflation*
- Technological innovation

Resources supporting value creation

Invested resources
(Results for FY2023)

Financial
- Net assets ····· ¥190.2 billion
- Total assets ····· ¥337.7 billion
- Interest bearing debt ····· ¥100.9 billion

Manufactured
- Capital expenditure ····· ¥9.3 billion
- Production sites ····· 9

Intellectual
Sustainable Technology Research Center
(established in April 2022)

Human
- Number of consolidated employees ····· 3,972
- Percentage of overseas employees ····· 67.2

Social and relationship
Donation from the MESSCUD Medical Treatment Safety Fund ····· ¥0.45 billion in total

Natural
- Energy input ····· 225, 100kL (crude oil equivalent)

(Kyoei Steel + Kanto Steel)

Business model for activities supporting value creation

Resource Circulation Business

Business centered on EAFs

- Manufacturing steel products
- Processing waste materials

Global Tripolar Structure

Governance
Management Principle, Action Guidelines
Spirit of Challenge

Materiality (material issues)

- For a comfortable and safe society
- Toward a beautiful global environment
- To meet the expectations of everyone who creates value along with us
- Toward safer and more comfortable workplaces
- To contribute as a member of the community
- Toward fairer and more sincere corporate activities

Value to create

Corporate value
(Results for FY2023)

Results for this period
- Steel products shipped ····· 3.28 million tonnes
- Roadbed materials shipped ····· 560,000 tonnes
- Consolidated net sales ····· ¥355.7 billion
- Ratio of overseas sales ····· 51.9%
- Operating income ····· ¥14.8 billion
- ROE (return on equity) ····· 7.7%
- Dividend per share ····· ¥80.0

Social value

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

Resource circulation society

Contributing to bringing about a sustainable society through our business

Challenges for the future

An essential company
that contributes to social progress and harmony with the global environment

FY2031
CO_2 emissions
Reduce by 50%

SUSTAINABLE DEVELOPMENT GOALS

Investing in ways to resolve social issues

Message from Management

We will evolve our global tripolar structure to become an essential company that contributes to bringing about a resource circulation society worldwide.

Long-term vision and ideal state

The founder's thoughts and our raison d'être

As a steel company, we aim to achieve harmony between social development and the global environment by recycling and effectively utilizing iron, which makes up one-third of the Earth's weight. The steel recycling business will become increasingly important as we move toward a resource circulation society. We have three key phrases that we have developed over our 76-year history since our founding in 1947. The first is the corporate objective of Koichi Takashima, the de facto founder of the Company—"to contribute to the reconstruction and revitalization of Japan through steelmaking." The second is a desire to "show Japan's excellence to the world resent the world with the true image of the Japanese people," which he had in his heart since the establishment of the business. There was an anguish in the young man at that time, who had experienced the war and lived through a 180-degree turnabout in values between pre-war and post-war eras. This desire was realized when the Company entered the EAF business in 1960 and quickly expanded overseas, focusing on technical leadership to show the world that the Japanese are naturally honest and hardworking. The third is "harmony with the global environment." In the 1970s and 1980s, as pollution in Japan worsened, we reflected on whether we had become too complacent about the Earth's abundant capacity to accommodate us, and we renewed our determination as a steel manufacturer using EAFs to apply the technologies we had mastered through steelmaking while maintaining a harmony with the global environment.

These three ideas held by our founder are the pillars that have supported our growth to date. In the Kyoei Steel Group in the 21st century, I believe that our path forward as well as our duty is to leverage these three pillars while aiming to become an essential company that contributes to the bringing about of a resource-circulation society, and to take individual concrete steps to realize that goal.

Yasuyuki Hirotomi
President & Representative Director

Business environment perceptions, and potential risks and opportunities

Declining domestic population and a *greenflationary* society

Two issues concern me right now. One is climate change, and the other demographic change in Japan.

I was shocked by the news in July 2015 that the temperature in the Iranian city of Bandar-e Mahshahr on the Persian Gulf reached an effective temperature of 74°C. Global temperatures are on the rise, with the effects of climate change being felt worldwide. Society's expectations of companies to help realize a sustainable society further continue to rise, and regulations are expected to be tightened and rules changed. Accordingly, companies must play their parts.

Japanese society is in population decline. As this continues, real GDP growth will slow and steel demand is expected to decline further. On the other hand, the shortage of human resources at production sites will become ever more serious. As we all know, Japan's population peaked in 2008 and then began a decline, but the number of workers has been maintained to a certain extent due to the active promotion of senior and female workers. However, the working-age population will decline dramatically after 2025, making it more difficult than ever to secure qualified personnel.

I believe that the formulation and materialization of management strategies to address these two major issues is essential.

In the current business environment, economic blocs are divided by US-China antagonism and Russia's invasion of Ukraine, and we are confident that the era of these "bloc" economies will continue for the time being. In addition, in working toward the realization of a decarbonized society, there is advancing *greenflation*, and not only energy costs but also prices of secondary materials, ferroalloys, and other materials are rising. Further, the shift away from blast furnace production activities over to EAFs for some production is changing the supply/demand balance of steel scrap, the main raw material. Because of our expertise in manufacturing steel products from a wide variety of steel scrap, there is a lower risk of procurement shortages compared to manufacturers using blast furnaces, as these have many restrictions on the quality of the steel scrap used. Nevertheless, the impact of higher prices will be unavoidable.

The state of society is currently in flux. While we are emphasizing the importance of accepting diverse values and realizing a society free of discrimination, the gap between those who can fully enjoy the advantages of the latest technology and those who are left behind is further widening by the accelerating advances of information technology. While paying attention to these problems of modern capitalism, we must manage our business by viewing various changes not only as risks, but also as opportunities.

Strategies and measures based on the business environment

Evolving a global tripolar structure to generate stable profits

Rebar is the Group's mainstay product, and is an essential item used in the foundations of buildings roads, and other works. It is expected to remain in constant demand, both in Japan and overseas. As is inevitable with commodity products, it is difficult to achieve dominant differentiation in terms of quality, so competition in terms of price and convenience is unavoidable. Nevertheless, the fact that these products are cheap and heavy makes it difficult for foreign manufacturers to enter the Japanese market. Furthermore, EAFs have relatively low CO_2 emissions per tonne of steel produced, giving them a business advantage.

Our strategy is, first of all, to have business bases in locations where there is demand and where it is easy to source raw materials, and to pursue a business based on the idea of local production for local consumption. Our second strategy is to master the art of making rebar. Our facilities should be stripped of excess, carefully designed to be simple and optimal in style, and constantly improved in manufacturing and operating technologies to cope with various changes in the external environment. Third, since business practices and the supply and demand environment differ from region to region, the Company should follow a locally-oriented approach, with autonomous and decentralized management that delegates authority to local site operations so that swift decisions can be made. Based on this approach, we are working to diversify risks and stabilize management through a global tripolar structure, developing businesses for local production for local consumption in Japan, Vietnam, and North America.

However, the global tripolar structure is not yet producing adequate results. As I will explain later, we have yet to generate stable profits both in Japan and overseas, and we are keenly aware of the difficulty of expanding our business overseas while paying attention to steel scrap market conditions, steel demand in various countries, geopolitical risks, and country risks. In order to stabilize overseas earnings, I believe it is necessary to secure a certain scale and volume, and we are

hoping to establish a system to ship a total of four million tonnes of products in Japan and overseas as soon as possible. This will enable us to become a company that can consistently record operating income of around 20 billion yen. If we assume operating income of 20 billion yen, we can allocate about 10 billion yen to strategic investments for the future, even after deducting dividends and investments in maintenance and upgrades. By increasing profits and raising the level of strategic investments, we will be able to raise employee salaries and bonuses, increase shareholder returns, and invest in intangible assets such as R&D and brand value creation, thereby creating a more virtuous cycle of management toward our goal of building a system for manufacturing five million tonnes worldwide.

Investment in human capital

Strengthening human resource recruitment and development through improvement of compensation and environment

In order to realize this strategy, we need to secure and develop the people to carry it out. We need to develop our internal human resources, and at the same time, we need to attract better personnel, including mid-career hires. To strengthen human capital, we will invest a total of 8-10 billion yen during the current and next medium-term business plans. I believe there are four key elements necessary to create a company that attracts talented people. The first is that the material advantages are well prepared. In addition to base salary increases and bonus increases, we are also improving the working environment through the construction and renovation of new offices and welfare facilities, and the automation and robotization of production equipment. Second, there are opportunities for the capability development and growth of workers. I believe that we need to create a workplace where people can feel that they can grow as long as they stay with us. We are enhancing our training system and introducing a mentoring system. Third is a workplace environment where people can feel a sense of teamwork and solidarity with those they work with. I believe that we, the management team, have a major role to play in this. Each department needs to devise ways to create such an internal atmosphere. Fourth, the Company's raison d'être and business objectives must be clear. We want to communicate our Company's direction of contributing to society through steel manufacturing and material recycling business, and we want our employees to have a sense of pride and satisfaction in their work. I am taking advantage of various opportunities for dialogue, such as talks between management and employees, video messages, and morning meetings at each production site. I would also like to actively hold off-site meetings, which we could not do during the COVID-19 pandemic.

The progress and future of the medium-term business plan NeXuS 2023

Record sales in FY2023

In FY2023, both sales and profits increased, and the business performed well, surpassing plans. The global inflationary trend increased the prices of steel scrap, secondary materials, and energy costs, but sales prices also increased, resulting in record-high sales and operating income of 14.8 billion yen in FY2023. However, diverging from the vision presented in the medium-term business plan, the domestic steel business and the material recycling business performed well, while the overseas steel business was in the red. In Vietnam, in particular, the government's interest rate hikes and tighter restrictions on lending to the real estate industry have worsened the business's performance. The business environment is expected to remain challenging for the foreseeable future. However, since the market is expected to grow in the future, we plan to reorganize our strategy and this ensures a return to profitability as soon as possible. On the other hand, our North American business performed well, supported by strong demand. However, due to soaring construction costs, we have decided to revise our plan for investment in equipment capacity increases in Canada, which was originally scheduled for implementation in FY2023. We hope to implement that plan during the next medium-term business plan period.

In Japan, we transitioned to Project ONE, a sales operation reform initiative that had been underway for over four years, in October of last year as planned. The core sales operation system, including the Tetsukuru web-based ordering system, is now in operation. The standardization of internal operations has made it easier to promote a move to digital technologies and the use of AI in the future. Various efforts are underway to strengthen the "power for connections." Last year, a fire at the Yamaguchi Division's steelmaking mill forced a month-long shutdown, but domestic and overseas sites worked together to minimize the impact. Information exchange, dialogue, and cooperation with each site and Group company are more advanced than ever before.

In FY2024, the final year of NeXuS 2023, we will focus on rebuilding our Vietnam business and strengthening our North American business, in order to improve the quality of our global tripolar structure, thereby laying the foundation for the next medium-term business plan.

About sustainability management

The way it should be, in the spirit of righteousness first, profit second

Milton Friedman, an American economist, once asserted that "the social responsibility of a corporation is to maximize profits," and maximizing profits thus became the goal of corporations. Problems such as environmental destruction, poverty, and inequality are thought to have emerged in many parts of the world as a consequence. Naturally, corporate activities that are socially problematic or have an impact on the global environment are regulated by laws and regulations. However, in global competition, if a company takes social norms, business ethics, and global environmental conservation seriously in its corporate activities, it often conversely finds itself at a competitive disadvantage due to differences in local laws, regulations, rules, and values, making it difficult for the Company to survive.

So what should we do? I believe that the only way to achieve this is to manage the Company on the basis of our management principle, while controlling risk by carefully observing the local situation, reality, and actual products. Our Company's origins lie in the three aspirations of our founder, which we aim to carry forward in order to contribute to the bringing about of a resource-recycling society. By making steel from scrap, we will provide valuable products and services desired by society and customers, provide satisfying employment, generate profits for investors, and actively contribute to local communities. We believe that true management is righteousness first, profit second, focusing on such corporate activities and earning commensurate profits as a result. Today, when the nature of capitalism is being questioned, there are many yardsticks regarding environmental and social issues that need to be realized. We also recognize that improving PBR is a management issue. While listening to requests from the outside, we will absorb opinions from the frontlines as a team, and develop our corporate activities toward our ideal vision, without being short-term oriented.

Message to stakeholders

Enhancing corporate value while responding to social needs

Until the end of the Edo period, Japan's demand for ironware was met by *tatara* furnace ironmaking centered around the Izumo region. The Kitakami Mountains in the northeastern Tohoku region of Japan are said to have the only iron ore seams in Japan, and although magnetite ore of higher purity than iron sand could be obtained, the Nanbu domain regulated ironmaking that used magnetite ore. I recently learned that this was to protect the people from agricultural damage caused by excessive iron production. I was reminded of the words of Shigeatsu Hatakeyama, who revived oyster farming in Kesennuma, which was devastated by the Great East Japan Earthquake. He said "Oysters from Sanriku taste better when the mineral-rich humus from broad-leaved forests in the Kitakami Mountains, which contains iron, flows into the sea." I am greatly impressed by the fact that the wisdom of the people of the Edo period (1603-1867) for surviving in harmony with the environment in cold regions has led to the richness of the sea today.

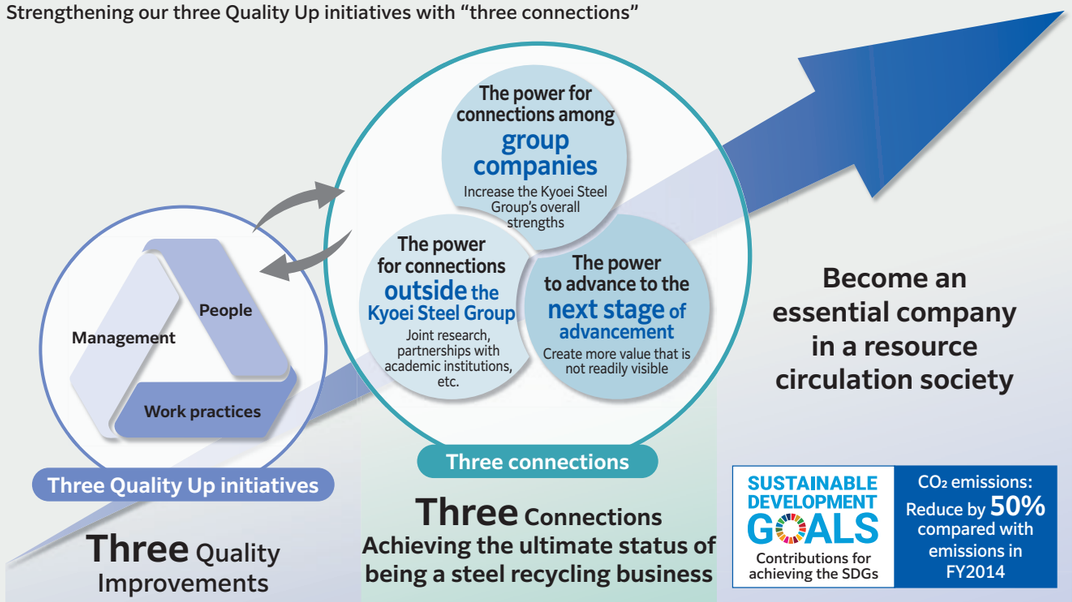
Economic growth, coexistence with nature, and the preservation of biodiversity are challenges that must constantly be overcome, whatever the era. We have reaffirmed that what we can do as members of the Earth's population is to carefully solve the problems that lie ahead of us, and that it is important to steadily continue to contribute to society by doing what we can. Such efforts that we are now working on include developing new applications for slag, planting olive trees, and other greening projects. We must continue to move forward while solving the multidimensional equation of harmony with the global environment, enhancement of corporate value, and the significance of our continued existence. To that end, we need the wisdom to solve problems one by one through discussion, rather than through zero-sum, all or nothing confrontations.

To become an essential company in a resource circulation society

Medium-term business plan: NeXuS 2023

NeXuS: Guiding us toward a 100-year company

Strengthening our three Quality Up initiatives with “three connections”



Basic Concept

Strengthen our core businesses

Strengthen our construction steel business with a focus on steel rebar

Diversify risk in our production for local businesses

Develop our resource circulation business not only in Japan but around the world

Spread our wings

In addition to our material recycling business and casting operations, we will strengthen our processed product operations and expand the scope of our business domains

Achieve harmony with the global environment

Evolve into a company that meets the highest standards for resource circulation and is capable of contributing to the realization of a sustainable society through core businesses

Direction by Segment (Long-term)

Domestic Steel Business

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

Overseas Steel Business

Foster strong local demand and aim for increased growth based on our globalization of local economies and niche industries strategy

Material Recycling Business

Respond to society's heightened environmental awareness and needs, develop more extensive resource circulation business

Steel-related Business

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

* Small rebars, FY2021 by Japan Metal Daily survey

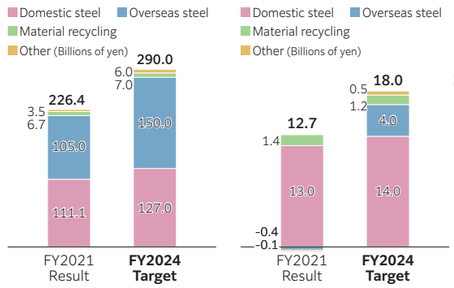
Numerical Targets and Measures to Achieve Them

Numerical targets

Final targets (KPIs) for FY2024

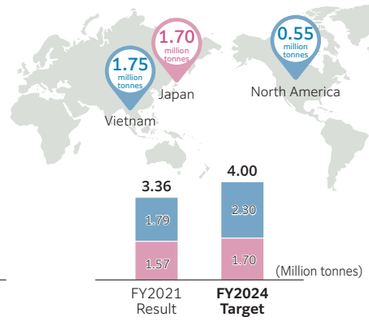
Net sales	¥290 billion
Operating income	¥18 billion
Shipment volume (million tonnes)	4.0 million tonnes (domestic: 1.7; overseas: 2.3)
ROE	7% or more
ROS	6% or more
Equity to total assets	50% or more
Net debt equity ratio	0.25 times or less
Dividend payout ratio	Approx. 30%

Net sales and operating income by segment



* The sum of the four segments does not correspond with operating income figures due to eliminations and adjustments.

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	• Demand is growing but supply capacity is also rising, intensifying competition • Our EAFs have higher costs than blast furnaces and induction furnaces	• 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	• Strengthening our steelmaking cost competitiveness • Integrated management for northern bases • Increasing shipment volumes through pricing policies in the southern region	• Improving safety, quality and technical level by strengthening cooperation with Kyoei Steel • Stable operations and productivity improvement via equipment upgrades
	• 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	• There is excess supply capacity in Japan, where demand is expected to decline • Responding to diverse customer needs • Factory facilities are aging	• Deliveries may be adversely affected by driver shortages or other factors • Human resources must be secured and employee safety improved
Measures	• 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	• 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

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	• 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	• 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 CO_2 emissions by 2050

CO_2 emissions by FY2031

Reduced by 50%

(compared with FY2014 at domestic production bases)

CO_2 emissions reduction	• Reducing energy intensity • Fuel conversion (from heavy oil to LNG) • Expanding solar panel installations • Expanding our tree planting activities (olive tree planting started in April 2021) • Use of renewable energy-based electricity
Zero emissions	• Zero emissions of steelmaking byproducts • Effective use of slag, and developing applications for it (jointly with external organizations)
Other measures	• 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

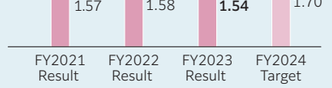
Looking back on the second year of NeXuS 2023

Numerical targets

In FY2023, shipment volume dropped slightly by 2% in Japan, and remained flat overseas compared to the previous year. Sales and profits increased compared to the previous year, with sales achieving the final year target of the medium-term business plan for the second consecutive year. ROS, ROE, equity to total assets, and net deposit equity ratio improved over the previous year.

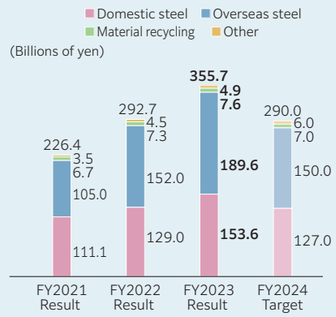
	FY2022 Result	FY2023 Result	FY2024 Medium-term business plan (Final fiscal year target)
Net sales	¥292.7 billion	¥355.7 billion	¥290.0 billion
Operating income	¥8.8 billion	¥14.8 billion	¥18.0 billion
Shipment volume (Million tonnes)	3.32	3.28	4.00
(Domestic)	1.58	1.54	1.70
(Overseas)	1.74	1.74	2.30
ROS (Return on sales)	3.0%	4.2%	6% or more
ROE (Return on equity)	4.0%	7.7%	7% or more
Equity to total assets	51.9%	53.2%	50% or more
Net debt equity ratio	0.27 times	0.23 times	0.25 times or less
Dividend payout ratio	27.5%	26.5%	Approx. 30%
Capital investment and business investment	¥13.0 billion	¥9.3 billion	¥60.0 billion over 3 years

Shipment Volume

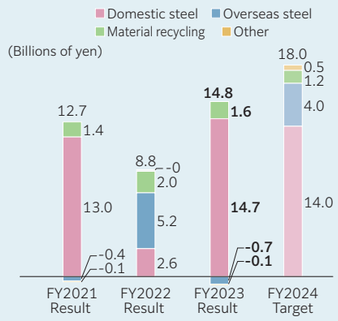


Net sales reached a record high, despite external factors including rising product market prices due to global inflation and depreciation of the yen. Operating income increased by 6.0 billion yen over the previous fiscal year, primarily because in the overseas steel business, performance in North America remained strong but in Vietnam deteriorated significantly, and in the domestic steel business, product price increases continued and a trading price gap was secured.

Net sales



Operating income



* The difference from total operating income is due to elimination, or to company-wide expenses.

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. → **p.35–40**
- We received third-party verification of Scope I–III CO_2 emissions for Kyoei Steel and Kanto Steel.
- We were rated A- in a CDP survey in the climate change field.
- In October 2022, the web-based ordering system Tetsukuru, one of the initiatives of the sales operation reform project, went into full-scale operation. → **p.43**
- We were certified by the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program for FY2023, for the second year running. → **p.43**
- We maintained our Credit Rating of A, and in June 2021, issued our 1st naked debenture of 10 billion yen. → **p.23–24**

Message from the Financial Director

We will strive to preserve our sound financial base, strengthen our global tripolar structure, and step up investments in intangible assets in order to achieve sustainable growth and increase corporate value.

Kiminori Hashimoto
Senior Executive Officer

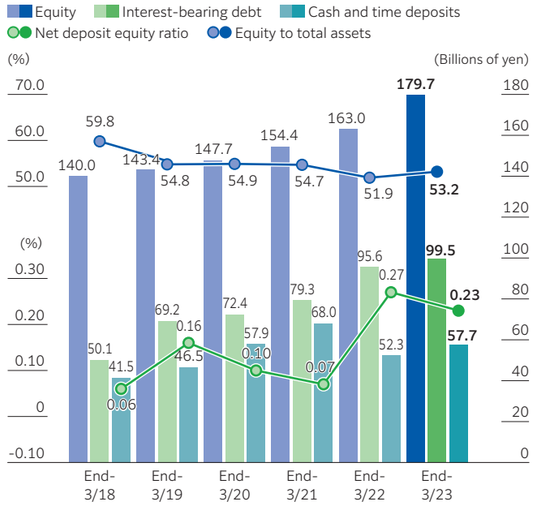
FY2023 results and FY2024 outlook

Our consolidated performance in FY2023, the second year of the current medium-term business plan NeXuS 2023, was 355.7 billion yen in net sales and 14.8 billion yen in operating income, showing an increase in both sales and profits for the Group as a whole. At the same time, the results showed some remaining issues in specific segments. Raw material prices and energy costs continued to rise in our domestic steel business, but product price increases penetrated, resulting in substantially increased profits. Our overseas steel business performed well in North America, but our operation in Vietnam fell significantly into the red amid a harsh business environment. Factors there include rising interest rates and a fraud case in a major property developer which triggered stronger regulations on lending to the real estate industry, leading to a slump in personal housing demand and a rush of building projects being suspended or abandoned.
In the outlook for FY2024, the future remains difficult to predict due to geopolitical risks, global monetary tightening, and progressing *greenflation*. Nevertheless, we aim to start rebuilding our business in Vietnam, evolving our global tripolar structure, and securing profits above our initial targets.

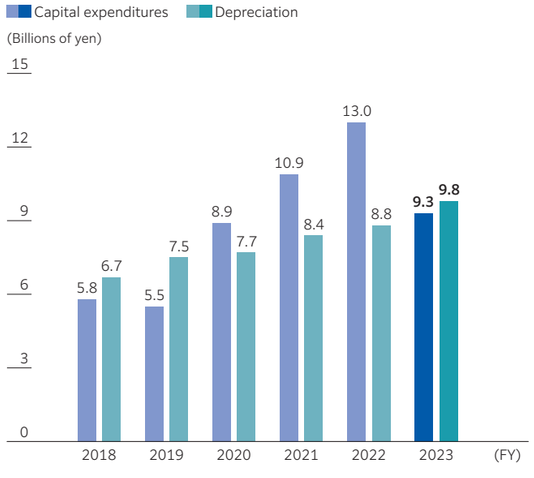
Basic thinking on financial strategy

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." The medium-term business plan NeXuS 2023 sets an ROE of 7% or higher, and our financial rules include equity to total assets of 50% or higher and a net debt equity ratio of 0.25 or less, in order to maintain an appropriate level of financial leverage and soundness.
At the end of FY2023, our equity to total assets was 53.2% and the net debt equity ratio was 0.23 times, both of which met targets. However, during the period, the ratio temporarily dipped below the targets due to rising unit prices and the sharp depreciation of the yen. In the current fiscal year, we will continue our efforts to improve the capital efficiency of the entire Group and strengthen our financial foundation.
The Group's main demand for funds is for operating capital, capital expenditures for the maintenance and upgrade of production facilities, and strategic business investments—these funds are sourced from cash on hand and cash flow from operations—and when necessary, the Group raises funds through bond issuance and borrowing. Further, we have secured a registered line of credit of 30.0 billion yen for the issuance of corporate bonds to enable flexible fund procurement, as well as having concluded committed line of credit and overdraft agreements to a total of 18.5 billion yen with financial institutions in order to ensure the liquidity of funds.
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 the end of FY2023.

Equity to total assets/Net deposit equity ratio



Capital expenditures/Depreciation



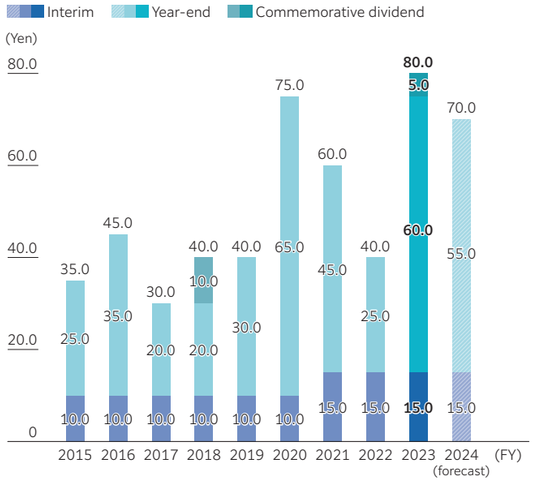
Capital expenditures, business investments, and investments in human capital and intangible assets

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.
Under our medium-term business plan NeXuS 2023, we have formulated an investment plan for approximately 60 billion yen in capital and business investments over these three years. Of these, our investments to strengthen the competitiveness, maintenance and upgrade investments, and environmental investments to reduce emissions of CO_2 of our domestic steel business are proceeding largely as planned. However, the timing of some investments to boost production and sales in Vietnam and Canada has been deferred, including some revisions based on changes in the business environment.
Meanwhile, in the area of investment in human capital and intangible assets, we are actively working to invest in intangible assets for further future growth. Such investments include strengthening recruitment of diverse human resources, including women, mid-career personnel, and people with disabilities; renovating welfare buildings and offices at each business division to improve the workplace environment; establishing a Human Resources Development Section and training center to strengthen human resource development; proactively increasing a wide range of education and training opportunities both inside and outside the Company to promote employee growth; actively engaging in health management; and establishing a new Research Center for Sustainable Technologies to generate innovation in resource circulation technology.

Return to shareholders

In FY2023, we distributed a yearly dividend of 80 yen per share, an increase on the previous year. In FY2024, we forecast a full-year dividend of 70 yen per share.
The Company believes that enhancing medium-to long-term corporate value through business activities provides the greatest return to shareholders. In order to achieve this goal, we have presented our earnings plan and capital efficiency targets (ROE) in our medium-term business plan NeXuS 2023, while also factoring in the cost of capital. We have also announced specific measures including investments in growth and human capital.
We recognize that there are still issues with our return-on-capital ratio and market rating, given that our ROE was 7.7% in FY2023 and that our PBR was 0.39 times at the end of March 2023.
In light of this situation, we have begun deliberating on the next medium-term business plan, which begins in FY2025. We will consider how to further raise the level of measures for return to shareholders while also maintaining financial soundness. Measures will include growth strategy to further raise corporate value, and ambitious investment initiatives in human capital and research and development, ESGs, and brand value enhancement.

Dividends



03 Initiatives in Line with Materiality

Response to Sustainability Issues

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

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

Sustainability Policy

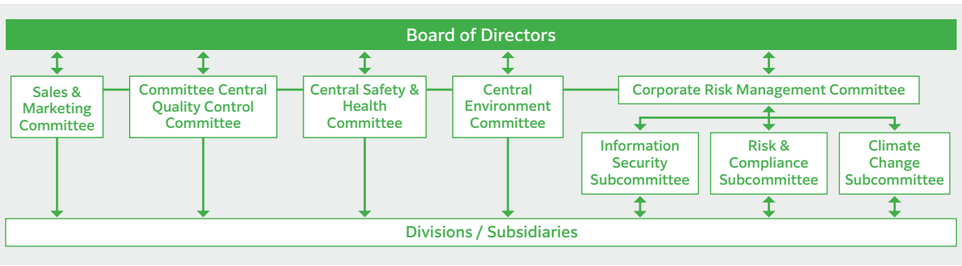
— Challenges for the future —

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

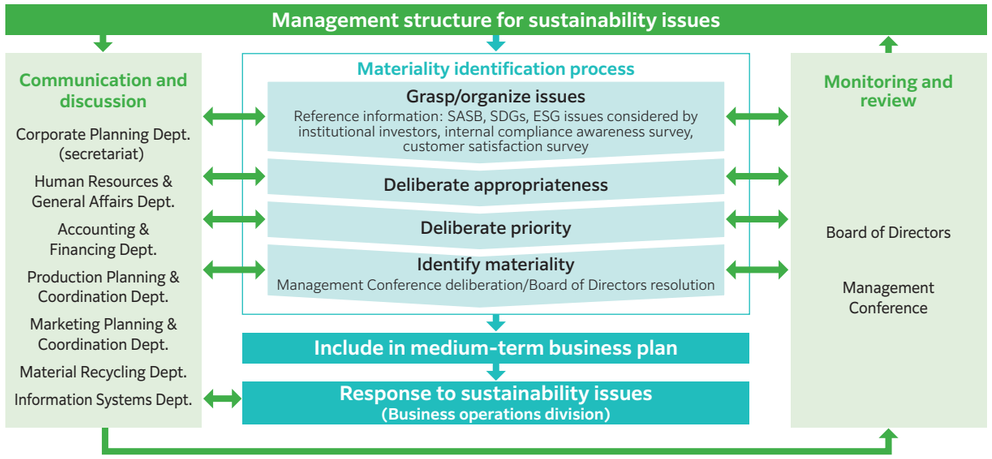
Given that our aim is to become an Essential Company that contributes to both social progress and harmony with the global environment, having sustainable management is absolutely essential. So that we can put our Sustainability Policy into practice, under the supervision of the Board of Directors we need to identify management issues, risks, and opportunities in light of both the Group's business situation and the external business environment, and formulate responses to these. Issues identified as of particular importance are incorporated into our medium-term business plan NeXuS 2023 launched in FY2022, as materialities, and we have established specific initiatives and KPIs.
In order to achieve these KPIs, the Company established a company-wide management structure, each business operations division handled their issues through discussions in each committee and subcommittee, and we accelerated initiatives. Materialities are reviewed when necessary, with business risks and opportunities impacting the Group discussed and reviewed annually by the Corporate Risk Management Committee.

Positioning of the Sustainability Policy

Governance system related to sustainability issues



Management process related to sustainability issues



Risks and opportunities of sustainability issues surrounding the Group

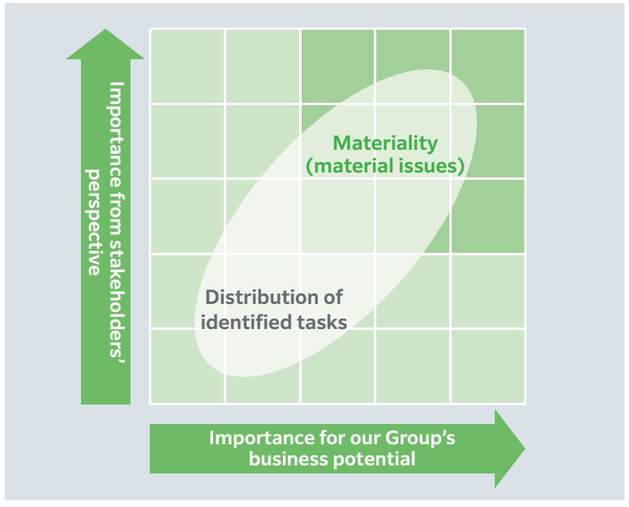
Sustainability issues	▲ Risks ● Opportunities
Climate change	▲ Increased capital investment to comply with stricter greenhouse gas emission regulations. ▲ Increased costs due to the introduction of carbon pricing. ▲ Suspension of operations due to abnormal weather conditions caused by climate change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

Materialities (important material issues)

Confronting sustainability issues through our business activities

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

Our approach to materialities



		Relation with SASB	KPI in NeXuS 2023	Concrete measures	Relevant SDGs	Details
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.	● Access and reasonable price ● Impact on life cycle of products and services	● Net sales: ¥290 billion ● Operating income: ¥18 billion ● Shipment volume: 4.0 million tonnes (domestic: 1.7 million tonnes; overseas: 2.3 million tonnes)	● [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	9, 13	→p.29–34
Toward a beautiful global environment	We will not only reduce greenhouse gases and byproducts produced by the Group, but we will contribute to realizing a society that has less impact on the environment by recycling various kinds of waste generated by society.	● GHG emissions volume ● Air quality ● Water and wastewater management ● Management of waste materials and harmful substances ● Management of biodiversity	● Reduction of CO_2 emissions by 50% from FY2014 by FY2031 ● Improvement of energy intensity by 1.0% per year ● No byproducts to be disposed of in landfill	● Measures to reduce CO_2 emissions ・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 NOx, SOx emissions ● Disclosure of purchase volume of industrial water and comprehensive wastewater volume	7, 11, 12, 13, 14, 15	→p.35–42
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.	● Product quality/ product safety ● Sales customs/ product display		● 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	9, 12	→p.43
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.	● Safety and health of employees ● Employee engagement, diversity, and inclusion	● 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	● Introduction of fore furnace 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	3, 4, 5, 8, 10	→p.43
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.		● Total amount of donations: Approx. 0.5% of nonconsolidated net income	● 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.	11	→p.44
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.	● Major incident risk management	● To be continuously listed in the new market segment (Prime Market) of the Tokyo Stock Exchange	● Functional enhancement of the board of directors: 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	16	→p.45–50

For a Comfortable and Safe Society

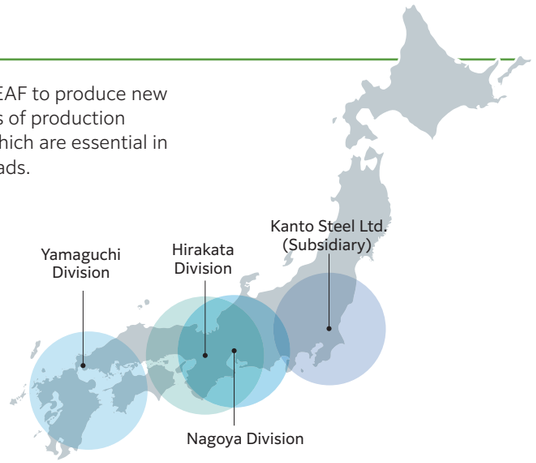
Domestic Steel Business

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 (FY2022: 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 CO_2 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
  - ① Possible to speedily deploy a business strategy that utilizes sales and purchasing information in each area
  - ② Possible to speed up technological capabilities enhancement by horizontal deployment of technology information
  - ③ Possible to perform alternate production during emergencies for semiconductors and the mainstay product steel rebar
- Manufacture and sell products with added value, including high-strength steel rebar and threaded-type rebar, etc.
- Operational technology that can achieve stable production of steel products that fulfill standards from low-quality steel scrap

[Opportunities]

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

[Risks and challenges]

- Reduced demand in medium to long term
- Increase in steel scrap prices due to trends in CO_2 emissions reduction; potential procurement issues
- Response to new construction methods
- Difficulty in securing labor due to decline in working-age population
- 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

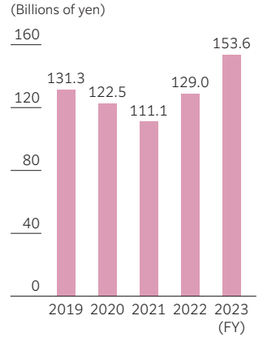
Because many of the bases in Japan have been operating for over 40 years, we will take measures against their deterioration, proactively make capital expenditures for workplace environment facilities so that employees engaged in production can maximize their abilities, and strengthen our competitiveness. 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 core business system that was launched in October 2022.
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.

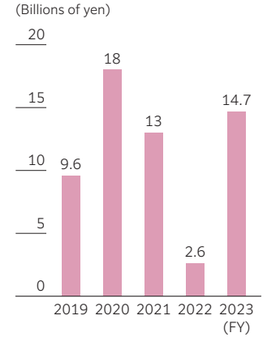
Progress in medium-term business plan

In FY2023, while construction demand did not return due to the remaining impact of COVID-19, product shipment volume (including exports) was 1.54 million tonnes, slightly down year-over-year. On the other hand, the Group strove to raise product prices as the price of steel scrap remained high throughout the year due to global iron shortages and the effects of carbon neutrality, and largely secured the trading price gap (difference in product price and raw materials price), which is its source of profit. While the cost of secondary materials, such as electricity, fuel, and ferroalloys rose, and manufacturing costs increased, these were sufficiently absorbed by the trading price, leading to an operating income of 14.7 billion yen, far exceeding second year profit targets of the medium-term business plan.
As one element in building a comfortable working environment, which is one of the policies in our medium-term business plan, we completed the construction of a new welfare building at Kanto Steel in March 2023. Our Nagoya Division completed a new office in May 2023, and our Yamaguchi Division made progress on a factory renewal project, with construction of the new office welfare building starting in August 2023. We made significant progress in improving workplace environments at all domestic sites.

Net sales



Operating income




Kanto Steel: New welfare building


Nagoya Division: New office


Yamaguchi Division: Illustration of completed new office

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 diversify risks by having bases in both growth markets (Vietnam) and mature markets (US, Canada)
- Abundant opportunities to develop Group employees, through providing technical guidance and equipment investment locally

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

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

Growth strategy

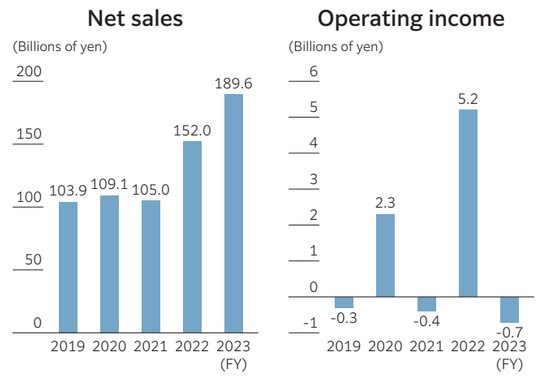
We will continue to expand local production for local consumption firmly rooted in local communities, based on our globalization of local economies and niche industries strategy mainly in North America and Asia, where we can expect demand and profits to grow. We will promote localization with a focus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

Vietnam saw solid performance at the beginning of the year, however real estate development stagnated and demand for both housing and projects declined sharply. That was due to the Vietnamese government tightening anti-corruption measures from July 2023, while also raising interest rates and tightening restrictions on lending to the real estate industry. As a result, product shipment volume and profit targets fell far short of anticipated for the second year of the medium-term business plan.
As for North America, demand for construction steel materials and mining products remained vigorous throughout the year in both the US and Canada, while product prices remained at high levels. As a result, we far surpassed our profit target for the second year of the medium-term business plan.
Overall, the overseas steel business was unable to make up for the drop in earnings at the Vietnam facility through the North American facility, resulting in an operating loss of 700 million yen for FY2023, significantly below the target for the second year of the medium-term business plan. We aim to invest in increasing production capability and start operations at sites in Vietnam and Canada during the medium-term business plan period, but start of operation has been delayed to FY2025 or later.



Overview of investments to increase production capability in Vietnam and Canada

VIS JSC

We plan to construct a new steel rolling mill for Vietnam-Italy Steel (VIS) JSC with an annual production capability of 500,000 tonnes next to the steelmaking mill in Hai Phong. Despite changes in the business environment and delay to start of operation we are going ahead with preparations for this plan.

AltaSteel Inc.

There are currently no manufacturers producing fine rebar in Canada, so we planned to add a new rolling line for AltaSteel Inc. in Canada with an annual production of 100,000 tonnes to produce this product. However, due to high construction costs, we will proceed after reviewing specific areas of this plan and expect completion at the end of FY2025.

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 Kyoei Steel Group—are expected to trend flat as the amount of waste being generated drops.
- There is a greater need for material recycling and other more advanced recycling methods due to an increased environmental awareness at places where waste materials are generated. At the same time, 3R (reducing, reusing, and recycling) efforts to reduce the amount of waste generated are being promoted from all angles. Meanwhile, the emergence of simple and inexpensive incinerators together with the development of new recycling technology has created competition for solutions based on EAF melting technologies.
- It is difficult now to recycle new materials such as 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]

- The need for treating difficult-to-treat waste material is increasing
- 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

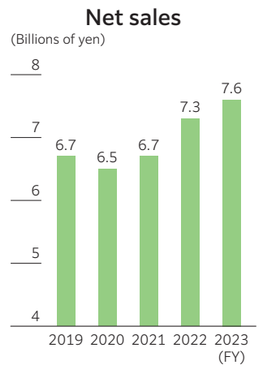
We aim to leverage our strengths in EAF melting as we focus on developing new resource recycling technology, respond to a rising need for waste recycling driven by an increased social environmental awareness, and provide an even higher level of quality as a resource circulation business.

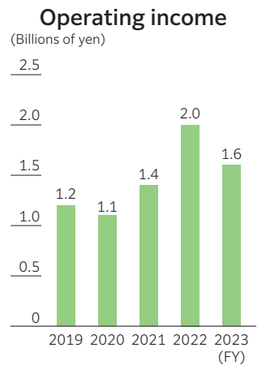
Initiatives in medium-term business plan

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 Mill (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. In FY2023 we continued to obtain new orders to treat medical waste related to COVID-19, resulting in an operating profit of 1.6 billion yen. Although this falls short of the operating profit posted in FY2022, it remains at a high level and greatly exceeds the profit targets for the second 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

Actions based on TCFD recommendations

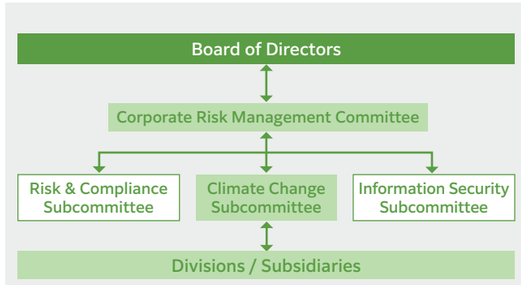
The Group has made response to climate change one of its important management issues, and has taken a number of steps to advance them. We will continue to advance our initiatives for climate-change-related risks to and opportunities for our business in 2030 and 2050, in order to strengthen our resilience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

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

Governance	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

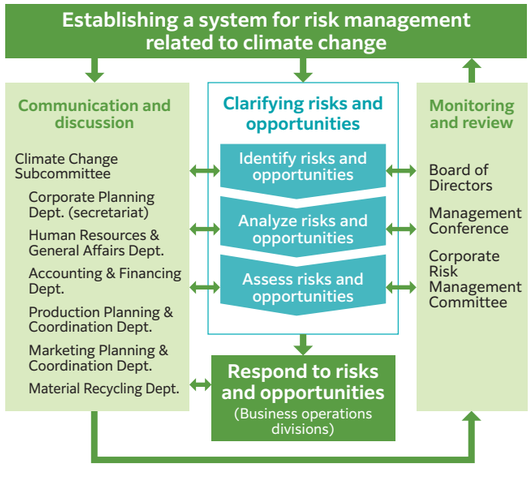
We have established a Corporate Risk Management Committee (CRMC), chaired by our president. We have also set up various subcommittees, including a Risk & Compliance Subcommittee and a Climate Change Subcommittee, which report to the CRMC.
We have created a system that allows us to assess and evaluate 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.

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



Strategy

Defining scenarios

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

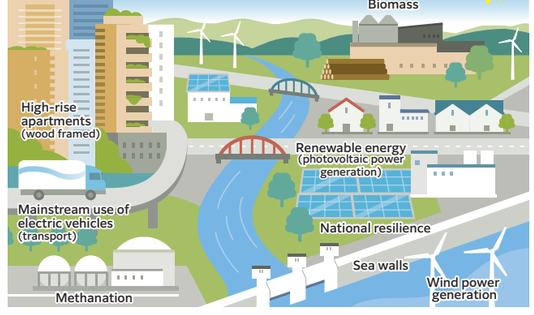
* IPCC: Intergovernmental Panel on Climate Change

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

Changes in society surrounding the Group

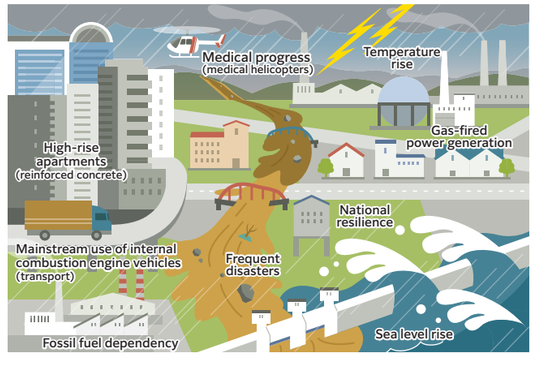
[1.5°C and below 2°C scenarios] Decarbonization progresses as demanded by society and by government regulations to mitigate climate change

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



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

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



Scenario analysis

We evaluated the risks and opportunities for the Group under the 1.5°C and below 2°C, and 4°C scenarios according to their potential impact (major/medium/minor) on our Company in the near term (occurring within 3 years), medium term (within 3-10 years), and long term (10 years or more). We then organized the 15 risks and opportunities for the 1.5°C and below 2°C scenarios, and organized 10 risks and opportunities for the 4°C scenario into six categories: carbon costs, energy costs, rising material costs, product markets, natural disaster costs, and working conditions.

1.5°C and below 2°C

			Important risks and opportunities		Countermeasures in NeXuS 2023
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	Carbon costs	• Promoting energy savings • Promoting transition from heavy oil and kerosene to city gas and LNG
			(2) Competition for LNG, and LNG prices soar due to the transition to low-carbon fuels, triggered by restrictions on the use of petroleum fuels	Energy costs	
	Technology	Demanding decarbonization and energy saving technologies	(3) Decarbonization and energy saving technologies are unable to keep pace with demand, making operations difficult	Carbon costs	• Promotion of development of decarbonization and energy saving technologies • Development of technologies to assist the transition from heavy oil and kerosene to city gas and LNG • Improving technologies for collecting and sorting steel scrap suitable for recycling and transforming it without loss into new steel products
			(4) Competition and prices for steel scrap and electrodes increase due to a transition from BFs to EAFs in steel production	Rising material costs	
	Market	Increasing awareness of decarbonization in society	(5) Markets and demand for products and services contract due to dematerialism and population reduction (6) Competition intensifies due to a transition from BFs to EAFs (7) Demand declines due to a transition from concrete to wood, triggered by changes in developers' values	Product markets	• Developing new products for new construction methods, such as high-strength rebars and assembled products for precast concrete • An energetic approach to new businesses, such as customer-specific processed products
			(8) Sales opportunities are lost due through being unable to comply with decarbonization requirements in value chains	Carbon costs	
		Rising energy costs	(9) Electricity costs increase due to an increase in the percentage of renewable energy use in power generation	Energy costs	• Passing energy costs on to products, and promoting energy saving • Promoting in-house photovoltaic power generation and self-consumption
Physical risks	Acute risks	Frequent natural disasters	(10) Divisions and sites shut down due to natural disasters such as typhoons and floods (11) Material procurement becomes difficult due to natural disasters	Natural disaster costs	• Establishing a business continuity management (BCM) system against physical disruption and transferring risk to a third party • Expanding supply chains to ensure reliable material procurement
Opportunities	Products and services	Expanding markets for products	(12) Becoming known as a "resource circulation business" opens up new markets for a company's products (13) Increased demand and sales opportunities for products giving rise to low CO_2 emissions: steel manufacturing using EAFs, "green steel" and products with EPD (14) Increased demand and sales opportunities for "national resilience products" offering protection from natural disasters (15) Increased demand for discrete products such as threaded rebars and assembled products for precast concrete, because labor savings on construction sites are required due to rising average temperatures	Product markets	• Enhancing external evaluation, such as ESG ratings, by actively disclosing ESG information • 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

4°C

			Important risks and opportunities		Countermeasures in NeXuS 2023
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
		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

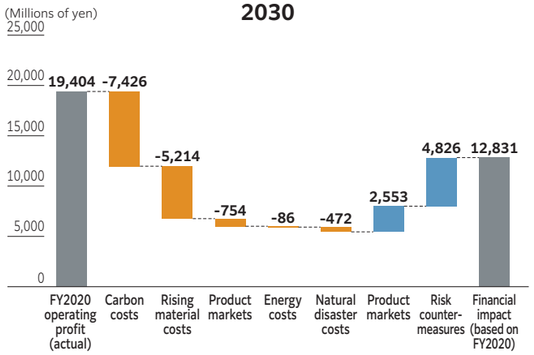
[Reference]
- IEA, World Energy Outlook (2020) (hereinafter IEA/WEO 2020)
- IEA, Energy Technology Perspectives (2020) (hereinafter IEA/ETP 2020)
- IEA, Iron and Steel Technology Roadmap (hereinafter IEA/ISTR)
- IMF, World Economic Outlook Database (2021) (hereinafter IMF/WEO 2021)
- ILO, Working on a warmer planet
- IEA/World Energy Outlook (2022) (hereinafter IEA/WEO 2022), etc.

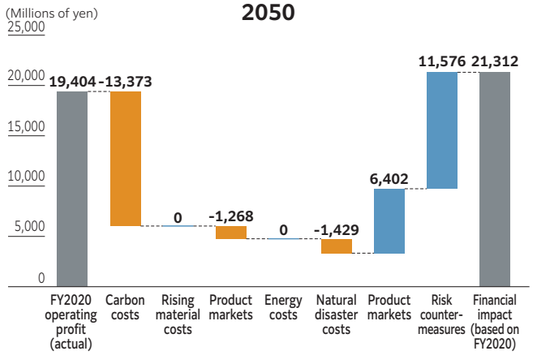
Financial impact

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

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

([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)





*Carbon costs calculated are for Kyoei Steel Ltd. and Kanto Steel Ltd. only

Financial impact estimation parameters (base year: FY2020)

Carbon costs

We estimated the risk impact of not reducing CO_2 emissions (Scope 1 + 2) from the base year amount, if the carbon price for developed nations listed in Table B.2 of IEA/WEO 2022 (2030: $140/t-$CO_2$, 2050: $250/t-$CO_2$) is levied.

Rising material costs

Based on Figure 1.3 and Figure 2.11 of IEA/ISTR, assuming that direct reduced iron (DRI) using natural gas generated through carbon capture/utilization/storage (CCUS) will become standardized by 2030, and DRI using 100% H_2 by 2050, we expect that the unit cost of steel scrap will therefore increase along with the cost of crude steel.
On the other hand, based on IMF/WEO 2021, we estimated risk impact based on price changes in metal spreads from the base year, assuming that costs could be passed onto products in line with inflation in Japan, Vietnam, the US, and Canada for 2018 (prior to COVID-19). However, we evaluated FY2051 as "no risks" under the assumption that product shipment unit costs will not rise above the sharp increase in steel scrap unit costs.

Product markets

Demand for steel products for construction is expected to drop as the use of existing structures is prolonged, material quality is improved, and construction methods are optimized.
Based on the sustainable development scenario (SDS) in Figure 2.2 of IEA/ISTR, we estimated the risk impact of the Group shipments for construction projects decreasing. However, demand for steel products for civil engineering is expected to increase as advances are made in power plant and transportation infrastructure construction. We estimated the opportunity impact of the Group shipments for civil engineering projects increasing.
We also see the decline in demand for construction materials to be a result of improvements in steel product quality. This presents an opportunity for the Group to expand its market share. We estimated the opportunity impact based on Figure 4.24 of IEA/ISTR.

Energy costs

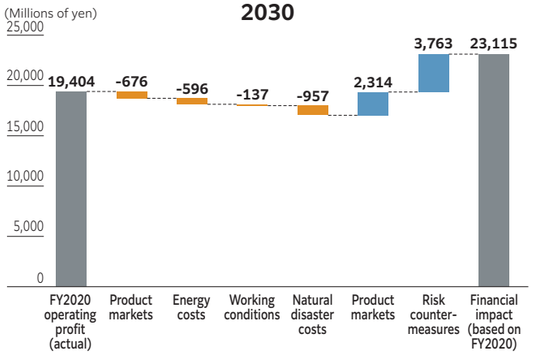
We estimated the risk impact of energy costs increasing from the base year, with the energy costs of the Group transitioning at the government's long-term forecast ratio as shown in Figure 1.6 of WWF/2050 Zero Scenario for a Decarbonized Society.

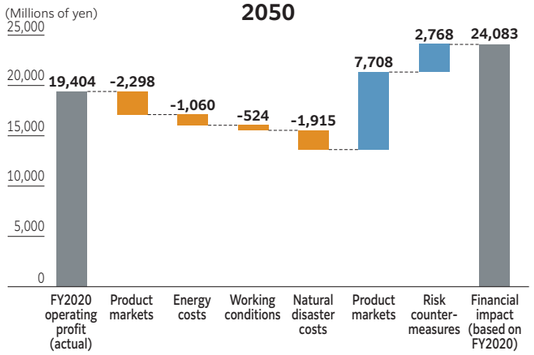
Natural disaster costs

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 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)

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/ETP2022.
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 (2019), we estimated the opportunity impact of expanding the material recycling business of the Group.

Energy costs

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

Working conditions

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

Natural disaster costs

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

Metrics and targets

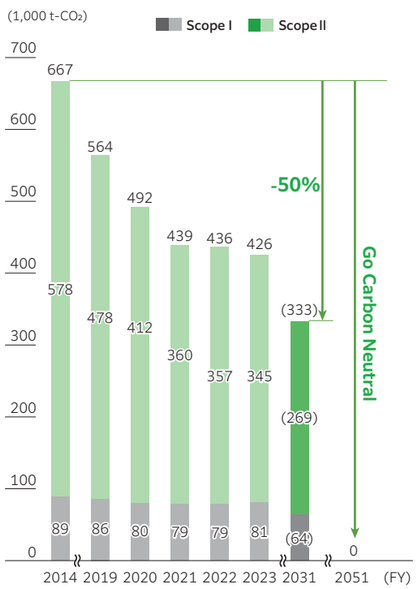
We believe it is important for the Group to determine how it is to reduce CO_2 emissions, especially in light of our measures against transition risks in the 1.5°C and below 2°C scenarios and mitigation of physical risks to society in the 4°C scenario. We have therefore established CO_2 emissions as our key measurement criterion, and have targeted a 50% reduction in emissions by FY2031 (compared with FY2014 [domestic production sites only]), based on the "CO_2 Emission Reduction Plan" to achieve net zero greenhouse gas emissions by 2050. →P.41

Initiatives to reduce environmental impact

Environment-related data (Kyoei Steel + Kanto Steel)

CO_2 emission volumes

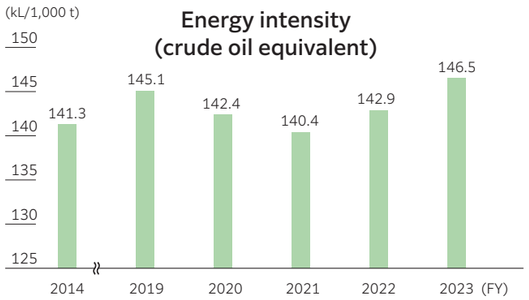
Scope I, Scope II



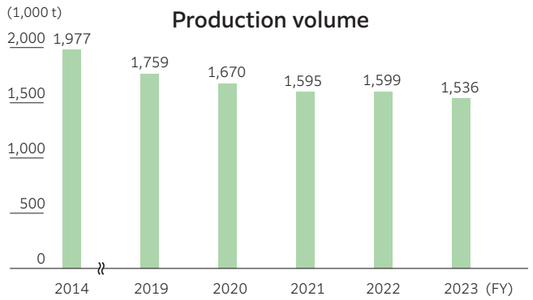
Scope III

Category		Scope III (1,000 t-CO_2)		
		FY2022	FY2023	Proportion (%)
Cat 1.	Products and services purchased	115	108	37.2
Cat 2.	Capital goods	21	13	4.5
Cat 3.	Fuel and energy-related activities not included in Scope I or II	69	75	26.0
Cat 4.	Upstream logistics	30	30	10.3
Cat 5.	Waste generated by operations	5	5	1.7
Cat 6.	Business travel	0	0	0.0
Cat 7.	Employee commuting	0	0	0.1
Cat 8.	Upstream leased assets	–	–	–
Cat 9.	Downstream logistics	15	17	5.8
Cat 10.	Processing of products for sale	4	5	1.6
Cat 11.	Use of products sold	–	–	–
Cat 12.	Disposal of products sold	14	14	4.8
Cat 13.	Downstream leased assets	–	–	–
Cat 14.	Franchising	–	–	–
Cat 15.	Investment (outside scope of verification)	26	23	8.0
Total		301	290	–

Energy intensity (crude oil equivalent)



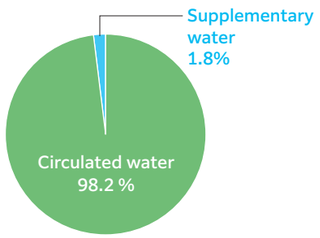
Production volume



Efficient use of water resources

Our four sites in Japan (Kyoei Steel + Kanto Steel) use large quantities of water for cooling equipment and other purposes in the steel manufacturing process. It is therefore important that we make efficient use of water resources. Our Group has long been building a closed system in which used coolant water is collected, recycled using water treatment equipment (cooling towers, filtration equipment, etc.), and reused as circulated water. In FY2023, more than 98% of the total amount of water used was supplied with this circulating water.

Supplementary water/circulated water ratio (Results in FY2023)



Recycling system with EAF at its core

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. Going forward, 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

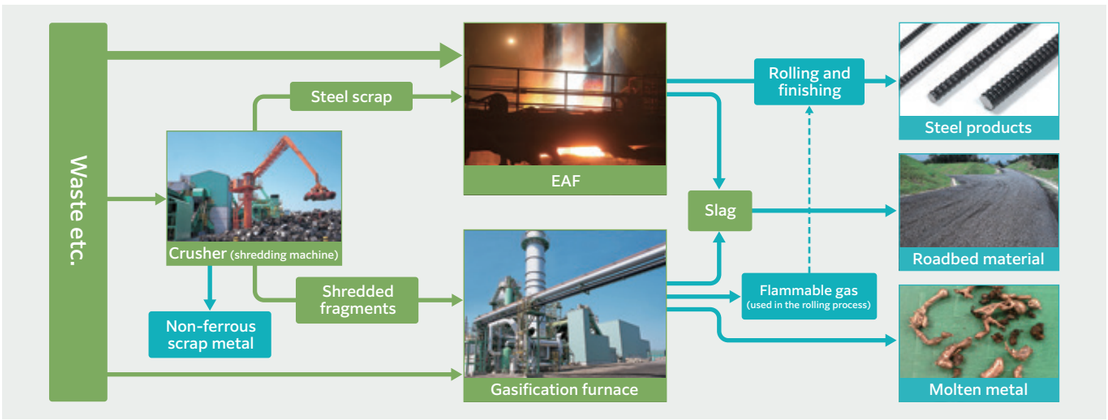
We provide destructive treatment for CFC gases used as refrigerants in air conditioners, refrigerators, and freezers, as well as treatment of SF_6 (sulfur hexafluoride), PFCs (perfluorocarbon), and halon gases which other treatment facilities tend to avoid. These activities contribute to the prevention 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.

Summary diagram



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

Our “Tetsukuru” web ordering system is now in full-scale operation.

In October 2022, the web-based ordering system Tetsukuru, one of the initiatives of the sales operation reform project that we have been working on for over four years, went into full-scale operation. Tetsukuru is a system that allows customers to place orders for steel products handled by our Company, to inquire about contract, order, and billing information, and to download data in real time. It is also possible to refer to and change information ordered by conventional methods, and information is linked with our Company as needed, allowing for flexible use without being constrained by existing restrictive systems.

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

Recognized for the second consecutive year as a “2023 Certified Health & Productivity Management Outstanding Organization (large enterprise category)”

We were recognized for the second consecutive year under the large company category as an organization that takes an organizational perspective on the health of employees and strategically manages this, under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program run by METI and the Nippon Kenko Kaigi. We will continue our health and productivity management efforts, in order to make workplaces even safer and more comfortable, and to improve the health and welfare of employees.

2023 健康経営優良法人 Health and productivity

Establishment of bulletin boards for information exchange among group companies

A bulletin board was established on our intranet as a place for all employees of group companies to share information on business issues. This is the embodiment of the suggestions made by our employees when we solicited ideas on how to make our Group stronger, more loved, and easier to work for. Through Q&A sessions and video posts by employees on bulletin boards, the aim is to convert known facts scattered throughout the organization into data, so that knowledge can be shared and accumulated quickly and across locations and organizations. Our goal is to connect the skills and knowledge of our employees to the next generation, rather than leaving them confined to individual employees, by creating a database of their skills and knowledge.

Recognized for the third year in a row as a company promoting employee welfare under the Employee Welfare Award & Recognition Program (Hataraku Yell 2023)

We were recognized for the third year in a row as a company promoting employee welfare under the Employee Welfare Award & Recognition Program (Hataraku Yell). 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

Official Premium Partner Agreement with professional soccer club Renofa Yamaguchi FC

We have agreed an Official Premium Partner Agreement for the 2023 season with RENOFA YAMAGUCHI CO.,LTD., which operates Renofa Yamaguchi FC, a professional soccer club based in Yamaguchi Prefecture. In support of Renofa Yamaguchi FC's club mission of “Connecting Hearts and Delivering Inspiration” and club vision of “Creating New Value with the Community,” we will support the club's aspirations to be in J1, especially its under-18s organization (academy), as they take on the challenges of the future.

Renofa Yamaguchi FC mascot character “Renomaru” and Yamaguchi Division employees

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.
FY2023 marks the 21st annual donation. This year, a total of 14 million yen in donations was given to nine organizations nationwide, bringing the total amount donated to 450 million yen. As an example, donations from the fund were given in response to recommendations from Osaka Prefecture for measures to counter gambling and other addictions. The fund will continue to contribute to society and local communities.

MESSCUD Medical Treatment Safety Fund presentation ceremony
Photo credits: Sangyo Press

Exhibiting at Vietnam Festival 2023 Osaka

In June 2023, the company exhibited at “Vietnam Festival 2023 Osaka,” a project commemorating the 50th anniversary of the establishment of diplomatic relations between Japan and Vietnam, held at Osaka Castle Park. Three Vietnamese employees from our group companies, who came to Japan to support this event that attracts many Vietnamese visitors, presented an introduction of the Company and its business in Vietnam.

Employees from our Vietnam bases explaining our business to visitors

Cooperation with traffic accident rescue training by the local fire department

In March 2023, our Yamaguchi Division cooperated in a traffic accident rescue drill conducted by the Ube and Sanyo-Onoda Fire Departments, by providing scrap cars collected by our automobile recycling business, as well as the site for the drill. The fire department commented that “Actual rescue opportunities are decreasing because the number of accidents in which people are trapped inside their vehicles has been decreasing due to improved vehicle performance. Being able to train with real vehicles in this environment is an invaluable experience for our young team members.”

Scrapped vehicles being processed by our Company

Toward Fairer and More Sincere Corporate Activities

Overview of corporate governance

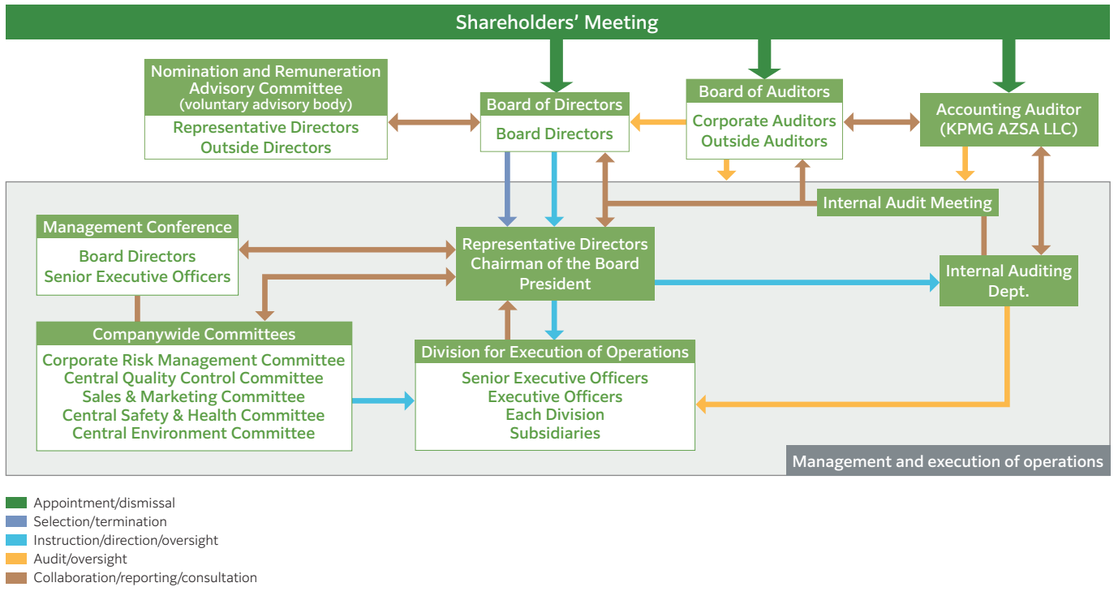
Basic perspective

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



Overview and activities of the Board of Directors and executive system

The Board of Directors is responsible for making management decisions, and consists of a total of 11 individuals (two representative directors and nine board directors). Four of these individuals are outside directors, who are designated as independent executives as defined by the Tokyo Stock Exchange.
The Board of Directors determines business administration in accordance with the Companies Act, and has the authority to supervise how board directors are performing their duties. As stipulated in our articles of incorporation, board directors are selected by a majority decision of shareholders participating in the shareholders' meeting with at least one-third of shareholders with voting rights present, with selection not determined through cumulative voting. Our articles of incorporation also state that there must be no more than 15 board directors.
Regarding the activities of the Board of Directors, 17 meetings were held in FY2023. The attendance rate of directors (including outside directors) and corporate auditors (including outside corporate auditors) was 100%. In principle, the Board of Directors meets once a month, and in addition to individual resolutions, it makes reports and deliberations on consolidated monthly financial results (including the results of group companies), progress of annual and medium-term management plans, operation status of internal control systems, response to corporate governance issues, evaluation and response to major group risks, and evaluation of the effectiveness of the Board of Directors and the status of policy investments. The Board engages in vigorous discussions and exchanges of opinions.

In FY2023, we focused our deliberations on the following matters:
- Consideration of capital investment and business strategies for qualitative and quantitative improvement of the global tripolar structure
- Business support and restructuring of domestic and overseas related companies
- Human capital management
- Sustainability measures (human capital management, TCFD compliance, etc.)
- Dividend policy

Skills matrix for board directors

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

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

Overview and activities of the 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.
The Board of Auditors held 14 meetings in FY2023. The attendance rate of corporate auditors (including those from outside the Company) was 100%. The Board of Auditors meets regularly once a month, and as needed.

In FY2023, we focused our deliberations on the following matters:
- Matters to be resolved and deliberated: 27 Items. Selection of Chairman of the Board of Auditors, Selection of a full-time corporate auditor, partial amendment of the regulations of the Board of Auditors, etc.
- Matters to be discussed: 1 item. Discussion of auditor compensation
- Matters to be reported: 69 reports. On the status of execution of duties by auditors; on the results of on-site inspections of offices; on the results of investigations of subsidiaries, etc.

Overview and activities of Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of at least three members (the majority of whom are independent outside directors) selected by resolution of the Board of Directors from among independent outside directors and representative directors. It is an advisory body established to deliberate mainly on the nomination and compensation of representative directors, board directors, corporate auditors, and executive officers, and to provide advice and recommendations to the Board of Directors. It meets as needed.
The Committee held three meetings in FY2023. The attendance rate of the four outside directors and two representative directors was 100%. In addition to these meetings, the Company strives to enhance deliberations such as by providing a forum for discussion between the representative directors and outside directors on important matters in advance.

In FY2023, the following matters were discussed and considered.
- Consideration of candidates for directors and auditors, and composition of the Board of Directors (diversity, skills)
- Consideration of candidates for new executive officers
- Consideration and development plan for future top management candidates
- Status of talent pool and development of future executive candidates
- Compensation policy and system for directors and others
- Consideration of compensation levels based on benchmarks in view of surveys by external expert organizations
- Method and process for determining compensation for individual directors and others for the next fiscal year

Director Compensation, etc.

❶ The Company has adopted a resolution at the Board of Directors meeting held on March 16, 2022 on the policy for determining compensation, etc. for each individual director. The resolution of the Board of Directors meeting is based on the deliberations of the Nomination and Remuneration Advisory Committee, a voluntary advisory body to the Board of Directors, regarding the details of the resolution.

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

❷ Total amount of compensation, etc. by director classification, total amount of compensation, etc. by type, and number of directors subject to compensation, etc.

Director classifications	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc. by type (millions of yen)			Numbers of officers subject to compensation
		Basic compensation	Self-acquisition Purpose compensation	Performance-linked compensation	
Directors (excluding outside directors)	252	188	7	58	6
Auditors (excluding outside auditors)	32	32	—	—	2
Outside directors	36	36	—	—	5

(Note) The above table does not include the two outside auditors who are not compensated for their services.

Internal control and risk management systems

Overview of the systems for internal control

In general, the Board of Directors supervises how board directors are performing their duties, while 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.

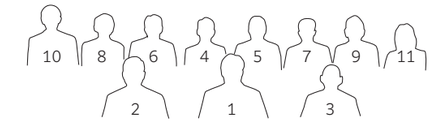
Risk management system

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.

Board of Directors



*The numbers above correspond to the numbers above names on p. 48 and p. 49.

1.
Hideichiro Takashima
Chairman & Representative Director

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

2.
Yasuyuki Hirotomi
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)

3.
Shogo Sakamoto
Board Director & Senior Vice President

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

4.
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 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
June 2023	Board Director and Executive Managing Officer, and Division Director of Yamaguchi Division (current position)

5.
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 2022	Board Director and Executive Managing Officer of the Company, Board Director and President of Vinton Steel, LLC, and Chairman of AltaSteel Inc. (current position)

Board of Directors

6.
Kenji Kawai
Board Director & Executive Managing 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
June 2023	Board Director and Executive Managing Officer, and Division Director of Hirakata Division (current position)

7.
Masami Yokoyama
Board Director & Senior Executive Officer

January 1992	Joined the Company
June 2016	Executive Officer, General Manager of Production Planning & Coordination Dept. of head office
June 2017	Executive Officer and Vice Division Director of Hirakata Division
June 2019	Senior Executive Officer in charge of Production Planning & Coordination Dept. and Material Recycling Dept. of head office
June 2023	Board Director and Senior Executive Officer of the Company, in charge of Production Planning & Coordination Dept. and Material Recycling Dept at head office (current position)

8.
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)

9.
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.

10.
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

11.
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

14 12 13 15

12.
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)

13.
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)

14.
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)

15.
Toru Muneoka
Corporate Auditor (part time)

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

Executive Officers

Senior Executive Officers

Aimei Shiraishi
Division Director of Nagoya Division

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

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. and Chairman of the Board of Directors of Vietnam Italy Steel JSC, Chairman of KYOEI STEEL America LLC, Chairman of Vinton Steel, LLC, and Director of AltaSteel Inc.

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

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

Executive Officers

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.)

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 and General Manager of Production 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

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

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

Takeshi Ohgita
General Manager of Overseas Investment Dept. and General Manager of Marketing Planning & Coordination Dept. of head office

Financial Highlights

Consolidated Ten-Year

(FY)

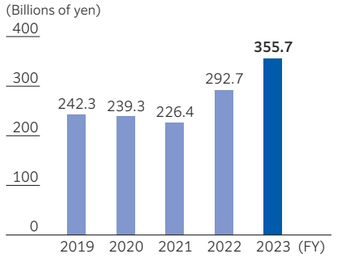
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Product shipments (Thousands of tonnes):											
Finished products (total)	2,357	2,338	2,429	2,662	2,965	3,269	3,367	3,363	3,318	**3,284**	**—**
Domestic	1,720	1,680	1,641	1,662	1,682	1,747	1,645	1,573	1,581	**1,545**	**—**
Overseas	637	657	788	999	1,284	1,522	1,722	1,790	1,737	**1,739**	**—**
For the year (Millions of yen/Thousands of U.S. dollars*1):											
Net sales	¥ 174,694	¥ 181,436	¥ 160,952	¥ 145,991	¥ 191,254	¥ 242,257	¥ 239,343	¥ 226,371	¥ 292,719	**¥ 355,715**	**$2,663,731**
Gross profit	12,293	21,900	23,889	18,726	16,472	23,474	34,743	28,258	25,899	**34,274**	**256,657**
Operating income	2,857	11,796	13,792	7,971	4,259	9,200	19,404	12,656	8,819	**14,819**	**110,967**
Income before income taxes	9	10,730	12,432	7,698	5,449	8,444	13,520	12,735	10,081	**13,629**	**102,059**
Profit (loss) attributable to owners of parent	(795)	6,923	8,467	4,783	3,483	6,505	7,978	8,788	6,322	**13,108**	**98,156**
Research and development expenses	188	231	104	119	177	169	180	231	235	**272**	**2,039**
Depreciation and amortization	4,232	4,147	5,026	5,961	6,663	7,476	7,719	8,402	8,840	**9,770**	**73,164**
Capital expenditures	7,344	15,920	10,103	7,262	5,803	5,507	8,894	10,863	12,971	**9,332**	**69,886**
Per share amounts (yen):											
Net income (loss), basic	(18.28)	159.30	194.94	110.41	80.31	149.78	183.56	202.22	145.48	**301.61**	**2.26**
Net income (loss), diluted	—	—	—	—	—	—	—	—	—	**—**	**—**
Cash dividends applicable to the year	20	35	45	30	40	40	75	60	40	**80**	**0.6**
At year-end (Millions of yen/Thousands of U.S. dollars):											
Total assets	¥ 180,771	¥ 201,760	¥ 200,436	¥ 214,341	¥ 234,220	¥ 261,590	¥ 269,145	¥ 282,282	¥ 314,203	**¥ 337,713**	**$2,528,934**
Working capital	79,699	81,872	83,565	93,301	105,791	126,734	128,115	139,622	160,441	**173,532**	**1,299,479**
Interest bearing debt	26,530	32,810	33,149	41,414	50,088	69,247	72,407	79,272	95,584	**100,897**	**755,558**
Net assets	128,788	138,052	143,090	146,663	148,460	153,781	158,044	164,583	175,689	**190,174**	**1,424,094**
Shareholders' equity*2	121,622	129,546	134,886	138,365	140,010	143,407	147,671	154,429	162,955	**179,687**	**1,345,568**
Net assets amount per share	2,798.53	2,980.84	3,115.86	3,192.02	3,225.85	3,299.82	3,397.93	3,553.45	3,749.63	**4,134.64**	**30.96**
Ratios:											
Return on sales (%)	1.6	6.5	8.6	5.5	2.2	3.8	8.1	5.6	3.0	**4.2**	**—**
Return on equity (%)	(0.7)	5.5	6.4	3.5	2.5	4.6	5.5	5.8	4.0	**7.7**	**—**
Return on total assets (%)	2.1	6.6	7.1	4.1	2.2	4.0	7.6	4.9	3.3	**4.9**	**—**
Net debt to equity ratio (times)	(0.07)	(0.06)	(0.09)	(0.05)	0.06	0.16	0.10	0.07	0.27	**0.23**	**—**
Shareholders' equity* to total assets (%)	67.3	64.2	67.3	64.6	59.8	54.8	54.9	54.7	51.9	**53.2**	**—**
Other statistics:											
Number of shares outstanding (thousands)	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	44,899	**44,899**	**—**
Number of employees	1,611	1,741	1,806	2,341	2,430	3,200	3,605	3,985	4,021	**3,972**	**—**
Stock price (yen):											
High	¥ 2,220	¥ 2,286	¥ 2,455	¥ 2,349	¥ 2,295	¥ 2,510	¥ 2,314	¥ 1,775	¥ 1,712	**¥ 1,706**	**—**
Low	¥ 1,372	¥ 1,618	¥ 1,584	¥ 1,387	¥ 1,594	¥ 1,473	¥ 1,161	¥ 1,153	¥ 1,243	**¥ 1,217**	**—**

*1 U.S. dollar amounts are converted from Japanese yen, for convenience only, at the exchange rate on March 31, 2023 (US$1 = 133.54 yen).
*2 Shareholders' equity = Net assets – Noncontrolling interests

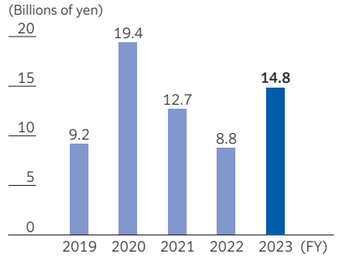
(Note) Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 2022. Figures for the fiscal year ended March 2022 and after reflect the relevant accounting standards, etc.

Financial Highlights (FY2023)

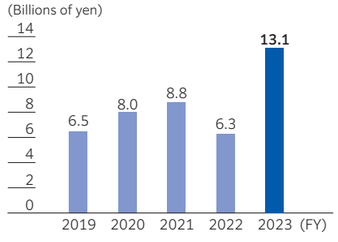
Net sales



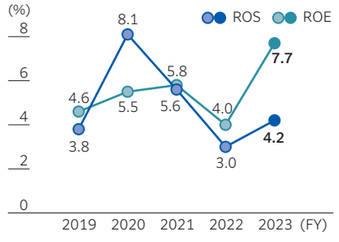
Operating income



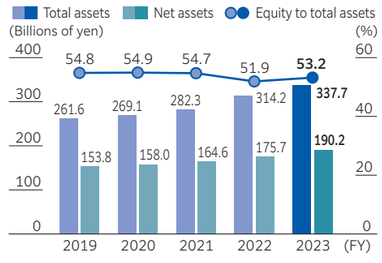
Net income attributable to owners of the parent



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



Total assets / Net assets / Equity to total assets



Business Bases

Business Bases and Group Companies

❹–⓭ and ❶–❼ are Group companies.

Domestic Bases

❶ Yamaguchi Division

Our base for the Chugoku, Shikoku and Kyushu regions. A wide variety of products are manufactured in many sizes. Products include full-size rebars, 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

❷ Hirakata Division

Our base in the Kansai region. The Hirakata Division specializes in the production of small bars, adopting a closed system to prevent pollution. The division has facilities that take advantage of limited space; for example, an underground tunnel directly connects the steelmaking and rolling mills. Rebars, 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

❸ Nagoya Division

Our base in the Chubu region. The Nagoya Division has the first Consteel system to be introduced into Japan, enabling continuous preheating and charging of scrap steel. As well as producing rebars in a full range of sizes, the Nagoya Division 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

❹ 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)

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

Overseas Bases

❶ Vietnam-Italy Steel JSC

Located in northern Vietnam, this company became a consolidated subsidiary in May 2018. It has a rolling mill (annual production capacity: 300,000 tonnes) alongside its head office in Hung Yen, 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/

❷ Kyoei Steel Vietnam Co., Ltd.

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

❸ Vina Kyoei Steel Co., Ltd.

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

❹ Thi Vai International Port Co., Ltd.

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

❼ AltaSteel Inc.

Located in western Canada, this company was acquired in March 2020. It has an integrated steelmaking and rolling mill with an annual production capacity of 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/

❻ Vinton Steel LLC

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

❺ Vina-Japan Engineering, Ltd.

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

Company Profile

Company Profile/Status of Shares

■Company Profile (as of March 31, 2023)

Corporate Name	KYOEI STEEL LTD.
Date of Establishment	August 21, 1947
Capital	18.516 billion yen
Number of Employees	3,972 (consolidated: full-time employees)

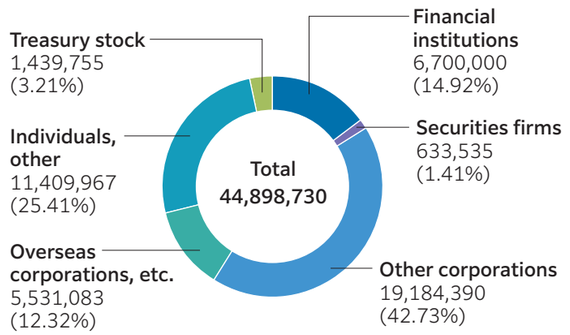
Main Businesses

(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, 2023)

Total number of shares authorized	150,300,000
Total number of shares issued	44,898,730
Number of shareholders	22,484

■Shareholders by Type (as of March 31, 2023)



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)	2,274,700	5.23
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
Custody Bank of Japan, Ltd. (trust account)	851,500	1.96
SSBTC Client Omnibus Account (Standing proxy, Custody Business Dept., HSBC Tokyo Branch)	843,882	1.94

* 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