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For Immediate Release

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Notice Regarding the Receipt of Letters Pertaining to Shareholder Proposals and the Opinion of the Board of Directors

NAKAYAMA STEEL WORKS, LTD. (the "Company") has received letters (the "Shareholder Proposal Letters") from certain shareholders of the Company (the "Proposing Shareholders") stating that they intend to submit shareholder proposals (the "Shareholder Proposals") regarding agenda items at the 131st Annual General Meeting of Shareholders scheduled for June 26, 2025 (the "General Meeting"). The Company hereby gives notice that at a meeting held on May 23, 2025, the Board of Directors resolved to oppose the Shareholder Proposals as below.

1.1 Proposing Shareholder

Proposal from a single shareholder

* The shareholder is an individual and the Company will therefore refrain from disclosing their name.

1.2 Shareholder Proposal

(1) Agenda

Appropriation of Surplus

(2) Summary of Proposal and Reason for Proposal

As described in Attachment 1.

Excluding formatting adjustments to relevant sections, the details of the shareholder proposal have been reproduced using the original Shareholder Proposal text submitted by the Proposing Shareholder.

1.3 The Board of Directors' Opinion on the Shareholder Proposal

The Board of Directors opposes the Shareholder Proposal.

[Reasons for opposition]

The Company's basic policy on sharing profits with its shareholders is to enhance corporate value by strengthening its management foundation and improving profitability, and to maintain stable dividends with a consolidated payout ratio of 30% or more.

In 2022, the Company and the Group formulated the Nakayama Steel Works Group 2030 Long-Term Vision (in Japanese only) as a platform from which to ensure ongoing corporate value improvements and success across the next 100 years. The Company announced its long-term plan to achieve this vision on May 9, 2025, centered on investment in a new electric furnace through a joint venture with NIPPON STEEL CORPORATION. While investment in the new electric furnace is expected to total approximately 95 billion yen, it is an incredibly important initiative that will contribute to the Company's sustainable growth and improved capital efficiency through significant reductions in CO_2 emissions and enhanced cost competitiveness through an improved ratio of in-house iron sources, higher energy efficiency, and improved yield. In FY 2033, when benefits from the new electric furnace are generally expected to materialize, we forecast 13.0 billion yen or more in ordinary profit (compared to 8.1 billion yen in FY 2024), EBITDA of 26.0 billion yen or more (compared to 11.3 billion yen in FY 2024), and ROE of 6% or more (compared to 5.4% in FY 2024).

Based on the long-term plan and new electric furnace investment, the Company formulated a capital allocation policy in line with its current financial circumstances and the investments required to achieve its vision. As part of the policy, the Company will allocate capital to growth investments, investments in infrastructure maintenance, and shareholder returns.

The Shareholder Proposal is to "pay a full-year dividend equivalent to 3.5% (DOE 3.5%) of net assets per share." When executing the long-term plan and investments in the new electric furnace, uniform application of this approach has the potential to prevent flexible capital management, in turn stopping the Company from maximizing its corporate value potential and preventing it from future receipt of free cash flow.

While utilizing its solid financial foundation, namely an equity ratio of 72%, the Company is planning a three-pronged, future-oriented capital policy of growth investments, equipment updates, and shareholder returns. To date, the Company has ensured the stable distribution of profits to shareholders through its basic policy of maintaining a consolidated payout ratio of 30% or more. After the commencement of operations at the new electric furnace, the Company is looking at the potential of further enhancing shareholder returns in line with improvements in cash-generating capabilities, and as such deems it important to make decisions based on a sustainable viewpoint rather than a single-year indicator.

As such, shareholder returns based on the dividend on equity (DOE) approach is inconsistent with the Company's long-term management policy. It is a demand that could potentially hinder business growth and one that will not contribute to improvements in corporate value over the medium to long term nor the common interests of shareholders.

The Board of Directors therefore opposes the Shareholder Proposal.

2.1 Proposing Shareholder

Proposal from a single shareholder

* The shareholder is an individual and the Company will therefore refrain from disclosing their name.

2.2 Shareholder Proposal

(1) Agenda

(i) Acquisition of Treasury Shares

(ii) Partial Amendment to the Articles of Incorporation (Cancellation of Treasury Shares)

(iii) Cancellation of Treasury Shares

(2) Summary of Proposal and Reason for Proposal

As described in Attachment 2.

Excluding formatting adjustments to relevant sections, the details of the shareholder proposal have been reproduced using the original Shareholder Proposal text submitted by the Proposing Shareholder.

2.3 The Board of Directors' Opinion on the Shareholder Proposal

<u>The Board of Directors opposes (i) to (iii) of the Shareholder Proposal</u>

[Reasons for opposition]

(i) Acquisition of Treasury Shares

Based on the long-term plan announced on May 9, 2025, the Company is promoting a large-scale investment (approximately 95 billion yen) in a new electric furnace that is set to commence operations in FY2030. Production capacity will increase significantly after the commencement of operations at the new electric furnace, and substituting external procurement with in-house iron sources is expected to both significantly reduce CO_2 emissions and improve profitability. As pointed out, the Tokyo Stock Exchange is indeed calling for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." The Company, however, is taking this request very seriously and aiming to improve capital efficiency, market valuation, and PBR through investment in the new electric furnace.

While the acquisition of treasury shares is an important capital policy, it is essential to make flexible judgements in line with stock market conditions, the Company's capital demands, and growth opportunities. Allocating a fixed percentage of retained earnings every year to the acquisition of treasury shares as per the Shareholder Proposal is a uniform approach that ignores cash flow conditions and investment strategies, and is a potentially harmful approach that could negatively impact future management flexibility. Periods preceding growth investments, in particular, require a careful balance between shareholder returns, financial soundness, and strategies for future growth. Moreover, the Company's basic policy for shareholder returns is to ensure a consolidated payout ratio of 30% or more, and so while maintaining stable dividends, the Company will examine ways to strengthen shareholder returns, including through the acquisition of treasury shares, in line with revenue and cash flow improvements after the commencement of operations at the new electric furnace. Adopting a framework that makes it compulsory to acquire treasury shares until PBR exceeds 1.0x, as the Shareholder Proposal suggests, has the potential to hinder the Company's sustainable value creation.

The acquisition of treasury shares as suggested in the Shareholder Proposal does not consider these policies or approaches, and could lead to financial constraints, etc. The Company has therefore determined that the Shareholder Proposal is not appropriate.

The Board of Directors therefore opposes the Shareholder Proposal.

(ii) Partial Amendment to the Articles of Incorporation (Cancellation of Treasury Shares)

The Shareholder Proposal requests a partial amendment to the Articles of Incorporation to enable the cancellation of treasury shares by resolution of the Ordinary General Meeting of Shareholders. However, the cancellation of treasury shares is a key management issue that requires a comprehensive range of considerations including financial conditions, capital structure, and the flexibility of future strategies. The Company believes that agile, flexible decisions will lead to the improvement of its medium- to long-term corporate value and be in the best interests of shareholders.

The Shareholder Proposal limits the scope and flexibility of the Company's choices and may lead to cases that are not in the best interests of shareholders. As such, the Company believes that as per the provisions of the Companies Act, decisions on the cancellation of treasury shares should not be made by the General Meeting of Shareholders but by the resolution of the Board of Directors.

Moreover, the Company believes it is appropriate to entrust decisions on the nature of individual, specific business execution matters like in the Shareholder Proposal to the Board of Directors, and that it is not an appropriate matter to be stipulated in the Articles of Incorporation, which define the fundamental rules and norms of a company.

The Board of Directors therefore opposes the Shareholder Proposal.

(iii) Cancellation of Treasury Shares

In the event that the amendment to the Articles of Incorporation pertaining to proposal "(i) Acquisition of Treasury Shares" and "(ii) Partial Amendment to the Articles of Incorporation (cancellation of treasury shares)" is approved, the Shareholder Proposal requests the cancellation of all acquired treasury shares based on "(i) Acquisition of Treasury Shares." As described in "(ii) Partial Amendment to the Articles of Incorporation (cancellation of treasury shares)," the cancellation of treasury shares is a key management issue that requires a comprehensive range of considerations including financial conditions, capital structure, and the flexibility of future strategies. The Company believes that agile, flexible decisions will lead to the improvement of its medium- to long-term corporate value and be in the best interests of shareholders.

The Board of Directors therefore opposes the Shareholder Proposal.

<Attachment 1> Details of proposal from a single shareholder

1. Appropriation of Surplus

(1) Type of dividend property

Cash

(2) Allotment of dividend property and the total amount thereof

The dividend per share of common stock (“dividend per share”) to be distributed shall be 61 yen minus the dividend per share based on the proposal for appropriation of surplus proposed by the Board of Directors (“Company’s proposal for appropriation of profits”) and approved at the 131st Annual General Meeting of Shareholders.

In the event that the amount obtained by deducting the interim dividend of 18 yen per share from 3.5% of the net assets per share for the fiscal year ended March 31, 2025, is not 61 yen, the 61 yen above shall be replaced with the amount obtained by deducting the interim dividend of 18 yen per share from the amount equivalent to 3.5% of the net assets per share for the fiscal year ended March 31, 2025.

(Anything less than 1 yen shall be rounded down)

Total dividends shall be calculated by multiplying the number of shares subject to dividends as of the record date of voting rights for the Company’s 131st Annual General Meeting of Shareholders.

(3) Effective date of distribution of surplus

The day after the 131st Annual General Meeting of Shareholders

If the Company’s proposal for appropriation of profits is proposed at the 131st Annual General Meeting of Shareholders, this proposal shall be made as an additional proposal that is both independent from and compatible with the said proposal.

[Reasons for proposal]

The proposal is for a full-year dividend corresponding to 3.5% of net assets per share (DOE of 3.5%).

The Summary of Discussions on Measures to Improve the Effectiveness of the Market Restructuring, published by the Tokyo Stock Exchange (TSE) in January 2023, lays out the specific policies and measures the TSE considers necessary for improvement at companies with price-to-book (P/B) ratios continuously below 1.0. The Company has announced its future business outlook in its Long-Term Vision 2030 and the Medium-Term Management Plan, but as of April 17, 2025, its P/B ratio stood at 0.36, and extremely low level within the electric furnace and steel materials industry, and the lowest of companies listed on the TSE Prime market. In terms of capital efficiency, the average ROE of 6.1% over the past five years is lower than the 8% cost of general shareholders’ equity. Against this backdrop, the Company is planning capital investment for the construction of a new large-scale electric furnace (scheduled to go into operation in 2030), the total amount of which could be in the range of ¥50 billion to ¥100 billion. It has not, however, disclosed a quantitative possibility of recovery for this extremely large investment, and the contribution to future profits is highly uncertain. Given the recent steep rise in construction market prices, the investment amount could become even higher, significantly increasing expenses in depreciation over the long term and making it difficult to expect improvements in profit levels and capital efficiency. In addition, even though the equity ratio is extremely high at roughly 72%, the basic policy for returns to shareholders is only for a “dividend payout ratio of at least 30%,” resulting in an excessive accumulation of internal reserves. In addition, in terms of shareholder composition, so-called “ruling party” cross shareholders have a combined shareholding of more than 20%, and with the continued introduction of additional takeover defense measures, I believe there is little recognition or sense of urgency among current management regarding increased capital efficiency and a higher share price. If this does not change, there is a strong likelihood that the company’s capital efficiency and the market valuation will not improve, and that the P/E ratio will remain below 1.0. I believe that as a listed company, the Company has a strong obligation to introduce capital measures to rectify this excessive accumulation of net assets and contribute to the improvement of capital efficiency and the share price. Based on the above, I am making this proposal as a shareholder, to stipulate a DOE of 3.5% as a minimum dividend, and propose that the dividend be set at this level for the current fiscal year as well.

＜Attachment 2＞ Details of proposal by one (1) shareholder

1. Acquisition of treasury stock shares

(1) Summary of proposal

The Company is to acquire in exchange for cash its own ordinary shares as follows, as stipulated in Article 156.1 of the Companies Act.

・No. of shares to be acquired: 3,553,571 shares

・Total amount to be paid for acquisition of shares: 2,587 million yen (however, if the total acquisition amount permitted in the Companies Act (the "distributable amount" stipulated in Article 461 of the Companies Act) is less than the total acquisition amount, the total acquisition amount shall be no more than the acquisition amount permitted as per the Companies Act)

・Period during which shares may be acquired: One year from the close of the 131st Annual General Meeting of Shareholders

(2) Reasons for proposal

Japanese listed companies are currently being asked to carry out management with an awareness of cost of capital and share price. The Tokyo Stock Exchange (TSE) has called on all companies listed on its Prime and Standard markets to "take action to implement management that is conscious of cost of capital and stock price" ("Action to Implement Management that is Conscious of Cost of Capital and Stock Price," Tokyo Stock Exchange, March 31, 2023). The Company is listed on the TSE's Prime market, but its P/B ratio is significantly below 1.0. The Company has already emerged from a period of weak earnings and is recording large growth in sales and profit. Nevertheless, the weak P/B ratio indicates that the Company is not being sufficiently valued by the market. To rectify this situation, the Company should continuously increase its returns to shareholders, and specifically, allocate 5% of retained earnings in each fiscal year for the acquisition of treasury stock shares, in each fiscal year, until the P/B ratio exceeds 1.0. To that end, this proposal is to acquire treasury stock shares as per the above "(1) Summary of proposal." As of the date this shareholder proposal was prepared, the Company had not yet disclosed its amount of retained earnings as of the end of the fiscal year ended March 31, 2025, and therefore the amount shown as "Total amount to be paid for acquisition of shares" in the above (1) summary of the proposal corresponds to 5% of the total amount of the Company's retained earnings as of the close of the fiscal year ended March 31, 2024, and the "No. of shares to be acquired" is based on the share price as of April 23, 2025 (closing share price of ¥728). I ask shareholders to approve this proposal.

2. Partial revision to Articles of Incorporation (Retirement of treasury stock shares)

(1) Summary of proposal

The Company's Articles of Incorporation are to be amended as follows.

Prior to revision	After revision
(Newly added)	(Retirement of treasury stock shares)
	Article 7.2 The Company may retire treasury stock shares by ordinary resolution of a general meeting of shareholders as stipulated in Article 309.1 of the Companies Act.

(2) Reasons for proposal

The Company holds 8,903,863 shares of treasury stock, which is equivalent to more than 14% of the Company's number of issued shares (including treasury shares). I am making a shareholder proposal to the 131st Annual General Meeting of Shareholders related to the acquisition of treasury stock shares, and if that proposal is approved, the number of treasury stock shares held by the Company will increase further. The existence of such a large volume of treasury stock shares means that shareholders are forced to be constantly concerned about dilution of the Company's shares. Therefore, the ability of shareholders to retire treasury stock shares by resolution of a general meeting of shareholders will lead to increased share value. I am therefore proposing that the Articles of Incorporation be partially revised to allow for treasury stock shares held by the Company to be retired by resolution of a general meeting of shareholders. I ask shareholders to approve this proposal.

3. Retirement of treasury stock shares

(1) Summary of proposal

Conditional upon approval of the proposal for the "Acquisition of treasury stock shares" and the proposal for the "Partial revision to Articles of Incorporation," all treasury stock shares acquired based on the proposal for the "Acquisition of treasury stock shares" are to be retired.

(2) Reasons for proposal

As noted in the reasons for the proposal for the "Acquisition of treasury stock shares," the retirement of treasury stock shares contributes to an increase in the value of the Company's shares. Therefore, if the proposal for the "Acquisition of treasury stock shares" and the revision to the Articles of Incorporation related to the proposal for the "Partial revision to Articles of Incorporation (Retirement of treasury stock shares)" are approved, the proposal is to retire all treasury stock shares acquired as per the proposal for the "Acquisition of treasury stock shares." I ask shareholders to approve this proposal.

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