

## **Integrated Report 2024**



## 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.**
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### Company Logo

Our sourin (two interlocking rings) logo was designed in 1939. The two linked rings express that nothing in this world exist in isolation; everything is formed through relationships with others. The rings symbolize collaboration, coexistence and harmony with our colleagues, business partners, the natural environment and society as a whole. The spirit of our sourin logo will remain the foundation of our work to improve the Group's corporate value and contribute to the realization of a sustainable society.

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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 from 2023. In this report, we will outline our value chain, which expresses our unique characteristics and strengths, a reflection on the first year of our Medium-Term Management Plan 2024, 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 2023 to March 2024  
(FY2024, including some activities conducted before and after the period)

### Publication

December 2024

### 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.







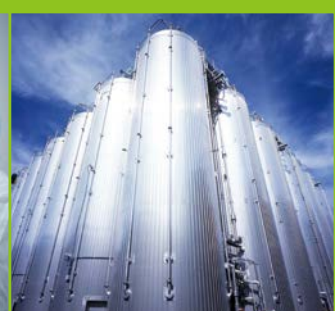
## About Nippon Yakin Kogyo

### Contributing to the creation of a more affluent and comfortable society by sharing the possibilities of stainless steel

Stainless steel is used in many different fields and purposes in society 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.

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.







## Stainless steels

Net sales: **77.1** billion yen

Sales volume: **130,700** tonnes

Stainless steel is an iron alloy that contains at least 10.5% chromium and has superior corrosion resistance. 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 and heat, its strength, its high formability and suitability for welding, and its beauty. Almost no degradation of quality occurs during its use, making it a popular choice as a recyclable material, and expansion of its usage is being discussed.

### Main uses

Eating utensils, kitchen equipment, building materials, pipes, home appliances, precision devices, transportation machinery, etc.

\*All figures are non-consolidated

Net sales for FY2024

**152.4**  
billion yen

## High-performance alloys

Net sales: **74.7** billion yen

Sales volume: **37,000** tonnes

The materials we refer to as high-performance alloys are steel or alloys that contain at least 20% nickel<sup>\*1</sup>. 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. High-performance alloys are used in harsher environments than stainless steel, corrosive or high-temperature environments, contributing to decarbonization and life cycle cost reduction.

### Main uses

Polycrystalline silicon manufacturing plants (solar power generation), flue gas desulfurization equipment, desalination plants, electronic devices, offshore structures, chemical and food processing plants, cooking appliances

<sup>\*1</sup> Materials that contain less than 20% nickel but still achieve superior performance are also classified as high-performance alloys.





## Message from the President



**Shigemi Urata**

President and  
Representative Director

# Contributing to the building of a sustainable society and realizing sustainable growth as a resilient company that is strong and agile

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## My focus in my management

My name is Shigemi Urata and I was appointed as President in June 2024. I joined the Company in 1984 and have spent much of my time here in our Sales Department, particularly sales for overseas exports.

In the early 2000s, I worked in the Corporate Planning Department. At that time, the Company's results had plummeted due to intensifying competition in the domestic and international markets. It was a nail-biting time: we knew that the Company could no longer survive by relying solely on standard, general-purpose stainless steel. I was involved in establishing a plan to rebuild the Company and proposed a bold sales strategy in which the Company would play to its strengths in high-performance alloys (high nickel alloys) and heavily promote these products. After that, I returned to the Sales Department where I was involved in promoting our high-performance alloys overseas. Seeing the recovery of our figures up close made an immense impression on me.

The reason why the Company's results improved to such an extent was because the Company decided on a unified policy and worked together to implement it. And I think the sense of purpose felt by the employees who were involved in that work was the reason for our success. This experience taught me that it is important for a company's activities to have a clearly defined direction, and after overcoming such difficult days, I want to apply what I have learned to my management in future.

At present, the fact that we have many different products in the high-performance alloys area is a strength of the Company, and has even strengthened our relationships with both domestic and overseas customers. Gaining customers' trust is the absolute most important factor in the sustainability of a business. The products we handle are materials that provide support in people's daily lives and can even contribute to the realization of a carbonless society. We need to make sure our customers properly understand that value. We also need to make sure our employees have a sense of confidence and pride in the fact that we are known by society for making good products. And it is also important to reward our shareholders. To create that positive cycle of value, we will continue to fulfill our responsibility to provide the products society needs in a timely manner and continue to earn our customers' trust.

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## Aiming to be a resilient company with diverse products and personnel

The conditions of this industry are changing dramatically, and there are many cases where our capabilities are not enough. But no matter how tough things are, we have shared our respective wisdom and done everything we can. As long as we remain in this business, we will need to be indomitably agile and tenacious enough to prevail amid difficulty. This is why we resolve to be a "resilient company". "What we aim to be in 2030" encompasses "Resilience", based on the importance of using the diversity of our materials, our products, and our personnel to our advantage in difficult environments, and "Sustainability", with a view to sustainable business operations.

Stainless steels and high-performance alloys have long lives due to their resistance to rust, and they are also easy to recycle. Both of these factors are advantageous when it comes to life cycle costs. At the same time, they are materials that contribute to reduction of environmental impact, so there are high hopes for these materials in the age of sustainability and the SDGs. Characteristics such as their corrosion resistance, heat resistance, and low thermal expansion are particularly needed in renewable energy and new energy fields such as hydrogen, and we can expect to see a significant expansion of the areas where our products are used. Provision of socially useful products in these ways are a priority for me, and as such, I want to increase the ratio of high-performance alloys in our net sales.

We believe that achieving carbon neutrality and expanding our production and sales of high-performance alloys are critical issues for the Company to work on. Investment in strategies to these ends is a major angle of our current Medium-Term Management Plan, and we have designated reorganizing our product portfolio to ensure diversity in our products as another important initiative. As I mentioned earlier, quickly changing tack to a strategy centering on high-performance alloys in response to an oversupply of stainless steel products enabled us to find a new road to growth in the past.

We must also consider that our current and future employees are the ones who will actually carry out our initiatives to achieve "What we aim to be in 2030". The diversity of our personnel is also a key theme in our human



## Message from the President

resources strategies. It is clear that diversity in our organizations and personnel is useful for coming up with ideas, creating technological innovations, and adapting flexibly to changes in our external environment.

The Company will continue to provide multifaceted support through measures such as implementing human resource development systems that respect personnel's individuality and enable them to develop their diverse capabilities based on a corporate culture that fosters active communication between diverse personnel. I want to create an environment where every employee feels a sense of pride and fulfillment in their work, which will increase motivation and engagement and lead to ongoing improvement of our corporate value.

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### Anticipation of changes in our external environment and a view to our future businesses

There are various changes in our environment that pose risks to the Company, including geopolitical risks such as the situation in Ukraine as well as increases in material prices and energy costs, the weakening of the yen, and chronic labor shortages. We are aiming to build a business structure that can withstand changes, but we are paying particularly close attention to the stagnation of the Chinese economy, the influx of imported stainless steel into the Japanese market, and environmental changes being made to realize a decarbonized society.

We can assume that the stagnation of the Chinese economy will have an immense impact on the Company since half of our exports of high-performance alloys are to China. No improvement in the Chinese economy is forecast at present, but we are not despairing, as there is still potential for opportunities such as ongoing demand in solar energy and the expansion of hydrogen energy. However, from a risk diversification perspective, I believe that there is an urgent need to gradually reduce our dependency on the Chinese market and fully advance into the Indian market, where we can expect to see growth in the environmental and energy fields. At present, our Singaporean subsidiary handles sales activities for the Indian market, but we are

preparing to establish a base in India in the first half of 2025 to strengthen our promotional framework. Obviously, since this is an overseas business, we will pay close attention to elements such as differences in business customs and taxation, and proceed with care.

In terms of the influx of imported stainless steel in the Japanese market, which is becoming a fixture, we need to act with increased concern, as this situation could jeopardize the Company's survival if it worsens. To maintain sound and fair trade, it goes without saying that it is ideal for companies to maintain mutually beneficial relationships with the countries where they are exporting their products to prevent excessive harm to those countries' local industries.

With regard to changes in industry structures and regulations with the aim of realizing a decarbonized society, the focus has been on changes caused to industry structures by the transition from gasoline-driven vehicles to EVs, but since the ratio of our stainless steel that is used for automobiles is by no means high, the impact of this transition will be limited. Meanwhile, our high-performance alloys are increasingly being adopted in solar power generation, geothermal power generation, and water electrolysis facilities for hydrogen energy. This is a major, growing business opportunity. We aim to develop new materials, build an efficient production framework, and capture demand in the Indian market. The need for green steel materials with limited CO<sub>2</sub> emissions is also growing globally, and like at many companies, discussions are underway to adopt these and expand our business for them.

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### Steadily realizing the core measures in our Medium-Term Management Plan

Despite these market trends, we were able to steadily execute various measures in the Medium-Term Management Plan 2024 in the previous fiscal year.

Basic Strategy 1 in the Plan was to expand sales of our high-performance alloys in growth fields such as environmental and decarbonization measures, as well as in target markets such as China and India. The stagnation of the Chinese economy resulted in a decrease in sales volume year-on-year, but the Indian market is growing. Our corrosion resistant alloys used in flue gas desulfurization equipment are seeing particular demand for the purpose of thermal power generation, and sales were strong throughout the year.

In the oil and gas fields, sales volumes for corrosion resistant alloys increased in the second half of FY2024 due to an uptick in demand due to increased energy demand. In the hydrogen field, sales volumes for pure nickel were strong due to demand for replacement of caustic soda production equipment in Japan. Sales volumes for sheath heater materials temporarily decreased due to ongoing impacts of inventory adjustments from the second half of FY2023, but gradual recovery has taken place from the second half of FY2024 due to recovery in demand in the USA.

With regard to our Basic Strategy 2 to improve our capabilities for sustainable procurement and strengthen our cost-competitiveness, we have increased our use of recycled





materials from “urban mines” (discarded batteries and catalytic materials) as part of our measures to diversify our raw materials and avoid procurement risks associated with the nickel ore used as a raw material. In FY2024, recycled materials reached a ratio of 58.7% of our materials. Recycled materials contain more nickel than nickel ore, reducing fuel usage per unit during smelting. This has enabled us to reduce energy costs and CO<sub>2</sub> emissions, which has also helped to strengthen our cost competitiveness. Additionally, we are contributing to a circular society, as materials that would otherwise have been disposed of are being recycled and used effectively.

An issue we are facing is that these materials are extremely difficult to handle: there are over 200 kinds of recycled items and they cannot be used as they are; they need to be treated before they can be used in our production processes. To address this issue, we are improving handling processes after receiving the items, such as analysis, as well as adjusting the composition to ensure consistent quality for the finished products, refining elements such as our technology for reclaiming nickel, and conducting ongoing prototype testing to increase our ratio of recycled materials.

With regard to our Basic Strategy 3 to utilize DX to improve operational efficiency and improve our organizational capabilities, we are steadily improving the efficiency of our operations, beginning with digitalization of analog data in our departments involved in site work. We are also working to rebuild operation management systems, including Group-wide systems. In future, we aim to standardize management platforms throughout the Group to further centralize our management functions. In future, we plan to increase our personnel to facilitate a faster transition to DX. We are currently formulating strategies and roadmaps with specialized external consultants evaluating our current situation and providing advice.

In FY2024, we fully migrated our operation management system to an open platform. This will make it easy to utilize advanced IT systems such as AI in future, and we also expect to see a dramatic decrease in the operating costs of our operation management system and costs involved in securing engineers to maintain it.

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## Promotion of human resource development initiatives

Increasing human capital is an issue of materiality for the Company. As Japan’s birthrate declines, the working population is decreasing more and more severely, and personnel shortages at manufacturing sites have become a major issue. Moreover, years of training is required in order to master the techniques in the processes used to manufacture our products. Developing operators and passing on the necessary skills requires sufficient personnel and time. To address this, the Company is improving the efficiency of tasks to shorten the time that is required and alleviate personnel shortages. Other measures include improving the working environment to facilitate long-term work. We are also actively utilizing DX to improve operational efficiency and investing in our facilities to reduce



workload and improve the efficiency of tasks.

With regard to promoting empowerment of women, there is no denying the fact that we are behind in areas such as advancement to management roles. We finally increased female production and technical managers at sites, but I believe that there is a need for further work to appoint diverse personnel based on individual aptitude and suitability, regardless of gender. I also feel that we need to improve acceptance at each workplace.

In order to strengthen the capabilities of our personnel, it is essential to provide a sense of fulfillment in their work and opportunities for them to see how much they have grown. Through measures such as establishing training systems (including support for self-study), appointing the most suitable personnel in each role regardless of seniority, and rewarding employees based on fair evaluations that they can accept, we will endeavor to improve employees’ satisfaction and motivation to contribute to the Company, so that we can build a win-win relationship between employees and the Company.

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## Message to our stakeholders

As the stainless steel industry is easily impacted by conditions in material markets, our results fluctuate significantly, and we have experienced countless difficult situations in the past. Words cannot express the depth of my respect and gratitude to my predecessors who have worked so hard to pass the baton and keep the Company in business to this day, and the many people who have lent us a hand.

I am conscious that a critical business issue we must tackle is building a resilient and sustainable business structure that will not be severely impacted by the economic situation surrounding it. In light of this, our 100-year anniversary in 2025 is not a finish line; it is merely a milestone. I believe that we need to think further ahead and grow over the 100, 200 years that follow.

When Hisashi Kubota, our previous President, was appointed, he said that he wanted to pass the baton adeptly to the next generation. I feel the same way now. I will dedicate myself to the development of the Company so that we can continue producing products based on the needs of our customers and markets and be a company where our employees will be proud to work. I humbly ask for the ongoing understanding and support of all of our stakeholders.

## History of Nippon Yakin Kogyo

# Throughout 100 years in business, we have continuously met needs and solved issues in the markets we serve in each new era.

From the time we were first established in 1925, we have continuously challenged ourselves to create new value, accurately assessing the endlessly changing needs of society and adapting our production framework and products to solve issues.

### 1925 onward: Founding period

#### Efforts to build a domestic stainless steel industry as Japan gains power

As the Japanese economy grew, the country became more powerful, and the need for domestic manufacturing of advanced technology arose, we succeeded in producing ferronickel\*<sup>1</sup> and stainless steel domestically. In doing so, we laid the foundation for a total system from raw materials to products.

#### Investment in facilities to meet needs

**1925** Company established.  
Originally named Chuo Rika Kogyo Co., Ltd.  
Manufactured and sold fire extinguishers.

**1928** Renamed Nippon Kako Co., Ltd.

**1934** Established Oheyama Nickel Mining Industry Co., Ltd. and started domestic production of ferronickel.  
Started construction of Kawasaki Alloy Works and entered 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 onward: Growth period

#### The building of a mass production system and an increase in quality control to meet growing and diversifying demand

As Japan entered a period of high economic growth and the national income grew, quality of life and sanitation improved. With these advances, society's need for stainless steel not only grew in terms of quantity; quality requirements diversified too. We adopted and developed world-leading technology to build the framework necessary to meet those needs.

**1950** First in Japan to successfully refine stainless steel using the oxygen steel-making process as mass production of stainless steel began.

**1962** Developed oxygen steel-making technology and began operating a 30-ton electric arc furnace. This was the first large electric arc furnace built by a specialized stainless steel manufacturer.

**1968** Started the operation of a 60-ton electric arc furnace. This increased our production capacity as demand grew further.

**1977** Started operation of an argon oxygen decarburization (AOD) furnace\*<sup>2</sup>. This expanded the range of stainless steel we could produce as usage of stainless steel diversified.



**1989** Started operation of the world's first combined CAP (referred to as 5AP internally), integrating the annealing and pickling line and the skin-pass and leveling line for the next process to improve production capacity and expand the range of stainless steel that could be handled in the downstream processes following the steel-making process. This dramatically shortened the lead time between the processes, greatly improving productivity.



\*1 An umbrella term for alloys of iron and nickel that are used as intermediate materials for iron and steel products.

\*2 A furnace to refine stainless steel by blowing oxygen and argon gas into molten steel.



## 1990 onward: Development period

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

With the rapid economic globalization that took place from the 1990s, Chinese producers of stainless steel flat products rose to prominence, expanding global production of stainless steel. From the 2000s, interest in sustainability grew. We continued adopting cutting-edge technology, increasing our competitive edge at an international level and expanding our product range to meet the needs of the new era.

- 1996** Started operation of a new hot rolling mill (referred to as NCH internally) capable of producing both coils and plates. This enabled us to diversify our stainless steel product range to include high-performance alloys and expand our production of high-performance alloys for sustainability purposes such as creating renewable energy.



- 2008** Upgraded metal refining facilities to a new AOD. Introduced world-leading metal refining technology and expanded variety of high-performance alloy products to meet sustainability needs that were becoming increasingly diverse and advanced.



- 2018** Established joint venture with Nanjing Iron & Steel Co., Ltd. in Nanjing, Jiangsu Province, China. This has supplemented our capacity to meet growing domestic demand in China and enabled us to meet needs for large sizes that cannot be met by Nippon Yakin Kogyo alone.

## 2020 onward: Looking to the next 100 years

## Balancing sustainability of society and the environment with improvement of corporate value

We aim to continue improving corporate value by introducing new technology with a view to societal changes and contributing to solutions to issues faced by customers.

- 2022** Upgraded electric arc furnace. This improves energy efficiency and contributes to decarbonization, as well as improving our working environment.



- 2024** Started full-scale operation of slitter lines at cold rolling shop. We plan to introduce a highly efficient cold rolling mill.



- 2025** We plan to build a new material evaluation and testing facility for hydrogen environments.

## Focus High-Performance Alloys We Have Developed

The economic globalization that has taken place since the 1990s has intensified competition in the market. Meanwhile, the popularization of investment in ESG since the 2000s has led to a focus on corporations' impact on society and the environment.

To meet increasingly advanced and diverse needs and strengthen our competitive edge amid these conditions, Nippon Yakin Kogyo has carried out a series of technology development, including development of proprietary grades of stainless steel, improvement of our existing stainless steel, and improvement and expansion of our production facilities.

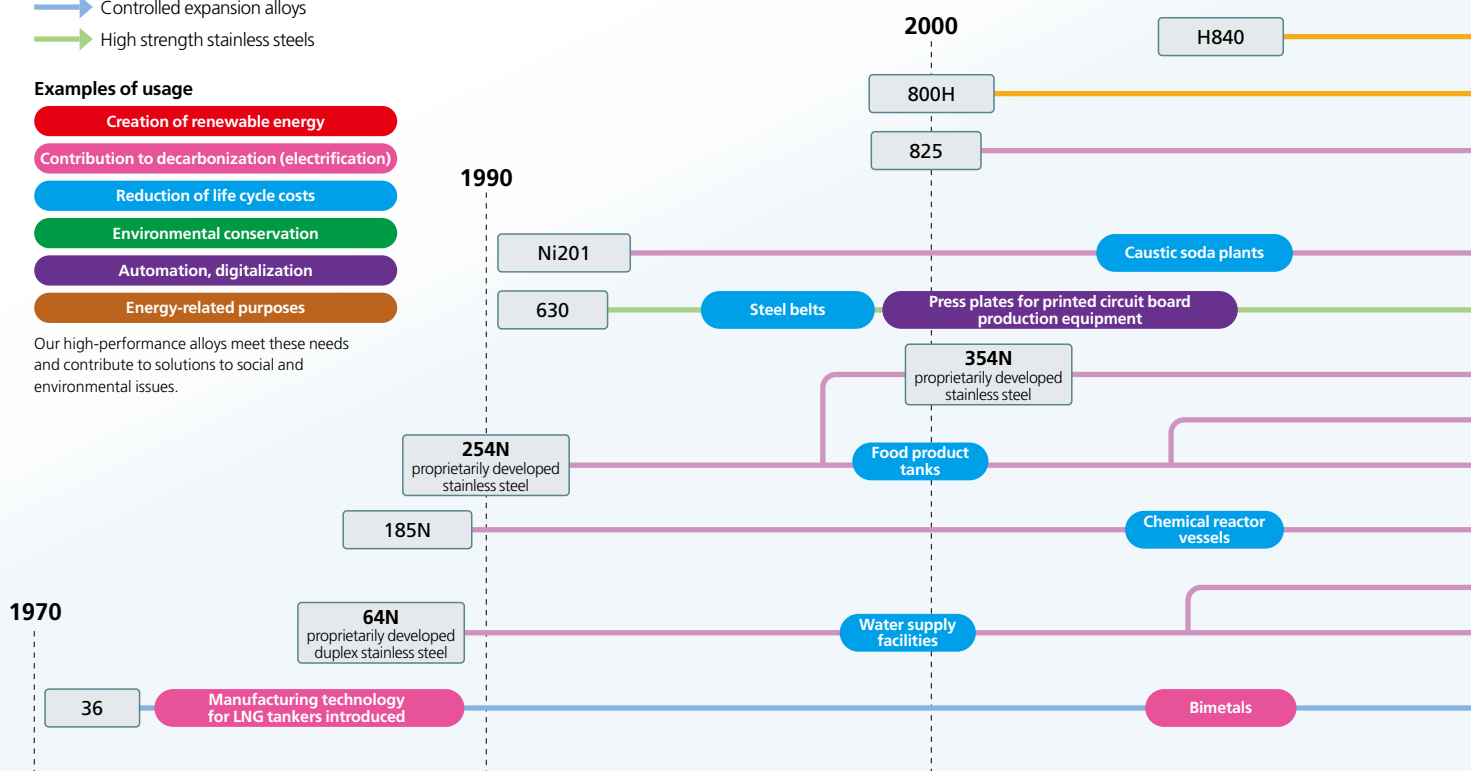
Names of major high-performance alloys  
(those in bold text were developed proprietary)

- Heat resistant alloys
- Corrosion resistant alloys
- Controlled expansion alloys
- High strength stainless steels

### Examples of usage

- Creation of renewable energy
- Contribution to decarbonization (electrification)
- Reduction of life cycle costs
- Environmental conservation
- Automation, digitalization
- Energy-related purposes

Our high-performance alloys meet these needs and contribute to solutions to social and environmental issues.



### Creation of renewable energy

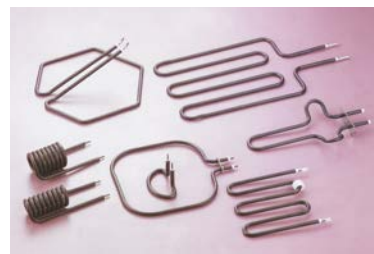
Our heat resistant alloys and corrosion resistant alloys are used in various settings where renewable energy is produced. For example, our heat resistant alloys are used in polycrystalline silicon manufacturing equipment for solar power generation equipment, and in recent years they are increasingly being used in hydrogen production plants that operate through water electrolysis, due to growing demand in hydrogen-related industries, which are set to grow further in future.



Polycrystalline silicon manufacturing equipment for solar power generation  
Supplied by Jiangsu Sunpower Heat Exchanger & Pressure Vessel Co., Ltd.

### Contribution to decarbonization (electrification)

Hot plates, ovens, and other home cooking appliances contain a sheath heater to provide heat and a thermostat to control the temperature. The electrical circuits also have circuit breakers as a safety feature. Our heat resistant alloys and controlled expansion alloys are used for these parts. We are contributing to decarbonization through the electrification of the heating method.



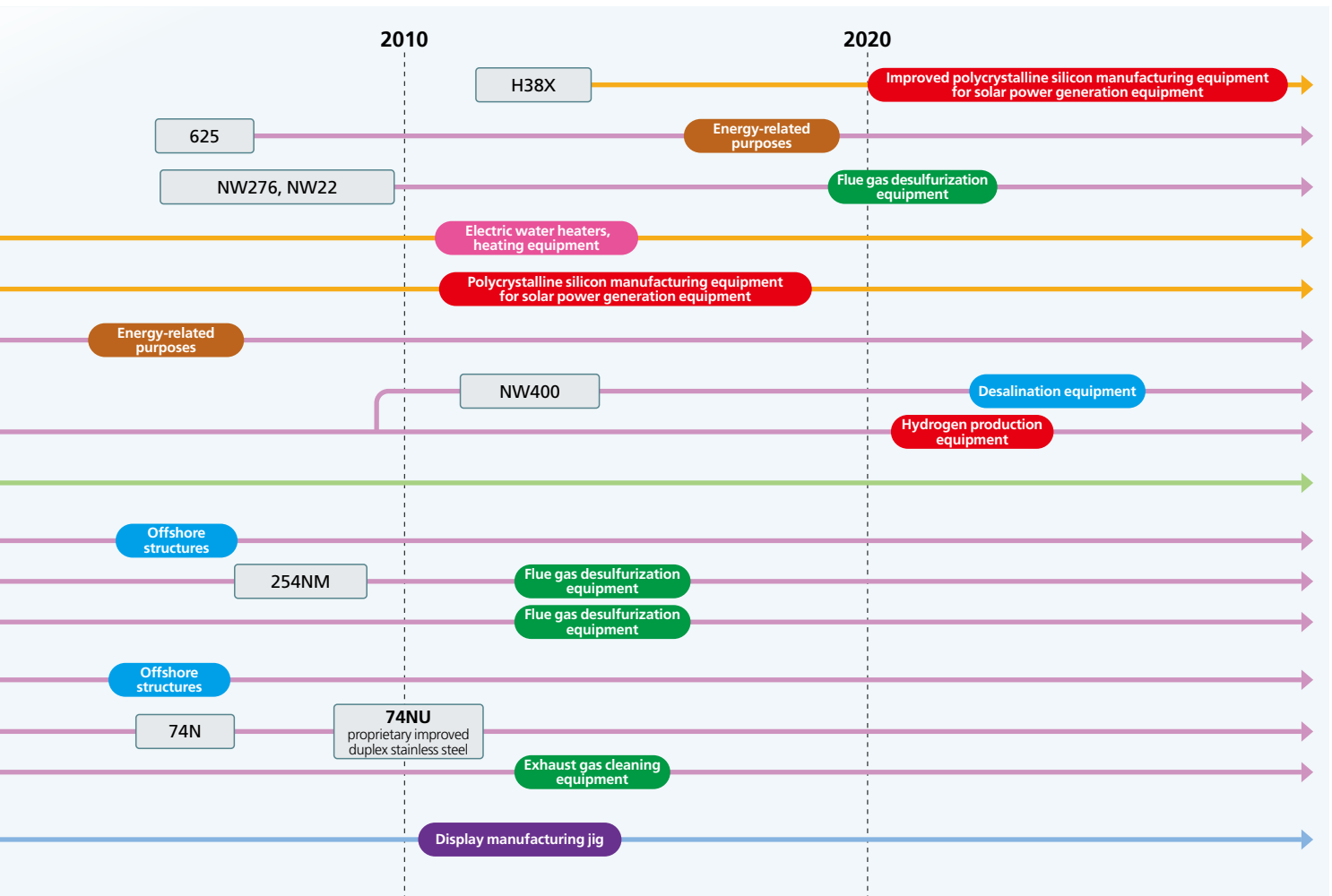
Sheath heater (heating equipment)



Electric oven



Through these initiatives, we have diversified the high-performance alloys we sell, which has seen a major increase in the range of purposes our products are used for. Our products are now contributing to solutions to social and environmental issues through their use to meet the following needs: (1) creation of renewable energy, (2) contributing to decarbonization (electrification), (3) reduction of life cycle costs, (4) environmental conservation, (5) automation and digitalization, and (6) energy-related purposes.



### Reduction of life cycle costs

Seawater is extremely corrosive, and even standard stainless steel has a short life cycle under these conditions. To lengthen the life of the runway bridge pier at Haneda Airport, a critical piece of social infrastructure, corrosion resistant alloys from Nippon Yakin Kogyo are used in place of stainless steel due to their superior corrosion resistance.



The sheath material of the bridge pier for runway D at Haneda Airport

### Environmental conservation

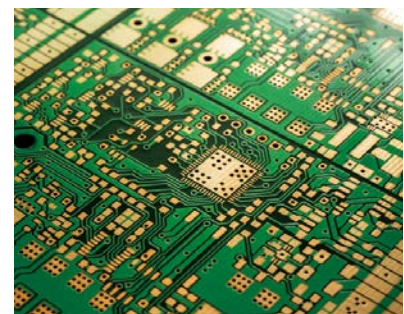
In coal fired power plants and ships powered by heavy oil, the smoke needs to be cleaned before it is released into the atmosphere. This smoke contains various chemicals, which cause severe corrosion during the cleaning process. Our corrosion resistant alloys are used in this cleaning equipment, contributing to environmental conservation.



Flue gas desulfurization equipment at a coal fired power plant

### Automation and digitalization

Digital devices contain various printed circuit boards. Our high strength stainless steels are used in press plates that are used in the production process of multilayered circuit boards. The high-pressure conditions in which these plates are used require a high level of strength and friction resistance. These products are contributing to the digitalization and automation of society.

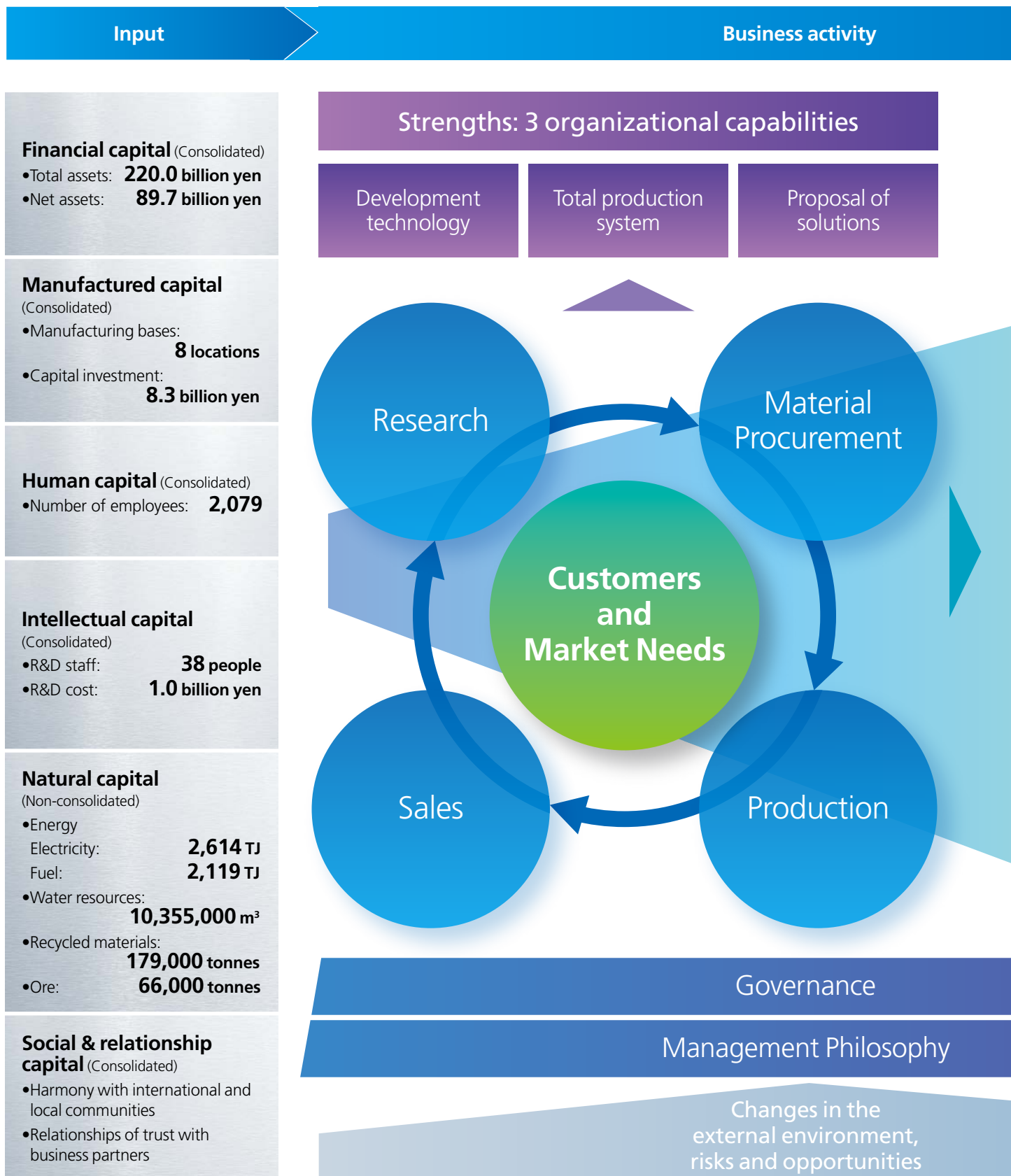


Printed circuit board

## Value Creation Model

**We utilize the strengths we have developed to increase our competitive edge in the market and contribute to the realization of a sustainable society.**

Throughout our value chain from research to sales, we utilize three organizational capabilities we have developed from the perspective of the needs of our customers and markets. In addition to implementing Medium-Term Management Plan 2024 with a view to achieving What We Aim to Be in 2030, we are working on six issues of materiality to create social and environmental value.





## Output

## Outcome

**Medium-Term  
Management Plan 2024**

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

**Balancing sustainability of society and the environment with sustainability as a company**

**Six issues of materiality**

- Provision of socially useful products
- Reduction of global environmental impact through business activities
- Achievement of safe and stable production
- Creation of workplaces where all employees can work with equality and satisfaction
- Establishment of sustainable partnerships
- Advancement of corporate foundation for adaptation to the social environment

Stainless steel is a material that is excellent in corrosion resistance, heat resistance and strength and is also 100% recyclable.

Nippon Yakin Kogyo manufactures and sells stainless steels as well as high-performance alloys that are superior to stainless steels.

**Stainless steels**

(non-consolidated)

- Sales volume: **130,700 tonnes**
- Net sales: **77.1 billion yen**

**High-performance alloys**

(Non-consolidated)

- Sales volume: **37,000 tonnes**
- Net sales: **74.7 billion yen**



Strips



Plates

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

**Value to create  
to achieve  
What We Aim  
to Be in 2030**

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

\*All figures are results for FY2024

## Nippon Yakin Kogyo's Value Chain

# Strengthening the three organizational capabilities we have developed through our unique value chain

Nippon Yakin Kogyo has met social and environmental needs throughout Japan's advanced economic development and the sustainability initiatives that have followed, building a unique value chain centering on the needs of our customers and markets.

### The building of our value chain over nine decades

Since we first entered the metal refining industry in 1934, we have built a total value chain through our business activities, encompassing research, procurement of materials, production, and sales. As we have sought to

provide value through each process, we have developed three organizational capabilities. These are the strengths we utilize as we work to solve issues faced by our customers throughout our value chain.



### Strengths in our value chain

Strength

1

**Technologies and manufacturing know-how accumulated over many years**



Strength

2

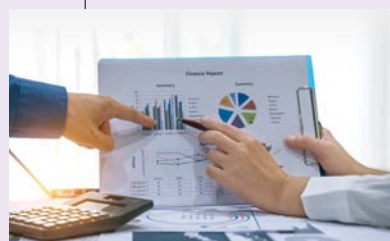
**A total manufacturing framework enabling production of a wide variety of products**



Strength

3

**Proposing solutions through communication**

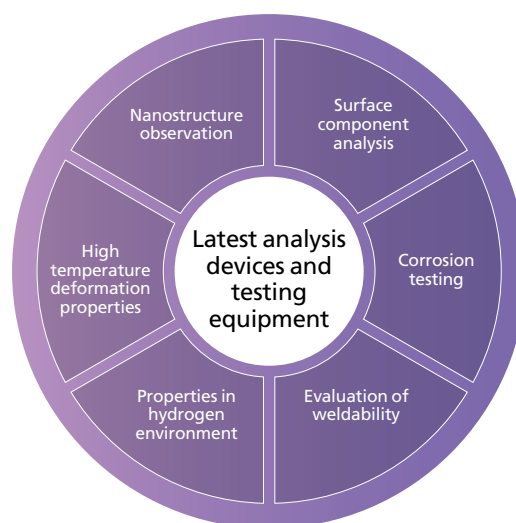
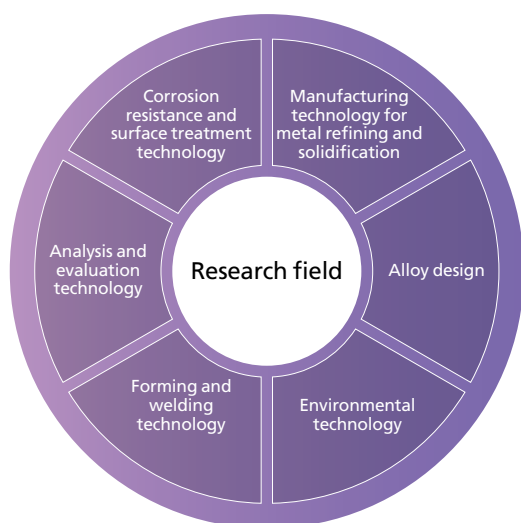




# Technologies and manufacturing know-how accumulated over many years

Nippon Yakin Kogyo has spent many years developing various technologies and accumulating manufacturing know-how to provide the optimal products to meet the needs of our markets. At our Technical Research Center, we work to develop stainless steels and high-performance alloys with the high degree of added value that is needed in a

sustainable era and to develop production technology, processing technology, and analysis and evaluation technology to aid in their production. We also use the latest analysis devices and testing equipment to record data so that we can build a highly reliable technical base.



## Globally acclaimed metal refinement technology

Metal refinement, where the components of an alloy are adjusted, is a vital area of stainless steel production. In 2002, we received the John Chipman Award from the Iron and Steel Society for our control technology for non-metallic inclusions distributed through an alloy according to the characteristics required for the alloy's final form. This technology is also used in the production of high-performance alloys, which require stringent quality control as they contain a particularly high quantity of alloys.



## Recording of data through long-term corrosion testing

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.

Offshore steel structures are exposed to extremely severe conditions, so large quantities of chromium, nickel, molybdenum and nitrogen are added to create super stainless steel when building structures like these. We conduct atmospheric exposure tests jointly with the Port and Airport Research Institute, and after 22 years of withstanding scorching sunlight, strong winds and rough waves, it has still not sustained any corrosion (as of 2024).



## Development of welding technology

Welding is essential for joining multiple materials in the construction of structures like buildings and steel pipes. In particular, the welded area needs to have at least the same strength and corrosion resistance as the base metal. We develop welding technology using test equipment capable of welding of the same quality as actual production facilities, and support our customers by providing advice on welding methods.



Strength

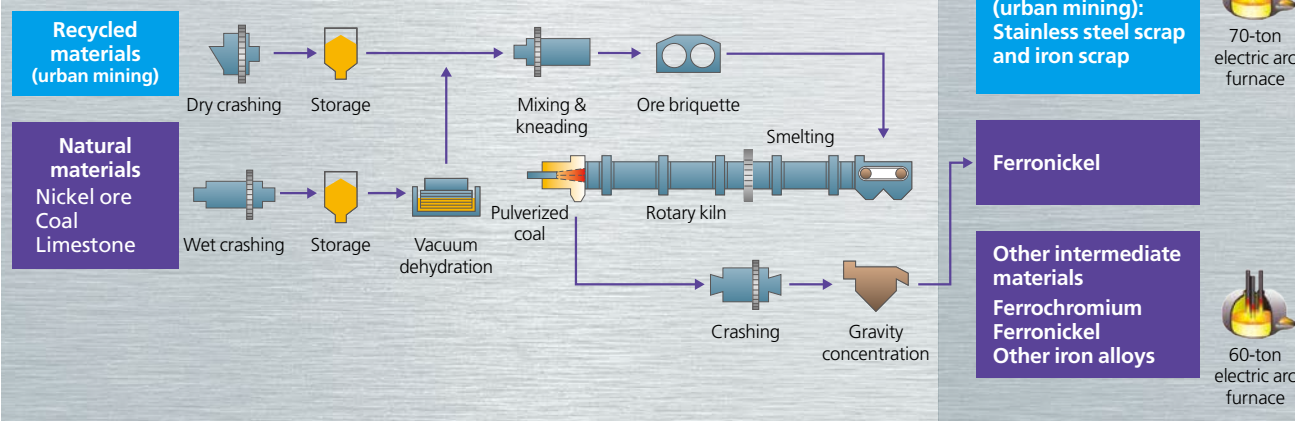
## 2 A total manufacturing framework enabling production of a wide variety of products

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 production and processing. We utilize our unique facilities and outstanding production technology to produce high-quality products.

### Ferronickel production process

At our Oheyama Plant, we produce ferronickel as the major raw material to produce stainless steels.

This plant handles a wide variety of materials, from nickel ore to recycled materials (urban mining) to support high-quality, sustainable stainless steel production. All of the ferronickel that are produced here are used at our Kawasaki Plant.



### Stainless steel and

#### Material process

We begin by pretreating materials to make it easier to extract the ferronickel.

#### Wide variety of materials handled

In addition to natural nickel ore, we are increasingly using materials recycled from urban mines. Both dry and wet treatment processes are used, enabling a wide variety of materials to be treated.



#### Smelting process

The materials are smelted using heat and reducing agents to separate out the ferronickel.

#### Smelting technology like no other in the world

Ferronickel is typically produced using an electric arc furnace as a kiln. Nippon Yakin Kogyo is the only producer in the world to employ a Krupp-Renn process that does not use an electric arc furnace, in post-processing.



#### Sorting process

Ferronickel and slag are sorted and collected from the smelted intermediate products.

#### Proprietary crashing and sorting processes

We have built proprietary crashing and sorting processes to efficiently sort the ferronickel and slag from the intermediate products.



#### Melting and refining process

The materials are melted and refined to remove impurities and adjust the components of the alloy.

#### Optimal combinations of components to achieve corrosion-proof and heat-proof performance

The components of our alloys are stringently controlled according to the quality that is required for the final product, achieving a variety of characteristics that can solve social and environmental issues.

#### Wide range of materials used

Like our Oheyama Plant, this plant uses recycled materials from urban mines.





We have proprietary technology.



We have processes that guarantee quality products.



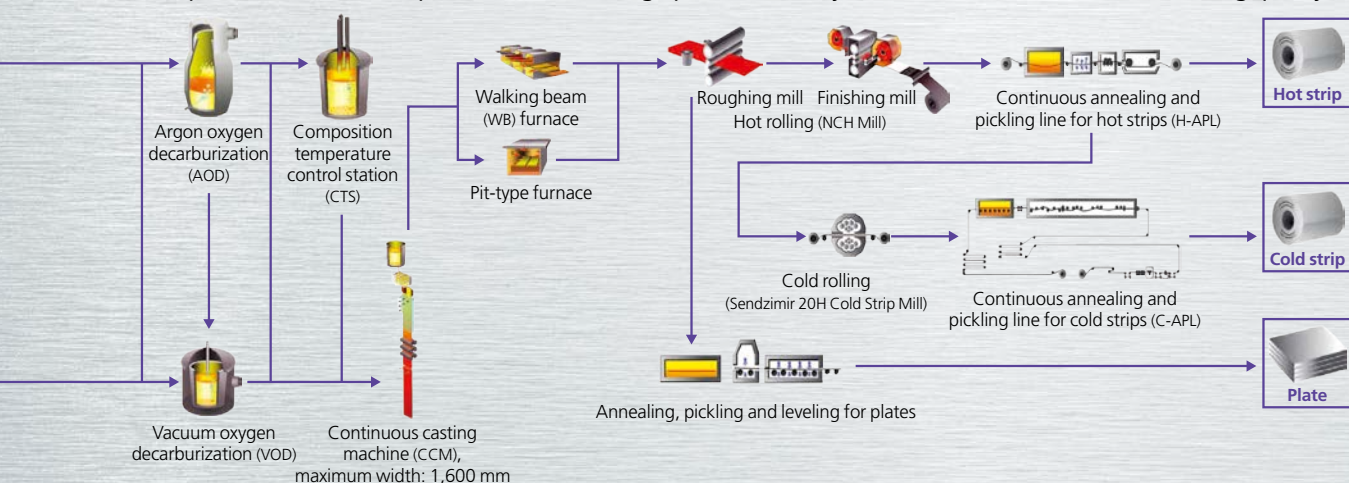
We are cost-competitive.



We contribute to a recycling-oriented society.

## high-performance alloy plate & strip production process

Our Kawasaki Plant primarily uses recycled materials such as stainless steel scrap and iron scrap, along with the ferronickel produced at our Oheyama Plant, to produce our stainless steels and high-performance alloys. All four of our broad categories of stainless steel production processes are performed at the same site, allowing easy cooperation between the processes and enabling optimal efficiency and cost balance as well as outstanding quality.



### Continuous casting process

The molten steel is continuously cast after being refined.

#### Wide range of products produced by continuous casting

We produce a wide range of products using continuous casting, from stainless steels to high-performance alloys. Our seven-story high vertical continuous casting machine is the ideal equipment for high-performance alloys.

### Hot rolling process

Cast intermediate products are heated and rolled out thin.

#### Multifunction rolling equipment

We have two furnaces and two types of rolling mills. Both coils and thick plates are produced as intermediate products and formed into a variety of shapes for the final products.

### Cold rolling process/annealing and pickling process

The products are rolled out even thinner at room temperature and then heat treated. The surface is then washed with acid.

#### Variety of shapes and surface characteristics to meet customers' needs

Final adjustments are made to create a shape and surface characteristics that are suited to the environment where the customer will use the product, enabling us to flexibly meet a wide variety of needs.





## Proposing solutions 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.

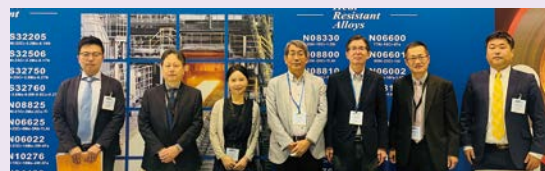
To ensure that each product fully meets its performance capabilities, we provide advice in various areas including welding and forming processes for the customer's construction process.

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.

## Example 1 Communicating through appearances at overseas exhibitions

We aim to expand sales of our high-performance alloys both inside and outside Japan. Since 2004, we have opened booths at international exhibitions in regions such as the USA and Europe to increase recognition of the Company overseas, promote our high-performance and high-value alloys, attract new customers, and engage in business talks and exchange with our existing customers. While we canceled our appearances in 2020 and 2021 due to COVID-19, we brought back our booths from 2022. In 2023, we attended two trade fairs: Stainless Steel World Conference & Expo 2023 (Maastricht, Netherlands) and Heat Exchanger World Americas Conference & Expo 2023 (Houston, USA).

The Stainless Steel World Conference & Expo is an international exhibition for manufacturers of materials such as stainless steel, nickel alloy and titanium, as well as pipe manufacturers and wholesale dealers. It is known to be one of the largest exhibition for these industries. Last year was the largest yet, with around 300 companies opening booths and over 8,000 attendees.



Activities at our booth at Stainless Steel World Conference & Expo 2023

Heat Exchanger World is a exhibition for industries involved with heat exchangers, primarily in North and Central America. Attendees and participants include heat exchanger manufacturers and manufacturers of parts such as fabs and tubes. This exhibition covers limited industries and regions. 60 companies set up booths and around 1,500 people attended.

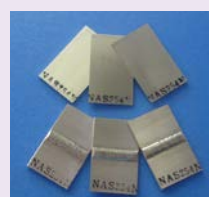
At both exhibitions, we communicated face to face with our customers to introduce and explain high-performance alloys that met their respective needs, as well as engaging in technical consultations and development discussions before providing optimal solutions.

## Example 2 Communicating by providing samples

To solve issues faced by our customers, our Material Solutions Sales Department proposes products by utilizing our database and technical knowledge. These are decided based on data from sources such as our laboratory or atmospheric exposure testing, along with our extensive experience and knowledge, but in some cases it is useful to use a sample to gather additional data before making a proposal.

This is because each customer will be using our products in a different environment, and in many cases our databases and current knowledge do not cover the conditions at hand. Simulating the usage environment in our laboratory or conducting atmospheric exposure testing in the actual environment enables us to make more suitable proposals.

We have built a framework to prepare standard samples of representative products, consult with the customer, and then promptly evaluate and test the potential options the customer has chosen. We also



Standard samples  
(representative size:  
2 mm x 30 mm x 50 mm)

A sample of  
POLKA PLATE



provide samples in non-standard sizes if the customer requests them.

In addition to using samples for testing and evaluation, we provide samples of products such as POLKA PLATE so that customers can see and touch actual product samples, giving them a more concrete image.

## Trends in the Stainless Steel Industry

Stainless steel is classified as a high-quality steel material, and usage reportedly increases as consumer income rises. In recent years, citizens' income has risen in "middle-income" countries such as China, the ASEAN nations, and India, which has seen an increase in global usage of stainless steel.

The Japanese iron and steel industry has been restructuring since 2003. The stainless steel industry, like the rest of the iron and steel industry, has seen a decline in demand and a decrease in the number of players, together with moves such as concentration of facilities that have reduced supply capabilities.

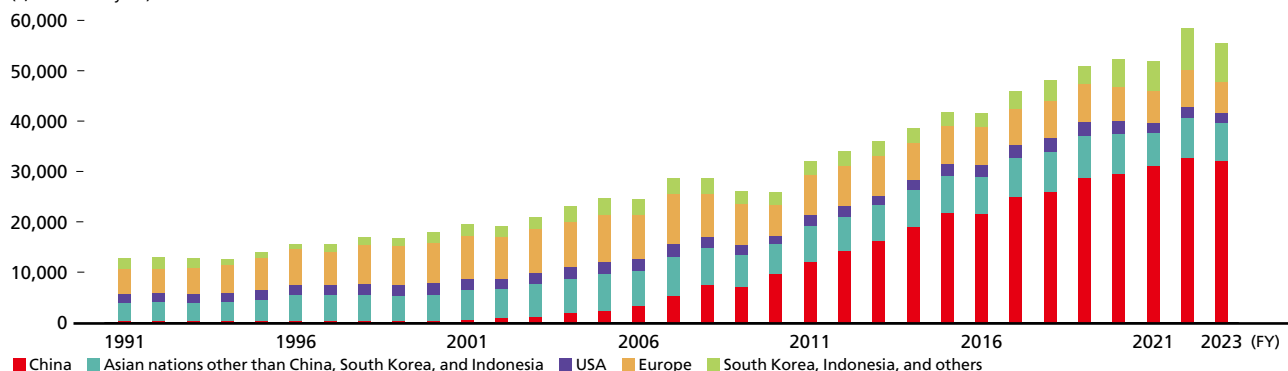
### Global trends

China's stainless steel production volume has increased significantly since the early 2000s, and in 2022 its global share was around 58%. Global production has seen an

upturn and significant growth has taken place, but most of the expansion of production volume has been in China.

#### Stainless steel production volume in major countries

(1,000 tonnes/year)



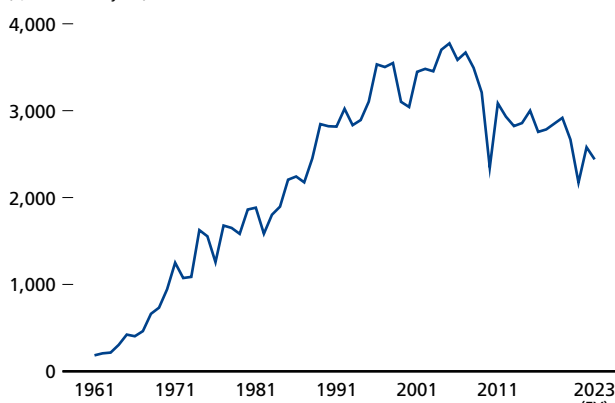
### Trends in Japan

#### Japan's stainless steel production volume

Japan's stainless steel production volume was the greatest in the world until 2005, but after being unseated by China in 2006, Japan's industry has been restructured and concentration of facilities has taken place as companies have shifted to high-performance alloy products as we have. Stainless steel supply capabilities have declined, and production volumes are decreasing too.

#### Japan's stainless steel production volume

(1,000 tonnes/year)

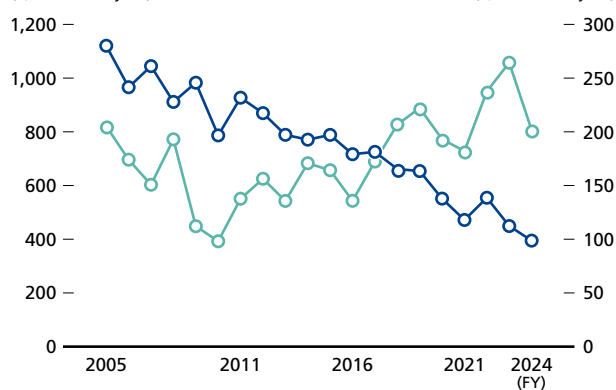


#### Current state of imports and exports of stainless steel flat products in Japan

The quantity of stainless steel flat products exported overseas from Japan has decreased to around 60% in the last 20 years. Meanwhile, we are aware that there has been an upturn in the quantity of stainless steel flat products imported from outside Japan, and the share of overseas-made stainless steel flat products in the Japanese market is gradually increasing.

#### Current state of imports and exports of stainless steel flat products

(1,000 tonnes/year)





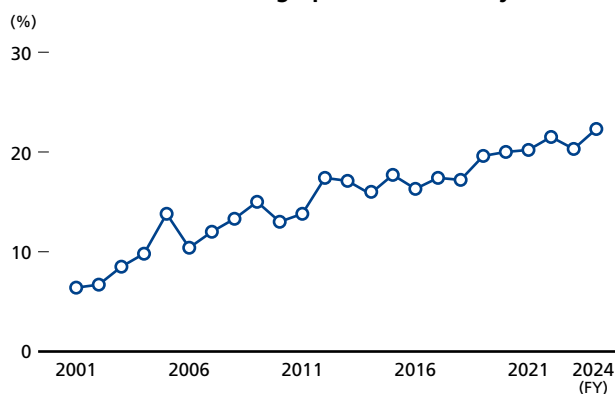
## Trends at Nippon Yakin Kogyo

In response to changes in conditions in the world's stainless steel industry and a growing need for sustainability, Nippon Yakin Kogyo has changed its product portfolio, with stainless steels and high-performance alloys as its two pillars. As a result, the ratio of our sales volume and sales

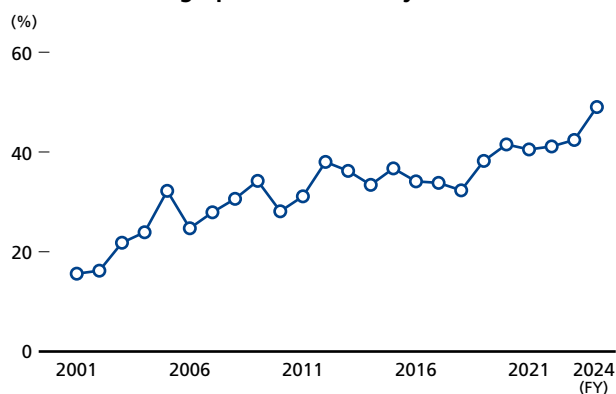
accounted for by our high-performance alloys has been increasing since 2000.

For details on the Company's trends, see "History of Nippon Yakin Kogyo" [▶ P.9-10](#) and "High-performance Alloys We Have Developed" [▶ P.11-12](#).

### Sales volume ratio for high-performance alloys



### Sales ratio of high-performance alloys

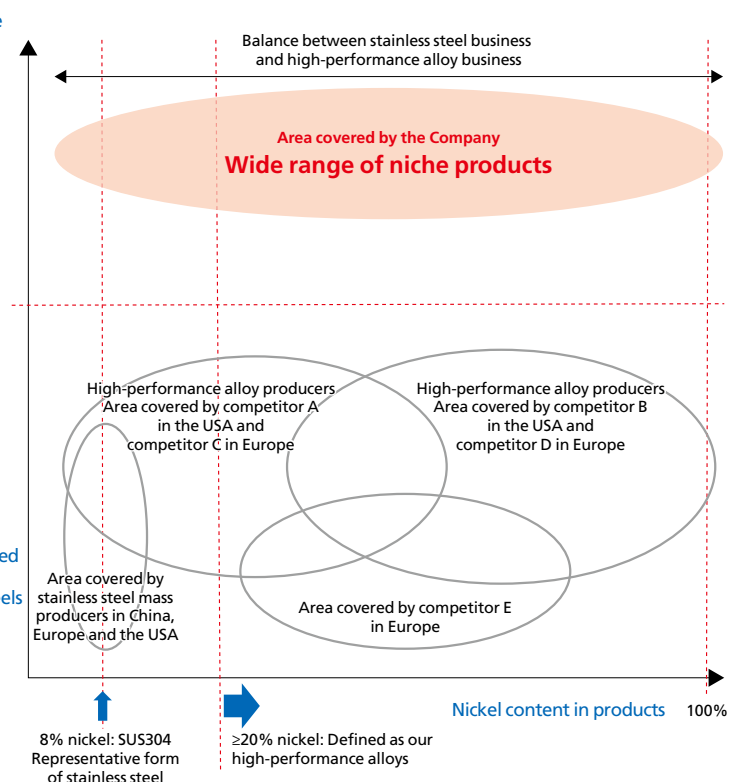


## Focus Nippon Yakin Kogyo's unique position

As a result of our adaptation of our business model in response to industry trends, we have positioned ourselves at a distance from the difficult conditions of the stainless steel market. In addition, one of the strategies of Medium-Term Management Plan 2024 is to diversify our product range to decentralize risks. We aim to create a unique position for ourselves by balancing our versatile stainless steel business with our high-end high-performance alloy business, so that we can compress the waves of demand and stabilize our sales.

Wide range of products with small production volumes

Concentrated range of stainless steels with large production volumes



# Overview of Medium-Term Management Plan 2024

The Company started Medium-Term Management Plan 2024 (April 1, 2023 - March 31, 2026) in light of changes in conditions in the industry.

## Nippon Yakin Kogyo's Strategies for Growth Markets

As market conditions for stainless steel are difficult, Medium-Term Management Plan 2024 positions the growing high-performance alloy market as a second pillar of our business, with a balanced plan aimed at the growth of both our stainless steel business and our high-performance alloy

business. Growth for high-performance alloys is expected in the GX market, which is expanding as decarbonization takes place globally and the world becomes increasingly conscious of sustainability.

Growth markets	Products							
	Stainless steels	High-performance alloys						
		Heat resistant alloys	Corrosion resistant alloys	Corrosion resistant pure nickel	Controlled expansion alloys	High strength stainless steels	Non-magnetic alloys	Free-machining stainless steels
(1) Renewable energy Solar, hydrogen, geothermal power	●	●	●	●				
(2) Decarbonization: electrification of fuel energy		●			●			
(3) Reduction of life cycle costs	●	●	●					
(4) Environmental conservation		●	●					
(5) Automation and digitalization					●	●	●	●

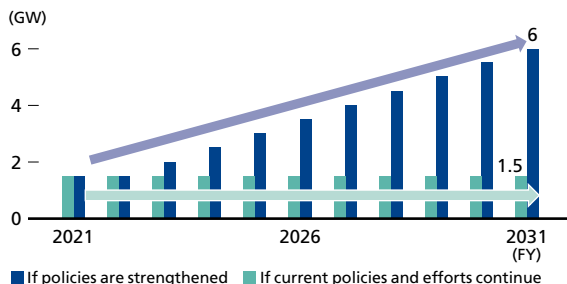
## Focus Trends in growth markets

### Trend 1: Increased demand for solar power

The forecast for solar power demand by 2030 is that this form of energy will be increasingly adopted from 2020.

**WEB** Online source: Ministry of Economy, Trade and Industry, October 2021 (Japanese Only)  
<https://www.meti.go.jp/press/2021/10/20211022005/20211022005-3.pdf>

#### Certified volume/adoption rate of solar power by fiscal year and forecast for the future



### Trend 2: Advances in Green Transformation (GX)

In the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 established by the Japanese government, the hydrogen industry is named as a growth field. The Japanese government amended its

Basic Hydrogen Strategy in 2023, indicating that relevant ministries and agencies must work together to increase usage of hydrogen by 10 times from two million tonnes at present to 20 million tonnes by 2050.

The target for introduction of water electrolysis equipment by Japanese-affiliated companies inside and outside Japan is around 15 GW by 2030. This is a form of technology where our corrosion resistant pure nickel is expected to be used, so major growth is forecast for the future. When renewable energy is used to power the water electrolysis equipment, the hydrogen that is produced is called "green hydrogen". This is a key focus, as it is considered the optimal energy for the environment.

**WEB** Reference online: The Domestic and International Conditions Surrounding Hydrogen and the Current State of Hydrogen Policy, Ministry of Economy, Trade and Industry, August 23, 2023 (Japanese Only)  
[https://www.meti.go.jp/shingikai/sankoshin/green\\_innovation/energy\\_structure/pdf/017\\_04\\_00.pdf](https://www.meti.go.jp/shingikai/sankoshin/green_innovation/energy_structure/pdf/017_04_00.pdf)

**In light of this, we will work to capture growth markets for both stainless steels and high-performance alloys in order to drive growth of the Company.**

## Progress on Medium-Term Management Plan 2024

In Medium-Term Management Plan 2024, we have established the measures we will commence and execute in the three years from FY2024 to achieve sustainable growth

beyond our 100-year anniversary in 2025, with the tagline "100th year message for the future".

### Medium-Term Management Plan 2024

#### 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

#### Basic strategies

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

	Results in FY2024	Target for FY2026
Sales ratio of high-performance alloys (non-consolidated)	49%	50%
EBITDA	25.4 billion yen	20.0 billion yen or more
ROE	16.0%	10.0%
Total return ratio	35%	35%
CO <sub>2</sub> reduction (compared to FY2014; non-consolidated)	60%	46% or more
Strategic investments* <sup>1</sup>	1.7 billion yen	11.5 billion yen
Strengthening of corporate foundation* <sup>1</sup>	1.3 billion yen	5.5 billion yen
Upgrade investments* <sup>1</sup>	2.9 billion yen	9 billion yen
Investment in Group companies* <sup>1</sup>	0.9 billion yen	5 billion yen

\*1 Based on decisions

### 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

#### 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



# Progress on Medium-Term Management Plan 2024

Under Medium-Term Management Plan 2024, we are steadily working on various measures based on our three basic strategies with the aim of further increasing our corporate value.

## Basic strategies and measures

Basic strategies	Key measures	Initiatives
<b>1</b> <b>Seek to meet the needs of increasingly advanced markets by developing and supplying industrial materials that create new value</b> <ul style="list-style-type: none"> <li>■ We aim to supply high-performance alloys to growth fields and areas</li> <li>■ 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</li> </ul>	<b>(1) Expansion of product lineup</b>	<ul style="list-style-type: none"> <li>■ Build a new material evaluation and testing facility for hydrogen environments →Working on development of materials that can be used in hydrogen environments</li> <li>■ Expand the product lineup through the joint venture in China →Expand rolling range and steel grades of existing high-performance alloys to remain competitive in the Chinese market →Considering selling large-width high-performance alloys in India</li> <li>■ 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</li> <li>■ Development of new alloys→for energy, home appliance, semiconductor, chemical industries, etc.</li> </ul>
	<b>(2) Strengthen customer base and improve revenue streams</b>	<ul style="list-style-type: none"> <li>■ Integrate production and sales operations to share customer QCD issues and resolve them more quickly</li> <li>■ Expand sales of cold rolled strips and sheets to distinguish our materials from imports and grow our domain of differentiation</li> </ul>
<b>2</b> <b>Build an efficient production framework to increase our technical advantage and adapt to changes in our market environment</b> <ul style="list-style-type: none"> <li>■ Work to build an efficient production system that ensures safety and steady supplies</li> <li>■ 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</li> </ul>	<b>(1) Establish a framework to increase production of high-performance alloys and achieve even more superior technology, and pursue greater productivity</b>	<b>Improvement of operations</b> <ul style="list-style-type: none"> <li>● Improve capability of steel production processes at Kawasaki Plant</li> <li>◆ Improve operations of the new electric arc furnace ("E furnace")</li> <li>◆ Initiatives to ensure more consistent quality</li> </ul> <b>Capital investment</b> <ul style="list-style-type: none"> <li>● Introduce high-precision, high-performance slitter line</li> <li>● Introduce cold rolling mill to alleviate load on difficult-to-process cold rolled strips</li> <li>◆ Perform facility upgrades necessary for production of high-performance alloy plates</li> <li>◆ Upgrade aging facilities</li> </ul> <b>Technology development</b> <ul style="list-style-type: none"> <li>● Improve stability and efficiency of production process technology and develop technology that will become future revenue bases</li> </ul> <p style="text-align: right;">● : High-performance alloys ◆ : Stainless steels</p>
	<b>(2) Initiatives for carbon neutrality</b>	<b>Oheyama Plant</b> <ul style="list-style-type: none"> <li>■ Expand use of recycled materials</li> <li>■ Transition from coal to LNG and renewable fuels as energy sources</li> </ul> <b>Kawasaki Plant</b> <ul style="list-style-type: none"> <li>■ Maximally utilize capabilities of new electric arc furnace ("E furnace") to improve electricity efficiency and process yield</li> <li>■ Invest in energy conservation</li> <li>■ Fuel transitions</li> </ul>
	<b>(3) Respond flexibly to diversification and changes in raw materials to improve sustainable procurement capabilities and maximize cost-competitiveness of raw materials</b>	<ul style="list-style-type: none"> <li>■ Improve usage rate of recycled materials</li> <li>■ Strengthen scrap procurement framework</li> <li>■ Steady procurement of raw materials based on carbonless nickel smelting plan at Oheyama Plant</li> <li>■ Build optimal operational framework through integration of Oheyama Plant and Miyazu Kairiku Unyu to produce ferronickel more cost-competitive</li> </ul>
<b>3</b> <b>Establish a sustainable management foundation that is resilient to changes in our environment</b> <ul style="list-style-type: none"> <li>■ Improve cash flow for a robust financial foundation</li> <li>■ Create new organizational capabilities as management resources that combine the personnel soft power and digital technology we have developed thus far</li> </ul>	<b>(1) Establish and execute medium- to long-term investment plan with a view to 2030</b>	<ul style="list-style-type: none"> <li>■ Establish and execute plans for human capital investment and strategic facility investment</li> <li>■ 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</li> </ul>
	<b>(2) Initiatives to utilize DX to improve operational efficiency and organizational capabilities</b>	<ul style="list-style-type: none"> <li>■ Establishing operation management system →Fully migrate to an open platform</li> <li>■ Utilize DX at production sites to increase operational efficiency</li> </ul>
	<b>(3) Steady execution of environmental measures at our plants and elsewhere</b>	<ul style="list-style-type: none"> <li>■ Compliance with laws and regulations such as the Air Pollution Control Act and Water Pollution Control Act</li> <li>■ Regular measurement and ongoing monitoring of exhaust gas, waste water, etc.</li> </ul>

## Basic strategy 1

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

## Measure: Expansion of product lineup

Around 50%\* of the Company's exports of high-performance alloys have been sold to China. We will diversify our sales channels through promotional activities in target growth markets. We will also strengthen development of alloys in target growth areas to increase our competitive edge in the high-performance alloy field.

\*By net sales

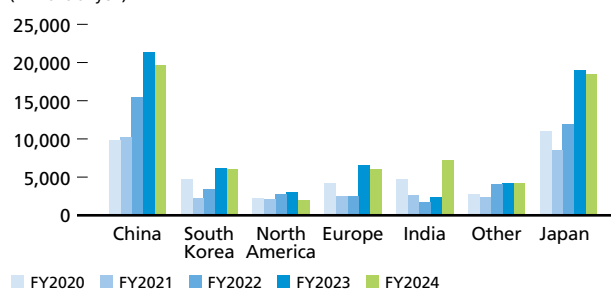
### Progress in FY2024

#### India as a target market

Net sales to China fell by 8% from FY2023 to FY2024 due to factors such as delays in projects in the solar energy field. Sales to India, meanwhile, leaped up by 196% from FY2023 due to reasons such as our capturing of demand for flue gas desulfurization equipment for thermal power plants. An increase is also seen in our breakdown by region: sales to India increased from a 6% share in FY2023 to a 16% share in FY2024. We will continue working to expand sales in India, centering on the environmental and energy fields.

#### Net sales of high-performance alloys by region

(millions of yen)



#### Building a new material evaluation and testing facility for hydrogen environments (Kawasaki Plant)

To strengthen our technology for the hydrogen field, we will establish a testing facility where materials can be evaluated in a hydrogen gas or liquid hydrogen environment in FY2026. In addition to adopting slow strain rate testing (SSRT) equipment, which tests hydrogen brittleness\*1, the testing facility will contain equipment enabling long-term exposure to hydrogen gas so that data can be collected and evaluated under the most realistic conditions possible. We also plan to evaluate both the base material and joins of our wide range of stainless steels and alloys.

\*1 A phenomenon in which a metal material's strength and ductility decrease when hydrogen enters the material



Potential locations for hydrogen testing facility (in Kawasaki Plant) Aiming for completion in FY2026

## Basic strategy 2

Build an efficient production framework to increase our technical advantage and adapt to changes in our market environment

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

We are establishing a flexible production framework that will enable us to maintain appropriate production volumes for high-performance alloys and stainless steels while also adapting production based on sales plans.

## Progress on Medium-Term Management Plan 2024

### Progress in FY2024

#### Introduction of high-precision, high-performance slitter line (Kawasaki Plant)

In April 2024, we began full-scale operation of a high-precision, high-performance slitter line at the cold rolling shop of our Kawasaki Plant. The automated and labor-saving equipment on the slitter line increase the efficiency of preparatory work, improving productivity by around 60%. The line also increases slit quality, enabling us to meet the increasingly diverse and advanced needs of our customers. Work requiring extensive experience and mastery of techniques, such as blade assembly, has been automated, which is expected to reduce workload and make it easier for workers to master the techniques.



### Measure: Initiatives for carbon neutrality

In addition to decisive progress on measures for carbonless nickel smelting at our Oheyama Plant, we are working on further fuel transitions and building on energy saving measures with the aim of meeting our carbon reduction targets for FY2031 ahead of schedule.

### Progress in FY2024

#### Working toward carbonless nickel smelting (Oheyama Plant)

Prior to these initiatives, our ferronickel production processes at our Oheyama Plant saved electricity but the use of coal resulted in high volumes of CO<sub>2</sub> emissions. We are phasing out the conventional nickel smelting process, which requires imported nickel ore and coal, and working on carbonless nickel smelting using mainly recycled materials. Through the following four measures, we aim to reduce our per-unit emissions by 70% by FY2031 compared to FY2014, while maintaining cost competitiveness.

**WEB** <https://ssl4.eir-parts.net/doc/5480/tdnet/2099171/00.pdf> (only in Japanese)

#### (1) Energy transition

We will transition from coal to LNG as the energy source of the rotary kiln for our nickel smelting. We plan to complete the transition by July 2025. We expect to reduce CO<sub>2</sub> emissions by around 16%.

**WEB** [https://www.nyk.co.jp/files/pdf/ja/news\\_231019.pdf](https://www.nyk.co.jp/files/pdf/ja/news_231019.pdf) (only in Japanese)

#### (2) Carbon replacement (chemical recycling)

We are working to replace coal (anthracite) with waste plastic (RPF, etc.) as our nickel ore reductant. We introduced a plastic granulator in December 2023 to crush and heat-extrusion-mold waste plastic so that it can be fed into the rotary kiln efficiently.

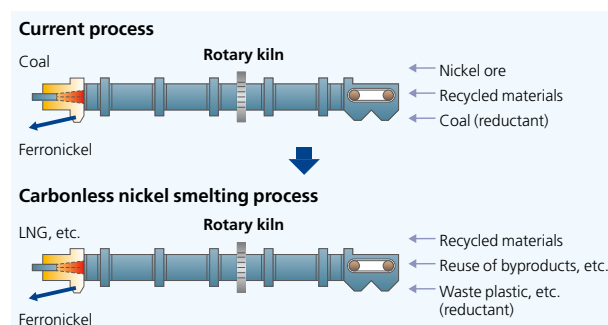
#### (3) Diversification and extended use of recycled materials

We are working to shift from nickel ore to the use of recycled materials. In FY2024, recycled materials accounted for 58.7% of the materials used. We aim to reach 100% in future.

#### (4) Reduction and utilization of byproducts and waste

Fine ferronickel slag (product name: NASFINESAND) received a Japanese Industry Standard (JIS A 5016) in June 2024. Thus far, we have used it for purposes such as ground refill, and we expect to expand its usage in future as trust in its quality grows.

#### Illustration of carbonless nickel smelting process





As recycled materials contain more nickel than ore, this reduces the volume of raw materials that are needed and the amount of energy and reductant used. Shifting to recycled materials also enables a dramatic reduction of CO<sub>2</sub> emissions for Scope 3, including elements such as ship fuel used for transportation of imported nickel ore.

We aim to reduce per-unit emissions at our Oheyama Plant by 70% by FY2031 compared to FY2014. As of FY2024, we have achieved a 47% reduction. We will also reduce the use of imported ore and coal to establish a sustainable framework for nickel materials.



## Basic strategy 3

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

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

The sales information and technical information owned by the Company is an element that provides us with a competitive edge. Through our response to changes in our external environment, we have amassed a dramatically growing volume of information. We are working to digitalize this information, and aim to utilize new digital technology to drastically improve the efficiency of our operations and optimize the Company as a whole.

#### Progress in FY2024

#### Establishing an operation management system

Our operation management system was originally operated on a highly reliable mainframe (a large computer), but as this mainframe followed a proprietary standard, our options for the configuration of the system were limited, making it difficult to combine the mainframe with advanced information systems. We therefore began transitioning to an open operation management system, and completed the final migration process in May 2024. Going forward, we will incorporate further reforms in efforts to rebuild our systems.

#### Use of DX at production sites to increase operational efficiency

Stable production at our Kawasaki Plant relies on stable operation of the hot rolling shop, which supplies materials for downstream processes, so it is important to conduct inspections to prevent faults in the shop. Inspection records had previously been managed using a paper ledger, but we

have now digitalized the inspection process using tablets. This further visualizes records, making it possible to manage trends, reduce downtime of equipment due to faults, and decrease operators' workloads. Control information for the equipment is also entered into a database, enabling trends to be identified automatically so that faults can be predicted and more sophisticated monitoring can be performed.



# Our Financial Approach in Medium-Term Management Plan 2024

Under Medium-Term Management Plan 2024, we will utilize ongoing capital investments to strengthen our competitive edge and improve the Company's profitability. With regard to shareholder returns, we are aiming to achieve a total return ratio of 35% under a basic policy of continuous, steady dividends.

## Initiatives to improve corporate value

The Company has established "What we aim to be in 2030" with the aim of adapting to environmental changes and working toward sustainable growth.

To provide a numerical image for "What we aim to be," our long-term management target is net worth of 100 billion yen or more by FY2031. At the same time, we are taking ongoing measures to boost our share price, targeting a PBR of 1.0 or higher and a market capitalization exceeding 100 billion yen.

To resolve the issues faced by the Company in achieving these targets, investment in areas such as equipment, research, systems, and personnel will be needed. To secure the capital needed to achieve "What we aim to be," including annual capital investments of around 10 billion yen, we aim to continuously enhance profitability, building on our current EBITDA of over 20 billion yen and an ROE of over 10.0%.

For achieving the above management targets, three basic strategies are being implemented under Medium-Term Management Plan 2024 as a step toward creating cash flow and improving profitability [➡ refer to P.25](#). Under these basic strategies, we will work to achieve steady profits for

our stainless steels, which primarily serve the Japanese market. For our high-performance alloys, which primarily serve overseas markets, we will work on continuous growth of the business by expanding sales in our target areas and working together with our Chinese joint venture. We will also work to install new equipment and improve the productivity of our existing equipment through measures such as capital investment and technology development, as well as improving per-unit energy usage through energy-saving measures and expanding our use of recycled materials to increase our cost-competitiveness on raw materials. Additionally, we will continually invest in areas such as DX, IT, and personnel to build sustainable management foundations that will enable us to adapt to environmental changes.

As we work on these measures to improve profitability and maintain ROE that is higher than our capital costs, we will also work to deliver steady shareholder returns. As part of our proactive IR activities [➡ refer to P.47](#), we also engage in more in-depth two-way communication with our investors to improve PER and achieve a PBR of 1.0 or greater.

## Financial results in FY2024

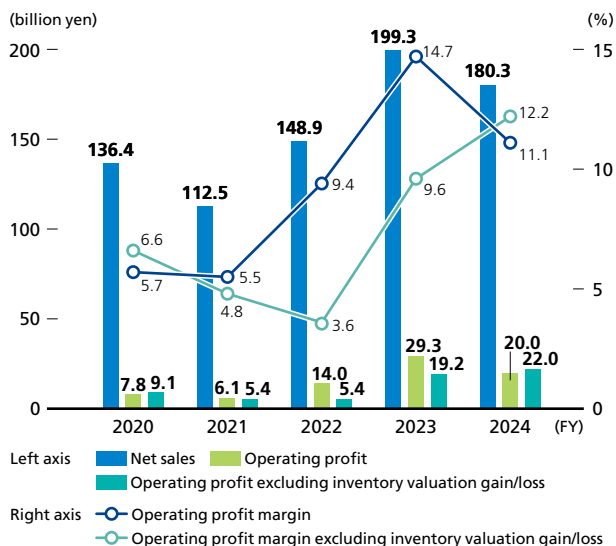
With regard to our financial results for FY2024, sales volume decreased due to an overall decline in demand caused by ongoing impacts of inventory adjustments from the previous fiscal year in the case of stainless steels and anticipation of a decrease in LME nickel prices and a downturn in the global economy in the case of high-performance alloys. On the other hand, in the case of stainless steels, we started with sale prices that reflected initially high LME nickel prices, and in the case of high-performance alloys, our sales portfolio shifted to higher-priced products. As a result, average unit prices increased from the previous fiscal year, resulting in operating profit of 20 billion yen and 22 billion yen in operating profit excluding inventory valuation loss. Profit effectively increased by 2.8 billion yen year-on-year. Our EBITDA result was 25.4 billion yen, and our ROE result was 16.0%, both exceeding our targets for the final year of Medium-Term Management Plan 2024, which called for EBITDA of 20 billion yen or greater and ROE of 10.0% or greater.

Our ROE result of 16.0% is above the Company's

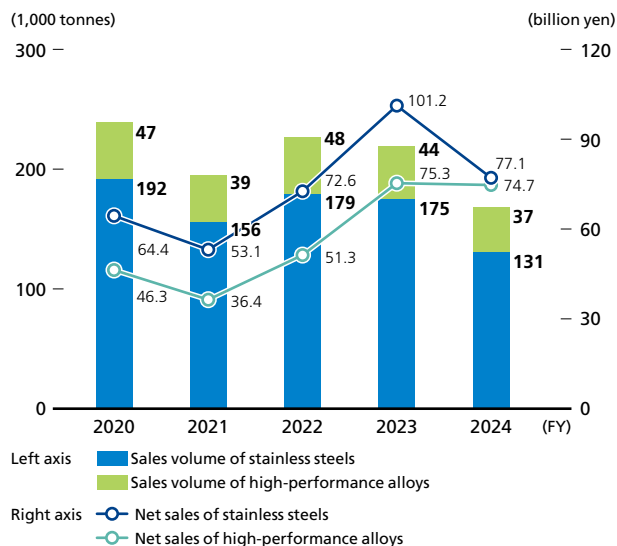
anticipated capital costs. We will work to increase our profitability through measures such as stabilizing the rolling margin of our stainless steels and promoting our high-performance alloys, including capturing demand for flue gas desulfurization equipment in India, which we have designated as a growth market. With regard to the sales ratio of high-performance alloys, a target of 50% or greater was set for the final year of this Medium-Term Management Plan. The ratio achieved in FY2024 was 49% because sales were strong for comparatively higher-priced products, primarily corrosion-resistant alloys, used in energy-related fields, including flue gas desulfurization equipment, oil- and gas-related equipment, and caustic soda production equipment. Additionally, factors such as the drop in LME nickel prices and the resultant decrease in inventory assets in FY2024 led to a decrease in working capital. As a result, free cash flow increased by 28.3 billion yen year-on-year, and the net D/E ratio (net interest-bearing debt ratio) was 0.68, indicating capital structure improvement.

For other metrics, refer to our financial highlights [➡ P.57](#).

### Net sales, operating profit and operating profit margin (consolidated)



### Sales volume and net sales for stainless steels and high-performance alloys (non-consolidated)



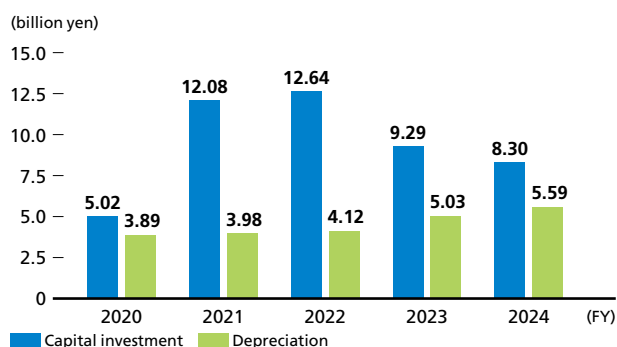
## Current state of capital investment

Under Medium-Term Management Plan 2024, we plan to continue capital investments of 10 billion yen per year, with strategic investments aimed at expanding the production volume of high-performance alloys and advancing efforts toward carbon neutrality.

Capital investment for FY2024, including Group companies, was 8.3 billion yen on an acceptance inspection basis and 6.8 billion yen on an approval basis. We have maintained a high level of capital investment since FY2021 during the previous Medium-Term Management Plan period. Major achievements include the full-scale commencement of operations of a slitter line for cold strips (2.3 billion yen) in April 2024, aimed at increasing the production of high-performance alloys. Additionally, we decided to transition from coal to LNG as the energy source

of the rotary kiln at our Oheyama Plant as part of our capital investment for carbon neutrality (0.5 billion yen).

### Capital investment and depreciation (consolidated)

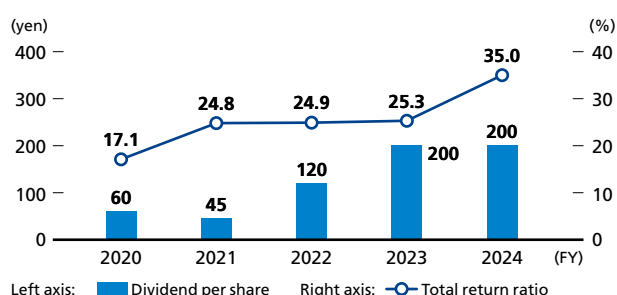


## State of shareholder returns

In Medium-Term Management Plan 2024, we raised our target total return ratio from the previous 25% to 35%. Through dividend payments in line with our basic policy of continuous, stable dividends and flexible share buybacks, we achieved a total return ratio of 35% in FY2024.

For FY2025, we will continue with the same basic policy. Taking into account factors such as our financial performance, we plan to distribute annual dividends of 200 yen (100 yen as an interim dividend and 100 yen as a year-end dividend).

### Shareholder returns (consolidated)





# 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.

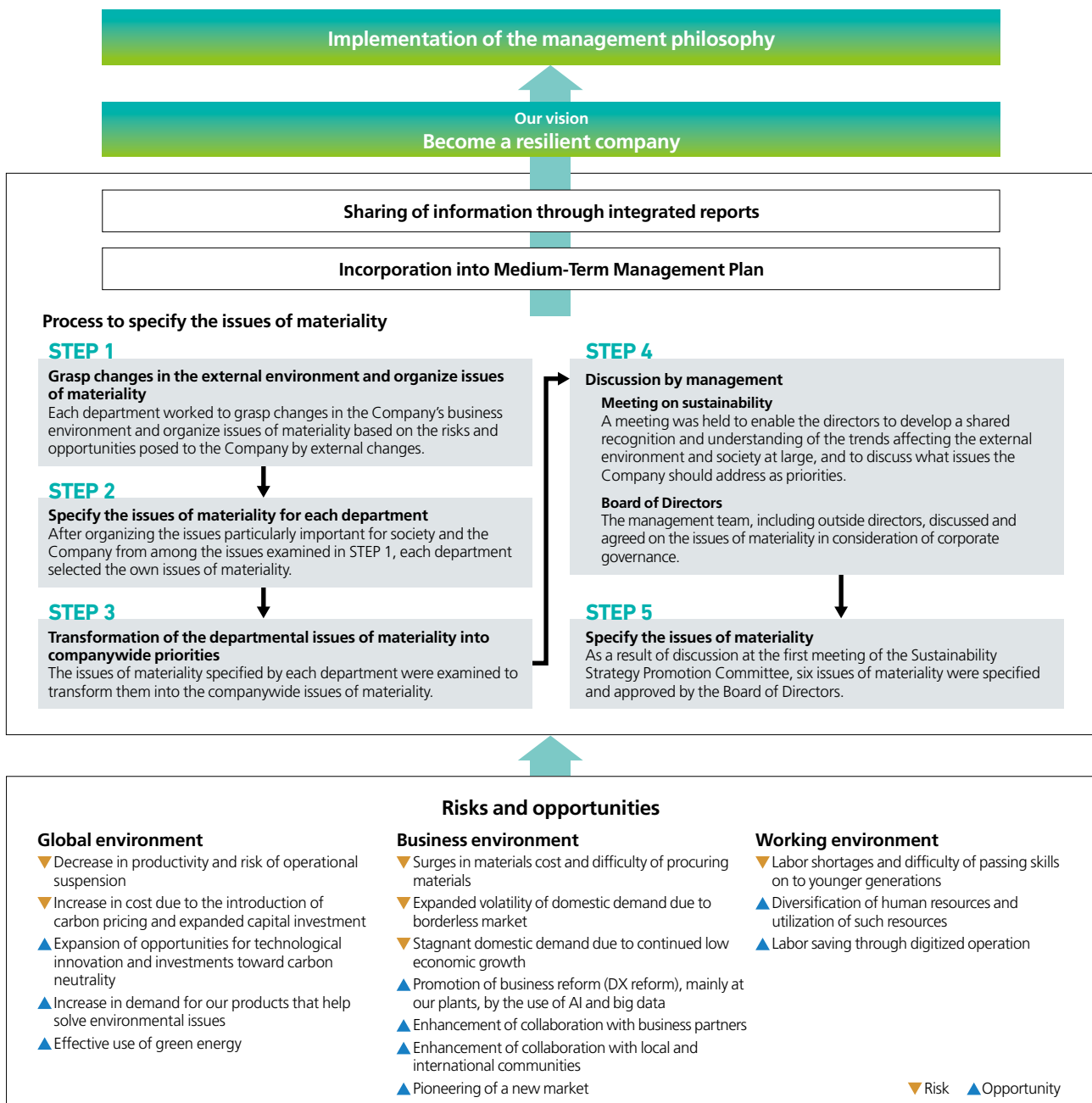
## Promoting sustainability to achieve our Management Philosophy

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.



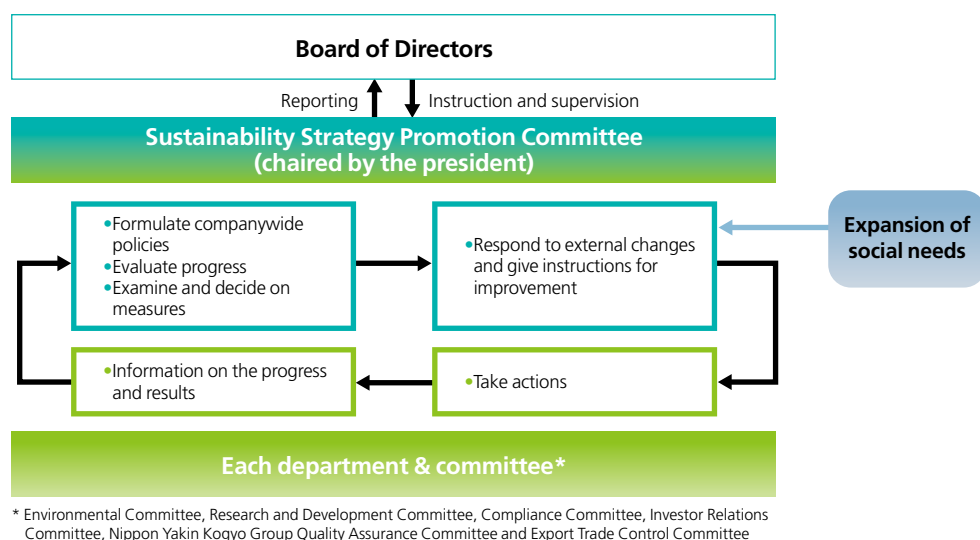
## Sustainability promotion system

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 FY2024.

- Meetings held in FY2024: 7 in total
- Topics

Date	Main topics
April 10, 2023	• Setting of KPIs for issues of materiality
May 9, 2023	• Human resource development policy and internal environment improvement policy written in our securities report
July 10, 2023	• Revision of TCFD
September 8, 2023	• Publishing of Integrated Report 2023
October 11, 2023	• Consideration of green steel initiatives
January 9, 2024	• Policy for creation of Integrated Report 2024
March 28, 2024	• Measures for human rights in business

# 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.

Issues of materiality	Our vision	KPI (Targets/Results for FY2024)
<b>Issue of Materiality 1</b> <b>Provision of Socially Useful Products</b>	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.	<b>Sales ratio of high-performance alloys (non-consolidated)</b> <div> <div> FY2026 Target <b>50%</b> </div> <div> FY2024 Result <b>49%</b> </div> </div>
<b>Issue of Materiality 2</b> <b>Reduction of Global Environmental Impact Through Business Activities</b>	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.	<b>CO<sub>2</sub> emissions reduction rate (Relative to FY2014, non-consolidated)</b> <div> <div> FY2026 Target <b>46% reduction</b> FY2051 Carbon neutrality </div> <div> FY2024 Result <b>60% reduction</b> </div> </div>
<b>Issue of Materiality 3</b> <b>Achievement of Safe and Stable Production</b>	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.	<b>Number of serious occupational accidents (non-consolidated) *</b> <div> <div>Target <b>0</b> cases per fiscal year</div> <div> FY2024 Result <b>0</b> cases per fiscal year </div> </div>
<b>Issue of Materiality 4</b> <b>Creation of Workplaces Where All Employees Can Work with Equality and Satisfaction</b>	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.	<b>Percentage of women among the new graduate career-track hires (non-consolidated)</b> <div> <div>Target <b>20%</b> or more per fiscal year</div> <div> FY2024 Result <b>27%</b> </div> </div> <b>Rate of employees taking paid holidays</b> <div> <div>Target <b>70%</b> or more per fiscal year</div> <div> FY2024 Result <b>86%</b> </div> </div>
<b>Issue of Materiality 5</b> <b>Establishment of Sustainable Partnerships</b>	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.	
<b>Issue of Materiality 6</b> <b>Advancement of Corporate Foundation for Adaptation to the Social Environment</b>	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.	<b>EBITDA (consolidated)</b> <div> <div> FY2026 Target <b>20</b> billion yen or more </div> <div> FY2024 Result <b>25.4</b> billion yen </div> </div> <b>ROE (consolidated)</b> <div> <div> FY2026 Target <b>10.0%</b> </div> <div> FY2024 Result <b>16.0%</b> </div> </div>

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



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

	Main measures and challenges	Progress	Results of initiatives conducted in FY2024
	Build a flexible production system to be able to respond nimbly to changes in the demand structure	● ■	■ Utilize wide-width rolling equipment possessed by the partner company in our Chinese joint venture to produce high corrosion-resistant and heat-resistant nickel alloy ultra-wide plates <b>625</b> (UNS N06625)
	Promote sales in the newly emerging field of environment & energy (Carbon neutrality, renewable energy, etc.)	● ■	■ Sales ratio of high-performance alloys: 49%
	Respond to customer needs in an attentive manner	●	■ Development of new alloy types: 2
	Establish carbonless smelting technology by increasing the use of recycled materials	● ■	■ Used recycled materials on an experimental basis ■ Implementing "Taking on the Challenge of Carbonless Nickel Smelting"
	Improve operational technology and further reduce per unit energy use	●	■ Carried out initiatives to gain a return on our investment in our new electric arc furnace ("E furnace") ■ Upgraded to highly efficient equipment
	Foster fuel conversion for carbon neutrality		
	• Shift from heavy oil to LNG	● ■	■ Announced energy conversion of rotary kiln at Oheyama Plant (coal→LNG) Scheduled to be completed in July 2025
	• Shift from LNG to hydrogen, ammonia and synthetic methane	◆	
	Effective use of green power	■	■ Obtained non fossil certificate
	Reduce by-products and waste and increase the recycling rate	● ■	■ Recycling of by-products generated from the manufacturing process: 151,000 tonnes
	Continue to make strategic investments on a medium- to long-term basis	●	Kawasaki Plant ■ Revamped the existing slitter lines ■ Introduced high-precision, high-performance slitter line ■ Installing new cold rolling mill
	Maintain and improve occupational health and safety standards	●	■ Rate of incident victims who took leave (Frequency rate): 1.81% ■ Rate of lost-time accidents (Severity rate): 0.06%
	Make investments for stable operation	●	■ Completed upgrade of operation management system
	Promote diversity & inclusion	● ■	■ Recruitment of career-track employees to join the Company in April 2024: 15, number of women career-track employees: 3 ■ Rate of employment of people with disabilities: 2.6% ■ Improvement of workplaces for female staff
	Improve the working environment with automation and labor-saving measures	●	Kawasaki Plant ■ Improved working environment by the introduction of a new electric arc furnace ("E furnace") ■ Decreased operator workload by revamping the existing slitter lines ■ Introduced various automated equipment at the new slitter and cold rolling mill
	Enhance employee welfare facilities	●	■ Installed toilets on grounds, upgraded employee housing and employee club facilities
	Make use of advanced technologies for human resource development and the transfer of skills to younger generations	● ■	■ Conducted voluntary improvement activities ■ Provided e-learning-based training ■ Provided safety education using VR
	Respect human rights across the supply chain	●	■ Announced Nippon Yakin Kogyo Group Human Rights Policy (April 30, 2024) ■ Regularly checked for the purchase of conflict minerals and other materials of concern as part of human rights due diligence
	Enhancement of collaboration with business partners	●	■ Implementing Declaration of Partnership Building ■ Submitted Voluntary Action Declaration for White Logistics Movement
	Maintain relations of trust with local communities	●	■ Conducted cleanup activities around Kawasaki and Oheyama Plants ■ Conducted plant tours for elementary to high school students at Oheyama Plant
	Disclose information to and promote dialogue with stakeholders	●	■ Held two IR briefing sessions per year ■ Enhanced dialogue with institutional investors and analysts ■ Published Integrated Report 2023
	Enhance the financial foundation to ensure business continuity and foster business development	●	■ Net D/E ratio (Consolidated): 0.68 (Target for the final year of the medium-term management plan: less than 1.0)
	Continue to implement measures for legal compliance	●	■ Informed employees of the internal reporting system and operated it appropriately→Regular sharing of information on the Company website and through the in-house magazine
	Raise employees' awareness of sustainability-related measures	●	■ Distributed copies of Integrated Report 2023 to all directors and employees of the Group ■ Published series of sustainability-related columns in the in-house magazine
	Enhance corporate governance to meet market needs	●	■ Made necessary responses to the revised Corporate Governance Code

Issue of  
Materiality 1

## Provision of Socially Useful Products

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 products and high-quality services in terms of quality, due dates, cost, and technologies and solutions.

### Build a flexible production system to be able to respond nimbly to changes in the demand structure

To establish a production and sales framework in China, a key market for high-performance alloys, we established NISCO Nippon Yakin Kogyo Nanjing Co., Ltd. as a joint venture with Nanjing Iron & Steel Co., Ltd. in Nanjing City in China's Jiangsu Province in 2018. Our joint venture utilizes Nanjing Iron & Steel's world-leading large hot rolling mill to successively expand our alloy types and sizes, primarily wide plates in sizes that cannot be produced by our Kawasaki Plant.

For example, we succeeded in commercializing ultra-wide plates (15 mm thick x 3,100 mm wide) in our high corrosion-resistant and heat-resistant nickel alloy **625** (UNS N06625). This alloy is highly strength at high temperature and difficult to roll, but we were able to produce plates by applying the know-how we have developed over the years. In future, in addition to further increasing sales in China, we

intend to supply it in India and the Middle East, where demand for high-performance alloys is expected to grow.



Ultra-wide nickel alloy plate **625** (15 mm thick x 3,100 mm wide)  
(monitor included as a size reference)

### Promote sales in the newly emerging field of environment & energy

Our high nickel heat-resistant alloy **H38X** (UNS N08120) is being used in reactors for equipment used to produce polycrystalline silicon, a material in solar power generation equipment. When **800H** (UNS N08810) was used for this purpose, equipment manufacturers attempted to build larger equipment to improve their production capacity for polycrystalline silicon but found that the sheet thickness for the entirety of the equipment needed to be increased, which was more costly for the manufacturers. **H38X** was proposed as an alternative as it is highly heat resistant enables thinner sheets to be used. The alloy is difficult to weld, which posed some issues at first, but we were able to resolve this bottleneck by utilizing the know-how we have developed over the years, expanding the applications of

**H38X** and helping to reduce costs borne by equipment manufacturers.

Solar energy is a representative form of renewable energy. Polycrystalline silicon is produced in plants using our materials, and is then used to produce solar energy equipment. In this way, the Company is contributing to a reduction of greenhouse gas emissions across the planet.

Another clean energy source being focused on is hydrogen. Our improved **316L** is used for heat exchangers at hydrogen stations used to fill the hydrogen tanks of fuel cell vehicles (FCVs). The chemical composition of this material has been adapted so that it can withstand exposure to hydrogen, and is contributing to the building of hydrogen-based social infrastructure.



## Respond to customer needs in an attentive manner

We have a wide variety of products from general stainless steel to high-nickel alloys.

We produce 18 stainless steels in total. The most popular is **304** (SUS304), which is used for a wide range of purposes including home equipment, such as sinks, and construction materials. Other stainless steels include **316L** (SUS316L), which has superior intergranular corrosion resistance, and **310S** (SUS310S), which has superior heat resistance.

We also produce 44 types of other steel alloys, mainly high-performance alloys containing at least 20% nickel. 19 of these are corrosion resistant alloys, including steel alloys developed in-house. **254N** (SUS836L), for example, is used for offshore structures as it does not rust when it comes into contact with seawater. For harsher environments with high concentrations of chlorides, **354N** (UNS N08354) is used as it has a corrosion resistance similar to that of nickel-based corrosion-resistant alloys.

Our customers have various needs. Some prioritize

performance while others prioritize cost. Needs also change according to the priorities of each era, such as measures against global warming. Advances in technology also lead to new applications. Nippon Yakin Kogyo utilizes resources such as databases of results from laboratories and actual conditions, along with our technical knowledge and experience, to offer the ideal solutions and provide customers with the optimal materials.

### Stainless steels

**18** steels  
Category

Standard, intergranular corrosion resistance, high formability, high free-machining, high strength, heat resistance

### High-performance alloys

**44** alloys  
Category

Corrosion resistant alloys, heat resistant alloys, high strength stainless steels, low/high thermal expansion alloys, soft magnetic materials, non-magnetic materials, pure nickel, neutron absorbers

## Topics POLKA PLATE wins Gold Award at Stainless Steel Industry Awards 2024

POLKA PLATE, our stainless steel flat product for stainless steel floors, received the Gold Award (first place) in the Market Development category at the Stainless Steel Industry Awards 2024 organized by worldstainless (formerly ISSF).

POLKA PLATE is a proprietary stainless steel flat flooring product of Nippon Yakin Kogyo that has polka dot protrusions. This gives the plates the same slip resistance as the standard checker plates for stainless steel floors while achieving excellent water repulsion and ease of cleaning. These attributes have seen the plates adopted for areas such as factory floors, stairs, stages in a wide range of industries including food, cosmetics and pharmaceuticals. Proof-of-concept testing has also proven that fixing carts can be moved across this surface with less force and less noise than checker plates, so we are working to expand these plates to settings such as the floors of box trucks, commercial elevators, and medical and welfare facilities. In addition, as the polka dot pattern has a soft look, we are also working to meet demand for flooring, pit covers, and stairs in places requiring attention to design, such as shopping centers, department stores, boutiques, and museums. The judges were impressed with the way Nippon Yakin Kogyo is working to develop markets outside the conventional applications of stainless steel flat products.



The awards ceremony



POLKA PLATE  
(proprietary product of Nippon Yakin Kogyo)



Checker plate



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

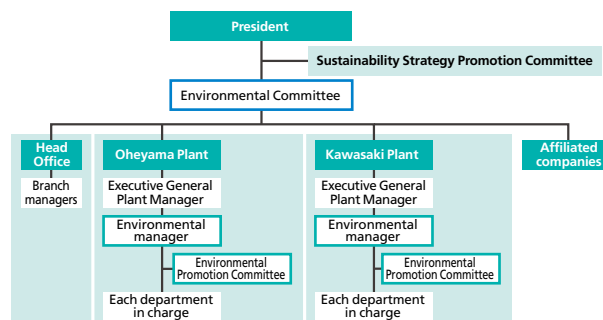
We are well aware of the importance of environmental protection. We promote environmentally friendly business complying with environmental treaties, laws, regulations, etc. In addition, we are proactively implementing environmental initiatives, including effective use of resources, saving energy and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

### Climate change countermeasures

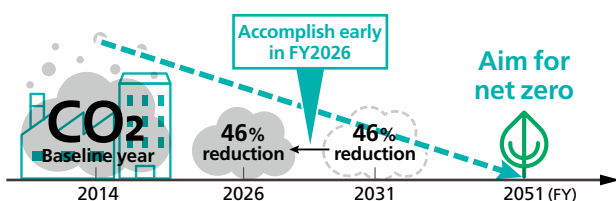
#### Our approach

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 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

Medium-Term Management Plan 2024, which we announced in May 2023, we established a plan to achieve our 46% reduction target in FY2026, ahead of FY2031. We are also promoting initiatives to achieve carbon neutrality throughout the entire Nippon Yakin Kogyo Group.

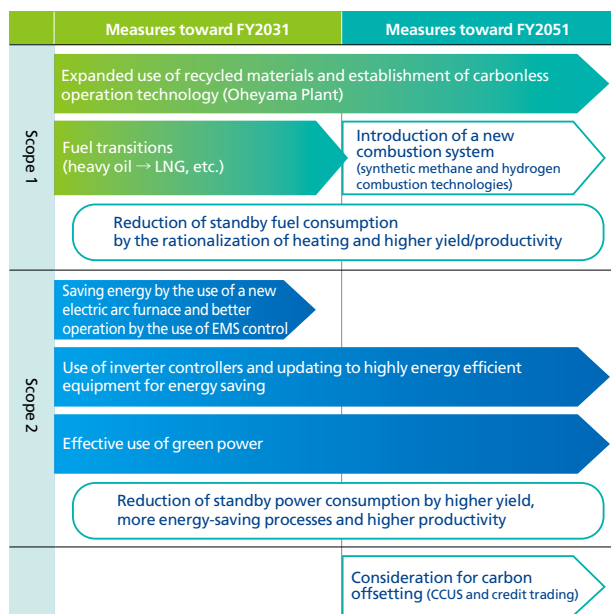
#### Strategies

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 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.

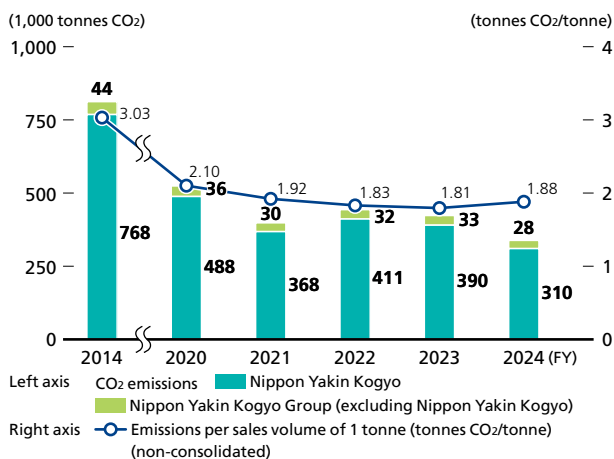
## Roadmap to carbon neutrality



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

The total amount of CO<sub>2</sub> emissions for FY2024 from Nippon Yakin Kogyo on a non-consolidated basis came to 310,000 tonnes including emissions from Kawasaki and Oheyama Plants. The amount of emissions from the entire Nippon Yakin Kogyo Group totaled 337,000 tonnes. 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 from the entire supply chain (Scope 3)

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 based on the basic guidelines (Ver. 2.6) 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	174	186
Scope 2	135	152
Scope 3	567	689
Breakdown		
1. Purchased goods and services	471	581
2. Capital goods	23	27
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	45	51
4. Upstream transportation and distribution	28	30
5. Waste generated in operations	0.4	0.6
6. Business travel	0.2	0.3
7. Employee commuting	0.3	0.7

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 v2 (for the estimation of greenhouse gas emissions in the supply chain), emission factor database to calculate emission data such as greenhouse gas emitted by organizations across their supply chains, Ver. 3.4

## GX League

GX League is a forum promoted by the Ministry of Economy, Trade and Industry as a venue for government-academia collaborations by companies working on sustainable growth with the aim of achieving Japan's goal to be carbon neutral by 2050. Nippon Yakin Kogyo announced its entry into the GX League in March 2024.



WEB [https://www.nyk.co.jp/files/pdf/ja/news\\_240314.pdf](https://www.nyk.co.jp/files/pdf/ja/news_240314.pdf) (Japanese only)

Issue of  
Materiality 2Reduction 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. We have analyzed the risks and opportunities in line with the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).



## Governance

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.

## Risk management

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 <a href="#">Policies, Laws &amp; Regulations</a> <a href="#">Market</a>	—	▼ Large	Increase in the manufacturing cost due to the additional cost caused by carbon pricing	<ul style="list-style-type: none"> <li>Capital investment and operational improvement for energy conservation and carbon neutrality</li> <li>Fuel conversion to hydrogen, ammonia, synthetic methane and biofuels</li> <li>Development of carbonless nickel smelting technologies</li> </ul>
	Shift to a carbon neutrality-oriented society <a href="#">Technology</a> <a href="#">Market</a> <a href="#">Reputation</a>	—	▼ Large	<ul style="list-style-type: none"> <li>Higher electricity/fuel prices</li> <li>Higher cost of procuring materials, transportation services, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of energy-saving operation (decrease of per unit energy use)</li> <li>Appropriate product pricing in consideration of the cost</li> </ul>
		—	▼	Increase in the amount of capital investment for CO <sub>2</sub> emissions reduction	<ul style="list-style-type: none"> <li>Investment decisions in consideration of the environmental impact reduction effect</li> <li>Appropriate product pricing in consideration of the investment cost</li> </ul>
		—	▼	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)	<ul style="list-style-type: none"> <li>Development of environment-friendly products in response to customers' needs</li> <li>Sale of solutions to meet new demand for hydrogen, renewable energy sources, electric vehicles (EVs), fuel cell vehicles (FCVs), secondary batteries and CCUS</li> </ul>
		—	▲ Large	New demand in the environment- and energy-related fields	
		—	▼	Tight supply of recycled materials	
Physical risk	Impact of abnormal weather events on business <a href="#">Acute</a>	▼ 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	<ul style="list-style-type: none"> <li>Examination and implementation of natural disaster countermeasures (inspection and enhancement of equipment, BCP measures, etc.)</li> <li>Shared use of equipment with other companies through outsourced production and others</li> <li>Effective use of domestic resources and securing of stable sources for logistics, sales and surveys for the establishment and diversification of the supply chain</li> </ul>
	Degradation of the working environment due to rise in temperature <a href="#">Chronic</a>	▼	—	Expanded risks of health damage caused by infectious diseases and heatstroke	<ul style="list-style-type: none"> <li>Improvement of the working environment and investment to increase labor productivity</li> <li>Enhancement of BCPs against infectious diseases and heatstroke</li> </ul>

\* ▼ : Risk ▲ : Opportunity — : 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.

### 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).

### 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.

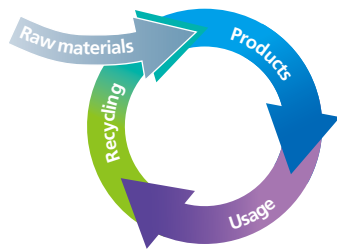
**WEB** We have posted data related to our reduction of our environmental impact here.

<https://www.nyk.co.jp/en/sustainability/environment.html#environmentLoadReduction>

## Building a recycling-oriented society

### Our approach

Nippon Yakin Kogyo aims to depart from society's current norms of mass production, mass consumption, and mass waste and contribute to the building of a recycling-oriented society where environmental impact is reduced through efficient resource use and recycling. Stainless steel is 100% recyclable and collectible as scrap for recycling. We apply the raw materials reclaimed from "urban mines" to reduce consumption of natural resources and promote effective use of resources.



### Usage rate of recycled materials (Oheyama Plant and Kawasaki Plant)

At our Oheyama Plant, we produce ferronickel alloy as the major raw material to produce stainless steels. Nickel is a precious mineral resource that has been designated by the Ministry of Economy, Trade and Industry as a critical mineral. In the past, all of our raw nickel materials were nickel ore imported from outside Japan, but we are now working to

expand our use of recycled materials from urban mines. In FY2024, our usage rate of recycled materials reached 58.7%, but we are aiming to reach 100% in future.

The usage rate of recycled materials at our Kawasaki Plant is currently around 80%. In addition to urban-mined ferronickels produced at our Oheyama Plant, materials used to produce stainless steels at our Kawasaki Plant include scrap stainless steel and ferrochromium. In future, our Kawasaki Plant will work together with our Oheyama Plant to diversify its raw materials and further improve its usage rate of recycled materials.

### 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 after 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 valuable metals are collected 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.

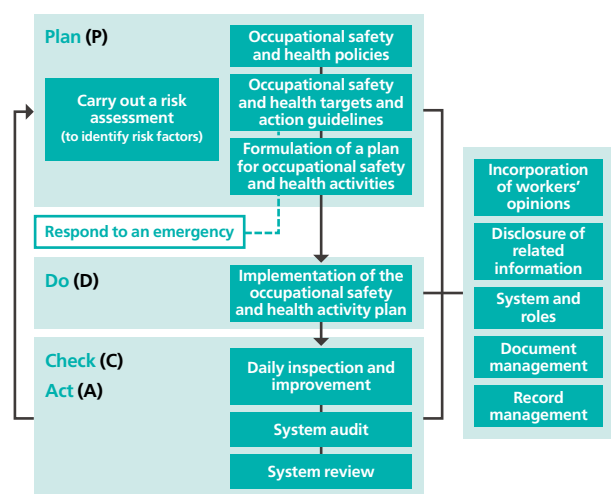
### Occupational safety and health

#### 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.

#### Safety and health system

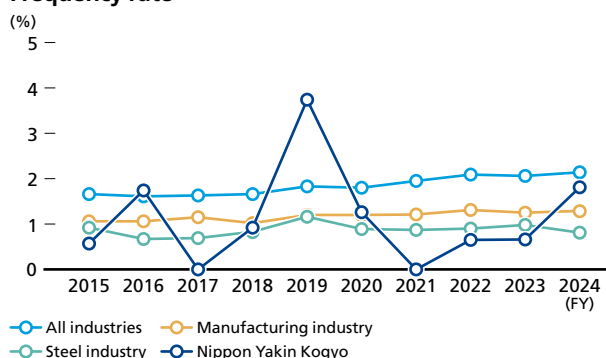
The executive general plant manager serves as the occupational safety and health supervisor and appoints an occupational safety and health manager (from among general managers) and an industrial physician, whose roles are defined in our occupational safety and health

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.

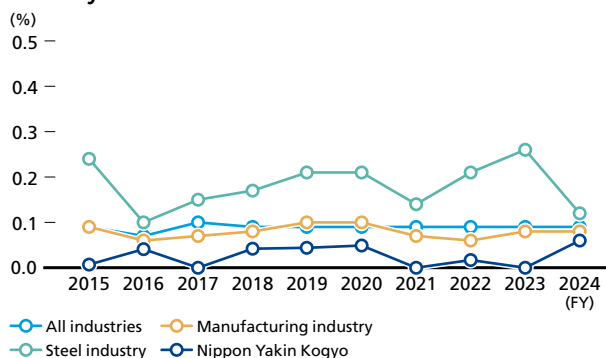
#### Safety records

The following figures show Nippon Yakin Kogyo's safety record. Compared with other industries and the steel industry overall, our rate of incident victims 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.

#### Frequency rate



#### Severity rate



## Voice

The Safety & Health Team acts as a command tower for a variety of initiatives to ensure that the total of 1,400 employees at our Kawasaki Plant and associated offices can work safely and in comfort and go home unharmed.

Occupational accidents are a tragedy not only for the victim but for their family and colleagues. It's a matter of course a workplace where such accidents occur frequently is unlikely to operate reliably.

At this production site, workers are handling heavy items and hot molten stainless steel, and ensuring that the equipment is safe for workers is our number one priority for preventing serious problems. With this in mind, we provide a variety of education and training to heighten awareness of the safety of the operators on the site's front line. Under these circumstances, we consider the work we are tasked with to be extremely important.

We have recently been introducing new equipment, and meticulous safety inspections are carried out before operation commences.

With that said, communication on a daily basis is also important, so we make an effort to do things like greeting people we pass on our way in and out and greeting people and making conversation during factory visits so that we can build trust and never allow communication to become one-sided.

We strive to build an environment where every employee at our site and associated offices can work safely and easily with peace of mind. We are working to improve the occupational safety and health activities at our site so that every employee will be glad they work for Nippon Yakin Kogyo.

**Hiroshi Fukuda**

Safety & Health Team,  
General Affairs Department



## 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>

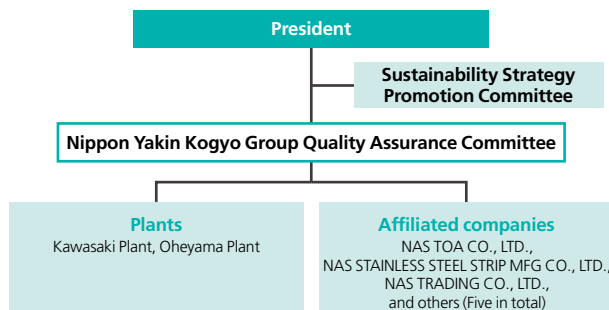
### Quality assurance system

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

#### 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. The Company had already been working on initiatives to uphold human rights, but to clearly define the Group's obligations, the Nippon Yakin Kogyo Group Human Rights Policy was established in April 2024. Based on this policy, we will contribute to the realization of an inclusive society with no human rights violations or discrimination.

**WEB** Nippon Yakin Kogyo Group Human Rights Policy

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

#### Human rights due diligence

The Group began carrying out human rights due diligence (HRDD) initiatives in FY2024 according to the United Nations Human Rights Council's Guiding Principles on Business and Human Rights.

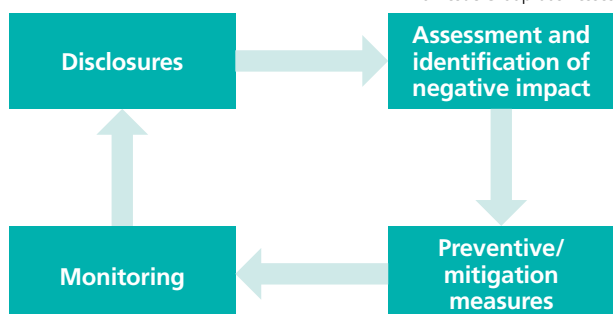
#### Management system

The specifics of HRDD initiatives are discussed by our Sustainability Strategy Promotion Committee chaired by the president. Discussions by the Sustainability Strategy Promotion Committee are reported to and supervised by the Board of Directors as necessary.

#### HRDD

Disclosed in Integrated Report, on our website, etc.

Identification of human rights risks for FY2024  
 Domestic Group businesses



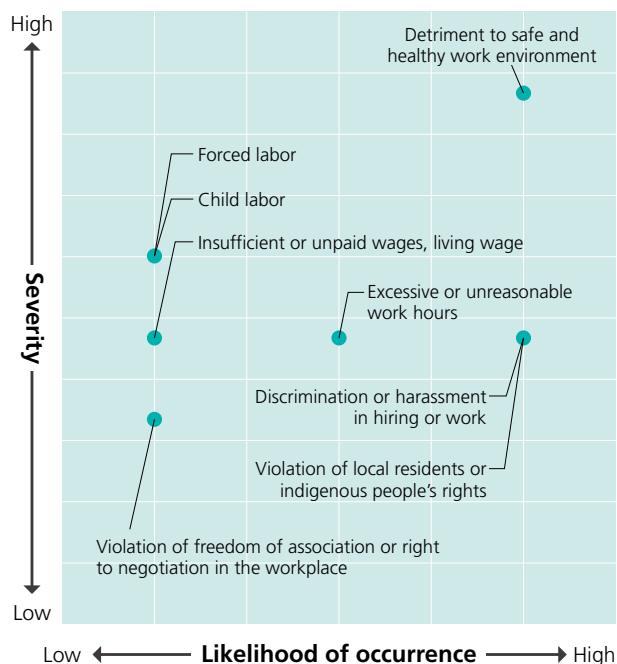
#### Process for identifying human rights risks

Scope of FY2024 assessment: Domestic Group businesses

Step 1: Human rights risks specific to this industry were identified among human rights incidents that occurred in the last five years, utilizing international criteria and guidelines and external databases.

Step 2: Among the industry-specific human rights risks identified in Step 1, human rights risks that should be prioritized were identified according to the Group's current situation and the advice of experts. Human rights risks were identified on two axes: severity (the level of physical, psychological and lifestyle impact in the event that the risk occurs) and likelihood of occurrence.

#### Risk mapping



#### Critical human rights issues and countermeasures

The table to the right shows the priority human rights issues that were identified in the human rights risk assessment.

We had already been working on mitigation and prevention of the three risks that were identified, but we will continue and strengthen our activities to that end in future. Going forward, we will expand the scope of our internal investigations and carry out deliberations to identify specific human rights issues in our supply chain.



Critical human rights issues		Main countermeasures
Development of Safe and Healthy Work Environment	The Group will develop a work environment that is easy to work in, giving consideration to health and safety.	<ul style="list-style-type: none"> <li>Improvement of health and safety level according to OSHMS (occupational safety and health management system) and internal rules</li> <li>Ongoing safety training centering on plants</li> <li>Improvement of working environment with automation and labor-saving measures through strategic medium- to long-term investments</li> </ul>
Elimination of Discrimination and Harassment	Any discrimination by employees and related parties due to any attributes not related to duties to be performed, including race, ethnicity, gender, status, gender identity, sexual orientation, language, religion, political and other opinions, nationality or social origin, assets, birth, disabilities, illnesses, and other conditions, and form of employment, is prohibited. In addition, the Group does not tolerate abuse of power, sexual harassment, or any other form of action or speech that harms individual dignity.	<ul style="list-style-type: none"> <li>Establishment of regulations and training on prevention of harassment</li> <li>Thorough communication about internal reporting systems and harassment consultation services</li> </ul>
Responsibility to Communities	The Group recognizes that business operations may directly or indirectly impact human rights in local communities, and in addition to not using conflict minerals linked to human rights abuses, the Group will respect the environment and residents' land rights in the areas surrounding those related to business operations, including ensuring rights relating to prevention of pollution and the right to water and other resources.	<ul style="list-style-type: none"> <li>Stringent environmental management according to ISO 14001 and internal rules</li> </ul>

### Training of employees

Nippon Yakin Kogyo conducts human rights training for Group employees to facilitate human rights activities according to our Human Rights Policy. In FY2024 and FY2025, we have been holding presentations on human rights risks and our Human Rights Policy and writing articles in our in-house magazine about international trends in business and human rights and measures that should be taken.

### Consultation services

The Group has established Nippon Yakin Kogyo Group Helpline Rules under which we accept consultations and reports about human rights risks such as harassment. We have established and enforced rules such as stringent confidentiality practices for reports and consultations and prevention of retaliation against those who make a report or consultation.

[➡ Refer to P.51 for details](#)

## Promotion of diversity, equity and inclusion

### 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." In future, women and older people are increasingly expected to join the workforce as Japan's working population is set to decline. 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

We are taking the following measures to further promote empowerment of women.

(1) Active hiring of women and appointment of women in diverse roles

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 new hires. Three out of the 15 career-track employees who joined the Company in April 2024 are women.

(2) Promotion of the building of working environments where women can work comfortably

We have 12 female production operators as of April 2024. To help them work in greater comfort, we have introduced electric tools, workbenches and lifters to reduce the physical load imposed on them, and have provided female-only showers and powder rooms.

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

### Human resource development

#### Our approach

Nippon Yakin Kogyo Group's products are made possible by the experience and technology that our employees have developed over the years. To facilitate further growth of the Group, we have established a Human Resource Development Policy and are working to ensure that diverse employees can thrive.

#### Human Resource Development Policy

We are working to secure and develop personnel who can fulfill our action guidelines so that we can tackle the various management issues we are facing and further increase our corporate value.

#### Nippon Yakin Kogyo Action Guidelines

- I. We conduct our activities while complying with laws and regulations, respecting social rules, and upholding common decency.
- II. We embrace change by deploying our intellect and an enterprising spirit.
- III. We accomplish our goals with courage, regardless of any difficulties.
- IV. We respect diversity and differences, and demonstrate our comprehensive capabilities with a spirit of harmony.

#### Details of measures

##### Career-track employees: Collective training

To develop employees who will be core personnel in future, we consider new graduates' first three years at the Company to be a time for building the foundations and their fourth and fifth years a time to move to new levels. Rank-based training is provided so that employees can start from the basics and then make qualitative and quantitative improvements.

Number of employees who attended training:	61
Ratio of employees who attended training:	94%
Hours of training:	458

##### Career-track employees and production operators: one-on-one meeting system

From FY2024, we have introduced a one-on-one meeting system to foster active communication and facilitate human resource development tailored to each employee's characteristics. One-on-one meetings are held regularly

and provide employees with the opportunity to ask questions about minor matters in their work and hear about potential directions their career could take and the Company's expectations of them, which encourages autonomous growth by each employee.

##### Career-track employees and administrative employees: e-learning

We have a system to help career-track employees develop their abilities with a sense of ownership of their skill development. 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 subjects for themselves depending on their job duties.

##### Career-track employees: Financial support for capacity building

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

##### Production operators: Skill succession and 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. We also recommend technical certification exams and create an environment where employees can train in-house.

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



During each employee's first two years at the Company, an experienced employee provides one-on-one instruction and training to support the employee in their on-the-job training.

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.



Employees can acquire some government technical certification in-house.

### 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 began working for the Company in 2003, but I wanted to be involved in a wider range of work.

So from April 2006 I spent two years studying mechanical engineering at the College of Industrial Technology alongside my work for the Company. In my mechanical engineering course, I learned things I hadn't been taught before, like material mechanics and technical drawing, from the basics. For my elective subjects, I studied fields that were totally new to me, like information engineering and automatic control, and gained more specialist knowledge.

I now work in the Quality Assurance Department, where I'm involved in quality-related work like product surface inspections. I have overseen the introduction of surface inspection equipment that automatically inspects the surfaces of products and ultrasonic test equipment that can detect defects inside products, and

things I learned from the basics in the mechanical engineering course, like the mechanisms of the equipment, was useful when it came to setting the conditions for commencement of operation.

A production site is a collection of various mechanical equipment. When a quality defect occurs, we investigate the cause. I want to keep investigating the workings of equipment in more depth, based on logical thinking, and revising the specifications so that they can be even a little easier for operators to use, which will enable us to consistently supply high-quality products.



**Shintaro Mine**  
Quality Assurance Department

## 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 FY2024
Childcare leave	8 in total
Shorter working hours for childcare	11 in total
Long-term nursing care leave	1 in total
Shorter working hours for nursing care	Not used
Nursing care leave for children	59 people (283.1 days in total)
Rate of paid holidays taken	86%
For the accumulation of paid holidays*	43 people (519 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

#### Involved in Kawasaki City 100th Anniversary Commemorative Project National Urban Greening Kawasaki Fair

2024 marked the centennial anniversary of Kawasaki City. To celebrate this milestone and highlight greening of cities around Japan in 2024 and 2025, the city held the Kawasaki City 100th Anniversary Commemorative Project National Urban Greening Kawasaki Fair. Our Kawasaki Plant was a part of the fair's Executive Committee, as well as being a Silver Sponsor.



#### Involved in community sports events by neighborhood associations

Our Kawasaki Plant is involved in friendly sports events organized by neighborhood associations (simplified volleyball matches between neighborhood associations and local companies). Plant personnel are working to foster closer ties with members of the community and other local companies through sports and, in doing so, invigorate communities.



##### ■ Oheyama Plant

#### Plant tours

Our Oheyama Plant offers tours for business partners and families of employees, as well as factory tours for students at local elementary, junior high, and high schools. These tours foster a greater understanding of the plant's business among members of the community and make the plant a more familiar presence.



#### Communication with shareholders and investors

To further increase the Company's corporate value, we disclose information to shareholders and investors as and when necessary and are working to further enhance our disclosures. At our twice-yearly briefing sessions about our financial results, we facilitate exchanges of opinion about our financial results and management plans and speak one-on-one with institutional investors (dialogues: 43 in FY2023→62 in FY2024). Feedback we receive is shared with our management team and relevant internal divisions and relayed to our Board of Directors through our Investor Relations Committee.

We also held tours of our Kawasaki Plant for individual and institutional investors in 2023, where we showed them our equipment and explained our business strategies.





## 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). Under the Rules, we do not purchase from the Democratic Republic of the Congo, surrounding countries, or other conflict zones or high-risk areas. Information on conflict minerals is gathered from our raw material suppliers through the vendors we deal with, and is stored for seven years. The Export Trade Control Committee manages the Company's responses to conflict minerals, which are also examined through internal auditing. Details of our activities are also reported at management meetings.



Oheyama Plant An ore yard

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

Our rules and regulations incorporate mechanisms 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. In April 2024, we announced the Nippon Yakin Kogyo Group Human Rights Policy, and we are working with our suppliers as appropriate on efforts to uphold human rights.

### Response to environmental issues, etc. in procurement supply chain

In recent years, there have been cases of "illegitimate yards", which store or work with illegal scrap metal and impact local communities' quality of life through harm such as noise, vibration and water pollution. These are becoming a major social issue. In October 2023, to facilitate more stringent compliance with laws and regulations, including at supplier sites, we announced a policy that scrap metal from "illegitimate yards" must not be accepted, and asked our business partners to thoroughly manage the operations of parties such as their suppliers to ensure compliance.

### Declaration of Partnership Building

Nippon Yakin Kogyo has agreed to the statements by the Council on Promoting Partnership Building for Cultivating the Future, which is promoted by the Cabinet Office and Small and Medium Enterprise Agency, and announced its own Declaration of Partnership Building in June 2022.

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



### Response to the 2024 Problem in Japan's logistics

To ensure reliable and sustainable logistics, we are working together with business partners and logistics companies according to the Japan Iron and Steel Federation's Voluntary Action Plans toward Optimization and Productivity Improvement in Logistics on measures such as shortening cargo wait times and loading times, improving the efficiency of transportation, and revising and clarifying the terms of contracts to further strengthen our relationships with these companies.

The Company agrees to the promotion of "white logistics" and has submitted a Voluntary Action Declaration.

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



## 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. We have therefore been evaluating the effectiveness of the Board of Directors since FY2017 by checking the results and progress of our measures and clearly defining issues to be resolved in future.

### Measures for FY2024 based on the results for FY2023

We carried out various measures to improve the effectiveness of our Board of Directors, including establishing Guidelines for the Appointment and Dismissal of Directors and Audit & Supervisory Board Members, revising our Nomination and Compensation Committee Rules, working on the formulation of a BCP for infectious diseases, and holding meetings for exchanges of opinions with outside directors, the Internal Control Office, and multiple individual departments.

### Evaluation for FY2024

#### 1. Evaluation method

We sent 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 were analyzed, evaluated and discussed by the Board of Directors.

#### 2. Overview of evaluation results

We underwent an appropriate level of evaluation about matters such as diversity of attributes such as gender, nationality, and career experience within the Board of Directors, balanced appointment of directors, and active measures to address sustainability issues. Based on the answers about these matters and others, it was verified that effectiveness of the Board of Directors has been duly ensured.

#### 3. Future measures

We will focus on addressing the following issues in FY2025.

- Facilitating more in-depth discussion on important management issues (awareness of capital costs and share prices in management, medium- to long-term growth strategies, utilization of DX, etc.)
- Creating new opportunities for exchanges of opinion with outside directors and outside Audit & Supervisory Board members

We will also examine how to improve the Board of Directors' effectiveness evaluation framework and the evaluation method.

## Officers compensation system

The compensation paid to our officers 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 officers)

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

### Decision process

**Total amount of basic salary and bonuses 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. The amount paid to each director is 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. The compensation paid to each director is decided by the president in the form of a certain ratio to their basic salary in reference to the deliberation report made by the Nomination and Compensation Committee.

**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 FY2024

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)	9 (4)	300 (31)	158 (31)	128 (-)	13 (-)
Audit & Supervisory Board Members (outside auditors)	5 (2)	41 (13)	41 (13)	- (-)	- (-)

Notes 1. The total payment amount includes the payments made to one Audit & Supervisory Board member who resigned during the fiscal year.

2. 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. The consolidated operating profit for this business year was 20,010 billion yen. The reason why this was chosen as a metric is because it is an important metric in evaluations of our management results. 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. Targets are not set for amounts such as performance-linked compensation as consolidated operating profit is used as an absolute value in calculations.

3. 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 of 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>

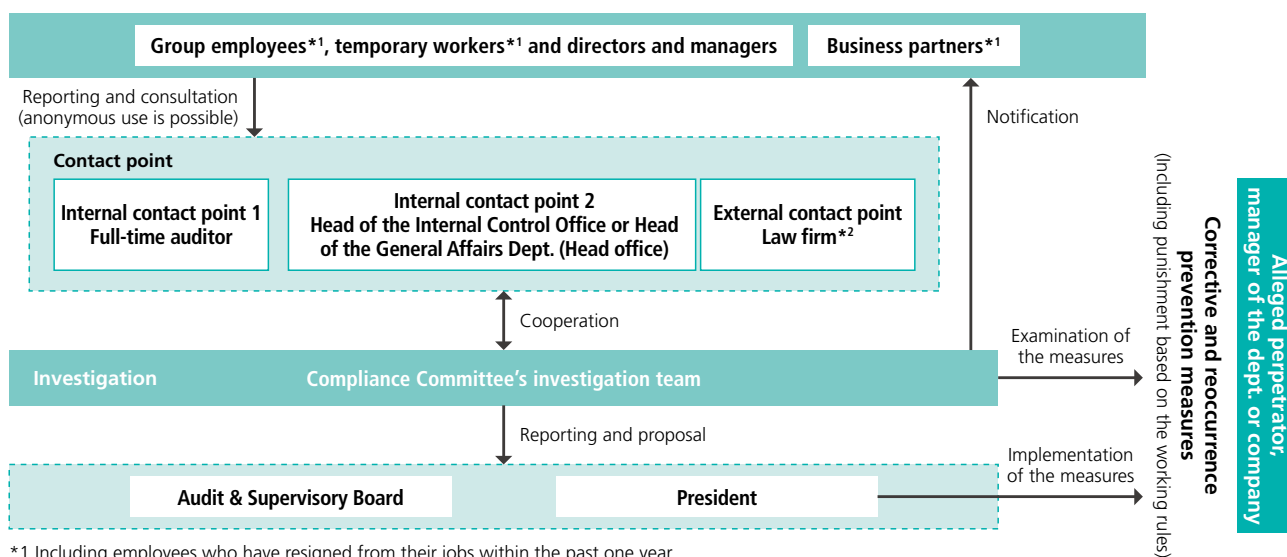
#### Compliance activities

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 supports the activities by providing information to 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. 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



\*1 Including employees who have resigned from their jobs within the past one year

\*2 LPC Hoshikawa Law Office



## 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

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 owns around 140 patents in Japan to maintain the technological superiority in high-performance alloys. We have also applied for many patents in other countries such as India and China, and are acquiring patent rights there.

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

### Composition of the Board of Directors

In our appointment of directors, we aim to achieve a good overall balance of the knowledge, experience and skills required to materially fulfill the roles and duties of the

Board of Directors, and to ensure diversity of attributes such as gender, nationality, career experience, and age while also keeping the Board at an appropriate size.

#### Directors

##### Hisashi Kubota

Chairman of Directors

Board of Directors meeting participation rate: 100% (14/14 times)



##### Shigemi Urata

President and Representative Director

Board of Directors meeting participation rate: 100% (14/14 times)



##### Shingo Kobayashi

Vice President and Representative Director

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

Board of Directors meeting participation rate: 100% (14/14 times)



##### Hiroshi Toyoda

Director and Senior Managing Executive Officer

In charge of the Corporate Planning and Investor Relations and Public Relations Departments

Board of Directors meeting participation rate: 100% (14/14 times)



##### Hisashi Yamada

Director and Senior Managing Executive Officer

In charge of the IT Systems Department and Group Environment & IP Department

Board of Directors meeting participation rate: 93% (13/14 times)



##### Akira Akimoto

Director and 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: - (Newly appointed)



#### Outside Directors

##### Kenji Tani

Outside Director

Daiki Aluminium Industry Co., Ltd.  
Outside Director

Board of Directors meeting participation rate: 100% (14/14 times)



##### Taizo Suga

Outside Director

Board of Directors meeting participation rate: 100% (14/14 times)



##### Naomi Eto

Outside Director

The Nisshin OilliO Group, Ltd.  
Outside Director

Board of Directors meeting participation rate: 100% (14/14 times)



##### Mariko Ogawa

Outside Director

DREAM INCUBATOR INC. Fellow

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



## Audit & Supervisory Board Members

### Yasuhiro Kiuchi

Audit & Supervisory Board Member  
(Full time)

Board of Directors meeting participation rate: 100% (14/14 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: 100% (11/11 times)  
Audit & Supervisory Board meeting participation rate: 100% (11/11 times)



### Tetsuo Hoshiya

Outside Audit & Supervisory Board Member

Yakiniku Sakai Holdings Inc., Outside Director  
Hosokawa Micron Corporation, Outside Director

Board of Directors meeting participation rate: 100% (14/14 times)  
Audit & Supervisory Board meeting participation rate: 100% (18/18 times)



### Soichi Wakamatsu

Outside Audit & Supervisory Board Member

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



## Skill matrix of directors

Nippon Yakin Kogyo categorizes the skills required of the directors into those for 1) corporate management; 2) sales (Japan and overseas) and marketing; 3) manufacturing, equipment and R&D; 4) finance, accounting and HR; 5) global issues; and 6) IT and risk management. Our Board of

Directors comprises members with the following skills. The skill matrix is decided by the Board of Directors every year in response to deliberation and reporting by the Nomination and Compensation Committee.

Name	Position in Company	Skill					
		Corporate management	Sales (Japan and overseas) / Marketing	Manufacturing / Equipment / R&D	Finance / Accounting / HR	Global issues	IT / Risk management
Hisashi Kubota	Chairman of Directors	●	●		●		
Shigemi Urata	President and Representative Director	●	●			●	●
Shingo Kobayashi	Vice President and Representative Director	●			●		●
Hiroshi Toyoda	Director and Senior Managing Executive Officer	●			●	●	●
Hisashi Yamada	Director and Senior Managing Executive Officer	●		●			●
Akira Akimoto	Director and Managing Executive Officer	●	●				
Kenji Tani	Outside Director	●	●			●	
Taizo Suga	Outside Director	●			●	●	
Naomi Eto	Outside Director	●			●		●
Mariko Ogawa	Outside Director	●			●	●	
Yasuhiro Kiuchi	Audit & Supervisory Board Member (Full time)	●	●		●	●	●
Toshihiro Onodera	Audit & Supervisory Board Member (Full time)	●			●		●
Tetsuo Hoshiya	Outside Audit & Supervisory Board Member	●			●	●	
Soichi Wakamatsu	Outside Audit & Supervisory Board Member	●		●	●		



**Kenji Tani**  
Outside Director

**Naomi Eto**  
Outside Director

**Takashi Michibayashi**  
Outside Director (resigned June 26, 2024)

**Taizo Suga**  
Outside Director

#### Round-Table Discussion with Outside Directors

**Business strategies and human resource development, that utilize the strengths of the Company, are an issue of materiality as we work toward medium- to long-term growth of the Company.**

#### More in-depth discussion is required for long-term growth

**In our evaluation of the Board of Directors' effectiveness in FY2024, more in-depth discussion of important management issues was designated as a point to be addressed in future. Tell us about what kind of governance frameworks we should work toward in future.**

**Tani** With regard to the effectiveness of the Board of Directors, I think that diligent action is being taken to improve effectiveness, and the Company's governance framework is steadily improving. In terms of issues for the future, I think board of directors needs to focus a little more on long-term growth strategies, discussing the Company's business portfolio and measures to strengthen profitability based on the Company's strengths. Initiatives for innovation and a change in awareness about capital efficiency are also important. On that point, there are some areas where outside directors do not have enough knowledge and information about the specifics of the Company's businesses, so I'd appreciate it if the Company could create a way to supplement our discussions with the Board by providing a venue for free discussion, apart from Board meetings.

**Suga** I feel the same way. It's important to gather around the table and exchange frank opinions, so if possible I think the Company should provide a venue for meetings that are informal but make it easy to discuss specific matters.

**Michibayashi** If you've considered

expanding the Company in the medium to long term, considering that there's no room for increases in the capacity of the Kawasaki Plant, inevitability alliances with other companies become an increasingly likely option. In that case, a major issue will be finding companies who see eye to eye with our company in the course of its management, and companies that are viable partners. From the perspective of the materials industry, it will be difficult to simply build new businesses. Realistically, what are our options in order to achieve the Company's growth strategies? It's important to delve into that.

**Eto** In last year's Integrated Report, I pointed out that having only one production site creates a bottleneck and asked how that issue should be resolved. It's important for the Board of Directors to properly determine what initiatives need to be taken in the next few years with the next 10, 20, 100 years in mind. For example, the Company has already begun deliberating on points like whether to keep stainless steels as the sole linchpin of its business or whether to broaden its scope and change its portfolio. Growth strategies for the future unquestionably need to be discussed at Board of Directors' meetings.

**Tell us about issues the Company faces in achieving the Medium-Term Management Plan 2024 that commenced last year.**

**Tani** After full-scale operation of the new electric arc furnace commenced in 2022, other large equipment is set to

be introduced, including a new cold rolling mill.

I think that in order to get the return that was initially anticipated on those capital investments, the first critical step is to build a framework for stable operation.

Then there's the human issue. With these pronounced worker shortages, I think it is extremely important to strengthen personnel strategies in order to determine what kind of personnel we need to secure and how we should secure them.

**Eto** I also think that hiring and training personnel is a major issue. Another difficult issue is gaining the ready-to-work personnel and production site staff needed to grow the Company's overseas businesses. The Company has begun utilizing DX strategies as an important tool to supplement the staff's work, but there will always still be areas that need human eyes, so it's a matter of how to secure those personnel; the Company needs to be one where diverse employees can thrive.

**Suga** Obviously hiring and training personnel is important, but it is also important to be aware of turnover and retention. Going forward, the Company needs to secure personnel while also being properly aware of the productivity per staff member and considering how to improve that.

**Michibayashi** Having good personnel throughout the Group and improving the capabilities of the entire Group is a major issue. As the Company transitions to high-performance alloy products, a key



Note: This round-table discussion was held on June 18, 2024.

measure in the Medium-Term Management Plan, the Company needs to utilize the Group companies that handle downstream processes in its business strategies.

### The value of continuing anti-takeover measures

**While other companies retire their anti-takeover measures, Nippon Yakin Kogyo got approval at last year's general meeting of shareholders to keep its measures in place for three years.**

**What are your opinions as outside directors in light of this?**

**Tani** I think that there is some validity to the Company's anti-takeover measures. On the other hand, the facts are that there is less need for these measures than before since the environment surrounding takeovers has changed and the Ministry of Economy, Trade and Industry has issued guidelines on takeovers.

So I think it is important to have another discussion about the options the Company should take, including emergency measures against takeovers. With that said, it goes without saying that as a rule, the first consideration should be to present a solid vision and strategies for the future to the Company's shareholders, increase share prices through sustainable growth, and improve the Company's value. I think that is the best measure.

**Suga** As I understand it, the Company needs to consistently take the view of whether its current medium- to long-term growth plan and business operations are suitable from a third party's perspective or whether there is a better approach. I'd say it's important to take an objective view and not consider a takeover an inherently bad thing.

**Eto** I think the value of having anti-takeover measures is that it provides enough information and time for the shareholders to make a proper, reasoned decision. By no means is it because the members of the current management lineup want to stay as

managers here forever. If a company that can grow these businesses more than this company appears, I think we should consider their proposal with a positive view.

**Michibayashi** We are no longer in an age where having measures like these provides security. I think we need to probe further into how much point there is in maintaining these measures. With that in mind, it will be useful to have a system in which the matter is discussed at Board of Directors' meetings each year to decide whether to continue these measures.

Note: A decision to continue the anti-takeover measures this year was made at our Board of Directors' meeting in June 2024.

### Looking to the future of Nippon Yakin Kogyo

**Tell us your expectations for Nippon Yakin Kogyo in future.**

**Michibayashi** All kinds of things have happened in the eight years since I was appointed as an outside director. I am pleased to see that we have rebounded from those difficult times and are now at a point where we are aiming for a PBR of 1. I think everyone giving 120% is the reason why we've been able to increase profitability this much and increase wages, and are finally at a stage where we can manage the Company with a view to the future.

**Suga** I think the Company has a lot of multitalented employees who can handle many different roles. But if we take a more big-picture view, the Company has a monoculture. Basically, the Company specializes in the production and sale of stainless steel. Going forward, the Company needs to hire people with different ways of thinking and different values. When an organization has the stimulation of views you never knew existed, that makes the organization stronger.

**Eto** I can see that the Company has come through those difficult times and is now looking forward. But if the Company remains satisfied with the way things are now, it will regress, so I want the Company to work toward new growth with different ideas from those it has acted on so far.

**Tani** I have high hopes for the young generation who will be our next managers. I want them to think carefully about the next 100 years, things like how they want the Company to be and how it should contribute to society. I don't want them to just do their jobs; I want them to use their heads and create new things. I want them to build a culture of taking on new challenges without fear of failure.

### Message from a new officer

#### Toward sustainable growth of society and the Company

**Mariko Ogawa, Outside Director**

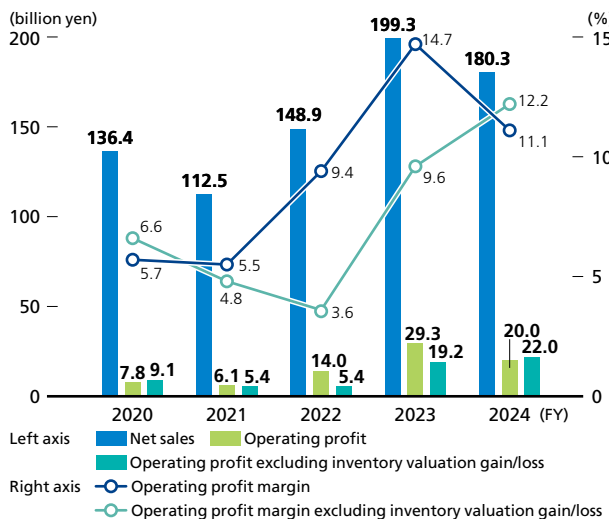
In addition to my experience in finance both inside and outside Japan, I have worked in an advisory role at consulting companies, providing advice on infrastructure-building and finance in public-private partnerships. Through discussions with central and regional governments and companies in Japan and various other Asian countries, I have experienced the differences in the stances and ways of thinking of the public and private sectors, and learned that when both sectors work together to build a business, that is when you get a sustainable business.

I have heard that Nippon Yakin Kogyo is working on initiatives such as improving the effectiveness of its management's governance, the transparency of its governance processes, and enhancing its human capital. I think that our various activities aiming for provision of materials that will be useful for future society and creation of a company where the next generation can work with satisfaction will be improved by an environment where diverse personnel can thrive and everyone can share their opinions. I will utilize the diverse perspectives I have learned inside and outside Japan to contribute to sustainable growth of society and the Company.

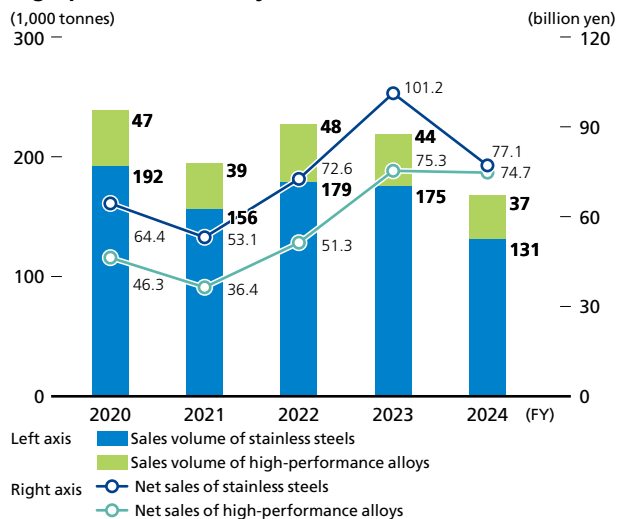
# Financial and Non-Financial Highlights

## Financial Data

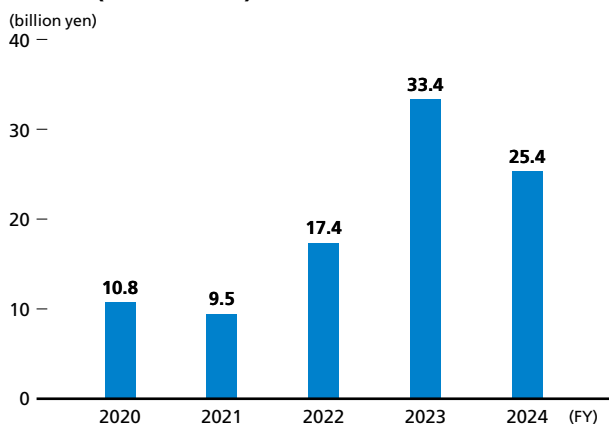
### Net sales, operating profit and operating profit margin (consolidated)



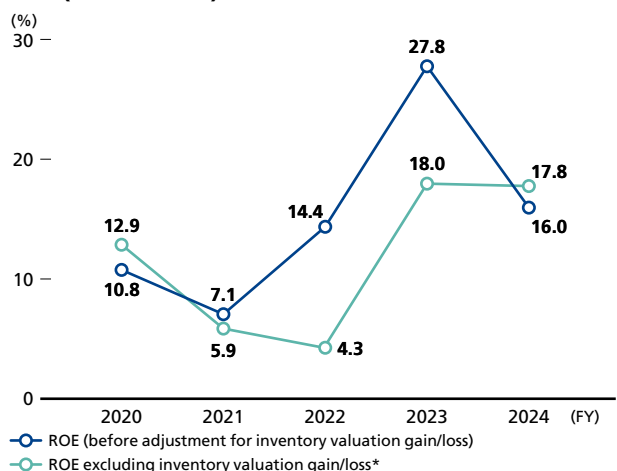
### Sales volume and net sales for stainless steels and high-performance alloys (non-consolidated)



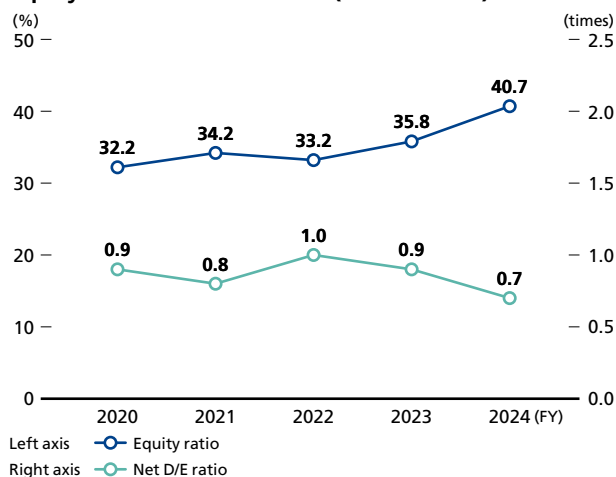
### EBITDA (consolidated)



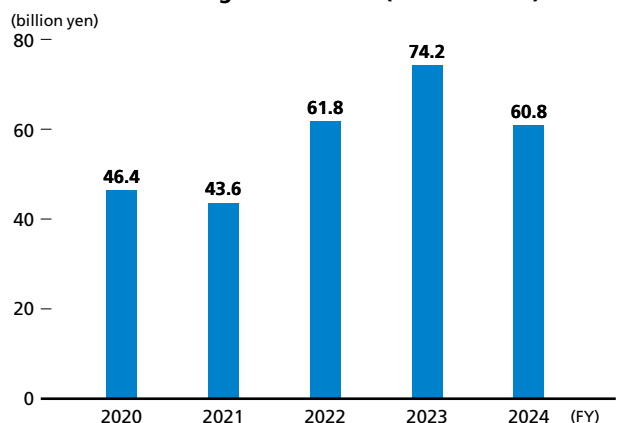
### ROE (consolidated)



### Equity ratio and net D/E ratio (consolidated)

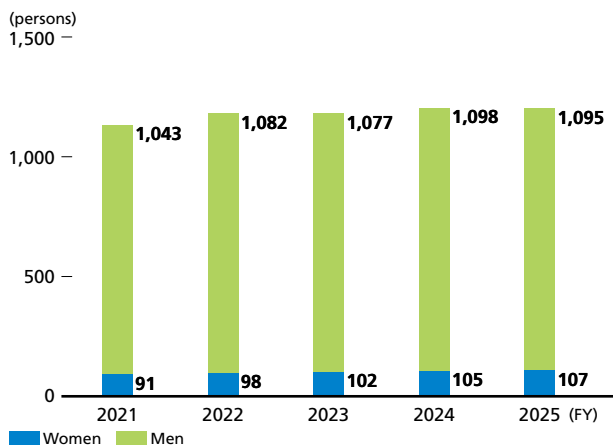


### Net interest-bearing debt balance (consolidated)

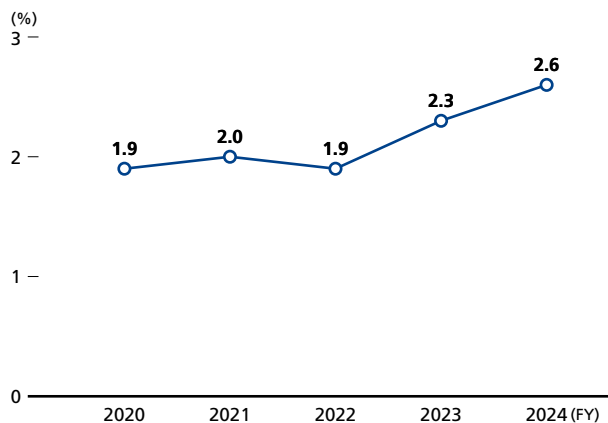


## Non-Financial Data

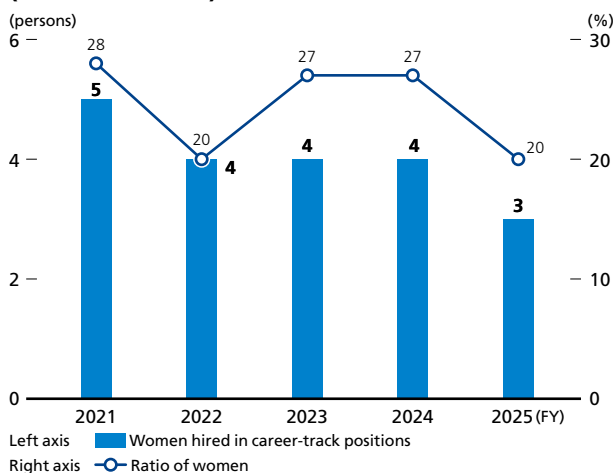
### No. of employees (male/female) (non-consolidated)



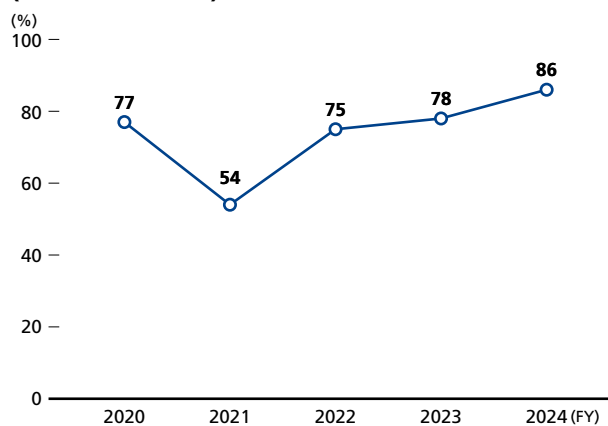
### Rate of employment of people with disabilities (non-consolidated)



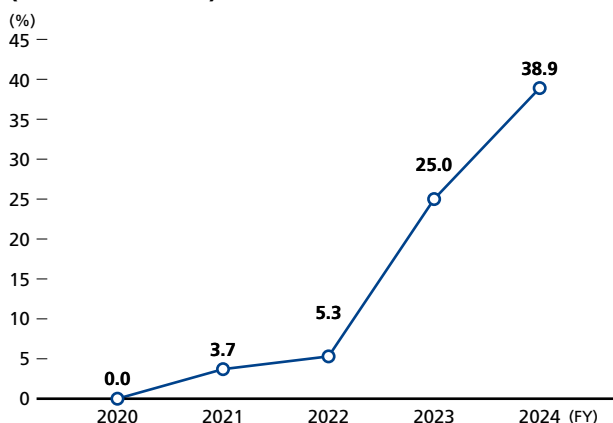
### Women hired in career-track positions (non-consolidated)



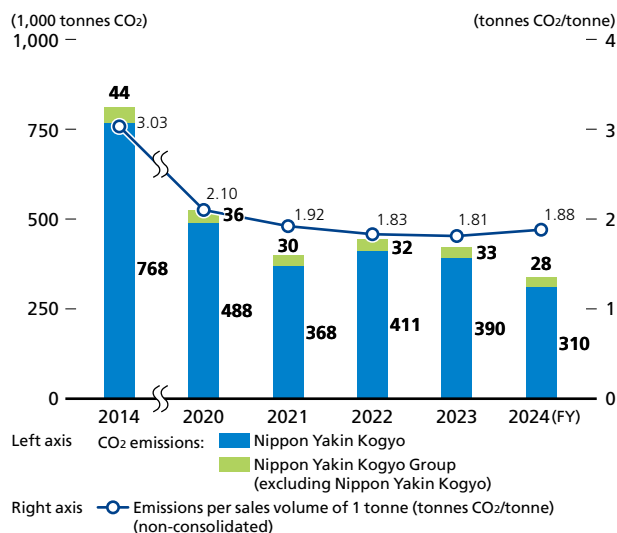
### Rate of employees taking paid holidays (non-consolidated)



### Rate of male employees taking childcare leave (non-consolidated)



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



## Financial Data for 10 Years

	FY2015	FY2016	FY2017
<b>Profit &amp; Loss Statement and Balance Sheet (Consolidated)</b>			
Net sales (millions of yen)	129,500	121,044	112,962
Operating profit (millions of yen)	2,318	1,892	4,352
Operating profit margin (%)	1.79	1.56	3.85
Ordinary profit (millions of yen)	1,307	524	2,849
Profit attributable to owners of parent (millions of yen)	2,092	821	2,349
Net assets (millions of yen)	34,254	34,150	36,889
Total assets (millions of yen)	141,015	134,774	135,666
<b>Other financial data (Consolidated)</b>			
Cash flows from operating activities (millions of yen)	1,162	6,770	8,361
Cash flows from investing activities (millions of yen)	(3,975)	(2,738)	(3,048)
Cash flows from financing activities (millions of yen)	1,077	(4,061)	(4,228)
Capital investment (millions of yen)	4,317	4,004	2,339
Return on Equity (ROE) (%)	6.4	2.4	6.6
Earnings per share (EPS) (yen)	135.24	53.09	151.90
Dividend per share (DPS) (yen)	0.0	1.5	2.5
Book-value per share (BPS) (yen)	2,214.10	2,207.83	2,384.99

(Note) On October 1, 2019, we consolidated 10 stocks into one stock.

EPS and BPS are calculated based on the assumption that the stock consolidation was carried out at the beginning of FY2015.

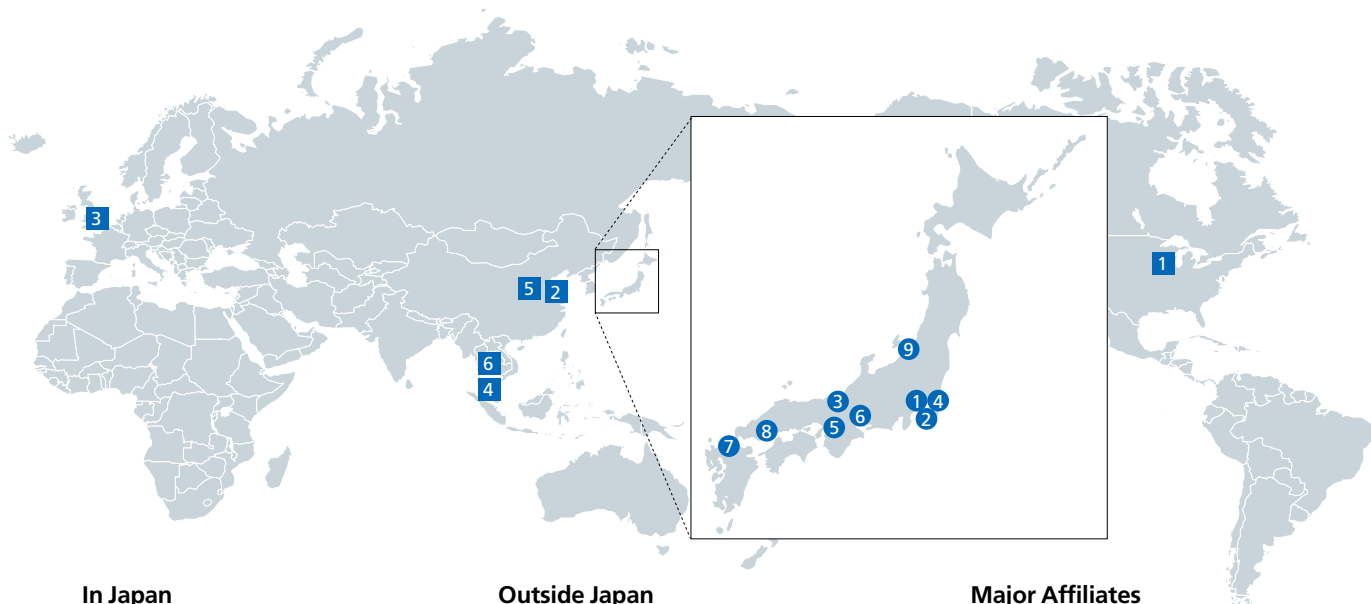


	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
	119,091	143,740	136,373	112,482	148,925	199,324	<b>180,341</b>
	4,168	9,443	7,838	6,145	13,966	29,256	<b>20,010</b>
	3.50	6.57	5.75	5.46	9.38	14.68	<b>11.10</b>
	3,386	8,178	6,342	4,990	12,807	27,738	<b>19,128</b>
	4,575	7,686	5,325	3,764	8,471	19,703	<b>13,565</b>
	41,829	47,940	51,131	55,127	62,169	79,619	<b>89,738</b>
	147,624	150,115	158,568	161,230	187,494	222,294	<b>219,988</b>
	5,031	9,172	7,979	11,182	(697)	3,649	<b>26,824</b>
	(2,852)	(6,207)	(5,511)	(6,776)	(15,656)	(13,035)	<b>(7,919)</b>
	(2,475)	(2,417)	8,692	(7,995)	15,049	8,530	<b>(14,318)</b>
	5,812	4,854	5,028	12,083	12,636	9,289	<b>8,301</b>
	11.6	17.1	10.8	7.1	14.4	27.8	<b>16.0</b>
	295.85	497.02	350.09	247.85	561.25	1,316.79	<b>933.64</b>
	4.0	6.0	33.0	45.0	120.0	200.0	<b>200.0</b>
	2,704.48	3,099.68	3,368.36	3,629.02	4,121.13	5,324.80	<b>6,184.80</b>

## Corporate Profile

<b>Company name</b>	Nippon Yakin Kogyo Co., Ltd.
<b>Establishment</b>	August 22, 1925
<b>Head office location</b>	1-5-8 Kyobashi, Chuo-ku, Tokyo 104-8365 Japan
<b>Business details</b>	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
<b>Capital</b>	24,300,910,790 yen (As of March 31, 2024)
<b>Representative</b>	Shigemi Urata
<b>Number of employees</b>	1,151 (non-consolidated), 2,079 (consolidated) (As of March 31, 2024)
<b>Net sales</b>	152,383 million yen (non-consolidated), 180,341 million yen (consolidated) (FY2024)

## 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.

## External Evaluations and Inclusion in Indexes (As of September 2024)



FTSE Blossom  
Japan Sector  
Relative Index

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



### Independent Assurance Statement

July 31, 2024

Mr. Shigemi Urata  
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 FY2024 (April 1, 2023 - March 31, 2024), 174kt-CO<sub>2</sub> (Scope 1), 135kt-CO<sub>2</sub> (Scope 2), 567kt-CO<sub>2</sub>e (Scope 3, Category 1,2,3,4,5,6,7) and Nippon Yakin Kogyo Group's CO<sub>2</sub> emissions in FY2024 (April 1, 2023 - March 31, 2024), 186kt-CO<sub>2</sub> (Scope 1) and 152kt-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.

A handwritten signature in black ink, consisting of a stylized 'T' followed by a horizontal line and a small flourish at the end.

Takashi Fukushima  
Representative Director  
Sustainability Accounting Co., Ltd.

**Contact Information**

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