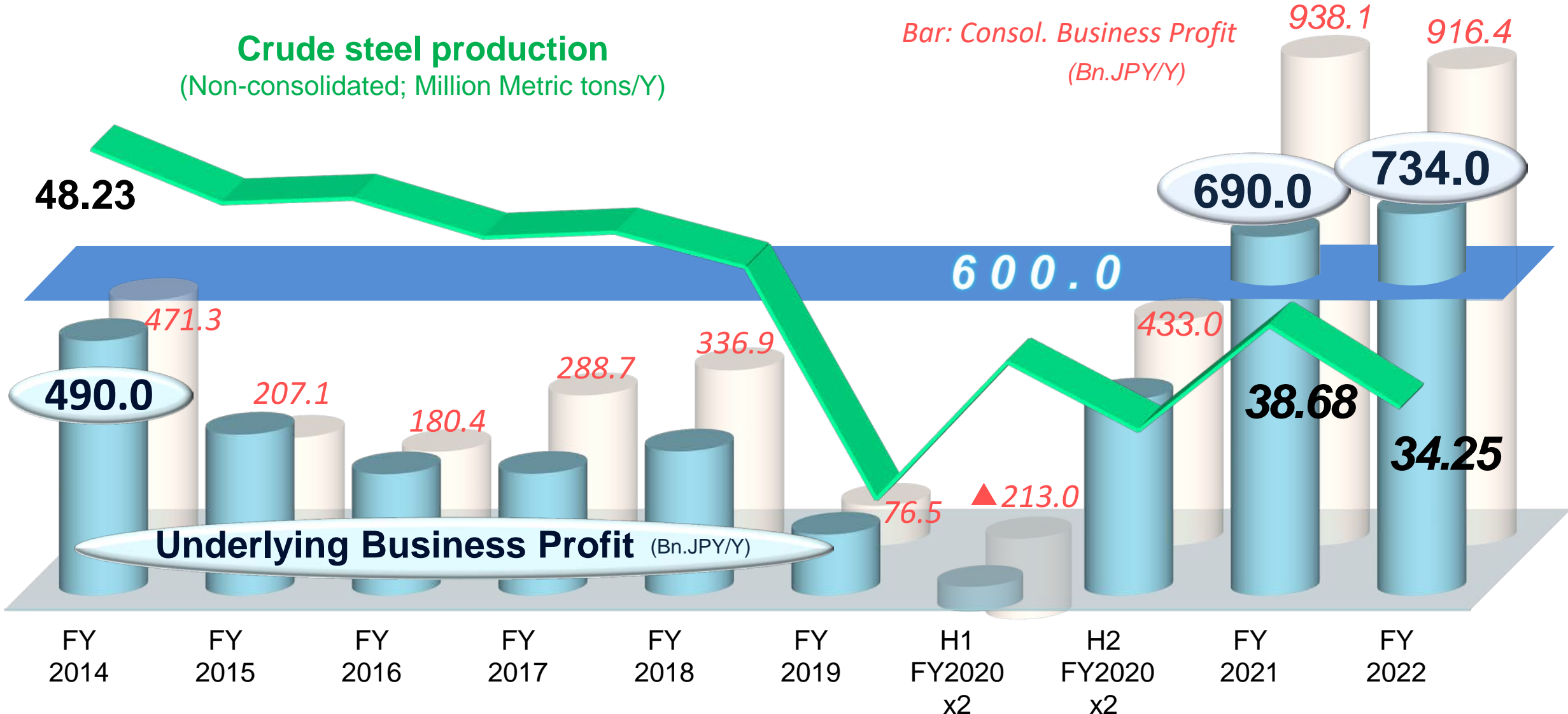


**NIPPON STEEL**  
**Business Challenges and**  
**Coming Measures**

**Fiscal 2022 financial results  
and  
Fiscal 2023 strategy**

# Completed a profit structure that ensures underlying business profit of ¥600.0 Bn. or more



# External environment remains unfavorable in FY2023

**Continued sluggish  
Chinese economy**

**Labor shortage/  
Rising labor costs**

**Interest rate rises/  
Possible Europe and  
U.S. recession**

**High energy &  
material prices**

**Stagnant overseas  
spot market price**

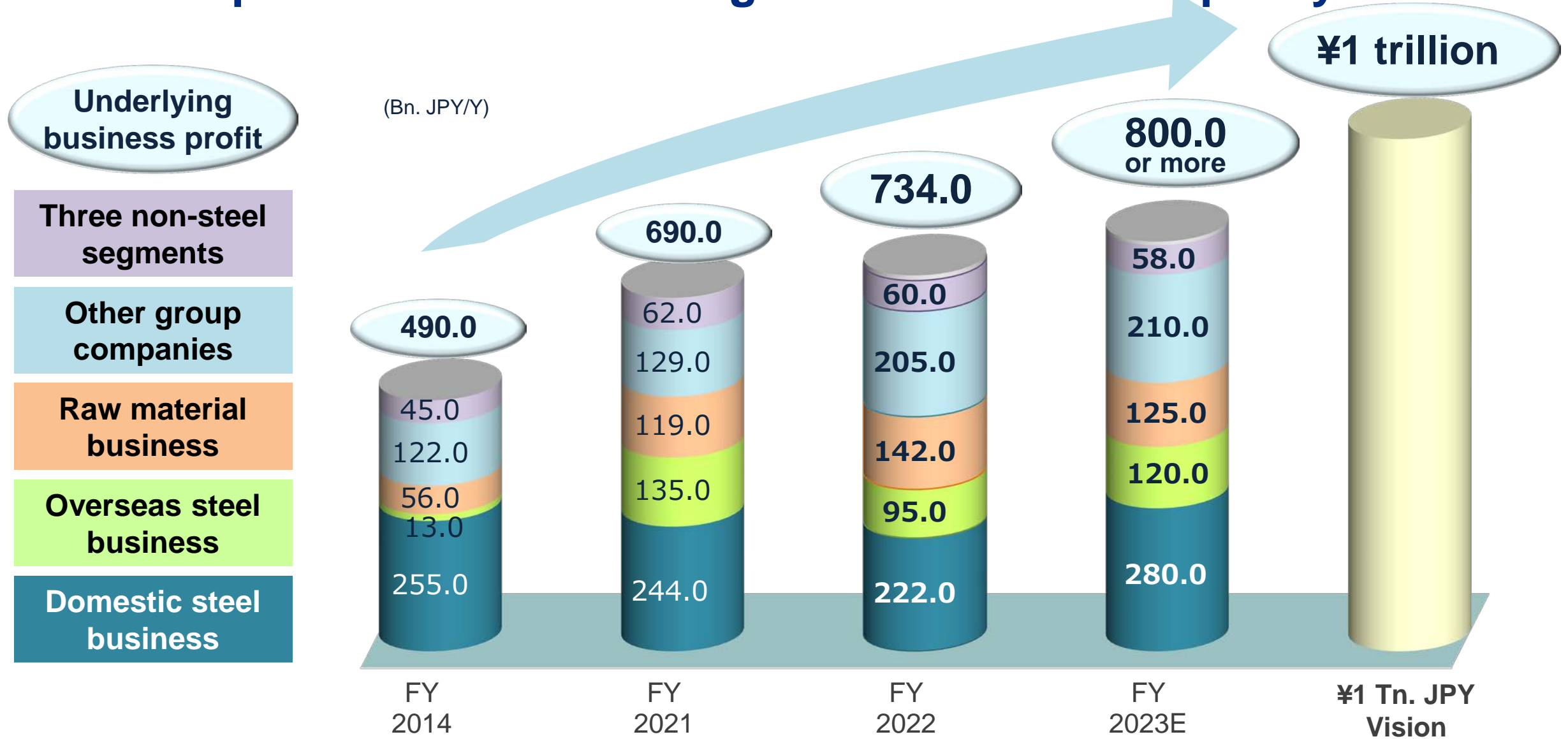
**Stagnant steel  
demand in Japan**



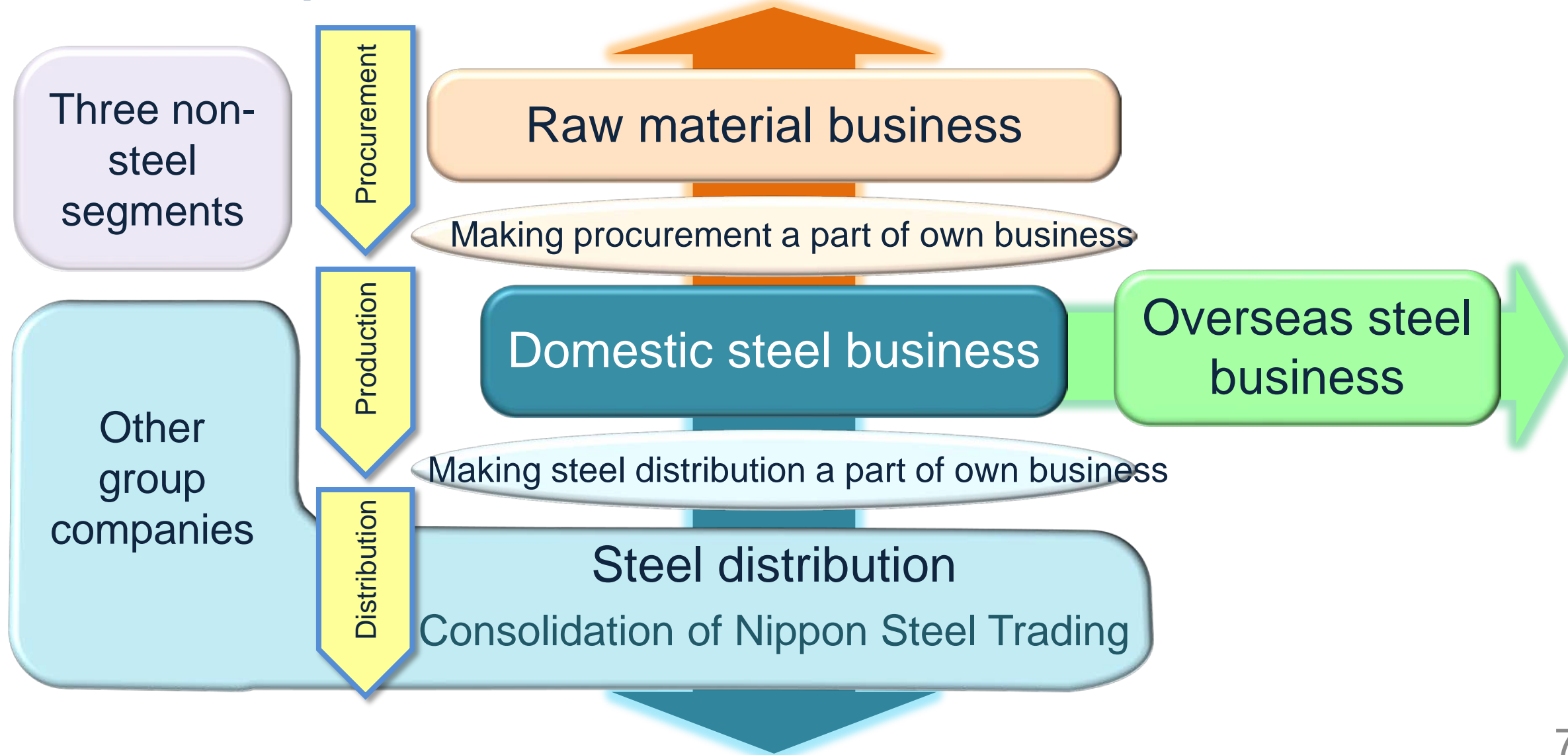
**Aim to achieve underlying business profit of  
¥800.0 billion or more by realizing the effects of  
structural reforms and by adding new measures**

**Proceeding to next phase toward  
¥1 Tn. and 100 Mt/Y Vision**

# Plan to achieve underlying business profit of ¥800.0 Bn. or more in FY2023 and proceed to the next phase toward the ¥1 Tn. business profit and 100 Mt/Y of global crude steel capacity



# Evolve to a further vertically-integrated business structure (from raw materials to production and distribution)



# Promote specific measures toward the Carbon Neutral Vision 2050

Announced in March 2021

Target for 2030: 30% reduction in CO<sub>2</sub> emissions

Target for 2050: To become carbon neutral



Provision of high-performance steel products and solutions that contribute to reducing CO<sub>2</sub> emissions in society

Decided to invest in electrical steel sheet capacity and quality measures

Decided to install new hot-rolled lines for mass production of ultra-high-tensile steel sheet



Decarbonization of steelmaking process for providing carbon neutral steel

Full-scale study to expand the EAF capacity (Hirohata) and shift to EAF (Yawata)

Promote BF hydrogen reduction testing using actual BF



# Implement HR and PR initiatives to recruit and retain diverse human resources

## Major initiatives taken

### Recruitment

- Raised retirement age to 65
- Hired post-doc researchers

### Support work/life balance

- 24-hour childcare centers at steelworks

### Work-related

- Leave system for those who accompany a spouse's overseas transfer
- Encouraged all eligible male employees to take child-care leave
- Leave system for those who wish to join a re-education program

### HR development

- Training for Digital Transformation
- Reinforced English language training programs

## New initiatives

- PR activities facilitating broad recognition by multiple generations
- Aggressive mid-career recruitment (including alumni hiring)
- Hike in starting salaries
- Enhanced employee engagement (e.g. promotion of open feedback culture, and creating growth opportunities for mid-career and junior employees including overseas assignment)



**NIPPON STEEL**

**We thank our shareholders for  
continued understanding and support**

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

June 23, 2023

Nippon Steel Corporation

The 99<sup>th</sup> General Meeting of Shareholders  
Nippon Steel's Business Challenges and Measures to Take

Presenter: Eiji Hashimoto, president

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

Looking back on fiscal 2022, while we couldn't see the end of the COVID-19, the outbreak of the war in Ukraine led to a further rise in energy and resource prices, prompting a transition to an inflationary phase.

In Japan, also due to the rapid depreciation of the yen, inflation accelerated. In addition, a shortage of semiconductors caused production disruptions, particularly in the automobile industry. The Chinese economy, which accounts for more than half of the world's steel demand, decelerated and steel demand was sluggish both at home and abroad. As a result, Nippon Steel's non-consolidated crude steel production fell sharply from over 38.5 million tons in fiscal 2021 to a little less than 34.5 million tons.

Even in such a difficult environment, however, we are pleased to reach a record-high in underlying business profit for the second consecutive year, exceeding the profit in fiscal 2021.

We believe that we have completed the establishment of a business base that can secure a stable 600 billion yen of underlying business profit or higher in any external environment.

Moving on to fiscal 2023, the external environment is not expected to improve from the current situation.

The Chinese economy continued to be sluggish, particularly in the real estate sector. In Europe and the United States, uncertainties about the future have persisted due to the labor shortage, rising labor costs, high commodity prices, and monetary tightening. In addition, while product prices are sluggish, raw material prices are expected to remain at a high level, and the spread in the overseas general market is unlikely to improve.

It is no exaggeration to say that the steel industry has entered a new era of great competition. Despite the severe business environment, we aim to achieve 800 billion yen or more in underlying business profit by realizing the effects of structural reforms and by adding new measures.



Despite the extremely severe business environment in fiscal 2023, we are determined to generate profit of 800 billion yen or higher and make this the year that we advance to a new stage, to achieve 1 trillion yen in profit and 100 million tons of global crude steel capacity per annum.

In order to achieve consolidated business profit of 1 trillion yen, we will evolve to a further vertically-integrated business structure that encompasses everything from raw materials to steel and distribution. Steel production will continue to be our core business and we will further expand our overseas steel business in conjunction with structural reforms in Japan. At the same time, we will comply with the movement toward carbon neutrality in our having procurement evolve to materials business. This will enable us to secure greater stability of our procurement sources, and mitigate changes in business profits caused by fluctuations in raw material costs. It will also help us to secure new resources needed for decarbonization in the future. We have also decided to expand our business domain into the distribution field by making Nippon Steel Trading Co. which was an equity-method affiliate, a consolidated subsidiary. We will seek to improve the efficiency of our supply chain and strengthen sales capabilities by sharing advanced strategies with suppliers.

We will build an integrated business structure that encompasses the broad range from raw materials to production and distribution, and capture all the added value inherent in the comprehensive steel business. We will strive hard to achieve the 1 trillion yen vision as soon as possible.

We are also implementing specific measures for decarbonization. Nippon Steel has announced the “Nippon Steel Carbon Neutral Vision 2050,” which targets a 30% reduction in CO<sub>2</sub> emissions by 2030, and carbon neutrality by 2050. These are high-level goals that conform to the goals of the Japanese government and surpass those of our overseas competitors.

We are making progress in two ways. The first is to provide high-performance steel products and solutions that contribute to reducing CO<sub>2</sub> emissions not merely in our own activities but in society in general. The second is to provide carbon neutral steel through the decarbonization of the steelmaking process.

As for the first, we have decided and have started construction to increase our capacity to produce the electric steel sheets indispensable for high-efficiency motors and transformers, and ultra-high-tensile steel sheets that contribute to the weight reduction of automobiles.

As for the second, we have started full-scale studies on shifting from the blast furnace (BF) steelmaking process to electric arc furnace (EAF) process in the Kyushu Works Yawata Area and expanding EAF process in the Setouchi Works Hirohata Area. We have also decided on BF hydrogen reduction testing, which requires ultra-innovative technologies, using an actual BF, and we are accelerating efforts for R&D and equipment installation.

Through these initiatives, we have launched NSCarbolex™ as a brand that collectively identifies



"products and solution technologies that contribute to the reduction of CO<sub>2</sub> emissions in society." We are also strengthening PR activities for the benefit of our stakeholders.

As the business environment is continuing to be challenging, we must overcome vigorous competition and keep growing while expanding profits. In responding to new challenges such as decarbonization, it is increasingly critical to secure and empower diverse human resources. We will implement PR measures aimed at making us more broadly and favorably recognized. Further, there will be specific measures for the empowerment of employees, including raising their compensation levels.

Our objective is to overcome the challenge of the anticipated surge of competition, to lead the world in decarbonization, and to become the best steelmaker in terms of corporate value – a company with world-leading capabilities. I am determined to take the lead in achieving this, and all of us at Nippon Steel are committed to doing our utmost as a whole. Please look forward to the brighter future of Nippon Steel.

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

End