

Hagane Company

Main Products, No.1

- Carbon steels and alloys for machine structural use
- Structural steels with specified hardenability bands
- Microalloyed steel · Boron steel · Spring steel
- High carbon chrome bearing steel
- Hot-rolled steel bars (alloys for structural use); No.1 domestic production share

We are promoting the leveling up of our earning power by lowering our break-even point, based on refining our on-site capabilities, creating safe workplaces, and manufacturing high-quality, low-cost steel that earns our customers' trust and meets their needs.

I will boldly rise to the challenge of realizing our growth strategies, leading from the front to build a team that consistently prevails through the industry's No. 1 steelmaking.

Managing Executive Officer
Hagane Company President

Toshio Ito



Strengths

- Advanced material development capabilities through integrated forging with steel making processes, cultivated since our founding as a leading specialty steel manufacturer
- Specialty steel manufacturing technology using the electric furnace method, which reduces CO₂ emissions during manufacturing to about 1/4 of blast furnace levels
- Stable procurement of steel scrap as a resource circulation-based company within the Toyota Group
- Located in the Chubu region, the center of specialty steel demand, providing an advantage in total CO₂ emissions

Opportunities

- Rising demand for high-cleanliness, high-strength steel such as steel developed for EVs
- Growth of Global South markets, especially India
- Increased need for green products (Higher demand for electric furnace specialty steel)

Risks

- Decrease in domestic specialty steel demand due to automobiles electrification
- Rapid cost fluctuations in raw materials, energy, etc.
- Shortage of steel scrap and intensified competition in electric furnace specialty steel due to domestic competitors building and operating large electric furnaces

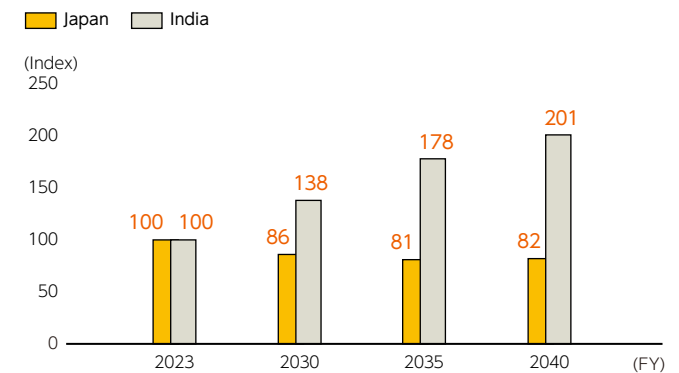
» Business Environment

Although domestic demand for specialty steel round bars is expected to gradually decline in the medium to long term due to the advance of automobile electrification and decrease in internal combustion engines, a certain level of demand is likely to persist. Overseas, on the other hand, a significant increase in demand is expected in the Global South. In addition to addressing soaring raw material and energy prices as well as labor shortages, the importance of reducing CO₂ emissions as a non-price competitive factor is increasing. Leveraging our position at the center of demand, our overwhelming advantage in total CO₂ emissions, and our strengths as a resource circulation-based company within the Toyota Group, we are working to build a business structure resilient to environmental changes. We are also strengthening our competitiveness by planning and promoting next-generation steelmaking processes, and contributing to multi-pathways by developing steel material for EV components, which is a growth area, and expanding our business in India, a growing market.

» Value to society

As an electric furnace specialty steel maker, we achieve circular manufacturing through (1) resource circulation by transforming steel scrap generated from the dismantling of automobiles and infrastructure into specialty steel, and (2) decarbonization by using electric furnaces with lower CO₂ emissions while manufacturing and leveraging non-fossil energy. In this way, we contribute to the development of a safe and secure mobility society.

● Specialty steel demand in Japan and India



Index with FY2023 demand set at 100

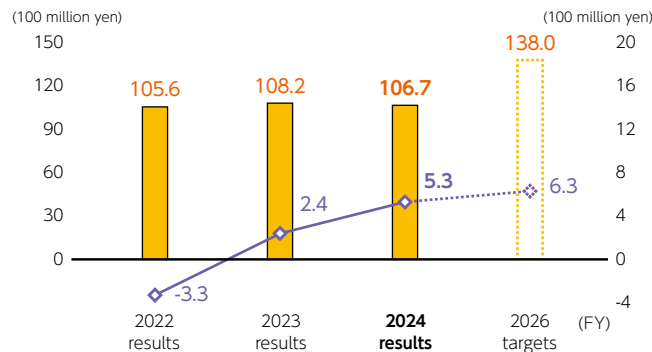
Source: HIS Automotive / Our estimates

FY2024 results

Despite an increase in the selling price of specialty steel, sales revenue in FY2024 fell slightly year on year due to a decline in sales volume. However, by promoting action to reduce the break-even point, and implementing measures such as integrated material yield improvement from steelmaking to rolling, seeking lower-cost materials like steel scrap and ferroalloys, and improving selling price spreads, we were able to increase operating profit compared to the previous year.

● **Net sales, operating profit**

■ Net sales ◆ Operating profit

**Medium-term Management Plan update and future initiatives**— **Next-generation steelmaking processes**

Constructing our next-generation steelmaking processes is a priority issue within our growth strategies. Our main objectives are (1) quality improvement, (2) carbon neutrality, and (3) work style reform. With the goal of starting operations of a new large electric furnace in 2032, our dedicated team will vigorously pursue studies and planning to become “the most environmentally friendly steelmaker.”

(1) **Quality improvement**

Based on our accumulated technology and expertise in specialty steel manufacturing, we will incorporate high-cleanliness and high-strength technology to meet the demand for lighter weight and smaller size for multi-pathways.

(2) **Carbon neutrality**

With the aim of reducing CO₂ emissions by 30% compared to our current electric furnaces, we will incorporate our proprietary energy-saving technologies and work toward achieving carbon neutrality by FY2050.

(3) **Work style reform**

By automating and streamlining the current heavy and hot manual labor, we will realize facilities that enable people-oriented special steel manufacturing.

— **Expansion of Indian business**

Since making a capital investment in Vardhman Special Steels in India in 2019, we have built a strong relationship of trust by providing technical assistance to improve the company's technical capabilities. In 2025, we made an additional investment, increasing our shareholding from

11% to 24%, making it an equity method affiliate.

The quality and productivity of Vardhman Special Steels have greatly improved with our support, and the company has earned high recognition from customers, including Japanese four-wheeler and two-wheeler makers, leading to increased supply of steel material within India and to ASEAN countries. We will secure sufficient steel supply capacity to meet the growing demand expected in the future.

In addition to continuing our technical support for steel production, we will work to support sales expansion activities, aiming to increase orders from Japanese manufacturers for high value-added steel materials. Going forward, we will transition to a full-scale expansion phase building on our efforts to date.

TOPICS**Enhancing earning power
Project to reduce the break-even point**

We have launched a project to lower the break-even point by 20% by FY2026 compared to FY2022, transforming our profit structure so that we can generate earnings even with limited volumes.

We implemented comprehensive initiatives across multiple areas, including material yield improvement from steelmaking to rolling, sourcing low-cost materials such as steel scrap, ferroalloys, secondary raw materials, and consumable oils and lubricants, and reducing unit costs independent of production based on consolidating equipment. We also applied agile order management (maintenance costs, oil and fat, consumables) to respond quickly to sudden environmental changes, streamlined in-plant logistics, and improved sales price spreads. These all-around efforts produced significant results, allowing us to achieve our FY2024 targets two years ahead of schedule.

Beyond 2025, we will continue to promote further lowering of the break-even point and enhance our earning power.



(From left) Sachit Jain, President of Vardhman Special Steels, and Naohide Goto, President of Aichi Steel