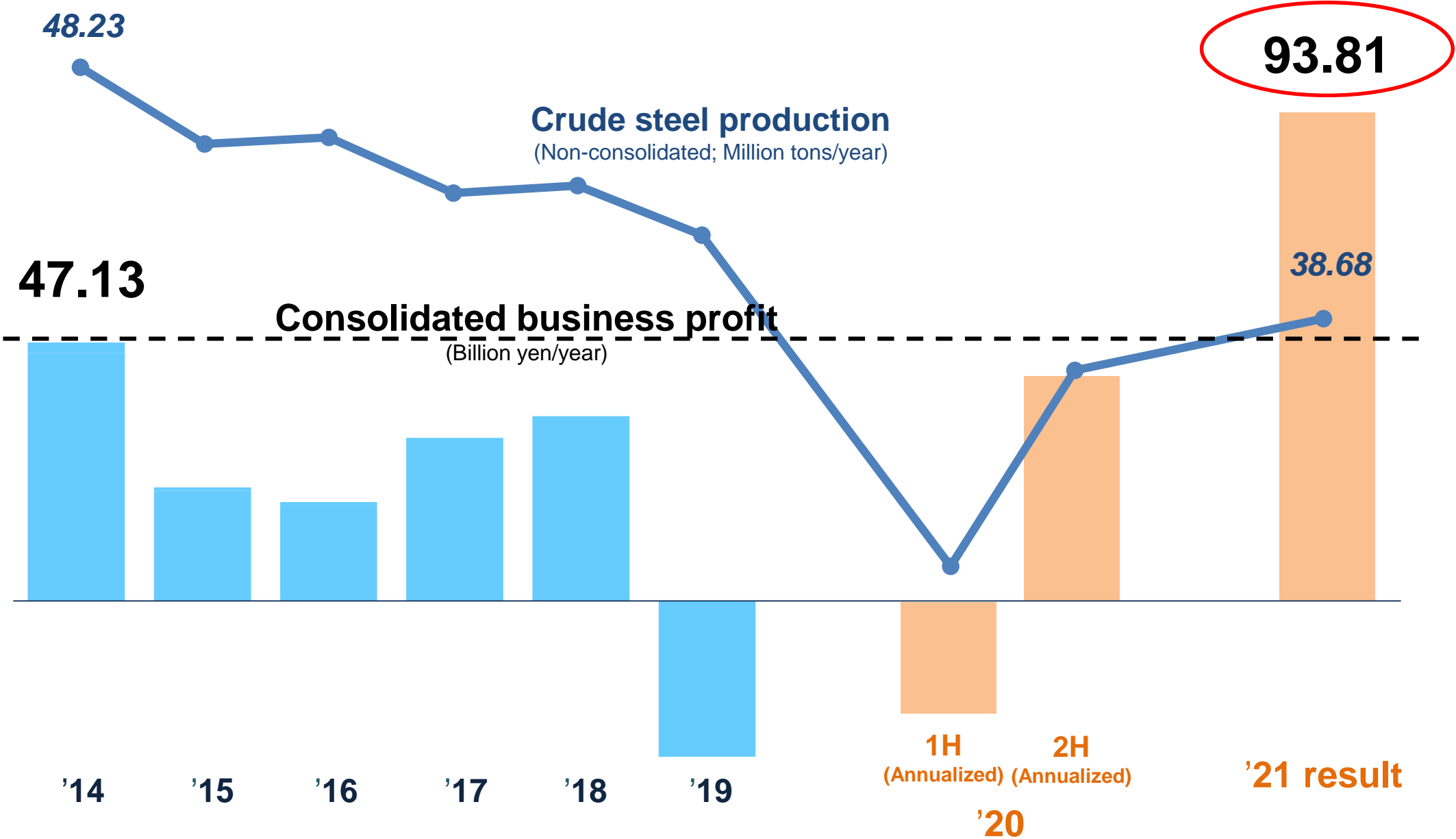


**Nippon Steel's  
Business Challenges and  
Measures to Be Taken**

**Fiscal 2021 financial results  
and  
Fiscal 2022 strategy**

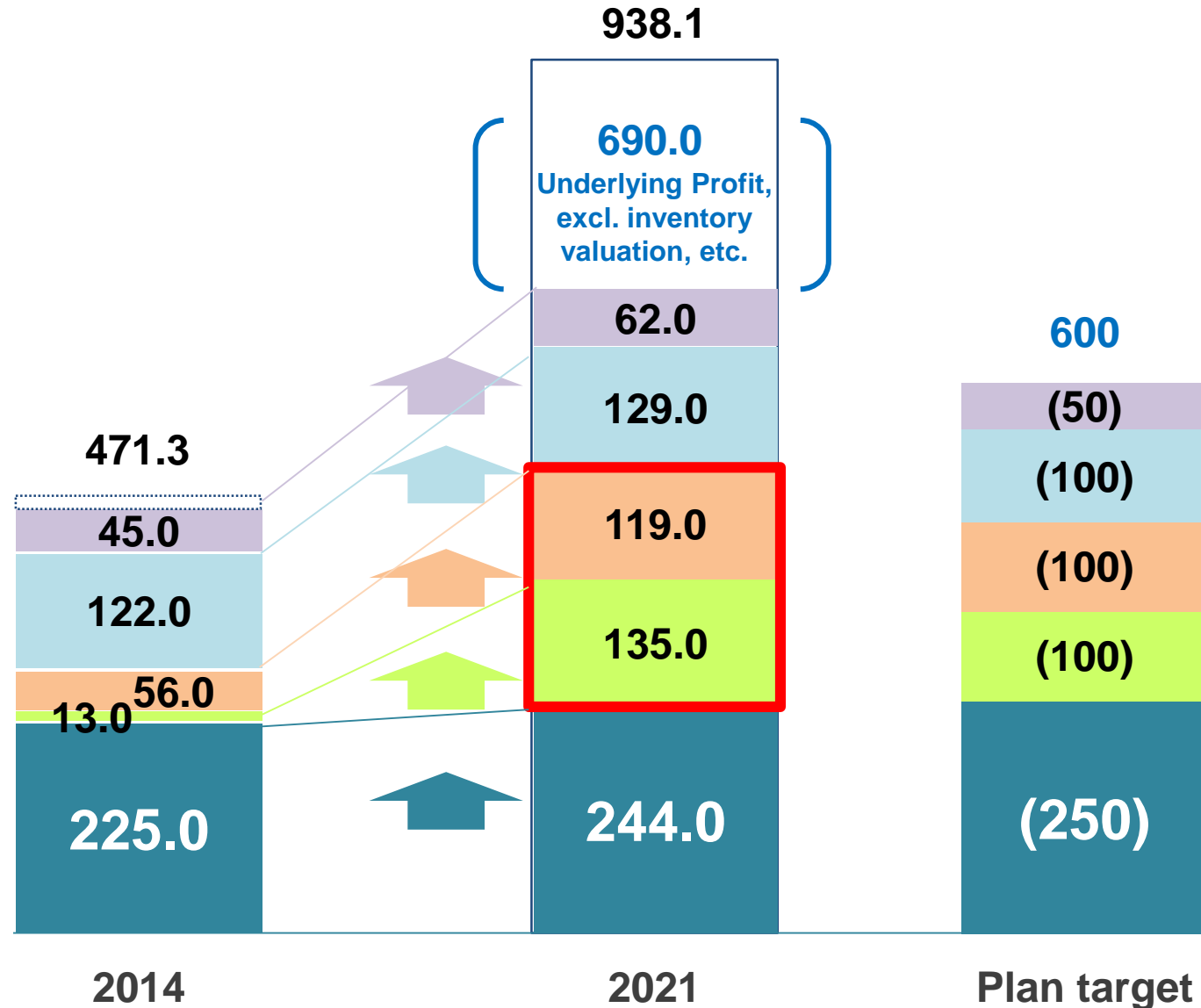
# FY2021: Highest post-integration business profit



# Business profit by Breakdown

- Three non-steel segments
- Other steel group companies
- Raw material interests
- Overseas steel business
- Domestic steel business  
Non-consolidated operating profit  
excl. inventory valuation gains

(Billion yen/year)



2014: Consolidated ordinary profit (JGAAP), Nippon Steel & Sumitomo Metal + Nisshin Steel  
 2021: Consolidated business profit (IFRS)

# Uncertain external environment for FY2022

**Very sluggish Chinese economy**

**Supply constraints of semiconductors, etc.**

**Soaring energy/material prices**



**Situation in Russia and Ukraine**

**Rapid depreciation of the yen**



**Aim to achieve 600 billion yen or more in business profit in fiscal 2022 even in an uncertain environment.**

# **Progress of the Nippon Steel Group's Medium- to Long-Term Management Plan**

# Medium- to Long-Term Management Plan: Four Pillars

**1. Rebuilding our domestic steel business**

**2. Deepening and expanding overseas business**

**3. Taking on the challenge of carbon neutrality**

**4. Promoting DX strategies**

# 1. Rebuilding our domestic steel business

**Complete the production facility structural measures**

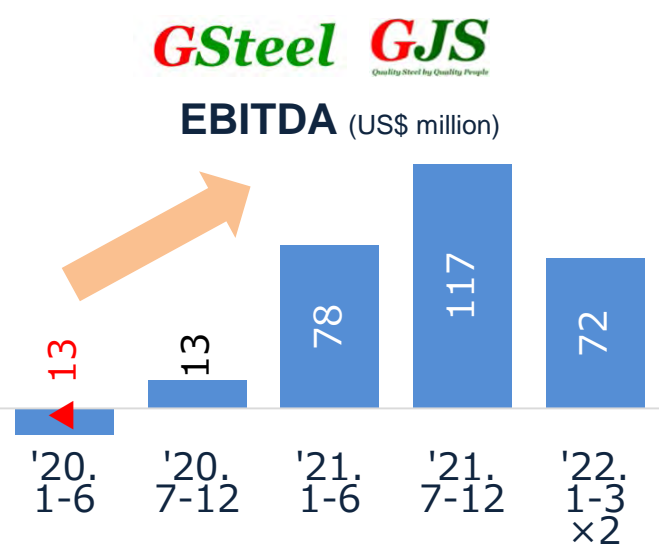
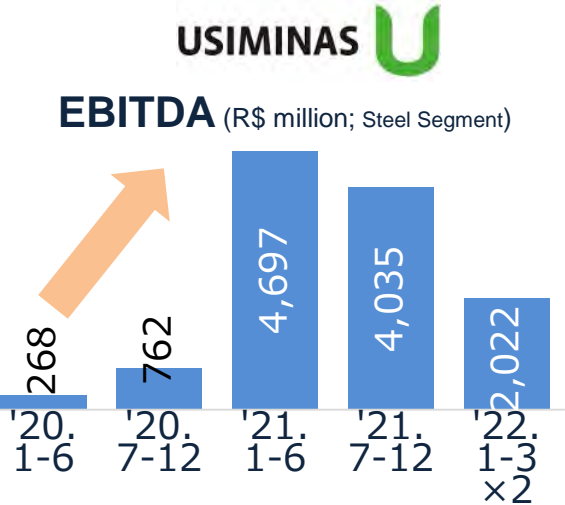
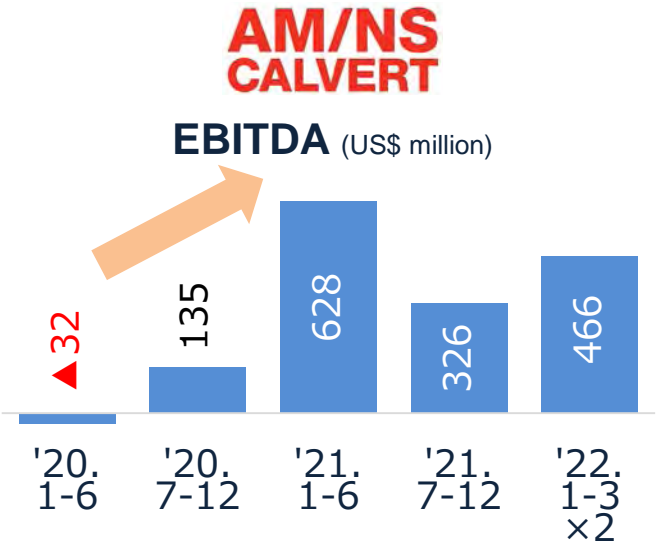
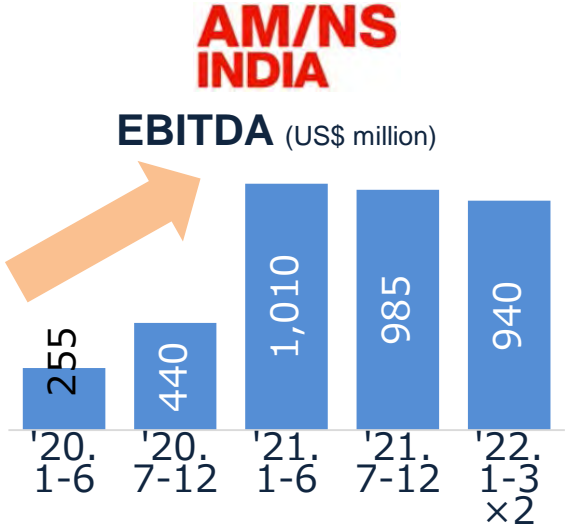
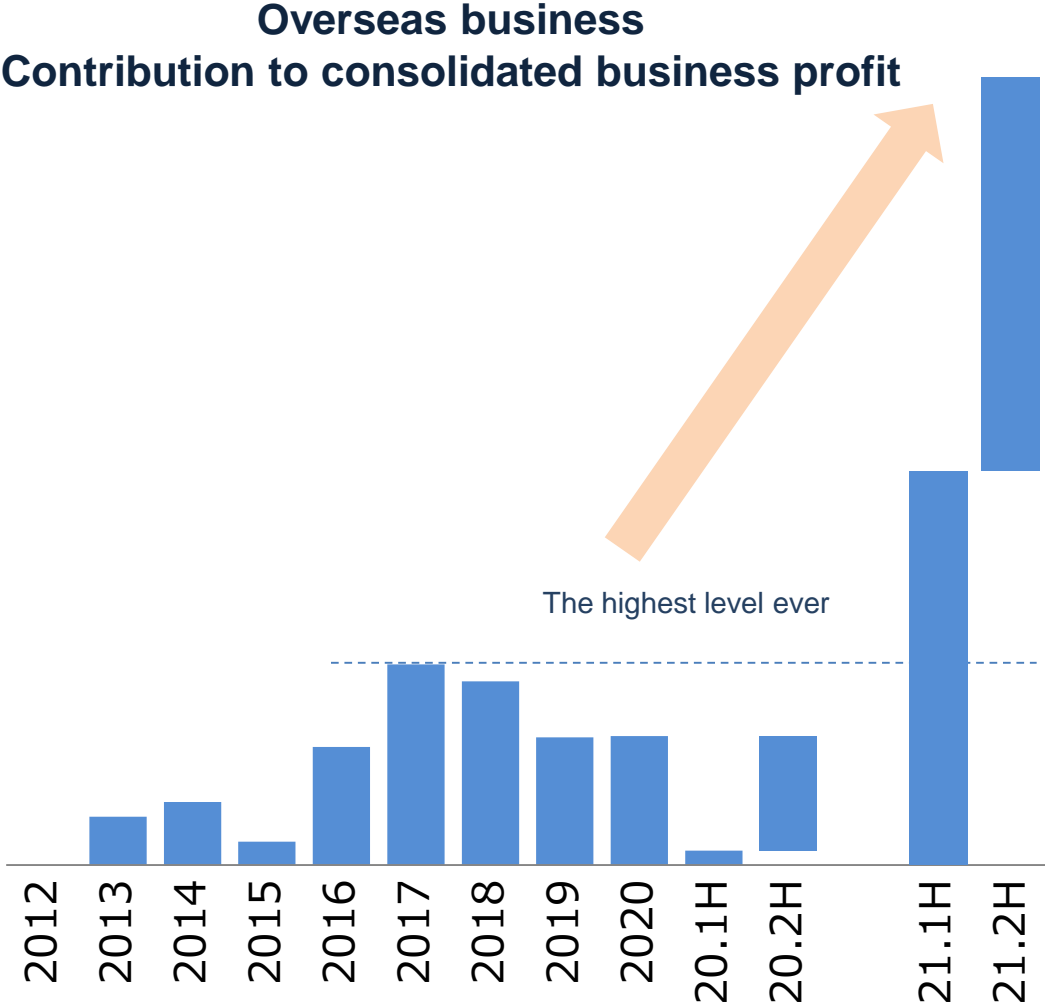
**Flexibly respond to changes in the environment  
(Shortened business cycles)**

**Steadily improve base operation performance**

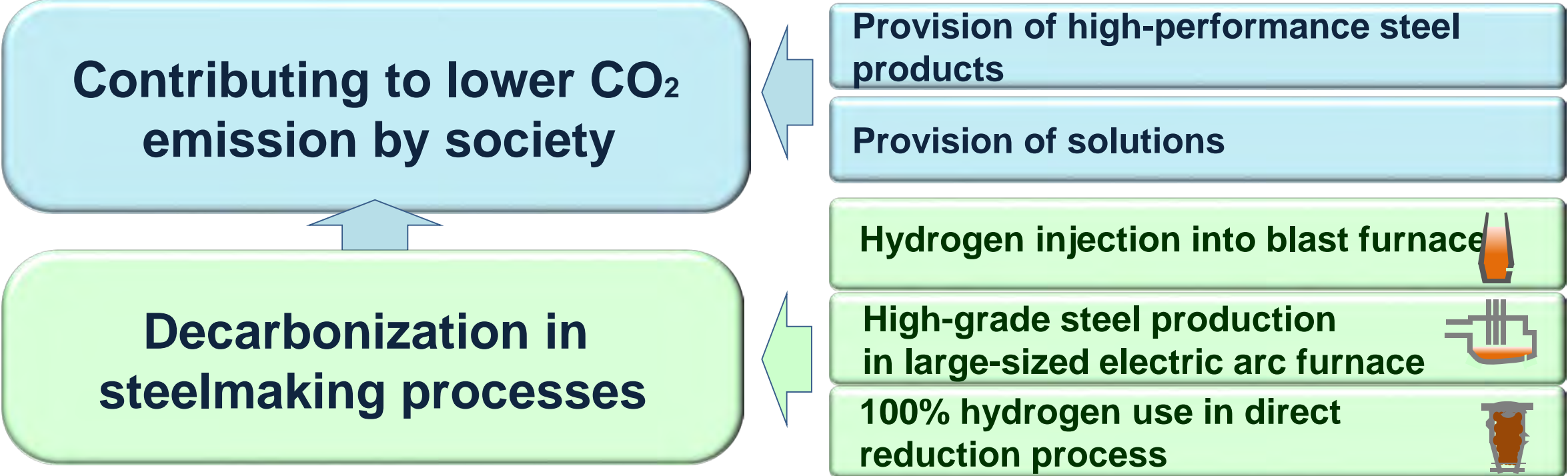
**Improve direct contract prices and review contracts and  
business practices**



# 2. Deepening and expanding overseas business through selective concentration: Raise profitability in growing overseas markets



# 3. Road map to carbon neutrality



**Target for 2030: 30% reduction in CO<sub>2</sub> emissions**  
**Target for 2050: to become carbon neutral**

**Start supply of carbon neutral steel**

## 4. Promoting DX strategies

**Aiming to become a digital advanced company  
in the steel industry**

**Maximum use of our rich and sophisticated  
proprietary data**



**Faster decision making**




**Drastic enhancement of  
problem-solving ability**



**NIPPON STEEL**

**Thank you, our shareholders,  
for your continued understanding and support**



*English translation from the original Japanese-language presentation  
for reference purpose only*

June 23, 2022  
Nippon Steel Corporation

**The 98<sup>th</sup> General Meeting of Shareholders  
Nippon Steel's Business Challenges and Measures to Be Taken**

Presenter: Eiji Hashimoto, President

I would like to explain Nippon Steel's business challenges and measures we are going to take.

Since becoming President in April 2019, swift recovery in profitability has been our first priority and we have made utmost efforts to achieve it, on both the hard side, such as equipment, and the soft side, such as management.

In fiscal 2020, we ended the first half with a loss due to a significant decline in demand that was caused by the COVID-19 outbreak, but in the second half, we made a significant turnaround to become profitable, due to the effects of various measures, as well as a recovery in demand.

In fiscal 2021, the business environment was extremely difficult, with substantial cost increases mainly in raw materials, and a significant reduction in demand mainly for automobiles, caused by the shortage of semiconductors. In particular, in our core business, domestic steel, crude steel production decreased by nearly 10 million tons from 48 million tons in fiscal 2014 when we achieved a record profit to less than 39 million tons. Despite such a significant volume decline, thanks to the effects of the various measures we have implemented, we increased our profit in fiscal 2021, significantly renewing our record-high profit last achieved in fiscal 2014. We are pleased to have structurally strengthened profitability and to be able to declare a V-shaped recovery.

Let me now explain the situation by business segment.

Our biggest challenge was to rebuild our domestic steel business. Under the policy to selectively concentrate on certain products and facilities, advance toward a higher-level order mix, upgrade the remaining facilities, and make concentrated production, we have implemented unprecedented large-scale structural reforms. And have done so ahead of the plan.



In addition, with the suspension of four blast furnaces, we have streamlined the capacity, which has then enabled us to carefully choose order intake and to make progress concerning the longstanding issue of improving direct contract-based prices for customers.

The implementation of these fundamental measures concerning both production and sales has enabled us to achieve higher profits than in fiscal 2014, even in the face of a worsening business environment.

We have also completed the withdrawal from unprofitable businesses by thoroughly selecting and concentrating our overseas operations. By focusing on markets where demand is steadily growing, or sectors where our technology and products are being well utilized, profits from overseas operations have expanded significantly.

Our financial and contractual raw material interests has also expanded on the background of the high market prices for raw materials, and the combined profit from such interest and the overseas steel business exceeded the profit of the domestic steel business. We have thereby improved the profitability of our overall global steel business, at home and abroad. Moreover, both the steel and non-steel group companies have steadily strengthened their profitability.

With our future target of achieving 1 trillion yen in consolidated business profit, we are initially focusing on establishing a business structure that will ensure 600 billion yen-level profit regardless of the business environment. In the core domestic steel business, the biggest challenges continue to be to rebuild stable production capacity at the minimum variable cost, and to maintain and secure appropriate margins in direct contract-based sales.

In fiscal 2022, we are facing an ever-more harsh business environment, including the adverse impact from the prolonged invasion by Russia's military forces into Ukraine. Despite the extremely uncertain environment, we will continue to strengthen our total management capabilities and maximally profit from the measures we have implemented so far, and aim to achieve a high-level of business profit, as in fiscal 2021.

Next, I will explain the progress of the medium- to long-term management plan.

All the basic measures outlined as the four pillars have proceeded according to the plan.

In particular, with regard to rebuilding of the domestic steel business, which is directly linked to the bottom line, we are advancing the production facility structural measures ahead of the plan. We are committed to continually working on flexibly responding to changes in the environment, improving base operation performance, and correcting direct contract prices.



With regard to deepening and expanding our overseas business, we have significantly renewed our highest earnings levels, as we made progress in selectively concentrated operation. We believe that these factors have led to higher than planned earnings in fiscal 2021, the first year of the medium- to long-term management plan.

Moving on to carbon neutrality, we will focus on contributing to the reduction of CO<sub>2</sub> emissions throughout society by providing high-performance steel products and solutions, and promoting decarbonization of the steelmaking process through the development of innovative technologies. Our targets are consistent with those of the Japanese government and the most ambitious ones of the world's leading steelmakers. A promotion organization headed by the vice president has been established and is intensively studying concrete measures, including the utilization of the government's Green Innovation Fund. We plan to start supplying carbon neutral steel next year.

Finally, as for digital transformation, we are accelerating our efforts to become a digital advanced company in the world's steel industry. By utilizing our rich and sophisticated proprietary data and digital technologies, we are reforming our production and business processes, accelerating decision-making from the management level to the frontline, and improving our problem-solving ability.

The business environment is becoming more severe than expected at the time of formulating the medium- to long-term management plan. However, I am prepared to continue to take the lead and all of us at Nippon Steel are committed to doing our utmost as a whole.

We appreciate you, our shareholders, for your continued understanding and support. Thank you for your attention to my presentation.