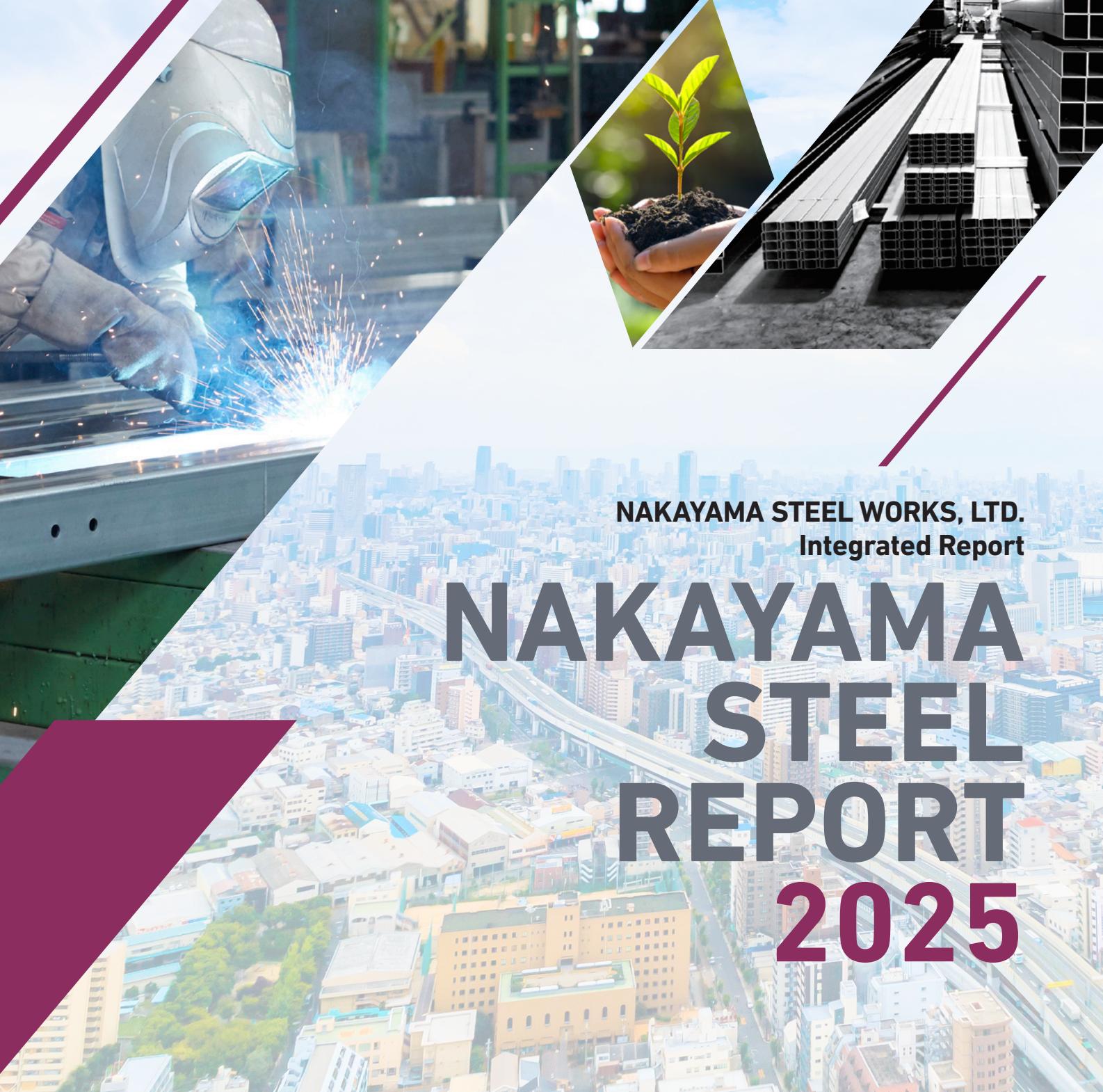


Creating the Future
with the Power of Steel



NAKAYAMA STEEL WORKS, LTD.
Integrated Report

NAKAYAMA STEEL REPORT 2025



NAKAYAMA
STEEL WORKS, LTD.

Cover Story 01

Our dream is to realize a truly sustainable steel industry.

NAKAYAMA STEEL WORKS, LTD. (the "Company") is one of only three electric arc furnace steel manufacturers in Japan. Using recycled iron scraps as raw material, we produce high-quality steel products using electric arc furnaces. Compared with blast furnaces, which use iron ore as their main raw material and are the norm in the steel industry, electric arc furnaces produce steel products with only about one-quarter of the CO₂ emissions. We will be the first to realize a truly sustainable steel industry by constructing a new electric arc furnace.

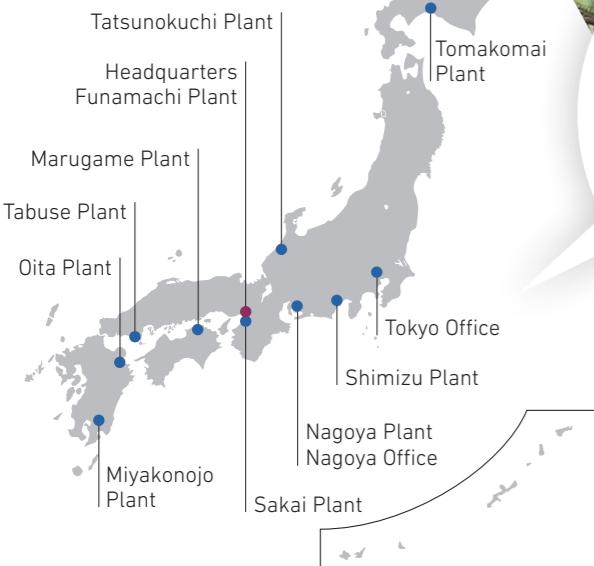
▷ CO₂ emission reduction achievements and targets in the whole value chain



FY2030
46%
reduction
(compared to FY2013)



► NAKAYAMA STEEL WORKS's sites nationwide



Integrated production and sales of
10 plants nationwide

In addition, we have five branches and 48 sales offices and distribution bases.

Cover Story 02

With an end-to-end value chain, we stay fully aligned with our customers' needs.

The Nakayama Steel Works Group (the "Group"), centered on an electric arc furnace manufacturer located in a coastal area of central Osaka, possesses advanced steelmaking, rolling, forming, and processing technologies and expertise, as well as integrated functions spanning steel production, processing, sales, and logistics. With 10 integrated production and sales plants across Japan, we deliver steel products, formed products, and processed products tailored to customer needs. Our strength lies in our meticulous sales approach.

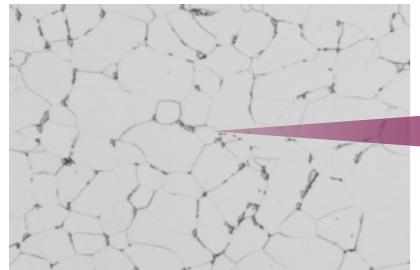


We contribute to customers' carbon neutrality with high-quality electric arc furnace materials.

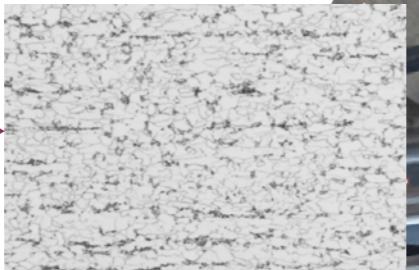
Drawing on its experience of owning blast furnace facilities until the early 2000s, NAKAYAMA STEEL WORKS has a deep understanding of blast furnace quality characteristics, which it leverages to make high-quality electric arc furnace products. We lead the industry in proposing such products to customers pursuing carbon neutrality. We are driving increased adoption of electric arc furnace products while ensuring high quality.

► Grain size comparison

Conventional hot-rolled steel plate



10 μ m



10 μ m

NFG

(Nakayama Fine Grain: Fine-grain hot-rolled steel plate)



Our growth comes from helping others grow in return



I find great fulfillment when my proposals lead to improvements within my department, directly contributing to the Company's overall profitability. Because my work relies on strong relationships of trust, I make a conscious effort to respond thoughtfully to both internal and external stakeholders as I work to build long-term partnerships with suppliers. What I find appealing about the Company is the warmth of our supervisors and senior colleagues, who listen to our concerns and fully support us so we can perform to the best of our abilities. Experiencing their attitude firsthand inspired me to support those around me in the same way. I want the Company to continue valuing the connections between people and remain a place where employees can work with pride and peace of mind. I also want to keep embracing new challenges and move forward together in growth.

A.F., Purchasing Department

I find great fulfillment in the process of overcoming new challenges as they arise. To address the Prime Market's requirement for English-language disclosures, I have drawn on my language skills to establish a company-wide framework that streamlines translation processes across departments. The Company's strength lies in its century-long history of steadily building a solid track record by always putting customers and employees first. As we move into the next stage of growth, I want the Company to further its social contributions, including CO₂ reduction, and offer products with even greater added value. Ideally, I want to strengthen our competitiveness while creating an even better work environment that boosts employee motivation and supports sustainable growth.

K.S., Accounting Department

Cover Story 04

NAKAYAMA's kindness and warmth is the source of growth we wish to pass on.

We believe employee communication is paramount for business growth and consider teamwork and a welcoming atmosphere to be the foundation of the unique quality of NAKAYAMA. In-depth collaboration among diverse talents across departments is the driving force behind our growth. In human resource development, we foster an environment to help employees understand the interconnectedness of our overall business and grow accordingly.

My role is to improve the operation of the electric arc furnace at our steel plant by proposing and verifying measures to lower costs and ensure stable operations. When theory and on-site results do not align, I thoroughly investigate the cause and conduct repeated trials and analyses. I find great satisfaction when my recommended improvements become firmly established. The Company's strength lies in an environment that encourages even young employees to take the initiative and embrace challenges, supported by the wealth of expertise we have built up over the years. With the guidance of my seniors and the support of my colleagues, I am expanding my opportunities for growth by thinking for myself and putting ideas into action. Looking ahead, I hope to gain new insights and expertise through upcoming challenges and to further improve quality and address environmental issues. As a company trusted for its technical expertise and human resources, I want to build a future together that the next generation can be proud of.

K.H., Steel Manufacturing Division



Delivering on trust with expertise built over time



Entrusted with full responsibility for the shearing line, I find great fulfillment in overseeing the entire process and ensuring smooth operations from start to finish. Working in collaboration with other departments has broadened my perspective and provided many learning opportunities. I believe the unique quality of NAKAYAMA lies in its working environment, where even young employees' opinions are respected, and where they can actively embrace challenges with support from supervisors and senior colleagues. Looking ahead, I aim to help drive the success of the new electric arc furnace project and, as part of a steel company that remains indispensable to society, continue developing and contributing.

C.I., Process Management Department

I am not alone, so I have the courage to take bold challenges



My job is to maintain equipment at the bar and wire-rod mill. I focus on ensuring stable operations and making ongoing improvements to production facilities. Working with large, specialized machinery, I find great satisfaction when pinpointing a problem's cause and seeing effective solutions produce real results. To me, the unique quality of NAKAYAMA lies in its spirit of relentless inquiry. The commitment to investigate the root causes of equipment issues and quality challenges, and to pursue lasting solutions, is a tradition that remains valid today. While improvement and innovation represent ongoing challenges, I feel that perseverance is what underpins the strength of the Company. Amid this period of transformation, I want to remain part of the Company that strengthens its competitiveness and grows as a leading player among electric arc furnace manufacturers.

H.U., Equipment Department,
General Production Administration Division

In the manufacturing frontlines, even slight differences in materials or equipment can affect product quality. I find it fascinating to identify these factors and turn them into improvements. I feel a great sense of accomplishment when I solve a problem through trial and error after analyzing vast amounts of historical data and collecting samples to gather the desired information. To me, the unique quality of NAKAYAMA lies in the inner strength passed down from predecessors who have overcome many hardships. Learning from their example and enabling our young employees to keep challenging themselves is the Company's strength. We will continue reducing our environmental impact through the new electric arc furnace project as we strive to become the Company synonymous with electric arc furnaces.

Y.U., Production Technology Department

Tackling challenges with curiosity and solving them through technology



Confronting data and overcoming obstacles through inner strength



Creating the Future with the Power of Steel

Nakayama Steel Works Group Corporate Philosophy

Management Philosophy

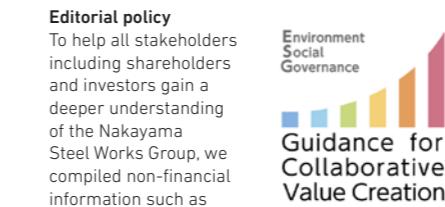
The Nakayama Steel Works Group creates additional value for the economic society through fair competition and continues to be of service to society.

Action Guidelines

- 1 We comply with laws, regulations, and social norms and act with the highest ethical standards.
- 2 We regard safety, disaster prevention, and environmental protection as fundamental to our existence as a company and prioritize them in our production activities.
- 3 We develop and provide socially beneficial products and services to deliver customer satisfaction and enrichment.
- 4 We respect the character and individuality of employees, provide them with safe and comfortable work environments, and help them achieve fulfillment and prosperity.
- 5 We value communication with society and our shareholders and disclose corporate information proactively and fairly.
- 6 We actively contribute to society as a good corporate citizen.

Group Vision

The Nakayama Steel Works Group is a corporate group that has developed mainly in the steel business. We will remain committed to sharing our dreams for the future with our customers, developing high-value-added products that benefit our society, commercializing them, and providing our customers with a stable supply of products.



Editorial policy
To help all stakeholders including shareholders and investors gain a deeper understanding of the Nakayama Steel Works Group, we compiled non-financial information such as environmental, social, and governance (ESG) information alongside financial information in an integrated manner. In preparing this report, we referred to the "International Integrated Reporting Framework" issued by the IFRS Foundation and the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation" issued by Japan's Ministry of Economy, Trade and Industry. For detailed financial and non-financial data, please refer to the respective sections of our corporate website.

Reporting period
FY2024 (April 2024–March 2025)
* Includes some information since April 2025

Publication date
October 2025

Disclaimer regarding forward-looking statements
Any forward-looking statements contained in this report are based on estimates using information available at the time of publication. These statements involve both known and unknown risks and uncertainties. Please note that actual results may differ significantly due to changes in various factors. Furthermore, the outcomes of the forward-looking statements in this report are in no way guaranteed by the Company.

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History of Value Creation

For over a century since its founding in 1919, the Nakayama Steel Works Group has confronted a number of turning points while playing a continuous role in supporting Japan's industry and economy as a steel business group. To become a valued company in the carbon-neutral era and continue thriving for the next 100 years, we are leveraging our accumulated strengths to implement a new growth strategy.

1919

From founding to integrated iron and steel manufacturer

Etsuji Nakayama founded the Company in Amagasaki, Hyogo Prefecture, as an open-hearth furnace manufacturer. With the completion of a blast furnace in 1939, the Company established an integrated pig iron and steel production system. During the 1940s, it promoted its business expansion through M&As.



Founder: Etsuji Nakayama (1884-1951)

2025-2033

Long-Term Plan

1st phase
FY2025-2027

Solidify the foundation of the revenue base

Reinventing the production system

Strengthening sales strategy

2nd phase
FY2028-2030

Preparation for growth

3rd phase
FY2031-2033

The new NAKAYAMA acceleration phase (Full contribution of the new electric arc furnace)

Promotion of growth strategy through operation of new electric arc furnace

Promotion of strategies to capture the needs of the electric arc furnace
Further enhancement of processing capacity

Toward a new stage of growth based on the new electric arc furnace project

- » Establish a strong presence in the domestic electric arc furnace slabs
- » Pursue the unique quality of NAKAYAMA in response to user needs in a recycling-oriented society
- » Ignition of the three-stage rocket (Phase 1-3) for the start of the new NAKAYAMA STEEL WORKS

1946

Establishing a stronger business foundation and corporate structure

In the postwar turmoil, the Company began operating electric arc furnaces. During Japan's period of rapid economic growth in the 1960s, it strengthened its business foundation and modernized its facilities. To recover from deficits caused by subsequent oil shocks, the Company reinforced its sales efforts and increased its export ratio, thereby putting its business back on track.



Signboard in Ofunabashi at the lighting ceremony for the restart of the second blast furnace in 1953

1990

Business downturn amid recession following bubble economy collapse

In 1989, the Company recorded its highest profit ever and set the goal of "creating a clean steelworks" to protect the global environment. With the collapse of the bubble economy in the early 1990s, however, Japan entered a prolonged recession. The steel industry downturn, sluggish building materials market, and aging blast furnaces all combined to erode profitability.



New hot strip and plate mill established in 2000

2001

Pursuing new challenges through structural reforms

While embarking on structural reforms, we developed fine-grain hot-rolled (Nakayama Fine Grain, or NFG) steel plates and became the first in the world to begin its industrial production. In 2002, we suspended operations at our blast furnace, sintering, and converter plants and also withdrew from the wholesale electricity supply business.

2013

Rebirth of NAKAYAMA STEEL WORKS

In 2013, we formulated a business revitalization plan, and the Regional Economy Vitalization Corporation of Japan (REVIC) decided to provide restructuring support. We made five Group companies into wholly owned subsidiaries and restarted operations as an integrated steelmaker, with the electric arc furnace business as the core and extending through to steel products. In 2016, the support from REVIC was completed.

2019

Celebrating our 100th anniversary

To express our gratitude to our predecessors and reaffirm our commitment to never forget them, we announced our catchphrase, "Leap toward the future with gratitude for 100 years in mind." We also introduced a new anniversary logo (the "Star"), which symbolizes our determination, upon our 100th anniversary, to take on even greater challenges together.



100年の感謝を胸に未来へ躍進

2022

Merger with Nakayama Mitsuboshi Steel Products

We merged with Group company Nakayama Mitsuboshi Steel Products and relaunched the business as the new Building Materials Division. By accelerating initiatives in the processing business and promoting more efficient management, we aim to expand Group synergies and strengthen our overall capabilities.

2022

Formulation of the Nakayama Steel Works Group 2030 Long-Term Vision

To remain a dynamic group even in 100 years, we formulated a long-term vision that outlines our ideal state for 2030. Leveraging our strengths and advantages as an electric arc furnace manufacturer, we will pursue growth strategies that help realize a sustainable society.

2025

Joint venture and business alliance with Nippon Steel

To strengthen initiatives to enhance added value and realize a carbon-neutral, recycling-oriented society, we agreed with NIPPON STEEL CORPORATION to establish a joint venture to construct and own a new electric arc furnace. The new furnace will be built at the Funamachi Plant, which the Company will lease and operate.

Period of rapid economic growth

Launch of Tokaido Shinkansen

Infrastructure development and industrial growth

First Oil Shock

Collapse of bubble economy

Second Oil Shock

Global Financial Crisis

Toward a carbon-neutral and recycling-oriented society

U.S.-China trade friction

Spread of COVID-19

Climate change issues

Digital technology innovation

Expo 2025 Osaka, Kansai, Japan

Trump tariffs

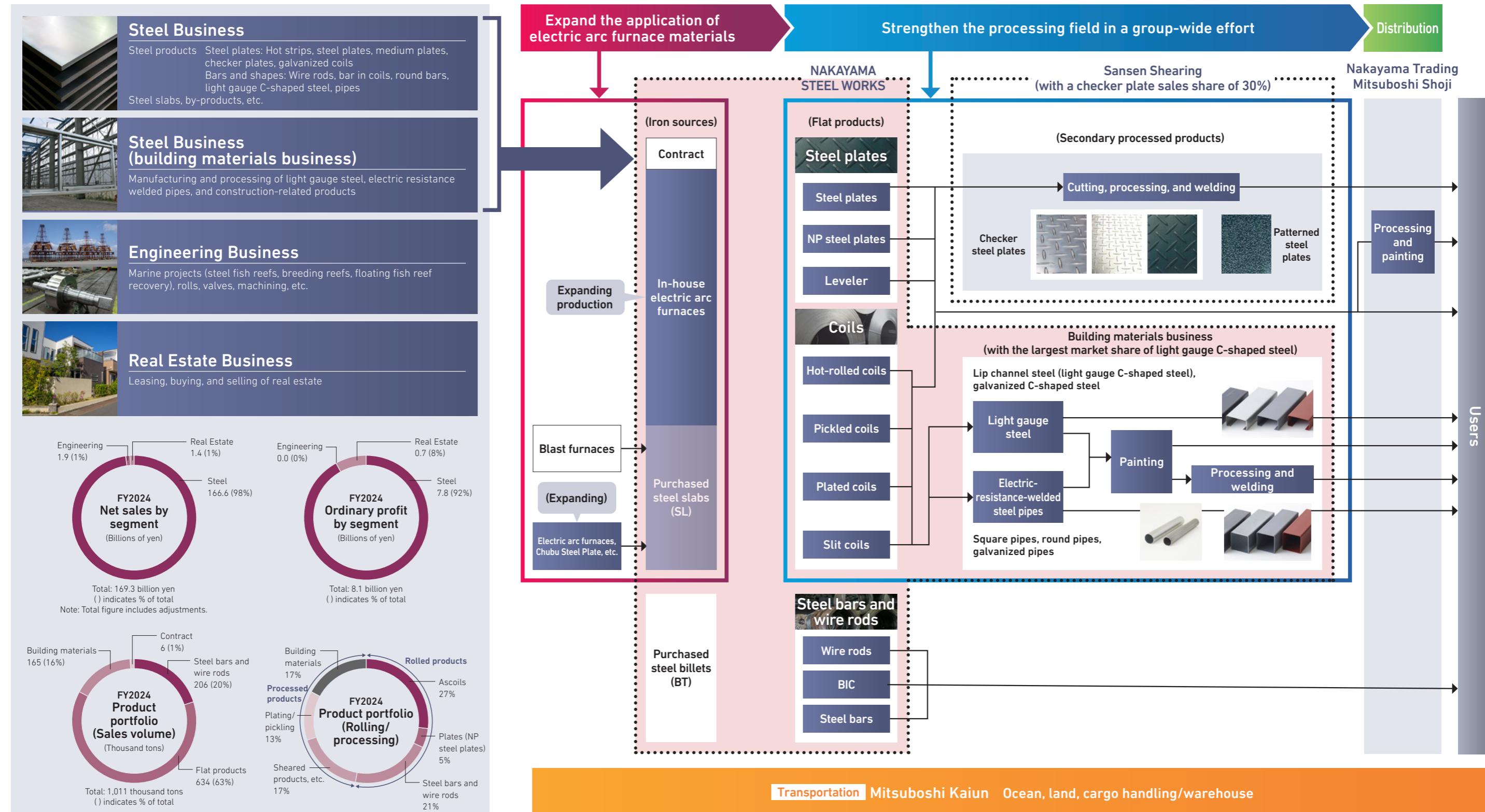
Downturn in construction investment

Growing impact of population decline

Renewal of aging social capital and infrastructure

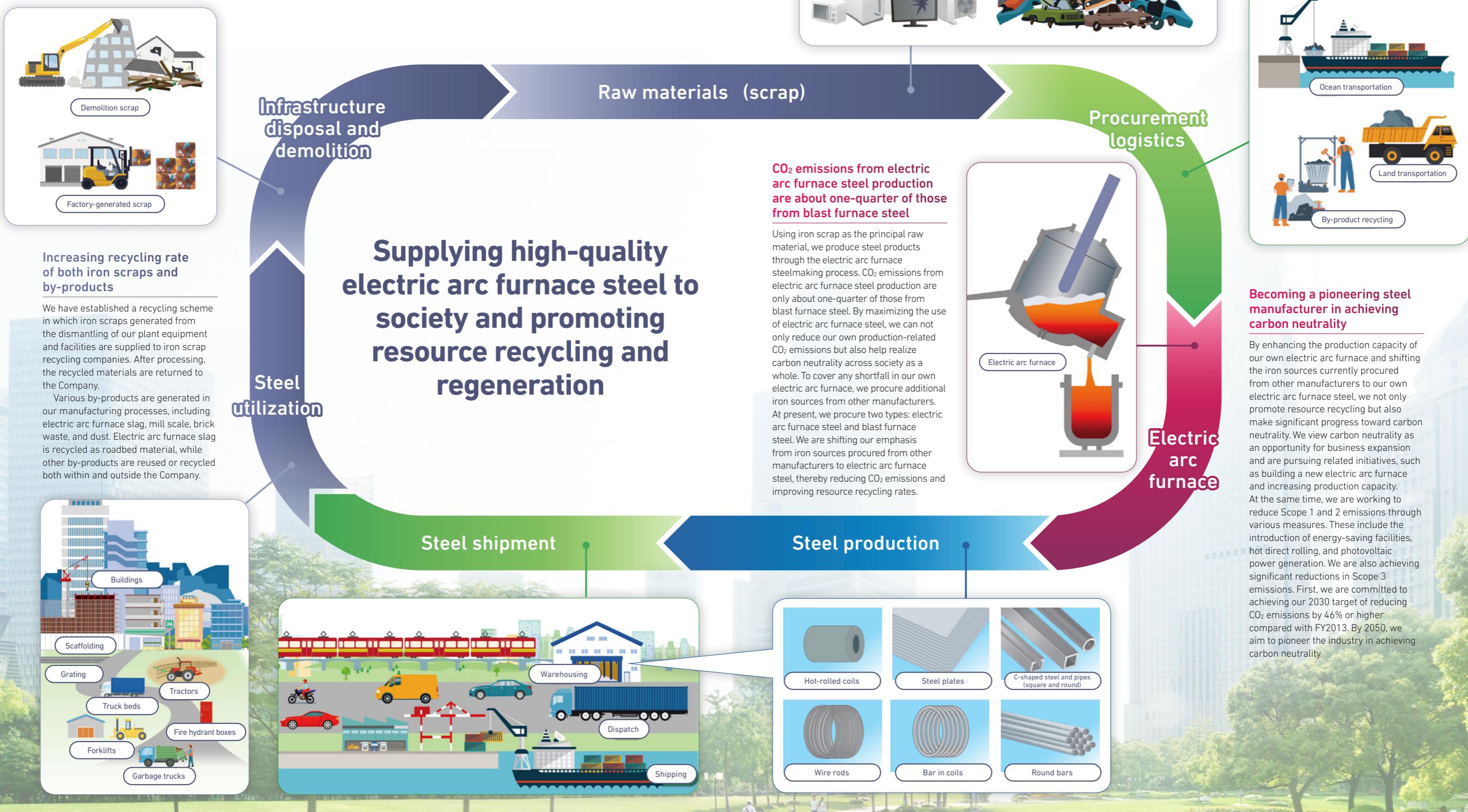
Our Businesses

With the steel business as its core, the Group engages in engineering and real estate businesses. We operate an integrated system spanning manufacturing, sales, and logistics of electric arc furnace steel and provide products tailored to the needs of society and our customers. These include high-quality, high-performance steel products (steel sheets, steel plates, and surface treated steel sheets) for various applications, as well as structural round bars and wire rods for automobiles and construction machinery. We will continue working as a united Group to strengthen our processing operations, expand sales of high-value-added products, and enhance overall value creation.



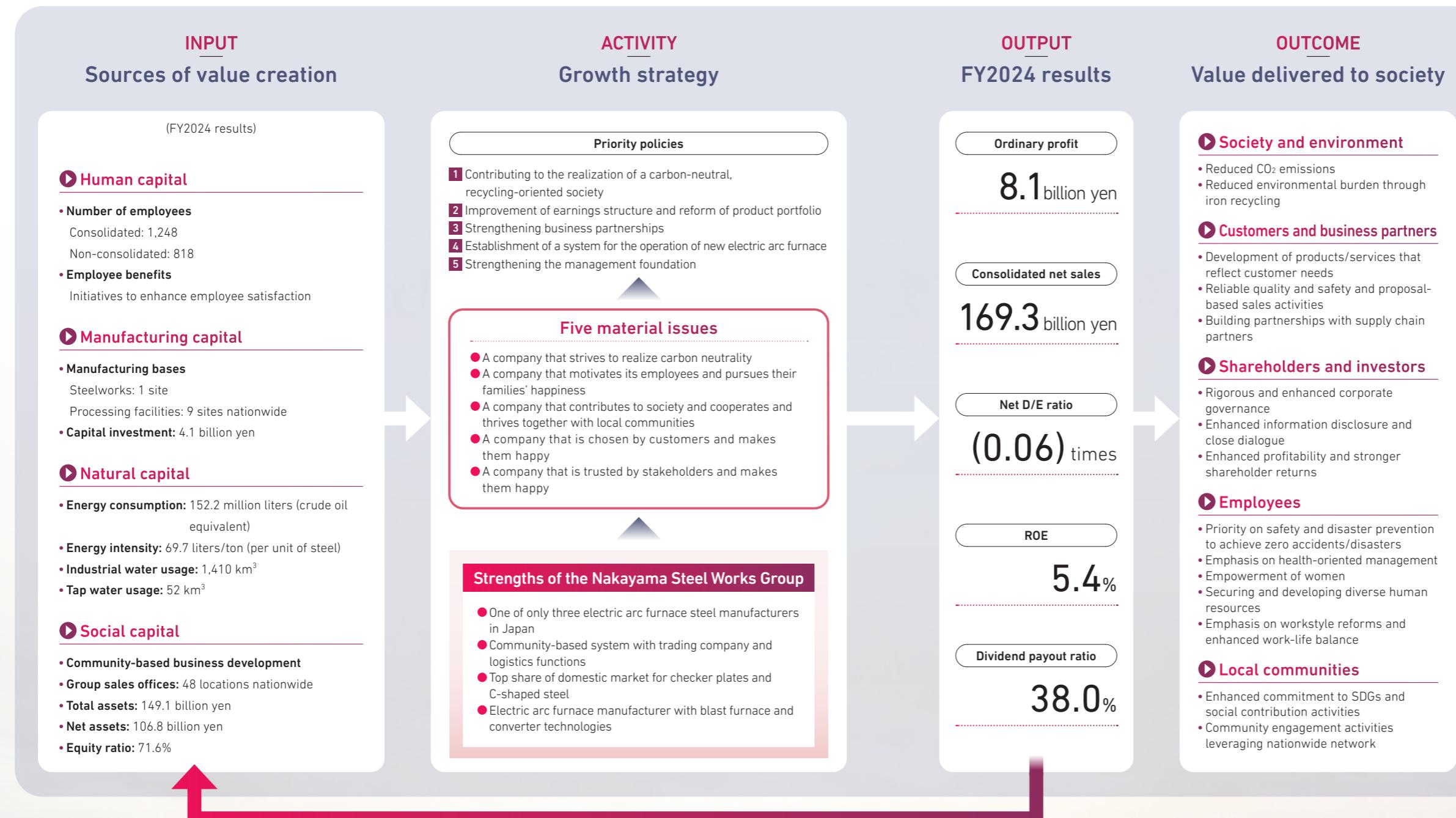
Sustainable Value Chain

The Group utilizes iron scraps collected in Japan to produce low-CO₂ steel products in its electric arc furnace. This manufacturing process is environmentally friendly as it contributes to resource recycling and effective utilization. To help realize a decarbonized and recycling-oriented society, we are strengthening our value chain by leveraging the environmental advantages of our electric arc furnace. Our aim is to deliver long-term and sustainable value to society.



Value Creation Process

Creating the Future with the Power of Steel—We are committed to accurately identifying social issues, fulfilling our corporate social responsibilities, realizing our growth strategy, and enhancing corporate value.



Nakayama Steel Works Group's 2033 Long-Term Vision

- Toward a new stage of growth based on the new electric arc furnace project
- Establish a strong presence in the domestic electric arc furnace slabs
- Pursue the unique quality of NAKAYAMA in response to user needs in a recycling-oriented society
- Ignition of the three-stage rocket (Phase 1–3) for the start of the new NAKAYAMA STEEL WORKS



Executive Dialogue



Kazuaki Hakomori

Representative Director and Chairman



Nobuhiko Naito

Representative Director and President

The dawn of NAKAYAMA STEEL WORKS' next 100 years. With the opening of a new electric arc furnace in 2030, we will make a full-fledged return to growth.

Deeply moving 45-year story of the steel industry and NAKAYAMA STEEL WORKS

Hakomori: Following resolutions adopted at the General Meeting of Shareholders held on June 26, 2025, and the subsequent meeting of the Board of Directors, Nobuhiko Naito was appointed Representative Director and President, and I, Kazuaki Hakomori, was appointed Representative Director and Chairman.

Naito: I am truly grateful for your leadership over the past eight critical years as President, and I am deeply reassured to have your continued management support as Chairman.

Hakomori: I was appointed President in 2017, and looking back on NAKAYAMA STEEL WORKS' journey up to that point fills me with deep emotion. When I joined the Company in 1980, Japan was enjoying an economic recovery following the oil crises, and the country's annual crude steel production exceeded 110 million tons. In 1975, the Company made a major investment to construct a new converter plant and shifted to production using blast furnaces and converters. This significantly improved both productivity and costs, allowing us to post a period of strong performance throughout the 1980s. At that time, the Company became the first in Japan to install facilities capable of producing billets

for steel bars, shapes, and plates using a continuous caster. The following year, the Company introduced state-of-the-art bar and wire rod rolling equipment, demonstrating its proactive commitment to technological innovation. Aiming to expand production capacity, in 1991 we introduced a direct-current electric arc furnace that remains in operation today. At its peak, our annual output reached 2.2 million tons—roughly double our current production level. After that, Japan's domestic market stagnated due to the bursting of the economic bubble and the yen's appreciation, while Chinese steelmakers experienced rapid growth. In 2000, our new hot-rolling mill began operations, completing our production framework. However, our blast furnace and converter facilities had become increasingly outdated and were reaching the point where renewal was necessary. Furthermore, the industry shifted from a joint procurement system for iron ore and coal to one where each company procured such resources individually. This change greatly benefited major steelmakers capable of purchasing in large volumes but made it increasingly difficult for medium-sized producers like us to maintain competitiveness in procurement. Across the industry, there was also a growing move to reduce crude steel output and shift the focus from quantity to quality. With this in mind, in 2002 we made the extremely difficult

decision to forgo a new large-scale investment in a blast furnace and shut down our existing blast furnace and converter facilities. Since then, we have been refining our technologies while receiving billet supplies and technical support from what is now NIPPON STEEL CORPORATION. However, we were unable to maintain and enhance our competitiveness, and in 2013 we filed for business revitalization. It was a tough period for the entire steel industry, during which not only the Company but most domestic producers were forced to implement major rationalization measures.

My predecessor, President Morita, successfully brought the business revitalization plan close to completion within three years, and I subsequently assumed leadership of the Company. While keeping fixed costs low, we leveraged our technological strengths in structural bar and wire rods, electric arc furnace steel sheet, and grain steel to improve our management foundation. However, our reliance on external iron sources made it difficult to maintain stable cost competitiveness, which continued to be a major management issue. As we entered the 2020s, moreover, society's values underwent a major shift. Until then, the blast furnace-converter process was considered the best steel production method, as a single large investment enabled the mass production of high-quality steel at low cost. In recent years, however, the large volume of CO₂ generated during the process has become a major concern. Our new electric arc furnace project is designed to both improve profitability and contribute to a carbon-neutral society, balancing economic efficiency with environmental value. By implementing this project, I believe we can achieve true revitalization as a steelmaker able to freely choose our own path and compete with confidence.

Ready to face challenges positively after overcoming difficult times

Naito: It was thanks to Chairman Hakomori's leadership that we returned the Company to profitability and rebuilt the Group's organizational structure. It was an outstanding achievement. When I learned that I would be succeeding as President, I fully understood both the challenges we had faced and those that lay ahead, and I felt a deep sense of responsibility.

Hakomori: After years of careful deliberation, we are now ready to unveil our new electric arc furnace project and long-term plan. However, an enormous amount of work remains to be done over the next five years until the new electric arc furnace is completed. I felt that now was the right time to hand over the reins to President Naito. I have known him for a long time since we both joined the Company, and I am well acquainted with his character. I vividly remember how, during his time as head of the bar and wire rod business, he worked tirelessly to put the operation on track. Through President Naito's unwavering determination in cultivating customers and rebuilding the

division's unprofitable operations, the bar and wire rod business is now a key strength of the Company.

Naito: Not only myself, but all employees have persevered through challenging times over the past decade. That said, I see this project as a positive kind of challenge—a struggle driven by dreams—and I feel an unprecedented sense of excitement about it. We must carry on and further strengthen the Nakayama Steel Works Group's advantages that Chairman Hakomori has built over the years.

Driving the project forward with a new management team

Hakomori: We had been considering capacity expansion since I first became President, and securing the necessary funding was a major challenge in planning the new electric arc furnace. As discussions progressed, however, construction and material costs continued to soar, creating a difficult situation. With this in mind, we began talks with Nippon Steel, who supported us as a partner during our business revitalization, and we soon reached an agreement to establish a joint venture. Nippon Steel has a good understanding of the capacity and quality of our hot-rolling mill, and that foundation of trust enabled us to reach an agreement to make our plan a reality.

Naito: I also felt that Nippon Steel was our best possible partner. They highly valued our delivery performance and even said, "We can trust NAKAYAMA."

Hakomori: I have full confidence in President Naito's management experience, but I am somewhat concerned that our current staff have little firsthand experience with large-scale investments or plant construction projects. Having experienced the streamlining projects carried out before 2000, I will assist in developing plans related to costs, design, and scheduling, and will take responsibility for overseeing the process until construction is up and running.

Naito: Thank you. Looking ahead to the completion of the new electric arc furnace in five years, I will devote myself to establishing a structure allowing the entire Company to make a powerful new start.

Hakomori: Although our origins lie in steelmaking, we now handle a wide range of functions—such as processing, trading, and logistics—that are organically connected. This enables us to not only provide high-quality products but also generate new value that truly satisfies our customers, which gives me great confidence.

Naito: That may well represent our Company's "new stage of growth." During my recent visit to the Entrepreneurial Museum of Challenge and Innovation in Osaka, I was pleased to see our founder, Etsuji Nakayama, recognized as a key figure who helped lay the groundwork for Japan's heavy industry. This shows that the Company had a significant presence. Driven by the desire to reclaim that presence, I will devote myself wholeheartedly to realizing our long-term plan.

Message from the President

The Nakayama Steel Works Group unveils a long-term plan to bring its future vision to life—launching a united group-wide pursuit of its dreams.



Nobuhiko Naito

Representative Director and President

Thoughts on becoming President

Deep sense of mission and gratitude as a leader supporting NAKAYAMA STEEL WORKS at this major turning point

My name is Nobuhiko Naito, and I assumed the position of Representative Director and President on June 26, 2025. Building on the management philosophy and long-term vision laid out by my predecessor, I aim to bring my own approach and energy to advancing the Nakayama Steel Works Group's growth strategy.

Having served as Senior Managing Director for the past three years, I was somewhat prepared when I was approached about being promoted to President. When the time actually came, however, I once again felt the full weight of responsibility that comes with taking the lead in driving the newly launched electric arc furnace project, which serves as the core of our growth strategy. Moreover, leading the Company through what may well be a once-in-a-century transformation is not something that can be attained by desire alone, so I have come to feel deeply grateful for this opportunity. The Group went through an extremely difficult period during its business revitalization in 2013. Many employees were forced to leave, while others endured tough employment conditions to stay with the Company. For a long time, we maintained a defensive stance, pursuing rationalization and reducing fixed costs, and everyone showed great patience. The formulation of the Nakayama Steel Works Group 2030 Long-Term Vision marked a decisive shift from defensive to proactive management and became a highly positive turning point for the Company. I am very pleased that we now have a major goal that all employees can unite and work toward.

Throughout my career, I have mainly been responsible for sales and purchasing, and I have built strong relationships with external stakeholders, whom I consider valuable partners. I have a strong desire to continue growing together with our customers and business partners who have supported the Company over the years. We have always built our relationships based on the unique quality of NAKAYAMA to engage with others from their perspective, and we have many customers and business partners across Japan who place their trust in us. The domestic market is entering a difficult period marked by population decline and low growth, making it increasingly challenging for

any company to achieve growth independently. The Company has announced a business alliance with Chubu Steel Plate Co., Ltd. and the establishment of a joint venture for a new electric arc furnace with NIPPON STEEL CORPORATION. Leveraging the strong relationships of trust we have built with our customers and business partners, we aim to achieve our future vision together.

Looking back on FY2024

Leveraging the Group's collective strength in a challenging market environment to secure and maintain profitability

In FY2024, the Group posted ordinary profit of 8.1 billion yen, down by about 4 billion yen from 12.2 billion yen in FY2023. The factors behind this are clear. Our key customer industries—construction and civil engineering—experienced project delays caused by soaring labor costs and tighter overtime regulations, resulting in a decline in orders, especially in the second half of the fiscal year. When projects that are typically completed within a year extend to eighteen months, orders placed with the Company are inevitably delayed as well. In addition, China exported around 100 million tons of low-priced steel during the year, which had a considerable impact on the Japanese market. All of these business conditions stem from structural issues, so we expect them to persist for some time. The five years leading up to the completion of the new electric arc furnace represent the most critical period for our next stage of growth. During this time, we will focus on optimizing slab and scrap inventories, thoroughly reducing fixed costs, and strengthening sales of high-value-added products. Leveraging our combined Group strengths, we will continue providing products and services that meet customer needs while working to ensure stable profitability. I believe that our strengths lie in not only price competitiveness but also non-price factors like quality and delivery. Market prices in the steel industry fluctuate with changes in demand conditions, but the Group has always worked hand in hand with customers, supporting each other through both good and bad times. We refer to our nationwide customer base as our "NAKAYAMA fans," and this network of trust-based relationships serves as the foundation of our competitiveness.

First phase of the Long-Term Plan (FY2025–2027)**Strengthening the revenue base in preparation for the start-up of new electric arc furnace in 2030**

Building on our 2030 Long-Term Vision, we formulated a new plan titled the "Nakayama Steel Works Group's 2033 Long-Term Plan." Under the slogan "Toward a new stage of growth based on the new electric arc furnace project," the plan sets forth our goals through FY2033.

During the 1st phase, covering FY2025 through FY2027, we will focus on solidifying our foundation of the revenue base in preparation for the completion of the new electric arc furnace. The Group's main customers are in the construction and civil engineering sectors. Many of our products are locally produced and consumed near our customers' sites, and we have built our business foundation through a community-based sales approach. With 10 plants and 48 sales and distribution bases nationwide, we have a distribution system capable of delivering products to customers across every region of Japan. Starting from raw materials, the Company produces steel products that undergo additional processing. For example, our Building Materials Manufacturing Division manufactures C-shaped steel and pipes, and Sansen Shearing handles the cutting of checker plates. These products are then distributed through Nakayama Trading and Mitsuboshi Shoji. Product transportation by sea and land is handled by Mitsuboshi Kaiun, giving the Group a fully integrated value chain—from raw materials to finished products—which is a key strength. This structure enables us to make products tailored to diverse customer needs and carry out customer-oriented sales activities. In other words, it allows us to demonstrate our unique quality of NAKAYAMA. This is precisely what underpins our presence in the market. In the 1st phase, our main business strategy is to strengthen sales while maintaining the stable operation of our existing electric arc furnace to solidify our business foundation.

From a product portfolio perspective, our strategy is to progressively expand our lineup of high-grade steel and highly processed, value-added products. Specifically, we are developing new bar and wire rod products and highly corrosion-resistant galvanized products, and in the processed product category, we make light gauge C-shaped steel and pipes in special colors, as well as scaffolding pipes. As for expanding

the applications of electric arc furnace steel, we cannot afford to wait until the new electric arc furnace is completed. Therefore, we are working to develop high-grade steel materials and high-performance flat products—previously considered difficult to produce with electric arc furnaces and unsatisfactory in quality—using electric arc furnace steel. In addition to products for our existing customers in the construction, civil engineering, and industrial machinery sectors, we are actively developing products for new fields, including home appliances, furniture and interior fittings, gas cylinders, and automobiles—some of which have already been commercialized and launched on the market.

Building the framework to achieve the Long-Term Plan**Creating a business structure to become a leading manufacturer of carbon-neutral steel that society demands**

To transform our product portfolio beyond 2030, we are investing in R&D and strengthening our organizational framework. By switching from blast furnace steel to electric arc furnace steel, we can produce the same products with roughly one-quarter of the CO₂ emissions, attracting attention from various sectors as a "green steel" that contributes to a carbon-neutral society. We are also participating in the GX League, a public-private co-creation initiative, and are conducting R&D to expand the applications of electric arc furnace steel in collaboration with universities and other academic institutions. We are one of only three electric arc furnace steel manufacturers in Japan, and with our additional background in blast furnace and converter operations, our technological expertise in expanding electric arc furnace steel applications is highly valued. Accordingly, we are expected to play a leading role in advancing production technology development. Currently, our forming products are sold as low-CO₂ electric arc furnace steel materials that significantly reduce greenhouse gas emissions. Once the new electric arc furnace begins operation as planned, we will be able to expand sales of our products as "green steel." Meanwhile, we are receiving a growing number of inquiries from customers pursuing their own carbon-neutral goals about switching to electric arc furnace steel, reinforcing our belief that these are products

society has been eagerly awaiting. In addition, with regard to our electricity procurement, we are working to achieve carbon neutrality by 2050 by shifting to renewable energy sources and utilizing carbon credits. These initiatives have earned external recognition, with the Company receiving an "A" rating in the CDP Climate Change 2024 assessment. From the perspective of our shareholders and investors, we hope to be regarded as an attractive investment as a company that contributes to carbon neutrality. Furthermore, being recognized as a sustainable company by a wide range of stakeholders will positively influence our recruitment activities and, in turn, help enhance our corporate value.

We must not only strengthen and expand our product offerings but also upscale the value chain of the Group as a whole. Founded in Osaka, the Company currently operates mainly within western Japan, but our customer



base in the Kanto region previously was much broader than it is now. However, when we downsized our operations, sales to distant regions declined. To restore that presence, we plan to open a new transit site. We selected the Hitachinaka Port area of Ibaraki Port because of its well-developed highway network and its potential to serve as an alternative to the Keihin Port. Having spent five and a half years assigned to the Tokyo Branch, I am eager to strengthen our sales activities in the Kanto region. In addition, once the new electric arc furnace becomes operational, it will be able to produce 5-feet slabs, allowing us to actively cultivate new customers across the Kanto region and eastern Japan.

Looking ahead to 2030, we are progressively working to develop new procurement routes for iron scrap. I have long overseen the Purchasing Department and have been responsible for purchasing iron scrap.

We currently procure about 50,000 tons per month, but this volume will need to double within the next five years. However, it will be difficult to secure sufficient supply solely within the Kansai region (western Japan). Fortunately, the Company has a quay capable of accommodating 30,000-ton class vessels, and Mitsubishi Kaiun can handle maritime transport. Leveraging these strengths, we plan to increase procurement from across Japan, including by expanding the yard at the Shimizu Plant and establishing a new scrap yard at the Nagoya Plant. As procurement volumes increase, we also need to improve operational efficiency. We have already introduced a scrap delivery reservation system and are now exploring the introduction of new technologies, including AI-assisted inspection.

Enhancing our non-financial initiatives

Elevating management in line with business growth through initiatives in human resource strategy, DX, and corporate governance

In preparing for the operation of the new electric arc furnace, our top challenge is securing the right talent. The shortage of human resources has become severe in recent years, not only in the steel industry but also across many sectors, making recruitment difficult. Because mastering new technologies is essential for launching the latest electric arc furnace, our basic policy is to streamline existing operations through DX to reduce manpower needs while maintaining stability

and developing the skills required for handling new equipment. The new facility is designed to achieve high productivity with a small workforce. From both cost and profitability perspectives, we aim to double our production efficiency compared with current levels. Therefore, we are restructuring our entire organization to realize more efficient staffing at production sites. By promoting DX-based operational improvements throughout all Group divisions, we aim to boost productivity and optimize workforce allocation. In addition, we will enhance both internal and external education and training programs, placing greater emphasis on human resource development than ever before. While efficiency is certainly important, the Company has a deeply rooted sense of family and teamwork. We therefore remain committed to NAKAYAMA's unique approach to people development—one that values and nurtures each individual.

We are also stepping up our recruitment efforts and increasing brand awareness through TV commercials. At the same time, we introduced a referral program that allows hiring through recommendations from employees or acquaintances, as well as an alumni program to rehire former employees. We have already successfully hired several employees through these programs, including former staff members who have returned and others who joined through introductions from past employees. Many people were unfortunately forced to leave the Company during the business revitalization period, so we are truly delighted to see some of them come back. The return of experienced individuals facilitates the transfer of manufacturing know-how to the next generation, which is greatly appreciated. We raised the retirement age to 65 and would like those who are able to work to remain with us as long as possible. We will continue cherishing the people who make up the NAKAYAMA family.

To further enhance our governance, we introduced a delegation-based executive officer system in June 2025, replacing the previous employment-based executive officer system. The purpose of this change is to separate the management supervisory function from the business execution function, thereby clarifying management responsibilities while also improving operational efficiency and accelerating decision-making. In our quest for significant growth as a company, we will strengthen our corporate governance accordingly.

We will expand IR initiatives and enhance opportunities for dialogue with stakeholders, taking a

more proactive approach. We have listened carefully to various proposals from investors and, in the Long-Term Plan, formulated a financial strategy focused on enhancing corporate value. The new electric arc furnace project involves a large-scale investment, and construction costs are expected to rise in the coming years. Therefore, we will maintain sound financial health by securing as much profit as possible through sales activities and limiting the increase in interest-bearing debt. While growth investments will take priority until around FY2030, when large-scale capital investments are mostly completed, we plan to maintain stable dividend payments, aiming for a payout ratio of at least 30%. Once the new electric arc furnace begins operation as planned and our profitability has strengthened, we will consider further enhancing shareholder returns. In any case, steel manufacturers must plan investments with a long-term perspective—10 years or more ahead—rather than focusing only on the short term. For this reason, we are committed to maintaining stable shareholder returns.

A phrase that has left a lasting impression on me comes from former Kobe City Mayor Chūjirō Haraguchi: "In life, nothing can be accomplished without a dream." When he first spoke of his vision to build the Akashi Kaikyo Bridge in 1957, many opposed it, believing that building a bridge over such fast-moving waters would be nearly impossible and an enormous waste of money. Yet, driven by his conviction, he succeeded in convincing the city council. The Akashi Kaikyo Bridge was indeed a highly challenging project from a technical standpoint, and its completion in 1998 was delayed by factors such as the Great Hanshin-Awaji Earthquake. Still, I believe that without a dream to pursue, it would have been impossible to overcome the many obstacles along the way. I found this story deeply inspiring, as it resonated strongly with the Company's Long-Term Plan.

When we celebrated our 100th anniversary in 2019, we pledged together to make our company one that would continue for the next 100 years. Today, the Group has renewed that determination, committing itself to pursue its business with an ambitious dream. With employee motivation rising to new heights, I aim to show leadership that rewards their dedication. To meet the expectations of all stakeholders who look to the future of the Group, I will address each challenge with determination and work steadily toward achieving our medium- and long-term goals.



Review of the Third Medium-Term Management Plan

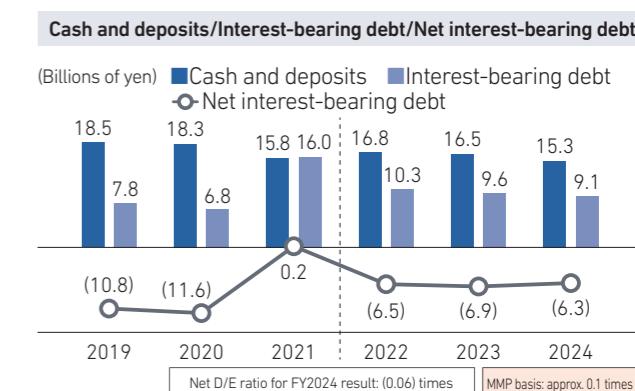
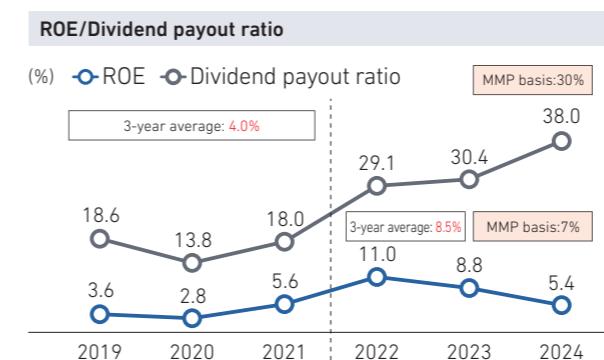
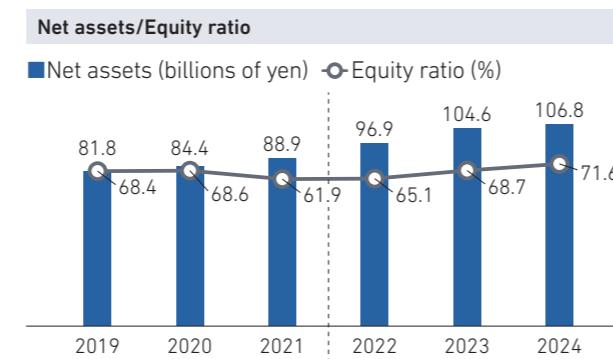
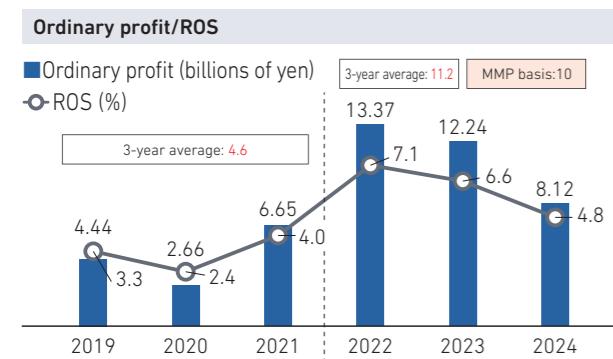
The Group implemented a three-year medium-term management plan (FY2022–2024) as the starting phase toward achieving its 2030 Long-Term Vision. For the qualitative targets of the plan, we set and worked on five priority policies.

Our quantitative targets were ordinary profit of 10.0 billion yen, ROE of 7.0%, a dividend payout ratio guideline of 30%, and a net D/E ratio of approximately 0.1 times.

● Review and evaluation of five priority policies

Priority policies	Evaluation	Measures	Major progress
1 Pursue the unique quality of NAKAYAMA, and increase additional value across the Group to maximize consolidated earnings			
○ Bolster the processing field in a group-wide effort		● The policy measures proved effective in the building materials business merger, and completion of the relocation of Sansen Shearing's office	
△ Increase sales of high-value-added products and expand supply chain		● Expansion of sales of electric arc furnace materials (product development), for example, high corrosion resistance plating, low CO ₂ materials, etc.	
○ Reinforce and promote community-based sales activities		● Nakayama Trading M&A (Kyushu) and launch of new transit sites (North Kanto Strategy)	
2 Bolster efforts to achieve a carbon-neutral and recycling-oriented society			
△ Establish the electric arc furnace production system with a monthly capacity of 50,000 tons		● Improvement of operational indicators by responding to equipment accidents and optimizing scraps inventory	
○ Undertake scraps collection measures and diversify iron sources		● Start of scraps reservation system and construction of shipping collection system	
○ Detailed study of increasing the production capacity of electric arc furnace		● New Steel Manufacturing Review Group continues detailed study	
○ Promote sustainability efforts		● Participation in the GX League and the Environmentally Friendly Electric Arc Furnace Workgroup, acquisition of the A list in CDP (Climate Change), third-party verification of GHG, etc.	
3 Promote partnership with Chubu Steel Plate Co., Ltd.			
△ Receive slabs supply from Chubu Steel Plate, and outsource steel plates production to Chubu Steel Plate		● Delayed due in part to delay in start-up of new electric arc furnace	
4 Enhance the management base			
○ Promote replacement of the old production facilities with new ones, and demolition and removal of idle facilities		● Completed demolition of idle facilities as planned for utilization of the site	
△ Accelerate digital transformation (DX)		● Introduction of workflow system, expansion of application of RPA system, trial of energy saving by AI utilization in production line, etc.	
5 Strengthen our commitment to contribute to our stakeholders			
○ Enhance corporate governance—transition to a company with an audit and supervisory committee		● Transition to a company with audit and supervisory committee, promotion of female officers, introduction of stock remuneration system and delegation-based executive officer system, etc.	
△ Execute stable returns to shareholders that properly reflect our performance, and enhance information disclosures		● Continued consolidated dividend payout ratio of 30% or more	
○ Improve work-life balance through work style reform		● Enhancement of welfare facilities, achievement of the target paid leave usage rate, continued certification as an "Outstanding Organization of KENKO Investment for Health" for five consecutive years, etc.	

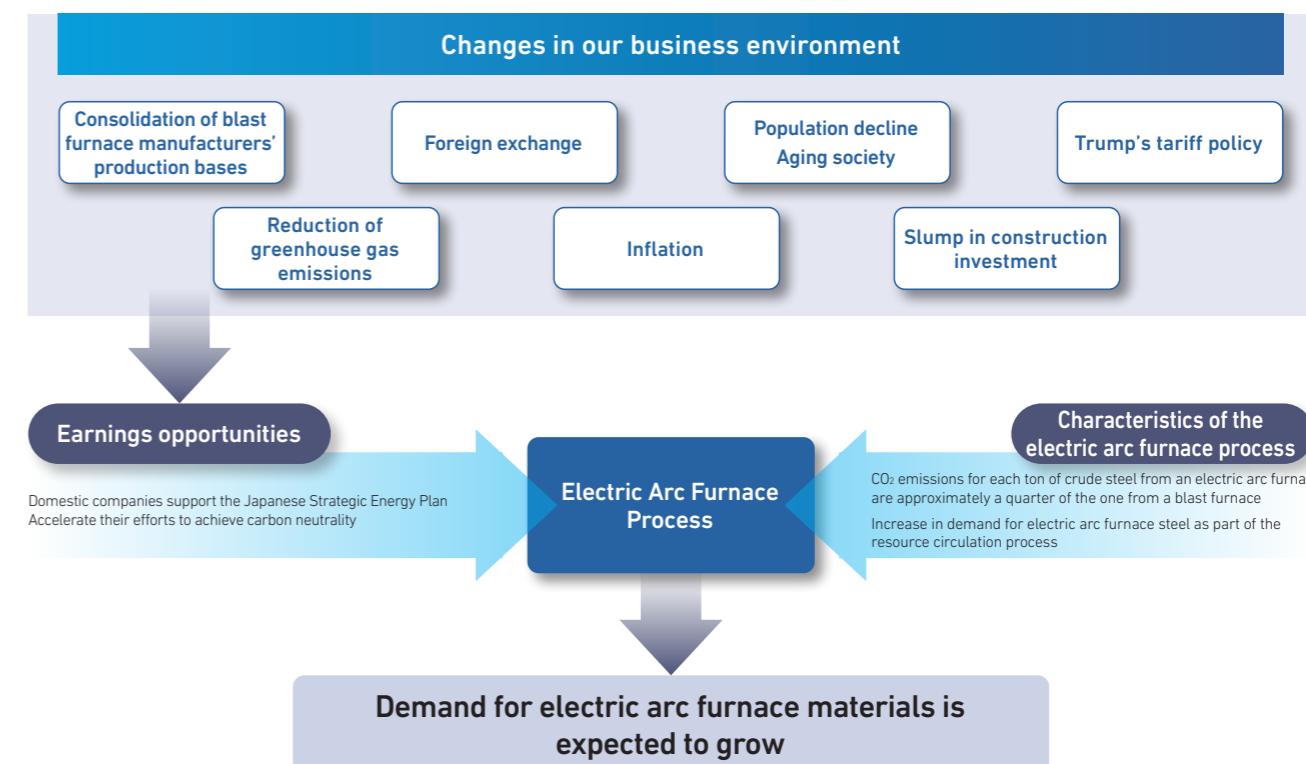
● Achievement of quantitative targets (consolidated)



Recognition of the Present Status

The Group is one of the few manufacturers that can produce electric arc furnace steel while also possessing blast furnace and converter technologies. After suspending blast furnace and converter operations in 2002, the Group has produced and sold steel products and processed goods using steel melted in our electric arc furnace alongside externally procured iron sources.

To meet rising demand for electric arc furnace steel, we plan to shut down our aging electric arc furnace and build a new one to significantly expand capacity. By also shifting from externally procured iron sources to in-house sources, we expect to deliver significant CO₂ reductions and materially enhance profitability, addressing a key issue for the Group.



Overview of the Long-Term Plan

Slogan for achieving the 2033 Long-Term Plan

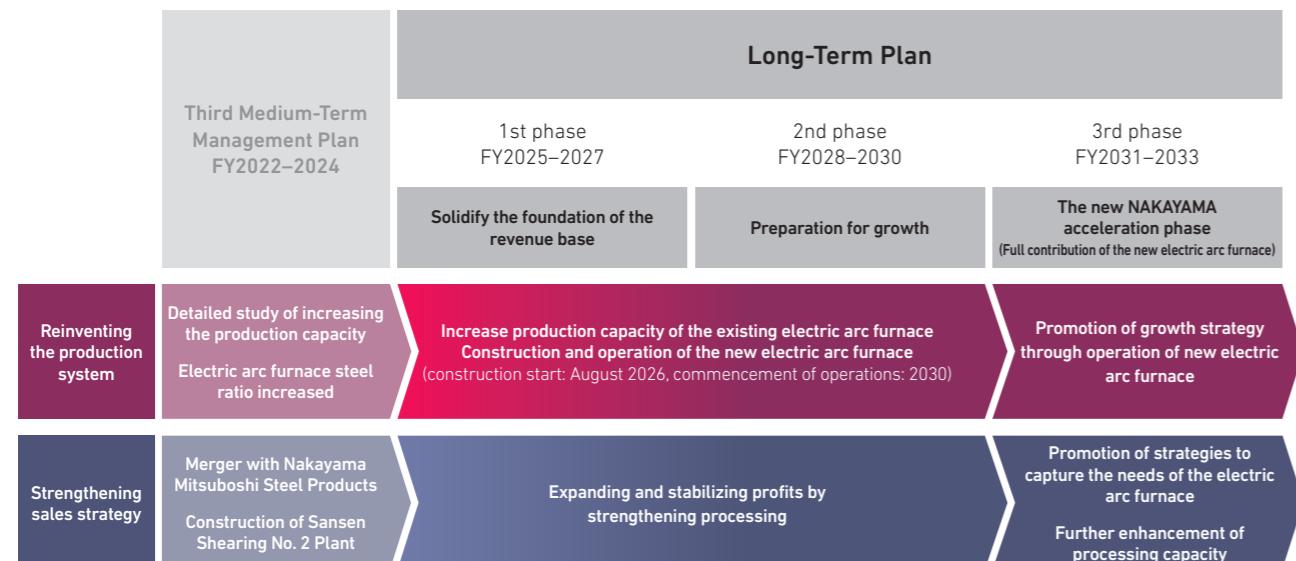
Toward a new stage of growth based on the new electric arc furnace project

- » Establish a strong presence in the domestic electric arc furnace slabs
- » Pursue the unique quality of NAKAYAMA in response to user needs in a recycling-oriented society
- » Ignition of the three-stage rocket (Phase 1–3) for the start of the new NAKAYAMA STEEL WORKS

Having marked our centenary in 2019, we established the Nakayama Steel Works Group 2030 Long-Term Vision in May 2022 as our ideal state and corporate vision toward 2030, aiming to be a group that remains vital for the next 100 years and beyond. To accelerate efforts across the Group to increase added value and realize a carbon-neutral, recycling-oriented society, we have been exploring measures to broaden the applications of electric arc furnace steel products and advance our processing strategy. We also considered investment in

a new electric arc furnace as a fundamental measure aimed at expanding production capacity.

Then, in May 2025, we signed a basic agreement with NIPPON STEEL CORPORATION (Nippon Steel) to establish a joint venture and form a business alliance and decided to invest in a new electric arc furnace. The two companies, in a joint venture, will build the electric arc furnace, which we will lease and operate, at our Funamachi Plant. With this initiative at the center, we formulated the Nakayama Steel Works Group's 2033 Long-Term Plan (FY2025–2033).



Long-Term Plan targets (FY2030 and FY2033)

Key KPIs (Financial)

	FY2024 Result	FY2030 Target	FY2033 Target
Ordinary profit	8.1 billion yen	10 billion yen or more	13 billion yen or more
EBITDA	11.3 billion yen	22 billion yen or more	26 billion yen or more
ROE	5.4%	5% or more	6% or more
Dividend payout ratio	38%	30% or more	30% or more*

* Consider strengthening shareholder returns based on earnings and cash flows after completion of the new electric arc furnace

Key KPIs (Non-financial)

	FY2024 Result	FY2030 Target	FY2033 Target
CO ₂ emissions (Scope 1, 2, 3)	1,479 thousand tons	1,158 thousand tons	1,158 thousand tons
Percentage of female managers	14.3%	30.0%	33.0%
Rate of paid leave taken	82.8%	100%	100%
Number of industrial accidents	1	0	0

Priority policy 1 Contributing to the realization of a carbon-neutral, recycling-oriented society

- With the new electric arc furnace starting operations, we aim to cut CO₂ emissions by 46% in FY2030 compared with FY2013 and achieve carbon neutrality by FY2050.

Priority policy 2 Improvement of earnings structure and reform of product portfolio

- We will raise the share of in-house iron sources and strengthen cost competitiveness through energy savings and yield improvements. Under our alliance with Nippon Steel, we will also improve and stabilize profitability by supplying electric arc furnace steel slabs and hot-rolled electric arc furnace products.
- We will drive wider adoption of electric arc furnace steel and expand our lineup through product development to create new customer value. We are also exploring green-steel initiatives. By further strengthening our processing strategy, we will reshape our product portfolio with higher added value.
- Until the new electric arc furnace becomes operational, we will establish a production system capable of producing 50,000 tons per month using the existing furnace. We will also increase the ratio of electric arc furnace steel produced and focus on expanding its sales.

Priority policy 3 Strengthening business partnerships

- We will work to finalize our business alliance with Nippon Steel through ongoing discussions.
- Under our business alliance with Chubu Steel Plate, we will source slabs from that company and outsource steel plate production to it.
- To advance our processing strategy, we are also exploring collaborations with business partners for contract processing and joint product development.

Priority policy 4 Establishment of a system for the operation of new electric arc furnace

- The new electric arc furnace will be installed on the site of the former blast furnace and coke oven within the Funamachi Plant. Its proximity to the downstream hot-rolled heating furnace is expected to streamline on-site logistics and reduce costs by enabling direct delivery of electric arc furnace steel slabs to the hot-rolled heating furnace. We will do our utmost to ensure safe and efficient operations.
- The new electric arc furnace is slated to produce 1.2 million tons per year—more than double the capacity of the existing unit. To tackle the challenge of sourcing iron scrap, we will use marine transport via quays at our major sites and reduce reliance on process scrap with the new electric arc furnace.

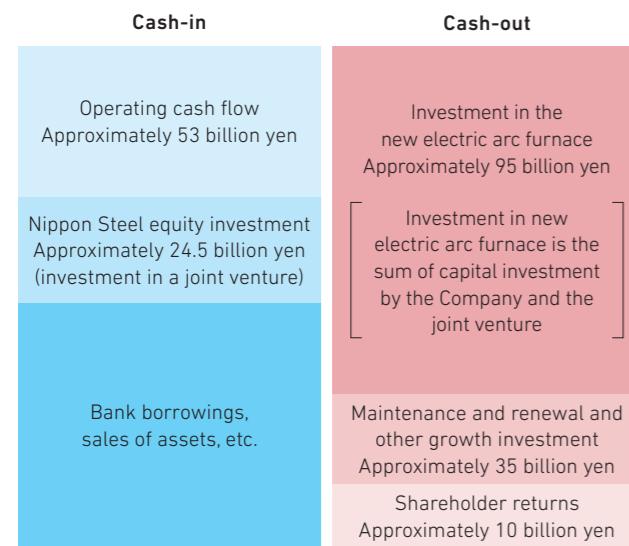
Priority policy 5 Strengthening the management foundation

- To raise labor productivity, we will use DX to streamline operations. We will visualize and share production data in real time, make supply chain information transparent, and upgrade management control to shift resources to higher-value-added work.
- As part of our human capital management, we will put our future HR strategy into action to attract top talent, reduce turnover, and overhaul our talent development framework. We will also promote Diversity, Equity, and Inclusion (DE&I) and build a workplace that boosts employee motivation and sense of purpose.

Financial Strategy

Capital allocation

Investment in the new electric arc furnace is central to our growth strategy. We plan to fund the construction of the new electric arc furnace with 95.0 billion yen, sourced from Nippon Steel's equity investment, bank borrowings, and asset sales. We will also allocate around 35.0 billion yen to equipment maintenance and renewal during the period and other growth



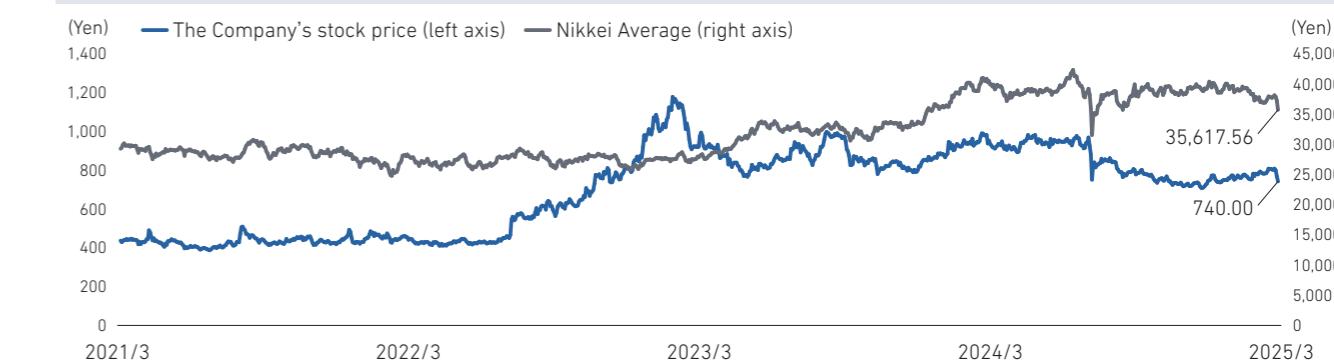
investments, prioritizing stable and safe operations above all else. Until the new electric arc furnace starts up, we will invest to boost earnings—building an annual 600,000-ton framework with the existing electric arc furnace and strengthening our processing strategy—so we can balance short-term profitability with medium- to long-term growth.

From a fair market valuation standpoint, our price earnings ratio (PER) was 7.0 times as of March 31, 2025, which is relatively low. Looking ahead, we will promote ESG (Environment, Social, and Governance)-driven

management, strengthen IR activities, clarify our dividend policy, and communicate more effectively with shareholders and investors, leading to fairer valuation by the stock market.

History of the Company's stock price and Nikkei Index

Stock price



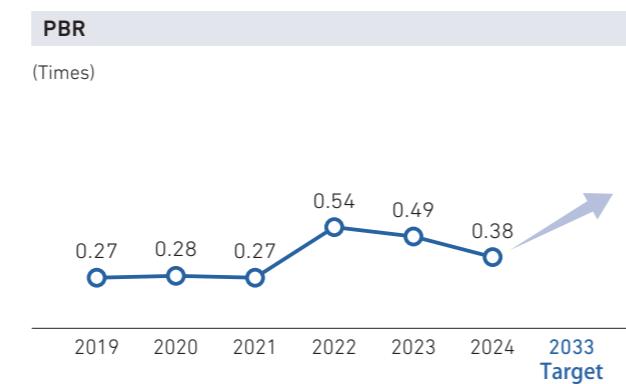
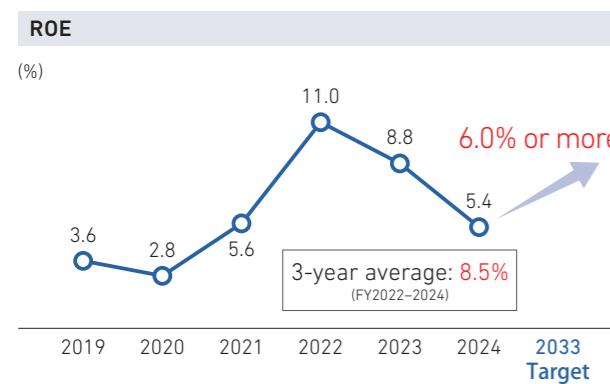
Practicing management conscious of cost of capital and stock price

Our price book-value ratio (PBR) stood at 0.38 times as of March 31, 2025, well below 1.0 times, so improving it is a major challenge. To raise our PBR, we must both enhance corporate value and be properly valued by the stock market.

To enhance corporate value, we will improve earnings and maintain appropriate shareholder returns, aiming to keep ROE above the cost of capital on an ongoing

basis. Our cost of capital has been in the 6%–8% range. Although ROE fell to 5.4% in FY2024, the three-year average was 8.5%, above the cost of capital. To maintain and raise ROE going forward, we will focus on executing the Nakayama Steel Works Group's 2033 Long-Term Plan, making effective use of assets, and advancing our growth strategy.

Capital efficiency



Dividend policy

Our basic policy on profit distribution is to maintain stable dividends while securing the internal reserves needed to strengthen our business base and financial position and prepare for future business development. Until the new electric arc furnace is completed, we will

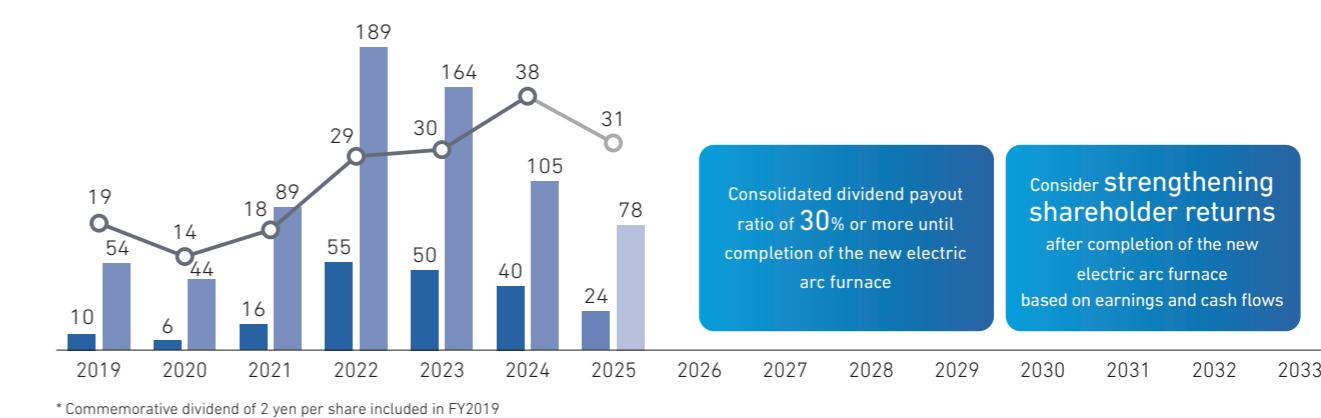
aim for a consolidated dividend payout ratio of 30% or higher. After its completion, we will consider further enhancing shareholder returns, taking into account our earnings and cash flows.

Shareholder return policy

▷ Maintain stable dividends with a consolidated dividend payout ratio of 30% or higher as a guideline
▷ Consider strengthening shareholder returns based on earnings and cash flows after completion of the new electric arc furnace

History of consolidated dividend payout ratio

■ Dividend per share (yen) ■ EPS (yen) ○ Consolidated dividend payout ratio (%)



Second Medium-Term Management Plan	Third Medium-Term Management Plan	2033 Long-Term Plan	After the completion of the new electric arc furnace
		Until the completion of the new electric arc furnace	After the completion of the new electric arc furnace

Business Strategy

Aiming to be a company that would continue for the next 100 years, NAKAYAMA STEEL WORKS is pursuing both business growth and carbon neutrality. In preparation for the start of operations at our new electric arc furnace, we are strengthening our business foundation.

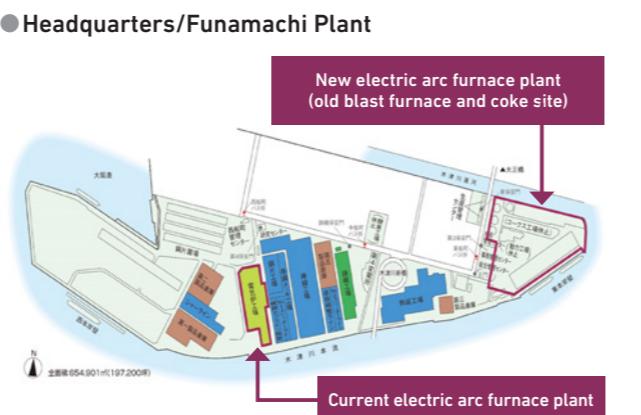


Masahiro Morikawa
Director and Senior Managing Executive Officer

Growth strategy of 2033 Long-Term Plan

To address important production system challenges, we have decided to construct a new electric arc furnace and plan for it to contribute to earnings from 2031.

The Nakayama Steel Works Group's 2033 Long-Term Plan sets forth the slogan "Toward a new stage of growth based on the new electric arc furnace project." Its specific objectives are to establish a strong presence in the domestic electric arc furnace slabs market and pursue the unique quality of NAKAYAMA in response to user needs in a recycling-oriented society. The new electric arc furnace project will be the main pillar for achieving these goals. Since suspending blast furnace and converter operations in 2002, we have produced steel billets using an electric arc furnace. However, this production system has presented two major challenges. First, steel billet production has fallen short of order volumes, requiring us to procure additional billets externally. Second, constraints on the width of our continuous casting machine have prevented the production of wide slabs. To address these issues, we considered updating and expanding our current facilities. However, our electric arc furnace, which we upgraded in 1991, is housed in a severely deteriorating 60-year-old building with weak foundations, making it impossible to increase our furnace capacity. Furthermore, since we cannot conduct expansion work while production continues, the only option is to build a new electric arc furnace at a different location. After lengthy deliberation, we decided to construct a new electric arc furnace on the site where our blast furnace and coking plant once stood. This is currently idle land and is adjacent to our rolling mill. Considering



our long-term sales strategy, we have designed a 200-ton furnace with an annual production capacity of approximately 1.2 million tons.

The new furnace will offer three main benefits. First, in terms of cost, switching from externally procured iron sources to in-house production will significantly reduce our procurement costs. Second, it will lower greenhouse gas emissions—including Scope 3—as electric arc furnace steel billets generate roughly one-quarter of the CO₂ emissions of those produced by blast furnaces. Furthermore, the new furnace will adopt a system that continuously feeds and preheats scrap, significantly reducing power consumption. The steel billets produced in the new furnace will also help our customers, who purchase our products, reduce their own CO₂ emissions, making a major contribution to achieving carbon neutrality. Third, our ability to produce wide slabs in-house will enable us to supply the Group's high-quality, high-value-added products to a wider range of industrial customers.

Our construction schedule calls for the environmental

Construction schedule

	2025	2026	2027-2029	2030
Milestone	★Investment decision (May 9)		★Start of construction	★Completion ★Establishment of operation
Environmental assessment				
Construction				
Operation				Commissioning Full operation

assessment to be completed in August 2026, after which demolishing remaining structures and other preparatory work at the construction site will proceed. We hope to start construction as quickly as possible in 2026, with completion targeted for 2030. We anticipate stable operations commencing at an early stage, with the furnace contributing to earnings from 2031.

Path to a new NAKAYAMA STEEL WORKS

Toward a new NAKAYAMA for the next 100 years—Achieving carbon neutrality and reforming our product portfolio

Centered on the new electric arc furnace project, we are formulating a carbon neutrality strategy and a product strategy. As part of our long-term vision, we have announced our targets of reducing CO₂ emissions by 46% by 2030 (compared with FY2013 levels) and achieving carbon neutrality by 2050. The new electric arc furnace plant is key to achieving these targets. It will enable us to significantly increase sales and profit while substantially reducing our CO₂ emissions. At the new electric arc furnace plant, we also plan to introduce solar power generation equipment, procure PPAs and green electricity, and switch to alternative fuels, with the aim of steadily accelerating carbon neutrality.

In our product strategy, we will focus on expanding applications for electric arc furnace materials and strengthening our processing capabilities through group-wide integration. Our current product mix consists of approximately 80% flat products, including building materials, and around 20% bars and wire rods. Of these, about half are shipped as products processed by Group companies. Our primary strategy is to further expand sales of products processed in-house, which offer high profit margins. In particular, for building materials including C-shaped steel, for which we hold the top market share, we plan to introduce new products to the market to enhance our profitability. Additionally, Sansen Shearing, which relocated its head office to our premises in Funamachi in 2024, constructed a new factory and will strengthen its processing capabilities, mainly for checker plates and thick steel plates.

Strengthening our foundation by 2030

Accelerating efforts to strengthen our sales capabilities, expand the application of electric arc furnace materials, and establish a growth foundation by expanding into northern Kanto

Our long-term plan divides the nine-year period through FY2033 into three phases. The three years from FY2025 through FY2027 mark Phase 1, during which we will solidify the foundation of our revenue base to ensure our future growth. Here, we will first focus on strengthening our sales capabilities and expanding the

application of electric arc furnace materials. In 2020, we brought engineers, previously dispersed across various departments, to establish the Steel Plate Product Development Office. As we explored new products and marketable items within this office, we integrated salespeople into the process and established the Product Development Division in 2022. In the same year, we merged with Nakayama Mitsubishi Steel Products and established the Building Materials Division, launching the full-scale development of new steel plate products, including building materials. Concurrently, we are stepping up sales efforts to propose electric arc furnace steel products to customers, using carbon neutrality as a key selling point. Additionally, since our home appliance manufacturer customers are also actively working to reduce CO₂ emissions, we are proposing to replace materials traditionally made with blast furnace materials with electric arc furnace materials. Here, some products have already advanced to the evaluation stage.

Next, we will expand our business area into northern Kanto. While we have primarily focused on the Kansai region, we plan to establish a transit site in the Hitachinaka area of Ibaraki Prefecture—a highly convenient location for both Kanto and Tohoku—in December 2025, with the aim of increasing sales toward 2030. Compared with the highly competitive Keihin area, Hitachinaka Port has fewer warehouses handling steel materials, presenting an opportunity for us to gain a competitive edge. The new transit site should also prove effective from a business continuity plan (BCP) perspective.

Furthermore, as production capacity will nearly double, we are preparing to procure nearly twice the current amount of scrap iron. We previously procured large volumes of scrap locally and are working to expand such procurements. From a long-term perspective, however, we need to source from outside the Kansai region. Therefore, we plan to expand our Shimizu Plant (operating it as a satellite yard) and establish a new facility at the Nagoya Plant. We are already collaborating with local scrap manufacturers, and collection tests are progressing smoothly. However, several major blast furnace manufacturers have announced plans to establish electric arc furnaces around 2030. Accordingly, we anticipate rising domestic demand for scrap and will ensure that we are fully prepared.

Making products solely from iron sources we manufacture ourselves has been our long-cherished dream. And the reason I resolved to make this dream a reality was because I feared that, unless we build a more sustainable steel industry, young people will not see a bright future in this field. Our engineers take pride in conducting research and development on steel materials that support a recycling-oriented society. We are committed to increasing the number of such talented individuals. This direction aligns with broader societal goals, and we are determined to make it a reality.

Financial and Human Resource Strategy

We are making a large-scale investment in a new electric arc furnace to improve our earnings structure. We are also building a business foundation that will firmly guide the Group to its next stage of growth, in parallel with a human resource strategy aligned with our business strategy.



Katsuya Oho
Director and
Managing Executive Officer

FY2024 results and financial activities

Despite the challenging market conditions, the Group strove to improve earnings by increasing added value

In FY2024, the Nakayama Steel Works Group posted net sales of 169.3 billion yen, down 15.1 billion yen year on year, and ordinary profit of 8.1 billion yen, down 4.1 billion yen. The main reasons were threefold. First, we faced sluggish demand for construction-related steel, our mainstay product. In the construction industry, numerous building projects were delayed due to labor shortages and rising material costs, as well as a surge in low-priced steel imports from China. Second, we faced an oversupply of steel billets due to lower contract volumes and the need to stockpile billets during the electric arc furnace renovation. Third, our costs increased, driven by higher labor expenses due to wage increases and rising transportation expenses linked to Japan's so-called "2024 problem" in the logistics industry. The Group has addressed these challenges by strengthening scrap management, improving the utilization rate of its electric arc furnace, and shifting toward more profitable products. For bars and wire rod products, we focused on securing profits primarily through long-term contracts.

Despite challenging market conditions, we achieved stable sales, which helped limit the decline in earnings. Market conditions will remain challenging in FY2025, so we will continue working to secure earnings by raising utilization rates and strengthening sales of high-value-added products.

As a strategic investment for FY2024, Nakayama Trading completed an M&A transaction that is already contributing to earnings. As for our other investments, soaring material costs and related factors required us to postpone some projects until FY2025 and beyond, resulting in actual capital investment of 13.4 billion yen during the medium-term management plan period (FY2022–2024), compared with the target of 19 billion yen.

Financial strategy and capital allocation

Capital allocation focused on growth investment in the new electric arc furnace to support medium- to long-term growth and enhanced corporate value

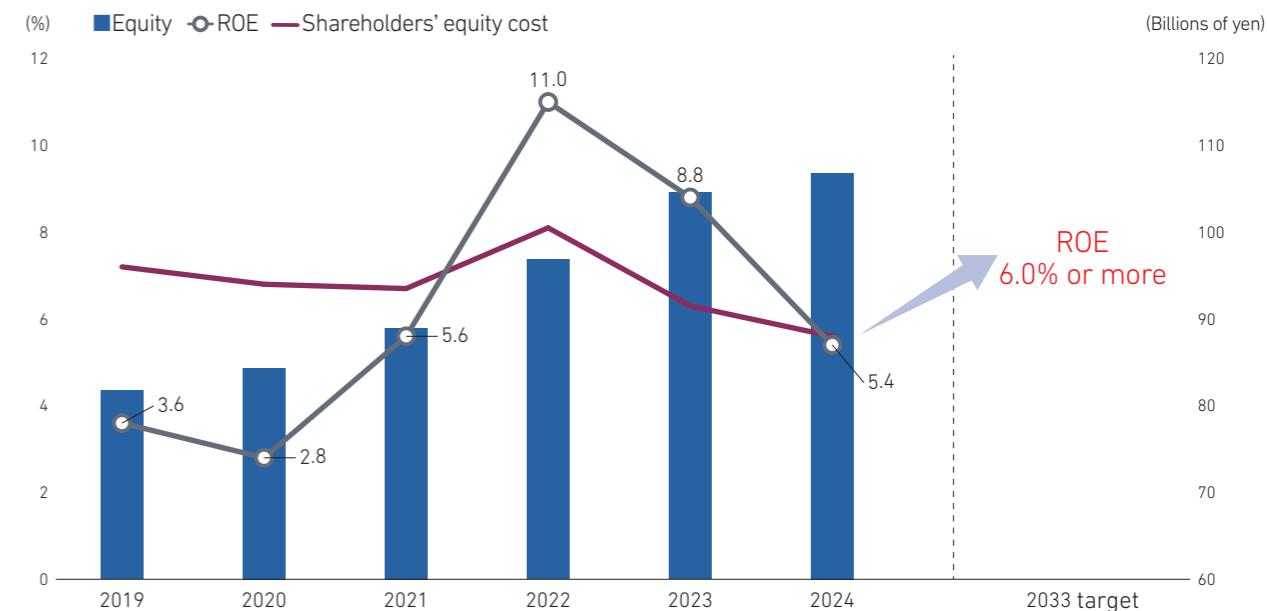
From FY2025 through FY2029, when the new electric arc furnace is scheduled to begin operation, the Group will pursue a financial strategy centered on growth investments.

Under our present business model, procuring iron

FY2023/FY2024 results and FY2025 forecast

	FY2023	FY2024	Yoy change	FY2025 forecast	(Billions of yen)
Net sales	184.4	169.3	(15.1)	157.5	
Operating profit	12.3	8.4	(3.9)	7.3	
Ordinary profit	12.2	8.1	(4.1)	7.0	
ROS	6.6%	4.8%	(1.8) ppt	4.4%	
Profit	8.9	5.7	(3.2)	4.2	
Dividend per share	50 yen	40 yen	(10) yen	24 yen	

● ROE/Shareholders' equity cost/Equity



sources from outside is more expensive than using our own, which poses an issue. For instance, in the current market of declining steel sales prices, we are manufacturing with previously purchased, high-cost materials, which further erodes our profitability. In addition, as our existing electric arc furnace has aged, maintenance and renewal costs have risen, weakening the cost-competitiveness of our products. By constructing a new electric arc furnace, we aim to address profitability challenges and strengthen our non-price competitiveness by reducing the greenhouse gas emissions of our products.

We estimate the construction cost at roughly 95 billion yen, considering fluctuations in construction expenses. Because this is a very large capital investment, depreciation will increase after completion, meaning ordinary profit will not double, but cash flow will improve significantly. Our financial targets for FY2030 are ordinary profit of 10 billion yen or higher (versus 8.1 billion yen in FY2024) and EBITDA of 22 billion yen or higher (versus 11.3 billion yen in FY2024), reflecting the Company's profitability and ability to generate cash after depreciation. We expect to generate even higher earnings from FY2033 onward as operations stabilize. The funds generated will be considered for reinvestment in future growth and for enhancing shareholder returns. During the construction period, meanwhile, we will prioritize maintaining stable and safe operations of the existing electric arc furnace, and together with growth investments to strengthen our processing business, we expect total investment to be around 35 billion yen.

As for financing, we are proceeding under a scheme

that combines operating cash flows, bank borrowings, asset sales, and the establishment of a joint venture with NIPPON STEEL CORPORATION. Through the joint venture, Nippon Steel will invest about 24.5 billion yen. The Company will use these funds to construct and operate the new electric arc furnace and supply Nippon Steel with hot coils and other products produced from it. Nippon Steel is also planning its own electric arc furnace, which will be designed to manufacture high-end steel products like electromagnetic steel plates. As a result, general-purpose steel will be provided by NAKAYAMA STEEL WORKS. We have a long history of transactions with Nippon Steel and have built a relationship of trust, so the establishment of this joint venture offers benefits for both sides.

We have traditionally maintained a net D/E ratio of around 0.1 times as a benchmark for financial soundness and have strictly managed our financing to keep interest-bearing debt from rising. However, with the execution of this large-scale investment, our debt levels will increase going forward. Nevertheless, we intend to maintain an equity ratio of at least 50% to ensure our financial soundness.

Securing a fair valuation from the stock market alongside measures to enhance corporate value

Currently, our stock price is trending downward, and our PBR stood at 0.38 times as of March 31, 2025—well below 1 time—making the improvement of these indicators a significant challenge. To enhance corporate

value, we need to raise profit levels, provide appropriate shareholder returns, and maintain an ROE that exceeds shareholders' equity cost. At the same time, we must strengthen our information disclosure to ensure a fair valuation in the stock market. Based on strategies outlined in our long-term plan, we are also stepping up our ESG activities, and are becoming more proactive in IR activities that increase opportunities for dialogue with shareholders and investors. In April 2025, we established our Investor and Public Relations Office and began holding quarterly financial briefings. In addition, we are increasing one-on-one meetings with investors to explain why our strategies represent the best course for sustainable Group growth.

For manufacturers, business growth depends on making investments in a strategic and well-planned manner. Japan's manufacturing sector faces difficult conditions for growth due largely to its super-aging society and population decline. Even so, the electric arc furnace steel market, which contributes to carbon neutrality, is seeing favorable conditions. Moreover, we have solid technologies using our electric arc furnace that allow us to supply a wide range of steel products. Therefore, we will steadily prepare to enter a new stage of growth centered on the new electric arc furnace project.

Our approach to human resources

Communication and teamwork—supporting the “unique quality of NAKAYAMA”—help cultivate highly motivated employees

People are an asset to a company and its most important form of capital. Accordingly, sustainable growth depends heavily on the strength of our talent, not merely on achieving short-term targets. Although I joined NAKAYAMA STEEL WORKS from the financial sector, I firmly believe that manufacturing is ultimately driven by people. No matter how good our equipment may be, our business cannot function without people who can fully leverage its value. We have many employees who are motivated, honest, and responsible, and there is no doubt that they are the driving force behind the Company.

The reason we have such talent is that we have long fostered a corporate culture that emphasizes communication and teamwork. Both our chairman and president place great importance on communication with executives and managers, engaging in rigorous discussions to set and share the organization's goals and direction. We have a clear understanding of the views of top management, and by sharing those views with our respective divisions, we are aligning both the organization and its employees in the same direction. Additionally, at the middle and end of each fiscal period, top management send messages directly to employees in Japan. I believe that these practices have fostered

strong teamwork, which in turn drives high employee motivation.

In my view, the “unique quality of NAKAYAMA” is embodied in teamwork and the unified power of the Group. The Group has 10 plants nationwide, including at its headquarters, as well as 48 sales offices to have marine transport, logistics, and trading capabilities. A key strength of the Group is that everyone—from manufacturing and processing to sales and shipping—engages closely with local customers, providing attentive service and building trust across the country. The key strength is underpinned by the teamwork. Rather than adopt a membership-based model that prioritizes stability and uniformity, we have a highly engaged, ever-challenging collective that leverages flexibility and diversity to respond quickly to change.

Our human resource development efforts are likewise anchored in what we consider to be the “unique quality of NAKAYAMA.” Having established our own tools—including employee briefings, training programs, in-house newsletters, plant patrols, and cross-company exchanges—we continuously practice careful, communication-focused human resource development. Our human resource strategy is essentially our business strategy, so we will ensure that future human resource development and enhanced efforts are primarily aimed at realizing our business strategy.

Promoting human capital management

Creating organizational structures to realize our long-term plan while maximizing the capabilities of our human resources

With the launch of the new electric arc furnace project, the Group is currently in Phase 1 of its long-term plan, during which everyone is working together to prepare for the construction of the new facility. In FY2025, we will first focus on optimizing our organization and systems, improving operations, and securing and developing diverse talent. The divisions have defined their respective domains and visions and have developed plans for personnel assignments and human resource development accordingly. The General Affairs and Human Resources Department will consolidate the plans from all divisions, and the directors will then incorporate a company-wide perspective as we move to formulate an optimized organizational structure and a medium- to long-term talent career map. This renewal of personnel assignments and the organizational framework is a critical priority for the Group. From the perspective of overall optimization and respect for individual career plans, we will incorporate talent management going forward. The General Affairs and Human Resources Department will visualize employee data—such as abilities, skills, experience, current motivation, and

latent aptitude—to establish a system that enhances performance through career development and optimal staffing. Our approach also focuses on the advancement of women, and we will persistently work to create role models of female managers and female executives.

Next, the Group will consider establishing a dedicated department focused on capability development. To achieve the Group's goals as we expand production capacity and broaden applications for electric arc furnace materials, we need to strengthen our technological capabilities and ensure the transfer of accumulated skills. We must also ensure that employees maintain a strong psychological connection with the Company, demonstrate passion and enthusiasm for their work, and unite as one team. However, because on-site engineers are always extremely busy, relying solely on the workplace for training does not allow for sufficient development. In addition, as we expand the scale of our processing and sales operations, we need to strengthen the transfer and development of our unique expertise and know-how. Therefore, the new department we are currently considering will support all job categories.

Because the new electric arc furnace will have a much larger capacity and significantly higher productivity, we are also looking to renew our core systems. At the same time, we established a DX Promotion Office to drive improvements in work efficiency. We hope to move quickly on system upgrades and new implementations,

but this requires strengthening our talent in DX and advanced technologies, so we must develop talent simultaneously. The main members of the new office will formulate a DX promotion roadmap, which we will implement step by step by 2030.

With respect to human rights, we established the Nakayama Steel Works Group Human Rights Policy in FY2024. Based on this policy, we are identifying human rights risks in our supply chain and creating a risk map. Going forward, we will work to reduce human rights risks associated with our business through the PDCA cycle of human rights due diligence, thereby fulfilling our social responsibilities.

We have also designated “a company that motivates its employees and pursues their families' happiness” as one of our materiality themes, and we are working to “prevent industrial accidents and serious accidents” and “promote health-oriented management,” which we have set as KPIs. As a steel manufacturer, we recognize that ensuring the safety of our employees is of utmost importance and, based on the core principle “safety above all,” we have worked to reduce the risk of workplace accidents. In addition to our longstanding health awareness surveys and stress checks, we have introduced new initiatives, such as seminars on women's health, to maintain our certification as an Outstanding Organization of KENKO Investment for Health.

● Human capital management

- 1 Optimize organizations/ systems and improve business operation**
 - Optimize organizations (consolidation and new establishment)
 - Establish dedicated department focused on capability development
 - Develop DX professionals and improve productivity
- 2 Secure and develop diverse human resources**
 - Create long-term human resource career map
 - Consider adopting talent management system
 - Restructure human resource development and training systems
 - Increase number of female and foreign employees
- 3 Improve well-being and engagement**
 - Consider conducting engagement surveys
 - Conduct human rights due diligence
 - Continue promoting health-oriented management

Material Issues

We have identified five material issues to address as we pursue our growth strategy by leveraging our strengths and competitive edge as an electric arc furnace manufacturer. At the same time, we aim to become an indispensable presence in society and ensure that the Nakayama Steel Works Group remains vital for the next 100 years and beyond.

Material issues	Main initiatives	Metrics and targets	FY2024 achievements
A company that strives to realize carbon neutrality <p>Policies</p> <ul style="list-style-type: none"> • We will help reduce environmental burden through iron recycling. • We will promote decarbonization of electricity use and make maximum use of photovoltaic power and other natural energy sources. 	<p>Realizing carbon neutrality (Address climate change)</p> <p>Contributing to a recycling-oriented society (Recycle waste)</p> <p>Preventing environmental pollution</p> <p>Reducing emissions of air pollutants</p> <p>Effectively utilizing water resources</p> <p>Preventing water pollution</p> <p>Reducing chemical substance emissions</p> <p>Disposing of waste appropriately</p> <p>Preventing industrial accidents and serious accidents</p> <p>Ensuring traffic safety</p> <p>Promoting health-oriented management</p> <p>Initiatives to reduce turnover rate</p> <p>Recruiting non-regular employees</p> <p>Promoting women's empowerment</p> <p>Enhancing employee training and education</p> <p>Initiatives to engage in volunteer activities and charitable contributions</p> <p>Interacting with local communities</p>	<p>2030: Vs FY2013 46% reduction in CO₂ emissions (1,164 thousand tons) (Scope 1, 2, and 3) 71% reduction in CO₂ emission intensity (Scope 1, 2, and 3) 2050: Become carbon neutral</p> <p>Increase ratio of electric arc furnace steel usage (2030 target: 83%) Improve electric arc furnace slag recycling rate</p> <p>Reduce nitrogen oxide (NOx) emissions Reduce sulfur oxide (SOx) emissions</p> <p>Ensure proper management of water usage and discharge volume</p> <p>Ensure proper management of hazardous substances contained in discharged water Chemical oxygen demand: 10 mg/liter or less Suspended solids: 40 mg/liter or less Total nitrogen: 60 mg/liter or less</p> <p>Manage chemical substance emissions</p> <p>Conduct on-site inspections of waste treatment and proper management of manifests</p> <p>Conduct activities based on the Safety and Health Management Policy to achieve zero accidents Target: 0 fatal accidents, 0 lost-time accidents</p> <p>Set action goals to eliminate traffic accidents and strictly comply with traffic rules Target: 0 traffic accidents resulting in lost-time injuries</p> <p>Achieve FY2025 targets for ratio of employees with findings related to lifestyle-related diseases (FY2025 targets: blood pressure 17.9%; blood sugar 12.1%; lipids 33.3%)</p> <p>Reduce employee turnover by promoting a comfortable work environment through reducing overtime hours and improving paid leave usage rate</p> <p>Promote re-employment after retirement in the same position, respecting individual wishes</p> <p>Create work environment where women can thrive; improve both percentage of women in management positions and paid leave usage rate Targets by March 31, 2026: Female managers of 25% or more; paid leave usage rate of 80% or higher</p> <p>Promote human resource development aimed at cultivating people who contribute to management</p> <p>Conduct cleanup activities on public roads around headquarters: 1 time per month; 9 times per year (excluding July–September) Host plant tours for elementary school students: 3 schools per year Make donations to local community groups and scholarship foundations: 6,510 thousand yen per year</p> <p>Participate in events organized by Taisho-ku, Osaka (location of headquarters) Support and take part in community events in neighboring areas</p>	<p>Vs FY2013 31% reduction in CO₂ emissions (1,479 thousand tons) 35% reduction in CO₂ emission intensity</p> <p>Electric arc furnace steel usage ratio: 65.3% Electric arc furnace slag recycling rate: 96.4%</p> <p>Nitrogen oxide (NOx) emissions: 118.4 tons Sulfur oxide (SOx) emissions: 4.9 Nm³</p> <p>Water usage: Industrial water 1,410 km³; tap water 52 km³ Discharge volume: Sewage 5 km³; rivers/oceans (treated) 254 km³; rivers/oceans (untreated) 2,896 km³</p> <p>Chemical oxygen demand (COD) in discharged water: 2.5 mg/liter Suspended solids (SSs) in discharged water: 5.3 mg/liter Total nitrogen (T-N) in discharged water: 1.5 mg/liter</p> <p>Volume of chemical substances transferred outside of business sites: 375 tons Chemical substance emissions into the atmosphere: 71 tons Chemical substance emissions into public waters: 17 kg Volatile organic compound (VOC) emissions into the atmosphere: 71 tons</p> <p>On-site inspections of waste treatment: 4; manifest violations: 0</p> <p>Fatal accidents: 0; lost-time accidents: 3</p> <p>Commuting accidents: 1; on-site vehicle accidents: 3</p> <p>Blood pressure: 53.8%; blood sugar: 48.0%; lipids: 60.0%</p> <p>Turnover rate: 2.7% (voluntary resignations excluding officers, contract workers, and re-employed staff)</p> <p>Ratio of non-regular employees: 14.3% (including dispatched employees and employees seconded to the Company)</p> <p>Percentage of female managers: 14.3% Rate of paid leave taken: 82.8% (as of March 31, 2025)</p> <p>Level-specific training: 303 participants; skill enhancement training: 24 participants (total attendees)</p> <p>Conducted 8 times (total of 206 participants) Accepted visits from 2 schools Donations to local community groups and scholarship foundations: 21,284 thousand yen</p> <p>Sponsored the "Taisho Monozukuri Festa 2024" Sponsored local community events around headquarters Participated in 3 events</p>
A company that motivates its employees and pursues their families' happiness <p>Policies</p> <ul style="list-style-type: none"> • We will place top priority on safety and disaster prevention, striving for zero accidents and zero disasters while further strengthening our health-oriented management initiatives. • We will promote workstyle reforms to enhance work-life balance. 			
A company that contributes to society and cooperates and thrives together with local communities <p>Policies</p> <ul style="list-style-type: none"> • We will enhance our social contribution activities, including initiatives to achieve the SDGs. • We will value partnerships with local communities surrounding the six Group companies' plants, branches, and sales offices, and promote activities that contribute to regional development. 			

Material issues	Main initiatives	Metrics and targets	FY2024 achievements
A company that is chosen by customers and makes them happy <p>Policies</p> <ul style="list-style-type: none"> • Aiming to be the No. 1 in meeting customer needs, we will continue to refine the unique quality of NAKAYAMA as a united Group. • Through meticulous information gathering and attentive customer service, we will anticipate customer needs and promote proposal-based sales. • We will ensure quality and safety through rigorous quality control and further strengthen our relationships of trust with customers. 	Initiatives to enhance product quality Enhancing IR activities Initiatives to ensure proper shareholder returns Initiatives to invigorate the Annual General Meeting of Shareholders Holding financial results briefings Setting criteria for appointing outside officers and ensuring their independence Officer compensation Execution of duties by Directors Strengthening compliance promotion framework Whistle-blowing system Information security awareness and training initiatives Ensuring profitability Payment of wages to employees	Conduct customer satisfaction surveys and share results internally to improve quality Build an organization capable of responding swiftly to diversifying customer needs Ensure timely disclosure of IR news on the corporate website Ensure clear and accessible disclosure of various presentation materials, financial information, and stock-related data Pay stable dividends (targeting dividend payout ratio of 30%) Provide opportunities for dialogue with shareholders <ul style="list-style-type: none"> Enhance and expedite dispatch of notices of Annual General Meeting of Shareholders Commence electronic provision of materials (3 weeks prior to meeting date; statutory deadline: June 7) Introduce online voting for shareholders Hold financial results briefings for securities analysts and institutional investors Appoint individuals in accordance with the established selection criteria File notifications designating Outside Directors as independent officers in line with independence criteria The amount or calculation method of officer compensation follows the policy stated in the "Notice of the 128th Annual General Meeting of Shareholders" Total annual compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) is limited to 300 million yen (of which up to 50 million yen is allocated to Outside Directors) Total annual compensation for Directors who are Audit and Supervisory Committee Members is limited to 60 million yen Note: All amounts are determined by resolutions of the Annual General Meeting of Shareholders Operate the Board of Directors in accordance with the Board regulations Hold regular meetings (once a month) and convene additional meetings as necessary Conduct annual analysis and evaluation of the overall effectiveness of the Board, compile assessments and opinions on its operation, and report improvement recommendations to the Board Hold Compliance/Risk Management Committee meetings twice a year Discuss and approve risk management status and key issues for the first and second halves of the fiscal year Promptly identify any compliance violations or suspected misconduct and work to prevent illegal or improper actions Number of reports: 0 Notify users who have not changed their internal system passwords for over a year to update them Conduct annual survey on usage status of information devices Promote use of company-wide shared server Quantitative targets and KPIs for FY2024 (final year of Medium-Term Management Plan FY2022-2024) Ordinary profit: 10.0 billion yen Capital investment: 19.0 billion yen over 3 years Net D/E ratio: Approx. 0.1 times ROE: 7.0% Dividend payout ratio: 30%	Conducted customer satisfaction surveys (regular monitoring of satisfaction among key customers): 2 times Carried out quality patrols at warehouses and transit sites nationwide: 24 times Worked to adopt electric arc furnace materials for CO ₂ reduction expansion into home appliance sector and initiatives in automotive parts and industrial machinery fields Disclosed financial results, earnings forecasts, and quarterly reports in a timely manner Disclosure on the corporate website: 26 items Annual dividend: 40 yen/share; dividend payout ratio: 38.0% Enhanced content of business reports and improved the design for better readability Sent out convocation notice earlier (on June 9, 2025, two days before statutory deadline) * FY2025 result Posted on the corporate website and the Tokyo Stock Exchange website on June 4, 2025; English disclosure released on June 10, 2025 * FY2025 result Introduced in June 2021 and has continued since then Held 2 times (May and November 2024) Appointed 4 individuals in accordance with selection criteria (including 1 woman) Filed notifications designating all 4 Outside Directors as independent officers * FY2025 result Officer compensation in FY2024 determined in accordance with the resolution of the Annual General Meeting of Shareholders Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors): 190 million yen Directors who are Audit and Supervisory Committee Members (excluding Outside Directors): 22 million yen Outside Directors: 25 million yen Number of meetings: Board of Directors – 17; Audit and Supervisory Committee – 22 Reported to the Board in February 2025 on analysis and evaluation results, as well as initiatives to improve effectiveness Held 2 meetings (April and October 2024) to communicate risk management status and key focus areas to the Company and all Group companies Number of reports: 4 Automated notifications issued through the password change monitoring system Conducted survey on use of connected devices, such as USB drives and SD cards (March 2025) Communicated survey results and promotion of usage through internal groupware and emails to department heads Ordinary profit: 8.1 billion yen Capital investment: 4.1 billion yen Net D/E ratio: (0.06) times ROE: 5.4% Dividend payout ratio: 38.0%
A company that is trusted by stakeholders and makes them happy <p>Policies</p> <ul style="list-style-type: none"> • We will entrench and strengthen governance while enhancing information disclosure and deepening dialogue with our stakeholders. • We will enhance profitability toward FY2030, aiming for a dividend payout ratio of 30%. • We will strengthen our risk management framework and pursue greater speed and transparency in management to achieve sustainable growth. 	Setting criteria for appointing outside officers and ensuring their independence Officer compensation Execution of duties by Directors Strengthening compliance promotion framework Whistle-blowing system Information security awareness and training initiatives Ensuring profitability Payment of wages to employees	The amount or calculation method of officer compensation follows the policy stated in the "Notice of the 128th Annual General Meeting of Shareholders" Total annual compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) is limited to 300 million yen (of which up to 50 million yen is allocated to Outside Directors) Total annual compensation for Directors who are Audit and Supervisory Committee Members is limited to 60 million yen Note: All amounts are determined by resolutions of the Annual General Meeting of Shareholders Operate the Board of Directors in accordance with the Board regulations Hold regular meetings (once a month) and convene additional meetings as necessary Conduct annual analysis and evaluation of the overall effectiveness of the Board, compile assessments and opinions on its operation, and report improvement recommendations to the Board Hold Compliance/Risk Management Committee meetings twice a year Discuss and approve risk management status and key issues for the first and second halves of the fiscal year Promptly identify any compliance violations or suspected misconduct and work to prevent illegal or improper actions Number of reports: 0 Notify users who have not changed their internal system passwords for over a year to update them Conduct annual survey on usage status of information devices Promote use of company-wide shared server Quantitative targets and KPIs for FY2024 (final year of Medium-Term Management Plan FY2022-2024) Ordinary profit: 10.0 billion yen Capital investment: 19.0 billion yen over 3 years Net D/E ratio: Approx. 0.1 times ROE: 7.0% Dividend payout ratio: 30%	Number of meetings: Board of Directors – 17; Audit and Supervisory Committee – 22 Reported to the Board in February 2025 on analysis and evaluation results, as well as initiatives to improve effectiveness Held 2 meetings (April and October 2024) to communicate risk management status and key focus areas to the Company and all Group companies Number of reports: 4 Automated notifications issued through the password change monitoring system Conducted survey on use of connected devices, such as USB drives and SD cards (March 2025) Communicated survey results and promotion of usage through internal groupware and emails to department heads Ordinary profit: 8.1 billion yen Capital investment: 4.1 billion yen Net D/E ratio: (0.06) times ROE: 5.4% Dividend payout ratio: 38.0%
			Violations of the Labor Standards Act: 0 Violations of labor-management agreements and work regulations: 0 Complied with minimum wage requirements and the 5 principles of wage payment

Environmental Initiatives

1 Recognition of Environmental Issues

Making progress on climate change countermeasures is an urgent task for the entire world. The Paris Agreement was adopted at the UN Climate Change Conference (COP21) based on scientific findings provided by the Intergovernmental Panel on Climate Change (IPCC). The Paris Agreement took effect in 2016, with the aim of achieving worldwide carbon neutrality by the second half of the century. In Japan, the "Plan for Global Warming Countermeasures" (2016 Cabinet decision) provided a long-term target of an 80% reduction in greenhouse gas (GHG) emissions by 2050 toward the realization of a decarbonized society. A business-driven mechanism that turns environmental sustainability into a driver of economic growth is key to moving from a defensive

to a proactive climate strategy and boosting Japan's development.

The Japan Iron and Steel Federation (JISF) also supports Japan's ambitious policy on carbon neutrality, and has taken a resolute challenge to achieve this by formulating its "Basic policy of the Japan steel industry on 2050 Carbon Neutrality aimed by the Japanese government" in February 2021.

The Company supports the intention of these initiatives by Japan and JISF. We will contribute to the building of a decarbonized society by continuing initiatives aimed at resolving this kind of social issue through a circular economy business that uses iron scrap as a raw material and returns it to life as a new steel product.

2 Environmental Policy

The Company has set out its basic position on the environment in its Environmental Policy, which promotes environmental management using an environmental management system.

<Environmental Policy>

All the Company's personnel involved in the steel manufacturing business at the Funamachi Plant recognize that protecting the global environment is a shared responsibility of all humankind. They actively and continuously work to conserve the environment in all aspects of their business activities and act in accordance with the following basic policy. They strive to create a comfortable working environment and local environment while contributing to the preservation of the global environment.

[Basic Philosophy]

NAKAYAMA STEEL WORKS, LTD. will contribute to the construction of sustainable social systems, such as a decarbonized society and a resource- and energy-circulating society, through business activities centered on steel manufacturing.

[Basic Policy]

1. We will promote the reduction in environmental impact sought by stakeholders and society through the manufacture and sale of steel products, mainly based on iron scrap recycling.
2. We will promote energy saving in our manufacturing processes while expanding the range of environmentally friendly products and services we provide, and contributing to the reduction of GHG emissions.
3. We will observe laws and regulations, make a contribution to society, and coexist in harmony with local communities, striving to create and conserve a comfortable local environment.

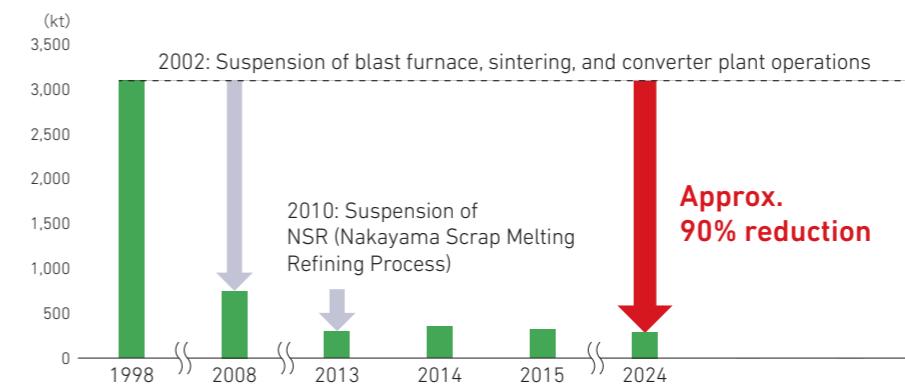


* Recording boundary: Business activities related to steel manufacturing at Funamachi Plant

3 Carbon Neutral and Energy-Saving Initiatives

The Company was founded in 1919, and since establishing an integrated iron and steelmaking system using blast furnaces in 1939, it has continued to manufacture steel products. However, due to significant changes in the business environment, the Company has

(1) Total CO₂ emissions (Funamachi Plant: Scope 1 and 2)



The Company manufactures steel products using its own electric arc furnaces, as well as steel products made with raw material procured from other steel manufacturers. Reducing the Company's own CO₂ emission (Scope 1 and Scope 2) is an important priority, and when the entire lifecycle is taken into account, a large proportion of CO₂ emissions come from the manufacturing stage of materials procured from other manufacturers (Scope 3). We believe it is important to reduce total CO₂ emissions including these.

We are currently working continuously to reduce CO₂ emissions. In line with the policy of Japan and JISF of aiming to realize a carbon neutral, decarbonized society, we are promoting measures aimed at reducing our CO₂ emissions by 46% from the FY2013 level by 2030, and achieving carbon neutrality by 2050.

Information on FY2013 and FY2024 results, and 2030 targets, for CO₂ emissions including Scope 3 is provided on page 50.

(2) Total energy consumption



* Data includes that of the former Nakayama Mitsubishi Steel Products, Ltd., merged in April 2022.

undertaken repeated reforms of its production structure since 2002, such as suspending the use blast furnaces, to arrive at its current structure. As a result, the Company's CO₂ emissions have been reduced by around 90% compared to the 1990s.

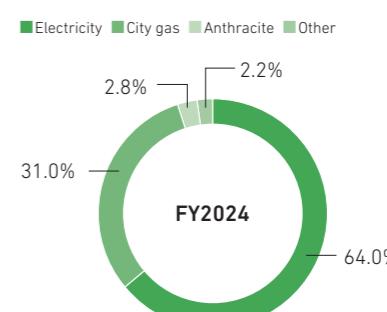
Approx.
90% reduction

As an energy-saving initiative, we are also promoting operation improvements, such as reducing and making effective use of energy in each manufacturing line, and equipment improvements, such as the introduction of high-efficiency burners in electric arc furnace lines and reheating furnace regenerative burners on the rolling lines.

In FY2024, we continued our initiatives to reduce the fuel intensity of hot-rolled reheating furnaces by increasing the direct delivery rate of electric arc furnace slabs to the hot strip and plate mill. We also promoted efforts to save energy and reduce CO₂ emissions and emissions intensity, such as introducing LED ceiling lighting.

In the engineering business, we are participating in local government projects to promote blue carbon by installing seaweed bed reefs and carrying out contracted construction work.

(3) Breakdown of energy consumption



4 Initiatives in Line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

The Company stated its agreement with the TCFD recommendations in October 2022.

Our initiatives based on the TCFD recommendations are effective for realizing carbon neutrality, and we are confident that they can be expected to deliver wide-ranging effects, such as contributing to profits through the identification of and response to risks and

opportunities and enriching information disclosure to stakeholders and dialogue with them. We will promote these initiatives throughout the Company.



TCFD recommended disclosure items correspondence table

Details on the 11 TCFD recommended disclosure items of the Company are provided on the following pages.

Basic items	11 recommended disclosure items	Reference page
Governance	Disclose the organization's governance around climate-related risks and opportunities	Describe the board's oversight of climate-related risks and opportunities 44, 48, 74, 75
		Describe management's role in assessing and managing climate-related risks and opportunities 44-46
Strategy		Describe the risks and opportunities the organization has identified over the short, medium, and long term 47-49
	Disclose impacts on the organization's businesses, strategy, and financial planning	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning 47-49
		Describe the resilience and adaptability of the organization's strategy in a 1.5°C to below 2°C scenario, and a 4°C scenario 47-49
Risk Management		Describe the organization's processes for identifying and assessing climate-related risks 46
	Disclose how the organization identifies, assesses, and manages climate-related risks	Describe the organization's processes for managing climate-related risks 46, 74, 75
		Describe how processes for assessing and managing climate-related risks are integrated into the organization's overall risk management 46
Metrics and Targets		Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process 50
	Disclose Scope 1 and Scope 2 GHG emissions, and Scope 3 GHG emissions if applicable	Disclose Scope 1 and Scope 2 GHG emissions, and Scope 3 GHG emissions if applicable 50, 51
		Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets 50, 51

1. Governance

(1) Climate change and environmental issues management and supervision framework

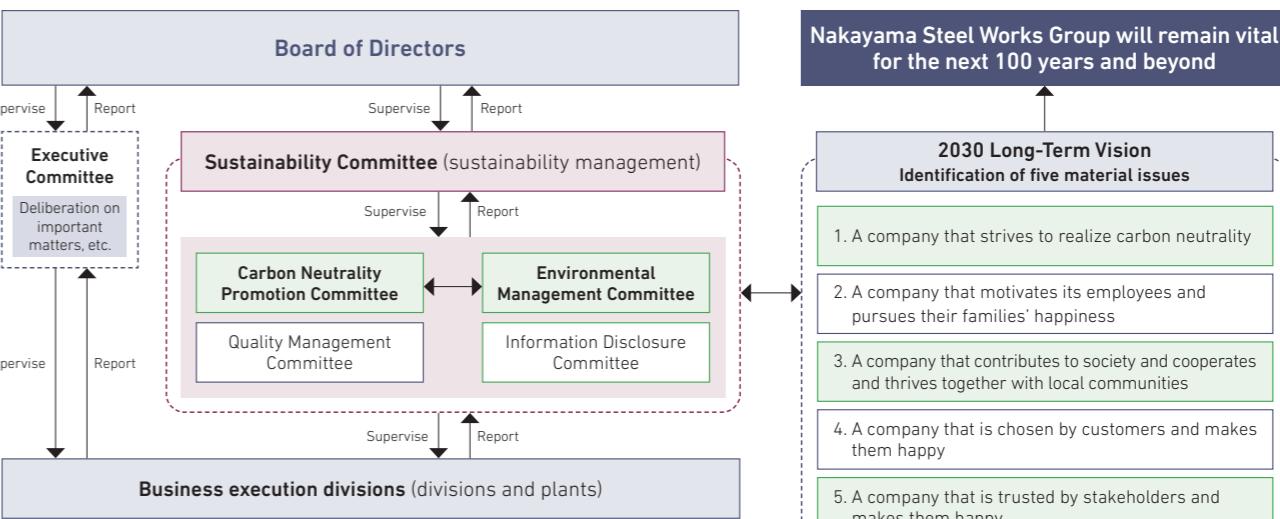
The Company has established a Sustainability Committee that meets at least four times a year to promote sustainability management initiatives and increase corporate value over the medium to long term, with a view to sustainable growth and the resolution of social issues. In particular, the Company attaches importance to the problem of climate change as an international issue, and has made the foremost principle of the 2030 Long-Term Vision "A company that strives to realize carbon neutrality." It has built a system for managing and supervising this and other environmental issues through the committee.

Furthermore, the subordinate organizations, the Carbon Neutrality Promotion Committee and the Environmental Management Committee set policies for realizing carbon neutrality and identify

dependencies, impacts, risks, and opportunities. Then, the Environmental Management Committee approves and directs the specific activities for reducing CO₂ emissions that are examined and reported (once a year) by the business execution divisions, as well as the setting of environmental goals and targets. Both committees hold regular meetings three to four times a year, as well as responding as needed through measures such as holding ad-hoc meetings when necessitated by changes in the external environment and the monitored situation.

The committees report these matters to the Sustainability Committee as needed, and the matters are then discussed by the Board of Directors, which provides final approval and direction on them (at least once a year). In addition, the matters are disclosed in the Corporate Governance Report, the Annual Securities Report, this integrated report, and on our corporate website, to ensure that information is shared with our stakeholders.

● Overview of sustainability management | Governance structure for climate change



* Group companies share information at a separately established group meeting.
* The green bordered sections indicate items related to climate change and the environment.

● Roles of each organization with respect to climate change and environmental issues

	Board of Directors	Sustainability Committee	Carbon Neutrality Promotion Committee	Environmental Management Committee
Roles		<ul style="list-style-type: none"> Matters related to responding to supervision of climate change and environmental issues that can have a material impact on management 	<ul style="list-style-type: none"> Supervision of matters related to the proposal, evaluation, and implementation status of sustainability management strategies 	<ul style="list-style-type: none"> Setting of policies for realizing carbon neutrality and the provision of execution support Support for disclosure in line with the TCFD recommendations GX League initiatives
Composition	Chairperson: President Vice chairperson: Director in charge of corporate planning and director in charge of general production administration Members: Senior general managers and general managers of corporate management, sales, manufacturing, and general production administration divisions and departments	Chairperson: President Members: Directors	Chairperson: President Vice chairperson: Director in charge of general production administration Members: Senior general managers and general managers of corporate management, sales, manufacturing, and general production administration divisions and departments	Responsible person: Director in charge of general production administration Members: Senior general managers and general managers of corporate management, sales, manufacturing, and general production administration divisions and departments

(2) Role of management in assessing and managing climate change and environmental issues

The Sustainability Committee plays a central role in the Company's response to environmental issues such as climate change and is chaired by the representative director and president. The Carbon Neutrality Promotion Committee and the Environmental Management Committee, which are led by the directors who supervise the manufacturing and environment divisions, assess and manage the identification and countermeasure proposal of issues related to climate and the environment, and their monitoring and reliable execution.

2. Risk Management

Climate change and environmental risk management guidelines and process for identification and assessment of dependencies, impacts, risks, and opportunities

Climate change and environmental risks impact the Company's business management and sustainability management. Recognizing this, we conduct regular updates of these risks three times a year, and utilize a PDCA cycle for their management, as described below.

In the planning phase (Plan), the Carbon Neutrality Promotion Committee members and the person

responsible for EMS management evaluate the Company's dependencies and impacts related to climate change and the environment, making reference to a wide range of information including the international situation, domestic social situation, government and local government trends, and trends in the steel and other industries. Based on this understanding, they extract relevant risks and opportunities. The Carbon Neutrality Promotion Committee and the Environmental Management Committee then identify and assess these risks, taking into account factors such as financial impact level, likelihood of occurrence, and materiality to stakeholders.

In the execution phase (Do), the business execution divisions refer to the risks identified in the preceding step to examine targets and measures for improving energy intensity, as well as capital investment plans for energy saving and CO₂ reduction. These are then reflected in management plans and action plans, which are executed.

At the results assessment phase (Check), the Environmental Management Committee monitors and follows up on the performance of action plans, reviews the degree of achievement, and makes a general assessment of environmental performance. These results are assessed by way of audits conducted by the

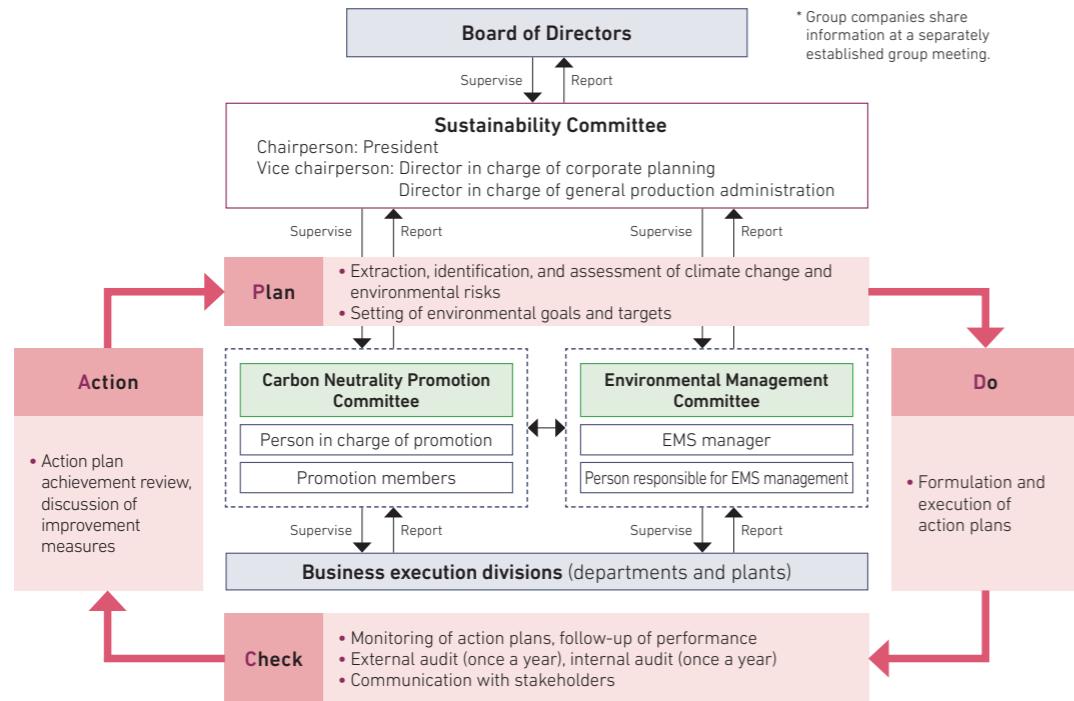
external organization in the environmental management system (EMS) and the internal environmental auditor, and presented in communications with stakeholders (including disclosure documents, etc.).

In the Action phase, improvement strategies based on the results of reviews and performance assessments

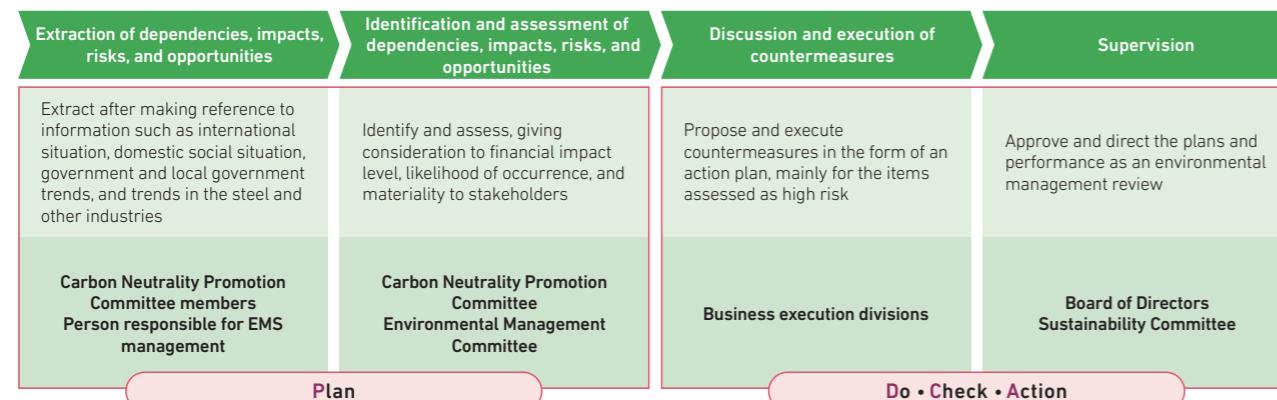
are discussed and reflected in the plans for the next fiscal year.

This series of operations is reported by the Environmental Management Committee to the Sustainability Committee and the Board of Directors (at least once a year) for approval and direction.

● Climate change and environmental risk management framework



● Process for identification and assessment of dependencies, impacts, risks, and opportunities



3. Strategy

(1) Definition of scenarios

In scenario selection, we consciously aim to eliminate the unexpected by selecting scenarios with different temperature ranges and world views, as far as possible, keeping in mind the goal of the Paris Agreement to keep the rise in the average global temperature well below 2°C compared to before the industrial revolution, and to

pursue efforts to keep it below 1.5°C.

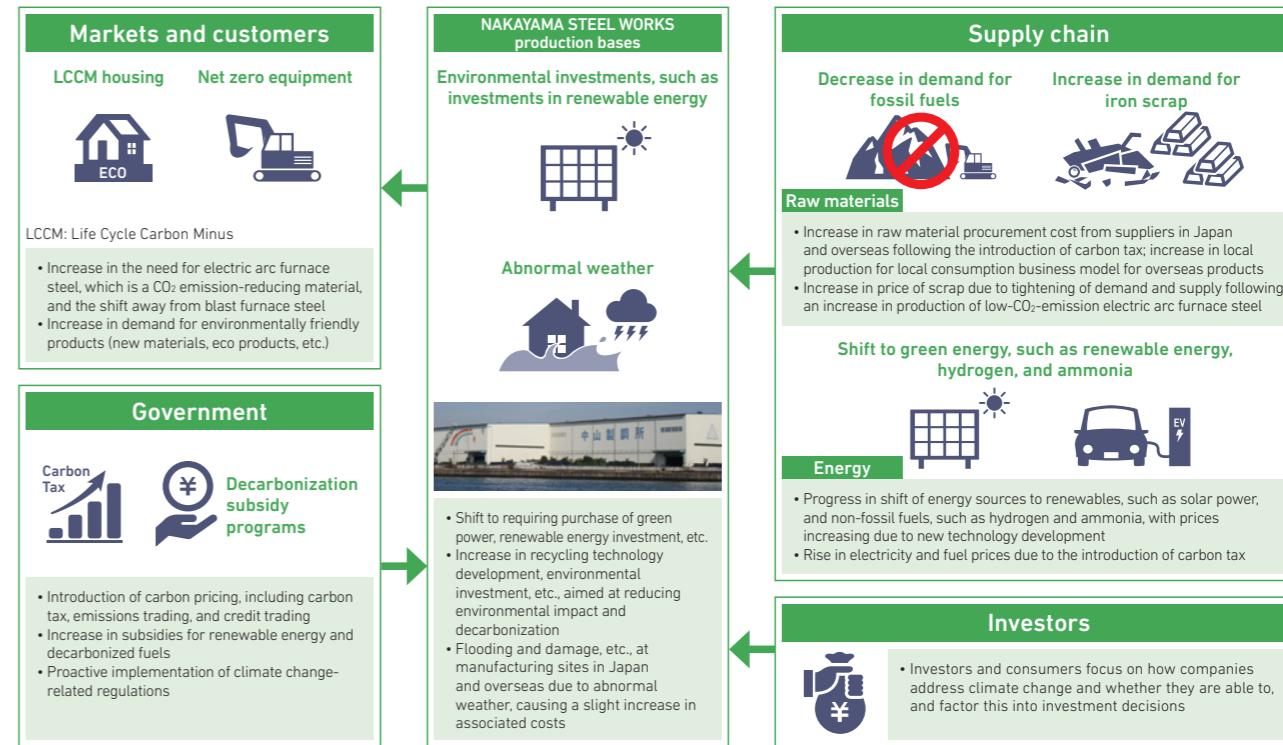
On that basis, we conducted an evaluation of the impacts in 2030 and 2050, making reference to the multiple scenarios (1.5°C to below 2°C, and 4°C) announced by the International Energy Agency (IEA) and the IPCC.

References: IEA: World Energy Outlook 2022 NZE, APS, STEPS; and Energy Technology Perspectives 2020 SDS and IPCC: RCP 2.6, RCP 8.5, etc.

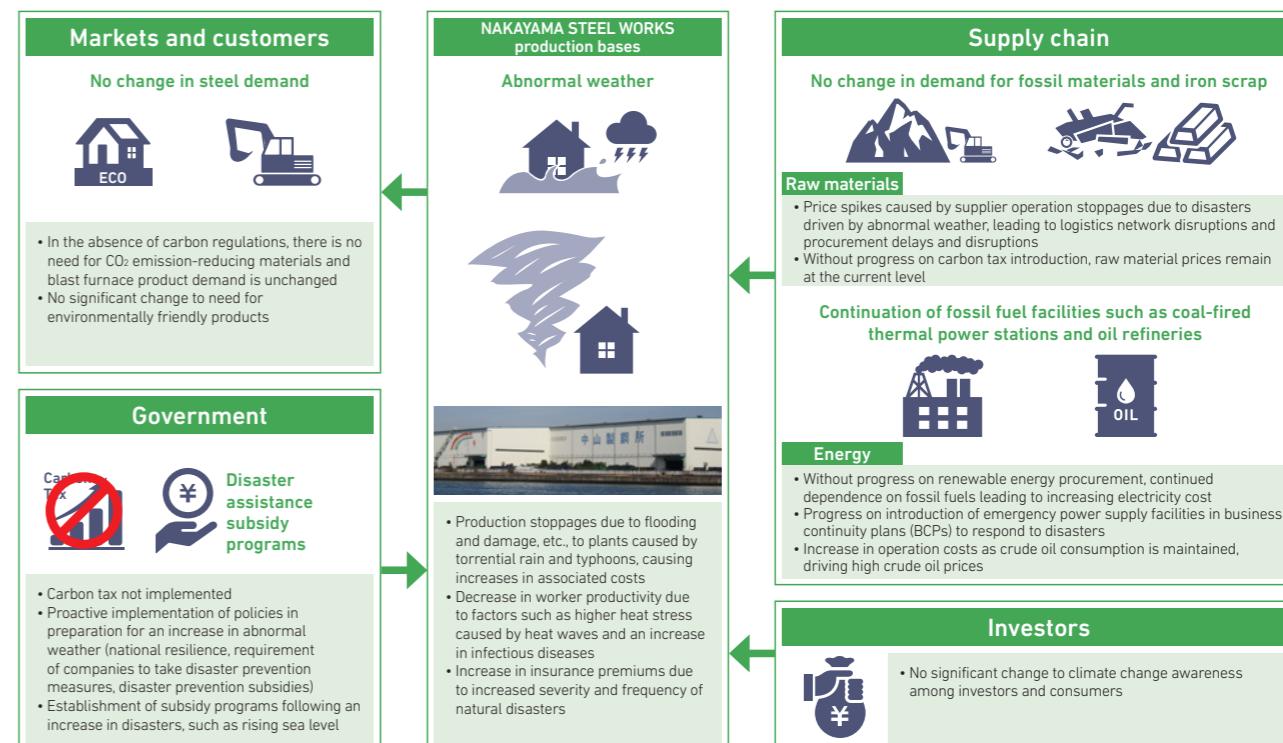
(2) Changing business environment of the Group

After first describing from a macro perspective how the climate changes envisaged under the scenarios could affect the Group's business environment, we then further categorized the resulting risks and opportunities.

(i) 1.5°C to below 2°C scenario: Increase in needs for decarbonization, and radical countermeasures undertaken by industry, governments, academia, finance, and the private sector



(ii) 4°C scenario: No decarbonization needs, frequent severe disasters due to physical risks, such as abnormal weather



(3) Key risks and opportunities and their financial impact levels, occurrence timing, and countermeasures

We positioned our medium- to long-term response to climate change as a company-wide priority and utilized scenario analysis recommended by the TCFD to ensure that all employees, including management, could understand, share, and actively engage in the initiative.

After recognizing the climate-related risks and opportunities in the Company and our value chain, we applied two selected scenarios—1.5°C to below 2°C, and 4°C—to examine the business issues that need to be addressed over the short, medium, and long terms.

For matters of particularly high importance, we will proceed as described below.

<Response to risks>

(i) Response to higher cost burden arising from the introduction of carbon pricing, such as carbon tax and emissions trading (see (1) in the table on the following page), and to declining steel demand caused by the development of new materials and technologies to replace blast furnace products in other industries, aimed at achieving a decarbonized society (see (4) in the table on the following page)

[Financial impacts]

Assuming the introduction of a carbon tax of US\$140/t-CO₂ in 2030 and US\$250/t-CO₂ in 2050, and CO₂ emissions of 350 thousand tons in each year with no countermeasures taken, the resulting cost burdens would be approximately 7.3 billion yen and 13.2 billion yen, respectively. (Calculated as the difference from the current global warming countermeasure tax rate of 289 yen/t-CO₂, using carbon-tax levels referenced from IEA WEO 2022 NZE and an exchange rate of 152 yen= US\$1.)

Moreover, if new materials and technologies are developed to replace blast furnace steel materials in other industries, the Company could see a decrease in sales volume of products that use purchased blast furnace iron sources (currently about 50% of the total), which could cause net sales and earnings to decrease.

[Countermeasures]

To reduce CO₂ emissions, we are studying measures, including the construction of new electric arc furnaces, to expand the production capacity of our electric arc furnace facilities and replace the blast furnace iron sources we currently purchase with electric arc furnace iron sources. To realize this, we are working to secure sustainable, stable earnings, and studying measures for securing scrap procurement, and so forth. Moreover, we will promote energy saving at our existing plant facilities, and study the introduction of solar power generation equipment to promote a shift to renewable energy at the same time.

(ii) Response to cost burden increase following the pass-through of cost increases to raw material prices for compliance with decarbonization in the supply chain ((2) in the table on the following page)

[Financial impacts]

As with (i), if countermeasures against a carbon tax are not taken by our suppliers (blast furnace and electric arc furnace manufacturers), the price increase of purchased iron sources is expected to increase the cost burden by 10.5 billion yen by 2030 and 18.8 billion yen in 2050 (under the same preconditions as (i)).

[Countermeasures]

We will reduce our own costs, including through energy saving, and promote that in the supply chain, while continuously conducting supplier engagement and strengthening coordination in order to respond flexibly to fluctuations in raw material prices. Over the long term, we will work to promote measures such as the wider use of new fuels and fuel conversion in ships.

(iii) Response to fall in stock price resulting from a decline in corporate valuation caused by inadequate response to climate change-related needs ((8) in the table on the following page)

[Countermeasures]

We will promote disclosure in line with TCFD recommendations, while enhancing communications with shareholders, institutional investors, and others.

(iv) Response to business environment changes associated with rising average temperatures and sea levels ((14) in the table on the following page)

[Financial impacts]

Flooding at the headquarters/the Funamachi Plant under the 4°C scenario is expected to be 50 cm to 1 m, resulting in an estimated 13.5 days per year of operation stoppage (references: WRI Aqueduct and the Ministry of Land, Infrastructure, Transport and Tourism, April 2019 "Manual for Economic Evaluation of Flood Control Investment"). In such a case, the decrease in net sales could be as much as approximately 3.8 billion yen (FY2024 steel products and building materials net sales were 101.7 billion yen).

[Countermeasures]

In cases where the continuation of existing operations is expected to become difficult and costs associated with site relocation, initiatives for equipment, and logistics route changes are expected to rise, and in the event that instability in the supply structure within the supply chain is assumed, we will respond by promoting diversification of raw material suppliers and smooth recovery through implementation of our business continuity plan (BCP). Moreover, as part of efforts to strengthen our organizational framework, we will establish a business continuity management (BCM) framework, and proceed to strengthen equipment and facilities, and build a mutual supply system through business alliances with steel manufacturers, in order to minimize delays in steel product sales.

<Response to opportunities>

(v) Response to changing consumer awareness following increased awareness of decarbonization ((11) in the table on the following page)

● Climate change risks, opportunities, and countermeasures

Type		Important points	Risks and opportunities envisaged by the Company		Importance ¹ (impact level)	Occurrence timing ²	Countermeasures				
Risks	Policy and legal/regulatory risks	(1) Introduction of carbon pricing, including carbon tax and emissions trading	<ul style="list-style-type: none"> Increase in cost burden due to introduction of carbon pricing 		High	Medium-term	<ul style="list-style-type: none"> Promote CO₂ reduction through own efforts, such as promoting energy saving and executing capital investments 				
		(2) Response to decarbonization in the supply chain	<ul style="list-style-type: none"> Increase in cost burden due to passing through to raw material prices of cost increases for conversion to non-fossil fuels, such as hydrogen, ammonia, and renewable energy 		High	Medium-term	<ul style="list-style-type: none"> Promote efforts to reduce costs within the Company, such as saving energy, and to encourage saving energy in the supply chain 				
		(3) CO ₂ emissions regulations for vehicles and ships	<ul style="list-style-type: none"> Increase in operation cost and procurement cost burden due to an increase in logistics expenses, such as product transport and raw material deliveries 		Medium	Medium-term	<ul style="list-style-type: none"> Continuously conduct supplier engagement and strengthen coordination in order to respond flexibly to fluctuations in raw material prices For the long term, expand the use of new fuels and promote fuel conversion in ships, etc. Promote introduction of hybrid vehicles, fuel cell vehicles, and electric vehicles 				
	Technology risks	(4) Development of new materials and technologies in other industries, aimed at achieving a decarbonized society	<ul style="list-style-type: none"> Decrease in sales volume of steel products using purchased blast furnace iron sources, which have high CO₂ emissions 		High	Medium-term	<ul style="list-style-type: none"> Promote shift to electric arc furnace material, which has one-quarter of the CO₂ emissions of blast furnace iron sources. Increase electric arc furnace production capacity. Switch purchased blast furnace iron sources to electric arc furnace iron sources either from the Company or purchased from other companies 				
		(5) Increase in demand for decarbonization and energy-saving technologies	<ul style="list-style-type: none"> Inability to keep up with introduction of decarbonization and energy-saving technologies, constraining production activities 		Low	Medium-term	<ul style="list-style-type: none"> Promote new technology introduction, such as electric arc furnace waste heat recovery facilities, through information exchange with suppliers 				
	Market risks	(6) Tightening of iron scrap demand and supply following increasing needs for electric arc furnace steel	<ul style="list-style-type: none"> Cost burden increase due to insufficient iron scrap procurement (particularly high-grade scraps) and price increase 		Medium	Medium-term	<ul style="list-style-type: none"> Expand procurement sources such as scraps and DRI, including overseas Promote measures to enhance the ratio of low-grade scrap usage in electric arc furnace production 				
		(7) Moving away from steel products, which have high CO ₂ emissions	<ul style="list-style-type: none"> Fall in sales volumes of steel products due to a decrease in demand 		Medium	Medium-term	<ul style="list-style-type: none"> Create a green steel product sales scheme and promote acquisition of product environmental certification 				
	Reputation risks	(8) Inadequate response to climate change-related information disclosure	<ul style="list-style-type: none"> Fall in stock price due to decline in corporate valuation 		High	Medium-term	<ul style="list-style-type: none"> Promote disclosure in line with TCFD recommendations, while enhancing communications with shareholders, institutional investors, and others 				
		(9) Progress in high efficiency production and energy-saving technologies	<ul style="list-style-type: none"> Increase in production capacity, yield, and intensity and reduction in cost burden through spread of high efficiency production facilities and energy-saving facilities 		Medium	Medium-term	<ul style="list-style-type: none"> Promote introduction of facilities using new technologies, such as reheating furnaces and exhaust gas-related equipment 				
Opportunities	Resource efficiency	(10) Development of renewable energy technologies	<ul style="list-style-type: none"> Introduction of energy facilities that contribute to decarbonization 		Medium	Medium-term	<ul style="list-style-type: none"> Promote shift to renewable energy, such as installation of solar power generation equipment on building rooftops 				
		(11) Changing consumer awareness following increased awareness of decarbonization	<ul style="list-style-type: none"> i) Increase in sales volume of electric arc furnace products following increasing needs for steel products with low CO₂ emissions 		High	Medium-term	<ul style="list-style-type: none"> Promote implementation of measures to enhance electric arc furnace production capacity and building of sales strategies (PR for decarbonized and recycling-oriented steel products, etc.) 				
	Products/services	i) Increase in demand for building materials following transition to LCCM housing	<ul style="list-style-type: none"> ii) Increase in demand for disaster prevention facilities, equipment, tools, etc. 		Medium	Medium-term	<ul style="list-style-type: none"> Acquire product environmental certification and promote sales of building materials 				
		ii) Increase in demand for disaster prevention facilities, equipment, tools, etc.	<ul style="list-style-type: none"> iii) Initiatives for natural disaster preparation 		Medium	Medium-term	<ul style="list-style-type: none"> Promote utilization of nationwide sales network, including Group companies, such as sales of steel products for disaster prevention facilities and equipment and sales of disaster prevention devices 				
	Markets	iii) Initiatives for natural disaster preparation	<ul style="list-style-type: none"> Increase in resilience through distribution and diversification of supply chain 		Medium	Medium-term	<ul style="list-style-type: none"> Promote diversification of raw material procurement 				
		iv) Shortage of workers able to work in high temperatures due to temperature increase, decrease in labor productivity	<ul style="list-style-type: none"> iv) Stoppage of operations and shipments due to production, warehousing, and sales bases and employees being affected by disasters due to wind and flood damage 		Medium	Medium-term	<ul style="list-style-type: none"> Promote work environment improvement and introduction of automated and labor-saving equipment 				
	Resilience	iv) Stoppage of operations and shipments due to production, warehousing, and sales bases and employees being affected by disasters due to wind and flood damage	<ul style="list-style-type: none"> v) Increased difficulty in maintaining existing operations within the Company (cost increases, etc., due to site relocation, initiatives for equipment, changes to logistics routes) 		High	Long-term	<ul style="list-style-type: none"> Promote diversification of raw material suppliers Promote smooth recovery through the execution of BCPs Minimize steel product sales delays by building and operating BCM frameworks Strengthen equipment and facilities Build mutual supply systems through business alliances with steel manufacturers, etc. 				
		v) Increased difficulty in maintaining existing operations within the Company (cost increases, etc., due to site relocation, initiatives for equipment, changes to logistics routes)	<ul style="list-style-type: none"> v) Destabilization of supply systems in the supply chain 		High	Long-term					
4°C	Physical risks	<ul style="list-style-type: none"> Similar disasters as in the past 		Medium	Short-term	<ul style="list-style-type: none"> Promote diversification of raw material suppliers Promote smooth recovery through the execution of BCPs Minimize steel product sales delays by building and operating BCM frameworks Strengthen equipment and facilities Build mutual supply systems through business alliances with steel manufacturers, etc. 					
		<ul style="list-style-type: none"> Similar disasters as in the past 									
		<ul style="list-style-type: none"> Unprecedented severe disasters 		High	Long-term						
		<ul style="list-style-type: none"> Unprecedented severe disasters 									
		<ul style="list-style-type: none"> Unprecedented severe disasters 									

*1 Importance: Set with consideration for financial impact level, likelihood of occurrence, materiality to stakeholders, etc. (financial impacts on net sales and costs, as follows: High: 5.0 billion yen or higher; Medium: 1.0 billion yen to less than 5.0 billion yen; Low: less than 1.0 billion yen)

*2 Occurrence timing: Short-term: 0–3 years; Medium-term: 3–10 years; Long-term: 10–30 years

[Financial impacts]

Assuming that demand increases from many companies across a wide range of occupations that make up our main customer base, such as the construction and building industries, sales can be expected to increase by approximately 3.4 billion yen.

[Countermeasures]

As a response to the increase in sales volume of electric arc furnace products following the increasing need for steel products with low CO₂ emissions, we will implement measures to enhance the production capacity of electric arc furnaces in i), and as a sales strategy, we will conduct PR activities to explain that our products are decarbonized and recycling-oriented steel products.

4. Metrics and Targets**(1) Results and targets for reducing CO₂ emissions across the entire value chain**

The Company has recognized that the reduction of emissions across the entire value chain is important for achieving carbon neutrality in 2050. We have also stated our own targets of reducing emissions by 46% from FY2013 levels as our target for 2030,¹ including supply chain emissions (Scope 3) since Scope 3 emissions are greater than our own direct and indirect emissions (Scope 1 and 2), and achieving carbon neutrality by 2050.

● Trends in CO₂ emissions (Scope 1, 2, and 3)

The Group's Scope 1, 2, and 3 emissions were 1,479 thousand t-CO₂ in FY2024. Within these, emissions from our own activities (Scope 1 and 2) were 300 thousand t-CO₂, or around 20% of the total (calculated for all the Group companies from FY2023).

The decrease in emissions in FY2024 compared to the previous fiscal year was due to a decrease in production volumes, which led to a decrease in Category 1 emissions under Scope 3. Furthermore, in Scope 1 and 2, also, each plant has been working diligently to reduce emissions.

*1 The Company's GHG emissions consist almost entirely of CO₂, with emissions of other gases being of an extremely small volume. We therefore focus on calculation of CO₂.

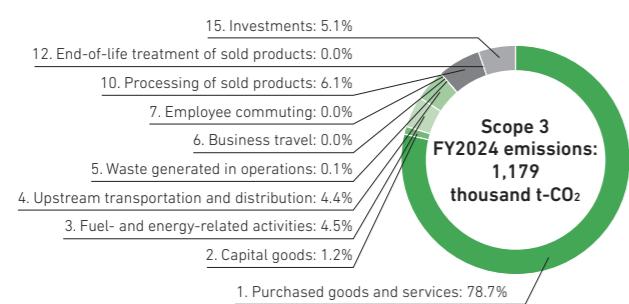
*2 CO₂ emissions are shown for Scope 1, 2, and 3 at the Company, all plants, the engineering business, and five Group companies (Group companies were added from FY2023).

*3 In calculating the CO₂ emissions, the adjusted coefficient was applied for the electricity supplied from electric power companies, and "Emission intensity database version 3.5 for calculating an organization's greenhouse gas emissions through the supply chain" was applied to the emission intensity.

● Scope 3 emissions

Categories	Applicable items	CO ₂ emissions (t-CO ₂)			Percentage of FY2024		
		FY2013	FY2022	FY2023			
1	Purchased goods and services	Purchased iron sources and coils, ferroalloys, secondary raw materials, and other materials (mining and manufacturing)	1,500,803	868,034	1,067,694	927,341	78.7%
2	Capital goods	Capital investment	5,128	11,237	17,620	13,849	1.2%
3	Fuel- and energy-related activities	Purchased fuel and electricity (mining and refining)	56,505	55,923	53,381	52,623	4.5%
4	Upstream transportation and distribution	Procurement logistics, shipment transport	72,732	63,678	56,179	51,451	4.4%
5	Waste generated in operations	Waste (treatment and transport)	617	945	935	974	0.1%
6	Business travel	Employee business travel	207	217	170	167	0.0%
7	Employee commuting	Employee commuting	357	380	349	345	0.0%
10	Processing of sold products	Product processing at customers' sites	74,144	86,998	70,791	71,826	6.1%
12	End-of-life treatment of sold products	Waste from product packaging materials at customers' sites	54	56	53	51	0.0%
15	Investments	Stock investees	113,724	67,817	67,830	59,981	5.1%
Total		1,823,673	1,154,723	1,334,371	1,178,608	100.0%	

No items corresponding to categories 8, 9, 11, 13, and 14

**(2) Independent third-party verification**

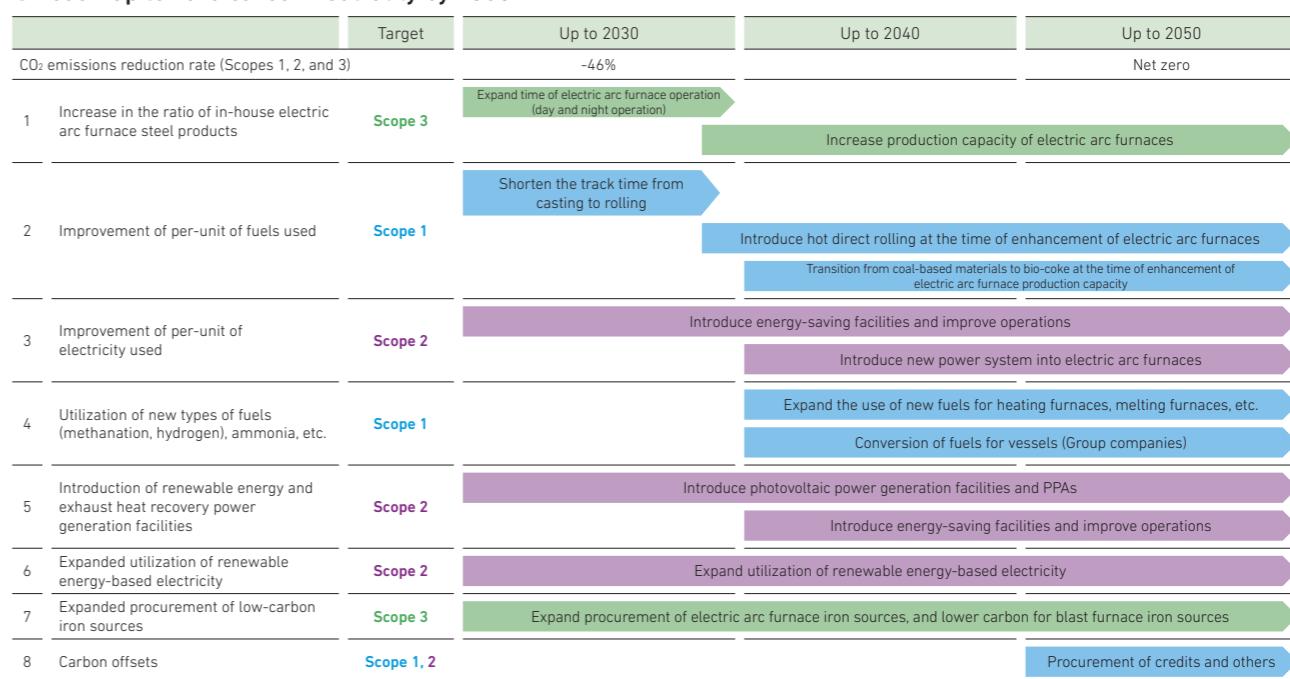
The Company has obtained an independent third-party verification report for its calculation result of Scope 1, Scope 2, and Scope 3 Category 1 emissions for FY2024 from JIC Quality Assurance Ltd., which conducted a third-party verification.

**(3) Roadmap to carbon neutrality in 2050**

The Company considers initiatives to achieve carbon neutrality in 2050 as an opportunity for business expansion. We will dramatically increase the production ratio of electric arc furnace products, which have only around one-quarter of the CO₂ emissions of blast furnace products, to slash Scope 3 emissions. Moreover, we will promote the introduction of energy-saving facilities, hot direct rolling, and solar power generation, aiming

to reduce CO₂ emissions by 46% or more compared to FY2013 by 2030.

Toward our goal of carbon neutrality by 2050, we will apply new equipment technologies and new fuels to production facilities and vessels, and so forth to further reduce fuel and electricity intensity, as well as promoting the introduction of renewable energy facilities and waste heat recovery power generation facilities.

● Roadmap toward carbon neutrality by 2050**5. Other Activities**

The Company is responding to climate change not only through TCFD-related operations, but also by actively participating in the activities of the following organizations.

(1) Participation in the GX League of the Ministry of Economy, Trade and Industry

The Company announced its agreement with the GX League led by the Ministry of Economy, Trade and Industry in March 2022, and joined in



May 2023. The GX League requires its members to set GHG emissions reduction targets and disclose transition strategies, among other activities, toward realizing carbon neutrality by 2050. The members also disclose these on the GX Dashboard on the official website of the GX League, and the Company is also engaged in this.

(2) Acquisition of "A" score in the CDP 2024 climate change response

CDP is a non-profit organization that evaluates

companies' environmental activities. Over 20,000 companies participate globally, and they are evaluated on an eight-point scale from A to D-.

In response to the 2024 questionnaire, the Company received an "A" score for its disclosure on climate change, which is highly relevant to the Company.

For the same response, the Company was selected as a Supplier Engagement Leader, the highest rating in the Supplier Engagement Assessment, which focuses on assessing collaboration with suppliers.

In CDP 2025, we are planning to respond about water in addition to climate change.

**(3) Acquisition of SuMPO EPD (environmental label)**

We plan to commence activities for acquiring this label from the second half of FY2025.

5 Recycling (Contributing to a Recycling-Oriented Society)

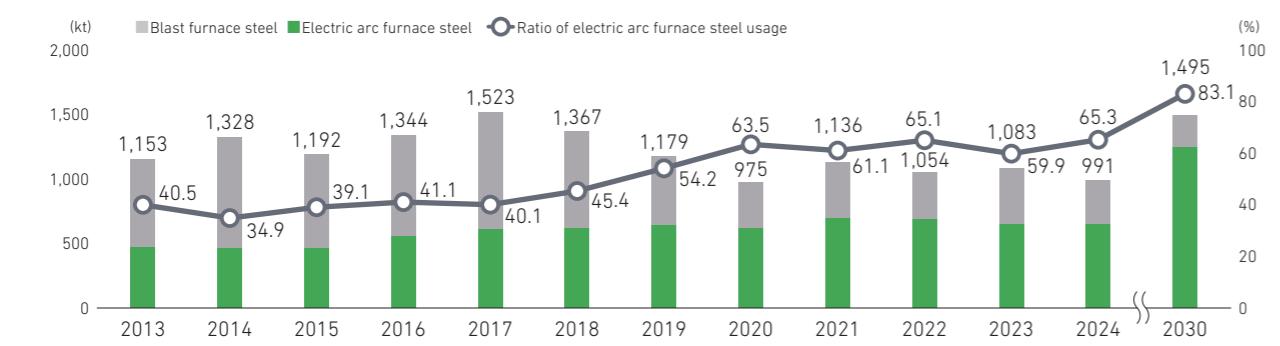
(1) Increased proportion of electric arc furnace steel (both in-house and purchased)

We produce steel products using the electric arc furnace steelmaking process, with iron scrap as the primary raw material. By recycling steel resources, we contribute to a recycling-oriented society.

We cover the shortfall in iron sources for our in-house electric arc furnace steel production by procuring material from other steelmakers. These sources fall into two categories: electric arc furnace steel and blast furnace steel produced using the blast

furnace and converter steelmaking method. Shifting iron sources procured from other steelmakers to electric arc furnace steel enables the recycling of steel resources. In addition, CO₂ emissions from producing electric arc furnace steel have been found to be about one-quarter of those from blast furnace steel. As well as ramping up production of our own electric arc furnace steel, shifting iron sources procured from other steelmakers to electric arc furnace steel not only boosts resource recycling but also advances our carbon neutrality efforts.

Ratio of electric arc furnace steel usage



(2) Recycling of iron scraps

We have established a recycling system in which iron scraps from dismantled plant equipment and facilities is supplied to scrap processors. After processing, the recycled materials are returned to the Company. In FY2023, we processed 3,496 tons in this way, and in FY2024, 783 tons.

(3) Recycling of electric arc furnace slag

We use electric arc furnace slag, a by-product of our manufacturing processes, as roadbed material. Since 1993, we have used steam-aging equipment to stabilize slag expansion, ensuring our products meet standards for expansion characteristics and environmental safety. As well as ensuring proper management in line

with the Nippon Slag Association's guidelines for the management of steel slag products, we strive to enhance the reliability of our management system by undergoing audits conducted by third-party organizations.

(4) Recycling of by-products

Various by-products are generated in our manufacturing processes, including electric arc furnace slag, mill scale, brick waste, and dust. In FY2024, 153,000 tons of by-products were generated. As results of recycling processes such as the reuse and reprocessing of by-products both within and outside the Company, we reduced landfill disposal to 5,500 tons. The recycling rate remains high at 96.4% and we will continue striving to maintain this level.

Breakdown of by-products

FY	2020	2021	2022	2023	2024
External sales	70.0	71.7	75.6	60.5	78.1
Intermediate processing	22.9	25.8	26.5	27.1	28.2
Internal use	37.8	42.6	39.2	40.3	40.8
Recycling volume total	130.7	140.1	141.3	127.9	147.1
Final disposal volume ^{*1}	3.9	4.6	5.7	5.3	5.5

* Data includes that of the former Nakayama Mitsubishi Steel Products, Ltd., merged in April 2022.

^{*1} Final disposal volume. The amount of waste landfilled without recycling

By-product recycling



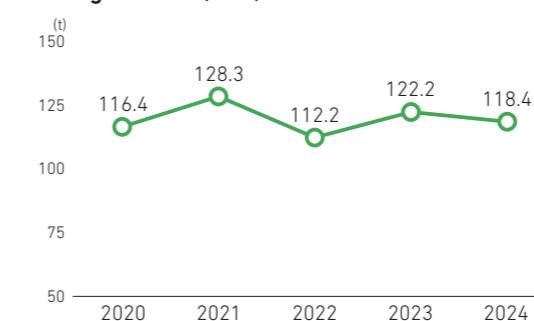
6 Management and Reduction of Environmentally Harmful Substances

We prioritize "striving to create and conserve a comfortable local environment" as one of our environmental policies, focusing on reducing environmental burden on air and water quality.

(1) Reducing emissions of air pollutants

Our main air pollutants are nitrogen oxides (NOx) and

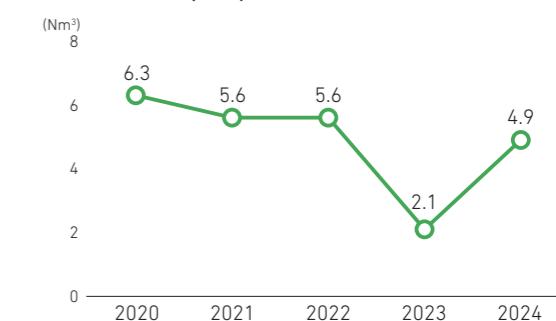
Nitrogen oxide (NOx) emissions



sulfur oxides (SOx), and we are working to reduce their emissions.

We are cutting NOx emissions by installing low-NOx burners and enforcing strict combustion management. Additionally, we are cutting SOx emissions by converting fuel gas to liquefied natural gas (LNG) and city gas.

Sulfur oxide (SOx) emissions

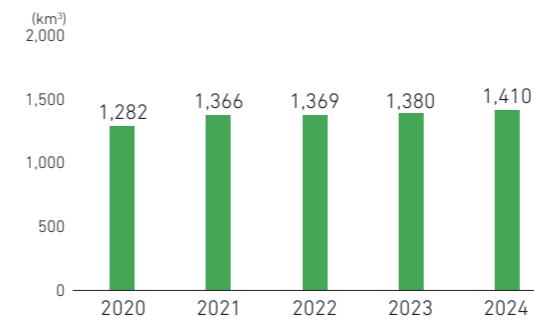


warming. We conduct regular inspections and calculate leakage amounts for commercial air conditioning equipment and other relevant devices.

(2) Reducing water usage and addressing water pollution measures

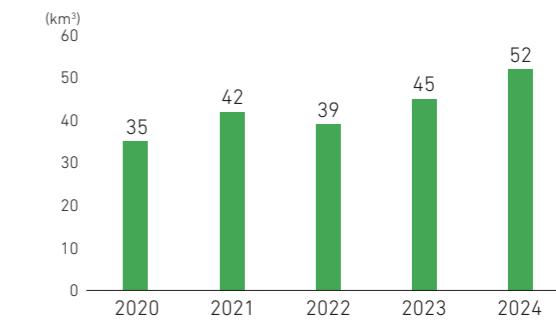
In FY2024, we used 1.41 million m³ of industrial water and 50,000 m³ of tap water, discharging 250,000 m³ into public water bodies after purification treatment. We need a large amount of water for our manufacturing processes and recognize water scarcity as a risk. No business sites are classified as high risk or above in the WRI Aqueduct water stress assessment, indicating they are not exposed to water stress. However, we continue efforts to promote reuse through water treatment facilities and reduce usage by improving productivity.

Industrial water usage



* Data includes that of the former Nakayama Mitsubishi Steel Products, Ltd., merged in April 2022.

Tap water usage



● Water volumes by intake sources and discharge destinations

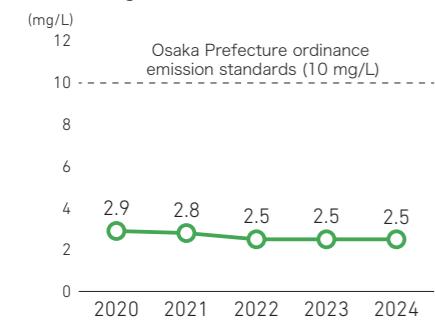
FY	2020	2021	2022	2023	2024	(km ³)
Water intake by source	Industrial water	1,282	1,366	1,369	1,380	1,410
	Tap water	35	42	39	45	52
	Cooling seawater	2,899	2,899	2,899	2,899	2,891
	Groundwater	6	8	13	11	5
Total	4,222	4,315	4,320	4,335	4,358	
Discharge volume by destination	Sewerage system	5	5	5	6	5
	Rivers and marine areas (treated water)	280	251	317	290	254
	Rivers and marine areas (untreated)*1	2,905	2,907	2,912	2,910	2,896
	Total	3,189	3,163	3,234	3,206	3,155

*1: Water used for indirect cooling purposes without increasing pollution load

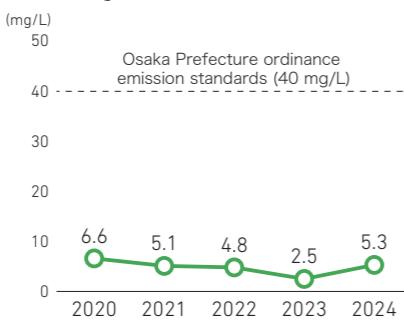
We reuse over 90% of the water in our production process, effectively utilizing water resources and curbing discharge volume. We regularly monitor discharges into public water bodies for chemical oxygen demand (COD),

suspended solids (SS), total nitrogen (T-N), and harmful substances, actively working to prevent water pollution. In FY2024, there were no cases of violations or fines for exceeding water quality standards.

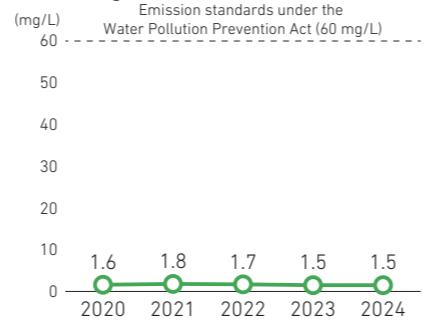
● Chemical oxygen demand (COD) in discharged water



● Suspended solids (SS) in discharged water



● Total nitrogen (T-N) in discharged water



(3) Management of chemical substance emissions

We track and report the emissions and transfers of chemical substances to the Ministry of Economy, Trade and Industry annually, in accordance with the Pollutant Release and Transfer Register (PRTR) Act.*1 In FY2024, transfers of specified chemical substances to locations outside of business sites amounted to 375 tons, with emissions of 71 tons to the atmosphere and 17 kg to public water bodies. Of these, emissions of volatile organic compounds (VOCs)*2 to the atmosphere totaled 71 tons.

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

*2 Volatile Organic Compounds (VOCs). Organic compounds that are volatile and become gaseous in the atmosphere

Additionally, we properly store and manage PCB (polychlorinated biphenyl) waste under the PCB Special Measures Act, systematically replacing and disposing of it within the set processing deadlines.

(4) Proper waste management

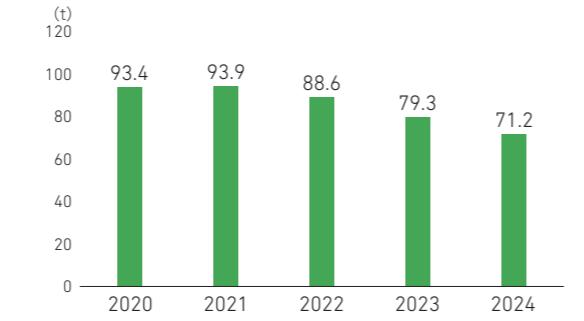
We verify the licenses of industrial waste disposal companies and entrust the disposal of industrial waste generated from our business activities to companies qualified for proper handling. We ensure our waste is

● Transfer and emissions of PRTR-reportable substances

	Unit	2020	2021	2022	2023	2024
Volume transferred outside business sites	t	289.6	331.7	320.7	331.7	375.1
Emissions into atmosphere	t	93.5	93.9	88.7	79.4	71.3
Emissions into public water bodies	kg	19.0	17.0	22.0	20.0	17.0
Number of target substances	-	8	8	8	11	12

* Data includes that of the former Nakayama Mitsubishi Steel Products, Ltd., merged in April 2022.

● Volatile organic compounds (VOCs) emissions into atmosphere



properly managed by conducting regular inspections of processing activities and using manifests correctly.

We have adopted an electronic manifest system.

Contribution to Society

The Nakayama Steel Works Group emphasizes stakeholder engagement, striving to strengthen trust through information disclosure and dialogue. We incorporate stakeholder feedback and requests into our management to fulfill our management philosophy

● Stakeholder engagement

of continuing to be of service to society. Through our business, we will continuously contribute to social development and enhance corporate value, aiming to be a company trusted by society.

- Contributing to the creation of a safe and comfortable social environment
- Providing products and services that satisfy customers through strict quality control
- Building a business continuity framework to ensure product supply during disasters, emergencies, and other risks

- Timely and appropriate information disclosure and communication
- Shareholder returns



NAKAYAMA STEEL WORKS, LTD.

Continuing to be of service to society

Shareholders and investors

Employees

Local communities

Global environment

- Strengthening ties with business partners through factory tours and networking events
- Building trust by promoting green procurement

- Respecting employee rights (fostering a more supportive work environment)
- Being a company where work is rewarding (respect for rights and improved treatment)
- Promoting human capital management

- Contributing to local communities (e.g., cleaning public roads)
- Actively participating in and sponsoring local events

● Promoting initiatives in line with the ISO 30414 guidelines for human capital reporting and disclosure

(1) Promoting diversity and inclusion ISO 30414 Diversity

- Recruiting talent with the strengths and personality to drive our growth strategies
- Creating an environment where diverse talent can thrive, regardless of gender or values
- Policy of promoting individuals to managerial roles regardless of gender or whether they were hired as experienced professionals (A female director was appointed at the 129th Annual General Meeting of Shareholders held on June 28, 2023)
- Establishing systems for childcare and nursing care leave, remote work, reduced working hours, and half-day paid leave
- Establishing remote work environments and welfare facilities
- Promoting the use of paternity leave
- Expanding the use of senior talent

(2) Strategy to improve employee engagement ISO 30414 Organizational culture, health, safety, and well-being

- Promoting health-oriented management (recognition as an Outstanding Organization of KENKO Investment for Health, conducting health awareness surveys, and implementing specific health guidance)
- Enhancing the workplace environment (upgrading air conditioning systems, renovating changing rooms and restrooms, and improving rest areas)

(3) Strengthening human resource development ISO 30414 Skills and capabilities

- Policy to base education on both OJT (on-the-job training) and OFF-JT (off-the-job training) with a view to developing people who will contribute to management
- Support through human resource development programs, including level-specific training and skill enhancement courses
- Supporting skill development through self-management (JK: jishu kanri) activities and promoting distance learning and qualification acquisition programs



Details of the Group's human rights policy can be found here. ➔

1 Human Rights

(1) Human rights and working environment

Guided by its corporate philosophy, the Nakayama Steel Works Group has established the Nakayama Steel Works Officer and Employee Code of Conduct. This code emphasizes respect for individual personalities and uniqueness, fostering an environment where diverse talents value one another, ensuring safety and comfort in the workplace, and ultimately strengthening and enhancing our corporate vitality.

In response to the recent growing awareness of human rights, the Group has adopted and established the Nakayama Steel Works Group Human Rights Policy in accordance with international standards such as the United Nations' Guiding Principles on Business and Human Rights, as resolved by our Board of Directors.

We recognize that respecting human rights is a key social responsibility for the Group. On the basis of this policy, we will advance initiatives to uphold human rights throughout the entire Group. In March 2025, we held a seminar themed "business and human rights" to advance the Group's efforts in promoting respect for human rights.

■ Respect for human rights and diversity

1. We respect all human rights and do not discriminate based on factors such as race, skin color, creed, religion, gender, nationality, age, sexual orientation, or disability.
2. We embrace diverse values and do not commit any form of harassment.
3. We do not force labor against employees' will, or employ children below the legal minimum employment age.
4. We comply with labor laws and their intent, striving to maintain and improve a safe and protected working environment.

(2) Respect for employees' rights

We respect the rights to form labor unions and engage in collective bargaining in accordance with laws and labor agreements. The president, senior management, and union representatives regularly meet to discuss management issues, work-life balance, workplace environment, and labor conditions. They are committed to fostering a dynamic workplace and building a healthy and positive labor-management relationship through sincere consultations.

(3) Appropriate working hours and wage levels

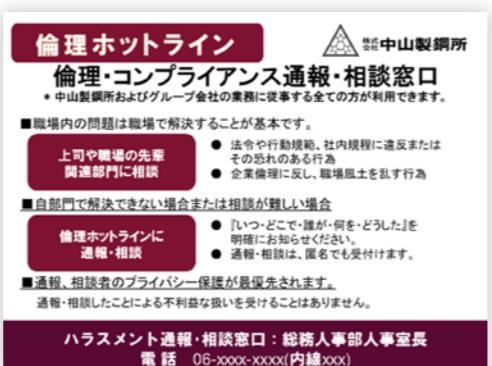
With regard to employee working hours, we ensure compliance with labor laws, agreements, and work regulations as stated in the Officer and Employee Code of Conduct. Additionally, we use an attendance management system to monitor daily working hours, preventing illegal overtime. The Group is improving

operational efficiency to optimize working hours and reduce excessive workloads. We comply with the legal requirement to pay wages above the minimum wage, and strive to provide and maintain a wage level that ensures our employees can live comfortably. Annually, we establish a labor-management agreement with our labor union to set the Company's minimum wage above both the regional minimum wage and the specific (industry-specific) minimum wage. This is based on the revised amounts determined each year by the Minimum Wages Council.

(4) Efforts to prevent harassment

We have established the harassment prevention regulations and conduct training sessions by role, including for officers and employees, alongside displaying posters. In the compliance seminar, part of our level-specific training program, we invite external lawyers and experts to educate participants on specific cases, including recent legal amendments and case law. In FY2024, we held a training session on human rights and harassment prevention, which was attended by 222 participants. We will continue this training to enforce a strict prohibition on harassment and discrimination.

We have set up an employee consultation desk that prioritizes the privacy of individuals reporting or seeking advice on harassment or human rights violations. When we receive consultations or reports, we conduct thorough internal investigations and provide corrective guidance as needed to ensure a comfortable work environment.



* We distribute the above card for carrying to all officers and employees of the Group companies to ensure full awareness.

2 Safety and Health

On the basis of the core principle of "safety above all," we prioritize safety, health, and disaster prevention in all our activities. To foster a safe and secure workplace, we annually develop an integrated disaster prevention management plan and advance activities through the Disaster Prevention Council and the Safety and Health Committee.

Our Safety and Health Management Policy applies not only to the Company but also to our affiliated partner companies.

■ FY2025 Safety and Health Management Policy

Core principle

"Safety above all"

Basic policy

In 2024, the Company and its partner companies reported 13 accidents in total, marking the fourth consecutive year with over 10 accidents. Major accidents were due to an inadequate response or a lack of awareness regarding risk. We believe that insufficient checks before action led to the accidents. In the area of health, we enhanced our medical check-up program to promote early detection and improvement of health issues.

In FY2025, we will go back to basics in safety, reflecting on last year's lessons. We will ensure that each person strictly follows the rules and thoroughly practices pointing and calling. This fiscal year, we will continue the president's patrols to cultivate safety awareness.

Regarding health as well, to lower the percentage of employees with health issues, we will strengthen occupational physician meetings and promote health-oriented management to raise awareness and reduce health risks.

All employees must recognize that the safety and health activities they plan and implement will protect themselves and their colleagues. By thinking and acting with responsibility, they will build a safe and secure workplace.

Slogan

Build a safe and secure workplace by adhering to basic rules and performing safety checks through pointing and calling

Goals

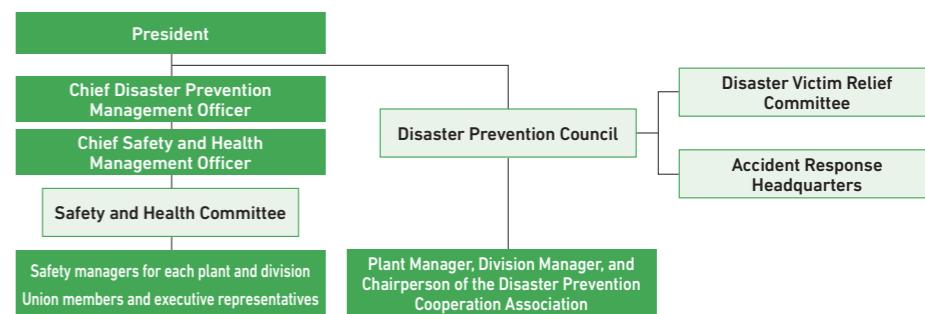
- (1) Safety → Zero lost-time accidents
- (2) Health → Zero occupational diseases
- (3) Traffic → Zero traffic-related accidents (lost-time injuries)

Key initiatives

Safety management	(1) Building a safe and secure workplace through safe behavior
Health control	(2) Strengthening workplace risk reduction activities (proactive safety measures)
Traffic safety	(3) Health-oriented management initiatives address physical and mental challenges while improving the workplace environment
	(4) Ensuring traffic safety

■ Risk management in safety and health

We have formed the integrated disaster prevention management organization shown on the right to strengthen risk management.



(1) Safety initiatives

We have established the following bodies as advisory and decision-making entities for safety and health matters.

	Summary of organization	Scope	Meeting frequency and achievements
Disaster Prevention Council	The highest decision-making body for fundamental safety and health management matters	<ul style="list-style-type: none"> Deliberation and decision-making on the annual implementation plan for safety and health management Deliberation and decision-making on the annual budget Review of the progress of the annual implementation plan Deliberation and decision-making on other fundamental matters 	<ul style="list-style-type: none"> Meetings are typically held twice a year, with sessions in FY2024 on September 3 and February 5 Special meetings can be held when necessary
Safety and Health Committee (legal committee)	Advisory body on safety and health management matters	<ul style="list-style-type: none"> Agenda items under Articles 21 and 22 of the Ordinance on Industrial Safety and Health Other matters related to safety, health, and disaster prevention 	<ul style="list-style-type: none"> Held monthly, typically on the second Tuesday, for a total of 12 times a year Special meetings can be held when necessary

(2) Held an internal safety and disaster prevention conference

Our Group action guidelines stress that all employees should recognize and act on the principle that "safety and disaster prevention are fundamental to a company's existence" and "strive to ensure a safe and comfortable working environment to achieve ease and prosperity." We implemented various initiatives targeting zero industrial accidents. As part of these efforts, we held a safety and disaster prevention conference in July 2025. This year, around 110 participants from the Company and partner companies attended, sharing a commitment to working together to actively engage in safety initiatives and prioritizing safety.

Frequency rate



* Frequency rate: Indicates the frequency of accidents by the number of casualties by industrial accidents per working hour

(4) Health initiatives

We have occupational physicians and internal medicine doctors from our contracted medical institution review medical check-up results. For individuals needing attention, we issue a health monitoring form to obtain the hospital's confirmation stamp, and have the workplace supervisor verify it. We also notify families, ensuring that both the family and the Company safeguard employees' health. We conduct work environment assessments and strive to improve workplace conditions.

As part of our commitment to health-oriented management, we have been conducting employee health awareness surveys since 2019. We will continue to monitor employees' health and improve workplace

(3) Accidents over the past five years

In 2024, there were three lost-time accidents, but zero fatal or serious accidents. Despite this, it was a year with a high number of accidents. In 2025, we aim to achieve zero accidents in line with our Safety and Health Management Policy.

Number of occurrences

* The number of occurrences is compiled on a calendar year basis. (Cases)

	2020	2021	2022	2023	2024
Fatalities	0	0	0	0	0
Lost time	5	4	4	5	3
Continuous operation	6	12	12	10	12

Severity rate



* Severity rate: Indicates the severity of accidents by the number of lost workdays per working hour

conditions to enable them to perform at their best.

We conduct annual in-house influenza vaccinations with the support of contracted medical institutions to prevent viral infections. Subsidies from the health insurance association help make vaccinations easily accessible. During National Occupational Health Week, we invite slogans that promote maintaining mental and physical health, keeping the workplace clean and tidy, and fostering a more comfortable work environment to raise awareness of well-being.

Recent summers have become increasingly severe, prompting new heatstroke prevention measures and a focus on rigorous health monitoring.

Results of health awareness survey

	2022	2023	2024	Notes
Performance score (points)	72.0	71.0	72.2	Average score of self-assessment on business performance (maximum 100 points)
High performer (%)	70.2	66.7	71.2	The percentage of self-assessments scoring 70 points or more out of 100 points on business performance
Workplace cohesion score (points)	58.7	58.0	58.6	Convert individual assessments of workplace cohesion, currently rated from 1 to 4 points, to a 100-point scale
Individuals who rate workplace cohesion highly (%)	56.1	54.1	56.1	The assessment score before conversion to a 100-point scale is 3 points or more (about 67 points or more on a 100-point scale)
Scores for enthusiasm and vitality at work (points)	48.3	46.7	46.9	Convert individual assessments of enthusiasm and vitality for one's work, currently rated from 1 to 4 points, to a 100-point scale
Highly engaged employees (%)	39.8	36.8	36.6	The assessment score before conversion to a 100-point scale is 3 points or more (about 67 points or more on a 100-point scale)
Health awareness score (points)	41.0	40.3	40.1	The progress of an individual through the stages of health-related behavior change is converted to a 100-point score using a proprietary calculation
Practitioner of healthy behavior (%)	63.1	61.5	61.7	Behavior change stages are advancing through the "implementation," "maintenance," and "establishment" phases

(5) Efforts to ensure traffic safety

We have set action targets and are working toward achieving zero traffic incidents (including lost-time injuries and accidents).

Action goals

Achieve zero traffic violations by strictly adhering to traffic rules both on and off premises
Ensure strict measures to prevent vehicle load falls
Enhance traffic manners for vehicles and bicycles, both on and off premises

Trends in commuting accidents and on-site vehicle incidents

	2020	2021	2022	2023	2024
Commuting accidents	1	3	1	1	1
On-site vehicle incidents	3	1	0	1	3

(6) Efforts in disaster prevention

A fire or explosion would not only severely disrupt business operations and cause significant damage but also erode stakeholder trust. Therefore, we are intensifying our disaster prevention awareness and actively strengthening our fire and disaster prevention management activities. We are preparing disaster prevention manuals and regulations for the anticipated Tohankai and Nankai Earthquake, implementing a safety confirmation system, and conducting safety confirmation drills for all employees. We are advancing seismic reinforcement and disaster

Main initiatives

Conduct public awareness campaigns during the National Traffic Safety Campaigns in spring and autumn
Share information through safety and health news, the Safety and Health Committee, and the company bulletin board
Every September, focus on preventing vehicle-related accidents to enhance traffic safety awareness
Ensure strict adherence to traffic safety regulations by enforcing seatbelt use, speed limits, and mobile phone restrictions
Participate in the no-accident, no-violation challenge contest at Taisho-ku, Osaka City

equipment preparation. Additionally, every December, we conduct evacuation drills and host disaster preparedness workshops. We will continue to enhance risk management and strengthen our disaster prevention systems.

Firefighting training



Evacuation drill



★ 1 Third security gate entrance
★ 2 Fourth security gate entrance
★ 3 Hot strip and plate mill entrance
★ 4 South entrance of No. 2 slitter
★ 5 South side of First Product Warehouse

(8) Internal safety training

We conduct safety and health training for site entrants, supervisor training, and hazard awareness training to boost employee safety awareness and strive for zero accidents. We will continue to conduct internal and external training to develop a workforce and workplace that prioritize safety.

Status of internal safety training attendance

	2020	2021	2022	2023	2024	Notes
Safety and health training for site entrants	1,105	1,070	1,206	1,560	1,455	Targeting new site entrants, temporary staff, and experienced workers for construction and related operations
Safety and health training for new employees	16	16	9	13	10	
RST training (team leader candidates)	0	10	5	18	12	In-house training by RST-certified personnel (employees)
Hazard awareness training	82	51	49	63	91	
Gas skills training	5	10	6	10	8	Resumed as a registered training institution from FY2020
Slinging operation skills training	9	20	9	17	10	Resumed as a registered training institution from FY2020
Special training on fall prevention equipment	30	61	70	67	22	Special internal training by those who have completed trainer training
Basic life-saving course	0	0	0	54	32	First aid instruction by certified trainers (suspended from 2020 to 2022 due to COVID-19 prevention measures)

3 Health-Oriented Management

We are committed to promoting health-oriented management so that all employees are both mentally and physically energized and engaged in their work, thereby raising productivity and improving corporate value.

■ Recognized in the 2025 Outstanding Organization of KENKO Investment for Health (under the large enterprise category)

Since 2020, we have consistently been recognized as an Outstanding Organization of KENKO Investment for Health in the large enterprise category. This program is led by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council).

In March 2025, we were named a 2025 Outstanding Organization of KENKO Investment for Health.



(1) Framework for promoting health-oriented management

Under the leadership of the Chief Health Management Officer (Representative Director and President), we implement health maintenance and promotion initiatives in coordination with all employees. These initiatives adhere to the health maintenance and promotion policies set by the Health Promotion Council, which includes the labor union, Safety and Disaster Prevention Management Office, health insurance association, and occupational physicians.

(2) Initiatives to reduce the ratio of employees with findings related to lifestyle-related diseases

As our employees' average age has increased, the ratio of employees with findings related to blood pressure, blood sugar, and lipid levels are two to three times the national average, placing them at very high levels. Supporting health initiatives and raising health awareness to prevent the progression of diseases is crucial for retaining employees with expertise and skills over the long term. We see this as a major challenge as we advance our business activities.

● Trends in the ratio of employees with findings related to lifestyle-related diseases (%)

	FY2021	FY2022	FY2023	FY2024	FY2025 targets
Blood pressure	59.1	53.0	57.4	53.8	17.9
Blood sugar	48.2	46.3	47.3	48.0	12.1
Lipids	68.6	66.5	63.2	60.0	33.3

■ Measures and targets to reduce the ratio of employees with findings

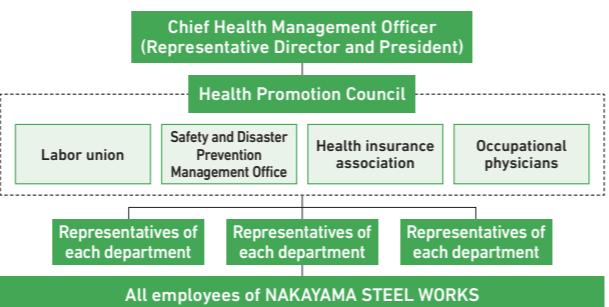
We have introduced health management services,

NAKAYAMA STEEL WORKS Health-Oriented Management Declaration

Since its founding, the Nakayama Steel Works Group has contributed to society by offering products and services focused on steel. For over a century in manufacturing, employees have been our most valuable assets, and their health has been the cornerstone of our business.

At the Nakayama Steel Works Group, we declare our commitment to continuing to be of service to society, as stated in our management philosophy. To contribute to society, we view resolving employee health issues as a vital management challenge. We pledge to advance health-oriented management and be fully dedicated to maintaining and improving employee well-being.

June 2025
Nobuhiko Naito
Representative Director and President



including health awareness surveys, relaxation yoga, and shoulder stiffness relief seminars. These services encourage employees to become health-conscious and adopt healthy habits. Our specific goal is to cut the percentage of employees not engaging in healthy behaviors from 38% before starting our health-oriented management by about half, to 20%.

We aim to increase the implementation rate of specific health guidance from 22.1% before our health-oriented management to over 55.0% by FY2025, as mandated by the Act on Assurance of Medical Care for Elderly People.

● Percentage of employees not engaging in healthy behaviors (%)

	FY2021	FY2022	FY2023	FY2024	FY2025 targets
	32.4	36.9	38.5	38.3	20.0

● Implementation rate of specific health guidance (%)

	FY2021	FY2022	FY2023	FY2024	FY2025 targets
	36.4	35.9	46.5	37.5	55.0

4 Promoting Diversity and Inclusion and Developing Human Resources

To properly grasp the rapidly changing external environment and make bold reforms for the future, we are working to embed our corporate philosophy and strengthen our HR strategy. We also carried out initiatives from four perspectives: enhancing human resource development, promoting diversity and inclusion in our human resources, ensuring diversity, and improving employee engagement.

To foster human resources, we aim to enable diverse career development that maximizes individual potential through self-directed career growth, while focusing on the early development of the next generation of management and leaders.

To promote diversity and inclusion, we will recruit talent with strengths and personality to drive our growth strategies, and create an environment where diverse talent can thrive, regardless of factors such as their gender or personal values.

Specifically, we aim to promote individuals to managerial roles regardless of gender or whether they were mid-career hires. As of the end of March 2025, the percentage of women in management positions is only 6% of all management positions. However, with the development of candidates for assistant manager roles as junior manager, we plan to increase the percentage of female managers to over 25% by the end of March 2026.

We are enhancing work-life balance by supporting diverse working styles. We have established systems for remote work, reduced working hours, and half-day paid leave; improved remote work environments; and upgraded facilities such as changing rooms

and restrooms. From FY2025, we have introduced insurance to support balancing medical treatment and work. We will continue to enhance systems and create environments that support diverse talent, including encouraging paternity leave and promoting the active participation of senior personnel.

(1) Employment initiatives

As we require long-term and stable talent, we prioritize the recruitment of regular employees to ensure they can have secure and fulfilling lives.

In April 2024, we raised the retirement age to 65, which is expected to increase the proportion of regular employees.

In a tough hiring climate, promoting diversity and securing a diverse workforce requires reaching out to a new pool of candidates. As part of this effort, we introduced referral and alumni recruitment programs in December 2024. Through the contributions of our diverse workforce, we aim to strengthen our human capital and enhance our sustainable corporate value.

(2) Promotion of women's participation

We have formulated and published a General Employer Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life.

We will increase the percentage of women in management positions to foster leadership talent without gender bias and boost paid leave uptake to improve work-life balance across the Company.

● Employee voluntary resignation rate

	FY2020	FY2021	FY2022	FY2023	FY2024
Voluntary resignations (persons)	11	15	25	20	20
Voluntary resignation rate (%)	2.1	2.8	3.3	2.7	2.7

* For regular employees only (excluding contract employees)

● Paid leave usage rate

	FY2020	FY2021	FY2022	FY2023	FY2024
Paid leave usage rate (%)	48.0	74.7	75.3	86.1	82.8

* During FY2020, due to the spread of COVID-19, temporary furloughs were implemented.

■ General Employer Action Plan

We have formulated an action plan to establish a more supportive work environment for women.

1. Plan period Five years from April 1, 2021 through March 31, 2026
2. Targets (1) Increase the percentage of female managers to over 25%
(2) Raise the paid leave usage rate to 80% or higher
3. Initiatives Continue to actively hire women, improve the workplace environment to make it more supportive for them, and raise awareness about paid leave usage
4. Implemented initiatives Renovated changing rooms to include shower and powder rooms
Introduced half-day paid leave system

(3) Support for balancing work and childcare

We aim to create a workplace where employees can thrive while balancing work with childbirth and childcare. To achieve this, we are expanding and encouraging the use of support systems that help employees manage both sets of responsibilities. We will continue to raise awareness and understanding of the system and encourage its use to foster a more supportive work environment.

● Childcare leave usage

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of male employees taking childcare leave (persons)	0	1	5	6	9
Number of female employees taking childcare leave (persons)	2	1	1	3	3

* The percentage of male employees taking childcare leave is 54.5% (FY2024).

(4) Promotion of employment for people with disabilities

We ensure that employees with disabilities can work with peace of mind. Since October 2025, we have leased a cooperative farm to directly employ people with disabilities. For hiring them, we will continue to create a workplace where they can work comfortably and fully realize their potential, regardless of the severity of their disabilities. Our goal is to ensure they remain satisfied and committed.

● Percentage of employment for people with disabilities

	FY2020	FY2021	FY2022	FY2023	FY2024
Percentage of employment for people with disabilities (%)	1.31	1.53	2.31	2.06	2.22

(5) Improving employee engagement

We have developed a performance evaluation system

● Employee training



(ii) Overview of our training programs

Position	Staff position		Skill enhancement training	Position	Specialist position		Skill enhancement training	Common		
	Name	Purpose			Name	Purpose		Safety and health	Legal affairs	Self-improvement
Senior general manager/general manager level	Training for future executive leaders☆	Aim to cultivate exceptional management talent to guide the Company toward continuous sustainability and growth.	—	Foreperson level	Training for forepersons☆	Ensure that the role and position of the foreperson are clearly understood. Work to enhance the leadership, problem-solving, and subordinate development skills necessary for supervisors.	Coaching training			
Section manager level	Training for office or section managers☆	Recognize role as a manager (office or section manager) in managing performance, organization, and subordinates. Aim to understand practical managerial methods, clarify individual challenges, and expand perspective to gain a multifaceted view.	ISO training for managerial staff on environmental standards	Team leader level	Training for team leaders☆	Ensure that the role and position of the team leader are clearly understood. Enhance safety awareness as front-line supervisors.	Coaching training			
Assistant manager level	Training for assistant managers☆	Enhance practical skills to solve workplace challenges and create a dynamic work environment, considering changes in the business environment. Clarify individual challenges, broaden perspectives, and gain a multifaceted view to shift from a "player" to a "leader" in mindset and actions.	Environmental training for newly appointed manager	Mid-level employee training		Enhance skills, acquire expertise in safety management, and drive mindset change as mid-level employees.	RST training Workplace safety activities JK activities and workplace JK education Maintenance skills Training for acquiring certifications			
General	Manager selection research project	The entire workplace collaborates on research projects for the division's challenges and presents the results. (Manager selection criteria)	Steel product training Steel product materials technology seminar Factory tour Safety training ISO training JK basic education Slinging operation skills training Basic compliance training Introduction to steel (pig iron, rolling)	New employee training		Cultivate the mindset, knowledge, and skills essential for working at the Company, along with the awareness and responsibility expected of a professional.	Factory tour Safety training ISO training JK basic education Slinging operation skills training Gas welding skills training Basic compliance training			
	Mid-level employee training☆	Encourage employees to become core members who can lead the workplace, act independently with responsibility, and serve as role models for junior colleagues. Acquire theoretical thinking and communication skills needed for future management roles.								
	New employee training	Cultivate the mindset, knowledge, and skills essential for working at the Company, along with the awareness and responsibility expected of a professional.								

☆ Training including exchange with other companies

(iii) Strengthening collaboration with universities to drive product development and contribute to education and human resource development (including Kyushu University* and others)

- We are working on developing functional and environmentally friendly "green electric arc furnace steel materials" by incorporating insights and technologies backed by scientific evidence obtained through joint research and other collaborations.
- Starting in FY2024, we launched unique programs—including internships and factory tours that provide hands-on manufacturing experience—to nurture talent in the steel and manufacturing industries and support educational institutions such as universities.

Through these initiatives, we offer young talent—the future leaders of the industry—opportunities to gain

practical experience and enhance their understanding of the sector.

In FY2025, we invited students from Kyushu University to our Funamachi Plant for a program held from August 18 to 29. On the final day, the participating students had an opportunity to discuss their achievements with our engineers, fostering deeper engagement in a highly meaningful experience.

We will continue to further strengthen collaboration with universities and educational and research institutions, channeling these achievements and technologies into economic activities. By merging corporate needs with university education and research activities, we aim to drive mutual growth and contribute to societal development.

* Observer for the Industry-Academia Collaboration Council

● Training attendance record

	Name	(Persons)				
		FY2020	FY2021	FY2022	FY2023	FY2024
Level-specific training	Training for future executive leaders	Postponed	2	2	2	2
	Training for office or section managers	3	1	1	4	5
	Training for assistant managers	None eligible	3	3	2	5
	Manager selection research project	None eligible	3	3	2	14
	Training for forepersons	4	Postponed	5	4	3
	Training for team leaders	14	Postponed	8	11	8
	Evaluator training	—	—	—	—	249
	Mid-level employee training	4	4	6	5	7
	New employee training	16	16	14	16	10
	ISO training for managerial staff on environmental standards	—	15	None eligible	None eligible	None eligible
Skill enhancement training	Environmental training	Postponed	Postponed	7	None eligible	None eligible
	Steel product training	4	None eligible	2	3	5
	Steel product materials technology seminar	4	2	None eligible	3	1
	Coaching training	—	2	None eligible	None eligible	4
	Introduction to steel	40	8	14	11	14

● Employee training and education expenses

	FY2020	FY2021	FY2022	FY2023	FY2024
Employee training and education expenses	2,230	2,890	12,042	29,760	24,547

* From FY2022, this includes costs for external training participation, certification exam fees, and education and training expenses for employees in the Building Materials Division.

(7) Promoting and implementing self-management (JK: *jishu kanri*) activities

Our self-management initiative, known as *jishu-kanri* activities, is a long-standing tradition that began in January 1973. Since the first in-house Self-Management Activities Presentation Conference in March of that year, we have held these events twice a year, reaching a total of 147 times by FY2025. Since first winning the Inspirational Award at the 68th Self-Management Activities Presentation Conference hosted by the

Japan Iron and Steel Federation in September 2006, we have earned one Top Award, four Inspirational Top Awards (now the Top Award), 19 Inspirational Awards, and one Excellence Award. Under the slogan "SQC (Safety/Quality/Cost) through JK Activities!", we have strengthened our organizational capabilities and pursued improvement initiatives in each workplace, leading to enhanced profitability. We also promote JK activities by providing JK training to young employees and mid-career hires.

● The first in-house Self-Management Activities Presentation Conference (1973)



● First-time winning the Top Award at the Japan Iron and Steel Federation's Self-Management Activities Presentation Conference (2007)



● Training for new employees (2025)



5 Thriving Together with Local Communities

We are committed to fulfilling our responsibilities as a good corporate citizen. We continuously engage with local residents, contribute to the community, and protect the local environment.

(1) Hosting factory tours for elementary school students

We respect children's rights and actively support manufacturing education activities based in the local community. We actively host factory tours for elementary school students and their teachers. Before each tour, we provide explanations using slides and teaching materials. Participants then get a close-up view of the rolling process, with a focus on the hot strip and plate mill. After the factory tour, we hold a Q&A session to address a variety of questions from the elementary school students.



● Tours hosted

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of schools accepted	1	3	4	2	2

(2) Community cleanup volunteer activities

On the third Wednesday of each month, we collect trash and clean up the east and west sidewalks along Taisho Street from Hirao to Higashifunamachi in Taisho-ku, Osaka. This initiative, implemented as part of our cleanup efforts since 1992, was awarded a letter of appreciation by the city of Osaka in 2013.

From March 2020 to September 2021, we paused activities to prevent the spread of COVID-19. We resumed in October 2021 and carried out eight cleanups in FY2024.

Each time, around 25 volunteers participate, earning appreciation from the local residents.



● Our cleanup team in action



(3) Donations

We make extensive donations to scholarship foundations, educational institutions, and local communities to nurture future talent. In February 2024, we donated 3 million yen through the Japanese Red Cross Society to support relief efforts and reconstruction in areas affected by the Noto Peninsula Earthquake that struck that year.

We have no history of political contributions.

● Donations and political contributions

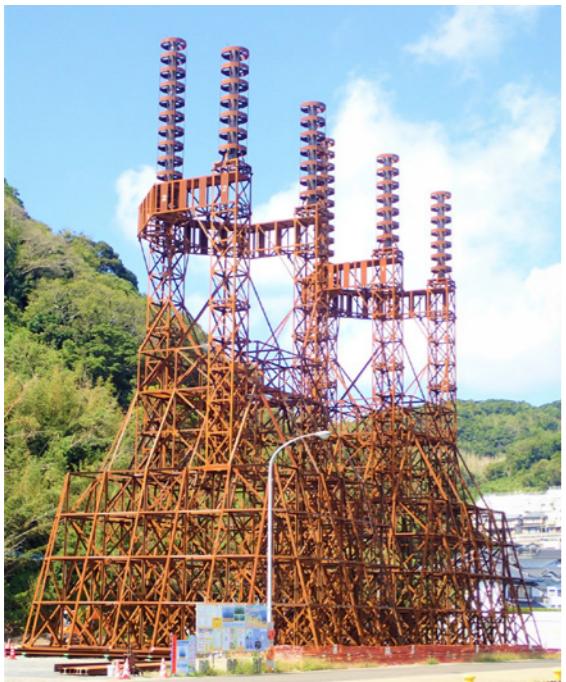
	FY2020	FY2021	FY2022	FY2023	FY2024
Donations	6,945	5,674	7,630	11,707	21,284
Political contributions	0	0	0	0	0

(4) Contributing to the community through our marine engineering business

The deep-sea and offshore fishing industries face an extremely challenging environment. To address this, managing marine resources is crucial. The fishing industry urgently needs to shift its focus from catching fish to cultivating and nurturing fish stocks. NAKAYAMA STEEL WORKS was among the first to get involved in the development of a marine farm.

We will continue our efforts with climate change in mind, aiming to help naturally restore biodiversity, which is the next focal point. We will also engage in social contribution activities by using the corporate hometown tax donation program to support regional development in local municipalities.

For detailed information about our marine engineering initiatives, please visit our website.
<https://www.nakayama-steel.co.jp/menu/engineering/ocean/index.html> (Japanese only)

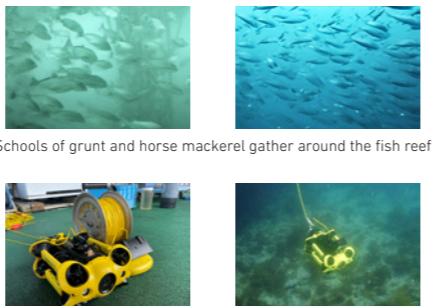


Model SR-35-2 Ultra-High-Rise Fish Reef

Developed in response to requests from local fishermen, this is one of Japan's tallest fish reefs. This installation, the first in Nagasaki Prefecture, was set up off the coast of Iki Gonoura.

Using underwater drones from our Kyushu Sales Office, we conducted follow-up surveys on similar models and observed schools of 1,000 to 2,000 grunt, as well as horse mackerel, striped beakfish, and yellowtail. These findings show that we are helping preserve a rich marine environment.

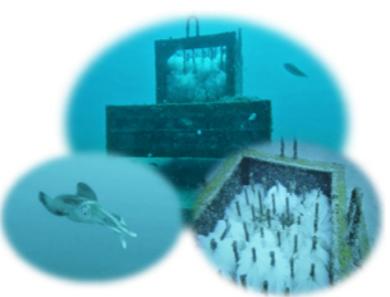
Underwater drones are actively used not only to survey our own fish reefs, breeding reefs, and seaweed bed reefs, but also for projects commissioned by other companies.



Development of spawning reefs for blue squid

The blue squid, native to southern waters, has a lifespan of about one year and can reach a weight of 2 to 4 kg. As recent climate change raises sea temperatures, the habitat of the blue squid is shifting northward. In response, we are collaborating with local fishermen and a university research institute to study the squid's ecology and develop spawning reefs. Our efforts aim to boost squid populations by installing these reefs across Japan. With climate change significantly affecting the fishing industry, we will continue to improve and refine our approach through ongoing monitoring of the spawning reefs we have installed.

* Photo: Blue squid spawning reef with blue squid and eggs



Developing seaweed bed reefs to create seaweed beds and conserve blue carbon ecosystems

Blue carbon refers to carbon captured by marine plants, such as seaweed. These plants absorb more atmospheric CO₂ than land-based plants. This has led to increased interest in expanding seaweed beds along coastlines as a new approach to absorb CO₂ that circulates from the atmosphere to the ocean.

Seaweed beds also provide spawning grounds, feeding areas, and shelter for fish. We are conducting trials across Japan to develop seaweed bed reefs that promote seaweed growth, reduce CO₂, and support a healthy marine environment for the future.

* Photo: Seaweed bed reef developed by the Company; seaweed growth status



(5) Other

We view the growth of local communities and the trust we build within the region as the foundation of our sustainable growth. With this in mind, we engage in collaborative activities with local governments, police, fire departments, and regional businesses.

We help revitalize local communities by sponsoring

and participating in events like the Taisho Monozukuri Festa and other regional activities. Through these efforts, we also showcase our commitment to sustainability, including initiatives for carbon neutrality and a recycling-oriented society.

We will continue to actively engage in efforts to create vibrant and comfortable communities.

6

To Our Customers and Business Partners

In 2019, marking our 100th anniversary, the Nakayama Steel Works Group adopted the slogan, "Creating the Future with the Power of Steel." We aim to create value with our customers and work toward a sustainable society. To achieve this, we must stay attuned to shifts in society and the market, listen to our customers, and provide products and services that meet their expectations and bring satisfaction.

(1) Improving quality and strengthening the quality assurance system

To meet customer demands for quality, we have established a quality policy and quality goals, and are striving to improve product quality.

■ Quality policy

Create distinct value in the NAKAYAMA way to achieve a sustainable society

■ Quality goals

(i) With a focus on building a recycling-oriented society, provide products and services that satisfy our customers

● Companies are increasingly expected to engage with the SDGs and ESG initiatives, and we drive all our business activities with these goals in mind.

(ii) Quickly grasp customer needs and societal changes, gather collective wisdom, and respond swiftly

● We quickly adapt the Group's products to align with changes in customer needs and societal trends.

To achieve this, we unite the Group's collective expertise and respond as one to demonstrate agility.

We have obtained ISO 9001 certification, the international standard for quality management systems. We are committed to maintaining this certification while further enhancing our quality.

We have established a quality management system to consistently manufacture and sell products that meet customer requirements and comply with applicable laws and regulations. Our goal is to boost customer satisfaction, contribute to society, and achieve sustainable growth.

We carried out internal audits based on our audit plan and, starting in the second half of FY2024, began integrating the management systems of the Funamachi Plant and the Sakai Plant of the Building Materials

Manufacturing Division. This move aims to establish a more consistent quality control system across the entire production process, from upstream to downstream. As a result, in September 2025, we received certification for this system from JIC Quality Assurance Ltd.

(2) Improving customer satisfaction

■ Building strong, trusting relationships with customers

We prioritize communication with our customers, ensuring our sales team responds to their feedback and requests with care and sincerity. In addition to regular visits by our sales, quality control, and manufacturing teams, we are expanding opportunities for engaging with customers through factory tours and networking events with business partners.

We gather diverse opinions and requests and relay them to relevant internal divisions handling areas such as quality, manufacturing, and processes. This helps us develop and improve products and services that meet customer needs.

Our quality management system is designed to ensure product safety. If a quality issue arises, however, the sales division assesses the customer's situation, while the quality control division leads a cross-divisional effort to swiftly and accurately identify the cause and devise countermeasures to prevent recurrence.

■ Customer satisfaction survey

The sales division regularly monitors customer satisfaction to understand how customers see the Company. We aim to enhance customer satisfaction by sharing customer feedback internally and using it to improve our products and services.

■ Quality inspection

Our logistics division collaborates with our Group company, Mitsubishi Kaiun, to conduct quality inspections more than once a month. These checks ensure that products are stored and handled properly at warehouses and transit sites nationwide, helping us deliver better products to our customers.

In FY2024, we conducted 24 quality patrols at nine warehouses and transit sites nationwide.

■ Disclosure of environmental and safety information about products

To ensure our products can be used safely and with confidence, information on environmentally harmful

substances and related certificates are available for anyone to download from our website.

- (i) Information on chemicals contained in products Safety Data Sheet (SDS), Steel Substance Data Sheet (SSDS), RoHS Directive substances, chemSHERPA-CI Composition List
- (ii) Certificates JIS Certification, ISO Registration (ISO 9001)

■ Developing products and services that reflect customer needs

In April 2022, we launched a new Product Development Division, now known as the Product Development Department. We carefully explore our customers' needs and offer solutions to achieve them, covering everything from traditional steel plate products to building materials

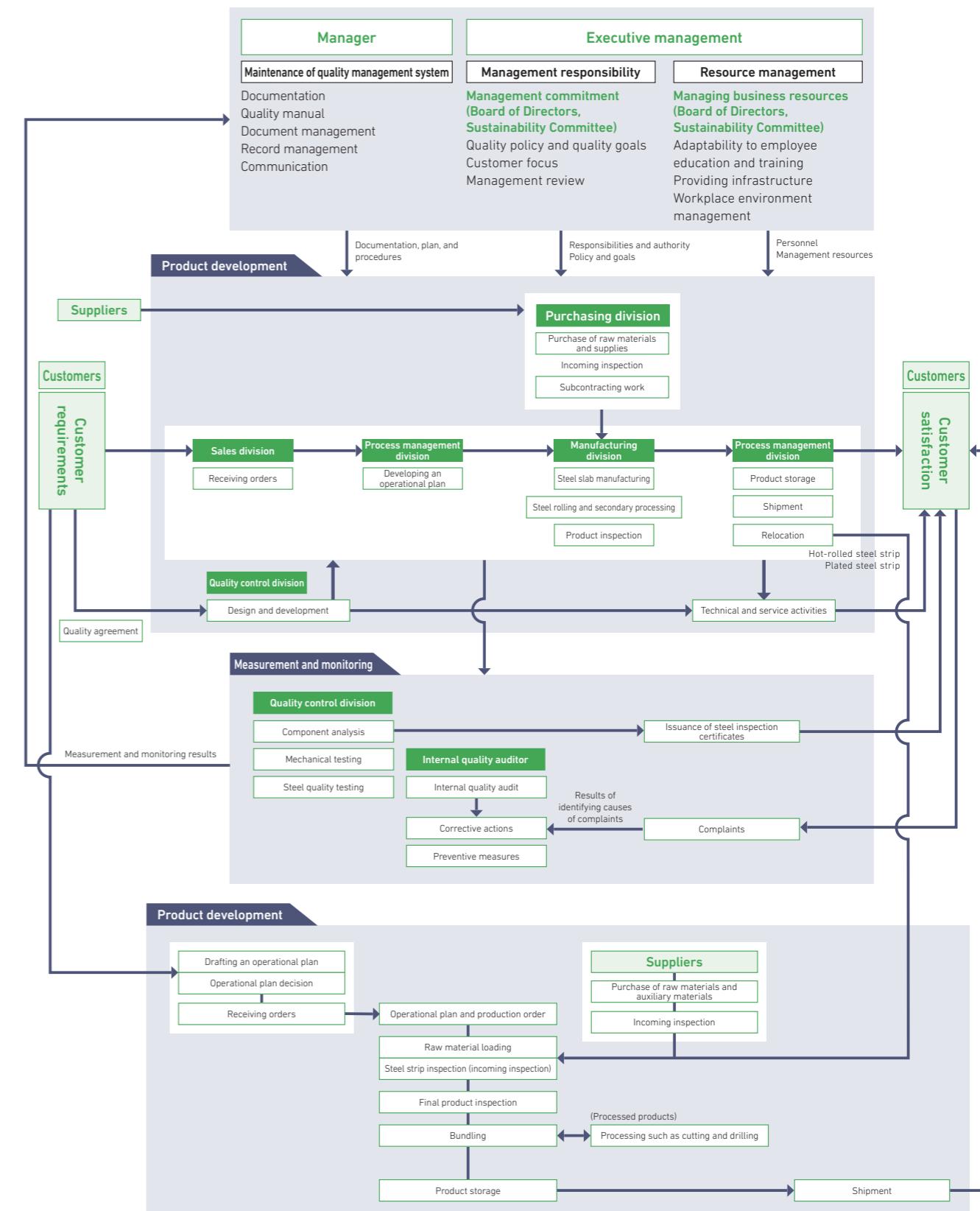
and processed goods.

By using the electric arc furnace materials we recommend, we not only use steel products with lower CO₂ emissions but also offer customers products and services through a seamless production process from upstream (scrap) to downstream (final product). This comprehensive capability of the Group, unmatched by others, allows us to cut out unnecessary steps such as transportation. As a result, we deliver new added value in energy and resource savings, as well as quality and delivery times. We contribute to building an environmentally friendly, recycling-oriented society while supporting our customers' monozukuri (manufacturing) needs more broadly and deeply than ever before.

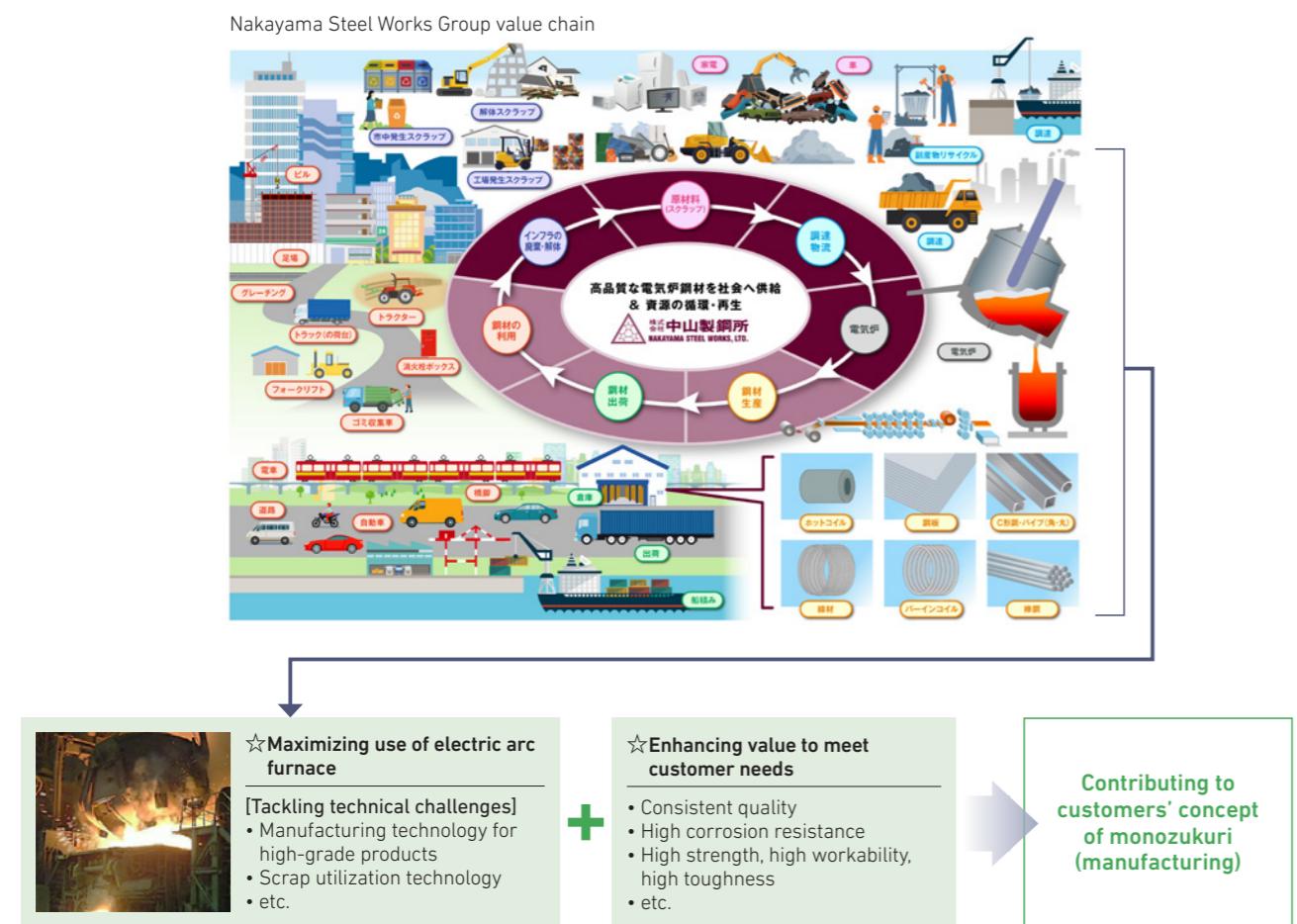
● Our integrated production system for electric arc furnace materials



● Processes and interactions in the quality management system



● NAKAYAMA STEEL WORKS' initiatives for creating an environmentally friendly, recycling-oriented society (developing green electric arc furnace steel materials)



● Example of our efforts to leverage the advantages of electric arc furnaces to develop green electric arc furnace steel materials

The main raw material is scrap, which lowers CO₂ emissions and supports the SDGs and carbon neutrality.
 ⇒ Understand how tramp elements affect steel properties and develop manufacturing technologies to control and improve quality
 ⇒ Broaden the range of applications by enhancing quality to include use in construction, construction machinery, home appliances, containers, and more

Enhance value with features such as high corrosion resistance and extended lifespan

(3) Collaboration and mutual growth with our business partners

The Company supports the "Declaration of Partnership Building," established by the "Conference for Promoting Partnership Building to Open the Future." This conference includes the Chairman of the Japan Business Federation, the Chairman of the Japan Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation, and relevant ministers (from the Cabinet Office, the Ministry of Economy, Trade and Industry, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism). We

announced our own "Declaration of Partnership Building" on March 30, 2022.

The "Declaration of Partnership Building" is a commitment by a company's leader to build new partnerships by enhancing collaboration and mutual growth with supply chain partners and businesses focused on creating value.



7 To Our Shareholders and Investors

We are working to improve our corporate value and comply with the mandatory disclosure of English-language information, ensuring fair, timely, and appropriate communication. We are also focused on maintaining a sound management base.

(1) On engaging in dialogue with shareholders and investors

We believe that for sustainable growth and medium- to long-term corporate value enhancement, it is vital to regularly and actively engage in dialogue with our shareholders, integrate their feedback and demands into our management decisions, and grow the Company together with them.

Due to the impact of COVID-19, we began holding telephone conferences twice a year starting in June 2021. In June 2022, we resumed in-person investor relations (IR) activities. Going forward, we plan to explore additional ways to actively engage in dialogue with our shareholders.

The practical aspects of engaging in dialogue with shareholders and investors are handled by the Investor and Public Relations Office, newly established in April 2025. The Director overseeing the management division reports feedback from shareholders and investors, gathered through these dialogues, to the Board of Directors as appropriate.

(2) Efforts to enhance engagement at the General Meeting of Shareholders

We aim to make our General Meeting of Shareholders a platform for engagement with our shareholders. To achieve this, we are improving the content of our meeting notices and ensuring they are sent out promptly. From FY2021, we introduced the exercise of voting rights via the internet. To meet the needs of overseas investors, we provided an English version of the Notice of the 128th Annual General Meeting of Shareholders held in June 2022. We have continued to issue English versions of the notices for subsequent Annual General Meetings of Shareholders. We will continue to work to further enhance these activities.

(3) Financial results briefing

We hold financial results briefings for analysts and institutional investors. For the financial results for the

(4) Securing profits

	FY2020	FY2021	FY2022	FY2023	FY2024
Annual dividend per share (yen)	6	16	55	50	40
Dividend payout ratio (%)	13.8	18.0	29.1	30.4	38.0
FY2024 consolidated financial goals (final year of the Third Medium-Term Management Plan)		FY2024 consolidated financial results			
(1) Maximizing the Group's consolidated earnings	Ordinary profit	10.0 billion yen	8.1 billion yen		
(2) Executing growth strategy investments	Capital investment amount	19.0 billion yen/3 years	4.1 billion yen/1 year		
(3) Maintaining a sound financial position (continuing to operate essentially debt-free)	Net D/E ratio	Approx. 0.1 times	(0.06) times		
(4) Ensuring capital efficiency that meets the cost of capital	ROE	7%	5.4%		
(5) Improving shareholder returns	Dividend payout ratio	30%	38%		

For detailed IR information, please visit our website.
<https://www.nakayama-steel.co.jp/menu/investment/>

six months ended September 30, 2023, the Company held an online briefing in November 2023 to facilitate the timely disclosure of information. For the financial results for the fiscal year ended March 31, 2024 (FY2023), the Company held a results presentation in May 2024 that allowed both on-site and online participation. For FY2024, the Company held a briefing in May 2025 with both on-site and online participation to continue to disclose information in a timely manner. For the financial results for FY2025, we plan to hold quarterly briefings (four times a year) to further engage with our shareholders. Specifically, we plan to hold online briefings in August 2025 and February 2026, and hybrid briefings with both on-site and online participation in November 2025 and May 2026.

(4) Posting information on the website and other platforms

Our website provides shareholders and investors with the latest information, ensuring that important updates are communicated fairly, timely, and appropriately. We also strive to include CSR information and other details that go beyond what is mandated by laws and regulations. In June 2023, we launched a sustainability site to give shareholders and investors more detailed insights into our ESG initiatives.

In addition, we send an interim report to our shareholders after the second-quarter financial results. We use charts and photos to present information such as performance trends, segment details, and topics clearly to our shareholders, aiming to deepen their understanding of the Group.

(5) Basic policy on shareholder returns

The Company's basic policy for the appropriation of surplus is to realize stable dividends, while securing internal reserves necessary to enhance its management base and financial position as well as to prepare for future business development.

(6) Trends in dividends

	FY2020	FY2021	FY2022	FY2023	FY2024
Annual dividend per share (yen)	6	16	55	50	40
Dividend payout ratio (%)	13.8	18.0	29.1	30.4	38.0

Roundtable Discussion among Outside Directors



Sayuri Murakami
Outside Director

Masahiro Nakatsukasa
Outside Director

Masaya Kakuda
Outside Director
(Audit and Supervisory Committee Member)

Kazuyoshi Tsuda
Outside Director
(Audit and Supervisory Committee Member)

Our four Outside Directors gathered to exchange views on the Nakayama Steel Works Group's corporate governance, management structure, and growth strategies from the standpoint of supervising and monitoring management.

In-depth discussion in FY2024 regarding investment in the new electric arc furnace

Tsuda: The construction of the new electric arc furnace is a project that entails a very large investment, especially relative to the size of the Company. While a bold, risk-taking mindset is valuable, attitude alone does not produce results. Therefore, we spent considerable time examining whether other viable options existed.

Kakuda: With our current electric arc furnace, we cannot manufacture all the steel products we sell, making external procurement necessary. By building a new electric arc furnace ourselves, we can resolve this business challenge, strengthen profitability, and contribute to carbon neutrality. After extensive discussion, we concluded that this was the best course of action.

Nakatsukasa: Our final estimate for the investment came to roughly 95 billion yen, which is an extremely large amount, so discussions about maintaining financial soundness were also critical. Because borrowings will also increase, we decided to establish a joint venture with NIPPON STEEL CORPORATION. Given the high price-fluctuation risk inherent in the steel business, we questioned whether this major investment could yield future profits and what level of risk it would entail. As outside officers, we carefully examined all potential concerns without overlooking anything. Since our joint-venture partner is Nippon Steel, the largest steel company in Japan, we also examined how we can assert our independence and ensure strong decision-making authority.

Murakami: As we examined the issue from all perspectives, including financing and risk, we ultimately reached a consensus that this investment is essential. I expressed the view that, since we are strongly pursuing carbon neutrality, we should promote the investment more actively externally and work to gain the understanding of all investors.

Leadership change and transition to a new management structure following executive nomination process

Nakatsukasa: In the Remuneration and Nomination Advisory Committee, individual responsible Directors conduct self-assessments of their performance contributions for the year. The President then provides an evaluation of that assessment, and the results are scored to determine whether the initial targets were achieved. In principle, proposals for executive appointments are made by the management team. Regarding the recent change of leadership, Chairman Hakomori (formerly President) indicated that it was about time for a transition.

Murakami: Since the new electric arc furnace project has only just begun, we discussed whether it would be appropriate for Chairman Hakomori, who has been central to driving the plan, to step back completely. As a result, we agreed that day-to-day management would be led by the new President Naito, while the project itself would remain under a two-leader structure with both the Chairman and the President.

Tsuda: After receiving explanations from two members of the Remuneration and Nomination Advisory

Committee, we confirmed that the nomination process and procedures had been properly followed. We also felt that the timing was appropriate, as we are gradually regaining strength after a period of revival and are ready to move forward in earnest. In this context, the idea of Chairman Hakomori completing the project planning phase and then handing over the top position at the execution stage seemed sound.

Kakuda: President Naito has strong contacts in not only sales but also procurement and purchasing, and we consider him the ideal leader to spearhead our business expansion.

Nakatsukasa: President Naito is very cheerful and moves quickly, and I hope he makes full use of those strengths. Since we were going through a presidential transition, I suggested making some visible changes to reform the Company, such as discontinuing the female employees' uniforms.

Murakami: That is a very good proposal. In FY2024, we started employee questionnaires and networking sessions to support women's empowerment, and our efforts are now becoming more tangible. I also wanted to rethink uniforms, which often carry a strong image of conformity pressure and auxiliary duties, and foster a culture where women can aspire to management positions.

Strengthening governance through delegation-based executive officer system

Nakatsukasa: We introduced a delegation-based executive officer system in June 2025. The main purpose was to separate execution from management, with the Board of Directors firmly fulfilling its role of setting basic management policies and supervising business execution, while Executive Officers would handle day-to-day operations more efficiently. Because decision-making slows down when the number of Directors becomes too large, those with business expertise will serve as Executive Officers instead. We will design the system so that the treatment of Executive Officers and Directors does not differ significantly.

Kakuda: The five-year period between now and the completion of the new electric arc furnace represents a critical period where we must firmly secure profits despite challenging external business conditions. Therefore, our system reform prioritizes having all Executive Officers focus intently on their duties to deliver solid results.

Murakami: Lately, I have heard that many companies are adopting delegation-based executive officer systems as part of a broader move toward human capital management.

Tsuda: With changes in employees' career paths, this approach can elevate goal setting and increase motivation, so I hope it will help further enhance the power of our human capital.

Continue strengthening Group governance to pursue growth and expansion

Tsuda: Governance, like quality control, is about achieving a high absolute standard. But, it is more important that a consistent level across the entire Group is maintained. At present, we are focusing on the issue of standardizing governance levels throughout the Group. On the other hand, because the Group has companies with different types of businesses, completely standardizing how systems are operated would create some misalignments. By maintaining communication that respects the culture and atmosphere of each Group company, we are enhancing governance, and things are progressing well at this stage.

Kakuda: For Audit and Supervisory Committee Members, there is a duty of care regarding how internal audits should function, so strengthening governance remains an ongoing theme. In 2024, we reinforced our system by upgrading the Audit Office to the Internal Audit Division and adding staff, aiming for a more independent audit function under the so-called "three-lines model." In addition, the activities of each committee—including the Sustainability Committee, Compliance/Risk Management Committee, Quality Management Committee, and Environmental Management Committee—have become more vibrant. Because their reports are submitted to the Board of Directors, discussions at Board meetings have also become more vigorous.

Nakatsukasa: On our audit checklist, there are more than 100 items spanning all fields, including compliance. Our audit team handles every audit item with great care, and I feel this has helped foster a sense of urgency in business operations across the entire Group.

Tsuda: Steel is essential to social and economic activity, and its importance in the world market has not diminished. At the same time, the industry structure is shifting substantially, giving rise to new types of steel demand. In this environment, we have developed our own market niche and aim to achieve our goals while elevating Group management. We hope that shareholders and investors will appreciate these efforts as well.

Nakatsukasa: From the shareholders' perspective, it is important that we expand our business by meeting the green-procurement needs of a decarbonized society, and that we can steadily capture demand through our collaboration with Nippon Steel. Looking at the medium to long term, I believe we will receive a higher valuation from the capital markets.

Murakami: The Company is a very serious and disciplined company with strong technical capabilities, but I feel that its ability to promote itself is somewhat weak. Our future growth depends on attracting diverse and talented individuals—including men, women, and people of different nationalities. I hope the Company will enhance its public relations to better showcase its strengths and engage effectively with stakeholders.

Corporate Governance

Basic views

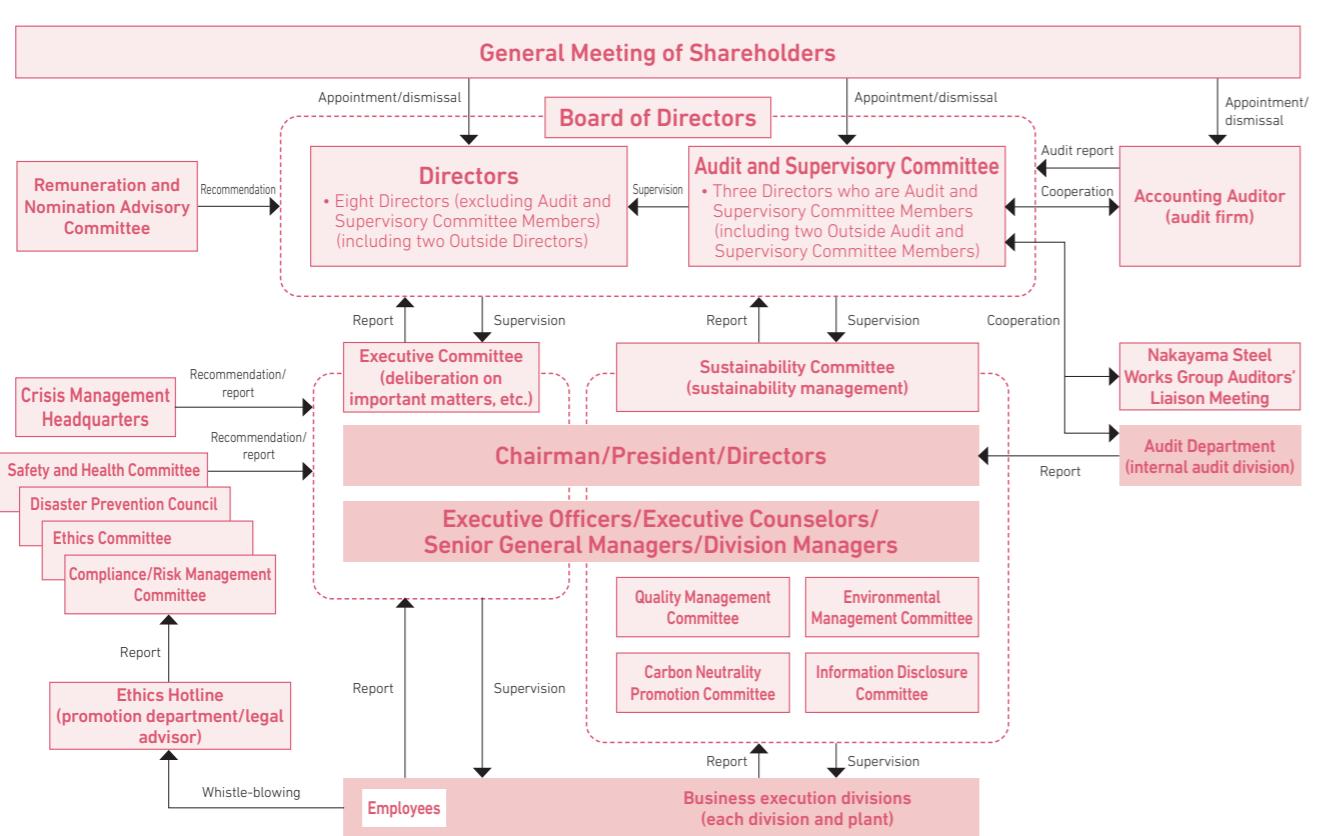
Based on the Nakayama Steel Works Group Corporate Philosophy, which comprises its management philosophy, action guidelines, and group vision, the Group regards enhancing management transparency and fairness, strengthening supervisory functions, accelerating decision-making, and ensuring compliance as its top priorities in corporate governance. The Group aims to increase its corporate value by strengthening and enhancing its corporate governance system. Based on this basic approach and in keeping with the core intent of the Corporate Governance Code, the Group will continue working to further enhance its corporate governance.

Outline of corporate governance system

(As of June 26, 2025)

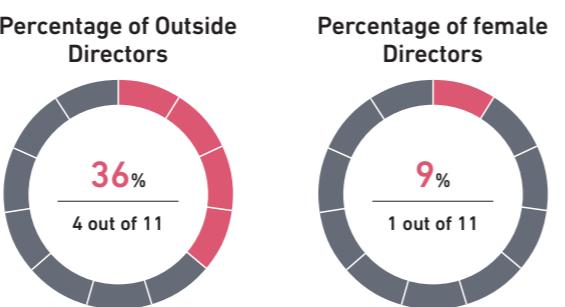
Corporate governance system	Company with an Audit and Supervisory Committee
Number of Directors (excluding Directors who are Audit and Supervisory Committee Members)/Term of office	8/1 year
Number of Directors who are Audit and Supervisory Committee Members/Term of office	3/2 years
Number of Outside Directors	4
Number of Independent Officers	4

Corporate governance structure



Evolution of corporate governance

May 2006	Formulation of the basic policy on the internal control system
June 2016	Appointment of one Outside Director *Four as of June 2025
April 2017	Establishment of Remuneration and Nomination Advisory Committee
May 2022	Establishment of Sustainability Committee
June 2022	Transition to a company with an Audit and Supervisory Committee
June 2023	Appointment of one female Outside Director
June 2025	Introduction of a delegation-based executive officer system



Board of Directors

The Board of Directors is composed of 11 members, including four Outside Directors. The Board exercises centralized authority to make prompt and rational decisions on management targets and strategies, while monitoring the execution of duties by Directors from the perspectives of corporate governance and risk management. The Company has introduced a delegation-based executive officer system to separate the supervisory and decision-making functions of Directors from the business execution functions, clarify responsibility for business execution, and establish a management structure that can respond swiftly to changes in the business environment. The Company has also introduced a senior general manager system to enable managers to focus fully on the execution of operations in their respective organizations. The Company also has an Executive Committee, where key management issues are presented and discussed in advance to enable the Board of Directors to make more informed decisions. Furthermore, to share strategies across the entire consolidated Group and strengthen integrated management spanning the business and finance functions, the Group regularly holds Group Presidents' Council and Group Company Liaison Meetings, working to maximize the Group's corporate value.

Number of meetings held in FY2024	17
Matters discussed	<ul style="list-style-type: none"> Determination of policies on management issues Approval of continuation of the basic policy on internal control over financial reporting Review of the corporate governance system Appointment of candidates for Directors and Executive Officers Determination of policies for addressing sustainability issues Establishment of the Nakayama Steel Works Group Human Rights Policy Review of capital investment projects and approval of budget execution

Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three members, including two Outside Directors who are Audit and Supervisory Committee Members, and conducts rigorous audits in accordance with its auditing policies and role assignments. At meetings of the Board of Directors, the two Outside Directors who are Audit and Supervisory Committee Members ask questions and offer candid opinions from an independent and objective perspective. We consider the management audit function performed by these Directors to be operating effectively. In addition, the Nakayama Steel Works Group Auditors' Liaison Meeting has been established under the leadership of the Company's Directors who are Audit and Supervisory Committee Members. The meeting, attended by all auditors from the Group's five consolidated subsidiaries, works to improve the quality, consistency, and efficiency of audits across the Company and its Group companies, thereby enhancing the overall effectiveness of audit activities.

Number of meetings held in FY2024	22
Activities	<ul style="list-style-type: none"> Confirmation of the development and implementation status of internal control systems, including the Group's five consolidated subsidiaries Verification of the effectiveness and efficiency of the Group's internal control enhancement measures Confirmation of progress in initiatives to realize human capital management Confirmation of compliance with laws, regulations, the Articles of Incorporation, and other internal rules Monitoring of decision-making by the Board of Directors and other bodies

Delegation-based Executive Officers

To strengthen corporate governance by separating the management supervisory function from the business execution function, and to improve the efficiency of business execution and accelerate decision-making, we introduced a delegation-based executive officer system in June 2025. Under this system, as with Directors, all decisions on appointment, dismissal, evaluation, and compensation are made by a resolution of the Board of Directors after deliberation by the Remuneration and Nomination Advisory Committee. Additionally, compensation is subject to a restricted stock remuneration system.

Number of meetings held in FY2024	17
Matters discussed	<ul style="list-style-type: none"> Determination of policies on management issues Approval of continuation of the basic policy on internal control over financial reporting Review of the corporate governance system Appointment of candidates for Directors and Executive Officers Determination of policies for addressing sustainability issues Establishment of the Nakayama Steel Works Group Human Rights Policy Review of capital investment projects and approval of budget execution

Number of meetings held in FY2024	5
Activities	<ul style="list-style-type: none"> Deliberation on compensation for officers (excluding Audit and Supervisory Committee Members) and reporting to the Board of Directors Setting compensation targets and evaluating performance for Directors (excluding Audit and Supervisory Committee Members) Deliberation on the nomination of Director candidates and the appointment and dismissal of senior management Deliberation on the introduction of the delegation-based executive officer system Deliberation on organizational revisions and personnel transfers

Composition of each committee and the expertise and experience of Directors

Positions	Name	Audit and Supervisory Committee	Remuneration and Nomination Advisory Committee	Sustainability Committee	Compliance/Risk Management Committee	Executive Committee	FY2024 Attendance at the Board of Directors meetings	FY2024 Attendance at the Audit and Supervisory Committee meetings	Professional knowledge, capabilities, and experience, etc.												
									Corporate Management	Legal Risk Management	Finance Accounting	Human Resources Labor	Sales Strategy Marketing	Purchasing Procurement	Global Business	Manufacturing Quality Control	Technology Development Intellectual Property	IT/DX	ESG Sustainability	Human Rights Diversity	Knowledge of other industries
Representative Director and Chairman	Kazuaki Hakomori			○		○	17/17	—	○			○	○	○	○	○	○	○	○	○	○
Representative Director and President	Nobuhiko Naito	○	○	○	○	○	17/17	—	○			○	○	○	○	○	○	○	○	○	○
Director and Senior Managing Executive Officer	Masahiro Morikawa	○	○	○	○	○	17/17	—	○							○	○	○	○	○	○
Director and Managing Executive Officer	Yoshinobu Shibahara	○	○	○	○	○	17/17	—	○			○	○	○	○	○	○	○	○	○	○
Director and Managing Executive Officer	Katsuya Oho	○	○	○	○	○	—	—	○	○	○	○	○	○	○	○	○	○	○	○	○
Director and Managing Executive Officer	Mitsuaki Sakaguchi	○	○	○	○	○	17/17	—	○	○	○	○	○	○	○	○	○	○	○	○	○
Outside Director	Masahiro Nakatsukasa	○					17/17	—	○	○									○	○	○
Outside Director	Sayuri Murakami	○					17/17	—	○										○	○	○
Director (Audit and Supervisory Committee Member)	Ryohei Kishida	○	○	○	○	○	17/17	22/22	○	○	○	○	○	○	○	○	○	○	○	○	○
Outside Director (Audit and Supervisory Committee Member)	Masaya Kakuda	○					17/17	22/22	○	○	○	○	○	○	○	○	○	○	○	○	○
Outside Director (Audit and Supervisory Committee Member)	Kazuyoshi Tsuda	○					17/17	21/22	○		○								○	○	○

* "○" indicates the chairperson or committee chair

* Mr. Katsuya Oho was newly elected as a Director at the 131st Annual General Meeting of Shareholders held on June 26, 2025.

Outside Directors

To contribute to the Company's sustainable growth and the medium- to long-term enhancement of corporate value, in line with the core principles of the Corporate Governance Code, the Company has appointed four Outside Directors (including two who serve as Audit and Supervisory Committee Members), who represent one-third of the total number of Directors.

Mr. Masahiro Nakatsukasa and Ms. Sayuri Murakami as Outside Directors who are not Audit and Supervisory Committee Members, and Mr. Masaya Kakuda and Mr. Kazuyoshi Tsuda as Outside Directors who are Audit and Supervisory Committee Members, have been determined to present no risk of conflicts of interest with the Company's general shareholders and have been registered as Independent Officers in accordance with the regulations of the Tokyo Stock Exchange.

In June 2021, the Company established criteria and policies on independence for appointing Outside Directors who are not Audit and Supervisory Committee Members, and Outside Directors who are Audit and Supervisory Committee Members, with reference to the Tokyo Stock Exchange's criteria for determining the independence of Independent Officers.

Reasons for the appointment of Outside Directors

Mr. Masahiro Nakatsukasa has a wide range of experience and insight as an attorney specializing in corporate legal affairs. He represents his law firm and serves as an outside officer for several companies. Although he has never been involved in corporate management other than as an outside officer, he has served as an Outside Director of the Company for nine years and has provided opinions on the nature of company-wide risk management by leveraging his

wealth of experience and deep insight.

In addition, he has provided advice and recommendations to the Company's management from an independent standpoint, such as by actively expressing his opinions as a member of the Company's voluntary Remuneration and Nomination Advisory Committee, thereby playing an appropriate role in enhancing the supervisory functions of the Board of Directors. Based on these achievements, in addition to executing his duties as an Outside Director, we believe that he is capable of ensuring fair management that is in compliance with laws and regulations and social norms, and further enhancing the Company's governance.

Ms. Sayuri Murakami has a wealth of experience and insight in journalism accumulated at The Kobe Shimbun. She also has experience and insight in corporate management accumulated as an Executive Officer of The Kobe Shimbun. She has served as the Company's first female outside director since June 2023 and has been active in speaking out at the Board of Directors meetings, utilizing her female perspective and keen sensitivity as a former media journalist.

In addition, as a member of the Company's voluntary Remuneration and Nomination Advisory Committee, she provides advice and recommendations from an independent standpoint based on her experience in corporate management. Based on these achievements, we believe that she is capable of providing appropriate advice and recommendations on the Company's management and governance from an independent standpoint as an Outside Director.

Mr. Masaya Kakuda has a wide range of experience and professional knowledge cultivated over many years at financial institutions, as well as a wealth of insight in all aspects of management gained as a corporate

manager. He has audited the Company's management as an Outside Director who is an Audit and Supervisory Committee Member. He is expected to continue to provide us with useful opinions and guidance on the Company's management from an objective and professional perspective. Therefore, as an Outside Director who is an Audit and Supervisory Committee Member, we believe that he is an appropriate person to audit the business execution of the Company that aims to sustainably enhance its corporate value.

Mr. Kazuyoshi Tsuda has been involved in the management of a number of companies over many years, and he has a wealth of experience and professional knowledge as a certified public accountant and tax accountant specializing in management consulting. He has audited the Company's management as an Outside Director who is an Audit and Supervisory Committee Member. He is expected to continue to provide us with useful opinions and guidance on the Company's management from an objective and professional perspective. Therefore, as an Outside Director who is an Audit and Supervisory Committee Member, we believe that he is an appropriate person to audit the business execution of the Company that aims to sustainably enhance its corporate value.

Compensation for officers

(1) Policy on determining the amount and calculation method of compensation for officers (general compensation)

► Basic policy, etc.

In determining officer compensation, the Company resolved on the following three items as its basic policy, at the Board of Directors' meeting held on March 31, 2017, concerning the determination of individual Director compensation.

1. Clarify each officer's roles and responsibilities from a medium- to long-term perspective and ensure that compensation levels are commensurate with conduct for such roles and responsibilities.
2. Strive to maximize the Group's overall earnings in consolidated management.
3. Ensure objectivity and transparency through deliberations by the Remuneration and Nomination Advisory Committee, which is composed of a majority of Outside Directors.

► Overview of the organization and procedures for determining the amount or calculation method of compensation, etc., for Directors

To ensure fair and reasonable operation of the system, the Remuneration and Nomination Advisory Committee, composed of a majority of Outside Directors (excluding Directors who are Audit and Supervisory Committee Members), deliberates and reports to the Board of Directors on the organization and procedures for determining the matters regarding compensation for officers (excluding Directors who are Audit and Supervisory Committee Members).

Specifically, a Representative Director, acting as evaluator, conducts a self-assessment for himself, and interviews each Director, prepares a draft evaluation and proposed compensation amounts, and consults the Remuneration and Nomination Advisory Committee. Following the Committee's deliberation and submission of its report after finalizing each Director's evaluation, the Representative Director makes a final decision at a Board of Directors meeting within the compensation limit previously resolved at the General Meeting of Shareholders.

The amount of individual compensation for each Director is determined by the Representative Director

and President, who is delegated by the Board of Directors, based on the report of the Remuneration and Nomination Advisory Committee. The reason for this delegation is the belief that the Representative Director and President is best suited to assess the divisions under their purview, based on a comprehensive view of the Company's overall performance.

The individual compensation amounts for Directors for FY2024 were determined through the above procedures, and the Board of Directors has confirmed that they align with the established policy.

During FY2024, the Remuneration and Nomination Advisory Committee met five times in total to set compensation-related targets for Directors (excluding Directors who are Audit and Supervisory Committee Members), confirm actual results, and determine the corresponding fixed and performance-linked compensation amounts for each Director.

Compensation for Directors who are Audit and Supervisory Committee Members is determined through discussion by the Audit and Supervisory Committee.

(2) Policy on determining the amount or calculation method of officer compensation (monetary compensation)

► Resolutions of the General Meeting of Shareholders concerning compensation, etc., of Directors

At the 128th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that the maximum annual compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be 300 million yen (including up to 50 million yen for Outside Directors). The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of such Annual General Meeting of Shareholders was seven (including two Outside Directors). At the 128th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that the total annual compensation for Directors who are Audit and Supervisory Committee Members shall not exceed 60 million yen. The number of Directors who are Audit and Supervisory Committee Members at the conclusion of such Annual General Meeting of Shareholders was three (including two Outside Audit and Supervisory Committee Members).

● Compensation structure

Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

Variable compensation		
Fixed compensation 70%	Officer evaluation-linked compensation 15%	Group performance-linked compensation 15%
Fixed compensation 100%		

Directors who are Audit and Supervisory Committee Members and Outside Directors

► Performance-linked compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

Variable performance-linked compensation (30%) is composed of "officer evaluation-linked compensation (15%) using target management sheets to evaluate individual officer" and "group performance-linked compensation (15%) based on the achievement of the consolidated management plan."

<Officer evaluation-linked compensation>

The evaluation items for officer evaluation-linked compensation consist of common items for all Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), and individual items tailored to each Director's responsibilities, such as special assignments and regular duties in charge.

Common evaluation items include the degree of achievement of consolidated ordinary profit relative to the annual plan, progress against the performance targets in the Medium-Term Management Plan (consolidated ordinary profit, consolidated capital investment, consolidated net D/E ratio, consolidated ROE, and dividend payout ratio), and the level of the Company's stock price relative to TOPIX. At the beginning of each fiscal year, each Director (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) determines their special assignments and regular duties in charge in consultation with the President. Special assignments are selected from important initiatives aligned with the Medium-Term Management Plan or medium- to long-term strategic priorities. Regular duties in charge are selected from important PDCA-cycle initiatives of the Director's responsible department. Performance indicators are selected based on the degree of achievement of medium- and short-term management plans and key initiatives. All selected indicators are intended to ensure alignment with overall business performance.

<Group performance-linked compensation>

Group performance-linked compensation is determined based on the degree of achievement of ordinary profit in the management plan. The formula used is "Standard amount for group performance-linked compensation × achievement rate of the consolidated management plan (actual consolidated ordinary profit/planned consolidated ordinary profit)."

The actual values for the indicators related to officer evaluation-linked compensation and group performance-linked compensation for FY2024 (based on FY2023 results) are as follows.

● Indicators and results related to officer evaluation-linked compensation

Ordinary profit	Capital investment	Net D/E ratio	ROE	Dividend payout ratio	Stock price/TOPIX
12,244 million yen	5,223 million yen	(0.07) times	8.8%	30.4%	0.3431

* The stock price/TOPIX figure is as of March 29, 2024

● Indicators and results related to group performance-linked compensation

Planned ordinary profit	Actual ordinary profit	Plan achievement rate
11,970 million yen	12,244 million yen	102%

(3) Policy on determining the amount or calculation method of officer compensation (stock remuneration)

► Restricted stock remuneration system

The Company has introduced a restricted stock remuneration system (hereinafter, the "System") for its Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter, the "Eligible Directors") to incentivize them to enhance corporate value over the medium to long term and further align their interests with those of the shareholders.

The structure of the System is such that the Company shall pay monetary claims to the Eligible Directors as compensation for the granting of restricted stock, and the Eligible Directors shall make contributions in kind of the entirety of the monetary claims granted in return for the issuance or disposal of shares of the Company's common stock.

The specific timing and allocation of payments to Eligible Directors shall be deliberated by the Remuneration and Nomination Advisory Committee, reported to the Board of Directors, and determined by resolution of the Board of Directors. The amount payable per share shall be determined by the Board of Directors and shall be within an amount that is not excessively advantageous to the Eligible Directors receiving the shares of the Company's common stock, based on the closing price of such common stock on the Tokyo Stock Exchange on the business day immediately preceding

each Board of Directors meeting (or, in the event that no transactions took place on that day, the trading day immediately preceding such day). The issuing or disposal of shares of the Company's common stock pursuant to the System or payment of monetary claims in the form of property contributed in kind, shall take place on the condition of executing the restricted stock allocation agreements between the Company and Eligible Directors.

► Resolution on the System by the General Meeting of Shareholders

At the 129th Annual General Meeting of Shareholders held on June 28, 2023, the Company resolved to set, separate from the monetary compensation framework, the total amount of monetary claims to be paid to Eligible Directors for the grant of restricted stock remuneration at no more than 45 million yen per year (excluding the employee salary portion for officers who also serve as employees). The total number of shares of the Company's common stock that may be issued or disposed of for this purpose shall be no more than 150,000 shares per year (however, in the event of a stock split (including a gratis allotment) or consolidation of shares of common stock, or other event requiring an adjustment to the total number of such shares to be issued or disposed of as restricted stock, such total number of shares of the Company's common stock may be reasonably adjusted). The number of Eligible Directors at the conclusion of the 129th Annual General Meeting of Shareholders was seven.

● Total amount of compensation, etc., total amount of each type of compensation, etc., and number of eligible officers for each category of officer

Officer categories	Total amount of compensation, etc. (million yen)	Total amount of each type of compensation, etc. (million yen)				Number of eligible officers (persons)
		Fixed compensation	Officer evaluation-linked compensation	Group performance-linked compensation	Stock remuneration	
Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)	190	125	23	24	17	7
Directors who are Audit and Supervisory Committee Members (excluding Outside Directors who are Audit and Supervisory Committee Members)	22	22	—	—	—	1
Outside officers	25	25	—	—	—	5

* The stock remuneration shown reflects the amount recorded in FY2024.

For details, please check "Compensation for Officers" on page 53 of the Annual Securities Report for the 131st fiscal year ended March 31, 2025 on the Company's website.
<https://www.nakayama-steel.co.jp/menu/investment/07sec/131.pdf> (Japanese only)

Directors and Executive Officers

(As of June 26, 2025)



1

Kazuaki Hakomori

Representative Director and Chairman

Apr. 1980 Joined the Company
 Sep. 1999 General Manager, Rolling Department No. 2
 Aug. 2003 General Manager, Production Technology Department
 Jun. 2005 Director; General Manager, Production Technology Department; in charge of Business Strategy
 Apr. 2009 Director; in charge of Business Strategy, Quality Management, Product Development, and Steel Bars and Wire Rods
 Jun. 2010 Director; in charge of Rolling Department, Quality Management, and Product Development
 Feb. 2011 Director; Senior General Manager, Sales Division; in charge of Product Development
 Nov. 2012 Director; in charge of Sales and Amorphous
 Apr. 2013 Director; in charge of Sales
 Jun. 2013 Senior Managing Director; supervising Sales, Purchasing, Manufacturing, Safety and Disaster Prevention Environment Department, and Engineering; General Manager, Management Support Office
 Jun. 2014 Senior Managing Director; supervising Sales, Purchasing, Manufacturing, Engineering, Safety and Disaster Prevention, Environment Management Division
 Jun. 2016 Senior Managing Director; supervising Sales, Purchasing, Manufacturing, and Engineering Division
 Jun. 2017 Representative Director and President
 Jun. 2025 Representative Director and Chairman (to the present)

2

Nobuhiko Naito

Representative Director and President

Apr. 1982 Joined the Company
 Dec. 2007 General Manager, Steel Bars and Wire Rods Sales Department
 Jun. 2013 Executive Officer; Senior General Manager, Purchasing Division; General Manager, Iron Source Procurement Department
 Jun. 2014 Executive Officer; Senior General Manager, Purchasing Division
 May 2015 Executive Officer; Senior General Manager, Sales Division
 Jun. 2017 Director; supervising Sales, Purchasing Division, and Tokyo Branch; Senior General Manager, Sales Division
 May 2018 Director; supervising Sales, Purchasing Division, and Tokyo Branch
 Apr. 2020 Director; supervising Sales Division, Purchasing Department, and Tokyo Branch
 Jun. 2020 Managing Director; supervising Sales Division, Purchasing Department, and Tokyo Branch
 Apr. 2022 Managing Director; supervising Sales, Product Development Division, Purchasing Department, and Tokyo Branch
 Jun. 2022 Senior Managing Director; supervising Sales, Product Development Division, Purchasing Department, and Tokyo Branch
 Oct. 2023 Senior Managing Director; supervising Sales, Product Development Division, Purchasing Department, and Tokyo Sales Department
 Apr. 2024 Senior Managing Director; supervising Sales, Building Materials Sales, Product Development Division, and Purchasing Department
 Jun. 2025 Representative Director and President (to the present)

7

Masahiro Nakatsukasa

[Outside] Outside Director [Independent]

Apr. 1994 Admitted to the Bar; Member of Osaka Bar Association
 Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P.C.)
 Aug. 2005 Served at Kirkland & Ellis LLP, U.S.A. (to July 2006)
 Apr. 2006 Admitted to the New York State Bar, U.S.A.
 Jun. 2006 Outside Audit & Supervisory Board Member, Asaka Industrial Co., Ltd.
 Jul. 2012 Representative Partner, Chuo Sogo Law Office, P.C. (to the present)
 Apr. 2015 Vice Chairman, Osaka Bar Association
 Jun. 2015 Outside Audit & Supervisory Board Member, ARAKAWA CHEMICAL INDUSTRIES, LTD.
 Jun. 2015 Outside Audit & Supervisory Board Member, NIPPON DENTSU Co., Ltd.
 Jun. 2016 Outside Director who is an Audit and Supervisory Committee Member, Asaka Industrial Co., Ltd. (to the present)
 Jun. 2016 Outside Director who is an Audit and Supervisory Committee Member, ARAKAWA CHEMICAL INDUSTRIES, LTD. (to the present)
 Jun. 2016 Outside Director who is an Audit and Supervisory Committee Member, NIPPON DENTSU Co., Ltd.
 Jun. 2016 Outside Director, the Company (to the present)
 Jun. 2018 Outside Audit & Supervisory Board Member, JSH Co., Ltd. (to the present)
 Jun. 2020 Outside Audit & Supervisory Board Member, NIPPON DENTSU Co., Ltd.
 Jun. 2022 Outside Director, Osaka Mazda Motor Corporation (to the present)
 Dec. 2022 Managing Partner, Chuo Sogo Law Office, P.C. (to the present)

8

Sayuri Murakami

Outside Director

[Outside] [Independent]

Apr. 1984 Joined The Kobe Shim bun
 Mar. 2009 General Manager, Economics Department, Editorial Bureau, The Kobe Shim bun
 Mar. 2013 Deputy General Manager, Regional Research Institute, The Kobe Shim bun
 Mar. 2015 Vice Chairman, Editorial Board, The Kobe Shim bun
 Mar. 2017 General Manager, Tokyo Branch Office, The Kobe Shim bun
 Mar. 2019 Executive Officer and Representative, Himeji Head Office, The Kobe Shim bun
 Mar. 2022 Advisor to the Editorial Bureau, The Kobe Shim bun
 Jun. 2022 Coordinator, Public Relations and Endowment Division, Strategic Planning Office; Regional Partnership Advisory Fellow (faculty member), Office for Promoting Regional Partnership, Kobe University
 Apr. 2023 Member of the Management Council, University of Hyogo (to the present)
 Jun. 2023 Outside Director, the Company (to the present)

3

Masahiro Morikawa

Director and Senior Managing Executive Officer

Apr. 1983 Joined the Company
 Apr. 2007 General Manager, Steel Manufacturing Plant
 Jun. 2013 General Manager, Production Technology Department
 May 2015 Senior General Manager, General Production Administration Division; General Manager, Production Technology Department
 Jun. 2016 Executive Officer; Senior General Manager, General Production Administration Division
 May 2018 Executive Officer; supervising General Production Administration, Manufacturing, and Engineering Division
 Jun. 2018 Director; supervising General Production Administration, Manufacturing, and Engineering Division
 Jun. 2021 Managing Director; supervising General Production Administration, Manufacturing, and Engineering Division
 Feb. 2022 Managing Director; supervising General Production Administration, Manufacturing, Engineering Division, and Steel Manufacturing Process Reform Review Group
 Apr. 2023 Managing Director; supervising General Production Administration, Steel Manufacturing, and Rolling Division
 Apr. 2024 Managing Director; supervising General Production Administration, Steel Manufacturing Division
 Jun. 2025 Director and Senior Managing Executive Officer; supervising General Production Administration, Steel Manufacturing, Rolling, and Building Materials Manufacturing Division (to the present)

4

Yoshinobu Shibahara

Director and Managing Executive Officer

Apr. 1989 Joined the Company
 May 2015 General Manager, Sales Department
 May 2018 Senior General Manager, Sales Division; General Manager, Sales Department
 Apr. 2020 Executive Officer; Senior General Manager, Sales Division; General Manager, Sales Department
 Apr. 2022 Executive Officer; Senior General Manager, Sales Division; General Manager, Sales Planning Department; Deputy Senior General Manager, Product Development Division
 Apr. 2023 Executive Officer; Senior General Manager, Sales Division; General Manager, Tokyo Sales Department; Deputy Senior General Manager, Product Development Division
 Jun. 2023 Director; Senior General Manager, Sales Division; General Manager, Tokyo Sales Department; Deputy Senior General Manager, Product Development Division
 Apr. 2024 Director; Senior General Manager, Sales Division; General Manager, Tokyo Sales Department; Senior General Manager, Product Development Division
 Jun. 2025 Director and Managing Executive Officer; supervising Sales, Building Materials Sales Division, and Product Development Department (to the present)

9

Ryohei Kishida

Director (Standing Audit and Supervisory Committee Member)

Apr. 1983 Joined the Company
 Mar. 2003 General Manager, Coke Plant
 Jul. 2007 General Manager in charge of Steel Bars and Wire Rods Mill
 Apr. 2008 General Manager, Steel Bars and Wire Rods Mill
 Jun. 2016 General Manager, General Affairs Division
 Apr. 2019 Executive Officer; General Manager, General Affairs Division
 Apr. 2020 Executive Officer; Assistant to President
 Jun. 2020 Standing Audit & Supervisory Board Member
 Jun. 2022 Director (Standing Audit and Supervisory Committee Member) (to the present)

10

Masaya Kakuda

Outside Director (Audit and Supervisory Committee Member) [Independent]

Apr. 1980 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
 Jun. 2009 Joined THE TAISHO BANK, LTD. (currently THE TOKUSHIMA TAISHO BANK, LTD.); General Manager, Headquarters Sales Division
 Jun. 2009 Executive Officer; General Manager, Headquarters Sales Department, THE TAISHO BANK, LTD.
 Jun. 2010 Director, General Manager, Headquarters Sales Division, THE TAISHO BANK, LTD.
 Jun. 2014 Managing Director, THE TAISHO BANK, LTD.
 Apr. 2016 General Manager, Risk Compliance Division, TOMONY Holdings, Inc.
 Jun. 2016 Managing Director; General Manager, Risk Compliance Division, TOMONY Holdings, Inc.
 Jun. 2020 Director, TOMONY Holdings, Inc.; Audit & Supervisory Board Member, TOMONY System Service, Inc.
 Jun. 2021 Outside Audit & Supervisory Board Member, the Company
 Jul. 2021 Outside Director, J Resort Co., Ltd.
 Jun. 2022 Outside Director (Audit and Supervisory Committee Member), the Company (to the present)

5

Katsuya Oho

Director and Managing Executive Officer

Apr. 1989 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
 Apr. 2011 Branch Manager, Shinyokohama Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
 Mar. 2013 Deputy General Manager, Corporate Operations Division (Osaka), The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Oct. 2014 Branch Manager, Fukuoka Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 May 2017 General Manager, Loan Division (Osaka), The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Nov. 2018 Managing Executive Officer; Deputy General Manager, Osaka Business Group, MST Insurance Service Co., Ltd.
 Apr. 2019 Senior Managing Executive Officer; Division Manager, West Japan Sales Division, MST Insurance Service Co., Ltd.
 Jun. 2019 Senior Managing Director; Division Manager, West Japan Sales Division, MST Insurance Service Co., Ltd.
 Jun. 2021 Director & Senior Managing Executive Officer; Division Manager, West Japan Division, MST Insurance Service Co., Ltd.
 Jul. 2024 Joined the Company; Managing Executive Officer; Deputy Senior General Manager, Corporate Management Division; Deputy General Manager, General Affairs and Human Resources Department
 Jun. 2025 Director and Managing Executive Officer; supervising General Affairs and Human Resources Department, Systems Department, Accounting Department, and Corporate Planning Department (to the present)

6

Mitsuaki Sakaguchi

Director and Managing Executive Officer

Apr. 1991 Joined the Company
 Nov. 2012 General Manager, Accounting Department
 Jun. 2013 Senior General Manager, Corporate Management Division
 Jun. 2016 Senior General Manager, Accounting Division
 Jun. 2018 Executive Officer; Senior General Manager, Accounting Division
 Apr. 2020 Executive Officer; Senior General Manager, Corporate Management Division
 Apr. 2022 Managing Executive Officer; Senior General Manager, Corporate Management Division
 Jun. 2023 Director; Senior General Manager, Corporate Management Division
 Jun. 2025 Director and Managing Executive Officer; supervising Engineering Division, Corporate Strategy Department, and Purchasing Department (to the present)

11

Kazuyoshi Tsuda

[Outside] Outside Director (Audit and Supervisory Committee Member) [Independent]

Oct. 1990 Joined Oita Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
 Aug. 1995 Registered as a certified public accountant
 Oct. 1998 Director, Inada Shokai Co., Ltd.
 Oct. 2000 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
 Aug. 2003 Director, MMT Co., Ltd.
 Mar. 2008 Representative Director, Brain Trust Co., Ltd. (to the present)
 Mar. 2008 Representative, Kazuyoshi Tsuda CPA and CTA Office (to the present)
 Aug. 2008 Registered as a certified tax accountant
 Aug. 2008 Outside Audit & Supervisory Board Member, Hirose Tusho Inc.
 Mar. 2015 Outside Audit & Supervisory Board Member, Silver Egg Technology Co., Ltd. (to the present)
 Apr. 2016 Outside Director, JSH Co., Ltd. (to the present)
 Jun. 2016 Outside Director (Audit and Supervisory Committee Member), Hirose Tusho Inc. (to the present)
 Jun. 2021 Outside Audit & Supervisory Board Member, the Company
 Jun. 2022 Outside Director (Audit and Supervisory Committee Member), the Company (to the present)
 Jun. 2022 Outside Director, Osaka Mazda Motor Corporation (to the present)

Executive Officers (not concurrently serving as Directors)

Hirotaka Okamura
 Executive Officer

Yoshinori Hatada
 Executive Officer

Kazuhiko Kubota
 Executive Officer

Takuro Yoshimura
 Executive Officer

* As of June 2025, the Company has adopted a delegation-based executive officer system in place of the previously used employment-based executive officer system.

Compliance

As set out in the Nakayama Steel Works Group Corporate Philosophy and the Nakayama Steel Works Officer and Employee Code of Conduct, the Group complies with laws, regulations, and social norms and conducts its business activities with high ethical standards.

(1) Compliance framework

Under the compliance promotion department, the Group provides training on overall compliance, including the Officer and Employee Code of Conduct, Information Management Regulations, Whistle-blowing Regulations, and the Ethics Hotline, and works to prevent legal violations before they occur.

(2) Whistle-blowing system

To prevent misconduct and its recurrence, the Group has established a whistle-blowing system called the Ethics Hotline. The Ethics Hotline conducts investigations and oversight regarding compliance violations, carries out fact-finding, addresses such matters, and helps prevent recurrence. The Group has also established Whistle-blowing Regulations to safeguard public-interest reporting, promote the early detection and remediation of issues, and prevent unlawful or inappropriate behavior. Under these regulations, all individuals engaged in the Group's business may report, anonymously if they wish, violations of laws and regulations, including bribery and other corrupt conduct. In addition, when deemed necessary by the General Manager of the General Affairs and Human Resources Department, the Group responds appropriately to reports from other stakeholders in the same manner as reports from our Group personnel. The personnel in charge of the hotline are bound by confidentiality obligations, ensuring the confidentiality of reported information.

(3) Inquiries via the corporate website

The Company's corporate website accepts external inquiries at any time. The details of those inquiries are shown to the right.

During the past five years, there has been one report concerning a compliance violation.

(4) Compliance/Risk Management Committee

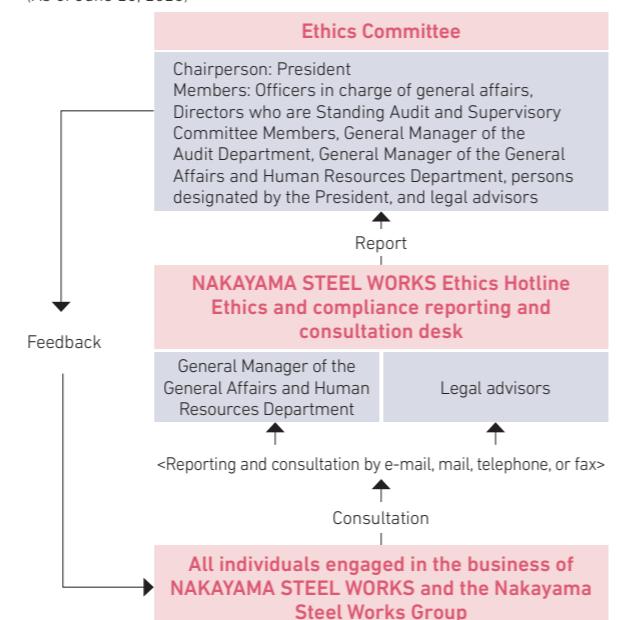
A Compliance/Risk Management Committee has been established under the Board of Directors to discuss and approve issues and measures related to the Group's compliance and risk management.

If the Group determines that a reported matter may involve a potential issue, such as a legal violation, it is promptly escalated to supervisors and relevant departments for review and consultation, then reported to the Committee, which subsequently reports to the Board of Directors.

The Compliance/Risk Management Committee meets regularly in April and October each year to review

● NAKAYAMA STEEL WORKS Ethics Hotline (whistle-blowing system) organizational structure

(As of June 26, 2025)



● Number of reports made through the whistle-blowing system

	(Cases)				
	FY2020	FY2021	FY2022	FY2023	FY2024
	0	0	4	3	8

● Number of inquiries via the corporate website

Details	FY2020	FY2021	FY2022	FY2023	FY2024
Steel products	73	60	49	76	65
Engineering products	16	13	10	17	11
Financial results	4	3	13	10	9
Recruitment	21	16	13	12	33
Compliance violation	0	0	0	1	0
Others	134	136	136	151	398
Total	248	228	221	267	516

the effectiveness of the compliance program and to strengthen the Group's risk management and compliance frameworks.



(5) Number of violations of laws and regulations, etc.

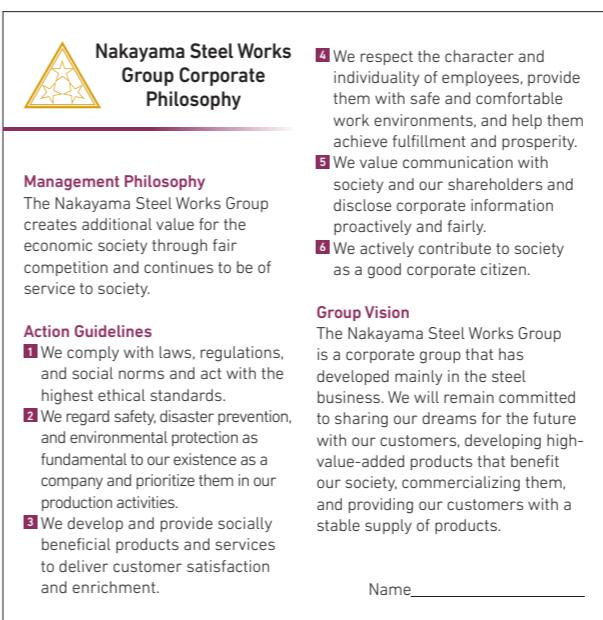
Breakdown	FY2020	FY2021	FY2022	FY2023	FY2024
Number of lawsuits	0	1	0	1	1
Number of reports	0	0	4	3	8
Number of compliance violations	1	2	3	1	5
Number of material deficiencies to be disclosed under the internal control reporting system for financial reporting	0	0	0	0	0
Total	1	3	7	5	14

(6) Compliance training

To raise compliance awareness, the Company conducts annual compliance training for not only its officers and employees but also those of its partner companies and Group companies. The training explains compliance-related rules and, based on the Officer and Employee Code of Conduct, introduces examples of common compliance violations in order to raise participants' awareness and foster a sense of personal responsibility. For FY2024, a training session on human rights and harassment prevention was held in March 2025 by a partner lawyer from Chuo Sogo Law Office, P. C., conducted both on-site and via web streaming. A total of 222 participants attended the session (80 in person and 142 remotely).

In addition, compliance training is provided as part of the new employee orientation program.

Each officer and employee of the Nakayama Steel Works Group is provided with a Nakayama Steel Works Group Corporate Philosophy card.



(7) Our approach to preventing corruption

The Nakayama Steel Works Officer and Employee Code of Conduct sets out the following to prevent corruption, bribery, and other legal violations to ensure that gifts and entertainment remain within socially acceptable limits.

- We will not provide improper entertainment, gifts, benefits, or other economic advantages to public officials or persons in equivalent positions, whether in Japan or overseas.
- Gifts and entertainment for business partners and their officers and employees must not be excessive and must remain within socially acceptable limits.
- We must not accept excessive entertainment or gifts that exceed the bounds of social courtesy from business partners or their officers and employees.
- Any political contributions or donations to organizations must be made in compliance with the Political Funds Control Act and other applicable laws and regulations, and carried out in an appropriate manner.

This Code of Conduct will be revised as necessary with the approval of the Board of Directors.

* In FY2024, there were no serious incidents related to bribery or corrupt practices within the Group.

(8) Basic views on measures for eliminating anti-social forces

The Group shall have no relationships whatsoever with anti-social forces and resolutely reject any unjust demands. The Company's basic policy is to respond to such demands by anti-social forces in an organized manner in close cooperation with external specialized organizations such as the local police station and legal advisors.

Specifically, the Nakayama Steel Works Officer and Employee Code of Conduct and other internal rules stipulate that the Company shall not engage in any transactions with anti-social forces. In addition, the Company is a member of the Corporate Defense Council and works closely with local companies to collect and exchange information to eliminate anti-social forces and to prevent and mitigate various risks associated with such groups.

* No officer or employee has been dismissed in the past for violating the Nakayama Steel Works Officer and Employee Code of Conduct.

Risk Management

The Group appropriately identifies and manages risks in order to minimize losses and maximize profits.

(1) Risk management framework

Based on the Basic Risk Management Regulations, the Company has established fundamental policies on risk management and built a framework to prevent the occurrence of various risks surrounding the Group's business and to respond appropriately should a risk materialize. The Company recognizes as risks, all internal and external factors that could adversely affect its management, such as financial losses, loss of brand image, and business interruptions or suspensions, and manages them in an integrated manner.

■ Compliance/Risk Management Committee

A committee established under the Board of Directors meets twice a year to discuss and approve issues and measures related to company-wide compliance and risk management.

■ Crisis Management Headquarters

The Group has established a system that allows the President to convene an emergency response team immediately in the event of a crisis or emergency, or the threat thereof, to enable prompt and appropriate action.

■ Formulation of a business continuity plan (BCP)

To ensure that the Company can continue operating appropriately while securing the safety of our employees and their families even during emergencies (such as major earthquakes or natural disasters), we have formulated a business continuity plan that provides for the restoration of facilities and systems, and coordination of shipments with suppliers and business partners on a daily basis.

■ Response to COVID-19

The Company places the highest priority on the safety and health of its customers, employees, and their families. We regard it as our social responsibility and mission to continue operations while taking all possible infection-prevention measures and to maintain the uninterrupted supply of products and services essential for sustaining social infrastructure, and we conduct our business accordingly. Following the reclassification of COVID-19 as a Category 5 infectious disease in May 2023, we have aligned our practices with government policies and returned to our standard infection-control procedures.

(2) Information security promotion system

The economic and social losses caused by accidents or incidents such as information leaks are incalculable. The Company has established Information Management Regulations for managing information security. To ensure robust information security management, we have established a tiered management structure by appointing managers at each organizational level. To prevent leaks of confidential and personal information, we have established procedures for managing documents and

data, as well as standards and procedures for managing computers and peripheral equipment.

■ Information security guidelines

To prevent leaks of confidential information from network-connected computers, we have established rules on access control, password management, and other standards.

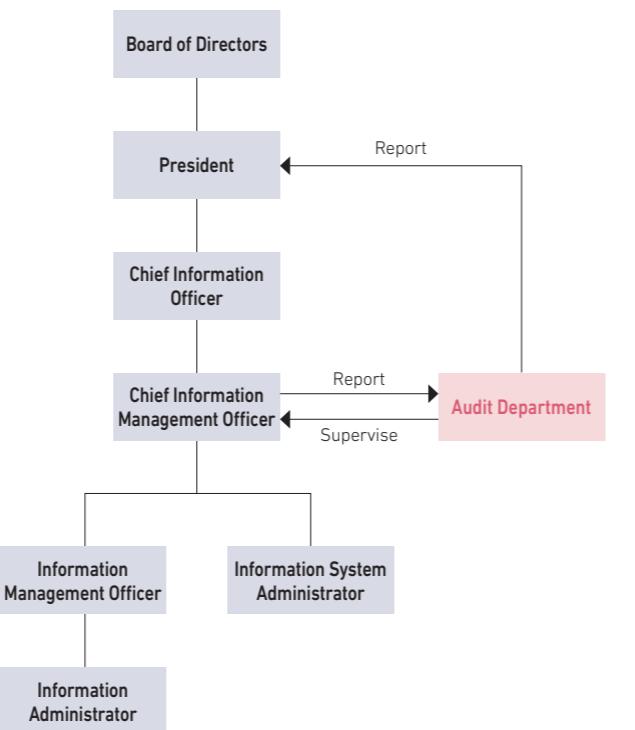
(Applicable rules)

- Officer and Employee Code of Conduct
- Information Management Regulations
- Personal Information Protection Regulations, etc.

■ Information security awareness raising and training

The Company conducts training programs for managers, new employees, and others to raise information security awareness. When joining the Company, employees receive training led by the Chief Information Management Officer, focusing on information security pledges. The Chief Information Management Officer also provides information security training to employees promoted to managerial positions (office and section managers).

● Information security system



ESG Data

	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Environment						
CO ₂ emissions (non-consolidated: Scope 1 and 2 + part of Scope 3) ^{Note}	kt	1,050	1,295	1,139	1,341	1,382
CO ₂ emission intensity (non-consolidated: Scope 1 and 2 + part of Scope 3)	t-CO ₂ /t	0.50	0.55	0.50	0.61	0.52
Energy consumption (crude oil equivalent)	M ²	143.9	158.4	155.5	150.1	152.2
Energy intensity (per crude steel + steel product production volume)	€ /t	69.0	67.4	68.0	68.2	69.7
Cumulative waste treatment rate (high-concentration PCBs) [Osaka area]	%	100.0	100.0	100.0	100.0	100.0
Volume of by-product recycled	kt	130.7	140.1	141.3	127.9	147.1
Rate of by-product recycled	%	97.1	96.8	96.1	96.0	96.4
Nitrogen oxide (NO _x) emissions	t	116.4	128.3	112.2	122.2	118.4
Sulfur oxide (SO _x) emissions	Nm ³	6.3	5.6	5.6	2.1	4.9
Volume of industrial water used	km ³	1,282	1,366	1,369	1,380	1,410
Volume of tap water used	km ³	35	42	39	45	52
Volume of treated water discharged into public waters	km ³	280	251	317	290	254
Volume of chemical oxygen demand (COD) in discharged water	mg/l	2.9	2.8	2.5	2.5	2.5
Suspended solids (SS) in discharged water	mg/l	6.6	5.1	4.8	2.5	5.3
Total nitrogen (T-N) in discharged water	mg/l	1.6	1.8	1.7	1.5	1.5
Volume of chemical substances transferred outside of business sites	t	290	332	321	332	375
Chemical substance emissions into the atmosphere	t	94	94	89	79	71
Chemical substance emissions into public waters	kg	19	17	22	20	17
Volatile organic compound (VOC) emissions into the atmosphere	t	93	94	89	79	71
Volume of waste containing hazardous substances	t	6,360	6,890	7,424	6,890	8,480
Number of violations related to water quality/quantity	Cases	0	0	0	0	0
Amount of environmental fines and penalties	Yen	0	0	0	0	0
Social						
All employees (including dispatched employees and employees seconded to the Company)	People	595	599	857	869	874
Non-regular employees	People	61	64	84	116	125
Percentage of non-regular employees, such as contract employees or dispatched employees, among all employees	%	11.4	10.7	9.8	13.4	14.3
Number of voluntary retirees*	People	11	15	25	20	20
Voluntary turnover rate of full-time employees*	%	2.1	2.8	3.3	2.7	2.7
Percentage of employees with disabilities among all employees*	%	1.31	1.53	2.31	2.06	2.22
Female employees*	People	46	44	75	81	84
Percentage of women among all employees*	%	8.0	7.6	9.0	9.6	9.8
Wage gap between male and female employees	%	—	—	79.1	78.2	80.4
Number of women in management positions* (calculated based on the Company's standard for assistant manager level and above)	People	6	7	9	9	9
Percentage of women in management positions* (calculated based on the Company's standard for assistant manager level and above)	%	5.9	7.7	5.9	6.4	6.3
Number of employees taking childcare leave (male)	People	0	1	5	6	9
Usage rate of childcare leave, etc. (male)	%	—	—	31.3	33.3	54.5
Number of employees taking childcare leave (female)	People	2	1	1	3	3
Specific funds to facilitate collaboration with charitable partners	Yen	0	0	0	0	0
Donations	Thousand yen	6,945	5,674	7,630	11,707	21,284
Number of accidents or incidents leading to injury or death	Cases	10	14	16	15	15
Number of employees trained in health and safety	People	135	148	109	104	163
Number of lost-time accidents	Cases	5	4	4	5	3
Number of industrial accidents (fatal injuries) among regular employees	Cases	0	0	0	0	0
Number of industrial accidents (fatal injuries) among non-regular employees	Cases	0	0	0	0	0
Frequency rate of industrial accidents	—	1.63	1.18	1.34	0.32	0.32
Average age (non-consolidated)	Years old	43.3	44.0	43.8	43.8	43.7
Average length of service (non-consolidated)	Years	20.5	21.2	19.6	19.5	19.4
Number of participants in human resource development training	People	89	53	62	61	327
Cost of employee training and education	Thousand yen	2,230	2,890	12,042	29,760	24,547
Governance						
Number of participants in compliance training	People	152	150	159	197	222
Number of cases where the whistle-blowing system was used	Cases	0	0	4	3	8
Number of inquiries through the corporate website	Cases	248	228	221	267	516
Number of violations of laws and regulations	Cases	1	2	3	1	5
Number of Outside Directors	People	2	2	4	5	4
Number of Independent Directors	People	3	4	4	5	4
Number of Directors	People	6	6	10	13	12
Political contributions	Yen	0	0	0	0	0
Number of dismissals due to violations of anti-corruption policies	Cases	0	0	0	0	0
Number of employee disciplinary actions for violations of anti-corruption policies	Cases	0	0	0	0	0

* indicates the number of direct employees

Note: As the Company uses purchased materials in addition to its own electric arc furnace materials for the iron source used in rolling, it has added these emissions (purchased goods under Scope 3).

Financial and Non-Financial Highlights



Ten-Year Consolidated Financial Highlights

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
(Millions of yen)										
Operating Results										
Net sales	132,224	123,992	148,719	153,725	136,245	110,954	166,701	188,514	184,445	169,329
Ordinary profit	4,985	6,024	6,329	5,191	4,439	2,661	6,654	13,371	12,244	8,119
Profit attributable to owners of parent	4,137	5,808	5,443	3,464	2,913	2,355	4,815	10,227	8,904	5,695
EBITDA ¹	7,107	7,749	8,132	7,169	6,658	4,924	9,076	16,330	15,007	11,185
Capital investment	2,537	2,662	2,719	5,832	2,926	3,251	2,952	4,044	5,223	4,167
Depreciation	1,515	1,552	1,638	1,814	2,067	2,175	2,308	2,751	2,622	2,897
R&D expenses	9	8	6	8	5	10	10	21	24	30
Financial Position										
Total assets	113,529	115,900	124,622	124,605	119,445	122,982	143,618	148,787	152,087	149,148
Property, plant and equipment	35,556	36,406	37,382	41,229	41,578	41,773	44,097	44,903	47,132	48,288
Equity	66,138	72,492	77,309	79,863	81,750	84,356	88,931	96,859	104,553	106,810
Net assets	66,138	72,492	77,309	79,863	81,750	84,356	88,931	96,859	104,553	106,810
Interest-bearing debt	19,899	9,710	9,537	8,780	7,763	6,751	15,993	10,276	9,628	9,062
Cash Flows										
Cash flows from operating activities	9,879	4,348	4,426	2,090	5,082	4,127	(8,756)	13,012	5,153	7,346
Cash flows from investing activities	(2,778)	(2,574)	(1,636)	(5,286)	(3,098)	(2,652)	(2,308)	(3,460)	(2,300)	(4,683)
Free cash flow	7,101	1,774	2,790	(3,195)	1,984	1,475	(11,064)	9,552	2,852	2,663
Cash flows from financing activities	(9,978)	(10,497)	(833)	(1,742)	(1,676)	(1,682)	8,388	(8,541)	(3,141)	(3,804)
Per Share Information										
Basic earnings (yen)	76.42	107.28	100.53	63.99	53.83	43.52	88.96	188.92	164.43	105.14
Net assets (yen)	1,221.56	1,338.95	1,427.95	1,475.20	1,510.06	1,558.22	1,642.72	1,789.18	1,930.54	1,971.57
Dividends (yen)	-	5.00	8.00	8.00	10.00	6.00	16.00	55.00	50.00	40.00
Payout ratio (%)	-	4.7	8.0	12.5	18.6	13.8	18.0	29.1	30.4	38.0
Financial Indicators										
Debt/EBITDA ratio (times)	2.8	1.3	1.2	1.2	1.2	1.4	1.8	0.6	0.6	0.8
ROE ² (%)	6.4	8.4	7.3	4.4	3.6	2.8	5.6	11.0	8.8	5.4
ROA ³ (%)	4.1	5.3	5.3	4.2	3.6	2.2	5.0	9.1	8.1	5.4
Equity ratio (%)	58.3	62.5	62.4	64.1	68.4	68.6	61.9	65.1	68.7	71.6
Net D/E ratio (times)	(0.15)	(0.16)	(0.18)	(0.12)	(0.13)	(0.14)	0.00	(0.07)	(0.07)	(0.06)
Year-end stock price (yen/share)	70	727	725	504	402	436	446	973	950	740
Segment Information										
Net Sales										
Steel Business	129,712	121,830	146,403	151,506	133,892	108,662	164,348	185,927	181,644	166,647
Engineering Business	1,972	1,808	1,966	1,940	1,870	1,606	1,873	1,925	2,058	1,886
Real Estate Business	951	885	874	950	1,107	1,187	1,166	1,367	1,438	1,392
Ordinary Profit										
Steel Business	4,943	5,787	6,036	5,168	4,410	2,224	6,849	12,979	11,752	7,824
Engineering Business	116	33	73	29	28	(29)	58	2	74	36
Real Estate Business	393	462	439	502	495	560	500	697	706	696
Others										
Crude steel production (non-consolidated) (thousand tons)	384.6	456.1	493.9	515.4	542.3	497.2	538.0	548.2	489.4	541.6
Shipments of steel products ⁴ (non-consolidated) (thousand tons)	1,219.0	1,322.9	1,502.3	1,390.9	1,209.2	1,013.3	1,186.0	1,091.4	1,107.7	1,011.0
Of which, exports (non-consolidated) (thousand tons)	187.9	318.1	416.1	196.9	123.7	88.7	85.9	70.0	71.9	42.5
Average sales price of steel products ⁴ (non-consolidated) (thousand yen/tons)	69.7	62.3	69.7	77.3	76.2	71.2	102.5	133.7	129.3	127.3
Number of employees (consolidated)	1,110	1,110	1,137	1,142	1,181	1,196	1,188	1,206	1,247	1,248

¹ EBITDA = Ordinary profit + Interest expenses + Depreciation² ROE = Profit attributable to owners of parent/Equity³ ROA = Ordinary profit/Total assets⁴ Figures from FY2022 to FY2024 include the building materials business

Corporate Overview (As of March 31, 2025)

Company name: NAKAYAMA STEEL WORKS, LTD.
Founded: September 1919
Established: December 22, 1923
Capital: 20,044,777,066 yen
Listed stock exchange: Tokyo Stock Exchange Prime Market
Number of employees (consolidated): 1,248

Group locations

Creating the future with the power of steel

NAKAYAMA STEEL WORKS, LTD.

Business activities

Manufacture, processing, and sale of rolled steel plates, steel plates, medium plates, checker plates, galvanized coils, wire rods, bar in coils, round bars, light gauge steels, electric resistance welded pipes, and building construction-related products

Sales operations conducted through a nationwide network with close ties to local communities

MITSUBOSHI SHOJI CO., LTD.

Business activities

Sale of steel products, galvanized iron plates, wire rods, and building materials

Continuing to pursue the limitless future of steel

NAKAYAMA TRADING CO., LTD.

Business activities

Sale of steel products and related products

A checker plate specialist boasting technologies and reliability

SANSEN SHEARING CO., LTD.

Business activities

Shearing, processing, and sale of checker plates

A trusted and reliable business partner

NAKAYAMA KOSAN CO., LTD.

Business activities

Real estate sales and brokerage, environmental services, and sale of goods

A comprehensive logistics company that handles all logistics for the Nakayama Steel Works Group

MITSUBOSHI KAIUN KAISHA, LTD.

Business activities

General shipping, shipping brokerage, port transportation, and truck transportation businesses

Stock Information (As of March 31, 2025)

Stock information

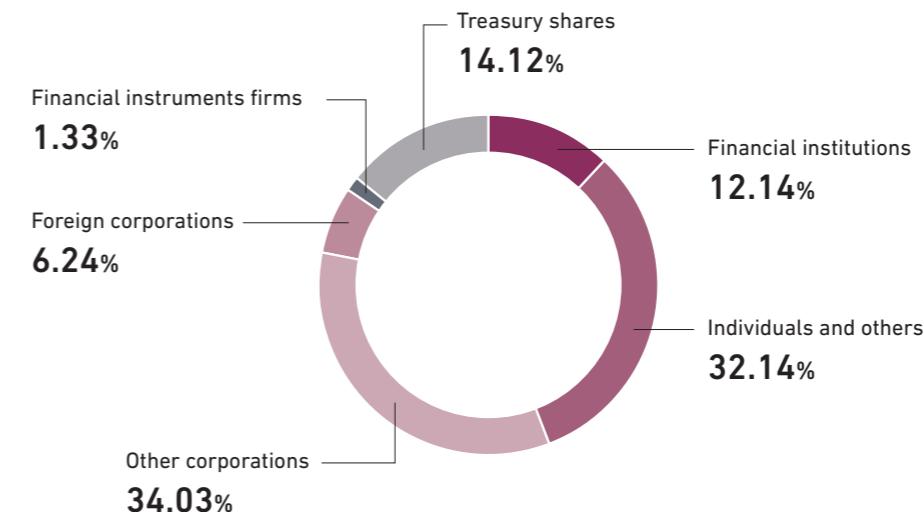
Total number of authorized shares: 150,000,000
Total number of issued shares: 63,079,256
Number of shareholders: 29,025

Major shareholders

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
Hanwa Co., Ltd.	8,058	14.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,431	10.02
AIR WATER INC.	4,729	8.73
MARUICHI STEEL TUBE LTD.	2,659	4.90
Osaka Gas Co., Ltd.	1,923	3.54
Amagasaki Seikan Co., Ltd.	1,274	2.35
BANK JULIUS BAER AND CO. LTD. SG FAO KAZUTAKA HOSAKA	1,094	2.02
Custody Bank of Japan, Ltd. (Trust Account)	993	1.83
Nakayama Shareholding Mutual Prosperity Association	879	1.62
NIPPON STEEL TRADING CORPORATION	815	1.50

(Note) The shareholding ratio is calculated after deducting treasury shares (8,903,954 shares) and is rounded down to the second decimal place.

Distribution of shareholders by type





NAKAYAMA
STEEL WORKS, LTD.

1-1-66 Funamachi, Taisho-ku, Osaka-shi, Osaka 551-8551, Japan
Phone: +81-6-6555-3111 (general inquiries)