

Fiscal Years 2024-2026 Redesign of Mid-Term Management Plan

October 30, 2025



■ Redesign of 2026 Mid-Term Management Plan

- **Orders have been decreasing** at a faster pace **than anticipated** due to a decline in automobile-related demand, which is a major source of demand, and sluggish domestic production activity in the industrial equipment-related sector. Furthermore, **uncertainty remains high**, including the U.S. tariff policy and the slowdown in the domestic economy in China.
- In light of these **changes in the external environment**, we have determined that it is **necessary** to review and **revise** our targets set in the management plan.
- We have revised **operating profit for FY2026**. On the other hand, we have formulated a **new shareholder return policy** by **introducing a lower limit of DOE** in order to stabilize dividend payments.
- However, there are no changes to our **action policies that are aimed for the future growth**. We will steadily proceed with our “Transforming business portfolio” and expand sales of our high-performance materials.

■ Changes in Business Environment (compared with original plan)

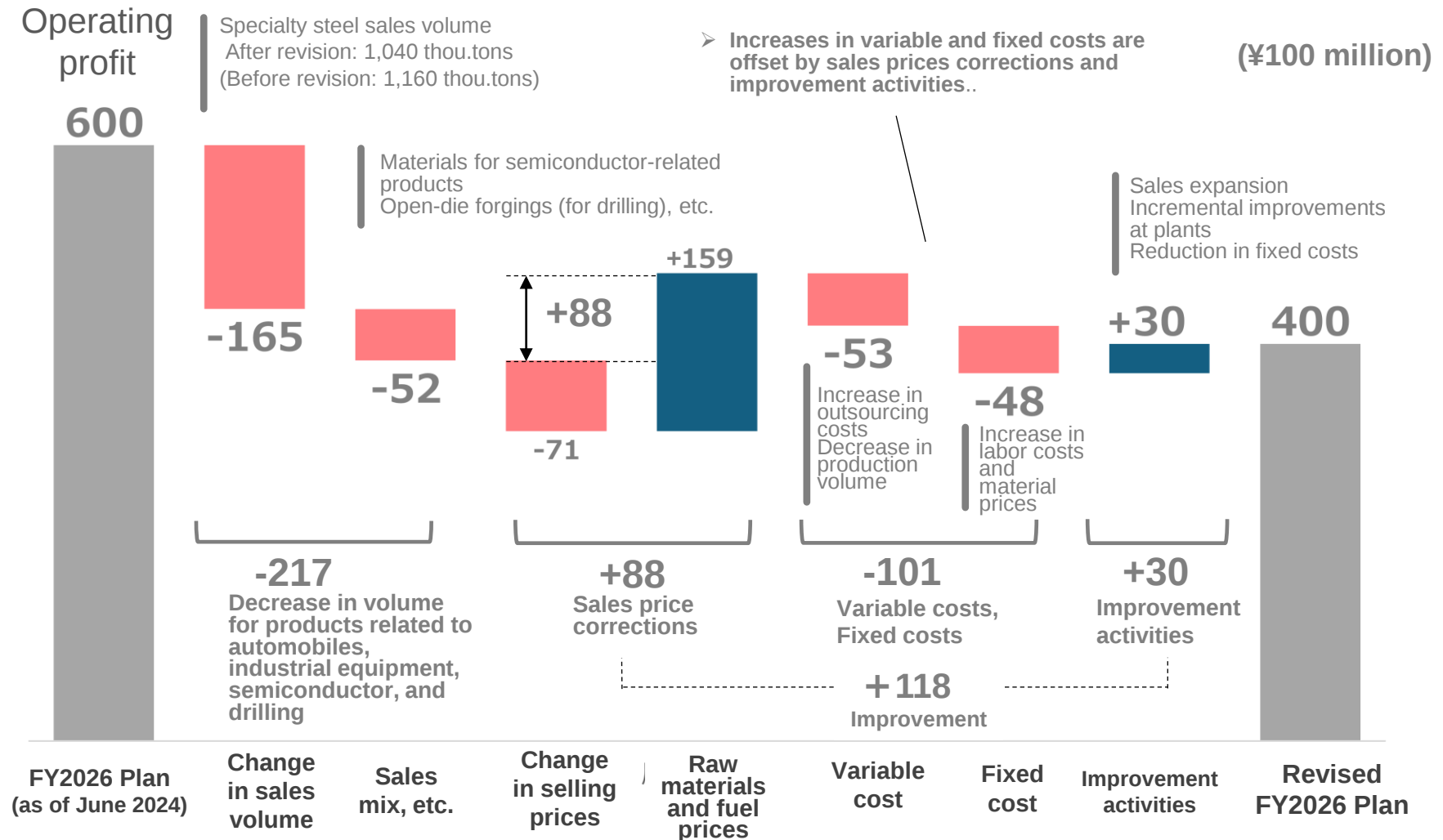
- Orders in existing businesses, such as those for **automobiles and industrial equipment**, significantly declined compared with the time when the mid-term management plan was formulated.
- In addition, the **semiconductor production equipment and oil drilling** industries, which were expected to grow, are in an **adjustment phase** in the short term.

Automobiles	✓ Global automobile sales are generally in line with the mid-term forecast due to a slight increase supported by market growth in China, despite the downward pressure on demand mainly in the U.S. due to the impact of tariffs. ✓ On the other hand, Japanese automobile sales were negative except for Toyota. ✓ In addition, due to the increase in sales of Chinese BEVs in ASEAN as well as China, the Japanese makers' market share has been shrinking.	Changes in orders for structural steel for automobiles <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Initial plan (%)</th> <th>Actual (%)</th> </tr> </thead> <tbody> <tr><td>FY18</td><td>100</td><td>100</td></tr> <tr><td>FY19</td><td>91</td><td>91</td></tr> <tr><td>FY20</td><td>75</td><td>75</td></tr> <tr><td>FY21</td><td>88</td><td>88</td></tr> <tr><td>FY22</td><td>79</td><td>79</td></tr> <tr><td>FY23</td><td>87</td><td>87</td></tr> <tr><td>FY24</td><td>79</td><td>79</td></tr> <tr><td>FY25</td><td>77</td><td>77</td></tr> <tr><td>FY26</td><td>90</td><td>78</td></tr> </tbody> </table>	Fiscal Year	Initial plan (%)	Actual (%)	FY18	100	100	FY19	91	91	FY20	75	75	FY21	88	88	FY22	79	79	FY23	87	87	FY24	79	79	FY25	77	77	FY26	90	78
Fiscal Year	Initial plan (%)	Actual (%)																														
FY18	100	100																														
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Industrial equipment	✓ Demand for both machine tools and construction equipment is gradually recovering but remains at a standstill after peaking in FY2021. ✓ While Japanese makers are transforming their business strategies to prioritize quality over quantity, Chinese makers have been becoming dominant over Japanese makers in the industrial robotic equipment market in China. ✓ Demand for construction equipment in the U.S. is on the decline due to the impact of tariffs.	Changes in orders for structural steel for industrial equipment <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Initial plan (%)</th> <th>Actual (%)</th> </tr> </thead> <tbody> <tr><td>FY18</td><td>100</td><td>100</td></tr> <tr><td>FY19</td><td>83</td><td>83</td></tr> <tr><td>FY20</td><td>70</td><td>70</td></tr> <tr><td>FY21</td><td>101</td><td>101</td></tr> <tr><td>FY22</td><td>81</td><td>81</td></tr> <tr><td>FY23</td><td>73</td><td>73</td></tr> <tr><td>FY24</td><td>67</td><td>67</td></tr> <tr><td>FY25</td><td>67</td><td>67</td></tr> <tr><td>FY26</td><td>82</td><td>69</td></tr> </tbody> </table>	Fiscal Year	Initial plan (%)	Actual (%)	FY18	100	100	FY19	83	83	FY20	70	70	FY21	101	101	FY22	81	81	FY23	73	73	FY24	67	67	FY25	67	67	FY26	82	69
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Semiconductor production equipment	✓ Due to a combination of several factors, including the poor performance of major manufacturers, a decline in demand for products other than those for AI, and the Trump tariff, manufacturers are cautious about investing and are now temporarily in an adjustment phase. ✓ However, from FY2026 onward, stable growth is anticipated in the mid-to long-term, driven mainly by increased capital investment in the U.S.	Changes in orders for semiconductor production equipment <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Initial plan (%)</th> <th>Actual (%)</th> </tr> </thead> <tbody> <tr><td>FY18</td><td>100</td><td>100</td></tr> <tr><td>FY19</td><td>39</td><td>39</td></tr> <tr><td>FY20</td><td>75</td><td>75</td></tr> <tr><td>FY21</td><td>183</td><td>183</td></tr> <tr><td>FY22</td><td>221</td><td>221</td></tr> <tr><td>FY23</td><td>100</td><td>100</td></tr> <tr><td>FY24</td><td>93</td><td>93</td></tr> <tr><td>FY25</td><td>100</td><td>100</td></tr> <tr><td>FY26</td><td>270</td><td>114</td></tr> </tbody> </table>	Fiscal Year	Initial plan (%)	Actual (%)	FY18	100	100	FY19	39	39	FY20	75	75	FY21	183	183	FY22	221	221	FY23	100	100	FY24	93	93	FY25	100	100	FY26	270	114
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Others	✓ Demand for ships continues to be strong and aircraft-related demand started to recover from FY2025. However, the oil and gas drilling-related industry remains in a challenging position. ✓ Demand for heavy electric machinery for power plants is solid. Inventory adjustments for healthcare products will continue and the demand recovery is expected to start from FY 2026 onward.																															

■ Changes in Operating Profit (compared with original plan)

Revision of Operating Profit for FY2026: 60 billion JPY ⇒ 40 billion JPY

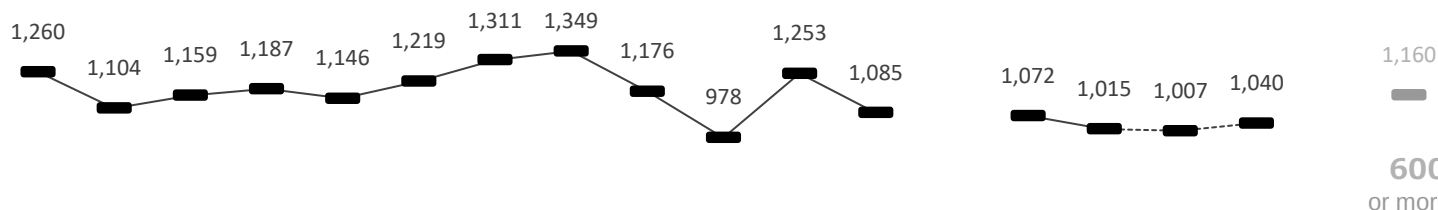
The revision has been made to reflect weak demand for automobiles and industrial equipment and delayed demand recovery for semiconductors.



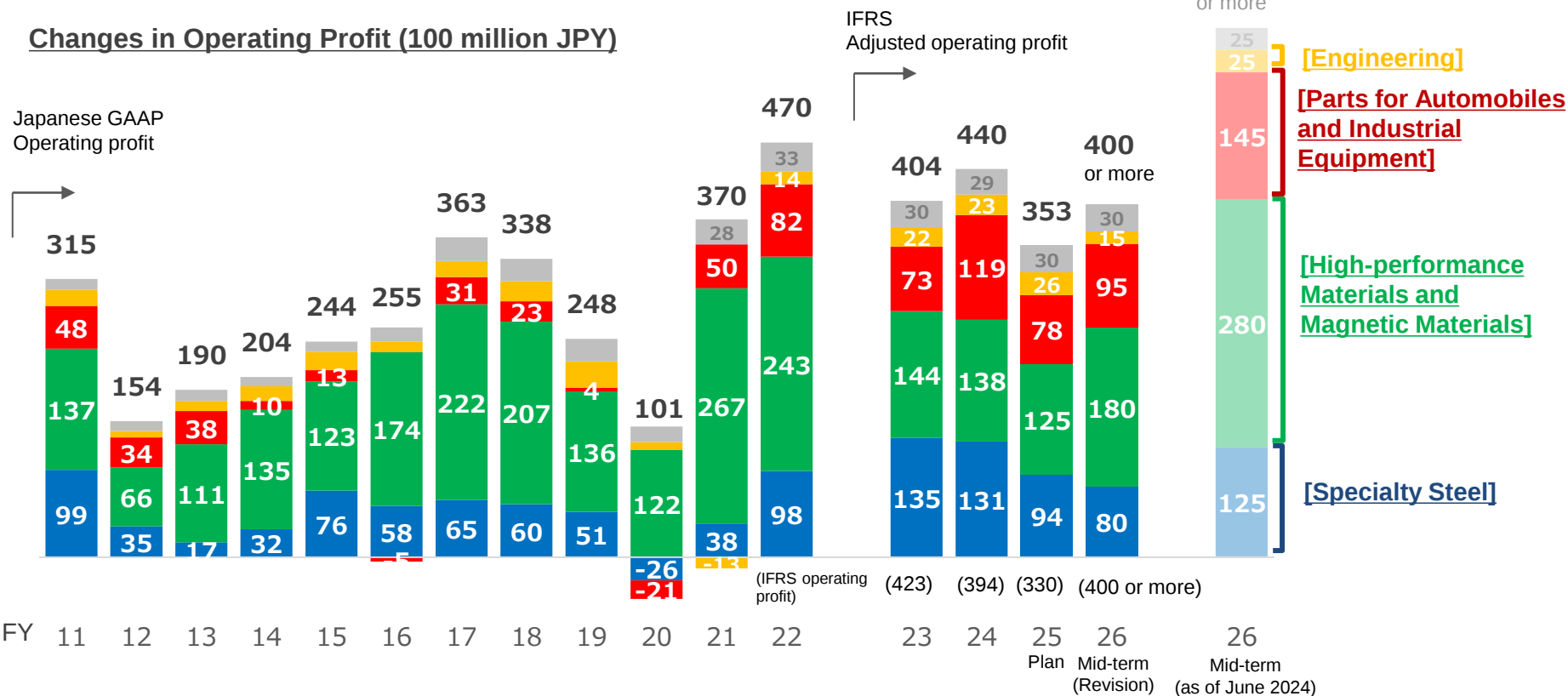
■ Changes in Operating Profit

- While specialty steel sales volume has been declining since FY2021, we have maintained solid profits by implementing our portfolio reforms and revising sales prices.

Specialty Steel Sales Volume (thou. tons/year)



Changes in Operating Profit (100 million JPY)



■ Revision of 2026 Mid-Term Management Targets

- By revising operating profit, other targets in the management plan have been revised.
- We continue to improve capital efficiency and enhance shareholder returns while maintaining the balance between profit, investment and financial soundness.

	Initial FY2026 Plan Fiscal year ending March 2027	Revised FY2026 Plan Fiscal year ending March 2027	
Operating profit	60 billion JPY or more	40 billion JPY or more	Maintaining the balance between profits, investment and financial soundness
Amount invested (3-year total on approval basis)	<u>Total (FY24-FY26)</u> 150 billion JPY	<u>Total (FY24-FY26)</u> 140 billion JPY	
D/E ratio	about 0.5	about 0.5	
Return on equity ROE	9% or more	7% or more	Setting the lower limit of DOE, Acquisition of treasury stock
Return to shareholders	<u>Dividend payout ratio:</u> 30% or more	<u>Dividend payout ratio:</u> 30% or more	

■ Enhancement of Shareholder Returns, Changes in Dividends

- We **set the lower limit of DOE 2.5%** with the aim of stabilizing shareholder returns.
- We also consider **acquiring treasury stock**, based on the progress of optimizing cash allocation.

Previous shareholder return policy

- Consolidated dividend payout ratio: 30% or more
- Considering enhancement of shareholder returns based on the progress of optimizing cash allocation

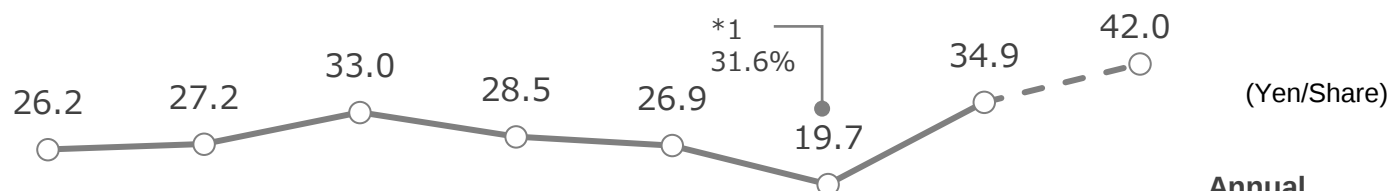
New shareholder return policy

- Consolidated dividend payout ratio: 30% or more
However, the lower limit of DOE is set at 2.5%*.
- Share buybacks are also taken into consideration, based on the progress of optimizing cash allocation.

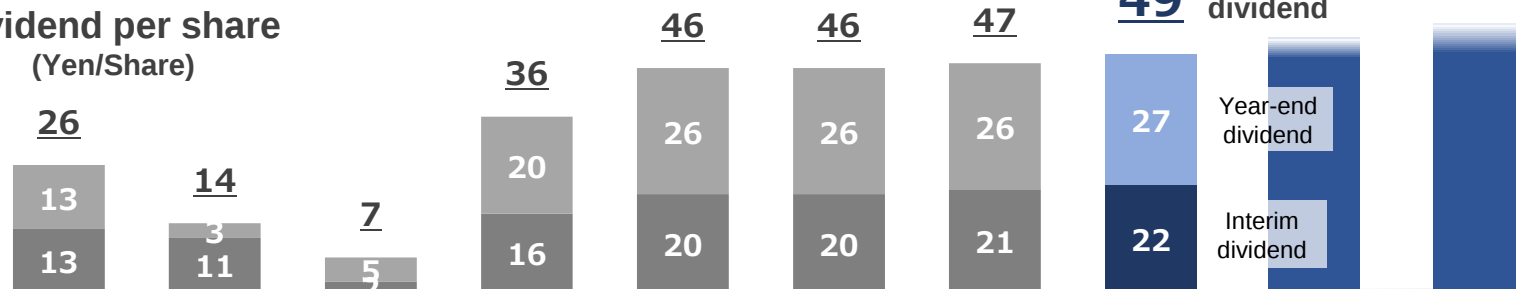
*Shareholders' equity: Equity attributable to owners of the parent excluding other components of equity
DOE: Dividend payment ÷ Shareholders' equity (as of the end of the previous fiscal year)

Payout ratio (%)

Total payout ratio:
64.9%



Dividend per share (Yen/Share)



*1: Payout ratio excl. one-off effects:

The payout ratio against profit excluding gains on sales of securities and fixed assets, losses on liquidation of subsidiaries and affiliates, and impairment losses on fixed assets (after tax)

FY2023

buyback
amount

FY2024

8.5 billion
JPY (Nov.)

FY2025
plan

6.6 billion
JPY (Jul.)

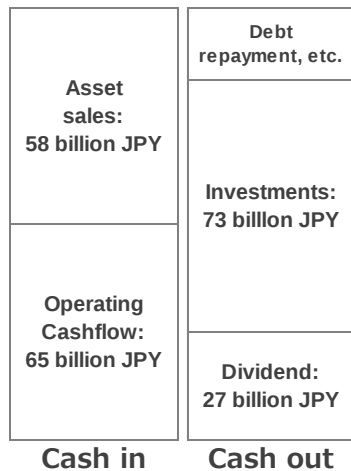
FY2026

FY2027

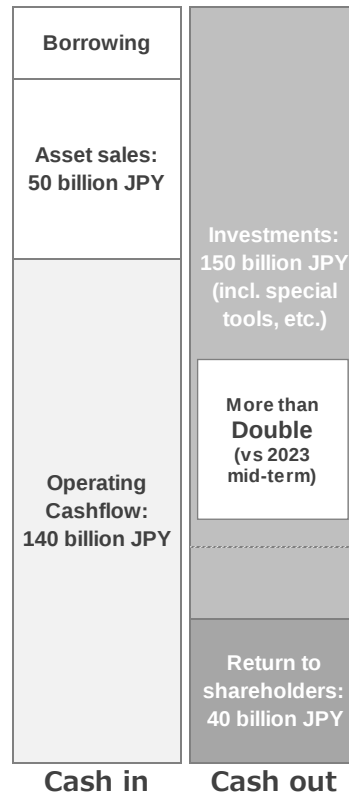
Cash Allocation

- Cash in: We will consider selling assets while operating CF is expected to decrease compared to the mid-term plan.
- Cash out: The level of strategic investment remains unchanged, and we strictly select maintenance and renewal projects that we will implement. We aim to enhance shareholder returns.

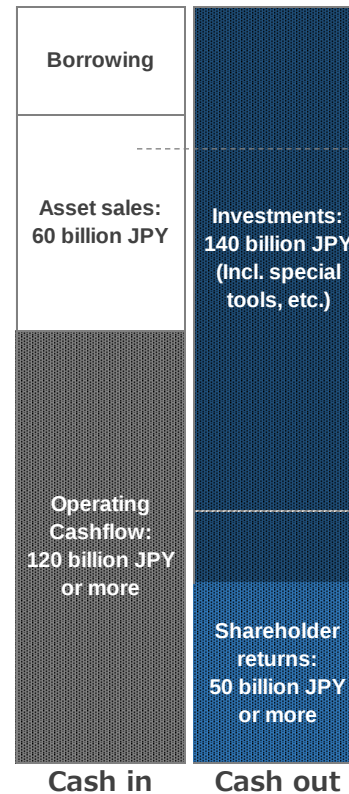
2023 mid-term results
(3-year total, Japan GAAP)



2026 mid-term plan
announced in May 2024
(3-year total, IFRS)



Revised 2026 mid-term plan
(3-year total, IFRS)



Strategic investment in fast-growing market products
Investment in rationalization and energy conservation

<Strategic Investments>

- Superalloy Mfg. Process Transformation Project
- High-performance stainless steel, etc.
- **No change to the level of strategic investment**
- **Reduction of maintenance and renewal investment compared to initial mid-term plan**

Promoting asset sales

• **Liquidating cross-shareholdings and non-core assets (real estate, etc.)**

• Cross-shareholdings reduction plan

	FY2024 Results	FY2026 Plan	FY2030 Target
Equity ratio	17.7%	15% or more	10%

Enhancing management resilience

- Investing in human capital
- Promotion of DX

Shareholder returns

- Consolidated dividend payout ratio: 30% or more.
- The lower limit of DOE is set at 2.5%.
- Acquiring treasury stock

■ Earnings Growth through Business Portfolio Transformation

Expansion of business scale linked to the market growth

Market growth rate:

Achieve sustainable growth

Our “Vision for 2030”

Engineering

- Strengthen our ability to develop new types of environmental equipment
- Enhance our retrofit business

Parts for automobiles and industrial equipment

- Deepen our co-creation relationships with the aerospace industry
- Promote the acquisition of certifications from customers

High-performance materials and magnetic materials

- Expand our product lineup in fast-growing markets
- Increase our market share of materials for semiconductor production equipment

Specialty steel

- Deepen our co-creation relationships with the auto industry
- Lower the break-even point at each plant

[Scale expansion business]

- Open-die forgings

↑ High

Parts for automobiles and industrial equipment
FY2030

High-performance materials and magnetic materials
FY2030

Engineering
FY2030

[Scale expansion business]

- Environmental equipment (industrial furnaces, etc.)

[Advanced business]

- Neodymium magnets
- LiB anode materials
- Semi-magnetic materials
- Superalloy strip and powder
- Titanium alloys

[High profitability business]

- Stainless steel for semiconductor production equipment

ROS

→ High

[Baseline business]

- Specialty steel
- Tool steel

Specialty steel

FY2030

FY2024

FY2030



Circle size :
Operating profit



Circle size :
Operating profit

[Measures for transforming our business portfolio]

- Sales expansion for fast-growing markets
- Early realization of effects of strategic investments
 - Execution of Superalloy Manufacturing Process Transformation Project, and other strategic investments
- Implementation of M&A strategy (leveraging Nippon Koshuha Steel as a force for growth)
- Promotion of structural reforms (optimization of personnel allocation, etc.)
- Fixed cost reduction and improvement of labor productivity

Generate stable operating cash flow

Achieve dominant market presence

*Retrofit: improving existing equipment by incorporating the latest technology in it, CN: Carbon neutral, CE: Circular economy, LiB anode material: Anode material for lithium-ion batteries

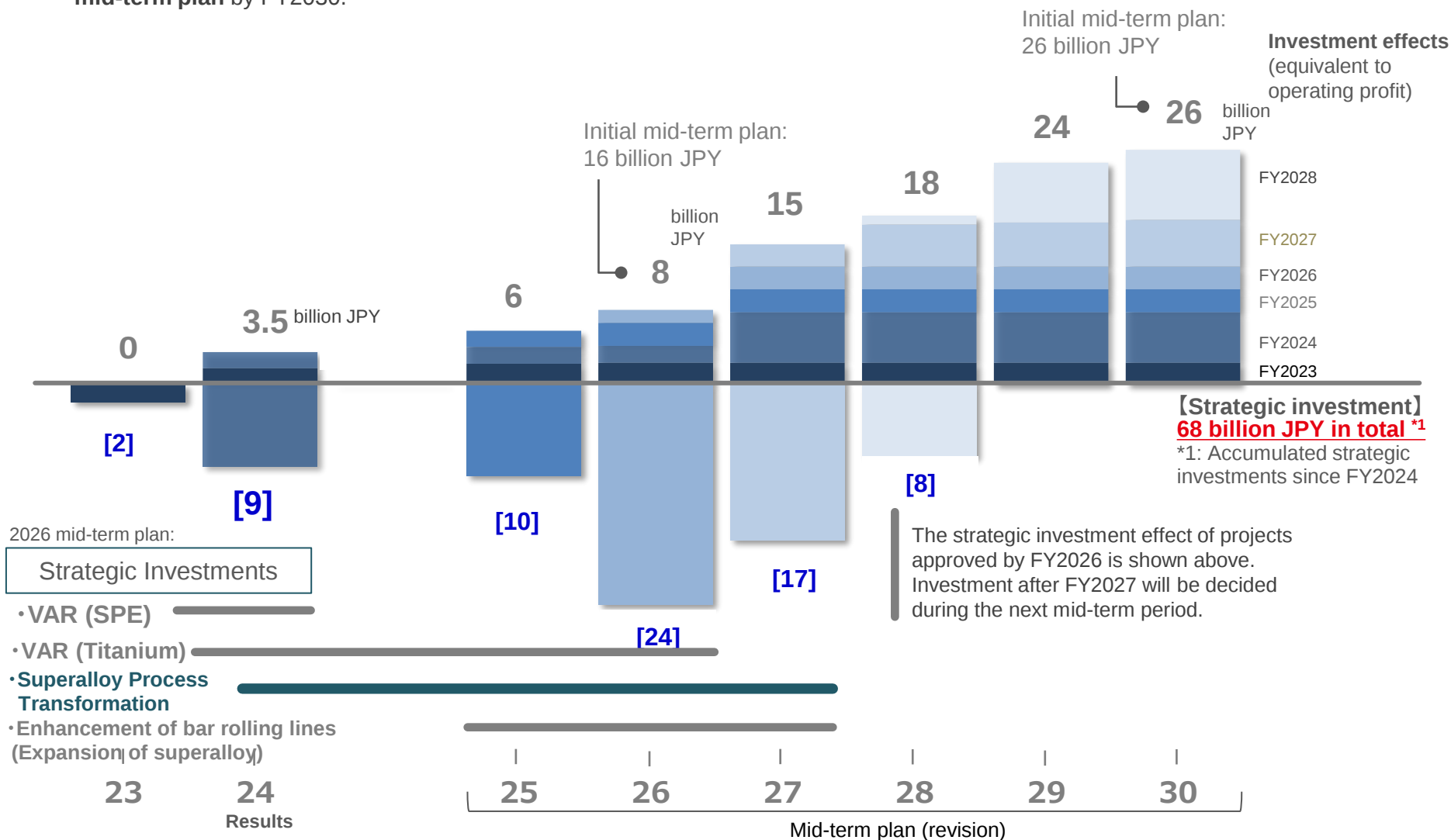
Strategic Investments in Fast-Growing Areas

- Approvals for large-scale strategic investments in the 2026 mid-term plan, including those in superalloy, titanium products, and magnetic products, were mostly completed.

	Capital investment	Equipment images
Parts for Automobiles and Industrial Equipment	Superalloy Mfg. Process Transforming Project Superalloy ■ <u>Install a large radial forging machine, increase capacity for VIM furnaces, install two VAR furnaces, expansion of heat-treating and machining capacity</u> Certificate acquisition for superalloy for airplane, oil & gas drilling, Production capacity expansion for open-die forgings Amount of investment: 36 billion JPY Installation being progressed toward the project's completion by FY2027 Under steady progress	 Large radial forging machine (Scheduled for completion in FY2027)
	Bar rolling line Superalloy ■ <u>Enhance the bar rolling line at Hoshizaki Plant</u> Enhance rolling capacity for superalloy Amount of investment: 3.6 billion JPY Start of operation: March 2027 Under steady progress	 Bar rolling line at Hoshizaki Plant
High-Performance Materials and Magnetic Materials	VAR furnace High-performance stainless steel, Superalloy ■ <u>Install two VAR furnaces at Chita Second Plant</u> Enhance production capacity of stainless steel and superalloy for semiconductor production equipment Production capacity: 20% improvement Amount of investment: 5.2 billion JPY (incl. ancillary equipment) In operation Feb. 2025	 VAR (Vacuum Arc Melting) furnace at Chita Second Plant
	Bar rolling line Stainless steel (Large round bars) ■ <u>Install large round bar rolling lines at Chita Plant</u> Expand the product range of steel bar rolling lines, for stainless steel, etc. Amount of investment: 1.2 billion JPY Start of operation: August 2027 New	 Blooming line at Chita Plant
	VAR furnace Titanium products (for medical use) ■ <u>Install two VAR furnaces for titanium at Chita Second Plant</u> Enhance production capacity, in response to increasing titanium product orders Amount of investment: 4.1 billion JPY (incl. ancillary equipment) Start of operation; 1st furnace: October 2025, 2nd furnace August 2026 The 1st furnace in operation	 Ti-15Mo low elastic modulus titanium alloy for medical use Manufacturing technology development and market launch were implemented.
	Magnet production lines Hot-deformed magnets ■ <u>Install magnet production lines for xEV drive motors</u> Enhance production capacity, in response to strong demand for xEVs We plan to make capital investment of about 5 billion JPY in total by FY2030 Amount of investment: 1.5 billion JPY (Step 1) Start of operation: April 2026 Under installation	Heavy rare earth-free magnets with special orientation 

■ Effect of Strategic Investments on Profits (Progress)

- We have revised the timing of a demand recovery for high-performance materials for semiconductor production equipment as well as the timing of an order increase in oil and gas drilling products, which we had projected in the 2026 mid-term plan.
- By completing the Superalloy Manufacturing Process Transformation Project, we are planning to **achieve results on par with our initial mid-term plan** by FY2030.



※VAR: Vacuum arc remelting furnace, SPE: Semiconductor production equipment

■ Our Vision and Management Targets

- While we have revised our targets initially set in the 2026 management plan in response to the rapidly changing business environment, we will **maintain our Vision and our management and action policies for achieving the targets.**

Our Vision for 2030

We will pursue high-performance materials, create benefits for customers and contribute to the realization of a sustainable society

2026
Mid-Term

Management Policy

Action Policy

We will view the coming changes in socioeconomic and industrial conditions as opportunities for business growth and transformation of our business portfolio and achieve sustainable profit growth in new business domains (customers, value proposition, and approach)

Transforming business portfolio, Enhancing management resilience, Advancing ESG management

Management
targets to
pursue

**Operating profit:
60 billion JPY
or more**

- Transforming business portfolio (Sales expansion for fast-growing markets)
- Early return on strategic investment (superalloy project, etc.)
- Implementing M&A strategy (leveraging Nippon Koshuha Steel as a force for growth)
- Structural reforms (optimizing personnel allocation, etc.)
- Reducing fixed costs, improving labor productivity

**ROE
9% or more**

- Accelerating sales of assets (cross-shareholdings, real estate, etc)
- Stabilizing shareholder returns (introducing the lower limit of DOE)
- Controlling shareholders' equity (acquiring treasury stock)

**PBR
1.0 or more**

- Advancing sustainability management
- Strengthening corporate governance
- Enhancing communication with stakeholders (increasing contacts with domestic and foreign investors)

(Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

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