

**Creating
the Future**

**FY2025 Q3
Financial Results
Briefing Materials**

 **NAKAYAMA STEEL WORKS, LTD.** (Stock code:5408)

Feb. 6, 2026

**with the
Power of Iron**

Contents

01	Strategic Topics	P.2
02	FY2025 Q3 Summary	P.4
03	FY2025 Q3 Financial Results	P.5
04	FY2025 Earnings Forecasts	P.9
05	Progress of the Long-Term Plan	P.12
06	Sustainability	P.14

【 Company Representative 】

Director and Managing Executive Officer
Katsuya Oho

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General Manager of Accounting Department
Shinkichi Nakasaka

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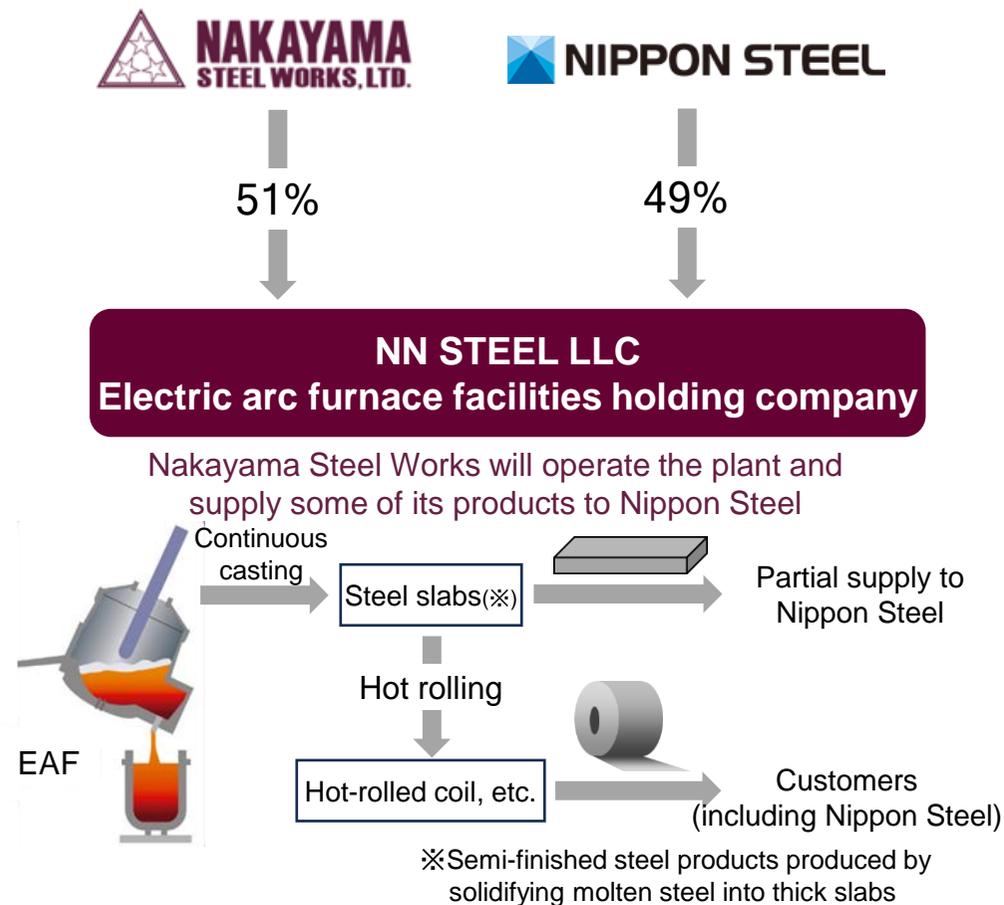
Executive Counselor, General Manager of Corporate Planning Department
and Section Manager of Investor and Public Relations Office
Yukio Morioka

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Conclusion of joint venture agreement with NIPPON STEEL CORPORATION (new electric arc furnace construction project)

We concluded a joint venture agreement on Nov. 26, 2025 to establish a joint venture company and started full-scale work on the construction of the new electric arc furnace.

【Capital structure & Product flow】



【 Overview of joint venture company】

Name	NN STEEL LLC
Location	1-1-66 Funamachi, Taisho-ku, Osaka Japan
Representative	Undecided
Description of business	Ownership and lease of the new electric arc furnace facilities and buildings necessary for the manufacture of steel slabs
Date of establishment	March 2026 (scheduled)
Investment amount	Approximately 50 billion yen (55.7 billion yen in the case of a maximum investment of 105.5 billion yen)
Capital investment	Electric arc furnace facilities and buildings
Total investment	Approximately 95 billion yen (maximum 105.5 billion yen in consideration of price increases and exchange rate fluctuations)

**Business alliance with YODOKO, Ltd.
(strengthening collaborative relationships)**

On Dec.12,2025, we entered into a basic agreement toward a business alliance. In response to the expected increase in demand for electric arc furnace steel products, two Osaka-based steel manufacturers (one primarily engaged in steel manufacturing and the other specializing in surface treatment) will collaborate to supply products to customers. This initiative is intended to strengthen the Company’s competitiveness while contributing to the resolution of environmental issues.

【Synergy between the two companies】



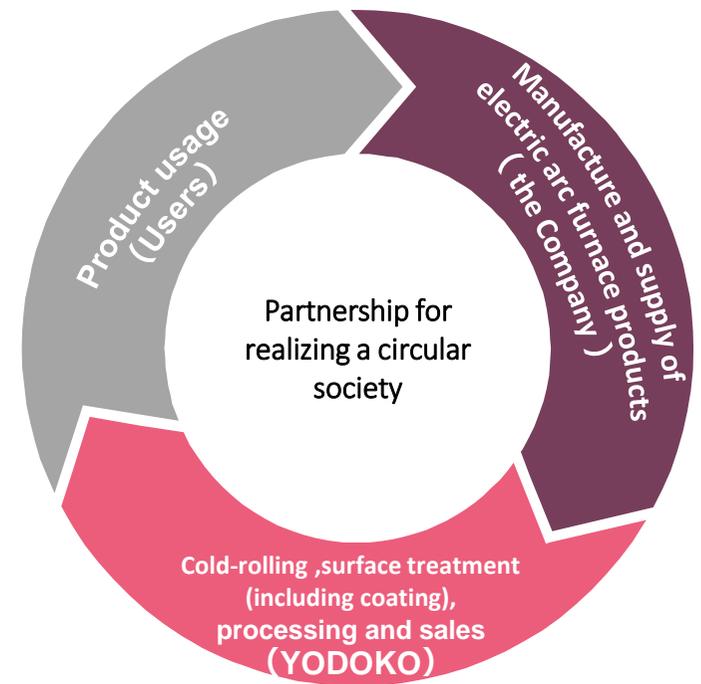
**Steel
manufacturing**

- Securing stable orders, expanding steel products applications
- Raising awareness as a Low-CO₂ steel products brand



**Surface
treatment**

- Stabilizing the supply chain by establishing a procurement base
- Wide range of proposals to customers through joint product development



FY2025 Q3 Financial Results

(Billions of yen)	FY2024 Q3 Cumulative	FY2025 Q3 Cumulative	Y-o-Y
Net sales	129.7	109.7	(20.0)
Operating profit	6.7	3.2	(3.5)
Ordinary profit	6.6	3.0	(3.6)
(ROS)	5.1%	2.7%	(2.4%)P
Net profit	4.5	1.7	(2.9)

FY2025 Earnings Forecasts

(Billions of yen)	FY2024 Results	FY2025 Forecasts	Y-o-Y
Net sales	169.3	148.0	(21.3)
Operating profit	8.4	4.2	(4.2)
Ordinary profit	8.1	4.0	(4.1)
(ROS)	4.8%	2.7%	(2.1%)P
Net profit	5.7	2.3	(3.4)
Dividend per share	40yen	13yen	(27)yen

- Quarterly cumulative financial results showed decreased sales and profit due to lower sales volume, falling sales prices, and a substation accident. The electric arc furnace resumed operation at the end of last year and is running smoothly toward recovery in the fourth quarter.
- Annual performance remains unchanged from the previously announced figures, except for a decrease in net sales due to lower sales volume.
- The annual dividend is planned to be 13 yen per share, as previously announced.

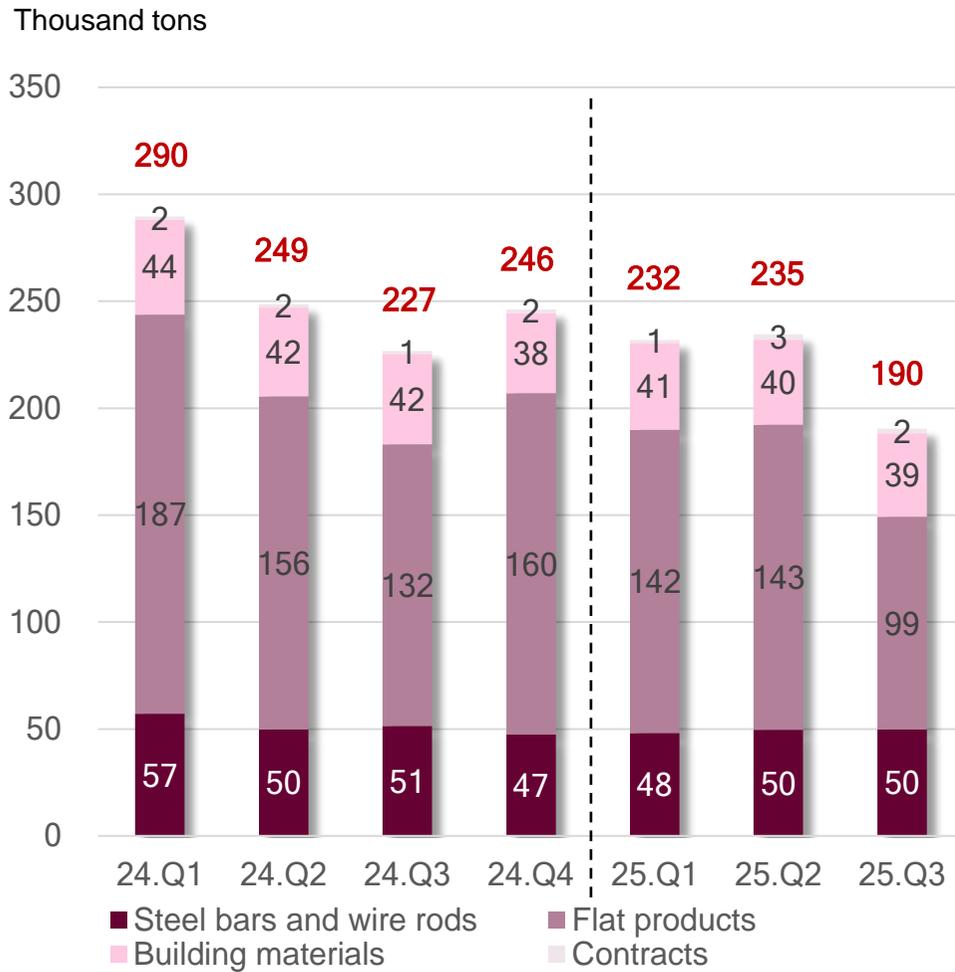
FY2025 Q3 Financial Results

(Billions of yen)	FY2024 Q3 Cumulative(A)	FY2025 Q3 Cumulative(B)			Change (B)-(A)	
		Q1	Q2	Q3		
Net sales	129.7	109.7	38.9	37.7	33.1	(20.0)
Operating profit	6.7	3.2	1.8	1.2	0.2	(3.5)
Ordinary profit	6.6	3.0	1.8	1.2	0	(3.6)
(ROS)	5.1%	2.7%	4.6%	3.1%	0.1%	(2.4%)P
Net profit	4.5	1.7	1.1	0.6	0	(2.9)

Reduced sales volume due to weak demand and decreased sales and profit due to the impact of the substation accident

- Sales volume declined due to sluggish demand, mainly in the construction industry. However, while the electric arc furnace was suspended caused by an accident at a substation, the Company maintained product supply to its customers by purchasing alternative iron sources while adjusting shipments.
- Sales prices have been falling due to the inflow of cheap imported steel products amid a severe demand environment.
- The third quarter standalone profit remained modest due to reduced earnings caused by costs of 1.6 billion yen related to the suspension of the electric arc furnace, the replacement of alternative iron sources, and repairs to substation equipment. The spreads improved as the decline in iron source prices exceeded the decrease in sales prices.

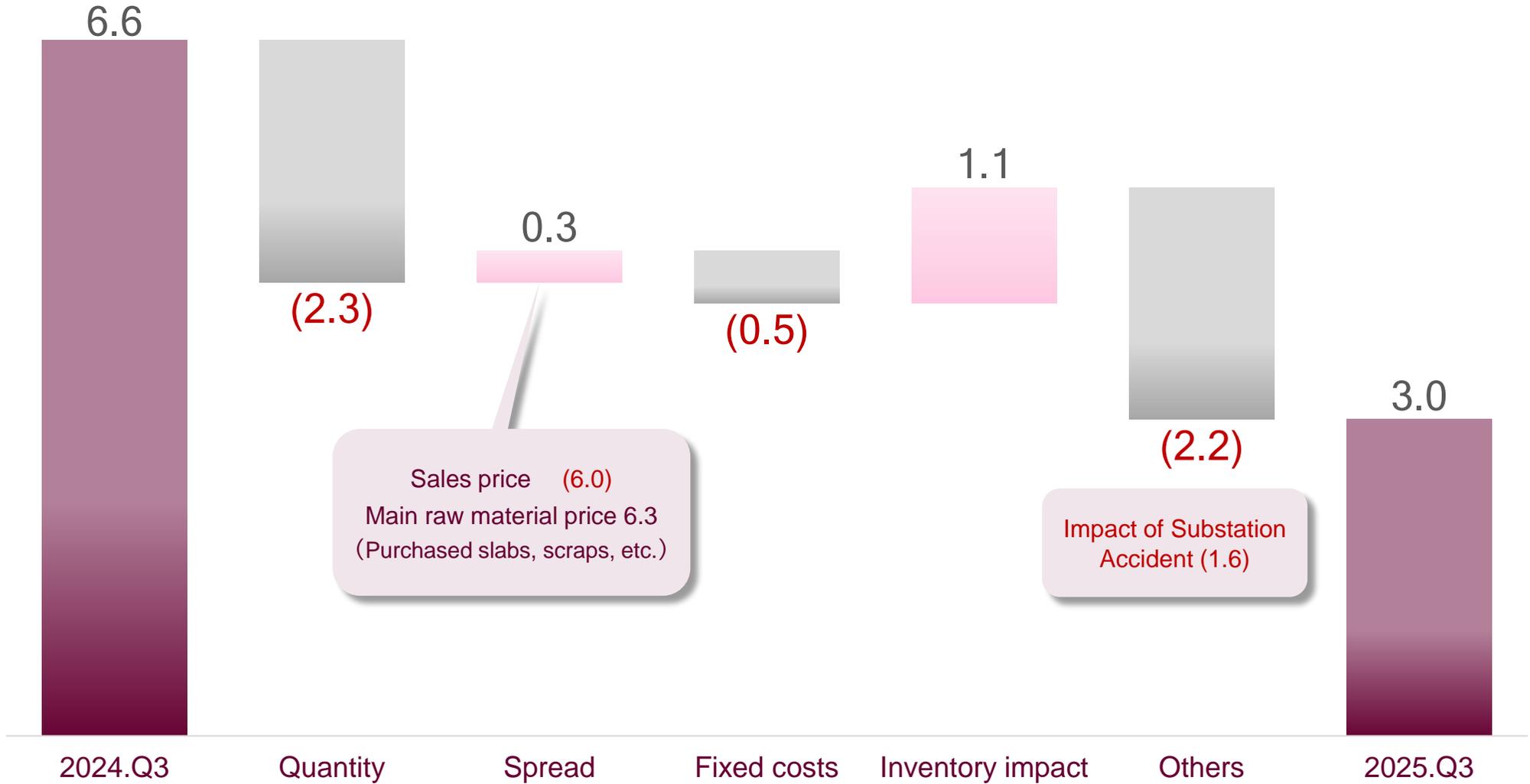
Sales volume



Sales price and scrap utilization price



Analysis of changes in ordinary profit FY2024 Q3 → FY2025 Q3



03 FY2025 Q3 Financial Results (4)

Consolidated Balance Sheets

(Billions of yen)	Mar. 2025	Dec. 2025	Change	(Billions of yen)	Mar. 2025	Dec. 2025	Change
Cash and deposits	15.3	23.8	8.4	Trade payables	16.9	18.8	2.0
Accounts receivable	42.3	38.0	(4.3)	Interest-bearing liabilities	9.1	8.7	(0.4)
Inventories	34.0	28.3	(5.6)	Deferred tax liabilities	4.2	4.4	0.2
Others	0.9	1.1	0.2	Provisions	4.7	3.9	(0.8)
Current assets	92.5	91.2	(1.3)	Others	7.5	6.9	(0.6)
Property, plant and equipment	48.3	50.0	1.7	Liabilities	42.3	42.7	0.3
Intangible fixed assets	0.5	0.4	(0.1)	Shareholders' equity	103.1	103.1	0.1
Investments and others	7.9	8.4	0.5	Others	3.7	4.2	0.4
Fixed assets	56.6	58.8	2.1	Net assets	106.8	107.3	0.5
Total assets	149.1	150.0	0.8	Total liabilities and net assets	149.1	150.0	0.8
				Equity ratio	71.6%	71.5%	

【 Factors for Changes by Account】

- Cash and deposits

Decrease in working capital due to reduced accounts receivable (including electronically recorded monetary claims -operating) and inventories, and increased trade payables (including electronically recorded obligations - operating).

Securing cash reserves as much as possible to prepare for investment in new electric arc furnace.

- Accounts receivable

Decrease due to reduced revenue

- Inventories

Production of in-house steel slabs halted due to the suspension of electric arc furnace, in addition to a decrease in purchased slabs due to inventory adjustments.

- Trade payables

Despite reduced revenue, purchases of steel slabs increased due to the suspension of electric arc furnace operation.

Recognition of the business environment

【Outlook for domestic demand】

- Architecture In addition to rising material costs and construction delays persist attributable to labor shortages, sluggish home-purchase sentiment is contributing to declines both year-on-year and quarter-on-quarter.
- Automobile Domestic demand remains sluggish, declining year-on-year and remaining flat quarter-on-quarter.
- Civil engineering The underlying trend in domestic demand continues, showing a slight increase year-on-year but declining quarter-on-quarter.
- Export Overall demand conditions remain sluggish, reflecting the declining market share of Japanese automobile manufacturers in China and Southeast Asia. In addition, the impact of trade measures imposed on Japan persists. As a result, demand is flat year-on-year and slightly increase quarter-on-quarter.

Source : METI “Steel Demand Outlook for FY2025 Q4”

【Sales outlook for the Company】

- Domestic steel demand remains constrained by supply limitations stemming from labor shortages and high material costs. In terms of price, signs of a bottoming trend have begun to emerge in certain segments. We will strive to secure appropriate pricing levels.
- Regarding the inflow of cheap imported steel products from overseas, we hope for progress and effectiveness in anti-dumping tariffs.

Resumption of electric arc furnace operation

- The electric arc furnace, which had been suspended due to the transmission circuit breaker trip accident at the substation on Sep.26, 2025, resumed operation on Dec.24 after the circuit breaker was replaced. The operation is progressing smoothly toward recovery in the fourth quarter.
- The failure of the mechanical structure of the transmission circuit breaker is considered the cause of the accident. Therefore, in addition to shortening the inspection cycle for circuit breakers, the failed circuit breaker will be disassembled for continued investigation to thoroughly implement recurrence prevention measures.

Impact of substation accident on financial results

- During the suspension of electric arc furnace, we maintained the supply of products to suppliers by purchasing alternative iron sources. Shipment adjustments are expected to be resolved in the fourth quarter.
- The temporary negative impacts of the suspension of the electric arc furnace on FY2025 financial results (limited to this single fiscal year) are as follows.

Content	Amount
Production cut due to suspension of electric arc furnace	0.9 billion yen
Substitution of iron source supply	0.4 billion yen
Substation equipment repair costs	0.3 billion yen
Total	1.6 billion yen

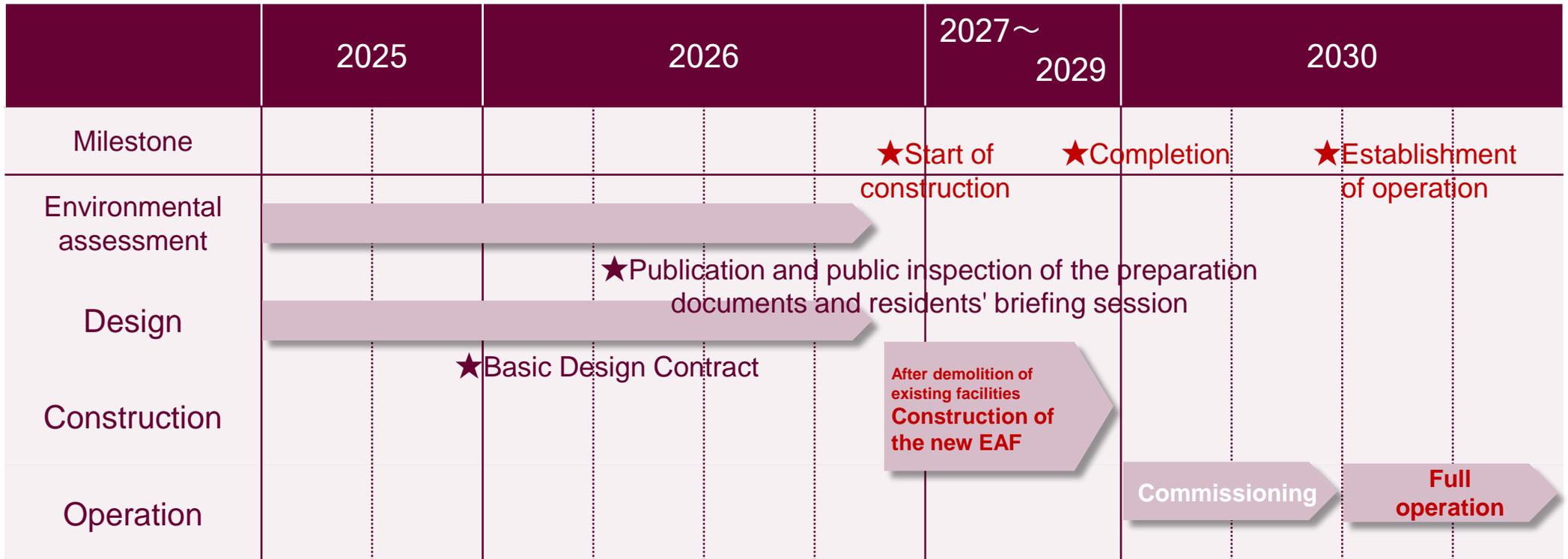
04 FY2025 Earnings Forecasts (3)

FY2025 Earnings Forecasts

(Billions of yen)	FY2024 Results			FY2025 Earnings Forecasts				Change	
	①	H1 Results	H2 Results	Previous published value ②	This time published value ③	H1 Results	H2 Forecasts	Y-o-Y ③-①	Q-o-Q ③-②
Net sales	169.3	89.5	79.8	151.0	148.0	76.6	71.4	(21.3)	(3.0)
Operating profit	8.4	4.8	3.7	4.2	4.2	3.0	1.2	(4.2)	±0
Ordinary profit	8.1	4.7	3.4	4.0	4.0	2.9	1.1	(4.1)	±0
ROS	4.8%	5.2%	4.3%	2.6%	2.7%	3.8%	1.5%	(2.1%)P	+0.1%P
Net profit	5.7	3.2	2.5	2.3	2.3	1.7	0.6	(3.4)	±0
Dividend per share	40yen	18yen	22yen	13yen	13yen	8yen	5yen	(27)yen	±0

- Due to a decline in sales volume caused by sluggish demand, net sales are expected to decrease by 3 billion yen compared to the previous forecast (Nov. 6, 2025).
- The annual dividend is expected to be 13 yen per share, unchanged from the previous announcement. Until the completion of the new electric arc furnace, the consolidated dividend payout ratio is targeted at 30% or more.

Progress on the construction of the new electric arc furnace

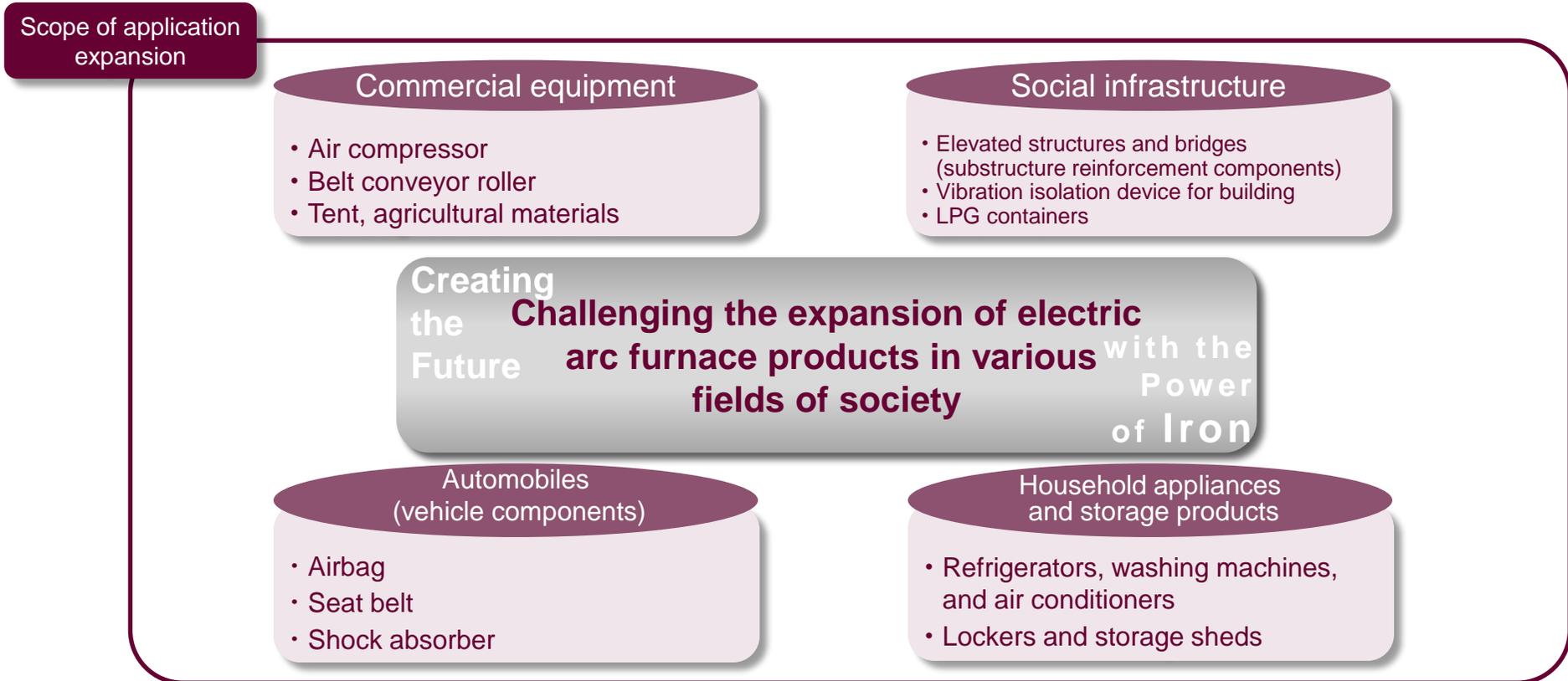


- Dec. 2025 Concluded basic design contracts for electric arc furnace, continuous casting equipment, and building
- From Apr. 2026 Publication and public inspection of the preparation documents and scheduled for residents' briefing session
- Nov. 2026 Following completion of the environmental assessment , proceed with the construction of the new electric arc furnace

Initiatives to expand application of electric arc furnace products in various fields

To achieve a carbon-neutral, recycling-oriented society and build a high-value-added product portfolio, we will deepen industry-academia collaboration through joint research on composition design of steel materials while continuing to take on challenges in various fields.

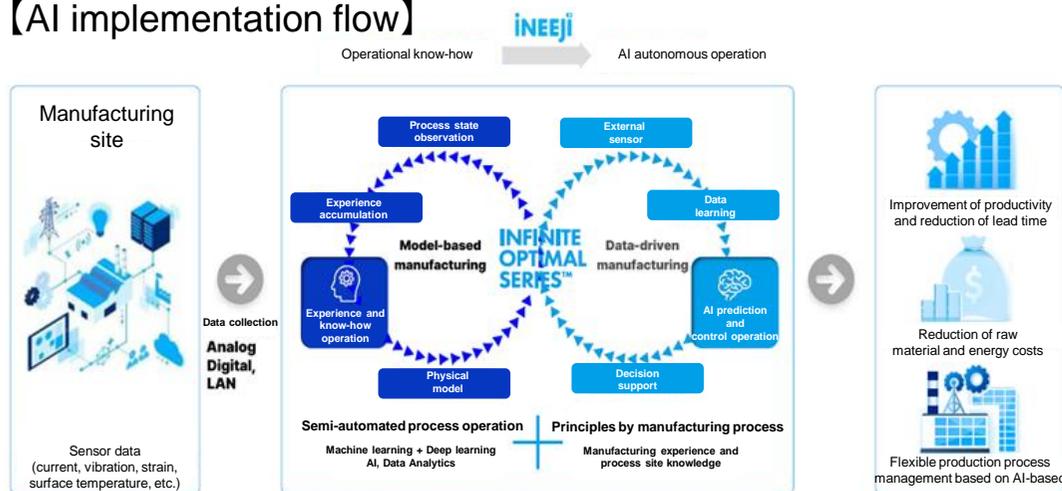
Specifically, we are promoting the expanded application of electric arc furnace products for the following products and components.



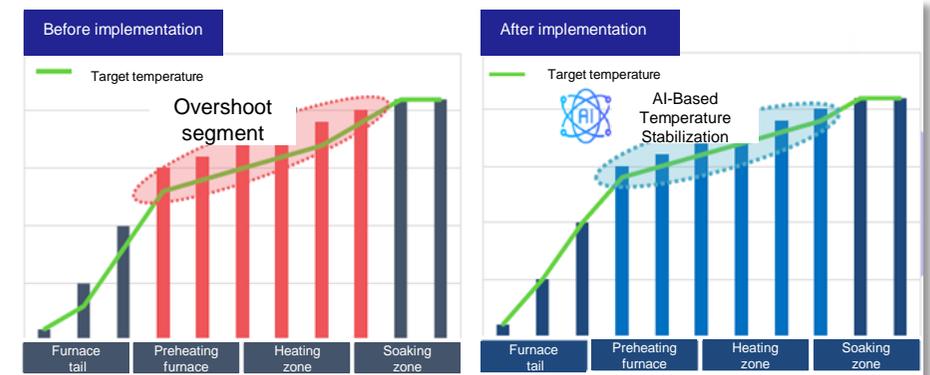
Utilizing AI solutions in the rolling process

Completed a proof of concept (PoC) with GS Global Japan Co.,Ltd. and INEEJI (Headquarters: Seongnam, Gyeonggi, CEO: Jae-sik Choi) of South Korea to verify the possibility of using AI to optimize furnace operating conditions in a bar and wire-rod mill that relies on skilled techniques. Formal contract signed in Dec.2025 for full-scale implementation. This is INEEJI's first attempt at a hot-rolling furnace.

【AI implementation flow】



【Image of introduction effect】



By utilizing “INFINITE OPTIMAL SERIES™” of INEEJI, AI predicts furnace temperatures based on actual operational data while suggesting optimal operating conditions, an estimated 4.2% reduction in energy intensity is anticipated. This approach is also expected to help mitigate rising fuel costs and contribute to decarbonization efforts.

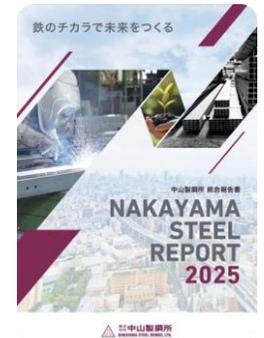
Oct.8,2025

The marine engineering department of the Company conducted an SDGs lesson on "PROTECT THE SEA WITH IRON!?! The secret of fish reefs" at a public elementary school in Kitakyushu City, Fukuoka Prefecture.



Oct.31,2025

Following on from last year, we published the integrated report "NAKAYAMA STEEL REPORT 2025" The report comprehensively disclosed the Group's management policies and strategies, as well as financial and non-financial information, with a focus on sustainability initiatives.



Jan.8,2026

In the CDP2025 "Climate Change" sector survey, the company was selected as the highest ranking "A List" for 2 consecutive years and received an "A-" rating in the "Water Security" sector in its first-time response (among 22,100 scored companies, representing 4%).



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