Corporate Governance Report

CORPORATE GOVERNANCE | NAKAYAMA STEEL WORKS, LTD.

Last Update: June 26, 2025

NAKAYAMA STEEL WORKS, LTD.
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The corporate governance of NAKAYAMA STEEL WORKS, LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Company strives to ensure the efficiency, soundness, and transparency of its management, with the aim of achieving sustainable enhancement of corporate value and becoming a company trusted by society.
The Company recognizes the enhancement of corporate governance as a top management priority, in order to further strengthen the trust of shareholders, investors, all customers and local communities, and society at large, and to become a good corporate citizen.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Based on the above basic views, the Company implements all principles of the Corporate Governance Code (revised as of June 11, 2021).

Disclosure Based on each Principle of the Corporate Governance Code [Updated]

[Principle 1.4 Cross-Shareholdings]

The Company seeks to reduce cross-shareholdings that are not deemed sufficiently meaningful. At the same time, it intends to maintain holdings considered necessary for policy purposes, such as maintaining and strengthening stable, long-term business relationships with partners, in order to contribute to the enhancement of medium- to long-term corporate value.

The Board of Directors determines the necessity of retaining each of all the cross-shareholdings based on a comprehensive assessment of the purpose of holding and other relevant factors. Specifically, the Company makes quantitative assessment based on the status of shareholdings and past financial performance (profitability, soundness, and shareholder returns), including whether the counterparty's ROE or dividend yield exceeds the Company's weighted average cost of capital (WACC), as well as qualitative factors such as business transactions are also considered to make a comprehensive decision.
Following the Board of Directors' review on April 30, 2024, the Company intended to sell two of the five listed stocks it held as of March 31, 2024 (acquisition cost: 681 million yen; market value: 2,149 million yen). The sale of these two stocks was completed by March 31, 2025. As a result, the Company now holds three stocks of cross-shareholdings (acquisition cost: 656 million yen; market value: 1,222 million yen).

With respect to the exercise of voting rights for cross-shareholdings, the Company examines each proposal carefully and exercises its voting rights based on whether the proposal is deemed conducive to enhancing the issuing company's corporate value.

[Principle 1.7 Related Party Transactions]

In accordance with the Rules of the Board of Directors, the following matters require deliberation and resolution by the Board of Directors:

・ Competitive transactions by Directors (any transactions in the line of business of the Company, carried out for themselves or for a third party)

・ Transactions involving conflicts of interest between Directors and the Company
・ Related-party transactions conducted under terms that differ from normal business conditions

The Company also monitors related-party transactions between consolidated subsidiaries and major shareholders, etc. by requiring reports at Board of Directors meetings.
At the Board of Directors' meeting held on May 23, 2025, it was reported that no transactions differing from normal business terms occurred during FY2024.

[Supplementary Principle 2.4.1 Approach to ensuring diversity (including women, foreign nationals, and mid-career hires) among core human resources]

The Group's approach to ensuring diversity among its core human resources is as follows.

[1. NAKAYAMA STEEL WORKS, LTD.]

Since 2001, the Company has actively recruited women and experienced professionals for managerial-track positions. As of March 31, 2025, women accounted for 4.0% (4 individuals) of all managerial positions (office or section manager level and above).

The Company's medium- to long-term human resource strategy prioritizes building a population of future management candidates. As a first step, we are developing candidates for assistant managers, the position directly below section manager, with the goal of raising the percentage of women in these positions to at least 25% by March 31, 2026. (14.3% (5 women) as of March 31, 2025)
The Company promotes employees to management positions regardless of gender or mid-career hires and is responding to increasingly diverse work styles with the aim of conducting improvement in work-life balance. The Company has established systems for childcare and eldercare leave, working from home, reduced working hours, half-day and hourly paid leave, as well as remote work environments, changing rooms, bathroom and other facilities. We will continue to enhance both our systems and workplace environment.
In December 2024, the Company introduced referral and alumni recruitment programs aimed at securing motivated talent, facilitating smooth and stable hiring, and improving employee retention by encouraging individuals connected to our employees, as well as former employees, to return or consider employment with us.
With respect to the hiring of foreign nationals, the Company and the Group companies do not discriminate based on nationality. In FY2024, the Company hired one international employee, bringing the total number of foreign workers to five. We will continue recruiting and developing an environment where a diverse range of talent can fully demonstrate their abilities.

[2. MITSUBOSHI KAIUN KAISHA, LTD]

At MITSUBOSHI KAIUN KAISHA, LTD, a consolidated subsidiary of the Company, women held 12.5% of all managerial positions (section manager level and above) as of March 31, 2025. MITSUBOSHI KAIUN KAISHA, LTD continues to hire women and experienced professionals for managerial-track positions and is strengthening its efforts to reduce working hours by streamlining operations through digital transformation (DX) and other initiatives. To support childcare, the company has introduced a shortened working hours system for employees raising children below fourth grade in elementary school. By creating a more supportive work environment, the company aims to improve the retention of female employees and raise the percentage of women in management positions (section manager and above) to at least 20% by March 31, 2026.
As of March 31, 2025, women accounted for 35.3% (6 individuals) of assistant managers, the position directly below section manager, at MITSUBOSHI KAIUN KAISHA, LTD.

[3. MITSUBOSHI SHOJI, LTD.]

At MITSUBOSHI SHOJI LTD., another consolidated subsidiary of the Company, women held 0.0% of all managerial positions (office or section manager level and above) as of March 31, 2025.
The company also has a plan to increase the percentage of women in managerial positions (office or section manager and above) by informing employees of its childcare leave system, social insurance program benefits during childcare leave, etc., and providing backup for balancing childcare and work, thereby attracting applicants for sales positions, which currently have few women, and providing training for them, in order to improve the retention of women and increase their participation opportunities.
As of March 31, 2025, women accounted for 29.4% (15 individuals) of assistant managers, the position directly below office or section manager, at MITSUBOSHI SHOJI, LTD.

[Principle 2.6 Roles of Corporate Pension Funds as Assets Owners]

To ensure the long-term stability of pension benefits for beneficiaries over the future, the Company determines its pension asset allocation policy in consultation with the pension management institutions, taking into consideration risk-return characteristics. The Company regularly monitors the status of pension asset management and, when necessary, the accounting department of the Company considers and implements revisions to the asset allocation. The Company comprehensively evaluates and monitors pension management institutions, considering not only quantitative investment performance but also qualitative factors such as investment policy, investment structure, and investment process.

[Principle 3.1 Full Disclosure]

(i) Company objectives (e.g., business principles), business strategies and business plans

1. Corporate philosophy
   Our corporate philosophy is as follows.
   "The NAKAYAMA STEEL WORKS Group creates additional value for the economic society through fair competition and

continues to be of service to society."

2. Corporate strategy and long-term management plan

The Company celebrated 100 years since the foundation in 2019. Aiming to be a group that will continue to thrive 100 years in the future, the Company announced in May 2022 the "Nakayama Steel Works Group 2030 Long-Term Vision" as the Group's ideal image and corporate vision for 2030. In order to enhance the group wide efforts to increase added value and realize a carbon neutral, recycling oriented society in this long-term vision, the Company has considered to invest in the new electric furnace (hereinafter the "Investment"), which as a drastic measure to increase electric furnace production capacity, in addition to expanding the application of electric furnace steel and promoting the processing strategy.

In recent years, the reduction of CO_2 emissions in the steel industry has become an urgent issue in response to growing global environmental awareness. In this business environment, demand for electric furnace steel, which emits about 1/4 of the CO_2 emissions of blast furnace steel, is expected to increase further in the future.

The Group is one of the limited manufacturers capable of producing electric furnace steel with blast furnace and converter technology. The blast furnace and converter businesses were discontinued in 2002, and currently the Company produces and sells steel and the processed products using iron sources produced in existing electric furnace and those procured from outside sources. The decommissioning of ageing existing electric furnace, construction of a new electric furnace, production capacity will be significantly increased, and by substituting in-house iron sources for external procurement, not only will CO_2 emissions be significantly reduced, but profitability will also be improved.

Based on this recognition, the Company has decided to make the Investment to realize the "Nakayama Steel Works Group 2030 Long-Term Vision," which is the foundation of the Group that will continue to thrive 100 years in the future and has formulated a long-term plan centered on this vision.

As stated in "Notice Regarding the Establishment of a Joint Venture with NIPPON STEEL CORPORATION and the Conclusion of a Memorandum of Understanding for a Business Alliance," announced on May 9, 2025, the Investment will involve the establishment of a joint venture with investment by NIPPON STEEL CORPORATION (hereinafter "Nippon Steel") and the Company to construct a new electric furnace facility at the Company's Funamachi Plant. The Company plans to lease the electric furnace facility to operate the electric furnace.

<Priority policies in the Long-Term Management Plan>

(1) Contributing to the realization of a carbon neutral, recycling oriented society

The new electric furnace, which will be completed through the Investment, will come into operation to reduce CO_2 emissions by 46% in FY2030 compared to FY2013 and achieve carbon neutrality in FY2050.

(2) Improving profit structure and reforming product portfolio

1) The Investment aims to strengthen cost competitiveness by improving the ratio of in-house iron sources, saving energy and improving yield, and to improve profitability and stabilize the supply of electric furnace steel slabs and hot rolled electric furnace products through the business alliance with Nippon Steel

2) The Company will promote the expansion of the application of electric furnace steel and create new customer value by expanding our product lineup through product development, etc. and consider initiatives for green steel. In addition, the Company will further strengthen the processing strategy, improve added value and reform product portfolio.

3) In the period until the start of operation of the new electric furnace, the Company will establish the electric furnace production system with a monthly capacity of 50,000 tons at the existing electric furnace, increase the ratio of electric furnace steel, and focus on expanding sales of electric furnace steel.

(3) Strengthening business collaboration

1) The Company will continue to discuss the conclusion of a joint venture agreement with Nippon Steel and work to realize a business alliance between the two companies.

2) Based on the business alliance agreement with Chubu Steel Plate, the Company will promote the supply of slabs from Chubu Steel Plate and the outsourcing of plate production to Chubu Steel Plate.

3) In order to further promote the processing strategy, the Company will also consider the outsourcing of processing and cooperation on product development with business partners.

(4) Establishment of operation system for the new electric furnace

1) The new electric furnace will be installed on the site of the blast furnace and coke at the Company's Funamachi Plant. It will be located close to the hot strip and plate mill heating furnace in the lower process. It is expected to streamline on-site logistics and improve costs by directly transporting electric furnace steel slabs to the hot strip and plate mill heating furnace. Along with the construction of the new electric furnace, the Company will also work on safe and efficient operations.

2) The volume of the new electric furnace is expected to be 1.2 million tons per year, more than double that of the existing electric furnace. Therefore, the procurement of iron scrap will be an issue, but the Company will take measures such as ocean transportation by group companies utilizing the quays of the main company base and reducing the ratio of processed scrap used by the new electric furnace.

(5) Strengthening the management foundation

1) Based on establishing the new operation system of electric furnace (4), the Company will improve the efficiency of work through DX to improve labor efficiency. At the same time the Company will promote the shift to high value-added businesses, such as the visualization and real-time sharing of production information, the visualization of supply chain information, and the advancement of management.

2) In terms of human resource management, the Company aims to create a working environment that encourages employee motivation and motivation by implementing a future human resources strategy to acquire excellent human resources, reduce the turnover rate, restructure the human resources development system and "DE&I" promote activities.

3. Management targets

<FY2024 Management Target>

(1) Ordinary profit: 10.0 billion yen
(2) Capital expenditures: 19.0 billion yen over 3 years
(3) Net D/E ratio: approx. 0.1times
(4) ROE: 7.0%
(5) Dividend payout ratio: 30%

<FY2024 Result>
(1) Ordinary profit: 8.1 billion yen
(2) Capital expenditures: 4.1 billion yen
(3) Net D/E ratio: (0.06) times
(4) ROE: 5.4%
(5) Dividend payout ratio: 38.0%

< FY2030 Target>
(1) Ordinary profit: 10.0 billion yen or more
(2) EBITDA: 22.0 billion yen or more
(3) ROE: 5% or more

< FY2033 Target>
(1) Ordinary profit: 13.0 billion yen or more
(2) EBITDA: 26.0 billion yen or more
(3) ROE: 6% or more

The full-scale operation of the new electric furnace is expected to begin in FY2030. The numerical target of the long-term management plan is FY2033, when the effects of the new electric furnace are generally expected.

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

Based on the above corporate philosophy, the Company aims to maximize corporate value by building good relationships with all stakeholders and achieving long-term and stable growth and development. To achieve this, we are committed to further enhancing our corporate governance to conduct fair and highly transparent management as a trusted corporate citizen.

(iii) Board policies and procedures in determining the remuneration of the senior management and directors

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

(a) Basic Policy, etc.

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

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

The Company introduced a delegation-based executive officer system on June 26, 2025. The compensation and nomination of Executive Officers (including Executive Officers with titles) are governed by the same Basic Policy as that for Directors, as resolved by the Board of Directors.

(b) Overview of the organization and procedures for determining the amount or calculation method of compensation, etc., for officers

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 Kazuaki Hakomori, a Representative Director, 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 Directors are 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 Committee.

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

(a) Composition of compensation

The compensation of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) consists of fixed compensation (70%) and variable performance-linked compensation (30%). Compensation for Audit and Supervisory Committee Members and Outside Directors consists solely of fixed compensation.

(b) 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).

(c) 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, and long-term performance targets, such as consolidated ordinary profit, consolidated EBITDA, ROE, ROA, dividend payout ratio, and shareholder value (PBR). 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).”

3. Policy on determining the amount or calculation method of officer compensation (non-monetary remuneration)

(a) Stock remuneration system

At the Board of Directors’ meeting held on May 25, 2023, the Company resolved on the details of a restricted stock remuneration system (hereinafter, the “System”) for the Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter, the “Eligible Directors”) as a proposal to the General Meeting of Shareholders in June 2023, and such proposal was approved at the 129th Annual General Meeting of Shareholders held on June 28, 2023.

(b) Policy on determining the amounts or calculation method of officer compensation under the System

At the Board of Directors’ meeting held on May 25, 2023, the Company resolved on a policy for determination of the details of individual Director’s compensation, etc. under the System. The aim of the System is to provide incentives for the Eligible Directors to enhance corporate value over the medium to long term and to further promote the sharing of interests with shareholders.

(c) Resolution on the System by the General Meeting of Shareholders

At the 129th Annual General Meeting of Shareholders, 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.

(d) Structure of this stock remuneration system

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.

(iv) Board policies and procedures for appointing/dismissing senior management and nominating of directors candidates
The Company's policies and procedures for the appointment and dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members are carried out in accordance with the "Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members," which are disclosed on the Company's website.
https://www.nakayama-steel.co.jp/menu/investment/governance.html (Japanese only)
When determining candidates for the Board of Directors, the Representative Director and President consults the Remuneration and Nomination Advisory Committee, which was established to strengthen the independence, objectivity, and accountability of the Board of Directors' functions. After the Committee's deliberation, the candidates are then reported to the Board of Directors. When selecting candidates for Directors who are Audit and Supervisory Committee Members, the Remuneration and Nomination Advisory Committee deliberates on the candidates and, with the consent of the Audit and Supervisory Committee, submits the candidates to the Board of Directors.
If a Director no longer meets any of the selection criteria during their term of office, the Remuneration and Nomination Advisory Committee will deliberate on the matter and report to the Board of Directors, and take the prescribed procedures under applicable laws and regulations to dismiss the Director. The Committee also deliberates on the necessity of reappointing or newly appointing the Representative Director and President, considering the performance evaluation and other relevant factors.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv)
The reasons for the selection of all candidates are provided in the Notice of the 131st Annual General Meeting of Shareholders to be held on June 26, 2025.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

[Supplementary Principle 3.1.3 Sustainability initiatives in disclosure of management strategies, etc.]

The Group is committed to its corporate philosophy, "to create additional value for the economic society through fair competition and to continue to be of service to society," which we believe aligns with the concept of the SDGs. Recognizing the SDGs as an important issue to tackle, we have identified the following five material issues in the "NAKAYAMA STEEL WORKS Group Long-Term Vision 2030 – Ideal state and corporate vision" to respond flexibly and appropriately to rapid changes in the global economy and global climate change.

<NAKAYAMA STEEL WORKS Group Long-Term Vision 2030 – Ideal state and corporate vision>
(1) A company that strives to realize carbon neutrality
(2) A company that motivates its employees and pursues their families' happiness
(3) A company that contributes to society, and cooperates and thrives together with local communities
(4) A company that is chosen by customers and makes them happy
(5) A company that is trusted by stakeholders and makes them happy

By ensuring that each and every employee engages in business activities with an awareness of these material issues, we aim to achieve sustainable growth for our Group while also helping to solve social issues and contribute to the SDGs.

To enhance added value across the Group and help realize a carbon-neutral and recycling-oriented society, the Company has been working to expand the use of electric furnace steel and promote processing strategies. In addition, we have also been considering the construction of a new electric furnace as a fundamental measure to significantly boost our production capacity.
In particular, reducing CO_2 emissions in the steel industry has become an urgent issue amid the global trend toward greater environmental awareness. Demand for electric furnace steel, which emits about 1/4 of the CO_2 emissions of blast furnace steel, is expected to increase further in the future.
The Group is one of the few manufacturers that possess both blast furnace and converter technologies. The blast furnace and converter businesses were discontinued in 2002, and currently the Company produces and sells steel products and processed steel products using iron sources produced in its own electric furnaces as well as iron sources procured externally. By constructing a new electric furnace in response to the aging of existing furnaces and significantly expanding production capacity, we expect to substantially reduce CO_2 emissions by shifting from procurement from outside sources to in-house iron sources, while also improving profitability.
Based on this recognition, in May 2025 the Company decided to invest in the construction of a new electric furnace to realize the "Nakayama Steel Works Group 2030 Long-Term Vision," and we have formulated a long-term plan centered on this vision.
The Company sees achieving carbon neutrality by 2050 as a business opportunity. We will work to reduce Scope 1 and 2 emissions by introducing energy-saving equipment, solar power generation, and advancing direct hot-rolling, while also significantly reducing Scope 3 emissions by replacing externally procured iron sources with in-house iron sources produced in the new electric furnace. Through these efforts, we aim to reduce CO_2 emissions by more than 46% by 2030 compared to 2013

levels.
Furthermore, to achieve carbon neutrality by 2050, we will promote the adoption of new facility technologies for reduction in per-unit of fuels and electricity, and apply new fuels to production facilities and vessels, as well as introduce renewable energy-powered facilities and exhaust heat recovery power generation facilities.
In addition, the Company participates actively in TCFD and other initiatives. We endorsed the “GX League” led by the Ministry of Economy, Trade and Industry in March 2022 and joined in May 2023. We were also selected as an A List company (the highest ranking) as a result of responding to the CDP Climate Change 2024 Questionnaire.

Further details on our sustainability approach and initiatives are provided in the Annual Securities Report for the 131st fiscal year ended March 31, 2025.
https://www.nakayama-steel.co.jp/menu/investment/securities_info.html (Japanese only)

(Statements regarding the future in this document reflect the Group’s judgments as of the end of FY2024.)

[Supplementary Principle 4.1.1 Scope of matters delegated to management]

The Company has established the Rules of the Board of Directors, which set out the statutory matters and other matters to be deliberated by the Board in accordance with the Articles of Incorporation and other applicable rules. Based on this, the Company has also established “Rules of Administrative Authority” to clarify the scope of management’s executive authority.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

In accordance with the “Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members” (https://www.nakayama-steel.co.jp/menu/investment/governance.html (Japanese only)), which were established in line with laws, regulations, and stock exchange standards, the Company has appointed two independent Outside Directors and two independent Outside Directors who are Audit and Supervisory Committee Members, making a total of four independent Outside Directors.
The selection criteria and the independence criteria are also provided in the Notice of the 131st Annual General Meeting of Shareholders.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html
To further strengthen governance by the appointed independent Outside Directors, the Board of Directors receives reports on the status of revenue, sales, and procurement. The independent Outside Directors appropriately provide external perspectives on other matters for deliberation and reporting, and the two independent Outside Directors (who are not Audit and Supervisory Committee Members) also serve as members of the Remuneration and Nomination Advisory Committee, which is established under the Board of Directors. The Committee deliberates on the evaluation of Directors and individual officer compensation amounts based on those evaluations, as well as nomination of Director candidates, pursuant to the above-mentioned criteria, and reports the results to the Board of Directors.

[Supplementary Principle 4.10.1 Independence, authority, and roles of the Remuneration and Nomination Advisory Committee]

The Company has appointed four independent Outside Directors. The total number of Directors is 11, with independent Outside Directors accounting for more than one third of the Board. The Company has established a Remuneration and Nomination Advisory Committee under the Board of Directors, which deliberates and reports on the evaluation of Directors, individual officer compensation based on those evaluations, the nomination of Director candidates, and the appropriateness of reappointing or newly appointing Representative Directors, thereby ensuring the objectivity, transparency, and accountability of the Board’s functions.
The Remuneration and Nomination Advisory Committee holds discussions from the perspectives of diversity and skills when deliberating on Director candidates, and based on these discussions, reports the Board of Directors on Director candidates.
The Remuneration and Nomination Advisory Committee consists of three members, a Representative Director serves as the chairperson, and the other two members are independent Outside Directors who are not Audit and Supervisory Committee Members, ensuring that independent Outside Directors constitute a majority of the Committee.

[Supplementary Principle 4.11.1 Skill matrix and the combination of skills of Directors]

The Company’s Board of Directors consists of Directors who are well-versed in the Company’s business and Directors invited from outside the Company.
The Board of Directors is composed of four independent Outside Directors who were appointed at the 131st Annual General Meeting of Shareholders held on June 26, 2025 (including two independent Outside Directors who are Audit and Supervisory Committee Members). Independent Outside Directors account for more than one third of the Board.

The Company’s Board of Directors consists of six internal Directors from within the Company who are well-versed in its business, one internal Director recruited externally who has extensive experience and deep insight in the financial sector, and four independent Outside Directors.

[Skills of the two independent Outside Directors (excluding independent Outside Directors who are Audit and Supervisory Committee Members)]
・Attorney specializing in corporate legal affairs
・Experienced corporate manager with a wealth of experience and insight in journalism accumulated at a newspaper company

[Skills of the two independent Outside Directors who are Audit and Supervisory Committee Members]
・Person with extensive experience and insight gained as executives of financial institutions and corporate manager, as well as substantial experience in overall management
・Certified public accountant (and certified tax accountant) who possesses extensive experience and insight in corporate management and specializes in management consulting and related fields.

The skills matrix for Directors is disclosed in the reference materials for the 131st Annual General Meeting of Shareholders.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

[Supplementary Principle 4.11.2 Concurrent officer positions]

The attendance rate of Directors at the Board of Directors meetings in FY2024 is as stated in the Notice of the 131st Annual General Meeting of Shareholders held on June 26, 2025.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

A proposal to amend the Articles of Incorporation was approved at the 128th Annual General Meeting of Shareholders held on June 28, 2022, and the Company transitioned to a "company with an Audit and Supervisory Committee" to accelerate management decision-making, enhance discussions of basic management policies at Board meetings, and strengthen the Board's supervisory function over business execution.
Regarding concurrent officer positions, the "Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members," as disclosed on the Company's website (https://www.nakayama-steel.co.jp/menu/investment/cg/220628.pdf (Japanese only)), stipulates the following.

・Internal Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be limited to holding concurrent positions as officers of no more than three listed companies other than the Company.
・Any concurrent positions held by other Directors shall be determined that their independence and neutrality are maintained and that such positions do not interfere with their duties at the Company.

All Directors meet the above criteria.

[Supplementary Principle 4.11.3 Evaluation of the effectiveness of the Board of Directors]

Once a year, the Company analyzes and evaluates the overall effectiveness of the Board of Directors by referring to Board members' self-evaluations using a questionnaire covering the Board's roles, operations, and issues. Then, the Company works to improve the identified issues and thereby strives to enhance the effectiveness of the Board as a whole. A summary of the analysis and evaluation of the overall effectiveness of the Board of Directors for FY2024 is as follows.

1. Analysis and evaluation results

The Company analyzes and evaluates the current status of the effectiveness of the Board of Directors as follows.

(1) The Board of Directors of the Company has appointed multiple Outside Directors as well as Directors with diverse knowledge and experience from both inside and outside the Company. The Board appropriately fulfills its roles and responsibilities, including efficient deliberations and resolutions and the supervision of important business execution. Regarding the operation of the Board of Directors, the overall evaluation is generally high. The Board appropriately participates in strategic discussions on medium- and long-term plans and management strategies, and effectively monitors the execution of business strategies.

(2) However, further improvements and consideration are expected regarding the following four issues:
1) Further enhancement of discussions on medium- to long-term management issues
2) Consideration of measures to strengthen group governance
3) More efficient management of meetings by narrowing down items for deliberation and reporting, and by simplifying explanatory materials, etc.
4) Consideration of promoting the digitization of the Board of Directors

2. Efforts to improve effectiveness

Upon receiving the results of the effectiveness evaluation listed in 1) to 4) in (2) above, the Company will implement the following initiatives:

For the issues 1) and 2), the Board of Directors will strive to make improvements by not only supervising business execution but also by further providing opportunities for discussions on the direction the Group as a whole should pursue and on mechanisms to improve group governance.

For the issues 3) and 4), the Company will work to further improve the operation of the Board, including the way materials are explained and the timing of their distribution, to enhance deliberations.

[Supplementary Principle 4.14.2 Training policy for officers]

The Company has provided active support to the officers in gaining the knowledge necessary for their roles, such as by covering the costs of participating in training programs offered by external organizations. Going forward, the Company will continue to provide active support.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company recognizes that achieving sustainable growth and enhancing corporate value over the medium- to long-term requires actively engaging in dialogue with shareholders, reflecting their opinions and requests in management, and pursuing growth together.

For the financial results for the six months ended September 30, 2023, the Company held an online briefing in November 2023 to facilitate the timely dissemination of information. For the financial results for the fiscal year ended March 31, 2024, the Company held a results presentation in May 2024 that allowed both on-site and online participation.
For the financial results for the fiscal year ended March 31, 2025, the Company held a briefing in May 2025 with both on-site and online participation to continue to disclose information in a timely manner.

Furthermore, to strengthen dialogue with shareholders and investors, the Company established an Investor and Public Relations Office in the Corporate Management Division in April 2025. The Director in charge of relevant division reports opinions and feedback obtained through dialogue to the Board of Directors as appropriate.

We will continue to consider and implement measures to further enhance dialogue with our shareholders.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure **[Updated]**	Disclosure of Initiatives (Update)
Availability of English Disclosure **[Updated]**	Unavailable
Date of Disclosure Update **[Updated]**	June 26, 2025

Explanation of Actions **[Updated]**

In the medium-term management plan, the Company set the earnings plan and capital efficiency goals (ROE), while being conscious of the cost of capital. ROE for FY2024 was 5.4%, falling short of the medium-term plan target of 7.0% for the fiscal year. With a PBR of 0.4x as of March 31, 2025, the Company recognizes that its market valuation remains low and that this presents challenges.
To reduce our cost of capital, we will focus on further enhancing information disclosure and strengthening our investor relations activities to help investors gain a deeper understanding of the Group's business. In April 2025, the Company started providing English-language disclosures for financial results and timely disclosure information. We will also appropriately disclose information on our ESG initiatives, promotion of human capital management, and efforts to enhance corporate value over the medium- to long-term.
To improve capital efficiency, the Company will promote our long-term plan to realize our long-term vision, while also enhancing asset efficiency by strengthening inventory management and using proceeds from asset sales to fund new investments.
Medium- and long-term initiatives to achieve the earnings plan and capital efficiency targets (ROE) were disclosed in the "Integrated Report 2024" and "Nakayama Steel Works Group's Long-Term Plan: Towards the New Growth Stage Based on the New Electric Furnace Project."

- Integrated Report 2024
  https://www.nakayama-steel.co.jp/menu/investment/csrinfo.html (Japanese only)
- Nakayama Steel Works Group's Long-Term Plan
  https://www.nakayama-steel.co.jp/menu/news/ir_news_archive/250513_2.pdf (Japanese only)

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

Status of Major Shareholders [Updated]

Name or Company Name	Number of Shares Owned	Percentage (%)
Hanwa Co., Ltd.	8,058,590	14.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,431,200	10.02
AIR WATER INC.	4,729,861	8.73
MARUICHI STEEL TUBE LTD.	2,659,500	4.90
Osaka Gas Co., Ltd.	1,923,000	3.54
Amagasaki Seikan Co., Ltd.	1,274,454	2.35
BANK JULIUS BAER AND CO. LTD. SG FAO KAZUTAKA HOSAKA	1,094,600	2.02

Custody Bank of Japan, Ltd. (Trust Account)	993,500	1.83
Nakayama Shareholding Association	879,439	1.62
NIPPON STEEL TRADING CORPORATION	815,200	1.50

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	―――
Name of Parent Company, if applicable	None

Supplementary Explanation

The status of major shareholders is reported as of March 31, 2025.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Manufacture of iron and steel
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	100 billion yen or more to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

―――

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

―――

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board **[Updated]**	Chairman (excluding those concurrently serving as President)
Number of Directors **[Updated]**	11
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Nakatsukasa	Lawyer								○			
Sayuri Murakami	From another company											
Masaya Kakuda	From another company					△						
Kazuyoshi Tsuda	CPA											

***Categories for "Relationship with the Company".**

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2) **[Updated]**

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masahiro Nakatsukasa		○	The Company has entered into an advisory agreement with Chuo Sogo Law Office, P. C. where Mr. Masahiro Nakatsukasa serves as a representative partner. However, the Company's payment of fees to the said law office is minimal, and the Company has no other special relationship with the said law office.	Mr. Masahiro Nakatsukasa has a wide range of experience and insight as an attorney specializing in corporate legal affairs. Although he has never been involved in corporate management other than as an outside officer, for the reasons stated above, in addition to executing his duties as an Outside Director, we believe that he will be able to ensure fair management that is in compliance with social norms and laws and regulations, and further enhance the Company's governance. We have also determined that there is no possible conflict of interest with general shareholders and that his independence can be ensured.
Sayuri Murakami		○	–	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. Based on her achievements to date, we believe that she will be able to provide appropriate advice and recommendations on the Company's management and governance from an independent standpoint as an Outside Director, utilizing her female perspective and keen sensitivity as a former media journalist.
Masaya Kakuda	○	○	In the past (sixteen years ago), Mr. Masaya Kakuda was an executive officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), a key business partner of the Company. However, he does not currently hold any executive position with the company. His appointment was neither prompted by the main bank nor influenced by the fact that he previously worked for the bank.	Mr. Masaya Kakuda has a wide range of experience and deep insight cultivated over many years at financial institutions, as well as a wealth of experience in all aspects of management gained as a corporate manager. Based on the above, he is expected to provide us with useful opinions and guidance on the Company's management from an objective and professional perspective. Therefore, as a 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. We have also determined that there is no possible conflict of interest with general shareholders and that his independence can be ensured.
Kazuyoshi Tsuda	○	○	–	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 insight as a certified public accountant and tax accountant specializing in management consulting. Based on the above, he is expected to provide us with useful opinions and guidance on the Company's management from an objective and

				professional perspective. Therefore, as a 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. We have also determined that that there is no possible conflict of interest with general shareholders and that his independence can be ensured.

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

1. In accordance with the "Regulations of the Audit and Supervisory Committee" and the "Standards for Audits by Audit and Supervisory Committee," the Audit and Supervisory Committee discusses the framework to ensure the independence of such staff from Directors (excluding those who are Audit and Supervisory Committee Members), and requests that Directors (excluding Audit and Supervisory Committee Members) establish and maintain such framework.
2. The Audit and Supervisory Committee issues instructions and orders to such staff and conduct their evaluations.
3. Such staff provide exclusive assistance to the Audit and Supervisory Committee in its duties. However, they may hold concurrent positions with the consent of the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department **[Updated]**

The Audit and Supervisory Committee, Accounting Auditor, and Audit Department hold regular meetings and, as necessary, communicate with each other to exchange and share information in a timely and appropriate manner, thereby striving to maintain close mutual collaboration. In particular, to ensure that audits are conducted efficiently and effectively, they proactively and openly exchange views on key audit items during the planning and formulation of audit plans, as well as during on-site audits and when reporting audit results.
The Audit and Supervisory Committee and the internal audit division strive to maintain close coordination to ensure efficient audits by, for example, requesting information on the status of the Company's operations and assets, requesting reports on the development and operation of internal control systems and related audit results, and, when necessary, requesting timely on-site audits and investigations.

Voluntary Established Committee

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established

Status of Voluntarily Established Committee, Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Remuneration and Nomination Advisory Committee	3	1	1	2	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration and Nomination Advisory Committee	3	1	1	2	0	0	Inside Director

Supplementary Explanation

This Committee was established by resolution of the Board of Directors at a meeting held on April 28, 2017, to strengthen the independence of the Board's functions concerning the nomination and compensation of Directors.

Matters Concerning Independent Directors

Number of Independent Directors	4

Other Matters Concerning Independent Directors

———

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of a Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

The Company introduced a restricted stock remuneration system in FY2023. Details of the system are provided in "Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

Persons Eligible for Stock Options	

Supplementary Explanation for Applicable Items

———

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The total amount of compensation for Directors (excluding Audit and Supervisory Committee Members), Directors who are Audit and Supervisory Committee Members, Outside Directors (excluding Audit and Supervisory Committee Members), and Outside Directors who are Audit and Supervisory Committee Members is disclosed in the Company's Annual Securities Report and Business Report.
For the fiscal year ended March 31, 2025, the amount of compensation was 204 million yen for 10 Directors (excluding Audit and Supervisory Committee Members) (including 13 million yen for three Outside Directors) and 34 million yen for three Directors who are Audit and Supervisory Committee Members (including 12 million yen for two Outside Directors).
Based on a resolution of the 128th Annual General Meeting of Shareholders held on June 28, 2022, the Company transitioned from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee as of the conclusion of such meeting.

Policy on Determining Remuneration Amounts and Calculation Methods **[Updated]**	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Policy on determining the amount and calculation method of compensation for officers

(1) 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.
A. Clarify each officer's roles and responsibilities from a medium- to long-term perspective and ensure that compensation levels are commensurate with conducts for such roles and responsibilities.
B. Strive to maximize the Group's overall earnings in consolidated management.
C. Ensure objectivity and transparency through deliberations by the Remuneration and Nomination Advisory Committee, which is composed of a majority of Outside Directors.
The Company introduced a delegation-based executive officer system on June 26, 2025. The compensation and nomination of Executive Officers (including Executive Officers with titles) are governed by the same Basic Policy as that for Directors, as resolved by the Board of Directors.

(2) Composition of compensation
The compensation of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) consists of fixed compensation, variable performance-linked compensation, and stock remuneration. Compensation for Audit and Supervisory Committee Members and Outside Directors consists solely of fixed compensation.

(3) 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 the Annual General Meeting of Shareholders was seven (including two Outside Directors). Furthermore, at the 129th Annual General Meeting of Shareholders held on June 28, 2023, it was resolved that, separate from the above compensation limit, the total amount of monetary compensation to be paid to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) for the granting of restricted stock remuneration shall be up to 45 million yen per year. At the conclusion of such Annual General Meeting of Shareholders, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) was 10 (including three 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).

(4) Overview of the organization and procedures for determining the policy on the amount or calculation method of compensation 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. Specifically, the President, acting as evaluator, conducts a self-assessment for himself, interviews each Director, prepares a draft evaluation and proposed compensation amounts, and consults with the Remuneration and Nomination Advisory Committee. Following the Committee's deliberation and submission of its report after finalizing each Director's evaluation, the President 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 Kazuaki Hakomori, 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 Directors are 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 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 Directors who are Audit and Supervisory Committee Members.

(5) Performance-linked compensation
Variable compensation is composed of officer evaluation-linked compensation using target management sheets to evaluate individual officer and group performance-linked compensation based on the achievement of the consolidated management plan, with 50% of allocated to each component.
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, and long-term performance targets, such as consolidated ordinary profit, consolidated EBITDA, ROE, ROA, dividend payout ratio, and shareholder value (PBR). 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 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 results for the performance indicators for FY2024 are as follows.

A. Indicators and results related to officer evaluation-linked compensation

<FY2024 Result>

(a) Ordinary profit
Consolidated: 8,119 million yen
(b) Capital expenditures
Consolidated: 4,167 million yen
(c) Net D/E ratio
Consolidated: (0.06) times
(d) ROE
Consolidated: 5.4%
(e) Dividend payout ratio
Consolidated: 38.0%
(f) Stock price/TOPIX: 0.2783 (as of March 31, 2025)

B. Indicators and results related to group performance-linked compensation

The consolidated ordinary profit for FY2022, which serves as the performance indicator for the group performance-linked compensation related to officer compensation for FY2024, was 12,244 million yen, compared to the target of 11,970 million yen, resulting in an achievement rate of 102.0%. Even if the consolidated results exceed the target, it is the Company's policy to pay the standard amount if NAKAYAMA STEEL's non-consolidated ordinary profit falls below the target. In accordance with this policy, the standard amount was paid.

(6) Stock remuneration
Based on the resolution at the 129th Annual General Meeting of Shareholders held on June 28, 2023, the Company introduced a restricted stock remuneration system for its Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter referred to as the "Eligible Directors").
An overview of the system is provided below.
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 total amount of monetary claims to be paid to Eligible Directors for the grant of restricted stock remuneration shall be 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 newly 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 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.

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

(1) Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)
- A. Total compensation: 190 million yen
- B. Fixed compensation: 137 million yen
- C. Officer evaluation-linked compensation: 23 million yen
- D. Group performance-linked compensation: 24 million yen
- E. Stock remuneration: 17 million yen
- F. Number of eligible officers: 7

(2) Directors who are Audit and Supervisory Committee Members (excluding Outside Directors who are Audit and Supervisory Committee Members)
- A. Total compensation: 22 million yen
- B. Fixed compensation: 22 million yen
- C. Number of eligible officers: 1

(3) Outside officers
- A. Total compensation: 25 million yen
- B. Fixed compensation: 25 million yen
- C. Number of eligible officers: 5

3. Total amount of consolidated compensation, etc. for each officer

Not disclosed, as there are no individuals whose total amount of compensation is 100 million yen or more.

Support System for Outside Directors

Outside Directors and Outside Directors who are Audit and Supervisory Committee Members are supported by the Audit Department, the Corporate Management Division, and the General Affairs and Human Resources Department.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) [Updated]

(1) Management decision-making and business execution functions (Directors and Executive Officers)

The Company holds a Board of Directors meeting once a month, in principle, to resolve and report on matters stipulated by laws, regulations, the Articles of Incorporation, and other internal rules, as well as to make prompt and rational decisions on matters of importance to the Group and to monitor the execution of duties by Directors from the perspectives of corporate governance and risk management.

In addition, the Company has adopted an 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.

(2) Audit functions (Audit and Supervisory Committee and accounting audits)

The Audit and Supervisory Committee consists of three members, including two Outside Directors (see “II. 1. Outside Directors’ Relationship with the Company (2)” for details on the knowledge and independence of the Directors who are Audit and Supervisory Committee Members) and, in principle, meets once a month. To ensure that the Audit and Supervisory Committee’s audits are conducted effectively, Audit and Supervisory Committee members attend important internal meetings and meet with the Representative Director and President and others as necessary to exchange opinions. In addition, Audit and Supervisory Committee Members meet with executive officers and others as needed to audit the execution of Directors’ duties from a fair and objective standpoint and to enhance transparency and objectivity.

Employees of the internal audit division are appointed as staff to assist the Audit and Supervisory Committee in the performance of its audits.

In addition, as part of the internal framework, Directors and employees report to the Audit and Supervisory Committee from time to time on matters such as resolutions made at important meetings, facts that may cause significant damage to the Company, the implementation status of internal audits, and other important matters related to risk management.

The Audit and Supervisory Committee Members and the Accounting Auditor hold regular meetings and, as necessary, communicate with each other to exchange information and share information in a timely and appropriate manner, thereby striving to maintain close mutual collaboration.

With respect to accounting audits, the Company has entered into an audit contract with KPMG AZSA LLC in accordance with laws and regulations, and audits are conducted in accordance with the audit plan. The names of the certified public accountants who performed the accounting audit services for FY2024 are as follows.

A. Certified public accountants who performed the services

KPMG AZSA LLC (designated limited liability partners)

Certified public accountant Hirohisa Nishino, certified public accountant Toshiyuki Maeda

B. Composition of assistants involved in audit services
8 certified public accountants and 10 other members of KPMG AZSA LLC
(Other members include those who have passed the certified public accountants examination and system auditors.)
For the Group, the "Nakayama Group Auditors' Liaison Meeting" is held, in principle, four times a year to maintain close mutual cooperation and to improve the quality, consistency, and efficiency of the audits conducted by the auditors.

3. Reasons for Adoption of Current Corporate Governance System [Updated]

The Company is a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee (consisting of three Outside Directors who are Audit and Supervisory Committee Members, two of which are independent Outside Directors) and the Board of Directors (consisting of 11 Directors, four of which are independent Outside Directors) audit and supervise the execution of business operations to strengthen corporate governance and to ensure prompt decision-making as well as management efficiency and fairness. Going forward, the Company will work to further enhance its governance functions by leveraging independent Outside Directors.
At the Board of Directors' meeting held on April 28, 2017, the Company established the voluntary "Remuneration and Nomination Advisory Committee" to operate a mechanism that strengthens the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and remuneration of officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights [Updated]

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company disclosed the notice of the 131st Annual General Meeting of Shareholders of the Company for FY2025 on the Company's website and the Tokyo Stock Exchange website on June 4, 2025, and mailed such notices on June 9, 2025. These actions were taken one day prior to the statutory deadline for disclosure and two days prior to the statutory deadline for mailing, respectively.
Electronic Exercise of Voting Rights	Implemented
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Registered on the electronic voting platform operated by ICJ, Inc.
Other	・The Company is promoting the use of video materials at shareholder meetings. ・The Company has been providing English translations of its notices of convocation (including the abridged notice and reference documents for the General Meeting of Shareholders) since the General Meeting of Shareholders held in June 2022. ・Starting with the fiscal year ended March 31, 2022, the Company has been providing English translations of its year-end and quarterly financial results.

2. Status of IR-related Activities [Updated]

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	A financial results briefing for the fiscal year ended March 31, 2025, was held in May 2025. A financial results briefing for the six months ended September 30, 2024, was held in November 2024.	Held
Online Disclosure of IR Information	In addition to financial results and other financial documents, the Company's website provides a message from a Representative Director, earnings forecasts, IR schedules, IR news, and notices of general meetings of shareholders. Starting with the three months ended June 30, 2023, the Company has disclosed supplementary materials for financial results.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Investor and Public Relations Office of Corporate Planning Department (Yukio Morioka, General Manager, Corporate Planning Department, and General Manager, Investor and Public Relations Office) is in charge of this.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The "Nakayama Steel Works Officer and Employee Code of Conduct," an internal regulation, sets forth the fundamental standards of conduct that officers and employees must observe to ensure thorough compliance.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company continues to engage in environmental conservation activities such as in-house greening initiatives and public road clean-ups, and to support community activities. It also participates in local events (such as *Bon Odori* festivals), conducts community contribution activities such as blood donation drives, and hosts factory tours for local elementary school students.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The "Nakayama Steel Works Officer and Employee Code of Conduct" stipulates that the Company shall strive to disclose corporate information, including financial details and business activities, in an appropriate and proactive manner.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The systems to ensure that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, and other systems to ensure the appropriateness of operations, are as follows.

(1) Systems to ensure that the execution of the duties of Directors and employees of the Company and its subsidiaries complies with laws, regulations, and the Articles of Incorporation

・The Company shall make it absolutely clear that all officers and employees of the Group shall comply with the regulations related to the compliance system, and thoroughly communicate and inform all officers and employees of the Company of the "Nakayama Steel Works Officer and Employee Code of Conduct" to ensure that they act in compliance with laws, regulations, and social norms, and all officers and employees of the Group companies of their respective code of conduct for officers and employees based on the "Nakayama Steel Works Officer and Employee Code of Conduct."

・The Company shall ensure thorough compliance using an ethics hotline (whistle-blowing system).

・To ensure compliance with laws and regulations, the Company shall provide training through the compliance promotion department.

・The internal audit department shall audit the status of compliance in cooperation with the compliance promotion department.

・The Company shall have no relationships whatsoever with anti-social forces and resolutely reject any unjust demands. The Company shall respond to such demands by anti-social forces in an organized manner in close cooperation with external specialized organizations.

・The Company shall establish a basic policy regarding "internal controls over financial reporting" and develop and operate an adequate system to ensure compliance with the Companies Act, the Financial Instruments and Exchange Act, and stock exchange regulations.

(2) Systems related to the storage and management of information on the execution of duties by Directors
Documents and other information related to the execution of duties by Directors shall be appropriately stored and managed in accordance with the Company's internal rules and regulations.

(3) Rules and other systems concerning the management of the risk of loss by the Company and its subsidiaries

- The Company shall establish "Basic Risk Management Regulations" to prevent the occurrence of and appropriately respond to various risks surrounding the Group. The Compliance / Risk Management Committee shall be established under the Board of Directors as an organization to discuss and approve issues and measures related to the promotion of compliance and risk management across the Group.
- In the event of a crisis or emergency, or the threat thereof, the Company shall establish Crisis Management Headquarters to accurately assess the relevant risks and to develop a system for prompt response and prevention of further damage.
- When it becomes necessary to respond to newly emerging risks, a Director responsible for the response shall be promptly appointed.

(4) Systems to ensure that the execution of duties by Directors and other officers of the Company and its subsidiaries is conducted efficiently

- The Board of Directors shall, in principle, meet once a month and hold extraordinary meetings as necessary to make decisions on important management matters and to supervise the execution of duties by Directors. Such decisions and reports shall be made in accordance with the criteria for matters to be submitted to the Board of Directors. Furthermore, the effectiveness of the Board of Directors shall be evaluated annually, with reference to the self-evaluations of each Director, etc., and the operation of the Board and related matters shall be reviewed as appropriate, then a summary of the results shall be disclosed.
- The Company shall ensure diversity among Outside Directors and shall appoint individuals with a wealth of experience, high levels of insight, and specialized knowledge in various fields. Persons who cannot ensure substantial independence based on the criteria for independence of Outside Directors established by the Company shall not be appointed as Outside Directors. In addition, the Company shall strengthen cooperation with the Audit and Supervisory Committee and internal divisions.
- To build a corporate governance system that ensures high management transparency and a strong management oversight function, the Remuneration and Nomination Advisory Committee shall be established under the Board of Directors.
- The Company shall adopt an executive officer system to separate decision-making and supervisory functions from business execution functions, thereby enhancing the effectiveness of the Board of Directors' supervisory function and the efficiency of business execution by Executive Officers.
- With respect to the Company's organizational and business operations, the Company shall adopt a senior general manager system to establish a framework that allows each senior general manager to focus on the execution of their duties.
- The Company shall conduct internal audits to grasp the status of business operations and to promote improvements.

(5) Systems to ensure the appropriateness of operations within the corporate group comprising the Company and its subsidiaries

- The Company and its subsidiaries shall manage the Group in an integrated manner in accordance with the "Nakayama Steel Works Officer and Employee Code of Conduct."
- Important management information and decisions of subsidiaries shall be promptly reported to the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter in this paragraph, "Audit and Supervisory Committee Members") and the relevant divisions in accordance with the Company's internal regulations.
- Important matters affecting the entire Group shall be shared at regularly held Group company liaison meetings.
- The internal audit division shall audit the internal controls of the entire Group to ensure proper conduct of operations.

(6) Matters concerning employees to be assigned to assist the Audit and Supervisory Committee when the Committee requests such assignment

- When requested by the Audit and Supervisory Committee, employees of the internal audit division, etc., shall be appointed, following consultation with the Audit and Supervisory Committee, to assist the Committee and shall be authorized to conduct investigations under the direction of the Audit and Supervisory Committee or a designated Audit and Supervisory Committee Member.

(7) Matters concerning the independence from Directors (excluding Audit and Supervisory Committee Members) of employees assigned to assist the Audit and Supervisory Committee and ensuring the effectiveness of instructions given to such employees by the Committee
Personnel transfers, organizational changes, etc. concerning appointed employees shall be made after hearing the opinions of the Audit and Supervisory Committee.

(8) Systems for reporting to the Audit and Supervisory Committee by Directors, employees, etc. of the Company and its subsidiaries, and systems to ensure that they are not treated unfavorably because of such reporting

- The Company's Directors (excluding Audit and Supervisory Committee Members) and employees shall report without delay to the Audit and Supervisory Committee on the state of management, business execution, and finances; matters resolved at important meetings; facts that may cause significant damage to the Company; the status of internal audits and important matters related to risk management; serious violations of laws, regulations or the Articles of Incorporation; and the status of the whistle-blowing system.
- Directors, Audit & Supervisory Board Members, and employees, etc. of subsidiaries, as well as those who receive reports from them, shall report the above matters to the Audit and Supervisory Committee without delay.
- Directors and employees of the Company and its subsidiaries shall not be treated unfavorably because of having reported to the Audit and Supervisory Committee.

(9) Policy concerning the handling of expenses or liabilities incurred in the performance of duties by Audit and Supervisory Committee Members
Expenses and other costs deemed necessary for the performance of audit duties shall be paid at the request of the relevant Audit and Supervisory Committee Members.

(10) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

・The Audit and Supervisory Committee shall hold meetings to exchange opinions with the Representative Director and President and shall meet with Directors and other relevant parties as necessary.
・Directors (excluding Audit and Supervisory Committee Members) and employees shall facilitate attendance at meetings deemed necessary by the Audit and Supervisory Committee or appointed Audit and Supervisory Committee Members, assist in the exchange of opinions with Directors (excluding Audit and Supervisory Committee Members) and other relevant parties, support on-site inspections and subsidiary inspections, and provide access to important documents, and thereby cooperate in establishing an audit environment that enables the smooth implementation of the Audit and Supervisory Committee's activities.
・The Audit and Supervisory Committee shall conduct efficient audits through close coordination with the Accounting Auditor and the internal audit division, including receiving audit results and other necessary reports as needed.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company 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.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted

Supplementary Explanation for Applicable Items

At the 114th Annual General Meeting of Shareholders held on June 27, 2008, the Company resolved on the "Introduction of Appropriate Rules on Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)" with shareholder approval. Thereafter, at the 117th Annual General Meeting of Shareholders held on June 29, 2011, the continuation of the measures with partial amendments but substantially the same content was approved, and at the 120th Annual General Meeting of Shareholders held on June 26, 2014, the same content was approved for continuation once again.
Furthermore, at the 123rd Annual General Meeting of Shareholders held on June 27, 2017, shareholders approved the continuation of the measures with partial amendments to (1) add Outside Audit & Supervisory Board Members, outside experts, and also Outside Directors to the Independent Committee members; (2) disclose the names of the Independent Committee members; and (3) introduce a mechanism to confirm shareholders' intentions regarding whether to implement countermeasures and other related matters.
Subsequently, at the 126th Annual General Meeting of Shareholders held on June 26, 2020, shareholders approved the continuation of the measures with substantially the same content, although the names of the Independent Committee members were changed.
At the Board of Directors' meeting held on May 25, 2023, the Company resolved to continue the measures with partial amendments as described below, and this was approved at the 129th Annual General Meeting of Shareholders held on June 28, 2023 (the applicable rules as amended are hereinafter referred to as the "Plan").
Major Revisions
・Amendments to references to the Audit & Supervisory Board Members (and the Audit & Supervisory Board) in the Plan following the Company's transition to a company with an Audit and Supervisory Committee in June 2022
・Changes to the names of the members of the Independent Committee

(1) Basic concept
The Company recognizes that whether to accept a large-scale purchase (a large-scale purchase of the Company's shares, etc. that would result in a specific shareholder group holding 20% or more of the voting rights) should ultimately be decided and judged by the shareholders. In such cases, the Company believes that in order for shareholders to make an appropriate decision regarding the large-scale purchase, it is necessary for (a) both the large-scale purchaser and the Board of Directors of the Company to provide appropriate and sufficient information, including the details of the large-scale purchaser's intended management policy and business plan, the impact on shareholders and the Group's management, the existence of any alternative plans, etc. and for (b) shareholders to be given sufficient time to fully consider such information. Therefore, the Company has established the Plan and requires large-scale purchasers to comply with it.

(2) Details of large-scale purchase rules

A. Submission of the letter of intent
If a large-scale purchaser intends to conduct a large-scale purchase, they must first submit to the Company a letter of intent written in Japanese that states that they will comply with the large-scale purchase rules.

B. Provision of required information
The large-scale purchaser shall provide the Board of Directors of the Company with sufficient information written in Japanese (hereinafter referred to as "Large-Scale Purchase Information") to enable shareholders of the Company to make a decision and the Board of Directors to form an opinion.
Within 10 business days of receiving the letter of intent, the Company shall provide the large-scale purchaser with a list of information to be submitted. The large-scale purchaser must then submit the required information to the Company written in Japanese within 60 days of receiving the list.

C. Ensuring a review period ("Board evaluation period" = purchase suspension period)
After the notice of completion of provision of the Large-Scale Purchase Information has been sent, the following period will be granted to the Board of Directors of the Company for evaluation, review, negotiation, opinion formation, and preparation of alternative proposals (hereinafter referred to as the "Board Evaluation Period").
60 days: In the case of a tender offer to purchase all shares of the Company in cash (yen) as the sole consideration
90 days: In the case of any other large-scale purchase
During the Board Evaluation Period, the Board of Directors of the Company shall fully evaluate and review the Large-Scale Purchase Information provided while seeking advice from external experts such as financial advisors, certified public accountants, and lawyers as necessary, and hearing the opinions of the Independent Committee. The Board of Directors will then carefully formulate and disclose its opinion. If necessary, the Board of Directors may also negotiate with the large-scale purchaser to improve the terms of the large-scale purchase and present an alternative proposal to the shareholders.

D. Procedures for confirming shareholders' intentions
If the Independent Committee makes a recommendation to implement countermeasures and requests procedures to confirm shareholders' intentions regarding a resolution to implement countermeasures, the Board of Directors of the Company, after respecting such recommendation to the maximum extent possible and if deemed appropriate, shall convene a shareholders intention confirmation meeting or implement a written voting procedure to confirm shareholders' intentions regarding whether to implement the countermeasures.

(3) Countermeasures in the event of non-compliance with the large-scale purchase rules
If the large-scale purchase rules are not complied with, the Board of Directors of the Company may, for the purpose of protecting the common interests of the Company and its shareholders, implement countermeasures permitted under the Companies Act, other laws, and the Company's Articles of Incorporation, such as a gratis allotment of stock acquisition rights, to oppose the commencement of the large-scale purchase. If the large-scale purchase rules are deemed to have been complied with, the Board of Directors of the Company shall, in principle, not implement specific countermeasures even if it opposes the large-scale purchase.

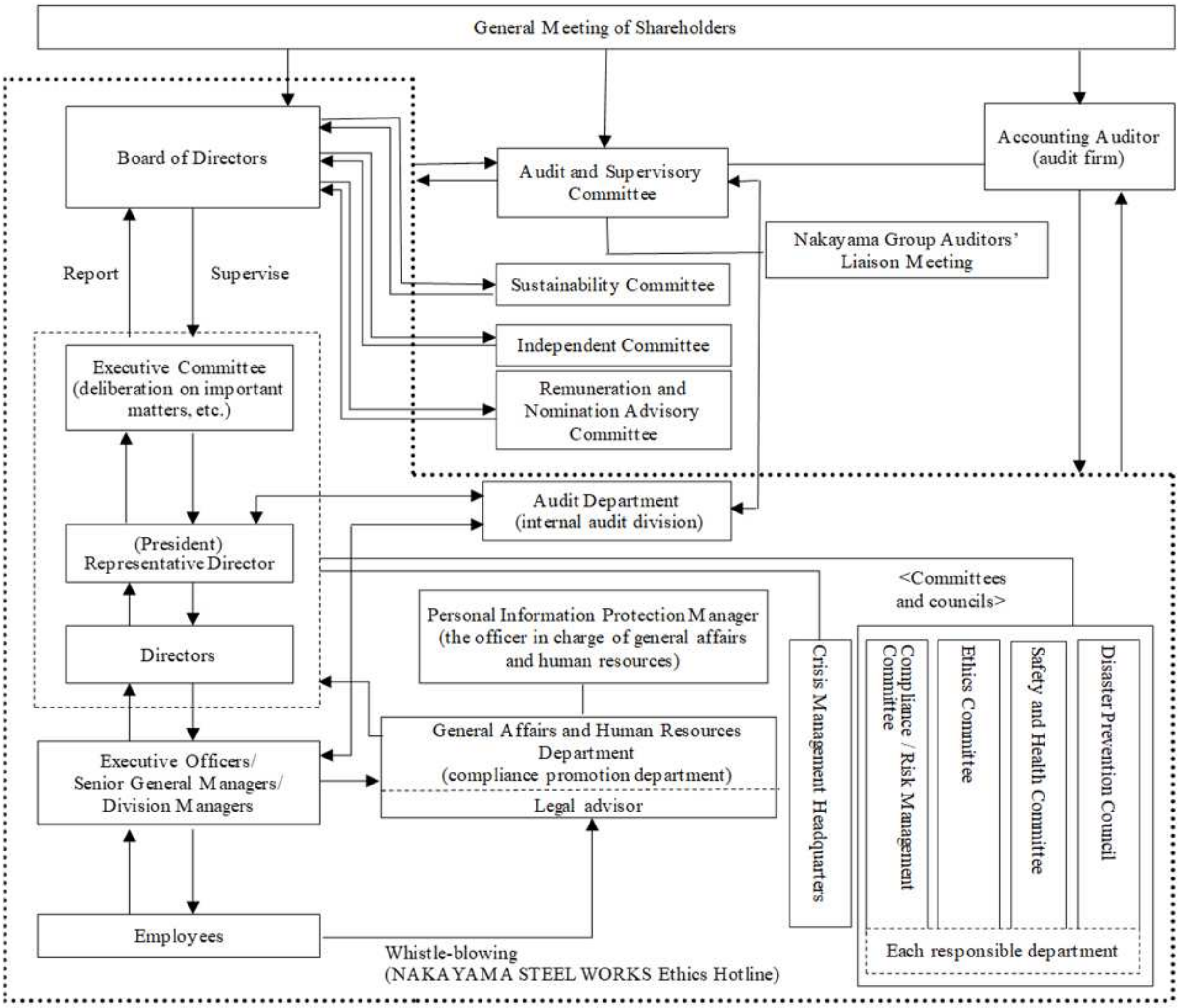
(4) Impact on shareholders and investors
The purpose of the large-scale purchase rules is to ensure that shareholders have the necessary information and time to make a judgement and to guarantee the opportunity to receive alternative proposals, and the Company believes that these rules contribute to the interests of its shareholders and investors.
In the event that a large-scale purchaser fails to comply with the large-scale purchase rules, the Company may take countermeasures. However, the Company does not anticipate any situation in which its shareholders (excluding any large-scale purchaser who violates the large-scale purchase rules) would incur any exceptional loss.

(5) Effective period of the Plan
The effective period of the Plan is until the conclusion of the Annual General Meeting of Shareholders of the Company to be held in June 2026 (three years).
(Note) The above description is an outline of this policy. For details, please click the following URL.
https://www.nakayama-steel.co.jp/menu/news/ir_news_archive/230525_1.pdf (Japanese only)

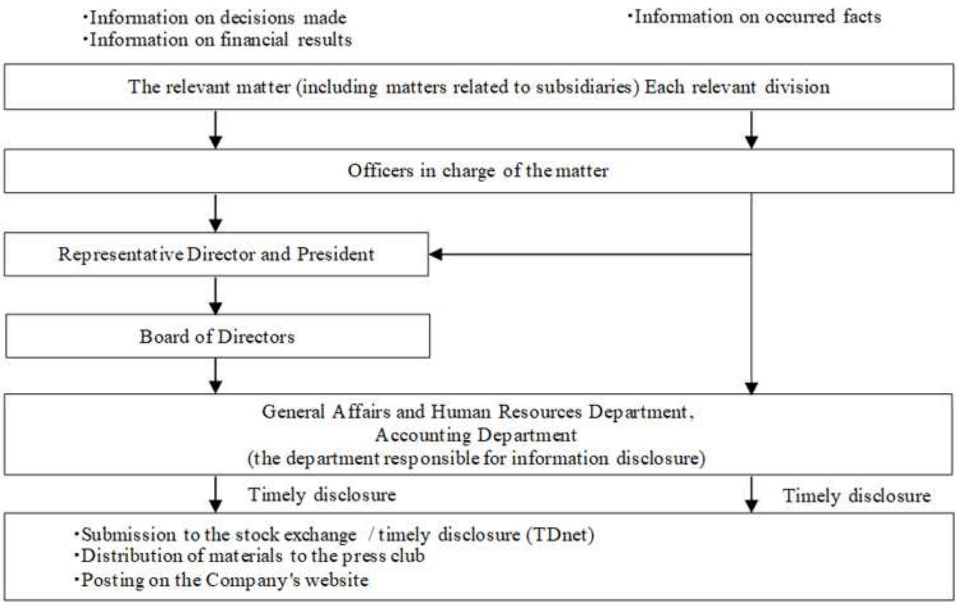
2. Other Matters Concerning the Corporate Governance System

The General Affairs and Human Resources Department or the Accounting Department (the division responsible for information disclosure) receives reports on material facts submitted by each relevant division as appropriate and discloses such information in accordance with the timely disclosure rules established by the stock exchange.
The officer in charge of such matters reports information on decisions made and financial results to the Representative Director and President, and discloses such information in a timely manner without delay after approval by the Board of Directors. Information on the occurred facts will be disclosed in a timely manner without delay after such occurrence.

[Overview of the Corporate Governance Structure and Internal Control System]



[Overview of the Internal System for Timely Disclosure]



Note: Although not shown in the above flowchart, information related to financial results is disclosed in a timely manner in accordance with laws and regulations, through procedures involving the Accounting Auditor and the Audit and Supervisory Committee.