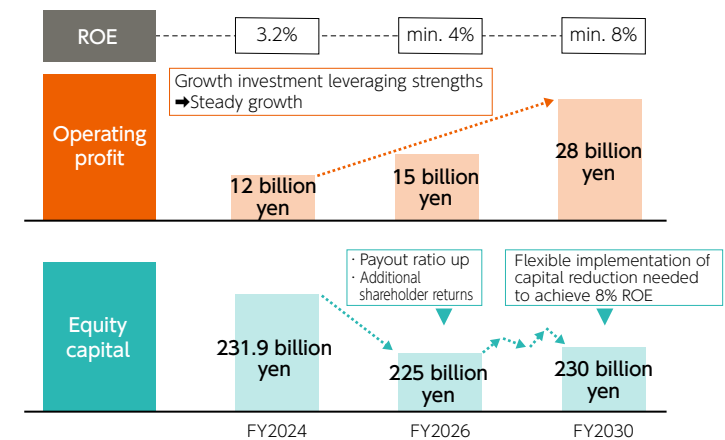
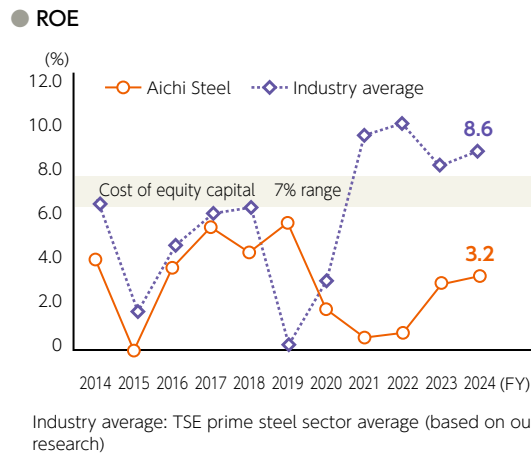


Financial and Capital Strategies

» Cost-of-capital-conscious management

Given the current situation where ROE is below the cost of shareholders' equity (in the 7% range), improving return on capital is a priority issue.

Specifically, we will push forward with growth strategies to improve our earning power, which has been weakened by delays in responding to market changes, and achieve capital efficiency improvement by actively promoting capital reduction. In our growth strategies, we aim for an operating profit of 28 billion yen in FY2030, and as part of improving capital efficiency, we have raised our dividend payout ratio from the previous 30% to 40% or higher. On top of regular dividends, we are planning approximately 40 billion yen in additional shareholder returns in FY2024-FY2026. To achieve an ROE of 8% by FY2030, we aim to enhance corporate value sustainably by implementing growth strategies and developing flexible and aggressive capital policies such as share buybacks.



» Cash allocation

In addition to improving operating cash flow, we will generate funds through asset compression and utilization of interest-bearing debt. A total of 200 to 210 billion yen will be allocated for investment, of which approximately 100 billion yen will be concentrated on strategic growth fields such as next-generation steelmaking processes, expansion into the Global South, and addressing new social needs. In addition, 70 billion yen + α will be allocated for shareholder returns. By FY2030, we are targeting a financial leverage of 1.9x, and an equity ratio of around 50%.

By allocating funds in a balanced manner between growth investment and shareholder returns, we seek to achieve both business growth and capital efficiency, in pursuit of sustainable enhancement of corporate value.

● Cash Allocation (FY2024-FY2030)

CASH IN	
Interest-bearing debt 50-60 billion yen	Pursuit of optimal capital · Financial leverage: Approx. 1.9x · Equity ratio: Approx. 50% (FY2030 target)
Asset reduction* Approx. 50 billion yen	Sale of financial assets Varies with market value
Operating cash flow* 210 billion yen to 220 billion yen	Growth investment acceleration Rebuilding earning power in existing businesses [Operating profit targets] · FY2026: 15 billion yen · FY2030: 28 billion yen

*After tax

CASH OUT	
Investment 200 billion yen to 210 billion yen	Strategic growth investment Approx. 100 billion yen
Shareholder returns 70 billion yen + α	Dividends Share buybacks
Acceleration of growth investments leading to future growth [Growth strategies] · Next-generation steelmaking process · Global South expansion · Development of solutions to meet new social needs, etc. <hr/> Maintaining business base through investments within depreciation <hr/> Ordinary dividends: Approx. 30 billion yen (estimate) ■ FY2024-2026: Also, about 40 billion yen return to shareholders ■ FY2027-2030: Flexible implementation of capital reduction to achieve 8% ROE	

Message from the General Manager, Corporate Planning Headquarters



Strengthening Management Focused on Capital Efficiency and Stock Price to Drive Medium- to Long-Term Corporate Value

Director and Managing Executive Officer,
General Manager of Corporate Planning Headquarters

Naoki Ishii

FY2024 assessment

In addition to steady efforts such as reducing factory costs, improving selling prices, and cutting fixed expenses, as well as a decline in purchased goods prices, we achieved record net sales of 299.2 billion yen, a 1.6 billion yen rise in operating profit year-on-year to 12 billion yen, and a 0.3 percentage point increase in ROE to 3.2%.

While the uncertain environment will continue in FY2025, we will strengthen our earning power to achieve our operating profit target of 15 billion yen in FY2026 and further to 28 billion yen in FY2030 along with ROE of 8%. This will meet the expectations of our shareholders, investors, and other stakeholders.

Concept of updated Medium-term Management Plan

We recognize that giving shape to the spirit of the company's founding, "Great cars are made with great steel," is our main purpose.

Based on our core business of specialty steel and forged products that meet customer needs, we have thoroughly examined what value our new products can provide to our customers, and embodied our findings into the growth and

capital strategies announced in the updated Medium-term Management Plan.

We have presented a well-defined course of action to balance investment in growth and shareholder returns, enhancing our corporate value over the medium to long term.

In announcing the plan, we were conscious of ensuring that the market understands our sincere commitment to improving capital efficiency, given that ROE is currently below the cost of shareholders' equity and PBR remains below one.

To achieve 8% ROE and PBR of one as soon as possible by FY2030, we will work to improve the profitability of the Hagane Company and Kitaeru Company while expanding sales of the Stainless Steel Company and Smart Company as well as newly developed products.

Going forward, we will advance our efforts to realize our announced growth and capital strategies with even greater speed than before.

Investment in growth

We have always contributed to the development of the

automotive industry through our materials. In response to the electrification of automobiles, we will continue to meet customer expectations while leveraging our accumulated technological capabilities to provide materials that help address diverse social challenges, thereby driving further growth.

To this end, we are building a next-generation steelmaking process to manufacture high value-added products such as green steel materials and high-strength, low-distortion steel, and making substantial investments in large-scale facilities.

At the same time, we will aggressively invest to expand our business in India, where demand for specialty steel is expected to grow in the future.

We will also invest in the construction of optimal facilities for forged products and in material development in our stainless steel and smart businesses, using our technologies and businesses to help solve social issues such as decarbonization, food shortages, and labor shortages.

Shareholder returns

We will implement capital controls to achieve our ROE target, premised on maintaining financial stability.

Specifically, in addition to maintaining a dividend payout ratio of at least 40%, we will conduct flexible share buybacks. Over the three years from FY2024 to FY2026, we plan to provide about 40 billion yen in additional returns to shareholders. We already conducted share buybacks of 4.3 billion yen in February 2025, and 26.2 billion yen in May of the same year. In addition, we plan to pay a special annual dividend of 5 billion yen in FY2025 and FY2026.

We will continue to balance capital allocation between growth investments and returns to shareholders, achieving both business expansion and greater capital efficiency.