TOKYO STEEL
東京製鐵株式会社

A Better Tokyo Steel

May, 2026

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Overview

Company Overview

- Tokyo Steel is one of Japan's largest specialized **electric arc furnace (EAF) manufacturers** using steel scrap as raw material
- **Operates only EAFs and primarily supplies construction-related steel products** from four domestic plants
- While having a wide range of products such as H-beams and steel plates, approximately **80% of net sales are for the domestic market and about 90% of steel products are for construction-related uses**
- Therefore, Tokyo Steel has a business structure that is highly susceptible to domestic construction demand

Challenging Market Environment

- **Domestic steel demand is highly likely to continue trending weakly**, against the backdrop of rising interest rates, inflation, labor shortages in the construction sector, and rising construction costs, in addition to medium-to-long-term population decline. Specifically, demand for steel products for construction is on a declining trend
- On the other hand, **domestic steel prices are susceptible to downward pressure** due to competition with cheap imported materials and continued supply from blast furnace manufacturers
- In addition, steel scrap prices are rising against the backdrop of the weak yen and the global shift toward EAFs, and Tokyo Steel's metal spread is on a narrowing trend

Tokyo Steel: A Company in Need of Transformation

- Tokyo Steel's corporate value has been in prolonged stagnation, with **PBR remaining below 1.0x for the past five years, ROE at a mere 2.9%**, and **TSR significantly underperforming the TOPIX** by approximately 45 points over the past five years
- Since Mr. Nara assumed the position of President in June 2023, **performance has clearly and continuously deteriorated**
- With domestic steel demand structurally declining, intensifying competition from low-priced imports, and rising raw material costs, the industry headwinds are only getting stronger, yet **the current management has demonstrated no credible path to improvement**
- Under these circumstances, **an urgent and fundamental overhaul of management is required to restore Tokyo Steel's corporate value**

Help Increase Tokyo Steel's Corporate Value by Voting AGAINST Failed Management

Tokyo Steel's Proposal	Oasis' View	Recommended Voting Action
 **Re-appointment of Mr. Nobuaki Nara as Director and President**	▪ **Since Mr. Nara assumed the position of President in June 2023, Tokyo Steel's performance has clearly deteriorated,** and the destruction of corporate value has continued – Specifically, since Mr. Nara became President (FY2024/3, FY2025/3, and FY2026/3), the Company has **repeatedly revised down its earnings forecasts, consistently failing to achieve its initial targets** – **Low plant utilization rates of approximately 50% — significantly below production capacity — have been left unaddressed for an extended period** and have become a primary driver of weak profitability ▪ Despite this, **management has failed to present or execute any fundamental improvement measures or structural reforms, and the situation has continued to worsen** rather than improve ▪ Under these circumstances, maintaining the current management structure is highly likely to result in further destruction of shareholder value **→ From the perspective of responsible corporate management, shareholders should clearly vote AGAINST Mr. Nara's reappointment**	**AGAINST**
 **Appointment of Mr. Soichiro Tsuda as Director**	▪ Oasis believes that Mr. Tsuda does not satisfy the skill matrix required of a Tokyo Steel director and **lacks sufficient expertise to address the Company's key management challenges** ▪ In particular, with respect to improving plant utilization rates and enhancing the effective use of land assets — both of which are among the Company's most critical issues — Mr. Tsuda has failed to present rational and concrete solutions throughout Oasis's engagement with the Company ▪ This lack of understanding of the core management issues, as well as the apparent lack of execution capability, raises serious concerns regarding his suitability to serve as a director ▪ In addition, **Mr. Tsuda appears to hold his current position primarily due to his relationship with the founding family as the son-in-law of Mr. Masanari Iketani, raising serious concerns that his appointment reflects personal affiliation and family ties rather than merit, qualifications, or demonstrated capabilities** ▪ Such personnel decisions raise serious concerns from the standpoint of board independence and corporate governance **→From the perspective of enhancing corporate value and establishing appropriate governance, shareholders should vote AGAINST Mr. Tsuda's appointment as director**	

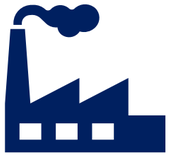
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Issues behind the long-term stagnation of Tokyo Steel’s corporate value



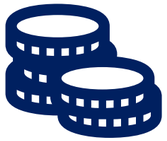
Issue 1: Decline in market confidence in management

- Confidence in management's commitment has declined due to the lack of a medium-term business plan and repeated failure to meet revenue targets
- Significant impairment losses recorded on past investments raise doubts about capital allocation capabilities
- Tokyo Steel's plan to double production by 2030 is premised on a doubling of demand, and has received no credibility from the market



Issue 2: Low operating rates and inefficient asset utilization

- Utilization rates have become normalized at a level of approximately 50%, which is remarkably low compared to the industry
- Management premised on these levels has continued, demonstrating a lack of proactivity toward the effective utilization of assets



Issue 3: Inefficient cash and capital policy

- Holding cash that significantly exceeds required levels
- The use and rationality of capital are opaque



Issue 4: Insufficient corporate governance

- A management structure centered on the founding family has continued for a long period
- Management's shareholding and performance-linked compensation are limited
- The IR structure is weak, and sufficient dialogue with the market is not being conducted

Oasis's Proposals to Tokyo Steel

Proposal 1: Sale of surplus facilities or conversion to data centers

- Option 1: Sale to blast furnace operators such as JFE and Nippon Steel
- Option 2: Conversion to data center

Proposal 2: Formulation and disclosure of medium-to-long-term numerical targets

- Setting ROE targets and implement proactive shareholder returns to achieve those targets
- Formulation and disclosure of clear performance targets

Proposal 3: Strengthening the director compensation system and governance structure

- Strengthen the performance linkage of director compensation
- Improve governance transparency through the abolition of the senior advisor system

Executing our proposals would unlock **115–123% stock price upside**,
improving **ROE from 2.9% to 8%** and **PBR from 0.5x to 1.4x within 3 years**

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6. Intrinsic Value of Tokyo Steel

Chief Investment Officer & Founder, Seth Fischer



SETH FISCHER Founder & Chief Investment Officer

- **Seth H. Fischer is the founder and Chief Investment Officer of Oasis Management, an international investment manager headquartered in Hong Kong that invests globally across capital structures. Mr. Fischer founded Oasis in 2002 following a seven-year career at Highbridge Capital Management, where he managed the firm's Asian investment portfolio**
- A proponent of corporate governance reforms across Asia, he is a frequent speaker on economic and investment panels. Oasis is a signatory to Stewardship Codes in Japan, Korea and Hong Kong, and a Sustaining Donor to the Board Director Training Institute of Japan, as well as a member of the Japan Corporate Governance Network and the Asia Corporate Governance Association
- Prior to joining Highbridge, Mr. Fischer served in the Israel Defense Forces. He received a Bachelor of Arts in Political Science from Yeshiva University in 1993. He is a Board Member of the Karen Leung Foundation and the Carmel School in Hong Kong, Vice Chairman of the Ohel Leah Synagogue Management Committee in Hong Kong, and co-founder of the Aumann-Fischer Center for Law, Economics, and Public Policy at Hebrew University opened in 2022

Oasis Japan Engagement: Introduction

- Oasis has been investing and engaging with companies in Japan over the past **24+ years**
- In fulfillment of our duties under Japan's Stewardship Code, Oasis is committed to **strategic engagement**, when necessary, to improve our investee companies' long-term value
- Oasis engagements have led to increased earnings, improved corporate governance and enhanced corporate value at companies including:

Nintendo®	PanaHome	FUJITEC	kao
Nidec	HITACHI	TOKYO DOME CORPORATION	RAYSUM

Oasis is Committed to Japan & Corporate Governance



PRI Principles for Responsible Investment

BDTI 公益社団法人 会社役員育成機構 The Board Director Training Institute of Japan

ICGN

JSI Japan Stewardship Initiative

ACGA Asian Corporate Governance Association

30% Club

Member of the Japan Ministry of Environment's ESG Dialogue Platform

CG-net Japan Corporate Governance Network

Oasis is a long-term shareholder of Tokyo Steel and has been continuously engaging in dialogue toward enhancing Tokyo Steel's corporate value

History of Oasis's Engagement with Tokyo Steel

Date	Engagements
2024/11/20	IR Meeting
2025/03/04	IR Meeting
2025/06/30	IR Meeting
2025/08/26	IR Meeting
2025/09/30	Letter Sent
2025/11/17	Meeting with Mr. Tsuda (Executive Officer)
2026/01/22	Letter Sent
2026/01/28	IR Joint Interview
2026/02/03	Letter Sent
2026/03/02	Meeting with Mr. Tsuda (Executive Officer)
2026/03/31	Meeting with Mr. Tsuda (Executive Officer)
2026/04/22	Letter Sent
2026/05/01	IR Meeting

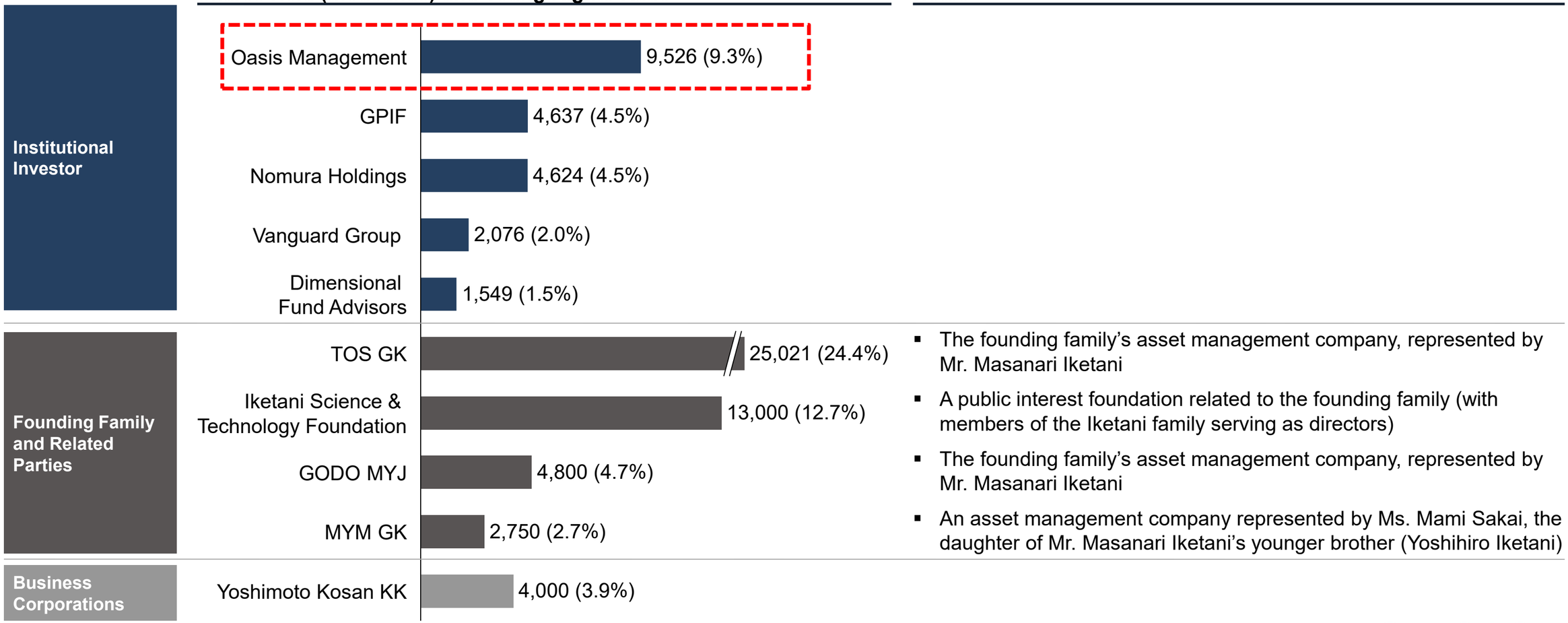
Continuously conducted 13 engagements over a period of approximately 1.5 years

However, despite repeated requests from Oasis, the directors have not participated in a single meeting

Oasis is the largest shareholder of Tokyo Steel, excluding the founding family and the management team

- Amid the presence of large founding family-related shareholders, Oasis is the largest shareholder excluding the founding family and management
- Meanwhile, the significant ownership held by the founding family may result in the company not meeting the Prime Market listing requirement of a 35% free float ratio

Top 10 Shareholder and Shareholding Structure (1)



1: After deducting treasury stock

Source: Tokyo Steel's disclosure, Bloomberg, Estimation by Oasis

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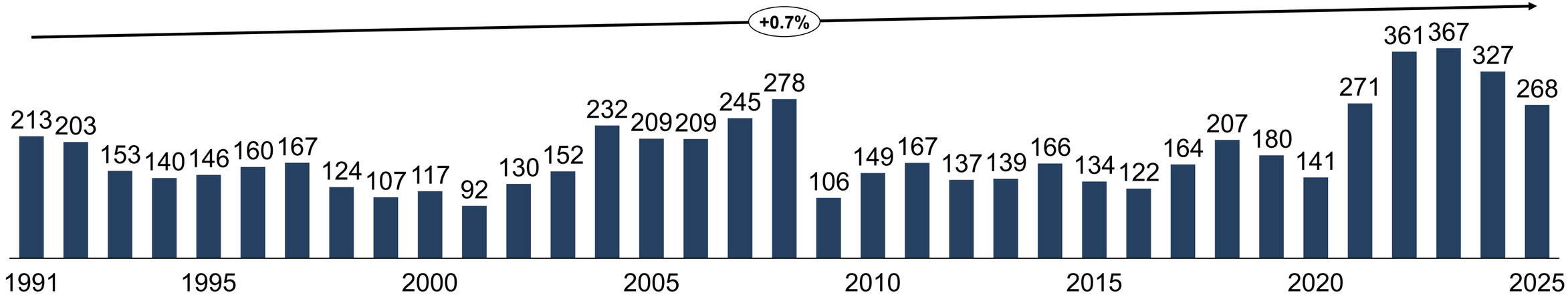
6. Intrinsic Value of Tokyo Steel

About Tokyo Steel

TOKYO STEEL
東京製鐵株式会社

- Tokyo Steel, founded in 1934, is a dedicated electric arc furnace (EAF) steelmaker and a market leader among EAF producers in Japan
- The Company manufactures steel products using EAFs fueled by steel scrap, operates no blast furnaces, and runs its business through four domestic production sites in Japan
- Approximately 90% of its products are construction-related steel materials, with H-beams and steel plates as key products, and around 80% of revenue derived from the domestic market, reflecting its high exposure to Japan's construction demand
- In FY2025, the Company generated approximately JPY 268 billion in revenue and produced around 3.1 million tons of crude steel, while maintaining annual crude steel production capacity of 6 million tons across its four domestic plants
- Electric arc furnaces emit approximately one-quarter of the CO_2 of blast furnaces, driving increased attention amid decarbonization trends

Historical Revenue (JPY bn)



Source: Tokyo Steel's disclosures

Tokyo Steel by the Numbers

(Latest figures as of Mar. 2026, unless otherwise specified)

Market Capitalization

JPY
166bn

# of Employees[1]

1,135

Annual Crude Steel Production

3,070
thousand tons

Latest FY Sales

JPY
268.1bn

Latest FY Operating Profit

JPY
7.2bn

Latest FY Operating Margin

2.7%

1: As of March 31, 2025
Source: Tokyo Steel's disclosures

Production Network Across Four Domestic Plants

- Tokyo Steel operates four domestic plants, recycling locally sourced steel scrap into steel products through EAFs
- Without owning any blast furnaces, the Company supplies construction-related steel products across Japan and has annual crude steel production capacity of 6 million tons domestically, including the Tahara plant, which commenced operations in 2009, with a target of achieving 100% utilization across all four plants by FY2030

Tahara Factory



- Location：Tahara City, Aichi Prefecture
- Operation：2009
- Site Area：1,043,930 m^2
- Production Volume
  - 2025/3 Actual：0.94 million tons
  - 2031/3 Company Target：2.5 million tons
- Production: Hot coil, Striped coil, Pickling coil, Cut Sheet, Square steel pipe

Okayama Factory



- Location： Kurashiki City, Okayama Prefecture
- Operation: 1962
- Site Area：462,826 m^2
- Production Volume
  - 2025/3 Actual： 0.8 million tons
  - 2031/3 Company Target： 1.8 million tons
- Production: H-shaped steel, I-shaped steel, Grooved Steel, Striped H-shaped steel, Deformed steel bars, Hot Coil, Striped Coil, Pickling coil, Hot-dip galvanized coil, Cut Sheet

Kyushu Factory



- Location：Kitakyushu City, Fukuoka Prefecture
- Operation：1971
- Site Area：327,141 m^2
- Production Volume
  - 2025/3 Actual： 0.86 million tons
  - 2031/3 Company Target： 1.0 million tons
- Production: H-beams, U-shaped sheet pile, I-beams, Steel Plate

Utsunomiya Factory



- Location: Utsunomiya City, Tochigi Prefecture
- Operation：1995
- Site Area：213,142 m^2
- Production Volume
  - 2025/3 Actual： 0.38 million tons
  - 2031/3 Company Target： 0.7 million tons
- Production: H-beams, Striped H-beams, Grooved Steel

Product Portfolio Centered on Construction-Related Steel Products

- Because EAF steel produced from steel scrap generally faces limitations in higher value-added applications compared with blast furnace steel made from iron ore, Tokyo Steel's core products are primarily construction-related steel materials
- Tokyo Steel is a market leader in the H-beam segment, with strong competitiveness and high market share in Japan even when compared with blast furnace steelmakers
- The Company also manufactures flat steel products, including thin and heavy plates, and supplies steel to non-construction industries such as automotive, electrical equipment, and construction machinery

Building Material



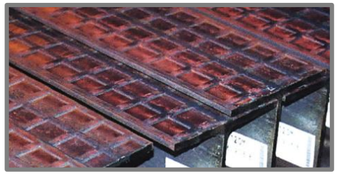
H-beams



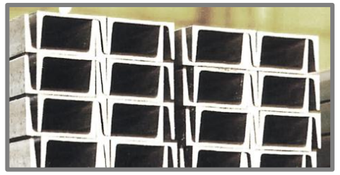
High-standard electric arc furnace H-beam



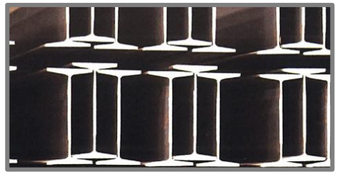
Extra-sized H-beams (Tuned-H)



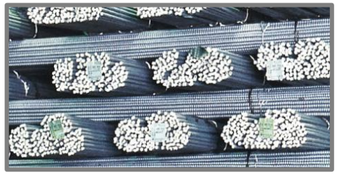
Striped H-beams



Grooved Steel



I-beams



Deformed steel bars



Toutetsu Column TSC295/STKR



U-shaped sheet pile

Steel Plate



Hot Coil



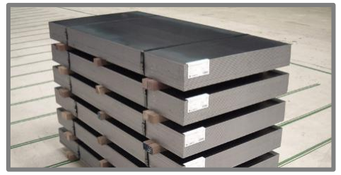
Pickling coil



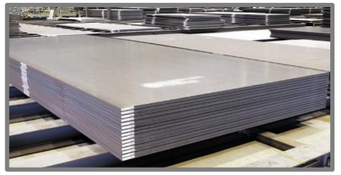
Hot-dip galvanized coil



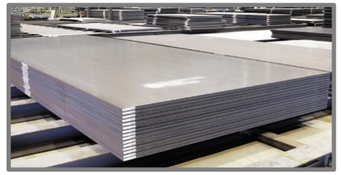
Striped Coil



Cut Sheet



Steel Plate



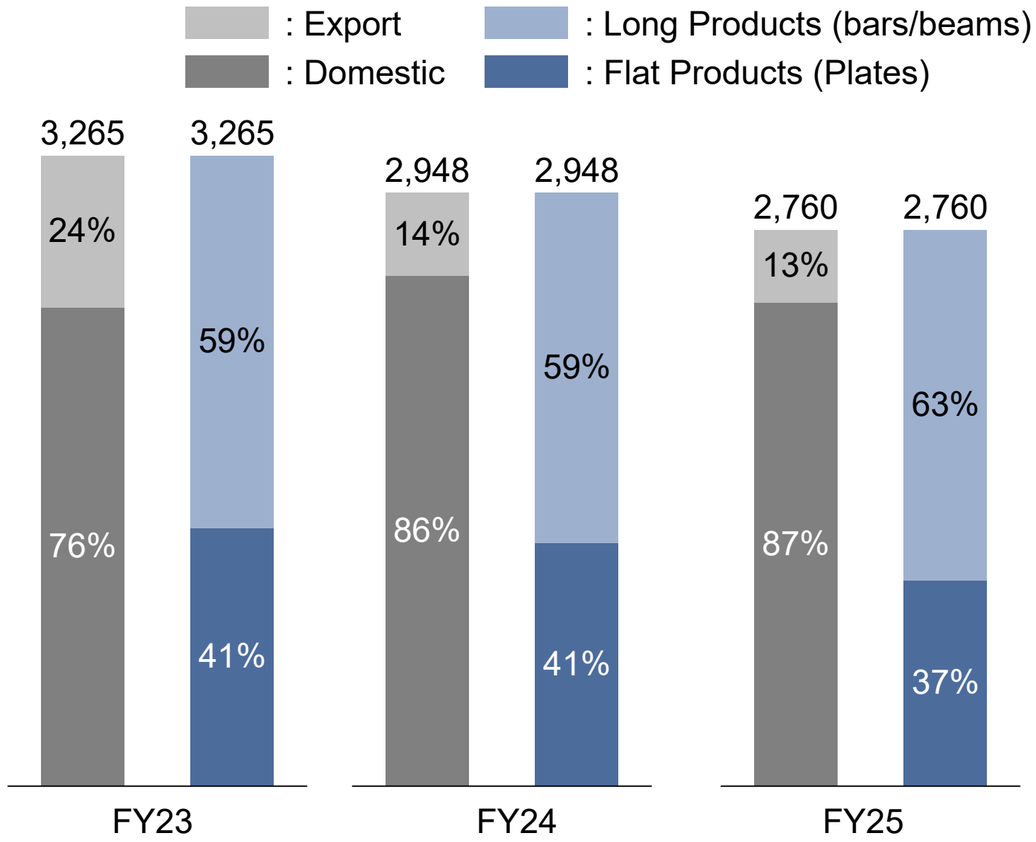
High-standard electric arc furnace steel sheet

Source: Tokyo Steel's disclosure

Shipment Mix Is Concentrated in Construction-Related and Domestic Demand

- Approximately 90% of Tokyo Steel's steel products are used in construction-related applications, resulting in high exposure to construction demand
- More than 80% of revenue is derived from the domestic market, making the Company's earnings structure highly sensitive to demand conditions in Japan
- At the same time, the Company is expanding sales into the automotive sector, with Toyota Motor's certification serving as one example of its growing presence in non-construction applications

		FY23	FY24	FY25
Export	Shipment Volume; '000 t	776	423	348
	Sales Price; '000 JPY	94.9	95.2	85.8
Domestic	Shipment Volume; '000 t	2,488	2,524	2,410
	Sales Price; '000 JPY	113.8	108.6	95.5
Total	Shipment Volume; '000 t	3,265	2,948	2,760
	Sales Price; '000 JPY	109.3	106.7	94.3
Production	Crude Steel; '000 t	3,608	3,204	3,070
	Steel Products; '000 t	3,337	2,914	2,806



Source: Tokyo Steel's disclosure

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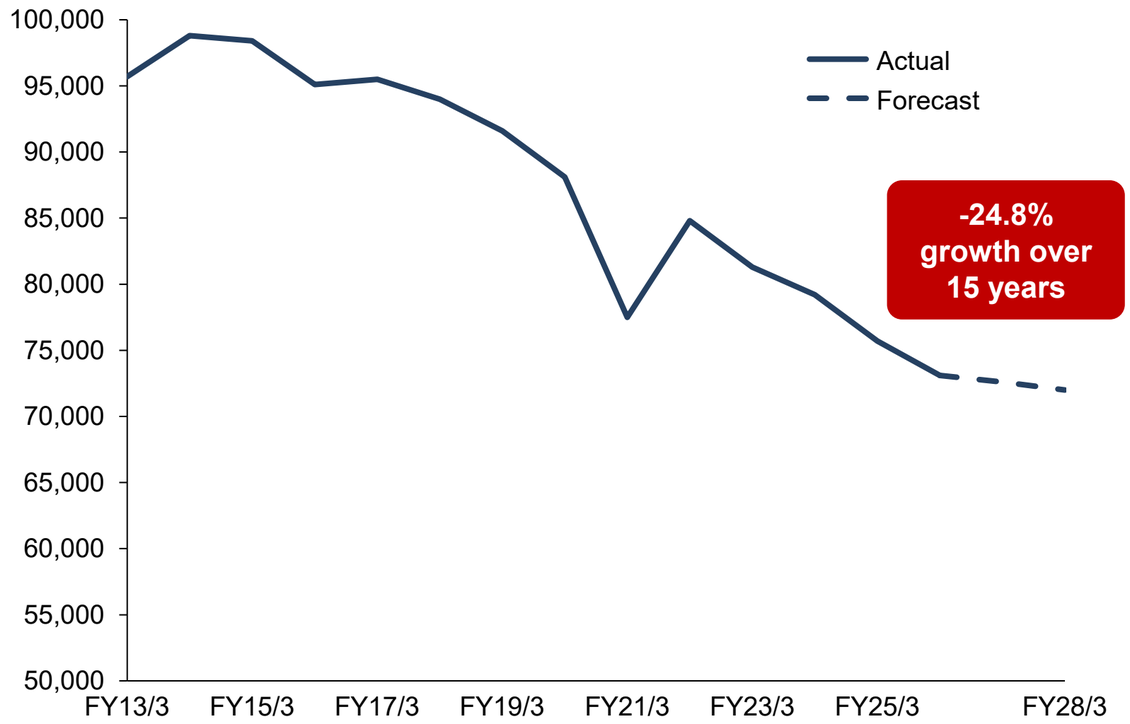
5. Oasis's Proposal to Tokyo Steel

6. Intrinsic Value of Tokyo Steel

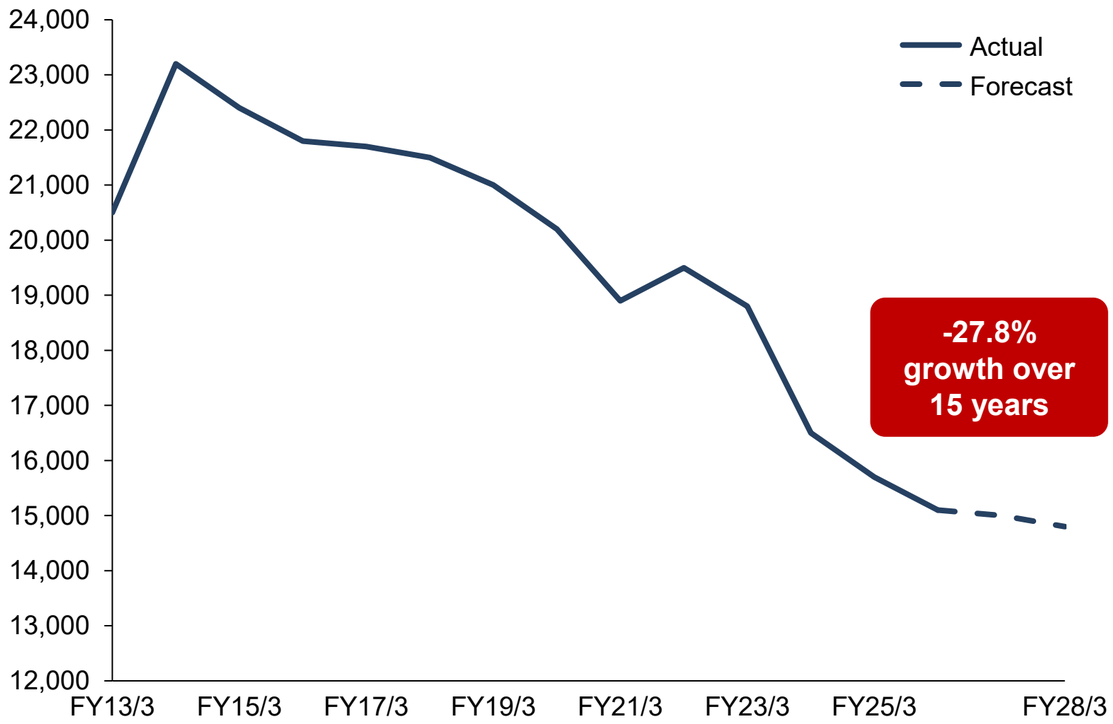
Domestic steel demand is on a declining trend, with a more pronounced drop in construction-related demand

- **Domestic steel demand has remained weak overall**, affected by rising interest rates, inflation, chronic labor shortages in the construction sector, and project delays. In addition, given Japan's shrinking population and sluggish construction investment, **a meaningful recovery in demand appears unlikely even over the medium to long term**
- Demand for construction-related steel products has been particularly impacted by rising construction costs driven by higher material and labor costs, leading to continued weakness in both residential and non-residential segments. As a result, **construction-related demand is structurally more vulnerable to downward pressure** than overall steel demand

Total Domestic Steel Demand;'000 t



Total Domestic Steel Demand for Construction;'000 t

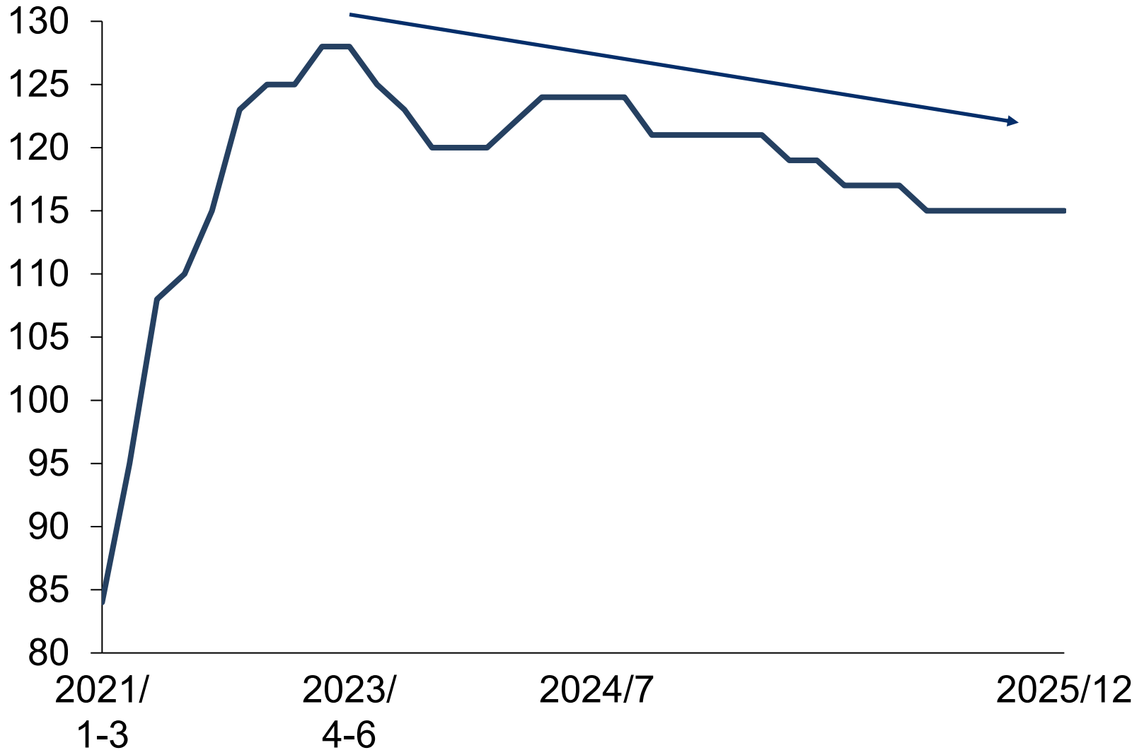


Source: Ministry of Economy, OECD, J.P. Morgan Forecast

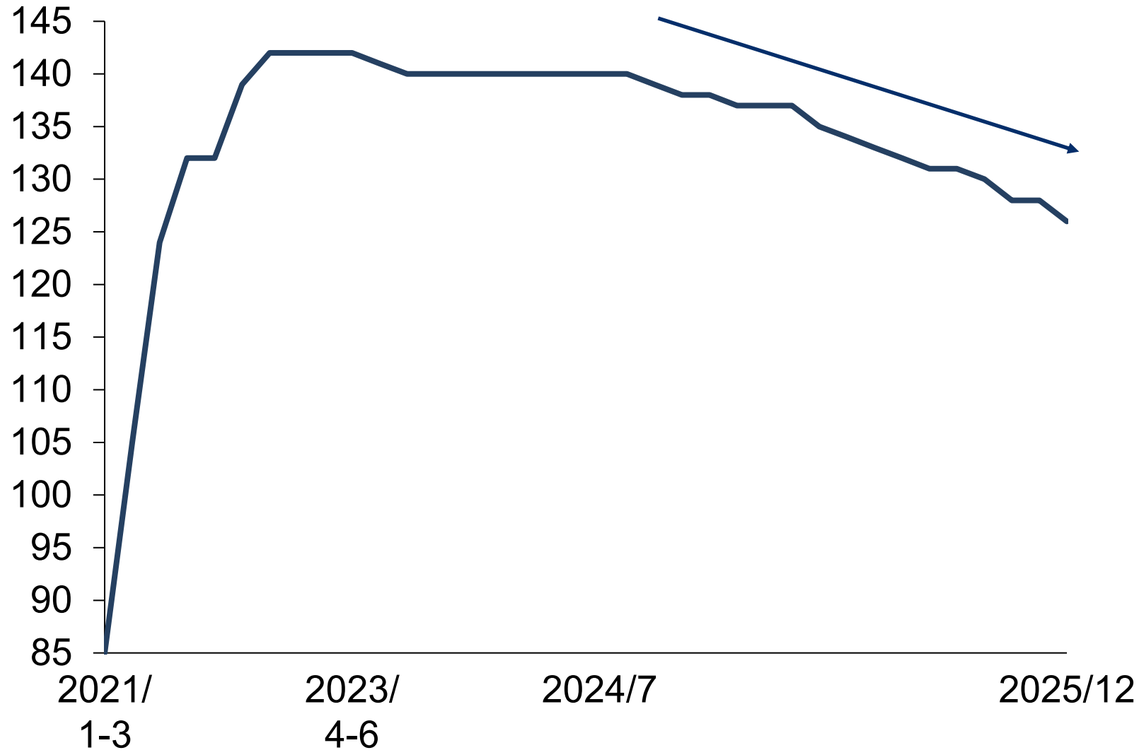
Domestic steel prices are on a downward trend due to the inflow of low-priced imported steel products

- The inflow of low-priced imported steel products, particularly from China, has intensified price competition in the domestic steel market, resulting in H-beam and steel plate prices remaining flat or trending downward
- In addition, due to the operational characteristics of blast furnaces, blast furnace steelmakers face difficulties in fully suspending production, making supply relatively sticky even during weak market conditions and thereby creating continued downward pressure on domestic steel prices

H-beam Price Trends; ’000 JPY / ton



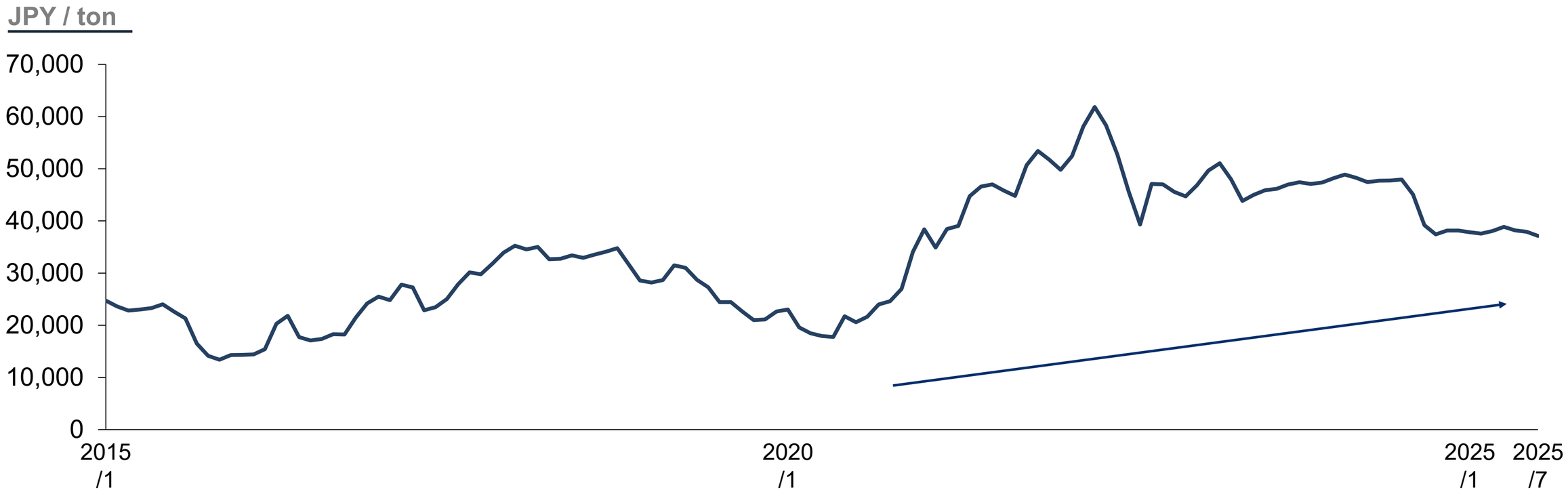
Steel Plate Price Trends (Heavy Plate / Sheet); ’000 JPY / ton



Source: The Japan Iron and Steel Federation

Steel scrap prices remain elevated despite weak domestic demand

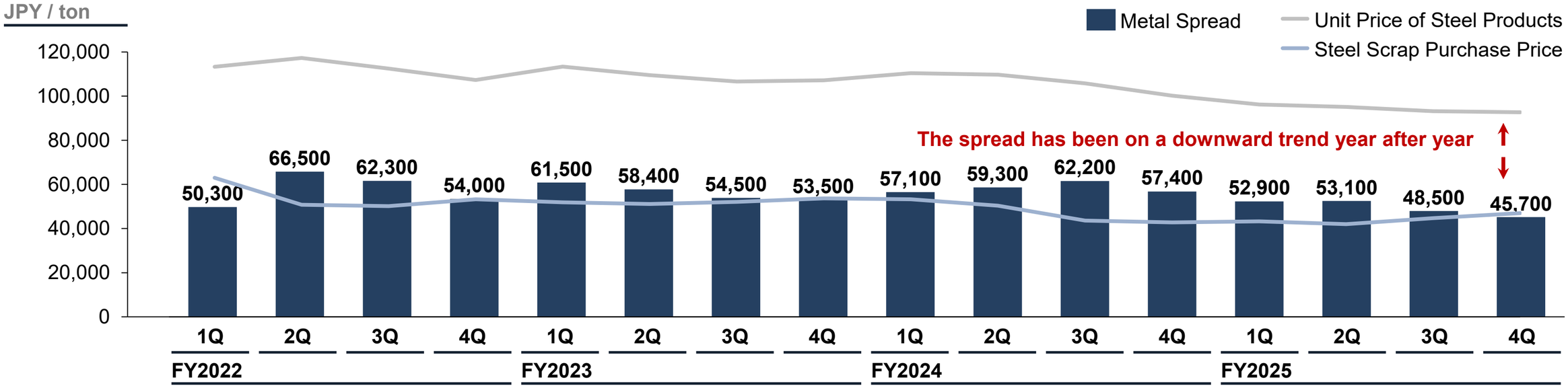
- Steel scrap prices have remained elevated despite sluggish steel product shipments and weak domestic demand, supported by the continued depreciation of the yen against the U.S. dollar
- A portion of steel scrap is exported to Southeast Asia and other regions and traded in U.S. dollars in overseas markets, making yen-denominated export prices more likely to rise during periods of yen weakness
- In addition, domestic steel scrap supply-demand conditions are structurally prone to tightening due to the global shift toward EAFs driven by decarbonization, as well as intensified scrap procurement competition with blast furnace steelmakers



Source: The Japan ferrous raw materials association

Tokyo Steel has not fully exercised its pricing power, and its metal spread is on a narrowing trend

- Despite holding a market-leading position in products such as H-beams, Tokyo Steel appears to prioritize securing shipment volumes over optimizing prices through price hikes, and its pricing strategy may therefore remain conservative against the backdrop of low utilization rates
- As a result, the Company has been unable to fully absorb rising steel scrap costs, and the metal spread — defined as the difference between product selling prices and raw material costs — has continued to narrow



	1Q FY2022	2Q FY2022	3Q FY2022	4Q FY2022	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024	3Q FY2024	4Q FY2024	1Q FY2025	2Q FY2025	3Q FY2025	4Q FY2025
Unit Price of Steel Products	113,300	117,300	112,500	107,300	113,400	109,500	106,600	107,200	110,400	109,700	105,800	100,200	96,200	95,100	93,200	92,700
Steel Scrap Purchase Price	63,000	50,800	50,200	53,300	51,900	51,100	52,100	53,700	53,300	50,400	43,600	42,800	43,300	42,000	44,700	47,000
Metal Spread	50,300	66,500	62,300	54,000	61,500	58,400	54,500	53,500	57,100	59,300	62,200	57,400	52,900	53,100	48,500	45,700

Steel Scrap Purchase Price: The steel scrap purchase price refers to the average unit purchase price of steel scrap used during the relevant quarter
Source: Tokyo Steel's disclosure

Against the backdrop of global steel oversupply and rising protectionism, Japan's steel industry is also being compelled to undergo structural transformation

- Amid global steel oversupply, particularly the inflow of Chinese steel products, countries around the world are increasingly strengthening anti-dumping duties, safeguard measures, and other import restrictions
- As tariffs and import restrictions are tightened across countries, surplus steel is increasingly losing access to end markets, making it more difficult for Japan's steel industry to remain competitive simply by maintaining supply under the traditional model. In this environment, structural reform through capacity rationalization and a shift toward higher value-added products is becoming necessary

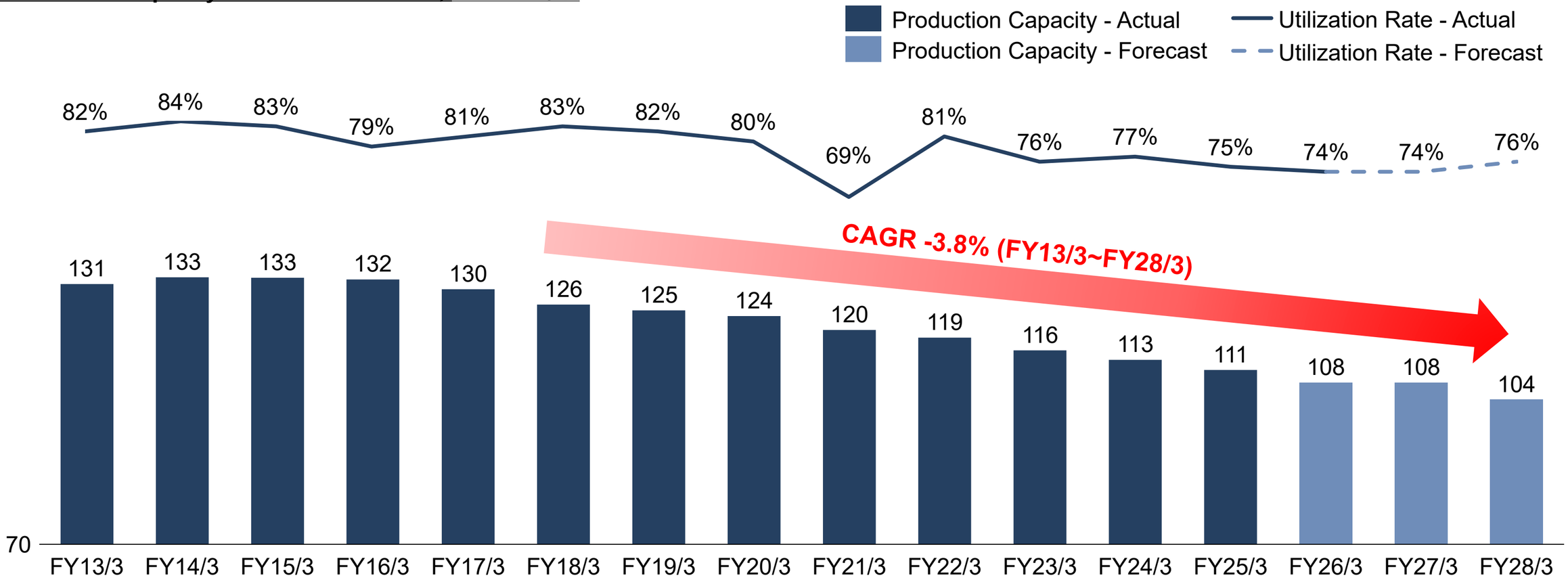
EU	▪ The EU fully **implemented the Carbon Border Adjustment Mechanism (CBAM) in January 2026,** imposing actual costs on high-carbon imports. Furthermore, starting July 2026, it will transition to a **powerful trade regime slashing tariff-free quotas by approximately 47%** and raising out-of-quota duties to 50%
USA	▪ After a Supreme Court unconstitutionality ruling, the U.S. **abolished previous tariffs** while immediately invoking a 10% provisional duty under "Section 122 of the Trade Act of 1974". Additionally, **it launched new "Section 301 investigations" targeting industrial overcapacity** to rebuild its legal foundation against import pressures from China
India	▪ In December 2025, India **extended phased 11–12% safeguard duties for three years to create a structural pricing floor for flat steel products**. Combined with five-year AD duties on Chinese electrical steel, this forms a robust, multi-layered defense to maintain import parity amidst global overcapacity
Brazil	▪ In February 2026, Brazil **imposed definitive five-year anti-dumping duties of up to $709.63 on Chinese cold-rolled and coated steel to counter unfair trade practices.** Combined with a temporary 25% tariff hike on nine steel and industrial products, this forms a robust, multi-layered shield against trade imbalances and global overcapacity
Mexico	▪ In February 2026, Mexico **initiated anti-dumping investigations into cold-rolled steel from the U.S., China, and Malaysia, alongside a countervailing duty probe against U.S. products**. Combined with policy alignment under the United States-Mexico-Canada Agreement (USMCA), this forms a strategic framework **to combat regional dumping and prevent circumvention of steel from outside North America**

Source: Oasis research

Forecast for Domestic Crude Steel Production Capacity and Utilization Rate Trends

- Japan's steel industry continues to face declining demand and falling utilization rates despite ongoing capacity reductions
- This highlights ongoing overcapacity and the need for more fundamental structural solutions

Production Capacity and Utilization Rate; Mil. tons; %



Source: Ministry of Economy, Trade and Industry; OECD, J.P. Morgan Forecast

Nippon Steel is pursuing structural transformation, shifting away from maintaining supply toward blast furnace shutdowns and a transition to EAFs

- In response to weak domestic steel demand, Nippon Steel is consolidating its production footprint and improving profitability through capacity reductions, including blast furnace shutdowns
- At the same time, the Company is advancing its shift toward EAFs through a joint venture with Nakayama Steel Works, accelerating its “Green Steel” strategy with decarbonization in mind

Nippon Steel to Rationalize Blast Furnace Capacity and Accelerate Transition to EAF

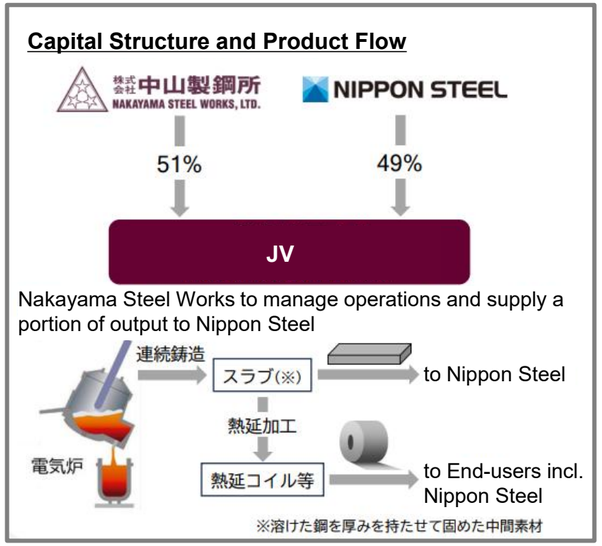
- **Consolidating Production Footprint and Cost Reduction:** Nippon Steel idled the Kashima No. 3 blast furnace by the end of March 2025, transitioning to a ten-furnace domestic structure. By right-sizing annual crude steel capacity from 45 million to 40 million tons, they expect to deliver 150 billion yen in cost improvements
- **Kashima Blast Furnace**: A Primary Production Hub for Plates and Structural Sections (Including Large-Scale H-Beams)
- **Driving Value-Added Growth and Decarbonization**: Concluding the structural reform phase to pivot investment toward high-margin products. The focus now shifts to achieving zero-emissions, centered on the transition to electric arc furnaces (EAF) by 2030



◀ The No. 3 Blast Furnace at the Kashima Site (Scheduled for Idling)

Nippon Steel and Nakayama Steel Works to Establish Joint Venture for Electric Arc Furnace Operations

- Nippon Steel (49%) and Nakayama Steel Works (51%) announced the establishment of an EAF joint venture in May 2025, with operations scheduled to commence in FY2027
- **Under the established JV**, Nakayama Steel Works **will lease the new electric arc furnace (EAF) to manage steel billet production**. A portion of this output will be processed via contract rolling and **supplied to Nippon Steel as finished products, such as hot-rolled coils**



Source: Nippon Steel, Nakayama Steel Works’ disclosure The Sankei Shimbun

JFE and KOBELCO are also advancing structural reform through facility consolidation and capacity reductions

- In response to weak domestic steel demand, blast furnace steelmakers such as JFE and KOBELCO are also reducing crude steel production capacity through facility suspensions and production consolidation, while working to strengthen profitability
- In addition, they are pursuing equipment conversion with lower environmental impact in mind, making both capacity reductions and decarbonization key directions in the industry's ongoing restructuring

JFE to Close Keihin Blast Furnace for Capacity Rationalization

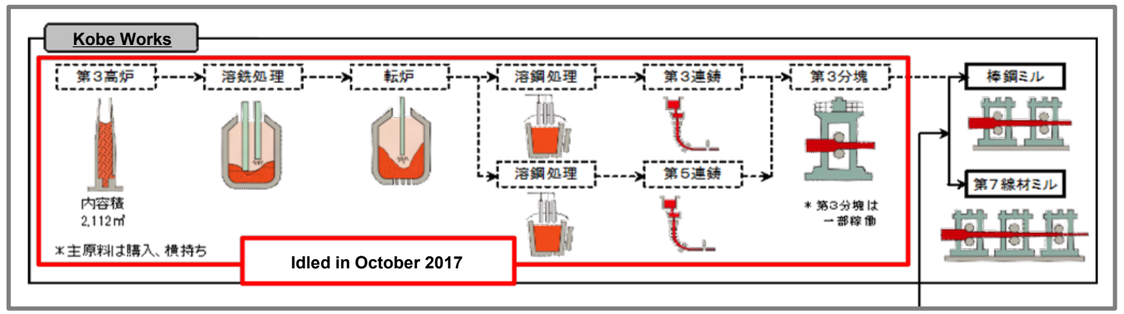
- **Consolidating Production Footprint and Rationalizing Capacity:** To adapt to evolving domestic and global market conditions, JFE has decided on structural reforms to transition from a eight-furnace to a seven-furnace configuration. This will reduce annual crude steel capacity by approximately 4 million tons (roughly 13%)
- **Idling of Major Facilities in the Keihin District**: Targeted September 2023 for the suspension of upstream operations (blast furnaces and steelmaking) and hot rolling facilities. Flat product production will be consolidated at the Chiba district to optimize efficiency



◂ The Idled No. 2 Blast Furnace at the East Japan Works (Keihin District)

KOBELCO Likewise Pursuing Blast Furnace Consolidation and Capacity Reduction

- KOBELCO **suspended the upstream operations at the Kobe Works** in October 2017 and consolidated production at the Kakogawa Works in Hyogo Prefecture.
- Going forward, with the dual objectives of reducing environmental impact and enhancing profitability, KOBELCO plans **to transition one unit at the Kakogawa site to an electric arc furnace (EAF) in the latter half of the 2030s**
- **Expected to deliver 15 billion JPY in annual cost savings through the idling of upstream operations**



Source: Tokyo Steel's disclosure

1. About Oasis

2. Company Profile

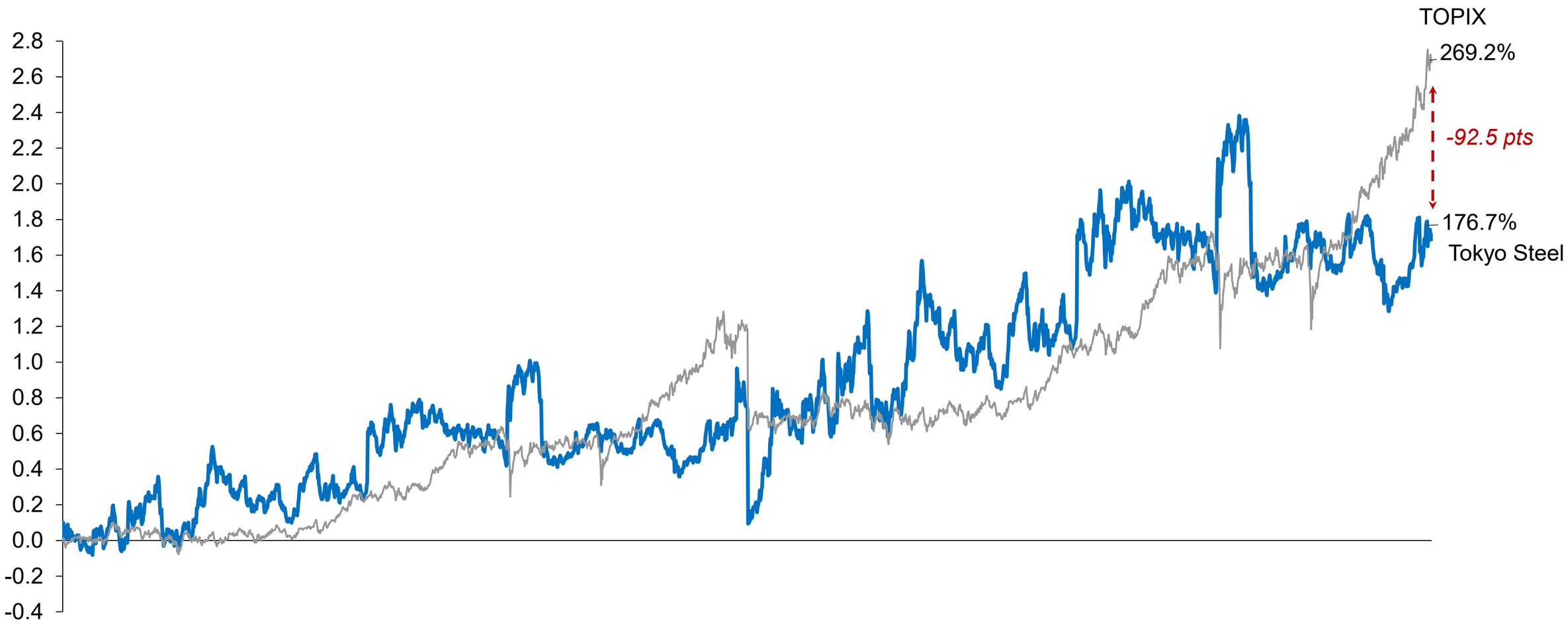
3. Steel Industry Environment

4. Issues at Tokyo Steel Resulting from the Current Management Team

5. Oasis's Proposal to Tokyo Steel

6. Intrinsic Value of Tokyo Steel

Tokyo Steel's Total Shareholder Return ("TSR") has underperformed the TOPIX by more than 90 points over the past five years

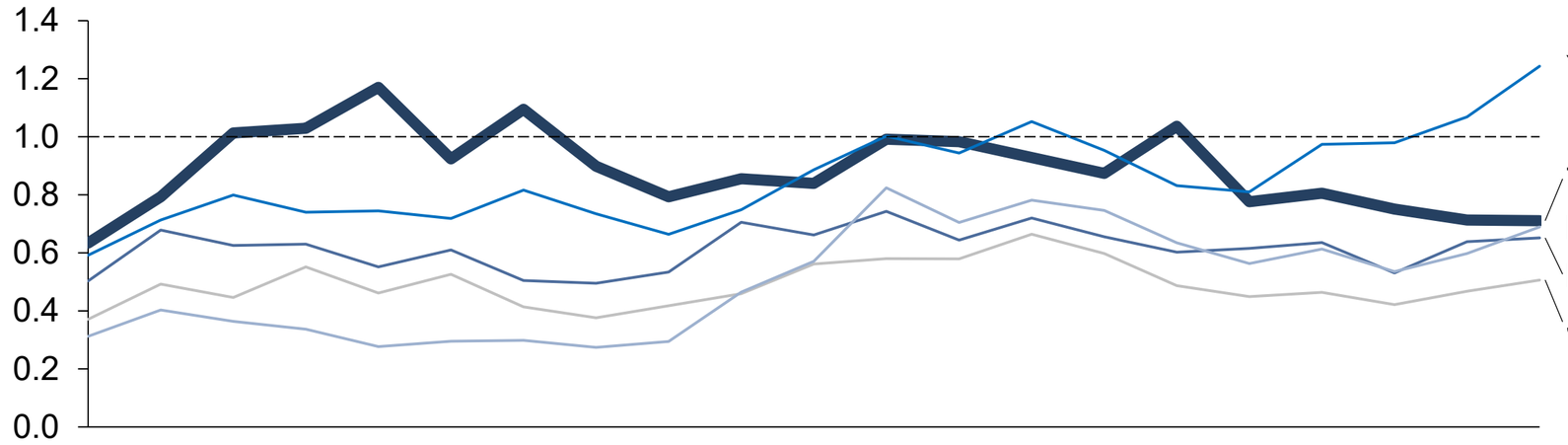


Source: Bloomberg as of May 1, 2026

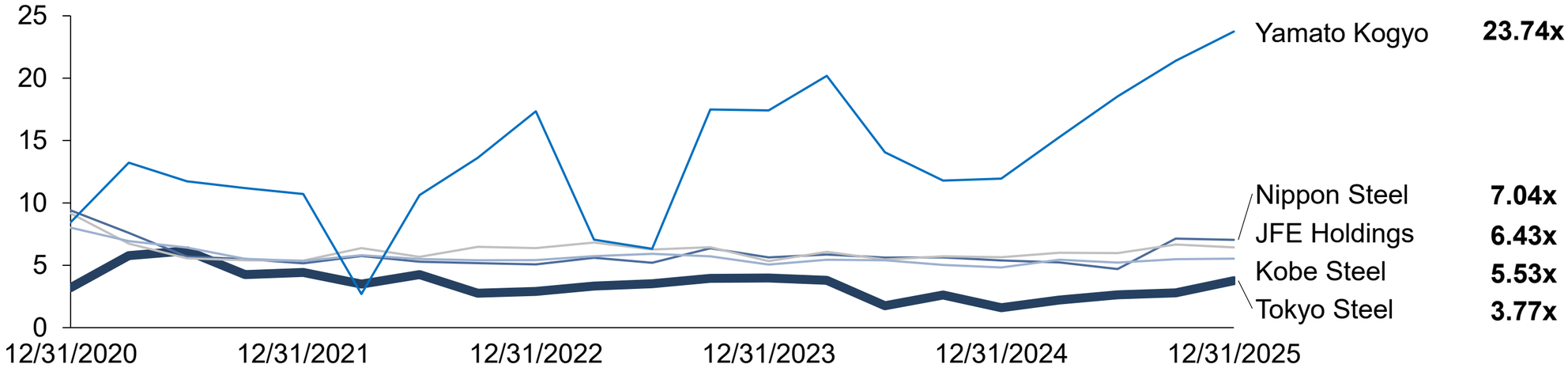
Over the past five years, Tokyo Steel's PBR has consistently remained below 1x. Similarly, Tokyo Steel's EV/EBITDA multiple has stayed at undervalued levels

As of 12/31/2025

PBR; x

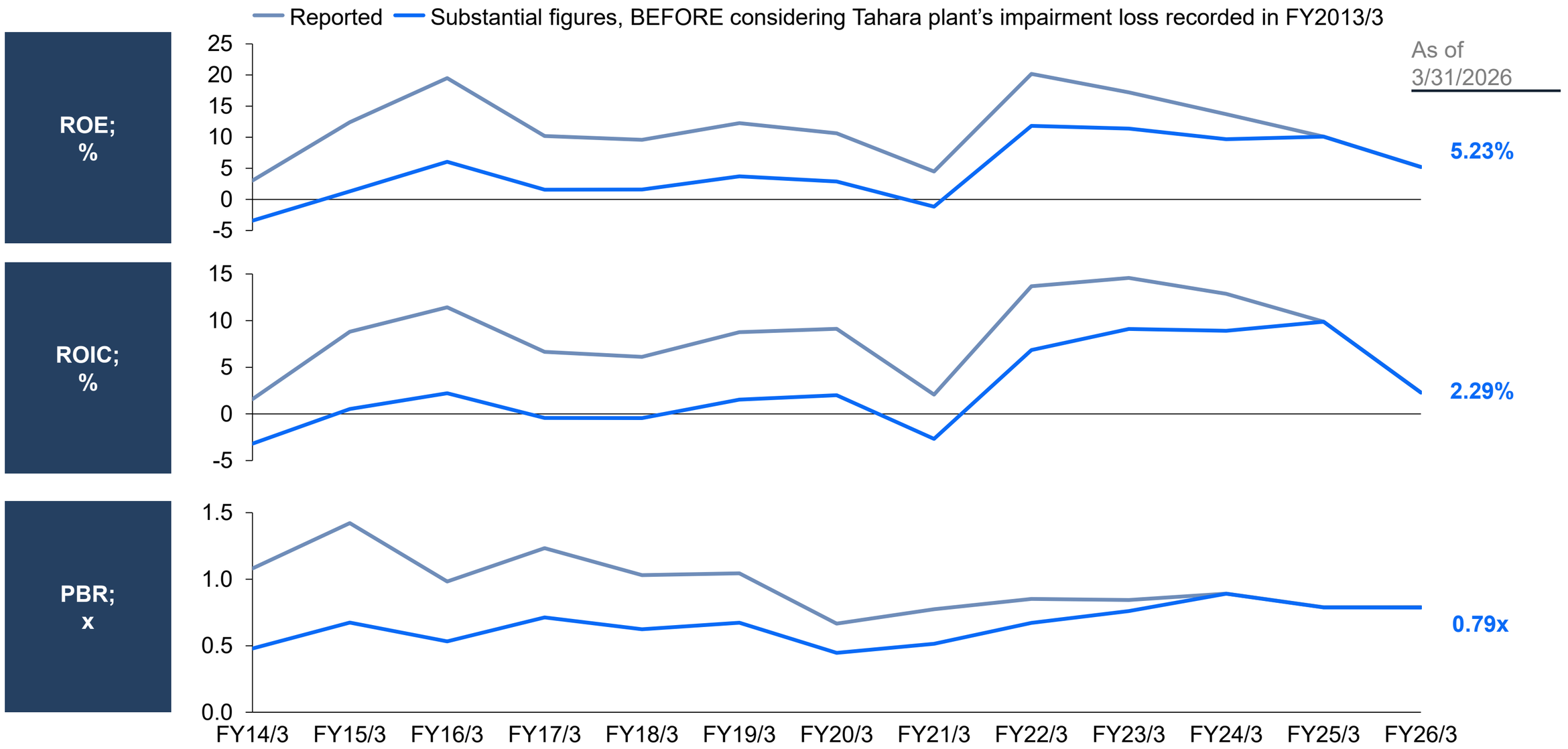


EV/EBITDA (FY+1); x



Source: Bloomberg

Furthermore, due to the impairment loss taken on the Tahara Plant in FY2012, ROE, ROIC, and PBR have shown “apparent” improvements since 2014. In reality, however, these indicators have remained at low levels over the long term.



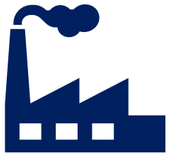
Source: Bloomberg

Issues behind the long-term stagnation of Tokyo Steel’s corporate value



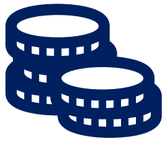
Issue 1: Decline in market confidence in management

- Confidence in management's commitment has declined due to the non-disclosure of a medium-term business plan and repeated failure to meet revenue targets
- Significant impairment losses recorded on past investments raise doubts about capital allocation capabilities
- Tokyo Steel's plan to double production by 2030 is premised on a doubling of demand, and has received no credibility from the market



Issue 2: Low operating rates and inefficient asset utilization

- Utilization rates have become normalized at a level of approximately 50%, which is remarkably low compared to the industry
- Management premised on these levels has continued, demonstrating a lack of proactivity toward the effective utilization of assets



Issue 3: Inefficient cash and capital policy

- Holding cash that significantly exceeds required levels
- The use and rationality of capital are opaque



Issue 4: Insufficient corporate governance

- A management structure centered on the founding family has continued for a long period
- Management's shareholding and performance-linked compensation are limited
- The IR structure is weak, and sufficient dialogue with the market is not being conducted

Tokyo Steel has not disclosed a concrete mid- to long-term management plan, and has only published a long-term environmental vision

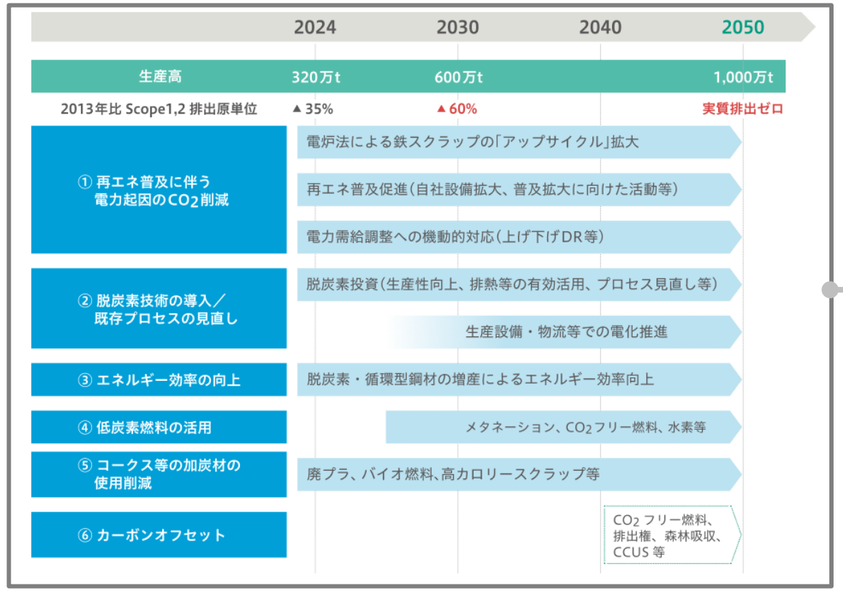
- In its long-term environmental vision, “Tokyo Steel EcoVision 2025”, the Company outlines **production targets of 6 million tons by 2030 and 10 million tons by 2050; however, the absence of a clear execution strategy raises concerns regarding the achievability of these targets**
- In IR meetings, the production target has been described as **"merely an aspirational goal, not a commitment," implicitly suggesting that it is effectively unachievable**

Governance Report

＜補充原則4－1－2　中期経営計画＞
　当社が属する普通鋼電炉業界の大きな特色は、市況産業であることであります。業績が景気変動に大きく左右されやすい中、経営判断において重要なのは機動性を担保する事であります。故に当社では中期経営計画等を定めず、折々の状況に応じて的確な判断が出来るよう努めております。

- *“…Tokyo Steel does not establish a medium-term management plan, etc., and strives to make accurate decisions in response to situations as they arise”*

Tokyo Steel EcoVision 2025



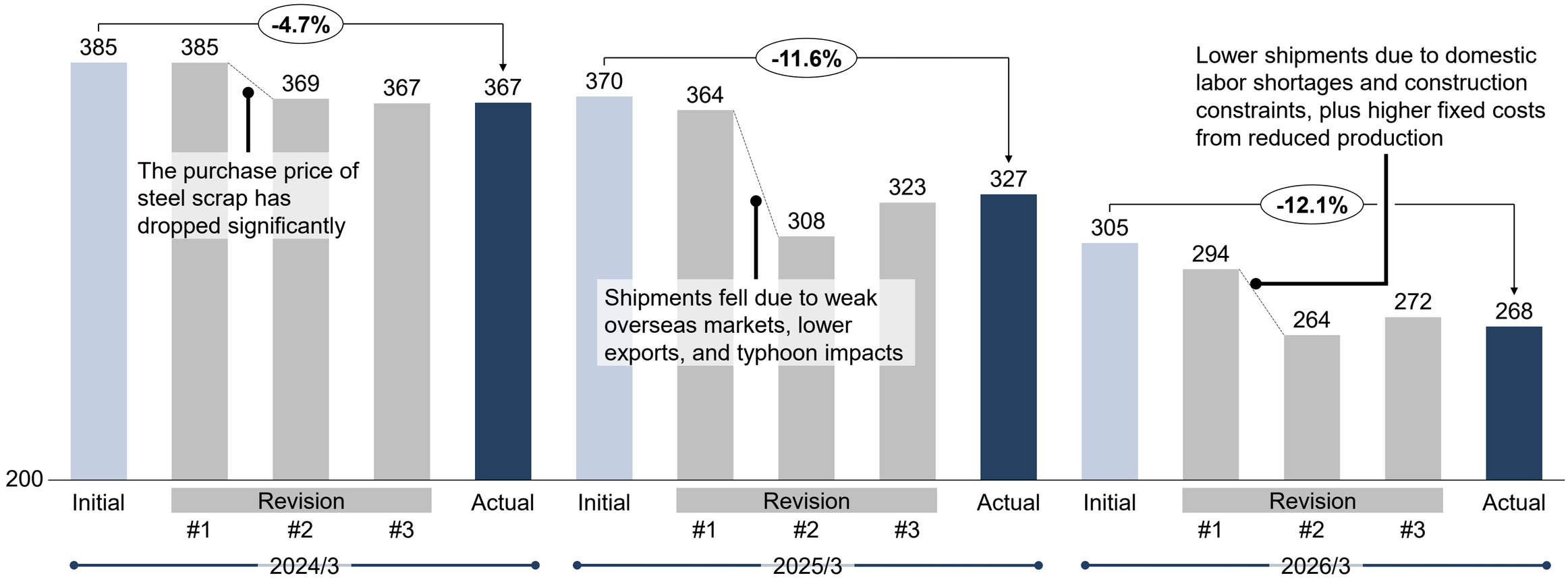
- While initiatives toward emission reductions are disclosed, they lack specificity
  - Expansion of Steel Scrap Upcycling
  - Promotion of Renewable Energy Expansion
  - Agile Response to Power Supply and Demand Adjustment, etc.

Source: Tokyo Steel’s Disclosures

Tokyo Steel has consistently revised down its full-year earnings forecasts over the past three fiscal years, calling into question the credibility of its planning capabilities

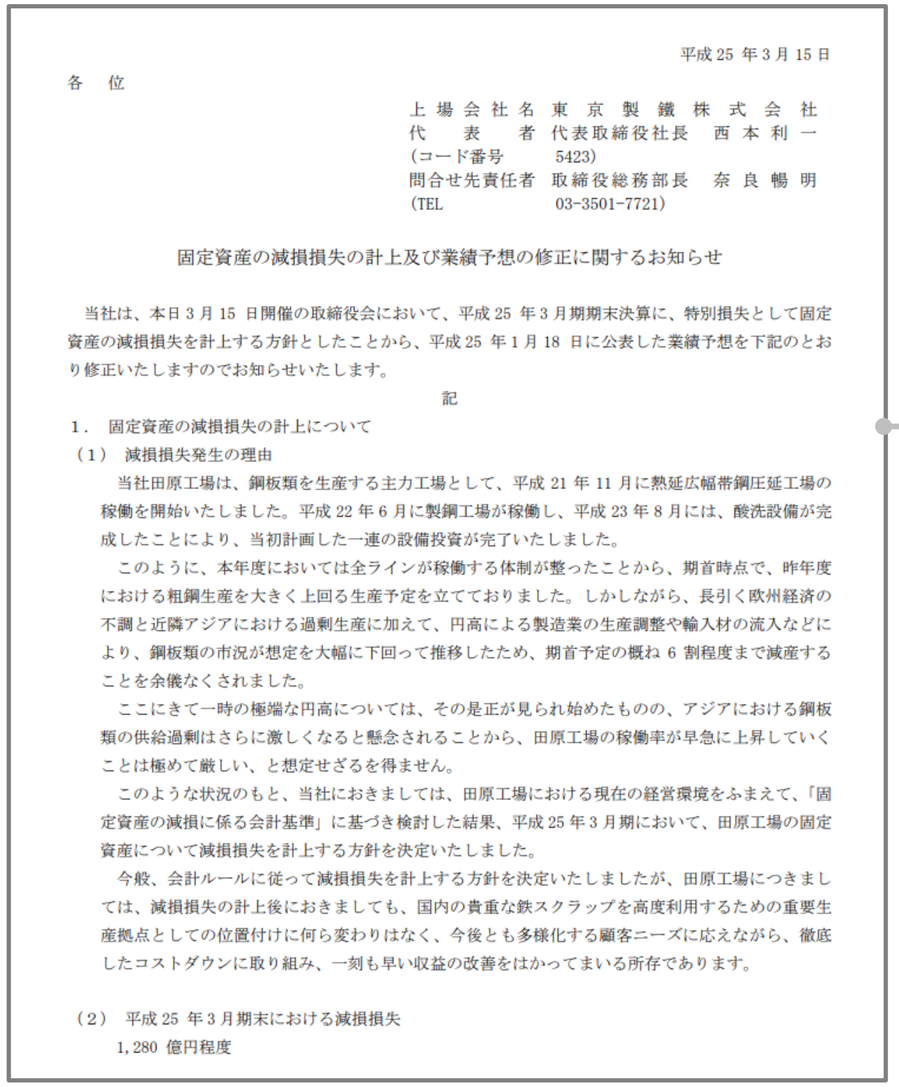
- From 2024 to 2025, the Company implemented multiple downward revisions to its earnings forecasts, culminating in a sharp stock price decline to the daily limit-down level in late October 2024

Revenue Forecasts; JPY bn



Source: Tokyo Steel's disclosures, Bloomberg

Furthermore, the construction of the Tahara Plant—Tokyo Steel's only large-scale investment in the last 20 years—resulted in the recognition of a significant impairment loss of 70% against the initial estimated investment amount



平成 25 年 3 月 15 日

各　位

上場会社名　東京製鐵株式会社
代表者　代表取締役社長　西本利一
(コード番号　5423)
問合せ先責任者　取締役総務部長　奈良暢明
(TEL　03-3501-7721)

固定資産の減損損失の計上及び業績予想の修正に関するお知らせ

当社は、本日 3 月 15 日開催の取締役会において、平成 25 年 3 月期期末決算に、特別損失として固定資産の減損損失を計上する方針としたことから、平成 25 年 1 月 18 日に公表した業績予想を下記のとおり修正いたしますのでお知らせいたします。

記

1．固定資産の減損損失の計上について

（1）減損損失発生の理由

当社田原工場は、鋼板類を生産する主力工場として、平成 21 年 11 月に熱延広幅帯鋼圧延工場の稼働を開始いたしました。平成 22 年 6 月に製鋼工場が稼働し、平成 23 年 8 月には、酸洗設備が完成したことにより、当初計画した一連の設備投資が完了いたしました。

このように、本年度においては全ラインが稼働する体制が整ったことから、期首時点で、昨年度における粗鋼生産を大きく上回る生産予定を立てておりました。しかしながら、長引く欧州経済の不調と近隣アジアにおける過剰生産に加えて、円高による製造業の生産調整や輸入材の流入などにより、鋼板類の市況が想定を大幅に下回って推移したため、期首予定の概ね 6 割程度まで減産することを余儀なくされました。

ここにきて一時の極端な円高については、その是正が見られ始めたものの、アジアにおける鋼板類の供給過剰はさらに激しくなると懸念されることから、田原工場の稼働率が早急に上昇していくことは極めて厳しい、と想定せざるを得ません。

このような状況のもと、当社におきましては、田原工場における現在の経営環境をふまえて、「固定資産の減損に係る会計基準」に基づき検討した結果、平成 25 年 3 月期において、田原工場の固定資産について減損損失を計上する方針を決定いたしました。

今般、会計ルールに従って減損損失を計上する方針を決定いたしましたが、田原工場につきましては、減損損失の計上後におきましても、国内の貴重な鉄スクラップを高度利用するための重要生産拠点としての位置付けに何ら変わりはなく、今後とも多様化する顧客ニーズに応えながら、徹底したコストダウンに取り組み、一刻も早い収益の改善をはかってまいる所存であります。

（2）平成 25 年 3 月期末における減損損失

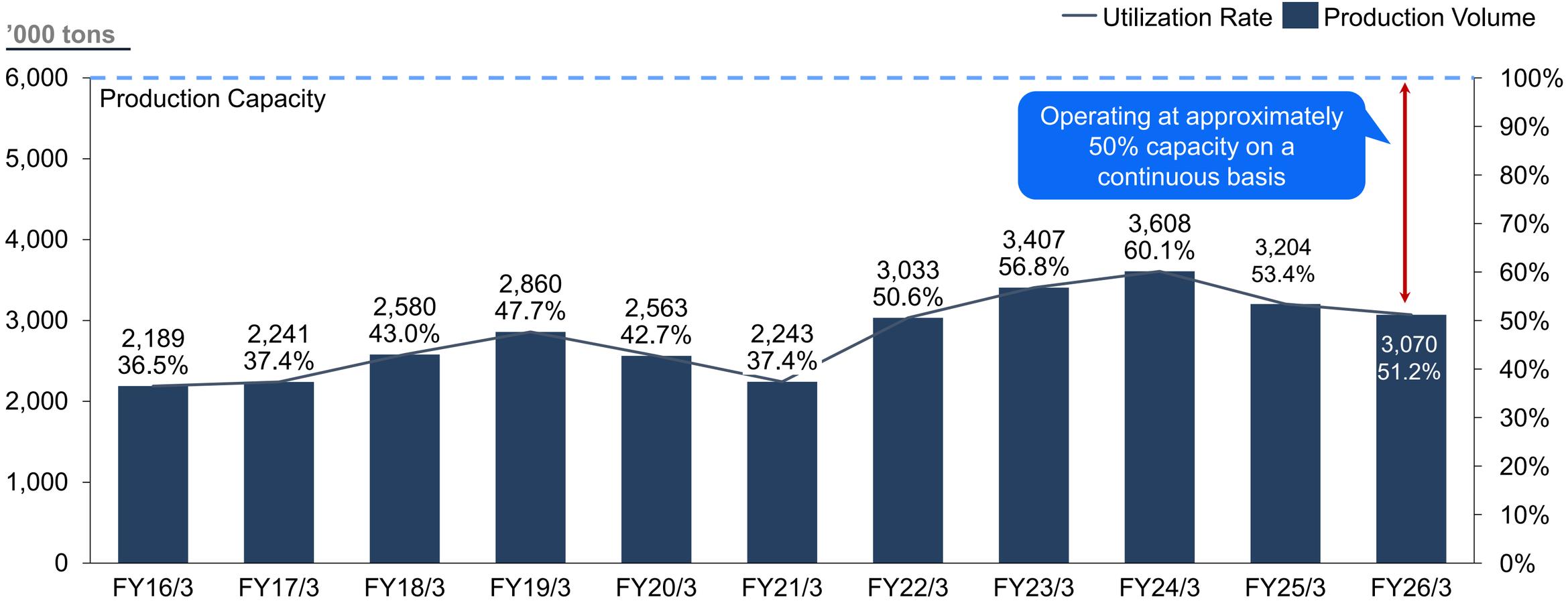
1,280 億円程度

- In the fiscal year ended March 2013, an impairment loss of 128.0 billion yen was recorded for the Tahara Plant. This means that an impairment of over 70% was incurred relative to the initial estimated investment amount for the Tahara Plant of approximately 177.2 billion yen
- Explained that *"Tokyo Steel was forced to reduce production to approximately 60% of the initial plan"*
- An impairment loss of over 100 billion yen for a single facility is extremely exceptional, even within the domestic steel industry

Source: Tokyo Steel's disclosure

Tokyo Steel's plant utilization rates remain low relative to its crude steel production capacity

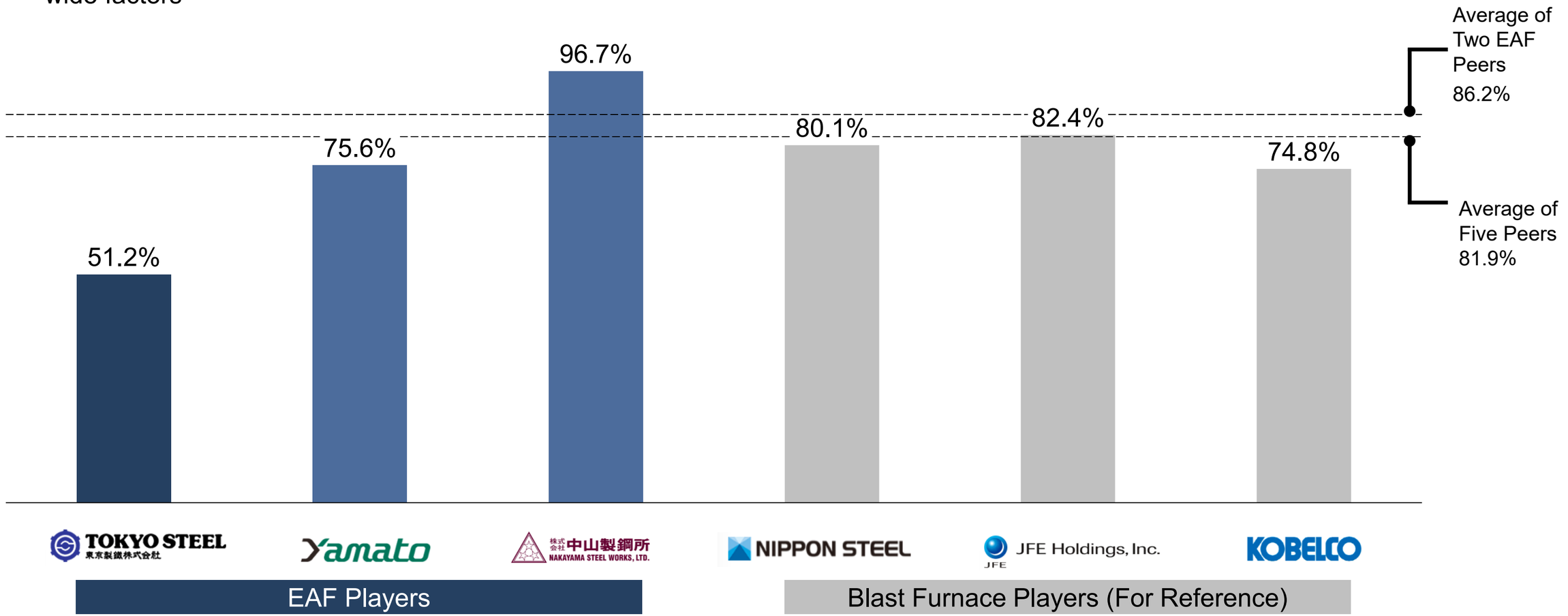
- Since the Tahara plant began operations in 2010, Tokyo Steel has maintained annual crude steel production capacity of 6 million tons, while actual production over the past ten years has peaked at only around 3.6 million tons, with utilization rates generally remaining at approximately 50%
- Given recent demand weakness caused by rising interest rates, inflation, and labor shortages in the construction sector, as well as Japan's long-term population decline, it appears unrealistic to achieve a meaningful improvement in utilization rates under the current operating model
- Oasis believes there is no credible roadmap to achieving the 6 million ton target, and no rational basis for maintaining 6 million tons of capacity



Source: Tokyo Steel's disclosure

Compared with peers, Tokyo Steel operates at lower utilization rates

- Tokyo Steel's utilization rate (~53%) is significantly below the ~80% average of major Japanese steel producers
- Even compared to other EAF players, its utilization remains low, suggesting company-specific structural issues rather than industry-wide factors



Source: Oasis research

Despite these persistently low utilization rates, Tokyo Steel has maintained its policy of preserving production capacity in anticipation of a future recovery in demand

Tokyo Steel's Position



Director Candidate / Executive Officer Mr. Soichiro Tsuda

- *Regarding the Tahara Plant, the Company's policy is to continue improving production efficiency while advancing decarbonization initiatives and related investments, **in preparation for a future recovery in demand**. The Company believes that maintaining and operating the plant to generate profits will contribute to enhancing corporate value*
- *The Board has determined that preparing for future growth in customer demand will benefit the Company as a whole*

- *The Tahara Plant has obtained certification from Toyota. Amid growing demand from Toyota and other customers for decarbonized steel products, the Company believes that **if the plant were sold and steel demand later recovered**, rebuilding equivalent facilities could not be accomplished quickly enough, resulting in significant opportunity losses*
- *With respect to revenue from Toyota, **the plant was only certified in autumn 2025, and therefore the expected sales contribution remains unclear at this stage. It has also not yet been determined which automotive components the products will be used for***

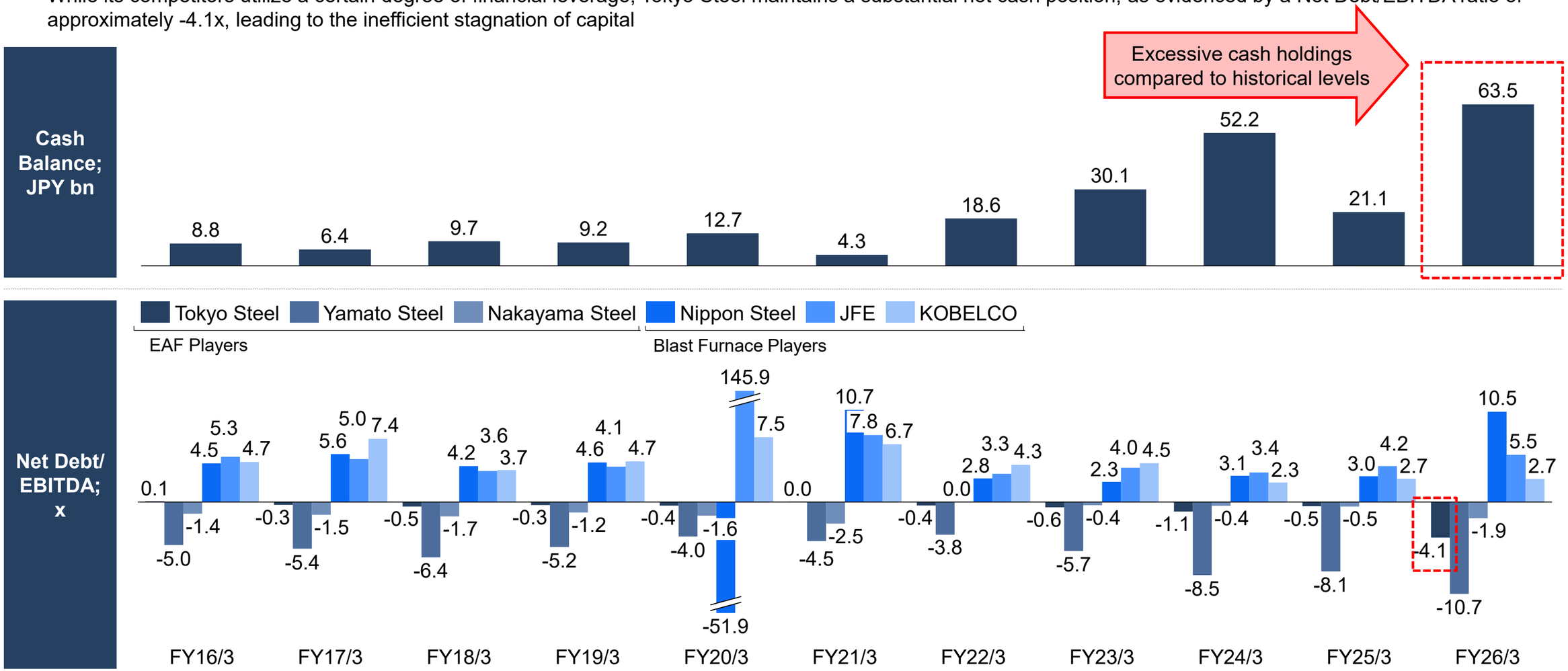
Oasis's Concerns

- With respect to the underutilized Tahara and Utsunomiya plants, the **market environment does not support a meaningful increase in domestic demand** for the steel products manufactured at these facilities — namely hot coils and processed coil products at the Tahara Plant, and primarily H-beams at the Utsunomiya Plant. **Accordingly, Tokyo Steel's argument, premised on a future recovery in demand, lacks sufficient rationality**

- While Tokyo Steel has repeatedly emphasized its Toyota certification, **the impact on financial performance has been extremely limited, and the company has also failed to provide any concrete indication of future revenue contribution or demand outlook**
- Furthermore, major blast furnace producers such as Nippon Steel, JFE, and Kobe Steel are also focusing on supplying Toyota with electric arc furnace-produced products, making **it unlikely that Tokyo Steel can establish a competitive advantage**

Tokyo Steel maintains excessive cash reserves relative to its competitors

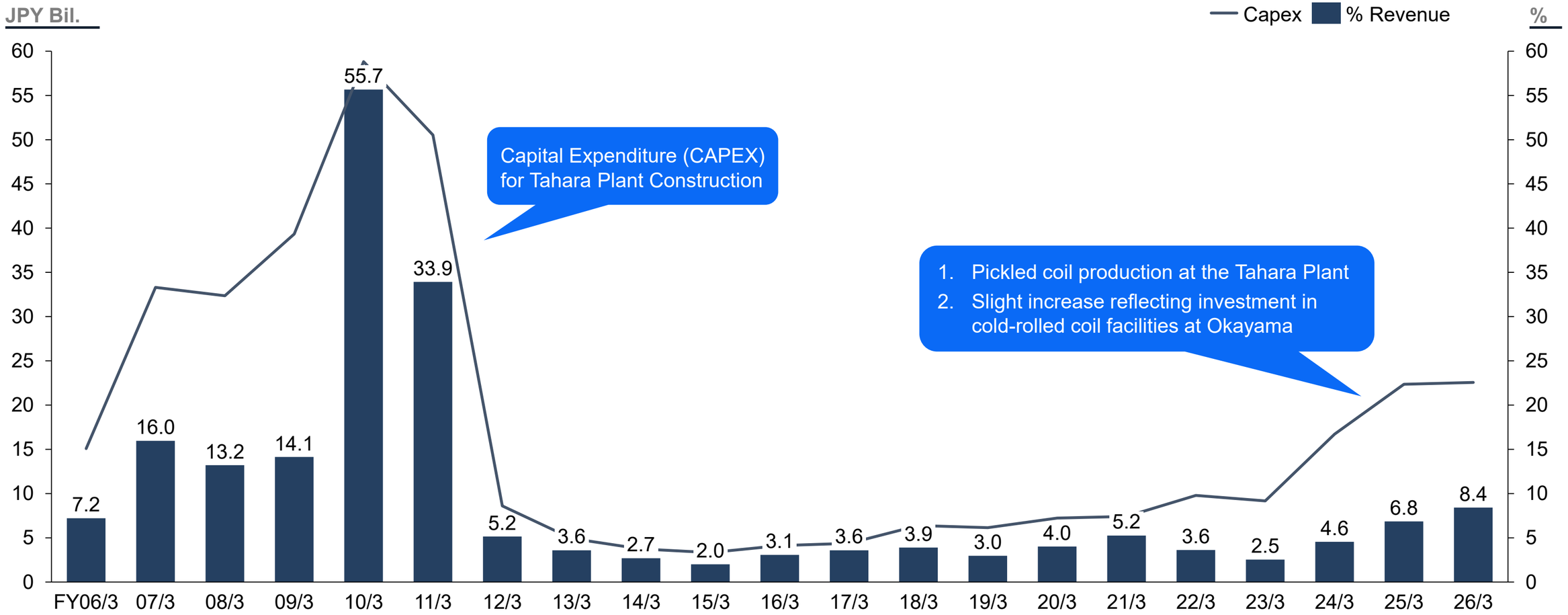
- Tokyo Steel has steadily accumulated its cash reserves, which currently stand at approximately JPY 63.5 billion
- It also holds additional JPY 10.5 billion of short term investments
- While its competitors utilize a certain degree of financial leverage, Tokyo Steel maintains a substantial net cash position, as evidenced by a Net Debt/EBITDA ratio of approximately -4.1x, leading to the inefficient stagnation of capital



1: Net Debt/EBITDA for Tokyo Steel, Nippon Steel, Kobe Steel, JFE, Nakayama Steel is based on 25/12 figures, as 26/3 results have not yet been announced
Source: Each company's disclosures, Bloomberg

Conversely, capital demand remains limited when compared to Tokyo Steel's historical CAPEX levels

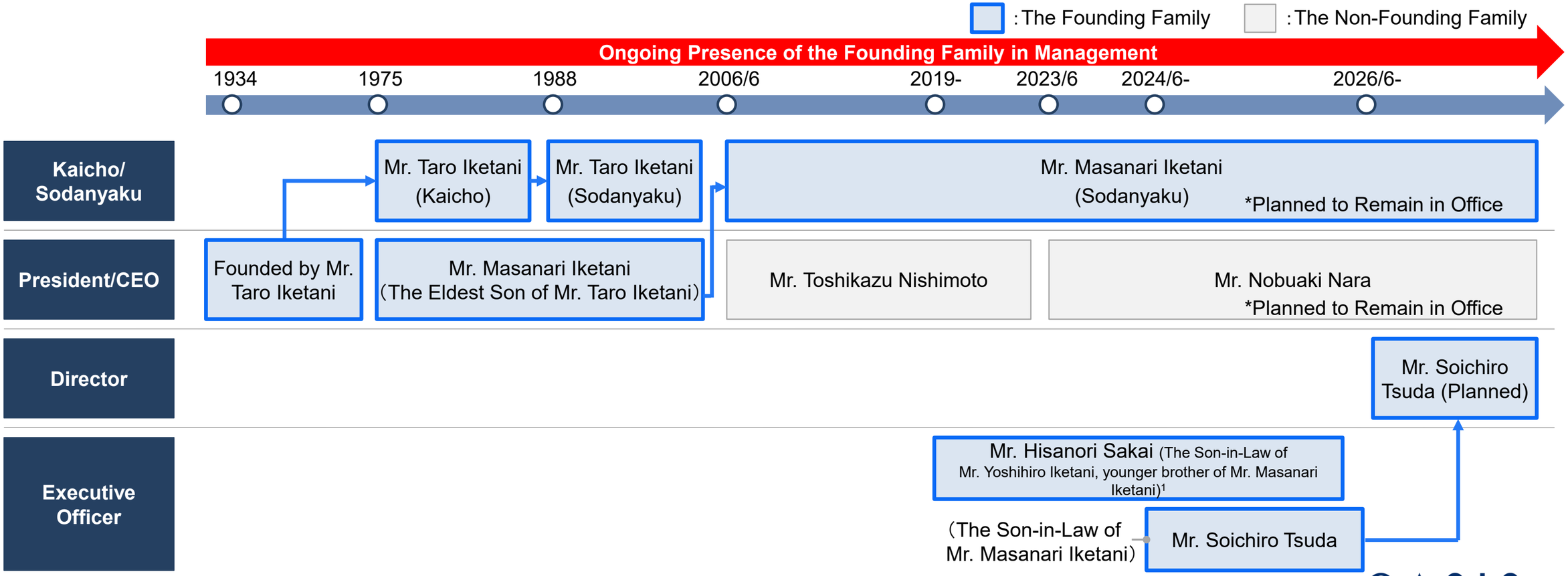
- Capital expenditure peaked during the construction of the Tahara plant and has since stabilized at approximately 3 to 5 billion yen per year
- Despite these limited funding needs, the company currently holds approximately JPY 63.5 billion in cash and deposits and approximately JPY 10.5 billion in short term investments. Yet, the Company has not provided a rational explanation for either the level of cash holdings or its capital allocation policy



Source: Tokyo Steel's disclosure

A long-standing family-run management system continues to this day

- Since its founding in 1934, the founder, Mr. Taro Iketani, served as President for 41 years, followed by his son, Mr. Masanari Iketani, who served as President for 31 years. While Mr. Nara, who is not from the founding family, currently serves as President, Mr. Masanari Iketani remains as a Sodanyaku, and Mr. Masanari Iketani's sons-in-law, Mr. Tsuda, serve as Executive Officers (Mr. Tsuda is scheduled to be appointed as a Director after the next Annual General Meeting of Shareholders)
- As top management are selected from within the founding family, a family-centered management structure continues to this day, with the founding family maintaining significant influence over management
- Director nominee Mr. Tsuda began his career as a TV announcer at NHK before joining Tokyo Steel in 2013 - widely attributed to his family ties to the founding family rather than professional merit. His background raises serious questions about his qualifications to serve as a board director of a listed company.



1. Resigned in March 2026

Source: Tokyo Steel's disclosure

Mr. Iketani, who served as President for 31 years, has remained at the Company as Sodanyaku for the past 20 years

- Mr. Iketani, a member of the founding family, served as President and Representative Director for a 31-year period starting in 1975. Since stepping down from the board in 2006, he has continued to serve as Sodanyaku at Tokyo Steel for the subsequent 20 years
- While Mr. Nishimoto and Mr. Nara have since served as presidents, the continued presence of Mr. Iketani—a member of the founding family—raises concerns that he may still exert substantial influence over management's decision-making process, potentially undermining the autonomy of his successors
- Furthermore, the Corporate Governance Report lacks explicit disclosure regarding Sodanyaku's status. Consequently, their specific role and remuneration remain opaque to stakeholders



Sodanyaku
Mr. Iketani

Career Summary

1968	Joined Tokyo Steel, then led by his father, Mr. Taro Iketani
1969	Joined Tosa Electric Steel Works
1970	Appointed as President and Director of Tosa Electric Steel Works
1975	Appointed President of Tokyo Steel at age 29, concurrent with the Tokyo Steel - Tosa Electric Steel Works merger
2006	Appointed as Sodanyaku of Tokyo Steel (Incumbent)

Source: Tokyo Steel's disclosure

The Practical Guidelines published by the Ministry of Economy, Trade and Industry (METI) have noted concerns regarding the presence of senior advisors; accordingly, the guidelines recommend the voluntary disclosure of their specific roles and responsibilities

- The Practical Guidelines for Corporate Governance Systems issued by the Ministry of Economy, Trade and Industry (METI) point out that the appointment of former presidents as Senior Advisors (Sodanyaku)—rather than as directors who are subject to shareholder approval—raises concerns from a corporate governance perspective
- Furthermore, the guidelines express the expectation that companies maintaining such positions should voluntarily disclose relevant information through Corporate Governance Reports and other disclosure channels

5.6. The Role of Senior Advisors and Executive Advisors (Sodanyaku and Komon)

経済産業省
Ministry of Economy, Trade and Industry

Concerns have been raised that **Senior and Executive Advisors—who bear no legal accountability for corporate management—may exert undue influence over incumbent management teams, leading to detrimental outcomes such as ambiguity regarding the actual locus of leadership**. Furthermore, it has been noted that **even in the absence of active influence, the presence of such advisors can hinder decisive action; current management may hesitate to make bold strategic moves, such as business portfolio restructuring, out of excessive deference to the intentions of advisors who previously served as President or CEO**.

Furthermore, as the roles and remuneration of Senior and Executive Advisors are not standardized across companies, there is an undeniable lack of transparency from an external perspective. In some instances, the actual status and functions of these advisors are not clearly understood even within the organization itself. From the perspective of advancing corporate governance reform across Japan as a whole, **it is desirable for companies to refrain from sequestering former Presidents and CEOs as internal advisors; instead, they should ensure that these individuals are not restricted from contributing their expertise as outside directors for other companies**.

When a company appoints former Presidents or CEOs to the positions of Senior or Executive Advisors, **it is expected to voluntarily disclose information regarding the number of such individuals, their specific roles, and their remuneration and treatment, through Corporate Governance Reports and other external communication channels**

Practical Guidelines for Corporate Governance Systems

Translated by Oasis
Source: Ministry of Economy, Trade and Industry

In practice, the founder-dominated management structure has been one of the factors contributing to lower employee motivation



Tokyo Steel's Employee

"

The company is characterized by family-run management and a rigid seniority system, where it's not uncommon to see underperforming individuals routinely holding management positions. While there are some talented and capable people in every department who are recognized for their individual work, it remains difficult for them to move up the career ladder based on merit; salary increases are still almost entirely tied to age.
Furthermore, **being a member of the founding family is essentially a prerequisite for reaching executive or senior leadership roles at the head office**



Tokyo Steel's Employee

"

Given the current economic situation in Japan, it is increasingly necessary to enhance added value. Therefore, I would like the management to understand the importance of strengthening research and development efforts so as not to fall behind other companies and to maintain customer trust. Additionally, in some workplaces, **there are incompetent individuals in managerial positions who contribute little to actual work. This situation undermines the motivation and ambition of subordinates who are effectively handling most of the responsibilities, ultimately leading to a loss of competitiveness.** It is important to recognize that there is a need for a system that holds those who have already been promoted accountable and pushes them to improve.

Source：OpenWork (reproduced verbatim from the original)

Executive share ownership remains exceptionally low, and the current remuneration structure lacks a significant link to business performance

- Tokyo Steel's management exhibits **exceptionally low levels of alignment with equity performance**.
- The remuneration structure in FY2024 was **heavily skewed toward fixed pay (96.4%), with performance-based incentives representing a mere 3.6%.** Such a marginal link to corporate performance **fails to incentivize value creation, creating a clear misalignment between management rewards and shareholder interests**
- Furthermore, insider ownership among Tokyo Steel's executive team remains insufficient. Even for Mr. Nara, who has served as a director for over 13 years, his personal shareholding is remarkably low. This highlights a remuneration framework that is almost entirely decoupled from the company's business performance
- According to WTW, long-term incentives account for approximately 33% of total compensation at Japanese companies, significantly above Tokyo Steel's current level

	Name of Director	Title	Remuneration; JPY Mil	Fixed Remuneration Ratio	Number of Shares Held	Market Value of Shares Held; JPY Mil	Tenure; years
	**Mr. Nobuaki Nara**	▪ Representative Director ▪ President and Executive Officer	133 (Total)	95.7%	48,663	79.2	13
	**Mr. Yuji Komatsuzaki**	▪ Director ▪ Managing Executive Officer ▪ General Manager of Sales Division			14,291	23.3	11
	**Mr. Takafumi Asai**	▪ Director ▪ Standing Audit and Supervisory Committee Member	14	100%	9,590	15.6	2
	**Mr. Hiroaki Hoshi**	▪ Director ▪ Outside Director (Audit and Supervisory Committee Member)	13 (Total)	100%	1,500	2.4	4
	**Ms. Kaoru Miwa**	▪ Director ▪ Outside Director (Audit and Supervisory Committee Member)			400	0.7	2

Fixed remuneration accounts for 96.4% of total pay

Source: Tokyo Steel's disclosure, Bloomberg, Willis Towers Watson

JPX has emphasized that director remuneration should be structured as a remuneration framework designed to incentivize corporate growth

Principle 4.2 Roles and Responsibilities of the Board

The remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

Supplementary Principle 4.2.1

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to longterm results and the balance of cash and stock should be set appropriately.

Corporate Governance Code

Source: Japan Exchange Group

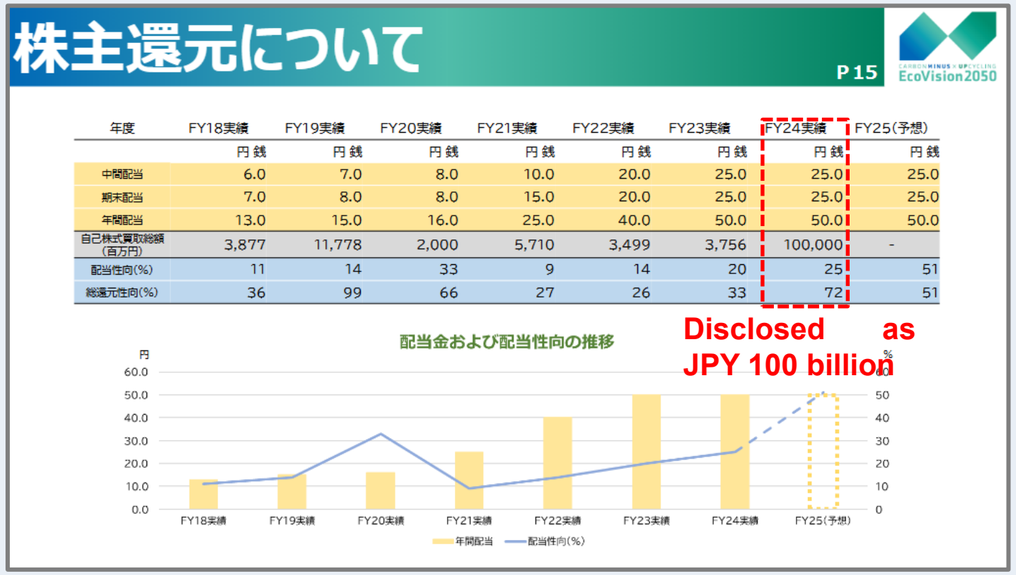
A series of individual incidents also highlights serious deficiencies in Tokyo Steel's IR framework

1 Refusal to hold one-on-one meetings with buy-side analysts

- The Company abolished one-on-one meetings with buy-side analysts and shifted to a policy of holding only large-group meetings
- While the Company's Corporate Governance Report emphasizes the importance of constructive dialogue with shareholders, in practice it does not provide opportunities for individual engagement

2 Errors in earnings materials

- In the FY2025 second-quarter earnings presentation materials, the Company mistakenly disclosed the share buyback amount at approximately 10 times the actual figure (initially disclosed as JPY 100 billion, while the actual amount was JPY 10 billion)
- This error related to a key shareholder return metric and highlights deficiencies in the Company's disclosure controls and review process for material information



年度	FY18実績	FY19実績	FY20実績	FY21実績	FY22実績	FY23実績	FY24実績	FY25(予想)
	円 銭	円 銭	円 銭	円 銭	円 銭	円 銭	円 銭	円 銭
中間配当	6.0	7.0	8.0	10.0	20.0	25.0	25.0	25.0
期末配当	7.0	8.0	8.0	15.0	20.0	25.0	25.0	25.0
年間配当	13.0	15.0	16.0	25.0	40.0	50.0	50.0	50.0
自己株式買取総額(百万円)	3,877	11,778	2,000	5,710	3,499	3,756	100,000	-
配当性向(%)	11	14	33	9	14	20	25	51
総還元性向(%)	36	99	66	27	26	33	72	51

3 Refusal to meet in response to requests from Oasis

- Despite requesting meetings with directors on multiple occasions (four times in total), Oasis was unable to secure a single meeting
- Instead, Oasis was only offered meetings with executive officers, who are not directly accountable to shareholders through shareholder approval

4 Potential unequal treatment of certain shareholders

- Oasis was notified of earnings briefings and group IR meetings only six business days prior to the events (whereas companies typically provide notice several weeks to one month in advance)
- At the FY2025 third-quarter earnings briefing held on January 23, 2026, Oasis was informed that the meeting would begin at 3:15 p.m., whereas the meeting in fact started at 3:00 p.m.
- During both the earnings briefing and the group IR meeting, Oasis experienced extended periods in the Zoom waiting room and was unable to join the sessions in a timely manner

Source: Tokyo Steel's disclosure

1. About Oasis

2. Company Profile

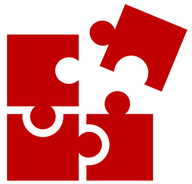
3. Steel Industry Environment

4. Issues at Tokyo Steel Resulting from the Current Management Team

5. Oasis’s Proposal to Tokyo Steel

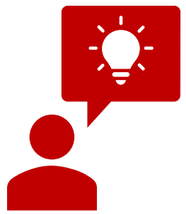
6. Intrinsic Value of Tokyo Steel

Oasis's Proposals to Tokyo Steel



Proposal 1: Sale of surplus facilities or conversion to data centers

- Option 1: Sale to blast furnace operators such as JFE and Nippon Steel
- Option 2: Conversion to data center



Proposal 2: Formulation and disclosure of medium-to-long-term numerical targets

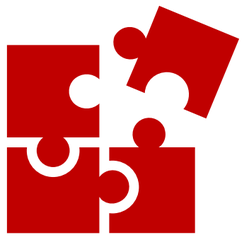
- Setting ROE targets and implement proactive shareholder returns to achieve those targets
- Formulation and disclosure of clear performance targets



Proposal 3: Strengthening the director compensation system and governance structure

- Strengthen the performance linkage of director compensation
- Improve governance transparency through the abolition of the senior advisor system

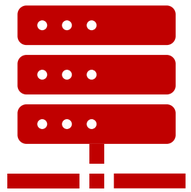
Toward the effective utilization of surplus facilities, Tokyo Steel should choose one of the following options:



Option 1: Sale to blast furnace operators such as JFE and Nippon Steel

- The steel industry's transition to green steel is progressing rapidly, and there is a need for blast furnace manufacturers to secure electric arc furnace (EAF) capacity
- Selling Tokyo Steel's electric arc furnace (EAF) facilities enables the effective utilization of assets and a reduction in future operational risks

OR



Option 2: Conversion to Data Center

- By utilizing the power supply and cooling facilities, conversion for data center use is possible
- Data centers are one of the growth applications that can maximize the utilization of location and power

Green steel is rapidly emerging as a defining trend, and the strategic value of electric arc furnace capacity is increasingly significant

- Globally, the transition to green steel in the steel industry is making steady progress, driven by tightening regulations, subsidies, and demand-creation measures
- In Japan, steel accounts for approximately 38% of industrial sector CO_2 emissions, making it a key industry; accordingly, there is a growing momentum toward decarbonization investment — including the adoption of electric arc furnaces and hydrogen-based direct reduction ironmaking — in pursuit of carbon neutrality by 2050 and interim emissions reduction targets by FY2030

Global

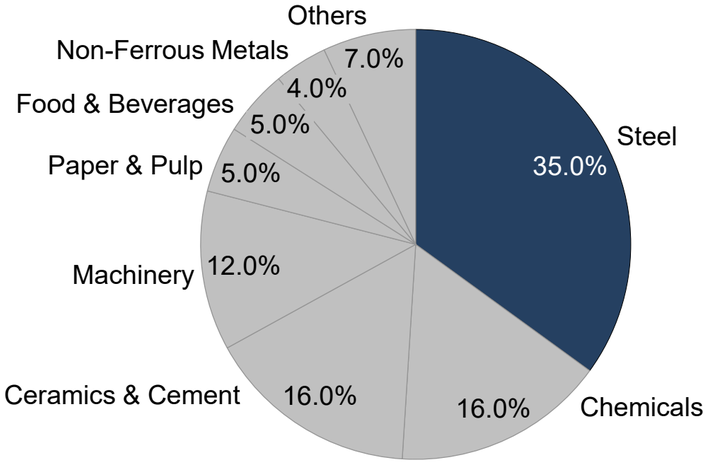
Current Trends

- In Europe, the EU's Carbon Border Adjustment Mechanism (CBAM) entered its transitional phase in 2023, with full implementation commencing in 2026
- Steel is among the covered products; going forward, higher-emission steel will face increasing commercial disadvantage. The EU published its "Steel and Metals Action Plan" in 2025, supporting the transition to green steel, including measures to stimulate demand for low-carbon steel
- In the US and Europe, public funding support for low-carbon steelmaking investment is accelerating. The DOE (U.S. Department of Energy) is supporting low- and net-zero carbon manufacturing demonstrations through its Industrial Demonstrations Program, with steel projects among the eligible sectors
- In Europe, the German government's approximately €1.3B support package for ArcelorMittal's decarbonization project was approved by the EU in 2024, with the transition from blast furnaces to electric arc furnaces being advanced on the basis of government support
- Notably, while approximately 70% of global crude steel production currently derives from blast furnace/basic oxygen furnace routes, countries are accelerating near-term decarbonization investment through interim targets set around 2030, as they pursue net-zero by 2050

Japan

Current Status

- Approximately 38% of industrial sector CO_2 emissions in Japan are attributable to steel



Future Trends

- Under its targets of carbon neutrality by 2050 and a 46% emissions reduction by FY2030, the government is advancing support for technology development and capital investment in areas including hydrogen-based direct reduction ironmaking, large-scale electric arc furnaces, and low-carbon blast furnace operations
- There is growing momentum toward fostering a market for low-carbon steel, through measures including the visualization of the environmental value of green steel, the development of carbon footprint (CFP) calculation rules, and demand-creation initiatives including public procurement

Source: Our World in Data, International Energy Agency, World Steel Association, European Commission, Nakasone Peace Institute, Japan Iron and Steel Federation

EAF capacity is increasingly valued as a scarce supply base in the decarbonizing steel market

- Blast furnaces produce steel from pure iron ore, enabling high-specification products. In contrast, electric arc furnaces primarily use steel scrap containing impurities and therefore mainly produce construction materials and other lower-grade products
- On the other hand, electric arc furnaces are capable of significant reductions in CO2 emissions, and within a market environment that is accelerating decarbonization, R&D and a trend toward manufacturing high-spec products using electric arc furnaces are progressing

Differences between blast furnaces and electric arc furnaces

	Blast Furnace	Electric Arc Furnace
Primary raw materials	▪ Iron ore ▪ Coal	▪ **Steel scrap** ▪ **(Electricity)**
Production method	▪ Produce iron by reducing iron oxide	▪ **Melt steel scrap using electric heat and reuse it**
Primary products	▪ High-spec steel products (for automotive use / electrical steel sheets, etc.)	▪ **Ordinary steel**
Production flexibility	▪ Low (Continuous operation over a span of several years once ignited)	▪ **High (Operation and shutdown are possible on a batch basis)**
CO2 emissions	▪ High	▪ **Low (Approximately 1/5 of blast furnaces)**

Benefits and related trends of Electric Arc Furnaces

1. Overwhelmingly Low Carbon

- Emissions 1/5 or less: Suppressing CO2 emissions during manufacturing to less than one-fifth of blast furnaces
- Clean scalability: Along with the proliferation of renewable energy, further "zero emissions" is possible

2. Infinite Loop of Domestic Resources

- 1.4 billion tons of urban mines: Recycling vast amounts of steel scrap accumulated domestically through "local production for local consumption"
- Non-degrading material: A sustainable mechanism that allows material to be reborn into steel products any number of times without losing quality

3. Enhancement of high-quality and low-cost supply capacity

- Expansion of supply range: Development of proprietary technologies, etc., is progressing in order to supply high-value-added product groups that were previously difficult to manufacture
- Balancing economic viability: A trend of achieving both low environmental impact and low cost to meet a wide range of societal needs.

Source: Tokyo Steel's disclosure, Fontis Industries. Inc.

Nippon Steel announced that it will invest approximately 870 billion yen to secure an annual production capacity of approximately 2.9 million tons by fiscal year 2029 as an investment for the transition from blast furnaces to electric arc furnaces

- From the recent flow of ESG and Green Transformation (GX), Nippon Steel is actively making investments into electric furnaces, and in May 2025, the company announced that it will make an investment of approximately 870 billion yen for the transition from blast furnace to electric furnace processes. Through this investment, in 2029, it aims to secure an annual electric furnace production capacity of approximately 2.9 million tons

Press Release by Nippon Steel

Decision is Made to Invest in the Conversion from the Blast Furnace Steelmaking Process to the Electric Arc Furnace Steelmaking Process

-Selected for government support project business based on the GX Promotion Act-

In March 2021, Nippon Steel Corporation ("Nippon Steel") announced to achieve carbon neutrality with the use of the three breakthrough technologies: "high-grade steel production in large-sized electric arc furnaces," "production of direct reduced iron using hydrogen," and "hydrogen injection into blast furnaces." With regard to its investment in "the conversion from the blast furnace steelmaking process to the electric arc furnace steelmaking process" ("the Investment"), today, Nippon Steel was selected for the "2025-2029 Energy and Manufacturing Process Transformation Support Business (Business I (Steel))" based on the Green Transformation (GX) Promotion Act, and as such has made the decision to carry out the Investment.

●Outline of the Investment

Places of Construction	Kyushu Works Yawata Area	Setouchi Works Hirohata Area	Yamaguchi Works (Shunan)	Total
Description of Investment	Construction of 1 new electric arc furnace	Expansion of 1 electric arc furnace	Modification and restart of 1 electric arc furnace	3 electric arc furnaces New construction/expansion/modification and restart etc.
	Ancillary/related equipment including that for high-grade steel manufacturing measures, logistics measures, power supply measures and downstream process energy measures			
Amount of Investment	¥630.2 bn	¥140.0 bn	¥98.5 bn	¥868.7 bn
Government Support Amount (Maximum)	¥179.9 bn	¥42.8 bn	¥28.7 bn	¥251.4 bn
Production Capacity	Approx. 2.0 million tons/year	Approx. 0.5 million tons/year	Approx. 0.4 million tons/year	Approx. 2.9 million tons/year
Commencement of Production	Fiscal 2029 2H	Fiscal 2029 2H	Fiscal 2028 2H	By fiscal 2029

- *"Nippon Steel was selected for the "2025-2029 Energy and Manufacturing Process Transformation Support Business (Business I (Steel))" based on the Green Transformation (GX) Promotion Act, and as such has made the decision to carry out the Investment"*
- Invest approximately 870 billion yen (including a government support cap of 251.4 billion yen) **to secure an annual production capacity of approximately 2.9 million tons by fiscal year 2029**

Source: Nippon Steel's disclosure

JFE Steel, as an investment for the transition from blast furnaces to electric arc furnaces, announced that it will make an investment of approximately 330 billion yen toward electric furnace steel that secures an annual production capacity of approximately 2 million tons by the first quarter of fiscal year 2028

- JFE, in April 2025, announced the introduction of a large electric furnace in the Kurashiki district. The investment amount is 329.4 billion yen, and the production capacity is approximately 2 million tons / year

Press Release by JFE Steel

April 10, 2025
JFE Steel Corporation

JFE Steel to introduce advanced, high-efficiency, large-scale electric arc furnace in Japan

JFE Steel Corporation announced today that it will construct and operate an advanced, high-efficiency, large-scale electric arc furnace at the Kurashiki facility of its West Japan Works, aiming to contribute to carbon neutrality in Japan. The move follows the Japanese government's approval yesterday to provide JFE Steel with a grant to support the introduction of an electric arc furnace, and the government's earlier decision on December 20, 2024 to accept JFE Steel's proposal to participate in a national project aimed at the eventual realization of a carbon-neutral steelmaking process.

JFE Steel will now promptly proceed with the construction of an electric arc furnace, hoping to launch a new steelmaking process based on this innovative new technology at the earliest possible date. The first phase of the national project in which JFE Steel is participating is designed to transform various energy and manufacturing processes of industries that face particularly difficult challenges in reducing their emissions.

JFE Steel will construct various facilities, including an advanced electric arc furnace, off-site refining facilities, cold-iron-source distribution facilities, and an upgraded quay, at a cost of 329.4 billion yen (about USD2.2 billion), of which a maximum 104.5 billion yen is expected to be covered by a government grant. The advanced electric arc furnace will have an annual capacity of about two million tons of steel and is expected to start production in the first quarter of the fiscal year starting April 2028.

The electric arc furnace will incorporate JFE Steel's proprietary technologies and other innovative technologies, including for high-grade, high-efficiency melting, that are being developed under a separate initiative to promote the use of hydrogen as a key reducing agent to lower carbon emissions in steelmaking. That initiative, Hydrogen Utilization in Iron and Steelmaking Processes, is one of several Green Innovation (GI) Fund projects organized by Japan's New Energy and Industrial Technology Development Organization (NEDO).

By combining these advanced technologies with low-carbon direct-reduced iron, JFE Steel aims to become the world's first mass supplier of high-quality, high-function steel materials, such as electromagnetic steel sheets and high-tensile steel sheets, which cannot be produced with existing large-scale electric arc furnaces.

- *"JFE Steel Corporation announced today that it will construct and operate an advanced, high-efficiency, large-scale electric arc furnace at the Kurashiki facility of its West Japan Works, aiming to contribute to carbon neutrality in Japan. The move follows the Japanese government's approval yesterday to provide JFE Steel with a grant to support the introduction of an electric arc furnace, and the government's earlier decision on December 20, 2024 to accept JFE Steel's proposal to participate in a national project aimed at the eventual realization of a carbon-neutral steelmaking process"*
- **In order to secure an annual production capacity of approximately 2 million tons by the first quarter of fiscal year 2028, JFE will make an investment of approximately 329.4 billion yen** (including a government support cap of 104.5 billion yen)

Source: JFE Steel's disclosure

Nippon Steel established a joint venture company owning electric furnaces with Nakayama Steel Works, and aims to expand the product lineup using electric furnaces

- In May 2025, Nippon Steel and Nakayama Steel Works announced the establishment of a joint venture company owning electric furnaces. The total investment by the two companies is approximately 95 billion yen
- With Nakayama Steel Works handling the operation of the electric furnaces and supplying part of the products to Nippon Steel, etc., there is an aim to expand the competitive product lineup, not only for Nippon Steel's high-end grades.

Press Release by Nippon Steel and Nakayama Steel Works



News Release

May 9, 2025
Nippon Steel Corporation

Basic Agreement with Nakayama Steel Works, Ltd. on the Fo
Company to Hold an Electric Arc Furnace (EAF) and th

We are pleased to announce that Nippon Steel Corporation (represented
Director and President; "Nippon Steel") and Nakayama Steel Works
Hakomori, Representative Director and President; "Nakayama Steel") hav
on the formation of a joint venture company ("JVC") through joint investm
as on the business alliance under which, *inter alia*, Nakayama Steel man
new EAF to be built by the JVC and Nippon Steel purchases them (the "E
Both companies will continue to discuss details of the JVC and the Busin
venture agreement.

1. Purpose of Investing in the JVC and the Business Alliance
To make sure to capture demand amid an increasingly challenging busir
the steel industry in Japan and abroad, Nippon Steel has recently decid
to establish the JVC and enter into the Business Alliance with Nakayam
our competitive product lineup, while maintaining our ongoing efforts cer
products as the base.

2. Overview of the JVC and the Business Alliance
(1) Overview of the JVC (Planned)
- Nature of business: To hold and lease necessary EAF facilities t
- Equity ratio: Capital: Approximately 50 billion yen
Nakayama Steel 51%, Nippon Steel 49%
*Voting ratio to be discussed between both
venture agreement.
- Established: March, 2026 (planned)
- Capital expenditures:
Details Steel production plant including an EAF
Amount of investment: Approximately 95 billion yen

(2) Overview of the Business Alliance (Planned)
- The JVC will build a new EAF within the premises of Nakayama Ste
it to Nakayama Steel.

株式会社 中山製鋼所 NAKAYAMA STEEL WORKS, LTD.

2025年11月26日

各 位

会社名 株式会社 中山製鋼所
代表者名 代表取締役社長 内藤 伸彦
（コード番号 5408 東証プライム市場）
問合せ先 参与 企画部長
兼IR広報室長 森岡 由喜夫
（TEL：06-6555-3027）

（開示事項の経過）合弁会社設立に関する合弁契約締結のお知らせ

当社は、2025年11月26日開催の取締役会において、日本製鉄株式会社（以下「日本製鉄」といいます。）との間で合弁会社設立に関する合弁契約を締結することについて決議いたしましたので、下記の通りお知らせいたします。なお、当該合弁会社は当社の連結子会社となる予定です。

1．合弁会社設立の目的
当社と日本製鉄は合弁会社を設立することについて合意し、この度、合弁契約を締結するに至りました。この合弁契約の締結は、2025年5月9日に開示いたしました「日本製鉄株式会社との合弁会社設立及び業務提携に向けた基本合意書締結のお知らせ」に基づくものであり、CO_2排出量の少ない電気炉材の安定供給を図るため、新規電気炉設備及び建屋を保有し、当社に賃貸することを目的とした合弁会社を設立するものです。
当社は、当社和歌山工場構内に新設された電気炉を当該合弁会社から賃借し、鋼片製造業務を担います。当社は、新規電気炉で製造した鋼片を日本製鉄に供給し、また、新規電気炉において製造した一部の鋼片については、当社が圧延業務等を受託することで熱延加工を施した製品であるホットコイル等として供給いたします。
本合弁契約の締結により、当社が2025年5月9日に開示いたしました「中山製鋼所グループの長期計画」達成のための最も重要な要素である新規電気炉プロジェクトの実現に向けた大きな一歩を踏み出すこととなります。当社は同計画の中で2033年までの具体的な目標KPIを掲げておりますが、その達成に向けて、まずは当該合弁契約を通じた日本製鉄との協業により自社電気炉鋼片の製造能力を増強し、新規電気炉操業後の当社成長戦略の実現を目指します。そして、製造プロセスにおけるCO_2排出量の削減と資源循環の拡大を実現するとともに、電気炉材の需要拡大に対応することで、当社の競争力をより一層強化してまいります。

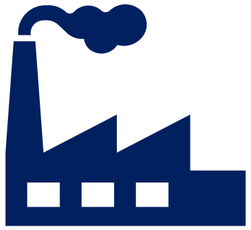
2．合弁会社の概要

（1）名称	（仮称）NN製鋼合同会社
（2）所在地	大阪市大正区泉町一丁目1番66号
（3）代表者の役職・氏名	未定
（4）事業内容	鋼片製造に必要な電気炉設備及び建屋の保有・賃貸
（5）設立年月日	2026年3月（予定）
（6）出資額	500億円程度（総投資額最大1,055億円の場合557億円）
（7）出資比率	当社：51%、日本製鉄株式会社：49%
（8）設備投資	電気炉設備及び建屋
（9）総投資額	950億円程度（物価上昇及び為替変動等を考慮し最大1,055億円）

- *"Nippon Steel Corporation and Nakayama Steel Works, Ltd. have entered into a basic agreement on the formation of a joint venture company ("JVC") through joint investment by both companies, as well as on the business alliance under which, inter alia,* ***Nakayama Steel manufactures steel products using a new EAF to be built by the JVC and Nippon Steel purchases them****"*
- *"To make sure* ***to capture demand amid an increasingly challenging business environment*** *surrounding the steel industry in Japan and abroad…aiming* ***to further expand our competitive product lineup****, while maintaining our ongoing efforts centered on sophistication of products as the base"*

Source: Nippon Steel, Nakayama Steel Works's disclosure

Option 1: Sale of Surplus EAF Capacity to JFE, Nippon Steel, and Others



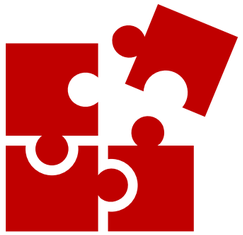
Electric furnace capacity is a highly attractive asset

- In the context of the transition to green steel, demand for electric furnace capacity is growing significantly.
- Leading blast furnace producers, including JFE and Nippon Steel, have clearly announced policies to expand their electric furnace facilities.



Risk of steel price decline due to the increase in domestic electric furnace capacity

- Domestic electric furnace investment is progressing, and an increase in supply is expected in the future
- Possibility of downward pressure on steel prices (list prices) increasing due to the increase in capacity



Value maximization through the sale of electric furnace capacity in a phase where demand is manifesting

- Maximization of asset value is possible through sale at a phase where electric furnace capacity demand is high
- Avoid future steel price decline risks and contribute to the stabilization of profitability

Option 1: If the Tahara Plant were to be sold, it is estimated to be worth approximately 200 billion yen, exceeding Tokyo Steel's current market capitalization

- The investment amount announced by JFE in May 2025 for the construction of an electric arc furnace (EAF) in the Kurashiki District is **329.4 billion yen for an annual production capacity of 2 million tons**
- Tokyo Steel's Tahara Plant has an annual production capacity **of 2.5 million tons**, and the initial investment amount when Tokyo Steel constructed it (around 2010) was **approximately 168.0 billion yen**



The estimated sale price of the Tahara Plant is at least

Approx. 200 billion yen

- Even taking into account that investment amounts for steel plants vary depending on what is produced, and accounting for the aging and deterioration of the Tahara Plant's existing facilities, the estimated sale value is calculated to be at least approximately 200 billion yen
- This is a level exceeding Tokyo Steel's current market capitalization (180 billion yen)

In an actual dialogue with Oasis, Mr. Tsuda of Tokyo Steel made the following statement



Director Candidate / Executive Officer Mr. Soichiro Tsuda

While it cost approximately 168 billion yen to build the Tahara Plant, prices have risen since then, so naturally, the current Tahara Plant cannot be replicated for the same amount it cost to build more than a decade ago. It would cost much, much more.

Source: Tokyo Steel's disclosure, JFE Steel's disclosure

Option 2: Tokyo Steel's EAF facilities possess the requisite characteristics for data center use, making them a compelling repurposing option

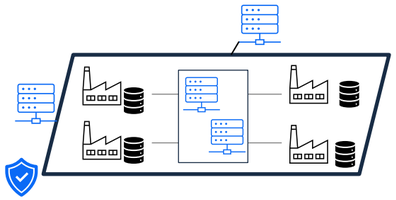
(1) Power Infrastructure:

Establishing a robust and uninterrupted power supply through securing substantial receiving capacity and redundant supply routes



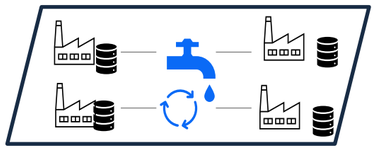
(2) Network Connectivity:

Ensuring a communications network that remains accessible even during disasters or outages, through multi-carrier connectivity and redundant routing



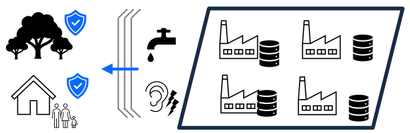
(3) Cooling & Water Infrastructure:

Securing a stable supply of the substantial water resources essential for server cooling, and establishing highly efficient cooling facilities



(4) Environmental Compliance:

Ensuring compliance with environmental regulations — including water treatment, noise mitigation, and community relations — and establishing a sustainable operational framework



(5) Location & Site Area:

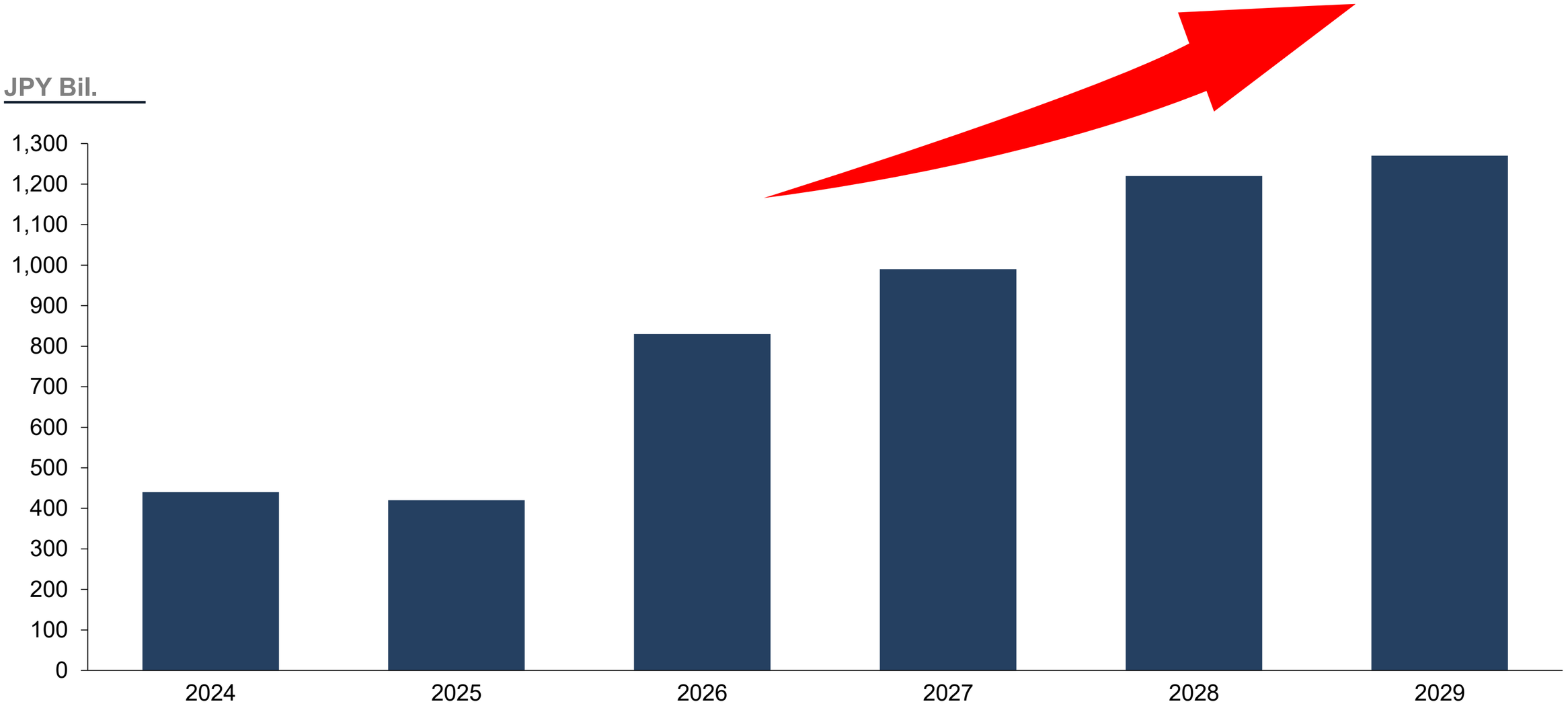
Ensuring low disaster risk, reasonable accessibility from demand centers, and sufficient land area to accommodate large-scale data center construction and future expansion



Tokyo Steel's EAF facilities **meet all of the requirements (1)~(5) for data center** development, making a shift toward data centers — where demand is expected to grow significantly — **a highly viable option**

Source: Oasis research

Data center investment in Japan is rapidly expanding and is expected to reach JPY 1 trillion by 2028, creating strong tailwinds for construction demand



Source: IDC

Option 2: Data center development is likely to attract interest from major telecom operators, trading houses, and hyperscalers, making it a highly feasible option for Tokyo Steel

Mobile Network Operators

NTT

SoftBank

Tomorrow, Together KDDI

Trading Companies

三菱商事

住友商事

MITSUI&CO.

ITOCHU

Marubeni

Hyperscalers

amazon

Microsoft

ORACLE

Meta

Alibaba

Google

IBM

Source: Companies' Disclosures, Oasis Research

Option 2: JFE's conversion of blast furnace sites into data centers represents a leading example of structural transformation in the steel industry

- JFE Holdings is advancing large-scale data center development in partnership with Mitsubishi Corporation, utilizing former blast furnace sites in the Keihin Ougishima area
- This initiative represents a leading example of structural transformation, simultaneously addressing excess capacity and creating new revenue streams in the steel industry

General Information

Overview

- A next-generation data center **designed for AI infrastructure will be constructed by 2030**, repurposing the vast site of JFE Steel's East Japan Works Keihin Area (Ohgishima District, Kawasaki City), where blast furnace operations were suspended in 2023
- The project's key feature is **the integrated management of power and data center operations**, moving beyond mere facility development

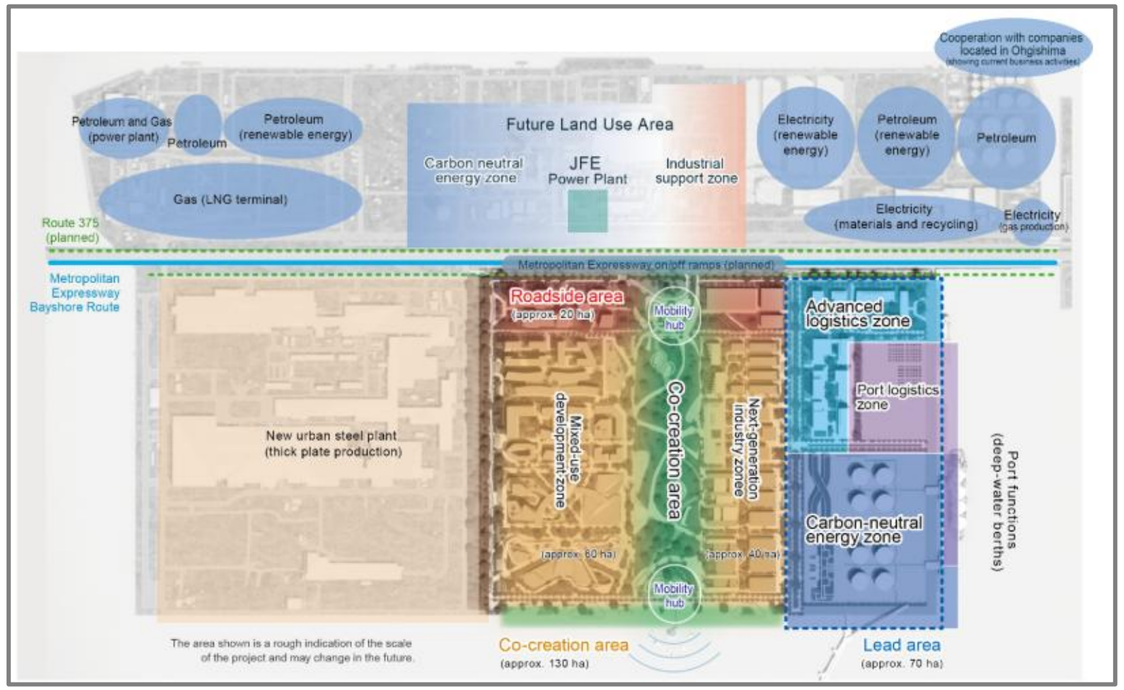
Main Entities and Related Companies

- Main Entity: Mitsubishi Corporation Group (Responsible for data center operations)
- Strategic Partner: JFE Holdings (Land provision and collaboration in power services)
- Key Technology: High-performance semiconductors, such as NVIDIA (For generative AI-ready servers)

Investment Scale

- Approximately 100–150 billion yen

Site Development Plan



Source: JFE Holdings' disclosure, Nikkei

Option 2: Hino Motors' former factory site is being redeveloped into a data center by Mitsui Fudosan, representing a compelling conversion case

- Hino Motors has sold its former factory site, which is currently being redeveloped into a data center by Mitsui Fudosan
- Oasis estimates that the site spans approximately 114,000 sqm with an estimated power capacity of around 260MW, and the transaction is believed to have generated proceeds of approximately JPY 50 billion for Hino Motors

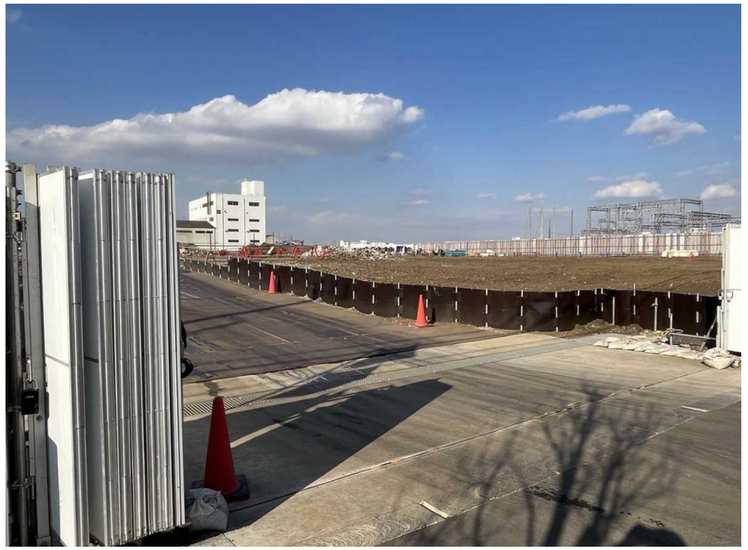
General Overview

Overview

- Mitsui Fudosan is set to acquire the former Hino Motors plant site in Hino City, Tokyo, to develop a data center **boasting one of the largest power receiving capacities in Japan**
- The plan includes the construction of three buildings, each up to 72 meters in height, on approximately 110,000 sqm of the western portion of the former factory site
- Driven by the rapid surge in data demand, this initiative is being spearheaded as part of Mitsui Fudosan's logistics and data center business

Data Center

- Scale: With a total planned power receiving capacity of 260MW, this facility represents **an exceptional scale even within Mitsui Fudosan's data center portfolio**
- Demolition Work: In progress as of March 2025
  Construction Start: November 2026 (Scheduled)
  Completion: February 2031 (Scheduled)



Transaction Value

- Oasis estimates that the site has an estimated power capacity of approximately 260MW, and the transaction is believed to have generated proceeds of around JPY 50 billion for Hino Motors
- Mitsui Fudosan has also announced plans to invest an additional JPY 300 billion in data center development by 2035, including not only large-scale facilities but also "urban-type" developments with high accessibility and lower latency risk

Source: Mitsui Fudosan and Hino Motors disclosure materials, Nikkei, Nikkei XTECH, Oasis estimates

Option 2: Sharp's former factory site has been acquired by KDDI and SoftBank and is planned for redevelopment into a large-scale data center

- Sharp has sold its former factory site in Sakai City, Osaka, to KDDI and SoftBank, both of which are advancing data center development on the site
- The site spans approximately 440,000 sqm, and the planned data center is expected to have a power capacity of around 400MW
  The transaction was announced at approximately JPY 100 billion, highlighting the significant value of former factory sites as large-scale data center locations

	KDDI	SoftBank
Overview	▪ Location: Sakai City, Osaka Prefecture (Part of the former Sharp Sakai plant site) ▪ The project aims to repurpose the vast land and infrastructure of the Sharp Sakai plant—once a cutting-edge LCD panel factory that ceased operations in August 2024—into one of Japan's premier computing hubs specialized for AI training and inference	
Data Center	▪ Total Floor Area: Approximately 57,000 m² ▪ By repurposing the existing large-scale cooling and power supply infrastructure, the data center construction was completed in approximately one year—a process that typically takes three to four years. Operations officially commenced on January 22, 2026 ▪ The project positions "sovereignty"—the ability to store and process sensitive corporate data and personal information domestically—as a key differentiator from overseas services	▪ Site Area: Approx. 440,000 m² / Total Floor Area: Approx. 750,000 m² ▪ Power Receiving Capacity: 150MW (Initial), with plans to expand to over 400MW in the future ▪ Operational Start: Targeted for 2026 ▪ Utilization Strategy: In addition to internal generative AI development and related business operations, the facility is planned to be widely accessible to meet diverse external needs from universities and corporations. Furthermore, the use of clean energy is being explored to minimize environmental impact



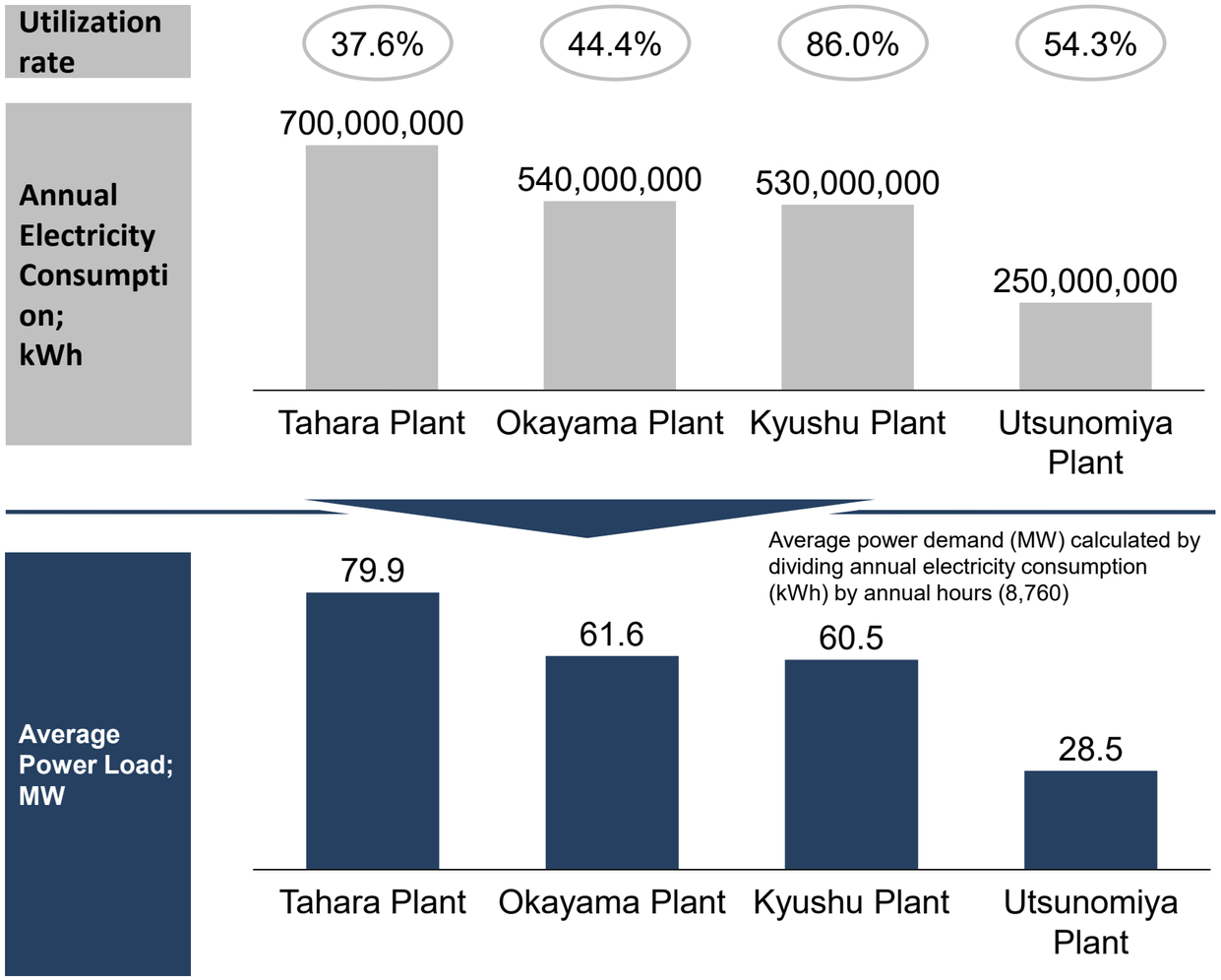




シャープ堺工場内のデータセンター設置予定エリア（赤枠）／データセンター設置予定エリア内の液晶パネル工場外観

Source: KDDI, SoftBank's disclosures

Option 2: Based on their existing power consumption infrastructure, Tokyo Steel's plants could become strong candidates for hyperscale AI data centers



- **Based on current utilization rates, it is theoretically estimated that power consumption could be approximately doubled from current levels**
- **Furthermore, actual receiving capacity is believed to exceed the average power levels referenced above**

Source: Company Disclosures, Oasis analysis

Power Requirements for Data Centers

1. **Hyperscale AI Data Centers**
   - Typically require power capacity of at least several tens of MW, with 100MW+ increasingly becoming the standard
   - Growing need for ultra-high-voltage power reception capabilities
   - Compatibility with liquid cooling (water cooling) is increasingly a prerequisite
   - Power infrastructure build-out and grid connection have become the primary drivers of project lead times

2. **Enterprise AI Data Centers**
   - Typically require power capacity ranging from several MW to approximately 10MW
   - Require robust network connectivity, including multi-carrier access and redundancy capabilities

3. **Distributed / Private AI Data Centers**
   - Typically require only several MW at most
   - Can be deployed within short timeframes through modular or containerized configurations
   - Site selection is heavily influenced by power availability and land costs, encouraging geographic decentralization into regional areas

Particularly for hyperscale AI data centers, **securing large-scale power capacity ranging from 100MW to GW-scale levels has become the primary constraint on development.**

In addition, substantial infrastructure for cooling and network connectivity is also required. Former industrial and factory sites are often well-positioned for data center conversion due to their existing power transmission infrastructure, track record of large-scale power consumption, and advantages in water and other utility infrastructure, **making them attractive candidates for large-scale data center development**.

Option 2: Oasis estimates that converting to a data center utilizing large-scale power capacity could generate stable revenues of approximately JPY 75 billion, and represents a compelling option with the potential for full investment recovery within 10 years

Projected Profitability Analysis for an AI Data Center Development at the Tahara Plant (180MW Scale)

Key Assumptions

- Scale：180MW
- Use：Hyperscale AI Data Center
- Revenue per Month：35,000 JPY/kW
- Investment (excl. land acquisition cost)：1.7bn/MW

Projected Financials

- Annual Revenue： JPY 75.6bn
- EBITDA-Based Payback Period：7~8years

Oasis's View

【Economics】

- At 180MW scale, the facility is capable of generating approximately JPY 75 bn in stable annual revenues
- Per-kW pricing has further upside potential as supply-demand tightens, pointing to additional margin improvement
- With an operational lifespan of 30-40 years, a 7-8 years payback period represents an attractive investment threshold

【Strategic Rationale for Tokyo Steel】

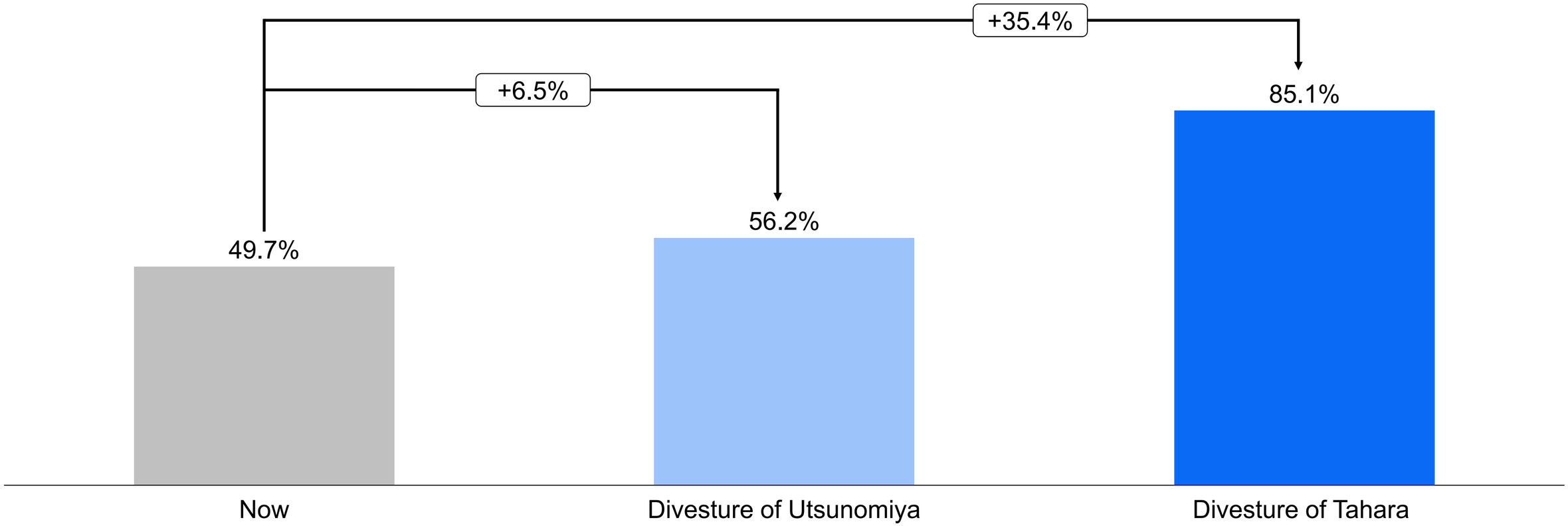
- Unlike steel demand, the data center market offers medium-to-long-term growth and predictable cash flows
- Sites with access to large-scale power capacity are scarce domestically, conferring a meaningful competitive advantage
- Employment is expected to be preserved through JV-based operations, limiting the downside risks associated with the business transition
- Therefore, converting to a data center represents a highly compelling option for maximizing the value of Tokyo Steel's underutilized plant assets

Source: Oasis analysis

Simulation on Operation Rate by Selling Utsunomiya or Nagoya Plant

- By divesting the Tahara plant through Option 1 or Option 2, Tokyo Steel will be able to reach a high operation rate in the remaining assets
- This provides Tokyo Steel with an opportunity to recycle its capital into better uses, such as enhancing shareholder returns, or re-investing in areas with higher return potential

Change in Capacity Utilization

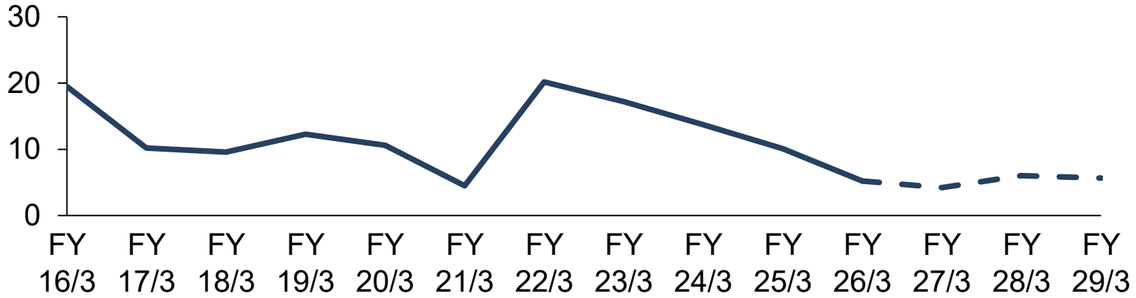


Source: Tokyo Steel's disclosures, Oasis analysis

Proposal 2: Formulating medium-term financial targets and KPIs

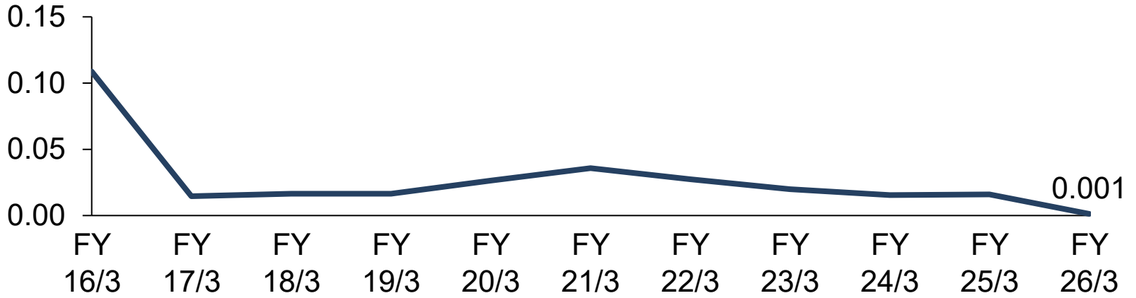
- Tokyo Steel's key performance indicators, typically announced in its Mid-term Business Plan, have remained sluggish. The company should manage its business operations by setting clear numerical targets for these metrics

ROE; %



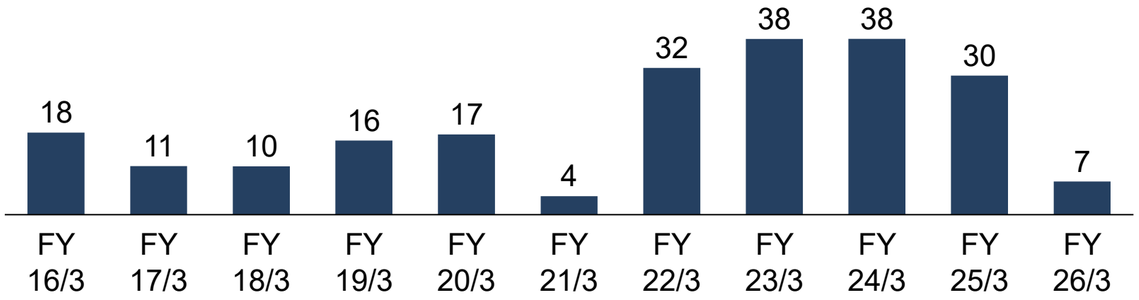
Tokyo Steel's ROE is projected to remain significantly sluggish over the next three years

D/E Ratio; x



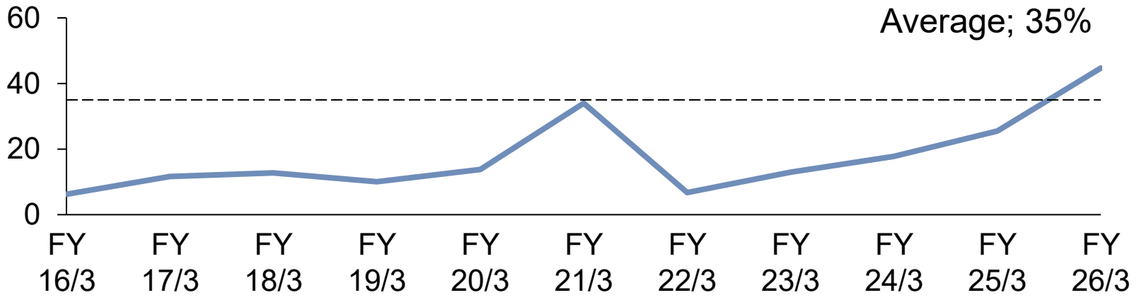
While a ratio below 1.0 is generally considered a sign of financial health, this figure has remained at a significantly lower level

Operating Profit; JPY bn



Since FY2021 (post-COVID), operating profit has remained flat or trended downward in absolute terms, indicating a lack of sustainable growth

Dividend Payout Ratio; %

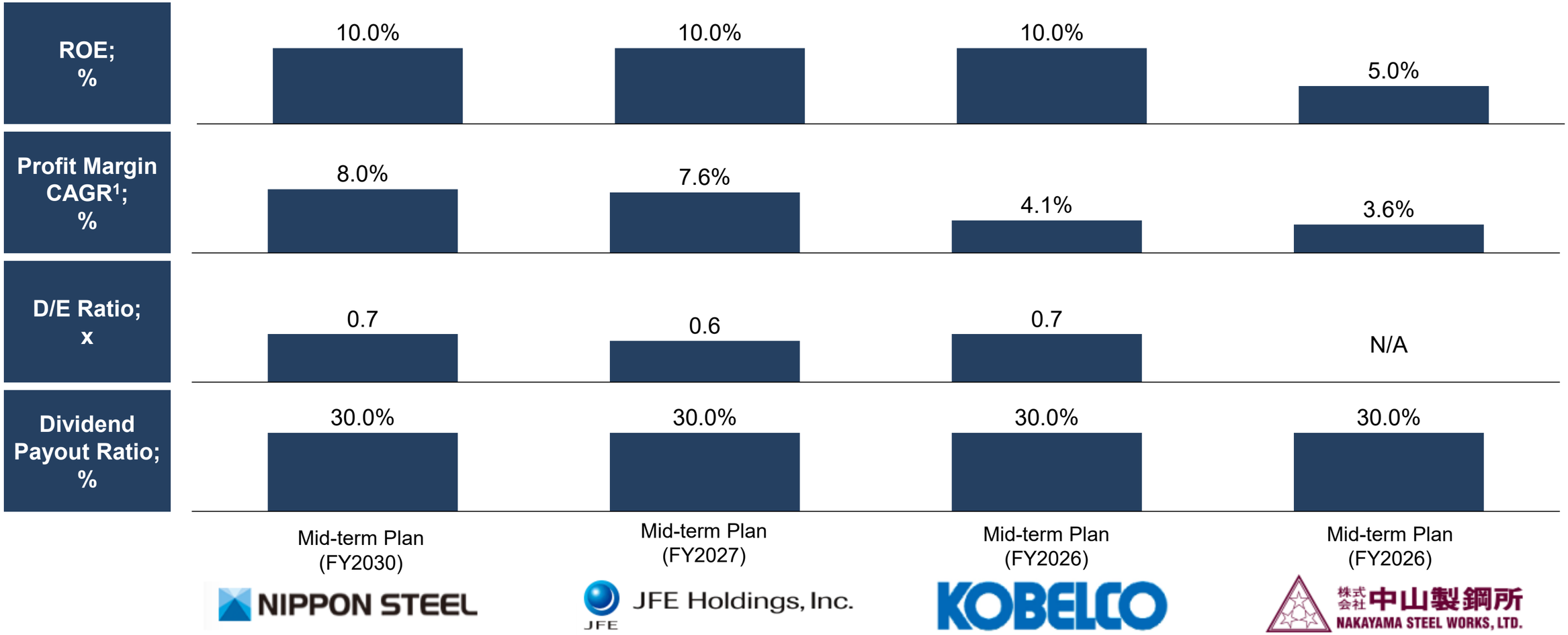


Historically below the 35% Japanese listed company average, aside from a brief recent exception

Source: Tokyo Steel's disclosures

All peers (except Nakayama Steel) have set ROE targets of 10% or above in their medium-term management plans, and Tokyo Steel should likewise target ROE of 10% or above in its medium-term management plan

- As peers have set the following targets in their medium-term management plans, Tokyo Steel must likewise establish target values for key financial metrics including operating profit, ROE, D/E ratio, and dividend payout ratio
- Starting from a baseline ROE target of 10% or above for the next 3-year period, Tokyo Steel should set specific goals for operating profit improvement and capital reduction



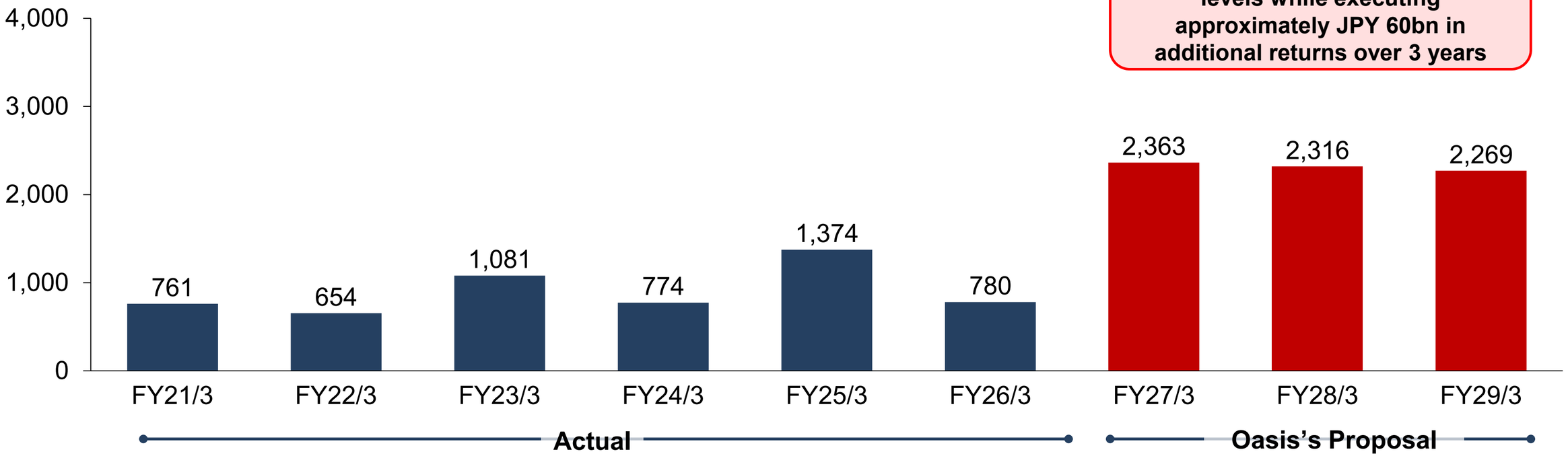
1. CAGRs are calculated as follows: Nippon Steel from FY25 to FY30 medium-term plan target (consolidated underlying profit); JFE from FY23 to FY27 medium-term plan target (consolidated business profit); Kobe Steel from FY24 to FY30 target (ordinary profit); Nakayama Steel from FY24 to FY30 target (ordinary profit)
Source: Each company's disclosures

Commitment to Aggressive Returns: Oasis proposes that Tokyo Steel utilize its cash on hand and leverage as needed, targeting a Net Debt/EBITDA ratio of 1.0x to execute shareholder returns over a 3-year period

- At the time of the FY3/26 earnings announcement, Tokyo Steel announced a **dividend cut - with an impact of only approximately JPY 1.0bn** - alongside a new JPY **2.7bn share buyback program**. **No rationale or clear explanation was provided** as to why the company chose not to maintain the dividend while reducing the scale of the share buyback instead
- If cash on hand is set at 2 months of FY26/3 revenues and proceeds from the sale of current cross-shareholdings are factored in, Tokyo Steel has a share repurchase capacity of at least approximately JPY 59.4 bn at this time
- Furthermore, Tokyo Steel has substantial debt capacity, and if leveraged up to a Net Debt/EBITDA ratio of 1.0x, the Company could take on approximately JPY 79.0 bn in additional borrowings
- Additionally, cash proceeds would increase further in the event of a sale of surplus capacity such as the Tahara Plant, a conversion to a data center, or a sale of cross-shareholdings

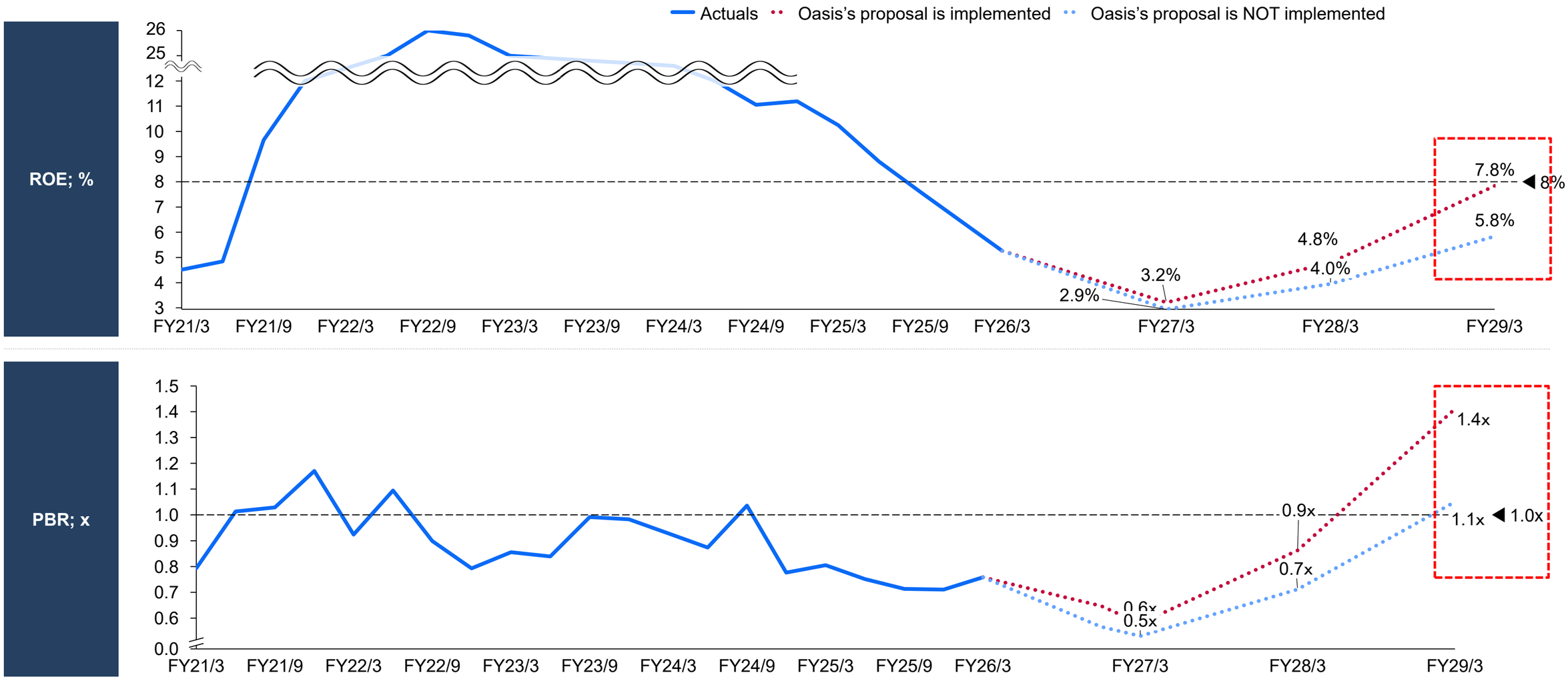
Total Shareholder Returns; JPY bn

Maintaining dividends at existing levels while executing approximately JPY 60bn in additional returns over 3 years



Source: Tokyo Steel's Disclosures, Oasis analysis

If Oasis's proposed shareholder return is implemented, Tokyo Steel's ROE will reach approximately 8% within three years, and its PBR will recover to 1.0x or higher



Source: Bloomberg, Oasis analysis

In light of governance concerns regarding the role of advisors and the influence of the founding family, Oasis proposes the dismissal of Sodanyaku Iketani



Mr. Masanari Iketani

- Sodanyaku
- From the founding family
- After serving as Representative Director for 31 years, has continued to be involved as Sodanyaku for a further 20 years

1 Influence Without Legal Accountability

- "Advisors" are not statutory bodies under the Companies Act and are not subject to the duty of care or duty of loyalty applicable to director
- Shareholders have no means of directly pursuing legal liability against advisors

Nevertheless, where an advisor exercises substantive influence over management, there is a risk of "control without accountability"

2 Entrenchment of Long-Term Founding Family Influence

- Mr. Iketani has been involved for approximately 31 years as Representative Director and a further approximately 20 years as Sodanyaku, representing over 51 years of effective control over management in aggregate
- The reality of Mr. Iketani (founding family) having been involved as Sodanyaku for approximately 20 years undermines management independence and objectivity, and impedes management renewal and succession

Even among listed companies in modern Japan, such a prolonged period of informal involvement is highly exceptional

3 Risk of Further Entrenchment of Founding Family Influence

- At the June 2026 AGM, Mr. Tsuda, son-in-law of the founding family, is scheduled to join the Board of Directors
- Combined with the existing Sodanyaku (Mr. Iketani), there is concern that founding family influence both within and outside the Board will be further strengthened

Potential Conflicts of Interest with Minority Shareholders

Oasis's Proposal

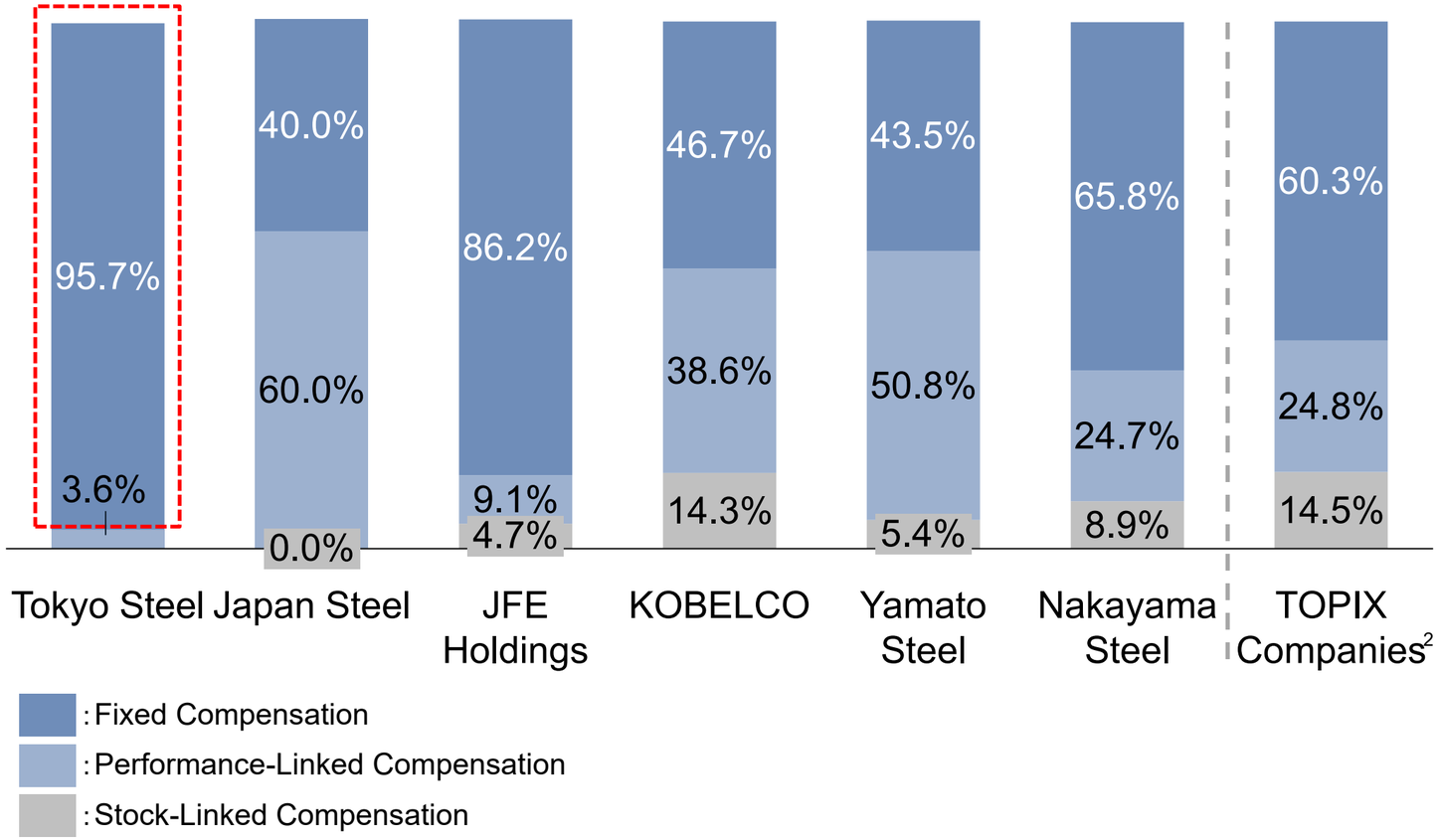
Dismissal of Sodanyaku Iketani

- ☑ **Establishment of a Board-centric decision-making structure**
- ☑ **Building a truly independent governance framework**
- ☑ **Enhanced transparency in the interests of all shareholders**

The abnormally low level of performance-linked compensation for directors at Tokyo Steel is a serious concern, and Tokyo Steel should make approximately 50% of director remuneration performance-linked

- Compared to a peer average of approximately 43% among steel industry peers, performance-linked and equity-linked compensation at Tokyo Steel stands at only approximately 4%, representing a significant shortfall in incentive structure relative to peers

Compensation Mix for Internal Directors[1]; %



Oasis's Proposal

At least 50% of internal directors' compensation should be performance-linked

- ☑ **Amid continued underperformance, it is essential to increase the performance-linked component of director compensation in order to align the interests of shareholders and management**
- ☑ **Linking compensation levels to improvements in corporate value will appropriately reflect management accountability and outcomes**
- ☑ **Enhanced transparency in the compensation structure will strengthen the overall governance framework**

1. FY2024 actual figures
2. FY2024 actual compensation mix for internal directors at TOPIX500 companies with revenues between JPY 250bn and JPY 500bn

Source: Each company's disclosures, Japan Research Institute, "Survey on Executive Compensation Practices at TOPIX500 Companies (FY2024 Edition)"

Help Increase Tokyo Steel's Corporate Value by Voting AGAINST Failed Management

Tokyo Steel's Proposal



Re-appointment of Mr. Nobuaki Nara as Director and President

Oasis' View

- **Since Mr. Nara assumed the position of President in June 2023, Tokyo Steel's performance has clearly deteriorated,** and the destruction of corporate value has continued
  - Specifically, since Mr. Nara became President (FY2024/3, FY2025/3, and FY2026/3), the Company has **repeatedly revised down its earnings forecasts, consistently failing to achieve its initial targets**
  - **Low plant utilization rates of approximately 50% — significantly below production capacity — have been left unaddressed for an extended period** and have become a primary driver of weak profitability
- Despite this, **management has failed to present or execute any fundamental improvement measures or structural reforms, and the situation has continued to worsen** rather than improve
- Under these circumstances, maintaining the current management structure is highly likely to result in further destruction of shareholder value

→ From the perspective of responsible corporate management, shareholders should clearly vote AGAINST Mr. Nara's reappointment



Appointment of Mr. Soichiro Tsuda as Director

- Oasis believes that Mr. Tsuda does not satisfy the skill matrix required of a Tokyo Steel director and **lacks sufficient expertise to address the Company's key management challenges**
- In particular, with respect to improving plant utilization rates and enhancing the effective use of land assets — both of which are among the Company's most critical issues — Mr. Tsuda has failed to present rational and concrete solutions throughout Oasis's engagement with the Company
- This lack of understanding of the core management issues, as well as the apparent lack of execution capability, raises serious concerns regarding his suitability to serve as a director
- In addition, **Mr. Tsuda is believed to hold his current position in part due to his status as the son-in-law of the founding family (Mr. Masanari Iketani), and it cannot be ruled out that his appointment is based on personal relationships** rather than merit
- Such personnel decisions raise serious concerns from the standpoint of board independence and corporate governance

→From the perspective of enhancing corporate value and establishing appropriate governance, shareholders should vote AGAINST Mr. Tsuda's appointment as director

Recommended Voting Action

AGAINST

1. About Oasis

2. Company Profile

3. Steel Industry Environment

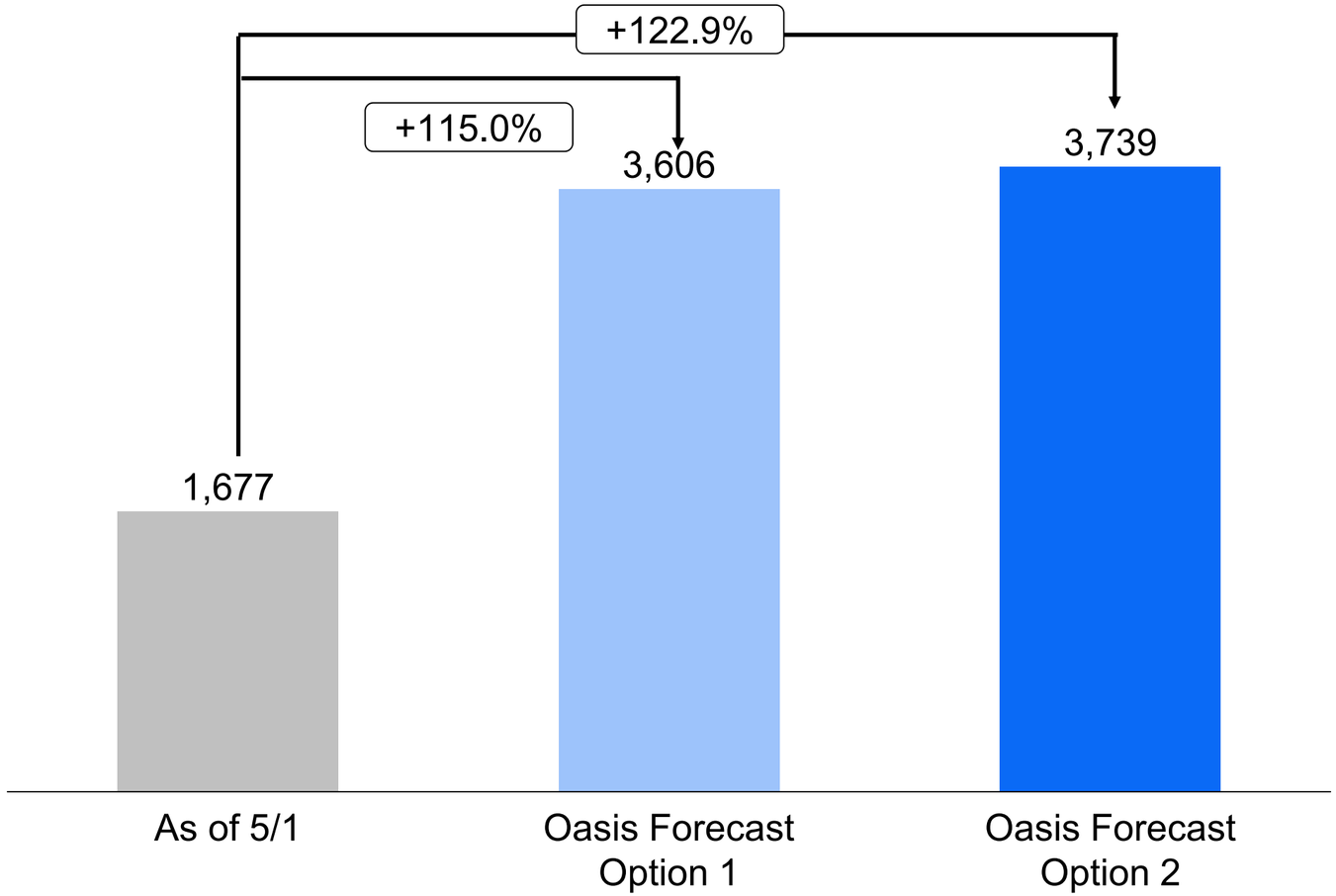
4. Issues at Tokyo Steel Resulting from the Current Management Team

5. Oasis’s Proposal to Tokyo Steel

6. Intrinsic Value of Tokyo Steel

By executing Oasis's proposal, Tokyo Steel's stock price has an upside potential of approximately 115-123%

Tokyo Steel Share Price (JPY)



Assumptions

【Option 1: Sale of Tahara Plant】

- Assumes sale of the Tahara Plant for JPY 200bn, with after-tax impacts reflected
- Assumes transfer of products manufactured at the Tahara Plant to other facilities, resulting in higher utilization rates and improved margins across the company
- Applies the current EV/EBITDA multiple (4.8x) to the post-sale steel business earnings to derive the implied value
- Additionally assumes execution of approximately JPY 60bn in incremental shareholder returns

【Option 2: Converting the Tahara Plant into a Data Center】

- Converts the Tahara Plant to a data center at 180MW scale
- Assumes transfer of products manufactured at the Tahara Plant to other facilities, resulting in higher utilization rates and improved margins across the company
- For the steel business: applies the current EV/EBITDA multiple (4.8x) to post-conversion steel business earnings to derive the implied value
- For the data center business: applies a comps-based EV/EBITDA multiple (12.0x) to projected EBITDA
- Additionally assumes execution of approximately JPY 60bn in incremental shareholder returns

Source: Bloomberg, Oasis analysis

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