

2023 Mid-term Business Plan

(FY2023 to FY2025)

May 18, 2023

I. Review of the 2020 Mid-term Business Plan

II. Ideal vision for 2030

III. 2023 Mid-term Business Plan

- Initiatives in each segment

Review of the 2020 Mid-term Business Plan: KPIs

I. Review of the 2020 Mid-term Business Plan

Financial standing

(JPY100M, %)	2019 results
Net sales	1,171
Operating income	4
Ordinary income	△3
ROE	△27.7%
Operating profit margin	0.4%
Net D/E ratio	0.7
Equity capital ratio	30%
Investment (three-year cumulative)	—



[2022 Mid-term Business Plan]	2022 results	vs. Plan
1,500	1,705	○
70	55	×
63	37	×
8% or higher	5.1%	×
4.7%	3.3%	×
0.5	0.8	×
36%	28%	×
150	131	×

Investment = Investment in fixed assets + acquisition of shares of affiliates

- ◆ While sales reached the levels targeted in the Mid-term Business Plan, operating income, ordinary income, and ROE fell short.
- ◆ Despite two consecutive years of profits, negative cash flow led to increased debt.
- ◆ One key factor was increased borrowing to acquire working capital due to delays in North American restructuring and rising raw material prices.
- ◆ As a result, we failed to achieve certain targets, primarily those related to balance sheet accounts.

Review of the 2020 Mid-term Business Plan: Three main directions

I. Review of the 2020 Mid-term Business Plan

Three main directions

Direction and main measures	Progress status assessment
① Restructure our overseas business	△ Major overseas facilities have returned to operating profitability. Work at JATIM is now complete; the North American MSSC returned to the trajectory needed to achieve profitability in Q4 2022.
② Strengthen our product appeal further	
● Improve product development capabilities.	○ The product development called for in the Mid-term Business Plan proceeded largely as planned. We also commenced new basic research to lay the groundwork for future products.
● Improve manufacturing capabilities.	△ The production disruptions occurred at North American MSSC, but are now largely resolved. Production issues are declining at facilities outside North America.
③ Expand our business model, producing materials and final products	
● Achieve integrated production from steel bars to springs	○ We added to new orders for leaf springs both in Japan and internationally by demonstrating the advantages of integrated production.
● Achieve seamless production of formed and fabricated products	○ The facilities at the AMC* in Chiba, where work had been delayed by COVID-19, are complete. Work on testing and evaluation is accelerating toward new product shipments.
◆ The three main directions have largely been completed as planned. Even the long-delayed rebuilding efforts at North American MSSC are complete; North American MSSC is now back on track toward achieving operating profitability by Q4 2022.	
◆ We also tackled issues not addressed by the Mid-term Business Plan, including ESG and digital transformation (DX).	

Review of the 2020 Mid-term Business Plan: By segment

I. Review of the 2020 Mid-term Business Plan

Special Steel Bars business

- Rebuilding of JATIM is complete, and we also provided financial support through increased investments.
- We made progress on securing appropriate profit margins by passing on fluctuations in raw material prices to selling prices

Springs business

- Despite delays with rebuilding efforts, North American MSSC is now back on track toward operating profitability by Q4 2022.
- Among precision components, we secured a large order for high-torque hinges, as we grow our businesses in non-automotive sectors.

Formed & Fabricated Products business

- Despite slower progress than planned, we achieved full production by using developed technologies for the mass production of high-quality special alloy powders. We completed our withdrawal from the business of castings for construction machinery and developed a structure for enhancing special alloy powders.
- Production volumes in the precision casting business at the Thailand plant declined due to lower demand at customers.

Machinery business

- Our environmental businesses, including offshore wind power generation and magnetic sorters, grew.
- We made progress on technological developments, including earning certification for ultra-high-pressure machinery in the US and winning the Japan Society of Industrial Machinery Manufacturers Chairperson's Award for our magnetic sorters.

Research and Development Center

- Progress on technologies for lighter springs has led to an increase in new orders received.
- Under an integrated structure of testing and research organizations following the merger with the Formed & Fabricated Products business's Advanced Materials Center in Chiba, the Research and Development Center has accelerated its pace of development.

Corporate

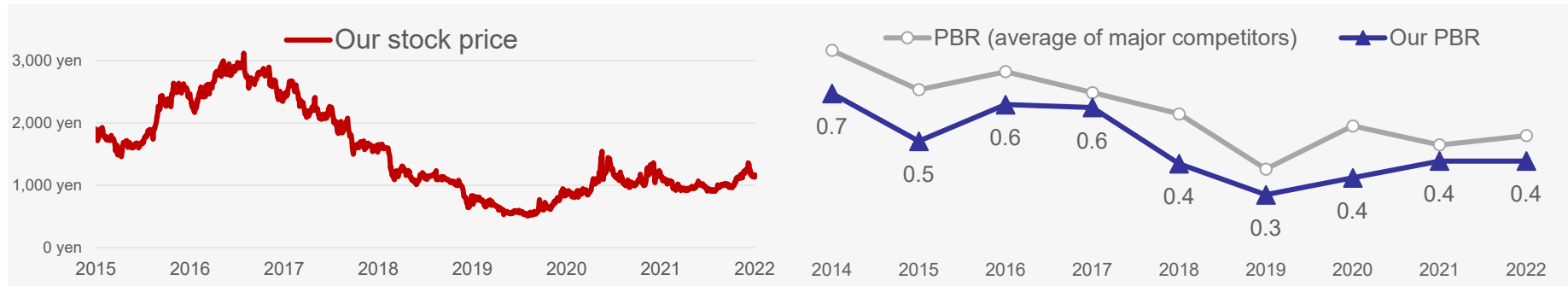
- We also made active progress on topics not addressed by the Mid-term Business Plan, such as ESG and digital transformation (DX).
(Examples include the establishment of the DX Promotion Office, decarbonization initiatives, disclosures based on TCFD recommendations, and establishment of a health management declaration.)

Review of the 2020 Mid-term Business Plan: Remaining issues

I. Review of the 2020 Mid-term Business Plan

◆ Financial issues

- Maintaining and growing improved profit margins and enhancing our earnings capabilities
- Growing the seeds planted through now, to blossom as businesses
- Improving cash flow and moving toward financial improvements
- Despite improving business results, stock prices remain low and PBR remains less than 1. We need to address stock prices and improve profitability.



◆ Nonfinancial issues

- Efforts to increase the value of our human capital
- Strengthening ESG management
- We need to realize smarter plants and higher customer satisfaction through digital transformation (DX).

- ◆ A major shift in course from structural reforms to overseas subsidiaries toward growing strategic businesses
- ◆ Increasing corporate value by enhancing earnings capabilities and financial improvements
- ◆ Moving ahead with vigor to address nonfinancial issues as well, while enhancing SR and IR activities

I. Review of the 2020 Mid-term Business Plan

II. Ideal vision for 2030

III. 2023 Mid-term Business Plan

- Initiatives in each segment

Realizing sustained growth through aggressive management in strategic businesses

Realizing increased corporate value and sustained growth by promoting enhancement of the earnings capabilities of core businesses and growth of strategic businesses



“Leveraging our people and technologies to continue to succeed in a time of change”

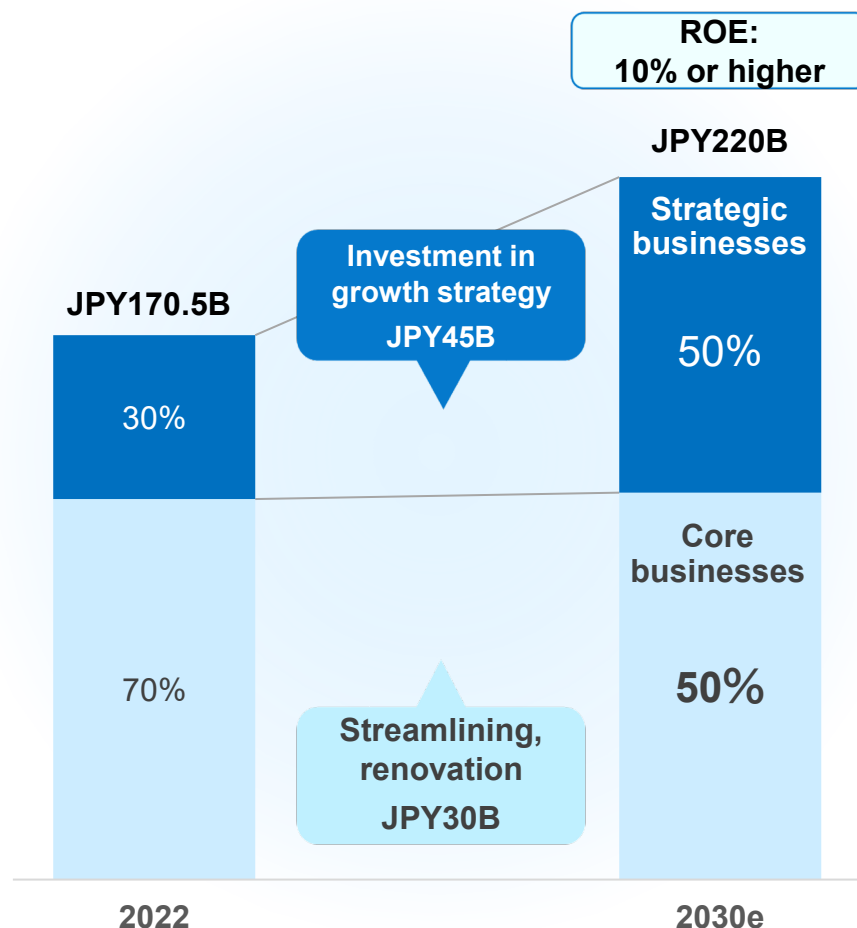
(FY, JPY100M)	2030 target	<ul style="list-style-type: none">■ Growing strategic businesses to account for 50% of our businesses■ Business growth conscious of GX■ Setting an investment target (capital investment and M&A) of JPY75B over the eight years through 2030
Net sales	2,200	
ROE	10%	
Payout ratio	30% or higher	

Enhancing core businesses and growing strategic businesses

II. Ideal vision for 2030



Generating cash from core businesses and actively investing in strategic businesses expected to grow in the future



Growing strategic businesses:

- Nurturing growth businesses and creating new businesses
- Developing and providing technologies and products a step ahead of societal megatrends and market needs
- Developing human resources and a culture to create new businesses organization-wide

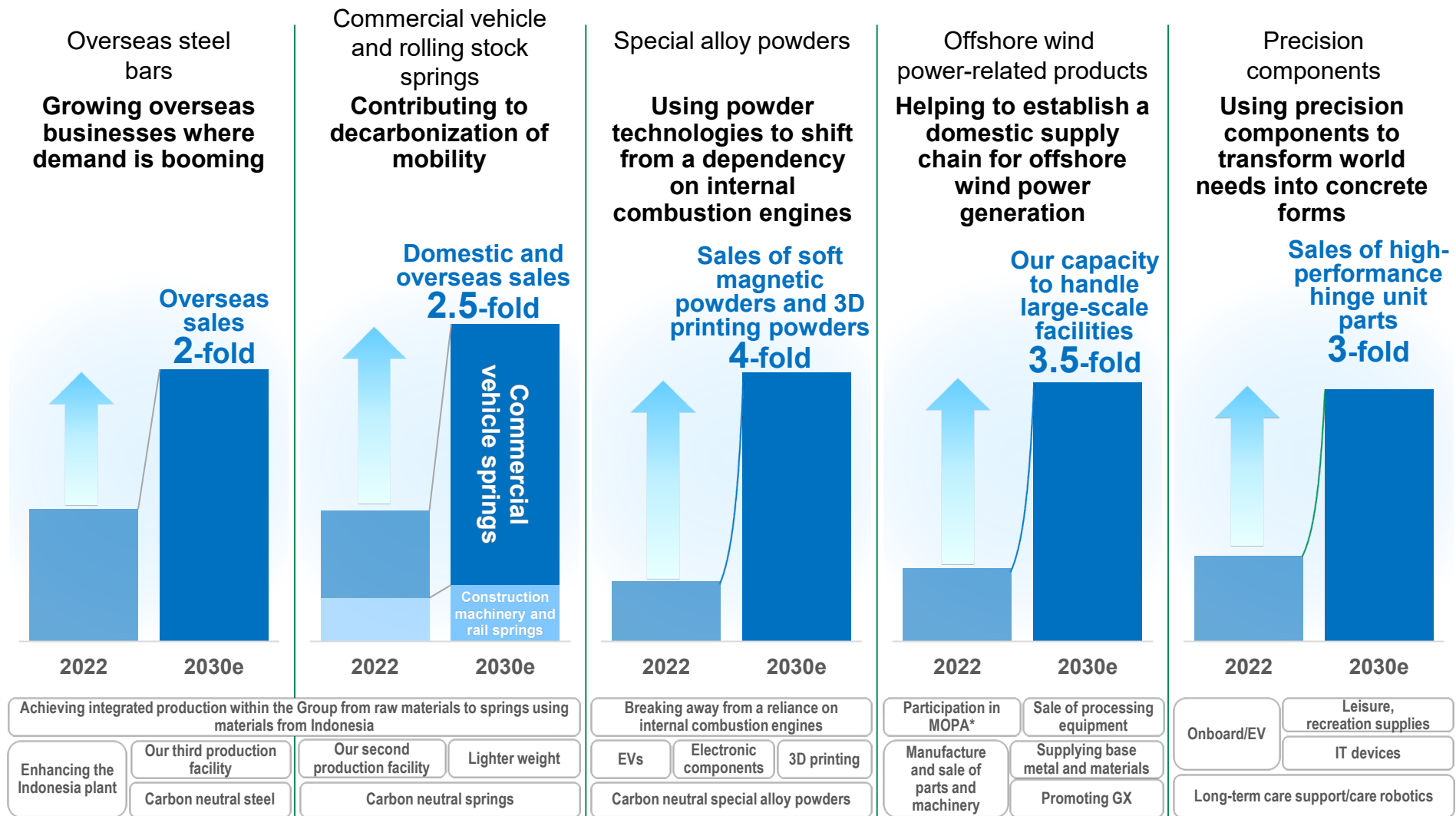
Enhancing earnings capabilities of core businesses:

- Transforming from a pursuit of quantity to a focus on quality in core businesses
- Securing profit margins by increasing customer satisfaction
- Cutting costs through smarter plants

**Growing strategic businesses
to make up 50% of our businesses**

Main initiatives to grow strategic businesses

II. Ideal vision for 2030



Targeting rapid growth in strategic businesses based on the key themes of the environment, overseas businesses, and the shift toward EVs

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Serving as a milestone to achieve our ideal vision for 2030, the 2023 Mid-term Business Plan is intended to **realize growth in profits and enhancement of our financial standing while preparing for the next stage of rapid growth**. We will implement the plan based on four basic policies.

- ① **Enhancing our earnings capabilities**
- ② **Growing strategic businesses**
- ③ **Investment in human resources**
- ④ **Sustainability management**

Through these initiatives, we will seek to increase corporate value over the medium to long term while targeting a PBR of 1 or higher.

Financial and nonfinancial targets

III. 2023 Mid-term Business Plan

Financial targets

(JPY100M)	2022 results	2025 target
Net sales	1,705	1,850
Operating income	55	110
Net income	22	50
ROE	5.1%	8%
Operating profit margin	3.3%	6%
Net D/E ratio	0.8	0.6
Equity capital ratio	28%	35%
Payout ratio	35%	30%

Nonfinancial targets

	2025 target
Engagement survey	YoY improvement in scores
CO2 reductions (by 2030; vs. FY2013)	
Steel bars segment	Intensity reduced by 10%
Other segments	Total emissions reduced by 75%

Uses of cash flow

(JPY100M)	Three-year cumulative
Investment	160
Repaying loans, dividends	90
Total	250

Investment = Investment in property, plant and equipment + shares in subsidiaries

- ◆ We will increase the operating profit margin by enhancing our earnings capabilities in core businesses.
- ◆ While strategic businesses will begin growing during this Mid-term Business Plan, full-fledged growth will take place under the next Mid-term Business Plan.
- ◆ We plan to accelerate investment after the 2023 Mid-term Business Plan and first allocate surplus cash flow to debt repayments.
- ◆ We will incorporate incentives into executive compensation for achieving nonfinancial as well as financial targets.

Pursuing enhanced earnings capabilities by cutting costs while maintaining and growing profit margins, we will use the resulting earnings to fund growth in strategic businesses and enhance our financial foundations.

Securing profit margins

- Prioritizing maintenance and growth of profit margins
- Increasing product added value by enhancing products developed jointly with customers
- Increasing customer satisfaction through means including use of digital technologies to shorten lead times for providing quotes and expansion of EDI transactions

Cutting production costs

- Cutting design and prototyping labor costs using digital technologies and saving labor through means such as use of IoT at plants and automation of manufacturing processes.
- Expanding plant improvement activities from domestic to overseas plants
- Promoting thorough streamlining of operations and control of fixed costs
- Also considering consolidation and closure of facilities

Enhancing product capabilities

- Developing and bringing to market high-quality steel bars for growth fields (e.g., offshore wind power, EVs)
- Continuing to bring to market products such as even lighter springs (particularly for use in high-end vehicles and EVs) and ones that can contribute to decarbonization

Reviewing product portfolios

- Considering changes in the product portfolio by verifying the future potential of markets, the profitability of products, and their business potential

We will promote growth of strategic businesses through active allocation of management resources to them.

During the period of the 2023 Mid-term Business Plan, we will shift course toward business growth to achieve large-scale growth in these businesses toward 2030.

Investment of management resources

- Allocating people, property, and funds toward environmental solutions, the EV shift, and overseas businesses
- Investing in increasing production at JATIM, which is operating at full capacity, and in the special alloy powders business, and promoting capital investment toward production of large-scale products

Enhancing testing and research

- A large-scale shift toward ESG-related R&D
- Acceleration using digital transformation tools and AI

Structure for creating new businesses

- Adopting a program for taking on the challenges of new business development, as a practical training program
- Adopting an internal startup program through fielding wide-ranging ideas

Initiatives toward 2030

- Studying investment in facilities as a follow-up to the JATIM-leaf spring cooperative model, which is generating synergies
- Studying efforts to bring to market carbon-neutral steel bars, springs, special alloy powders, etc.
- Studying domestic production of machinery related to offshore wind power generation

We will boost productivity and realize innovation by investing in human resources.

Creating workplace environments for leveraging our people

- Transformation into an organization characterized by high levels of time performance through digital transformation (DX) and operational streamlining
- Building a more comfortable working environment by enhancing paid vacations, childcare programs, etc.
- Enhancing and improving efforts to learn about employee satisfaction through engagement surveys

Flexible creativity powered by diverse human resources

- Developing workplaces to enable more women to work in plants and training to promote women in the workplace
- Leveraging diverse knowledge and ideas through active midcareer hiring
- Realizing global exchange of human resources through means such as employing staff hired overseas in Japan

Developing systems for leveraging our people

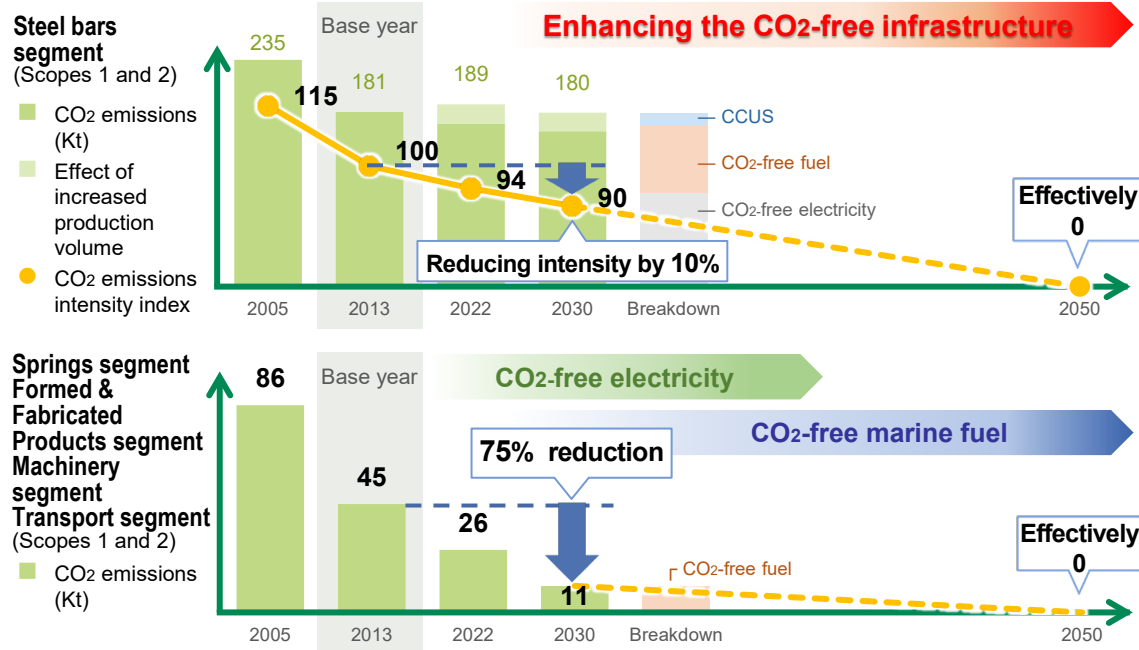
- Reviewing HR evaluation systems to increase employee motivation and eagerness to take on new challenges (enhancing feedback from evaluation and promoting the internal startup program)
- Providing opportunities for reskilling based on HR requirements (supporting lifetime learning)
- Developing autonomous human resources (improving HR quality) by enhancing programs that support earning official qualifications

Increased investment in human resources (education, support for earning official qualifications, enhancement of employee benefits)

JPY500M over the three-year period of the Mid-term Business Plan

Promoting sustained increases in corporate value by making clear ESG and other nonfinancial topics

Carbon neutrality initiatives



- We will aim to reduce CO2 intensity by 10% in 2030 in the steel bars segment, and also aim for carbon neutrality in 2050 by enhancing the CO2-free infrastructure.
- In other segments, we aim to reduce CO2 emissions by 75% in 2030 through expanded use of CO2-free electricity. (The previous target was a 50% reduction.)
- We also aim to contribute to decarbonization of the supply chain through means including studying carbon neutral products and supplying products to help reduce CO2 emissions at customer plants.

Promoting a digital transformation (DX) strategy

- Development of digital human resources (training data scientists)
- Manufacturing DX (plant visibility/automation)
- Sales DX (sales support systems/EDI enhancement)
- Business efficiency DX (use of RPA/updating the purchasing system)

Toward sustained growth and increasing corporate value

- Contributing to solutions to social challenges through social contribution activities and employee health and safety
- Incorporating into executive compensation nonfinancial incentives in addition to those toward Mid-term Business Plan financial targets
- Releasing updated TCFD disclosure on May 18

I. Review of the 2020 Mid-term Business Plan

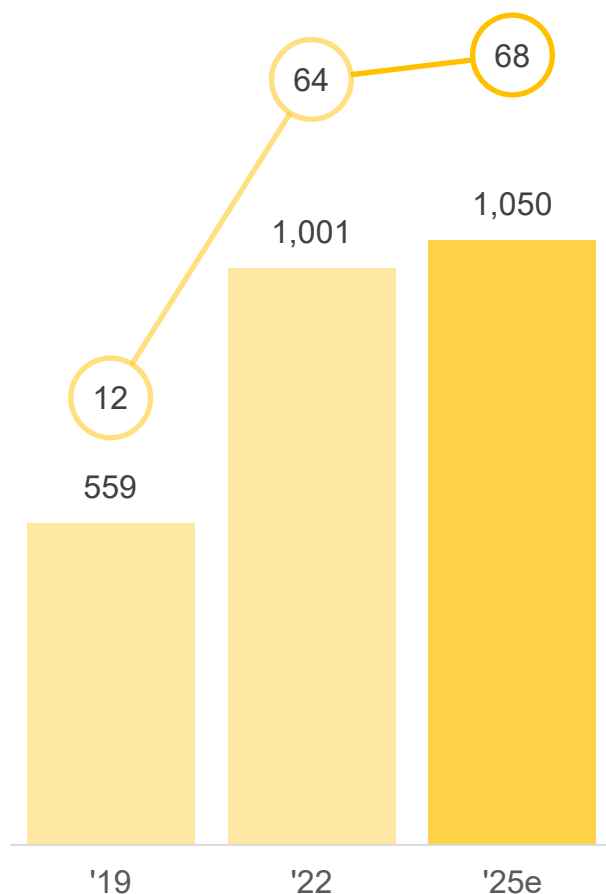
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Targeting growth opportunities in overseas markets

Sales, operating
income (JPY100M)



① Preparedness for the risk of contraction in the domestic market by expanding the share accounted for by overseas business

- Enhancing JATIM's status as the only integrated producer of special steel bars in Southeast Asia
- Investing in increased production in stages, in response to booming demand
- Studying production of carbon neutral steel at JATIM and researching related demand
- Advancing feasibility studies on investments in our probable third production facility that should generate synergies between the springs and steel bars businesses

② Improving profitability through portfolio reforms in the domestic steel bars business

- Improving profitability by maintaining and growing profit margins and cutting production costs through plant DX
- Reforming the product portfolio to increase its share of high-value-added steels and steels for use in growth fields (such as offshore wind power and EVs)

③ Increasing customer satisfaction by promoting sales DX

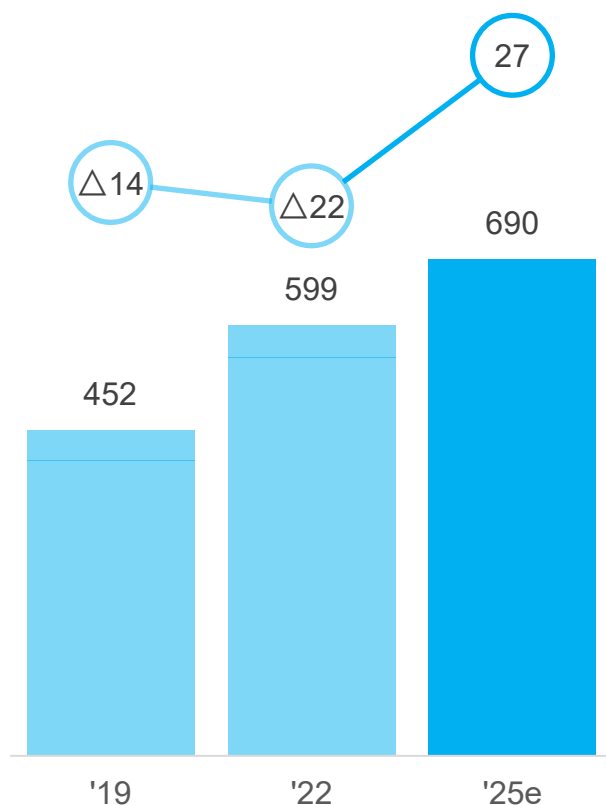
- Stabilizing delivery through the centralized management and visualization of information such as the progress of manufacturing processes and inventories at intermediate relay points
- Accelerating the process of preparing specifications and estimates for new orders received and digitalizing mill sheets

Blue: Measures capable of generating results as sales and income during the period of this Mid-term Business Plan

Black: Measures involving capital investment, R&D, and studies for which the period of this Mid-term Business Plan is a preparatory period

Enhancing earnings capabilities and the product abilities in growth businesses

Sales, operating
income (JPY100M)



① Enhancing earnings capabilities

- Completing rebuilding of the North American business
- Enhancing earnings capabilities by maintaining and growing profit margins and cutting costs
- Studying efficiency improvements, including facility consolidation and closure

② Reducing weight and increasing sales of commercial vehicle leaf springs

- Developing even lighter leaf springs through improved design and manufacturing technologies
- Studying investments in new facilities to integrate production of leaf springs with the steel bars business

③ Expanding applications for precision components

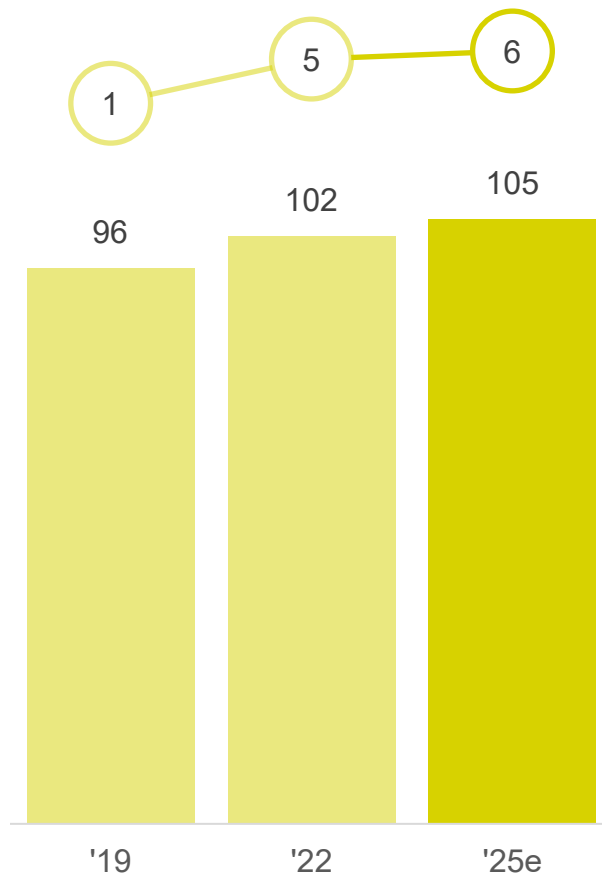
- Differentiating hinges based on high torque, high strength, and thin and compact forms
- Developing and bringing to market modular products based on precision components
- Expanding applications to IT devices, automotive devices, care and welfare devices, etc.

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Focusing on the special alloy powders business, in which market growth is expected

Sales, operating
income (JPY100M)



① A large-scale shift of the business portfolio toward special alloy powders

- Commencing investments in increased production at the Hirota Plant, which is operating at full capacity, and examining the potential for opening new plants
- Concentrating resources on development of powders suited to individual customer needs in soft magnetic powders, for which considerable market growth is expected
- Studying business growth through means such as M&A activities, alliances with other companies, and entry to post processing of alloy powders using gas atomizing
- Market surveys and research on carbon neutral special alloy powders made using CO2-free electricity

② Securing profitability in the Thailand business (precision castings, metal parts)

- Securing profitability by maintaining and growing profit margins and cutting costs.

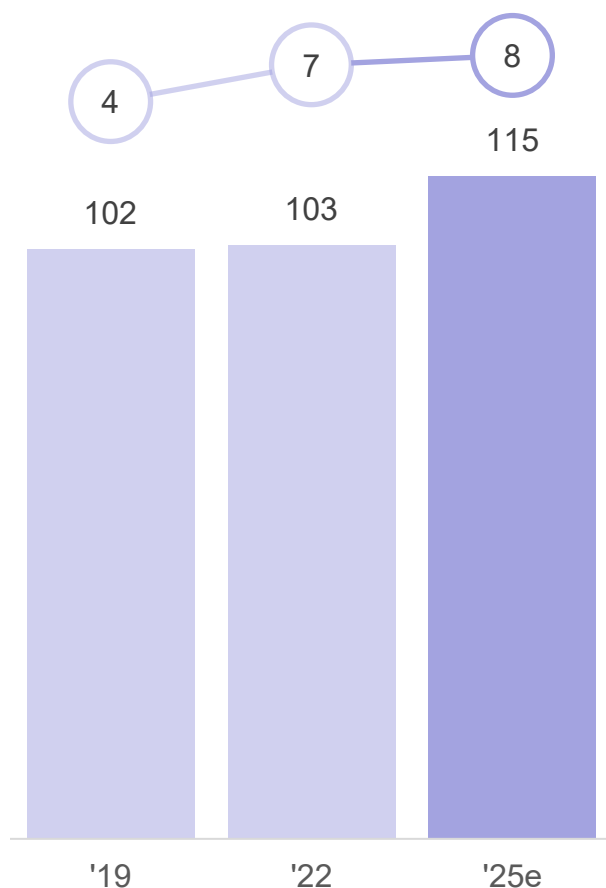
Studying transformation of the business portfolio away from a focus on internal combustion engines.

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Achieving sustained growth through businesses that deliver solutions to environmental challenges

Sales, operating
income (JPY100M)



① Adapting to domestic production of machinery for offshore wind power generation

- Adoption of equipment and promotion of testing and research on production technologies toward larger-scale products, targeting participation from Round 2
- Preparing for integrated production from manufacturing equipment and materials through finished products, based on Mitsubishi Steel Group synergies. Targeting rapid growth in 2030 and beyond.

② Growing the energy-related machinery business

- Business growth through development and improvement of machinery for energy production, transport, and storage, including hydrogen/ammonia, nuclear, and GTCC/IGCC machinery

③ Growing the magnetic sorter business to contribute to a circular economy

- Growing sales of magnetic sorters by bundling various features of the machinery
- Adaptations to allow the recovery of resources from EV batteries and solar panels

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Note on forward-looking statements

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