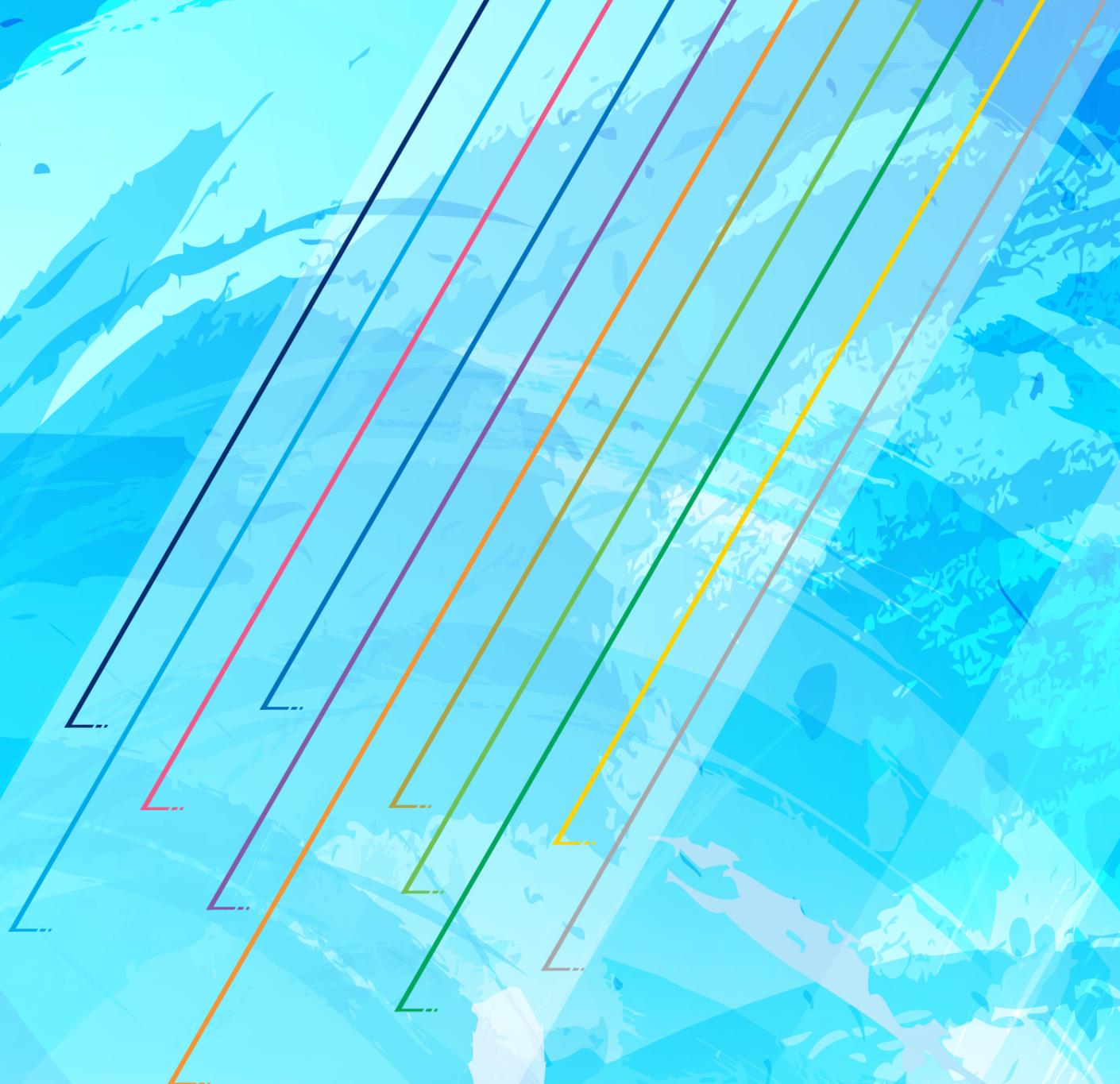


 **SANYO SPECIAL STEEL**

REPORT 2025

APRIL 1, 2024-MARCH 31, 2025
Sanyo Special Steel Report 2025
(Integrated Report)



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Editorial Policy

This report summarizes the Sanyo Special Steel Group's environmental, social, and governance (ESG) initiatives aimed at realizing a sustainable society.

Period and Scope of Coverage

This report contains information on the initiatives of Sanyo Special Steel and its Group companies in FY2024 (April 1, 2024 to March 31, 2025), but also includes information outside the period covered.

Reference Guidelines and Other Documents

"International Integrated Reporting Framework," IIRC
"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation," Ministry of Economy, Trade and Industry
"Environmental Reporting Guidelines 2018," Ministry of the Environment
Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

Notes on Forecasts

The forward-looking statements in this report are based on the judgment of the Group based on the information currently available. These statements are subject to a number of uncertainties, and actual results may differ materially depending on a number of factors.

Corporate Philosophy

Confidence-based Management

Confidence of Society

We aim to earn the confidence of society by contributing to the realization of an affluent and culturally rich society and fulfilling our responsibilities as a member of society through our "high-quality special steel manufacturing."

Confidence of Customers

We aim to earn the confidence of our customers by rapidly and accurately identifying their needs and appropriately providing high-quality special steel products.

Confidence among People

We will build confidence among people by deepening communication with all stakeholders and acting autonomously in accordance with social norms.



Even under major changes in society and industrial structure, such as carbon neutrality, the highly reliable special steel products of our Group will be in greater demand around the world as important materials to support the development of society. Under these circumstances, the Sanyo Special Steel Group will further build up the reliability of the brand “Sanyo Special Steel - the confident choice” by, on a group-wide scale, strengthening its business foundation and innovating technologies that are ahead of the times.

In April of this year, Sanyo Special Steel became a wholly owned subsidiary of Nippon Steel Corporation (NSC). We recognize that our mission is to serve as the core of the special steel business within the Nippon Steel Corporation and to further enhance synergies across the Group. With the support and cooperation of our stakeholders, we will actively take on new challenges and strive to maintain a company that practices “Confidence-based Management,” as set forth in our corporate philosophy.

I hope you will look forward to how the Sanyo Special Steel Group takes on various challenges.

Representative Director and President
FUKUDA Kazuhisa

Review of FY2024 and Current Business Environment

Business Results for FY2024

In FY2024, despite a decline in standalone sales volume, profit increased year on year, supported by sales price revisions reflecting higher outsourcing, logistics, and labor costs, as well as margin improvement driven by lower steel scrap prices. Meanwhile, our European subsidiary, OVAKO, was adversely affected by a sharp economic downturn in Europe and recorded lower profits year on year. As a result, consolidated net sales declined by ¥24.3 billion to ¥329.5 billion, and consolidated ordinary income declined by ¥3.0 billion to ¥9.1 billion, resulting in lower revenue and profit on a consolidated basis.

Forecasts for FY2025

For FY2025, demand for special steel in Japan is expected to recover at a very modest pace, and while a continued recovery trend is anticipated, the direct and indirect impacts of U.S. trade policies on customer industries remain uncertain. In Europe, demand recovery remains sluggish amid ongoing uncertainty regarding the outlook. We expect that increased fiscal stimulus measures, particularly in Germany, will support a recovery in demand going forward.

Under these circumstances, our Group will continue to steadily make progress in revising our selling prices based on the increased outsourcing, distribution, and labor costs and also to engage in our cost reduction initiatives. (Due to our becoming a wholly owned subsidiary of Nippon Steel Corporation, we will refrain from disclosing consolidated earnings forecasts.)

Collaboration within NSC Group

After becoming a consolidated subsidiary of Nippon Steel Corporation in 2019, Sanyo Special Steel, OVAKO, and Nippon Steel Corporation planned to generate synergies of approximately 10 billion yen, with 50% realized by the third year (FY2021) and 100% by the sixth year (FY2024). As a result of implementing various collaborative initiatives, we achieved results that exceeded the original plan. We have dispatched engineers to OVAKO to support its technical and operational improvement toward better productivity, having been steadily realizing cost reductions. In addition, as synergies with NSC, we have implemented various initiatives including those seeking to reduce distribution costs and the costs of materials, equipment, and ferroalloy through utilization of the iron sources and transportation infrastructure of the group. Furthermore, various other activities have also been implemented, including the production consolidation of special product and R&D collaboration utilizing the knowledge, manpower, etc., of the NSC Group.

In April 2025, we became a wholly owned subsidiary of Nippon Steel Corporation. This transition has enabled us to further strengthen our relationship without the constraints that previously existed, allowing for more agile and timely consideration and execution of initiatives. To prevail amid increasingly fierce global competition, it is important to possess solid cost competitiveness as well as technological and quality competitiveness. By leveraging our unique strengths, expanding profit opportunities, strengthening business strategies through closer collaboration between sales and technical divisions, and pursuing a further optimized production structure, we will strive to enhance our corporate value and presence.

2025 Medium-Term Management Plan

In light of major changes in the business environment that have arisen since the original 2025 Medium-Term Management Plan was formulated, such as resource price inflation (decoupled from the steel supply and demand cycle), intensifying human resource constraints, and accelerated drive to EVs and carbon neutrality, as well as the fact that our current financial results have been outperforming the original plan, we revised the plan on July 28, 2023.

Our Group, as a whole, will seek to strengthen our business base and profitability in Japan and overseas by making aggressive investment and flexibly allocating the necessary human capital, centrally for carbon neutrality and DX, as well as by flexibly revising prices based on value in use, expanding and enhancing the surcharge system, continuously working to sophisticate our sales mix, and taking other relevant actions.



Top Message

Toward Carbon Neutrality

Roadmap to carbon neutrality by 2050

Based on the roadmap of the Sanyo Special Steel Group toward carbon neutrality, in addition to reducing our own greenhouse gas (GHG) emissions (Scope 1 and 2) by 42% or more compared to the FY2021 level by FY2030 through promotion of eco-processes, green energy utilization, and other actions, we are aiming to contribute to reducing emissions by approximately 50% of the FY2021 level by employing eco-products that contribute to customers' GHG emission reductions and eco-solutions that deploy energy-saving and productivity-enhancing technologies at overseas Group companies.

For eco-processes, we have been promoting the use of regenerative burners for heating furnaces, inverters for large motors, and LED lighting in our factories. As a result, GHG emissions for FY2024 (Scope 1 and 2) totaled 550 thousand tons, representing a 22% reduction compared with FY2021, indicating steady progress.

Furthermore, from April 2024, we began purchasing the entire available volume of hydroelectric power generated in Hyogo Prefecture. We also commenced solar power generation under a PPA scheme at our head office plant in July 2024 and started purchasing electricity through an off-site PPA scheme from April 2025. Since FY2023, we have introduced internal carbon pricing to promote investment in energy saving initiatives and to further reduce GHG emissions.

To achieve carbon neutrality, it is necessary to reduce GHG emissions not only in our own manufacturing processes but also throughout the entire life cycle of products covering raw material procurement and customers' processing and use of such products as end products. The Group is working in collaboration with customers to reduce GHG emissions across the entire supply chain, including Scope 3 emissions. We will further focus on the development of eco-products that contribute to reducing GHG emissions generated in customers' steel processing and parts manufacturing processes.

Responses to EVs

Automotive electrification is an essential initiative in achieving carbon neutrality. As vehicle power sources shift from engines to motors, the unit consumption of special steel is also affected.

At the same time, we foresee the rise of new demand following the shift to EVs. In particular, the downsizing and weight reduction of EV parts for energy-saving purposes cause an increased load for such parts, and the materials used for those parts inevitably require high quality (strength, etc.) and reliability. It is this aspect where we believe our Group can take advantage of its high manufacturing technologies to produce highly reliable and high-quality special steel.



Initiatives Implemented by Overseas Subsidiaries

[OVAKO Europe]

OVAKO has been at the forefront globally in initiatives to reduce GHG emissions. In January 2022, the company began selling green steel with a climate surcharge (premium) applied to all steel products. In September 2023, OVAKO commenced operation of a plant at its Hofors mill that generates carbon-free hydrogen through water electrolysis using fossil-free electricity. The hydrogen produced is used as fuel for reheating steel billets, replacing conventional petroleum-based fuels.

[India SSMI]

SSMI is actively promoting the use of renewable electricity, including solar and wind power. In FY2024, renewable energy accounted for approximately 60% of SSMI's total electricity consumption.

In the midst of global demand for addressing climate change issues, the Sanyo Special Steel Group will promote initiatives to reduce GHG emissions and achieve carbon neutrality through its global business activities involving not only Group companies in Japan but also OVAKO and SSMI.

Initiatives to Expend Human Capital

Initiatives for Safety

For the Sanyo Special Steel Group as a manufacturing group, the safety and wellbeing of employees are a fundamental prerequisite for business activities and take priority over all other considerations. Based on this recognition, our Group promotes the reduction of work-related risks and the creation of a safe workplace by "integrating top-down and bottom-up approaches" and "implementing both hard and soft measures" and also works to prevent the spread of damage in the event of a disaster by raising employees' awareness of disaster prevention and conducting disaster drills.

Development of global human resources

In order for our Group to survive fierce international competition, the technology and skills to produce world-class, distinguished products and the ability to negotiate with customers and other stakeholders around the world are indispensable. For that reason, we are accelerating the development of global human resources. By enabling new employees to go abroad for language study and young and mid-career employees to gain experience, for example, from working at overseas affiliates and studying abroad, we will systematically develop human resources who can act from diverse perspectives and who can produce results through sufficient communication with customers and other stakeholders around the world.

Promotion of Participation by Women and Work-Life Balance

Our Group has long been promoting the development of an environment for the active participation of women from both hard and soft aspects. In June 2022, we appointed our first female executive officer. Furthermore, in April 2024, our second female executive councilor was appointed through internal promotion. In January 2021, we established a specialized organization, Diversity Promotion Group in our efforts to organize a structure to support the active roles of all employees in the global arena regardless of gender, age, etc. We also make efforts to improve employees' work-life balance, for example by encouraging male employees to take childcare leave, develop multiskilled workplaces, and improve work efficiency.

Corporate Health-oriented Management

Having formulated the "Sanyo Special Steel Declaration of Corporate Health-oriented Management," we work on improving employees' lifestyles and preventing mental health problems through walking events supporting them in making physical exercise an established routine, health seminars, and other relevant activities. We will continue to promote the creation of a work environment in which all employees can work in a fulfilling manner every day.

Creating a Workplace Culture of Open Communication

As values related to work continues to diversify, fostering a workplace culture in which employees feel a sense of fulfillment and pride in working for Sanyo Special Steel is an important management issue. To support a fulfilling living environment for young employees who join our company from distant locations, we constructed a new single employee dormitory in the spring of 2024. In addition, through initiatives such as the greeting campaign and the practice of addressing colleagues with the honorific "san," we promote communication across organizational and hierarchical boundaries and encourage open dialogue. Through these efforts, we are working to create a workplace where all employees can work comfortably and with a sense of purpose.



Further Enhancement of Corporate Governance

In order to ensure that the Sanyo Special Steel Group is trusted by various stakeholders including shareholders, customers, and communities, we are making efforts to strengthen corporate governance suited to our Group's business. Regardless of our transition to a non-public company, we continue to leverage the governance frameworks we have established and strive to enhance management efficiency, soundness, and transparency.

We hope that this report, which introduces our initiatives, will help you understand the activities of the Sanyo Special Steel Group better, and we look forward to your continued support and assistance.



History of Sanyo Special Steel



1933~

Founding and Growth Through Turbulent Times

Sanyo Special Steel was founded in 1933 as Sanyo Steel Works by Tosaku Yamamoto IV. In 1935, following the establishment of the Company, production of bearing steel began. After overcoming the turmoil of World War II, the Company promoted large-scale capital investments. In response to the rapid postwar industrial development in Japan, the Company steadily expanded its business operations.

1960~

From Rapid Growth to a Period of Challenges

In 1964, the Company completed a series of rationalization investments that had been undertaken to respond to growing demand for special steel. However, amid the securities recession that occurred during the same period, the Company was forced to file for Corporate Rehabilitation Law in 1965. Through company-wide efforts to strengthen its business foundation, the Company successfully achieved reconstruction in 1973.

1980~

Advancing During Japan's High-Growth Era

During the 1980s, the Company completed construction of its core facilities, including No.2 Steelmaking plant and No.2 Bar & Wire Rod mill completed (now Small and medium Bar Rolling Mill), as well as a metal powder manufacturing plant, which represented a new business at the time. These developments established the production framework that continues to support the Company today.

2000~

Responding to Change and Looking Toward the Future

The business environment surrounding the Company underwent significant change due to the 2008 global financial crisis, triggered by the collapse of Lehman Brothers, and the Great East Japan Earthquake in 2011. In addition, rapid economic growth in emerging economies, including China, also significantly transformed the business environment surrounding the Company. In response to these changes, the Company strengthened its business foundation while promoting global expansion.

2025

A New Stage and Further Growth

In April 2025, the Company became a wholly owned subsidiary of Nippon Steel Corporation, marking a new beginning. Building on the special steel manufacturing technologies cultivated over the years, the Company will play a central role within the Nippon Steel Group and strive for further growth.

- 1933 — Founded as Sanyo Steel Works
- 1935 — Established Sanyo Steel Co., Ltd.
- 1939 — Listed on the Osaka Securities Exchange
- 1954 — Listed on the Tokyo Stock Exchange
- 1959 — Changed company name to Sanyo Special Steel Co., Ltd.
— Seamless steel tube plant (2,000-t hot extrusion press)
- 1960 — Cogging mill and large diameter bar rolling mill
- 1963 — Absorbed Osaka Special Steel Co., Ltd.
- 1965 — Corporate Rehabilitation Law filed for Stock de-listed
- 1970 — Seamless steel tube plant (asseltube rolling mill)
- 1973 — 60-t No.2 electric arc furnace
— Rehabilitation proceedings
- 1974 — Established Yokohoh Bussan Co., Ltd.
- 1980 — Relisted on the Osaka Securities Exchange
- 1982 — Established Santoku Kogyo Co., Ltd.
— No. 2 steelmaking plant
- 1983 — 3,000-t high speed forging press
- 1985 — Relisted on the Tokyo Stock Exchange
- 1986 — No.2 Bar & Wire Rod mill (now Small and medium Bar Rolling Mill)
- 1988 — Metal powder manufacturing and processing plants
- 1990 — Established Santoku Computer Service Co., Ltd.
— Established SKJ Metal Industries Co., Ltd. (Thailand)
- 1992 — 1,500-t high-speed forging press
- 1993 — Established the Sanyo Special Steel Cultural Promotion Foundation
- 1996 — Established Sanyo Special Steel U.S.A., Inc (U.S.A.)
- 2000 — Established Santoku Seiken Co., Ltd.
- 2001 — Established Ningbo Sanyo Special Steel Products Co., Ltd. (China)
- 2004 — Established Santoku Tech Co., Ltd.
- 2006 — Became an equity-method affiliate of Nippon Steel Corporation
- 2011 — Established Sanyo Special Steel Trading (Shanghai) Co., Ltd. (China)
— 5,000-t free forging press
- 2012 — 60-t continuous caster
— Established Mahindra Sanyo Special Steel Pvt. Ltd. (India) (now Sanyo Special Steel Manufacturing India Pvt. Ltd.)
- 2014 — Established Siam Sanyo Special Steel Product Co., Ltd. (Thailand)
- 2015 — Established Sanyo Special Steel Manufacturing de México, S.A. de C.V. (Mexico)
- 2017 — No.2 Metal Powder Plant
- 2018 — Acquired Mahindra Sanyo Special Steel Pvt. Ltd. (India) (now Sanyo Special Steel Manufacturing India Pvt. Ltd.) as a subsidiary
- 2019 — Became a consolidated subsidiary of Nippon Steel Corporation
— Acquired Ovako Group AB (Sweden) as a wholly owned subsidiary
- 2022 — Transferred listing from the Tokyo Stock Exchange First Section to the Prime Market
- 2024 — Made Sanyo Special Steel Manufacturing India Pvt. Ltd. a wholly owned subsidiary
- 2025 — Became a wholly owned subsidiary of Nippon Steel Corporation
— Delisted from the stock exchange

Our Business

Highly reliable steel supporting global manufacturing



In the Steel Products business, we manufacture and sell a variety of special steel products, including bearing steel, engineering steel, stainless steel, heat-resistant steel, and tool steel.

The Sanyo Special Steel Group's special steel products are used as materials for some of the most important parts of automobiles, industrial machinery, and plants, contributing to the functional improvement of end products and the reduction of environmental impact in the manufacturing processes of our customers.

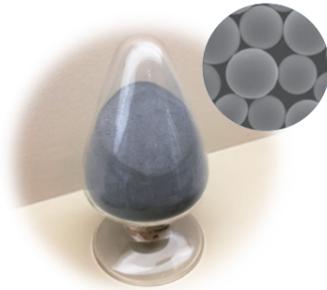
High-cleanliness steel manufacturing technology

Japanese, European, and Indian manufacturing bases

Steel Products

- Bearing steel
- Engineering steel
- Stainless steel
- Heat-resistant steel
- Tool steel
- High alloy steel

High-performance metal powders supporting the development of advanced technologies



In the Metal Powders business, we manufacture and sell metal powder products.

Sanyo Special Steel manufactures high-performance metal powders with low impurities and excellent flowability and powder metallurgy products formed by our unique technology to support the development of advanced technologies in various settings, from the front lines of research and development to manufacturing sites.

Spherical powder with good flowability

Metallurgical technology evaluation and analysis system

Metal Powders

- Metal powders
 - Powder metallurgy high-speed steel
 - Powder metallurgy products
- Example of additive manufacturing product
- Sputtering target materials

A global supply system that meets customer needs



In the Formed and Fabricated Materials business, we manufacture and sell formed and fabricated materials made from special steel bars and tubes.

In addition to Japan, the Sanyo Special Steel Group has established a supply system for formed and fabricated materials in North America and China, which are growth markets for the automotive industry, thereby contributing to the simplification of the processing process and local production for local consumption for customers who are expanding their business globally.

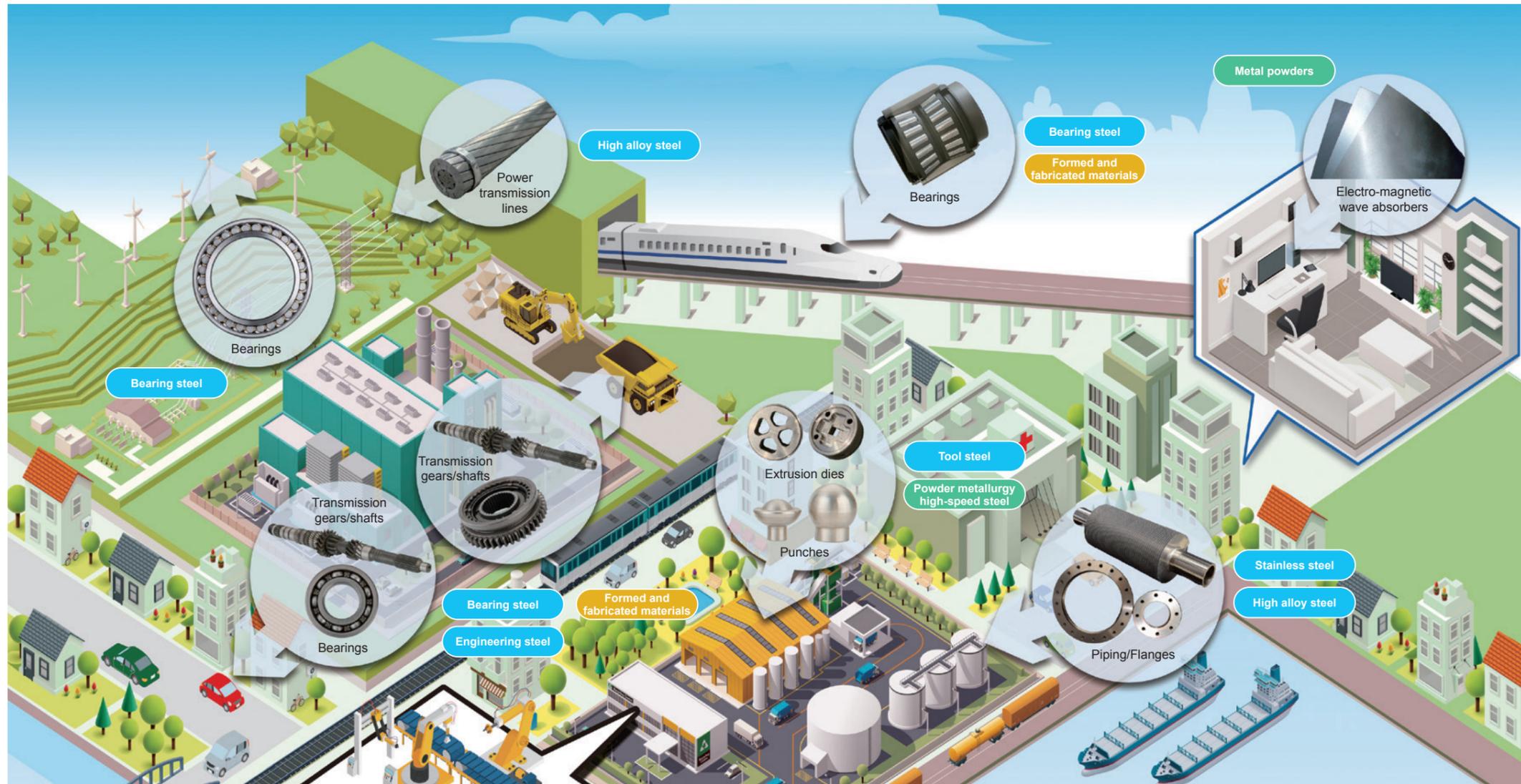
Integrated production from high-cleanliness steel

Global supply chain

Formed and Fabricated Materials

- Formed and fabricated materials
- Forged and rolled rings
- Die-forged products

The Sanyo Special Steel Group's special steel is used in these places.



(From top) Manufacturing facilities for the Steel Products business, the Metal Powders business, and the Formed and Fabricated Materials business

Global Business Development

OVAKO



OVAKO Group AB
President & Chief Executive Officer
Marcus Hedblom

Brief self-introduction:

Mr. Hedblom has been President & Chief Executive Officer of Ovako Group since 2015. He also served as acting EVP Group Sales & Marketing from March to October 2025. Earlier roles include CFO of Ovako Group, Deputy CFO at SAS Group, CEO and CFO at Spanair, Consultant at McKinsey, and Production Engineer at Scania.

At Ovako, we remain firmly committed to sustainability — to our people, our planet, and our performance. Even in today's uncertain market environment, we continue to build for the long term, with safety and operational excellence at the heart of everything we do.

Safety First

Safety is our highest priority and the foundation of our success. Through a strong culture where every employee is empowered to act, we continue to deliver industry-leading results. With a Lost Time Injury Frequency Rate (LTIFR) of 0.7 — a 94 percent reduction since 2015 — Ovako is setting new benchmarks for workplace safety across the steel industry.

Current Market Conditions and Performance

The current market has presented significant challenges, particularly due to the downturn in demand and the impact of the European manufacturing slowdown. Despite these headwinds, Ovako has demonstrated resilience by maintaining robust margins and safeguarding our market position. While the steel industry in Europe faces pressure, we have successfully navigated these uncertainties, leveraging strategic opportunities to strengthen our performance. Guided by this year's tactical plan, "Need for Speed," we are accelerating actions to capture new business, improve efficiency, and drive growth even in difficult times.

Progress in Sustainability

Our decarbonization journey is advancing at pace. Since 2015, we have reduced our CO₂ emissions (scope 1 and 2 per tonne) by nearly 60 percent. Recent investments, such as our new furnace in Boxholm, combine immediate CO₂ and energy reductions with long-term readiness for hydrogen and biogas. With science-based targets prepared for submission in 2025, we are on track to achieve net-zero emissions across our value chain by 2045.

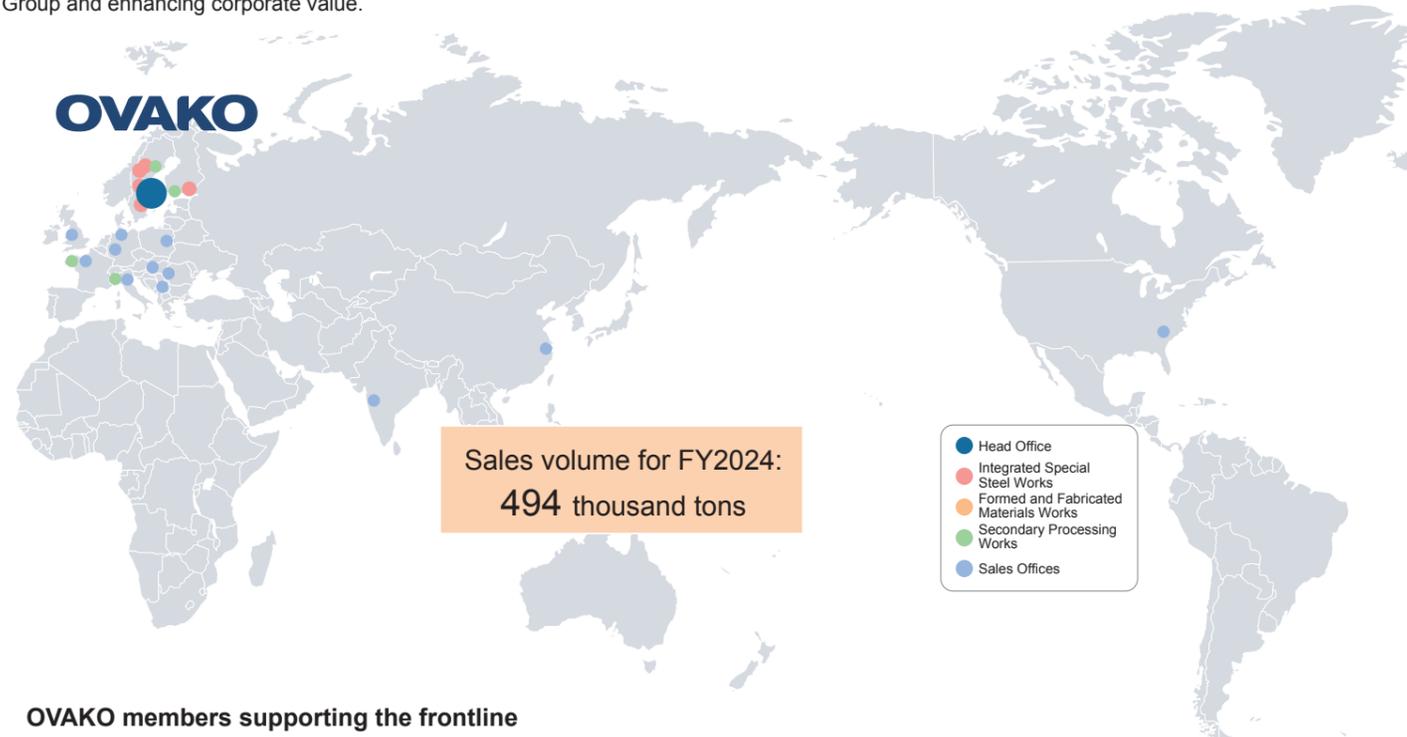
Looking Ahead

We know that technology alone is not enough. Policy frameworks like the EU's Carbon Border Adjustment Mechanism (CBAM) and access to fossil-free energy are crucial for a fair transition. With clear strategic priorities, engaged teams, and strong partnerships, Ovako is well positioned to lead the transformation of the steel industry — safely, responsibly, and with purpose to create steel for a decarbonized society.

Marcus Hedblom
President & CEO, Ovako Group

Global Network to Meet Special Steel Needs Around the World

The Sanyo Special Steel Group has integrated special steel manufacturing bases in Japan, Europe, and India to meet the needs of special steel in all regions of the world through a tripolar global structure. In addition, we have established a supply chain in the growing automotive market through our Formed and Fabricated Materials business to meet the local procurement needs of our customers who are expanding their business globally. By making full use of these global networks, we will steadily capture the growing global demand for special steel over the medium- to long-term and provide a stable supply of high-quality special steel products to customers around the world, thereby achieving profitable growth for the Group and enhancing corporate value.



OVAKO members supporting the frontline



OVAKO's main factories



Hofors (Sweden)



Smedjebacken (Sweden)



Boxholm (Sweden)



Imatra (Finland)

Global Business Development

Sanyo Special Steel Manufacturing India Pvt. Ltd.



Sanyo Special Steel Manufacturing India Pvt. Ltd.
Managing Director
Dilipkumar Pachpande

Sanyo Special Steel Manufacturing India (SSMI)

SSMI strategically positions itself within the Indian manufacturing landscape, particularly in the production of high-quality special steel, while enhancing its competitiveness through collaboration with Sanyo and Nippon Steel Group companies.

As we navigated through a various business challenge, we continued to remain resilient with our unwavering commitment towards our goals.

Our holistic approach towards sustainability is based on three pillars namely Environmental Stewardship, Social Responsibility & Governance Framework.

- **Environmental Stewardship:** Environmental stewardship drives towards manufacturing of green steel with a significantly lower carbon footprint.
- **Social Responsibility:** Maintain strong commitments to our workforce, communities, and stakeholders, ensuring our growth benefits everyone involved in our ecosystem.
- **Governance Framework:** Governance framework for sustainable business practices to ensure the resilience and profitability of our operations.

Our comprehensive climate action strategy aims to achieve complete carbon neutrality by 2050, with significant milestones established along the journey.

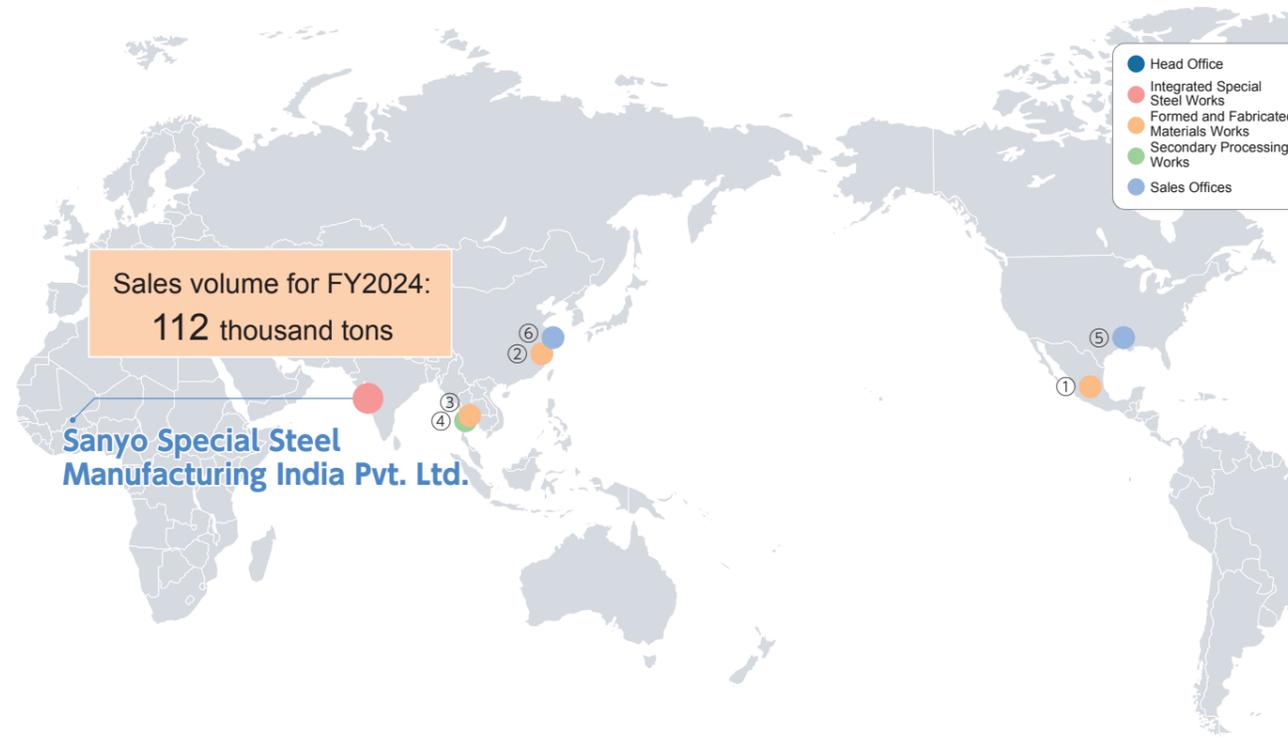
Adaptation of Renewable Energy, use of lower CO2 emission sources of energy, Energy Substitution, nurturing social commitments, ensuring a zero-harm workplace safety and employee wellbeing, and strengthening Stakeholder Engagement are the few initiatives towards our commitment for sustainable development and greener future.

Our journey towards achieving our commitments is divided into near-term goal (2026-27), Medium-term goal (2028-2035) and long-term goal (2036-2050) with a vision of maintaining a strong and stable profit base and quality competitiveness by boldly challenging new demand development, contributing to the sound development of the Indian economy through initiatives to address environmental issues, bringing trust to our employees and local communities by creating a workplace that is safe and respectful of diversity.

Acknowledgments

I would like to extend my deepest gratitude to our management, employee, partners and all our stakeholders for their trust and confidence in us and hope to have their continued support in our journey towards a sustainable future.

By working closely with partners and communities, we not only contribute to climate action but also strengthen the resilience and profitability of our business.



In addition to OVAKO and SSMI, we have also set up other global bases.

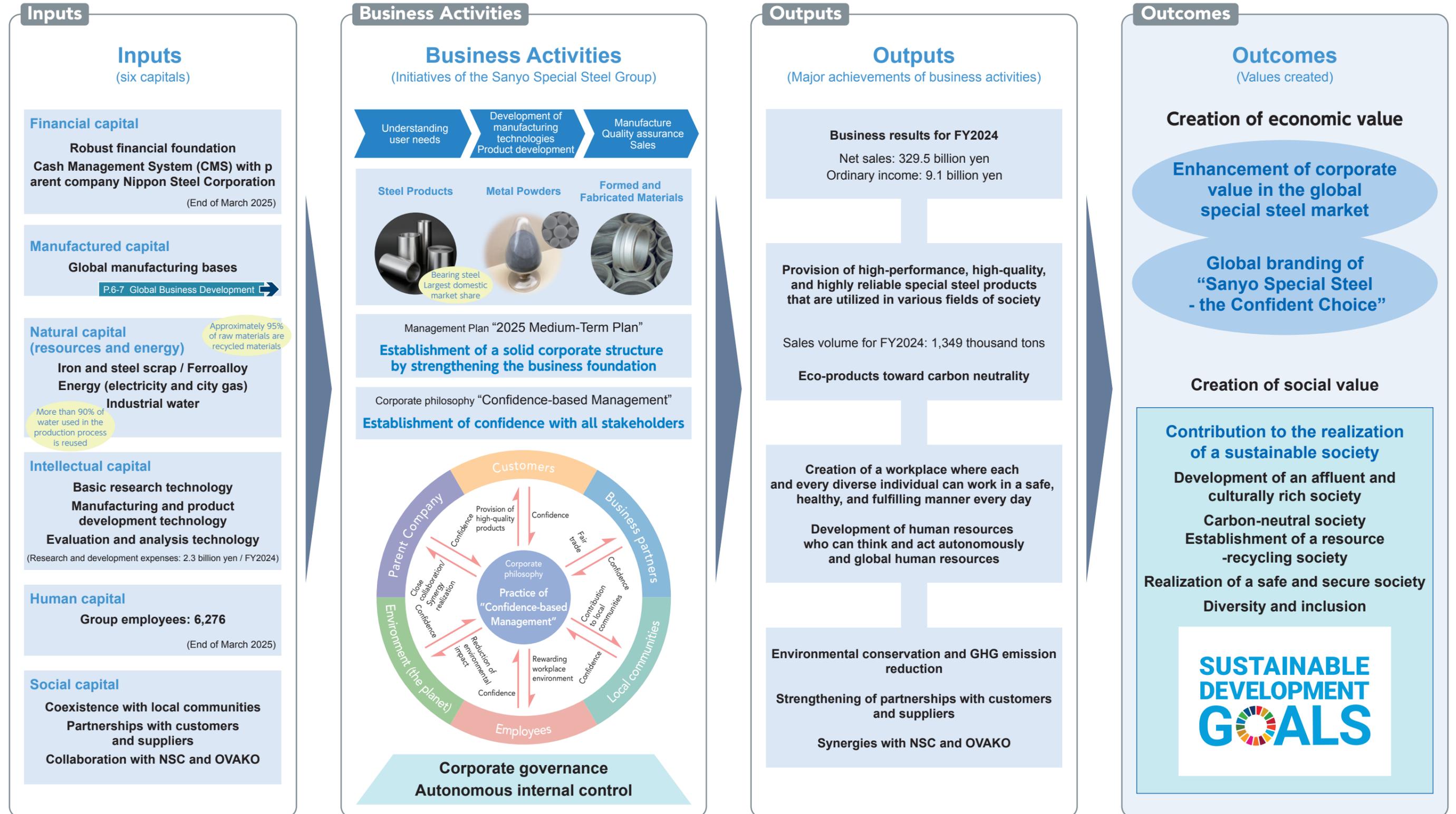
- **Formed and Fabricated Materials Works**
 - ① Sanyo Special Steel Manufacturing de México, S.A. de C.V. (Mexico)
 - ② Ningbo Sanyo Special Steel Products Co., Ltd. (China)
 - ③ Siam Sanyo Special Steel Product Co., Ltd. (Thailand)
- **Secondary Processing Works**
 - ④ SKJ Metal Industries Co., Ltd. (Thailand)
- **Sales Offices**
 - ⑤ SANYO SPECIAL STEEL U.S.A., INC (U.S.)
 - ⑥ SANYO SPECIAL STEEL TRADING (SHANGHAI) CO., LTD. (China)



Value Creation Process

Since its establishment in 1933, the Sanyo Special Steel Group has played a role in a resource-recycling society by manufacturing special steel products from iron and steel scrap, a recycled resource, and has contributed to industrial and economic development by providing highly reliable, high-quality special steel products.

We will continue to strive for the sustainable growth of the Group and contribute to the realization of a sustainable society through the practice of our corporate philosophy, "Confidence-based Management," which aims to establish confidence of society, confidence of customers, and confidence among people.



Topics

Letter of Appreciation from JAXA

In May 2024, we received a letter of appreciation and a scale model of the H3 rocket from the Japan Aerospace Exploration Agency (JAXA), in recognition of the significant contribution made by its AM powder for engine component fabrication to the development and manufacturing of the H3 Launch Vehicle Test Flight No. 2, which was successfully launched at the Tanegashima Space Center in February 2024.



Rocket Model



Managing Executive Officer Yanagimoto and Metal Powder Manufacturing & Sales Division General Manager Yamamoto receiving a letter of appreciation

Sanyo Special Steel Group Newsletter "SANYO NET" Surpasses 600 Issues

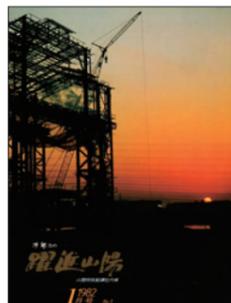
In September 2024, the Sanyo Special Steel Group newsletter "SANYO NET" reached its 600th issue, approximately 63 years after its first issue was published in 1961. The publication has evolved through several names—"Manaslu," "Yohkoh," "Yakushin Sanyo," and now "SANYO NET"—but continues to serve as an important internal communication tool for employees. We continue to explore improved methods of information sharing aligned with the changing times.



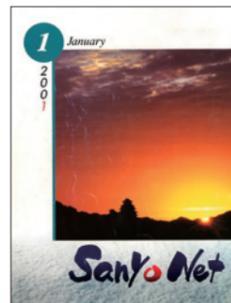
Manaslu (1961-)



Yohkoh (1966-)



Yakushin Sanyo (1982-)



SANYO NET (2001-)



Issue No. 600

50th Anniversary of Yohkoh Bussan Co., Ltd.

In April 2024, Yohkoh Bussan Co., Ltd. celebrated its 50th anniversary. To commemorate the anniversary, a celebratory party was held at a hotel in Osaka, attended by employees and related parties, providing an opportunity to strengthen internal ties and enhance internal communication.



Group photo



President Aota giving a greeting

SSMI India Receives Award from the Confederation of Indian Industry (CII)

In October 2024, at the 7th CII GreenPro Summit 2024 held in New Delhi, India, SSMI received an award from CII. The award recognized SSMI's automotive steel products, which were certified with the GreenPro Eco-Label*.

*The GreenPro Eco-label is accredited by the Global Ecolabelling Network (GEN) through GENICES, GEN's international coordination ecolabelling system. Products bearing the GreenPro Eco-label are recognized for their low environmental impact and make a significant contribution to improving the performance of green buildings and green enterprises.



Awards Ceremony ○ SSMI President Dilipkumar Pachpande (third from the right) ○ Satyajee Kumar (fourth from the left)



Topics

Engagement with the King and Leaders of Sweden

In December 2024, a seminar on sustainability in Sweden and Japan was held at a summit co-hosted by Business Sweden and the Embassy of Sweden. The seminar was attended by Prime Minister Ulf Kristersson and Deputy Prime Minister Ebba Busch of Sweden, with whom the views were exchanged regarding OVAKO. In May 2025, at the Nordic Circle (Nordic Pavilion) at Expo 2025 Osaka, Kansai, we were granted an audience with His Majesty King Carl XVI Gustaf of Sweden.



Managing Executive Officer Yatsunami (second from the right) speaking with Prime Minister Ulf Kristersson (middle, left)



His Majesty King Carl XVI Gustaf (second from the right)



Deputy Prime Minister Ebba Busch (right)

Recipient of the Partnership Building Grand Prize: Minister of Economy, Trade and Industry Award

In March 2025, we announced our Partnership Building Declaration, aiming to promote mutual growth with our business partners by the strengthening of partnerships with suppliers. A symposium was held in Tokyo to foster momentum for expanded collaboration across the entire supply chain. At the event, our initiatives in cooperation with partner companies were highly evaluated, resulting in the receipt of the Minister of Economy, Trade and Industry Award. At the symposium, President Miyamoto (at the time) delivered a presentation.



President Miyamoto (then President, center) at the awards ceremony



Presentation scene

Plant Tour for Families of Newly Hired Technical Employees

In March 2025, we held a plant tour for the families of newly hired technical employees, an event that had been suspended during the COVID-19 pandemic. The tour is designed to provide families with an opportunity to observe their family members at work and gain a deeper understanding of the company and its workplace environment. Our aim is to encourage families to support new employees as they begin their careers, while also promoting a culture of developing young talent across all departments.



Large Bar Inspection Line



3,000-t press



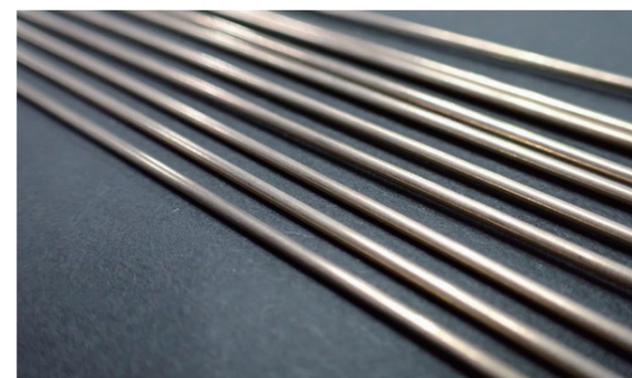
Informal discussion at the office



Greeting

Recycled Steel Manufactured in Our Electric Arc Furnace Adopted for Racing Tires

Since FY2020, Sanyo Special Steel, Nippon Steel Corporation, and Bridgestone Corporation have been working to recycle used tires into bead wire, a reinforcing material for tires, in pursuit of a shared vision of realizing a circular economy. Billets (steel ingots) produced through melting and refining in our electric arc furnace process, and subsequently rolled and heat-treated using Nippon Steel Corporation's facilities, were manufactured into recycled steel. This recycled steel was adopted for tires supplied by Bridgestone for the 2025 Bridgestone World Solar Challenge (BWSC), the world's premier solar car race held in Australia.



Recycled steel developed through co-creation by Sanyo Special Steel and Nippon Steel Corporation



Representatives from the three companies (center: Mr. Kawamoto, General Manager of Production Technology Department)

Topics

GHG Emission Reduction Targets Certified by SBTs ^{(*)1}

In January 2025, our company became the first domestic steel manufacturer to receive certification under the Science Based Targets initiative (SBTi)^{(*)2} for its greenhouse gas (GHG) emission reduction targets through FY2030. These targets were recognized as being scientifically consistent with limiting the global average temperature increase to 1.5°C above pre-industrial levels.

^{(*)1}: An abbreviation of Science Based Targets. It refers to an “international reduction target that aims to align greenhouse gas emissions reduction with the level required under the Paris Agreement,” typically setting goals 5-10 years ahead. The “level required by the Paris Agreement” refers to “holding the increase in global average temperatures to well below 2°C above pre-industrial levels, while pursuing efforts to limit the increase to 1.5°C.”

^{(*)2} A joint initiative operated by CDP, the World Resources Institute (WRI), the United Nations Global Compact (UNGC), and the World Wide Fund for Nature (WWF), which is responsible for validating and certifying corporate Science Based Targets (SBTs).



Acquisition of Naming Rights at University of Hyogo

In April 2025, we entered into a naming rights agreement with Hyogo Prefecture and the University of Hyogo, and installed signage on the Education and Research Building at the university’s Himeji Engineering Campus.



Signboard



Board

Official Mascot Character “Santokun” Takes Center Stage

In April 2025, our official mascot “Santokun” participated in the Shikama Traffic Safety Festa, part of Japan’s nationwide Spring Traffic Safety Campaign, organized by the Hyogo Prefectural Shikama Police Station and held at a local shopping center. On the day of the event, Santokun joined other regional mascot characters in supporting traffic safety awareness activities. As this marked Santokun’s first appearance at the request of a public organization, he took on the role with even greater enthusiasm than usual.



Mascot character lineup (Santokun: fourth from the right)

Dialogue Between External Directors and Female Employees

In May 2025, we held a roundtable discussion between female employees and two independent external directors, Director Kayo Fujiwara and Director Aki Miyaguchi. During the session, Director Fujiwara, who has extensive experience in overseas procurement and corporate management at energy-related companies, and Director Miyaguchi, who became independent after working as a certified public accountant at a major audit firm, shared their professional experiences. They also offered advice in response to questions from female employees, providing a valuable opportunity to support their career development and advancement. Through the continued implementation of initiatives such as this, we aim to encourage greater awareness among female employees and foster a workplace culture in which women can more readily thrive, enabling them to take on active roles in management and leadership positions.

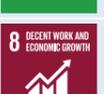


Female employees in dialogue with external directors

Important ESG-related Issues

The Sanyo Special Steel Group aims to achieve sustainable growth of the Group and contribute to the realization of a sustainable society by building trust relationships with all stakeholders.

A company is a member of society, and its development would not be possible without the trust of its stakeholders. We will continue to practice our corporate philosophy of "Confidence-based Management" and contribute to the realization of a sustainable society.

| | Important issue | Targets and initiatives | FY2024 results (some are FY2025 results) | Reference page | Related SDGs |
|--|--|---|---|----------------|---|
|  Environment | Prevention of Climate Change | Aiming to achieve carbon neutrality by 2050 FY2030 target: from FY2021, 42% reduction in Scope 1 and 2 25% reduction in Scope 3 | Our GHG emissions in FY2024: values in round brackets are comparisons with FY2021 Scope 1 + 2 consolidated: 808,000 t-CO ₂ e (26.9% (297,000 t-CO ₂ e) reduction) Scope 3 consolidated 1.674 million t-CO ₂ e (29.4% (698,000 t-CO ₂ e) reduction) | P.14~18 |   |
| | Initiatives for a Circular Economy (Building of a Resource-Recycling Society) | Reduction of by-products, promotion of 3Rs | Achieved 85% recycling rate of our by-products | P.19 |   |
| | Reduction of Environmental Impact | Compliance with regulatory standard (Water Pollution Prevention Act, Air Pollution Control Act, etc.) | Attainment of compliance with regulatory standards for all items (no case of violation or deviation from laws, regulations, and agreements) | P.20 |    |
| | Biodiversity Conservation | Realization of a sustainable society in coexistence with nature | Corporate Forest Creation Activities (Santo-kun's Forest of the Future) Community greening activity (Castle Garden in front of Himeji Station) | P.21 |  |
|  Social | Safety and Disaster Prevention | Achievement of a total absence of accidents (zero occupational accident and zero accident on the way to work), enhancement of disaster prevention measures and business continuity management (BCM) | Promotion of the reduction of work risks and the creation of a safe workplace by "integrating top-down and bottom-up approaches" and "implementing both hard and soft measures" Implementation of disaster drills, etc., in preparation for factory fires and wide-area disasters | P.22~23 |   |
| | Promotion of Diversity Management | Promotion of the participation of women (improvements concerning female managers, etc.) and the elderly, support for the participation of persons with disabilities, and promotion of work-life balance | Percentage of female employees : 13% (27% in planning positions and 6% in technical service positions) Percentage of female managers : 6.3% (increase of +2.4% from April 2020) Percentage of male employees taking childcare leave : 80% | P.24 |   |
| | Promotion of Corporate Health-oriented Management | Creation of a workplace environment in which each and every employee can work to the fullest every day | Organizing of an in-house walking event "SANYO WALK" in the spring and autumn (participation rate of over 50%) | P.25 |   |
| | Human Resource Development | Development of human resources who can think and act autonomously Global human resources | Initiatives for long-term development of human resources who can think and act autonomously and of global human resources Implementation of a self-transformation program based on multifaceted observation | P.26 |   |
| | Respect for Human Rights | Promotion of business activities that respect human rights | Operation of human rights-related education and relief mechanisms (help desk) Procurement of ferroalloys with respect for human rights Due diligence on human rights in the supply chain | P.26 |   |
| | Quality Improvement | Continuous improvement of the quality management system, etc. | Maintaining, managing, and improving the quality management system | P.27 |   |
| | Further Expansion of Technological Superiority | Rapid and continuous creation of highly reliable products and new technologies with a view to global business expansion | Expanding the development of advantageous technology to meet the needs for even higher reliability in areas of "EV (new drive train mechanisms, etc.)," "wind power generation (high quality materials for large-scale applications, etc.)," "railroad (global high-speed railroad bearings, etc.)" and "hydrogen society (hydrogen-related equipment, etc.)" Acquisition of trademark for high-carbon steel "TOUGHFIT [®] " contributing to customers' carbon neutrality | P.27 |   |
| | Promotion of DX | Rapid problem-solving by utilizing digital technology, and strengthening of competitiveness through creation of new value | Establishment of the DX Promotion Project Team led by the Representative Director and President | P.28 |   |
| | Realization of Sustainable Procurement | Establishment of fair and equitable transactions and partnerships Establishment of a stable procurement structure Promotion of procurement that respects the environment and human rights | Promotion of stable procurement (achievement of procurement of over 50% of our main raw materials from within the Group) Presentation of supplier awards | P.28 |   |
|  Governance | Corporate Governance | Enhancement of corporate governance | Continued improvement of operation of the Board of Directors based on effectiveness evaluation | P.29~31 | |
| | Internal Control Systems | Promotion of risk management and compliance activities | Continued improvement of autonomous internal control systems Implementation of internal control education and dissemination activities Appropriate operation of the compliance help desk (whistle-blowing system) | | |

Environmental Management

Sanyo Special Steel has established an environmental policy that forms the basis of our environmental conservation activities. Based on this policy, we have formulated an improvement plan for environmental preservation and are working to reduce environmental risks through the use of an environmental management system, including the implementation of measures to prevent global warming, recycling of by-products, and measures to prevent environmental pollution.

In addition, we contribute to the recycling of metal resources by manufacturing products using iron and steel scrap as the main raw material, and we also promote the manufacturing of products that contribute to the reduction of environmental impact by extending the service lives of, and reducing the sizes and weights of, parts and dies.

Environmental Policy

<Philosophy>

We recognize that environmental problems, such as global warming, the pollution of air, water, and soil, and waste problems, are important issues common to all humankind. As a company located in a rich natural environment with the World Cultural Heritage National Treasure "Himeji Castle" to the north and the Setonaikai National Park to the south, we are committed to contribute to the construction of a recycling society by giving consideration to environmental conservation in all stages of our business activities.

<Policy>

Based on the fact that we are a company with plants that manufacture and sell special steel and nonferrous metals, we will implement environmental management based on the following policies.

- 1) We will contribute to the recycling of metal resources through the manufacture of steel products made from iron and steel scrap.
- 2) In addition to complying with environmental laws, regulations, agreements, etc., we will strive to continuously improve our environmental management system to enhance our environmental performance, and responsibly manage business activities that may have an adverse impact on the environment.
- 3) We will promote resource and energy conservation, recycling of by-products and waste reduction, and reduction of pollutants and greenhouse gas emissions to reduce the environmental impact in all stages of our business activities and contribute to environmental conservation and climate change mitigation. In addition, we will strive to prevent environmental pollution by developing products that contribute to the reduction of environmental impact.
- 4) We will focus on raising the environmental awareness of each and every employee in our environmental conservation activities.
- 5) In order to achieve this environmental policy, we will set environmental targets, review them at least once a year, and revise them as necessary.
- 6) We will appoint the General Manager, Head of the Environmental Management & Carbon Neutrality Promotion Department as the Environmental System Manager to ensure that all employees are thoroughly familiar with this environmental policy through education and training and that the environmental system is operated and managed properly.

Environmental Management Structure

Carbon Neutrality Promotion Committee/Working-Level Liaison Meeting

The Carbon Neutrality Promotion Committee meets four times a year to deliberate on basic strategies for achieving carbon neutrality by 2050, as well as short- and long-term themes related to its promotion, and reports the main deliberated details to the Board of Directors.

Furthermore, a working-level liaison meeting attended by the general managers of relevant offices and groups within divisions of Sanyo Special Steel is held monthly from February 2023 to select issues to be addressed and manage the progress of each individual issue, thereby promoting initiatives toward achieving carbon neutrality on a company-wide scale.

Environmental Conservation Committee

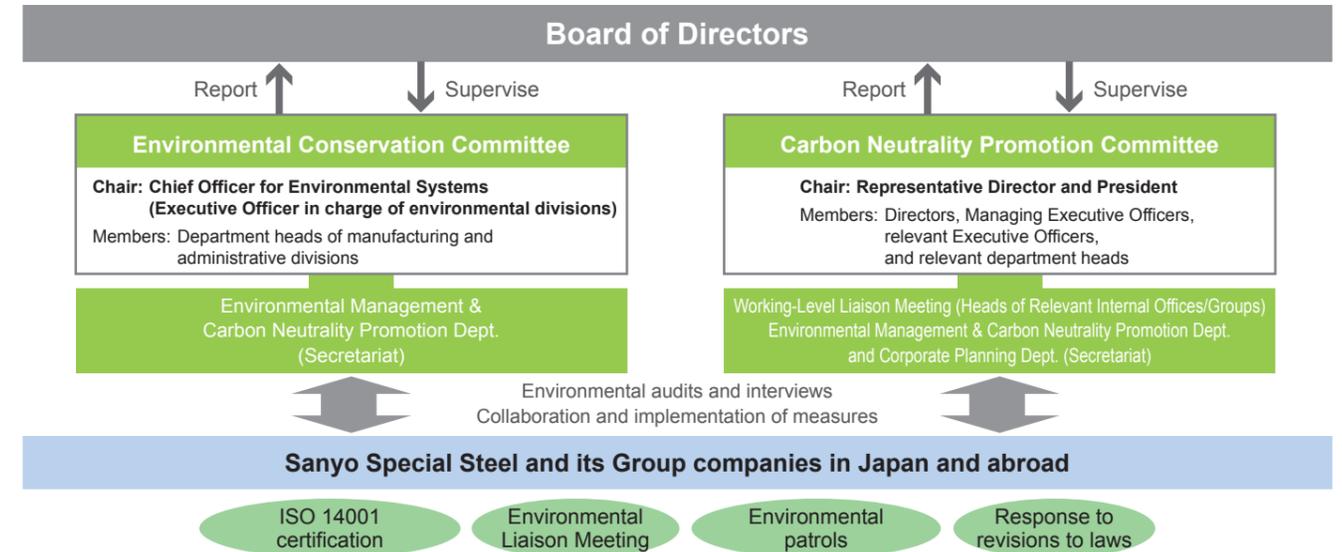
In order to promote the strengthening of environmental management and the reduction of environmental risks, the Environmental Conservation Committee meets annually to formulate basic guidelines for environmental conservation and deliberate on matters related to basic measures.

In FY2025, the Committee deliberated on the FY2024 results and FY2025 plan under the Environmental Conservation Improvement Plan, including GHG emission reduction targets, and reported the content of the deliberation to the Board of Directors.

Acquisition of ISO 14001 Certification

Sanyo Special Steel has acquired ISO 14001 certification, the international standard for environmental management systems, at our head office plant (manufacturing base) and the main plants of OVAKO and SSMI which are special steel manufacturing subsidiaries, and are working to have this certification taken root through annual internal audits and external audits.

We, through internal environmental audits, work on facilitating the understanding of company-wide environmental management systems and improving those systems, and periodically confirm through external audits that the environmental management systems effectively function.



Environmental Liaison Meeting

An Environmental Liaison Meeting is held monthly to share information on the environment; those attending include the Chief Officer for Environmental Systems, officers, department heads, etc.

At the meeting, information is shared on the following items, etc., to reduce environmental risks.

- (i) **Status of responses to items pointed out in environmental patrols**
- (ii) **Legal and regulatory compliance assessment results**
We share the results of measurements of air, wastewater, etc., as required by laws and agreements.
- (iii) **Status of industrial waste treatment and results of inspection of industrial waste disposal facilities**
We share the status of industrial waste treatment and the results of inspections of the industrial waste disposal facilities of contractors.
- (iv) **Communication on the environment with the government, industry associations, etc.**
- (v) **Latest revisions to environmental laws**

Responding to Revisions to Laws

If there is a revision to laws and regulations related to our business, we revise our internal environmental standards and provide education, etc., to persons concerned. We also hold "Study Sessions on Environmental Laws and Regulations" and "Educational Sessions on Waste Sorting" to deepen understanding of legal compliance obligations for all employees of Sanyo Special Steel and its group companies and promote education for employees at all levels to reduce the risk of legal violations due to insufficient knowledge.

Conducting Environmental Patrols

A team consisting of the Chief Officer for Environmental Systems, officers, department heads, pollution control managers, etc., conducts a patrol once a month, mainly at manufacturing sites. We make efforts to reduce environmental risks by taking action at each manufacturing site in response to points raised through patrols.

- (i) **Checks on the status of environmental management**
Patrols are conducted at manufacturing sites to check on the control status of soot, smoke, and wastewater, the waste separation status, etc., thereby working on improving environmental management levels and reducing risks.
- (ii) **Checks on emergency response drills**
Emergency response drills are conducted to verify that there are no problems with emergency operating procedures, and that there are no defects in equipment and instruments.
- (iii) **Inspection of industrial waste disposal facilities**
Visits are made to industrial waste disposal facilities close to our company to inspect the equipment in those facilities and broaden knowledge about the relevant environment.
- (iv) **Inspection of on-site waste storage areas**
We conduct patrols of on-site waste storage areas to check storage conditions, including segregation, labeling, and cleanliness, and to ensure proper waste management.



On-site waste storage area

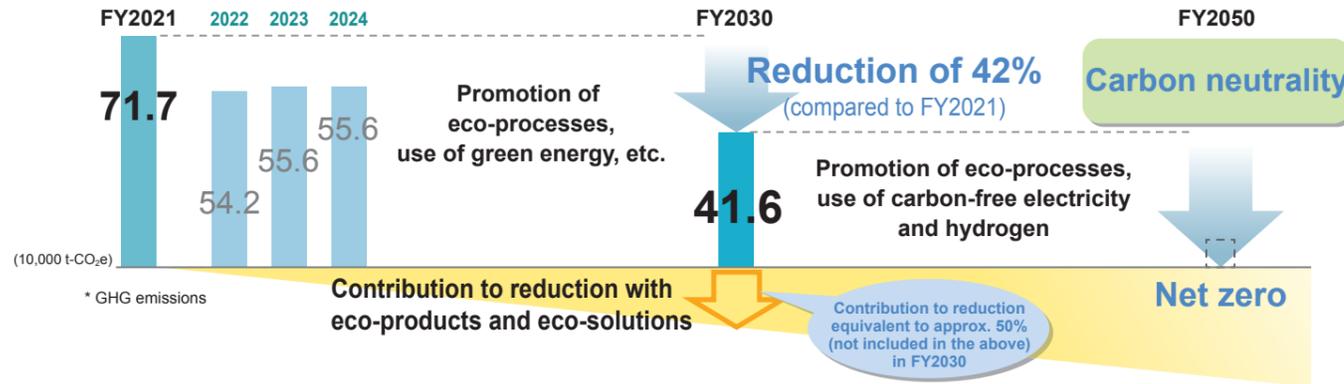
Climate Change Prevention Initiatives (Non-consolidated)

Roadmap to Carbon Neutrality by 2050

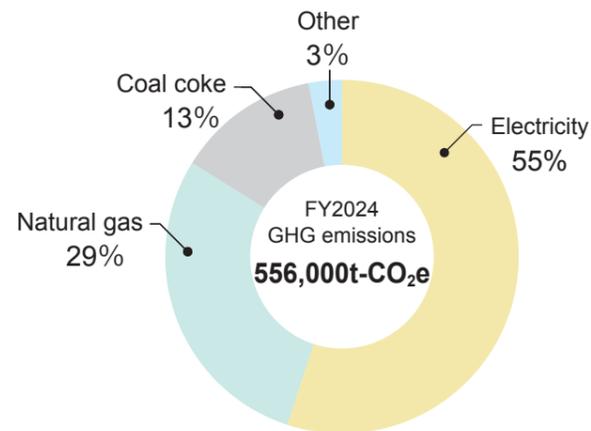
Recognizing that climate change is an important issue that affects the survival of humankind, Sanyo Special Steel adopted, in its Board of Directors meeting held in 2021, a policy to "aim to achieve carbon neutrality by 2050" in connection with its non-consolidated Scope 1 and 2 emissions, and formulated and announced, in July of the same year, a roadmap for achieving this goal. Furthermore, in 2024, with the aim of acquiring SBT certification, we raised our FY2030 target level of Scope 1 and 2 emissions and set a reduction target for Scope 3 emissions.

We aim to reduce GHG emissions not only in our own manufacturing processes but also in every stage of society by saving energy, utilizing green energy in our manufacturing processes, and making contributions with eco-products and eco-solutions, and through collaboration with various parties in our supply chain.

[Non-consolidated Scope 1 and 2 emissions*]



[Breakdown of GHG emissions]



[Non-consolidated Scope 3 emissions*]



GHG Emissions in the Value Chain

★ : Independently assured items

| | | GHG emissions (1,000 t-CO ₂ e) | | Calculation method |
|-----------------|---|---|--------|--|
| | | FY2021 | FY2024 | |
| Scope1 | Direct greenhouse gas emissions from the business operator itself | 343 | 242★ | Calculated in accordance with GHG Protocol |
| Scope2 | Indirect emissions from the use of energy produced by other companies | 373 | 313★ | |
| Scope1+2 | Emissions | 717 | 556★ | |
| Scope3 | Other indirect emissions equivalent to the company's supply chain | | | |
| (i) | Products/services purchased | 479 | 400★ | The recorded value is calculated by multiplying the actual value obtained from suppliers and the volume of activity by the emissions intensity |
| (ii) | Capital goods | 18 | 27★ | Calculated by multiplying the amount of capital investment by the emissions intensity |
| (iii) | Fuel- and energy-related activities not included in Scope 1 and 2 | 134 | 98★ | Calculated by multiplying the quantity of electricity purchased and fuel used by the emissions intensity |
| (iv) | Upstream transportation and delivery | 23 | 19★ | Calculated by multiplying the quantity of fuel used for product transportation by the emissions intensity |
| (v) | Waste generated from business operations | 3 | 2★ | Calculated by multiplying the volume of waste by the emissions intensity |
| (vi) | Business trips | 0 | 0★ | Calculated by multiplying the number of employees by the emissions intensity |
| (vii) | Commuting by employees | 1 | 1★ | Calculated by multiplying the number of employees by the emissions intensity |
| (viii) | Lease assets (upstream) | 0 | 0★ | Recorded as zero since emissions under this item are included in Scope 1 and 2 |
| (ix) | Downstream transportation and delivery | 33 | 26★ | Calculated by multiplying the transportation distance by the shipped product weight and then by the emissions intensity |
| (x) | Processing of sold products | 1,040 | 695★ | Calculated by multiplying the sold product (steel) weight by the emission intensity |
| (xi) | Use of sold products | 0 | 0★ | Excluded from calculation since GHG emissions are not directly generated during product use |
| (xii) | Disposal of sold products | 9 | 7★ | Calculated by multiplying the weight of discarded products and recycled products by the emission intensity |
| (xiii) | Lease assets (downstream) | 0 | 0★ | Calculated by multiplying the quantity of fuel used in association with the use of lease assets by the emission intensity |
| (xiv) | Franchise | 0 | 0★ | Excluded from calculation because there are no franchisees |
| (xv) | Investment | 2 | 2★ | The emissions calculated by multiplying the Scope 1 and 2 emissions of investee companies by the investment ratio are recorded |
| Scope3 | Emissions | 1,741 | 1,278★ | |

Preconditions for calculating Scope 1 and 2 emissions

<Scope of aggregation>
Sanyo Special Steel (Head Office/Works, Tokyo Regional Office, Nagoya Branch, Osaka Branch, Hiroshima Branch, and Kyushu Sales Office)

<Emission factor>
Source: Source: List of calculation methods and emission factors posted on the Ministry of the Environment's website "Greenhouse Gas Emissions Accounting, Reporting, and Disclosing System"

<Calculation method>
Calculated in accordance with GHG Protocol

<Calculation period>
FY2024 (April 1 to March 31)

Preconditions for calculating Scope 3 emissions

<Scope of aggregation>
Sanyo Special Steel (Head Office/Works, Tokyo Regional Office, Nagoya Branch, Osaka Branch, Hiroshima Branch, and Kyushu Sales Office)

<Emission factor>
Source: "Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain" posted on the website of the Ministry of the Environment/Ministry of Economy, Trade and Industry "Green Value Chain Platform"

<Calculation method>
Calculated in accordance with GHG Protocol

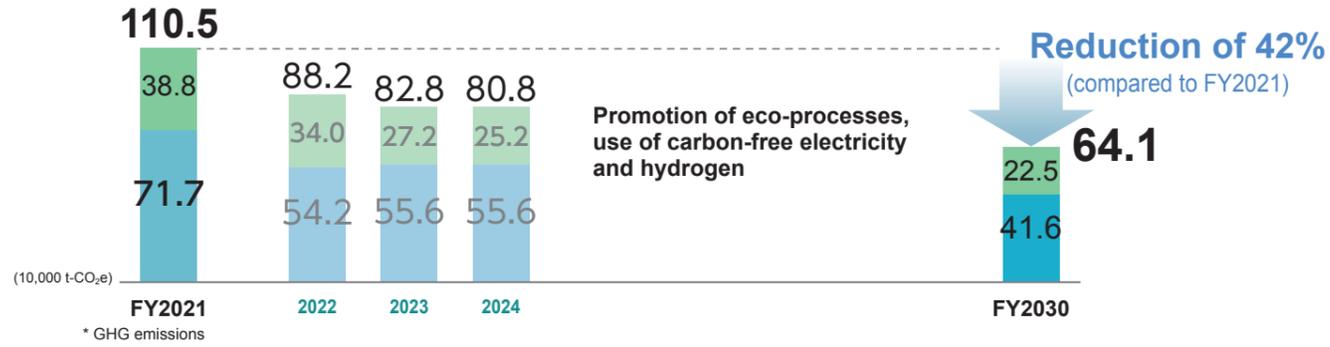
<Calculation period>
FY2024 (April 1 to March 31)

Climate Change Prevention Initiatives (Consolidated)

Roadmap to the 2030 Target of 1.5°C (Scope 1 and Scope 2)

In September 2024, with the aim of acquiring SBT certification, the Sanyo Special Steel Group calculated consolidated Scope 1 and 2 emissions and set a reduction target in alignment with the “1.5°C target” of the SBT certification criteria. We will deploy energy-saving and productivity-enhancing technologies, which can contribute to reducing our unit energy consumption, to Group companies to make progress in reducing the GHG emissions of Group companies as a whole.

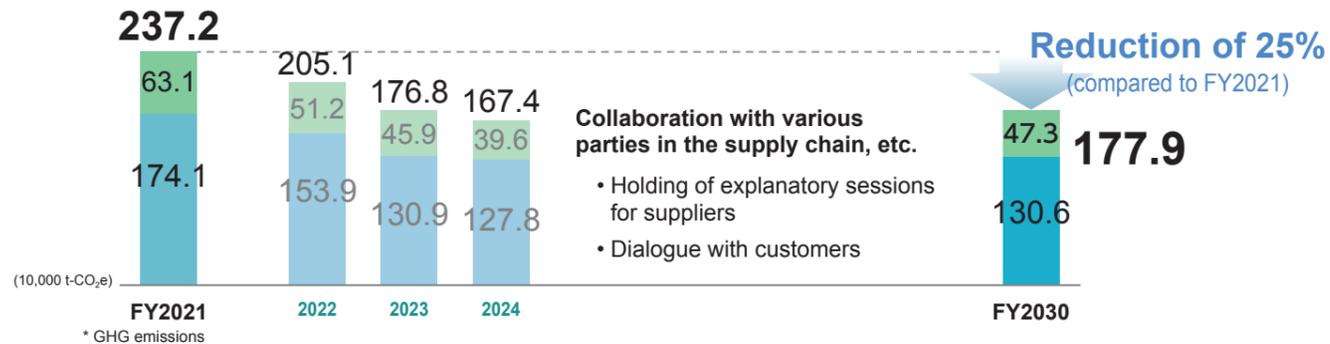
[Consolidated Scope 1 and 2 emissions*]



Roadmap to the 2030 Target of 2°C (Scope 3)

In September 2024, with the aim of acquiring SBT certification, the Sanyo Special Steel Group calculated consolidated Scope 3 emissions and set a reduction target in alignment with the “2.0°C target” that the Paris Agreement aims to achieve. In collaboration with various parties in the supply chain for our Group as a whole including our overseas Group companies, we will aim to reduce GHG emissions in every stage of society.

[Consolidated Scope 3 and emissions*]



GHG Emissions in the Value Chain

★ : Independently assured items

| | GHG emissions (1,000 t-CO ₂ e) | | Calculation method |
|---|---|--------|--|
| | FY2021 | FY2024 | |
| Scope1 Direct greenhouse gas emissions from the business operator itself | 596 | 431★ | Calculated in accordance with GHG Protocol |
| Scope2 Indirect emissions from the use of energy produced by other companies | 509 | 376★ | |
| Scope1+2 Emissions | 1,105 | 808★ | |
| Scope3 Other indirect emissions equivalent to the company's supply chain | | | |
| (i) Products/services purchased | 800 | 584★ | The recorded value is calculated by multiplying the actual value obtained from suppliers and the volume of activity by the emissions intensity |
| (ii) Capital goods | 59 | 55★ | Calculated by multiplying the amount of capital investment by the emissions intensity |
| (iii) Fuel- and energy-related activities not included in Scope 1 and 2 | 256 | 152★ | Calculated by multiplying the quantity of electricity purchased and fuel used by the emissions intensity |
| (iv) Upstream transportation and delivery | 88 | 68★ | Calculated by multiplying the quantity of fuel used for product transportation by the emissions intensity |
| (v) Waste generated from business operations | 7 | 9★ | Calculated by multiplying the volume of waste by the emissions intensity |
| (vi) Business trips | 1 | 1★ | Calculated by multiplying the number of employees by the emissions intensity |
| (vii) Commuting by employees | 4 | 2★ | Calculated by multiplying the number of employees by the emissions intensity |
| (viii) Lease assets (upstream) | 0 | 0★ | Calculated by multiplying the quantity of fuel used in association with the use of lease assets by the emission intensity |
| (ix) Downstream transportation and delivery | 44 | 58★ | Calculated by multiplying the transportation distance by the shipped product weight and then by the emissions intensity |
| (x) Processing of sold products | 1,086 | 730★ | Calculated by multiplying the sold product (steel) weight by the emission intensity |
| (xi) Use of sold products | 0 | 0★ | Excluded from calculation since GHG emissions are not directly generated during product use |
| (xii) Disposal of sold products | 24 | 11★ | Calculated by multiplying the weight of discarded products and recycled products by the emission intensity |
| (xiii) Lease assets (downstream) | 1 | 1★ | Calculated by multiplying the quantity of fuel used in association with the use of lease assets by the emission intensity |
| (xiv) Franchise | 0 | 0★ | Excluded from calculation because there are no franchisees |
| (xv) Investment | 2 | 2★ | The emissions calculated by multiplying the Scope 1 and 2 emissions of investee companies by the investment ratio are recorded |
| Scope3 Emissions | 2,372 | 1,674★ | |

Preconditions for calculating Scope 1 and 2 emissions

<Scope of aggregation>
Sanyo Special Steel, OVAKO Group AB, Sanyo Special Steel Manufacturing India Pvt. Ltd., Santoku Tech, Santoku Seiken, Ningbo Sanyo Special Steel Products Co., Ltd., SKJ Metal Industries Co., Ltd., Sanyo Special Steel Manufacturing de México, S.A. de C.V., Santoku Computer Service, Santoku Kogyo, Yohkoh Bussan, Siam Sanyo Special Steel Product Co., Ltd., Sanyo Special Steel U.S.A., Inc., and SANYO SPECIAL STEEL TRADING (SHANGHAI)

<Emission factor>
Source: • List of calculation methods and emission factors posted on the Ministry of the Environment's website "Greenhouse Gas Emissions Accounting, Reporting, and Disclosing System"
• 2023 UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023)
• Central Electricity Authority Version 20.0, etc.

<Calculation method>
Calculated in accordance with GHG Protocol

<Calculation period>
FY2024 (April 1 to March 31)

Preconditions for calculating Scope 3 emissions

<Scope of aggregation>
Sanyo Special Steel, OVAKO Group AB, Sanyo Special Steel Manufacturing India Pvt. Ltd., Santoku Tech, Santoku Seiken, Ningbo Sanyo Special Steel Products Co., Ltd., SKJ Metal Industries Co., Ltd., Sanyo Special Steel Manufacturing de México, S.A. de C.V., Santoku Computer Service, Santoku Kogyo, Yohkoh Bussan, Siam Sanyo Special Steel Product Co., Ltd., Sanyo Special Steel U.S.A., Inc., and SANYO SPECIAL STEEL TRADING (SHANGHAI)

<Converted emission factor>
Source: • "Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain" posted on the website of the Ministry of the Environment/Ministry of Economy, Trade and Industry "Green Value Chain Platform"
• 2023 UK Government GHG Conversion Factors for Company Reporting (DEFRA 2023), etc.

<Calculation method>
Calculated in accordance with GHG Protocol

<Calculation period>
FY2024 (April 1 to March 31)

Climate Change Prevention Initiatives (Independent Assurance)



Nippon Kaiji Kyokai (ClassNK)

GHG Ref.No.:659G

Verification Statement

Sanyo Special Steel Co., Ltd.
[Head Office and Consolidated Subsidiaries]

Nippon Kaiji Kyokai (hereinafter referred to as “the Association”) conducted verification of the “GHG Emission Calculation Report” (hereinafter referred to as the “Calculation Report”) for FY2024 (April 1, 2024 – March 31, 2025), based on the application submitted by Sanyo Special Steel Co., Ltd. (hereinafter referred to as “the Applicant”), whose head office is located at 3007 Nakashima, Shikama-ku, Himeji, Hyogo Prefecture. The verification covered direct GHG emissions (Scope 1), energy-related indirect GHG emissions (Scope 2), and other indirect GHG emissions across the value chain (Scope 3).

Applicable Worksites:

The Applicant’s head office and its domestic and overseas consolidated subsidiaries (1 head office, 13 consolidated subsidiaries)

Applicable Organizational Boundary:

The organizational boundary for GHG emission calculation was defined based on the “Control Approach”, applying the “Financial Control” method. The scope of verification includes direct GHG emissions and other indirect GHG emissions arising from the Applicant’s business activities at the above-mentioned sites. Carbon sinks and carbon storage are excluded from the scope of verification.

Applicable Standards:

1. GHG Protocol
2. JIS Q 14064-3:2023 (ISO14064-3:2019)
3. The Applicant’s “Greenhouse Gas Emission Calculation Manual” (July 18, 2025 Edition)
Emission quantification method in accordance with (the relevant standards)
 - (1) Act on Promotion of Global Warming Countermeasures and its appendices
 - (2) Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain (Ver3.5) issued by the Ministry of the Environment

Assurance Level and Materiality:

- Limited Assurance
- Materiality thresholds were determined based on the professional judgment of the verifier.

Verification Procedures:

The verification conducted by the Association was performed in accordance with ISO 14064-3:2023, “Specification with guidance for the validation and verification of greenhouse gas statements,” for the purpose of providing limited assurance on the GHG emissions calculated in accordance with the reporting criteria established by the Applicant. The following references issued by the Ministry of the Environment were selected as the “quantification methods” and were applied only to the monitoring methods and calculation-related components: “List of Calculation Methods and Emission Factors under the Calculation, Reporting and Publication System,” “Emission Factors by Electric Utility (for Calculation of Greenhouse Gas Emissions of Specified Emitters),” and “Emission Intensity Database for Calculating Greenhouse Gas Emissions of an Organization Through the Supply Chain (Ver. 3.5).”

- Site visit to the Applicant’s head office
- Confirmation of emission sources on the above websites, information management, aggregation of GHG emission data, and interviews with key personnel responsible for the review of information management processes followed by verification against supporting documents
- Verification of consistency between GHG emission data and information included in the GHG Emissions Calculation Report and the information sources available at the head office and at visited sites
- Review of the QA/QC systems, including the double-check framework



Nippon Kaiji Kyokai (ClassNK)

GHG Ref.No.:659G

GHG Inventory: The Applicant’s greenhouse gas emissions and energy consumption are as set out in Tables 1 and 2 below.

Sanyo Special Steel Co., Ltd. [Head Office and Consolidated Subsidiaries]

Table 1: GHG Protocol Classification: Summary of FY2024 GHG Inventory (tCO₂e)

| GHG Emissions Subject to Verification (Category) | tCO ₂ e |
|---|--------------------|
| Direct GHG emissions (Scope 1) | 431,329 |
| Indirect GHG emissions from externally supplied energy (Scope 2) | 376,420 |
| Other indirect GHG emissions (Scope 3) | 1,674,126 |
| Category 1. Products/services purchased | 584,052 |
| Category 2. Capital goods | 55,161 |
| Category 3. Fuel- and energy-related activities not included in Scope 1 and 2 | 152,278 |
| Category 4. Upstream transportation and delivery | 68,475 |
| Category 5. Waste generated from business operations | 8,857 |
| Category 6. Business trips | 1,088 |
| Category 7. Commuting by employees | 1,966 |
| Category 8. Lease assets (upstream) | 26 |
| Category 9. Downstream transportation and delivery | 58,246 |
| Category 10. Processing of sold products | 730,215 |
| Category 11. Use of sold products | 0 |
| Category 12. Disposal of sold products | 10,627 |
| Category 13. Lease assets (downstream) | 1,457 |
| Category 14. Franchise | 0 |
| Category 15. Investment | 1,679 |
| Total GHG emissions | 2,481,876 |

Sanyo Special Steel Co., Ltd. [Non-Consolidated]

Table 2: GHG Protocol Classification: Summary of FY2024 GHG Inventory (tCO₂e)

| GHG Emissions Subject to Verification (Category) | tCO ₂ e |
|---|--------------------|
| Direct GHG emissions (Scope 1) | 242,469 |
| Indirect GHG emissions from externally supplied energy (Scope 2) | 313,165 |
| Other indirect GHG emissions (Scope 3) | 1,277,552 |
| Category 1. Products/services purchased | 400,366 |
| Category 2. Capital goods | 27,357 |
| Category 3. Fuel- and energy-related activities not included in Scope 1 and 2 | 97,616 |
| Category 4. Upstream transportation and delivery | 19,379 |
| Category 5. Waste generated from business operations | 2,223 |
| Category 6. Business trips | 169 |
| Category 7. Commuting by employees | 713 |
| Category 8. Lease assets (upstream) | 0 |
| Category 9. Downstream transportation and delivery | 25,820 |
| Category 10. Processing of sold products | 694,841 |
| Category 11. Use of sold products | 0 |
| Category 12. Disposal of sold products | 7,389 |
| Category 13. Lease assets (downstream) | 0 |
| Category 14. Franchise | 0 |
| Category 15. Investment | 1,679 |
| Total GHG emissions | 1,833,186 |

Climate Change Prevention Initiatives



Energy-saving heating furnace with a regenerative burner

Eco-processes

Promoting company-wide energy conservation measures mainly at manufacturing sites, and development of manufacturing technologies to improve energy efficiency

*Adopted an internal carbon pricing system since FY2023



Green energy utilization

Utilizing carbon-free electricity, fossil-free fuels, and renewable energy

*Started partial use of electricity derived from renewable energy sources in FY2022



Development of long-life bearing steel for wind power generation

Eco-products

Promoting development and supply of products that contribute to GHG emission reduction in the stage of product use and products that contribute to the eco-processes of consumers



Deployment of technologies to overseas Group companies

Eco-solutions

Deployment of energy-saving and productivity-enhancing technologies that contribute to reduction of unit energy consumption to overseas Group companies including OVAKO and SSMI

Commencement of solar power generation at the head office plant

Based on the on-site PPA model for self-consumption, we installed 512.43 kW of solar panels on the rooftop of an approximately 5,600 m² product warehouse, which began operation in July 2024. The system can supply approximately 600,000 kWh of electricity per year from renewable solar power. This amount exceeds the annual electricity consumption of the product warehouse and the head office and is expected to reduce GHG emissions at our business sites by approximately 260 tons per year.



Solar power generation facilities on the rooftop of the product warehouse

Commencement of use of renewable energy through off-site PPA

Under the off-site PPA, the total installed capacity of the solar power generation facilities is 7,260 kW. The approximately 10 million kWh of renewable electricity generated annually corresponds to approximately 1% of our annual electricity consumption and is expected to reduce GHG emissions at our business sites by approximately 4,200 tons per year.

Commencement of use of renewable-energy-based electricity derived from hydroelectric power stations

Hyogo Prefecture, where our head office and plants are located, is home to many mountainous areas, in which many hydroelectric power stations utilizing the flow of rivers are installed. To actively leverage the environmental value generated from the rich natural environment of our surrounding areas, we annually purchase 40 million kWh of renewable-energy-based electricity derived from hydroelectric power stations in the prefecture. This electricity is used for our production of special steel. This volume of electricity corresponds to approximately 5% of our annual electricity consumption, allowing us to reduce the GHG emissions generated in our business sites by approximately 17,000 tons per year.

Explanatory sessions held for suppliers with the aim of reducing scope 3 emissions

Explanatory sessions were held for key suppliers associated with Scope 3 emissions (Category 1). Reducing Scope 3 emissions requires collaboration with parties involved in the supply chain, and we will continue to implement relevant initiatives including the holding of regular explanatory sessions.

Eco-products' contribution to reducing GHG emissions

—Contribution to stable operation of wind power generators—

The bearing steel developed by Sanyo Special Steel for wind power generation has achieved a service life approximately four times longer than that of conventional steel (SUJ2) by optimizing the alloy composition and leveraging our customer's special heat treatment of "Super-TF."¹ This can reduce downtime of wind power generators caused by bearing failures.

Based on calculations using publicly available information and factual data, we estimate that the stable operation of wind power generators made possible by our steel product can contribute to a CO₂ emission reduction of approximately 13,000 tons per year.²

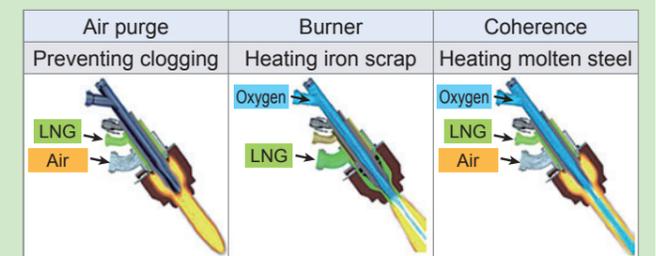
*1: "Super-TF" is a heat treatment technology to extend the usable life of bearings under special environments and is a registered trademark of NSK Ltd.

*2: Presented at the 18th Research Presentation Conference of the Institute of Life Cycle Assessment, Japan on March 10, 2023.



Introduction of high efficiency air purge burners to electric furnaces

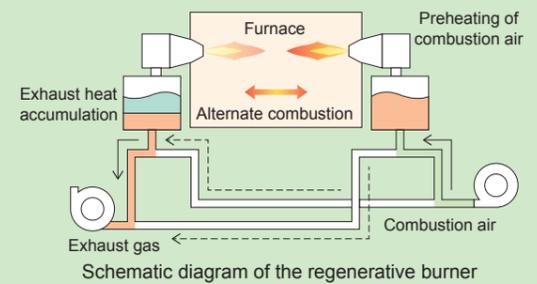
For electric furnaces, oxygen blowing and auxiliary burners are used as heat sources in addition to electricity. The introduction of high-efficiency air purge burners, which optimize the use method of LNG and oxygen employed by conventional auxiliary burners and are thereby effective in reducing GHG emissions, has reduced LNG consumption by 16% compared to the auxiliary burners used before the introduction. In addition, the change and optimization of burner locations and the reduction of burner units have made it possible to suppress electrode wear.



Schematic diagram of the newly installed burners by operation mode

Introduction of Regenerative Burner Type Continuous Heating Furnaces

A regenerative burner type heating furnace was introduced for billet heating in the small and medium bar rolling mill. While a pair of two burners equipped with heat accumulators repeats alternate combustion, the exhaust air from one of the burners is used to heat the combustion air of the other burner, thereby greatly improving combustion efficiency and resulting in an energy-efficiency effect of over 10% compared to the heating furnace used before the introduction.



Schematic diagram of the regenerative burner

Initiatives Implemented by OVAKO

In September 2023, the operation of a carbon-free hydrogen plant started. This plant has the capability to generate about 4,000 m³ of carbon-free hydrogen per hour through water electrolysis using fossil-free electricity. By using hydrogen produced at this plant as the fuel required for production of special steel, it is possible to reduce the GHG emissions generated by the heating process of Hofors Mill by 50% (approximately 20,000 tons).

Examples of collaborative initiatives with customers

- Achieved 90% reduction in GHG (greenhouse gas) emissions in bearing production through collaboration with SKF
- Participated in Volvo's net zero greenhouse gas vehicle manufacturing project



Initiatives Implemented by SSMI

SSMI has entered into a solar power purchase agreement with Tata Power Company Limited Group (TPREL Group), one of India's largest integrated power companies, and is actively promoting the introduction of renewable energy. In FY2024, through the use of solar and wind power generation, SSMI reduced its annual GHG emissions by approximately 58,000 tons, with renewable energy accounting for about 60% of its electricity mix.



Information Disclosure According to TCFD Recommendations

TCFD is the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB). The Task Force released its final report (TCFD Recommendations) in June 2017, setting forth a framework for corporate information disclosure of climate-related risks and opportunities.

Sanyo Special Steel has expressed its endorsement of the TCFD Recommendations in October 2021, in light of the situation of international society that is working to achieve the long-term goals of the Paris Agreement. Based on this, we will disclose information on the impact of climate change on our business activities, etc.

(Reference) TCFD-recommended disclosure items and where to find in this report

| Overview of TCFD-recommended disclosure items | Page |
|---|-------------|
| [Governance] The organization's governance around climate-related risks and opportunities | |
| a) The Board of Directors' oversight of climate-related risks and opportunities | P.13 |
| b) Management's role in assessing and managing climate-related risks and opportunities | P.13 |
| [Strategy] The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material | |
| a) The climate-related risks and opportunities the organization has identified over the short, medium, and long term | P.18 |
| b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning | P.18 |
| c) The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | P.18 |
| [Risk Management] How the organization identifies, assesses, and manages climate-related risks | |
| a) The organization's processes for identifying and assessing climate-related risks | P.13 |
| b) The organization's processes for managing climate-related risks | P.13 |
| c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | P.13 |
| [Metrics and Targets] The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material | |
| a) The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process | P.14~15, 20 |
| b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks | P.14~15 |
| c) The targets used by the organization to manage climate-related risks and opportunities and performance against targets | P.14~15, 20 |

TCFD Scenario Analysis

The TCFD Recommendations call for disclosure of strategies and organizational resilience, taking into account climate-related risks and opportunities under multiple climate change scenarios, including the 2°C or lower scenario. In the special steel industry, investors and other stakeholders are increasingly concerned about the impact of, and responses to, changes in key customer industries, such as a shift to EVs, and introduction of carbon pricing for significant reductions in GHG emissions in the future.

Sanyo Special Steel has conducted a scenario analysis by referring to the International Energy Agency's (IEA) Net Zero Emissions by 2050 (1.5°C scenario) and the Intergovernmental Panel on Climate Change's (IPCC) SSP5-8.5 (4°C scenario) to consider the long-term impacts on the Group through 2050.

* Net Zero Emissions by 2050: A roadmap scenario modeling what will be needed to put the world on track to net zero CO₂ emissions by 2050.

* SSP5-8.5: A higher reference scenario without introducing climate policy under fossil fuel dependent development.

TCFD scenario analysis

| Scenario | Major climate-related events | Assumed impacts (key risks and opportunities) | Sanyo Special Steel's responses and strategies | |
|----------------|--|--|--|--|
| 1.5°C scenario | Carbon neutral-related responses in customer industries, etc. <small>(growing need for low-carbon and decarbonized steel and products/ technologies that reduce environmental impact, shift to transportation with less GHG emissions (railroad), shift to a hydrogen society, etc.)</small> | <ul style="list-style-type: none"> Increase in demand for electric arc furnace steel, which emits relatively less GHG, and for materials, technologies, and products that help customers reduce GHG emissions (long-life bearing steel, hydrogen-resistant stainless steel, etc.) | <p>Opportunity (sales)</p> <p>High</p> <ul style="list-style-type: none"> Promote the development of eco-products that contribute to GHG emission reduction in the stage of parts manufacturing at customers and during end product use (deepen technologies to meet the needs for higher reliability in the fields of "EV," "wind power generation," "railroads," and "hydrogen society," etc., which are expected to grow globally toward carbon neutrality, address the transformation of heat treatment, and develop and expand the sale of strategic items (such as metal powders for 3D printers) Promote GHG emission reduction of our Group with eco-solutions such as eco-processes and the use of green energy | |
| | Structural changes in demand associated with the shift to EVs, and growing need for smaller and lighter automotive parts, etc. | <ul style="list-style-type: none"> Growing need for our highly reliable special steel products associated with the shift to EVs Increase in demand for our special steel products with properties that contribute to the size and weight reduction of parts Decrease in special steel consumption per automobile | <p>Opportunity (sales)</p> <p>High</p> <p>Risk (sales)</p> <p>Medium</p> <ul style="list-style-type: none"> With our strength in high-cleanliness steel, accurately respond to new customer requirements and environmental issues arising from changes in social and industrial structures Strengthen supply chain competitiveness by enhancing collaboration with customers | |
| | Growth of the wind power market due to expansion of renewable energy | <ul style="list-style-type: none"> Increase in demand for our highly reliable bearing steel, which leads to reduced maintenance and failure prevention for wind power generation facilities | <p>Opportunity (sales)</p> <p>High</p> <ul style="list-style-type: none"> Elucidate the fatigue mechanism of wind power generation under its unique environment, and promote the development and market introduction of bearing steel for wind power generation that achieves a long service life and high reliability Approved for "TPG Certification" as a supplier of critical components of wind power generators for the first time among domestic steel manufacturers in September 2022 | |
| | Intensifying competition for mineral resources due to increase in demand for electricity and storage batteries, etc. | <ul style="list-style-type: none"> Increasing need for our high-performance materials that do not rely on rare metals Instability in procurement of secondary raw materials due to restrictions on rare metal exports, etc. | <p>Opportunity (sales)</p> <p>High</p> <p>Risk (cost)</p> <p>Medium</p> <ul style="list-style-type: none"> Promote the development and supply of scarce resource-saving high-performance products (ECOMAX® series, Co-free maraging steel powder, etc.) Secure and expand sources for ferroalloy procurement Further enhance procurement supply chain management | |
| | Introduction of carbon pricing including carbon tax | <ul style="list-style-type: none"> Increase in costs for electricity, fuel, etc. If additional burdens such as carbon tax arise, this will result in the loss of resources for research and development, etc., raising concerns about a potential decline in the international competitiveness of Japan's industries as a whole. Enhancement in the relative advantage of electric arc furnace steels with relatively low GHG emissions, and in that of OVAKO as a leader in decarbonization of such steels | <p>Risk (cost)</p> <p>High</p> <p>Opportunity (sales)</p> <p>High</p> <ul style="list-style-type: none"> Promote the procurement of low-cost carbon-free electricity, etc. Request suppliers to reduce GHG emissions Promote further investment in energy-saving facilities through the introduction of an internal carbon pricing (ICP) system Negotiate with customers on price pass-on Promote low-carbon (decarbonized) steel products | |
| | Shift of steel production to electric arc furnaces and increased use of iron and steel scrap | <ul style="list-style-type: none"> Intensifying global competition to acquire superior scrap | <p>Risk (sales)</p> <p>High</p> <ul style="list-style-type: none"> Secure and expand sources of iron and steel scrap procurement and optimize raw material mix Secure iron sources in collaboration with the NSC Group | |
| | 4°C scenario | Increasing frequency and severity of weather-related disasters | <ul style="list-style-type: none"> Damage to production facilities and inundation of business bases and warehouses in coastal areas due to severe weather disasters, disruptions to the procurement of raw materials, equipment, and other materials and to product supply, etc. | <p>Risk (sales)</p> <p>High</p> <ul style="list-style-type: none"> Continuously improve BCM (Business Continuity Management), including enhancement of disaster prevention management and natural disaster countermeasures |
| | | Increase in average temperature Decrease in water resources and rise in sea levels due to climate change | <ul style="list-style-type: none"> Increase in risk of heat stroke and other health hazards and equipment failure Operational disruptions due to a decline in water supply stability, etc. | <p>Risk (sales)</p> <p>High</p> <ul style="list-style-type: none"> Ensure restoration financing measures by purchasing property insurance and utilizing the Group's CMS Enhance procurement supply chain management |

[Definition of the degree of impact]

High: Risks/Opportunities that potentially have a significant impact on business performance, such as an increase or decrease in sales, or a loss or gain, in the order of billions of yen or more.
Medium: Risks/Opportunities that potentially have a certain impact on business performance, such as an increase or decrease in sales, or a loss or gain, in the order of hundreds of millions of yen.

Initiatives for a Circular Economy (Building of a Resource-Recycling Society)

In line with our Environmental Policy commitment to building a resource-recycling society, we will contribute to the realization of a sustainable society by effectively utilizing limited resources through our business activities. These efforts include the circular use of steel resources, the reuse of water resources, and the recycling of by-products.

Special Steel Products Created Through the Recycling of Steel Resources

Sanyo Special Steel manufactures special steel by the electric arc furnace steelmaking method using iron and steel scrap as the main raw material, contributing to the recycling and effective use of iron and steel resources. In FY2024, iron and steel scrap accounted for approximately 78% of the raw materials, and with internally recycled materials included, approximately 97% of the raw materials were turned into recycled products.

Initiatives to Reduce By-Products

In FY2024, the total volume processed, including the volume of by-products sold that were generated through our production activities, was 184 thousand tons. The by-products include electric arc furnace slag, scale, dust, brick waste, and sludge. We promote resource recycling. In FY2024, 85% of the processed volume was recycled or reduced in volume through incineration, while the remaining 15% was disposed of by final landfill. We will continue to work on expanding new applications to promote the recycling of by-products.

Recycled Use of Water Resources

Water is essential to the manufacture of our products, serving as a coolant for steel and equipment as well as a power source for facilities. Our manufacturing base in Himeji City, Hyogo Prefecture is not located in an area exposed to high water stress according to assessments by WRI Aqueduct and is blessed with abundant water resources. Recognizing that water is a finite resource, we treat and reuse 94% of the water used in our production processes, thereby promoting the recycling of water resources.

Recycling of Electric Arc Furnace Slag

Sanyo Special Steel promotes the recycling of electric arc furnace slag generated as a by-product of the manufacturing process. Through adjustments to particle size and improvements in wear resistance, Sanyo Special Steel works to enhance the quality of slag products. Electric arc furnace slag has attracted attention primarily as a substitute for natural resources such as stone and sand and is widely used as roadbed material and asphalt aggregate. Its applications continue to expand. The slag is now also being used as a steelmaking material, including as a raw material for calming agents that suppress foaming and expansion, as recycled aggregate for circular-economy pavement, and as pipe bedding and cushioning material laid around underground tanks and pipelines.

Our electric arc furnace slag products undergo pressure treatment using pressurized steam aging equipment that is effective in stabilizing expansion. This treatment is conducted at one of the highest processing levels in Japan. In addition, we use multifunctional classification equipment consisting of a classifier



capable of simultaneously sorting slag products into six size categories, ranging from coarse aggregate to fine powder, and a particle shaping unit that rounds aggregate edges. Through these processes, we adjust particle size and improve wear resistance. Through these manufacturing processes, we provide customers with high-quality electric arc furnace slag products.

We will continue to focus on the realization of a sustainable society by putting in place a management system covering all aspects of production, quality, and sale in compliance with the "Guidelines for Management of Iron and Steel Slag Products" of the Nippon Slag Association, and by undergoing reviews by third-party organizations to strengthen the management system and further improve its reliability.



Electric arc furnace slag



Recycled pavement in Himeji City

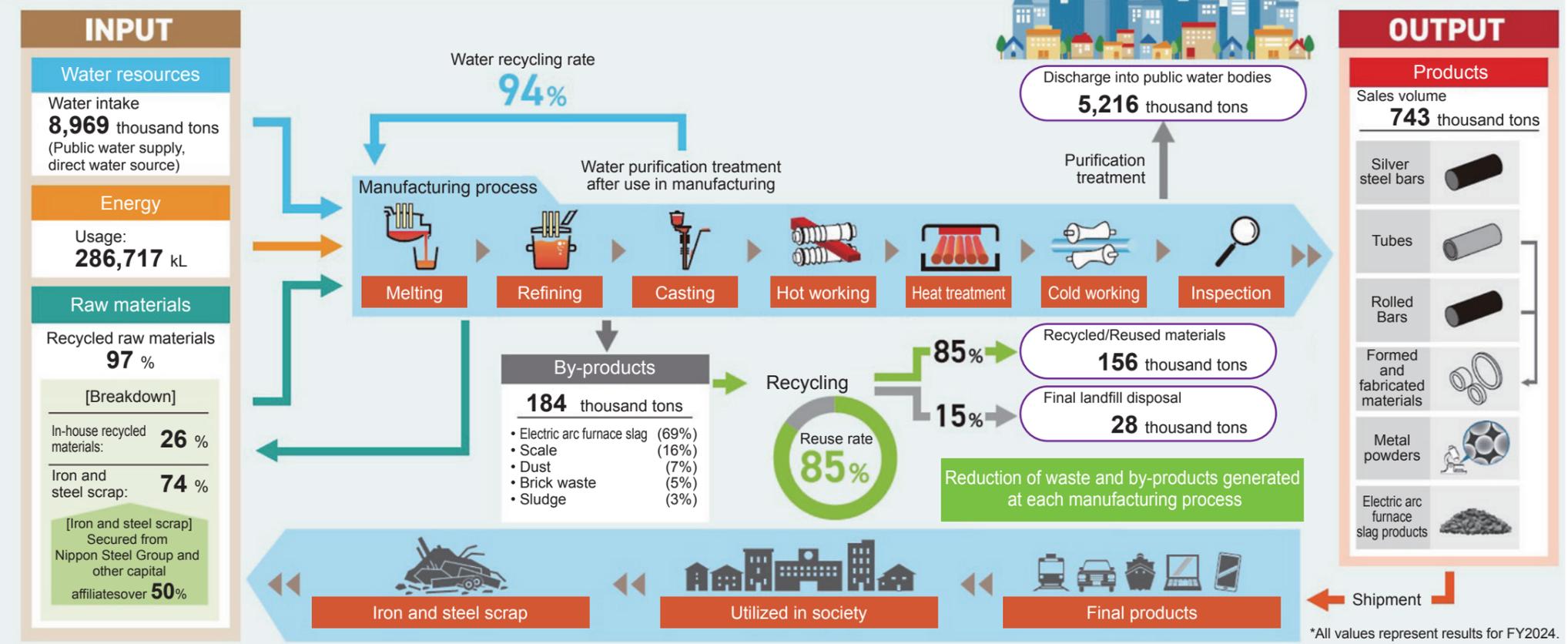
Material Balance

We actively promote the circular use of resources, including the recycling of steel resources, the reuse of water resources, and the recycling of by-products.

Life Cycle Assessment



Manufacturing of Special Steel and Material Flow



*All values represent results for FY2024.

Reduction of Environmental Impact

Prevention of Water Pollution

Water is used in the manufacture of our products for cooling steel and equipment, as well as a power source for facilities. Water that becomes contaminated during use within the plant is conveyed to on-site treatment facilities, where purification treatment is carried out. The treated water is then reused within the plant, and any remaining water undergoes further treatment before being discharged into public water bodies. At drainage outlets to public waters, pH, turbidity, chemical oxygen demand (COD), nitrogen, and phosphorus are continuously monitored through automatic measurement systems. If measured values exceed our voluntary internal management standards, which are set more stringently than the limits prescribed by prefectural ordinances, an alarm is triggered, enabling prompt response by the responsible personnel. In addition, periodic analyses of hazardous substances are conducted by external organizations, as part of our ongoing efforts to manage water quality and prevent water pollution.



Wastewater treatment facility

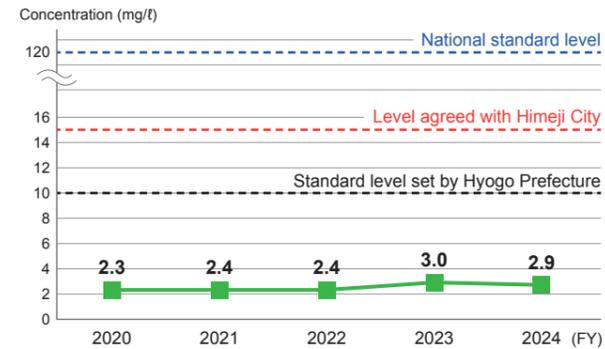
Conducting Environmental Patrols

As part of our water pollution prevention measures, we conduct patrols by vessels to check for any abnormalities along the quay wall of our premises facing Himeji Port. We conduct regular inspections to ensure early detection of issues and prompt response.

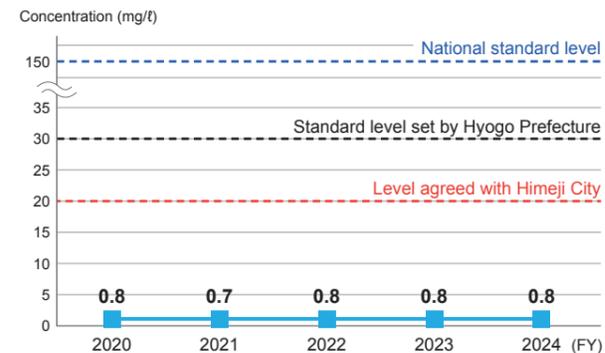


Marine patrol activities

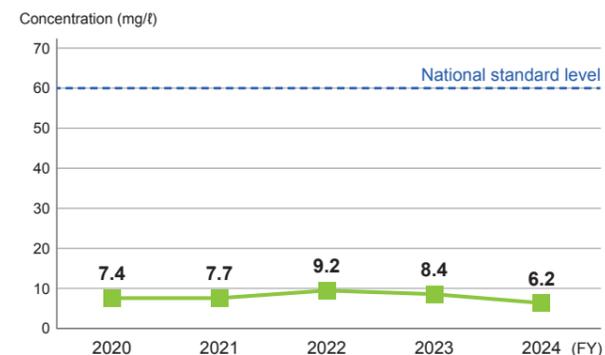
Chemical oxygen demand (COD) in wastewater



Suspended particulate matter (SS) in wastewater



Nitrogen concentration in wastewater



Reduction of Air Pollutant Emissions

At facilities that generate soot and smoke, Sanyo Special Steel has achieved SOx (sulfur oxide) emissions well below the value agreed with Himeji City by switching the fuel from heavy crude oil with high sulfur content to LNG (city gas) which contains almost no sulfur. For NOx (nitrogen oxides) emissions, we employ low NOx burners and proper combustion controls, etc., to reduce the emissions. We have also installed automatic NOx measurement equipment in our system to enable constant monitoring of heating furnaces, which emit large amounts of NOx.

In addition, the April 2018 revision of the Air Pollution Control Act prescribes that mercury concentrations in the exhaust gas from electric arc furnaces for steelmaking should be voluntarily reduced. We regularly measure and record mercury concentrations in accordance with the voluntary standards recommended by the Japan Iron and Steel Federation to confirm that the concentrations meet the voluntary control standards.

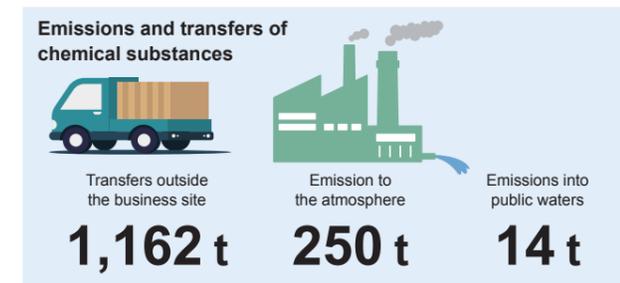
As for dust collection facilities, we are working to increase the capacity of our equipment, including by installing additional dust collectors in the buildings of continuous casting factories in FY2018.

We have also utilized traditional methods to help prevent dust dispersion, including patrols using water sprinkler vehicles and street sweepers."

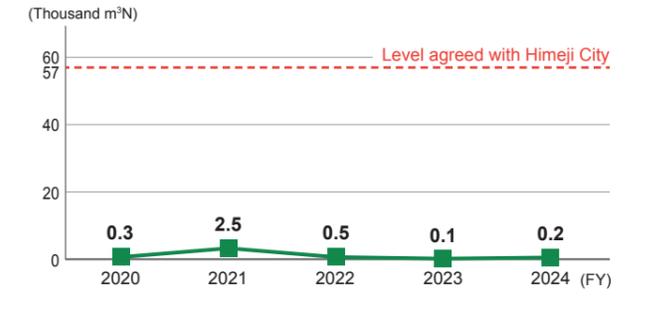
Proper Management of Chemical Substances

In accordance with the PRTR Act,* Sanyo Special Steel monitors the emissions and transfers of chemical substances and reports them to the Ministry of Economy, Trade and Industry annually and works on its initiatives to suppress the emissions. In addition, PCB waste is properly stored and managed in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, and the renewal/disposal of relevant equipment is carried out systematically in order to complete disposal within the time limit specified by the Act.

* PRTR (Pollutant Release and Transfer Register): Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement



Sulfur oxide emissions



Nitrogen oxide emissions



Proper Disposal of Waste

We outsource waste treatment to industrial waste disposal contractors that are capable of properly handling its waste. Prior to outsourcing, we confirm contractor licenses and conduct advance inspections of disposal facilities. In addition, we verify that our waste is being appropriately treated through regular inspections of disposal facilities and by checking disposal status using waste manifests. An electronic manifest system has been introduced to ensure proper operation, and efforts are also made to thoroughly segregate waste at the point of generation.

Environmental Awareness Development Activities

We believe that it is important to raise the environmental awareness of each and every employee in working on our environmental conservation activities, and accordingly regularly provide new employee education and grade-based environmental training. In addition, we have updated the signage design for Environment Month (June) to further raise environmental awareness among employees.



Biodiversity Conservation

The Sanyo Special Steel Group believes that the realization of a “sustainable society in coexistence with nature,” in which human society continues to exist while benefiting from biological resources, is a crucial challenge that impacts the survival of the human race. Through, for example, participation in activities for conserving forests and satoyama areas (undeveloped woodland near populated areas) and community greening activities, we will promote biodiversity conservation activities.

Participate in “Corporate Forest Creation Activities”

In May and November 2024, Sanyo Special Steel conducted “Corporate Forest Creation Activities.” In “Corporate Forest Creation Activities,” companies, local communities, and local governments work together on forest conservation activities. An agreement has been concluded among the four parties of Sanyo Special Steel, Hyogo Prefecture, Himeji City, and the Hyogo Prefecture Greenery Promotion Association for an activity implementation period up until May 2029. In our engagement in “Corporate Forest Creation Activities,” a section of the forest (1.46 ha) in Fujinokiyama Nature Park of Himeji City was named “Santo-kun’s Forest of the Future.” Under the guidance of members of NPO Hyogo-Mori-no-Club, our employees engaged in forest thinning as a part of our efforts during the current fiscal year.



Logging operations



Naming the place “Santo-kun’s Forest of the Future”

Community Greening Activity

Since December 2023, in support of the activities of the Himeji Urban Development Foundation, we have been participating in a volunteer greening activity in collaboration with Himeji City and volunteers. This activity involves planting management and cleaning for “Castle Garden,” which is located at the north entrance of Himeji Station.



Planting management



Cleaning activities

Identifying Dependencies on Natural Capital in Line with TNFD

To understand the degree of dependence and impact that our company, our Group companies, and our business partners (particularly suppliers) have on natural capital, and to link these insights to risk management and sustainable business operations, we conducted an assessment and analysis in line with the LEAP approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). In identifying the significant dependencies and impacts between our business activities and nature, we assessed our sector-level dependencies and impacts on natural capital and ecosystem services using the ENCORE tool. In addition, to identify our points of interaction with nature, we utilized assessment tools such as the Integrated Biodiversity Assessment Tool (IBAT), WWF Biodiversity Risk Filter, and Aqueduct. Through these tools, we identified priority areas—regions that are important to our company from the perspectives of dependency, impact, risk, and opportunity, and that are particularly susceptible to the effects of our business activities.

OVAKO’s Activity for Promoting Natural Circulation

OVAKO (Hofors Mill) manages a part of the mill site as a grazing land to protect rare plant species. Cattle are grazed on this land where they eat grass, and their feces serve as manure for the plants on the land, thereby a healthy ecosystem is maintained.



Cattle on the grazing land of the mill site

Tree-planting Activity by SSMI

SSMI conducts a tree-planting activity annually in June in line with the World Environment Day, as part of its initiatives to raise awareness of the importance of environmental conservation and to aim for a sustainable future. Its employees actively participate in the activities, contributing to the greening of the community.



Tree-planting Activity

Support for the Keidanren Biodiversity Declaration Initiative

We support the principles of the “Keidanren Declaration on Biodiversity and Action Guidelines,” formulated by the Japan Business Federation (Keidanren) and the Keidanren Committee on Nature Conservation, and has joined the “Keidanren Biodiversity Declaration Initiative.”

| | | |
|---|--|--|
| <p>山陽特殊製鋼株式会社 https://www.sanyo-steel.co.jp/social/csr2024.php</p> | | |
| <p>《将来に向けた取組方針》 山陽特殊製鋼は、「社会からの信頼」、「お客様からの信頼」、「人と人との信頼」の確立を通じて経営理念「信頼の経営」の実践を図っており、「持続可能な社会の実現への貢献」を目指すと、ESGの取り組みは欠かすことができないものと考えています。山陽特殊製鋼は、生物の恵みを得ながら人間社会が存続し続ける「持続可能で自然と共生する社会の実現」は、人類の存続にも影響を与える重要な課題であると考えています。山陽特殊製鋼は、森林や里山などの保全活動や地域緑化活動への参加等を通じて生物多様性保全活動を推進します。</p> | | |
| <p>《具体的な取り組み事例》 企業の森づくり活動（「さんとくん 未来の森」活動） ・2024年5月より、兵庫県、兵庫県緑化推進協会、姫路市と連携し、企業の森づくり活動を開始しました。 ・姫路市立森ノ木山自然公園内の森林（1.46ha）を活動場所とし、ナラ枯れや照葉樹林化がみられる里山林の光環境を改善し下層植生等の回復・保全を図るための木々の除去活動を行っています。（写真①）</p> | | |
| <p>欧州子会社Ovakoにおける生物多様性と野生生物の保護活動 ・OVAKO（Hofors工場）では、希少な植物種を保護するために、工場の一部を放牧地として管理しています。そこには牛が放牧されており、草を食み、排泄物が植物の肥料となり、生態系が健全に維持されています。（写真②）</p> | | |
| <p>インド子会社SSMIにおける植樹活動 ・インド子会社SSMIでは、6月の世界環境デーに合わせて、環境保護の重要性を啓発し、持続可能な未来を目指す取り組みの一環として植樹活動を行っています。社員が参加し、地域の緑化に貢献しています。（写真③）</p> | | |
| <p>《今後の課題等》 ・生物多様性への配慮に関して従業員全員の意識と理解を深め、地域や地元自治体と協同して生物多様性保全活動を維持・拡大していくことです。</p> | | |



Keidanren Biodiversity Declaration Initiative logo

Our Biodiversity Initiatives Policy and cases featured on the Keidanren website

Creating a Safe Workplace

For a manufacturing company, safety is the basic premise of business activities and should take precedence over all other matters. The Sanyo Special Steel Group promotes safety activities for which top-down approaches and bottom-up approaches are integrated, aiming to achieve the total absence of accidents.

There are no shortcuts in safety activities. By steadily building on our daily safety activities, we are working to create a workplace where everyone can work safely and with peace of mind.

2025 Comprehensive Health and Safety Management Policy

- Basic policy**
 To strengthen the "GRIT" essential for safety activities, it is crucial to consistently uphold and adhere to easy and simple "basic" commitments without neglecting or diminishing their importance. In building a strong safety culture in the workplace, we must understand that the degree to which we faithfully and consistently adhere to these "basics" creates a definitive difference in safety performance. By carrying out safety activities grounded in the principle of "thoroughly executing ordinary tasks" with excellence, we will steadily enhance the safety capabilities of both individuals and workplaces.
- Slogan**
 By rigorously and consistently observing rules that everyone knows and everyone can follow, to a level of thoroughness that few can match, we aim to achieve zero accidents, the ultimate goal to which everyone aspires.
- Three safety principles**
 Stop, step back, check hands & feet – then double-check that it is really safe
- Target**
 Achievement of a total absence of accidents
 "0" occupational accident & "0" accident on the way to work

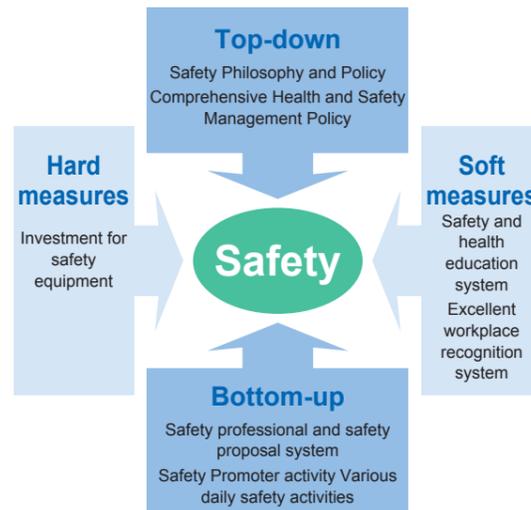
Safety and Health Management

The Safety and Health Committee meets monthly to deliberate on fundamental measures to prevent workplace hazards and health disorders, as well as on the causes of occupational accidents and measures to prevent their recurrence. In accordance with applicable laws and regulations, half of the Committee members are labor union representatives, ensuring that employees' perspectives are appropriately reflected in safety and health initiatives. We also promote the reduction of work risks and the creation of a safe workplace by "integrating top-down and bottom-up approaches" and "implementing both hard and soft measures" and report the monthly implementation status of safety activities and the annual summary of safety and health activities to the Board of Directors, thereby effectively implementing the PDCA management cycle (planning, implementing, monitoring/supervising, and taking improvement measures) for constant improvements.

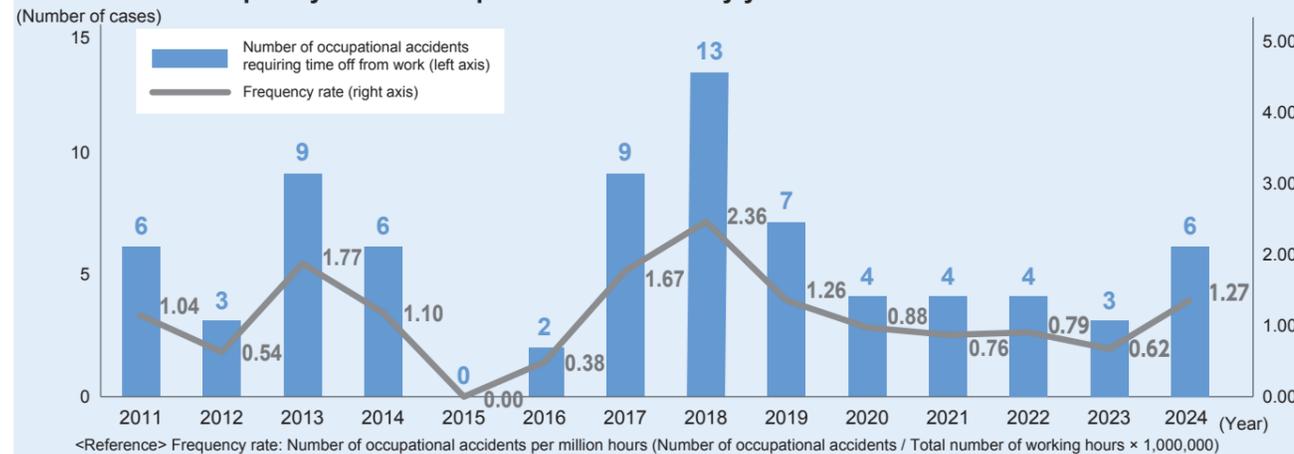
For our overseas subsidiaries, we monitor safety at local plants and use web-conferencing to identify weak points in terms of safety and provide support and guidance for safety activities by exchanging opinions and sharing information on each company's initiatives, etc., thereby promoting the safety activities of the entire Group.



Safety activity support at an overseas subsidiary



<Number and frequency rate of occupational accidents by year>



Safety Proposal System and Safety Professionals' Activities

A safety proposal system has been put in place, under which workers in each workplace can propose measures to improve the safety of their own work and workplace.

Soliciting safety proposals from workers who actually engage in work on-site is not only effective in formulating specific safety measures but also raises workers' safety awareness through the proposal process and leads to a transformation to true bottom-up safety activities which form the core of our safety activities.

In addition, safety professionals are appointed from among team leaders at work sites to identify work risks through patrols in their own workplaces, analysis of near-accidents, etc. and to work on making improvements. Safety professionals who are well-versed in operations on manufacturing sites are expected to take the initiative in improving the work operations and environments at their own workplaces, thereby raising safety awareness and creating a synergy with the safety proposal system.

Safety Promoter Activity

Sanyo Special Steel has been implementing a "safety promoter activity" to develop human resources who can make judgments and act on their own by educating young and mid-career employees with six or more years of employment selected from each workplace on correct safety knowledge and the importance of compliance with rules.

Among the main activities of the employees appointed as safety promoters are conducting hazard prediction training for workplace operation, patrolling their own and other workplaces to enhance their perspectives for recognizing good and bad points of their own workplaces, and enhancing their sensitivity to recognizing dangerous conditions as hazardous. In addition, they experience risk assessment activities to identify hazardous operations and assess risks, leading to the improvement of intrinsic safety through improvement measures including equipment measures.



Safety Experience Training Center

We have established a Safety Experience Training Center that enables us to have simulated experience of hazards. In 2024, 2,357 employees received training at the center, and to date the total is 38,422.

In 2018, we installed VR (virtual reality) equipment to provide a more realistic experience. We will continue to add new educational content and work with our employees to think about the importance of avoiding hazards.



Organizing "Sanyo Thorough Thinking Academy"

To Improve Sanyo (Awareness, Initiative, Independence, and Autonomy)

The 2024 edition of the "Sanyo Thorough Thinking Academy" was refined based on the educational content of its inaugural year and was offered to new employees who have been assigned to workplaces for some time. Through this training program, we educate new employees who have actually experienced their workplace environments and actual work so that they understand again the importance of fully following rules, acquire knowledge about health and safety, and independently think and act to ensure safety. By providing this educational occasion, we develop safety-conscious employees who will forge the future of Sanyo Special Steel.

Awareness

Deeply understanding your own individuality

Initiative

Active actions to compensate for your weakness

Independence

Aiming for further self-growth

Autonomy

Realizing your own emotional dependence and carelessness and correcting yourself

Lecture



Participants learned in greater detail about the objectives and key points of safety activities such as the 6S activities and the pointing and calling practice. Through classroom training, group discussions, and exercises, they experienced firsthand how communication not only prevents human errors but also fosters teamwork within an organization.

* 6S activities: Seiri (sort), Seiton (set in order), Seiso (shine), Seiketsu (standardize), Shitsuke (sustain), and Saho (behavior)

Practical Training



Participants underwent practical training in hitching and hooking and hazard prediction training. In practical training in hitching and hooking, they learned relevant procedures from the basics and were thoroughly familiarized with the pointing and calling method and the correct manner of using tools. In hazard prediction training, they learned the perspectives required for, and the concept of, hazard prediction and then had hands-on practice of hazard extraction using illustrations of work situations, thereby improving their hazard prediction skills.

Disaster Prevention Initiatives

Risk Management for Emergency Situations

Many employees work at Sanyo Special Steel, which has a variety of equipment and facilities. In addition to establishing a permanent fire and disaster prevention management system, we are working to prevent accidents from occurring and to prevent the spread of (minimize) damage in the event of a disaster by developing manuals in preparation for plant accidents such as fires and explosions and natural disasters such as earthquakes, and by conducting regular disaster drills, etc. In FY2024, we set the following five points as priority promotion items under our basic policy for the year, "All employees in the workplace shall raise their awareness of fire and disaster prevention through risk assessment to prevent disasters, and acquire higher-level disaster response capability through education and training."

- Enhancement of fire and disaster prevention management
- Strengthening of management of facilities and other equipment at high risk of fire, explosion, and oil leakage
- Improvement of disaster prevention awareness and strengthening of disaster response capabilities through implementation of fire and disaster prevention training
- Strengthening of disaster prevention measures through the activities of dedicated disaster prevention teams
- Acceleration of initial response

In addition, fire and disaster prevention risk assessment activities started in FY2020 are reviewed annually, such as the addition of new check items for storm and flood damage, crisis management, etc., in FY2021. We will strive to raise employees' awareness of disaster prevention and reduce potential risks by identifying new risks and formulating and implementing countermeasures, both in plants and offices.

Initiatives to Raise Disaster Prevention Awareness

With the aim of further raising employees' awareness of disaster prevention, Sanyo Special Steel holds workshops for hazardous materials safety supervisors and managers and workshops for managers in charge of fire and disaster prevention every year. We are working to improve the management level of licensed hazardous material facilities, small quantity hazardous material facilities, etc., by providing direct instructions to workplace managers and personnel responsible for handling hazardous materials and high-pressure gases. In FY2024, at the workshops for hazardous materials safety supervisors and managers held in July, participants were again informed of the importance of security measures by referencing accident cases involving hazardous material facilities, in addition to their responsibilities and duties as safety supervisors and managers, and main points on storage and handling management. At the workshops for managers in charge of fire and disaster prevention held in September, participants received explanations of disaster prevention management regulations and fire prevention plans that workplace managers should understand. In addition to daily preventive management and standards of behavior in an emergency, the sessions also provided information on the required responses in the event of a large-scale earthquake or tsunami and the proper understanding of hazard maps. Participants also deepened their understanding of the importance of life saving measures, including chest compressions and the use of automated external defibrillators, in response to disasters, accidents, and sudden illnesses. From a facilities management perspective, June and March were designated as months for strengthening the management of licensed hazardous materials facilities, and October was designated as a month for strengthening the management of high pressure gas facilities. During these periods, we carried out 3S activities at licensed hazardous materials facilities and high pressure gas facilities. Through these disaster prevention education initiatives and management strengthening activities, we will continue to promote further improvements in disaster prevention awareness. In addition, since FY2018, we have held first aid training sessions at each workplace. Since FY2023, these efforts have been expanded to include training sessions for female employees. Using in-house first aid instructors and nurses as lecturers, participants receive practical training in emergency lifesaving procedures such as chest compressions, the use of automated external defibrillators, and hemostatic techniques.

Conducting Disaster Drills

The types of equipment and hazardous materials used by Sanyo Special Steel vary from workplace to workplace. In addition, employees differ in their levels of awareness and experience with disaster prevention, including new employees who may be participating in disaster drills for the first time. Furthermore, depending on the scale of the disaster, coordination with fire departments may be required. For this reasons, we conduct disaster drills that identify specific emergency scenarios and are designed to be more concrete and practical.

Number of disaster drills conducted in FY2024 **54**

Large-scale earthquake disaster drill

In FY2024, we conducted a disaster drill based on a scenario in which a massive earthquake originating from the Nankai Trough occurred, resulting in the suspension of essential lifelines including electricity, water, gas, telecommunications, and transportation systems. As management personnel would not be present during such a time period, on-site leadership roles were assumed by work supervisors and team leaders, who were responsible for confirming employee safety and collecting information on damage to facilities and equipment. Under the holiday night scenario, the in-house fire brigade functioned as the highest-level disaster response organization for that time period. In addition to firefighting and emergency medical response, the brigade assumed responsibility for coordinating company-wide disaster response activities. Through continued training exercises, we will strive to further enhance employee awareness and strengthen our disaster response capabilities.



Scenes from the large-scale earthquake disaster drill in November (upper left & lower left)

Scenes from the joint factory disaster drill with the Shikama Fire Department in December (upper right & lower right)

Joint factory disaster drill with the Shikama Fire Department

In December 2024, we conducted a joint factory disaster drill with the Shikama Fire Department at the No. 2 Cold Rolling Mill, based on a scenario in which an oil fire occurred in an underground pit and heavy smoke filled the pit area. During the drill, training was carried out in close coordination with fire department personnel, with the disaster response headquarters playing a central role. The drill included initial firefighting by the workplace fire brigade, evacuation from the building to outdoor areas, early notification of a fire within the plant through emergency alarms, firefighting activities by the in-house fire brigade using breathing apparatus, and the rescue and first aid of injured personnel. Following the drill, an opinion session was held, during which participants received feedback and guidance from the members of the Shikama Fire Department regarding the training. We will continue to conduct drills that contribute to improving the capabilities of the entire organization.

Preparedness for Large-Scale Earthquakes and Other Wide-area Disasters

In the event of a wide-area disaster such as a large-scale earthquake, it would be difficult to confirm the safety of employees and consolidate such information through ordinary means of communication such as telephone calls. Sanyo Special Steel has therefore introduced an Internet-based safety confirmation system to quickly gather information on the safety of employees in the event of an emergency and, based on that information, take measures necessary for business continuity.

In addition, at our head office plant, we have stockpiled emergency food and drinking water necessary for our employees and the employees of our subsidiaries and cooperative companies working on our plant premises to safely return home and stand by. Furthermore, in preparation for the unlikely event of a wide-area disaster such as a large-scale earthquake, we have stockpiled disaster prevention supplies at sales bases located in urban areas, on the assumption that employees would have difficulty returning home in such situation.

Promotion of Diversity Management

Innovation creation is the key in enhancing corporate value over the medium to long term, and co-creation by diverse individuals is the driving force behind such innovation creation. The Sanyo Special Steel Group considers it necessary to proactively work on diversity in knowledge and experience, such as expertise, experience, sensibility, and a set of values. In addition, we strive to create a system that enables employees to achieve a good work-life balance and fully demonstrate their abilities with a sense of fulfillment in their work, and strive to develop a comfortable workplace environment where employees can continue to work with peace in mind and an environment that allows for a work style that is not restricted by time or place.

Promotion of Women's Participation

With the goal of increasing the percentage of female employees to 25%, Sanyo Special Steel has increased the number of workplaces where female employees can actively work by systematically hiring female employees and expanding their work areas, and has introduced support systems, such as childcare leave and shorter working hours, to reduce their burden during life events and enable them to continue working. Furthermore, we are promoting the awareness building of female employees themselves through external training, etc., and promoting the creation of an organizational culture that encourages female employees to take an active role in the company.



Childbirth, Childcare, and Nursing Care Support System Guidebook

Awareness Reform for Diversity Promotion

In order to promote diversity management and create a workplace in which each and every employee can demonstrate their abilities and work as effectively as possible, it is essential to change the understanding and awareness of each and every employee.

From this perspective, Sanyo Special Steel organizes training programs such as unconscious bias training and awareness-raising program to help employees understand and control unconscious biases related to gender and age; round-table talks with female directors as opportunities for female employees to envision attractive managerial positions; and management candidate training, in which female employees learn about diverse role models and interact with other companies' female employees to improve their awareness and motivation to become managers. In this way, we are working to improve the mindset of, and career education for, female employees in order to promote their participation.

Percentage of female employees

(As of April 2025)
13%

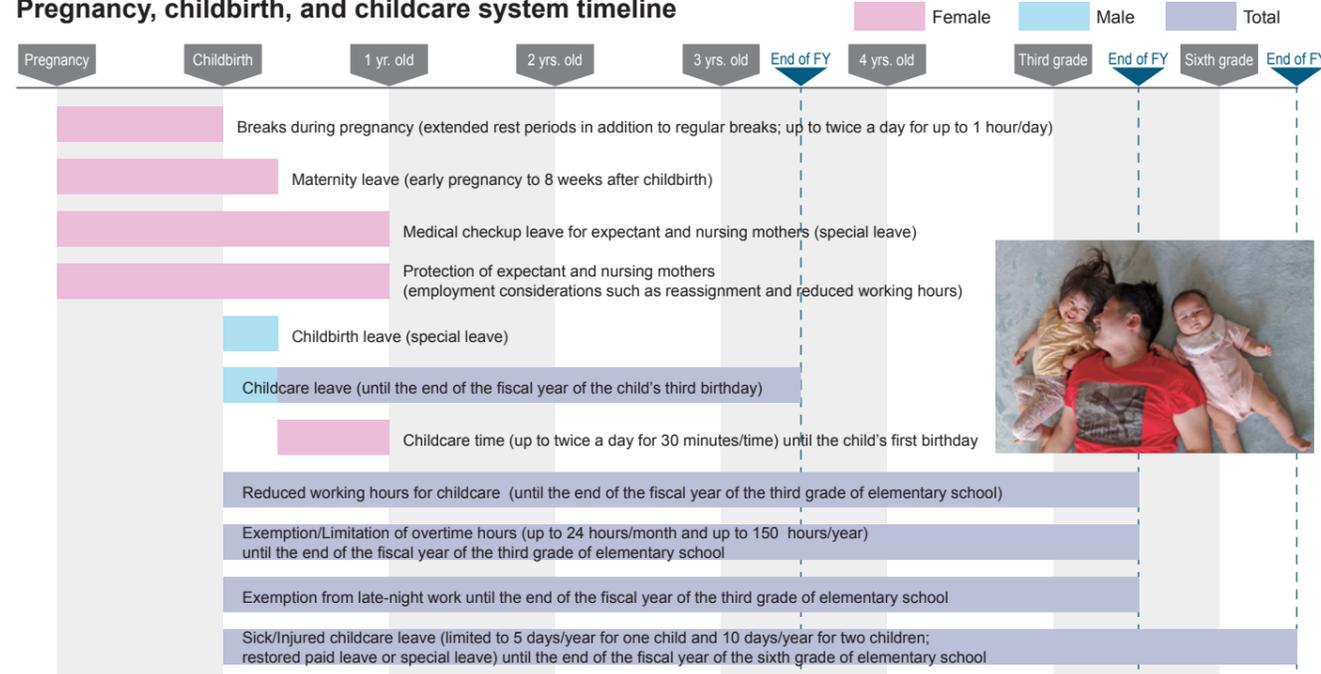
(27% in planning positions, 6% in technical service positions)

Percentage of female managers

(As of April 2020) → (As of April 2025)

3.9% → **6.3%**

Pregnancy, childbirth, and childcare system timeline



General Employer Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children [7th Term: April 1, 2023 to March 31, 2026]

- ① Initiatives primarily for employees engaged in childcare
 - Target 1 Percentage of employees taking childcare leave Male: 50% or higher Female: 80% or higher
 - <Outline of initiatives>
 - Internal posting of information on this Action Plan and the childcare leave system
 - Provision of individual guidance and counseling to eligible individuals
 - Target 2 Provision of support to female employees in balancing their work and family lives, raising their motivation, etc.
 - <Outline of initiatives>
 - Effective use of the Support Program for Balancing Career Development and Childcare
- ② Initiatives for employees including those not engaged in childcare
 - Target 3 Percentage of employees taking annual paid leave: 80% or higher by FY2025
 - <Outline of initiatives>
 - Continuing to encourage employees to take annual paid leave in a planned manner and to use the consecutive paid leave system
 - Labor-management consultation and deliberation on and implementation of effective measures
- ③ Initiatives beyond employees and employment-environment improvements
 - Target 4 Continuing to accept local elementary school students for plant tours, junior high school students for work experience, and high school students for internships
 - <Outline of initiatives>
 - Acceptance of plant tours and work experience, and arrangement of visiting classes
 - Provision of steel materials for practical training to nearby high schools with the aim helping students acquire knowledge and improve their skills

Fostering a workplace culture that enables diverse working styles and flexible ways of taking leave

Contributing to local communities

General Employer Action Plan Based on the Act on the Promotion of Women's Active Engagement in Professional Life [3rd Term: April 1, 2023 to March 31, 2026]

- Target 1
 - (1) Increase by 1 point in the percentage of female managers (5.3% to 6.3%)
 - (2) Increase by 3 points in the percentage of female employees in unit chief ranks, who are hoped to be next-generation managers (16.0% to 19.0%)
- <Outline of initiatives>
 - Training on gender unconscious bias and external career development training for female employees
 - Dialogue between female directors and female employees
- Target 2 Number of employees using the work-from-home system: 50% or higher of all employees in planning positions by FY2025
- <Outline of initiatives>
 - Promotion of paperless work and development of an environment that enables work-from-home by DX
 - Improvement of the work management levels of supervisors over employees engaged in work-from-home

Fostering a culture in which female employees can play active roles

Communicating the appeal of working in more senior roles

Internal dissemination of the work-from-home system

Promotion of Work-life Balance

Sanyo Special Steel flexibly responds to the diversification of work styles through introduction of its flexible working hour system, shorter working hour system, and work-from-home system, and also works to increase the rate of paid leave taken, in addition to the implementation of "no overtime day" every Wednesday and work efficiency improvements aimed at reducing overtime hours. Furthermore, we encourage employees to take consecutive paid leave and special incentive leave, and have established systems that surpass legal standards, such as leave systems for maternity, childcare, and nursing care. Also, we support the realization of a work-life balance for each and every employee by creating a workplace environment and culture that makes it easier for employees to take such leave.

Percentage of employees taking paid leave (FY2024) **84.9%**

Percentage of male employees taking childcare leave (FY2024) **80%**

Promotion of Participation by Senior Generation

Sanyo Special Steel extended the retirement age from 60 to 65 in April 2021. Additionally, it established the "Senior Citizen Partner Program" as a system for extending the employment of employees over the age of 65. We work on strengthening our competitiveness by maintaining and improving our manufacturing capabilities through extension of the employment of those employees who have reached the age of 65 and who are deemed necessary from the viewpoints of business execution and of the transfer of technology and skills as "senior citizen partners"; and through further enhancement of the environment for promoting the transfer of technology and skills and the development of future generations.

Stable Employment of Persons with Disabilities

Sanyo Special Steel and its domestic Group companies promote the employment of persons with disabilities in order to realize a society in which everyone can work to the best of their abilities. In addition to promoting recruitment activities in cooperation with Hello Work offices (public employment security offices) and special support schools, we are also continuously working to improve the work environment in both hard and soft aspects with working life counselors for persons with disabilities in the companies playing a central role, in supporting the long-term stable employment of such persons. For employees who are certified as persons with disabilities after joining their companies, consideration is given to the nature and hours of their work so that they can continue to work with peace of mind.

In April 2023, we began operating an indoor farm "IBUKI" in Toyonaka City, Osaka Prefecture, expanding the job categories of persons with disabilities. This farm features an integrated production system, from hydroponic cultivation to package processing, with a work environment tailored to the characteristics of each individual's disability. Products such as herbal tea are distributed both within and outside the company to promote understanding of employment for people with disabilities.



Indoor Farm IBUKI

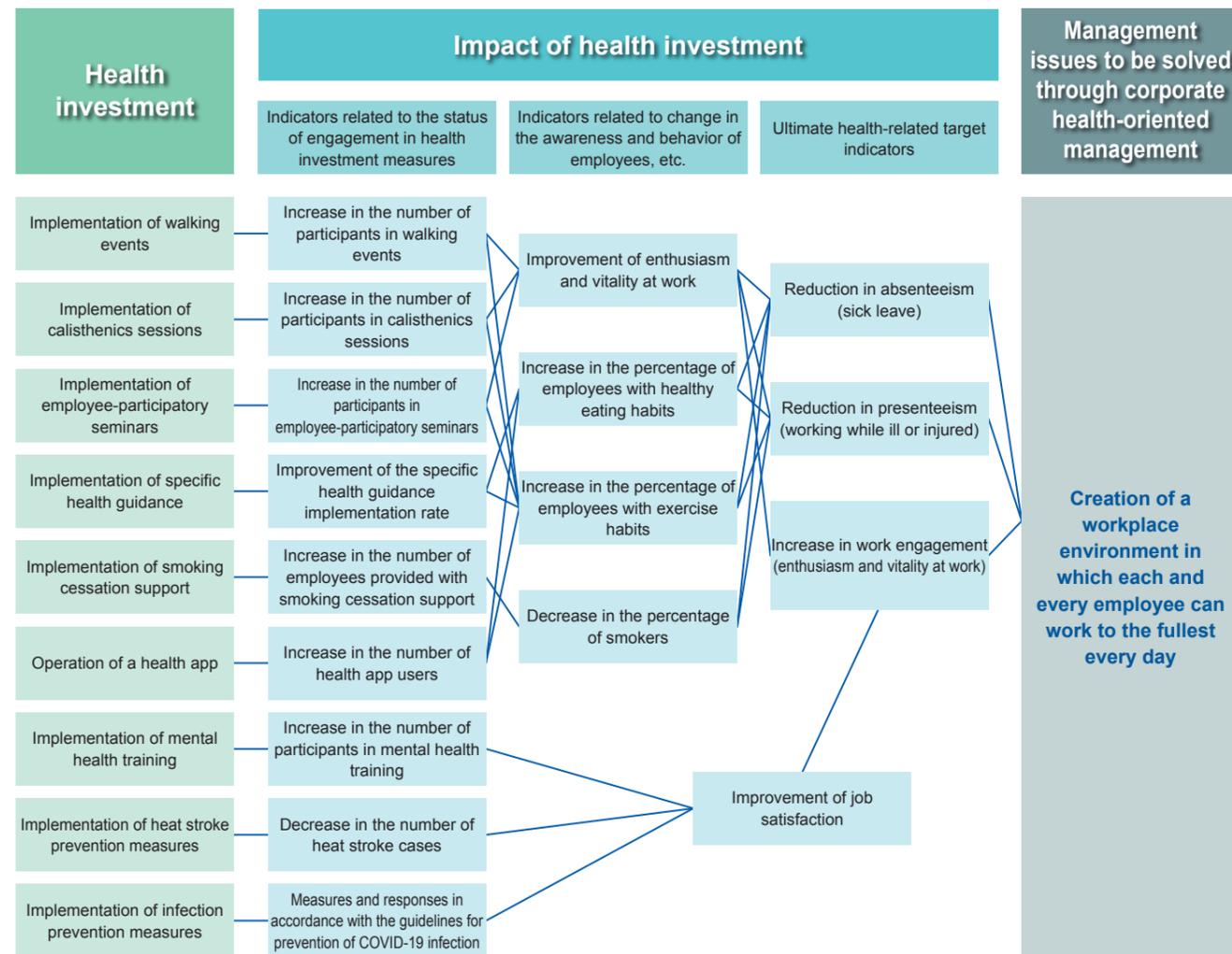
Promotion of Corporate Health-oriented Management

Based on the recognition that the safety and health of its employees is a prerequisite for its business activities and is thus an important management issue, Sanyo Special Steel formulated the “Sanyo Special Steel Corporate Health-oriented Management Declaration” in August 2021 and established a corporate health-oriented management structure with the Representative Director and President as the Chief Corporate Health Officer. We will promote initiatives for improving employees’ lifestyles and preventing mental health problems through, for example, walking events supporting them in making physical exercise an established routine, and will work on creating a workplace environment where each and every employee can work to their fullest every day.

Sanyo Special Steel Declaration of Corporate Health-oriented Management (August 2021)

Based on the recognition that the safety and health of its employees is a prerequisite for its business activities and an important management issue, Sanyo Special Steel declares that it will work together with the Sanyo Special Steel Health Insurance Association to comprehensively address health maintenance and promotion, and continue to create a workplace environment in which each and every employee can work to their fullest every day.

Corporate health-oriented management strategy map



For the Promotion of Corporate Health-oriented Management

Poor mental and physical health among employees not only causes a decline in productivity, but may in some cases result in leave of absence, resignation, or other forms of talent loss.

In addition to providing statutory health checkups, metabolic syndrome screenings, and health guidance, Sanyo Special Steel continues to conduct stress checks, which became mandatory in FY2016. Based on the results, we perform group analyses and encourage employees identified as having high stress levels to consult with an occupational physician. We have also established a mental health consultation service and offer support programs such as smoking cessation assistance and dietary counseling. To ensure continuous improvement, we regularly convene the Corporate Health Management Promotion Council, which includes occupational physicians, the Health Insurance Association, and the labor union. In addition, a health promotion representative is assigned to each workplace.

Furthermore, we promote a wide range of initiatives, including the establishment of a “No Smoking Day,” the enforcement of no-smoking rules during working hours, the provision of cooling workwear to create a comfortable working environment, walking and health-check events to encourage regular exercise, radio calisthenics at the start of the workday, and the organization of health-related lectures.

In addition, beginning in FY2023, we selected KPIs (Key Performance Indicators) to serve as follow-up indicators based on priority issues identified in our key initiatives. Using three employee performance indicators—“Presenteeism,” “Absenteeism,” and “Work engagement”—as KPIs, we will verify their effectiveness and further promote our health-oriented management.



The members of the winning team in a walking event



Health check event



Health lecture by a physician invited from the Japanese Red Cross Society

Heat Stroke Prevention Measures

With recent summers bringing extreme heat, the risk of heat stroke inside plants has increased. In response, Sanyo Special Steel has strengthened its heat stroke preventive measures. April is designated as the preparation period, during which heat stroke prevention seminars are held for managers, superintendents, and plant workers, including those from cooperative companies. From May to September, the activity period, we implement a wide range of heat stroke prevention initiatives from multiple perspectives. These include the distribution of cooling workwear and heat stroke prevention food products (such as oral rehydration solutions and salt tablets), the installation of ice slurry (sherbet-like beverage) machines and cooling spaces at multiple locations within plants, monitoring WBGT value, and conducting heat stroke prevention patrols to encourage hydration and salt intake.



Installation of ice slurry machines

Employee performance indicators

| | FY2023 results | FY2024 results |
|---------------------------------|----------------|----------------|
| Presenteeism ^{(*)1} | 69.3 | 68.5 |
| Absenteeism ^{(*)2} | 93.4 | 94.5 |
| Work engagement ^{(*)3} | 46.4 | 46.2 |

(*)1 A completely optimal state (no decrease in work performance due to health problems) is rated with a score of 100.

(*)2 A completely optimal state (the number of absent days from work = 0) is rated with a score of 100.

(*)3 A positive and fulfilling psychological state in relation to work, represented as a deviation value with its national average set at 50.

Human Resource Development

Development of Human Resources Who Can “Think and Act Autonomously”

Under our basic policy of “developing employees and making full use of their potential,” we have developed a meticulous education and training system. In addition to education through daily work, we provide grade-specific training based on the years of service and positions and education for promotion of the participation of women, and reform the awareness of individuals in the company, in order to develop human resources with an independent mindset and motivation to take on challenges who can “think and act autonomously,” such as those having the ability to set and solve challenges on their own. Furthermore, for the purpose of broadening the perspective of employees and strengthening their solidarity, we provide them with opportunities to interact with outsiders, such as visits to clients’ factories and the dispatch of personnel to various external training sessions, and work on energizing employees’ mutual communication by, for example, organizing opinion exchange sessions between employees from different workplaces and workplace visits among employees.



Development of global human resources

We are accelerating the development of human resources who can play active roles on a global stage due to our increasingly globalized business environment, and developing a global mindset through overseas language training for new employees in management track positions and short-term language study abroad for selected employees, among other initiatives. We also promote international exchange and innovation through technical collaboration and mutual dispatch of human resources with overseas Group companies and assign employees to overseas affiliates based on a human resource development model or to study abroad.



Human Resource Management System (establishing work tasks and training themes through dialogue)

Under the personnel appraisal system of Sanyo Special Steel, each employee is supported in steadily developing their capabilities and fully demonstrating their potential throughout their career, from joining the company through to retirement. The system is designed to enable employees to work with pride and a sense of fulfillment, while rewarding those who proactively take on challenges and achieve results, thereby strengthening the overall human capital of the company. In performance evaluations, emphasis is placed not only on outcomes, but also on whether employees set ambitious goals and challenged themselves to achieve them, as well as whether they consistently executed the processes required to reach those goals. Through this approach, we foster employee autonomy and a strong spirit of challenge. In addition, evaluation criteria include the development and management of subordinates and junior employees, as well as efforts to create a comfortable and supportive workplace. By incorporating these elements, we highlight the importance of human resource development across the organization. Employee engagement surveys are also conducted as part of ongoing efforts to enhance engagement levels. Furthermore, we support the self-realization of each employee through regular dialogue with supervisors to clarify skill development themes and challenges, as well as through career discussions with human resources personnel conducted from a long-term perspective.

Self-transformation Program Through Multifaceted Observation

We have introduced a self-transformation program through multifaceted observation. The program is designed for officers, department heads, and other management-level personnel to review the evaluations by colleagues and subordinates, share the results with their supervisors, and understand how their actions are viewed by their subordinates and others around them, thereby providing them with an opportunity to objectively recognize their own management and behavioral characteristics for self-transformation.

Respect for Human Rights

In the “Guidelines for Corporate Behavior,” which describe the actions to be taken as a company, the Sanyo Special Steel Group has stipulated that it shall respect human rights both in Japan and overseas, comply with relevant laws and regulations, international rules, and the spirit thereof, and shall fulfill its social responsibilities with high ethical standards to create a sustainable society. Furthermore, we endorse and respect the “International Bill of Human Rights” and the “Declaration on Fundamental Principles and Rights at Work” and promote business activities that respect human rights with the “Guiding Principles on Business and Human Rights” as our guidelines to follow.

Sanyo Special Steel Group Human Rights Policy (excerpt)

[Respect for Human Rights]

- We understand that human rights may be affected through our business activities, such as procuring raw materials, manufacturing, selling, and distributing products, research and development, and recruitment. We are also aware that our business relationships with other stakeholders may end up impacting human rights. We will strive to neither violate human rights ourselves nor support any human rights abuse by our stakeholders, including business partners.
- Supporting and respecting the “International Bill of Human Rights” and the “Declaration on Fundamental Principles and Rights at Work,” we will conduct our business activities under the “Guiding Principles on Business and Human Rights.”
- We will prohibit discrimination based on nationality, race, religion, age, gender, physical or mental disorders, gender identification, sexual orientation, and upbringing, or discrimination for any other irrational reason. We will also strive to prohibit long working hours, harassment, forced labor, and child labor, respect the freedom of association and collective bargaining rights, and ensure safety and health in the workplace.
- We will comply with the laws and regulations of the countries and regions where we conduct business activities. When there are discrepancies between globally recognized human rights and the laws and regulations of a specific country or region, we will seek appropriate ways to respect the internationally recognized human rights to the extent possible while complying with such laws and regulations.

Human Rights-related Education and Relief Mechanisms

Through various educational opportunities, such as grade-based training and labor management seminars, we are working to develop a corporate culture in which each employee’s human rights and diversity are respected.

In addition, we have established a help desk for various compliance issues including those related to human rights, and have made known to all employees and other concerned parties the details of the system, contact information for the service, and the fact that no one would suffer any disadvantages for consulting or reporting. This mechanism makes it easier for them to consult and for the company to understand and identify human-rights violation cases.

In dealing with each individual case received at the help desk, we investigate the facts with due care to ensure that the privacy of those who have informed/consulted is protected and that they are not treated disadvantageously, and, if necessary, obtain advice from lawyers and external experts to seek appropriate resolution of the case.

Procurement of Ferroalloys with Respect for Human Rights

In the procurement of ferroalloys needed for special steel production, Sanyo Special Steel has confirmed through its suppliers that its procurement is “DRC conflict-free” (free from concerns that its procurement forms any source of funding for armed groups, infringes human rights, or instigates any conflicts).

Initiatives for Human Rights Due Diligence

In order to identify, evaluate, prevent, and mitigate any adverse impact of Sanyo Special Steel and its Group companies, suppliers, etc., on human rights, and for the effectiveness evaluation of initiatives, we will construct a mechanism for human rights due diligence. Last November, we conducted a human rights survey on our suppliers, seeking their support for our human rights policy and confirming their initiatives regarding the respect for human rights. We have a plan to continue confirming their initiatives on a regular basis.

Prevention of Child Labor and Forced Labor

Based on international norms on human rights, the Guidelines for Corporate Behavior, etc., Sanyo Special Steel ensures compliance with labor-related laws and regulations in each country and region, and prevents the occurrence of child labor and forced labor in its business activities.

Building and Maintenance of Sound Labor-management Relations

Sanyo Special Steel respects the “right to organize” and “right to collective bargaining” of the labor union in accordance with laws, regulations, and labor agreements, and strives to build and maintain sound labor-management relations. The relationship with the labor union is based on mutual understanding through bilateral dialogues, and we regularly hold discussions with the labor union on management conditions, health and safety, various management-related issues, working conditions such as salaries and bonuses, and work-life balance, among other matters.

In addition to complying with the minimum wages, etc., prescribed by the laws and regulations of each country and region, we also set salaries and other treatment based on the conditions agreed upon through sincere negotiations with the labor union. We have adopted a performance-linked bonus system in which the amount to be paid is determined based on the business performance of the previous fiscal year after reaching an agreement through negotiations with the labor union.



Labor-management talks

Quality Improvement Initiatives

Quality assurance is to improve customer satisfaction by accurately identifying customer needs and building up a process that enables a stable supply of products that meet those needs, and is directly linked to our corporate philosophy of “Confidence-based Management.” The Sanyo Special Steel Group has established a quality management system based on ISO 9001 and promotes quality control activities in which the sales, engineering, production, and quality assurance divisions work together to build quality in order to satisfy the product quality required of each product, such as JIS, overseas standards, and the specifications of each individual customer. We aim to become a company that continues to grow sustainably by focusing not only on controlling product quality but also on improving the quality management system, which is a key part of our corporate structure, to make it more efficient and responsive to changes in the environment, such as globalization and changing customer needs.



Quality Assurance System

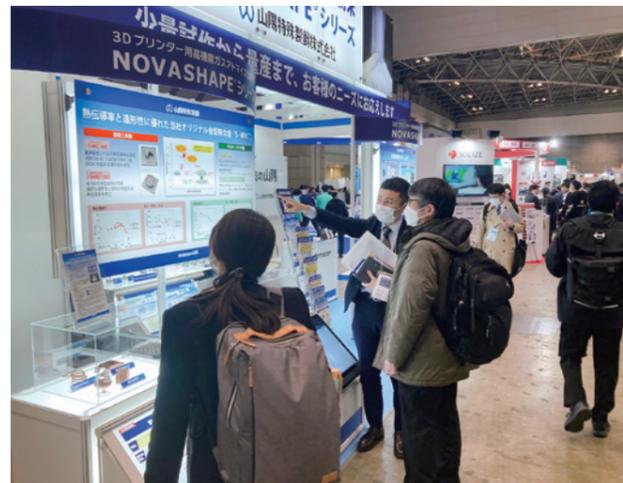
The Quality Assurance Department plays a central role in maintaining and managing the quality management system, which serves as the foundation of our quality assurance system. Product quality management is carried out through close collaboration among departments. The sales division identifies and communicates customer needs, the engineering division incorporates those requirements into process design, and the production division manufactures products in accordance with that design. In addition, by assigning overall quality assurance responsibilities to the Quality Assurance Department as an independent function, we ensure an effective system of checks and balances. This structure helps optimize and strengthen quality assurance functions and supports the provision of highly reliable products. The Quality Assurance Committee, which is chaired by the executive officer responsible for quality assurance, meets regularly to deliberate on the basic quality assurance policies and plans for the fiscal year and to promote improvement initiatives, including the planned resolution of key issues, the prevention of quality complaints, and the enhancement of customer satisfaction.

Quality Assurance Initiatives

In response to the ISO 9001 requirement of “addressing risks and opportunities,” each organization conducts risk assessments of its operations. Based on the issues identified through this process, the PDCA (Plan, Do, Check, and Act) cycle is implemented from a medium- to long-term perspective to improve the level of quality assurance. Specifically, Sanyo Special Steel is working to improve its quality management system by continuously revising its quality manuals, conducting quality patrols, and promoting information sharing through cross-audits between organizations. Furthermore, we promote awareness-raising activities in this regard, for example through e-learning programs on quality compliance and quality lectures, to raise employees’ awareness.

Understanding and Reflecting Customer Needs

Once a year, Sanyo Special Steel asks its customers to evaluate its QCDD (Quality, Cost, Delivery, and Development), analyzes the results of such evaluation, and then identifies and improves the items with low evaluation results, leading to further enhancement in customer satisfaction. In addition, in order to understand customer needs in a timely manner, we hold meetings to exchange technical ideas with customers and take part in domestic and international exhibitions. We introduce products and new technologies developed by us, provide detailed information on our products, and collect information on the latest customer needs, which is then used to develop and improve our products.



Expanding Technological Superiority

The Sanyo Special Steel Group is promoting further expansion of its technological superiority by strengthening its research and development and quality competitiveness in order to further enhance its corporate value in the global special steel market. To this end, we are clarifying the functions of product development, process development, and basic research, and strengthening the medium- to long-term research and development planning function to ensure the rapid and continuous creation of highly reliable products and new technologies with a view to global expansion.



Basic research: Pursuing principles with an eye toward product characteristics

All technologies are based on principles. Today, as increasingly advanced product characteristics and mass production technologies are required, the pursuit of fundamental principles through the strengthening of basic research has become more essential than ever. With a clear focus on the performance of final products, the Sanyo Special Steel Group advances its research by delving into the microscopic world to elucidate a wide range of underlying mechanisms.

New product and technology development: Responding to needs through a multilateral approach

As progress has been made toward carbon neutrality and the pace of technological progress accelerates, customer needs are becoming increasingly diverse and sophisticated. The Sanyo Special Steel Group uses customers’ perspectives to identify the truly key characteristics of their needs and optimizes the composition, structure, and production of steel, thereby exploring the very limits of steel’s potential for meeting society’s needs.

Evaluation technology: Earning trust through advanced evaluation and analysis technologies

For special steels, even slight differences in composition, microstructure, etc., can affect their properties. The development of evaluation technology that makes the microscopic world visible and the unknown known is a source of new knowledge. The Sanyo Special Steel Group utilizes cutting-edge evaluation and analysis technologies as the basis for reliability in product and technology development.

Research and Development Activities

The research and development activities of the Sanyo Special Steel Group are promoted mainly by Sanyo Special Steel’s “Research and Development Center,” and the total amount of research and development expenses in FY2024 was 2,296 million yen. With the creation of “eco-processes” and “eco-products” toward carbon neutrality in 2050 in mind, we are pursuing the deepening of technologies to meet the needs for even higher reliability, especially in the fields of EVs, wind power generation, railroads, and hydrogen society, which are expected to grow globally. Furthermore, we are focusing on the early realization of synergies through collaboration among Group companies.

The status of research and development activities by segment is shown in the table below.

| Segment | Research purposes | Major issues and results |
|--|---|--|
| Steel Products | <ul style="list-style-type: none"> Development of high-performance products to be launched in the fields of automobiles, railroads, environment and energy, wind power generation, etc., which are expected to grow Strengthening of quality and cost competitiveness through utilization of DX for the manufacturing processes of core products such as bearing steel, structural steel, stainless steel, and tool steel Development of eco-products that can contribute to carbon neutrality in customers’ processes | <ul style="list-style-type: none"> Promotion of high-carbon steel “TOUGHFIT[®]” that can contribute to achieving a carbon-neutral society Commercialized eco-friendly products that enable the elimination of annealing in customers’ processes |
| Metal Powders | <ul style="list-style-type: none"> Development of new products, mainly information recording and processing products and powders for 3D printing, which can be expected to grow in the future | <ul style="list-style-type: none"> Commercialization of “S-MEC[®]” Series, new metal powders for die casting molds with higher thermal conductivity, in the “NOVASHAPE[®]” lineup of metal powders products suitable for 3D printers |
| Formed and Fabricated Materials | <ul style="list-style-type: none"> Development of manufacturing technology for newly ordered products of the Formed and Fabricated Materials business Establishment of rapid design technology for optimal molds and ring rolling analysis technology, and development of manufacturing technology for saving manpower, with the aim of strengthening cost competitiveness | <ul style="list-style-type: none"> Establishment of die forged parts manufacturing technology using CAE analysis technology Formulation of optimal processing dimensions by applying CAE analysis technology to forecast the amount of deformation by heat treatment, and quality improvement of ring rolling products |

Promotion of DX

Sanyo Special Steel promotes digital transformation (DX) utilizing data and digital technology which has made remarkable progress in recent years.

In January 2023, we set up a DX Promotion Project Team led by the Representative Director and President. In order to be able to deal with accelerating changes in society and markets and maintain its high level of competitiveness into the future, the Sanyo Special Steel Group aims to break away from an analog mindset and practice relying on the large-scale mobilization of labor and from KKD (Keiken (experience), Kan (intuition), and Dokyo (nerve)) to accomplish the transformation of its Group companies into digital companies that can execute measures on the basis of reasoning (data).

Purposes of the DX Promotion Project:

- Rapid problem-solving by utilizing digital technology and data, and strengthening of competitiveness through creation of new value

Enhancement and Expansion of the Data Utilization Platform

As a key initiative of the project, we are promoting the following measures:

- Expansion of the data utilization platform to support company-wide operational transformation
- Strengthening of the organizational framework for data utilization

Initiatives implemented so far

FY2023: Platform Construction Phase

- Built the data utilization platform (integrated database)

FY2024: Data Collection Phase

- Initiated integration of high-value data from existing systems
- Started collecting equipment data, including sensor data and operational/production-related data

FY2025: Business Application Phase

- Full-scale utilization of data in business operations
- Promoting the in-house development of dashboards led by on-site teams
- Initiated the development of an analytics platform utilizing equipment data

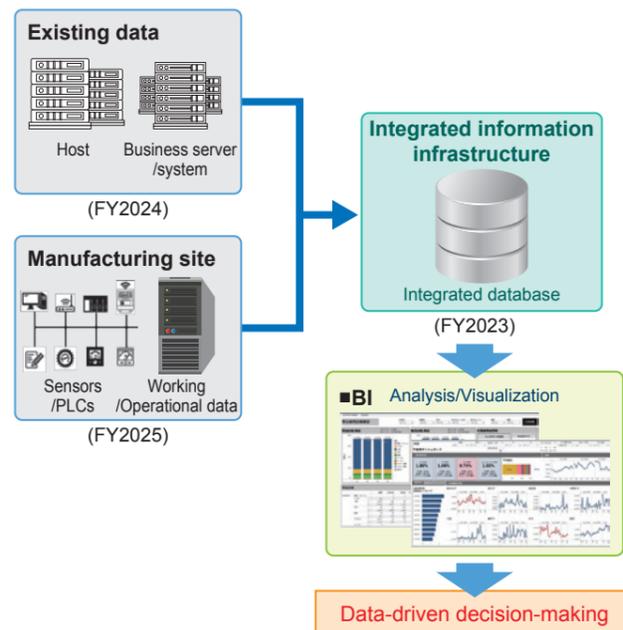
Currently, each department is taking the lead in actively utilizing data in their business operations. As a result, we are able to make decisions more quickly and accurately, enhancing both the company's credibility and organizational capabilities. We seek to establish a robust management foundation capable of adapting flexibly to change.

Development of DX Promotion Leaders

To sustainably drive digital transformation, we are implementing a DX Promotion Leader Development Program for selected employees from across the company, combining e-learning with group training. Through hands-on practice in the workplace, the program aims to develop personnel who can independently lead the visualization, analysis, and improvement of operational issues.



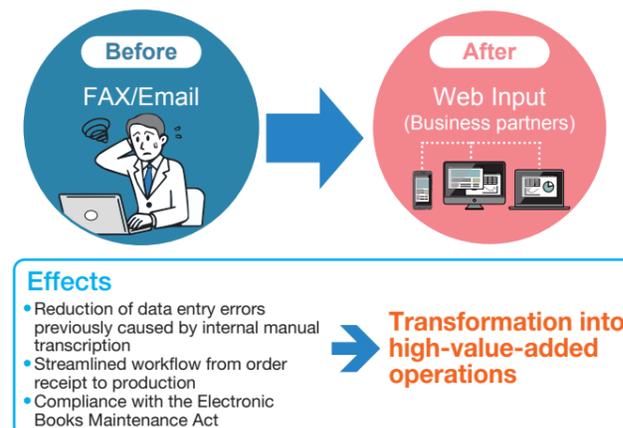
DX promotion leaders are "agents of transformation" who accurately identify on-site challenges and lead improvement initiatives in collaboration with relevant stakeholders. After completing the program, they act as DX promotion hubs within their respective departments, leading operational improvements and supporting cross-functional initiatives. Through these efforts, they contribute to the advancement of DX and the enhancement of corporate competitiveness.



Business Process Reform Utilizing Digital Technology

We began full-scale operation of our web-based ordering system in June 2025, with the aim of improving operational efficiency and quality in the sales division.

This system enables customers to submit order information directly online, automating a series of processes from order receipt to production preparation. As a result, work time has been significantly reduced, allowing employees to focus on higher value-added tasks.



Realization of Sustainable Procurement

The Sanyo Special Steel Group ensures compliance with laws, regulations, and social norms in accordance with its Procurement Policy, conducts fair and equitable transactions with a wide open door policy both in Japan and overseas, and promotes environmentally friendly procurement activities with its suppliers. In our procurement activities, we confirm the principles of "sustainable procurement," which cover accountability, transparency, respect for human rights, and ethical behavior, for the raw materials and services we procure, and reflect them in our procurement decision-making. We also strive to maintain and improve mutual understanding and trust relationships with our suppliers, aiming for mutual development as a business partner, and are working to realize "sustainable procurement" that contributes to the sustainability of our suppliers' business operations through strengthened partnerships.

Procurement Policy

In our procurement activities, we, Sanyo Special Steel, comply with relevant laws and regulations, maintain an open-door policy across the board both domestically and internationally, engage in fair and equitable transactions, and thereby strive to build partnerships with our suppliers. We also promote environmentally friendly procurement activities.

1. Compliance with laws, regulations, and social norms

We comply with all relevant laws, regulations, and social norms, act in good faith, and thoroughly manage information obtained in the course of business transactions. In addition, we ensure that no relationship will be formed with anti-social forces that threaten the order and security of civil society.

2. Fair and equitable transactions

We maintain an open-door policy across the board both domestically and internationally to provide all suppliers with opportunities to participate, and engage in transactions based on economic rationality.

3. Partnership building

We conduct transactions with all of our suppliers on an equal and fair basis, strive to maintain and improve mutual understanding and trust relationships, and aim for mutual development as business partners.

4. Promotion of environmentally friendly procurement activities

In collaboration with our suppliers, we build a system to avoid purchasing raw materials, equipment, and various other materials containing hazardous chemicals.

Initiatives to build a stable procurement structure

Sanyo Special Steel plants are normally in production 24 hours a day. Therefore, with the cooperation of our suppliers, we receive shipments of iron and steel scrap, our main raw material, on a 24-hour basis. We also procure the required quantities of ferroalloys, secondary materials, etc., when needed.

In anticipation of risks such as supply disruptions due to disasters, etc., we strive to understand the production status, production locations, delivery routes, etc., of our major procurement items by, for example, visiting the factories of our suppliers. We have also established a system that enables us to sustain production activities even in the event of an emergency by sharing information on procurement items with our suppliers on a daily basis, promptly securing substitute items in an emergency, and maintaining an appropriate amount of stock on our premises.

Supplier award system

Sanyo Special Steel values its partnerships with suppliers. As part of our appreciation, we have established a supplier award system. Under the supplier award system, we comprehensively evaluate each supplier's quality, cost competitiveness, delivery date management, business status, environmental responsiveness, services provided, and other factors in transactions carried out with us over a certain period of time in terms of the areas of raw materials, various other materials, maintenance, and outsourcing, select those suppliers which have attained outstanding achievements, and present them with awards. In FY2024, five companies were awarded for their outstanding achievements.

Declaration of Partnership Building

Sanyo Special Steel has announced its "Declaration of Partnership Building," which aims to increase added value throughout the supply chain by promoting cooperation, co-existence, and co-prosperity with our suppliers in the supply chain. We will prevent small- and medium-sized enterprises (SMEs) and small businesses from bearing burdens caused by unfair trade conditions, continuously make subcontracting transactions fair and proper, and work on promoting new collaborations such as initiatives to increase added value throughout the supply chain and open innovation beyond business scales, groups, etc.

In March 2025, we revised our declaration to further promote carbon neutrality across the entire supply chain and to implement measures such as appropriately passing on increased costs to transaction prices.

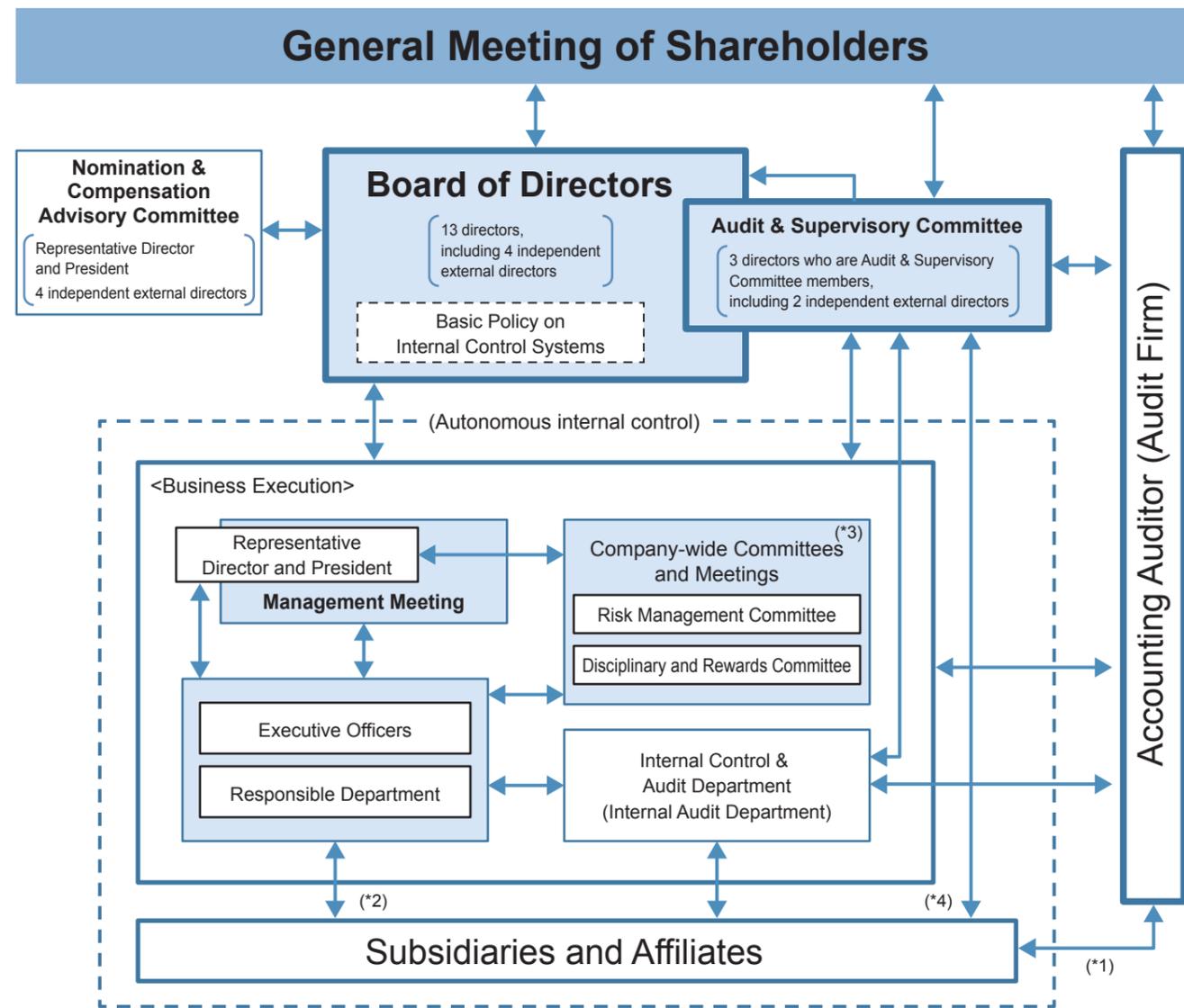


Enhancement of Corporate Governance

Based on its corporate philosophy “Confidence-based Management,” Sanyo Special Steel aims to earn the confidence of society by contributing to the realization of an affluent and culturally rich society and fulfilling its responsibilities as a member of society through the “manufacture of high-quality special steel.” In addition, we aim to earn the confidence of our customers by rapidly and accurately identifying their needs and appropriately providing high-quality special steel products. We will build confidence among people by deepening communication with all stakeholders and acting autonomously in accordance with social norms. We recognize that these are the requirements for the survival of the company and also constitute its mission.

In order to achieve this, we will strive to strengthen corporate governance by establishing a corporate governance structure suited to the Group’s business in order to improve the efficiency, soundness, transparency, etc., of our management.

Corporate Governance Structure



(*1) Audits of subsidiaries and affiliates are conducted by the audit corporation through its audits of consolidated financial statements.
 (*2) A supervisory department is designated for each subsidiary and affiliate.
 (*3) In addition to the above, other committees and meetings include the Carbon Neutral (CN) Promotion Committee and the Safety and Health Committee. In order to prevent the occurrence or recurrence of any breach of compliance, we have also established a whistle-blowing system called the “compliance help desk.”
 (*4) Directors who are Audit & Supervisory Committee members investigate the status of operations and assets of subsidiaries as necessary.

Initiatives to Enhance Corporate Governance



Board of Directors

In Sanyo Special Steel, the Board of Directors meets once a month in principle to discuss management policies and important management matters relating to business execution, the appointment and dismissal of officers, the policy for determining executive compensation, matters relating to ensuring the appropriateness of operations, and other relevant matters.

In FY2024, the Board of Directors held a total of 17 meetings and discussed the following matters.

<Main proposals discussed by the Board of Directors during FY2024>

- Monthly closing of accounts
- Budgeting for the fiscal year and the second half of the year
- Internal control plan and J-SOX audit: Changes to the policy for determining executive compensation, and the compensation and performance targets of officers, etc.
- Status of revision of the FY2025 Mid-Term Management Plan
- Safety and health activities
- The status of progress of ESG measures
- Initiatives for environmental protection and carbon neutrality
- Board effectiveness evaluation
- Capital policies such as those on financing
- Assessment of the management soundness of affiliates

Nomination & Compensation Advisory Committee

In order to ensure the soundness of the procedures for determining the appointment and compensation of officers, the Board of Directors of Sanyo Special Steel resolves on the nomination of director candidates, the selection of representative directors, and the determination of the compensation of directors (excluding directors who are Audit & Supervisory Committee members) after discussion held by, and hearing the opinions of, the Nomination & Compensation Advisory Committee for the sake of enhanced transparency and objectivity.

In FY2024, a total of six meetings of the Nomination & Compensation Advisory Committee was held in June, July, and December 2024 and January, February, and March 2025.

Risk Management Committee

The Risk Management Committee of Sanyo Special Steel, which consists of all the directors including the Audit & Supervisory Committee members and the officers in charge of the functional departments responsible for risk management in the relevant areas, meets quarterly to discuss, and exchange opinions on, the status of formulation and implementation of an internal control plan; matters related to risk management, including compliance with relevant laws, regulations, company rules, etc., occupational safety, human rights violations such as sexual harassment and power harassment, and sustainability risks such as those related to the environment, disaster prevention, quality, financial reporting, and information security; the operational status of the whistle-blowing system; and other relevant matters.

Audit & Supervisory Committee

In accordance with the Standards for Audit & Supervisory Committee Audits, etc. established by the Audit & Supervisory Committee, and in close cooperation with the internal audit division, audits are conducted on the status of development and operation of internal control systems in light of the audit policy, the division of duties, and other relevant matters. Furthermore, the Audit & Supervisory Committee monitors and verifies the status of performance of duties by business execution directors, employees, etc., by attending important meetings, such as meetings of the Board of Directors, of the Risk Management Committee, and of the Corporate Policy Committee, by viewing important approval documents such as approval requests, and by taking other relevant actions. In addition, by receiving reports from the accounting auditor on the status of performance of their duties and requesting explanations as necessary, the Committee monitors and verifies that the accounting auditor maintains an independent position and executes appropriate audits.

In FY2024, the Audit & Supervisory Committee held 11 meetings.

Enhancement of Corporate Governance

Internal control systems

In Sanyo Special Steel, since the Board of Directors resolved to adopt the Basic Policy on Internal Control Systems, the Internal Control & Audit Department, which is in charge of internal control planning and internal auditing, and functional departments in charge of risk management in their respective areas have been established to form an operational structure for the internal control systems of the Sanyo Special Steel Group.

In addition, a risk management officer is assigned to each department and Group company to be in charge of planning and promoting autonomous internal control activities in the department and Group company.

Compliance and Risk Management Systems

Sanyo Special Steel has formulated the "Guidelines for Corporate Behavior" that define the code of conduct we should follow as a corporation, and the "Code of Conduct" as guidance on conduct to be observed in the course of business activities based on the "Guidelines for Corporate Behavior." We are working to ensure that all officers and employees are familiar with these guidelines and code. Furthermore, a compliance promotion structure has been put in place with the establishment of a compliance help desk and the periodic holding of Risk Management Committee meetings, among other details, prescribed in company rules.

By continuing to periodically provide employees with education on the need and significance of observing various laws, regulations, and rules associated with corporate management, we will strive to cultivate higher ethical standards. We will also maintain and improve the soundness of management not only of Sanyo Special Steel but also of the entire Group, and will fulfill our corporate mission of "making a social contribution through business" by promoting business activities rooted in high ethical standards.

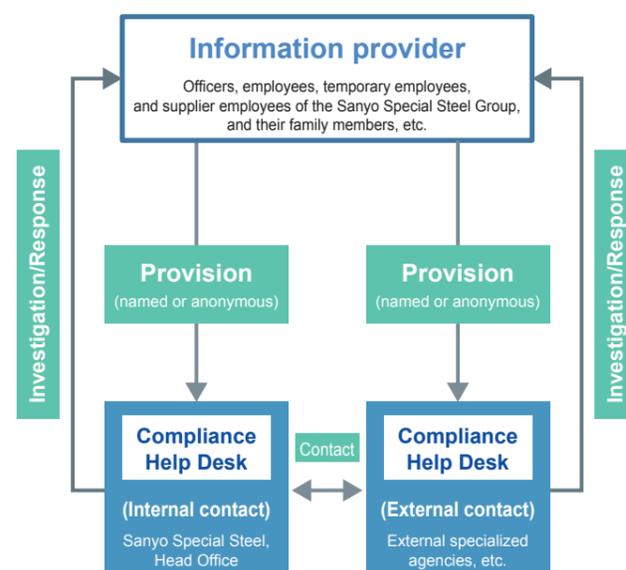
Officer Training

Sanyo Special Steel provides directors with opportunities to acquire necessary knowledge related to their work, including lectures by external experts, such as DX seminars, health and productivity management seminars, and corporate ethics seminars. Such opportunities include training given by outside instructors. In addition, we actively provide external directors with opportunities to interact with the Representative Director and President, internal directors, etc., so as to enable them to deepen their understanding of our Group's business operations.

Compliance Help Desk (Whistle-blowing System)

In order to prevent the occurrence and recurrence of incidents or actions that are or may have been in violation of laws, regulations, social norms, company rules, etc., Sanyo Special Steel has established a compliance help desk as a whistle-blowing and consultation system that also takes into account the Whistleblower Protection Act amended in June 2022. This help desk can be used by anyone in the Sanyo Special Steel Group, including officers, employees, temporary employees, supplier employees (including those who fell under any of these categories within one year prior to the date of reporting or consultation), and their family members, etc. For those with problems that are difficult to solve in their workplaces or concerns that they cannot talk to anyone about, the help desk is available for consultation so that they do not need to take on such problems or concerns on their own. Anonymous consultation and reporting are also possible, and no one will be disadvantaged as a result of consultation or reporting. In addition to our help desk, the Compliance Consultation Office of our parent company, NSC, can also be used. It is our policy to take prompt and appropriate action in the event of consultation or reporting.

The compliance help desk also has a role in monitoring the status of internal control activities.



* No one will be disadvantaged as a result of consultation or reporting. Sensitive information is maintained in strictest confidence.

Board Effectiveness Evaluation

In order to improve the functions of the Board of Directors, Sanyo Special Steel conducts analysis and evaluation of the effectiveness of the Board of Directors. Specifically, we conduct, through a third-party organization, a questionnaire survey of the members of the Board of Directors on general matters related to the Board of Directors, such as its composition and operation method, the status of deliberation, and the state of cooperation with external officers. On the basis of the results of analysis of the survey results, the Board of Directors evaluates its effectiveness.

In FY2024, based on the results of the board effectiveness evaluation for FY2023, we set the following tasks and took measures to address them.

<FY2024 tasks and measures>

(1) Consideration of the composition of the Board of Directors

We reviewed the skill requirements for directors and approved the revised items at the Board of Directors meeting in April. A skill matrix was included in the Notice of Convocation for the 112th Annual General Meeting of Shareholders and externally disclosed. In addition, at the 112th Annual General Meeting of Shareholders held in June, we increased the number of female directors by one (from one to two).

(2) Deepening of discussions held by the Board of Directors

On two occasions (April 30 and July 30), we held opinion-exchange sessions on the same day as Board of Directors meetings to promote more in-depth discussion.

(3) Enhancement of opportunities for officer training

In September and October 2024 and March 2025, we invited external experts to deliver seminars on the following themes: "DX Promotion in the Age of Generative AI," "Why Compliance Violations Do Not Disappear," and "What Is Happening in the IT World Today? (DX Promotion and IT Utilization)"

(4) Improvement of the operation of the Board of Directors

For the pre-meeting briefings held prior to Board of Directors meetings, schedules for directors and presenters were secured earlier and coordinated in advance, helping to reduce the number of required explanations and minimize schedule changes.

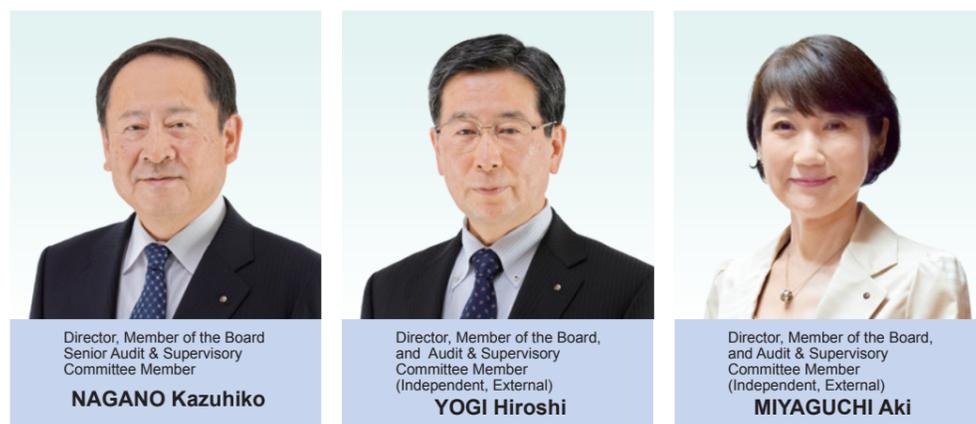
<Tasks for FY2025>

(1) Deepening of discussions held by the Board of Directors

(2) Enhancement of officer training

(3) Improvement of the operation of the Board of Directors and enhancement of the interaction among the members of the Board of Directors

Officers



Ratio of independent external directors

30.8 %

(4 out of 13 directors are independent external directors)

Number of female directors

2

(2 out of 13 directors are female directors)

Policies and Procedures for the Appointment and Removal of Executives and Nomination of Director Candidates

It is our policy that the Board of Directors determines the appointment of executives based on the experience, knowledge, and expertise of each individual without distinction as to gender, age, nationality, etc., so as to create an optimal structure in which each person can appropriately fulfill their role and responsibilities and the management issues of the Sanyo Special Steel Group's businesses can be accurately addressed.

In addition to the above conditions, our policy is to make decisions on the nomination of director candidates by taking into consideration the overall size of the Board of Directors and Audit & Supervisory Committee as a whole and the balance of candidates who are to make up the Board and Committee.

It is our policy that the Board of Directors makes a comprehensive judgment before deciding on the removal of executives in the event of any irregularity or serious violation of laws, regulations, or the Articles of Incorporation in the execution of their duties, or in the event that the person is deemed unable to fulfill their roles and responsibilities.

Procedures for the appointment and removal of executives and the nomination of director candidates are to be adopted by resolution of the Board of Directors after deliberations by the Nomination & Compensation Advisory Committee consisting of the Representative Director and President and independent external directors. The prior consent of the Audit & Supervisory Committee is to be obtained for the nomination of candidates for directors who are Audit & Supervisory Committee members.

In addition, the dismissal of a director is determined after deliberations by the Nomination & Compensation Advisory Committee and by resolution of the Board of Directors, followed by the submission of a proposal for dismissal of the director to a general meeting of shareholders. The dismissal is then finalized by resolution on the said proposal.

Policies and Procedures for Determining Directors' Compensation

(i) Policy details

Directors (excluding those who are Audit & Supervisory Committee members)

The base amount is determined by position, taking into consideration the required abilities and responsibilities as well as the substance of the duties of each position according to whether it is a full-time or part-time position. For business execution directors, the total amount of compensation is performance-linked so as to provide incentives for the sustainable growth of the Group and for the improvement of corporate value, with the base amount varying within a certain range according to the consolidated performance of Sanyo Special Steel, and the amount of monthly compensation for each director is determined within the limit approved in the relevant general meeting of shareholders. For non-executive directors, the total amount of compensation is fixed in consideration of their duties, and the amount of monthly compensation for each director is determined within the limit approved in the relevant general meeting of shareholders.

Directors who are Audit & Supervisory Committee members

The amount of monthly compensation for each director that is an Audit & Supervisory Committee member is determined within the limit approved in the relevant general meeting of shareholders, taking into consideration their position and the substance of their duties according to whether the position is full-time or part-time.

(Performance-linked compensation)

As indicators for performance-linked compensation, Sanyo Special Steel uses consolidated ordinary income from the perspective of short-term and medium- to long-term performance incentives (taking into consideration earnings targets in the mid-term management plan, etc.), the return on equity (ROE) from the perspective of contribution to shareholders, and, from an ESG perspective, the CDP climate change score, health management rating, safety index, ratio of female managers, and board effectiveness evaluation by external directors.

Sanyo Special Steel's performance-linked compensation is calculated by multiplying the base amount determined for each position by a variable rate determined based on the performance of the above indicators.

(ii) Method of determining policies

Directors (excluding those who are Audit & Supervisory Committee members) For directors (excluding those who are Audit & Supervisory Committee members), the policy is determined by resolution of the Board of Directors after discussions held by the Nomination & Compensation Advisory Committee consisting of the Representative Director and President and independent external directors; for directors who are Audit & Supervisory Committee members, the policy is determined through discussions held by the Audit & Supervisory Committee.

(iii) Procedures for determining the amount of compensation

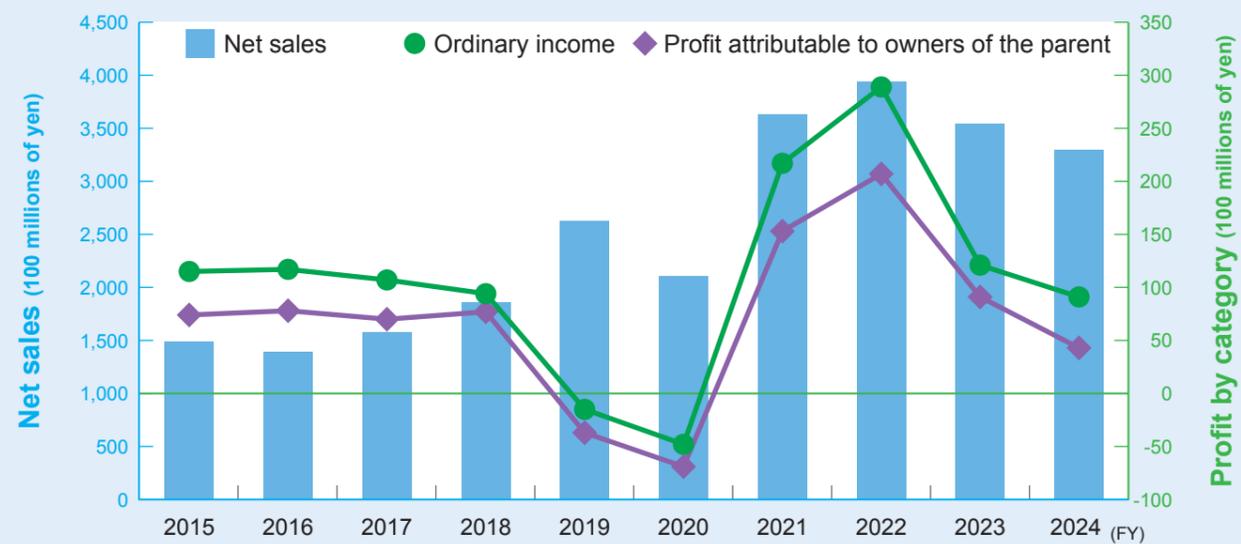
The specific amount of compensation for each director (excluding directors who are Audit & Supervisory Committee members) is to be determined by resolution of the Board of Directors after discussions held by the Nomination & Compensation Advisory Committee.

The specific amount of compensation for each director that is an Audit & Supervisory Committee member is to be determined through discussions held by the Audit & Supervisory Committee.

Key Financial Data

| | | FY2015 (104th period) | FY2016 (105th period) | FY2017 (106th period) | FY2018 (107th period) | FY2019 (108th period) | FY2020 (109th period) | FY2021 (110th period) | FY2022 (111th period) | FY2023 (112th period) | FY2024 (113th period) |
|---|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Business results | | | | | | | | | | | |
| Net sales | (100 millions of yen) | 1,491 | 1,387 | 1,575 | 1,858 | 2,625 | 2,107 | 3,633 | 3,938 | 3,538 | 3,295 |
| Ordinary income | (100 millions of yen) | 115 | 117 | 107 | 94 | ▲15 | ▲48 | 217 | 289 | 121 | 91 |
| Profit attributable to owners of the parent | (100 millions of yen) | 74 | 78 | 70 | 77 | ▲37 | ▲69 | 153 | 207 | 91 | 43 |
| ROS | | | | | | | | | | | |
| ROS (Rate of Sales) | (%) | 7.7 | 8.5 | 6.8 | 5.1 | -0.6 | -2.3 | 6.0 | 7.3 | 3.4 | 2.8 |
| Research and Development | | | | | | | | | | | |
| Research and development expenses | (100 millions of yen) | 16 | 16 | 17 | 18 | 25 | 21 | 22 | 20 | 22 | 23 |
| Other | | | | | | | | | | | |
| Sales volume | (Thousand tons) | 988 | 1,013 | 1,069 | 1,171 | 1,615 | 1,367 | 1,995 | 1,607 | 1,429 | 1,349 |

<Trends in Business Results>



Non-financial Data (Non-consolidated)

| | | FY2020 (109th period) | FY2021 (110th period) | FY2022 (111th period) | FY2023 (112th period) | FY2024 (113th period) |
|--|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Number of employees | (Persons) | 1,602 | 1,611 | 1,623 | 1,623 | 1,625 |
| Number of new hires | (Persons) | 61 | 56 | 50 | 58 | 48 |
| Females included in the above | (Persons) | 9 | 13 | 10 | 17 | 7 |
| Percentage of female employees | (%) | 13 | 14 | 14 | 13 | 13 |
| Percentage of female managers | (%) | 3.8 | 5.6 | 6.1 | 6.7 | 6.3 |
| Rate of employment of persons with disabilities | (%) | 2.26 | 2.12 | 2.21 | 2.93 | 2.94 |
| (Statutory rate of employment) | (%) | 2.2 | 2.3 | 2.3 | 2.3 | 2.5 |
| Percentage of employees taking paid leave | (%) | 48.4 | 74.7 | 83.6 | 83.3 | 84.9 |
| Percentage of male employees taking childcare leave | (%) | 2 | 37 | 74 | 88 | 80 |
| Percentage of female employees taking childcare leave | (%) | 140 | 66 | 100 | 128 | 111 |
| Rate of receiving health checkups | (%) | 100 | 100 | 100 | 100 | 100 |
| Rate of receiving stress checkups | (%) | 91.9 | 90.8 | 94.9 | 95.8 | 96.4 |
| Injury Frequency rate | — | 0.88 | 0.76 | 0.79 | 0.62 | 1.27 |
| Scope 1 + 2 GHG emissions | 10,000 t -CO ₂ e | — | 71.7 | 54.2 | 55.6 | 55.6 |
| Scope 3 GHG emissions | 10,000 t -CO ₂ e | — | 150.0 | 136.0 | 125.3 | 127.8 |

