KYOEI STEEL

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KYOEI STEEL INTEGRATED REPORT 2024

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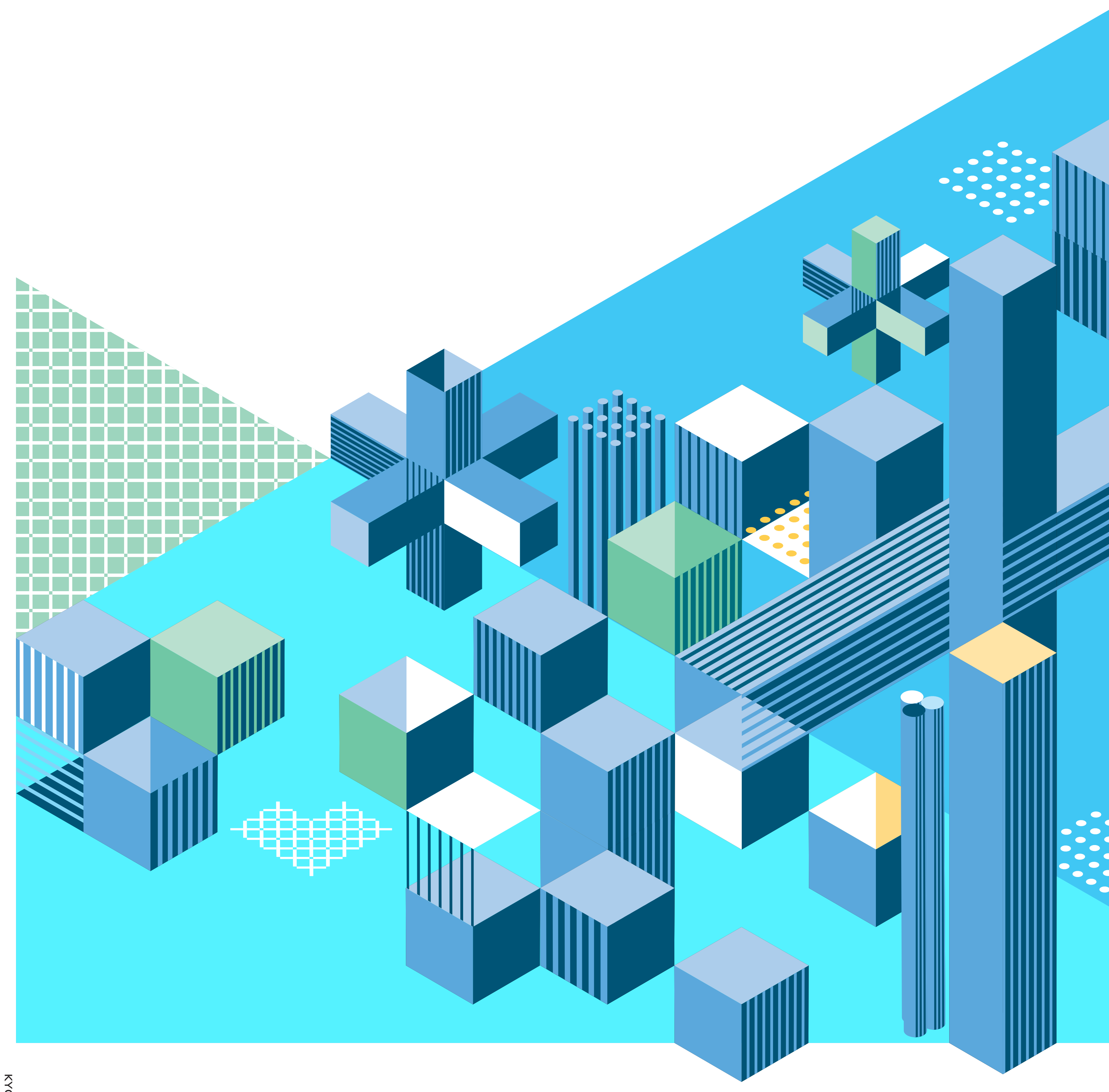
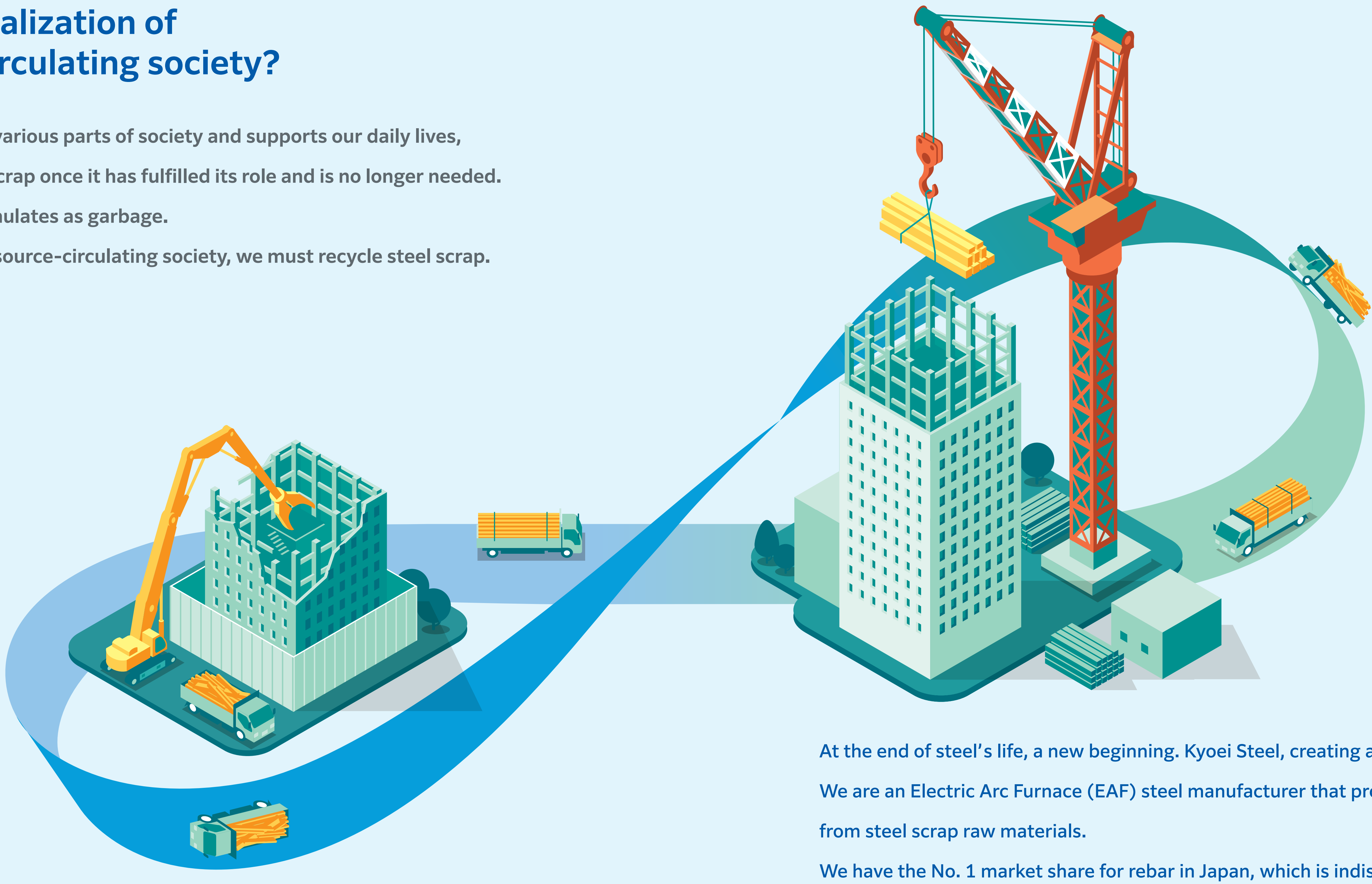


KYOEI STEEL

Why does creating “steel from steel” lead to the realization of a resource-circulating 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-circulating 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, steel production share, FY2023 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 iron oxide reduction process and CO_2 emissions are relatively low.

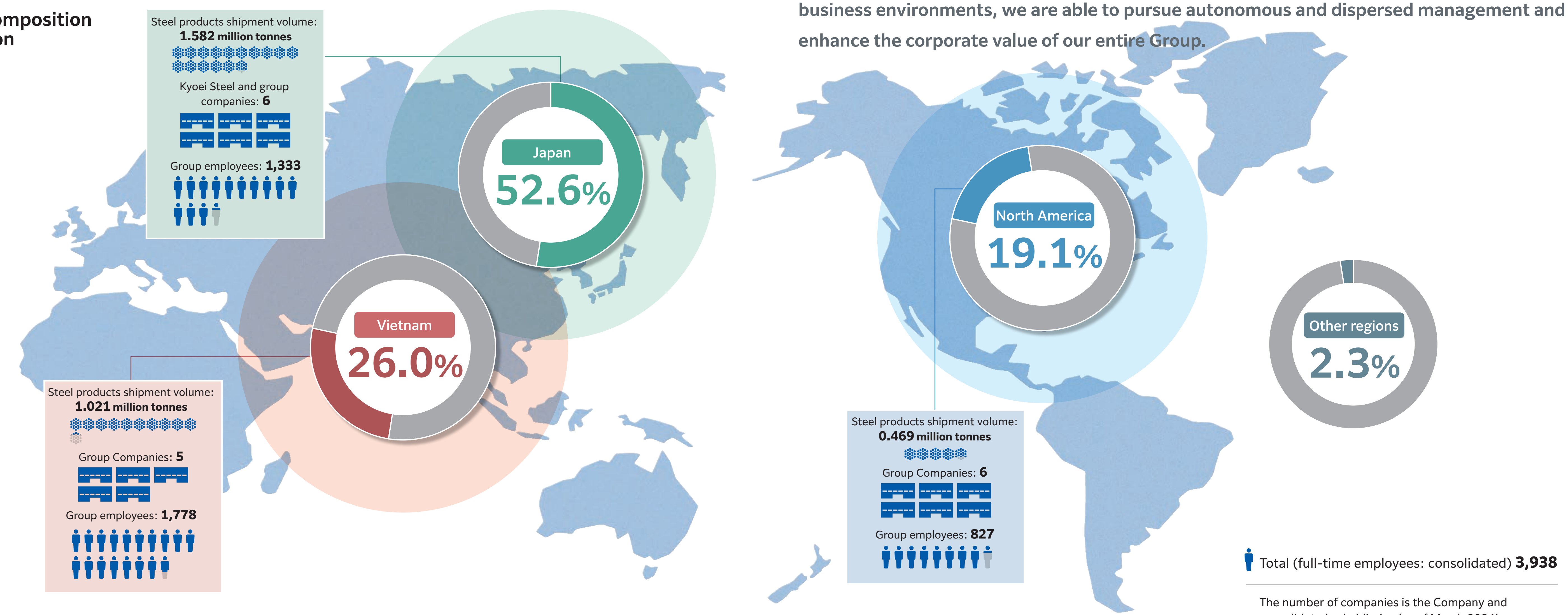
For 60 years, we have been pursuing EAF technology that efficiently uses electricity to create high temperatures to regenerate steel.
We will continue to promote power generation from renewable energy sources to achieve carbon neutrality

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 business environments, we are able to pursue autonomous and dispersed management and enhance the corporate value of our entire Group.

■ Sales composition by region



The number of companies is the Company and consolidated subsidiaries (as of March 2024).

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

Material Recycling Business
The major businesses of the material recycling business include the interim 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.

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.

Editorial Policies

This report was prepared to communicate the financial and non-financial information of Kyoei Steel Ltd. and its consolidated subsidiaries to all stakeholders. With the aim of presenting integrated company information, we have issued an integrated report since 2022. In addition to directly conveying the thoughts and ideas of management in messages from our top management and financial director, we also 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 FY2024 (April 2023 to March 2024), but also includes some information from outside this period.

Report publication date

November 2024

Organizations included

This report mainly applies to Kyoei Steel Ltd. and its consolidated subsidiaries. However, the environmental-related data on pages 41-42 applies to Kyoei Steel Ltd.

Reference guidelines

International Integrated Reporting Framework/GRI Standards/SASB Standards/TCFD Recommendations

Inquiries

ESG Promotion Section
Corporate Planning Department
Kyoei Steel Ltd.

CONTENTS

01 Value Creation at Kyoei Steel

History of Value Creation

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

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

Aspiring to contribute to Japan's recovery through steelmaking

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


Founder
Hideji Takashima


Former chairman
Koichi Takashima

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

In 1962, when the Tsukuda Mill started operation with an EAF, Kyoei Steel shifted to a new integrated steelmaking/rolling system. In 1971, the new Hirakata Mill, an integrated steelmaking and rolling mill, was built. In response to the social issue of pollution, the mill implemented a completely closed production system which does not discharge industrial wastewater. In 1988, the Company developed the MESSCUD system for the disposal of medical waste in response to the illegal dumping of medical needles. In addition, desiring to **show the world the true character of the sincere and industrious Japanese people**, the Company began its overseas expansion in 1964 with a joint venture with a Taiwanese company, and in 1973, it became the first Japanese steel manufacturer to enter the United States by establishing Auburn Steel Co., Inc. in New York. The recession brought on by the oil shock, however, 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. In 1992, given the recovery of demand for rebar, the Company made another foray into the US with the acquisition of Florida Steel Corp.

Aspiring to help rebuild Vietnam

Desiring to **help rebuild Vietnam**, devasted after the Vietnam War, the Company established Vina Kyoei Steel Co., Ltd. The Company also expanded into Japan's Kanto region with the establishment of Kanto Steel. As the Company was on this path of expansion, however, it was hit by the collapse of the bubble economy. Due to the impact of its 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.

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

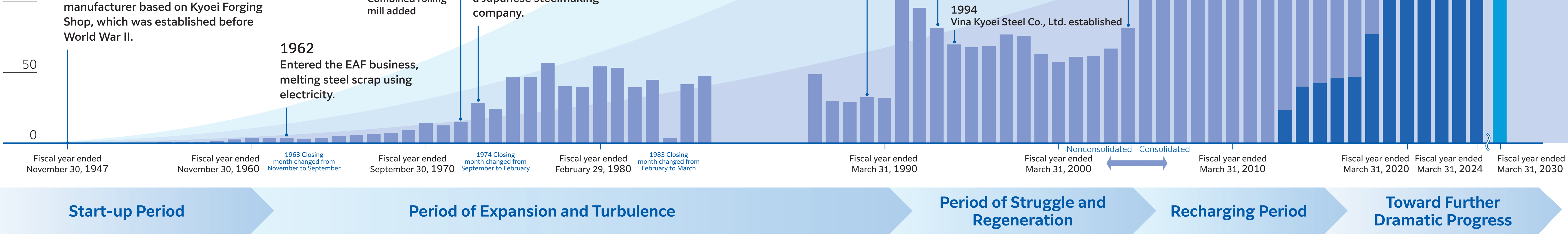
In the material recycling business, which mainly involves the detoxification and melting of various types of industrial waste using EAFs, our business with large customers has increased nationwide as a result of our record of appropriate processing. Further, seeking to **contribute to social progress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

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

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

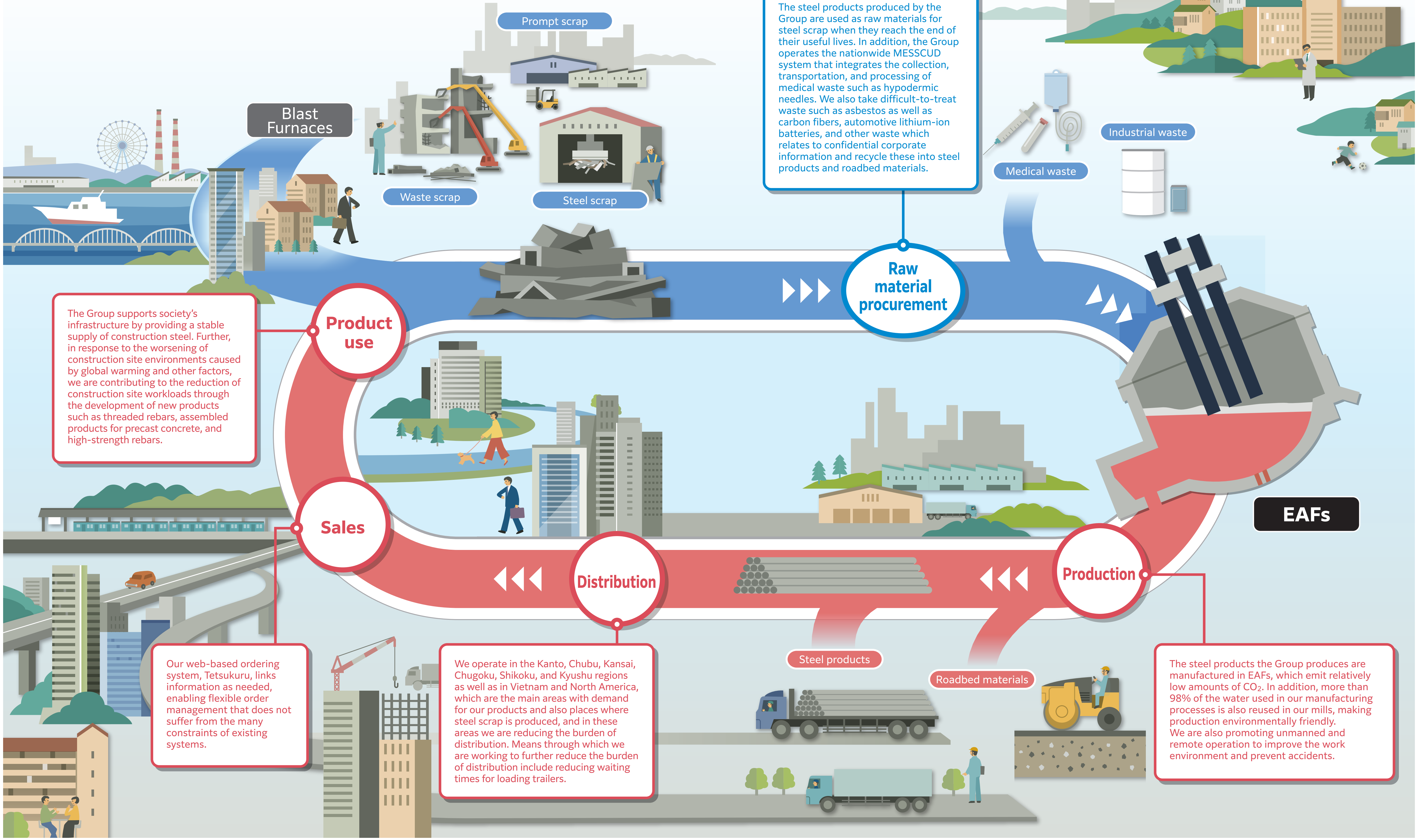




Value Chain and Social Value

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 social 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 investing our financial, manufactured, human, intellectual, social and relationship, and natural capital into business activities that leverage the strengths of our resource circulation business and global operations in order to resolve our materialities. We then reinvest the economic and social value we create as capital, realizing a virtuous cycle that further enhances the creation of value.

External Environment: Labor shortages / Geopolitical risks / Climate change / *Greenflation* / Technological innovation

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

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

Invested resources
(Results for FY2024)

Financial
- Net assets ············ ¥201.4 billion
- Total assets ··········· ¥354.2 billion
- Interest bearing debt ···· ¥94.0 billion

Manufactured
- Capital expenditure ····· ¥11.5 billion
- Production sites ··········· 9

Human
- Number of consolidated employees ············ 3,938
- Percentage of overseas employees ·········· 66.2%

Intellectual
Research Center for Sustainable Technologies

Social and relationship
Donation from the MESSCUD Medical Treatment Safety Fund ············ ¥0.465 billion in total

Natural
Energy input ············ 231, 427kL (crude oil equivalent) (Kyoei Steel, non-consolidated)

Resource Circulation Business

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

Global Tripolar Structure

Corporate value
(Results for FY2024)

- Steel products shipped ············ 3.07 million tonnes
- Roadbed materials shipped ············ 540,000 tonnes
- Consolidated net sales ············ ¥321.0 billion
- Ratio of overseas sales ············ 47.4%
- Operating income ······ ¥21.0 billion
- ROE (return on equity) ············ 7.4%
- Dividend per share ············ ¥90.0

Social value

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

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

Investing in ways to resolve social issues

Governance
Management Principle, Action Guidelines

02 Growth Strategies

Message from Management

We will aim to improve corporate value and remain a truly essential company.

Yasuyuki Hirotomi
President & Representative Director

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Our history and the vision it has birthed
Our goal is to remain an essential company that society cannot do without.

Kyoei Iron, the predecessor to Kyoei Steel, began business as an ironworks producing wire rods in 1947. This start can be traced back to the strong desire of Koichi Takashima, the de facto founder of the Company, to spur recovery in a Japan that had been devastated by war. As business got on track, in the 1960s the Company (now renamed Kyoei Steel) rapidly expanded overseas to Europe, the rest of Asia, the Americas, and elsewhere. The background to this expansion was the fervent wish of Koichi to show the world the true character of the sincere and industrious Japanese people, who were still thought of as war criminals by some.

In the 1970s, Japan achieved rapid growth, yet this success also brought problems. Pollution had become a pressing social issue, in forms such as Minamata disease (mercury poisoning) and Yokkaichi asthmas (pollution-induced breathing and pulmonary issues). Koichi Takashima reflected on whether humanity had become too complacent about the Earth's abundant capacity to accommodate it, going on to declare his wish for harmony between corporate growth and the natural environment. This goal prompted the switching to fully closed systems at the Company's ironworks, and the start of its MESSCUD (medical waste disposal) business in 1988.

In this way, Koichi paid close attention to that history of Japan's recovery and growth as he forged pioneering management policies. He would often ask employees to consider the point of the Company and what it aspired to, while promoting business under our management principle Spirit of Challenge. This would be the driving force behind the Company's growth. Much as the renowned economist Katsuhito Iwai asked who companies were for, Koichi dwelt on what he could do not for his own benefit, but for the benefit of the people of Japan and the rest of the world. Based on that management philosophy of contributing to society through steelmaking, we have always aimed to be a company that can give back not only to shareholders, but to our local communities and all other stakeholders.

Now, in the 21st century, values associated with management are shifting, with the appearance of concepts such as the SDGs, ESG topics, resource circulation, and diversity and inclusion. Naturally, the ultimate management goal of any company is still to maximize profits, but as an inheritor of Koichi Takashima's philosophy, I believe that in response to these changes in value systems that have come with our modern age, Kyoei Steel has an important role to play in society. To do so, ever since we formulated the previous medium-term business plan, NeXuS 2023, I have been expressing my wish for us to help bring about a resource-circulating society and to remain a truly essential company.

The management environment
Japan has finally tipped over from an aging society to a shrinking one

With Russia's war on Ukraine and, since the end of last year, conflict in the Middle East, alongside fears about the future of Taiwan, the world faces ever-higher geopolitical risks. On the other hand, moves toward digital transformations (DX) are starting to have a major impact on globalization and the way we all work. Even now, cutting-edge technologies like ChatGPT are appearing, and this trend is likely to continue accelerating. Other concerns abound: inflation continues around the globe, the gap between rich and poor is growing, and the forces of law and order are struggling. Moreover, there is the matter of large-scale natural disasters, which are becoming more frequent in recent years. These are fueling a sense of crisis about global warming, and there is growing interest in companies' efforts to fulfill their social responsibilities to work toward a carbon-free society, a shift to renewable energy, and a more sustainable society. Furthermore, Japanese society has at last reached, and gone past, the tipping point from a society that was merely aging, to one that is shrinking. The age has arrived where the country's declining working populations is starting to result in labor shortages and a slump in consumer demand. However, if we can achieve a virtuous cycle between pay and prices, we can return to positive interest rates. For those of us who have long known a world with no, or negative, interest rates, we will need to remind ourselves that, once again, holding onto items comes with a cost.

Looking back at the medium-term business plan, NeXuS 2023
The three years were a success in terms of profit targets, but there is plenty to reflect on

In FY2024, sales dropped compared to the previous fiscal year, but profits rose. It was the final year of NeXuS 2023, the medium-term business plan that we formulated in FY2022, and overall we largely achieved our net sales and other numerical targets. In terms of profits in particular, we exceeded our 18-billion-yen target for operating income by recording 21 billion yen. In this regard, we managed some respectable results. However, we fell short on our goal of creating a Group-wide production system capable of shipping 4 million tonnes of products a year. It was also a three-year period in which there is much we can learn from qualitative results such as in our efforts to strengthen quality. If I were to give the period a score out of 100, I think it would warrant a 70 overall.

In particular, our primary focus has been on strengthening our overseas steel business but while we achieved almost 5 billion yen in profit in the first year of the plan, by the final year we were unable to avoid recording a significant loss, with our Vietnam business playing a central role in that. While many of the difficulties in Vietnam were due to external factors such as political changes or changes by the Vietnamese government to financial or real estate measures, if we had been able to more flexibly gather information and respond to these changes, I think we would have been able to minimize the damage.

Also, as a manufacturer the most important point is to ensure safe, stable operations. Leaks of molten steel causing fires here in Japan and elsewhere, and other events have occurred that have firmly impressed upon us the importance of issues such as maintenance systems in manufacturing departments, passing down workplace expertise to younger workers, and our education and training framework. While entirely eradicating accidents is difficult, we should still always aim for zero accidents. As part of that, we want to make sure that the expertise and knowledge our people have is passed down—not lost—so we need to do something to fill in all the gaps. To do so, as an analog method, we have to respect one another as one team, and create mechanisms so that we can warn each other in areas where we are lacking. On the other hand, we also need initiatives to create smart factories, such as by introducing robots, AI, sensors, and other ways of bringing about automation and energy efficiency. We need measures for both.

NeXuS Ⅱ 2026, the new medium-term business plan
Identifying aspects of NeXuS 2023 that were not thoroughly implemented, to strengthen reimplementation efforts

NeXuS Ⅱ 2026, the new medium-term business plan started in FY2025, picks up where NeXuS 2023 left off and acts as a signpost how we will respond to changes to socioeconomic circumstances and to calls from society that our corporate management must address going forward. The crux of the new plan is to carry on with the basic policies of NeXuS 2023, while also laying out anew our fundamental approach to the strategies and direction we should take amid dramatic changes to the global economy and the structure of society. We have reacquainted ourselves with our strengths and weaknesses, and looked into what form our businesses should take to respond to market changes and a new age. To retain our strengths as a top manufacturer of construction steel, we will focus on implementing decentralized, site-led management for different regions; optimum strategies that aim for optimal solutions rather than perfection; and our Globalization of Local Economies and Niche Industries Strategy. For our material recycling business, another strength, we have determined that we need to develop the business with a focus not on volumes, but on

quality and reliability. That said, we will also humbly reflect on our unfinished efforts—such as those to boost cooperation within the Group, update our facilities, and train personnel—and enact measures to turn our weaknesses into strengths.
As such, in the new medium-term business plan, we have identified those areas we did not fully implement, and work to strengthen our efforts, and add measures that hone our strengths while mitigating our weaknesses. Taking the above into consideration, through NeXuS II 2026, we will pursue management focused on six key points (see below).
A key point on the business front is our shift in our overseas steel business to place less weight on our Vietnamese business and more on our North American business. As I mentioned earlier, the slowdown in our business in Vietnam during the previous plan was a major factor in the drop in profitability for the overseas steel business overall. We have two underlying problems with our business there: the difficulty in overcoming cost differences between us and mini blast furnace manufacturers who use different production methods, and our inability to flexibly respond to changes in measures by the Vietnamese government since it started moving from a more open type of economic management to one with a greater emphasis on regulation. In terms of competition and overcoming cost differences, the large-scale investments we are making at our bases in the north of the country will significantly improve our cost competitiveness. At our southern bases, meanwhile, in addition to what was previously our main business selling to homes, we are gradually increasing sales to projects while reducing operations to around 60% of peak levels. This will enable us to minimize the impact of loss on valuation of inventory resulting from market changes on our consolidated results. In North America, where growth is forecast in the medium and long term, and where the risk of economic fluctuations is lower than in Vietnam, we will carry out large-scale investments, with a particular focus on measures to combat degradation at our US bases, and raise productivity to expand our North American business.
Our strategy to strengthen the foundations for growth involves particularly focuses our energies on improving intangible assets. One aspect of this is our brand strategy, another is continuing from the previous plan in strengthening our human capital. Take MESSCUD, the medical waste disposal business that we developed and launched in 1988, as an example. We commercialized this service with the intention of securing a source of revenue separate from our conventional steel product lines, but as well as detoxifying and disposing of medical waste using the high temperatures that EAFs produce during operation, the iron components of the waste can be partially recycled for use in our steel products. In this way, MESSCUD is helping to circulate iron resources.
We often speak of our ambitious wish to work in harmony with the natural environment, but from a management standpoint, activities that do not lead to profit are not viable. This harsh truth will not change, but we are shifting to an age where companies that act more ethically are looked on more favorably by society. Taking this into account, we must once again publicize our history of combined efforts in steelmaking and the disposal of medical and industrial waste, to build a brand out of the originality of our business model. Specifically, in May of this year, we started sales of what we call "Ethical Steel," steel products manufactured from medical waste that has undergone a certain level of detoxification.
With regard to strengthening our human capital, we continue to develop workplace environments and systems that enable employees to work dynamically and in good health. Under NeXuS 2023, we were able

Six key points of NeXuS II 2026

Growth strategies

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

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

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

Strengthen the foundations that support growth

Intangible asset investments
Improve our invisible value, in assets such as employee knowledge and expertise, our corporate culture, and reputation

ESG-oriented corporate management aimed at becoming a "100-year company"
Enact various measures to boost our economic and social value

Strengthen the management base
Strengthen the engineering departments to restore our technical supremacy

to qualify for certification in the Certified Health & Productivity Management Outstanding Organizations Recognition Program, but going forward we will endeavor to further level-up our personnel, welfare, and training systems. We will also make the investments and create the systems needed to do so.
Alongside this, employees need to benefit financially for working for this company, so I would like us to steadily increase profits and continuously raise base salaries beyond the pace of price rises. Additionally, I would like to see employees grow while building ties with their colleagues and those outside the Kyoei Steel Group, and we should create mechanisms to boost their aspirations, and a corporate culture that furnishes them with a robust spirit of taking on challenges, as well as sales capabilities.
As part of our efforts toward carbon neutrality, when we were formulating the previous plan, we gave ourselves the target of reducing our CO_2 emissions by half by FY2031 compared to FY2014 levels. We also disclosed information based on TCFD recommendations and submitted answers to CDP, and made progress with establishing internal systems. Our business divisions are also switching the fuels they use, reducing their energy intensity, and expanding solar power generation. At our site in Yamaguchi Prefecture, our activities to plant olive trees have been a powerful force for change in employees' awareness of efforts toward a resource-circulating society. In the new plan, too, we are continuing these kinds of initiatives, and aiming to reduce CO_2 emissions, but also to help bring about a circular economy. Centered on our Research Center for Sustainable Technologies, we will expand the range of applications that make effective use of resources and steel slag produced by EAFs.

Management that considers capital efficiency
Improving overseas business profitability, but also improving corporate value, including invisible value

As of August 2024, our price-to-book ratio (PBR) is lower than 1.0, which shows that we have not done enough to persuade the markets. Our capital costs stand at around 7%, and our ROE target under the new plan is 8%, but in the medium or long term I would like us to achieve a level of more than 10%. I would therefore like us to steadily implement the measures of the new plan and achieve its targets, in order to raise our profit levels and build a system that allows us to stably record operating income of 25 billion yen. To do so, it will be vital to raise capital efficiency. Rebalancing our business to North America and away from Vietnam is part of this. In terms of how profits are distributed, we hope to raise the dividend payout ratio from 30%, where it has traditionally stood, to 35%, and strengthen shareholder returns, while striking a balance with growth investments and investments in our human capital.
At the same time, it is imperative that we enhance our "invisible value," which is a source of our competitiveness as a company. In addition to strengthening our brand and human capital strategies, we are working on innovation, such as through collaborations with universities looking at making effective use of slag or dust, or recycling resources. Making ourselves a company with future promise, and that employees can be proud to work for, through initiatives like these, will go a long way toward increasing our corporate value.

Message to stakeholders
Being a corporate entity that considers itself a member of civil society, and can achieve firm but flexible growth

In 1979, the year after I entered work, I saw an episode of an NHK TV drama that followed a disabled person who had been left behind in the period of rapid economic growth, and how challenging society was for someone with a disability at that time. It shocked me. Since that time, there has been progress toward accessibility, and in recent years, ideas about inclusion and normalization have become more widespread. While they still face many challenges, the environments put in place for people with disabilities make their lives much easier than in the past. Looking at how society can change in this way, I get a real sense that even as society's needs change with the times, and even facing difficult problems, individuals making intentional changes is the first step to changing society.
Of course, our objective as a publicly listed company will continue to be to increase profits through our business, and to this end we must work hard in various areas and seek to maximize profits. However, now in the 21st century, the ideas behind the SDGs are spreading globally, and even in the current, fiercely competitive environment, we are called on to show interest in other people and the natural environment. For us to survive the ages to come, we have to recognize that we are a part of civil society. I firmly believe that it is vital that we have room in our hearts for others as we robustly grow our company. I hope that each and every employee, myself included, and even in the face of a harsh reality, can make Kyoei Steel a truly essential company by asking ourselves what society needs from a company and acting accordingly, as we firmly and flexibly strive toward raising profits.

Medium-term Business Plan: NeXuS II 2026

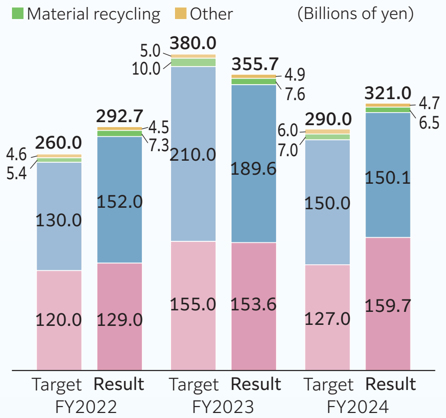
Remain an essential company in a resource-circulating society

Looking back on the previous medium-term business plan, NeXuS 2023

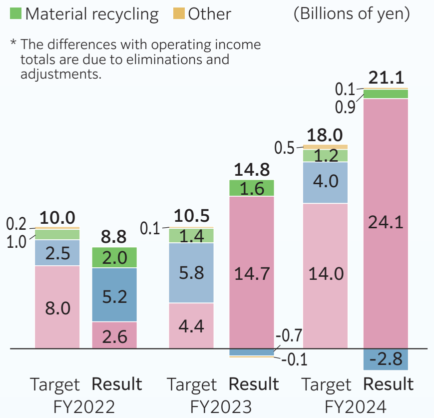
[Evaluation of our qualitative targets]

- For numerical targets, while shipping volumes fell below targets (3.07 million tonnes against a target of 4 million), other targets (including for net sales and profit) were all achieved.
- While issues remain in terms of performance of our overseas steel business and material recycling business, the significant profits made by the domestic steel business meant that total targets were cleared.
- Our poor PBR, which is less than 1.0, is a pressing issue.

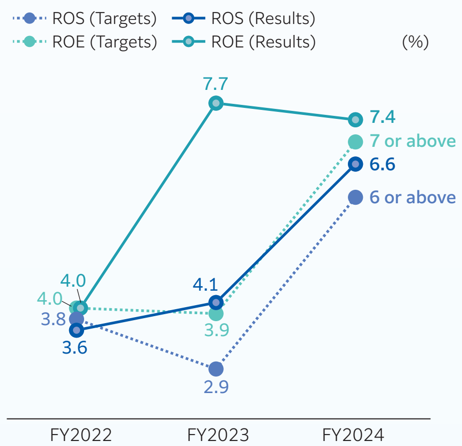
Net sales



Operating income



Changes in major management indicators



Six Specific Measures

○ : Positive progress △ : Partial progress ▲ : Non-achievement

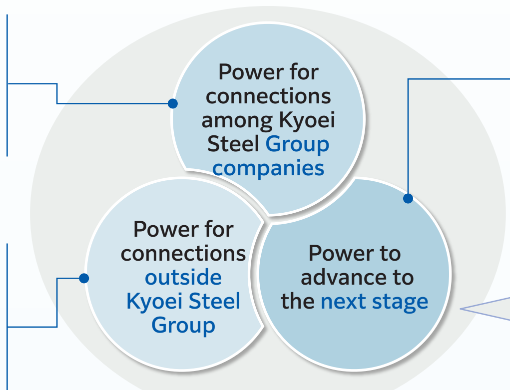
Priority policy	Measure	Rating	Progress
Overseas Steel	Strengthen profitability and prepare for growth expansion	▲	● **Profitability strengthening to be carried over to the new plan** FY2022 results covered a slump in the domestic steel business, but due to the worsening business environment in Vietnam, results fell significantly short of targets in FY2023 and FY2024. ● **Preparation for growth expansion** New rolling mill at VIS and production-boosting investment at Alta is being carried out. Full-blown operation is planned during the period covered by the new MTBP.
Domestic Steel	Update equipment aimed at strengthening competitiveness and with an eye to the future	○	● **Shipment volume short of target but with significantly improved profit per tonne** Shipment volumes failed to reach the FY2024 but profit per tonne improved to about 15,000 yen, up 6,500 yen vs. the FY2021 level. ● **Investments made to update equipment** Plant equipment updated: Furnace-use transformers, energy-saving equipment, etc. New product warehouse constructed: Hirakata Division Work environment improved: Completed new office buildings and new welfare buildings (Nagoya, Kanto)
Material Recycling Other	Expand profiting opportunities	△	● **Work to increase profitability carried over due to a decline in profit levels in the material recycling business** Solid earnings were achieved in FY2022 thanks to the contribution of medical waste processing during the pandemic but profit declined into FY2024. ● **The development of new technologies for resource recycling still remains incomplete.** ● **Domestic casting business improved earnings.**

Priority policy	Rating	Progress
Implement initiatives to help realize carbon neutrality	△	● CO_2 emissions totaled 458,000 tonnes in FY2024 (down 31.3% vs. FY2014) ● In FY2024, energy intensity declined 0.6% from FY2022 levels but the targeted annual drop of 1.0% on a sustained basis has failed to be achieved. ● Solar power generation began on the new warehouse roof at Hirakata Division and Yamaguchi/Higashioki. ● We earned A- in the CDP climate change survey (in FY2023 and FY2024)
Contribute to all stakeholders	○	● We were certified under the 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program. ● We achieved the paid leave usage rate target. ● We continued donation activities. ● We planted olive trees on unused land in Yamaguchi Prefecture.
Strengthen the management base (Promotion of DX, etc.)	△	● Sales operations backbone system was completed and went online. ● Introduction of AI/IoT is being expanded at plants. ● We have maintained financial discipline (achieved KPIs).

Strengthening the "three powers for connections"

- A steel leak and fire accident at the Yamaguchi Division prompted progress in BCP measures at group companies
- Overseas trainee system implemented
- Efforts began to unite group company employees using internal information systems

- Joint research between our Research Center for Sustainable Technologies and Waseda University and the University of Tokyo (effective use of slag)
- Contribution to the local community through sponsorship of Renofa Yamaguchi FC (soccer J2 League), event sponsorship, etc.



- Reconstruction of new office and welfare buildings (Nagoya, Kanto)
- Start of operation of backbone system for sales operations
- Technology transfers to the next generation through the Human Resources Development Section's training programs

Although some achievements have been made, further efforts for cooperation are needed as a long-term initiative.

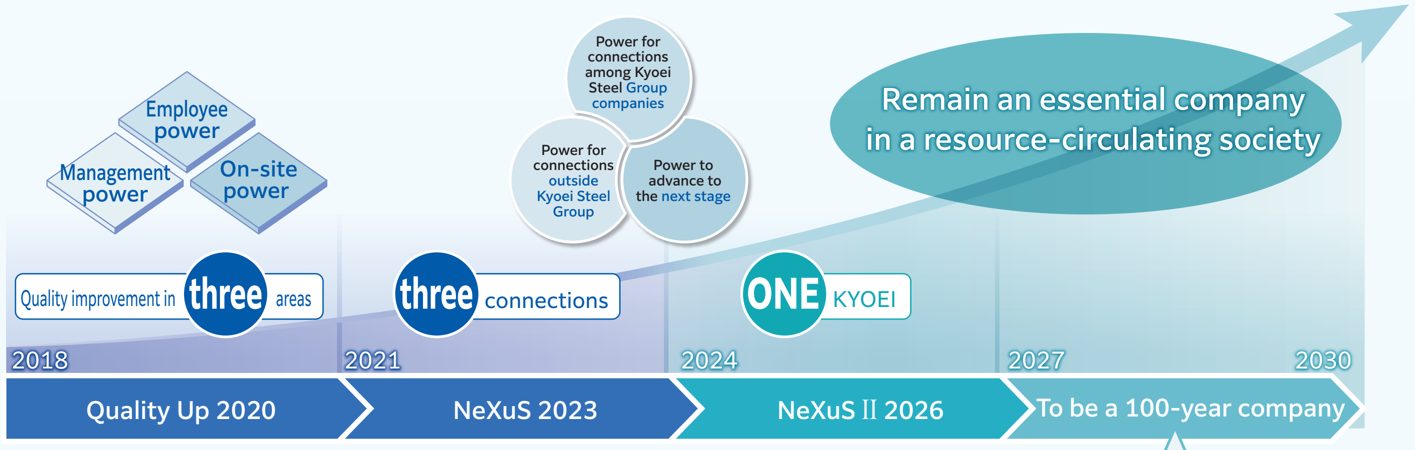
Continuation of "NeXuS"

Changes in the environment surrounding our group

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

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

ONE KYOEI, aiming to be a 100-year company



Direction by Segment (Long-term)

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

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

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

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

* Small rebars, steel production share, FY2023 Japan Metal Daily survey

Medium-term Business Plan: NeXuS II 2026

Numerical targets

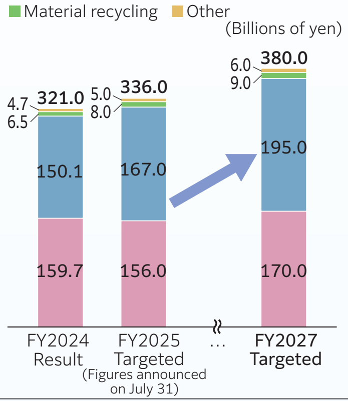
Financial KPIs

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

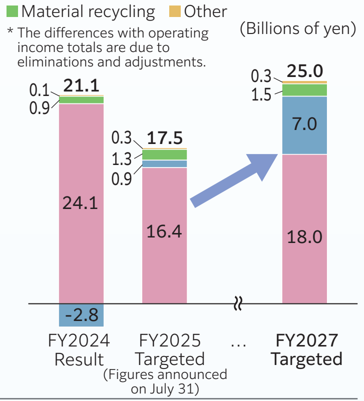
Non-financial KPIs

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

Net sales



Operating income



Investment targets

(Billions of yen)

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

- Investments totaling about 110 billion yen planned over three years, including North American strategic investment of 60 billion yen
- Planned total investment of 110 billion yen over three years, including pushed-back investment of around 16 billion yen from the previous plan
- Included in the above is 60 billion yen of strategic investment in North Ameria

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

NeXuS 2023 (FY2022–2024)

60 billion yen → 50 billion yen
Pushed-back* investment About 16 billion yen
Investment made About 34 billion yen

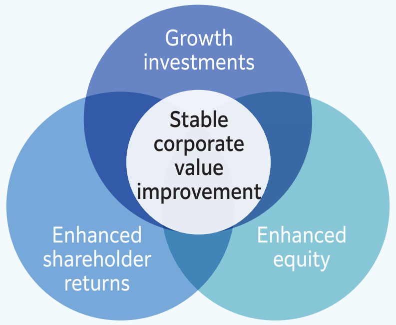
NeXuS II 2026 (FY2025–2027)

110 billion yen
Pushed-back investment About 16 billion yen
Investment target About 94 billion yen

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

Capital policies and shareholder returns

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



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

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

Current status

PBR is below 1
0.39
(as of August 2024)

ROE exceeds cost of equity

ROE 7.4%
(for FY2024)

Cost of equity 7%
(calculated based on CAPM)

Improvement measures

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

Realize growth strategies

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

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

[Material recycling business]
- Increase market presence

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

Growth strategies

1 Overseas steel business: Strengthen the North American business and restructure the Vietnamese business

Vietnam

- In response to a prolonged slump in the property and construction markets, we aim to focus efforts on operations in the northern part of the country and ensure stable profits by improving quality.
- Construction of VIS's rolling mill marks the end of large investments in Vietnam.

Issues
- Continued competition with mini blast furnaces and induction furnaces ➡ Overcome cost gaps
- Flexible response to policy changes by the Vietnamese government, which has changed direction

Measures
- Pursuit of ways to operate electric furnaces through ultimate cost reduction
- VIS: Construction of state-of-the-art direct rolling plant (April 2025 hot run)
- KSVC: Secure shipment volume by strengthening coordination with VIS
- VKS: Reduce market risks by placing controls on production and shipment volumes

North America

- Focus on North America with its predictions of medium- and long-term growth and smaller risk of economic fluctuations
- Large-scale investment (about 60 billion yen) to capture demand on the West Coast ➡ Building a 900,000-tonne production system

Issues
- Vinton faces increased costs due to poor operation attributed to aging equipment

Measures
- Vinton: Improve production efficiency and cost competitiveness by introducing cutting-edge equipment ➡ July 2024: Decided 34.5 billion yen in investment in new steel production plants
- Alta: Early launch of rolling equipment currently being built

2 Domestic steel business: Strengthen coordination among the four divisions in Japan and increase our presence in the Kanto region

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

Issues
- Responding to changes in the supply and demand balance of iron scrap
- Shortage of truck drivers and construction workers
- Increases in manufacturing and logistics costs
- Initiatives to improve added value

Measures
- Added-value strategy: Increase sales of value-added products, including high-strength rebars
- Downstream strategy: Strengthen the processed product business in Kanto
- Upstream strategy: Diversify ways to procure production materials
- Logistics strategy: Build new warehouses (Yamaguchi, Nagoya), set up relay points

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

Material recycling business

- Branding of uniqueness and re-strengthening of networks

Issues
- Decreased waste processing volume in a post-COVID-19 backlash
- A limit to the amount of melting treatment possible using electric furnaces

Measures
- Branding of the uniqueness of the business of operating steelmaking and waste treatment at the same time
- Restrengthen the nationwide waste-collecting network and the MESSCUD system (agency system)
- Strengthen the one-top system for industrial waste treatment in cooperation with other companies, not just electric furnace melting treatment

Steel peripheral business

- Stable growth of the casting business

Issues
- Improving the profitability of the steel peripheral business

Measures
- Maintain stable growth of casting business (Japan/Vietnam)

Strengthen the foundations that support growth

4 Intangible asset investments

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

- Human resources strategies to invest in people: **p. 43-44**
- Brand strategies: **p. 45**

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

Enacting various measures to boost our economic and social value

- (E) Environment—Strengthening initiatives aimed at carbon neutrality: **p. 41**
- (S) Society—Strengthening activities aimed at building relationships with society: **p. 46**
- (G) Governance—Ensuring highly transparent management: **p. 47**

6 Strengthen the management base

Strengthen the engineering departments to restore our technical supremacy

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

Message from the Financial Director

Considering the results and issues of the previous medium-term business plan, we must advance to the next stage with the new one

Kiminori Hashimoto
Senior Executive Officer

Looking back at the previous plan (FY2022–2024)

The three years of the previous plan, NeXuS 2023, saw us exceed profit targets in each year for a soaring profit growth trajectory. In FY2022, the first year of the plan, rapid price increases for scrap metal, energy, and other materials made the environment for the domestic steel business extremely challenging, and many other companies in the industry fell into loss. Our overseas steel business and material recycling business, though, made a major contribution to profits and we were able to achieve our operating income target. In the latter half of the second year, the business environment in Vietnam rapidly deteriorated into a harsh business climate, but this was covered by positive performance in the domestic steel business, and we were once again able to achieve our profit targets in FY2023 and FY2024. In this way, our global tripolar structure means that even if individual segments have polar-different results, as a whole it stabilizes consolidated results through a portfolio effect, and helps to bring down capital costs.

New medium-term business plan (FY2025–2027) Challenge to go one step further and advance to the next stage

Financial KPIs for the new plan, NeXuS II 2026, are detailed on p. 21, but of those, we aim in particular to raise the level of operating income, ROE, and dividend payout ratios even higher than in the past. Also for our net debt-to-equity ratio, considering the total 110 billion yen of investment plans for the three years, we were able to raise the ratio from 0.25 to 0.5 in the previous plan, but since we announced the new plan we have maintained our A rating from external ratings agencies.
In terms of the procurement for 110 billion yen of total investment, if we take into account the room we have to use cash flows from operations and our existing funds, the amount we actually need to procure is predicted to be about half of that. Even if we were to borrow and procure the full amount, we believe we could maintain the KPIs above for equity to total assets and net debt-to-equity ratio.
On the business front, our restructuring of our overseas business is our foremost priority, but I will outline some of the key points about investment in companies facing current issues and future improvement predictions below.
Vinton Steel: The mill is suffering from more than 60 years of use, and its utilization rate is very low. These and other factors have been a serious challenge to productivity and the cost structure, but with the update to a state-of-the-art mill, we plan to reduce costs significantly and increase both production and sales. As a result, compared to the current situation, we expect investment to lead to cost reductions that more than negate increases in fixed costs.
Vina Kyoei Steel: In the business environment, the company has escaped the worst period, and sales are recovering, and in addition to a significant decrease in depreciation and amortization due to impairment of fixed assets in the previous fiscal year, improvements on the operational front mean cost reductions are making progress. As a result of all the above, performance is on the path to recovery. Until the current business environment manages a full recovery, we will strengthen our balance sheet controls, and ensure operations that minimize fluctuations in profit and loss, even if the market changes.
Vietnam-Italy Steel: The company's steel plant and rolling plant are currently separated by a distance of about 100 km, and this has been a source of higher costs. The new rolling plant presently under construction will be, when it is completed in spring 2025, a cutting-edge, integrated direct rolling plant, and costs associated with factors such as logistics, energy, and yields, will be significantly improved. This will all result in cost reductions more than able to cover increases in depreciation and amortization, and with improved competitiveness our plan is to increase production and sales.

Intangible assets, human capital investment, and brand strategies

Meanwhile, in the area of investment in human capital and intangible assets, we are actively working to invest in areas such as strengthening recruitment of diverse human resources, including women and mid-career personnel; renovating welfare buildings and offices; establishing the Human Resources Development Section and training center; proactively increasing a wide range of education and training opportunities both inside and outside the Company; actively engaging in health management; and establishing a new Research Center for Sustainable Technologies to generate innovation in resource circulation technology. Investments in these kinds of invisible assets are important in supporting the Kyoei Steel Group's growth strategies. As such, in the new plan we will focus even more on human capital investment and brand strategies. For the former in particular, as part of our investment plans we have incorporated 5 billion yen of investment related to human capital, and we have set KPIs to encourage improvements in areas such as the ratio of female career-track employees and education and training costs. We are also starting a new brand strategy centered on our ethical steel products. We have also learned the lessons from the multiple steel leak incidents that occurred within the Group during the period of the previous plan, and as a result we will establish engineering departments and periodically check equipment and operations at all the sites and companies that make up the Group. In this way, we will strengthen our ability to prevent major incidents before they can occur, so they cannot impact on our safe, stable operations or our business performance.

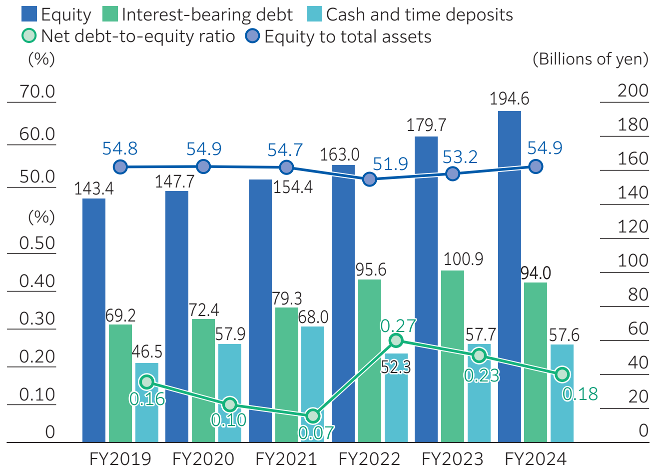
Corporate management that takes into account capital costs and share prices

ROE for FY2024 was 7.4%, narrowly exceeding shareholders capital costs of around 7%. PBR, meanwhile, remained below 0.5 and we recognize that this is a major issue from the perspective of our return-on-capital ratio and market rating. In the new plan, we have decided strategies for further growth and to raise our dividend payout ratio. For our returns policy, we will continue to consider optimal capital structures, and when we enter a new, more prosperous phase by achieving the growth strategies that we set out in the new plan, we will be able to further strengthen shareholder returns.
That said, the biggest reasons we are currently unable to appeal more to the markets lie in the profitability and polarity of our businesses, and especially the recent situation in our overseas business.
While our Vietnamese business is already past the worst of it, we are taking the measures mentioned earlier to try and quickly restructure the business, and we will continue to focus as much energy as possible on improving the business' performance. Vietnam has a great deal of future potential for growth, and on the environmental front, too, we believe that the time will surely come when the advantages of our EAFs, compared to the mini blast furnaces and induction furnaces of our regional competitors, are recognized. To prepare for that future, we are now steadily working to reconstruct the business through measures including reforms to cost structures. I believe that by doing so we can enhance our competitiveness.
In North America, the business environment has stabilized, and while our US business has been facing issues resulting from internal factors mentioned above, we have decided on a basic plan for investment to eliminate these, and we will steadily work to implement this.

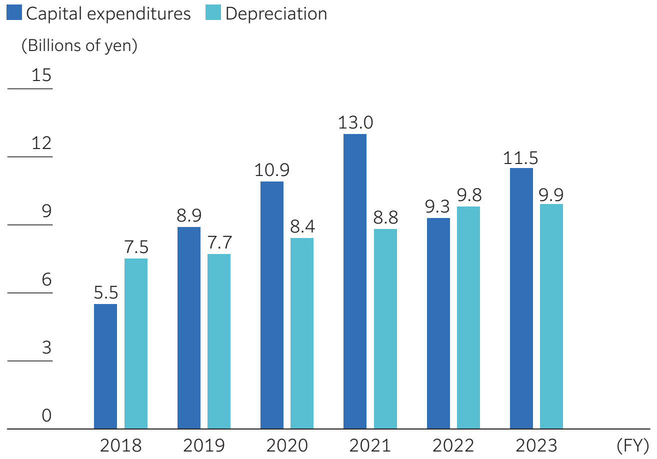
The deeper the crouch, the higher the jump Flying high as a 100-year company

With a constant eye on changes to the future business environment, we have dramatically expanded our business lines, particularly in the last ten or so years with our active expansion into Vietnam and North America. In this overseas business, we may not have produced the profits we had hoped for recently due to various factors, but by gradually enacting the measures put forward in our new medium-term business plan, we will overcome each issue, and solidify our global tripolar structure.

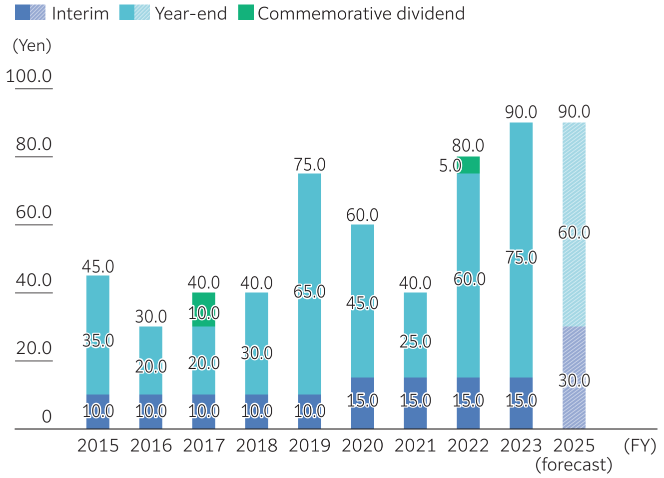
Equity to total assets/Net debt-to-equity ratio



Capital expenditures/Depreciation



Dividends



Systems for Responding to Sustainability Issues

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

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

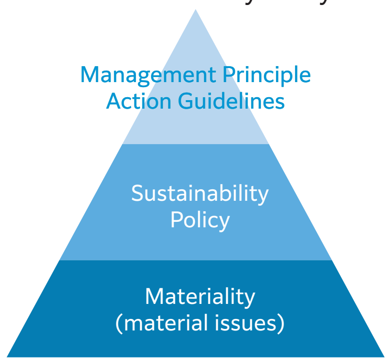
Sustainability Policy

— Challenges for the future —

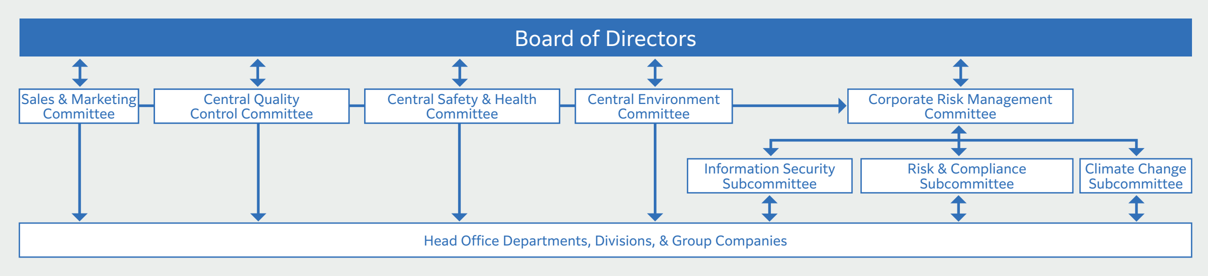
In accordance with the Group Management Principle, we aim to be an essential company that contributes to social progress and harmony with the global environment, while continuing to move forward through resource circulation business to contribute to realizing a sustainable society.

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

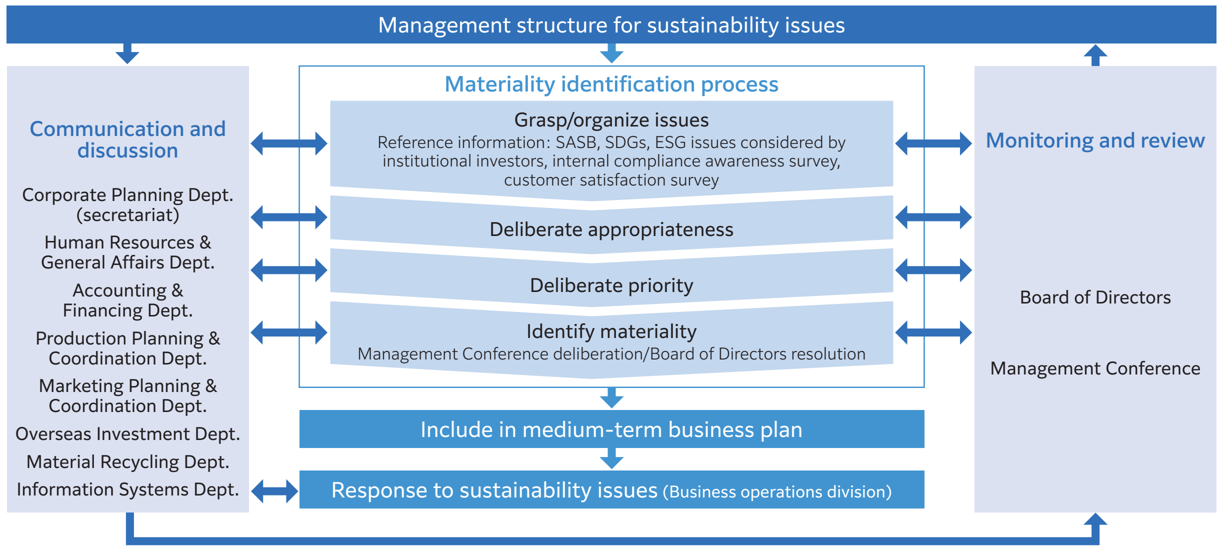
Positioning of the Sustainability Policy



Governance system related to sustainability issues



Management process related to sustainability issues



Risks and opportunities of sustainability issues surrounding the Group

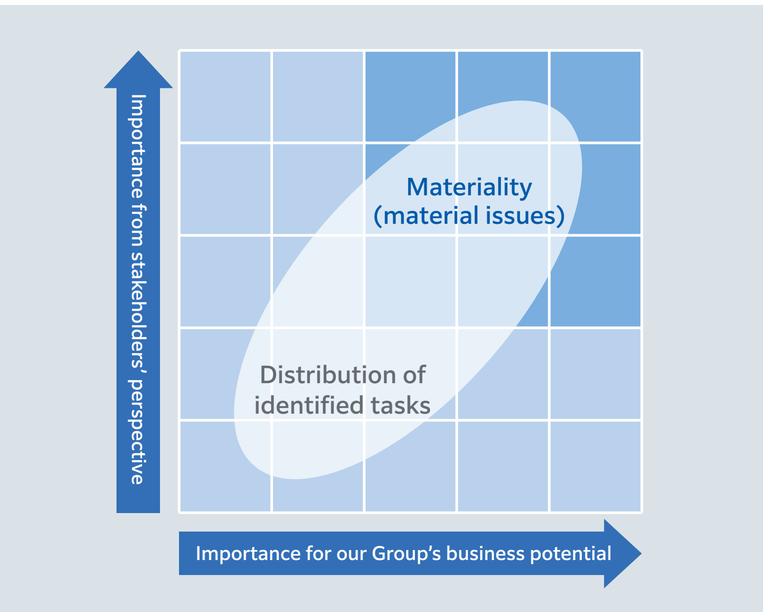
Sustainability issues	▼: Risks ▲: Opportunities
Climate change	▼ Increased capital investment to comply with stricter greenhouse gas emission regulations. ▼ Increased costs due to the introduction of carbon pricing. ▼ Suspension of operations due to abnormal weather conditions caused by climate change 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 due to steepening demographic decline in society.
Constraints on procurement of raw materials and secondary materials	▼ Increased costs due to advancing greenflation. ▼ Tighter supply and demand and reduced quality in raw materials (steel scrap) due to blast furnace manufacturers shifting to EAFs. ▼ Depletion of resources for secondary materials (electrodes, ferroalloys, etc.), price hikes, increasing sourcing difficulty, and decline in quality grade. ▼ Insufficient supply of water resources. ▲ Increase in steel scrap supply due to improving sorting technology for low-grade steel scrap. ▲ Strengthened competitiveness by improving technologies for utilizing low-grade steel scrap.
Energy problems	▼ Increased difficulty in obtaining energy resources (LNG and other low CO_2 emission fuels) and price hikes. ▼ Increase in electricity costs due to take-up of renewable energy. ▲ Strengthened competitiveness by improving operational technologies in order to save energy and reduce environmental impact.
Changes in Japanese and overseas markets	▼ Decreases in sale prices and shipment volumes due to excess domestic supply capacity. ▼ Decrease in sales price and shipment volume due to market contraction caused by Japanese population decline. ▼ Raw material price hikes and earnings deterioration due to country risks. ▲ Reevaluation of the value of local production for local consumption businesses through economic bloc formation. ▲ Reevaluation of the value of local production for local consumption businesses due to changes in society's values. ▲ Capturing of growth markets through global expansion.
Acceleration of a move to digital technologies, etc.	▼ Information leaks and system failures due to cyber-attacks and system abuse. ▼ Loss of sales opportunities due to inability to respond to technological innovations. ▲ Productivity improvement through the use of digital and AI technologies.

Materialities (material issues)

Confronting sustainability issues through our business activities

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

Our approach to materialities



Materiality		Relation with SASB	KPI in NeXuS II 2026	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: ¥380 billion ● Operating income: ¥25 billion ● Shipment volume: 4.0 million tonnes (domestic: 1.6 million tonnes; overseas: 2.4 million tonnes)	[Domestic steel] ● Increase presence in the Kanto region ● Strengthening of processed product business (downstream strategy) ● Stable procurement of scrap (upstream strategy) ● Continuation of initiatives to increase added value [Overseas steel] ● Strengthening profitability by shifting the weight of our tripolar structure: Emphasis on North America, reinforcement of northern Vietnam [Material recycling] ● Branding of the uniqueness of the business ● Reinforcement of industrial waste treatment network	9, 13	→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	● Initiatives to reduce CO_2 emissions at overseas related companies ● Conversion to fuels with low CO_2 emission factors ・Promotion of energy saving at each site ・Fuel conversion ・Photovoltaic power generation ・Initiatives to reduce CO_2 emissions at overseas sites ● Making effective use of slag and dust	7, 11, 12, 13, 14, 15	→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		● Promoting support for processing departments and processors ● Expanding treatment of industrial waste, which is expected to increase in the future ● Reduction of waiting times for product loading	9, 12	→P. 45
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 ● At least 15% female career-track employees (non-consolidated) ● At least 3.0% females in managerial positions (non-consolidated) ● Education and training costs: 150,000 yen/person (non-consolidated)	● Improving the level of safety and stable operation of each plant by strengthening engineering departments ● Introducing AI into raw material inspection and production processes ● Promoting automation in production processes ● Implementing concrete measures based on the human capital strategy	3, 4, 5, 8, 10	→P. 43–44
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.		● Social contribution activity expenditures: Approx. 0.5% of consolidated net income	● Contributing to local communities through olive grove planting ● Continuation of donations through regional social foundations, MESSCUD Medical Safety Fund and other organizations	11	→P. 46
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 (enhancement of the skills matrix) ● Reinforcement of risk management system ● Review of the structure of each committee	16	→P. 47–54

For a Comfortable and Safe Society

Domestic Steel Business

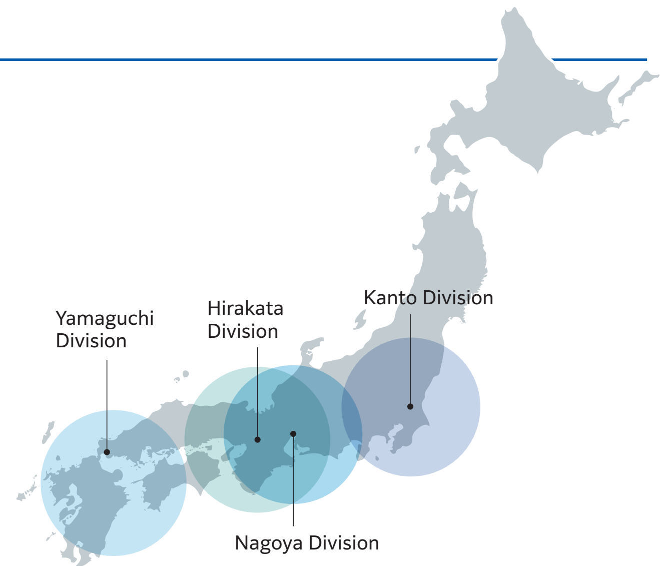
Business environment

- Climate change has resulted in the frequent occurrence of natural disasters over the past few years as well as heat waves and other abnormal rises in temperature in countries around the world. These phenomena, in turn, have created a heightened sense of crisis among people regarding global warming, and humankind as a whole is becoming increasingly concerned about efforts to realize a sustainable society. This includes with regard to corporate social responsibility initiatives aimed at such targets as realizing a decarbonized society and making the shift to renewable energy.
- Japanese society has transitioned from an aging society to one with a declining population, and decreasing demand as well as labor shortages due to the reduction in the working-age population will become realities.
- The massive fiscal spending in response to the COVID-19 pandemic has caused inflation to rise worldwide and prices to increase across the board. Japan has also been affected, moving away from its negative interest rate policy, necessitating management that is cognizant of interest costs in all economic activities.
- The impacts of the COVID-19 pandemic on our society have also significantly affected globalization and the way we work, further accelerating the trend of digital transformation (DX) as well as the emergence of generative AI such as ChatGPT.

Shogo Sakamoto
Board Director & Senior Vice President

Characteristics of business

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



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

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

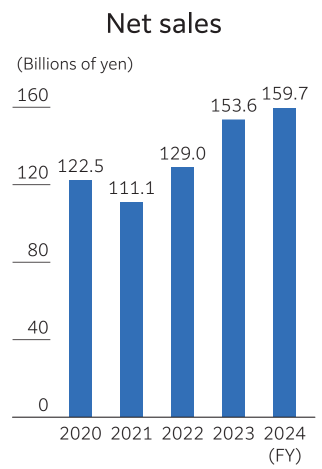
[Risks and challenges]
- Reduced demand in medium to long term
- Increase in steel scrap prices due to trends in CO_2 emissions reduction; potential procurement issues
- Response to new construction methods
- Difficulty in securing labor due to decline in working-age population
- Wear and deterioration of factory facilities

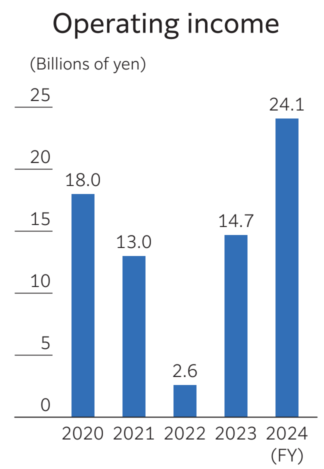
Growth strategy

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

Looking back on NeXuS 2023

In FY2022, the trading price gap (the difference in product price and raw materials price) narrowed as steel scrap prices remained on an upward trend. As a result, we fell short of our targets in the medium-term business plan. From FY2023, however, we have been able to secure a high level of profit due to an increase in the trading price gap as a result of efforts to raise product prices.
In FY2024, while maintaining the trading price gap, both production and shipment volumes exceeded those of the previous period, resulting in further increases in both sales and profits compared to the previous year, significantly exceeding the targets of the medium-term business plan.
In addition, as part of our efforts to build a comfortable working environment, one of the policies in our medium-term business plan, we made progress in streamlining and improving efficiency, with examples including the Hirakata Division's new warehouse equipped with automated systems coming online, and the introduction of robots in front of the furnaces at the Kanto Division. We also completed construction of a new welfare building at the Kanto Division, as well as a new office at the Nagoya Division. Through these measures, we have endeavored to improve working environments.





Initiatives in NeXuS II 2026

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

Overseas Steel Business

Business environment

- The US has been raising interest rates rapidly since March 2022 to control inflation, but is expected to start cutting rates in the second half of this year. However, the US domestic economy continues to benefit from an “America first” economic policy, and most expect no major recession in the foreseeable future.
- China’s economy, suffering from a real estate recession, is expected to slow down in 2024, although real GDP growth in 2023 was 5.2% year-over-year. Further, the fast-growing economies of the emerging nations known as the Global South are also predicted to be affected by soaring interest rates, exchange rate losses, and geopolitical risks, and are not expected to be strong enough to drive the global economy.
- **[Steel demand in North America]** Demand for steel rebar in the US in 2023 is expected to fall below 9 million tonnes (-3.5% year-over-year) to 8.95 million tonnes, partly due to the COVID-19 pandemic. However, it is expected to expand to 10.42 million tonnes in 2027 due to strong demand from infrastructure investment, population growth, and other factors. Canadian demand for construction steel in 2023 recovered from 2022, when it fell back due to the COVID-19 pandemic, to 1.56 million tonnes (+10.2% year-over-year). From 2024 forward, as well, the market is expected to experience moderate growth benefitting from an increase in the population, and construction steel demand is forecast to reach 1.62 million tonnes in 2026.
- **[Steel demand in Vietnam]** Construction demand in Vietnam in 2023 decreased significantly to 10.03 million tonnes (-9.5% year-over-year) due to a real estate recession that has continued since the second half of the previous year. However, although the impact of this recession is expected to linger up until the first half of 2024, we anticipate a gradual recovery. Stimulated by such factors as large-scale public investments from 2025 onward, especially in the north-central region, where development has lagged behind that of southern Vietnam, we predict that demand for steel will expand to its previous level of around 11 million tonnes.

Meguru Nishimura
Senior Executive Officer

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

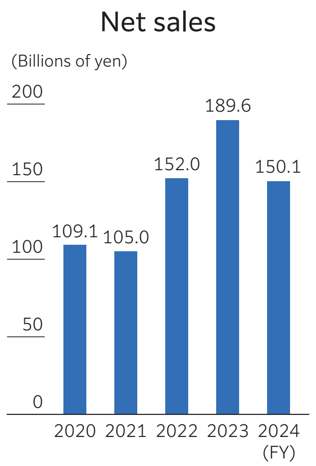
[Risks and challenges]
- Stricter competition as other companies in the same industry enhance capabilities in expectation of increased demand for steel as the Vietnamese economy grows
- Reaching carbon neutrality (increasingly stricter government environmental regulations)
- Difficulties reaching stable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

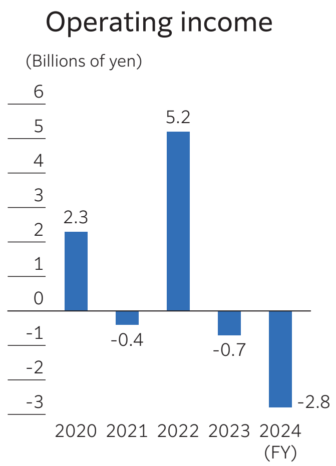
Growth strategy

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

Looking back on NeXuS 2023

Under NeXuS 2023, our challenge for our overseas steel business was to establish a stable profit structure due to its performance falling far short of plans and an apparent uneven distribution of profits. In the first year of the medium-term business plan, the slumping domestic steel business was supported by the overseas steel business, and our global tripolar structure functioned to a certain extent. From the second year onward, however, impacted by the local real estate recession, our business in Vietnam performed poorly, and in the third year, the overall overseas steel business was significantly in the red due in part to equipment trouble in our North American operations.





Initiatives in NeXuS II 2026

Under NeXuS II 2026, we recognize that the rebuilding our global tripolar structure is a top priority, and have decided to shift the weight of our investment strategy from the Vietnam business, where we have already made a set of large-scale investments, to our business in North American.
With regard to our operations in North America, Vinton Steel LLC will build a new steelmaking mill and partially remodel its steel rolling mill facilities to address facility aging, aiming to improve and stabilize profits by significantly reducing costs through improved productivity and increased production and shipment volumes. These capital investments are planned at $230 million.
In addition, AltaSteel Inc. is currently working to build up its rolling facilities and begin commercial production of 10 mm rebar, with the goal of increasing production and sales starting in 2025.
With regard to our business in Vietnam, Vina Kyoei Steel Co., Ltd. will strive to improve its financial structure while avoiding chasing volumes and minimizing the impact on consolidated financial results so that it can operate stably in response to changes in market conditions. Vietnam Italy Steel JSC (VIS) will aim to develop a corporate structure that can generate stable profits through the vertical start-up of a new rolling line scheduled for FY2026. VIS will also strengthen cooperation with Kyoei Steel Vietnam Co., Ltd., a rolling mill company, to create an optimal production system for the two companies in northern Vietnam and evolve into a company that plays a central role in our operations in the country.

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 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.

Masami Yokoyama
Board Director & Senior Executive Officer

Characteristics of business

The illegal dumping of used hypodermic needles became a social problem during the latter half of the 1980s. In response, the Company developed a technology to dispose of these needles. This idea came when we were looking for ways to effectively use thousands of degrees of heat generated when melting steel scrap in an EAF. We then launched our material recycling business based on this technology. As a pioneer in the field of safely melting waste using EAFs, our safe and reliable processes have won the trust of many companies and local governments, and we command more than 50% of the EAF industrial waste treatment market.
We use a large gasification furnace at our Yamaguchi Division to melt shredded fragments of automobiles. We then collect and recycle metallic parts as molten metal. The gas generated during this process is also used as fuel for the heating furnace used by the division.

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

[Opportunities]
- The need for treating difficult-to-treat waste material is increasing
- The effective resource utilization market is expanding

[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

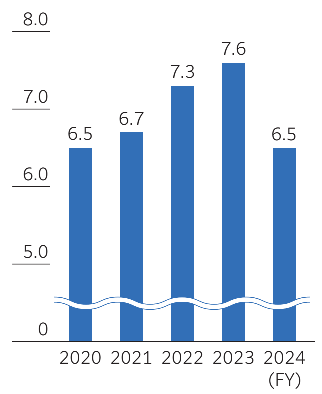
Growth strategy

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

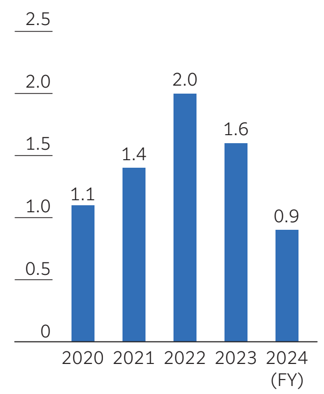
Looking back on NeXuS 2023

Since closing the Osaka Mill (a site involved in treating medical waste) in 2016, we had focused on efforts such as reorganizing businesses within the Group and aggregating business functions within the Head Office's Material Recycling Department, in an attempt to strengthen business capabilities. In FY2022, we posted our highest profit since 2016 at ¥2.0 billion, due in part to an increase in the volume of orders to treat expensive and difficult-to-treat waste and the acquisition of orders to treat medical waste related to COVID-19. In FY2023, we maintained a high profit level of ¥1.6 billion, although this was not at the level of the previous fiscal year. However, in FY2024, we saw a significant decrease in medical waste treatment orders due to the Japanese government reclassifying COVID-19 to a Class 5 disease, as well as the temporary suspension of operations at our Yamaguchi Division, the largest treatment site in the Group, for periodic repair work, which led to a significant decrease in revenue and profits.

Net sales



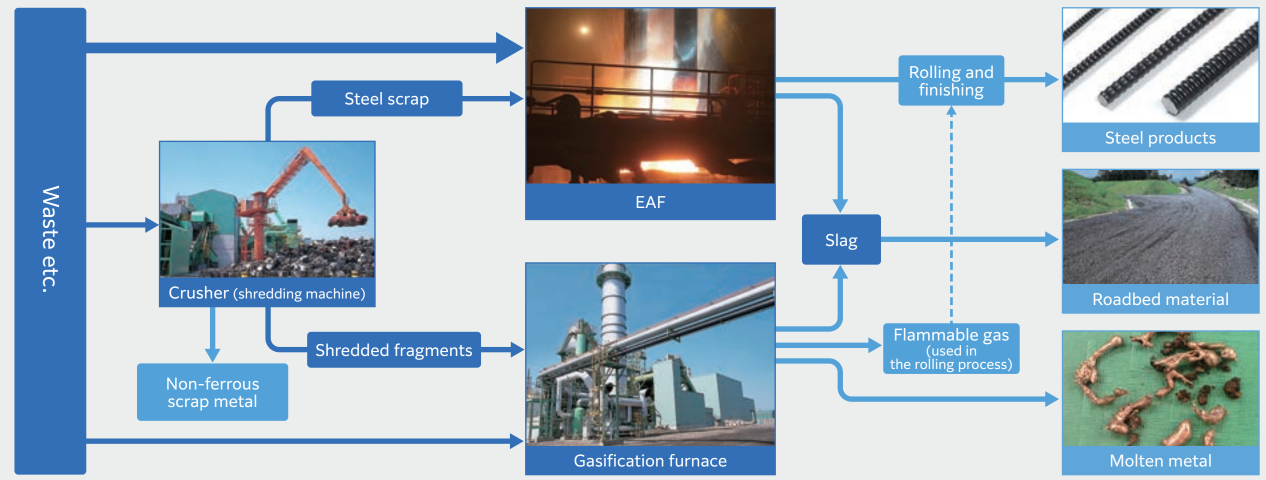
Operating income



Initiatives in NeXuS II 2026

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

Summary diagram



Toward a Beautiful Global Environment

Actions based on TCFD recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

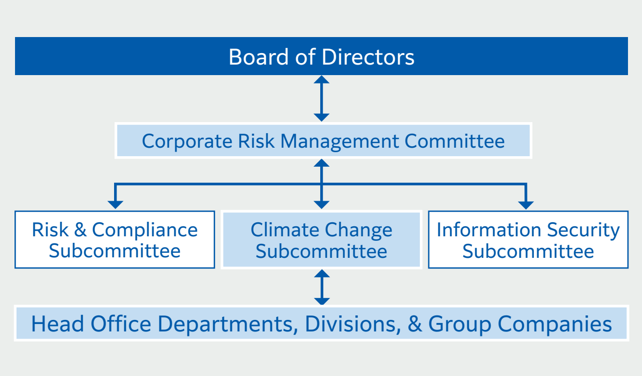
The Group has made response to climate change one of its important management issues, and has taken a number of steps to advance them. We will continue to advance our initiatives for climate-change-related risks to and opportunities for our business in 2030 and 2050, in order to strengthen our resilience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

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

Governance	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

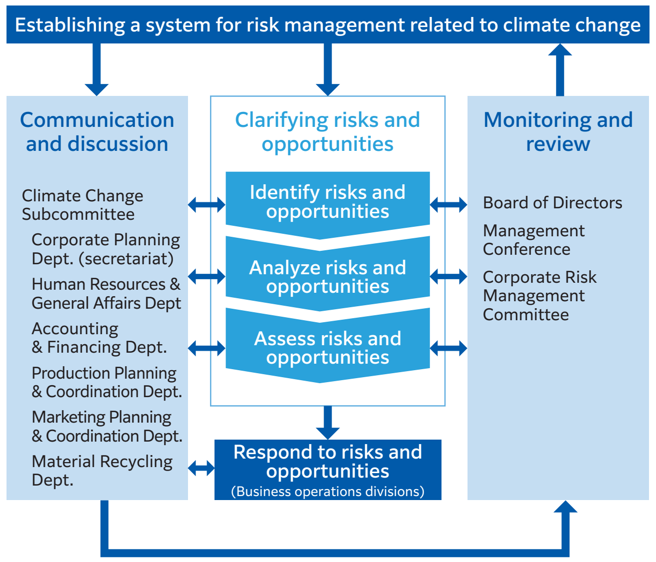
We have established a Corporate Risk Management Committee (CRMC), chaired by our president. We have also set up various subcommittees, including a Risk & Compliance Subcommittee and a Climate Change Subcommittee, which report to the CRMC. We have created a system that allows us to assess and evaluate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



Risk management

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

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



Strategy

Defining scenarios

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

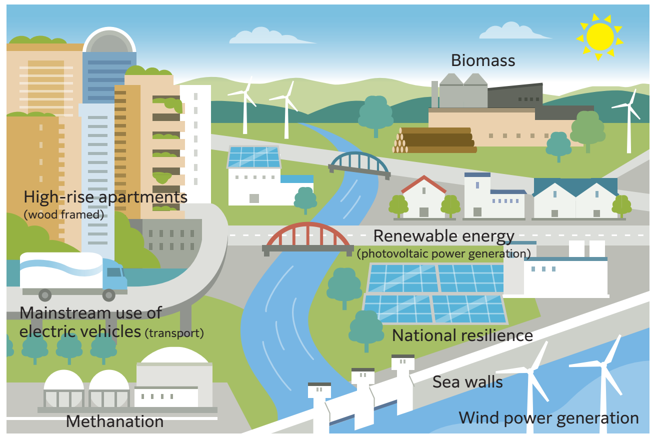
*IPCC: Intergovernmental Panel on Climate Change

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

Changes in society surrounding the Group

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

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



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

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

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.

Impact in 2030	
	Risks: ▼ (minor) ▼▼ (medium) ▼▼▼ (major) ▼▼▼▼ (critical)
	Opportunities: ▲ (minor) ▲▲ (medium) ▲▲▲ (major) ▲▲▲▲ (critical)
	(Importance: minor: less than 0.1 billion yen; **medium:** 0.1 billion yen or more but less than 1 billion yen; **major:** 1 billion yen or more but less than 10 billion yen; **critical:** 10 billion yen or more)

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

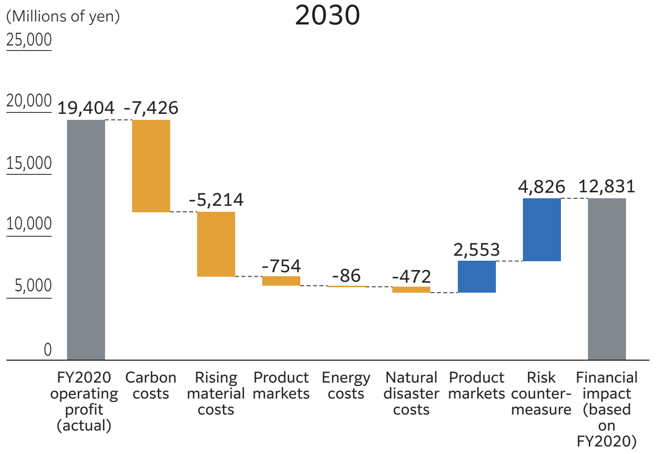
Scenario	Category	Type	Important risks and opportunities		Impact	Countermeasures in NeXuS II 2026
4°C	Transition risks	Policy and legal	Promoting national resilience	(1) Sales opportunities lost due to delays in addressing building and civil engineering standards being revised in response to growing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

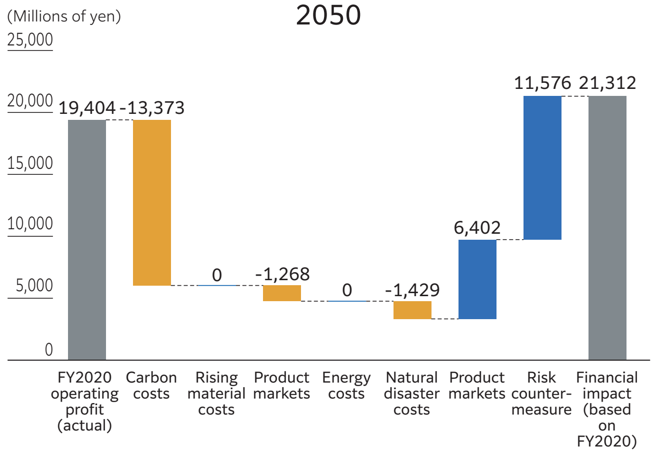
[Reference]
●IEA, World Energy Outlook (2020) (hereinafter IEA/WEO 2020)
●IEA, Energy Technology Perspectives (2020) (hereinafter IEA/ETP 2020)
●IEA, Iron and Steel Technology Roadmap (hereinafter IEA/ISTR)
●IMF, World Economic Outlook Database (2021) (hereinafter IMF/WEO 2021)
●IEA/World Energy Outlook (2023) (hereinafter IEA/WEO 2023), 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





*Carbon costs calculated are for Kyoei Steel only

Financial impact estimation parameters
(base year: FY2020)

Carbon costs

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

Rising material costs

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

Product markets

Demand for steel products for construction is expected to drop as the use of existing structures is prolonged, material quality is improved, and construction methods are optimized. Based on the sustainable development scenario (SDS) in Figure 2.2 of IEA/ISTR, we estimated the risk impact of the Group shipments for construction projects decreasing. However, demand for steel products for civil engineering is expected to increase as advances are made in power plant and transportation infrastructure construction. We estimated the opportunity impact of the Group shipments for civil engineering projects increasing.
We also see the decline in demand for construction materials to be a result of improvements in steel product quality. This presents an opportunity for the Group to expand its market share. We estimated the opportunity impact based on Figure 4.24 of IEA/ETP 2020.

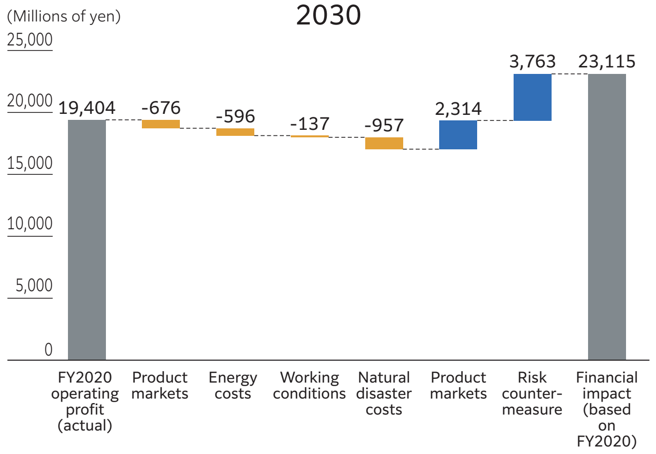
Energy costs

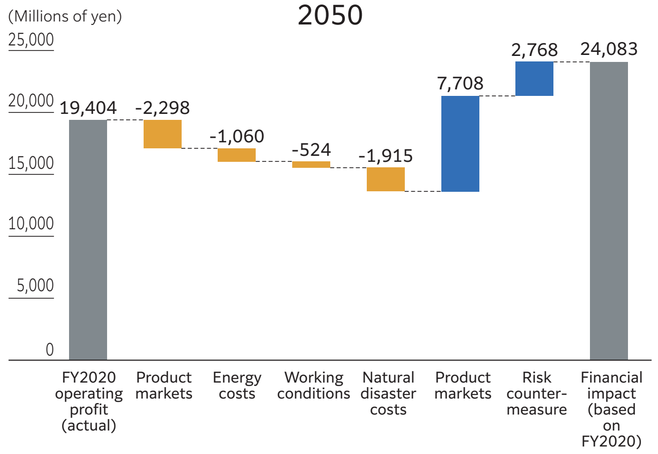
We estimated the risk impact of energy costs increasing from the base year, with the energy costs of the Group transitioning at the government's long-term forecast ratio as shown in Figure 1.6 of WWF/2050 Zero Scenario for a Decarbonized Society.

Natural disaster costs

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

Financial impact under 4°C scenario





Financial impact estimation parameters
(base year: FY2020)

Product markets

Vigorous demand for steel products for construction and civil engineering is expected. We estimated the opportunity impact of the Group construction and civil engineering shipments increasing from the base year according to the STEPS scenario (current situation maintained) in Figure 2.2 of IEA/ISTR.
We also estimated the risk impact of losing sales opportunities due to the Group being unable to develop high-strength rebars or supply products to meet requested construction methods, in response to demands to improve material quality and optimize construction methods through sturdier construction, as shown in Figure 4.24 in IEA/ETP 2020.
Based on trends in the waste treatment and effective resource utilization markets as described in MOE/Outline of the Report on the Market Size and Employment of the Environmental Industry (2019), we estimated the opportunity impact of expanding the material recycling business of the Group.

Energy costs

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

Working conditions

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

Natural disaster costs

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

Metrics (indicators) and targets

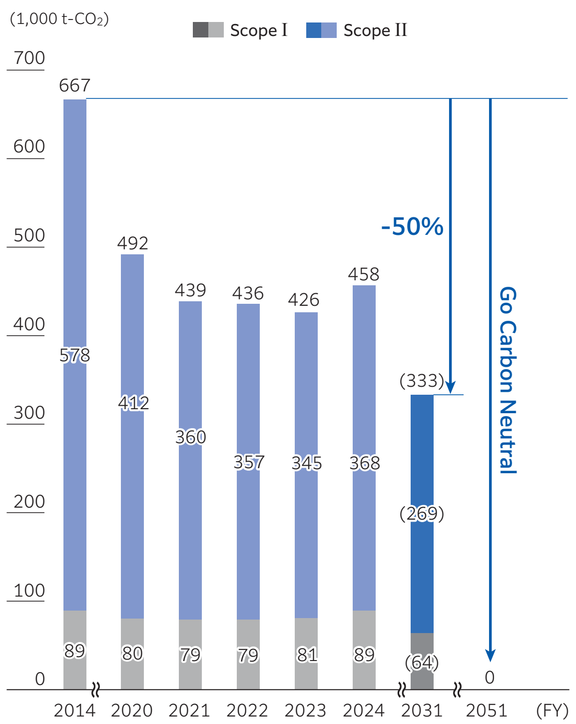
At the Group, we believe it is important to determine how we should reduce CO_2 emissions, especially in light of our measures against transition risks in the 1.5°C and below 2°C scenarios and mitigation of physical risks to society in the 4°C scenario.
We have therefore established CO_2 emissions as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

Initiatives to reduce environmental impact

Environment-related data (non-consolidated)

CO_2 emission volumes

Scope I, Scope II



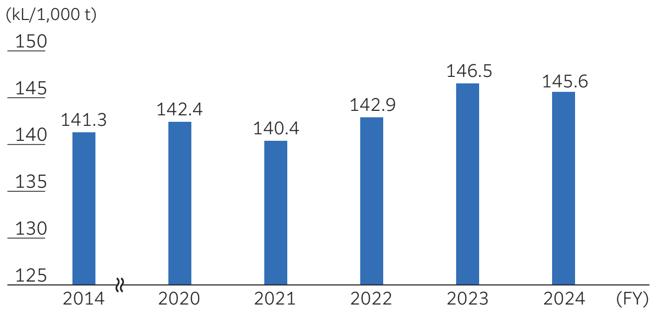
Scope III

Assurance scope: Scope III emissions (Categories 1-7, 9, 10, 12, 15) of Kyoei Steel Ltd. (non-consolidated) in FY2024

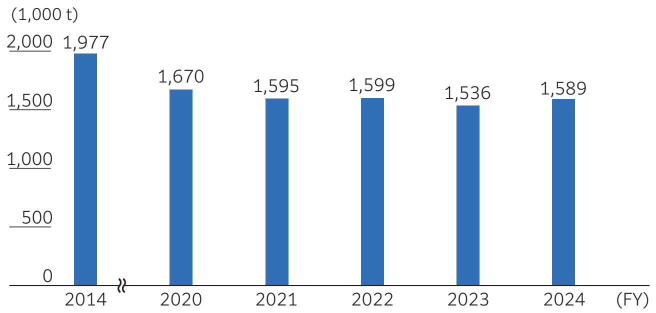
Category	Scope III (1,000 t-CO2)		
	FY2023	FY2024	Proportion (%)
1. Products and services purchased	108	90	32.7
2. Capital goods	13	19	6.7
3. Fuel and energy-related activities not included in Scope I or II	75	71	25.6
4. Upstream logistics	30	30	10.7
5. Waste generated by operations	5	5	1.9
6. Business travel	0	0	0.1
7. Employee commuting	0	0	0.2
8. Upstream leased assets	-	-	-
9. Downstream logistics	17	17	6.1
10. Processing of products for sale	5	5	1.8
11. Use of products sold	-	-	-
12. Disposal of products sold	14	14	5.2
13. Downstream leased assets	-	-	-
14. Franchising	-	-	-
15. Investment	23	25	9.0
Total	290	276	-

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

Energy intensity (crude oil equivalent)



Production volume



A- rating in the CDP climate change survey for two years running

As in 2022, in 2023 we received an A- rating for our leadership rating from CDP. This organization, which was established in the UK in 2000, is an international environmental non-profit, runs an international disclosure system for companies, governments, and other bodies to assess their environmental impact. Its yearly survey collects and analyzes environmental data, and CDP then gives each body a rating from the eight grades of A to D-. Approximately 23,000 companies around the world took part in the 2023 survey.

CDP DISCLOSER 2023

Start to operations of solar power generation at Yamaguchi Division's Higashioki site

Our aim is to halve the Kyoei Steel Group's CO_2 emissions by domestic divisions by 2030 compared to FY2014 levels, and we are implementing various initiatives to this end. In December 2023, we completed our installation of solar power equipment at Yamaguchi Division's Higashioki site, a controlled-type landfill disposal yard, and started operations. The equipment includes 11,985 m² of solar panels and can generate 1.61 GWh per year. The power generated is used at the division's shredder plant in the area, which recycles goods, and surplus power is sold to power companies.
This is predicted to reduce our CO_2 emissions by 548 tonnes per year. Our policy is to further expand the generation and consumption of our own electricity using solar power throughout the Group going forward.

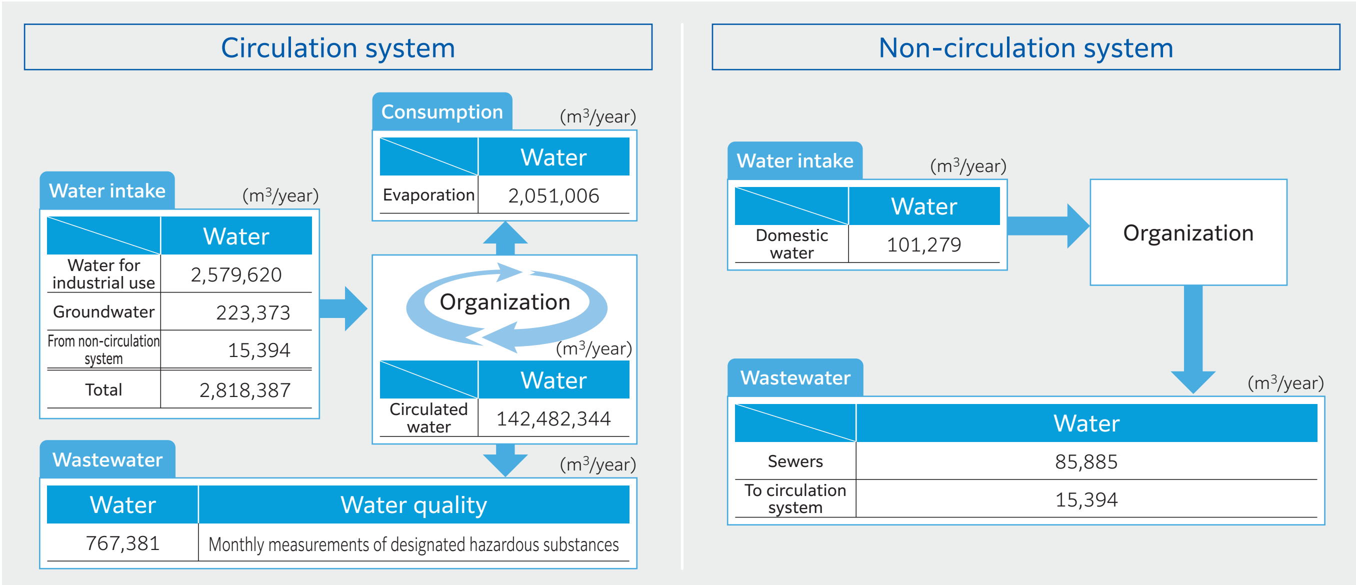

Higashioki solar power equipment

Participation in the GX League

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

Water security risks (non-consolidated)

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



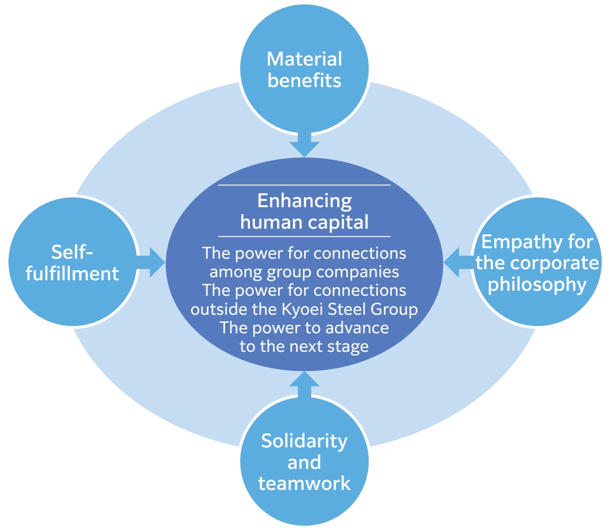
	Risk	Countermeasures
Policy and legal	Stricter water emission standards could raise operational costs or lead to stoppages, causing losses to operating income	Improved reuse (recycling) of water for industrial use could achieve zero water emissions
Acute	Stoppages due to water intake restrictions, resulting from water shortages, could cause losses to operating income	Improved reuse (recycling) of industrial water could reduce water intake

Toward Safer and More Comfortable Workplaces

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

Governance

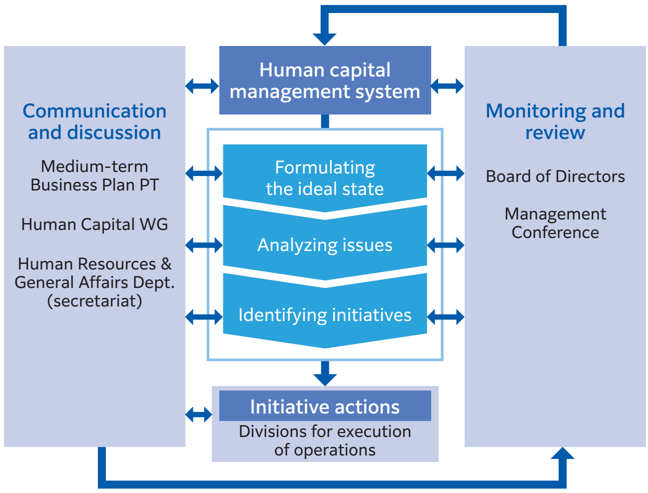
The Human Capital Working Group (WG) was established under the Medium-term Business Plan Project Team (PT), and specific initiatives were incorporated into the medium-term business plan, NeXuS II 2026, and shared with each division for execution of operations. Going forward, we are continuing to upgrade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



Management process

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

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



■ Overseas trainee program

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

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

In 2024, we were recognized for the third consecutive year under the large company category as an organization that takes an organizational perspective on the health of employees and strategically manages this, under the Certified KENKO Investment for Health Outstanding Organizations Recognition Program run by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

We will continue our health and productivity management efforts in order to make workplaces even safer and more comfortable and to improve the health and welfare of employees.

2024
健康経営優良法人
Health and productivity

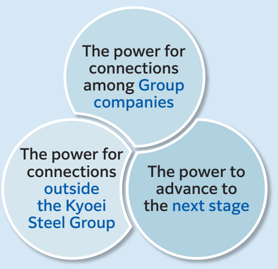
■ Dispatches to research institutions

With the aim of accumulating academic research expertise internally, in September 2023 we dispatched an employee to a doctoral course at a graduate school to begin research on the effective use of slag. By having a dispatched researcher take the initiative in their research, we have been able to accumulate knowledge internally as we had hoped, and by having a dispatched researcher work on their research outside the company, they have been able to gain a broader perspective on the issues they are facing.

Strategy

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

Enhancing human capital



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

Metrics (indicators) and targets

Comparability indicators	
Metrics and indicators	**Target value (final year: FY2027)**
Percentage of female career-track employees	15.0% or more
Percentage of female managers	3.0% or more
Paid leave rate	85.0%
Education and training costs per person	150,000 yen
Occupational accident frequency rate	0.00 (degree)

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

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

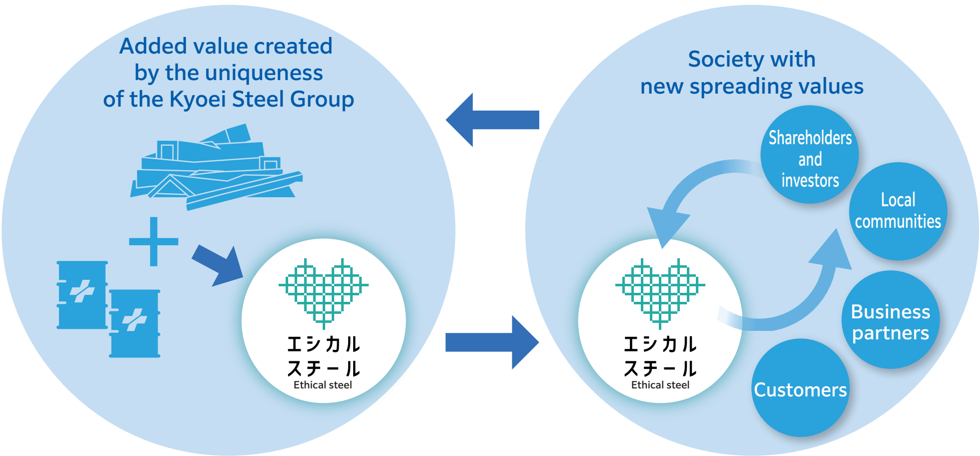
Integrating resource circulation and waste treatment to offer a new brand of product in our 35th year

With the global population now exceeding 8 billion, the world is transitioning to an era in which corporate activities are assessed for their ethics in line with demand to reduce the environmental burden caused by waste and pollutants, and to create a circular economy in which products and raw materials are recycled.
Since 1988, the Kyoei Steel Group has been manufacturing steel products while processing waste. We have long been engaged in the business of recycling resources by transforming disused iron and steel products (scrap and iron sources) into new products, while simultaneously reducing environmental burden by utilizing the high temperatures generated by electric arc furnaces (EAFs) to fully detoxify waste materials through melting. With regard to the types of waste we process, our journey began with medical waste such as syringes, and we have continued to take on the challenge of solving further social issues, such as expanding the range of waste processed to include asbestos and other difficult-to-process waste. In May 2024, we launched an outward-facing communication campaign by branding steel products manufactured through the complete detoxification melting process of medical waste in an EAF as "ethical steel."
We will work to enhance our corporate value by spreading word of our value, backed by the Group's achievements over these many years, to a wide range of stakeholders.

エシカル
スチール
Ethical steel

[Origin of the ethical steel logo]
Rebar is the invisible hero serving as the skeleton inside concrete and other structures. The logo visually illustrates the idea of ethical steel spreading seamlessly throughout society in Japan, overseas, and across the entire globe as if this rebar were to form an expansive mesh around it. The heart shape expresses the Kyoei spirit, the inner passion that underlies Kyoei Steel. More specifically, it expresses our employees' attitude and pride toward ethical work, their concern for the environment, their spirit of facing social issues, and their aspiration to support Japan through the steel business.

Product-oriented branding as targeted by the Kyoei Steel Group



The goal is to create a new flow of expectations for the Kyoei Steel Group to contribute to social development and harmony with the global environment, starting with ethical steel, and for this flow to move back and forth both to and from the Group.

Efforts to strengthen IR

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

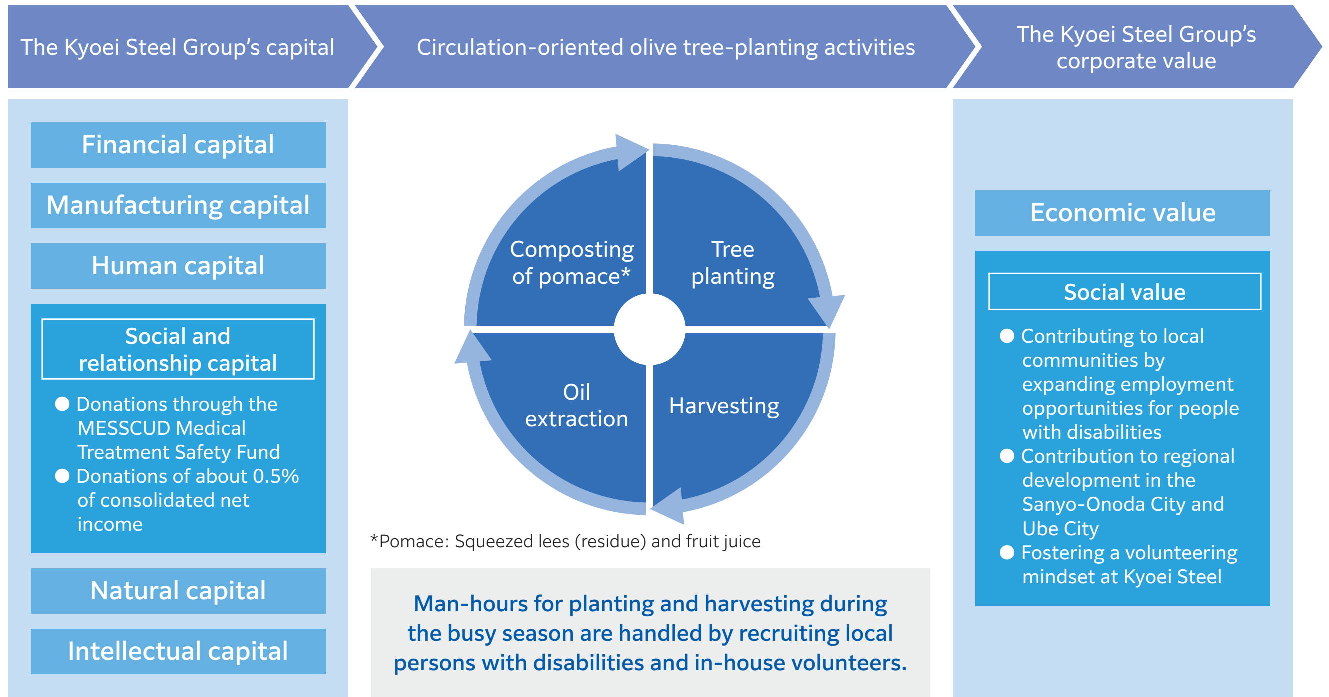
Actions for FY2024

Activity	Activities completed	Group personnel involved
Financial results briefings for analysts and institutional investors	2 (hybrid)	President, director(s) in charge
Online conferences for analysts and institutional investors on the day of financial results announcements	4 (online)	Director(s) in charge
Briefings for individual investors	2	President, director(s) in charge
Individual meetings with shareholders	27	President, director(s) in charge, Corporate Planning Department, Accounting & Financing Department
Individual meetings with analysts and institutional investors	74	Director(s) in charge, Corporate Planning Department

To Contribute as a Member of the Community

Olive tree planting

The Group's olive tree-planting activities are intended to fulfill its social responsibility by investing social and relational capital to enhance the Group's social value. Through donations within the range of 5% of our consolidated net income, we hope to not only benefit our communities and society at large, but also to gain significant trust from society through activities that contribute to employment of people with disabilities and regional revitalization.



*Pomace: Squeezed lees (residue) and fruit juice

A total of 23 people from Nijiiro (meaning "Rainbow"), our recycling workshop, Kyoei Kankyo, the Yamaguchi Division, and the ESG Promotion Section at the head office planted 130 olive trees in an olive grove near the Yamaguchi Division in the spring. Olive planting began in 2021 and now totals 700 trees, with plans to plant a total of 2,000 trees by 2029. Olives harvested in the fall are to be processed into olive oil for internal distribution and use as novelty items. These olives are harvested by Nijiiro and Kyoei Kankyo, alongside volunteers from other Kyoei Steel entities.

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

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.
FY2024 marks the 22st annual donation. This year, a total of 16 million yen in donations was given to six organizations and four municipalities nationwide, bringing the total amount donated to 465 million yen. As an example, based on our experience of dealing with COVID-19, we presented a donation to Yamaguchi Prefecture from the fund to ensure the ability to address any future health crises caused by the outbreak and spread of new infectious diseases. The fund will continue to contribute to society and local communities.

MESSCUD Medical Treatment Safety Fund donation ceremony (Yamaguchi Prefecture)

Toward Fairer and More Sincere Corporate Activities

Messages from Outside Directors

Kyoei Steel to grow through resource circulation in society

As a manufacturer of EAFs for ordinary steel, Kyoei Steel recycles steel scrap into new products. In addition to this, the Company processes hazardous medical waste, asbestos, and other difficult-to-process industrial waste, which I understand plays an important role in the circulation of resources and the establishment of a circular economy. Outside directors play a key role in that they monitor the appropriateness of decision-making by the Board of Directors and the status of compliance with laws and regulations. At Kyoei Steel, there are opportunities for directors in charge of a given area to present and report to outside directors before board meetings, in order to ensure that these meetings are productive. As an outside director, I hope to meet the expectations of shareholders and investors by making recommendations on risk-taking, risk preparedness, compliance, and other issues, and that Kyoei Steel will grow further as a corporation by contributing to the circulation of resources in society.

Tetsuya Yamao
Board Director

Potential in expansion of brand strategy

The products provided by the Kyoei Steel Group are indispensable for the foundations of social infrastructure, such as buildings and roads, and while the Company bears great responsibility in supplying these products, it must also make aggressive investments to address its aging facilities. In my role in these decisions, I place particular emphasis not only on profitability, but also on Kyoei Steel's ability to fulfill its responsibility to supply products in a stable manner over the long term, based on my own experience in the power industry, a process industry like that of Kyoei Steel.
I believe that people are another important area of investment. It is inevitable that a company in a process industry will require a wide variety of human resources. Investment in people will only come to life when each employee understands the thoughts of those in corporate management and shares the goals to be attained. This is a point of focus for Kyoei Steel's top management, in the form of strengthening cooperation within the Group and demonstrating its overall strengths, while being oriented toward an autonomous and decentralized management. In this sense, I see potential in Kyoei Steel's expansion of its brand strategy.

Tatsuya Kawabe
Board Director

Expectations on developing workplace environments where people can work with pride

Kyoei Steel has long been a pioneer in bringing about a resource-circulating society, but in order to achieve even more sustainable growth in a society with a declining population, it is necessary not only for management to show the way forward, but also for each and every employee to share their wisdom, engage in discussions, and explore the best path forward. This requires not only the safety of those who work at Kyoei Steel, but also the maintenance and improvement of workplace environments in which they can work with pride, and the development of human resources who can think independently. Since the Company is actively working on these issues, I expect that this will lead to an increase in corporate value and ultimately benefit its shareholders in the future.
In the execution of my duties, I strive to provide objective and varied points of view and to act in a manner that places compliance first and foremost. My hope is to achieve the satisfaction of all stakeholders and contribute to the enhancement of corporate value.

Kimiko Funato
Board Director

Responding to a rapidly changing external environment and making appropriate management decisions

My name is Yukako Matsuka, a newly-appointed outside director. Kyoei Steel's Vietnamese operations began in 1994, before Japanese companies were seriously expanding into the country, and have developed along with the local economy. Together with Japan and North America, Kyoei Steel's Vietnam business now constitutes one pole of the Company's tripolar structure, making it an important pillar of overseas strategy. In my professional career, I have worked as a banker and strategic consultant in Vietnam and Singapore for over eight years each, supporting Japanese companies entering Southeast Asia in a variety of ways. Based on my insights on the Vietnamese macroeconomy in particular, and the experience I have gained working with various members of management overseas, my goal is to discuss issues objectively and proactively so that management can make appropriate business decisions in response to the rapidly changing external environment.

Yukako Matsuka
(New director)
Board Director

Overview of Corporate Governance

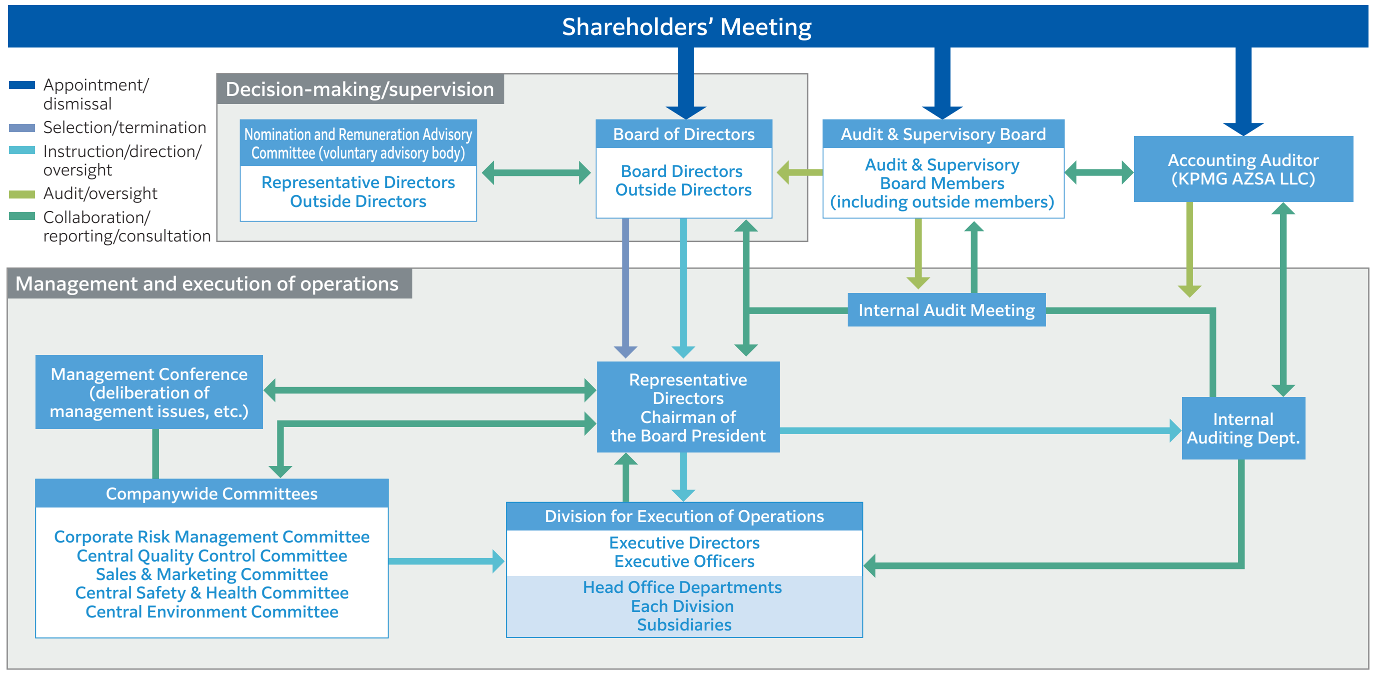
Basic perspective

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

Kyoei Steel organizations and bodies

The Company uses a system with an Audit & Supervisory Board and its members, 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 that is better suited to our unique systems of operation and business structure based on the independent management systems of each division and Group company, and we are continuing to enhance this system. The following diagram 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 FY2024. The attendance rate of directors (including outside directors) and Audit & Supervisory Board members (including outside Audit & Supervisory Board members) was 99.2%. 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 FY2024, we focused our deliberations on the following matters:
- Consideration of the next medium-term business plan, NeXuS II 2026
- Actions to achieve management conscious of capital costs and stock price
- Consideration of capital investment and business strategies for qualitative 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	Kimiko Funato						✓		✓
Board Director	Yukako Matsuka		✓			✓		✓	

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

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

The Audit & Supervisory Board held 17 meetings in FY2024. The attendance rate of Audit & Supervisory Board members (including those from outside the Company) was 100%. The Audit & Supervisory Board meets regularly once a month, and as needed.

In FY2024, we focused our deliberations on the following matters:
- Matters to be resolved and deliberated: 33 Items. Selection of Chairman of the Audit & Supervisory Board, selection of a full-time Audit & Supervisory Board member, partial amendment of the regulations of the Audit & Supervisory Board, etc.
- Matters to be discussed: 1 item. Discussion of Audit & Supervisory Board member compensation
- Matters to be reported: 56 reports. On the status of execution of duties by Audit & Supervisory Board members; on the results of on-site inspections of offices; on the results of investigations of subsidiaries, etc.

Overview and activities of Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of at least three members (the majority of whom are independent outside directors) selected by resolution of the Board of Directors from among independent outside directors and representative directors. It is an advisory body established to deliberate mainly on the nomination and compensation of representative directors, board directors, Audit & Supervisory Board members, and executive officers, and to provide advice and recommendations to the Board of Directors. It meets as needed.
The Committee held four meetings in FY2024. 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 FY2024, the following matters were discussed and considered.
- Executive system for the next year and personnel changes
- Consideration of candidates for outside directors
- Consideration of candidates for executive officers
- Consideration and development plan for future top management candidates
- Status of talent pool and development of future executive candidates
- Consideration of issues and review of executive compensation
- Consideration of compensation levels based on benchmarks in view of surveys by external expert organizations
- Methods and processes for determining individual compensation

Status of accounting audit

The Company's accounting audit is conducted by KPMG AZSA LLC. The period of continuous audit is 30 years up to the fiscal year ended March 31, 2024. Engagement partners are appropriately rotated, and as a rule, no partner is involved in audit work for more than seven consecutive accounting periods (five consecutive accounting periods for the first engagement partner).
In the evaluation of the auditing firm, we collected information from the Accounting & Financing Department, the Internal Auditing Department, and the accounting auditor regarding the quality control system, independence and expertise, nature and level of audit and non-audit fees, and global audit system, among other factors, of the accounting auditor. With this, the Company evaluates the appropriateness and validity of audit activities with respect to 16 evaluation items based on "Policies for Determination of Dismissal of or Refusal to Reelect Financial Auditor" stipulated in Article 126-4 of the Regulations for Enforcement of the Companies Act and the "standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors" stipulated in Supplementary Principle 3.2.1 of the Corporate Governance Code. Based on the above, we have determined that there are no particular problems with the audit firm's systems or other areas.
The details of the audit fees are as follows.

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

Category	FY2023		FY2024	
	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)
Filing company	66	10	76	–
Consolidated subsidiaries	5	0	–	–
Total	71	10	76	–

(Previous consolidated fiscal year) Non-audit services for the Company and some of its consolidated subsidiaries included fees for agreed-upon procedures for applications for abatement under Japan's Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, fees for prior review in the establishment of a new front-end system, fees for external cybersecurity investigations, etc.

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

Category	FY2023		FY2024	
	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)	Fees based on audit certification services (millions of yen)	Fees for non-audit services (millions of yen)
Filing company	–	–	–	–
Consolidated subsidiaries	39	–	10	–
Total	39	–	10	–

Director compensation, etc.

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

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

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

Director classifications	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc. by type (millions of yen)			Numbers of officers subject to compensation
		Basic compensation	Compensation for purchase of treasury shares	Performance-linked compensation	
Directors (excluding outside directors)	324	210	10	105	7
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	30	30	–	–	2
Outside directors	40	40	–	–	5

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

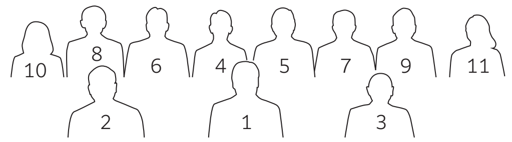
Internal control and risk management systems

Overview of the systems for internal control

In general, the Board of Directors supervises how board directors are performing their duties, while Audit & Supervisory Board members audit how board directors are performing their duties. We have also adopted an executive officer system where decision-making and supervisory functions are kept separate from execution functions. Matters that must be decided at the management level are identified, defined based on internal rules, and authority is then transferred appropriately. This increases the effectiveness of supervisory functions and efficiency of business execution.
We have also established the Compliance Program run by the Risk & Compliance Subcommittee (a subcommittee of the Corporate Risk Management Committee), which encourages employees to autonomously and independently promote risk management and compliance. Meanwhile, the Internal Auditing Department, which is positioned directly beneath the president & representative director in the organization of the Company, regularly audits employees to ensure that their duties are being performed appropriately.
The Internal Auditing Department also works with the Audit & Supervisory Board member and accounting auditor to conduct internal control audits of financial reports, in order to ensure the reliability of these reports.

Risk management system

We have established the Corporate Risk Management Committee with the president serving as committee chairperson. In addition to screening Group-wide risks from a management perspective, the committee also identifies and evaluates important risks, determines which departments will handle those risks, provides instructions to these departments, and reviews their progress.
If a risk is identified as requiring a separate response, the committee may establish a subcommittee to respond flexibly and dynamically to any changes in the perceived importance of said risk. There are three subcommittees currently operating: the Risk & Compliance Subcommittee (which handles risks related to compliance and human rights), the Climate Change Subcommittee (which handles risks related to climate change), and the Information Security Subcommittee (which handles risks related to information security).
The Board of Directors receives regular reports from the Corporate Risk Management Committee, and supervises the operation of the risk management system.
We have established a response system and response procedures within our crisis management rules in preparation for any emergencies that might occur. We have also established policies to minimize the impact to society while also minimizing corporate loss.
If an emergency occurs or could occur, the affected site immediately contacts the Human Resources & General Affairs Department at Head Office, which shares information with company management and other parties. We then establish a response system based on the emergency that has occurred, no matter what the case may be, to accurately and quickly determine the situation, allowing us to respond dynamically and flexibly.



Board of Directors

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

1.
Hideichiro Takashima
Chairman & Representative Director

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

2.
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 2017	Board Director and Executive Officer, Vice Division Director of Yamaguchi Division, and General Manager of Sales & Marketing Dept. of Yamaguchi Division
June 2018	Board Director and Executive Managing Officer, and General Manager of Marketing Planning & Coordination Dept. of head office
June 2020	Board Director and Executive Managing Officer, and Division Director of Yamaguchi Division
June 2021	Board Director and Senior Executive Managing Officer, and Division Director of Yamaguchi Division
June 2023	Board Director and Senior Vice President; Executive Officer and Assistant to the President, in charge of Corporate Planning Dept. of head office
June 2024	Board Director and Senior Vice President; Executive Officer and Assistant to the President, in charge of Corporate Planning Dept. and Marketing Planning & Coordination Dept. of head office, and promotion of Group collaboration (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., Accounting & Financing Dept., and Overseas Investment 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 of head office
June 2024	Board Director and Senior Executive Officer of the Company, in charge of Production Planning & Coordination Dept. and Material Recycling Dept of head office; Vice Division Director, General Manager of Production Dept., and General Manager of Material Recycling Dept. of Hirakata Division (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.

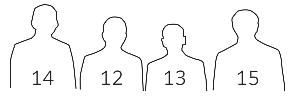
10.
Kimiko Funato
Board Director

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)

11.
Yukako Matsuka
Board Director

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

Audit & Supervisory Board Members



12.
Toyoji Maeda
Full-time Audit & Supervisory Board Member

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

13.
Shuji Ichihara
Audit & Supervisory Board Member

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	Full-time Audit & Supervisory Board Member
June 2021	Audit & Supervisory Board Member (current position)

14.
Yasuhiro Sukegawa
Audit & Supervisory Board Member (outside)

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	Outside Corporate Auditor of Godo Steel, Ltd. (current position)
June 2022	Outside Corporate Auditor of the Company (current position)

15.
Toru Muneoka
Audit & Supervisory Board Member (outside)

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	Audit & Supervisory Board Member of the Company (current position)

Executive Officers

Senior Vice President

Tetsuya Kan
In charge of Overseas Investment Dept. of head office and assistant in charge of promotion of Group Collaboration

Senior Executive Officers

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

Kosei Kawakami
Division Director of Kanto Division

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

Meguru Nishimura
Assistant to Director in charge of Marketing Planning & Coordination Dept. and Overseas Investment Dept. of head office 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
Division Director of Nagoya Division

Shinichi Fujioka
Vice Division Director of Yamaguchi Division

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

Executive Officers

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

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)

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

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

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

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

Financial Highlights

Consolidated Ten-Year

(FY)

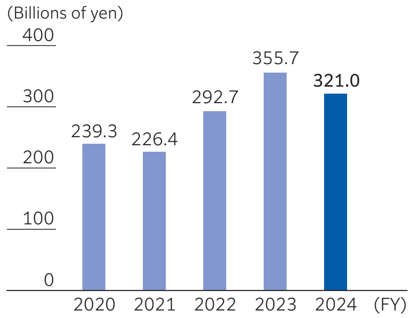
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Product shipments (Thousands of tonnes):											
Finished products (total)	2,338	2,429	2,662	2,965	3,269	3,367	3,363	3,318	3,284	3,072	—
Domestic	1,680	1,641	1,662	1,682	1,747	1,645	1,573	1,581	1,545	1,582	—
Overseas	657	788	999	1,284	1,522	1,722	1,790	1,737	1,739	1,490	—
For the year (Millions of yen/Thousands of U.S. dollars*1):											
Net sales	¥ 181,436	¥ 160,952	¥ 145,991	¥ 191,254	¥ 242,257	¥ 239,343	¥ 226,371	¥ 292,719	¥ 355,715	¥ 320,982	$ 2,119,810
Gross profit	21,900	23,889	18,726	16,472	23,474	34,743	28,258	25,899	34,274	41,970	277,174
Operating income	11,796	13,792	7,971	4,259	9,200	19,404	12,656	8,819	14,819	21,055	139,049
Income before income taxes	10,730	12,432	7,698	5,449	8,444	13,520	12,735	10,081	13,629	15,316	101,148
Profit (loss) attributable to owners of parent	6,923	8,467	4,783	3,483	6,505	7,978	8,788	6,322	13,108	13,826	91,307
Research and development expenses	231	104	119	177	169	180	231	235	272	236	1,557
Depreciation and amortization	4,147	5,026	5,961	6,663	7,476	7,719	8,402	8,840	9,770	9,861	65,123
Capital expenditures (increase in property, plant and equipment and intangible assets)	15,920	10,103	7,262	5,803	5,507	8,894	10,863	12,971	9,332	11,499	75,944
Per share amounts (yen / U.S. dollars):											
Net income (loss), basic	159.30	194.94	110.41	80.31	149.78	183.56	202.22	145.48	301.61	318.13	2.10
Net income (loss), diluted	—	—	—	—	—	—	—	—	—	—	—
Cash dividends applicable to the year	35	45	30	40	40	75	60	40	80	90.00	0.59
At year-end (Millions of yen/Thousands of U.S. dollars):											
Total assets	¥ 201,760	¥ 200,436	¥ 214,341	¥ 234,220	¥ 261,590	¥ 269,145	¥ 282,282	¥ 314,203	¥ 337,713	¥ 354,217	$ 2,339,302
Working capital	81,872	83,565	93,301	105,791	126,734	128,115	139,622	160,441	173,532	173,093	1,143,132
Interest bearing debt	32,810	33,149	41,414	50,088	69,247	72,407	79,272	95,584	100,897	94,011	620,865
Net assets	138,052	143,090	146,663	148,460	153,781	158,044	164,583	175,689	190,174	201,430	1,330,270
Shareholders' equity*2	129,546	134,886	138,365	140,010	143,407	147,671	154,429	162,955	179,687	194,640	1,285,430
Net assets amount per share	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	4,478.71	29.58
Ratios:											
Return on sales (%)	6.5	8.6	5.5	2.2	3.8	8.1	5.6	3.0	4.2	6.6	—
Return on equity (%)	5.5	6.4	3.5	2.5	4.6	5.5	5.8	4.0	7.7	7.4	—
Return on total assets (%)	6.6	7.1	4.1	2.2	4.0	7.6	4.9	3.3	4.9	6.5	—
Net debt to equity ratio (times)	(0.06)	(0.09)	(0.05)	0.06	0.16	0.10	0.07	0.27	0.23	0.18	—
Shareholders' equity*2 to total assets (%)	64.2	67.3	64.6	59.8	54.8	54.9	54.7	51.9	53.2	54.9	—
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	1,741	1,806	2,341	2,430	3,200	3,605	3,985	4,021	3,972	3,938	—
Stock price (yen):											
High	¥ 2,286	¥ 2,455	¥ 2,349	¥ 2,295	¥ 2,510	¥ 2,314	¥ 1,775	¥ 1,712	¥ 1,706	¥ 2,472	—
Low	¥ 1,618	¥ 1,584	¥ 1,387	¥ 1,594	¥ 1,473	¥ 1,161	¥ 1,153	¥ 1,243	¥ 1,217	¥ 1,531	—

*1 U.S. dollar amounts are converted from Japanese yen, for convenience only, at the exchange rate on March 31, 2024 (US$1 = 151.42 yen).
*2 Shareholders' equity = Net assets – Noncontrolling interests

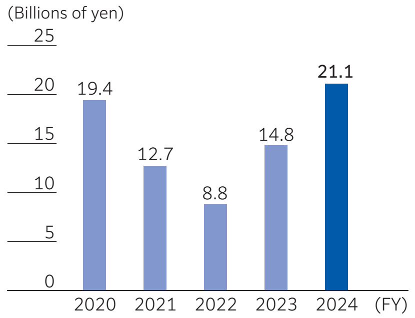
(Note) Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 2022. Figures for the fiscal year ended March 2022 and after reflect the relevant accounting standards, etc.

Financial Highlights (FY2024)

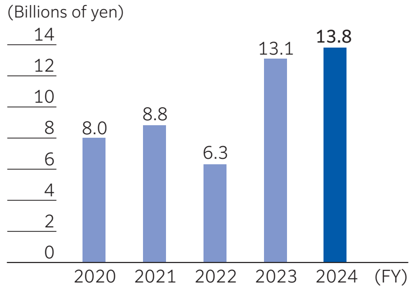
Net sales



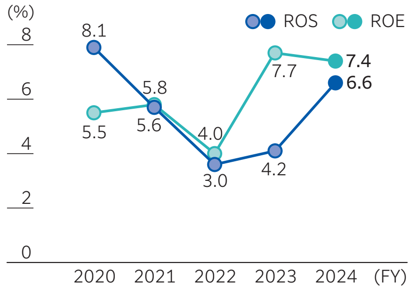
Operating income



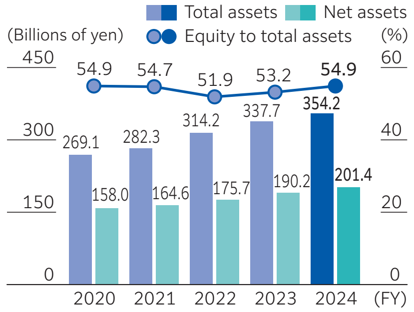
Net income attributable to owners of the parent



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



Total assets / Net assets / Equity to total assets



Business Bases

Business Bases and Group Companies

❺–⓭ (domestic) and ❶–❼ (global) are Group companies.

Domestic Bases

❶ Yamaguchi Division

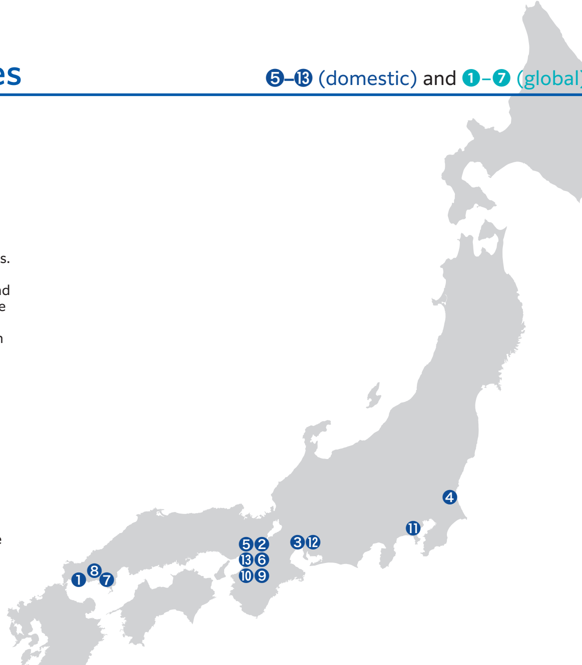
Our base for the Chugoku, Shikoku and Kyushu regions. A wide variety of products are manufactured in many sizes. Products include full-size rebars, structural round bars, flat bars, I-shaped bars and equal angle bars. The Yamaguchi Division was an early investor in industrial waste treatment, and some 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 Division

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

- ❺ Kyoei Industrial Co., Ltd.
- ❻ Kyoei Mesona Inc.
- ❼ Kyoei Recycling Co., Ltd.
- ❽ Kyoei Fabricated Steel Sales Corporation
- ❾ Yodoshi Corporation
- ❿ 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 ISO 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 ISO 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 ISO 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.
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. It is ISO 9001 certified.
Hai Phong, Vietnam
https://www.vje.com.vn/

Company Profile

Company Profile/Status of Shares

Company Profile (as of March 31, 2024)

Corporate Name	KYOEI STEEL LTD.
Date of Establishment	August 21, 1947
Capital	18.516 billion yen
Number of Employees	3,938 (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, 2024)

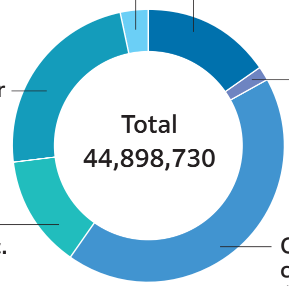
Total number of shares authorized	150,300,000
Total number of shares issued	44,898,730
Number of shareholders	19,230

Major Shareholders

Name	Number of shares owned	Share ownership ratio
Nippon Steel Corporation	11,592,932	26.68
Hideichiro Takashima	4,347,460	10.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,720,200	6.26
Akihiko Takashima	2,233,000	5.14
Mitsui & Co., Ltd.	1,470,000	3.38
Godo Steel, Ltd.	1,347,000	3.10
Custody Bank of Japan, Ltd. (Air Water Inc. retirement benefit trust account)	1,308,900	3.01
AIR WATER INC.	1,291,500	2.97
Custody Bank of Japan, Ltd. (trust account)	1,022,000	2.35
Custody Bank of Japan, Ltd. (Air Water Safety Service Inc. retirement benefit trust account)	692,000	1.59

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

Shareholders by Type (as of March 31, 2024)



Share Price Chart