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April 14, 2025

Company name: The Japan Steel Works, Ltd.
Name of representative: Toshio Matsuo, Representative Director & President
(Securities code: 5631; Prime Market of the Tokyo Stock Exchange)
Inquiries: Hideo Nakanishi,
Director, Executive Officer
General Manager, General Affairs Department
(Telephone: +81-3-5745-2001)

Notice Concerning the Policy on an Absorption-Type Merger (Simplified Merger and Short-Form Merger) of a Consolidated Subsidiary

The Japan Steel Works, Ltd. (the "Company") hereby announces that it has resolved, at a meeting of the Board of Directors held today, to pursue a policy to conduct an absorption-type merger of Japan Steel Works M&E, Inc. ("M&E"), a wholly owned subsidiary of the Company, effective April 1, 2026. Because this merger is an absorption-type merger of a wholly owned subsidiary of the Company, some disclosure items and details are omitted.

This disclosure is a notice regarding the resolution of the merger policy and a separate disclosure will be made when the merger is officially resolved.

1. Purpose of the merger

(1) Purpose and current status of the reorganization implemented in April 2020

Following the significant deterioration in the business environment after the Great East Japan Earthquake in March 2011, the Group identified improving profitability as a key issue for the Material and Engineering Business (formerly the Steel and Energy Products Business), and in order to establish a stable profit-generating structure while maintaining the scale of this business, the Company performed reorganization in April 2020 centered on the Muroran Plant involving four former subsidiaries that had undergone functional spin off, and established M&E.

Since then, M&E has been reforming its earnings structure through initiatives such as reviewing its product portfolio with the aims of streamlining production via integrated business operations and enhancing profitability in the Material and Engineering Business, resulting in a significant improvement in the capital profitability of the Material and Engineering Business and the establishment of the stable profit-generating structure that was the objective of the reorganization.

(2) Purpose of the merger

I. Sustainable growth of the Material and Engineering Business

On a global level, the environment surrounding the Material and Engineering Business is undergoing significant changes, as a substantial increase in electricity demand is expected due to accelerating digitalization, the rapid expansion of artificial intelligence (AI) utilization, and the medium- to long-term spread of EVs, while development needs are also growing for Metal Products used in nuclear and high-efficiency thermal power generation in pursuit of a low-carbon society. In order to respond quickly to these social needs and achieve sustainable growth in the Material and Engineering Business, we will integrate our organizations and operate the business through this merger, and we will work to stably acquire outstanding human resources and flexibly allocate the management resources of the Group.

II. Acceleration of the creation of synergies within the Group

In Japan, against the backdrop of an increasingly severe security environment, the national defense budget is expected to remain at a high level under the government's policy of strengthening defense capabilities. Within the Group, we are aiming to expand sales of defense- equipment to 80 billion yen by the final fiscal year of the Medium-Term Management Plan JGP2028, and while we have traditionally produced such equipment, including artillery, mainly at the Hiroshima Plant, our core base for the Industrial Machinery Business, we are now pursuing the establishment of a production system that leverages the technical expertise and production capabilities, including assembly of equipment, of the Muroran Plant of M&E, the core base of the Material and Engineering Business, for certain products such as wheeled armored vehicles as part of our efforts to expand production capacity through optimum local production. Through this merger, in addition to enhancing the management and operational structure in line with the expansion of the business scale, we will fully leverage M&E's steel materials manufacturing technology to further pursue in-house production and strengthen our product capabilities.

In addition, against the backdrop of growing social needs to realize a super-smart society, the Company has been focusing on the development of mass production technology for gallium nitride (GaN) crystals used in applications such as power semiconductors by sharing the role with M&E. Through this merger, the Company will consolidate human resources and technology into it and accelerate the completion of technology by providing one-stop management and operation for technological development overall as it aims for early social implementation of GaN crystals.

III. Further strengthening of corporate governance

Through this merger, the Group will aim to maximize corporate value while further strengthening governance through the integration of corporate functions.

2. Summary of the merger

(1) Time table

Meeting of the Board of Directors to decide on the basic merger policy	April 14, 2025
Meeting of the Board of Directors to resolve the merger	January 2026 (scheduled)
Conclusion of the merger agreement	January 2026 (scheduled)
Merger date (Effective date)	April 1, 2026 (scheduled)

(Note) Because this merger falls under the category of a simplified merger as stipulated in Article 796, Paragraph 2 of the Companies Act for the Company and a short-form merger as stipulated in Article 784, Paragraph 1 of the same act for M&E, it will be conducted without obtaining approval at the general meeting of shareholders of both companies.

(2) Form of the merger

The merger will be an absorption-type merger, with the Company as the surviving company and M&E as the disappearing company.

(3) Details of allotment related to the merger

M&E is a wholly owned subsidiary of the Company, and no shares will be allotted and no other consideration will be delivered upon the merger.

(4) Handling of stock acquisition rights and bonds with stock acquisition rights in connection with the merger

Not applicable.

3. Overview of companies involved in the merger

	Surviving company (As of March 31, 2024)	Disappearing company (As of March 31, 2024)
(1) Name	The Japan Steel Works, Ltd.	Japan Steel Works M&E, Inc.
(2) Location	11-1, Osaki 1-chome, Shinagawa-ku, Tokyo	4, Chatsucho, Muroran-shi, Hokkaido
(3) Job title and name of representative	Representative Director & President Toshio Matsuo	Representative Director & President Kengo Takeya (Note 1)
(4) Description of business	Manufacturing and sales of various plastic production and processing machinery, injection molding machines, defense equipment, etc.	Manufacturing and sales of Material Products, and engineering business, etc.
(5) Share capital	19,818 million yen	100 million yen
(6) Date of establishment	December 11, 1950	December 15, 1978
(7) Number of issued shares	74,399,910 shares	120,000 shares
(8) Fiscal year end	March 31	March 31
(9) Major shareholders and ownership ratios (As of March 31, 2024) (Note 2)	The Master Trust Bank of Japan (Trust Account) 16.80% Custody Bank of Japan, Ltd. (Trust Account) 9.21% TAIJU LIFE INSURANCE COMPANY LIMITED 3.84% Sumitomo Mitsui Banking Corporation 2.09% JUNIPER 1.77%	The Japan Steel Works, Ltd. 100%
(10) Financial condition and operating results for the most recent fiscal year	As of / Fiscal year ended March 31, 2024 (Consolidated)	As of / Fiscal year ended March 31, 2024 (Non-consolidated)
Net assets	178,613 million yen	12,719 million yen
Total assets	366,775 million yen	46,581 million yen
Net assets per share	2,404.83 yen	105,992.45 yen
Net sales	252,501 million yen	46,367 million yen
Operating profit	18,014 million yen	3,358 million yen
Ordinary profit	19,945 million yen	3,430 million yen

Profit attributable to owners of parent	14,278 million yen	4,265 million yen
Earnings per share	194.02 yen	35,545.08 yen

(Note 1) Sou Ueda assumed the position of Representative Director & President at M&E on April 1, 2025.

(Note 2) The ownership ratio is calculated after deducting the number of treasury shares (804,752 shares) from the total number of issued shares.

4. Status after the merger

There will be no change in the Company's name, location, representative, share capital, or fiscal year end as a result of this merger.

5. Future outlook

The impact of the merger on consolidated and non-consolidated earnings is currently under review, and will be announced promptly if any matters requiring disclosure become known.