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February 3, 2021

To Whom It May Concern,

Company name: Nippon Steel Corporation  
Representative: Eiji Hashimoto, Representative Director and President  
Stock listing: First Section of the TSE, First Section of the NSE, FSE, and SSE  
Code number: 5401  
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**Notice regarding Response to Questions in the Opinion Report**  
**by Tokyo Rope Mfg. Co., Ltd. (Securities Code: 5981)**

On January 21, 2021, the board of directors of Nippon Steel Corporation (“NSC”) adopted a resolution to conduct a tender offer (the “**Tender Offer**”) for shares of Tokyo Rope Mfg. Co., Ltd. (the “**Target Company**”). NSC hereby announces that in response to the questions in the opinion report submitted by the Target Company on January 27, 2021, NSC submitted a response report to provide its responses, as stated in the Exhibit, today.

NSC believes that from NSC’s responses to the Target Company’s questions in addition to NSC’s disclosure in the Tender Offer Statement and other documents pertaining to the Tender Offer, the Target Company and its stakeholders including shareholders, customers, and employees of the Target Company will be able to understand NSC’s view regarding recovery and improvement of the Target Company’s corporate value through the conducting of the Tender Offer,.

(Note) For the opinion report submitted by the Target Company and the response report and other documents submitted by NSC, please refer to EDINET (<https://disclosure.edinet-fsa.go.jp/>), a website provided by the Financial Services Agency.

## Responses to the Questions Submitted to NSC

### <Tokyo Rope's Question>

- (1) **The Tender Offer Statement states that “since the annual shareholders meeting of the Target Company held on June 27, 2017, NSC has also continuously cast votes against the proposal for the appointment of more than one directors (including inside and outside directors) of the Target Company.” However, Tokyo Rope understands based on its records that NSC cast votes against part of the proposals for the appointment of directors at the annual shareholders meeting held in June 2013 and that since then, NSC has continuously cast votes against part of the proposals for the appointment of directors. Please confirm if this understanding is correct.**

### <NSC's Response>

NSC cast votes against part of the proposals for appointment of directors also at annual shareholders meetings of the Target Company held before 2017, upon consideration of various factors including business results and management policies of the Target Company. As stated in the Tender Offer Statement, the Target Company has consecutively posted losses in the new product development business promoted under the current management policies since the fiscal year ended March 2017; in May 2017, the numerical financial targets in the former Mid-Term Management Plan of the Target Company were revised downward. Despite the management issues at the Target Company including damaged corporate value and dysfunction of the governance system of the Target Company which became obvious through these facts, no effective measures were taken. In light of this, NSC has continuously cast votes against the proposal for the appointment of more than one director (including inside and outside directors) since the 2017 annual shareholders meeting of the Target Company with a view to recovery and improvement of the Target Company's corporate value. Such issues remain unsolved; therefore, NSC commenced the Tender Offer.

### <Tokyo Rope's Question>

- (2) **Regarding the Tender Offer, has NSC had any contact, discussions, agreements, or other communications with any investment funds, Tokyo Rope's shareholders or business partners, or other third parties? If yes, please provide details thereof. If NSC intends to have such contact, discussion, or agreement in the future, please specify the counterparties thereto and details thereof.**

### <NSC's Response>

NSC has individually explained, in line with the Tender Offer Statement, the purpose of the Tender Offer and NSC's view to some stakeholders including the Target Company's shareholders that NSC identified from materials such as the Target Company's public materials and shareholders registry. Depending on the circumstances, NSC will take necessary measures, such as providing information and explanations on NSC's views and on the Target Company. NSC refrains from disclosing details including the names of the counterparties or the content of explanations, out of consideration for the counterparties.

### <Tokyo Rope's Question>

- (3) **If the Tender Offer is successfully completed, liquidity of Tokyo Rope shares will be reduced, which may affect the market segment to which Tokyo Rope shares will be allocated as a result of a realignment of stock markets planned by the Tokyo Stock Exchange. Please provide NSC's view on this (taking into account the forecasted revision of the definition of “tradable shares (*ryutsu kabushiki*)” to be conducted on April 4, 2022) and the reason NSC continues to purchase Tokyo Rope shares despite possible concerns regarding such situation.**

<NSC's Response>

NSC understands that this question is intended to request NSC's view on the possible concern that as a result of reduction in the liquidity of the Target Company Shares due to NSC's purchase of additional shares of the Target Company through the Tender Offer, the Target Company may not be able to satisfy the listing standards of the Prime Market after a realignment of stock markets that the Tokyo Stock Exchange is currently considering.

NSC believes that increasing its commitment to improvement of the Target Company's corporate value by acquiring additional Target Company Shares through the Tender Offer and promoting the restructuring of the Target Company's management and governance systems which is necessary to recover and improve the Target Company's corporate value will contribute to the recovery and improvement of its corporate value. NSC considers that it will serve the interests of all stakeholders, including the Target Company's shareholders, for the Target Company to continue to stably satisfy the listing standards on the Prime Market as a result of a rise in the price of the Target Company Shares through such recovery and improvement of its corporate value.

Upon successful completion of the Tender Offer, the liquidity of the Target Company Shares may be reduced accordingly. However, NSC considers that the impact of such reduction in liquidity on the allocation of a new market segment for the Target Company is limited. First, the Target Company does not satisfy the standard of two-year total income of 2.5 billion yen or more, which is one of the standards for a new listing on the First Section of the TSE (which is planned to be included in the standards for new listings on the Prime Market after the realignment of stock markets) given the fact, among others, that it recorded a net loss of approximately 2.6 billion yen in the fiscal year ended March 2020. Such serious circumstances of the Target Company possibly affected the stagnant average price of the Target Company Shares before the announcement of the Tender Offer. According to public information, the tradable share ratio of the Target Company Shares before the announcement of the Tender Offer is assumed to have been around 70 to 80%. Given the average price level of the Target Company Shares before the announcement of the Tender Offer, NSC understands that irrespective of the Tender Offer conducted by NSC, there was a concern about the aggregate market value of tradable shares of the Target Company failing to satisfy the listing standards of the Prime Market after the realignment of stock markets under consideration. Further, all the principles in the Corporate Governance Code, which is planned to be revised, are expected to apply to companies to be listed on the Prime Market. While the Code requires that at least one-third of the directors appointed should be independent outside directors, there are only two outside directors out of the nine directors of the Target Company at present, and NSC understands that this also gives rise to the concern that the Target Company does not currently satisfy the standard to be required for companies to be listed on the Prime Market.

As explained above, the purpose of the Tender Offer is the recovery and improvement of the corporate value of the Target Company, and NSC expects Tokyo Rope's stakeholders to understand that achievement of such purpose will lead to the Target Company satisfying the listing standards of the Prime Market.

<Tokyo Rope's Question>

**(4) NSC had an option to purchase 1,625,500 shares of Tokyo Rope (the maximum number of shares to be purchased in the Tender Offer) in the market without conducting the Tender Offer; however, NSC did not adopt such option and chose to conduct the Tender Offer. Please explain the reason for, and the purpose of, such choice.**

<NSC's Response>

In order for the Target Company to recover and improve its corporate value on its own through restructuring of its management and governance systems while remaining independent, NSC believes that the understanding and support of the shareholders of the Target Company is indispensable and that in order to obtain such understanding and support, it would be necessary to make management issues at the Target Company and NSC's view thereon widely known to the Target Company's shareholders.

Conducting the Tender Offer would enable it, and provide an opportunity for the Target Company's shareholders to fully consider NSC's view during the Tender Offer Period (30 business days). NSC thus conducted the Tender Offer, believing that it is an appropriate method to acquire additional Target Company Shares.

NSC recognizes that it would take a certain amount of time to rebuild the Target Company's management, and some shareholders of the Target Company might not intend to hold their shares in the mid- and long-term. Thus, NSC considers that conducting the Tender Offer in order to provide the provision of an appropriate opportunity for the shareholders who desire to sell their Target Company Shares through the tender offer at a price including an appropriate premium added to the latest market price to be a method that will be appreciated by general investors.

**<Tokyo Rope's Question>**

**(5) NSC abruptly commenced the Tender Offer without offering any prior consultation with Tokyo Rope regarding the purchase of its shares. Please specify how NSC evaluated and considered the impact of such action on the stakeholders of Tokyo Rope (including business partners, employees, and other shareholders of Tokyo Rope) such as their anxiety and confusion, and subsequent impact on the corporate value of Tokyo Rope.**

**<NSC's Response>**

As stated in the response to Question (4), NSC believed that conducting the Tender Offer would make it possible for the management issues at the Target Company and NSC's view thereon to be widely known to the Target Company's shareholders and provide an opportunity for them to fully consider NSC's view during the Tender Offer Period. NSC believes that increasing its commitment to improvement of the Target Company's corporate value by acquiring additional Target Company Shares through the Tender Offer and promoting restructuring of the Target Company's management and governance systems which is necessary to recover and improve the Target Company's corporate value will contribute to the recovery and improvement of the Target Company's corporate value. NSC expects that stakeholders including the Target Company's shareholders, business partners, and employees to understand its view. NSC will continue to take necessary measures depending on the circumstances, such as providing information and explanations on NSC's views and on the Target Company.

**<Tokyo Rope's Question>**

**(6) In fact, after the announcement of the Tender Offer, Tokyo Rope has been receiving concerns from its customers. Specifically, they are concerned that depending on Tokyo Rope's opinion on the Tender Offer, NSC would impose some disadvantages on the materials supply to Tokyo Rope. With regard to this concern, please specifically present views of NSC as a major supplier of Tokyo Rope.**

**<NSC's Response>**

As stated in the Tender Offer Statement, the purpose of the Tender Offer is to contribute to recovery and improvement of the Target Company's corporate value by increasing NSC's commitment to improvement of the Target Company's corporate value through additional acquisition of Target Company Shares and by promoting the restructuring of the Target Company's management and governance systems, which is necessary to recover and improve the Target Company's corporate value, in light of the circumstances in which the Target Company has taken no effective measures despite the management issues including dysfunction of its governance system and its business performance has continuously been deteriorating.

Regardless of the Target Company's opinion on the Tender Offer, NSC intends to continue to have the fair business relationship with the Target Company that it has been maintaining to date, as is the case with other customers for special wire rods.

NSC also believes that for NSC and Tokyo Rope, as independent listed companies, to continue to have such fair business relationship after the completion of the Tender Offer will serve the interests of customers of the Target Company.

**<Tokyo Rope's Question>**

**(7) Please explain why NSC did not obtain a fairness opinion regarding the fairness of the price in determining the Tender Offer Price.**

**<NSC's Response>**

NSC determined the Tender Offer Price based on the calculation details and results stated in the Share Valuation Report obtained from Daiwa Securities Co., Ltd., acting as a financial advisor which is a third-party valuation organization independent of NSC and the Target Company, and by comprehensively taking into account (i) the trend of the market price for the Target Company Shares; (ii) actual examples of premiums granted in tender offers premised upon the maintenance of listing which were conducted by non-issuers in the past; and (iii) the prospects for shares being tendered in the Tender Offer. NSC considers that such price consideration process was sufficient compared to processes in other cases similar to the Tender Offer.

**<Tokyo Rope's Question>**

**(8) With regard to an investment return on funds required for the Tender Offer and prices for previous purchases in the market, please specifically explain the pay-back period and method that NSC expects.**

**<NSC's Response>**

NSC sees its investments in the Target Company from a long-term perspective and believes that recovery and improvement of the Target Company's corporate value to be promoted through restructuring of the Target Company's management and governance systems after the successful completion of the Tender Offer will also ensure the rationality of NSC's investments as a shareholder of the Target Company.

**<Tokyo Rope's Question>**

**(9) In the Tender Offer Statement, NSC repeatedly states that it believes that independence of Tokyo Rope's management should be maintained. Please specifically explain the meaning of independence of management. In particular, on page 4 of the Tender Offer Statement, NSC clearly mentions "avoiding making the Target Company an equity-method affiliate." Please confirm whether this means that NSC does not intend to dispatch personnel to Tokyo Rope as officers or directors.**

**<NSC's Response>**

NSC believes that if the current management policies of the Target Company are appropriately reconsidered, it would be possible for the Target Company to demonstrate its inherent strong technological capabilities and brand power and recover and improve its corporate value on its own. To realize this, NSC considers it desirable for the Target Company to remain independent as a listed company, develop an appropriate governance system, and then utilize internal human resources who are familiar with the Target Company's business in shaping a new management team to restructure its management. To that end, NSC intends to increase its commitment to improvement of the Target Company's corporate value by acquiring additional Target Company Shares through the Tender Offer and, as a shareholder of the Target Company, to have discussions with the Target Company's management team regarding appointment of the Target Company's internal persons as new directors of it and about a structure for the board of directors which would ensure independence and diversity, and present necessary proposals to it based on such discussions.

**<Tokyo Rope's Question>**

**(10) Measures to improve corporate values listed in the Tender Offer Statement include "optimization of inventory management through shared use of a supply chain management system." Please explain the details as specifically as possible. A similar measure has already been taken between NSC and Tokyo Rope, and the wire rod inventory at each plant of Tokyo Rope has been considerably reduced. Aiming at achieving substantial cost reduction**

**and financial burden reduction will require fundamental reconsideration of the wire rod supply system and significant reduction in inventory turnover. Tokyo Rope believes that the supply system between Kamaishi Area of East Nippon Works of NSC (Kamaishi City, Iwate Pref.) and Toko Steel Cord Co., Ltd. (Kitakami City, Iwate Pref.), which is a subsidiary of Tokyo Rope, can easily be improved due to its short transportation distance. Therefore, using as an example the transactions between those plants, please explain in detail through what method and by how many days NSC plans to reduce the current wire rod inventory turnover.**

<NSC's Response>

NSC is ready to build a cooperative relationship with the Target Company and then to support recovery and improvement of the Target Company's corporate value within that relationship if the Target Company so requests. As stated in the Tender Offer Statement, the measures that NSC considers feasible under a new collaborative relationship include, in addition to "optimization of inventory management through shared use of a supply chain management system," which is the subject of the Question, "cost reduction, quality improvement and stable production through operational tie-ups," "promotion of development of high-value added products and high functional products through joint product development among NSC, the Target Company, and customers, and strengthening of the competitiveness of the Target Company based thereon," "reinforcement of domestic and overseas sales by utilizing NSC group's information gathering capabilities and network," and "careful examination of the profitability of the CFCC business and strengthening of the overseas business risk management, by utilizing NSC's management knowhow." NSC believes that through each of these measures, it will be able to contribute to recovery and improvement of the Target Company's corporate value.

Among these measures, with regard to "optimization of inventory management through shared use of a supply chain management system," which is the subject of the Question, NSC is developing a new system and believes that introducing it can be expected to optimize inventory not only in the Kitakami Plant of Toko Steel Cord Co., Ltd., a subsidiary of the Target Company, but also in the Sakai Plant and Tsuchiura Plant of the Target Company in particular. NSC refrains from providing further details due to business confidentiality.