

Company Report

September 10, 2026

Strategy Advisors Co., Ltd.
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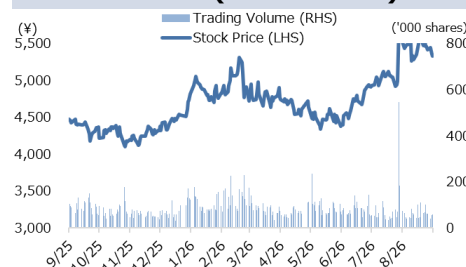
Q1 Results: Revised Upward Full-Year Forecast Due to Increased Demand for High Performance Alloys and Higher Inventory Valuation Gains

Nippon Yakin Kogyo reported consolidated financial results for Q1 FY3/27, with net sales of ¥42,275 million (+7.8% YoY) and operating profit of ¥4,701 million (+44.5% YoY), marking a significant increase in profits driven by higher sales volumes of high performance alloys and increased inventory valuation gains. Due to rising prices for nickel, the company's primary raw material, inventory valuation gains turned positive at ¥1.6 billion, compared to a loss of ¥1.3 billion in Q1 FY3/26. Consequently, operating profit (excl. inventory valuation gains) decreased to ¥3.1 billion from ¥4.5 billion in the same period of the previous fiscal year (-32.1% YoY). Although sales volume of high performance alloys increased compared to Q1 FY3/26, contributing to the profit growth, passing on costs—including fixed costs—appears to be a challenge.

Anticipating continued growth in sales volume of high performance alloys driven by a recovery in semiconductor-related demand, as well as continued expansion of inventory valuation gains due to rising raw material prices, the company revised upward its operating profit forecast for H1 FY3/27 from ¥6.0 billion to ¥9.0 billion, and its full-year operating profit forecast from ¥13.0 billion to ¥16.0 billion, concurrent with the announcement of its Q1 results. The full-year operating profit forecast, excluding inventory valuation gains, was also raised from ¥11.1 billion to ¥12.4 billion, representing a substantive upward revision. The full-year sales volume forecast for high performance alloys was raised from 62,000 metric tons to 67,000 metric tons.

Following the upward revision, the stock price rose 14.1% from the previous day on the day after the earnings announcement, accompanied by increased trading volume, closing at ¥5,690 on August 6. This marks the first time the closing price has been in the ¥5,600 range since

Stock Price and Trading Volume (Past 1 Year)



Source: Strategy Advisors

Key Indicators

Stock Price (9/09/26)	5,330
52-Week High (8/06/26)	5,690
52-Week Low (11/05/25)	4,100
All-Time High (4/18/89)	31,800
All-Time Low (11/14/02)	260
Shares on Issue (mn)	15.5
Market Capitalization (¥bn)	82.6
EV (¥bn)	152.1
Equity Ratio (3/26 Actual, %)	46.1
ROE (3/26 Actual, %)	7.3
PER (3/27 CoE, x)	8.2
PBR (3/26 Actual, x)	0.7
Yield (3/27 CoE, %)	4.1

Note: All-time highs and lows since listing are based on comparable data starting in January 1977

Source: Strategy Advisors

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August 2009. The first three months of the new Medium-Term Management Plan got off to a promising start. The company's equity story is that the shift toward high performance alloys will drive growth in profits and cash flow, creating room for valuation growth based on growth expectations. In the U.S. steel sector, differentiated high performance alloy manufacturers command high valuations of around 10x to 16x PBR. As confidence in the mid-term plan's strategy to shift toward high performance alloys grows, the company's stock valuation is likely to rise as well.

Japanese GAAP – Consolidated

FY	Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/26 Q1	39,199	-15.9	3,254	-33.2	2,951	-43.2	1,988	-44.6	142.42	-
3/27 Q1	42,275	7.8	4,701	44.5	4,402	49.2	2,768	39.2	199.80	-
3/23	199,324	33.8	29,256	109.5	27,738	116.6	19,703	132.6	1,316.79	200
3/24	180,341	-9.5	20,010	-31.6	19,128	-31.0	13,565	-31.2	933.64	200
3/25	172,097	-4.6	16,967	-15.2	16,200	-15.3	11,579	-14.6	819.46	220
3/26	150,866	-12.3	10,973	-35.3	9,657	-40.4	7,215	-37.7	519.86	220
3/27 CoE Old	169,000	12.0	13,000	18.5	12,000	24.3	8,000	10.9	577.46	220
3/27 CoE New	174,000	15.3	16,000	45.8	14,500	50.1	9,000	24.7	649.65	220

Note: Net profit refers to the profit attributable to owners of parent.

Source: Company Data, compiled by Strategy Advisors

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1. Summary of Q1 Financial Results for FY3/27

1) Financial Results Overview

Figure 1. Q1 FY3/27 Financial Results Summary (¥bn)

FY	Q1 3/26	Q1 3/27 (A)	YoY	Progress Rate (A)/(B)	3/27 CoE (B)	YoY
Net Sales	39.2	42.3	7.8%	24.3%	174.0	15.3%
Operating Profit	3.3	4.7	44.5%	29.4%	16.0	45.8%
Inventory Valuation Gains/Losses	-1.3	1.6	-	45.9%	3.6	1,065.8%
Operating Profit (excl. Inventory Valuation Gains/Losses)	4.5	3.1	-32.1%	24.6%	12.4	16.6%
Ordinary Profit	3.0	4.4	49.2%	30.4%	14.5	50.1%
Profit Attributable to Owners of Parent	2.0	2.8	39.2%	30.8%	9.0	24.7%

Source: Company Data, compiled by Strategy Advisors

In Q1 FY3/27, Sales of High Performance Alloys Increased, and Operating Profit Rose Significantly Due to Inventory Valuation Gains

For the first quarter of FY3/27, consolidated results showed net sales of ¥42,275 million (+7.8% YoY), operating profit of ¥4,701 million (+44.5% YoY), ordinary profit of ¥4.402 billion (+49.2% YoY), and net profit attributable to owners of parent of ¥2.768 billion (+39.2% YoY), marking a significant increase in both revenue and profit. The primary factor behind the substantial profit growth was a gain on inventory valuation of ¥1.6 billion in Q1 of the current fiscal year, compared to a loss of ¥1.3 billion in Q1 FY3/26, driven by rising nickel prices for raw materials.

In terms of sales volume, while sales of stainless steels increased by 0.3% YoY, sales of high performance alloys rose by 6.8%, contributing to the increase in operating profit. Additionally, the shift to a positive inventory valuation gains/losses situation—driven by rising nickel prices—also contributed to the YoY increase in operating profit. Sales of high performance alloys increased not only for semiconductor-related applications but also for oil and gas applications. It appears that the “shift toward high-value-added, high performance alloys”—a core strategy outlined in the medium-term management plan—is making steady progress.

As the Average Price of Nickel Feedstock Rose, Resulting in Inventory Valuation Gains

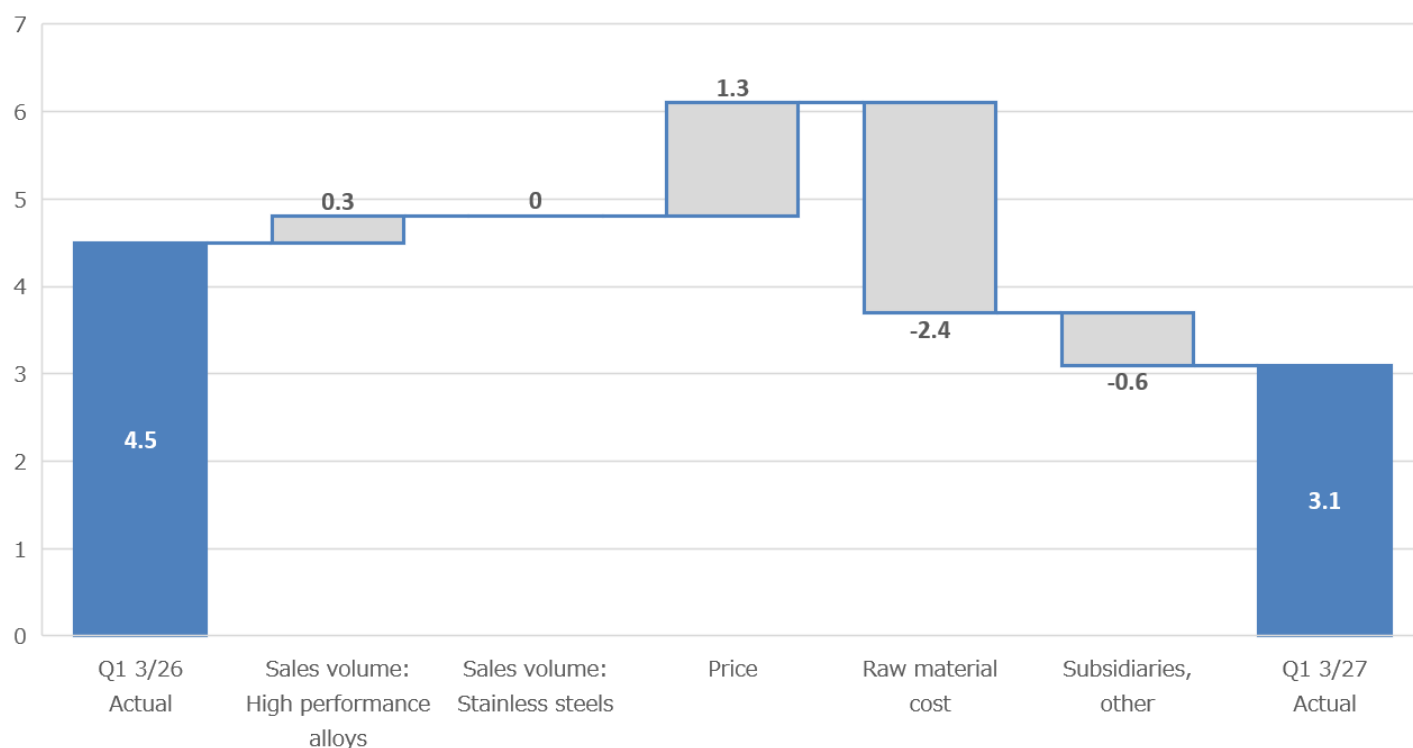
Operating profit (excl. inventory valuation gains/losses) decreased by 32.1% YoY, from ¥4.5 billion in Q1 FY3/26 to ¥3.1 billion. The company uses the moving average method (cost method) for inventory valuation; when raw material prices trend upward during the period, the average price of existing inventory is valued lower than the prevailing market price at that time, resulting in inventory valuation gains (the opposite occurs when raw material prices trend downward). The average Ni-LME price (USD/LB), which serves as a benchmark for nickel—the company’s primary raw material—rose from \$6.88 in Q1 FY3/26 to \$8.24. Consequently, while the company recorded a

Increased Sales Volume of High Performance Alloys Contributed to the Rise in Actual Profit, but Passing on Costs Remains a Challenge for the Future

¥1.3 billion inventory valuation loss in the same period of the previous fiscal year, it posted a ¥1.6 billion inventory valuation gain in Q1 FY3/27.

Operating profit, excluding inventory valuation gains, decreased by ¥1.4 billion compared to the same period last year. An analysis of the factors behind this shows that while sales volume of high performance alloys increased by ¥300 million YoY and higher selling prices contributed ¥1.3 billion, raw material and other costs had a negative impact of ¥2.4 billion, and operating profit from affiliated companies decreased by ¥600 million (Figure 2). Although sales volume in high performance alloys contributed positively, the challenge remains the fact that the pass-through of costs, including fixed costs, has not yet kept pace.

Figure 2. Analysis of Factors Affecting YoY Changes in Operating Profit (Excl. Inventory Valuation Gains/Losses) for Q1 FY3/27



Source: Strategy Advisors

2. Earnings Outlook

1) Company Forecasts for the H1 and Full Year of FY3/27

Revised Upward Full-Year & H1 Forecasts of Initial Plan

The company's forecast for H1 FY3/27 is for net sales of ¥85.0 billion (+12.2% YoY) (initial forecast: ¥80.0 billion, +5.6% YoY); operating profit of ¥9.0 billion (+52.5% YoY) (initial forecast: ¥6.0 billion, +1.7% YoY); ordinary profit of ¥8.0 billion (+52.2% YoY) (initial forecast: ¥5.5 billion, +4.6%); and interim net profit attributable to owners of parent of ¥4.5 billion (+24.1% YoY) (initial forecast: ¥3.5 billion, -3.4% YoY).

Furthermore, the company's forecast for FY3/27 was also revised upward to net sales of ¥174.0 billion (+15.3% YoY) (initial forecast: ¥169.0 billion, +12.0% YoY); operating profit of ¥16.0 billion (+45.8% YoY) (initial forecast: ¥13.0 billion, +18.5% YoY); ordinary profit of ¥14.5 billion (+50.1% YoY) (initial forecast: ¥12.0 billion, +24.3% YoY), and profit attributable to owners of parent of ¥9.0 billion (+24.7% YoY) (initial forecast: ¥8.0 billion, +10.9% YoY).

Full-year inventory valuation gains are now projected at ¥3.6 billion under the revised forecast, up from the initial forecast of ¥1.9 billion. While the increase in inventory valuation gains is one factor behind the upward revision, underlying earnings excluding these gains have also been revised upward.

Regarding the operating profit forecast excluding inventory valuation gains, the projection for the first half of FY3/27 was revised upward from the initial estimate of ¥3.8 billion to ¥5.4 billion, and the full-year forecast for FY3/27 was revised upward from the initial estimate of ¥11.1 billion to ¥12.4 billion. This is due to the overall recovery trend in the stainless steel and special steel industry, driven primarily by semiconductor-related demand, as well as expanding demand for semiconductor-related products and oil and gas-related products within the company's high performance alloys.

The assumed average Ni-LME price (USD/LB) is set at \$7.87 for the H1 and \$7.68 for FY3/27. While the average price for Q1 was high at \$8.24, reflecting the decline that occurred from June through July, the company has set its assumption for July onward at \$7.50.

Under the upwardly revised earnings forecast for Q2 of FY3/27, while net sales are expected to increase slightly compared to Q1, operating profit is projected to decline from ¥4.7 billion in Q1 to ¥4.3 billion. Operating profit excluding inventory valuation gains is also expected to decline from ¥3.1 billion in Q1 to ¥2.4 billion. This is partly due to the fact that the cost per unit in Q2 will rise compared to Q1, as the company will shut down the factory for one week during Q2 for scheduled maintenance during the summer vacation period and, in anticipation of this, will bring forward production to Q1; consequently, quarterly operating profit exhibits seasonal fluctuations.

Furthermore, regarding the company's operating profit forecast, the projection for H2 is ¥7 billion, compared to ¥9 billion for H1, which superficially indicates a planned decline in profit from H1 to H2. On the other hand, when looking at the operating profit forecast excluding inventory valuation gains, H2 is projected at ¥7 billion compared to ¥5.4 billion for H1, indicating that a real increase in profit is expected in H2.

Sales volume of high performance alloys is projected to increase from 33,000 metric tons in H1 to 34,000 metric tons in H2, and it is presumed that strong sales of these alloys will contribute to a real increase in profits.

Figure 3. Company Forecasts and Assumptions for FY3/27 (¥mn)

FY	FY3/27				Full Year
	Q1	Q2	H1	H2	
Net Sales	42,275	42,725	85,000	89,000	174,000
Operating Profit	4,701	4,299	9,000	7,000	16,000
Inventory Valuation Gains/Losses	1,635	2,000	3,600	0	3,600
Operating Profit (excl. Inventory Valuation Gains/Losses)	3,066	2,400	5,400	7,000	12,400
OP Margin	11.1%	10.1%	10.6%	7.9%	9.2%
Sales Volume (1,000 metric tons, ¥/kg)					
High Performance Alloys	16	17	33	34	67
Stainless Steels	29	29	59	59	117
Assumptions					
FX (JPY/USD)	159.49	155.00	157.25	155.00	156.12
Ni-LME Average Price (USD/LB)	8.24	7.50	7.87	7.50	7.68

Note: Exchange rates and Ni-LME prices are the average of actual Q1 FY3/27 results and the assumptions underlying the current earnings forecast.

Source: Company Data, compiled by Strategy Advisors

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Figure 4. Quarterly Earnings Trends (¥mn)

FY	3/25				3/26				3/27
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	46,595	42,239	42,532	40,731	39,199	36,543	36,121	39,004	42,275
(YoY)	-4.0%	-6.9%	-3.1%	-4.3%	-15.9%	-13.5%	-15.1%	-4.2%	7.8%
Cost of Sales	38,388	35,254	34,427	33,378	32,461	30,268	30,232	32,546	33,993
Gross Profit	8,206	6,985	8,105	7,353	6,738	6,275	5,888	6,458	8,282
(Gross Profit Margin)	17.6%	16.5%	19.1%	18.1%	17.2%	17.2%	16.3%	16.6%	19.6%
SG&A Expenses	3,333	3,315	3,444	3,590	3,484	3,629	3,441	3,832	3,581
Operating Profit	4,873	3,670	4,661	3,763	3,254	2,646	2,448	2,626	4,701
Inventory Valuation Gains/Losses	-782	-345	-476	-913	-1,258	1,284	59	221	1,635
Operating Profit (excl. Inventory Valuation Gains/Losses)	5,655	4,015	5,137	4,676	4,512	1,361	2,389	2,405	3,066
(OP Margin)	10.5%	8.7%	11.0%	9.2%	8.3%	7.2%	6.8%	6.7%	11.1%
Non-Operating Income/Expenses	325	-570	15	-537	-303	-340	-184	-488	-299
Ordinary Profit	5,198	3,100	4,676	3,226	2,951	2,306	2,264	2,137	4,402
(Ordinary Profit Margin)	11.2%	7.3%	11.0%	7.9%	7.5%	6.3%	6.3%	5.5%	10.4%
Extraordinary Gains/Losses	-52	-55	-	-0	3	4	146	-225	-349
Profit Before Income Taxes	5,145	3,045	4,676	3,226	2,953	2,310	2,409	1,912	4,053
Income Tax, etc.	1,521	815	1,390	742	963	678	556	169	1,289
(Effective tax rate)	29.6%	26.8%	29.7%	23.0%	32.6%	29.4%	23.1%	8.8%	31.8%
Net Profit	3,625	2,230	3,286	2,484	1,991	1,632	1,854	1,743	2,763
Net Profit Attributable to Non-Controlling Interests	36	12	-3	1	2	-5	-5	11	-5
Profit Attributable to Owners of Parent	3,588	2,218	3,289	2,484	1,988	1,636	1,858	1,732	2,768
(Net Profit Margin)	7.7%	5.3%	7.7%	6.1%	5.1%	4.5%	5.1%	4.4%	6.5%

Source: Company Data, compiled by Strategy Advisors

3. Stock Price Trends and Valuation

1) Recent Stock Price Movements

Following the Upward Revision, the Stock Price Rose Sharply on the Business Day After the Earnings Announcement

On the business day following the Q1 earnings announcement (released on August 5), August 6—the company's stock closed at ¥5,690 up ¥705, or 14.1%, from the previous day (the TOPIX rose 0.2% over the same period). Trading volume, which had generally ranged between 40,000 and 80,000 shares prior to this, surged to 540,000 shares on August 6, indicating heavy trading. This suggests that the stock market reacted positively to the Q1 results and the upward revisions to the H1 and full-year earnings forecasts. The rise the following day appeared to have priced in the strong earnings, and although the stock price subsequently fell slightly, the price of ¥5,330 on

September 9 was still 6.9% higher than the closing price of ¥4,985 on August 5.

Furthermore, this marks the first time the closing price has reached the ¥5,600 range since August 28, 2009 (¥5,640).

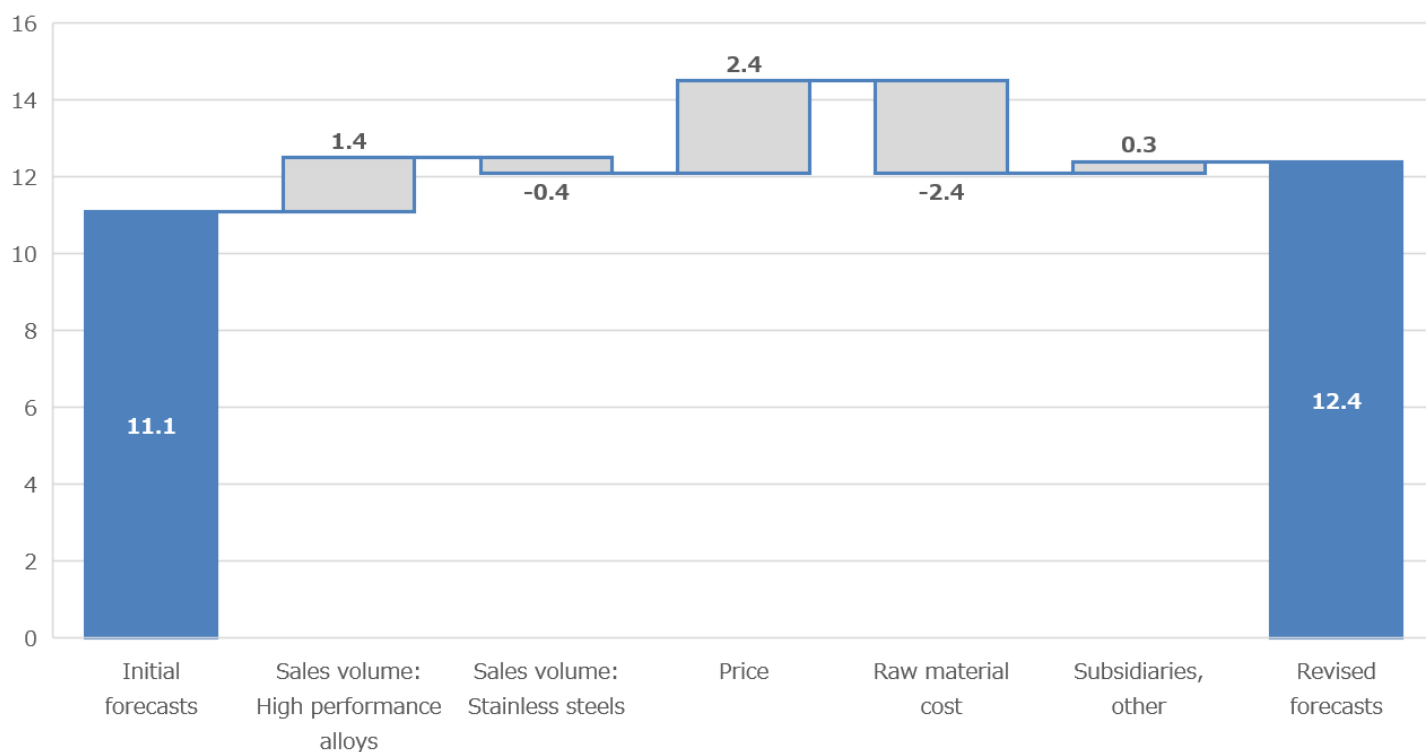
Focus on Signs of Improvement in High Performance Alloys

While the upward revision of the full-year operating profit forecast from ¥13 billion to ¥16 billion is seen as one factor behind the stock price rise, another factor is believed to be the emerging signs of improvement in high performance alloys, which have a significant impact on actual profits.

The full-year operating profit forecast (excluding inventory valuation gains) has also been revised upward from ¥11.1 billion to ¥12.4 billion. In addition, the sales volume forecast for high performance alloys has been raised from 30,000 metric tons to 33,000 metric tons for the first half and from 62,000 metric tons to 67,000 metric tons (+11.7% YoY) for the full year. It is worth noting that sales volume in high performance alloys—a key focus of the company's medium-term plan—is increasing, leading to an improvement in underlying profits.

The full-year operating profit forecast (excluding inventory valuation gains) has been raised by ¥1.3 billion this time, with the increase in sales volume in high performance alloys contributing a positive ¥1.4 billion (Figure 5).

Figure 5. Analysis of Factors Behind the Upward Revision of Operating Profit (Excl. Inventory Valuation Gains/Losses) for FY3/27



Source: Strategy Advisors

2) The Mid-Term Plan Announced in May Outlines a Shift Toward High Performance Alloys

In the U.S. Market, Valuations Vary Within the Steel Sector Depending on Specific Characteristics

Figure 6 provides an overview of valuations for global steel, stainless steel, and specialty steel manufacturers. In the U.S., the PBR of Cleveland-Cliffs, a blast furnace operator, is 1.1x—a valuation relatively close to that of Japanese companies—while Steel Dynamics and Nucor, both electric arc furnace operators, are valued significantly higher at 3.9x and 2.8x, respectively. High performance alloys manufacturers such as ATI and Carpenter Technology are valued at high levels, with PBRs ranging from 10x to 16x. While the average PBR in the U.S. stock market is 5.6x—considerably higher than Japan’s 1.8x—the valuations of companies producing high performance alloys are so high that they cannot be explained simply by their status as U.S. companies. The stock market assigns different valuations to steel manufacturers based not only on country and industry but also on differences in their actual business portfolios, strategies, profit margins, growth potential, and capital efficiency.

High Performance Alloys Manufacturers Command High Valuations

Behind this difference lie the contrasting characteristics of business portfolios centered on commodity products versus those focused on high performance alloys. High performance alloys manufacturers can more easily erect barriers to entry through application certification, quality assurance, specialized processes (including remelting), and customization to meet specific customer specifications; a product mix centered on high performance alloys and strong pricing power tend to lead to high ROIC. ATI’s ROIC stands at 13.8%, while Carpenter Technology’s ROIC is 20.5%—both at high levels. These two examples demonstrate that high valuations are not solely due to the companies being U.S.-based; rather, companies that have enhanced profitability and capital efficiency through the sale of differentiated products achieve high valuations regardless of their sector.

Nippon Yakin Kogyo Is Shifting Toward High Performance Alloys Pursuing a High-Value-Added, Differentiation Strategy

From this perspective, the shift toward high performance alloys outlined in the company’s “Medium-Term Management Plan 2026–2028,” announced in May, goes beyond a mere change in net sales composition and has the potential to serve as a differentiating factor in terms of valuation. For FY3/29, the company has set targets of “EBITDA of ¥30 billion, ROE of 10%, and a 60% sales ratio for high performance alloys,” and plans to invest a cumulative total of ¥38.2 billion in capital expenditures over the three-year period. Investments to strengthen the plate finishing process—including the introduction of ESR for refining high-quality products and cutting operations—are intended to enhance the quality, product range, and supply capacity of high performance alloys. The company is planning measures to shift its business focus from a materials manufacturer reliant on stainless steels to a manufacturer of higher-value-added high performance alloys.

The New Mid-Term Plan Got Off to a Promising Start

However, simply announcing the plan will not immediately cause the PBR to rise. What the market evaluates is whether the increase in the proportion of high performance alloys will actually translate into improvements in profit margins, ROE, and cash generation—or whether there is sufficient reason to believe this is highly likely. In that sense, the Q1 earnings report showed that

the volume of high performance alloys increased beyond initial expectations, leading to an improvement in underlying profits; this can be considered a promising start to the new mid-term plan. Furthermore, as confidence in the mid-term plan's strategy to shift toward high performance alloys grows, the company's stock valuation is also likely to rise.



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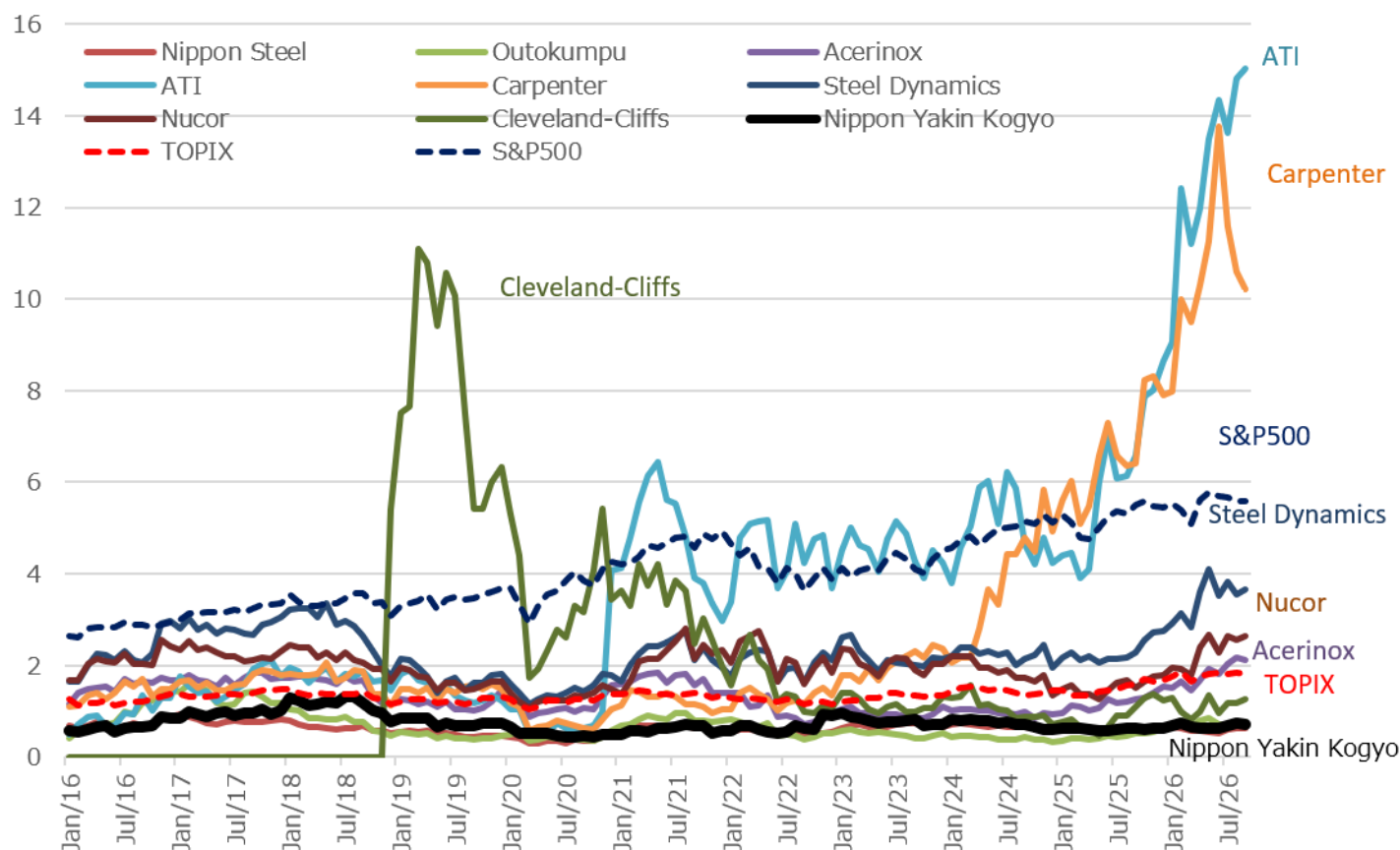
Figure 6. Valuations of Global Steel, Stainless Steel, & Special Steel Manufacturers

Company Name	Code	FY	Country	Industry	Price Local Curr. Sep. 9	Market Cap. ¥bn	EV/ EBITDA CoE x	PER CoE x	PBR Actual x	ROIC Actual %	ROE Actual %	Net D/E x
Nippon Yakin Kogyo	5480	3/26	Japan	Stainless Steel	5,330	73.8	6.4	8.2	0.7	4.8	7.3	0.7
Nippon Steel	5401	3/26	Japan	Blast Furnace	675.9	3,532.4	10.7	12.3	0.6	1.2	0.3	0.9
Kobe Steel	5406	3/26	Japan	Blast furnace	2,035.0	810.0	5.4	8.1	0.6	5.0	7.7	0.5
JFE Holdings	5411	3/26	Japan	Blast furnace	1,830.0	1,164.1	7.8	7.8	0.4	2.2	2.7	0.7
MORY INDUSTRIES	5464	3/26	Japan	Stainless Steel Pipe	925.0	35.1	4.0	11.0	0.6	4.9	5.9	-0.2
NIPPON KINZOKU	5491	3/26	Japan	Stainless Steel Processing	896.0	5.8	4.8	11.3	0.2	1.9	0.7	0.3
Daido Steel	5471	3/26	Japan	Special Steel	2,385.5	476.8	8.9	17.3	1.0	4.8	7.2	0.3
AICHI STEEL	5482	3/26	Japan	Special Steel	3,140.0	201.7	6.3	17.8	0.9	3.9	4.8	0.0
Outokumpu Oyj	OUT1V	12/25	Finland	Stainless Steel	5.62	472.8	7.7	28.9	0.8	-2.2	-3.8	0.1
Acerinox SA	ACX	12/25	Spain	Stainless steel	17.88	795.1	9.4	18.9	2.2	-0.1	-1.7	0.6
Jindal Stainless Ltd	532508	3/26	India	Stainless Steel	782.80	1,039.3	12.2	19.0	3.3	13.6	17.5	0.4
Yieh United Steel Corp	9957	12/25	Taiwan	Stainless Steel	5.73	89.8	na	na	1.3	-9.2	-38.4	2.6
Aperam SA	APAM	12/25	Luxembourg	Stainless Steel	46.68	603.7	8.7	18.9	1.1	1.4	0.3	0.3
Shanxi Taigang Stainless Steel	000825	12/25	China	Stainless Steel	3.59	467.1	na	71.8	0.6	0.4	0.2	0.0
Alleima AB	ALLEI	12/25	Sweden	High Performance Alloys	116.10	464.9	10.1	23.7	1.8	4.0	4.1	-0.1
POSCO Holdings Inc	005490	12/25	South Korea	Blast furnace	337,000	2,922.2	7.2	13.2	0.5	1.2	1.2	0.4
ATI Inc	ATI	12/25	US	High Performance Alloys	206.54	4,309.7	25.3	42.0	15.6	13.8	22.1	0.7
Carpenter Technology Corp	CRS	6/26	US	High Performance Alloys	458.45	3,481.5	21.8	34.4	10.2	20.5	25.8	0.1
Steel Dynamics Inc	STLD	12/25	US	Electric Arc Furnace	240.69	5,286.2	9.5	14.3	3.9	9.9	13.3	0.4
Nucor Corp	NUE	12/25	US	Electric Arc Furnace	257.91	8,966.3	8.4	14.1	2.8	7.3	8.5	0.2
Cleveland-Cliffs Inc	CLF	12/25	US	Blast furnace	12.09	1,057.0	8.9	-	1.1	-6.0	-23.2	1.2

Note: EBITDA figures for Nippon Steel and JFE Holdings are based on the most recent actual results. Figures for overseas companies are based on FactSet consensus estimates.

Source: Strategy Advisors

Figure 7. PBR Trends for Global Steel Manufacturers



Source: Strategy Advisors

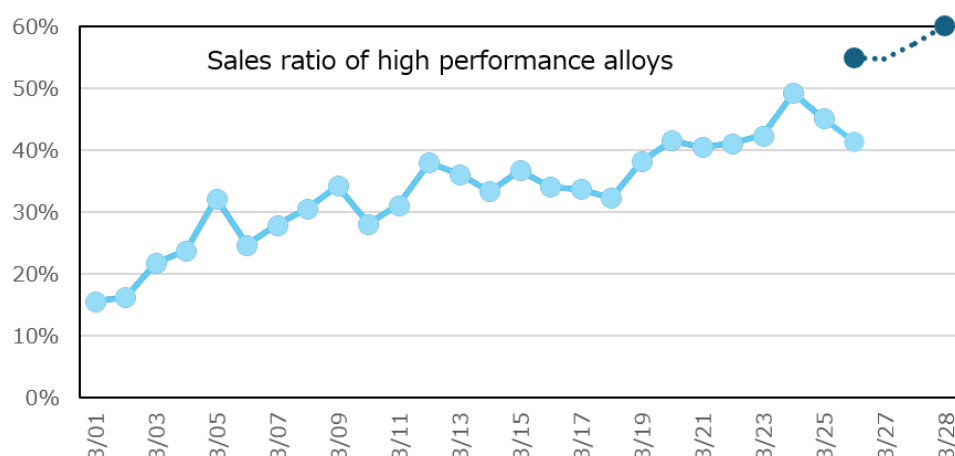
3) Equity Story

If the Equity Story Behind the Shift Toward High Performance Alloys Comes to Fruition, the Company May Be Able to Break Away from Valuations in Line with Domestic Steelmakers

Nippon Yakin Kogyo's equity story is rooted in the inimitability of its technology, which has been cultivated over many years—"It is a rare stainless steel manufacturer that produces and sells both high-volume stainless steels and high-value-added, high performance alloys on a single production line." By further advancing the shift toward high performance alloys, the company has room for improvement in both profitability and valuation. The company's strength lies in its ability to secure stable earnings from stainless steels while pursuing growth through high performance alloys. In the U.S., manufacturers of high performance alloys are valued at higher PBR than blast furnace and electric arc furnace manufacturers; this difference stems from variations in the degree of business portfolio differentiation, profit margins, and capital efficiency.

As the company's shift toward high performance alloys progresses and the changes in its earnings structure become clearer, it may be reevaluated not merely as a stainless steel manufacturer but as a differentiated high performance alloys manufacturer, potentially breaking free from being valued on par with undervalued domestic steelmakers.

Figure 8. The Medium-term Plan Announced in May Calls for a Further Increase in the Proportion of High Performance Alloys



Note: Because the company changed the classification of high performance alloys and stainless steels in FY3/26, the ratio appears to have risen discontinuously compared to FY3/26. To ensure comparability, figures for FY3/26 are plotted on the graph using both the old and new classifications.

Source: Company Data, compiled by Strategy Advisors

4) Key Points to Watch

In our report titled, "[Nippon Yakin Kogyo: Stability in Stainless Steels and Aggressive Expansion in High Performance Alloys. Driving the Transformation of the Business Portfolio Through Technology & Innovation](#)" published on June 22, Strategy Advisors highlighted the following 3 points alongside the progress of the shift toward high performance alloys.

Q1 earnings marked a positive start with signs of a recovery in volumes of high performance alloys, but the following points should also be kept in mind going forward.

The first key point is the establishment of a solution-based sales framework in terms of organization and structure. The market for high performance alloys is difficult to expand by simply selling standardized products like generic goods; instead, proposals must delve into the customer's usage environment, required performance characteristics such as corrosion resistance, heat resistance, strength, and even processing conditions. The company has long fostered close collaboration between sales, R&D, manufacturing and quality assurance, cultivating the ability to tailor materials to each customer's specifications. Under its mid-term plan, it aims to further strengthen this capability in an organized manner. This is not merely about enhancing sales capabilities, but about creating a system to expand the application areas of high performance alloys by solving customer challenges, marking a further step toward business operations similar to those of overseas high performance alloys manufacturers.

Key Point 1: Strengthening Solution- Based Sales & Marketing

Key Point 2: Expanding & Fully Utilizing Facilities

The second key point is execution capability in terms of facilities and manufacturing. While fully utilizing the new electric arc furnace, new cold rolling mill (equipment for rolling metal at room temperature), and slitter lines (equipment for cutting stainless steel sheets into narrow strips) introduced during the previous medium-term plan period, the company plans to further advance investments under this medium-term plan (with a cumulative capital expenditure of ¥38.2 billion over 3 years) to enhance the quality, product range, and supply capacity of high performance alloys, including the introduction of ESR and the strengthening of plates finishing. Remelting processes such as ESR can significantly influence competitiveness in applications where composition uniformity and purity are critical; therefore, this investment represents more than a simple capacity expansion—it broadens the company's potential for entering high-value-added markets. Another key point of interest is whether these capital investments will proceed as planned and whether the facilities will be fully utilized.

Key Point 3: Differentiation in Stainless Steels Is Also Important

The third key point is differentiation in stainless steels. The company's distinctive strategy is a two-pronged approach combining stability in stainless steels with aggressive expansion in high performance alloys. In the stainless steels, the company aims to enhance its competitiveness in areas such as niche materials, ultra-thin materials, wide-width materials and small-lot, high-variety production to build barriers to entry against imported materials. This structure allows the company to secure stable earnings while simultaneously building on that foundation to drive growth in high performance alloys. In the stainless steels - where volume can be scaled to reduce fixed-cost burdens - it is crucial to secure areas where the company can hold its own against imported materials that possess cost competitiveness through large-scale production.

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Figure 9. Consolidated Income Statement (¥mn)

FY	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Net Sales	148,925	199,324	180,341	172,097	150,866	174,000
Cost Of Sales	123,013	157,369	146,977	141,448	125,507	
Gross Profit	25,912	41,955	33,364	30,649	25,359	
(Gross Profit Margin)	17.4%	21.0%	18.5%	17.8%	16.8%	
SG&A Expenses	11,946	12,699	13,354	13,682	14,385	
Operating Profit	13,966	29,256	20,010	16,967	10,973	16,000
(OP Margin)	9.4%	14.7%	11.1%	9.9%	7.3%	9.2%
Non-Operating Income	337	416	739	670	541	
Non-Operating Expenses	1,497	1,934	1,621	1,438	1,857	
Ordinary Profit	12,807	27,738	19,128	16,200	9,657	14,500
(Ordinary Profit Margin)	8.6%	13.9%	10.6%	9.4%	6.4%	8.3%
Extraordinary Profit/Losses	-5,749	93	33	-108	-73	
Extraordinary Profit	170	93	33	2	856	
Extraordinary Losses	5,919	-	-	110	929	
Profit Before Income Taxes	7,058	27,831	19,161	16,092	9,585	
(Pre-Tax Profit Margin)	4.7%	14.0%	10.6%	9.4%	6.4%	
Corporate Income Tax, etc.	-1,413	8,129	5,469	4,467	2,365	
(Effective Tax Rate)	-20.0%	29.2%	28.5%	27.8%	24.7%	
Profit	8,471	19,703	13,692	11,625	7,219	
Profit Attributable to Non-controlling Interests	0	0	127	46	4	
Profit Attributable to Owners of Parent	8,471	19,703	13,565	11,579	7,215	9,000
(Net Profit Margin)	5.7%	9.9%	7.5%	6.7%	4.8%	5.2%

Source: Company Data, compiled by Strategy Advisors

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Figure 10. Consolidated Balance Sheet (¥mn)

FY	3/22	3/23	3/24	3/25	3/26
Cash and Deposits	12,646	11,910	17,034	9,516	11,275
Accounts Receivable	26,996	29,829	26,888	26,520	23,774
Inventories	49,649	72,828	64,106	62,708	62,123
Others	2,482	2,934	3,776	2,991	2,077
Current Assets	91,773	117,501	111,804	101,735	99,249
Land	36,404	36,430	36,432	36,363	36,472
Construction in Progress	2,298	3,942	7,260	1,244	1,559
Other Tangible Fixed Assets	49,593	56,131	54,991	68,440	70,639
Tangible Fixed Assets	88,295	96,503	98,683	106,047	108,670
Software	2,148	2,689	2,155	2,139	2,195
Others	160	136	123	770	604
Intangible Fixed Assets	2,308	2,825	2,278	2,909	2,799
Investments and Other Assets	5,051	5,413	7,184	6,744	8,673
Fixed Assets	95,654	104,741	108,146	115,700	120,142
Differed Tax Assets	67	53	39	27	19
Total Assets	187,494	222,294	219,988	217,461	219,411
Accounts Payable	23,917	21,627	22,883	16,513	11,803
Notes Payable - Facilities	2,847	814	1,137	840	2,072
Short-Term Borrowings	39,519	42,270	42,039	46,031	47,546
Others	9,130	17,077	10,699	10,770	8,732
Current Liabilities	75,413	81,788	76,758	74,154	70,153
Long-Term Borrowings	22,855	34,194	30,846	24,742	24,983
Bonds Payable	13,000	13,000	8,000	8,000	8,000
Deferred Tax Liabilities	2,594	1,998	2,895	3,196	3,643
Retirement benefit liabilities	10,478	10,472	10,559	9,787	10,312
Others	984	1,223	1,144	977	1,012
Non-Current Liabilities	49,911	60,887	53,444	46,702	47,950
Total Liabilities	125,324	142,675	130,203	120,855	118,103
Share capital	24,301	24,301	24,301	24,301	24,301
Capital surplus	9,542	9,542	9,542	9,542	9,552
Treasury Shares	26,093	43,548	53,892	62,436	66,437
Treasury Shares	-950	-1,246	-3,231	-5,058	-5,956
Shareholders' Equity	58,985	76,145	84,504	91,221	94,334
Accumulated Other Comprehensive Income	3,179	3,469	5,029	5,192	6,774
Stock Acquisition Rights	-	-	-	-	-
Non-Controlling Interests	5	5	252	192	200
Total Net Assets	62,169	79,619	89,785	96,606	101,308
Total Liabilities and Net Assets	187,494	222,294	219,988	217,461	219,411

Note: Short-term borrowings include long-term borrowings due within one year

Source: Company Data, compiled by Strategy Advisors

Figure 11. Consolidated Statement of Cash Flows (¥mn)

FY	3/22	3/23	3/24	3/25	3/26
Profit Before Taxes	7,058	27,831	19,161	16,092	9,585
Depreciation	4,123	5,029	5,595	5,830	6,534
Change in Accounts Receivable	-7,404	-2,833	-64	368	2,746
Change in Inventory	-16,711	-23,179	10,047	1,397	585
Working Capital	7,464	-2,287	2,334	-6,369	-4,710
Others	4,773	-912	-10,249	-6,277	-1,195
Cash Flows from Operating Activities	-697	3,649	26,824	11,041	13,545
Purchase/Sale of Tangible Assets	-16,028	-13,131	-8,064	-11,291	-8,693
Purchase/Sale of Intangible Assets	23	7	55	22	11
Purchase/Sale of Investment Securities	335	59	-31	-70	115
Others	14	30	121	-50	-816
Cash Flows from Investing Activities	-15,656	-13,035	-7,919	-11,389	-9,383
Net Increase/Decrease in Short-Term Borrowings	6,075	635	-3,268	4,460	1,340
Net Increase/Decrease in Long-Term Borrowings	10,837	11,015	-5,045	-7,273	657
Issuance of Shares	-	-	-	-	-
Expenditures for Acquisition of Treasury Stock	-271	-324	-2,005	-1,851	-952
Dividends Paid	-1,056	-2,255	-3,417	-3,003	-3,216
Others	-536	-541	-583	273	-562
Cash Flows from Financing Activities	15,049	8,530	-14,318	-7,394	(2,733)
Exchange Differences on Cash and Cash Equivalents	20	109	134	194	237
Net Increase/Decrease in Cash and Cash Equivalents	-1,283	-748	4,721	-7,549	1,665
Cash and Cash Equivalents at Beginning of Period	13,828	12,545	11,797	16,918	9,369
Increase in Cash and Cash Equivalents Resulting from Inclusion of Subsidiaries in Consolidation	-	-	400	-	-
Cash and Cash Equivalents at End of Period	12,545	11,797	16,918	9,369	11,034
Free Cash Flow	-16,353	-9,386	18,905	-348	4,162

Source: Company Data, compiled by Strategy Advisors

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Figure 12. Stock Price Indicators, ROE, and KPIs

FY	3/22	3/23	3/24	3/25	3/26
EPS (¥)	561.3	1,316.8	933.6	819.5	519.9
BPS (¥)	4,121.1	5,324.8	6,184.8	6,845.7	7,298.2
DPS (¥)	120.0	200.0	200.0	220.0	220.0
Dividend Payout Ratio	21.4%	15.2%	21.4%	26.8%	42.3%
Stock Price (¥)	2,810	4,255	4,795	4,160	4,635
PER (x)	5.0	3.2	5.1	5.1	8.9
PBR (x)	0.7	0.8	0.8	0.6	0.6
# of Shares Outstanding at Year-End ('000)	15,497.3	15,497.3	15,497.3	15,497.3	15,497.3
# of Treasury Shares ('000)	412.9	545.7	1,028.5	1,413.6	1,643.6
# of Shares Outstanding excl. Treasury Shares ('000)	15,084.4	14,951.6	14,468.8	14,083.7	13,853.8
Average # of Shares Outstanding ('000)	15,093.5	14,962.7	14,529.1	14,130.0	13,879.6
Market Cap.	42,387.3	63,619.2	69,377.9	58,588.2	64,212.1
Equity Ratio	33.2%	35.8%	40.7%	44.3%	46.1%
Interest-Bearing Debt (¥mn)	75,374	89,464	80,885	78,773	80,529
Net Interest-Bearing Debt (¥mn)	62,728	77,554	63,851	69,257	69,254
D/E Ratio	1.28	1.17	0.96	0.86	0.85
Net D/E Ratio	1.06	1.02	0.76	0.76	0.73
EV (¥mn)	105,120	141,178	133,481	128,037	133,666
EBITDA (¥mn)	18,089	34,285	25,605	22,797	17,507
EV/EBITDA	5.8	4.1	5.2	5.6	7.6
ROE	14.4%	27.8%	16.0%	12.5%	7.3%
ROIC (Invested Capital)	12.2%	13.7%	8.5%	7.2%	4.8%
# of Employees	2,080	2,091	2,079	2,095	2,093

Note: EBITDA is defined as operating profit plus depreciation and amortization of goodwill. Depreciation and amortization of goodwill are figures included in operating cash flow.

Source: Company Data, compiled by Strategy Advisors

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