August 7, 2026

Company name: Nakayama Steel Works, Ltd.
Representative: Nobuhiko Naito, Representative Director and President
(Securities code: 5408; Tokyo Stock Exchange Prime Market)
Inquiries: Yukio Morioka, General Manager, Corporate Planning Department and Manager, IR Public Relations Office
(Telephone: +81-6-6555-3027)

Notice Concerning Issuance of New Shares and Disposal of Treasury Shares through Third-Party Allotment, and Changes in Major Shareholder and Other Affiliates Associated with Conclusion of Capital and Business Alliance Hanwa Co., Ltd. and YODOKO, Ltd.

At a Board of Directors meeting held today, Nakayama Steel Works, Ltd. (hereinafter, "the Company") resolved to enter into a capital and business alliance agreement with Hanwa Co., Ltd. (hereinafter, "HANWA") and YODOKO, Ltd. (hereinafter, "YODOKO"), and to issue new shares and dispose of treasury shares through a third-party allotment to both companies. The Company also hereby announces that, as a result of this third-party allotment, YODOKO is expected to become a major shareholder of the Company, and HANWA is expected to fall under the category of other affiliates of the Company.

I. Capital and Business Alliance

1. Purpose and Reasons of the Capital and Business Alliance

Against the backdrop of rising global environmental awareness in recent years, the promotion of initiatives to reduce CO_2 emissions has become an urgent issue for the steel industry, which emits large amounts of CO_2. Under these circumstances, demand for electric arc furnace (hereinafter, EAF) steel, with approximately 1/4 of the CO_2 emissions of blast furnace steel, is expected to grow further in the future.

One of the priority policies of the Company's long-term plan, which began in FY2025, is to contribute to the realization of a carbon-neutral, recycling-oriented society. With the construction of the new EAF, the Company will not only respond to these growing needs with a more robust system than ever before but also strengthen its competitiveness and enhance the corporate value by expanding applications through the development of high-value-added steel products that make maximum use of EAF.

In this way, the Company has considered the construction of the new EAF as the most important theme in its management strategy. However, in the current economic environment, the cost of construction is rising because of rising prices and labor shortages, and there is a possibility that the scale of investment will exceed our initial expectations.

Considering this situation, the Company announced its plan for investment in new EAF in the "Notice Concerning Investment in the New Electric Arc Furnace and Long-Term Targets to Realize the Long-Term Vision of Nakayama Steel Works Group" dated May 9, 2025. The capital and business alliance and the third-party allotment will materialize fundraising and a collaborative structure with business partners to realize the plan. On November 26, 2025, the Company entered into a joint venture agreement with NIPPON STEEl CORPORATION for the purpose of constructing the new EAF and established the joint venture company on April 1, 2026. In order to ensure the completion of the project, the Company recognizes that it is important to procure investment funds smoothly and take measures that are more conscious of maintaining and strengthening our financial position to ensure stable cash flow after the completion of the new EAF.

All the funds to be procured will be applied to the construction cost of the new EAF. When the new EAF is put into operation, the Company believes that it will be able to shift majority of steel slabs, which until now relied on external procurement for approximately half, to its own EAF steel slabs. At the same time, the Company considers that it will be able to contribute significantly to the realization of a decarbonized society and a recycling-oriented society through the widespread use of EAF steel slabs.

For the above reasons, the Company believes that this fundraising is essential to enhance its corporate value.

2. Details of the Capital and Business Alliance

(1) Details of the capital alliance

The Company will allocate 5.697 million shares of its common shares to HANWA as part of a third-party allotment of new shares, and 7.357 million shares of its common shares to YODOKO as part of the disposal of treasury shares. As a result, the ratio of the number of voting rights held by HANWA and YODOKO to the total number of voting rights held in the Company will be 20.48% and 10.95%, respectively, and YODOKO will become a major shareholder of the Company.

(2) Details of the business alliance

The capital and business alliance will promote the following initiatives with each partner.

【HANWA】

① HANWA and the Company will collaborate by mutually utilizing their management resources and business foundations to bring a diverse range of carbon-neutral products to market, thereby addressing the needs of customers seeking to decarbonize and promoting Green Transformation. HANWA and the Company plan to consider the following items and other areas of collaboration to expand the business of both companies and eventually work toward improving profitability and other corporate value.

・Strengthening cooperation in the fields of steel raw materials and steel products for existing EAF
・Cooperation in the fields of raw material procurement and product sales for new EAF project
・Cooperation in other machinery and equipment, environmental and recycling-related businesses

【YODOKO】

① YODOKO and the Company will collaborate to develop new EAF products and expand the market by combining their technologies and resources. YODOKO and the Company consider the following collaborations to expand the applications of EAF steel slabs.

•Development of high-value-added EAF products utilizing the strengths of both companies through vertical division of upstream and downstream operations

•Cooperation to expand application of EAF steel slabs produced in existing EAF

•Expansion and stable supply of EAF hot-rolled coils produced by new EAF

•Cooperation through promotion of carbon neutrality

3. Overview of Business Alliance Partners

【Overview of HANWA】

(1)	Name	Hanwa Co., Ltd.	
(2)	Location	4-3-9 Fushimi-machi, Chuo-ku, Osaka, Japan	
(3)	Job title and name of representative	President and representative director: Yoichi Nakagawa	
(4)	Description of business	1. HANWA engages in diversified businesses such as the sale and purchase, mediation, agency, wholesaling, importing and exporting, development, production, manufacturing, processing and repair, maintenance, administration, testing, letting, leasing, rental, and installation contracting of goods, resources, etc. as well as the logistics business, provision of various services, etc. in wide-ranging fields including steel, non-ferrous metal materials, foods, petroleum and chemicals, machinery, and lumber. 2. The businesses in the preceding paragraph include the businesses of the following items, consulting work relating thereto, and any and all businesses incidental or relating to the items.	
(5)	Share capital	45.65 billion yen（as of March 31, 2026）	
(6)	Date of establishment	April 1,1947	
(7)	The number of shares outstanding	211,663,200 shares	
(8)	Fiscal year end	March 31	
(9)	Number of employees	Consolidated: 6,079 (as of March 31, 2026)	
(10)	Major shareholders and ownership ratios (as of March 31, 2026) (Note1)	The Master Trust Bank of Japan, Ltd. (Trust Account)	12.39%
		Hanwa Clients' Stock Investment Association	6.25%
		Custody Bank of Japan, Ltd. (Trust Account)	5.18%
		Hanwa Employees' Stock Investment Association	2.94%
		THE CHASE MANHATTAN BANK, N.A. LONDONSECS LENDING OMNIBUS ACCOUNT (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2.60%
		Sumitomo Mitsui Banking Corporation	1.96%
		DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank, N.A., Tokyo Branch)	1.62%
		Nippon Steel Corporation	1.54%
		STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.53%
		BNYM AS AGT/CLTS NON TREATY JASDEC (Standing Proxy: MUFG Bank, Ltd.)	1.48%
(11)	Relationship with the said Company	Capital relationship	The Company holds 242,000 shares of common shares of HANWA. HANWA holds 8,058,000 shares of common shares of the Company. (As of March 31, 2026)
		Personnel relationship	Not applicable.

	Business relationship	The Company has established a good business relationship with HANWA as a major business partner for the purpose of selling steel products and building materials in general and purchasing steel slabs and scrap.
	Related party relationship	HANWA is a major shareholder holding 14.89% of the voting rights of the Company as of March 31, 2026, and falls under the category of a related party of the Company. The Company and HAWAN have a business relationship involving the sale of products and the purchase of raw materials, etc.

(12) Consolidated operating results and consolidated financial positions of the said company for the last three years (Note2)

Fiscal year ended	March 31, 2024	March 31, 2025	March 31, 2026
Consolidated net assets	356,765 million yen	389,470million yen	432,951million yen
Consolidated total assets	1,166,986million yen	1,165,805million yen	1,212,662million yen
Consolidated net assets per share	1,727.21 yen	1,897.13 yen	2,197.63 yen
Consolidated net sales	2,431,980million yen	2,554,514million yen	2,662,669million yen
Consolidated operating profit	49,722million yen	61,532million yen	58,444million yen
Consolidated ordinary profit	48,276million yen	59,746million yen	52,262million yen
Profit attributable to owners of parent	38,417million yen	45,482million yen	38,265million yen
Consolidated earnings per share	188.98 yen	225.13 yen	193.13 yen
Dividend per share	185 yen	225 yen	290 yen

(Note) 1. "Major shareholders and ownership ratios (as of March 31, 2026)" is taken from "Major shareholders" in the annual securities report for the79th term submitted by HANWA to the Director-General of the Kanto Local Finance Bureau on June 19, 2026.

2. The figures were quoted from the annual securities report for the 79th term submitted by HANWA.

【Overview of YODOKO】

(1)	Name	YODOKO, Ltd.
(2)	Location	4-1-1 Minami-honmachi, Chuo-ku, Osaka, Japan
(3)	Job title and name of representative	President and representative director: Eiichi Tanaka
(4)	Description of business	1.Manufacture, process and sale of the following products: (1) Cold rolled steel sheet, steel strips, plated steel sheet, colored plated steel sheet, printed steel sheet, and other types of steel sheet (2) Cast iron rollers, cast steel rollers, and other types of rollers (3) Household equipment, household implements, and building materials (4) Other steel products 2. Design and contracting of construction work 3. Warehousing, packaging, and shipping 4. Sale, purchase, and leasing of real estate, and associated operations 5. Building of produce cultivation facilities and landscaping 6. All business activities associated with the above

(5)	Share capital	23.22 billion yen（as of March 31, 2026）	
(6)	Date of establishment	January 30,1935	
(7)	The number of shares outstanding	156,272,250 shares	
(8)	Fiscal year end	March 31	
(9)	Number of employees	Consolidated: 2,377 (as of March 31, 2026)	
(10)	Major shareholders and ownership ratios (as of March 31, 2026) (Note1)	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.45%
		INTERTRUST TRUSTEES CAYMAN LIMITED AS TRUSTEE OF JAPAN-UP UNIT TRUST (Standing Proxy: Tachibana Securities Co., Ltd.)	3.73%
		Resona Bank, Limited	3.72%
		Mizuho Bank, Ltd.	3.70%
		YODOKO Partners' Shareholding Association	3.69%
		INTERTRUST TRUSTEES（CAYMAN）LIMITED SOLEL Y IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3.63%
		Ohgi Shokai Co., Ltd.	3.02%
		STATE STREET BANK AND TRUST COMPANY505001 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2.59%
		Hanwa Co., Ltd.	2.19%
		Nippon Life Insurance Company	2.15%
(11)	Relationship with the said Company	Capital relationship	Not applicable.
		Personnel relationship	Not applicable.
		Business relationship	The Company sells steel products to YODOKO and purchases materials from YODOKO.
		Related party relationship	Not an affiliated party.
(12)	Consolidated operating results and consolidated financial positions of the said company for the last three years (Note2)		

Fiscal year ended	March 31, 2024	March 31, 2025	March 31, 2026
Consolidated net assets	213,832million yen	215,120million yen	223,675million yen
Consolidated total assets	265,863million yen	264,256million yen	266,458million yen
Consolidated net assets per share	1,312.24 yen	1,346.74 yen	1,414.21 yen
Consolidated net sales	203,957million yen	208,460million yen	195,373million yen
Consolidated operating profit	12,017million yen	13,889million yen	11,868million yen
Consolidated ordinary profit	15,202million yen	21,551million yen	17,517million yen
Profit attributable to owners of parent	4,456million yen	13,499million yen	17,404million yen
Consolidated earnings per share	30.86 yen	93.41 yen	120.49 yen
Dividend per share	200 yen	351 yen	91 yen

(Note)1. "Major shareholders and ownership ratios (as of March 31, 2026)" is taken from "Major shareholders" in the annual securities report for the 127th term submitted by YODOKO to the Director-General of the Kanto Local Finance Bureau on June 22, 2026.

2.The figures were quoted from the annual securities report for the 127th term submitted by YODOKO.

4. Timetable of the Capital and Business Alliance

(1) Board of Directors resolution date	August 7, 2026
(2) Date of the capital and business alliance agreement	August 7, 2026
(3) Payment date for allotment of new shares to third-party and disposal of treasury shares	From October 2,2026 to November 30,2026 (Scheduled for early October 2026)

5. Outlook for the future

The capital and business alliance and the related third-party allotment are expected to enhance the certainty of the Company's new EAF construction plan and significantly contribute to the enhancement of corporate value over the medium to long term from the perspective of securing fundraising and stable suppliers of products. In addition, through the implementation of the third-party allotment, HANWA, the proposed allottee, is expected to hold at least 20% of the Company shares, and the Company is expected to become an equity-method affiliated company of HANWA. Furthermore, after the implementation of the third-party allotment, HANWA is expected to fall under the category of other affiliated companies of the Company and become a controlling shareholder, etc. under the rules of the Tokyo Stock Exchange. HANWA is not expected to fall under the category of parent company or controlling shareholder of the Company.

The Company will promptly disclose the impact on the business performance of the current fiscal year, if any matter arises that should be disclosed after careful examination.

II. Issuance of New Shares and Disposal of Treasury Shares through Third-Party Allotment

1. Details of the Offering

(1) Payment date	From October 2,2026 to November 30,2026
(2) Number of new shares to be issued and treasury shares to be disposed of (number of offered shares)	Common shares representing the sum of ① and ② below 13,054,000 shares ①Number of new shares to be issued Common shares 5,697,000 shares ②Number of treasury shares to be disposed of Common shares 7,357,000 shares
(3) Issue price and disposal price	666yen per share
(4) Amount of funds to be raised	8,693,964,000 yen
(5) Method of Offering or Allotment (Proposed Allottees)	The following allocation will be made through a third-party allocation. Hanwa Co., Ltd. 5,697,000 shares YODOKO, Ltd. 7,357,000 shares
(6) Others	The above items are subject to the condition that the securities registration statement in accordance with the Financial Instruments and Exchange Act has become effective.

2. Purpose of and Reasons for the Offering

(1) Purpose of the third-party allotment

As described in " Purpose and Reasons of the Capital and Business Alliance" of " Capital and Business Alliance".

(2) Reasons for selecting the third-party allotment as a method of fundraising

The Company has carefully considered fundraising methods in order to secure the funds necessary for the investment in the construction of the new EAF. In accordance with the capital allocation described in “FY2025 Financial Results Briefing Materials 06 Progress of the Long-Term Plan (4)” announced on May 12, 2026, the Company had planned to cash in through bank borrowings and asset sales in addition to operating cash flow and investment by Nippon Steel. However, the Company has concluded that raising equity capital is necessary to maintain its financial strength over the medium to long term. The Company has determined that the third-party allotment is appropriate considering its financial condition and that it is possible to strengthen the relationship with the proposed allottees. In addition, the Company has determined that a combination of the issuance of new shares and the disposal of treasury shares through the third-party allotment, rather than a method of public offering or shareholder allotment, is the most appropriate from the viewpoint of making more effective use of the funds through the third-party allotment and effectively utilizing treasury shares held as treasury shares. Although the dilution rate through the third-party allotment is less than 25% on a voting rights basis, the Company has determined that developing various businesses through the business alliance with HANWA and YODOKO through the third-party allotment will contribute to the enhancement of the Company's corporate value over the medium to long term.

3. Amount of Funds to Be Raised, Purpose of Use, and Scheduled Timing of Expenditures

(1) Amount of funds to be raised

① Total amount to be paid in	8,693,964,000 yen
② Estimated issuance expenses	22,600,000 yen
③ Estimated net proceeds	8,671,364,000 yen

(Note)1. Estimated issuance expenses do not include consumption tax.

2. The breakdown of estimated issuance expenses is the total amount of attorney's fees, registration-related expenses, etc.

(2) Specific use of funds to be procured and scheduled timing of expenditures

Specific use of proceeds	Amount	Expected timing of expenditures
The entire amount will be used for capital investment for the construction of the new EAF.	8,671,364,000 yen	October 2026 to July 2030

4. Image of Capital Allocation (From FY 2026 to FY 2029)

<table>
<tr><th colspan="2">Methods of fundraising</th><th colspan="2">Specific use of proceeds and amount required</th></tr>
<tr><td>Operating C/F</td><td>Approximately 43 billion yen*1</td><td rowspan="4">Investment in construction of new EAF
The investment will be implemented by NN STEEL LLC, which owns the equipment.NN STEEL LLC,</td><td rowspan="4">Approximately 95 billion yen*2
(Maximum 105.5 billion yen)</td></tr>
<tr><td>Cash and deposits
(as of the end of March 2026)</td><td>23.2 billion yen</td></tr>
<tr><td>Nippon Steel's investment in NN STEEL LLC</td><td>24.6 billion yen*2
Maximum 27.3 billion yen</td></tr>
<tr><td rowspan="2">Bank borrowings</td><td rowspan="2">Approximately 44.7 billion yen
Maximum 49.8 billion yen</td></tr>
<tr><td rowspan="2">Maintenance, renewal and other growth investments</td><td rowspan="2">Approximately 30 billion yen*3</td></tr>
<tr><td>Asset sales (net proceeds after tax)</td><td>4.3 billion yen*3</td></tr>
<tr><td>Issuance of new shares and disposal of treasury shares through third-party allotment</td><td>8.7 billion yen</td><td>Shareholder returns</td><td>Approximately 8 billion yen*1</td></tr>
<tr><td>Total</td><td>148.5billion yen
(Maximum 156.3 billion yen)</td><td>Total</td><td>133.0 billion yen
(Maximum 143.5 billion yen)</td></tr>
</table>

*1 Amounts one year after the announcement on May 9, 2025 are shown. *3 Announced on February 27, 2025 and March 31, 2025

*2 Announced on May 9, 2025 and November 26, 2025

5. Rationale for the Use of Proceeds

The funds raised through this third-party allotment of new shares and the disposal of treasury shares are scheduled to be allocated in full to capital expenditures for the construction of the new EAF, as described in "(2) Specific use of funds to be procured and scheduled timing of expenditures" under "3. Amount of Funds to Be Raised, Purpose of Use, and Scheduled Timing of Expenditures" in "II. Issuance of New Shares and Disposal of Treasury Shares through Third-Party Allotment".

6. Reasonableness of the Issuance Terms and Conditions

(1) Basis for the Calculation of the Payment Amount and Details Thereof

The issue price (disposal price) for both the new share issuance and the disposal of treasury shares will be 666 yen, which is the same amount as the closing price of the Company common shares published by the Tokyo Stock Exchange on the business day immediately prior to the date of the resolution by the Board of Directors (August 7, 2026, hereinafter referred to as the "Board Resolution Date".) concerning the third-party allotment. The decision to use the closing price on the business day immediately prior to the Board Resolution Date was made after discussions with the proposed allottees, as the Company believes that the latest share price more appropriately represents the current corporate value of the Company and judges that it is highly objective and reasonable as the basis for calculation. The issue price and disposal price of 666 yen represent a 4.23% premium (Round to the second decimal place. The same applies below.) to the average closing price of 639 yen (Amounts are rounded down to the nearest yen. The same shall apply to the calculation of the average closing price.) during the period one month prior to the immediately preceding business day (from July 7, 2026 to August 6, 2026), a 5.55% premium to the average closing price of 631 yen during the period three months prior to the immediately preceding business day (from May 7, 2026 to August 6, 2026), and a 6.39% premium to the average closing price of 626 yen during the period six months prior to the immediately preceding business day (from February 7, 2026 to August 6, 2026). If the closing price falls below 90% of the highest value among the average closing prices for the most recent one month, three months, and six months prior to the immediately preceding business day, an amount equivalent to 90% of the highest value (rounded up to the nearest yen) was set as the lower limit for the issue price and disposal price from the viewpoint of considering the interests of general shareholders, but the above closing price exceeds the lower limit.

As stated above, the issue price and disposal price were determined based on the market price, which is an objective indicator representing the value of the Company shares. In addition, this price is in accordance with the "Rules Concerning Handling of Allotment of New Shares to Third Party, etc." of the Japan Securities Dealers Association, and is not considered to be a particularly advantageous issue price.

(2) Basis for determining that the number of shares issued and the extent of dilution are reasonable

The number of shares subject to the third-party allotment is a total of 13,054,000 shares, consisting of 5,697,000 new shares to be issued to HANWA and 7,357,000 shares to be disposed of to YODOKO, and represents 20.69% (As of March 31, 2026, the Company has 541,198 voting rights, which represents a 24.12% dilution of its voting base. All figures are rounded to the second decimal place.) of the total number of issued shares of the Company common shares of 63,079,256 shares as of March 31, 2026, which will be diluted to a certain extent by the third-party allotment.

However, the third-party allotment will be implemented based on each of the capital and business alliances between the Company and the proposed allottees, and each of the capital and business alliances aims to increase the corporate value of the Company over the medium to long term by expanding sales of high value-added environmentally friendly products manufactured by the EAF of the Company. In addition, all the funds to be procured through the third-party allotment will be appropriated to the construction cost of the new EAF, and as described in "5. Rationale for the Use of Proceeds" above, the Company believes that this will contribute to the increase in its corporate value. In addition, the disposal of treasury shares will utilize treasury shares held by the Company and will not entail an increase in the total number of shares outstanding.

Therefore, the Company believes that this third-party allotment of shares will contribute to the improvement of corporate value over the medium to long term through the expansion of its future profits and will also contribute to the interests of existing shareholders, the Company has determined that the number of shares to be issued and disposed of and the degree of dilution associated with it are appropriate.

The dilution ratio of the voting rights base in relation to the third-party allotment is less than 25% (24.12%), which does not apply to cases where the procedures as prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange are mandatory. However, as described in "10. Matters Concerning Procedures Under the Corporate Code of Conduct " below, the Company has obtained the opinion from a special committee consisting of 3 independent outside directors to the effect that the third-party allotment is necessary and reasonable, and the reasonableness of the scale of the dilution of shares was also confirmed in the opinion.

7. Reasons for selection of the proposed allottees, etc.

(1) Overview of the proposed allottees

[HANWA]

For an overview of HANWA, please refer to "3. Overview of Business Alliance Partners" in "I. Capital and Business Alliance."

In addition, HANWA is listed on the Prime Market of the Tokyo Stock Exchange, and the Company has determined that HANWA's officers and major shareholders have absolutely no relationship with anti-social forces, based on the basic concept for the elimination of anti-social forces and the status of its implementation, which are stated in the "Corporate Governance Report " (last updated on June 29, 2026) submitted by HANWA to the Tokyo Stock Exchange, Inc. on the Tokyo Stock Exchange website.

[YODOKO]

For an overview of YODOKO, please refer to "3. Overview of Business Alliance Partners" in "I. Capital and Business Alliance."

In addition, YODOKO is listed on the Prime Market of the Tokyo Stock Exchange, and the Company has determined that YODOKO's officers and major shareholders have absolutely no relationship with anti-social forces, based on the basic concept for the elimination of anti-social forces and the status of its implementation, which are stated in the "Corporate Governance Report " (last updated on June 24, 2026) submitted by YODOKO to the Tokyo Stock Exchange, Inc. on the Tokyo Stock Exchange website.

(2) Reasons for selection of the proposed allottees

[HANWA]

HANWA is the largest shareholder of the Company and has established various business relationships with the Company. As mentioned above, the required funds for the new EAF to be constructed have been increasing against the background of rising construction costs. The Company has been considering various fundraising options including third-party allotment since the formulation of the new EAF construction plan.

When considering the recipients of the third-party allotment, the Company was searching for a partner who would not only be a source of funds but also would be able to maintain and build a cooperative relationship after the construction of the new EAF. On the other hand, in the "Notice Concerning New Medium-Term Business Plan (From FY2026 to FY2028)", HANWA calls for strengthening its environmentally friendly materials business as part of its sustainability strategy, and HANWA intends to realize more environment-friendly material procurement by utilizing EAF steel slabs produced by the new EAF planned to be constructed by the Company. Under these circumstances, the Company has held numerous discussions with HANWA, which is also the largest shareholder, and determined that it would be best to further strengthen the relationship between the two companies.

As of today, the Company has entered into a capital and business alliance agreement with HANWA. In addition, the Company has determined that the allocation of the shares to its important partner HANWA through the issuance of new shares through the third-party allotment and the strengthening of our relationship with HANWA is the most appropriate way to enhance the corporate value and shareholder value of the Company.

[YODOKO]

YODOKO and the Company have maintained a stable business relationship through transactions of EAF steel slabs produced at existing EAF in the Company. As the Company strives to realize a decarbonized society and a recycling-based society by expanding the use of EAF steel slabs, YODOKO has set forth a basic strategy of expanding transactions by deepening alliances with external partners and expanding and expanding sales of environmentally friendly products in the "YODOKO Group Medium-Term Management Plan 2028". In order to expand the use of EAF steel slabs with low CO_2 emissions even after the construction of new EAF, the Company believes that it is important to build alliances not only by the Company alone, but also with external partner companies. In particular, it is more effective to create synergies through collaboration with partner companies that have strengths different from the Company. Under these circumstances, the Company has determined that in order to realize its objectives, further strengthening the cooperative relationship with YODOKO, which has been under discussion based on the basic agreement announced in the "Notice Regarding the Conclusion of a Memorandum of Understanding for a Business Alliance with YODOKO, Ltd." dated December 12, 2025, is optimal. Accordingly, the Company has concluded a capital and business alliance agreement and a share subscription agreement with YODOKO today. In order to take full advantage of the opportunities to expand sales of EAF steel slabs due to the growing need for decarbonization, YODOKO and the Company plan to develop new products by leveraging the strengths of both companies. The Company has determined that the allocation of the shares to YODOKO, the Company's important partner, through the disposal of treasury shares through the third-party allotment and strengthening the relationship is the best way to increase the corporate value and shareholder value of the Company.

(3) Investment Policy of the Proposed Allottees

[HANWA]

The Company has received an explanation from HANWA that HANWA intends to hold the shares of the

Company to be acquired through the third-party allotment on a medium to long term basis. In addition, the Company and HANWA have agreed in the Capital and Business Alliance Agreement that HANWA shall not transfer, etc. the Company's shares acquired through the third-party allotment, except with the prior written consent of the Company, in principle, for a period of 7 years from the payment date of the third-party allotment. HANWA has also agreed that it shall not acquire more than 21% of the total number of the Company's issued and outstanding shares (excluding treasury stock) of the Company, etc. without the prior written consent of the Company for a period of 10 years from the payment date or the duration of the capital and business alliance or 1 year after its termination, whichever is longer, and that while HANWA holds the shares, etc. of the Company, and for 1 year thereafter, it shall not, without the prior written consent of the Company, propose any proposals at the General Meeting of Shareholders of the Company, solicit proxies, agree to exercise joint voting rights with other shareholders, request the dispatch of directors, or engage in any other act that may have an impact on the management of the Company. However, this shall not apply in certain circumstances where the Company's EBITDA has been negative for three consecutive financial years, or where it is objectively determined that the Company or its directors have seriously breached compliance regulations, thereby having a material impact on the supervisory function of the Company's Board of Directors or its internal control system, and the Company has failed to take appropriate corrective measures within a reasonable timeframe. In such circumstances, should HANWA wish to take the relevant action, it shall first submit a proposal to the Company and consult on the correction and adjustment of the Company's governance structure, including whether it is necessary to appoint directors. In addition, in such circumstances, the appointment of the Company's directors should also require a resolution of the Company's General Meeting of Shareholders. Furthermore, the Company plans to obtain a written assurance from HANWA to the effect that if all or part of the allotted shares are transferred within a period of two years from the date of receipt of the allotment from HANWA, HANWA will immediately report the details in writing to the Company, and then, the Company will report the details of the report to Tokyo Stock Exchange, Inc. and that the details of the report will be made available for public inspection.

[YODOKO]

The Company has received an explanation from YODOKO that YODOKO intends to hold the shares of the Company to be acquired through the third-party allotment on a medium to long term basis. In addition, the Company and YODOKO have agreed in the Capital and Business Alliance Agreement, for a period of 7 years from the payment date of the third-party allotment, YODOKO shall not transfer, etc. the Company's shares acquired through the third-party allotment except with the prior written consent of the Company, in principle. YODOKO has also agreed not to acquire or hold more than 12% of the total number of issued and outstanding shares of the Company (excluding treasury stock) in the Company, etc. without the prior written consent of the Company during the effective period of the capital and business alliance agreement and for 1 year after its termination, and also agreed not to propose any agenda at the General Meeting of Shareholders of the Company, solicit proxy statements, agree to exercise joint voting rights with other shareholders, request the dispatch of directors, or take any other action that may have an impact on the management of the Company without the prior written consent of the Company during the same period .Furthermore, the Company plans to obtain a written assurance from YODOKO to the effect that if all or part of the allotted shares are transferred within a period of two years from the date of receipt of the allotment from YODOKO, YODOKO will immediately report the details in writing to the Company, and then, the Company will report the details of the report to Tokyo Stock Exchange, Inc. and that the details of the report will be made available for public inspection.

(4) Details of confirmation of the existence of assets required for payment by the proposed allottees

[HANWA]

The Company has confirmed that HANWA has sufficient cash and deposits (3,794.202 million yen) for the payment of the third-party allotment, judging from the amount of cash and deposits (85,672 million yen) in the consolidated balance sheet stated the annual securities report for the 79th term (from April 1, 2025 to March 31, 2026) submitted by HANWA on June 19, 2026.

[YODOKO]

The Company has confirmed that YODOKO has sufficient cash and deposits (4,899.762 million yen) for the payment of the third-party allotment, judging from the amount of cash and deposits (62,059 million yen) in the consolidated balance sheet stated the annual securities report for the 127th term (from April 1, 2025 to March 31, 2026) submitted by YODOKO on June 22, 2026.

8. Prerequisites for the Third-Party Allotment

The payment through the third-party allotment is subject to the completion of the waiting period pertaining to the notification to Japan Fair Trade Commission under the Antimonopoly Act, the absence of a cease and desist order, and the fulfillment of other preconditions set forth in the respective capital and business alliance agreements and subscription agreements. If these conditions are not satisfied, neither the issuance of new shares nor the disposal of treasury shares will be implemented.

9. Major Shareholders and Shareholding Ratio after Third-Party Allotment

Before third-party allotment (as of March 31, 2026)		After third-party allotment	
Hanwa Co., Ltd.	14.89%	Hanwa Co., Ltd.	20.48%
AIR WATER INC.	8.74%	YODOKO, Ltd.	10.95%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.09%	AIR WATER INC.	7.04%
Osaka Gas Co., Ltd.	3.55%	The Master Trust Bank of Japan, Ltd. (Trust Account) (Note)	5.71%
MARUICHI STEEL TUBE LTD.	2.40%	Osaka Gas Co., Ltd.	2.86%
Amagasaki Seikan Co., Ltd.	2.35%	MARUICHI STEEL TUBE LTD.	1.94%
BNYMSANV RE BNYMIL RE WS ZENNOR JAPAN EQUITY INCOME FUND (Standing Proxy: MUFG Bank, Ltd.)	1.95%	Amagasaki Seikan Co., Ltd.	1.90%
Nakayama Shareholding Mutual Prosperity Association	1.59%	BNYMSANV RE BNYMIL RE WS ZENNOR JAPAN EQUITY INCOME FUND (Standing Proxy: MUFG Bank, Ltd.)	1.58%
NIPPON STEEL TRADING CORPORATION	1.51%	Nakayama Shareholding Mutual Prosperity Association	1.28%
DIMENSIONAL ETF TRUST-DIMENSIONAL INTERNATIONAL SMALL CAP VALUE ETF	1.11%	NIPPON STEEL TRADING CORPORATION	1.21%

The shareholding ratio is the ratio of the number of shares held to the number of shares after deducting treasury share from the total number of shares outstanding, rounded to the second decimal place. The shareholding ratio before the third-party allotment is based on the shareholder registry as of March 31, 2026. The shareholding ratio after the third-party allotment is calculated by dividing the number of voting rights pertaining to the shares held after the allotment by the total number of voting rights as of March 31, 2026 (541,198) plus the number of voting rights pertaining to the issuance of new shares and the disposition of treasury shares through the third-party allotment (130,540), and is calculated on the assumption that all of the offered shares have been paid by the proposed allottees.

Outlook for the future

Although the impact of the capital and business alliance on the Company's consolidated results for the fiscal year ending March 2027 is minimal, the Company considers that it will contribute to business expansion in the medium to long term. In addition, the Company will promptly disclose any matters that should be disclosed in the future.

10. Matters Concerning Procedures Under the Corporate Code of Conduct

As the third-party allotment has a dilution ratio of less than 25% on a voting rights basis and does not involve a change in controlling shareholders, it is not necessary to obtain opinions from an independent third party or to confirm the intention of shareholders as prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange. However, in light of the fact that the dilution ratio due to the third-party allotment will be close to 25% and that HANWA, a major shareholder and largest shareholder holding 14.89% of the voting rights of all shareholders of the Company, will be included in the proposed allottees, from the viewpoint of considering the interests of general shareholders, as a voluntary effort in accordance with the purport of the same article, the Company has established a special committee composed of three outside directors (outside directors registered as independent directors with the Tokyo Stock Exchange, Inc.) of the Company, Sayuri Murakami, Masaya Kakuda, and Kazuyoshi Tsuda, who are independent to a certain degree from the management of the Company, and received a written opinion from the special committee on August 5, 2026 to the effect that the third-party allotment is necessary and appropriate. The Overview of the opinion of the special committee is as follows. Since the issue price, disposal price, and total amount to be paid in and disposal price have not been finalized as of the submission date, this opinion has been prepared on the premise of the method for determining the issue price, etc. and the policy on the issue volume and disposal volume (The ratio of HANWA's voting rights shall be 20% or more and the total dilution ratio of the voting rights base shall be less than 25%.).

(Summary of opinions of the special committee)

1. Conclusion

With regard to the third-party allotment, the necessity and appropriateness of the third-party allotment are recognized, the terms of issuance and disposition (including the method of determining the amount to be paid in and the disposal value) are not particularly advantageous to the proposed allottee, the procedure for determining the issuance is appropriate, and the interests of existing shareholders (including minority shareholders) are not unreasonably harmed.

2. Reasons

(1) Necessity of fundraising

The Company has positioned the construction of new EAF as the most important theme in its management strategy in its long-term plan starting from FY 2025 but the scale of investment (budget: approximately 95 billion yen) may increase to a maximum of 105.5 billion yen due to rising prices and other factors. The investment will be financed by its own funds, investment by Nippon Steel Corporation, and loans from financial institutions. However, as the ratio of loans to the total investment amounts to nearly half, it is reasonable for the Company to judge that it is necessary to procure capital in combination with capital in order to maintain its financial position and reduce the burden of future repayment in the steel industry, which has large fluctuations in earnings. In addition, the third-party allotment will be implemented in conjunction with capital and business alliances with both proposed allottees. Therefore, the establishment of an alliance structure in terms of sales channels, procurement, and product development is a reasonable management decision from the viewpoint of ensuring the feasibility of investment in new EAF. As a result, the Third-

Party Allotment is deemed necessary.

(2) Adequacy in comparison with other means of fundraising

As a means of raising capital funds that are still needed when borrowing and selling assets, etc., are maximized, the public offering is expected to reduce the amount of funding caused by discount issuance due to the large actual burden and issuance cost associated with underwriting reviews, etc. While there is a lack of certainty of paid-in capital increase by allotment to shareholders and the risk that procurement of the required amount may not be secured, third-party allocation is the capital of a partner that is expected to generate business synergy. Relationship building and fund procurement can be achieved at the same time, and the advantages of being able to reliably procure funds in a relatively short period of time are recognized. In addition, this disposal of treasury shares is an efficient use of treasury shares and does not involve an increase in the total number of issued shares, considering the impact on existing shareholders. Therefore, in this case, compatibility is recognized in the method selection.

(3) Adequacy of the conditions of the third-party allotment

The amount to be paid in and the amount to be disposed of shall be the same, and the closing price on the business day immediately preceding the date of the resolution of the Board of Directors shall be adopted and no discount shall be made (However, if the closing price is less than 90% of the highest value of the average closing price for the preceding one month, three months or six months, the value equivalent to 90% shall be the lower limit). This is in line with “Rules Concerning Handling of Allotment of New Shares to Third Party, etc.” of the Japan Securities Dealers Association. Based on the data on share price trends provided by the Company, the committee confirmed that there have been no abnormal fluctuations in the recent market share prices and that the market share prices are functioning as an objective indicator reflecting the corporate value of the Company. As long as the issue price and the amount to be disposed of are determined in accordance with this determination method, the amounts are not particularly advantageous to the proposed allottee, and the balance of prices between the two parties is ensured by setting the amount to be paid in and the amount to be disposed of as the same. In addition, the dilution ratio of the voting rights base is to be controlled to less than 25% in total by adjusting the number of shares to be disposed of, and the scale of the dilution is within a reasonable range in light of the purpose of the third-party allotment, considering that all of the proceeds are to be allocated to the construction of a new EAF that is directly linked to the medium to long term enhancement of the Company's corporate value, and that business synergies through the capital and business alliance are expected to contribute to the interests of existing shareholders. Furthermore, as the terms of the third-party allotment will be determined through negotiations between independent parties, consideration will be given to the appropriateness of the procedures and consideration for minority shareholders by, for example, examining the terms of the third-party allotment under the management system for transactions with related parties and disclosing information through prior consultation with the Tokyo Stock Exchange and statutory disclosure.

(4) Appropriateness and validity of the proposed allottees

HANWA is a steel trading company with which it has built business relationships as the largest shareholder of the Company. In its medium-term management plan, HANWA aims to strengthen its environmentally friendly products business and intends to realize material procurement utilizing EAF slabs produced by the Company's new EAF. The expansion of the Company's sales channels and HANWA'S procurement strategy are mutually complementary. At the same time, YODOKO has a stable business relationship through transactions of EAF steel slabs produced by the existing EAF in the Company. In its medium-term management plan, YODOKO aims to expand transactions by deepening alliances and expand and sell environmentally friendly products. It is expected to improve the certainty of investment recovery through the expansion of the transaction volume and stable supply of hot-rolled coils produced by the EAF. Both companies are listed on the Prime Market of the Tokyo Stock Exchange, and the existence of assets required for payment has been confirmed in the published materials. Therefore, the selection of the proposed allottee is appropriate and appropriate.

11. Financial Results and Equity Financing for the Last Three Years

(1) Results for the last three years (consolidated)

Fiscal year ended	March 31, 2024	March 31, 2025	March 31, 2026
Consolidated net sales	184,445 million yen	169,329 million yen	148,306 million yen
Consolidated operating profit	12,327 million yen	8,436 million yen	4,911 million yen
Consolidated ordinary profit	12,244 million yen	8,119 million yen	4,806 million yen
Profit attributable to owners of parent	8,904 million yen	5,695 million yen	2,462 million yen
Consolidated earnings per share	164.43 yen	105.14 yen	45.44 yen
Dividend per share	50 yen	40 yen	14 yen
Consolidated net assets per share	1,930.54 yen	1,971.57 yen	2,013.26 yen

(2) Status of outstanding shares in issue and potential shares (as of 31 March 2026)

	Number of shares	Ratio to the number of shares outstanding
Number of shares outstanding	63,079,256 shares	100.0%
Number of potential shares at the current conversion price (exercise price)	0 shares	0.0%
Number of potential shares at the minimum conversion Price (exercise price)	—	—
Number of potential shares at the maximum conversion Price (exercise price)	—	—

(3) Recent share price trends

①Trends over the last three years

	March 31, 2024	March 31, 2025	March 31, 2026
Opening price	1,000 yen	950 yen	750 yen
High price	1,007 yen	986 yen	752 yen
Low price	755 yen	701 yen	551 yen
Closing price	950 yen	740 yen	613 yen

②Trends over the last six months

	March 2026	April	May	June	July	August
Opening price	627 yen	625 yen	598 yen	650 yen	606 yen	647yen
High price	660 yen	650 yen	680 yen	650 yen	663 yen	669yen
Low price	595 yen	591 yen	590 yen	594 yen	602 yen	637yen
Closing price	613 yen	592 yen	650 yen	601 yen	657 yen	666yen

③Share price on the business day prior to the resolution date

	August 6, 2026
Opening price	654yen
High price	669yen
Low price	654yen
Closing price	666yen

(4)Equity financing status for the last three years

Not applicable.

12. Terms of the Offering

［HANWA］ Terms of the offering

(1) Class and number of shares	5,697,000 shares of the Company common shares
(2) Amount to be paid in	666 yen per share
(3) Total amount to be paid in	3,794,202,000 yen
(4) Amount of capital to be increased	1,897,101,000 yen
(5) Amount of capital reserve to be increased	1,897,101,000 yen
(6) Method of offering or allotment	Through third-party allotment
(7) Application date	From August 24,2026 to November 30,2026
(8) Payment date	Any day between October 2, 2026 and November 30, 2026 (Scheduled for early October 2026)
(9) Proposed allottee	Hanwa Co., Ltd.
(10) Others	The third-party allotment is subject to the fulfillment of all the prerequisites for the third-party allotment.

［YODOKO］ Terms of the disposal

(1) Class and number of shares	7,357,000 shares of the Company common shares
(2) Amount of disposal	666 yen per share
(3) Total amount of disposal	4,899,762,000 yen
(4) Amount of capital to be increased	Capital does not increase because it is at the disposal of treasury shares.
(5) Amount of capital reserve to be increased	Capital does not increase because it is at the disposal of treasury shares.
(6) Method of offering or allotment	Through third-party allotment
(7) Application date	From August 24,2026 to November 30,2026
(8) Payment date	Any day between October 2, 2026 and November 30, 2026 (Scheduled for early October 2026)
(9) Proposed allottee	YODOKO, Ltd.
(10) Others	The third-party allotment is subject to the fulfillment of all the prerequisites for the third-party allotment.

III.Changes in Major Shareholder

1.Background to the Change

As a result of the disposal of treasury shares through the third-party allotment, YODOKO, the proposed allottee, is expected to become a new major shareholder of the Company.

2.Overview of the Shareholder Subject to the Change

For an overview of YODOKO, please refer to “3. Overview of Business Alliance Partners” in “I. Capital and Business Alliance” above.

3.Number of Voting Rights Held by the Shareholder Before and After the Change (Number of Shares Held) and the Ratio to the Number of Voting Rights of All Shareholders

	Number of voting rights (number of shares held)	Ratio to the number of voting rights of all shareholders	Ranking among major shareholders
Before the change	—	—	—
After the change	73,570 votes (7,357,000 shares)	10.95%	2nd

(Note)1. Number of shares deducted from total number of shares outstanding as shares without voting rights 8,863,805 shares

2.The total number of shares outstanding (as of March 31,2026) 63,079,256 shares

3.The ratio to the number of voting rights of all shareholders after the change is calculated based on the total number of voting rights (541,198) as of March 31, 2026, plus the number of voting rights (130,540) that will increase with the issuance of new shares through the Third-Party Allotment and the disposition of treasury shares.

4.Scheduled date of change

The change in major shareholders is expected to occur on the payment date of the third-party allotment (scheduled for early October 2026). This payment assumes that the preconditions described in “8. Prerequisites for the Third-Party Allotment” of “II. Issuance of New Shares through Third-Party Allotment and Disposal of Treasury Shares”.

IV. Changes in Other Affiliates Associated

1. Background to the Change

As a result of the issuance of new shares through the third-party allotment, HANWA, the proposed allottee, is expected to hold 20% or more (20.48%) of the total number of voting rights in the Company, and the Company is expected to become an equity-method affiliate of HANWA. As a result, HANWA is expected to newly qualify as another affiliated company of the Company.

2. Overview of the Companies Subject to the Change

For an overview of HANWA, please refer to “3. Overview of Business Alliance Partners” in “I. Capital and Business Alliance” above.

3. Number of Voting Rights Held by the Shareholder Before and After the Change (Number of Shares Held) and the Ratio to the Number of Voting Rights of All Shareholders

	Number of voting rights (number of shares held)	Ratio to the number of voting rights of all shareholders	Ranking among major shareholders
Before the change	80,585 votes (8,058,590 shares)	14.89%	1st
After the change	137,585 votes (13,755,590 shares)	20.48%	1st

(Note)

1. The ratio to the number of voting rights of all shareholders before the change is calculated based on 541,198 voting rights as of March 31, 2026.
2. The ratio to the number of voting rights of all shareholders after the change is calculated based on the total number of voting rights (541,198) as of March 31, 2026, plus the number of voting rights (130,540) that will increase due to the issuance of new shares through the third-party allotment and the disposition of treasury shares.
3. The above percentages are rounded to the second decimal place.

4. Scheduled date of change

The payment date of the third-party allotment (scheduled for early October 2026) is expected to change. The payment is subject to the fulfillment of the prerequisites stated in "7. Prerequisites for the Third-Party Allotment" of "II. Issuance of New Shares through Third-Party Allotment and Disposal of Treasury Shares".

5. Outlook for the Future

The impact of this matter on the Company's business results is expected to be minor. HANWA is expected to fall under the category of other affiliated companies of the Company and become a controlling shareholder, etc. under the rules of the Tokyo Stock Exchange, but is not expected to fall under the category of parent company or controlling shareholder of the Company.