Creating
the Future

FY2026 Q1 Financial Results Briefing Materials

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

August 10,2026

with the
Power of Iron

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【 Company Representative 】

Representative Director and President
Nobuhiko Naito 01 02

Director and Managing Executive Officer
Mitsuaki Sakaguchi 03 04 05 06

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01 Strategic Topics (1)

The Company concludes capital and business alliance agreements with HANWA and YODOKO

On August 7, NAKAYAMA STEEL WORKS,LTD.(hereinafter, “the Company”) concluded a capital and business alliance agreement with Hanwa Co., Ltd. (hereinafter, "HANWA") and YODOKO, Ltd. (hereinafter, “YODOKO”).The Company, which is committed to contributing to the achievement of carbon neutrality, is strengthening its strategic partnership with the two companies, both of which originated in Osaka, to accelerate the provision of decarbonization solutions. The Company has determined that this is the most appropriate course of action, from both a business strategy and capital policy perspective, to ensure the successful completion of the core project to construct the new electric arc furnace(hereinafter, “EAF”).

HANWA

- Creating revenue opportunities centered on decarbonization and resource recycling
- Strengthening the environmentally friendly products business

YODOKO

- Expanding the range and sales of environmentally friendly products

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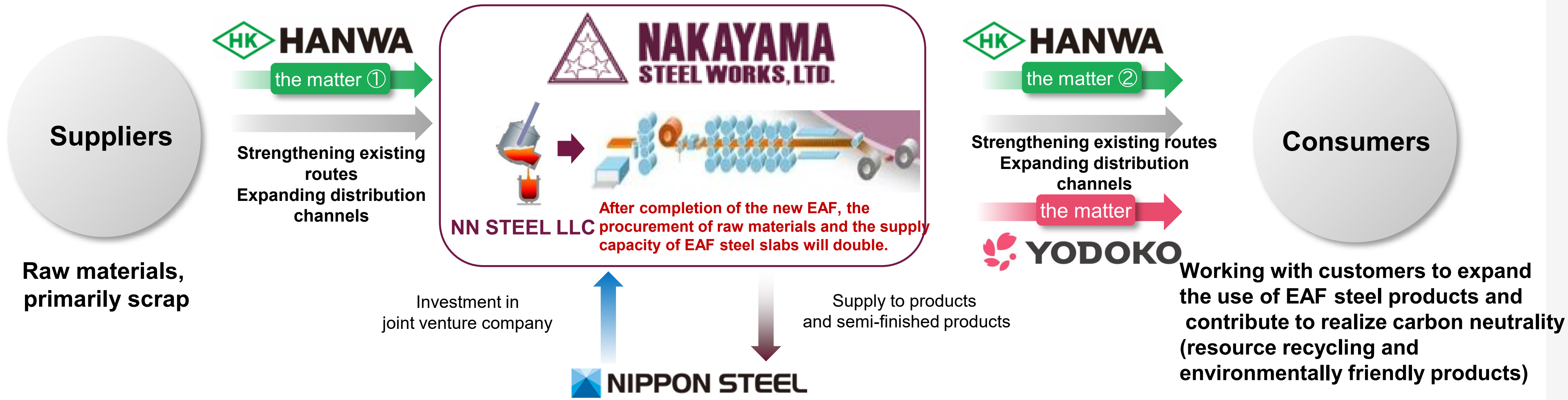
- Expanding application of EAF steel slabs
- Completion of the new EAF project (Introduction of state-of-the-art equipment and doubling of production capacity)

Resource-circulating steel products produced by upcycled steel scrap

Environmentally friendly steel slabs, with CO_2 emissions during production estimated to be around a quarter of those from the blast furnace

Overview of the capital and business alliance (supply chain of EAF steel products)



・Once the new EAF, scheduled for completion in 2030, comes into operation, production capacity will more than double, and the volume of raw materials procured will also double. The stable procurement of raw materials, such as scrap, forms the cornerstone of a robust production system. However, it is a top priority in Western Japan, where the construction of new large-scale EAF is proceeding in rapid succession.

・As the measurements, in addition to strengthening existing procurement routes and expanding sales channels, the Company has decided to further deepen its partnership with HANWA, an important partner and major shareholder with a wide range of procurement channels that has long supported the Company's business, in preparation for the operation of the new EAF. the matter ①

・Furthermore, it is essential to expand the number of suppliers and increase the volume corresponding to the doubling of production capacity following the completion of the new EAF. At the same time, the Company will accelerate the expansion of the application of EAF products by making use of HANWA's strong customer base and sales power, while promoting sales expansion on its own. the matter ②

・In December last year, the Company signed a memorandum of understanding on business alliance with YODOKO, and in order to further strengthen YODOKO's promotion of stable supply of steel slabs for the environmentally friendly products and joint development of high value-added arc furnace products, we signed a formal business alliance agreement without waiting for the completion of the new EAF. the matter

Overview of capital transaction

・The capital transaction will be executed simultaneously on the same terms and conditions as the issuance of new shares and the disposal of treasury shares through third-party allotment.

・The closing price of 666 yen on the business day (August 6) prior to the date of the resolution of the Board of Directors was adopted as the allocation price.

・The payment date shall be October 2, 2026, subject to the condition that a cease-and-desist order, etc. regarding the acquisition of the New Shares by the Expected Allottee HANWA is not issued to Japan Fair Trade Commission pursuant to the Antimonopoly Act within the statutory waiting period. If the conditions mentioned above are not satisfied, neither the issuance of the new shares nor the disposition of treasury shares will be implemented.

・As a result of this acquisition, the shareholding ratio of HANWA will be 20.48%, and HANWA is expected to fall under the category of other affiliated companies of the Company, and the Company will become an equity-method affiliated company of HANWA. In addition, the shareholding ratio of YODOKO will be 10. 95%, and YODOKO is expected to become a new major shareholder of the Company.

*Shareholding ratio (based on voting rights) after combining existing holdings (8,058,590 shares)

01 Strategic Topics (4)

HANWA

・HANWA is the largest shareholder of the Company, and as a close trading company, has played an important role in the procurement of raw materials and sales of products for the Company. We have built a strong business relationship over many years.

・The Company needs to strengthen its procurement and sales functions to expand production capacity following the completion of the new EAF.

・In the "Notice Concerning New Medium-Term Business Plan (From FY2026 to FY2028)", HANWA set forth the creation of profit opportunities centering on decarbonization and resource recycling, and the strengthening of environmentally friendly products business. As such, HANWA has a strong business strategic affinity with the Company.

・Based on the above, HANWA is not only a source of funds, but also a strategic partner that can contribute to sustainable growth in the medium to long term by deepening the cooperative relationship even after the operation of the new EAF.

YODOKO

・YODOKO and the Company have maintained a stable business relationship for many years by supplying EAF steel slabs produced at the existing EAF in the Company.

・In the "YODOKO Group Medium-Term Management Plan 2028", YODOKO has set forth a basic strategy of expanding business by deepening alliances with external partners and expanding and expanding sales of environmentally friendly products.

・There is a limit to how much the Company can accelerate the application of EAF steel slabs on its own, the Company considered collaborating with other companies and found a common vision with YODOKO. In last December, we signed a memorandum of understanding on a business alliance and started discussions on the details of the alliance.

・By maximizing the strengths of both companies, the Company aims to contribute to carbon neutrality and enhance corporate value by providing high-value-added EAF steel products.

Rationality of the third-party allotment

Reason for selection of the third-party allotment

・As described in “Procurement allocation after the matter (p.9) ” below, the Company intends to fund the investment in the construction of the new EAF through a combination of operating cash flow, capital contributions by Nippon Steel to the joint venture company, bank borrowings, and asset sales. However, in order to maintain a sound financial position in the medium to long term following the matter, it has been concluded that raising funds through equity is the most appropriate course of action.

・As a specific method, the Company considers that a third-party allotment is the best option as it can be expected to strengthen the relationship with the proposed allottees. In addition to being able to use the proceeds for growth investment, the Company also considers that a third-party allotment of new shares and disposal of treasury shares are the most appropriate combination from the perspective of effective use of treasury shares held, rather than a public offering or shareholder allotment.

Dilution

・Although the third-party allotment results in a dilution of 24.12% on a voting rights basis, it is implemented based on the capital and business alliance between the Company and the allottees. The objective of the third-party allotment is to expand sales of high value-added, environmentally friendly products produced by the Company's EAF that are required by society.

・Therefore, the Company considers that the third-party allotment will significantly contribute to its future performance, improve its corporate value over the medium to long term and an increase in the profits of existing shareholders, Accordingly, the Company judges that the issuance (disposal) volume and the dilution of shares are reasonable.

Issue price (disposal price)

・The issue price is the closing price on the business day immediately preceding the date of the resolution of the Board of Directors on the third-party allotment (August 7, 2026). The issue price is determined after consultation with the proposed allottees based on the judgment that the latest share price is a fair evaluation representing the current corporate value of the Company and is highly objective and reasonable.

・The issue price of 666 yen is a 4.23% premium (rounded to the second decimal place) to the average closing price of 639 yen for the previous one month (amounts are rounded down to the nearest yen), a 5.55% premium to the average closing price of 631 yen for the previous three months, and a 6.39% premium to the average closing price of 626 yen for the previous six months.

・The issue price is determined based on the market share price, which is an objective indicator, and the price is determined in accordance with the *"Rules* Concerning Handling of Allotment of New Shares to Third Party, etc." of the Japan Securities Dealers Association. It is not considered to be an advantageous issue.

Opinion of the special committee

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 consideration of the fact that HANWA, which is a major shareholder holding 14.89% of the issued shares of the Company, is included in the proposed allottees, and from the viewpoint of considering the interests of other general shareholders, the Company accepted the opinion regarding the necessity and appropriateness of the third-party allotment from a special committee composed of three outside directors of the Company, Sayuri Murakami, Masaya Kakuda, and Kazuyoshi Tsuda, who are independent to a certain degree from the Company, in accordance with the requirements the Company for observing the code of conduct regarding the third-party allotment.

【Summary of the opinion】

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 disposition price) are not particularly favorable to the proposed allottees, the procedures for determining the issuance and disposition are appropriate, and the interests of existing shareholders (including minority shareholders) are not unreasonably harmed.

2. Main reasons

(1) In order to maintain financial stability and reduce the burden of repayments, the decision to combine borrowing and equity financing is a sensible one.

(2) This will be carried out in conjunction with business alliances with the two proposed allottees, enabling the Company to simultaneously establish capital ties with partners with whom it can expect business synergies and raise funds. Furthermore, this multifaceted alliance structure will help ensure the viability of the new EAF investment. The selection of the two proposed allottees, which have mutually complementary relationships with the Company, is therefore both appropriate and reasonable.

(3) The issue price will be the closing price on the day before the resolution date of the Board of Directors, so no discount will be made, and the dilution ratio of the voting rights base will be reduced to less than 25%. It is within a reasonable range considering that the capital and business alliance are expected to benefit existing shareholders, and consideration will be given to the impact on existing shareholders.

Procurement allocation after the matter

【 FY2026～FY2029】

Funding method	Use of proceeds and required amounts
Operating cash flow Approximately 43 billion yen(*)	**Investment in the new EAF Approximately 95 billion yen (Maximum 105.5 billion yen) The investment will be made by Company NN STEEL LLC, which owns the equipment.**
Cash and deposits (as of March 31, 2026) 23.2 billion yen	
Nippon Steel equity investment 24.6 billion yen (Maximum 27.3 billion yen)	
Disclosed this time Bank borrowings approximately 44.7 billion yen (Maximum 49.8 billion yen)	Maintenance and renewal and other growth investment Approximately 30 billion yen(*)
Sales of assets (Net proceeds from tax) 4.3 billion yen	
Disclosed this time **The matter 8.7 billion yen**	Shareholder returns Approximately 8 billion yen(*)
Total 148.5 billion yen (Maximum 156.3 billion yen)	Total 133 billion yen (Maximum 143.5 billion yen)

* Amounts for a year after the announcement in May last year are shown

- The table on the left shows the method of funding for investments of 133 billion yen (maximum 143.5 billion yen) over the four years from FY 2026 to FY 2029, the year before the completion of the new EAF.
- The currently secured funding, together with the operating cash flow expected to be generated over the next four years, is projected to exceed the required funding amount.
- As major risk factors assumed in the future, it is necessary to prepare for cost overruns of new EAF construction investment due to price increases and insufficient accumulation of operating cash flow due to lower business performance. In the event of an emergency, the following contingency plan will be activated.
  ① Additional asset sales
  ② Further improvement of the cash conversion cycle
  ③ Prioritization of other growth investments

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01 02

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Mitsuaki Sakaguchi

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- **FY2026 Q1 Financial Results were generally as expected at the beginning of the fiscal year.**
- **FY2026 earnings forecasts are revised upward to 3.9 billion yen (an increase of 0.4 billion yen compared with the initial forecasts), taking into account the sale of additional fixed assets.**
- **Dividends are unchanged from the initial forecasts of 20 yen per share.**

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FY2026 Q1 Financial Results

(Billions of yen)	FY2025			FY2026		Change
		Q1(A)	H1		Q1(B)	(B)-(A)
Net sales	148.3	38.9	76.6	—	38.3	(0.6)
Operating profit	4.9	1.8	3.0	—	0.6	(1.2)
Ordinary profit	4.8	1.8	2.9	—	0.6	(1.2)
(ROS)	3.2%	4.6%	3.8%	—	1.6%	(0.3)Pt
Profit attributable to owners of parent	2.5	1.1	1.7	—	1.9	+0.8

Although sales volume increased, profit decreased due to price decline and narrowing of spreads caused by rising scrap prices

- Overall sales volume increased due to upfront demand on the back of higher prices announced by steel manufacturers. While sales of bars and wire rods and flat products increased, sales of building materials for small and medium-sized buildings, which have been sluggish, decreased slightly.

- Price increases are just beginning, and sales prices have yet to reach satisfactory levels. Persistent weak demand and the need to compete with low-cost imported steel have led to declines across the board.

- Strong overseas demand and a rise in export prices due to the depreciation of the yen led to a rise in scrap prices in Japan, which together with a fall in sales prices put significant pressure on spreads. Profit decreased significantly despite a slight decrease in sales. On the other hand ,profit increased on a net profit basis due to the sale of rental real estate, which has already been disclosed.

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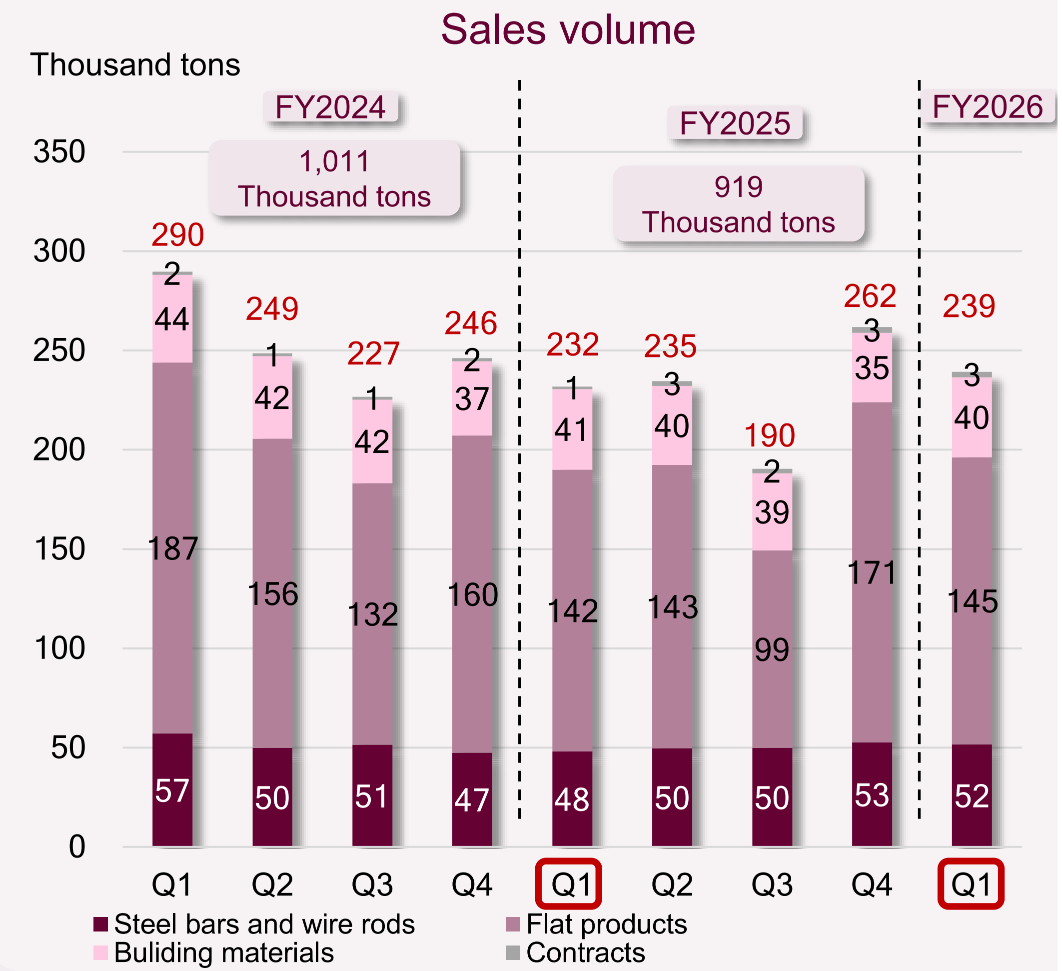
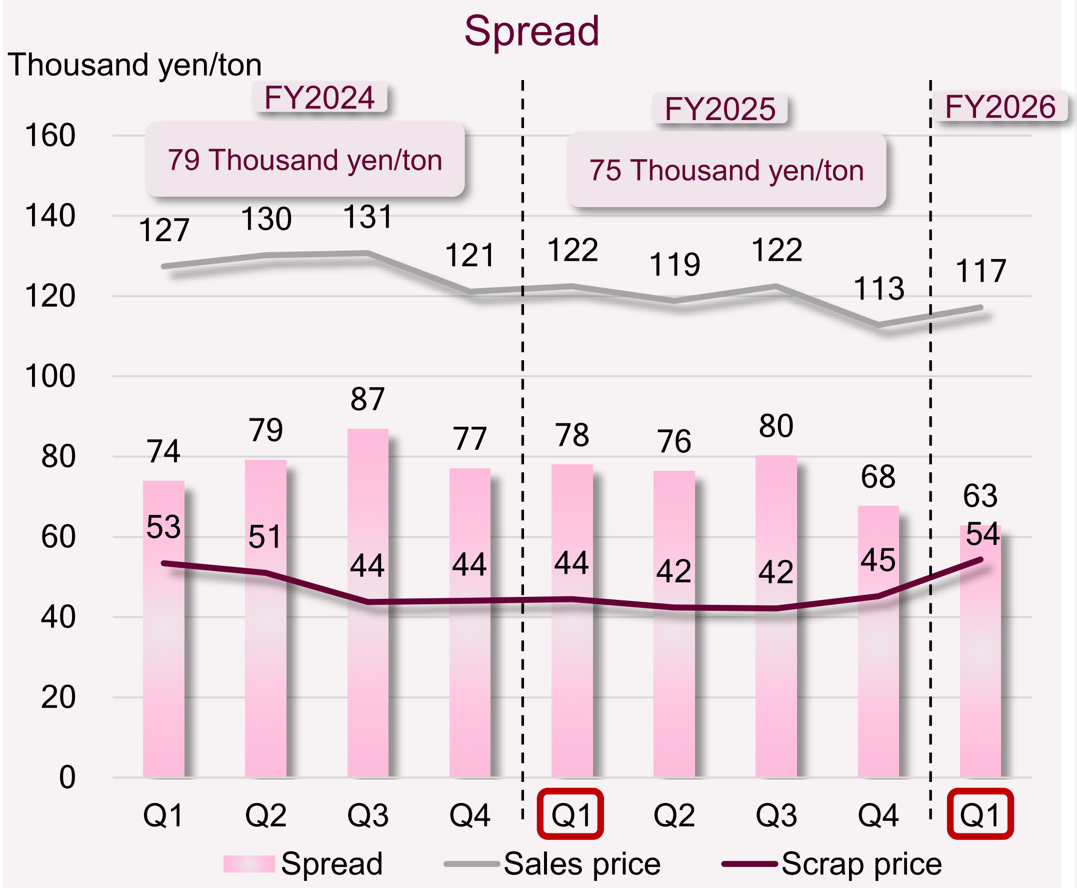
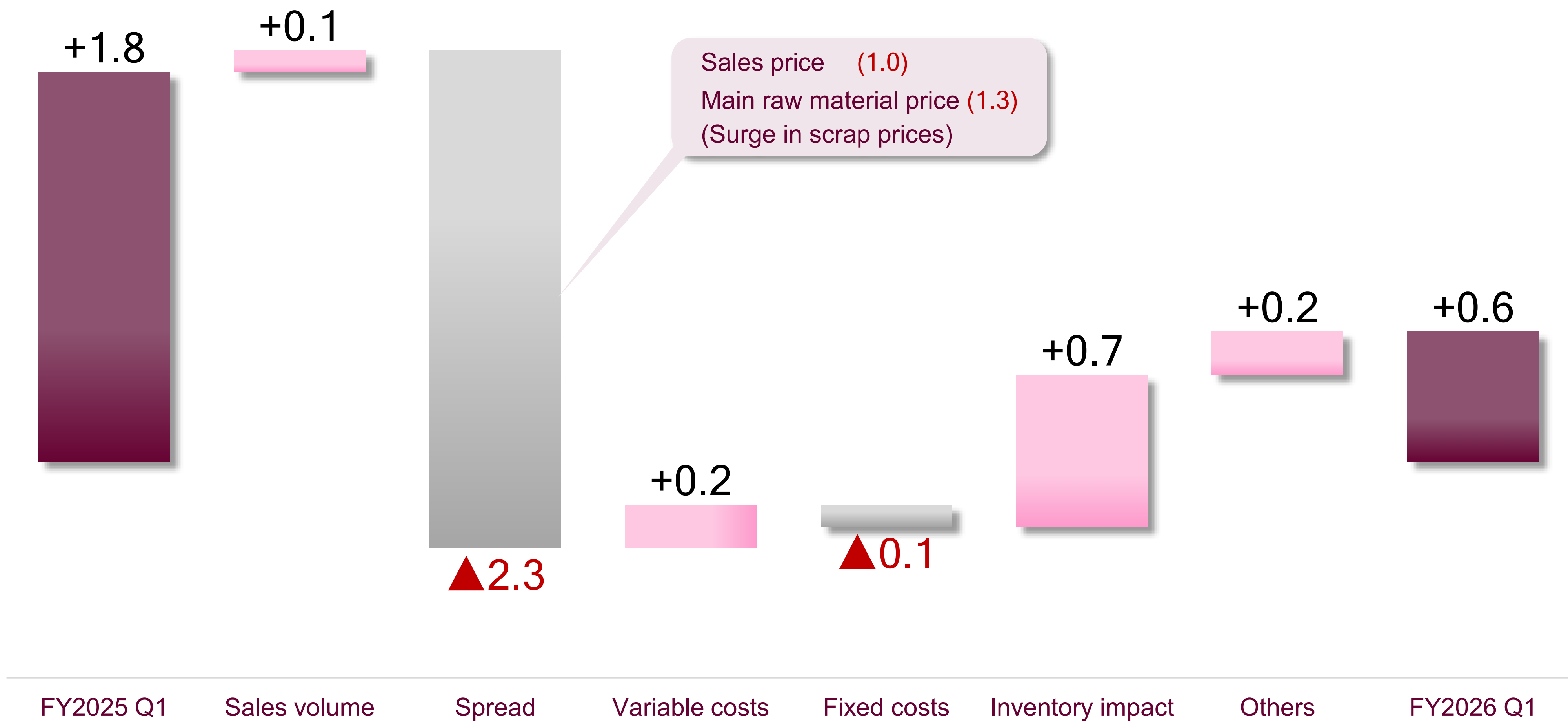
Sales volume/Spread





Analysis of changes in ordinary profit FY2025 Q1 ➡ FY2026 Q1

(Billions of yen)



Consolidated Balance Sheets

(Billions of yen)	Mar. 2026	**Jun. 2026**	Change
Cash and deposits	23.2	**26.3**	+3.0
Accounts receivable	41.1	**43.2**	+2.2
Inventories	26.7	**29.1**	+2.4
Others	1.0	**1.2**	+0.2
Current assets	92.0	**99.8**	+7.8
Property, plant and equipment	50.3	**48.2**	(2.1)
Intangible fixed assets	0.4	**0.4**	±0
Investments and others	9.6	**8.8**	(0.9)
Fixed assets	60.3	**57.4**	(3.0)
Total assets	152.4	**157.2**	+4.8

(Billions of yen)	Mar. 2026	**Jun. 2026**	Change
Trade payables	18.2	**21.5**	+3.3
Interest-bearing liabilities	8.5	**8.4**	(0.1)
Deferred tax liabilities	4.9	**5.1**	+0.1
Provisions	4.1	**3.6**	(0.5)
Others	7.5	**7.8**	+0.3
Liabilities	43.2	**46.3**	+3.1
Shareholders' equity	103.9	**105.5**	+1.6
Others	5.2	**5.3**	+0.1
Net assets	109.1	**110.8**	+1.7
Total liabilities and net assets	152.4	**157.2**	+4.8
Equity ratio	71.6%	**70.5%**	▲1.1pt

【Factors for Changes by Account】

- Cash and deposits

Increased due to sales of fixed assets and continued to accumulate own funds for investment in new EAF facilities

- Accounts receivable

Recovery measures following a substation accident were implemented inFY2025 Q4, and the balance of trade receivables not yet due increased in FY2026 Q1.

- Inventories

Increased due to planned advance production in preparation for the shutdown of EAF due to substation construction scheduled at the end of December

- Property, plant and equipment

Sale of rental property (already disclosed)

- Trade payables

Increased resulting from the aforementioned advance production

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Recognition of the business environment

【 Outlook for domestic demand(METI FY2026 Q2)】

- Architecture: The impact of labor shortages and rising material costs continues to be felt, resulting in a year-on-year decrease and a level with the previous quarter.
- Automobile: Continuing the current production trend, figures will remain flat year-on-year and show a slight increase quarter-on-quarter.
- Industrial machinery: Although the extent of the recovery varies by sector, the overall trend is one of recovery, increasing year-on-year and remaining flat quarter-on-quarter.
- Export: Demand for steel products stagnated amid uncertainty in the global economy. In addition, trade measures against Japan continued to have an impact due to increasing protectionism in other countries. Steel exports decreased year-on-year but increased slightly quarter-on-quarter. The impact of the deterioration in the supply-demand balance for steel products in China on peripheral markets and the situation in the Middle East continue to warrant close attention.

Source : METI "Steel Demand Outlook for FY2026 Q2"

【 Sales outlook for the Company 】

- Although recovery has been observed in some fields, the demand environment is expected to remain severe due to the continued sluggish demand, especially in the construction field, the turmoil in the Middle East, and aggressive competition from competitors.
- Under these circumstances, the Company will further accelerate the expansion of the application of EAF steel slabs, centering on the capital and business alliance concluded recently, to expand sales of processed products and increase sales volume of high-value-added products.
- In addition, the Company intends to strengthen its earnings base by promptly realizing sales price hikes, which are being pursued following the rise in various preceding costs, and by promptly securing appropriate trading profitability.

FY2026 Earnings Forecasts

(Billions of yen)	FY2025 Results	FY2026	Q1 Results	H1	H2
Net sales	148.3	157.0	38.3	76.0	81.0
Operating profit	4.9	3.4	0.6	1.2	2.2
Ordinary profit	4.8	2.0	0.6	0	2.0
ROS	3.2%	1.3%	1.6%	0.0%	2.5%
Profit attributable to owners of parent	2.5	3.9 +0.4	1.9	2.4	1.5 +0.4
Dividend per share	14yen	20yen		13yen	7yen

Net profit will be revised upward to 3.9 billion yen and others remain unchanged

- Sales are expected to increase due to higher sales volume resulting from the implementation of business alliances and sales expansion measures, as well as the ongoing price rises.
  Profit is expected to decrease significantly due to concerns about further cost increases in view of the possibility of prolonged turmoil in the Middle East.
- In addition to recording the previously disclosed gain on the sale of land of 1.3 billion yen in FY2026 2Q, net profit is revised upward to 3.9 billion yen (an increase of 400 million yen from the initial forecast) by incorporating the additional sale of fixed assets in FY2026 H2.
- Annual dividend of 20 yen per share is unchanged from the initial forecast.

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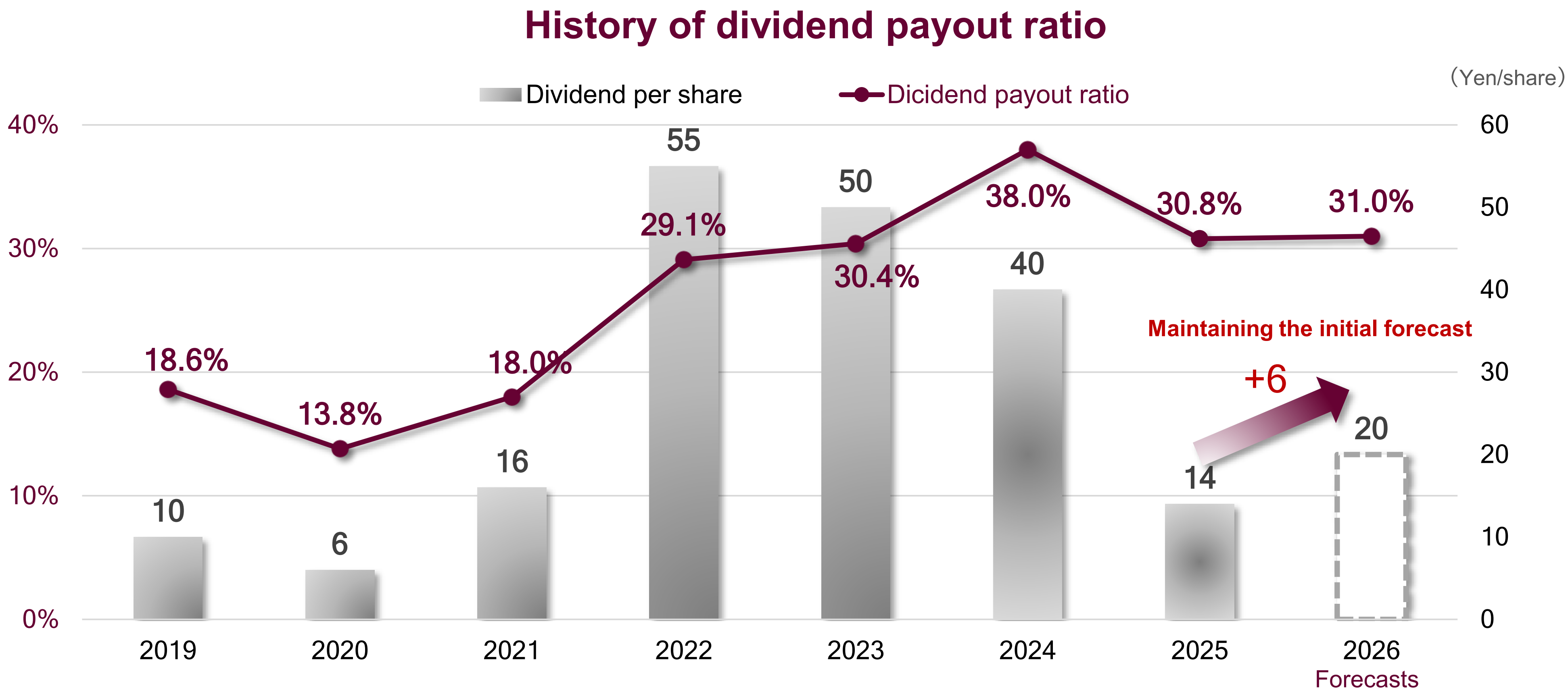
Dividend policy



The Company will continue to follow the policy of the long-term plan and aim for a dividend payout ratio of 30% or higher. After the operation of the new EAF, the Company will consider changing the policy in light of business profit and cash flow. By accumulating profits including asset sales from FY2026 Q2 onward, the Company will absorb the effects of the dilution caused by the third-party allotment and maintain the dividend level.

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Progress on the construction of the new EAF(unchanged from the previous announcement）

	2026	2027～2029	2030	2031
Milestone		★Start of construction	★Completion	★Establishment of operation
Environmental assessment	★Publication and public inspection of the environmental impact assessment preparation documents and residents' briefing session have been completed			
Design				
Construction		After demolition of existing facilities Construction of the new EAF		
Operation			Commissioning	Full operation

＊Approximately 6 months change from the original schedule

- Nov. 2026 Following completion of the environmental assessment , proceed with the construction of the new EAF
- From Jul. 2030 Hot run (final Commissioning) scheduled to start after completion of new EAF facilities
- During FY2030 Establishing production operations and moving towards full production

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- Disclaimer

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NAKAYAMA STEEL WORKS,LTD.
Corporate Planning Department,
Investor and Public Relations Office
1-1-66 Funamachi, Taisho-ku, Osaka-shi, Osaka 551-8551, Japan
https://www.nakayama-steel.co.jp/