

#### Corporate Profile

Company name: Nippon Yakin Kogyo Co., Ltd.

Establishment: August 22, 1925

Head office location: 1-5-8 Kyobashi, Chuo-ku, Tokyo 104-8365 Japan

Business details: Manufacture and sale of stainless steels, heat-resistant alloys and high nickel alloy steel sheets, plates and strips (in coil form) and forgings and processed products as well as the manufacture of ferronickel alloys

Capital: 24,300,910,790 yen (As of March 31, 2023)

Representative: Hisashi Kubota, President and Representative Director

Number of employees: 1,156 (non-consolidated), 2,091 (consolidated) (As of March 31, 2023)

Net sales: 177,529 million yen (non-consolidated), 199,324 million yen (consolidated) (FY2023)

 **NIPPON YAKIN KOGYO CO., LTD.**

## Integrated Report 2023

 **NIPPON YAKIN KOGYO CO., LTD.**

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# 2023



## Management Philosophy

1. We offer excellent products that drive progress and create a better world.
1. We pursue perpetual development and improvement through creativity and efficiency based on independence and self-reliance.
1. We promote the well-being of all who join with us, and offer opportunities to society for greater job satisfaction.



## Vision of the Medium-Term Management Plan 2023

Contributing to the future of the earth as a leading supplier in the high nickel alloy and stainless steel markets by pursuing diversification of products and raw materials



## What We Aim to Be in 2030

The number one company for customer satisfaction, which continuously supplies industrial materials that contribute to the future of the planet

A company that consistently pursues innovation in its production processes to achieve a carbon-neutral, resource-circulating society

A company that makes all its employees feel fulfilled and makes its employees' families happy

A company with the sound corporate foundation necessary to remain profitable under all conditions



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## Editorial Policy

To further strengthen communication with our stakeholders, we have expanded the sustainability reports we have issued since 2021 and compiled an Integrated Report. In this report, we will outline our corporate vision, business activities, our Medium-Term Management Plan 2024, which will commence in the 2024 fiscal year, and our policies and initiatives to increase our corporate value, such as our sustainability activities through which we seek to act in harmony with society and the environment. We will further expand the information we disclose in future to provide our stakeholders with an understanding of our initiatives to achieve sustainable growth.

**Scope of reporting**  
Nippon Yakin Kogyo Co., Ltd.  
(including activities conducted as the entire Nippon Yakin Kogyo Group)

**Reporting period**  
From April 2022 to March 2023  
(FY2023, including some activities conducted before and after the period)

**Publication**  
December 2023

**Referenced guidelines**  
- International Integrated Reporting Framework, IFRS Foundation  
- Guidance for Collaborative Value Creation, Japanese Ministry of Economy, Trade and Industry  
- GRI Sustainability Reporting Standards  
- Environmental Reporting Guidelines 2018, Japanese Ministry of the Environment

**Disclaimer of guarantee about future forecasts**  
Content pertaining to the future in this integrated report is based on judgments and assumptions based on information available to Nippon Yakin Kogyo at the time of editing, and risks and uncertain elements are present. Actual outcomes such as business results may differ from the forecasts written in this report due to various factors.

# Creation of a more affluent and comfortable society through stainless steel

Stainless steel is used in many different fields, including housing facilities, household appliances, construction and civil engineering, transportation machinery, and industrial machinery, due to qualities such as its resistance to corrosion, high formability, and its beauty. For example, in the food and beverages field, stainless steel contributes to safe and high quality production. It is also a prized material for medical devices, which need to be sterilized and washed, due to its durability and ease of maintenance. Its longevity and recyclability provide potential for contributions to a circular society, and its usage is expanding.

By providing a reliable supply of a material that is so essential to people's daily lives and constantly working to improve its quality and functionality, we are contributing to the development of a sustainable society.



## About stainless steel

### An alloy with excellent resistance to corrosion and heat and a beautiful appearance

Stainless steel is an iron alloy that contains at least 10.5% chromium and has superior corrosion resistance. Its surface is protected by a passive film consisting of an ultrathin layer of chromium oxides and hydroxides. If this film is damaged, it regenerates itself through contact with air.

Other excellent qualities of stainless steel include its durability, strength, formability and suitability for welding. Almost no degradation of quality occurs during its use, making it a popular choice as a recyclable material.

Corrosion resistant	High strength	Beautiful and sanitary
Resistant to high temperatures	High formability	Recyclable



# Achieving excellent functionality to meet a wide range of needs

Our high-performance alloys have excellent properties including high corrosion resistance, high heat resistance and limited thermal expansion. As a result, they are widely used, particularly in fields that fabricate components used in advanced technology, such as semiconductors, solar cells and fuel cells. Utilizing research and development technology that we have accumulated over many years, we meet the needs of our increasingly diverse customer base and continue working to supply products for a fruitful future.

## Reducing life cycle costs

Our Super Austenitic Stainless Steel is used in the pier of the taxiway bridge of Runway D at Tokyo International Airport. The key structures of the bridge pier require durability of at least 100 years, and due to the use of this material, no maintenance is required, which has reduced life cycle costs.



Our Super Austenitic Stainless Steel was the first material of its kind to be adopted in Japan for tanks used to hold unrefined soy sauce, which is highly salty and prone to causing corrosion. In the more than 20 years since it was first adopted, it has remained in good condition.



## About high-performance alloys

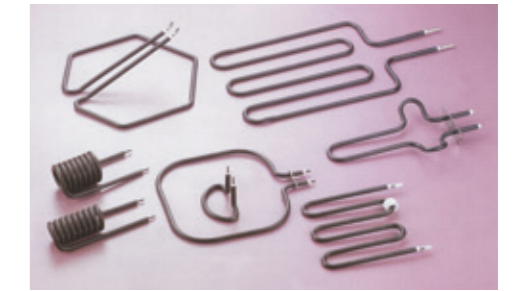
### Stainless steel and other alloys with high performance

The materials we refer to as high-performance alloys are steel or alloys that contain at least 20% nickel. Their mechanical and physical properties are both superior to stainless steel: they have greater corrosion resistance, heat resistance, strength and soft magnetism and less thermal expansion. Some materials that contain less than 20% nickel but still achieve superior performance are also classified as high-performance alloys.



## Providing safety and comfort in people's daily lives

Our heat-resistant alloy is used as the sheath material for sheathed heaters in appliances such as electric ovens and electric kettles, contributing to greater safety. These heaters are also widely used as heat sources for factory facilities and equipment.



## Keeping people healthy

Supplements and medications that keep people healthy are made from a variety of pharmaceutical ingredients, which include strong acids and alkalis. Our alloys have excellent chemical, corrosion and heat resistance, and are used for pharmaceutical manufacturing equipment that needs to be protected from contamination such as rust.



## Contributing to environmental conservation

Our corrosion-resistant alloys are used in flue gas desulfurization equipment, contributing to reductions of air pollution and acid rain. Materials such as our high nickel heat-resistant alloy are also used in facilities that produce polycrystalline silicon used in solar panels, contributing to the building of a carbon-neutral society.



# History of Nippon Yakin Kogyo

Nippon Yakin Kogyo was founded in 1925 and began producing stainless steel in 1935. Since then, we have become a leading Japanese stainless steel manufacturer, adapting to changes in our business environment, constantly challenging ourselves to create new value, and contributing to society and the environment as a result.

## 1925 onward: Founding Period of Nippon Yakin Kogyo

- Historical background**
- Economic expansion took place across Japanese society as a whole, with the aim of Japan becoming a global power equivalent to advanced countries in Europe and North America.
  - The expansion of the Japanese economy saw a greater need for domestic stainless steel production.

## 1950 onward: Establishment of a Mass Production System for Stainless Steels

- As Japan entered a period of rapid economic growth, social infrastructure was built and citizens' incomes increased.
- There was a growing need for comfortable and hygienic living environments. The use of stainless steel expanded to include purposes such as plumbing, leading to a dramatic increase in demand.

## 1990 onward: Capital Investment to Be More Competitive and Sales Promotion for High-Performance Alloys

- As globalization of economies took place, a series of new stainless steel manufacturers were established in countries such as China, and global stainless steel production soared. International competition intensified.
- On the other hand, moves were made to rein in runaway capitalism, sparking global concern about sustainability factors such as conservation of the global environment and respect for human rights.

**Our response**

**Efforts to build a domestic stainless steel industry**

We succeeded in building a domestic industry, not only for stainless steel production but for smelting of ferronickel alloys used as raw materials as well. In doing so, we laid the foundation for a total production system from raw materials to products.

**The building of a mass production system and an increase in quality control**

In response to the growing need for stainless steel, we introduced a series of facilities with technology that was among the most advanced in the world at the time. This led not only to an increase in production volumes but also to meticulously crafted production systems to produce a diverse selection of items with a view to further expansion of applications.

**Becoming more internationally competitive and contributing to a sustainable society**

We strengthened our competitive edge by continuing to introduce facilities with world-leading technology, as well as maintaining and expanding our meticulous production systems to handle various stainless steel products. Meanwhile, in response to the growing concern about sustainability, we have been developing and supplying materials to contribute to a sustainable society and environment.

Creation of a Wider Range of Value

over the Next 100 Years

### 1925 1950 1990 2025

- 1925** Chuo Rika Kogyo Co., Ltd. established. Manufactured and sold fire extinguishers
- 1928** Renamed Nippon Kako Co., Ltd.
- 1934** Established Oheyama Nickel Mining Industry Co., Ltd. Commenced ferronickel smelting in Oheyama on the Tango Peninsula in Kyoto Prefecture with the aim of establishing a domestic ferronickel industry. Established Kawasaki Field Office (now Kawasaki Plant) in Kawasaki City in the same year and entered the metal refining industry
- 1935** Manufacture of the first stainless steel product
- 1942** Renamed Nippon Yakin Kogyo Co., Ltd.
- 1943** Merged with Oheyama Nickel Kogyo Co., Ltd. (formerly Oheyama Nickel Mining Industry Co., Ltd.)



- 1950** First in Japan to successfully refine stainless steel using the oxygen steel-making process. This was the beginning of the mass production of stainless steel.
- 1962** Built a 30-ton electric arc furnace using oxygen steel-making technology. To meet growing demand, the volume of the furnace was increased to 60 tons in 1968, increasing productivity.
- 1977** Built the AOD furnace (argon and oxygen decarburization)\*1, increasing the efficiency of production using the oxygen steel-making process. Built meticulous production systems to handle various products in response to the expansion of applications of stainless steel.
- 1989** Completed the world's first combined CAP\*2 (referred to as 5AP internally). This equipment is a standout example of a series of investments in expanding the production capacity for processes after the steel-making process.



Previous electric arc furnace



Previous AOD



No.5 annealing and pickling line

- 1996** Started to operate a new hot rolling shop. This was Japan's first facility for hot rolling of wide materials\*3, enabling mass production of high-performance alloys with superior properties in addition to stainless steels. This laid the foundation for the promotion of high-performance alloys that contribute to higher environmental standards and carbon neutrality.
- 2008** Started to operate a new AOD. Introduced cutting-edge technology to meet growing needs for high-performance alloys for purposes such as the renewable energy market and environmental purifying equipment.
- 2018** Established joint venture with Nanjing Iron & Steel Co., Ltd.\*4 in Nanjing, Jiangsu Province, China. This has supplemented our capacity to meet domestic demand in China and expanded the scope of production.
- 2022** Started the operation of the new electric arc furnace ("E furnace"\*5). This has improved our energy efficiency, contributing to decarbonization. We have also modified our facilities in many ways to improve our working environment.



New hot rolling mill



New AOD



New electric arc furnace ("E furnace")

\*1 A furnace to refine stainless steel by blowing oxygen and argon gas into molten steel.  
 \*2 A production line that integrates the annealing and pickling line and the skin-pass rolling line for the next process

\*3 A four-foot wide machine, of the same type that was already in use in Japan, was expanded to five feet.  
 \*4 NISCO Nippon Yakin Kogyo Nanjing Co., Ltd.  
 \*5 We call the new electric arc furnace an "E furnace," which means "Electric arc furnace with high Efficiency, Energy saving and Environmental improvement."

## Current Role of Nippon Yakin Kogyo

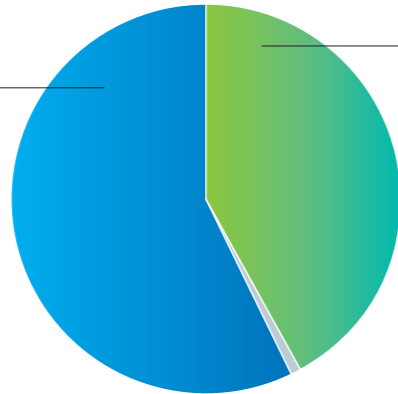
In the decades since we successfully built a domestic stainless steel industry, we have utilized the technology we have accumulated over many years in two main fields, stainless steels and high-performance alloys, supplying our customers with products that embody the characteristics of their respective types. We will continue to respond to the diverse needs of customers around the world and provide value to society.

### Business details (non-consolidated)

Stainless steels  
(including OEM materials)

**57%**

In our stainless steels business, we utilize the wealth of technological capabilities behind around 90 years of results and experience and operate a system capable of handling meticulous production so that JIS standard products can be customized to meet customers' needs. We now produce 43 types of steel grades (cumulative total for the three years from FY2021 to FY2023), each with its own role based on the characteristics of the material, enabling customers to address the diverse, changing issues in society.



Net sales  
**177.5**  
billion yen

High-performance alloys

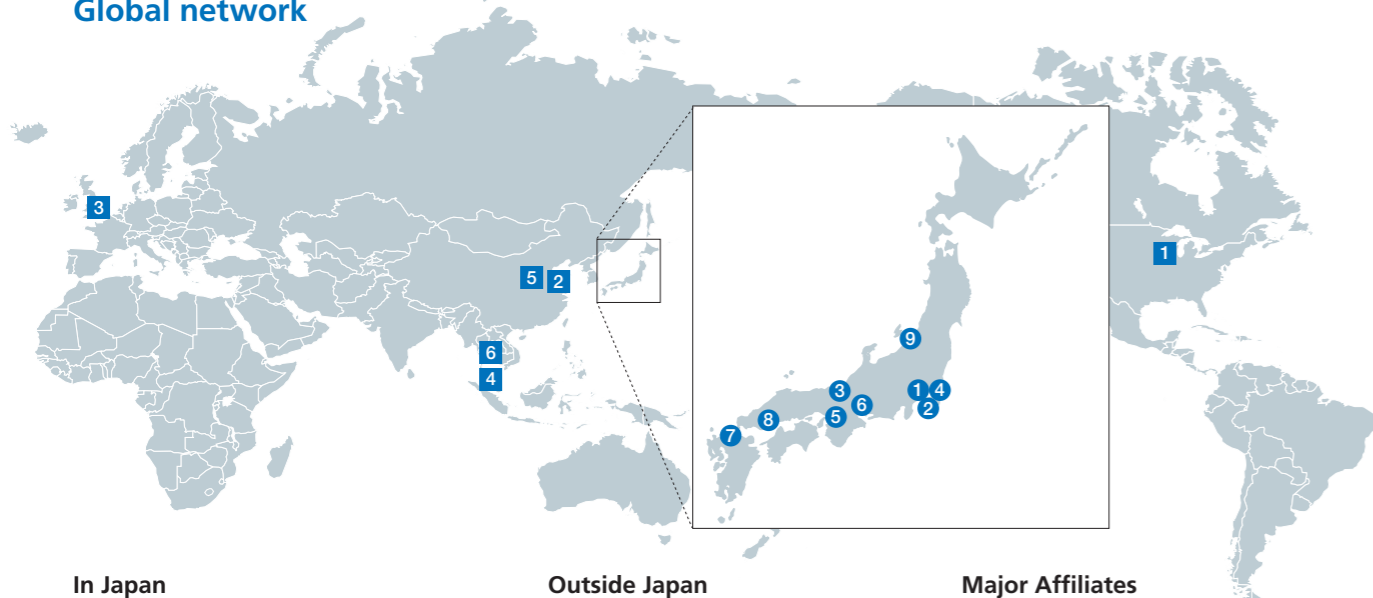
**42%**

High-performance alloys are products with superior qualities (corrosion resistance, heat resistance, etc.) to stainless steels. We began promoting high-performance alloys in the 1990s to address changes in the market environment and needs, and now have one of the world's top shares in the market for alloys containing 30% or more nickel.

Other

**1%**

### Global network



#### In Japan

- 1 Head Office  
(1-5-8 Kyobashi, Chuo-ku, Tokyo)
- 2 Kawasaki Plant  
(4-2 Kojima-cho, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture)
- 3 Oheyama Plant  
(413 Aza Suzu, Miyazu City, Kyoto Prefecture)
- 4 Tokyo Branch
- 5 Osaka Branch
- 6 Nagoya Branch
- 7 Kyushu Branch
- 8 Hiroshima Branch
- 9 Niigata Branch

#### Outside Japan

- 1 Nippon Yakin America, Inc.  
(Subsidiary in Chicago)
- 2 Nippon Yakin Shanghai Co., Ltd.  
(Subsidiary in Shanghai)
- 3 Nippon Yakin Europe Limited  
(Subsidiary in London)
- 4 Nippon Yakin Asia Pte. Ltd.  
(Subsidiary in Singapore)
- 5 NISCO Nippon Yakin Kogyo Nanjing Co., Ltd.  
(Joint venture in Nanjing)

#### Major Affiliates

- NAS TOA CO., LTD.
- NAS STAINLESS STEEL STRIP MFG. CO., LTD.
- NAS TRADING CO., LTD.
- Clean Metals Co., Ltd.
- NAS ENGINEERING CO., LTD.
- NAS TEC CO., LTD.
- MIYAZU KAIRIKU UNYU CO., LTD.
- 6 NAS TOA (THAILAND) CO., LTD.

### At a glance (Results for FY2023)

Overall (Consolidated)

Established  
**1925**

Net sales  
**199.3**  
billion yen

Operating profit  
**29.3**  
billion yen

Number of employees  
in group  
**2,091**  
people

Capital investment  
**9.3**  
billion yen

R&D cost  
**1.0**  
billion yen

ROE  
**27.8%**

Net D/E ratio  
**0.93**

Total return ratio  
**25.3%\*1**

Stainless steels (non-consolidated)

Sales volume  
**175,300**  
tonnes  
(including OEM materials)

Net sales  
**101.2**  
billion yen  
(including OEM materials)

Number of customizations  
for stainless steels produced  
(types of steel grades)  
**43**  
(cumulative total for the three years  
from FY2021 to FY2023)

High-performance alloys (non-consolidated)

Sales volume  
**43,600**  
tons

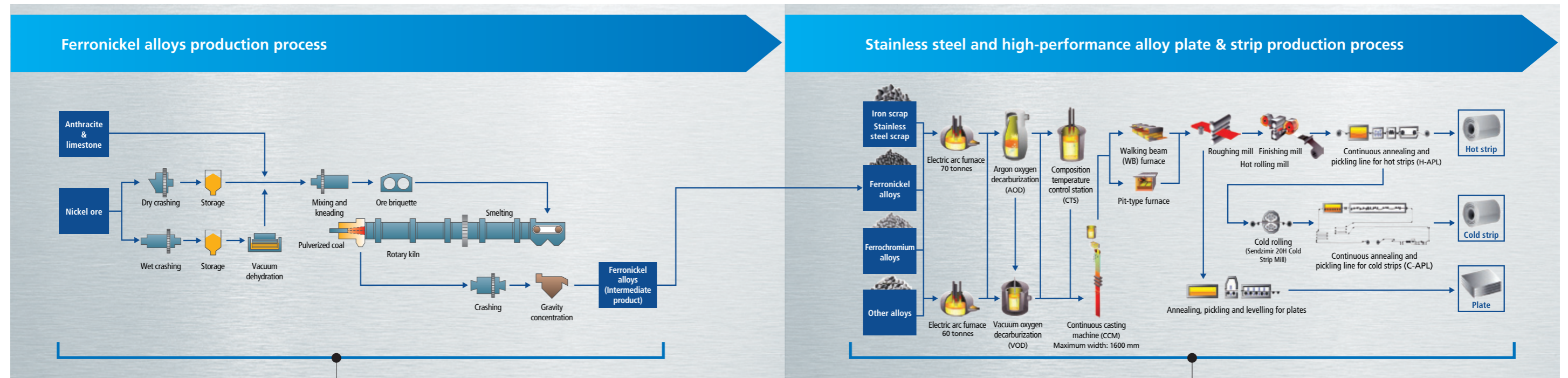
Net sales  
**75.3**  
billion yen

Alloys with 30%  
or more nickel  
**One of the world's  
top market shares**  
(According to a study  
by Nippon Yakin Kogyo)

\*1 The total return ratio for FY2023 was calculated with consideration for the total dividends of 200 yen paid in FY2023 and the stock buybacks carried out between May 10 and June 30, 2023.

# Total Production System for Stainless Steel and High-performance Alloys

At our production sites, our Oheyama Plant and our Kawasaki Plant, we have a total production system that covers the entire process from smelting of the raw materials to final production. We utilize our outstanding production technology and cutting-edge facilities to produce high-quality products.



## Oheyama Plant

### Supporting the production of high-quality stainless steel, starting with raw material production

Our Oheyama Plant is the starting point of our production process, producing the ferronickel alloys used as the main material of our stainless steel.

All of the ferronickel alloys that are produced here are used in the downstream processes at our Kawasaki Plant. The plant uses the Krupp-Renn process, a process used nowhere else in the world, and continuously refines this process to produce high-quality stainless steel.

Nickel ore is most commonly used as the raw material for ferronickel alloys globally, but as concern for the environment has grown in recent years, we are developing technology that enables us to reduce our dependency on this natural resource from overseas, and increase the ratio of scrap materials, called "urban ores", that are used.

Our Oheyama Plant is located near the Amanohashidate quasi-national park, and engages in a high level of local environmental conservation activities in the course of its business activities.



Oheyama Plant  
413 Aza Suzu, Miyazu City,  
Kyoto Prefecture

## Kawasaki Plant

### The world's only plant to produce all of the types of steel we supply

Our Kawasaki Plant primarily uses recycled materials such as stainless steel scrap and iron scrap, along with the ferronickel alloys produced at our Oheyama Plant, to produce our stainless steels and high-performance alloys.

There are four main processes in the production of stainless steel: the steel-making process, the hot rolling process, the cold rolling process and the plate production process. Our Kawasaki Plant performs all four processes at the same site, in a compact configuration unlike almost any other plant in the world.

High nickel alloys (defined as "high-performance alloys") are generally produced by a special production process applying different equipment. On the other hand, we already developed a unique process to produce the high nickel alloys with equipment to produce stainless steels. This means that Kawasaki Plant is the only plant in the world to produce both stainless steels and high nickel alloys.

Our Kawasaki Plant is located in the Keihin industrial area, which is in the vicinity of urban residential areas. The plant has built a safe and secure production system that not only complies with environmental laws and regulations but also coexists with the urban residents around it.



Kawasaki Plant  
4-2 Kojima-cho, Kawasaki-ku, Kawasaki  
City, Kanagawa Prefecture

## Message from the President

### How to supply stainless steel and high-performance alloys with the high added value that is needed in a sustainable era

**Hisashi Kubota**

President and Representative Director



#### Confidence and pride in our ongoing contributions to society

2025 will be Nippon Yakin Kogyo's 100th anniversary. We aim to produce materials that will be useful to the next generation of society and be a good workplace for the next generation, and I feel that we have made leaps and bounds in the last few years. As I have told our employees ever since I was appointed as President in 2019, stainless steel and high-performance alloys, the materials we handle, are materials that are useful to society. I ask them to take confidence and pride in the fact that we handle products like this. In the years to come, we must not only work steadily toward our aims but promote this attitude within and outside the company.

#### Acutely attuned to changes in our business environment

Japan's stainless steel industry has become consolidated among fewer manufacturers due to restructuring of the industry. By contrast, the capabilities of China's industry have grown at a rapid pace over the last 20 years. As a result, stainless steel has fallen into chronic oversupply, particularly in East Asia.

Fortunately, I think that the Japanese stainless steel industry is one that has managed to maintain suitable prices despite soaring costs not only for raw materials but for energy, labor and resources as a result of global issues such as the pandemic and Russia's aggression against Ukraine. By doing so, Nippon Yakin Kogyo was able to finish FY2023 with good results. However, these results were due partly to inventory appraisal gains so I do not feel that we should be complacent.

In high-performance alloys, it remained difficult to

shift inventory in durable consumer goods areas such as sheathed heaters and bimetal for household appliances due to factors such as a decline in housing projects in the USA, but strong performance was seen in renewable energy areas such as solar power in China.

However, in terms of our future outlook, we fear that global supply chain disruptions will impact our business in various ways, causing issues.

#### After our 100th anniversary: Creating a vision for growth

With the future so opaque, what will growth mean for us as we look toward 2025, the year of our 100th anniversary, and 2030, a milestone year for carbon neutrality? What should our finances be like? What should our product structure and overseas sites be like? We want all of our staff to consider these questions together, and it was with this in mind that we considered "What we aim to be in 2030" and the Medium-Term Management Plan that will serve as an action plan.

"What we aim to be in 2030" encompasses "Resilience", based on the importance of diversity, and "Sustainability", with a view to sustainable business operations. Stainless steel is the subject of renewed hopes as a material suited to the age of sustainability and SDGs. This has placed a new spotlight on the carbonless nickel smelting performed at our Oheyama Plant, and we are aware that there has been a significant increase in industries that need stainless steel and high-performance alloys. In Medium-Term Management Plan 2024, we aim to focus on increasing the quality of our products, personnel and work practices in order to meet those needs. With this in mind, we have set "100th year message for the future"

as the tagline.

We believe that achieving carbon neutrality and expanding our production and sales of high-performance alloys are critical issues to which the company must dedicate all of its capabilities, and strategic investments in these areas are the pillar of this Medium-Term Management Plan.

Reorganizing our product portfolio to ensure diversity is another important perspective. We have responded to oversupplies of stainless steel like this in the past too, utilizing the facility characteristics and technology at our Kawasaki Plant to pivot quickly the production of high-performance alloys and achieve growth by meeting the needs of a new market. As we work toward "What we aim to be" now, particularly in Medium-Term Management Plan 2024, I want to continuously have an antenna out and be acutely attuned to the needs of the market.

In addition, we aim to bring about qualitative growth in our employees and ensure that each of them lives a rich life. I think that Medium-Term Management Plan 2024 is a key three years for this.

#### Meeting domestic and international needs with a flexible framework

Our Medium-Term Management Plan 2024 has three basic strategies.

Our first basic strategy is "Seek to meet the needs of increasingly advanced markets by developing and supplying industrial materials that create new value". The water electrolysis market (hydrogen energy) was identified as a target market for growth. The hydrogen field requires physical properties suited to various hydrogen environments. At present, we are outsourcing measurements for this, but we are preparing to build a new material evaluation and testing facility for hydrogen environments at our Kawasaki Plant so that we will be able to do this work internally. Another target we are considering for material supply is the nuclear energy field.

We consider the Indian market our biggest target area for growth. There is no doubt that India will begin making the same environmental investments that have happened in China, and there are already clear signs that this will happen. However, while we already have a record of exports to India, it is still unclear whether the market will become as large or as advanced as China's.

Our second basic strategy is "Build an efficient

production framework to increase our technical advantage and adapt to changes". We believe that the most important thing is to maintain suitable production capacity for this company while also sufficiently preparing so that we will not miss out on sales opportunities, and we will put in place a framework that allows for expansion of production when necessary.

In particular, China is catching up quickly in the area of high-performance alloys. We have no choice but to focus on products that are highly advanced and difficult to produce, which creates bottlenecks in the production process. This is not the first time our problem has been an inability to supply enough products, not an inability to sell what we have produced. We need to clear those bottlenecks and increase our production capacity for difficult-to-produce materials, while ensuring that the framework we build is flexible enough to balance sales and production.

The issue of being unable to produce enough to meet demand is also a matter of size. We are taking measures to address this and utilizing the facilities of Nanjing Iron & Steel Co., Ltd., the Chinese partner of our joint venture, to commercialize high corrosion-resistant and heat-resistant nickel alloy ultra-wide plates that we cannot sufficiently produce at our own mills. We feel that this will be a major advantage when it comes to meeting the demand for solar power-related products.

With regards to working toward carbon neutrality, two major strategies will be employed during this Medium-term Management Plan period: measures for ferronickel alloy production, particularly at our Oheyama Plant, and changing the fuel at our Kawasaki Plant.

In terms of stainless steel, heavy responsibilities will fall on us as a supplier. We believe that the need to properly meet the expectations of distributors and





## Message from the President

customers in Japan is another reason why a steady supply of stainless steel is one of our core responsibilities.

### Diversifying our raw materials to broaden the loop of circular societies

In our second basic strategy, we are also working to diversify our raw materials and achieve more sustainable procurement. Our Oheyama Plant used to mass-import nickel ore from New Caledonia and Indonesia and then used coal as a reductant to produce ferronickel alloys. Being able to purchase nickel ore cheaply made us competitive, but as resource nationalism progressed, avenues for importing nickel ore became limited and costs increased, in addition to the growing necessity of a new material procurement method from a sustainability perspective. Addressing the use of coal at our Oheyama Plant has also become an urgent issue in recent years as a carbon neutrality measure.

With these points in mind, we have been switching from ore to recycled materials (urban mining) for our materials. We are working on initiatives such as recycling of 200 raw materials, managing recycled materials and automating ingredient analysis at our Oheyama Plant. Basically, because recycled materials contain more nickel than nickel ore, less of them are needed to produce ferronickel alloys. This means that using recycled materials decreases CO<sub>2</sub> emissions. Other measures we are taking to minimize CO<sub>2</sub> emissions in our ferronickel alloy production include switching our



energy source from coal to LNG and renewable fuels, and switching the reductant for our nickel ore from coal to materials such as waste plastic.

When we consider the global competition for resources that could occur in future, we believe that our steady work on material procurement and environmental measures will give us a competitive edge. In addition to sourcing scraps globally, we will thoroughly reuse scraps from our own plants, such as scraps from processing. While we are a manufacturer of stainless steel and high-performance alloys, we are also a user of urban mines through our recycling of materials such as nickel. I think that position is arguably extremely interesting.

In terms of products, we can have a reputation for having what people need. In terms of recyclable materials, we can have a reputation for accepting what people want to get rid of, or for being environmentally friendly. I want us to become a company with that kind of positive reputation and broaden the loop of circular societies.

### Expanding our management foundation through strategic investment in human capital

Our third basic strategy is “Establish a sustainable management foundation that is resilient to changes in our environment”. For this, we will make strategic investment in human capital. The Japanese stainless steel industry itself is an industry that grew after World War II not only by adopting new technology from overseas but by developing personnel whose technical capabilities drove growth. We, too, respond to progressions in society by increasing workers’ pay, as well as expanding our welfare systems and carrying out reskilling initiatives.

When it comes to empowerment of women, however, while women are advancing in operational roles such as inspection work and facility maintenance, there are particularly significant hurdles in technical roles on production sites. We are currently carrying out hard measures such as increasing our women’s restrooms and changing rooms. With regards to night work, I want to carry out reforms of our working practices that will alleviate the burden on our male and female personnel alike, such as introducing automated systems.

Along with reforms of our working practices, the utilization of digital technology is another point that we need to tackle in future. We have already begun using AI for purposes such as analysis of operation technology,

but only when we have truly achieved digital transformation (DX) can we expect to see sustainable growth. I think the hurdles are high, but we have to try.

The other human issue we must tackle is providing opportunities for personal growth and maintaining and increasing motivation. From this perspective, I think the first thing it is important to do is to give opportunities to young personnel. If the company is in trouble, we will not be able to find workers. Workplaces will become fixed and it will not be possible to make effective use of transfers. I think it will be important to invigorate the company so that young people will choose to work here, and then give them opportunities to experience various roles.

Incidentally, I worked in personnel affairs for a long time, but my first role in this company was in a department that handled cost calculations for our plants. After working there for a year and a half, I worked in sales at our Osaka Branch and production management at our Kawasaki Plant, and then I worked in personnel affairs until I got promoted to management. When I look back now, I realize that working in various departments, even for that short time, made me who I am today.

### Addressing sustainability issues with a sense of urgency

In 2021, after interdepartmental discussions throughout the company, we identified six sustainability issues of particular importance and announced these as issues of materiality. Each of these six issues is directly connected to our Management Philosophy.

When we established “What we aim to be in 2030” and our Medium-term Management Plan, we applied each of these six issues to specific measures and established plans for each department and plant to take actions based on these. We have established KPIs for each department and plant and made it possible to check the progress of these.

Fast judgments and clarification of responsibilities will be important for solving these issues. We believed that department leaders needed a venue where they could take the responsibility to speak up, so we established the Sustainability Strategy Promotion Committee with myself as the Chairman. Decisions made through discussion by this committee are immediately enacted and specific measures are taken with a focus on speed.



### A sustainable business means happy employees

I believe that in order to build a sustainable business, the most important thing is to earn the trust of our customers. I think that by providing value to customers and building a sustainable business, we make our employees happy, and that drives society and the economy.

The products we handle are materials that are entrenched in people’s daily lives, provide support in our lives, and have the potential to make major contributions to the carbonless society we help to build in future. I want the value of this to be properly recognized by our customers, I want our employees to take confidence and pride in the fact that they are involved in such a business, and I want to deliver strong returns to our shareholders. That is the most important thing to me.

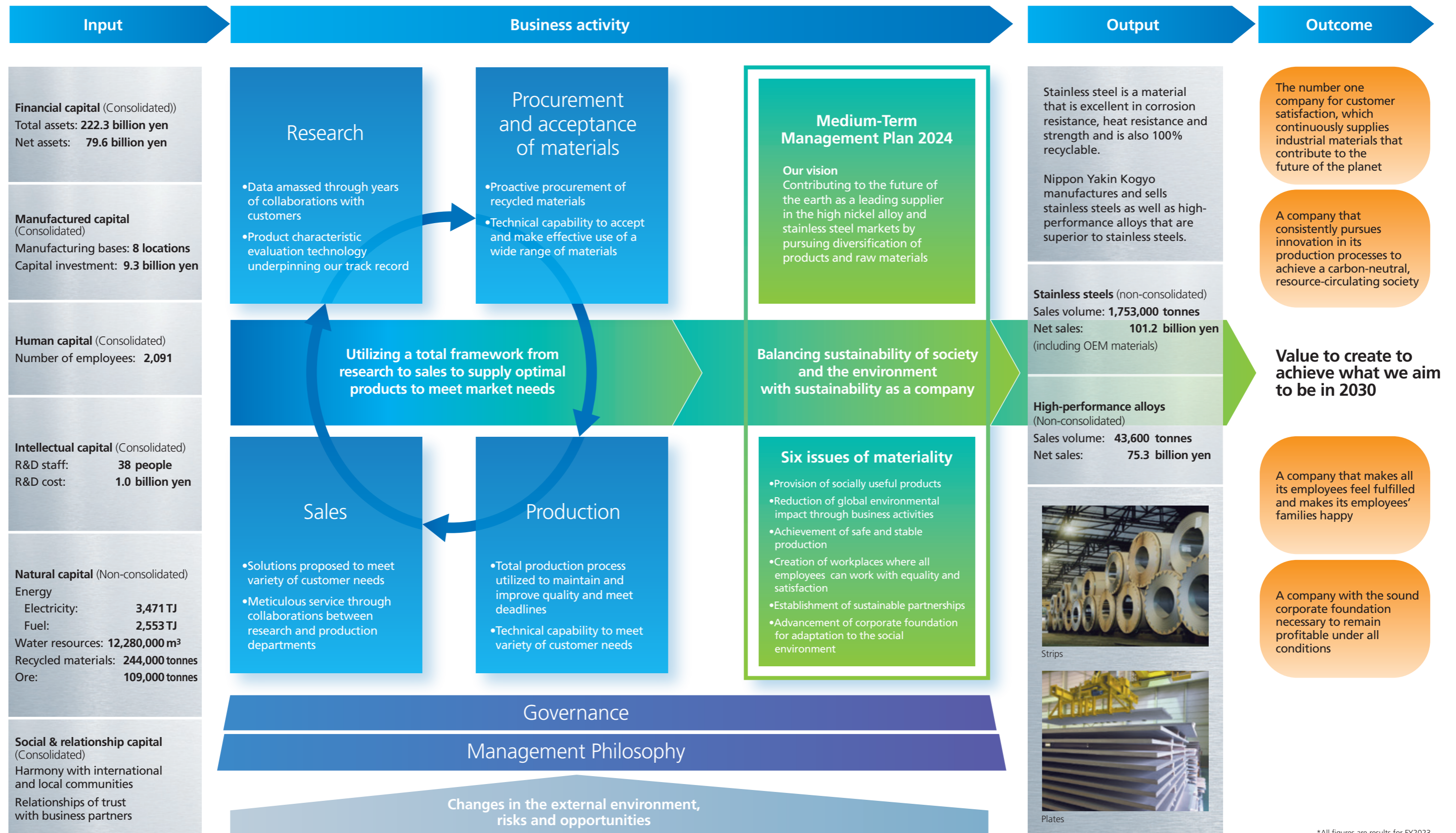
Behind all this are the progress we have made through our struggles in the past. At first, we only handled stainless steel and our options for procuring materials were limited, and as a result we were not able to adequately meet our customers’ needs. But we took one step at a time, tenaciously made improvement after improvement, and learned how to provide the diversity our customers needed, and that is how our business survived.

There is no doubt in my mind that producing products from diverse materials, and having diverse people involved in the thought process of our efforts to sell them will become more and more important in future. I think that in order to accomplish this, we will also need to become more diverse and flexible as a company through initiatives such as gender equality.

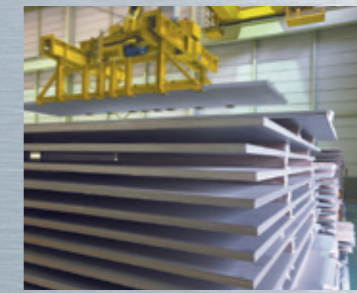
100 years is not our goal. I want to make it a new start for the next 100 years, refining our unique technology to provide our stakeholders with new value.

## Value Creation Model

Nippon Yakin Kogyo has utilized its total framework from research to sales to supply optimal products to customers. To achieve further growth of our businesses, we will execute our Medium-Term Management Plan and work on our six issues of materiality, balancing sustainability of society and the environment with sustainability as a company to achieve our vision.



Strips



Plates

\*All figures are results for FY2023

## Growth Strategy: 100th Year Message for the Future

Medium-Term Management Plan 2024\* is a three-year plan in which we have established the measures we will commence and execute from FY2024 to achieve sustainable growth beyond our 100-year anniversary in 2025.

\*April 1, 2023 – March 31, 2026

Management Philosophy

### Medium-Term Management Plan 2021

Basic strategies	Results and issues
<p><b>1</b> Respond to customers' needs and contribute to society through the industrial materials business, mainly in the fields of environment &amp; energy and infrastructure</p>	<p>➔ In the solar power and semiconductor-related equipment fields, growth areas of ours, we utilized Chinese joint venture NISCO Nippon Yakin Kogyo Nanjing Co., Ltd. to meet demand, particularly in Asia</p> <p>➔ Our revenue base for stainless steels is becoming stronger but these materials are increasingly being imported in the Japanese market</p>
<p><b>2</b> Make strategic capital investment and further improve our technological capabilities to be more competitive</p>	<p>➔ Decided on strategic investments in cold rolling mill</p> <p>➔ Commenced "Taking on the Challenge of Carbonless Nickel Smelting"</p> <p>➔ Maximizing the effects of investment in the new electric arc furnace ("E furnace", operation commenced 2022) remains an issue</p>
<p><b>3</b> Harmony with the environment and society based on a robust and independent business foundation</p>	<p>➔ Implemented sustainability initiatives (issued Sustainability Report, announced carbon neutrality plan, agreed with TCFD, etc.)</p>

### Awareness of business environment

Changes in business environment	Issues	Anticipated risks
<p>Long-term stagnation of Japanese economy due to declining birthrate and aging population, increase in costs of labor and goods due to worker shortages</p>	<p>Addressing limitations of domestic growth and building stable business foundations</p>	<p><b>1. Imports accounting for greater share of domestic stainless steels market</b></p> <p><b>2. Energy costs soaring and electricity costs remaining high due to shortage in supply</b></p>
<p>Conflict between the USA and China, ongoing COVID-19 risks from China, disruption of world order due to Russia's ongoing aggression against Ukraine</p>	<p>Identifying the next growth markets after China</p>	
<p>Commencement of changes in regulations, including tax systems, and changes in industry and business structures with the aim of achieving a decarbonized society</p>	<p>Sales strategies based on changes in demand structure due to transition to EVs, advancement of hydrogen society, transition to renewable energy, etc.</p>	
<p>Costs of main utilities (electricity and energy) remain high</p>	<p>Accelerate energy saving and decarbonization initiatives while remaining cost-competitive</p>	

### Medium-Term Management Plan 2024 April 1, 2023 – March 31, 2026

#### Our vision

Contributing to the future of the earth as a leading supplier in the high nickel alloy and stainless steel markets by pursuing diversification of products and raw materials

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#### Basic strategies

- Seek to meet the needs of increasingly advanced markets by developing and supplying industrial materials that create new value
- Build an efficient production framework to increase our technical advantage and adapt to changes in the market environment
- Establish a sustainable management foundation that is resilient to changes in our environment

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#### Capital investment plan

Strategic investments: <b>11.5 billion yen</b>	Strengthening of corporate foundation: <b>5.5 billion yen</b>
Upgrade investments: <b>9 billion yen</b>	Group companies: <b>5 billion yen</b>

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#### Targets (FY2026)

Sales ratio of high-performance alloys (non-consolidated): **50 %**

EBITDA: **20 billion yen or more**

Total return ratio: **35 %**      ROE: **10.0 %**

CO<sub>2</sub> reduction (compared to FY2014; non-consolidated): **46 % or more**

### What we aim to be in 2030

- High technical capabilities and superior quality, earning us a reputation for having what people need
- Initiatives underway to protect the global environment
- A workplace where employees can thrive
- Resilient management foundation established
- Long-term management targets (rough figures) (by FY2031)  
Net assets: 100 billion yen or more  
Net D/E: ≒ 0.5  
Total return ratio: 35% or more
- Aggregate market value: 100 billion yen or more

Backcast from "Our vision"

# Growth Strategy: 100th Year Message for the Future

## Basic strategies

### Basic strategy 1 Seek to meet the needs of increasingly advanced markets by developing and supplying industrial materials that create new value

- We aim to supply high-performance alloys to growth fields and areas.
- Likewise, for stainless steels, we will strengthen our domestic customer base not only by being cost-competitive but by achieving a total competitive edge through an understanding of customers' needs, including quality, delivery times and effective solutions.

#### Measure 1 : Expansion of product lineup High-performance alloys

- Target areas**
- Water electrolysis (hydrogen energy)
  - Polycrystalline silicon manufacturing plants (solar power generation)
  - Semiconductor-related equipment
  - Nuclear power
- Target markets**
- India/Middle East
    - Aim to expand sales of flue gas desulfurization (FGD) equipment and sales to polycrystalline silicon manufacturing plants
    - Also considering establishing local companies

#### Measures

- Build a new material evaluation and testing facility for hydrogen environments
  - Working on development of materials that can be used in hydrogen environments
- Expand the product lineup through the joint venture in China
  - Expand rolling range and steel grades of existing high-performance alloy products to remain competitive in the Chinese market
  - Considering selling wide range of high-performance alloys in India
- Actively considering deploying proprietary technology and utilizing other companies' facilities
  - Deepen and broaden alliances and contracting both domestically and overseas to alleviate bottlenecks in internal production
- Development of new alloys
  - for energy, home appliance, semiconductor, chemical industries, etc.



Potential locations for hydrogen testing facility (in Kawasaki Plant) Aiming for completion in FY2025

**Numerical targets Sales volume of high-performance alloys: Expand to 1.5x FY2023 volume**

#### Measure 2 : Strengthen customer base and improve revenue streams Stainless steels

- Integrate production and sales operations to share customer QCD issues and resolve them more quickly
- Expand sales of cold rolled strips and sheets to distinguish our materials from imports and grow our domain

### Basic strategy 2 Build an efficient production framework to increase our technical advantage and adapt to changes

- Work to build an efficient production system that ensures safety and steady supplies
- In addition to working on initiatives for "Taking on the Challenge of Carbonless Nickel Smelting" and building a framework for the sustainable supply of nickel materials, we aim to increase the ratio of recycled materials we use to become a resource-recycling company that contributes to the global environment

#### Measure 1 : Establish a framework to increase production of high-performance alloys and achieve even more superior technology, and pursue greater productivity

##### Improvement of operations

- Improve capability of steel production processes at Kawasaki Plant
- ◆ Improve operations of the new electric arc furnace ("E furnace")
- ◆ Initiatives to ensure more consistent quality

##### Capital investment

- Introduce high-precision, high-performance slitter line
- Introduce cold rolling mill to alleviate load on difficult-to-process coil materials
- Perform facility upgrades necessary for production of high-performance alloy plates
- ◆ Upgrade aging facilities

##### Technology development

- Improve stability and efficiency of production process technology and develop technology that will become future revenue bases

● High-performance alloys ◆ Stainless steels

#### Measure 2 : Measures for carbon neutrality

▶ Refer to page 29 for details

##### Oheyama Plant

- Expand use of recycled raw materials
- Transition from coal to LNG and renewable fuels as energy sources

##### Kawasaki Plant

- Maximally utilize capabilities of new electric arc furnace ("E furnace") to improve electricity efficiency and process yield
- Invest in energy conservation
- Fuel transitions



New electric arc furnace ("E furnace")

#### Measure 3 : Respond flexibly to diversification and changes in materials to improve sustainable procurement capabilities and maximize cost-competitiveness of materials

- Improve usage rate of recycled materials
- Strengthen scrap procurement framework (Agile procurement pricing, further strengthening relationships with vendors, securing storage space at plants and elsewhere)
- Steady procurement of materials based on carbonless nickel smelting plan at Oheyama Plant
- Build optimal operational framework through integration of Oheyama Plant and Miyazu Kairiku Unyu to produce ferronickel alloys more cost-competitive



A scrapyard

### Basic strategy 3 Establish a sustainable management foundation that is resilient to changes in our environment

- Improve cash flow for a robust financial foundation
- Create new organizational capabilities as management resources that combine the personnel soft power and digital technology we have amassed thus far

#### Measure 1 : Establish and execute medium- to long-term investment plan with a view to 2030

- Establish and execute plans for human capital investment and strategic facility investment
- Secure revenue streams and strengthen our financial foundations with the aim of achieving a credit rating of A and an aggregate market value of 100 billion yen or more

#### Measure 2 : Initiatives to utilize DX to improve operational efficiency and organizational capabilities

#### Measure 3 : Steady execution of environmental measures at our plants and elsewhere

## Main capital investment plan

◆ Kawasaki Plant ■ Oheyama Plant ● Entire company

Category	Amount	Details
Strategic investment	11.5 billion yen	Facility efficiency measures to increase production of high-performance alloys ◆ Upgrade of leveling machinery for plates ◆ Upgrade of welding machinery on hot strip annealing and pickling lines Measures for carbon neutrality ◆ Upgrade of electrical equipment on annealing and pickling lines ■ Transition to LNG for kiln fuel ◆ Open research facilities for hydrogen environments
Investment in strengthening of corporate foundation	5.5 billion yen	◆ Upgrade of drive motors ◆ Open new testing facilities at technical institute ● Upgrade of operation management system
Upgrade investments	9 billion yen	◆ Upgrade of cranes at steel melting shop ■ Upgrade of extra-high-voltage and high-voltage equipment
Group companies	5 billion yen	● Upgrade of electrical equipment for cold rolling mill (NAS STAINLESS STEEL STRIP MFG. CO., LTD.) ● Upgrade of Kansai processing center building (NAS TRADING CO., LTD.) ● Replacement of heat treatment furnace (NAS TOA CO., LTD.)
<b>Total</b>	<b>31 billion yen</b>	

(based on decisions: cumulative total for 3 years)

## Sustainability Policies and Systems

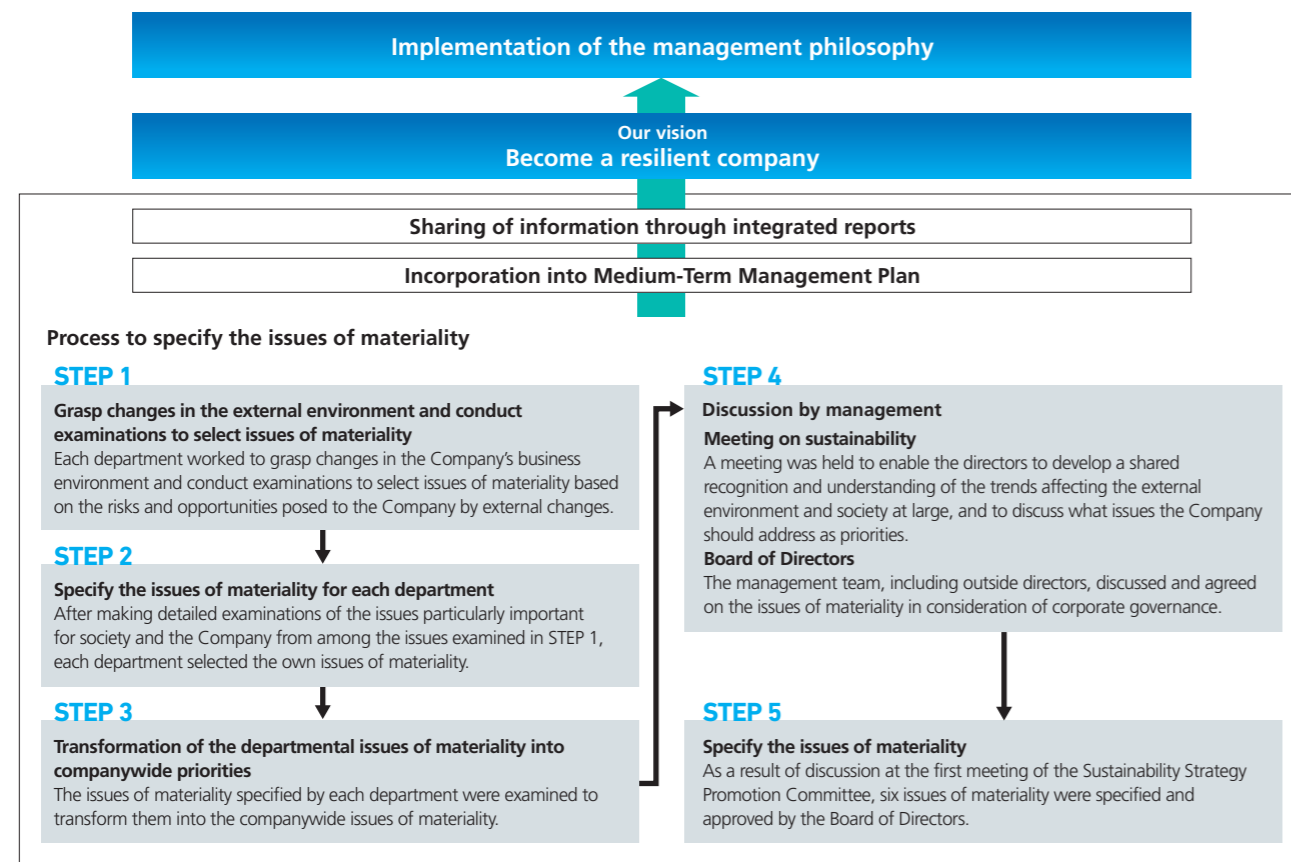
We have established effective sustainability policies and promotion systems to implement initiatives to achieve a sustainable society and make our businesses more useful to society.

### Promoting sustainability to achieve our Management Philosophy

Our external environment has changed dramatically: there has been a greater call for carbon neutrality and uncertainty has grown in society, to name just two changes. Nippon Yakin Kogyo upholds the vision of becoming a “resilient company” for the creation of a sustainable society. Accordingly, we are implementing measures to increase the sustainability of Nippon Yakin Kogyo Group itself.

We have identified issues that need to be tackled in order

to achieve our vision and designated these as materiality. We use this materiality as the starting point when discussing and establishing Medium-Term Management Plans to ensure that the activities we carry out will be effective and respond to changes in our external environment. We will also share information about the activity results and progress as necessary.

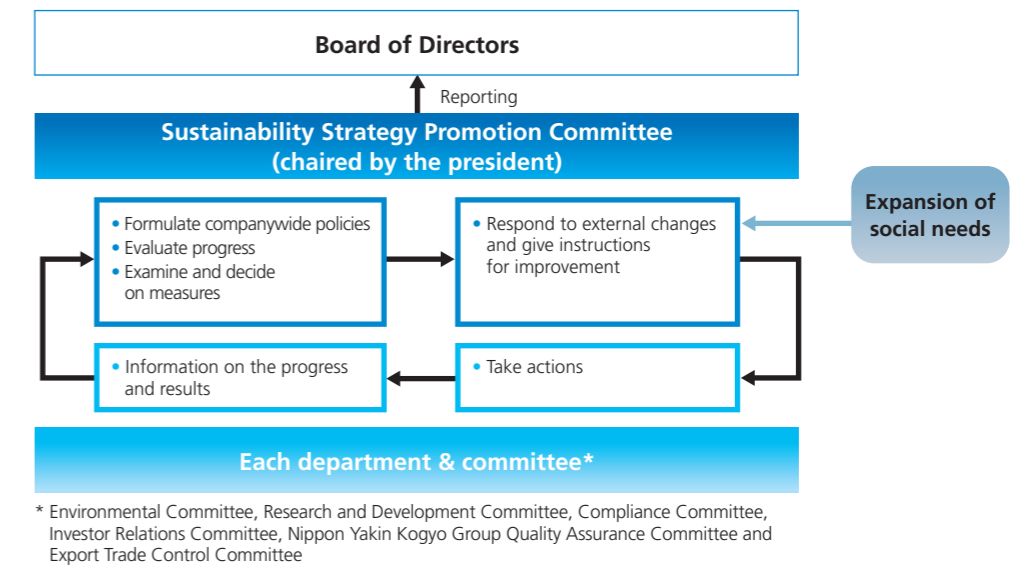


Risks and opportunities		
<b>Global environment</b> <ul style="list-style-type: none"> <li>▼ Decrease in productivity and risk of operational suspension</li> <li>▼ Increase in cost due to the introduction of carbon pricing and expanded capital investment</li> <li>▲ Expansion of opportunities for technological innovation and investments toward carbon neutrality</li> <li>▲ Increase in demand for our products that help solve environmental issues</li> <li>▲ Effective use of green energy</li> </ul>	<b>Business environment</b> <ul style="list-style-type: none"> <li>▼ Surges in materials cost and difficulty of procuring materials</li> <li>▼ Expanded volatility of domestic demand due to borderless market</li> <li>▼ Stagnant domestic demand due to continued low economic growth</li> <li>▲ Promotion of business reform (DX reform), mainly at our plants, by the use of AI and big data</li> <li>▲ Enhancement of collaboration with business partners</li> <li>▲ Enhancement of collaboration with local and international communities</li> <li>▲ Pioneering of a new market</li> </ul>	<b>Working environment</b> <ul style="list-style-type: none"> <li>▼ Labor shortages and difficulty of passing skills on to younger generations</li> <li>▲ Diversification of human resources and utilization of such resources</li> <li>▲ Labor saving through digitized operation</li> </ul>
▼ Risk ▲ Opportunity		

### Sustainability promotion system

Nippon Yakin Kogyo established the Sustainability Strategy Promotion Committee, chaired by the president, on August 1, 2021, with an eye to addressing the sustainability-related issues of materiality across the board. Our Sustainability Strategy Promotion Committee identifies issues of materiality related to sustainability and carries out inter-department evaluations of activities based on

this materiality. The committee, as part of top management, also works together with each department and committee to implement the company's sustainability initiatives. Discussions by the Sustainability Strategy Promotion Committee are reported to the Board of Directors and feedback from outside directors is sought before policies about investment and strategies are decided.



### Main discussions by Sustainability Strategy Promotion Committee

Below are the main topics that were discussed in FY2023.

- Meetings held in FY2023: 9 in total
- Main topics:

Date	Main topics
April 11, 2022	<ul style="list-style-type: none"> <li>• Actions for the introduction of internal carbon pricing (ICP)</li> <li>• Measures for human rights in business</li> </ul>
May 12, 2022	<ul style="list-style-type: none"> <li>• Quantitative evaluation by TCFD of risks and opportunities posed by climate change</li> </ul>
July 15, 2022	<ul style="list-style-type: none"> <li>• Assessment of emissions in supply chain: Scope 3 calculation</li> <li>• Agreement with TCFD</li> </ul>
October 11, 2022	<ul style="list-style-type: none"> <li>• Third-party verifications of environmental data</li> </ul>
December 12, 2022	<ul style="list-style-type: none"> <li>• Policy for creation of Integrated Report 2023</li> </ul>
January 10, 2023	<ul style="list-style-type: none"> <li>• Nippon Yakin Kogyo's response to Human Capital Visualization Guidelines (Cabinet Secretariat)</li> </ul>
March 6, 2023	<ul style="list-style-type: none"> <li>• Setting of KPIs for materiality</li> </ul>

## Issues of Materiality: Major Targets, Initiatives and Results

Nippon Yakin Kogyo identifies issues of materiality from a risks and opportunities perspective based on changes in our external environment including the global, business and working environments. For each issue of materiality, we disclose our vision, KPI and results from implementing the measures, and we manage progress toward achieving these measures.

● Being implemented ■ To be realized in FY2031 ◆ To be realized in FY2051

Issues of materiality	Our vision	KPI (Targets/Results for FY2023)	Main measures and challenges	Progress	Results of Activities Conducted in FY2023
<p><b>Issue of Materiality 1</b></p> <p><b>Provision of socially useful products</b></p>	<p>Nippon Yakin Kogyo Group provides stainless steels and high-performance alloys that have excellent corrosion and heat resistance, formability and aesthetics. Each of our products demonstrates high performance when used in each environment. We aim to continuously earn our customers' trust by providing the industry's top-level highly functional materials and high-quality services in terms of quality, due dates, cost, and technologies and solutions.</p>	<p><b>Sales ratio of high-performance alloys (non-consolidated)</b></p> <p>Target FY2026: 50%</p> <p>Results 42.4%</p>	<p>Build a flexible production system to be able to respond nimbly to changes in the demand structure</p> <p>Promote sales in the newly emerging field of environment &amp; energy (Carbon neutrality, renewable energy, etc.)</p> <p>Respond to customer needs in an attentive manner</p>	<p>● ■</p> <p>● ■</p> <p>●</p>	<p>■ Succeeded in manufacturing the <b>NW276 (UNS N10276)</b> ultra-wide and thick plates as a product to follow on from the <b>800T, 625</b> products by using the wide-width rolling equipment possessed by the partner company in our Chinese joint venture</p> <p>■ Sales ratio of high-performance alloys: 42.4%</p> <p>■ Development of new alloy types: 2 cases</p>
<p><b>Issue of Materiality 2</b></p> <p><b>Reduction of global environmental impact through business activities</b></p>	<p>Global environment issues are becoming increasingly serious, such as the intensification of natural disasters due to climate change, depletion of resources and loss of biodiversity. The Nippon Yakin Kogyo Group has a responsibility to address these issues as they emerge because our business activities consume a large amount of energy and emit a large amount of CO<sub>2</sub>. Our Group is striving to minimize CO<sub>2</sub> emissions and realize a sustainable global environment by recycling resources and improving operating technologies.</p>	<p><b>CO<sub>2</sub> emissions reduction rate (Relative to FY2014, non-consolidated)</b></p> <p>Target FY2026: 46% reduction FY2051: Carbon neutrality</p> <p>Results 49% reduction</p>	<p>Establish carbonless smelting technology by increasing the use of recycled materials</p> <p>Improve operational technology and further reduce per unit energy use</p> <p>Foster fuel conversion for carbon neutrality</p> <ul style="list-style-type: none"> <li>Shift from heavy oil to LNG</li> <li>Shift from LNG to hydrogen, ammonia and synthetic methane</li> </ul> <p>Effective use of green power</p> <p>Reduce by-products and waste and increase the recycling rate</p>	<p>● ■</p> <p>●</p> <p>● ■</p> <p>◆</p> <p>■</p> <p>● ■</p>	<p>■ Used recycled materials on an experimental basis</p> <p>■ Implementing "Taking on the Challenge of Carbonless Nickel Smelting"</p> <p>■ Operation of the new electric arc furnace ("E furnace")</p> <p>■ Promoting a stepwise shift from heavy oil to LNG</p> <p>■ Kawasaki Plant purchased a non fossil certificate</p> <p>■ Recycling of by-products generated from the manufacturing process: 207,000 tonnes</p>
<p><b>Issue of Materiality 3</b></p> <p><b>Achievement of safe and stable production</b></p>	<p>It is our Group's responsibility to conduct business activities safely and provide a steady supply of high quality materials to society. We are eliminating occupational hazards, implementing measures to maintain and improve product quality, and updating our equipment for the prevention of equipment failures. We are thus making improvements in both tangible and intangible ways.</p>	<p><b>Number of serious occupational accidents (non-consolidated) *</b></p> <p>Target 0 cases per fiscal year</p> <p>Results 0 cases per fiscal year</p>	<p>Continue to make strategic investments on a medium- to long-term basis</p> <p>Maintain and improve occupational health and safety standards</p> <p>Make investments for stable operation</p>	<p>●</p> <p>●</p> <p>●</p>	<p>Kawasaki Plant</p> <ul style="list-style-type: none"> <li>Revamped the existing slitter lines</li> <li>Constructing new slitter lines</li> <li>Construction of buildings and design and manufacture in progress at a new cold rolling mill</li> </ul> <p>■ Rate of incident victims who took leave (Frequency rate): 0.66%</p> <p>■ Rate of lost-time accidents (Severity rate): 0.00%</p> <p>■ Upgrade of operation management system (continued)</p>
<p><b>Issue of Materiality 4</b></p> <p><b>Creation of workplaces where all employees can work with equality and satisfaction</b></p>	<p>Nippon Yakin Kogyo Group's products are made possible by the experience and technology that our employees have developed over the years. Therefore, for the further growth of our company, it is necessary to create an attractive workplace where our employees want to continue working. We are hiring and training a diverse workforce and developing an environment in which they can play an active role.</p>	<p><b>Percentage of women among the new graduate career-track hires (non-consolidated)</b></p> <p>Target 20% or more per fiscal year</p> <p>Results 29%</p> <p><b>Rate of employees taking paid holidays (non-consolidated)</b></p> <p>Target 70% or more per fiscal year</p> <p>Results 78%</p>	<p>Promote diversity &amp; inclusion</p> <p>Improve the working environment with automation and labor-saving measures</p> <p>Enhance employee welfare facilities</p> <p>Make use of advanced technologies for human resource development and the transfer of skills to younger generations</p>	<p>● ■</p> <p>●</p> <p>●</p> <p>● ■</p>	<p>■ Recruitment of career-track employees to join the company in April 2023: 14, number of women career-track employees: 4</p> <p>■ Rate of employment of people with disabilities: 2.3%</p> <p>■ Improvement of workplaces for female staff</p> <p>Kawasaki Plant</p> <ul style="list-style-type: none"> <li>Improved working environment by the introduction of a new electric arc furnace ("E furnace")</li> <li>Decreased operator workload by revamping the existing slitter lines</li> <li>Introduced various automated equipment at the new slitter and cold rolling mill</li> </ul> <p>■ Completed new employee housing condominium</p> <p>■ Constructed new office for partner companies at the Kawasaki Plant</p> <p>■ Conducted voluntary improvement activities</p> <p>■ Provided e-learning-based training</p> <p>■ Provided safety education using VR</p>
<p><b>Issue of Materiality 5</b></p> <p><b>Establishment of sustainable partnerships</b></p>	<p>For corporate sustainability, companies need to understand what their stakeholders expect from them and what they are interested in. To this end, Nippon Yakin Kogyo Group is promoting communication with various stakeholders, including local communities. Through this communication we aim to help them deepen their understanding of the Group and to achieve harmony and co-prosperity with them by listening to their opinions.</p>		<p>Respect human rights across the supply chain</p> <p>Enhancement of collaboration with business partners</p> <p>Maintain relations of trust with local communities</p> <p>Disclose information to and promote dialogue with stakeholders</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p>	<p>■ Regularly checked for the purchase of conflict minerals and other materials of concern as part of human rights due diligence</p> <p>■ Publicly announced the Declaration of Partnership Building</p> <p>■ Conducted cleanup activities around Kawasaki and Oheyama Plants</p> <p>■ Conducted plant tours for elementary to high school students at Oheyama Plant</p> <p>■ Held two IR briefing sessions per year</p> <p>■ Dispatched 27 news releases in Japanese (123% relative to FY2022)</p> <p>■ Published Sustainability Report 2022 in Japanese</p>
<p><b>Issue of Materiality 6</b></p> <p><b>Advancement of corporate foundation for adaptation to the social environment</b></p>	<p>To support sustainable corporate growth, companies need to establish a robust management foundation that is resilient to changes in the social environment. Based on this recognition, Nippon Yakin Kogyo is striving to increase corporate value under an even better governance system so that the system can continue to deliver stable business by meeting the changing requests and expectations of the public based on the background of the continuously changing social environment.</p>	<p><b>EBITDA (Consolidated)</b></p> <p>Target FY2026: 20 billion yen or more (Consolidated)</p> <p>Results 33.4 billion yen</p> <p><b>ROE (Consolidated)</b></p> <p>Target FY2026: 10.0%</p> <p>Results 27.8%</p>	<p>Enhance the financial foundation to ensure business continuity and foster business development</p> <p>Continue to implement measures for legal compliance</p> <p>Raise employees' awareness of sustainability-related measures</p> <p>Enhance corporate governance to meet market needs</p>	<p>●</p> <p>●</p> <p>● ■</p> <p>●</p>	<p>■ Net D/E ratio (Consolidated): 0.93 (Target for the final year of the medium-term management plan: less than 1.0)</p> <p>■ Informed employees of the internal reporting system and operated it appropriately → Regular sharing of information through the in-house magazine</p> <p>■ Distributed copies of Sustainability Report 2022 to all directors and employees of the Group</p> <p>■ Held an in-house briefing session</p> <p>■ Made necessary responses to the revised Corporate Governance Code</p>

\* Serious occupational accidents refer to fatalities and disabling injuries or illnesses of disability grade 1 to 7.

Issue of Materiality 1

## Provision of Useful Products for Society

Nippon Yakin Kogyo Group provides stainless steels and high-performance alloys that have excellent corrosion and heat resistance, formability and aesthetics. Each of our products demonstrates high performance when used in each environment. We aim to continuously earn our customers' trust by providing top-level high performance materials and high-quality services in terms of quality, due dates, cost, and technologies and solutions.

### R&D Department's efforts to address diversifying needs

#### Developing high-performance alloys to meet customer needs

Nippon Yakin Kogyo develops products that meet a variety of needs in every process, from receiving orders and manufacturing to providing follow-up.

In one case, the customer requested a material with even higher heat resistance than the heat-resistant alloys such as 800H that are usually used in polycrystalline silicon manufacturing equipment that is used in solar panels.

In response, we improved the manufacturing process of H38X, a material that has excellent heat resistance but is difficult to manufacture, and succeeded in mass-producing it. This enabled equipment manufacturers to reduce the thickness of their equipment, contributing to cost reductions. In addition, by supplying materials to the rapidly expanding field of solar power generation, we are contributing to the reduction of CO<sub>2</sub> emissions on the earth.



#### Strengthening hydrogen-based technologies

Hydrogen is attracting attention as an environmentally friendly energy resource that does not emit CO<sub>2</sub>.

Hydrogen can be difficult to handle because generally it causes embrittlement in some metals, but we are manufacturing stainless steel where we have optimized alloying elements such as the amount of nickel added. To evaluate materials in a hydrogen environment, we will establish a new test facility at our Kawasaki Plant in FY2025 to collect a variety of data and contribute to the realization of a hydrogen energy-based society.



## Addressing diverse needs for stainless steel

#### Supporting client development through technological support

We have accumulated many technologies over the years. For corrosion resistance, a characteristic of stainless steel, we conduct not only laboratory evaluations but also long-term atmospheric exposure tests and seawater immersion tests. We are also focusing on offering technological support for the welding of high-performance alloys. Without sound welding, the welded area will become a weak point and the material will not perform as well as it should. To meet the various needs of our customers, we not only supply materials but also provide a variety of technological support.



#### Development of environmentally friendly nickel smelting technologies

To realize a sustainable society, it is necessary to reduce CO<sub>2</sub> emissions and at the same time promote resource recycling. Our Oheyama Plant smelts nickel from imported ore, but in recent years the use of recycled raw materials from "urban mines" has been expanding, and we are developing nickel smelting technology to make full use of a wide variety of recycled raw materials. We are also working on shifting from coal to LNG as a fuel source, and making use of chemical recycling to reduce the use of coal by replacing it with waste plastics.



### Solutions sales based on technical knowledge and experience through communication

Our products have a significant effect on the quality and performance of the products made by customers. Accordingly, it is essential for us to communicate appropriately with our customers at the consulting stage, before we receive orders from them, and subsequently, including the production, delivery and follow-up stages.

While responding to changes in the market environment including the trends for globalization and carbon neutrality, we are sincerely working to meet our customers' requests from a long-term viewpoint.

For the provision of solutions, we are fostering communication with customers mainly through the Material Solutions Sales Department.

We offer advice on material selection based on sample testing and property confirmation, guidance on processing and welding methods, and proposals that utilize our database and technical knowledge.



#### Example of our process for providing solutions



#### (1) Meeting

By communicating with customers, we learn about their needs and identify and organize issues. In this process, in addition to the obvious needs that the customer already understands, we may also be able to uncover latent needs that the customer is unaware of.

#### (2) Proposal

To reach a solution to these issues, we propose a product by utilizing our database and technical knowledge.

Our database includes not only data collected in the laboratory but also data collected from long-term exposure tests in atmospheric and seawater environments.

Our solution proposals are supported by both the data in our database, and our experience gained over many years.

The environment in which our products are used is different for each customer, and additional data may be collected as necessary to make our proposals more effective. In such cases, we may conduct laboratory tests that simulate the environment in which the product will be used, laboratory tests using a solution provided by the customer or even test samples in a customer's facility to evaluate their characteristics.

#### (3) Selection

The most suitable product for the customer will be selected from those we have proposed based on data, knowledge and other factors.

#### (4) Ordering, manufacture, delivery

We exchange specifications with the customer, and then build and deliver the product according to the customer's requests, down to dimensional tolerances and packaging method.

#### (5) Follow-up

We not only manufacture products and sell them to our customers, but also strive to follow up with them afterwards.

To ensure that each product fully meets its performance capabilities, we can provide advice in various areas including welding and forming processes for the customer's construction process.

In some cases, we accompany customers on inspection work at their request, or provide comments and suggestions as a material manufacturer after receiving information on usage conditions.

Issue of Materiality 2

## Reduction of Global Environmental Impact through Business Activities

We believe that as the Nippon Yakin Kogyo Group consumes a lot of energy and generates large volumes of CO<sub>2</sub> emissions through its business activities, we have a responsibility to address the worsening global environmental issues that are occurring. The Nippon Yakin Kogyo Group is carrying out efforts such as recycling resources and improving our operational technology to minimize our CO<sub>2</sub> emissions and, in doing so, achieve a sustainable global environment.

### Environmental management

#### Our approach

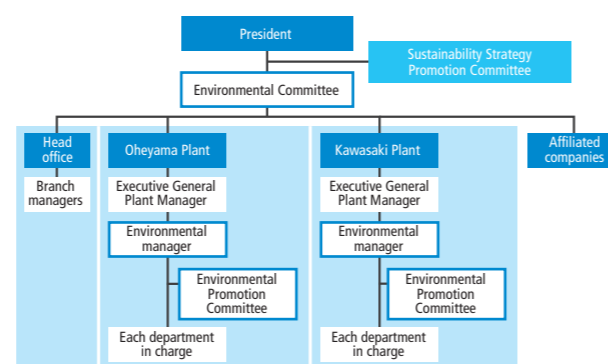
We are well aware of the importance of environmental protection. We promote environmentally friendly business complying with environmental treaties, laws, regulations, etc. In addition, we are proactively implementing environmental initiatives, including effective use of resources, saving energy and facilitating green procurement.

#### Environmental management system

We have the Environmental Committee, chaired by a director appointed by the president to smoothly progress with environmental management by Nippon Yakin Kogyo and the Nippon Yakin Kogyo Group. The Committee deliberates on and reports the environmental management plans implemented at our two plants and the issues related to energy conservation.

Kawasaki and Oheyama Plants have standardized ISO 14001/JIS Q 14001 environmental management systems.

#### Environmental management system



#### Environmental policies

We have implemented measures for our plants to achieve the environmental policies and environmental management planned by the Environmental Promotion Committee of the plants.

**WEB** We have posted the environmental policies of the plants here. <https://www.nyk.co.jp/en/sustainability/environment.html#environmentManagement>

### Climate change countermeasures

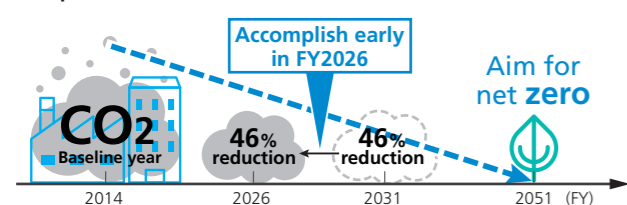
#### Our approach

The steel industry is an energy-intensive industry. At Nippon Yakin Kogyo, we believe that addressing climate change is a management issue of ours as a member of the steel industry, and are proactively working for carbon neutrality to fulfill this social responsibility.

#### Our CO<sub>2</sub> emissions reduction targets

In December 2021, we set a CO<sub>2</sub> emissions reduction target of 46% for FY2031 (Scope 1 + 2, compared to FY2014), and aim to achieve net zero emissions by FY2051. In our recently announced Medium-Term Management Plan 2024, we have established a plan to achieve our 46%

#### Our CO<sub>2</sub> emissions reduction targets (Scope 1 + 2, non-consolidated)



Scope 1: Direct greenhouse gas emissions from the company  
Scope 2: Indirect greenhouse gas emissions due to the use of electricity, heat and steam supplied by other companies to the company

reduction target in FY2026, ahead of FY2031. We are also promoting initiatives to achieve carbon neutrality throughout the entire Nippon Yakin Kogyo Group.

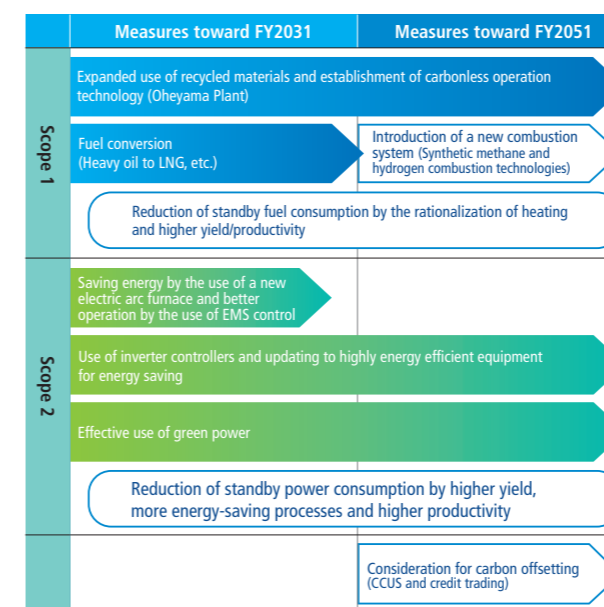
#### Roadmap to carbon neutrality

Nippon Yakin Kogyo formulated a roadmap to achieve carbon neutrality by FY2051. We aim to achieve carbon neutrality through steady work on these measures.

#### Progress with measures

Nippon Yakin Kogyo has been thoroughly implementing energy-saving countermeasures in all the business activities. We use the devices equipped with inverters and LED lamps at Kawasaki Plant. We also began operating an efficiently energy-saving electric arc furnace ("E furnace") in the plant in January 2022. Moreover, in FY2022 we signed a contract with TEPCO Energy Partner, Incorporated and began operating a system responding to demand enabling flexible operation according to changes in the electricity supply-demand balance. In addition, since FY2023, we have been operating an internal carbon pricing (ICP) system to set carbon prices and virtually convert our CO<sub>2</sub> emissions into monetary costs for capital investment to reduce our CO<sub>2</sub> emissions.

#### Roadmap to carbon neutrality



#### Taking on the challenge of carbonless nickel smelting

At our Oheyama Plant, we produce ferronickel alloy as the major raw material to produce stainless steels. To achieve carbon neutrality and a resource-circulating society, we are phasing out the conventional nickel smelting process, for which we need imported nickel ore and coal, and embracing the challenge of carbonless nickel smelting based on the use of recycled materials.

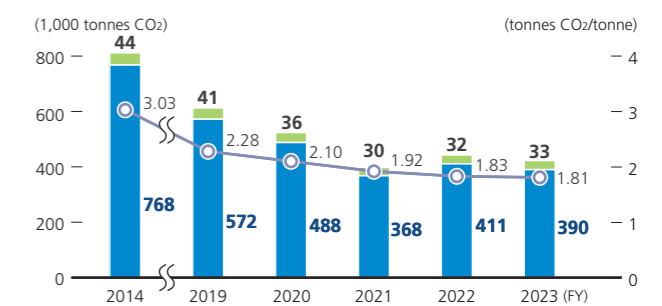
We aim to reduce per unit CO<sub>2</sub> emissions at Oheyama Plant by 70% in FY2031 relative to FY2014. We will also reduce the use of imported ore and coal to establish a sustainable system for nickel materials.

- Energy conversion**  
For energy resources, enhance the transition from coal to LNG with renewable fuels
- Carbon replacement (chemical recycling)**  
For the reductant of nickel ore, enhance the transition from the use of coal (anthracite) to waste plastic (RPF, etc.)
- Diversification and extended use of recycled raw materials**  
Promote a shift from the use of nickel ore to the use of recycled materials through the diversification of recycled materials
- Reduction of byproducts, waste promoting their effective use**  
Reuse/reduction of byproducts (NASFINESAND)

#### Current CO<sub>2</sub> emissions (Scope 1 + 2)

The total amount of CO<sub>2</sub> emissions for FY2023 from Nippon Yakin Kogyo on a non-consolidated basis came to 390,000 ton-CO<sub>2</sub> including emissions from Kawasaki and Oheyama Plants. The amount of emissions from the entire Nippon Yakin Kogyo Group totaled 423,000 ton-CO<sub>2</sub>. It is generally recognized that the amount of CO<sub>2</sub> emissions significantly depends on the amount of production. However, we are aiming at achieving our reduction targets by steadily decreasing per unit emissions.

#### CO<sub>2</sub> emissions



CO<sub>2</sub> emissions (1,000 tonnes CO<sub>2</sub>)  
■ Nippon Yakin Kogyo ■ Nippon Yakin Kogyo Group (excluding Nippon Yakin Kogyo)  
○ Emissions per sales volume of 1 tonne (tonnes CO<sub>2</sub>/tonne) (non-consolidated)

#### CO<sub>2</sub> emissions from the entire supply chain

In order to grasp the amount of CO<sub>2</sub> emissions generated across the entire supply chain that supports our business activities, we are estimating our Scope 3 emissions (non-consolidated) based on the basic guidelines (Ver. 2.5) for the estimation of greenhouse gas emissions across the supply chain published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

#### CO<sub>2</sub> emissions from supply chain

	(1,000 tonnes CO <sub>2</sub> )	
	Nippon Yakin Kogyo (non-consolidated)	Consolidated
Scope 1	231	246
Scope 2	158	177
Scope 3	678	—
Breakdown		
1. Purchased goods and services	528	—
2. Capital goods	28	—
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	59	—
4. Upstream transportation and distribution	41	—
5. Waste generated in operations	21	—
6. Business travel	0.2	—
7. Employee commuting	0.3	—

Scope 3: Indirect emissions other than those included in Scope 1 and Scope 2 emissions (those emitted by other companies but related to the activities of the company)

Source used for emission factor data: IDEA Ver.3.3, emission factor database to calculate emission data such as greenhouse gas emitted by organizations across their supply chains (Ver. 3.2)



## Reduction of Global Environmental Impact through Business Activities

### Risks and opportunities posed by climate change

#### Our approach

For the creation of a decarbonized society, each country has announced their respective greenhouse gas emissions reduction targets. We likewise regard the risks and opportunities posed by climate change as important issues for our own sustainability. Accordingly, we have analyzed the risks and opportunities in line with the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).



The Sustainability Strategy Promotion Committee chaired by the president leads the execution of a plan-do-check-act (PDCA) cycle for the risks and opportunities posed by climate change, fosters relevant measures for the entire company, and reports the details as necessary to the Board of Directors.

We conducted scenario analysis for the 4°C scenario (the projected outcome if no measures against climate

change are taken) and the 1.5°C scenario (the outcome if the average temperature increase in this century is limited to 1.5°C). We predicted the worldwide situation in 2030 based on each of the scenarios and identified the risks and opportunities, and then divided the identified risks into transition risks and physical risks.

For transition risks we referred to the IEA World Energy Outlook for future energy supply and demand and carbon pricing and for physical risks we referred to the hazard maps created by local governments. By using these materials, we quantified the impact of the risks on our business to make impact assessments. Also, each of our departments discussed countermeasures against the risks. The following table shows the results.

Against this backdrop, in September 2022, Nippon Yakin Kogyo announced the support for the TCFD's recommendations. Going forward, we will conduct more detailed examinations for the scenario analysis and continuously enhance our climate change countermeasures while disclosing the related information to the public.

#### Scenario analysis results

Scenario	Impact assessment item (Social changes)	Impact assessment*		Risks and opportunities	Countermeasures
		4°C	1.5°C		
Transition risk	Introduction of carbon pricing <i>Policies/Laws &amp; Regulations</i> <i>Market</i>	-	Large	Increase in the manufacturing cost due to the additional cost caused by carbon pricing	- Capital investment and operational improvement for energy conservation and carbon neutrality - Fuel conversion to hydrogen, ammonia, synthetic methane and biofuels - Development of carbonless nickel smelting technologies
	Shift to a carbon neutrality-oriented society <i>Technology</i> <i>Market</i> <i>Reputation</i>	-	Large	- Higher electricity/fuel prices - Higher cost of procuring materials, transportation services, etc.	- Promotion of energy-saving operation (decrease of per unit energy use) - Appropriate product pricing in consideration of the cost
		-	Large	Increase in the amount of capital investment for CO <sub>2</sub> emissions reduction	- Investment decisions in consideration of the environmental impact reduction effect - Appropriate product pricing in consideration of the investment cost
		-	Large	Shrinkage/elimination of demand in fields with large CO <sub>2</sub> emissions (Flue gas desulfurizers for low-efficiency coal-fired thermal power plants, boilers and EGR systems)	- Development of environment-friendly products in response to customers' needs - Sale of solutions to meet new demand for hydrogen, renewable energy sources, electric vehicles (EVs), fuel cell vehicles (FCVs), secondary batteries and CCUS
		-	Large	New demand in the environment- and energy-related fields	- Diversified use of recycled materials by the introduction of a new electric arc furnace - Securing of supply sources that offer reasonable prices (Oheyama Plant)
Physical risk	Impact of abnormal weather events on business <i>Acute</i>	Large	Large	More frequent and intense natural disasters (heavy rain, strong winds and storm surges) that cause the suspension of production, fragmentation of the supply chain and the suspension of logistic services	- Examination and implementation of natural disaster countermeasures (inspection and enhancement of equipment, BCP measures, etc.) - Shared use of equipment with other companies through outsourced production and others - Effective use of domestic resources and securing of stable sources for logistics, sales and surveys for the establishment and diversification of the supply chain
	Degradation of the working environment due to rise in temperature <i>Chronic</i>	Large	-	Expanded risks of health damage caused by infectious diseases and heatstroke	- Improvement of the working environment and investment to increase labor productivity - Enhancement of BCPs against infectious diseases and heatstroke

\* ▼: Risks ▲: Opportunities - : No or few impacts

### Reduction of environmental impact

#### Preventing air pollution

We regularly monitor the air emissions discharged from our plants according to the related laws to manage and improve them. At Oheyama Plant, we combined a wet-type precipitator and an electrostatic precipitator to decrease particulate matter, and are appropriately managing this equipment. At Kawasaki Plant, we have taken measures such as applying a burner with low NOx for a furnace and trying to reduce emissions of nitrogen oxides.

**WEB** We have posted data on our nitrogen oxide emissions here <https://www.nyk.co.jp/en/sustainability/environment.html#environmentLoadReduction>

#### Preventing water pollution

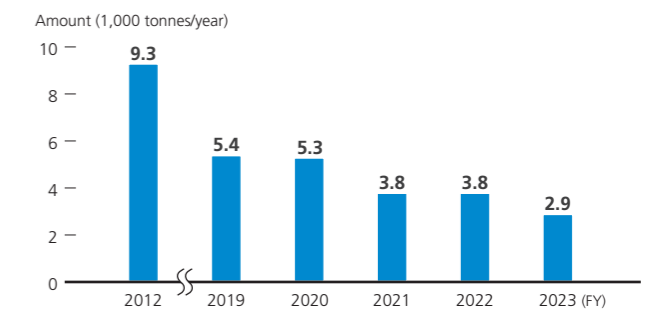
Water used in our production processes is released out of the plant after being treated at our wastewater treatment facilities so as to meet all the regulatory standards relevant to prevention of water pollution. Water at Kawasaki Plant is constantly monitored for contaminants (nitrogen, phosphorus, COD).

**WEB** We have posted data on chemical oxygen demand (COD) of water released into the environment by Nippon Yakin Kogyo here <https://www.nyk.co.jp/en/sustainability/environment.html#environmentLoadReduction>

#### Waste generation

Nippon Yakin Kogyo has been suppressing the generation of industrial waste and promoting the recycling of such waste to reduce the final disposal amount.

#### Final disposal amount of industrial waste (non-consolidated)



### Building a recycling-oriented society

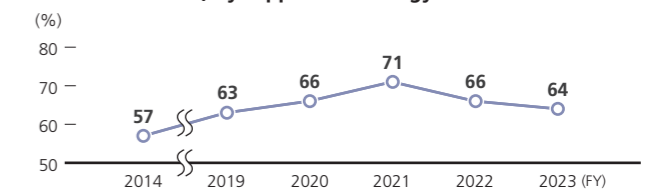
#### Our approach

Stainless steel is 100% recyclable and collectible as scrap for recycling. We apply the raw materials reclaimed from "urban mines" to minimize the impact on climate change and the environment while supporting the prosperity of society.

#### Usage rate of recycled materials

We have to choose recycled materials suitable for the processes of Kawasaki and Oheyama Plants. Therefore, we develop technologies allowing us to more effectively use them to increase the usage ratio of recycled materials. Accordingly, we developed a technology resulting in the nickel amount extracted from recycled materials to be 60-70% of the net amount of nickel used at Kawasaki Plant. This amount of nickel includes ferronickel alloys supplied by Oheyama Plant. We indeed need to further develop technologies responding to the probable changes depending on the coming eras that may alter the compositions, grades and the shapes of recycled materials. We will definitely carry on developing our technologies to address the probable changes.

#### Usage rate of recycled materials (in terms of the net amount of nickel) by Nippon Yakin Kogyo



#### Recycling of water, sludge and dust

As an important resource we recycle water in our production processes. The recycling rate attained is more than 70% and more than 90% at Oheyama and Kawasaki Plants, respectively.

In the stainless steel process, byproducts are generated including dust from the electric arc furnace and sludge from the pickling process of wastewater treatment. They contain valuable metals including iron, chromium, nickel, molybdenum and others. We mix these with water and knead them into briquettes, which are then melted in an electric arc furnace to extract the valuable metals by separating slag. The extracted metal is collected as valuable metal to help produce stainless steels.

Issue of Materiality 3

## Achievement of Safe and Stable Production

Conducting our business activities safely and providing a stable supply of high-quality materials is a responsibility of the Nippon Yakin Kogyo Group. In the Nippon Yakin Kogyo Group, we are working on initiatives to eliminate occupational accidents as well as maintaining and improving quality, and updating our equipment for the prevention of equipment failures. We are thus making improvements in both tangible and intangible ways.

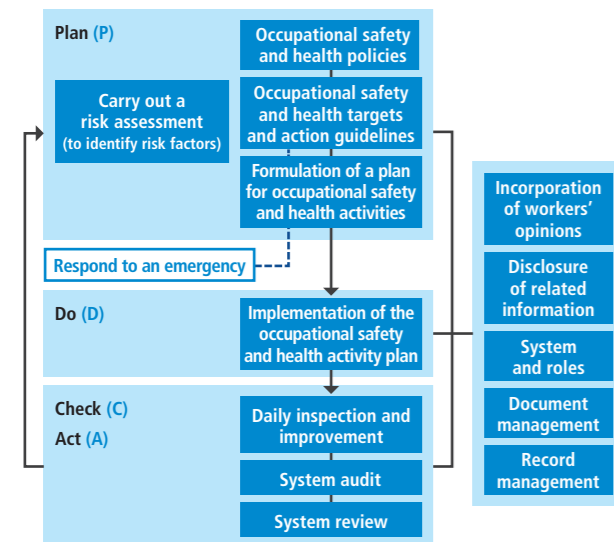
### Occupational safety and health

#### Our approach

A number of occupational safety and health activities are carried out at our production sites in line with the Industrial Safety and Health Act combined with the individual rules of the companies. We have introduced an occupational safety and health management system (OSHMS)\* making an effort to take our occupational safety and health to the next stage. The OSHMS is a system to organizationally and systematically comply with the laws and regulations and manage the implementation of voluntary rules.

By executing a PDCA cycle as a core element of the OSHMS, we will continue to step up the level of the occupational safety and health. Thereby, we prevent occupational accidents along with providing all employees with safe and healthy workplaces.

#### Outline of the PDCA cycle



\* The occupational safety and health management system (OSHMS) is designed to prevent labor accidents, promote workers' health and create comfortable workplaces to raise the level of on-site safety and health by setting and implementing a plan-do-check-act cycle, or PDCA cycle, for the voluntary and continuous management of on-site safety and health. Since January 2009, Kawasaki Plant has been certified as a JISHA-compliant OSHMS-certified business site (certification no.: 09149) based on the guidelines set by the Ministry of Health, Labour and Welfare.

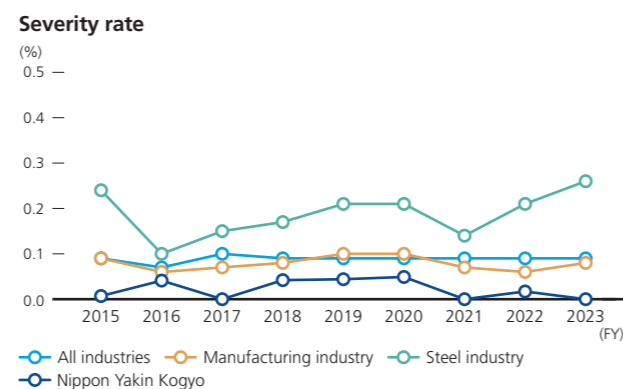
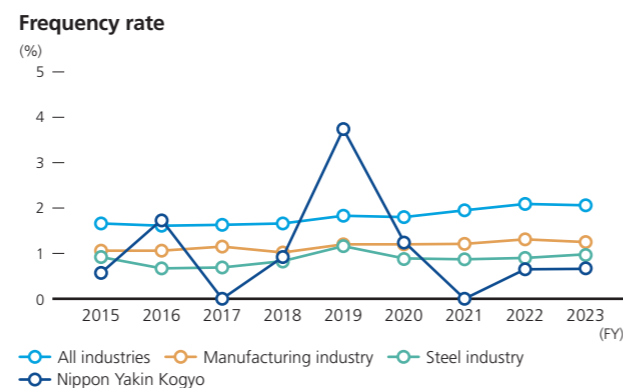
#### Corporate governance system

The plant head serves as the occupational safety and health supervisor and appoints an occupational safety and health manager (from among department managers) and an industrial physician, whose roles are defined in our occupational safety and health management rules. Also, each of the plants has the own occupational safety and health committee composed of the occupational safety

and health supervisor, occupational safety and health manager, industrial physician and a representative of the labor union. The committee meets once a month to discuss and monitor legal issues and works to raise employees' awareness of the plant's annual safety and health plan and monthly initiatives.

#### Safety records

The following figures show Nippon Yakin Kogyo's safety record. Compared with other industries and the steel industry overall, our rate of accidents requiring leave (frequency rate) was higher for some fiscal years. However, we have been able to maintain the rate of lost-time accidents (severity rate) at a low level for many years. We have thus been successfully preventing serious accidents but have not yet reduced the number of minor accidents to zero. Zero accidents is a challenge that we should meet. Deeply recognizing the result, we will work to further improve our safety level for zero accidents.



### Capital investment

#### Introduction of highly efficient electric arc furnace ("E furnace")

Significant attention has been paid to electric arc furnaces in the steel industry in the trend toward a decarbonized society. We began operating a cutting-edge, highly efficient electric arc furnace in January 2022. The furnace is covered by an openable and closeable wall to collect more dust while preventing noise to a significant extent. Moreover, many of the tasks to be conducted prior to operations have been automated to substantially decrease the workload imposed on human operators. In addition, we introduced the furnace body detachment method for the replacement of bricks of the furnace. Thereby, this method allows the offline replacement to be made at any time obeying our required schedule and improving the environment for furnace maintenance staff.



#### Revamping and new establishment of slitter lines

We are continuously making strategic capital investment to improve productivity in the production of our high-performance alloys. We plan to revamp the slitter line for hot strips and install a new slitter line for cold strips with an eye to enhancing the finishing equipment at the cold rolling shop. In addition to expanding the production capacity of that equipment by around 50%, this will increase the efficiency of the preparatory work and reduce the workload on the operators in a job requiring extensive experience and advanced skills with automation.

#### Introduction of a highly efficient cold rolling mill

In November 2024, we plan to begin operating a new cold rolling mill. In addition to improving production efficiency and stabilizing quality, this will simplify strip inserting, reduce the problem-recovery time and enable automation of the rolling conditions, leading to a substantial reduction in workload. We will additionally upsize the ventilation equipment to improve the working environment.

### Quality

#### Our approach

Nippon Yakin Kogyo produces products that meet customer needs and specifications while complying with related laws, regulations and standards. As a method for managing and increasing our product quality, we are committed to establishing, implementing, maintaining and constantly improving our quality management system that meets the requirements determined by JIS Q 9001/ISO 9001 and JIS Q 9100.

#### Quality policy

The quality policy of our Kawasaki Plant, which handles the final production processes of our products, is posted on our website.

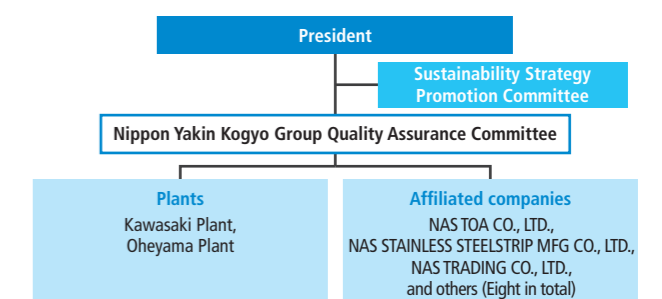
WEB <https://www.nyk.co.jp/en/sustainability/society.html#quality>

#### Quality assurance system

We have the Nippon Yakin Kogyo Group Quality Assurance Committee, chaired by a director appointed by the president to continuously improve the Nippon Yakin Kogyo Group's quality assurance system. This committee is tasked with the following roles:

- Formulate policies on the improvement of the quality assurance system
- Carry out audits at Group companies' major production bases (once a year in principle)
- Organize a meeting of Group companies' employees in charge of quality assurance (once a year)

#### Quality assurance system



#### Standardization activities

To ensure that our products are competitive, we are actively carrying out standardization activities, registering our products for standards such as JIS. Major products of ours, including 64, 254N and 354N, have already been made JIS-compliant.

Issue of Materiality 4

## Creation of Workplaces Where All Employees Can Work with Equality and Satisfaction

We are working to create workplaces where diverse employees, including employees of varying ages and educational backgrounds, are all respected and can enjoy job satisfaction.

### Human rights

#### Background and our approach

Companies are required to recognize that they may have direct and/or indirect impacts on human rights through their business activities and take measures to prevent human rights infringements. To ensure that Nippon Yakin Kogyo respects and protects the human rights of all its employees, we have established a code of conduct and anti-harassment regulations to clarify appropriate behavior in the Company. We also established Nippon Yakin Kogyo Group Helpline Rules, which stipulate the internal consulting and reporting systems that must be present to promptly detect and take corrective action against unfair acts by organizations and individuals within the Group. In 2020, the Japanese government determined the National Action Plan on Business and Human Rights. Since then, human rights issues, including those in companies' supply chains, have been attracting considerable attention. Nippon Yakin Kogyo is aware of the importance of addressing these issues and aims to create an even better system than those mandated by these government rules through ongoing discussions at meetings of the

Sustainability Strategy Promotion Committee.

\* For our measures for supply chain-related human rights, please see page 40.

#### Prevention of harassment

Nippon Yakin Kogyo has established rules to prohibit harassment and all other forms of misconduct, including sexual harassment, abuse of power and harassment of pregnant employees and employees taking maternity, paternity, parental or long-term care leave. Workplace harassment undermines personal dignity and integrity. Such unfair acts create a hostile work environment and should never be permitted. We provide employees with education to prevent harassment and in FY2023, we conducted an online harassment prevention training seminar for all managers. We also provide employees with services providing advice about harassment, including an internal email-based service and a readily accessible external service. To protect the victims of harassment, we have also set rules to safeguard the privacy of anyone who uses the advisory service and prevent any reprisal against them.

### Promotion of diversity, equity and inclusion

#### Background and our approach

One of Nippon Yakin Kogyo's action guidelines is "We respect diversity and differences, and demonstrate our comprehensive capabilities with a spirit of harmony." According to the results of a survey conducted by the Ministry of Internal Affairs and Communications, Japan's working population has been decreasing since reaching a peak in 2008 and will continue to drop at an accelerating rate. Against this backdrop, women and older people are increasingly expected to join the workforce. Also, in line with the changes of the times, values have become diversified and a range of flexible work arrangements are needed. We believe that respecting the diverse backgrounds and ideas of employees and enabling all employees to thrive here will help us achieve sound growth and are promoting diversity, equity and inclusion in the workplace accordingly.

#### Employment of people with disabilities

Nippon Yakin Kogyo also fosters the employment of people with disabilities for the creation of a society where all people can make valuable contributions. Kawasaki Plant provides the employees with disabilities with a special

office space where they can work in comfort, as well as dedicated support personnel, giving due consideration to their individual characteristics.

#### Promotion of empowerment of women

Nippon Yakin Kogyo is taking on the challenges of proactively employing women and assigning them to diverse workplaces and of providing women with workplaces where they can work in greater comfort. To meet these challenges, we are implementing the following initiatives.

First, we have set the target of increasing the rate of women hired in career-track positions to at least 20% of the total number of candidates in our action plan made in line with the Act on the Promotion of Female Participation and Career Advancement in the Workplace. Four out of the 14 career-track employees who joined the company in April 2023 are women.

We have a total of 12 female production operators as of April 2023. To help them work in greater comfort, we have introduced electric tools, workbenches and lifters to reduce the physical load imposed on them. We have also installed shower rooms and powder rooms for exclusive use by female employees.

### Voice

What makes working in sales exciting for me is being able to be out on the front line and be a point of contact for our customers. For example, when I go on a business trip and talk to the customers there, it's an opportunity to hear directly about their appreciation of our strengths, like our high quality and meticulous service, and that's fulfilling for me. And I think the source of those strengths is the way everyone in the company can express their opinions freely, regardless of their age or gender, and the way we work together across departments when things are difficult. That's a source of support for our production, and it's a quality of this company that I'm proud of.

From July 2023, I will spend a year with the worldstainless\* in Belgium. This will be a new challenge unlike anything I have experienced in the six years I have been here thus far. It is more common for women to

hold positions of responsibility in European societies than in Japanese society. And you only have to look at the soccer teams representing those countries to see that people from different cultures and roots work toward the same goal. It's a place where value is built on diversity. During my time in this temporary role, I want to develop an international view based on mutual acknowledgment and use that to achieve further growth for both myself and the company.

\* The worldstainless (formerly known as ISSF) is an international forum of the world's major stainless steel producers and related organizations. The forum shares opinions and information about stainless steel.



**Namiko Shibuya**  
Overseas Sales Department

### Data on employees for last three years

#### Basic information

		Men	Women	Total
As of Apr. 1, 2021	No. of employees (persons)	1,082	98	1,180
	Rate (%)	91.7	8.3	-
	Average age (years old)	41.4	40.3	41.3
	Term of service (years)	19.1	18.3	19.0
As of Apr. 1, 2022	No. of employees (persons)	1,077	102	1,179
	Rate (%)	91.3	8.7	-
	Average age (years old)	41.7	40.2	41.6
	Term of service (years)	19.6	18.1	19.4
As of Apr. 1, 2023	No. of employees (persons)	1,098	105	1,203
	Rate (%)	91.3	8.7	-
	Average age (years old)	42.5	40.0	42.3
	Term of service (years)	19.7	17.9	19.5

#### Women hired in career-track positions

	People hired	Note
FY2019	0 people	
FY2020	2 people	(including 1 mid-career employee)
FY2021	5 people	(including 1 mid-career employee)
FY2022	4 people	
FY2023	4 people	
FY2024	4 people	

#### Turnover rate\*

	No. of employees	No. of those who resigned	Turnover rate
As of Jan. 1, 2020	1,119 people	35 people	3.1%
As of Jan. 1, 2021	1,130 people	20 people	1.8%
As of Jan. 1, 2022	1,169 people	46 people	3.9%

\* The turnover rate was calculated by including retirees (who did not wish to be reemployed and who were transferred to other Group companies) in addition to those who resigned from the company for their own reasons.

#### Rate of employment of people with disabilities

FY	Number of persons employed	Rate
FY2021	19 people	2.0%
FY2022	19 people	1.9%
FY2023	22 people	2.3%

## Creation of Workplaces Where All Employees Can Work with Equality and Satisfaction

### Retirement age raised to 65

In April 2023, we raised our retirement age to 65 and transitioned to a new personnel system.

#### Background

In the past, employees could receive what we could call full old-age pension from age 60, and like many other companies, many of our employees retired at the age of 60. However, the pension is now paid from age 65 and people are living for longer: we have entered an age of 100-year-olds. Because of this, many people want to work past 60, and like other companies, we have introduced a reemployment system under which, as a general rule, all employees who wish to work until age 65 can do so. However, our systems were not fully prepared to handle employees continuing to work past 60 with the same motivation as before under our reemployment system, and many employees join us mid-career instead of as new graduates, meaning that in an increasing number of cases, including those of current employees, it is not possible to handle employees in a unilateral way connected to their age.

Based on this, we have revised our entire personnel system, including discontinuing systems like our qualification system which were based on years worked here, and transitioned to system where current effort and results are rewarded from the time the employee is hired to the time they turn 65.

Item	Until March 2023	New personnel system
Retirement age	60	65
Reemployment system	Employees can be reemployed until age 65 if they wish	Discontinued*
Role structure	Administrative and technical roles Production operators	Career-track roles Administrative roles Production operators
Qualification system	Levels 1 to 6	Discontinued
Pension system	Calculated by multiplying the base rate by a coefficient	Points-based pension system

\* The old reemployment system still applies to existing users

### Human resource development

#### Our approach

In recognition of the structural changes in our business environment, we are promoting human resource development to ensure that Nippon Yakin Kogyo can celebrate the 100th anniversary of the founding in 2025 and continue to achieve resilient and sustainable growth beyond that date.

#### Collective training

We introduced collective training using a remote online communication system in response to COVID-19. We also provide face-to-face collective training with measures to prevent infection to facilitate active discussion.

#### e-learning

We have a system to help career-track employees develop their abilities. As a part of the system, we provide them with online video training. We have thus improved the environment for learning by providing opportunities to learn on a daily basis without restriction of when and where different from the conventional education style. Under the system, employees can choose for themselves the items they wish to learn depending on their job duties.

#### Financial support for capacity building

We provide the financial support to take external training to encourage career-track employees, manager candidates and experts in practical operations, to independently acquire additional skills outside of their jobs. This includes correspondence courses and book purchases to boost their management, leadership, and financial skills, accounting knowledge and increasing their IT literacy.

#### Development for production operators

For production operators, we clarify the skills necessary for them to perform their jobs and formulate specific development plans to help them acquire those skills through OJT and OFF-JT. We use an evaluation table to centrally manage their education to help them develop the skills they need.

For new employees, we have a training system called "shop adviser" under which they receive one-on-one education from senior staff members as OJT from the end of their three-month collective training to the end of their second year. Through this system, we hope to better motivate new employees while also helping them promptly acquire the necessary skills as they gradually adjust to the workplace.

In our safety education, we make effective use of VR technologies to provide trainees with virtual experiences of work hazards in a safe and immersive manner, thereby preventing accidents and raising their safety awareness.



Hands-on safety training using a VR system

#### Program for studying at the College of Industrial Technology

We have a program allowing employees who have graduated high school or are equivalently skilled to study at the College of Industrial Technology to receive a specialized technical education and become technical employees with both an academic and professional insights. After studying at the College of Industrial Technology for two years, we expect to see these employees in a wider range of career-track roles.

**Employees who have studied at the College of Industrial Technology: 16 in total (since 1986, including current students)**

### Voice

I had the opportunity to spend two years studying in the Electrical and Electronic Engineering Department of the College of Industrial Technology from April 2019. I was in my 12th year here at that time and had already gained a certain amount of knowledge from sources like my experience on the job, but re-learning the basics of electricity and electronics at a college allowed me to connect the practical knowledge I had gained before with the things I learned in the classroom in an organized way.

The experience has been useful now that I'm back at the company. For example, in the Electrical Equipment Maintenance Section, where I work, when a fault occurs in a piece of equipment, we need to be able to hypothesize about what cause the fault and how it can be solved, and then verify that. Before I studied, I searched for the cause based on the experience I had gained on the job, but now I also apply my knowledge from my studies, which has made me more confident in analyzing the causes of faults.

I'm now in charge of maintenance and improvement of our hot rolling shop, but I'm working toward managing the entire plant in future.

#### Makoto Haramaki

Kawasaki Plant  
Facility Management Department  
Electrical Equipment  
Maintenance Unit,  
Electrical Equipment  
Maintenance Section



### Measures for work-life balance

#### Our approach

We are implementing measures to help employees maintain a work-life balance so that they can perform their duties and achieve job satisfaction while also spending time outside the workplace meeting family responsibilities, participating in their local communities and pursuing personal goals, thereby leading a healthy and fulfilling life.

#### Results concerning the major systems and initiatives

System	Results for FY2023
Childcare leave	10 people
Shorter working hours for childcare	10 people
Long-term nursing care leave	1 person
Shorter working hours for long-term nursing care	Not used
Nursing care leave for children	48 people (228 days in total)
Rate of paid holidays taken	78%
For the accumulation of paid holidays*	109 people (900 days in total)

\* Employees can accumulate paid holidays not taken before the expiration of the two-year period and use them for specific purposes, such as recuperation and volunteer activities.

Issue of Materiality 5

## Establishment of Sustainable Partnerships

Nippon Yakin Kogyo Group focuses on communication with various stakeholders, including local communities, to ensure that the company remains sustainable. Through this communication we aim to help them deepen their understanding of the Group and to achieve harmony and co-prosperity with them by listening to their opinions.

### Stakeholder engagement

#### Communication with local communities: social contribution activities

Nippon Yakin Kogyo, under the leadership of Kawasaki and Oheyama Plants and in cooperation with the related Group companies, communicates with local residents to help them deepen their understanding of the Company and to contribute to the creation of a safe and comfortable living environment and the revitalization of local communities.

#### Kawasaki Plant Clean-ups of nearby roads

Employees of Kawasaki Plant conduct a clean-up activity on the sidewalks of the Itsukushima Bridge [overpass] and Tonomachi Yakosen near the Plant twice a month.



#### Oheyama Plant Plant tours

Tours of the plant are offered not only to business partners but to local elementary to high school students. 72 people toured the plant in FY2023, where they were given a brief overview of the plant's business activities and learned about its decarbonization efforts using recycled materials and its environmental initiatives.



#### Clean-up activity for the Amanohashidate sandbar

A total of around 40 employees, including the head of the Plant, participate in the activity to clean up the Amanohashidate sandbar, which is regarded as one of Japan's three most scenic views, every spring and fall for the beautification and protection of the scenic beauty.



#### Communication with shareholders and investors

To further increase Nippon Yakin Kogyo's corporate value, we make sure to provide shareholders and investors with pertinent information in a timely manner by issuing documents such as year-end reports and interim reports at the end of the second quarter. We also hold twice-yearly briefing sessions for institutional investors, attended by our president, to provide explanations about our financial results and management plans.

In 2019, as a new initiative, we invited individual shareholders to take a tour of Kawasaki Plant. We have suspended this initiative due to COVID-19 but plan to resume it after a four-year suspension in FY2024.



### Procurement

#### Our approach

The movement for responsible mineral procurement in global society not only includes measures against conflict minerals; it has rapidly expanded to all mineral procurement, including human rights due diligence and addressing ESG risks in supply chains. As a result, the scope of minerals, risks and regions is growing.

Additionally, with moves such as the establishment of the National Action Plan on Business and Human Rights in various countries in Europe and North America, companies are increasingly obligated to perform human rights due diligence in their supply chains. Based on this, there is a growing call from stakeholders for companies to perform human rights due diligence and address ESG risks throughout their supply chains.

Like other companies, we are working to achieve responsible mineral procurement, paying attention to movements in government policy and industries in various countries and working together with various departments to strengthen our initiatives.

#### Management of conflict minerals

We have established the Conflict Minerals Management Rules (hereinafter, "the Rules") for the management of so-called Conflict Minerals (i.e., gold, tin, tantalum, tungsten, and other minerals themselves, or alloying materials containing such minerals). We obtain the CRT (Cobalt Reporting Template) and CMRT (Conflict Minerals Reporting Template) from raw material suppliers via trading companies, and otherwise collect and confirm information on conflict minerals, which we retain for seven years.

At Nippon Yakin Kogyo, the Export Trade Control Committee deals with issues related to conflict minerals. The Export Trade Control Committee checks the Company's responses to conflict minerals, which are also examined through internal auditing, and reports the details of its activities at the Management Meeting.



Oheyama Plant An ore yard

#### Human rights due diligence, etc. across the supply chain

Our rules and regulations incorporate mechanisms such a system to gather information from business partners about raw materials, secondary materials and other supplies connected to countries and regions requiring human rights due diligence, such as procurement from the Xinjiang Uyghur Autonomous Region or companies involved in forced labor by Uyghurs.

The Japanese government recently issued its Guidelines on Respecting Human Rights in Responsible Supply Chains, and Nippon Yakin Kogyo will continue exploring appropriate initiatives to ensure that human rights are upheld.

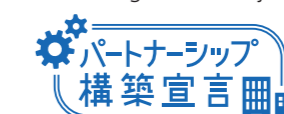
We are also taking appropriate individual measures to address calls to handle ESG risks, including working to achieve carbon neutrality.

#### Declaration of Partnership Building

Nippon Yakin Kogyo has agreed to the statements by the Council on Promoting Partnership Building for Cultivating the Future, comprising the Chairman of the Japanese Business Federation, the Chairman of the Japan Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation and relevant ministers (Cabinet Office, Ministry of Economy, Trade and Industry, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Land, Infrastructure, Transport and Tourism), and announced its own Declaration of Partnership Building in June 2022.

To build new partnerships with the business partners in our supply chain, we will form alliances beyond factors such as our existing business relationships and the scale of our business with the aim of achieving mutual prosperity for Nippon Yakin Kogyo and its business partners. These partnerships will also include support such as business continuity assistance in cases such as disasters and advice from the perspective of work practice reforms.

We also uphold suitable practices for trading with subcontractors (Development Standards based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises), actively and continuously work to correct trade and business practices that prevent the building of partnerships with business partners, and work to build a sustainable society and a resilient company under our management philosophy of "We promote the well-being of all who join with us".



Issue of Materiality 6

## Advancement of Corporate Foundation for Adaptation to the Social Environment

In order for a company to grow sustainably and continuously increase its value from a medium- to long-term perspective, it is essential to create a system to help management make prompt and appropriate decisions, while providing suitable monitoring and advice. Nippon Yakin Kogyo is striving to bring about evolution in its corporate foundation under an even better governance system that will facilitate smooth business operations and meet the changing demands and expectations of the public as the social environment continues to change.

### Corporate governance

#### Our approach

Our management philosophy states our commitment to “offer excellent products that drive progress and create a better world.” We are working to do this in our business activities to meet the expectations and earn the trust of all our stakeholders, including shareholders and business partners, and increase our corporate value. To grow sustainably and increase our corporate value in the medium to long term, it is essential that we pursue effective corporate governance. We are conscious that enhancing our corporate governance through timely and appropriate disclosure of information and thorough compliance is critical for ensuring the soundness of our business management and further increasing our credibility as a company, and we take measures accordingly.

#### Corporate governance system

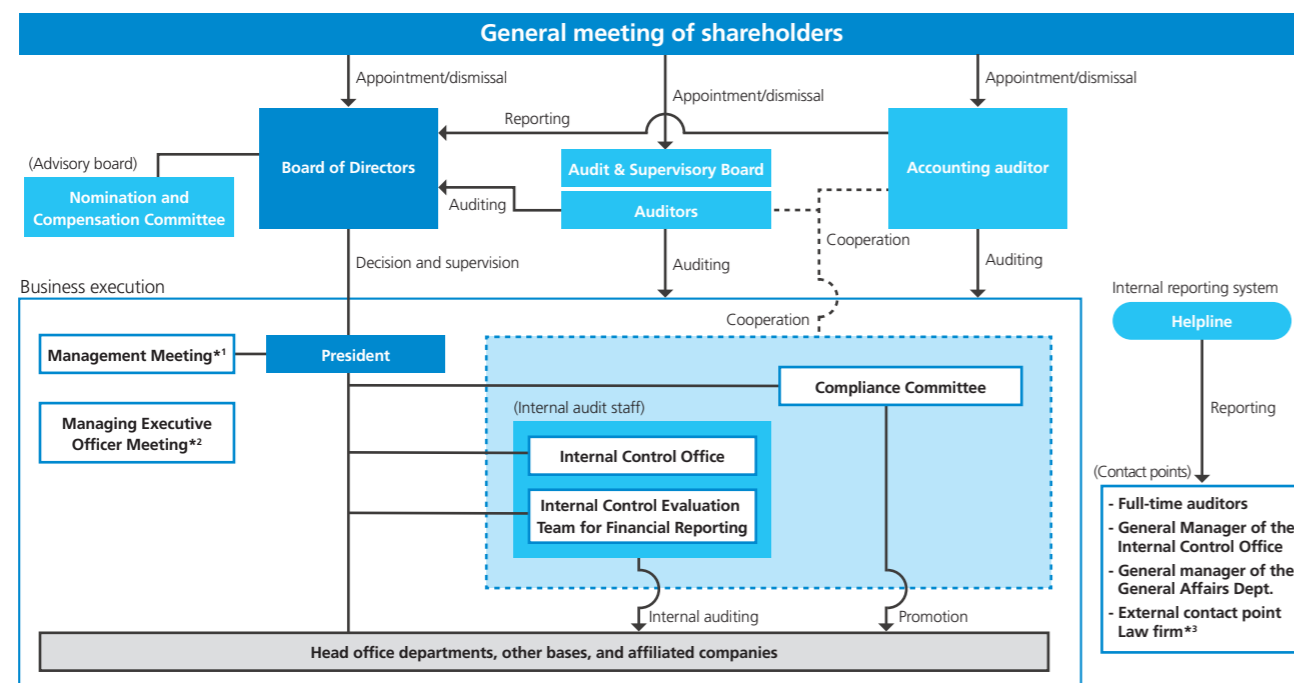
For our Board of Directors to wholly fulfill the management supervisory role and respond promptly to changes in the management environment, the number of directors is set at nine. Moreover, in order to ensure the transparency and objectivity of our business management by incorporating the viewpoints of third parties in decisions made by the Board, we have been appointing outside directors since June 2013, and presently have four outside directors.

Nippon Yakin Kogyo has introduced the executive officer

system to increase the efficiency and speed of business execution while clarifying the related responsibilities and roles. We presently have 14 executive officers.

Furthermore, as an optional advisory organization for the Board of Directors, we have the Nomination and Compensation Committee, which is chaired by the president and composed of four members who serve as outside directors of the Company. This committee deliberates the following issues in a fair and transparent manner and reports to the Board as appropriate: important issues related to the appointment and compensation of directors and officers including those related to the nomination of candidates for director and auditor positions; dismissal of directors; appointment and dismissal of executive officers; and compensation paid to directors and executive officers.

Nippon Yakin Kogyo also appoints auditors to ensure the appropriate auditing of the directors’ fulfillment of their duties. Presently, our Audit & Supervisory Board is composed of four members (two full-time auditors and two outside auditors). Auditors attend the important meetings such as the Board of Directors and check important final decisions to audit the execution of duties by the directors. We also have the Internal Control Office under the direct control of the president, which carries out internal audits on the execution of business by the entire Group.



\*1 Management Meeting: Held weekly in principle with the participation of the directors who also serve as executive officers, and full-time auditors.  
 \*2 Managing Executive Officer Meeting: Held with the participation of directors who also serve as executive officers. Members of the Audit & Supervisory Board examine the meeting materials and participate as necessary or receive explanations from the related departments.  
 \*3 LPC Hoshikawa Law Office

### The Board of Directors and the Audit & Supervisory Board

#### Evaluation of the Board of Directors’ effectiveness

We are conscious that ensuring the effectiveness of the corporate governance is essential for growing sustainably and increasing corporate value in the medium to long term. To this end, we have been evaluating the effectiveness of the Board of Directors since FY2017 by checking the results and progress of our corporate governance measures and identifying issues to be resolved in future.

For the evaluation, we send a questionnaire survey to each member of the Board of Directors and of the Audit & Supervisory Board, asking them to perform a self-evaluation by answering the questions. Then, under the leadership of outside directors, the answers are analyzed, evaluated and discussed by the Board of Directors.

In the evaluation for FY2023, the evaluators praised Nippon Yakin Kogyo for our initiatives to tackle ESG issues, such as our commencement of measures against climate change based on the TCFD and our issuing of Sustainability Report 2022 in September 2022. In terms of enhancement of deliberations by the Board of Directors, the evaluators praised Nippon Yakin Kogyo for actions such as our ongoing discussion and deliberation about the Medium-Term Management Plan 2024 (FY2024-FY2026) over multiple meetings of the Board of Directors. In consideration of the details of other answers, it was concluded that the effectiveness of the Board of Directors was well maintained.

In FY2024, we will establish procedures for the appointment of directors and Audit & Supervisory Board members and work to ensure fairness and transparency in these processes. We will also continue to implement measures to address ESG issues. We will also examine how to improve the Board of Directors’ effectiveness evaluation framework and the evaluation method.

**WEB** We have posted data on our effectiveness evaluation here (only in Japanese)

<https://www.nyk.co.jp/sustainability/governance/result.html>

#### Director compensation system

The compensation paid to our directors is composed of (1) basic salary; (2) stocks of the Company; and (3) bonuses for directors/officers. However, to ensure their independence from management as well as their objectivity, outside directors and Audit & Supervisory Board members are paid only a basic salary (1).

##### 1) Basic salary

The amount is set by job rank and is paid at a fixed amount in cash on a monthly basis.

##### 2) Medium- to long-term incentive (stocks of the Company)

Restricted stock units are distributed to directors excluding outside directors in the amount equivalent to 10% of their basic salary at a certain timing each year.

##### 3) Short-term incentive (bonuses for directors/officers)

A bonus is paid to directors according to their individual performance.

#### Decision process

**Total amount of basic salary and bonus paid:** The Board of Directors makes a resolution in reference to the report made by the Nomination and Compensation Committee, which is mainly composed of independent outside directors.

**Amount paid to each director:** Decided by the president, being commissioned by the Board of Directors and based on the deliberation report made by the Nomination and Compensation Committee.

**Total amount paid in the form of stocks:** Decided by the Board of Directors in reference to the deliberation report made by the Nomination and Compensation Committee.

**Specific amount paid to each director:** Decided by the president in the form of a certain ratio to their basic salary.

**Basic salary to be paid to individual auditors:** Decided by themselves in reference to the deliberation report made by the Nomination and Compensation Committee.

#### Total amount paid in compensation, etc. in FY2023

Category	No. of targeted persons (persons)	Total payment amount (millions of yen)	Total payment amount by category (millions of yen)		
			Basic salary	Performance-linked compensation (bonus)	Non-monetary compensation (restricted stock units)
Directors (outside directors)	11 (4)	295 (27)	149 (27)	134 (—)	12 (—)
Audit & Supervisory Board members (outside auditors)	4 (2)	38 (12)	38 (12)	— (—)	— (—)

#### Notes

- The total payment amount includes the payments made to two directors who resigned during the fiscal year.
- As performance-linked compensation, the Company pays a bonus to directors excluding outside directors. For the calculation of the amount to be paid, the consolidated operating profit is referred to as it is one of the targets listed in the medium-term management plan. In addition, the total amount of dividends paid to shareholders and others is taken into consideration in deciding whether or not to pay a bonus to directors and in determining the total payment amount. Our consolidated operating profit target for the fiscal year was 9 billion yen or more. The final figure was 29.256 billion yen.
- As non-monetary compensation, the Company distributes restricted stock units (RSUs) to directors excluding outside directors.

## Advancement of Corporate Foundation for Adaptation to the Social Environment

### Compliance

#### Our approach

We established the Compliance Committee to make sure that all directors, managers and employees are aware of corporate ethics and the importance of complying with laws and regulations. The Committee deliberates compliance-related policies and monitors compliance with the policies in cooperation with the related departments. We have also posted our declaration on compliance on our website to inform the public of our commitment to continuously enhancing our compliance awareness.

**WEB** <https://www.nyk.co.jp/en/sustainability/governance/compliance.html>

#### Internal control

We have established a code of conduct to show what is required of all of our directors, managers and employees to conduct our corporate activities appropriately and comply with laws, regulations and social norms both in Japan and abroad. Our Compliance Committee, headed by one of our full-time directors, has also established a system to prevent legal noncompliance and any acts that might lead to noncompliance.

**WEB** [We have posted data on our action guidelines and code of conduct here](https://www.nyk.co.jp/en/sustainability/governance/guidelines.html)

<https://www.nyk.co.jp/en/sustainability/governance/guidelines.html>

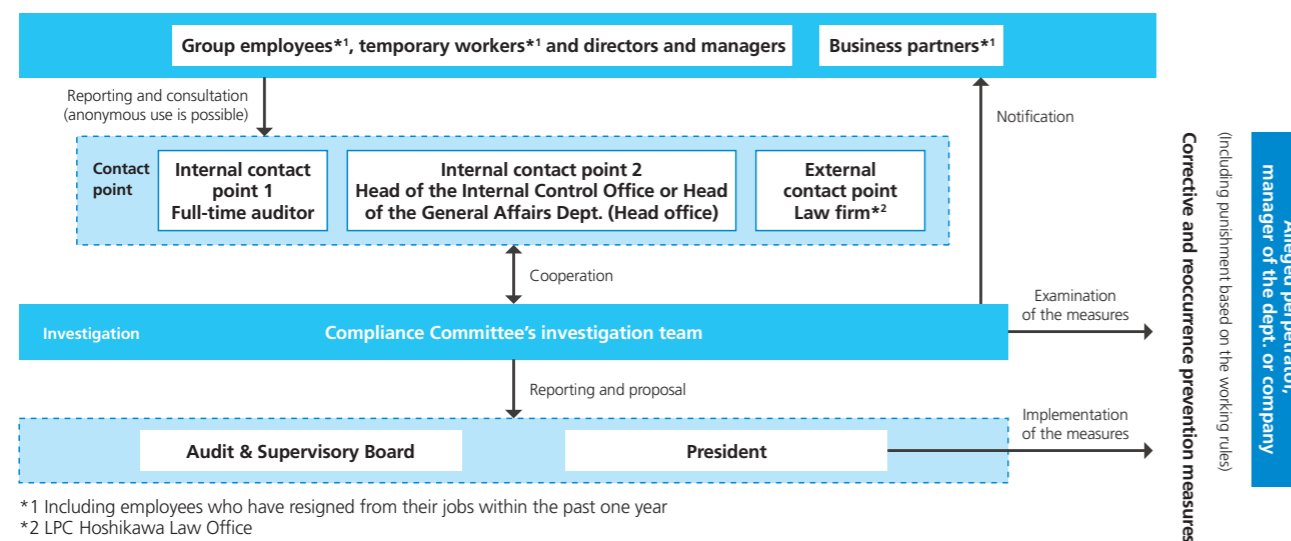
#### Compliance activities

Our Compliance Committee shares information about the compliance education plans throughout the fiscal year and how they are implemented as well as compliance-related cases and measures across the Group. The secretariat of the Committee supports the activities by providing information to committee members and employees through channels such as our intranet, giving them necessary warnings and helping them to increase their compliance awareness.

#### Internal reporting system (Helpline)

Nippon Yakin Kogyo Group has established Nippon Yakin Kogyo Group Helpline Rules for its internal reporting system. Employees at Group companies can seek advice from and make reports to the contact points set up by Nippon Yakin Kogyo if they detect any acts in our business practices that constitute or may constitute a violation of laws, regulations or the Company's code of conduct. Several employees make reports or seek advice each year, and to make the system function more effectively, we are continuously raising awareness of the importance of internal reporting and whistleblower protection through channels such as our in-house magazine.

#### Internal reporting system: Nippon Yakin Kogyo Group Helpline



### Risk management

#### Our approach

Nippon Yakin Kogyo Group defines risks as factors that could hinder Group companies from implementing their basic management policies (management philosophy, action guidelines and code of conduct) and management plans (business policies, medium-term management plans and budgets). We are working to ensure the corporate soundness and sustainability of the Group by accurately ascertaining risks to our business management, establishing a system to appropriately manage risks, and implementing that system in an effective manner.

#### Management system

With the above principles in mind, Nippon Yakin Kogyo Group has established Nippon Yakin Kogyo Group Risk Management Rules. Our president serves as the risk management supervisor, and a Risk Manager role is allocated to the director in charge of each division, chairpersons of the permanent committees, and the managers of relevant departments. Under their leadership, we implement the following risk management process: (1) Identify risks; (2) Analyze and evaluate the risks and decide on countermeasures; and (3) Formulate and carry out plans to implement the measures. Specific risk management activities are discussed at meetings such as Management Meetings and meetings of the Sustainability Strategy Promotion Committee, after which they are implemented in our everyday business activities. Permanent committees such as the Compliance, Environmental, Quality Assurance and Export Trade Control Committees also conduct activities to deal with particular risks. We also monitor each Group department to check their risk awareness and responses. Our findings are reviewed by the Internal Control Office and applied in Group-wide working group activities.

#### Emergency response system

We are working to minimize the risks posed to us through risk management. However, we are still subject to certain inherent and residual risks, and in the event that any such risks or other unexpected risks do materialize, we will implement our emergency response system as planned in preparation against such risks. We are thus appropriately managing risks by formulating a plan to collect and communicate information, launch an emergency response organization, and set emergency response measures.

#### Information security

Nippon Yakin Kogyo uses various sales and technical information it has retained, including information received from customers, to distinguish itself from competitors and remain a competitive edge. This information is a source of our corporate value and needs to be managed stringently while it is used.

We are also conscious of the need for appropriate management to protect personal information and prevent insider trading according to the relevant laws.

With background like this in mind, Nippon Yakin Kogyo has built systems and mechanisms to prevent incidents such as information leaks and cyber attacks and ensure information security, focusing on the following three points.

Firstly, we establish frameworks that enable the protection and appropriate management of information to be stipulated and effectively enforced as internal rules. Information security assessments are conducted to identify risks and establish and execute countermeasures. Regular briefings are also held to increase employees' awareness of the need for and importance of information security.

Secondly, to protect information systems such as our operational applications and email systems, and our data, from cyber attacks, we have created redundancy in protective mechanisms, such as our mechanisms for detecting and removing anomalies, to ensure protection against threats. Protective mechanisms with uniform specifications have been introduced throughout the Group.

Thirdly, the status of our information security management is shared with our managers, focusing on points such as the external environment, risks and countermeasures, and education and training, and company-wide consensus is sought for various measures so that they are implemented effectively.

#### Management of intellectual property

Nippon Yakin Kogyo has acquired around 140 patents in Japan to maintain the technological superiority in high-performance alloys, and we also have a range of patent rights outside Japan, including in China.

## Advancement of Corporate Foundation for Adaptation to the Social Environment

### List of Directors

#### Directors

##### Hisashi Kubota

President and Representative Director

Board of Directors meeting participation rate: 100% (15/15 times)



##### Shingo Kobayashi

Representative Director and Senior Managing Executive Officer

In charge of the Finance & Accounting, Human Resources and General Affairs Departments

Board of Directors meeting participation rate: 93% (14/15 times)



##### Shigemi Urata

Director and Senior Managing Executive Officer  
Executive General Manager of the Corporate Marketing Division

In charge of the Corporate Marketing Division (Sales Planning Dept., Material Solutions Sales Dept.), six branches engaging in sales activities, the Overseas Sales Department, and overseas subsidiaries

Board of Directors meeting participation rate: 100% (12/12 times)



##### Hiroshi Toyoda

Director and Managing Executive Officer  
General Manager of the Corporate Planning Department

In charge of the Corporate Planning, Investor Relations and Public Relations, and IT Systems Department

Board of Directors meeting participation rate: 100% (12/12 times)



##### Hisashi Yamada

Director and Managing Executive Officer  
Executive General Plant Manager of Kawasaki Plant

In charge of the Kawasaki Plant

Board of Directors meeting participation rate: 100% (12/12 times)



#### Outside directors

##### Takashi Michibayashi

Outside Director

Board of Directors meeting participation rate: 100% (15/15 times)



##### Kenji Tani

Outside Director

Daiki Aluminium Industry Co., Ltd.  
Outside Director

Board of Directors meeting participation rate: 100% (15/15 times)



##### Taizo Suga

Outside Director

Board of Directors meeting participation rate: 100% (15/15 times)



##### Naomi Eto

Outside Director

Morinaga & Co., Ltd.  
Outside Director  
The Nisshin Oillio Group, Ltd.  
Outside Director

Board of Directors meeting participation rate: 100% (12/12 times)



#### Audit & Supervisory Board Members

##### Yasuhiro Kiuchi

Audit & Supervisory Board Member  
(Full time)

Board of Directors meeting participation rate: 100% (15/15 times)  
Audit & Supervisory Board meeting participation rate: 100% (18/18 times)



##### Toshihiro Onodera

Audit & Supervisory Board Member  
(Full time)

Board of Directors meeting participation rate: - (Newly appointed)  
Audit & Supervisory Board meeting participation rate: - (Newly appointed)



##### Yasuji Kawabata

Outside Audit & Supervisory Board Member

Board of Directors meeting participation rate: 100% (15/15 times)  
Audit & Supervisory Board meeting participation rate: 100% (18/18 times)



##### Tetsuo Hoshiya

Outside Audit & Supervisory Board Member

Yakiniku Sakai Holdings Inc.  
Outside Director

Board of Directors meeting participation rate: 100% (15/15 times)  
Audit & Supervisory Board meeting participation rate: 100% (18/18 times)



### Skill matrix of Board of Directors

Nippon Yakin Kogyo categorizes the skills required of the directors into those for 1) corporate management; 2) sales (in and outside Japan) and marketing; 3) manufacturing,

equipment and R&D; 4) financial, accounting and personnel affairs; 5) global issues; and 6) IT and risk management. Our Board of Directors comprises members with the following skills.

Name	Role	Corporate management	Sales (Japan and overseas) / Marketing	Manufacturing / Equipment / R&D	Finance / Accounting / HR	Global issues	IT / Risk management
Hisashi Kubota	President and Representative Director	●	●		●		
Shingo Kobayashi	Representative Director and Senior Managing Executive Officer	●			●		●
Shigemi Urata	Director and Senior Managing Executive Officer	●	●			●	●
Hiroshi Toyoda	Director and Managing Executive Officer	●			●	●	●
Hisashi Yamada	Director and Managing Executive Officer	●		●			●
Takashi Michibayashi	Outside Director	●			●	●	
Kenji Tani	Outside Director	●	●			●	
Taizo Suga	Outside Director	●			●	●	
Naomi Eto	Outside Director	●			●		●
Yasuhiro Kiuchi	Audit & Supervisory Board Member (Full time)	●	●		●	●	●
Toshihiro Onodera	Audit & Supervisory Board Member (Full time)	●			●		●
Yasuji Kawabata	Outside Audit & Supervisory Board Member	●	●				
Tetsuo Hoshiya	Outside Audit & Supervisory Board Member	●			●	●	



Round-Table Discussion Between Outside Directors

We will provide an outside perspective to assist in strengthening governance with a view to new growth of Nippon Yakin Kogyo



**Kenji Tani**  
Outside Director

**Taizo Suga**  
Outside Director

**Naomi Eto**  
Outside Director

**Takashi Michibayashi**  
Outside Director

**Evaluation of the Board of Directors' effectiveness**

**Michibayashi:** When I was first appointed as an outside director in 2016, the Corporate Governance Code had just been established the previous year. In the six years since, our governance has been steadily improving, and I think the level it reached by the time of our latest effectiveness evaluation is almost completely satisfactory. A remaining issue is the process for appointing senior management. Sufficient discussion is needed about the current state of this process and how to solve the issues.

**Tani:** There's an active exchange of opinions at Board of Directors meetings, and there are sometimes blunt comments from the outside directors. I think we can be very pleased with the way the management always accepts that feedback in good faith and takes the

appropriate measures. There are also other venues for free discussion besides Board of Directors meetings, such as meetings with the directors in charge or with Audit & Supervisory Board members, and I think that both the quality and the quantity of information being input is excellent.

**Suga:** In my case, when there's something I want to know or something I'm concerned about, I ask not only directors but those on the ground as well, and everyone always gives me the information I need, despite how busy they are. From a governance perspective, the Board of Directors sufficiently performs all the necessary functions, and is managing the company effectively.

**Eto:** I was appointed in June 2022, and in the around two months since, I have meticulously toured the company, including production sites. It was clear to me that there is plenty of transparency in the company's

workplaces and everyone has a positive attitude. In terms of the effectiveness evaluation, like Mr. Tani, I can see that the directors are keen to thoroughly take in outside directors' feedback and actively improve the company.

**Involvement in establishment of the medium-term management plan**

**Michibayashi:** The foundation for Nippon Yakin Kogyo's growth was completed in 'Medium-Term Management Plan 2018'. The confidence gained then was reflected in 'Medium-Term Management Plan 2021', which led to solid results. In the 'Medium-Term Management Plan 2024', which was based on those results, the company is carrying out capital investment and research and development for the next stage of growth, and is working to strengthen and broaden the foundation of our

business. I think it's an excellent plan that everyone in the company will be able to work on together with confidence.

**Tani:** I think there was a high degree of transparency in the process for establishing the plan. First, the company announced the policy that would be followed in the establishment of the plan, a series of discussions were held with each department and interim reports were made to the Board of Directors each time. A considerable number of the quantitative targets in Medium-Term Management Plan 2021 were achieved early, but instead of becoming complacent, the company kept deliberating about what was needed from a qualitative perspective. Issues that remained are being properly addressed in the next plan. I think this in itself is deserving of high praise.

**Suga:** The six issues of materiality disclosed in the Sustainability Report are linked to company-wide policies to facilitate specific actions by each department. The whole organization is working together to resolve these issues and I think the mechanisms for carrying out PDCA cycles are effective.

**Eto:** My personal impression is that, based on the results up to the previous fiscal year, I felt that the company could have aimed a little higher in the new medium-term management plan, but I understand that the targets set in this plan reflect the company's resolve to generate profits regardless of market conditions. In future, to strengthen the Group's management and facilitate personnel training, I think the company needs to not only focus on numerical results but also strengthen the elements that are foundational to the company's management and follow up on that work.

**Toward our vision for 2030**

**Michibayashi:** The company's vision for 2030 was presented after a series of discussions, including discussions about quantitative targets. In terms of what specific measures will involve, I think this will be a matter for the next plan onwards, but I think it is important that this medium-term management plan indicated the waypoints that the company will aim for in the medium to long term, including critical management indexes such as the scale of net assets.

**Eto:** I asked for a medium-term management plan that would be clear to people outside the company too. When it comes to the need to reach a PBR of 1.0 in the prime market, it is important to explain our policies and initiatives for improvement in a way people outside the company can understand and give them a story they can understand. A concern I have is that we have only one base for producing stainless steels and high-performance alloys. This could become an issue when we consider future growth.

**Suga:** Improving productivity will be essential in order for the company to survive and develop. This might be an issue that needs to be worked on throughout the company, both head office and our plants, including utilizing tools like AI and digital technology. My other concern is about expansion. Collaborations with other companies could be another way to expand our business. In order to do that, it will also be important to secure and train personnel who will be able to take on challenges in new areas. I think the company needs to approach this with a combination of management strategies and human resources strategies: for example, it should establish a benefits and evaluation

system and assign clear missions in the company's operations.

**Tani:** With regards to the framework mentioned in the medium-term management plan, in which high-performance alloys will be expanded while stainless steels continue to provide an income base, establishing a specific framework encompassing both production and sales will also be an issue. Additionally, the company is currently working on a carbonless nickel smelting project. This is an extremely critical project as it is related to CO<sub>2</sub> reduction. I would like to see that completed ahead of schedule if possible. Another issue is the adoption of DX. I feel that the company is quite behind in this area. How will the company implement company-wide DX strategies that include production sites and management departments? Now that strategic investment in hard element has tailed off, I want to see strategic investment in soft elements. I plan to monitor and follow up on these points with an outside perspective.

**Michibayashi:** In terms of enhancing human capital, the company needs to make their personnel into human assets in the true sense of the word. I think this is important for a smaller steel producer manufacturer like Nippon Yakin Kogyo. The company has already focused on using self-improvement activities to develop personnel who think and act autonomously instead of just doing the work they are told to do. The company needs to incorporate those employees' opinions into their management more. In order to do this, I think it is important to get all of the company's employees to read our Sustainability Report and Integrated Report and be conscious of the fact that they are building the company's future.

## Financial Data

	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Profit &amp; Loss Statement and Balance Sheet (Consolidated)</b>					
Net sales (millions of yen)	143,740	136,373	112,482	148,925	<b>199,324</b>
Operating profit (millions of yen)	9,443	7,838	6,145	13,966	<b>29,256</b>
Operating profit margin (%)	6.57	5.75	5.46	9.38	<b>14.68</b>
Ordinary profit (millions of yen)	8,178	6,342	4,990	12,807	<b>27,738</b>
Profit attributable to owners of parent (millions of yen)	7,686	5,325	3,764	8,471	<b>19,703</b>
Net assets (millions of yen)	47,940	51,131	55,127	62,169	<b>79,619</b>
Total assets (millions of yen)	150,115	158,568	161,230	187,494	<b>222,294</b>
<b>Other financial data (Consolidated)</b>					
Cash flows from operating activities (millions of yen)	9,172	7,979	11,182	(697)	<b>3,649</b>
Cash flows from investment activities (millions of yen)	(6,207)	(5,511)	(6,776)	(15,656)	<b>(13,035)</b>
Cash flows from financing activities (millions of yen)	(2,417)	8,692	(7,995)	15,049	<b>8,530</b>
Capital investment (millions of yen)	4,854	5,028	12,083	12,636	<b>9,289</b>
Return on Equity (ROE) (%)	17.1	10.8	7.1	14.4	<b>27.8</b>
Earnings per share (EPS) (yen)	497.02	350.09	247.85	561.25	<b>1,316.79</b>
Dividend per share (DPS) (yen)	6.0	33.0	45.0	120.0	<b>200.0</b>
Book-value per share (BPS) (yen)	3,099.68	3,368.36	3,629.02	4,121.13	<b>5,324.80</b>

(Note) On October 1, 2019, we consolidated 10 stocks into one stock.  
We calculated the BPS and EPS based on the assumption that the stock consolidation was carried out at the beginning of FY2018.

## Third-Party CO<sub>2</sub> Guarantee



**Independent Assurance Statement**

July 27, 2023

Mr. Hisashi Kubota  
President and Representative Director  
Nippon Yakin Kogyo Co., Ltd.

**1. Purpose**  
We, Sustainability Accounting Co., Ltd., have been engaged by Nippon Yakin Kogyo Co., Ltd. ("the Company") to provide limited assurance on the Company's CO<sub>2</sub> emissions in FY2023 (April 1, 2022 - March 31, 2023), 231kt-CO<sub>2</sub> (Scope 1), 158kt-CO<sub>2</sub> (Scope 2) and Nippon Yakin Kogyo Group's CO<sub>2</sub> emissions in FY2023 (April 1, 2022 - March 31, 2023), 246 kt-CO<sub>2</sub> (Scope 1) and 177kt-CO<sub>2</sub> (Scope 2). The purpose of this process is to express our conclusion on whether the CO<sub>2</sub> emissions was calculated in accordance with the Company's standards. The Company's management is responsible for calculating the CO<sub>2</sub> emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

**2. Procedures Performed**  
We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and International Standard on Assurance Engagement 3410 (ISAE 3410). The key procedures we carried out include:

- Interviewing the Company's responsible personnel to understand the Company's standards and reviewing the Company's standards
- Performing cross-checks on a sample basis and performing recalculation to determine whether the CO<sub>2</sub> emissions were calculated in accordance with the Company's standards.

**3. Conclusion**  
Based on the procedures performed, nothing has come to our attention that causes us to believe that the CO<sub>2</sub> emissions have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.



Takashi Fukushima  
Representative Director  
Sustainability Accounting Co., Ltd.

## Use in External Evaluations and Indexes (As of September 2023)

