Corporate Governance Report

CORPORATE GOVERNANCE **NAKAYAMA STEEL WORKS, LTD.**

Last Update: June 26, 2026

NAKAYAMA STEEL WORKS, LTD.

Nobuhiko Naito, Representative Director and President

Contact: Yukio Morioka,
General Manager, Corporate Planning Department
and Section Manager, IR Public Relations Office

Securities code: 5408

The corporate governance of NAKAYAMA STEEL WORKS, LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Company strives to ensure efficient, sound, and transparent management, with the aim of sustainably enhancing corporate value and becoming a company trusted by society. The Company positions the enhancement of corporate governance as a top management priority in order to further strengthen the trust of shareholders, investors, customers, local communities, and society at large, and to fulfill its responsibilities as a good corporate citizen.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Based on the basic views set forth above, the Company implements all principles of the Corporate Governance Code (as revised on June 11, 2021).

Disclosure Based on each Principle of the Corporate Governance Code updated

[Principle 1.4 Cross-Shareholdings]

The Company seeks to reduce cross-shareholdings that are not considered sufficiently meaningful. At the same time, the Company intends to maintain policy shareholdings deemed necessary to maintain and strengthen stable, long-term business relationships with business partners, thereby contributing to the enhancement of corporate value over the medium-to-the-long term. The Board of Directors determines whether to retain each cross-shareholding based on a comprehensive assessment of the purpose of holding and other relevant factors. Specifically, the Company conducts a quantitative assessment based on the status of the shareholding and past performance (including profitability, financial soundness, and shareholder returns), such as whether the counterparty's ROE or dividend yield exceeds the Company's weighted average cost of capital (WACC). The Company also considers qualitative factors, such as the status and significance of business transactions, in making its overall determination.

Based on the review conducted at the Board of Directors meeting held on April 30, 2026, the Company held three cross-shareholdings (total acquisition cost: 656 million yen; market value: 1,923 million yen). With respect to the exercise of voting rights for cross-shareholdings, the Company carefully reviews each proposal and exercises its voting rights on all proposals based on whether the proposal is deemed conducive to enhancing the issuing company's corporate value.

[Principle 1.7 Related Party Transactions]

In accordance with the Rules of the Board of Directors, the following matters require deliberation and resolution by the Board of Directors:
A) Competitive transactions by Directors (i.e., any transactions within the Company's line of business conducted for their own account or on behalf of a third party)
B) Transactions involving conflicts of interest between Directors and the Company
C) Related-party transactions conducted on terms that differ from ordinary business terms

The Company also monitors related-party transactions between consolidated subsidiaries and major shareholders, among others, by requiring reports at meetings of the Board of Directors.
With respect to transactions in fiscal 2025, the Company reported at the Board of Directors meeting held on May 25, 2026, that it had not conducted any transactions on terms that differ from ordinary commercial terms.

[Supplementary Principle 2.4.1 Approach to ensuring diversity (including women, foreign nationals, and mid-career hires) among core human resources]

(1) Basic Views on Human Capital Management

The group's management philosophy is: "Respecting the personality and individuality of employees, ensuring a safe and comfortable working environment, and realizing a comfortable and prosperous life." Based on this philosophy, it is recognized that creating an environment where all employees can maximize their individual capabilities constitutes a critical management issue that contributes to enhancing corporate value over the medium to long term.

In addition, as part of human capital management under the long-term plan, priority policies include creating a work environment that enhances employee motivation and engagement by implementing the future human resources strategy, acquiring talented personnel, reducing turnover, rebuilding the human resources development framework, and promoting diversity, equity, and inclusion (DE&I).

The Group recognizes that human resources support corporate strategies. Japan is currently experiencing a declining birthrate and an aging population, and if the Group is unable to secure sufficient human resources due to intensified competition for talent, the Group's financial position and operating results could be affected by a decline in production, sales, and service levels. On the other hand, it is also recognized that appropriate investment in human capital can create growth opportunities, including improvements in organizational capabilities and productivity.

(2) Human Resources Strategy

The company believes that human resources development is not just about training individuals but also part of management strategy and the source of maintaining and improving competitiveness. In order to accurately grasp the rapidly changing external environment and realize a fundamental transformation with a view to the next era, initiatives will be implemented from four perspectives: A) building a strong organizational and human resources system, B) improving employee engagement, C) promoting human resource development (DE&I), and D) strengthening human resources development. The corporate philosophy will also be reinforced alongside strategic human resources measures.

(3) Approach to Securing Diversity of Core Human Resources (Women, Foreign Nationals, and Mid-Career Recruits) (Promotion of DE&I)

DE&I initiatives are being promoted to create a work environment where everyone can thrive while respecting workforce diversity. With respect to recruitment, a "Referral Alumni Recruitment Program (A program that encourages individuals referred by current employees and former employees to apply for positions with the Company)" has been introduced, encouraging candidates referred by employees and former employees to apply. In addition, there is a policy of hiring a diverse workforce and promoting employees to managerial positions regardless of gender or prior experience.

In order to increase the number of women in managerial positions, efforts are actively focused on promoting the appointment of women to section chief (manager) positions, which are junior managerial positions. The ratio of female workers at the section chief level during the fiscal year under review rose by 7.4% year on year. Through the active participation of diverse human resources, the aim is to strengthen human capital and continuously improve corporate value.

To enhance employees' work-life balance, the Company is responding to the diversification of work styles. The Company holds a labor conference with the labor union once a month to exchange information on employee's preferred working arrangements. The Company is striving to expand and promote the use of programs that support work–childbirth and childcare balance by developing systems such as childcare/nursing care leave, telecommuting, reduced working hours, half-day paid leave, and hourly paid leave, as well as improving remote-working environments and welfare facilities. The paid leave utilization rate has remained at a high level. Going forward, the Company will continue to enhance these programs and develop an environment where diverse human resources can play an active role, including promoting the uptake of childcare leave by male employees and facilitating the utilization of senior human resources.

The company has been actively recruiting women and experienced personnel for career-track positions since 2001. However, as of the end of March 2026, women still represented just 4.0% (4 individuals) of all managerial positions at or above the level of Office Manager.

The company's medium- to long-term human resources strategy prioritizes the formation of a pipeline of candidates for managerial positions. As a first step, candidates will be developed for section chief (manager) positions, which are below section manager's level. The company has set targets for the proportion of women in section chief (manager) positions of 25% or more in fiscal 2030 and 33% or more in fiscal 2033. However, as of the end of March 2026, the proportion of women at this level remained at 21.7% (10 individuals).

With respect to the employment of foreign nationals, there is no difference in treatment based on nationality, and the company has to date employed five foreign nationals. Going forward, the company will continue recruitment and improve the work environment so that diverse human resources can fully utilize their capabilities.

[Principle 2.6 Roles of Corporate Pension Funds as Assets Owners]

To ensure the long-term stability of pension benefits for beneficiaries, the Company determines its pension asset allocation policy in consultation with pension management institutions, taking into account risk-return characteristics. The Company regularly monitors the status of pension asset management and, as necessary, the Company's accounting department considers and implements revisions to the asset allocation. The Company comprehensively evaluates and monitors pension management institutions by considering not only quantitative investment performance but also qualitative factors such as investment policy, investment structure, and investment processes.

[Principle 3.1 Full Disclosure]

(i) Company objectives (e.g., business principles), business strategies and business plans

1. Corporate philosophy
   The Company's corporate philosophy is as follows:

   "The NAKAYAMA STEEL WORKS Group creates added value for society through fair competition and continues to serve society."

2. Corporate Strategy and Long-Term Management Plan
   The Company marked the 100th anniversary of its founding in 2019. With the aim of remaining a group that continues to thrive 100 years from now, the Company announced the "Nakayama Steel Works Group 2030 Long-Term Vision" in May 2022 as the Group's desired future state and corporate vision for 2030. To strengthen Group-wide efforts to enhance added value and help realize a carbon-neutral, recycling-oriented society under this long-term vision, the Company has been considering an investment in a new electric furnace (the "Investment") as a fundamental measure to significantly expand electric-furnace production capacity, in addition to expanding the use of electric-furnace steel and promoting processing strategies. In recent years, reducing CO2 emissions in the steel industry has become an urgent issue amid growing global environmental awareness. Against this backdrop, demand for electric-furnace steel, which generates approximately one-quarter of the CO2 emissions of blast-furnace steel, is expected to increase further going forward.
   The Group is one of the few manufacturers with expertise in both blast-furnace and converter technologies. Although the Group discontinued its blast-furnace and converter operations in 2002, the Company currently produces and sells steel products and processed products using iron sources produced in its existing electric furnaces as well as iron sources procured externally. By decommissioning aging electric furnaces and constructing a new electric furnace, the Company will significantly expand production capacity. In addition, by substituting in-house iron sources for externally procured iron sources, the Company expects to substantially reduce CO2 emissions while also improving profitability.
   Based on this recognition, the Company decided to make the Investment to realize the "Nakayama Steel Works Group 2030 Long-Term Vision," which serves as the foundation for the Group to continue thriving 100 years from now, and formulated a long-term plan centered on this vision.
   As stated in "Notice Regarding the Establishment of a Joint Venture with NIPPON STEEL CORPORATION and the Conclusion of a Memorandum of Understanding for a Business Alliance," announced on May 9, 2025, the Investment will involve the establishment of a joint venture with investment by NIPPON STEEL CORPORATION (hereinafter "Nippon Steel") and the Company to construct a new electric furnace facility at the Company's Funamachi Plant. The Company plans to lease the electric furnace facility to operate the electric furnace.

3. Priority Policies in the Long-Term Management Plan
   (1) Contributing to the Realization of a Carbon-Neutral, Recycling-Oriented Society
   The new electric furnace to be completed through the Investment is expected to begin operations to help reduce CO2 emissions by 46% in fiscal 2030 compared with fiscal 2013 levels and to achieve carbon neutrality by fiscal 2050.

   (2) Improving the Profit Structure and Reforming the Product Portfolio
   A) The Investment aims to strengthen cost competitiveness by increasing the ratio of in-house iron sources, reducing energy consumption, and improving yield. Through the business alliance with Nippon Steel, the Company also aims to improve profitability and stabilize the supply of electric-furnace steel slabs and hot-rolled electric-furnace products.
   B) The Company will expand applications for electric-furnace steel and create new customer value by broadening the Company's product lineup through product development and other initiatives, while also considering initiatives for green steel. In addition, the Company will further strengthen its processing strategy, enhance added value, and reform the product portfolio.
   C) In the period up to the start of operations of the new electric furnace, the Company will establish an electric-furnace production system with a monthly capacity of 50,000 tons at its existing electric furnace, increase the ratio of electric-furnace steel, and focus on expanding sales of electric-furnace steel.

(3) Strengthening Business Collaboration

A) The Company will continue discussions toward concluding a joint venture agreement with Nippon Steel Corporation and work to realize a business alliance between the two companies.

B) Based on its business alliance agreement with Chubu Steel Plate, the Company will promote the supply of slabs and the outsourcing of plate production to Chubu Steel Plate.

C) To further advance its processing strategy, the Company will also consider outsourcing processing operations and collaborating on product development with business partners.

(4) Establishment of the Operation System for the New Electric Furnace

A) The new electric furnace will be installed on the site of the blast furnace and coke facilities at the Company's Funamachi Plant. Located close to the hot-strip and plate-mill heating furnace in the downstream process, this arrangement is expected to streamline on-site logistics and reduce costs by enabling the direct transportation of electric-furnace steel slabs to the hot-strip and plate-mill heating furnace. Alongside the construction of the new electric furnace, the Company will also ensure safe and efficient operations.

B) The new electric furnace is expected to have an annual production volume of 1.2 million tons, more than double that of the existing electric furnace. While the procurement of iron scrap will pose a challenge, the Company plans to take measures such as ocean transportation through group companies utilizing the quays at the Company's main operational base and reducing the ratio of processed scrap used by the new electric furnace.

(5) Strengthening the Management Foundation

A) Building on the establishment of the new electric-furnace operating system described in (4), the Company will improve operational efficiency through DX to enhance labor productivity. At the same time, the Company will accelerate the shift toward higher value-added operations by visualizing and sharing production information in real time, visualizing supply chain information, and advancing management practices.

B) In human resource management, the Company aims to create a work environment that enhances employee engagement and motivation by implementing a forward-looking human resources strategy to attract and retain talented employees, reduce turnover, strengthen the human resource development framework, and promote DE&I initiatives.

4. Supplement to the Long-term Management Plan Regarding the New Electric Furnace

As announced in the press release titled "(Progress of Disclosed Matters) Notice of Conclusion of Joint Venture Agreement Concerning the Establishment of a Joint Venture" dated November 26, 2025, the Company entered into a joint venture agreement with Nippon Steel Corporation on that date.

Subsequently, as announced in the press release titled "(Progress of Disclosed Matters) Notice Concerning Establishment of Joint Venture Company" dated April 1, 2026, the Company established NN Steel GK, a joint venture with Nippon Steel Corporation, on that date.

NN Steel GK owns electric-furnace equipment and related buildings required for the production of steel billets and leases them to the Company. The Company has been entrusted by NN Steel GK with the production of steel billets and other related operations.

For further details, please refer to the Company's timely disclosure documents.

5. Management targets

(1) FY2025 Result

A) Consolidated Ordinary profit: 4.8 billion yen

B) Consolidated EBITDA: 8.7 billion yen or more

C) Consolidated ROE: 2.3% or more

(2) FY2030 Target

A) Consolidated Ordinary profit: 10.0 billion yen or more

B) Consolidated EBITDA: 22.0 billion yen or more

C) Consolidated ROE: 5% or more

(3) FY2033 Target

A) Consolidated Ordinary profit: 13.0 billion yen or more

B) Consolidated EBITDA: 26.0 billion yen or more

C) Consolidated ROE: 6% or more

Full-scale operation of the new electric furnace is expected to begin in FY2030. The numerical targets of the long-term management plan are set for FY2033, when the effects of the new electric furnace are expected to be broadly realized.

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

Based on the above corporate philosophy, the Company aims to maximize corporate value by fostering strong relationships with all stakeholders and achieving long-term, stable growth and development. To achieve this, the Company is committed to further enhancing its corporate governance to ensure fair and highly transparent management as a trusted corporate citizen.

(iii) Board policies and procedures in determining the remuneration of the senior management and directors

1. Policy on determining the amount and calculation method of remuneration for officers (general remuneration)
   (1) Basic Policy, etc.
   In determining officer remuneration, the Company resolved on the following three items as its basic policy (the "Basic Policy"), at the Board of Directors' meeting held on March 31, 2017, concerning the determination of individual Director remuneration.
   A) Clarify each officer's roles and responsibilities from a medium- to long-term perspective and ensure that remuneration levels are commensurate with the performance of such roles and responsibilities.
   B) Strive to maximize the Group's overall earnings under consolidated management.
   C) Ensure objectivity and transparency through deliberations by the Remuneration and Nomination Advisory Committee, the majority of whose members are Outside Directors.
   The Company introduced a delegation-based executive officer system on June 26, 2025. The remuneration and nomination of Executive Officers (including Executive Officers with titles) are governed by the same Basic Policy as that for Directors, as resolved by the Board of Directors.

   (2) Overview of the organization and procedures for determining the amount or calculation method of remuneration, etc., for officers

   The Board of Directors seeks deliberation by and receives reports from the Remuneration and Nomination Advisory Committee, a majority of whose members are Outside Directors (excluding directors who are Audit and Supervisory Committee Members), regarding the decision-making bodies and procedures for executive remuneration (excluding directors who are Audit and Supervisory Committee Members), in order to ensure the fair and reasonable operation of the system.
   Specifically, the Representative Director, acting as the evaluator, conducts a self-assessment, meets with each Director, prepares a draft evaluation and proposed remuneration amount, and consults with the Remuneration and Nomination Advisory Committee.
   Following the Committee's deliberation, once the evaluation of each Director is finalized, the Board of Directors makes the final decision within the total remuneration limit approved in advance by the General Meeting of Shareholders, based on the Committee's report.
   The President and Representative Director, as delegated by the Board of Directors, determines the amount of individual remuneration for each Director based on the report of the Remuneration and Nomination Advisory Committee. This delegation is considered appropriate because the Representative Director is best positioned to evaluate each Director's areas of responsibility in light of the Company's overall business performance.
   For the current fiscal year, individual remuneration for Directors has been determined in accordance with the above procedures, and the Board of Directors has confirmed that the results are consistent with the remuneration policy.
   During FY 2025, the Remuneration and Nomination Advisory Committee met five (5) times and deliberated on and resolved matters including (i) the setting of performance targets and the confirmation of results related to the remuneration of Directors (excluding directors who are Audit and Supervisory Committee Members) and (ii) the amounts of fixed and performance-linked remuneration for each Director.
   Remuneration for directors who are Audit and Supervisory Committee Members is determined through consultation with the Audit and Supervisory Committee.

2. Policy on Determining the Amount or Calculation Method of Officer Remuneration (Monetary Remuneration)
   (1) Composition of Remuneration
   The remuneration for Directors (excluding Audit and Supervisory Committee Members and Outside Directors) consists of fixed remuneration (70%) and variable performance-linked remuneration (30%).
   Remuneration for Audit and Supervisory Committee Members and Outside Directors consists entirely of fixed remuneration Resolutions of the General Meeting of Shareholders Concerning Remuneration for Directors

   (2) Overview of the organization and procedures for establishing policies on determining the amount of remuneration, etc. for officers and the method for calculating such remuneration
   At the 128th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that the maximum annual remuneration for Directors (excluding Audit and Supervisory Committee Members) would be 300 million yen (including up to 50 million yen for Outside Directors). The number of eligible Directors at the conclusion of this General Meeting was seven (including two Outside Directors).
   At the same General Meeting, it was resolved that the total annual remuneration for Directors who are Audit and Supervisory Committee Members would not exceed 60 million yen. The number of eligible Directors at the conclusion of the meeting was three (including two Outside Audit and Supervisory Committee Members).

(3) Performance-Linked Remuneration for Directors (excluding Audit and Supervisory Committee Members)
Variable performance-linked remuneration (30%) consists of officer evaluation-linked remuneration (15%) based on target management sheets for individual evaluation and group performance-linked remuneration (15%) tied to the achievement of the consolidated management plan.

A) Performance-linked Remuneration for Directors and Executive Officers
The performance evaluation items used to determine performance-linked remuneration for Directors and Executive Officers consist of (i) items common to all Directors (excluding directors who are Audit and Supervisory Committee Members and Outside Directors) and (ii) individual items reflecting each Director's responsibilities (excluding directors who are Audit and Supervisory Committee Members and Outside Directors), including special assignments and areas under each Director's oversight. The common evaluation items for Directors and Corporate Auditors are the level of achievement of the annual plan for consolidated ordinary income and the performance targets under the long-term plan, including consolidated ordinary income, consolidated EBITDA, consolidated ROE, consolidated ROA, the dividend payout ratio, and shareholder value (PBR). Special assignment items and items under each Director's oversight are determined at the beginning of each fiscal year by each Director (excluding directors who are Audit and Supervisory Committee Members and Outside Directors) in consultation with the President. Special assignment items are selected from the medium- to long-term management plan and other key initiatives from a medium- to long-term perspective. Items under each Director's oversight are selected from key initiatives identified through the PDCA cycle of the division under the Director's supervision.
The selection of performance indicators is based on the degree of achievement of the medium- to long-term management plan, the short-term management plan, and other key initiatives, and these indicators are selected in order to link remuneration to performance.

B) Group performance-linked remuneration
The Group's performance-linked remuneration is determined based on the achievement level of consolidated ordinary income under the management plan. The calculation formula is as follows: Group Performance-linked Remuneration Base Amount × Consolidated Management Plan Achievement Rate (Consolidated Ordinary Income (Actual) ÷ Consolidated Ordinary Income (Plan)).

3. Policy on Determining the Amount or Calculation Method of Officer Remuneration (Non-Monetary Remuneration)

(1) Restricted Share Compensation System

At a meeting of its Board of Directors held on May 25, 2023, the Company resolved to introduce a restricted share compensation system (the "System") for the Company's Directors (excluding Audit and Supervisory Committee Members and Outside Directors; "Eligible Directors") and submitted the System for approval at the general meeting of shareholders to be held in June 2023. The proposal was approved at the 129th Annual General Meeting of Shareholders held on June 28, 2023.

(2) Policy for Determining the Amounts or Calculation Method of Remuneration under the System

At the Board of Directors meeting held on May 25, 2023, the Company resolved a policy for determining the details of each Eligible Director's remuneration under the System. The System is intended to provide incentives for Eligible Directors to enhance corporate value over the medium to long term and to further align their interests with those of shareholders.

(3) Resolution of the General Meeting of Shareholders Regarding the System

At the 129th Annual General Meeting of Shareholders, the Company resolved, separately from the monetary remuneration framework, that the total amount of monetary claims to be granted to Eligible Directors for restricted share compensation shall not exceed 45 million yen per year (excluding the employee salary portion for officers who concurrently serve as employees). The total number of common shares of the Company that may be issued or disposed of for this purpose shall not exceed 150,000 shares per year. In the event of a stock split (including a stock dividend) or consolidation of the Company's common shares, or any other event requiring an adjustment, the above share limit may be adjusted reasonably. The number of Eligible Directors at the conclusion of the 129th Annual General Meeting of Shareholders was seven.

(4) Structure of the System

Under the System, the Company grants monetary compensation claims to Eligible Directors as consideration for restricted shares, and Eligible Directors make an in-kind contribution of the full amount of such monetary compensation claims in exchange for the issuance or disposition of common shares of the Company.

The timing and allocation of grants to Eligible Directors shall be deliberated by the Remuneration and Nomination Advisory Committee, reported to the Board of Directors, and determined by resolution of the Board of Directors.

The paid-in amount per share shall be determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the relevant meeting of the Board of Directors (or, if no trades are executed on that day, on the immediately preceding trading day) and shall be set at a level that is not especially favorable to Eligible Directors. The issuance or disposition of common shares of the Company under the System shall be subject to the execution of restricted share allotment agreements between the Company and Eligible Directors.

(iv) Board policies and procedures for appointing/dismissing senior management and nominating of directors' candidates

The Company's policies and procedures for the appointment and dismissal of Directors (excluding Audit and Supervisory Committee Members) and Audit and Supervisory Committee Members are carried out in accordance with the "Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Audit and Supervisory Committee Members) and Audit and Supervisory Committee Members," which is disclosed on the Company's website:
https://www.nakayama-steel.co.jp/menu/investment/governance.html
When determining candidates for the Board of Directors, the Representative Director and President consults the Remuneration and Nomination Advisory Committee, which was established to strengthen the independence, objectivity, and accountability of the Board's functions. Following the Committee's deliberations, the candidates are reported to the Board of Directors.
When selecting candidates for Audit and Supervisory Committee Members, the Remuneration and Nomination Advisory Committee deliberates on the candidates and, with the consent of the Audit and Supervisory Committee, submits the candidates to the Board of Directors.
If a Director no longer meets the selection criteria during their term of office, the Remuneration and Nomination Advisory Committee deliberates on the matter, reports to the Board of Directors, and undertakes the prescribed procedures under applicable laws and regulations to dismiss the Director. The Committee also deliberates on the need to reappoint or newly appoint the Representative Director and President, taking into account performance evaluations and other relevant factors.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv)

The reasons for selecting each candidate are provided in the Notice of the 132nd Annual General Meeting of Shareholders to be held on June 25, 2026.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

[Supplementary Principle 3.1.3 Sustainability initiatives in disclosure of management strategies, etc.]

The Group is committed to its corporate philosophy— "to create added value for the economy and society through fair competition and to continue to serve society"—which the Group believes aligns with the concept of the SDGs. Recognizing the SDGs as an important issue to address, the Group has identified the following five material issues in the "NAKAYAMA STEEL WORKS Group Long-Term Vision 2030 – Ideal State and Corporate Vision," in order to respond flexibly and appropriately to rapid changes in the global economy and climate change.

＜NAKAYAMA STEEL WORKS Group Long-Term Vision 2030 – Ideal State and Corporate Vision＞

(1) A company that strives to achieve carbon neutrality

(2) A company that fosters employee motivation and seeks the well-being of employees and their families

(3) A company that contributes to society and works with local communities to grow and thrive together

(4) A company that is chosen by customers and delivers customer satisfaction

(5) A company that is trusted by stakeholders and contributes to their satisfaction

By ensuring that all employees carry out their work with an awareness of these material issues, the Company aims to achieve sustainable growth for the Group while helping to address social issues and contribute to the SDGs.

To enhance added value across the Group and help realize a carbon-neutral and recycling-oriented society, the Company has been working to expand the use of electric furnace steel and promote downstream processing strategies. In addition, the Company has been considering the construction of a new electric furnace as a fundamental measure to significantly increase production capacity.
Reducing CO2 emissions in the steel industry has become an urgent issue amid growing global environmental awareness. Demand for electric furnace steel, which generates approximately one-quarter of the CO2 emissions of blast-furnace steel, is expected to increase further going forward.
The Group is one of the few manufacturers with expertise in both blast-furnace and converter technologies. Although the Group discontinued its blast-furnace and converter operations in 2002, the Company currently produces and sells steel products and processed steel products using iron sources produced in its own electric furnaces as well as iron sources procured externally. By constructing a new electric furnace to address the aging of existing furnaces and significantly expand production capacity, the

Company expects to substantially reduce CO_2 emissions by shifting from externally procured iron sources to in-house iron sources, while also improving profitability.
Based on this recognition, in May 2025 the Company decided to invest in the construction of a new electric furnace to realize the "Nakayama Steel Works Group 2030 Long-Term Vision," and formulated a long-term plan centered on this vision.
The Company views the achievement of carbon neutrality by 2050 as a business opportunity. The Company will work to reduce Scope 1 and Scope 2 emissions by introducing energy-saving equipment, expanding solar power generation, and advancing direct hot-rolling, while also significantly reducing Scope 3 emissions by replacing externally procured iron sources with in-house iron sources produced by the new electric furnace. Through these efforts, the Company aims to reduce CO_2 emissions by more than 46% by 2030 compared with 2013 levels.
Furthermore, to achieve carbon neutrality by 2050, the Company will promote the adoption of new facility technologies to reduce fuel and electricity consumption per unit of production; apply new fuels to production facilities and vessels; and introduce facilities powered by renewable energy, as well as waste-heat recovery power generation facilities.
In addition, the Company actively participates in the TCFD and other initiatives. The Company endorsed the GX League, led by Japan's Ministry of Economy, Trade and Industry (METI), in March 2022 and officially joined in May 2023. The Company was also selected as an A List company (the highest ranking) following its response to the CDP Climate Change 2024 Questionnaire and received an A− (A minus) rating in its first-ever CDP Water Security survey.

Further details on the Company's sustainability approach and initiatives are provided in the Annual Securities Report for the 132nd fiscal year ended March 31, 2026.
https://www.nakayama-steel.co.jp/menu/investment/securities_info.html (Japanese only)

(Statements regarding the future in this document reflect the Group's judgments as of the end of FY2025.)

[Supplementary Principle 4.1.1 Scope of matters delegated to management]

The Company has established the Rules of the Board of Directors, which set forth statutory matters and other matters to be deliberated by the Board in accordance with the Articles of Incorporation and other applicable rules. Based on these rules, the Company has also established the "Rules of Administrative Authority" to clarify the scope of management's executive authority.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

In accordance with the "Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members" (https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html), which were established in line with applicable laws and regulations and stock exchange standards, the Company has appointed a total of four independent Outside Directors, consisting of two independent Outside Directors and two independent Outside Directors who are Audit and Supervisory Committee Members.
The selection criteria and the independence criteria are also provided in the Notice of the 132nd Annual General Meeting of Shareholders (https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html). To further strengthen governance through the appointment of independent Outside Directors, the Board of Directors receives reports on the status of earnings, sales, and procurement. Independent Outside Directors also provide external perspectives, as appropriate, on other matters for deliberation and reporting. In addition, two independent Outside Directors (who are not Audit and Supervisory Committee Members) serve as members of the Remuneration and Nomination Advisory Committee established under the Board of Directors. Pursuant to the above-mentioned criteria, the Committee deliberates on evaluations of Directors and the amount of remuneration for each officer based on those evaluations, as well as the nomination of Director candidates, and reports the results to the Board of Directors.

[Supplementary Principle 4.10.1 Independence, authority, and roles of the Remuneration and Nomination Advisory Committee]

The Company has appointed four (4) independent Outside Directors. The total number of Directors is ten (10), and independent Outside Directors account for more than one-third of the Board.
The Company has established a Remuneration and Nomination Advisory Committee under the Board of Directors. The Committee deliberates on and reports matters including: evaluations of Directors; individual officer remuneration based on those evaluations; nominations of Director candidates; and the appropriateness of reappointing or newly appointing Representative Directors. Through these processes, the Company ensures objectivity, transparency, and accountability of the Board's functions. When deliberating on Director candidates, the Committee holds discussions from the perspectives of diversity and skills and, based on these discussions, reports its recommendations to the Board of Directors.
The Remuneration and Nomination Advisory Committee consists of three (3) members: a Representative Director serves as chairperson, and the other two (2) members are independent Outside Directors who are not Audit and Supervisory Committee Members. As a result, independent Outside Directors constitute a majority of the Committee.

[Supplementary Principle 4.11.1 Skill matrix and the combination of skills of Directors]

The Company's Board of Directors consists of Directors who are well-versed in the Company's business and Directors invited

from outside the Company.
The Board of Directors is composed of four (4) independent Outside Directors who were appointed at the 132nd Annual General Meeting of Shareholders held on June 25, 2026 (including two independent Outside Directors who are Audit and Supervisory Committee Members). Independent Outside Directors account for more than one third (1/3) of the Board.

The Company's Board of Directors consists of five (5) internal Directors from within the Company who are well-versed in their business, one internal Director recruited externally who has extensive experience and deep insight into the financial sector, and four independent Outside Directors.

(1) Skills of the two independent Outside Directors (excluding independent Outside Directors who are Audit and Supervisory Committee Members)
  A) Attorney specializing in corporate legal affairs
  B) Experienced corporate manager with a wealth of experience and insight in journalism accumulated at a newspaper company
(2) Skills of the two independent Outside Directors who are Audit and Supervisory Committee Members]
  A) Person with extensive experience and insight gained as executives of financial institutions and corporate manager, as well as substantial experience in overall management.
  B) Certified public accountant (and certified tax accountant) who possesses extensive experience and insight in corporate management and specializes in management consulting and related fields.

The skills matrix for Directors is disclosed in the reference materials for the 132nd Annual General Meeting of Shareholders.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

[Supplementary Principle 4.11.2 Concurrent officer positions]

The attendance rate of Directors at the Board of Directors meetings in FY2025 is as stated in the Notice of the 132nd Annual General Meeting of Shareholders held on June 25, 2026.
https://www.nakayama-steel.co.jp/menu/investment/shareholders_meeting.html

A proposal to amend the Articles of Incorporation was approved at the 128th Annual General Meeting of Shareholders held on June 28, 2022, and the Company transitioned to a "company with an Audit and Supervisory Committee" to accelerate management decision-making, enhance discussions of basic management policies at Board meetings, and strengthen the Board's supervisory function over business execution.
Regarding concurrent officer positions, the "Selection Criteria and Procedural Requirements for the Appointment and Dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members," as disclosed on the Company's website (https://www.nakayama-steel.co.jp/menu/investment/cg/220628.pdf (Japanese only)), stipulates the following.

(1) Internal Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be limited to holding concurrent positions as officers of no more than three listed companies other than the Company.
(2) Any concurrent positions held by other Directors shall be determined that their independence and neutrality are maintained and that such positions do not interfere with their duties at the Company.

All Directors meet the above criteria.

[Supplementary Principle 4.11.3 Evaluation of the effectiveness of the Board of Directors]

Once a year, the Company analyzes and evaluates the overall effectiveness of the Board of Directors by referring to Board members' self-evaluations using a questionnaire covering the Board's roles, operations, and issues. Then, the Company works to improve the identified issues and thereby strives to enhance the effectiveness of the Board as a whole. A summary of the analysis and evaluation of the overall effectiveness of the Board of Directors for FY2025 is as follows.

1. Analysis and evaluation results
   The Company analyzed and evaluated the effectiveness of the Board of Directors and confirmed the following results at a meeting of the Board of Directors held on February 5, 2026.

  (1) Methodology
    A) Participants: All Directors (including directors who are Audit and Supervisory Committee Members)
    B) Method: Anonymous questionnaire
    C) Question categories
      a. Composition of the Board of Directors (6 questions)
      b. Operation of the Board of Directors (7 questions)
      c. Quality of deliberations at the Board of Directors (10 questions)

d. Roles and responsibilities of the Board of Directors (6 questions)
e. Directors' performance of their duties (6 questions)
f. Open-ended question on the Board of Directors (1 question)

D) Evaluation: All Directors responded to the questionnaire. The secretariat compiled the results, and the Board of Directors evaluated them.

(2) Evaluation Results

The Company's Board of Directors comprises several Outside Directors and Directors with diverse knowledge and experience from both within and outside the Company. This composition enables efficient deliberation and decision-making and allows the Board to appropriately exercise its supervisory function over the execution of important business matters. The operation of the Board of Directors was also highly evaluated overall. It was confirmed that the Board is appropriately involved in strategic discussions on medium- to long-term plans and management strategies and can effectively monitor progress in the execution of business strategies.

However, with respect to the following items that were identified in the previous fiscal year as requiring improvement and further consideration, the evaluation results indicated that sufficient progress has not yet been made:

A) Further enhancement of discussions on medium- to long-term management issues
B) Consideration of measures to enhance Group governance
C) Improving meeting efficiency by prioritizing agenda items and reports and streamlining briefing materials, among other measures
D) Consideration of promoting the digitalization of Board operations

2. Initiatives to Enhance Effectiveness

Based on the results of the above evaluation, the Company will take the following initiatives to enhance the effectiveness of the Board of Directors.

(1) Further enhancement of discussions on medium- to long-term management issues

(2) Consideration of Measures to Enhance Group Governance

The Company will further enhance deliberations by the Board of Directors on medium- to long-term management issues to improve corporate value over the medium- to long term. Specifically, as the Company moves toward completion of the new electric furnace in fiscal 2030, the Company will enter a phase requiring particularly challenging decision-making.

The Company will position matters related to the new steelmaking project—such as the management framework following the establishment of the joint venture (NN Steelmaking GK) and strategic partnerships, including alliances with other companies—as key agenda items and will continue deliberating them at meetings of the Board of Directors. In these deliberations, the Company will consider not only quantitative information, such as investment amounts, production processes, operating plans, and profit forecasts, but also qualitative information, such as market conditions, the procurement environment, technology and quality, human resources, regulations, and risks.

The Company will aim not only to respond to current developments but also to further refine agenda-setting and decision-making from a forward-looking perspective. The Company also recognizes the need to discuss the Company's green strategy and brand strategy.

At the same time, the Company will consider measures to enhance Group governance. The Company will work to develop and strengthen management systems, authorities and decision-making processes, and risk management and monitoring frameworks for subsidiaries and affiliates.

(3) Improving meeting efficiency by prioritizing agenda and reporting items and streamlining briefing materials

The Company believes it is necessary to secure sufficient discussion time for important agenda items, such as investments in the new electric furnace, while prioritizing other reporting items based on their importance and allocating the Board's time to strategic issues.

The Company considers it an improvement that explanations regarding equipment renewals and other matters have become more concise than in the past.

Going forward, the Company will strive to enhance both the quality and speed of deliberations by using streamlined materials—presenting key points first, with supporting details provided separately—that clearly set out the issues, conclusions, risks, and next actions for each agenda item.

(4) Promoting the digitization of Board operations

As much as possible, the Company will discontinue distributing paper materials for Board of Directors meetings and will shift to operations on the assumption that Directors will have access to a PC (either provided by the Company or brought to the meeting).

This will reduce the administrative workload associated with copying materials and mitigate the risk of information leakage arising from the physical handling and transport of documents. At the same time, the Company will consider the use of digital tools—such as AI-assisted preparation of meeting minutes—to improve the efficiency of secretariat operations and the accuracy of records.

[Supplementary Principle 4.14.2 Training policy for officers]

The Company has provided active support to the officers in gaining the knowledge necessary for their roles, such as by covering the costs of participating in training programs offered by external organizations. Going forward, the Company will continue to provide active support.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company recognizes that achieving sustainable growth and enhancing corporate value over the medium- to long-term requires actively engaging in dialogue with shareholders, reflecting their opinions and requests in management, and pursuing growth together.

Briefings were held semiannually through fiscal 2024. Beginning in fiscal 2025, starting with the first-quarter session held in August 2025, the Company increased the frequency to quarterly. In addition, starting with the third-quarter session held in February 2026, the Company began posting a summary of the key questions and answers from each briefing on the Company's website. By increasing the frequency of briefings, the Company aims to expand opportunities for dialogue with shareholders, deepen understanding of the Company's initiatives and performance trends, and enhance timely and appropriate disclosure of information.

In April 2025, the Company established the IR and Public Relations Office within the Corporate Planning Department to strengthen dialogue with shareholders and investors. The director responsible for the Administration Department reports, as appropriate, the views and feedback obtained through these dialogues to the Board of Directors. The Company will continue to consider and implement measures to further enhance engagement and dialogue with shareholders.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	The company discloses its initiatives in its Integrated Report.
Availability of English Disclosure	Available
Date of Disclosure Update	November 1, 2025 **updated**

Explanation of Actions **updated**

The PBR as of the end of March 2026 was 0.30×, down from 0.38× as of the end of March 2025. The Company recognizes that the Company's market valuation remains low and that this is an issue that needs to be addressed. To reduce its capital, the Company continues to enhance disclosures and strengthen IR activities to deepen investors' understanding of the Group's business. To reduce its capital, the Company continues to enhance disclosures and strengthen IR activities to deepen investors' understanding of the Group's business. Since April 2025, the Company has disclosed its financial results and timely disclosure information in English. In addition, the Company will make appropriate disclosures regarding initiatives such as the promotion of ESG and human capital management and efforts to improve corporate value over the medium-to-the-long term. To improve capital efficiency, the Company is implementing its long-term plan to realize its long-term vision and continues to improve asset efficiency by strengthening inventory management and allocating proceeds from the sale of assets to investment. The Group's medium- to long-term initiatives to achieve its profit plan and capital efficiency targets (ROE) are disclosed in "Nakayama Steel Group's Long-Term Plan: Toward a New Growth Stage Based on the New Electric Furnace Project" and in the "Integrated Report 2025."

Integrated Report 2025
https://www.nakayama-steel.co.jp/menu/investment/csrinfo.html (Japanese only)

Nakayama Steel Works Group's Long-Term Plan
https://www.nakayama-steel.co.jp/menu/news/ir_news_archive/250513_2.pdf (Japanese only)

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%

Status of Major Shareholders updated

Name or Company Name	Number of Shares Owned	Percentage (%)
Hanwa Co., Ltd.	8,058,590	14.86
AIR WATER INC.	4,729,861	8.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,836,500	7.07
Osaka Gas Co., Ltd.	1,923,000	3.54
MARUICHI STEEL TUBE LTD.	1,300,000	2.39
Amagasaki Seikan Co., Ltd.	1,274,454	2.35
BNYMSANV RE BYYMIL RE WS ZENNOR JAPAN EQUITY INCOME FUND	1,058,000	1.95
Nakayama Shareholders' Association	859,739	1.58
NIPPON STEEL TRADING CORPORATION	815,200	1.50
DIMENSIONAL ETF TRUST-DIMENSIONAL SMALL CAP VALUE ETF	598,600	1.10

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	―――
Name of Parent Company, if applicable	None

Supplementary Explanation updated

The status of major shareholders is reported as of March 31, 2026.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Manufacture of iron and steel
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	100 billion yen or more to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Nakatsukasa	Lawyer								○			
Sayuri Murakami	From another company											
Masaya Kakuda	From another company					△						
Kazuyoshi Tsuda	CPA											

***Categories for "Relationship with the Company".**
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that has cross-directorships or cross-auditor ships with the Company (applicable only to the director concerned).
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2) updated

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masahiro Nakatsukasa		○	The Company has entered into an advisory agreement with Chuo Sogo Law Office, P.C., where Mr. Masahiro Nakatsukasa serves as a representative partner. However, the fees paid by the Company to this law office are minimal, and the Company has no other special relationship with the law office.	Mr. Masahiro Nakatsukasa has extensive experience and insight as an attorney specializing in corporate legal affairs. Although he has not been involved in corporate management other than serving as an outside officer, for the reasons stated above the Company believes that, in addition to performing his duties as an Outside Director, he will contribute to ensuring fair management in compliance with social norms and applicable laws and regulations and to further enhancing the Company's governance. The Company has also determined that there is no risk of a conflict of interest with general shareholders and that his independence can be ensured.
Sayuri Murakami		○	–	Ms. Sayuri Murakami has extensive experience and insight in journalism gained through her career at The Kobe Shimbun. She also has experience and insight in corporate management gained through her service as an Executive Officer of The Kobe Shimbun. Based on her achievements to date, the Company believes that, as an Outside Director, she will be able to provide appropriate advice and recommendations regarding the Company's management and governance from an independent standpoint, drawing on both a female perspective and the perspective and keen sensitivity she has developed as a former journalist.
Masaya Kakuda	○	○	Seventeen (17) years ago, Mr. Masaya Kakuda served as an executive officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), which is a key business partner of the Company. However, he does not currently hold any executive position at MUFG Bank, Ltd. His appointment was neither requested by the Company's main bank nor influenced by his prior employment with the bank.	Mr. Masaya Kakuda has extensive experience and deep insight cultivated through many years at financial institutions, as well as broad management experience gained as a corporate executive. Based on the above, the Company expects him to provide useful opinions and guidance on the Company's management from an objective and professional perspective. Accordingly, the Company believes that, as a Director serving as an Audit and Supervisory Committee Member, he is well suited to audit the Company's business execution with a view to sustainably enhancing corporate value. The Company has also determined that there is no risk of a conflict of interest with general shareholders and that his independence can be ensured.
Kazuyoshi Tsuda	○	○	–	Mr. Kazuyoshi Tsuda has been involved in the management of a number of companies over many years and has extensive experience and insight as a certified public accountant and tax accountant specializing in management consulting. Based on the above, the Company expects him to provide useful opinions and guidance on the Company's management from an objective and professional perspective. Accordingly,

				the Company believes that, as a Director serving as an Audit and Supervisory Committee Member, he is well suited to audit the Company's business execution with a view to sustainably enhancing corporate value. The Company has also determined that there is no risk of a conflict of interest with general shareholders and that his independence can be ensured.

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

(1) In accordance with the "Regulations of the Audit and Supervisory Committee" and the "Standards for Audits by the Audit and Supervisory Committee," the Audit and Supervisory Committee discusses a framework to ensure that such staff remain independent from Directors (excluding Audit and Supervisory Committee Members) and requests that Directors (excluding Audit and Supervisory Committee Members) establish and maintain such framework.
(2) The Audit and Supervisory Committee issues instructions and orders to such staff and conducts their evaluations.
(3) Such staff provide dedicated assistance to the Audit and Supervisory Committee in the performance of its duties. However, they may hold concurrent positions with the consent of the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee, the Accounting Auditor, and the Audit Department hold regular meetings and, as necessary, communicate with each other to exchange and share information in a timely and appropriate manner, thereby maintaining close mutual collaboration. To ensure that audits are conducted efficiently and effectively, they proactively and openly exchange views on key audit items during the planning and formulation of audit plans, as well as during on-site audits and when reporting audit results.
The Audit and Supervisory Committee and the internal audit division maintain close coordination to ensure efficient audits. For example, the Audit and Supervisory Committee requests information on the status of the Company's operations and assets; requests reports on the development and operation of internal control systems and related audit results; and, when necessary, requests timely on-site audits and investigations.

Voluntary Established Committee

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established

Status of Voluntarily Established Committee, Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Remuneration and Nomination Advisory Committee	3	1	1	2	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration and Nomination Advisory Committee	3	1	1	2	0	0	Inside Director

Supplementary Explanation

This Committee was established by resolution of the Board of Directors at a meeting held on April 28, 2017, to strengthen the independence of the Board's functions concerning the nomination and remuneration of Directors.

Matters Concerning Independent Directors

Number of Independent Directors	4

Other Matters Concerning Independent Directors

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of a Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

The Company introduced a restricted share compensation system in FY2023. Details of the system are provided in "Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

Persons Eligible for Stock Options	None

Supplementary Explanation for Applicable Items

———

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Individual remuneration amounts are not disclosed.

Supplementary Explanation for Applicable Items

The total amount of remuneration for (a) Directors (excluding Directors who are Audit and Supervisory Committee Members), (b) Directors who are Audit and Supervisory Committee Members, (c) Outside Directors (excluding Outside Directors who are Audit and Supervisory Committee Members), and (d) Outside Directors who are Audit and Supervisory Committee Members is disclosed in the Company's Annual Securities Report and Business Report.
The amounts of remuneration for the fiscal year ended March 2026 were as follows:
194 million yen for 10 Directors (excluding Directors who are Audit and Supervisory Committee Members), including 12 million yen for 2 Outside Directors.
34 million yen for 3 Directors who are Audit and Supervisory Committee Members, including 12 million yen for 2 Outside Directors who are Audit and Supervisory Committee Members.

Policy on Determining Remuneration Amounts and Calculation Methods **updated**	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Policy on Determining the Amount and Calculation Method of Remuneration for Officers

A) Basic Policy, etc.

In determining officer remuneration, the Company resolved the following three items as its Basic Policy at the Board of Directors meeting held on March 31, 2017, with respect to determining individual Directors' remuneration:

a. Clarify each officer's roles and responsibilities from a medium- to long-term perspective and ensure that remuneration levels are commensurate with the performance of such roles and responsibilities.
b. Strive to maximize the Group's overall earnings through consolidated management.
c. Ensure objectivity and transparency through deliberations by the Remuneration and Nomination Advisory Committee, a majority of whose members are Outside Directors.

The Company introduced a delegation-based executive officer system on June 26, 2025. The remuneration and nomination of Executive Officers (including Executive Officers with titles) are governed by the same Basic Policy as that for Directors, as resolved by the Board of Directors.

B) Composition of Remuneration

Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) consists of fixed remuneration, variable performance-linked remuneration, and share-based compensation. Remuneration for Directors who are Audit and Supervisory Committee Members and Outside Directors consists solely of fixed remuneration.

C) Resolutions of the General Meeting of Shareholders Concerning Directors' Remuneration, etc.

At the 128th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that the maximum annual remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be 300 million yen (including up to 50 million yen for Outside Directors).
The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of the meeting was seven (7) (including two (2) Outside Directors).
Furthermore, at the 129th Annual General Meeting of Shareholders held on June 28, 2023, it was resolved that, separate from the above remuneration limit, the total amount of monetary compensation claims to be granted to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) for the grant of restricted share compensation shall be up to 45 million yen per year. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of the meeting was ten (10) (including three (3) Outside Directors).

D) Overview of the Organization and Procedures for Determining the Policy on the Amount or Calculation Method of Remuneration for Directors.

To ensure fair and reasonable operation of the system, the Remuneration and Nomination Advisory Committee, a majority of whose members are Outside Directors (excluding Directors who are Audit and Supervisory Committee Members), deliberates on and reports to the Board of Directors regarding the organization and procedures for determining matters related to officers' remuneration.
Specifically, the President, acting as the evaluator, conducts a self-assessment, interviews each Director, prepares a draft evaluation and proposed remuneration amounts, and consults with the Remuneration and Nomination Advisory Committee. Following the Committee's deliberations and submission of its report after finalizing each Director's evaluation, the amount of individual remuneration for each Director is determined by Nobuhiko Naito, Representative Director and President, who has been delegated such authority by the Board of Directors, within the remuneration limit approved by the General Meeting of Shareholders and based on the report of the Remuneration and Nomination Advisory Committee.
This delegation is based on the view that the Representative Director is best positioned to evaluate the divisions under his purview from a comprehensive perspective on the Company's overall performance.

Individual remuneration amounts for Directors for FY2025 were determined in accordance with the above procedures, and the Board of Directors confirmed that they are consistent with the remuneration policy. During FY2025, the Remuneration and Nomination Advisory Committee met five times to (i) set performance targets related to the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members), (ii) confirm the results, and (iii) determine the fixed and performance-linked remuneration amounts for each Director.
Remuneration for Directors who are Audit and Supervisory Committee Members is determined through consultation among the Directors who are Audit and Supervisory Committee Members.

E) Performance-linked remuneration
Variable remuneration consists of (i) Director evaluation-linked remuneration, which is determined based on the evaluation of each Director using the target management sheet, and (ii) Group performance-linked remuneration, which is determined based on the achievement level of the consolidated management plan. The allocation ratio is 50% for each component.
The common items evaluate (i) the level of achievement of the annual plan for consolidated ordinary income and (ii) the performance targets under the long-term plan, including consolidated ordinary income, consolidated EBITDA, consolidated ROE, consolidated ROA, the dividend payout ratio, and shareholder value (PBR).
Special assignment items and items under each Director's oversight are determined at the beginning of each fiscal year by each Director (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), in consultation with the President.
Special assignment items are selected from the medium- to long-term management plan and other key initiatives from a medium- to long-term perspective.
Items under each Director's oversight are selected from key initiatives identified through the PDCA cycle of the division under the Director's supervision.
Performance indicators are selected based on the level of achievement of the medium- to long-term management plan and the annual plan, as well as other key initiatives, in order to ensure linkage with business performance.
Group performance-linked remuneration is determined based on the achievement level of consolidated ordinary income under the management plan, in accordance with the following formula: Group Performance-linked Remuneration Base Amount × Consolidated Management Plan Achievement Rate (Consolidated Ordinary Income (Actual) ÷ Consolidated Ordinary Income (Plan)).

a. FY2025 Target Values
(a) Reference values for Director evaluation-linked remuneration
Consolidated ordinary income (annual plan): 6.99 billion yen
Consolidated ordinary income (long-term plan): 8.75 billion yen
Consolidated EBITDA (long-term plan): 12.79 billion yen
Consolidated ROE (long-term plan): 5.2%
Consolidated ROA (long-term plan): 5.7%
Dividend payout ratio: 30.0% or higher

(b) Indicator for Group performance-linked remuneration
Consolidated ordinary income (management plan): 6.99 billion yen

b. FY2025 Actual Results (as of fiscal year-end)
(a) Reference values for Director evaluation-linked remuneration
Consolidated ordinary income: 4,806 million yen
Consolidated EBITDA: 8.07 billion yen
Consolidated ROE: 2.3%
Consolidated ROA: 3.2%
Dividend payout ratio: 30.8%
(b) Group performance-linked remuneration
Consolidated ordinary income (actual): 4,806 million yen
Achievement rate: 68.7%

F) Matters Regarding Share-based Remuneration
Pursuant to a resolution of the 129th Annual General Meeting of Shareholders held on June 28, 2023, the Company introduced a restricted share compensation plan as share-based remuneration for its Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter, "Eligible Directors"). The outline of the Plan is as follows:

The Company will grant monetary compensation claims to the Eligible Directors as consideration for the grant of restricted shares. The Eligible Directors will make an in-kind contribution of all such monetary compensation claims, and the Company will issue or dispose of its common shares to the Eligible Directors. The total amount of monetary compensation claims to be granted for restricted shares shall not exceed 45 million yen per year (excluding the employee portion for officers concurrently serving as employees), and the total number of the Company's common shares to be newly issued or disposed of shall not exceed 150,000 shares per year. The maximum number of shares to be issued or disposed of as restricted shares may be reasonably adjusted in the event of a stock split (including a stock dividend) or share consolidation, or any other event that requires adjustment.

The specific timing and allocation of grants to the Eligible Directors are determined by a resolution of the Board of Directors, following deliberation by the Remuneration and Nomination Advisory Committee and a report to the Board of Directors. The paid-in amount per share is determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the relevant Board resolution (or, if no closing price is available on that day, the closing price on the most recent preceding trading day), provided that such amount is not especially favorable to the Eligible Directors subscribing for the shares. In addition, the issuance or disposal of the Company's common shares and the in-kind contribution of monetary compensation claims are subject to the execution of a restricted share allotment agreement between the Company and the Eligible Directors.

(2) Total amount of remuneration by officer category, total amount by type of remuneration, and number of officers subject to remuneration

G) Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)
- a. Total remuneration: 182 million yen
- b. Fixed remuneration: 125 million yen
- c. Director's evaluation-linked remuneration: 19 million yen
- d. Group performance-linked remuneration: 20 million yen
- e. Share-based compensation: 17 million yen
- f. Number of Directors: 8

H) Directors who are Audit and Supervisory Committee Members (excluding Outside Directors who are Audit and Supervisory Committee Members)
- a. Total remuneration: 22 million yen
- b. Fixed remuneration: 22 million yen
- c. Number of Directors: 1

I) Outside Directors
- a. Total remuneration: 24 million yen
- b. Fixed remuneration: 24 million yen
- c. Number of Directors: 4

(3) Total Amount of Consolidated Remuneration for Each Officer
Not disclosed, as no officer received total consolidated remuneration of 100 million yen or higher.

Support System for Outside Directors updated

Outside Directors and Outside Directors who are Audit and Supervisory Committee Members are supported by the Audit Department, and the General Affairs and Human Resources Department.

Status of persons who have retired as Representative Director and President, etc.

Names, etc. of Counselors, Advisors, etc. who are former Representative Directors, etc. updated

Name	Kazuaki Hakomori
Position / Title	Representative Director and Chairman
Description of Duties	A) Provide advice on management decisions and business strategies. B) Objectively evaluate management issues and challenges and assist in reviewing the Company's direction and strategies. C) Support decision-making based on established relationships of trust with directors.
Working Arrangement (e.g., full-time/part-time; with/without compensation)	Part-time, without compensation
Date of Retirement as President	June 25, 2026 (Date of Retirement as Representative Director and Chairman)
Term of Office	One (1) year

Total number of Counselors, Advisors, etc. who are former Representative Directors, etc.: 1 person

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) updated

(1) Management Decision-Making and Business Execution Functions (Directors and Executive Officers)

In principle, the Company holds meetings of the Board of Directors once a month to deliberate on and report matters prescribed by laws and regulations, the Articles of Incorporation, and other internal rules. The Board also makes prompt and rational decisions on matters of importance to the Group and monitors Directors' execution of duties from the perspectives of corporate governance and risk management.

In addition, the Company has adopted an executive officer system to separate the Board's oversight and decision-making functions from business execution, clarify responsibility for execution, and establish a management structure that can respond swiftly to changes in the business environment.

(2) Audit Functions (Audit and Supervisory Committee and Accounting Audits)

The Audit and Supervisory Committee consists of three members, including two Outside Directors (see "II. 1. Outside Directors' Relationship with the Company (2)" for details on the expertise and independence of the Audit and Supervisory Committee Members), and in principle meets once a month. To ensure effective audits, Audit and Supervisory Committee Members attend important internal meetings and, as necessary, meet with the Representative Director and President and other relevant parties to exchange views. In addition, Audit and Supervisory Committee Members meet with executive officers and others as needed to audit Directors' execution of duties from a fair and objective standpoint and to enhance transparency and objectivity.

Employees of the internal audit division are appointed as staff to assist the Audit and Supervisory Committee in the performance of its audits.

In addition, as part of the internal reporting framework, Directors and employees report to the Audit and Supervisory Committee, as appropriate, on matters such as resolutions made at important meetings, facts that may cause material damage to the Company, the status of internal audits, and other material matters related to risk management.

The Audit and Supervisory Committee Members and the Accounting Auditor hold regular meetings and, as necessary, communicate with each other to exchange and share information in a timely and appropriate manner, thereby maintaining close cooperation.

With respect to accounting audits, the Company has entered into an audit agreement with KPMG AZSA LLC in accordance with applicable laws and regulations, and audits are conducted in accordance with the audit plan. The names of the certified public accountants who performed the accounting audit services for FY2024 are as follows.

A) Certified public accountants who performed the services
KPMG AZSA LLC (designated limited liability partners)
Certified public accountant Hirohisa Nishino, certified public accountant Toshiyuki Maeda

B) Composition of the Audit Engagement Team

The Company's accounting auditor is KPMG AZSA LLC. The members of the audit engagement team include certified public accountants and other professionals (including individuals who have passed the CPA examination and specialists responsible for IT and systems audits). The composition of the engagement team is determined in accordance with the audit firm's staffing and selection criteria. In general, the team consists primarily of certified public accountants, and includes IT audit specialists and other assistants, as necessary.

Within the Group, in principle, the "Nakayama Group Audit & Supervisory Board Members Liaison Meeting" is held four times a year to maintain close cooperation and to enhance the quality, consistency, and efficiency of audits conducted by the Audit & Supervisory Board Members.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee (comprising three Outside Directors who are Audit and Supervisory Committee Members, two (2) of whom are independent Outside Directors) and the Board of Directors (comprising ten (10) Directors, four (4) of whom are independent Outside Directors) audit and supervise the execution of business operations to strengthen corporate governance and ensure prompt decision-making, as well as management efficiency and fairness. Going forward, the Company will work to further enhance its governance functions by leveraging independent Outside Directors.
At the Board of Directors meeting held on April 28, 2017, the Company established the voluntary "Remuneration and Nomination Advisory Committee" to strengthen the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and remuneration of officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights updated

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company disclosed the notice of the 132nd Annual General Meeting of Shareholders of the Company for FY2025 on the Company's website and the Tokyo Stock Exchange website on June 2, 2026, and mailed such notices on June 8, 2026. These actions were taken one day prior to the statutory deadline for disclosure and two days prior to the statutory deadline for mailing, respectively.
Electronic Exercise of Voting Rights	Implemented
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Registered on the electronic voting platform operated by ICJ, Inc.
Other	The Company is promoting the use of video materials at general meetings of shareholders. The Company has provided English translations of its notices of convocation (including the abridged notice and reference documents for the General Meeting of Shareholders) since the General Meeting of Shareholders held in June 2022. Starting with the fiscal year ended March 31, 2022, the Company has provided English translations of its year-end and quarterly financial results. The Company has been translating timely disclosure materials into English since April 2025.

2. Status of IR-related Activities updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional	Following each of the Company's quarterly financial results announcements, the President, the officer responsible for IR, and the IR and Public Relations Office hold an investor briefing covering business results, earnings forecasts, and other key topics. After the briefing, the related materials (in Japanese and English) and a summary of the key questions and answers are posted on the Company's website.	Held
Online Disclosure of IR Information	In addition to financial statements, including the Summary of Financial Results, this report contains messages from the Representative Director, earnings forecasts, IR news, and notices of convocation of the General Meeting of Shareholders. Starting with the first quarter of the fiscal year ended March 2024, supplementary materials for financial results have also been disclosed together with the Summary of Financial Results.	
Establishment of Department and/or Placement of a Manager in Charge of IR	These matters are handled by the Investor and Public Relations Office of the Corporate Planning Department (Yukio Morioka, General Manager, Corporate Planning Department and General Manager, Investor and Public Relations Office).	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The "Nakayama Steel Works Officer and Employee Code of Conduct," an internal regulation, establishes the fundamental standards of conduct that

	officers and employees are required to observe in order to ensure thorough compliance.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company actively engages in environmental conservation initiatives, such as in-house greening projects and public road clean-ups, and supports community activities. It also participates in local events (such as Bon Odori festivals), organizes community service activities such as blood donation drives, and hosts factory tours for local elementary school students.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company continues to engage in environmental conservation activities such as in-house greening initiatives and public road clean-ups, and to support community activities. It also participates in local events (such as *Bon Odori* festivals), conducts community contribution activities such as blood donation drives, and hosts factory tours for local elementary school students.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development updated

The systems to ensure that Directors perform their duties in compliance with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of operations, are as follows.

(1) Systems to ensure that Directors and employees of the Company and its subsidiaries perform their duties in compliance with laws and regulations and the Articles of Incorporation

A) The Company makes clear that all officers and employees of the Group must comply with rules related to the compliance framework. The Company also ensures that the "Nakayama Steel Works Officer and Employee Code of Conduct" is thoroughly communicated to all officers and employees of the Company so that they act in accordance with laws, regulations, and social norms. In addition, each Group company establishes and disseminates its own code of conduct for officers and employees based on the "Nakayama Steel Works Officer and Employee Code of Conduct."

B) The Company ensures compliance through an ethics hotline (whistleblowing system).

C) The Company provides compliance training through the compliance promotion department to ensure compliance with laws and regulations.

D) The internal audit department audits the status of compliance in cooperation with the compliance promotion department.

E) The Company maintains a strict policy of having no relationship with anti-social forces and resolutely rejects any unreasonable demands. The Company responds to such demands in an organized manner in close cooperation with external specialist organizations.

F) The Company establishes a basic policy regarding internal controls over financial reporting and develops and operates an appropriate system to ensure compliance with the Companies Act, the Financial Instruments and Exchange Act, and stock exchange regulations.

(2) Systems related to the storage and management of information regarding the execution of duties by Directors

Documents and other information related to the execution of duties by Directors are appropriately stored and managed in accordance with the Company's internal rules and regulations.

(3) Rules and other systems concerning risk management for the Company and its subsidiaries

A) The Company establishes Basic Risk Management Regulations to prevent the occurrence of, and appropriately respond to, various risks facing the Group. In addition, the Company establishes the Compliance/Risk Management Committee under the Board of Directors to discuss and approve matters and measures related to promoting compliance and risk management across the Group.

B) In the event of a crisis or emergency, or the threat thereof, the Company establishes a Crisis Management Headquarters to accurately assess relevant risks and to enable a prompt response and prevent further damage.

C) When it becomes necessary to respond to newly emerging risks, the Company promptly appoints a director responsible for such response.

(4) Systems to ensure the efficient execution of duties by Directors and other officers of the Company and its subsidiaries

A) In principle, the Board of Directors meets once a month and holds extraordinary meetings as necessary to make decisions on important management matters and to supervise Directors' execution of duties. Such decisions and reports are made in accordance with the criteria for matters to be submitted to the Board of Directors. In addition, the effectiveness of the Board of Directors is evaluated annually, with reference to self-evaluations by each Director, and the Board's operations and related matters are reviewed as appropriate. A summary of the evaluation results is disclosed.

B) The Company ensures diversity among Outside Directors and appoints individuals with extensive experience, high levels of insight, and specialized expertise in various fields. The Company does not appoint as Outside Directors any individuals who cannot demonstrate substantial independence under the Company's independence criteria for Outside Directors. In addition, the Company strengthens cooperation with the Audit and Supervisory Committee and internal divisions.

C) To enhance management transparency and strengthen the Board's oversight function, the Company establishes a Remuneration and Nomination Advisory Committee under the Board of Directors.
D) The Company adopts an executive officer system to separate decision-making and oversight functions from business execution, thereby enhancing the effectiveness of the Board of Directors' oversight and improving the efficiency of business execution by executive officers.
E) With respect to the Company's organizational structure and business operations, the Company adopts a senior general manager system to establish a framework that enables each senior general manager to focus on the execution of their duties.
F) The Company conducts internal audits to understand the status of business operations and promote improvements.

(5) Systems to ensure the appropriateness of operations within the corporate group comprising the Company and its subsidiaries
A) The Company and its subsidiaries manage the Group in an integrated manner in accordance with the "Nakayama Steel Works Officer and Employee Code of Conduct."
B) Important management information and decisions of subsidiaries are promptly reported, in accordance with the Company's internal regulations, to the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter in this paragraph, "Audit and Supervisory Committee Members") and the relevant divisions.
C) Important matters affecting the entire Group are shared at regularly held Group company liaison meetings.
D) The internal audit division audits internal controls across the Group to ensure the proper conduct of operations.

(6) Matters concerning employees to be assigned to assist the Audit and Supervisory Committee when the Committee requests such assignment
When requested by the Audit and Supervisory Committee, employees of the internal audit division, etc., shall be appointed, following consultation with the Audit and Supervisory Committee, to assist the Committee and shall be authorized to conduct investigations under the direction of the Audit and Supervisory Committee or a designated Audit and Supervisory Committee Member.

(7) Matters concerning the independence from Directors (excluding Audit and Supervisory Committee Members) of employees assigned to assist the Audit and Supervisory Committee and ensuring the effectiveness of instructions given to such employees by the Committee
Personnel transfers, organizational changes, etc. concerning appointed employees shall be made after hearing the opinions of the Audit and Supervisory Committee.

(8) Systems for reporting to the Audit and Supervisory Committee by Directors, employees, etc. of the Company and its subsidiaries, and systems to ensure that they are not treated unfavorably as a result of such reporting
A) The Company's Directors (excluding Audit and Supervisory Committee Members) and employees shall report to the Audit and Supervisory Committee without delay regarding: the status of management, business execution, and finances; matters resolved at important meetings; facts that may cause material damage to the Company; the status of internal audits and material matters related to risk management; material violations of laws and regulations or the Articles of Incorporation; and the status of the whistleblowing system.
B) Directors, Audit and Supervisory Board Members, employees, and other personnel of subsidiaries, as well as those who receive reports from them, shall report the matters set forth above to the Audit and Supervisory Committee without delay.
C) Directors and employees of the Company and its subsidiaries shall not be treated unfavorably for having made a report to the Audit and Supervisory Committee.

(9) Policy concerning the handling of expenses or liabilities incurred in the performance of duties by Audit and Supervisory Committee Members
Expenses and other costs deemed necessary for the performance of audit duties are paid upon the request of the relevant Audit and Supervisory Committee Member(s).

(10) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
A) The Audit and Supervisory Committee shall hold meetings to exchange opinions with the Representative Director and President and shall meet with Directors and other relevant parties as necessary.
B) Directors (excluding Audit and Supervisory Committee Members) and employees shall facilitate attendance at meetings deemed necessary by the Audit and Supervisory Committee or appointed Audit and Supervisory Committee Members, assist in the exchange of opinions with Directors (excluding Audit and Supervisory Committee Members) and other relevant parties, support on-site inspections and subsidiary inspections, and provide access to important documents, and thereby cooperate in establishing an audit environment that enables the smooth implementation of the Audit and Supervisory Committee's activities.
C) The Audit and Supervisory Committee shall conduct efficient audits through close coordination with the Accounting Auditor and the internal audit division, including receiving audit results and other necessary reports as needed.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development updated

The Company maintains a strict policy of having no relationship with anti-social forces and resolutely rejects any unreasonable demands. The Company's basic policy is to respond to such demands in an organized manner, in close cooperation with external specialist organizations, including the local police and legal counsel. Specifically, the "Nakayama Steel Works Officer and Employee Code of Conduct" and other internal rules stipulate that the Company does not engage in any transactions with anti-social forces. In addition, the Company is a member of the Corporate Defense Council and works closely with local companies to collect and share information to eliminate anti-social forces and to prevent and mitigate risks associated with such groups.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted updated

At the NAKAYAMA STEEL WORKS, LTD. (the "Company") 's 114th Annual General Meeting of Shareholders held on June 27, 2008, the Company secured approval of shareholders for the "Introduction of Appropriate Rules Concerning Large-Scale Purchases of the Company's Shares" in accordance with provisions of Article 17 of the Company's Articles of Incorporation by a majority vote, and decided to introduce such rules, with the aim of ensuring and enhancing the Company's corporate value and the common interests of its shareholders. Since then, while making amendments as needed, the Company has continued to secure approval from its shareholders for its policy on responding to takeover bids (the "takeover response policy"), as follows:

(1) The Company's 117th Annual General Meeting of Shareholders held on June 29, 2011
The Company secured approval for the continuation of the rules with partial amendments but with substantially the same contents.

(2) The Company's 120th Annual General Meeting of Shareholders held on June 26, 2014
The Company secured approval for the continuation of the rules with the same contents.

(3) The 123rd Annual General Meeting of Shareholders held on June 27, 2017
The Company secured approval for the continuation of the rules with partial amendments as follows:
A) To add Outside Directors as members of the Independent Committee in addition to Outside Audit & Supervisory Board Members and outside experts;
B) To disclose the names of members of the Independent Committee; and
C) To introduce a mechanism to confirm shareholders' intentions concerning whether to trigger the countermeasures.

(4) The 126th Annual General Meeting of Shareholders held on June 26, 2020
The Company secured approval for the continuation of the rules with substantially the same content, except for changes in the members of the Independent Committee.

(5) The 129th Annual General Meeting of Shareholders held on June 28, 2023
The Company secured approval for the continuation of the rules after making the following amendments to the proposal approved at the previous meeting.
A) Revising references to the Audit & Supervisory Board and Audit & Supervisory Board Members in connection with the Company's transition, in June 2022, to a company with an Audit and Supervisory Committee.
B) Changing the members of the Independent Committee.

(6) The 132nd Ordinary General Meeting of Shareholders held on June 26, 2026
The following amendments were made to the previously approved proposal, and the continuation of the plan was approved (hereinafter, the amended plan is referred to as the "Plan").
A) The names of the members of the Independent Committee under the original Plan were changed.
B) Other changes were made to certain terms and expressions to improve clarity.

(7) Effective period of the Plan
The effective period of the Plan is until the conclusion of the Annual General Meeting of Shareholders of the Company to be held in June 2029 (three (3) years).

Supplementary Explanation for Applicable Items updated

(1) Basic Concept
The Company recognizes that whether to accept a large-scale purchase (i.e., a large-scale purchase of the Company's shares, etc. that would result in a specific shareholder group holding 20% or more of the voting rights) should ultimately be decided by shareholders. In such cases, the Company believes that, in order for shareholders to make an appropriate decision regarding

a large-scale purchase, (a) both the large-scale purchaser and the Company's Board of Directors must provide appropriate and sufficient information—including the large-scale purchaser's intended management policy and business plan, the expected impact on shareholders and the Group's management, and the existence of any alternative proposals—and (b) shareholders must be given sufficient time to fully consider such information. Accordingly, the Company has established the Plan and requires large-scale purchasers to comply with it.

(2) Details of the Large-Scale Purchase Rules

A) Submission of the Letter of Intent

If a large-scale purchaser intends to conduct a large-scale purchase, the purchaser must first submit to the Company a letter of intent in Japanese stating that the purchaser will comply with the Large-Scale Purchase Rules.

B) Provision of Required Information

The large-scale purchaser shall provide the Company's Board of Directors with sufficient information in Japanese (the "Large-Scale Purchase Information") to enable the Company's shareholders to make an informed decision and the Board of Directors to form an opinion.

Within 10 business days of receiving the letter of intent, the Company shall provide the large-scale purchaser with a list of required information. The large-scale purchaser shall then submit the Large-Scale Purchase Information in Japanese within 60 days of receiving the list.

C) Ensuring a Review Period (the "Board Evaluation Period" = purchase suspension period)

After the Company sends a notice confirming completion of the provision of the Large-Scale Purchase Information, the Company grants the Board of Directors a period to evaluate and review the Large-Scale Purchase Information, negotiate with the purchaser, form its opinion, and prepare alternative proposals (the "Board Evaluation Period").

60 days: In the case of a tender offer to purchase all the Company's shares for cash (yen) as the sole consideration

90 days: In the case of any other large-scale purchase

During the Board Evaluation Period, the Board of Directors shall fully evaluate and review the Large-Scale Purchase Information, while seeking advice from external experts (including financial advisors, certified public accountants, and attorneys) as necessary, and hearing the opinions of the Independent Committee. The Board of Directors shall then carefully formulate and disclose its opinion. If necessary, the Board of Directors may also negotiate with the large-scale purchaser to improve the terms of the large-scale purchase and present an alternative proposal to shareholders.

D) Procedures for Confirming Shareholders' Intentions

If the Independent Committee recommends implementing countermeasures and requests procedures to confirm shareholders' intentions regarding a resolution to implement such countermeasures, the Board of Directors shall, after respecting such recommendation to the maximum extent possible and if deemed appropriate, convene a shareholders' intention confirmation meeting or implement a written voting procedure to confirm whether shareholders intend to implement the countermeasures.

(3) Countermeasures in the Event of Non-Compliance with the Large-Scale Purchase Rules

If the large-scale purchase rules are not complied with, the Company's Board of Directors may, for the purpose of protecting the common interests of the Company and its shareholders, implement countermeasures permitted under the Companies Act, other applicable laws and regulations, and the Company's Articles of Incorporation, such as a gratis allotment of share acquisition rights, to oppose the commencement of the large-scale purchase. If the large-scale purchase rules are deemed to have been complied with, the Company's Board of Directors shall, in principle, not implement specific countermeasures even if the Board of Directors opposes the large-scale purchase.

(4) Impact on shareholders and investors

The purpose of the Large-Scale Purchase Rules is to ensure that shareholders have the information and time necessary to make an informed judgment and to ensure that they have an opportunity to receive alternative proposals. The Company believes that these rules contribute to the interests of its shareholders and investors.

If a large-scale purchaser fails to comply with the Large-Scale Purchase Rules, the Company may implement countermeasures. However, the Company does not anticipate any circumstances in which its shareholders (excluding any large-scale purchaser in violation of the Large-Scale Purchase Rules) would incur any unusual losses.

(5) Effective period of the Plan

The effective period of the Plan is until the conclusion of the Annual General Meeting of Shareholders of the Company to be held in June 2029 (three (3) years).

(Note) The above description is an outline of this policy. For details, please click the following URL.

https://www.nakayama-steel.co.jp/menu/news/ir_news_archive/260525_1j.pdf (Japanese)

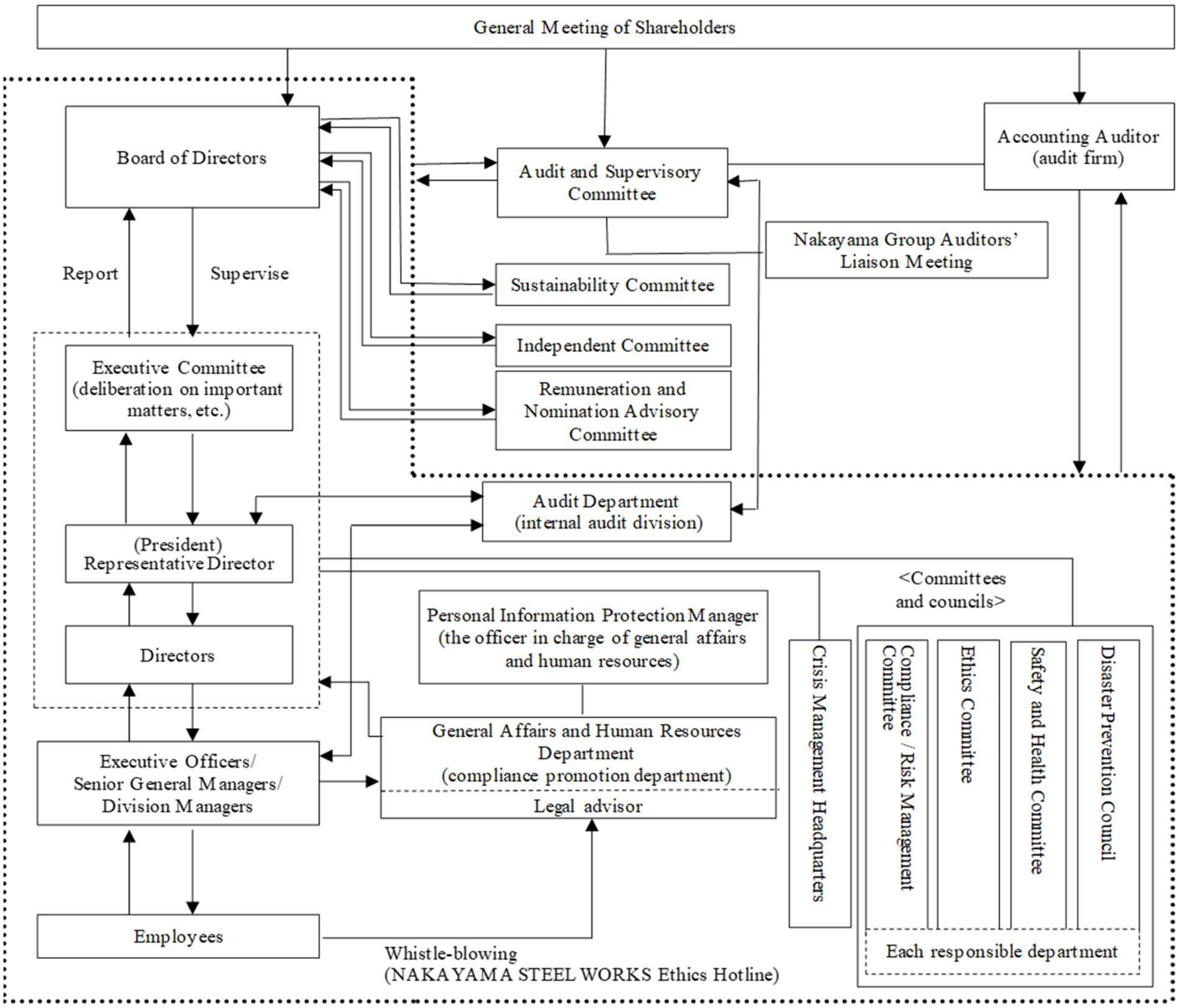
https://www.nakayama-steel.co.jp/menu/news/ir_news_archive/260525_1e.pdf (English)

2. Other Matters Concerning the Corporate Governance System

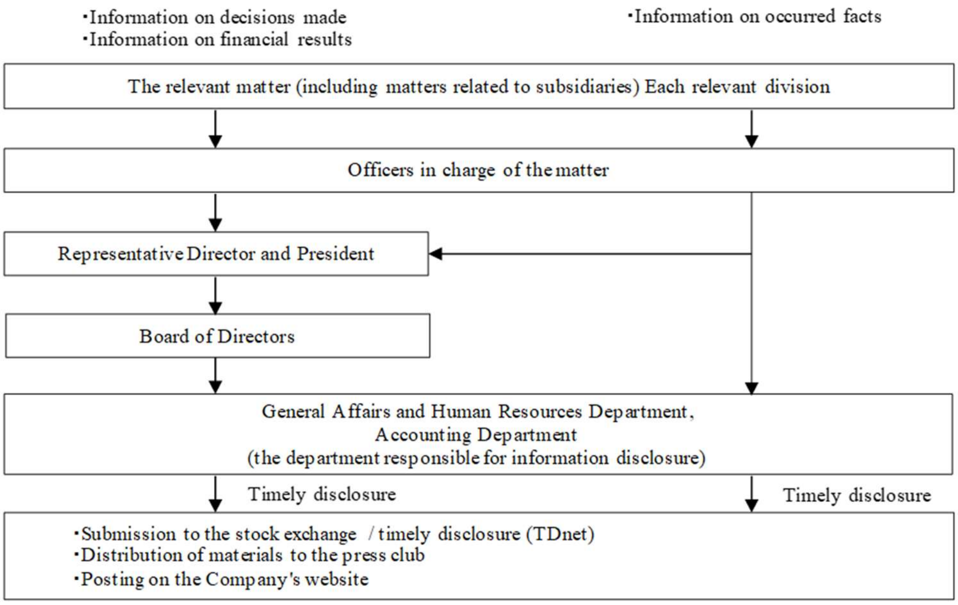
The General Affairs and Human Resources Department or the Accounting Department (the division responsible for information disclosure) receives reports, as appropriate, on material facts submitted by each relevant division and discloses such information in accordance with the timely disclosure rules established by the stock exchange.

The officer responsible for these matters reports information on decisions and financial results to the Representative Director and President and discloses such information promptly after approval by the Board of Directors. Information on occurrences is disclosed promptly after the occurrence.

[Overview of the Corporate Governance Structure and Internal Control System]



[Overview of the Internal System for Timely Disclosure]



Note: Although not shown in the above flowchart, information related to financial results is disclosed in a timely manner in accordance with laws and regulations, through procedures involving the Accounting Auditor and the Audit and Supervisory Committee.