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Godo Steel Group Medium-Term Vision 2030 Proactive x Challenge

Godo Steel, Ltd. established and implemented the Group's medium-term goals in the form of the Godo Steel Group Medium-Term Vision 2025, with an implementation period of FY2021 to FY2025. Although target profit levels were generally achieved from FY2022 to FY2024, in FY2025, profits fell short of the target due to the ongoing slump in demand for steel materials. This slump was the result of prolonged project timelines becoming the norm due to factors such as labor shortages on construction sites and soaring prices of materials. Further, with the added impact of sharp rises in our current key material, scrap steel, fuel, and other inputs, the profit outlook for FY2026 is even more severe.

Under these circumstances, in the Godo Steel Group Medium-Term Vision 2030 that begins in FY2026, on the assumptions of a shrinking market for steel materials and a declining working-age population, we will work to restore and enhance profitability and improve our financial position by realizing investment for growth, strengthening investment in human capital, and promoting sustainability.

1. Basic Policy

The Godo Steel Group, in addition to leading the resource recycling industry, will steadily advance by realizing harmony between people, technology and the natural environment and exploring the unknown aspects and possibilities of steel.

Centered on “Drivers of continued profit generation – people, equipment, and systems,” we will promote a range of initiatives, including measures that will contribute to the effective utilization of human resources and to carbon neutrality, efforts to ensure stability of quality to improve customer satisfaction, and the development of products that accurately capture market needs. By aiming for the sustainable growth of our business and striving to enhance corporate value, we will continue to respond to the trust and expectations of all our stakeholders.

Under this basic policy, we have established “Proactive x Challenge” as our action policy in the Godo Steel Group Medium-Term Vision 2030. This represents our commitment to proactively meeting the challenges of medium-term issues.

2. Specific Initiatives

(1) Realization of investment for growth

- Wire/Structural steel Pursuit of higher quality in light of the increasing sophistication of customer needs
Wire: Quality improvement measures that include capital investments; Structural steel: Upgrading of Himeji Works rolling mill — Scheduled to be operational by the end of FY2028
- Reinforcing steel bars Promotion of integrated operation of the three Kanto mills, improvement of earnings through top-runner model at the four reinforcing steel mills
- Agricultural materials Respond to expanded use of organic fertilizers
In addition to the above, continue to consider M&As

(2) Strengthening of investment in human capital

- Promotion of D&I Create comfortable workplaces for women, with target of a female employee ratio of 10% or more by FY2030
To promote the employment of people with disabilities, recruit para-athletes and create suitable workplaces
- Deepening of bonds with employees Continue to conduct engagement surveys and build open and transparent work environments

(3) Promotion of sustainability

- Launch sales of “GODO Green” (trademark application pending), the Godo Steel Group’s own brand of steel produced with non-fossil electricity
- Continue to invest in energy-saving equipment (adoption of energy-saving refractory materials for reheating furnace at Osaka shape steel works)

(4) Strengthening of investor relations functions

- Enhance investor relations framework, promote dialogue with investors and shareholders, publish integrated report

(5) Strengthening of financial resilience

- Lower debt-to-equity ratio (D/E) from 0.5 to 0.4 or less through reduction of interest-bearing debt and other measures, with a view to achieving an A credit rating
- Reduce cash and deposits and streamline strategic shareholdings based on a review of their strategic significance

3. Management Indicators and Shareholder Return Policy

(1) Management resources allocation policy and investment plan

We will allocate management resources strategically while pursuing an appropriate balance between investment for growth, shareholder returns, and improvement of financial position.

We will make capital investments totaling 40 billion yen over five years, consisting of around 10 billion yen in growth investments aimed at strengthening competitiveness in each area, strengthening investment in human capital, and promoting sustainability, and around 30 billion yen in regular investments aimed at the enhancement of infrastructure by replacing facilities and at the reduction of costs.

(2) Management indicators

	Medium-Term Vision 2030 Targets	Medium-Term Vision 2025 Targets
Net sales	225 billion yen	225 billion yen
Ordinary profit	16 billion yen	16 billion yen
ROS	7%	7%
ROE	7% Aim for 8% or more in medium to long-term	8% or more
D/E	0.4 or less	0.5 or less
Female employee ratio	10% or more	—
Capital investment plan	40 billion yen over 5 years	40 billion yen over 5 years

(3) Shareholder return policy

We will continue our dividend policy of a consolidated payout ratio of around 30% per annum as a benchmark for performance-linked profit distribution, while taking into consideration the improvement of financial position, securing of necessary investment funds, and other factors.

In addition, having established a stable earnings base, from the perspectives of improving the predictability of dividends for shareholders and investors and enhancing the appeal of Godo Steel’s shares, our policy will be to set a minimum annual dividend of 100 yen per share for the five years of the Medium-Term Vision 2030 (from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2031).