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May 9, 2025

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Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

Yodogawa Steel Works, Ltd. hereby announces that its Board of Directors, at a meeting held on May 9, 2025, evaluated the current situation and updated the status of actions to implement management that is conscious of cost of capital and stock price in order to achieve sustained growth and the medium- to long-term corporate value growth.

For details, please refer to the attached material “Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Update).”

Yodogawa Steel Works, Ltd.

Actions to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

May 9, 2025



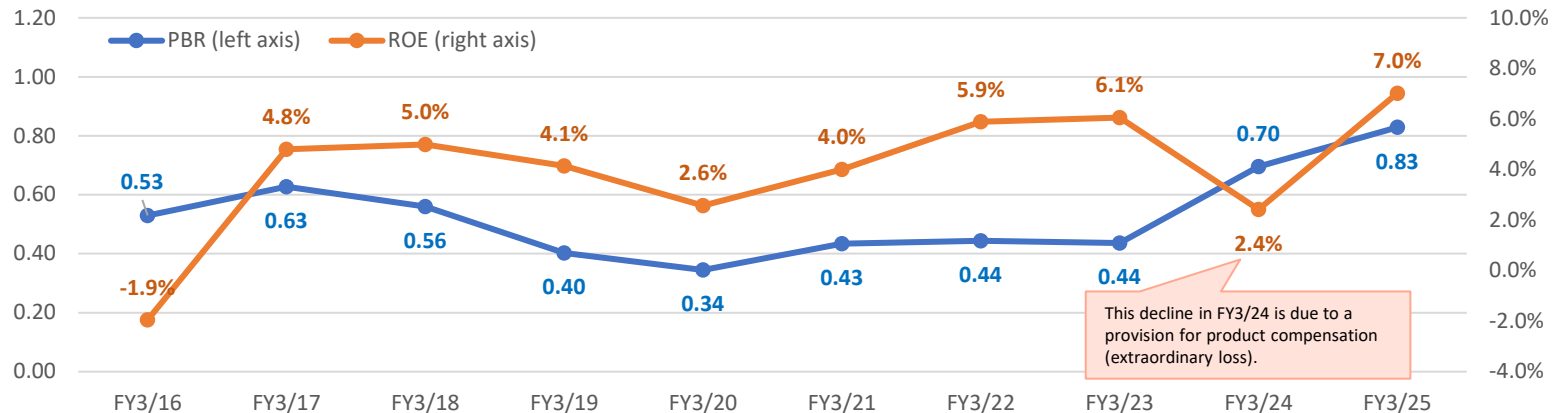
Analysis of Current Situation - PBR and ROE

■ PBR: 0.83

→ The PBR is at the highest point during the past 10 years as the stock price moved up due to earnings growth and increasing distributions to shareholders. However, the PBR is still below one.

■ ROE: 7.0%

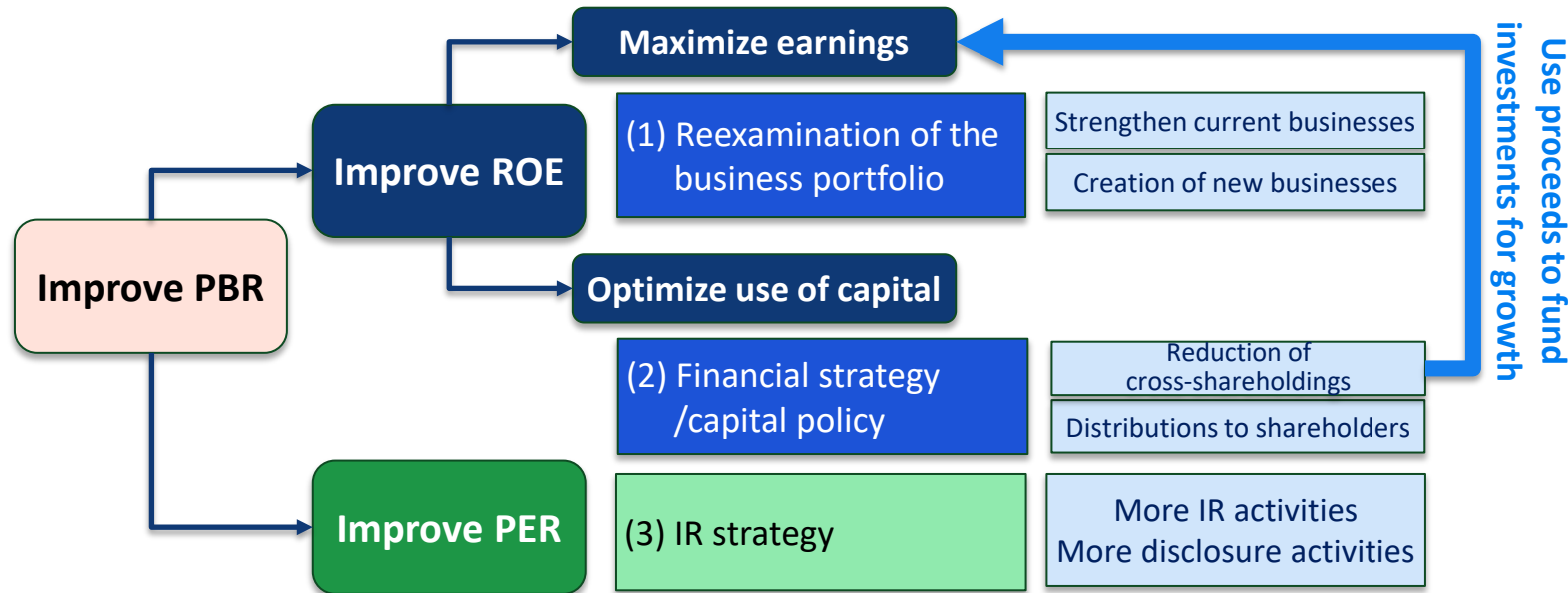
→ FY3/25 sales and earnings were higher than one year earlier, achieving in advance an ROE target of 7% for FY3/26. Speeding up activities to further increase the return on capital



An ROE substantially higher than the cost of equity is the highest priority

Basic Stance for Increasing the PBR

- Yodogawa Steel maximizes earnings by reexamining its business portfolio and optimizes capital use by reviewing its capital policy. The goal is an ROE higher than the cost of equity.
- Although the ROE target for FY3/26 is 7%, this is not yet high enough in relation to the cost of equity. In the 4th Medium-Term Management Plan, which begins in FY3/27, the goal is an ROE of at least 8%.



Progress

(1) Reexamination of the business portfolio

Strengthen current businesses

- Capital expenditures to become more competitive and a shorter cash conversion cycle (inventory reductions and other measures) for higher efficiency
- Determination of actions for building a stronger business portfolio (identify nonprofitable businesses, group reorganization, etc.)

- ✓ Purchasing more stock of SYSCO in Taiwan, a major overseas consolidated subsidiary, raised ownership from 52.1% to 63.5%. Based on FY3/25 earnings, this would raise consolidated earnings by about 300 million yen.
- ✓ Decisions made to shut down the unprofitable engineering business and liquidate non-consolidated subsidiary YBMH in China, a company that manufactures and sells building materials. Increasing the speed of studies for determining actions to build a stronger business portfolio.

Progress

(1) Reexamination of the business portfolio

Creation of new businesses

- **Seek opportunities for more alliances and M&A, mainly in business sectors associated with current operations, to add new businesses**

- ✓ **Started to consider the establishment of a strategic alliance involving steel sheet building materials with JFE Steel Corporation and JFE Galvanizing & Coating Co., Ltd.**
 - **Potential for joint business activities backed by the expertise of these companies concerning technologies, manufacturing and locations of business sites**
 - **Mutual supply of materials by using the production lines of all three companies**
 - **Collaboration for the development of value-added galvanized steel sheets and other activities**
 - **Purpose: Become more competitive, establish an even more powerful position in the steel sheet building material market in Japan**

Progress

>> (2) Financial strategy/capital policy

■ Reduction of cross-shareholdings

Planned reduction during the Medium-Term Management Plan 2025

- Medium-term plan: April 2023 - March 2026 (3 years)
- Planned reduction: About 30% of End-March 2023 cross-shareholdings, which were 28 billion yen

- ✓ Based on book values as of the end of March 2023, cross-shareholdings decreased 4.3 billion yen (15.3%) during FY3/24 and FY3/25.

(Billions of yen)

End-March 2023	End-March 2026	Target (3 years)		Result (cumulative) (Apr. 2023 – Mar. 2025)	
Result	Forecast	Reduction amount	Reduction rate	Reduction amount	Reduction rate
28.0	19.6	8.4	30.0%	4.3	15.3%

Progress

>> (2) Financial strategy/capital policy

■ Reduction of cross-shareholdings

Medium/long-term reduction policy

- The goal is to reduce cross-shareholdings (balance sheet valuations) to less than 10% of consolidated net assets.

- ✓ As of the end of March 2025, cross-shareholdings were 13.2% of consolidated net assets, down 0.8 pct. point from one year earlier.
- ✓ Although cross-shareholdings are declining, the decrease in the book value of these holdings was limited because of the stock market rally in Japan.

(Billions of yen)

	End-March 2023	End-March 2024	End-March 2025
Cross-shareholdings (balance sheet valuations)	28.0	29.9	28.4
Consolidated net assets	201.9	213.8	215.1
Cross-shareholdings / consolidated net assets	13.9%	14.0%	13.2%

Progress

(2) Financial strategy/capital policy

■ Distributions to shareholders (Dividend policy)

- During the current medium-term plan, the plan is a consolidated dividend payout ratio of at least 75% while maintaining a fiscal year dividend of no less than 200 yen.

- ✓ Maintained a consolidated dividend payout ratio of at least 75% in the current shareholder return policy and raised the dividend per share to 351 yen for FY3/25, 151 yen higher than for the previous fiscal year.

Progress

(2) Financial strategy/capital policy

Cancellation of treasury shares

- The policy is to keep holdings of treasury shares below 10% of the total number of outstanding shares.
- Plan to cancel 3 million shares of treasury stock (8.61% of outstanding shares prior to this cancelation) on May 31, 2024.

- ✓ Completed cancelation of 3 million shares of treasury stock on May 31, 2024 (9.2% of outstanding shares after this cancellation).

Progress

(2) Financial strategy/capital policy

■ Share split

- ✓ By lowering the stock price per investment unit of common stock, we will allow for investing to become more accessible for our shareholders, as well as enable greater liquidity in our stock and further expansion of our investor base.

Sprit ratio	1:5	Investment unit after the split	About 110 thousand yen	Record date: June 30, 2025 Effective date: July 1, 2025
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* Calculated using the stock price of 5,590 yen at the end of March 2025

- ✓ Dividend policy after the split: During the current medium-term plan, pay an annual dividend of at least 40 yen per share and maintain a consolidated dividend payout ratio of at least 75%.

Progress

(3) IR strategy

More investor relations and disclosure activities

- Further upgrade earnings announcement presentations and meetings with investors
- Enhance information provision to investors through various IR tools
- Provide English translations of timely disclosure announcements



✓ Issue an integrated report

- Plan to issue an integrated report in 2025 that will explain our thoughts and actions for the consistent growth of the Yodogawa Steel Group's corporate value for the purpose of giving all stakeholders a better understanding of how we manage business operations.

✓ More opportunities for dialogue with investors

- Actively meet with investors and proactively hold SR meetings to facilitate dialogue with investors and shareholders

Progress

Activities for increasing corporate value

- Renewal of the corporate philosophy
- ✓ We celebrated our 90th anniversary on January 30, 2025, with the announcement of a new Yodogawa Steel Group corporate philosophy: **"Make people, communities, and the future bloom."** As we look ahead to our 100th anniversary and the following years, we will become an even more powerful company and organization that can adapt to change. Furthermore, guided by this philosophy, we will constantly take on new challenges for more progress.

Corporate Philosophy

**Make people, communities,
and the future bloom.**

With innovative thinking and trusted capabilities,
we make people's ideas a reality.

ヨドコグループ 企業理念

企業理念

咲かせよう。
ひと、まち、みらい。

私たちは「豊かな発想」と「確かな技術」で
人々の想いをカタチにします。

私たちが大切にしている価値観

- 挑戦** 社員と共に成長を続け、挑戦することを大切にします。
品質 お客様に満足いただける、高品質の製品・サービスを提供します。
誠実 法とモラルを遵守し、信頼される組織で多岐展開します。
人 多様性を尊重し、人々の安全と安心、そして幸せを追求します。
共生 地域、社会、環境と共生します。

行動指針

1. 変化を恐れず、挑戦しているか。
2. ベストを尽くしているか。
3. 仲間と連携し、一丸となっているか。
4. 共に学び、成長しているか。
5. My Action (各自が大切にしている行動指針を指定します)

Sustained Growth and Medium/Long-term Corporate Value Growth

Progress

Activities for increasing corporate value

- New trade name and logo design
 - ✓ The decision has been made to change the company's name from Yodogawa Steel Works to **YODOKO** in conjunction with the start of the new corporate philosophy.
 - ✓ A new logo expresses the spirit of the corporate philosophy "make people, communities, and the future bloom." The change to YODOKO is to take place, with the start of use of this new logo, on October 1, 2025.



New logo design

