NAKAYAMA STEEL WORKS, LTD.

FY2025 Q1
Financial Results
Briefing Materials

Aug. 7, 2025

Key points for financial results

➢ FY2025 Q1 Results

- ✓ The results for FY2025 Q1 were expected based on the initial forecasts
- ✓ Net sales of 38.9 billion yen and ordinary profit of 1.8 billion yen(decrease in sales and profit year-on-year)
- ✓ Sluggish domestic demand （delays in construction projects due to labor shortages and material costs, and the impact of overproduction in China , etc.）
- ✓ The impact on fixed costs （labor costs associated with wage increases and depreciation and amortization costs , etc.）
- ✓ Electric arc furnace production decreased year-on-year due to construction work, but this was offset by the use of stockpiled steel slabs

➢ FY2025 Forecasts

- ✓ The forecasts for FY2025 Q2 and later remain unchanged from the initial forecasts
- ✓ Net sales of 157.5 billion yen and ordinary profit of 7 billion yen (decrease in sales and profit year-on-year)
- ✓ Domestic demand remains weak and stagnant (U.S. tariff policy ,excessive production in China, labor shortages, and high price of materials, etc.)
- ✓ Dividends remain unchanged from the previous forecast (24 yen per share per annum)

Table of Contents

1. FY2025 Q1 Financial Results
2. FY2025 Earnings and Dividend Forecasts
3. Initiatives for Carbon Neutrality

1. FY2025 Q1 Financial Results

Summary of profit and loss for FY2025 Q1

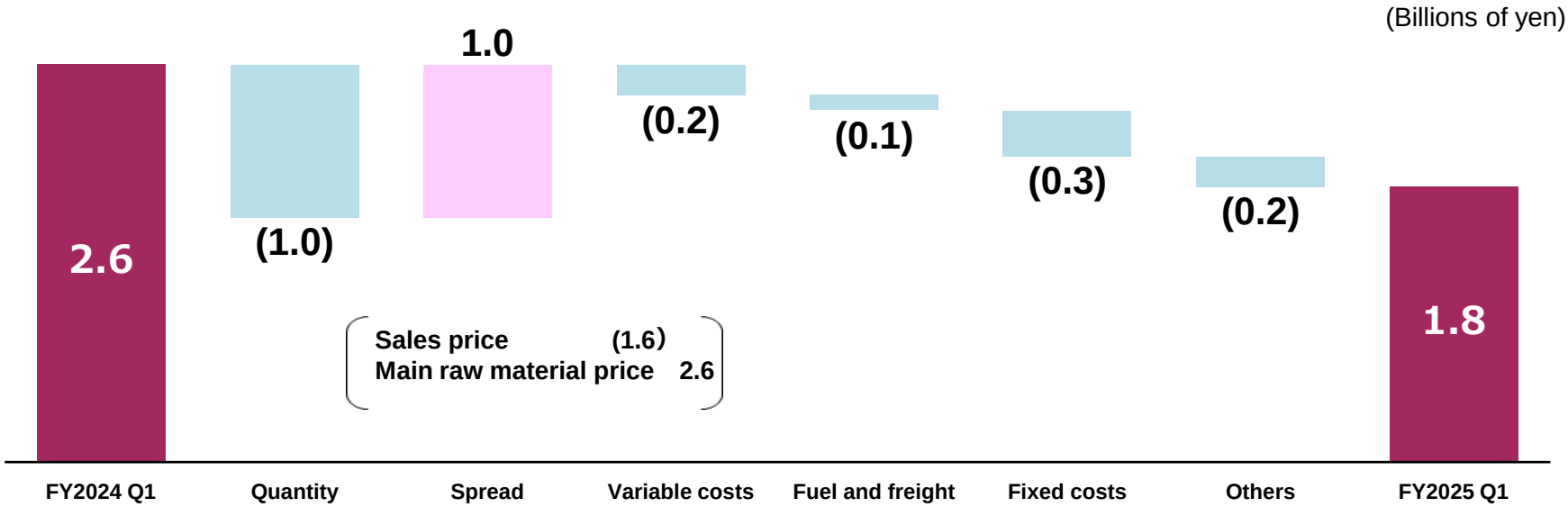
- **Progress rate for the first quarter in the initial forecast for FY2025 H1 is over 50% for both sales and profit, which is generally in line with expectations.**
- **Net sales decreased by 8.8 billion yen or 18% year-on-year due to a decline in sales prices and sales volumes of steel products.**
- **Production of electric arc furnace decreased year-on-year due to the impact of construction work, but this was offset by the use of stockpiled steel slabs.**
- **Although steel product sales prices declined, spread improved year-on-year due to a decline in main raw material prices. On the other hand, costs increased due to increases in fixed costs such as labor costs and depreciation and amortization and revisions to electricity rates.**
- **Based on the above, both operating profit and ordinary profit decreased by 0.8 billion yen or 31% year-on-year.**

(Billions of yen)

	FY2024 Q1	(A) FY2025 Q1	Y-o-Y		FY2025 H1 (Initial forecast)	
			Amount	Percentage change	(B)Amount	Q1 Progress Rate (A/B)
Net sales	47.7	**38.9**	(8.8)	(18.4%)	76.5	50.8%
Operating profit	2.6	**1.8**	(0.8)	(31.1%)	2.9	61.6%
Ordinary profit	2.6	**1.8**	(0.8)	(30.9%)	2.7	65.7%
ROS	5.4%	**4.6%**	-	(0.8%)	-	-
Net profit	1.7	**1.1**	(0.6)	(36.3%)	1.5	72.2%

Analysis of changes in ordinary profit—FY2024 Q1 vs. FY2025 Q1

<Year-on-Year>



Quantity of steel by type

(Thousand tons)

	FY2024 Q1	FY2025 Q1	Y-o-Y
Bars and wire rods	57	48	(9)
Coils	125	86	(39)
Steel plates	62	56	(6)
Building materials	44	41	(4)
Contract	2	1	(0)
Total steels	290	232	(58)
of which Exports	11	4	(7)

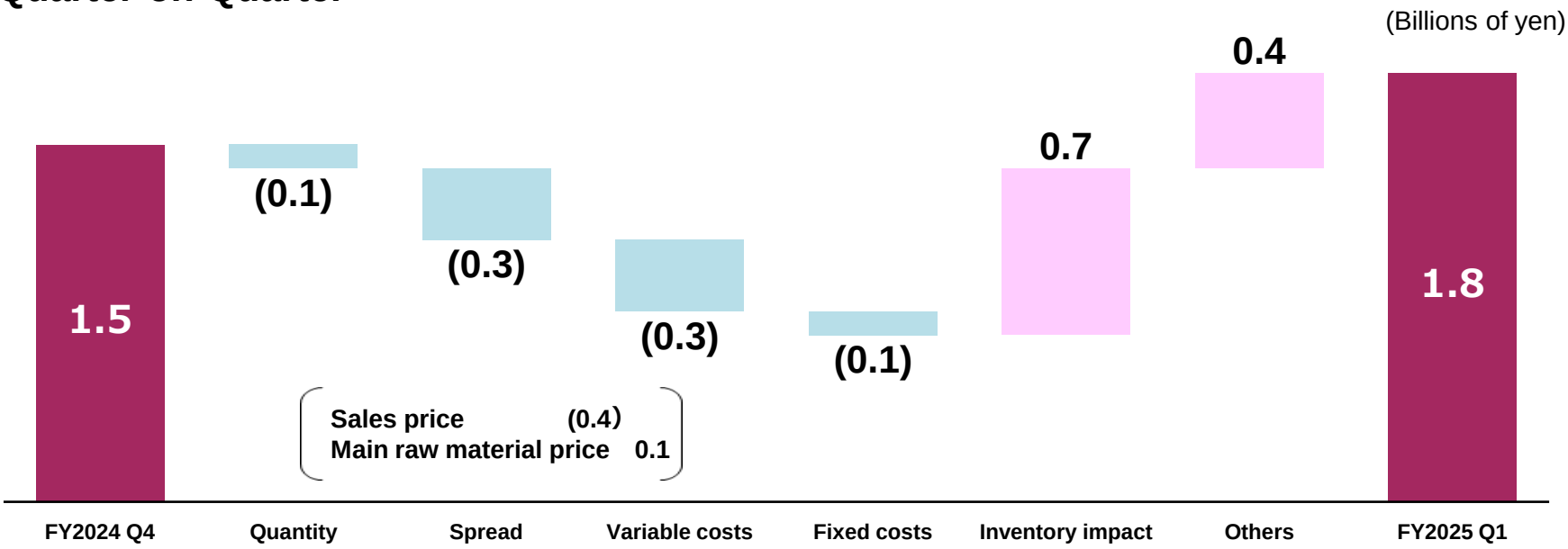
Spread

(Thousand tons、Thousand yen/t)

	Sales volume	Sales price	Scrap price	Spread
FY2024 Q1	290	127.4	53.4	73.9
FY2025 Q1	232	122.4	44.5	78.0
Y-o-Y	(58)	(4.9)	(9.0)	4.1

Analysis of changes in ordinary profit—FY2024 Q4 vs. FY2025 Q1

< Quarter-on-Quarter >



Quantity of steel by type (Thousand tons)

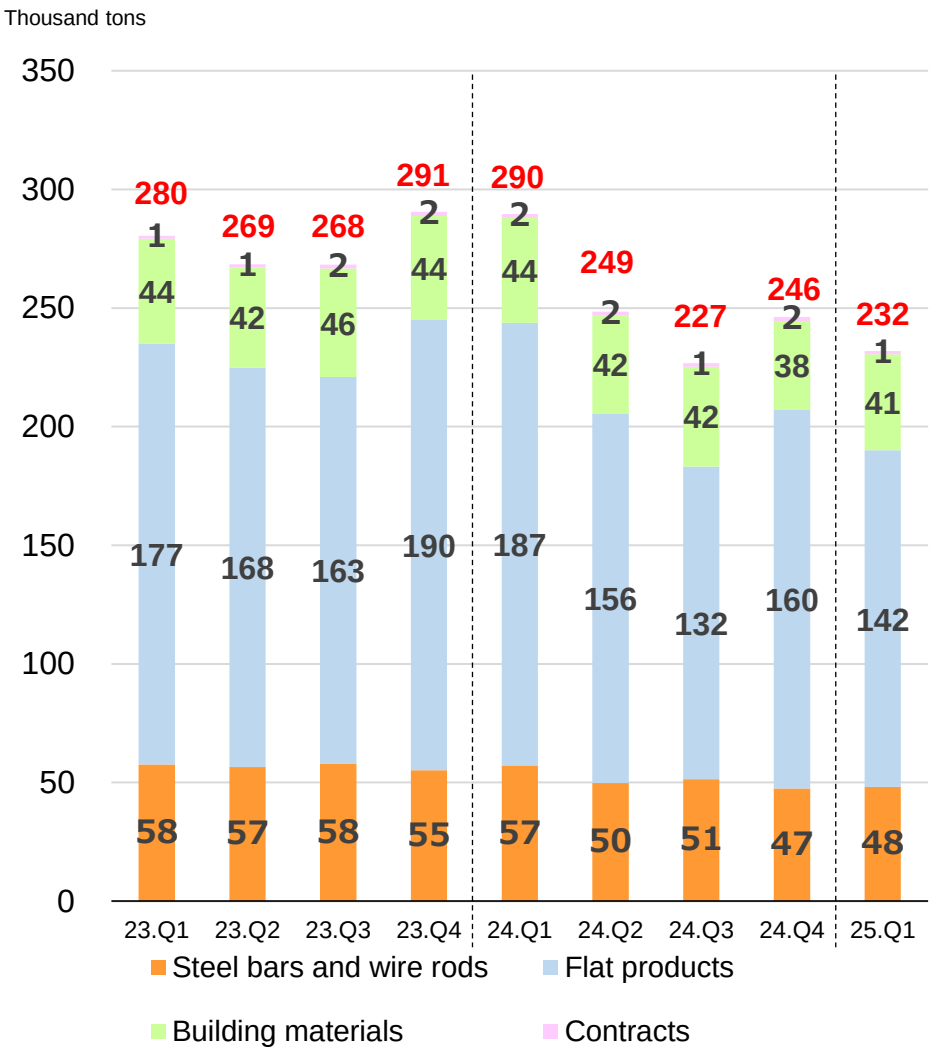
	FY2024 Q4	FY2025 Q1	Q-o-Q
Bars and wire rods	47	**48**	1
Coils	104	**86**	(18)
Steel plates	56	**56**	0
Building materials	37	**41**	3
Contract	2	**1**	(0)
Total steels	246	**232**	(14)
of which Exports	11	**4**	(7)

Spread (Thousand tons、Thousand yen/t)

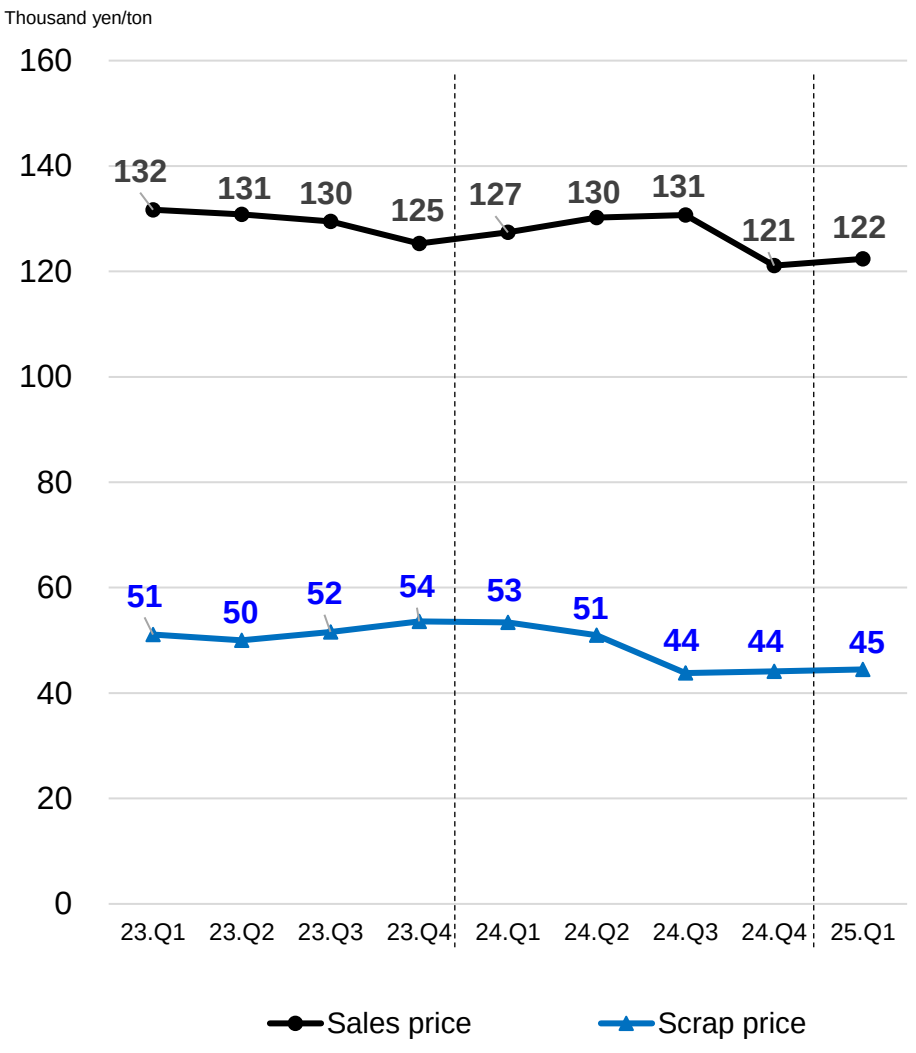
	Sales volume	Sales price	Scrap price	Spread
FY2024 Q4	246	121.1	44.1	77.0
FY2025 Q1	**232**	**122.4**	**44.5**	**78.0**
Q-o-Q	(14)	1.3	0.3	1.0

Changes in sales volume, sales price, and scrap price

Sales volume



Sales price and scrap price



Consolidated balance sheets

- **Equity ratio : End of Mar. 2025 71.6% End of Jun. 2025 71.8%**
- **Net interest-bearing debt : End of Mar. 2025 (6.3) billion yen End of Jun. 2025 (6.6) billion yen**

(Billions of yen)

		Mar. 2025	Jun. 2025	Change
Assets	Cash and deposits	15.3	**15.5**	0.1
	Accounts receivable(including electronically recorded monetary claims)	42.3	**43.6**	1.2
	Inventories	34.0	**31.8**	(2.1)
	Property, plant and equipment	48.3	**48.8**	0.6
	Others	9.2	**9.1**	(0.1)
	Total assets	149.1	**148.9**	(0.3)
Liabilities	Trade payables (including electronically recorded obligations)	16.9	**16.2**	(0.7)
	Interest-bearing debt	9.1	**8.9**	(0.1)
	Deferred tax liabilities	4.2	**4.3**	0.1
	Provisions	4.7	**3.9**	(0.8)
	Others	7.5	**8.8**	1.2
	Total liabilities	42.3	**42.0**	(0.3)
Net assets	Shareholders' equity	103.1	**103.0**	(0.1)
	Others	3.7	**3.8**	0.1
	Total net assets	106.8	**106.8**	(0.0)
Total liabilities and net assets		149.1	**148.9**	(0.3)

2. FY2025

Earnings and Dividend Forecasts

Outlook for the current steel industry

(Jul. 2025: the Ministry of Economy, Trade and Industry outlook for FY2025)

- ✓ **Architecture : A slight decrease from the previous fiscal year due to continued delays and reductions in construction**
- ✓ **Civil engineering : Public works remained at a high level, but private sector will continue to be sluggish due to labor shortage and high cost of materials, slightly decrease from the previous fiscal year**
- ✓ **Construction and industrial machinery : Continuing sluggish overall, slightly decrease from the previous fiscal year**
- ✓ **Automotive : The U.S. additional tariffs reduced, but impact unclear; slight decrease from the previous year**

（The Company's approach to sales volume）

- ✓ **Q1 : Sales volume of steel products decreased 20% year-on-year. The main factors were the continued overproduction in China, the continued high level of exports, the wait-and-see situation due to international trade measures and the U.S. additional tariffs, labor shortages for construction work, and high material costs.**
- ✓ **Q2 : The demand environment will remain the same as in FY2025 Q1.**
- ✓ **H2 : Uncertainty remains in FY2025 H1, and it will take time to improve the situation. The Orders in FY2025 H2 are expected to be on par with FY2025 H1. As additional measures, we expect a slight increase from the FY2025 H1, taking into account the utilization of electric arc furnace steel (Galvanizing, building materials, etc.) and the expansion of steel bars and wire rods.**

Earnings and dividend forecasts for FY2025

<FY2025(Y-o-Y) >

- **Net sales, profit, and dividends for the first half are unchanged from the previous forecasts and there is no revision for the second half.**
- **Net sales decrease by 11.8 billion yen due to a decline in steel product sales prices and a reduction in sales volume.**
- **Ordinary profit decreases by 1.1 billion yen year-on-year.**

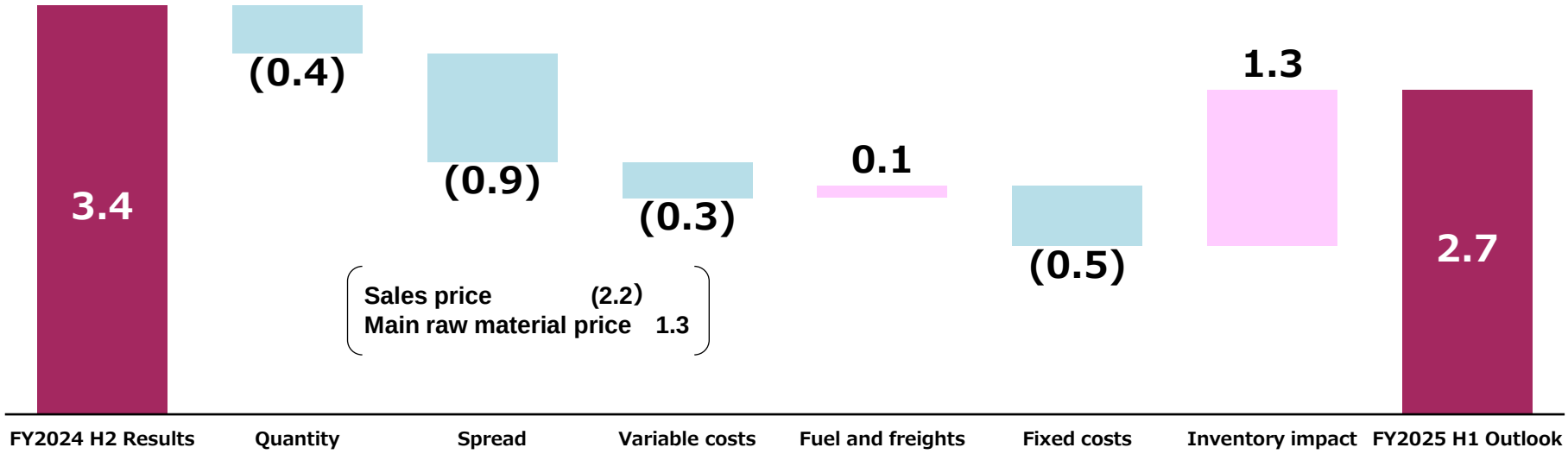
(Billions of yen)

	FY2024 H1		FY2024	FY2025 H1		FY2025	Change	
	Q1			Q1			H1	Full-year
Net sales	47.7	89.5	169.3	**38.9**	**75.0**	**157.5**	(14.5)	(11.8)
Operating profit	2.6	4.8	8.4	**1.8**	**2.9**	**7.3**	(1.9)	(1.1)
Ordinary profit	2.6	4.7	8.1	**1.8**	**2.7**	**7.0**	(2.0)	(1.1)
ROS	5.4%	5.2%	4.8%	**4.6%**	**3.6%**	**4.4%**	(1.6%)	(0.4%)
Net profit	1.7	3.2	5.7	**1.1**	**1.5**	**4.2**	(1.7)	(1.5)
Dividend per share		18yen	40yen		**8yen**	**24yen**	(10)	(16)

Analysis of changes in ordinary profit
— FY2025 H1 Outlook vs. FY2024 H2 Results

<Half-on-Half>

(Billions of yen)



Quantity of steel by type

(Thousand tons)

	FY2024 H2	**FY2025 H1**	H-o-H
Bars and wire rods	99	**95**	(4)
Coils	188	**170**	(18)
Steel plates	103	**106**	4
Building materials	80	**82**	2
Contract	3	**4**	1
Total steels	473	**457**	(16)
of which Exports	21	**9**	(12)

Spread

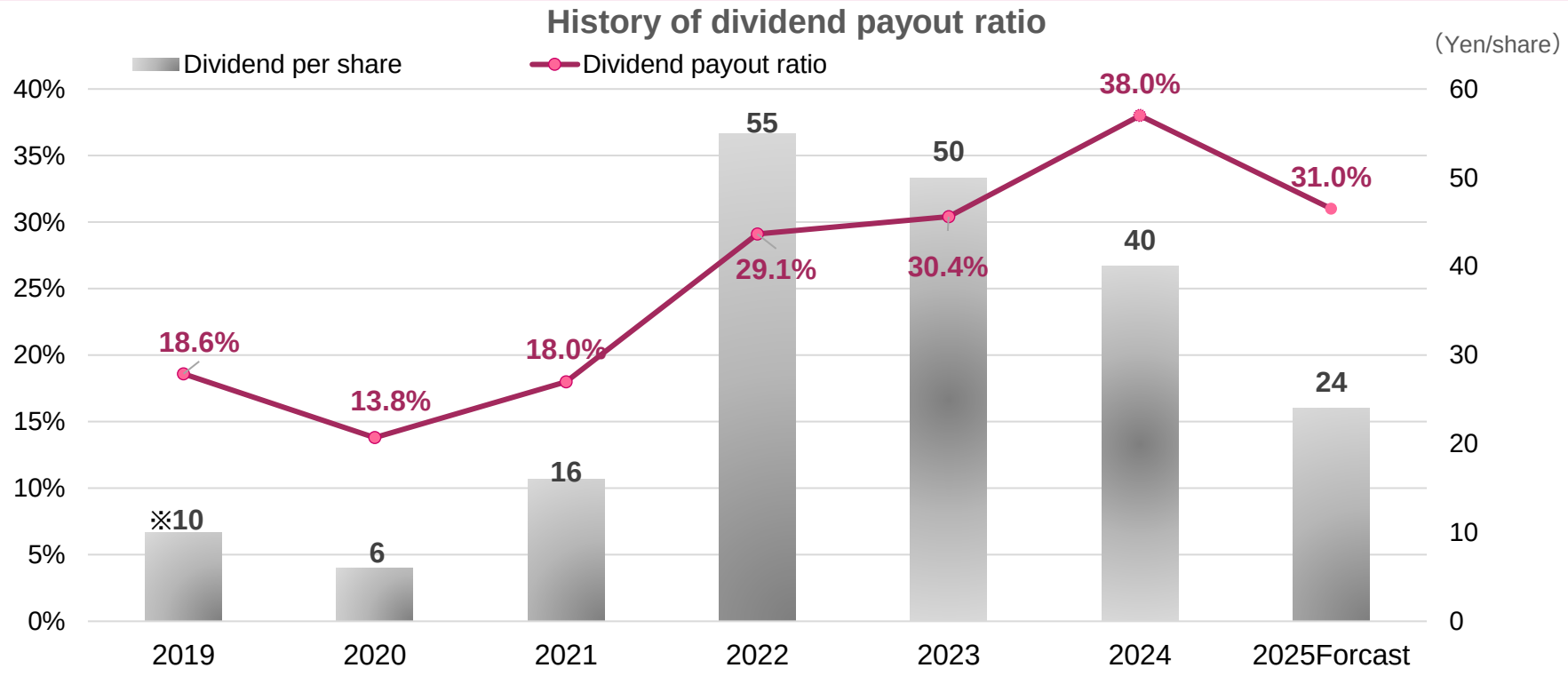
(Thousand tons、Thousand yen/t)

	Sales volume	Sales price	Scrap price	Spread
FY2024 H2	473	125.7	44.0	81.8
FY2025 H1	**457**	**121.2**	**43.7**	**77.5**
H-o-H	(16)	(4.5)	(0.2)	(4.3)

Dividend policy

Shareholder Return Policy and Dividend Target

Our basic policy for allocation of profits is to realize stable dividends, while securing internal reserves necessary to enhance our management base and financial position as well as to prepare for future business development.
In addition, we have set a consolidated dividend payout ratio target of 30% or higher, continuing from the previous medium-term management plan.
For FY2025, we plan to pay an annual dividend of 24 yen per share, a decrease of 16 yen from the previous fiscal year.



*Including commemorative dividend of 2 yen/share

3. Initiatives for Carbon Neutrality

Roadmap toward carbon neutrality by 2050

- Towards a 46% reduction by 2030, we are promoting efforts to increase production capacity, such as extending the operating hours of existing electric arc furnace. Please refer to page 16 for details on the progress toward the construction of the new electric arc furnace after 2030.
- Please refer to pages 17-18 for details on the expansion of electric arc furnace steel production and other major initiatives.

		Target	Up to 2030	Up to 2040	Up to 2050
CO_2 emissions reduction rate (Scopes 1, 2, and 3)			(46%)		Net zero
1	Increase in the ratio of in-house electric furnace steel products	Scope 3	Expand time of electric furnace operation (day and night operation)	Increase production capacity of electric furnaces	
2	Improvement of per-unit of fuels used	Scope 1	Shorten the track time from casting to rolling	Introduce hot direct rolling at the time of enhancement of electric furnaces Transition from coal-based materials to bio-coke at the time of enhancement of electric furnace production capacity	
3	Improvement of per-unit of electricity used	Scope 2	Introduce energy-saving facilities and improve operations	Introduce new power system into electric furnaces	
4	Utilization of new types of fuels (methanation, hydrogen), ammonia, etc.	Scope 1		Expand the use of new fuels for heating furnaces, melting furnaces, etc. Conversion of fuels for vessels (the Group's companies)	
5	Introduction of renewable energy and exhaust heat recovery power generation facilities	Scope 2	Introduce photovoltaic power generation facilities and PPAs	Introduce energy-saving facilities and improve operations	
6	Expanded utilization of renewable energy-based electricity	Scope 2	Expand utilization of renewable energy-based electricity		
7	Expanded procurement of low-carbon iron sources	Scope 3	Expand procurement of electric furnace iron sources, and lower carbon for blast furnace iron sources		
8	Carbon offsets	Scopes 1 and 2			Procurement of credits and others

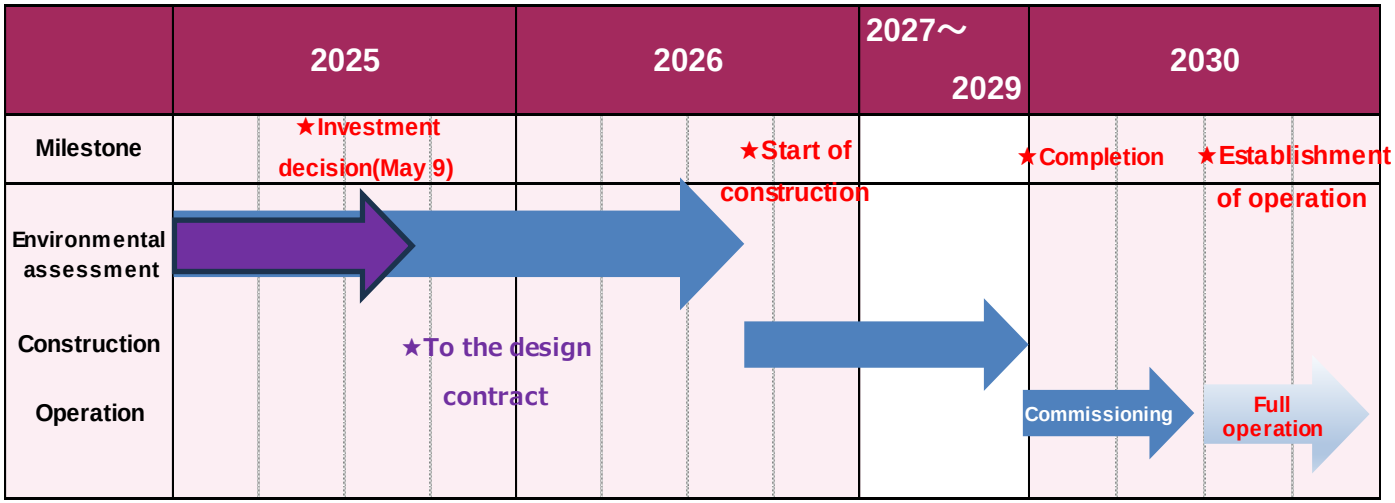
Contributing to the realization of a carbon-neutral, recycling-oriented society

Completion of reinforcement work for existing electric arc furnace

- Nov.–Dec. 2024: Replacement of furnace legs (20 days)
- May–Jun. 2025: Furnace transformer replacement and furnace bottom electrode multi-pin conversion (35 days)

→ Completed on schedule, operating smoothly (Efforts toward 50,000 tons/month production capacity)

Progress toward construction of the new electric arc furnace



(Progress of Environmental Assessment)

- From Dec. 2023: Start of the environmental assessment
- May 2025: Completion of the on-site survey (air, noise, vibration, traffic volume, etc.)
- From Jun. 2025: Preparation of the draft report
- From Dec. 2025: Publication and public inspection of the draft report and scheduled residents' briefing session

→ Environmental assessment scheduled to be completed in Aug. 2026 , followed by construction of new electric arc furnace

(Progress of construction of new electric arc furnace)

- Aug. 2025: Contract for basic design of electric arc furnace, continuous casting machine and building

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

Use of electric arc furnace materials for all building material products

- Oct. 2024: "Low CO_2 Electric Arc Furnace Steel" is displayed on the product label of all black and colored light shaped steel and pipes in October production
- Jun. 2025: Public relations in steel industry newspapers
- Sep. 2025 and later: Plated products for building materials will be gradually supported in the future

CDP2025 responses: * Scoring the level of corporate environmental measures

- Feb. 2025: Selected as A List in CDP2024 Climate Change Survey (2% of respondents)
- Jul. 2025: Selected as Supplier Engagement Leader in CDP2024 SEA (6% of respondents)
- Sep. 2025: In addition to climate change, CDP2025 will also include water

■ A List

■ SEA Leader

SuMPO EPD (Environmental Label) Acquisition:

* Product Environmental Declaration (evaluation and certification of environmental impact throughout the product life cycle)

- From FY2025 H2: Certification is planned for bar and wire products (steel bars, wire rods, and bar-in-coils)
- FY2026 and later: Aim to gradually acquire certification for building materials, steel sheets, and steel products

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

Blue Carbon Initiatives (Marine Engineering)

THREESTARREEF

Towards the future of the ocean with iron

Fish reefs
Development and manufacture of fish reefs

propagation reefs
Development and manufacture of feed culture reefs, spawning reefs, protective reefs, etc.

Seaweed bed reefs
Development and manufacture of Seaweed bed reefs

Collection of floating reefs
Collection work of floating reefs

Development and manufacture of steel fish reefs

- Utilizing the advantages of iron as a steel manufacturer
- From a harvest fishery to a creative and nurturing fishery
- Maintaining and expanding blue carbon ecosystems
- Preserving biodiversity

Creation of blue carbon ecosystems

Atmospheric CO_2 uptake and photosynthetic carbon uptake

In conjunction with the Osaka-Kansai Expo, Osaka Prefecture is promoting its initiatives in Osaka Bay both domestically and internationally. The company also supports these efforts and is working to create seaweed beds.

Attachment of wakame seed threads to seaweed attachment substrate
⇒ development into mother algae

seed supply

To the seawall block

Seagrass bed test reef relating to measures against loss of seagrass bed

2 years

4 years

Maintenance of eisenia bicyclis and ecklonia cava

Responding to biodiversity

Multi-functional breeding reef

Seaweed farm

Spawning ground for blue squid

Spiny lobster rearing farm

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