

Stainless Steel Company

The Stainless Steel Company supplies stainless steel materials (hot rolled flat bars and steel shapes, round bars, and deformed bars) and enhances the functions of stainless steel building structure engineering, including design partnership, factory manufacture (parts processing and component production), and on-site construction, in order to meet customer needs. We are also contributing to the realization of the hydrogen society and rebuilding of infrastructure.

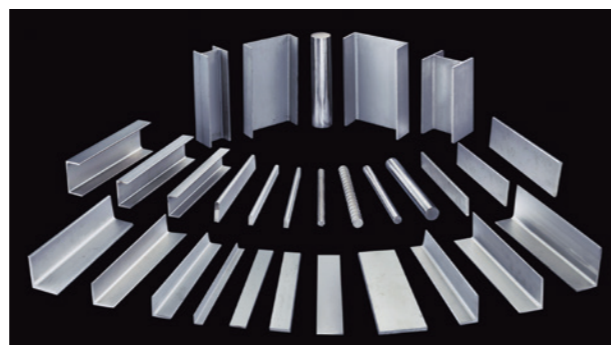


Executive Officer
Stainless Steel
Company President
**Hideki
Nakagawa**



Business Strengths

- A product lineup of more than 4,000 types of steel grades, shapes, and sizes to suit multiple applications and needs based on our technical capabilities, including Japan's first production of hot-formed stainless steel angles
- Stainless steel building structure engineering technology for design partnership, factory manufacture, and on-site construction, unique among stainless steel manufacturers

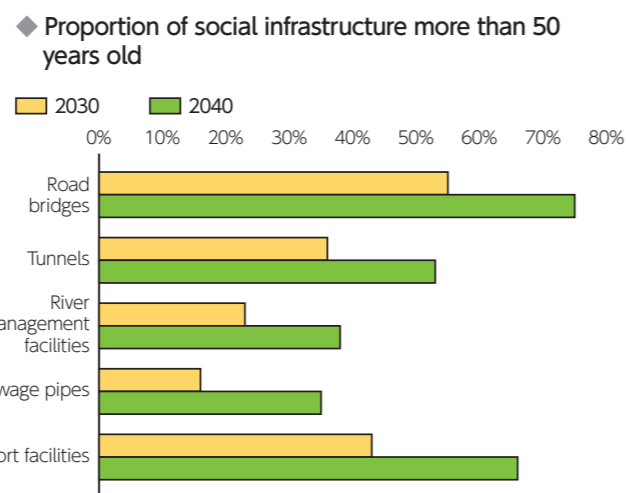


Wide variety of stainless steel materials

Business Environment

Demand for stainless steel in the civil engineering field is expected to increase as aging infrastructure such as bridges, tunnels, and river management facilities (dams, weirs, and sluice gates) are repaired, upgraded, or newly built, and in response to increasingly severe climate change-related natural disasters.

Demand for stainless steel is also expected to grow in line with demand for plant construction in growth areas such as pharmaceuticals, food, and semiconductor-related industries, as well as in energy related fields (hydrogen, ammonia, natural gas, etc.)



Source: MLIT, "Current and Future State of Aging Social Infrastructure"

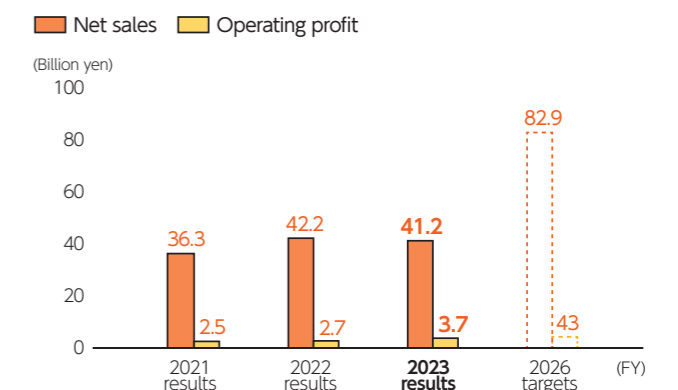
Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> • Increased demand driven by growing need for higher durability due to aging social infrastructure • Growing demand for hydrogen (liquefied hydrogen and hydrogen gas) due to promotion of its use toward a decarbonized society 	<ul style="list-style-type: none"> • Tougher market competition due to increased imports of stainless steel materials (fall in sales prices) • Rising procurement costs due to flow of stainless steel scrap overseas

FY2023 Results

Despite cost increases due to rising energy, raw materials, and distribution costs being reflected in our selling prices, our sales revenue fell 2.3% from the previous year to 41.2 billion yen. This was attributable to a year-on-year drop in sales volume caused by continuing inventory adjustments in the market starting in FY2022.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

Taking advantage of the various features of stainless steel, we will help realize a sustainable society through the use of materials.

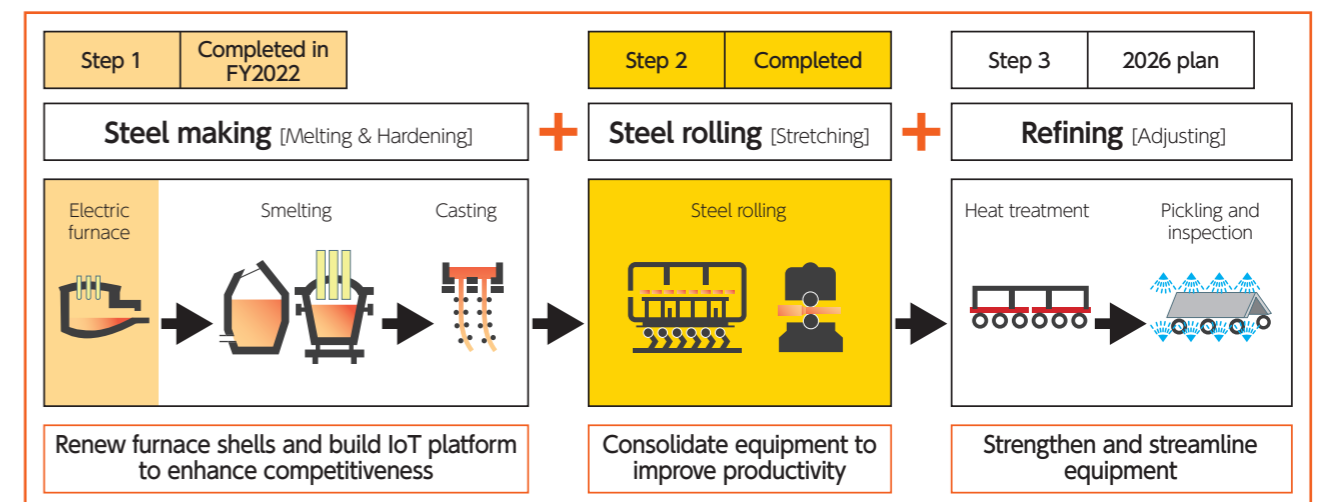
Production potential to meet growing demand

We are working on manufacturing improvements and process reforms to increase our annual production capacity to 90,000 tons, up 40% from FY2019, in preparation for future demand growth. Step 1 is an upgrade of the furnace shell and control system of the 50-ton electric furnace for stainless steel. Next, step 2 is to increase the production capacity of the formed steel rolling line at the Chita Plant, and to integrate some of the formed steel production from the Kariya Plant to the Chita Works for improving productivity. Various measuring instruments (such as sensors and cameras) have been introduced to improve quality by turning tacit knowledge into explicit knowledge and strengthening traceability. In the future, we will carry out step 3, which is the enhancement and rectification of equipment in

the refining process.

Expansion of parts and components business

The Kinuura Plant of AIKO CORPORATION, a group company, acquired a general construction business license following its certification as a "stainless steel building structure fabrication plant," for the purpose of expanding its engineering functions and strengthening its in-house production. This will enable the fabrication and on-site construction of large stainless steel structures in the construction field in addition to the existing fields of civil engineering and water treatment. Also, in order to strengthen the sales force base with the aim of expanding functions, we will enhance our sales structure and develop human resources for proposal-based engineering sales. Next, we will contribute to the realization of an earth-friendly society by providing high value-added products through our stainless steel engineering technologies.



Stainless steel manufacturing process reform