Message from the President

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Nippon Steel aims to return to the position of the world's number one steelmaker

Tadashi Imai
Representative Director,
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I am Tadashi Imai, President and COO of Nippon Steel.

The global steel industry is undergoing a major historical transformation. This trend is gaining momentum due to the peaking steel demand and overproduction in China, the Trump administration's trade policies, geopolitical risks including the situation in the Middle East, and the resulting fragmentation of global markets. In Japan, on the other hand, steel demand has been declining year after year against the backdrop of a shrinking population. In addition to these difficulties, we must tackle the issues posed by climate change, particularly carbon neutrality, which presents significant technical and economic challenges for the steel industry. The future of the global steel industry 10 to 20 years from now might look very different from what it does today.

I see this period of transformation as an opportunity for our company to reform and grow, creating even greater value for our customers and contributing to a sustainable, prosperous society. I believe we will survive in this fiercely competitive environment and return to the position of the world's number one steelmaker. From this perspective, we formulated and announced the 2030 Medium- to Long-term Management Plan last December to outline our initiatives for the five years till FY2030.

Our business in Japan will continue to serve as the source of value creation we need to develop and manufacture world-leading technologies. To become an overwhelming presence in Japan, we are driving further company-wide structural enhancement, including Group companies. At the same time, we will review our organizational structure and how to operate through business innovation and efficiency enhancement, enabling operational management with small, elite teams, while allocating more human resources to our overseas business.

Regarding overseas operations, at our four priority bases: the United States, Europe, India, and Thailand, we will strengthen the system for local production for local consumption by leveraging our regional integrated steel production starting from the upstream process. We will strive to increase our profits by introducing cutting-edge technologies developed in Japan and investing in equipment to expand capacity, enhance product sophistication, and reduce costs in step with local demand growth.

We aim to achieve an underlying profit of 1 trillion yen by FY2030 across domestic and overseas operations. We also plan to make a significant leap to the next level of profitability in FY2031 and beyond by steadily pursuing growth investments, mainly overseas, and reaping the profits.

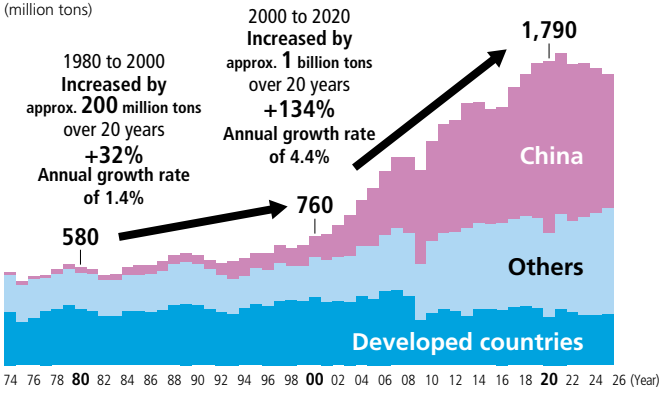
To decarbonize steel production processes, we will first convert blast furnaces to electric arc furnaces at the Kyushu Works Yawata Area by FY2030, achieving a 30% reduction in CO_2 emissions. At the same time, we are fully committed to world-leading technological development and to forming a GX market that ensures predictable returns on investment.

As President and COO of Nippon Steel, I, along with all our employees, will devote our full efforts to enhancing our corporate value over the medium to long term and becoming the world's number one steelmaker, while listening to the voices of our stakeholders, including customers, shareholders, and local communities.

1. Global Steel Industry Environment

Rising geopolitical risks across the globe are accelerating the shift toward local production for local consumption, driven also by economic security considerations

Changes in global steel demand (steel products)



Over the 20-year period from 1980 to 2000, global steel demand grew gradually at an annual rate of 1.4%, from 580 million tons to 760 million tons. However, from 2000 to 2020, it increased rapidly at an annual rate of 4.4%, from 760 million tons to 1,790 million tons. China's explosive economic growth was the major contributor to the change. To satisfy its domestic demand, China expanded its steel production capacity through government-led initiatives. Until around 2015, capacity shortages led China to import large quantities of steel products, which pushed global steel prices higher. Subsequently, China produced far more steel than it could consume and exported the surplus worldwide, causing steel prices to decline. Furthermore, developments in China drastically reshaped the landscape of international trade in steel raw materials, such as iron ore and coking coal, driving their prices higher and causing significant fluctuations.

In 2020, however, steel demand in China peaked and then began to decline. Because demand in India and other emerging economies did not grow as rapidly as in China, global steel demand leveled off or declined. China continues to maintain high steel production levels, and its massive steel exports are affecting global steel market conditions, leading countries around the world to adopt protectionist trade policies. At the same time, as geopolitical risks rise worldwide, we are undergoing a major transformation even in economic security, including the increasing fragmentation of global markets.

2. Looking Back on the 2025 Medium- to Long-term Management Plan

The strength of our employees, who successfully drive transformation, is a solid foundation supporting our future growth

Based on the understanding outlined above, we adopted the following policies for pursuing profit growth in the 2025 Medium- to Long-term Management Plan we formulated in FY2021: In Japan, we will reduce production capacity by about 20% and slash the fixed cost base by implementing industry-leading structural measures for production facilities, while driving order-mix sophistication by shifting from general-purpose products to high-value-added products. In other countries, including India, we aim to grow profits by expanding our integrated iron and steel production system.

However, changes in our business environment unfolded faster than we had expected. We responded promptly to these unexpected changes and implemented many additional measures beyond those originally planned.

In Japan, driving price adjustments in the specific customer segment increased our unit marginal profit, lowering the break-even point by about 40% when we include the effect of our initial measures. We also made Nippon Steel Trading, a downstream trading firm, our subsidiary and took it private, and integrated distribution into our business domain, expanding opportunities for value creation across our entire supply chain. Overseas, to support future growth potential and profitability, we expanded our foundation for medium- to long-term growth by acquiring G/GJ Steel



in Thailand and U. S. Steel, which were not included in our initial plan. At the same time, we withdrew from our operations in Brazil and China to improve asset efficiency. Also in the upstream raw materials sector, we are expanding our investments in mines not as procurement activities but as part of our business domain.

We have established a "revenue structure capable of generating an underlying profit of 600 billion yen regardless of external conditions" by building a "wide and thick (multi-dimensional) and resilient business structure" through the vertical expansion into upstream and downstream sectors, the horizontal expansion into overseas steelmaking operations, and a significant reduction in the break-even point for the domestic steel business.

As a result of these measures and ongoing cost improvements, we achieved an underlying profit of 650.4 billion yen for FY2025, exceeding the target we initially set in the 2025 Medium- to Long-term Management Plan.

I believe these results were achieved through the dedication and hard work of every employee. I am also convinced that the prowess of our employees, who have successfully carried out reforms amid significant changes in the business environment, is one of our greatest strengths and a solid foundation for future growth.

3. 2030 Medium- to Long-term Management Plan
—Return to the Position of the World's Number One Steelmaker

Achieving dramatic profit growth of more than ¥500 billion in overseas business, and aiming for the next level of earnings growth beyond

I assumed the presidency in April 2024. Since then, while focusing on successfully implementing the 2025 Medium- to Long-term Management Plan, I formulated the management plan for the next five-year period.

In the 2030 Medium- to Long-term Management Plan, we aim to "improve earning power by further strengthening our revenue base" for our domestic business and to "achieve a dramatic profit growth through the execution of our global growth strategy" for the overseas business. To achieve sustainable growth while maintaining capital efficiency and financial soundness over the medium to long term, we will proactively pursue growth investments at the right time and make 6 trillion yen in capital and business investments over the next five years, primarily overseas. Based on the "revenue structure capable of consistently generating an underlying profit of 600 billion yen regardless of external conditions," which we have established to date, we aim to achieve an underlying profit exceeding 1 trillion yen when we combine our domestic and overseas businesses. For our domestic business, we will maintain our underlying profit target at the current level of over 500 billion yen despite the increasingly challenging business environment. For our overseas business, we aim to achieve an underlying profit of 500 billion yen or more, primarily driven by growth in the U. S. Steel business. We aim to make a leap to the next level of profitability in 2031 and beyond by launching growth investments and fully leveraging their benefits.

[Domestic business]

In Japan, we will strengthen our earning power by fully leveraging the current production system and technological superiority, which has established the most competitive company in Japan through past structural reforms, as well as by strengthening our competitiveness depending on product types and demand sectors, developing comprehensive solutions, and implementing integrated optimization across the entire Group.

Specifically, we will enhance our competitiveness by achieving 300 billion yen in cost reductions over five years through measures such as clarifying the roles of our sheet manufacturing bases, improving efficiency through centralized production, promoting Group-wide optimized production, realizing the benefits of capital investments, and reforming logistics. Furthermore, we will strengthen the development of comprehensive solutions across the entire supply chain, not only by developing and selling high-value-added products, but also by integrating our material development prowess with processing, analysis, and evaluation technologies. For example, for the automotive sector, we collaborate with our customers from the development and design stages of new models to create the optimal autobody structure in the shortest possible time. For the architecture and civil engineering sectors, our branches and Group companies work together to propose solutions that integrate steel materials with application technologies. For the energy and shipbuilding sectors, we develop high-performance products and solutions that meet new customer needs, such as the production, transportation, storage, and utilization of new energy sources and the development of zero-emission vessels. The Nippon Steel Group's greatest strength is its ability to integrate knowledge and capabilities to deliver optimal solutions and create value for our customers as they address diverse challenges. We will continue to strengthen and leverage this strength further.

To ensure these initiatives proceed quickly and smoothly, we are also working on reorganization, business innovation, and efficiency enhancement.

To pursue company-wide optimization by clarifying roles between the head office and steelworks, we grouped our 16 steelworks across the country into roughly six organizations in 2020. Since then, we have been consolidating operations engineers and finance staff at steelworks into the head office organization. In April 2026, we integrated the sales functions of our seven branch offices across the country with the head office sales departments with the aim of strengthening our sales force on a regional basis. Through these efforts, we have created a framework for sales and technical collaboration with our Group companies, strengthening the branch offices' role as one-stop service centers.

Beyond organizational structure, we consider business innovation and efficiency improvements key management issues and review company-wide workflows, standardizing and simplifying business processes. We will enhance productivity and strengthen competitiveness by integrating digital technology and business reforms across manufacturing sites, sales, and planning departments. In manufacturing departments, we will advance operational sophistication, strengthen quality control, and improve equipment maintenance efficiency. In our sales and technical departments, we

will improve our ability to offer customers proposals and solve their problems. Rather than simply extending existing operations, we will fundamentally reexamine them to improve productivity dramatically. We will then allocate the management resources created by this initiative intensively to areas that would directly improve corporate value, such as operations that drive business growth and the development of high-value-added products and solutions.

As our global business operations continue to expand, we need a structure that enables optimal allocation of human and managerial resources in Japan and overseas, allowing us to respond quickly and flexibly to complex management challenges. Through strengthened collaboration with our overseas subsidiaries, expanded personnel exchanges, and the development of specialized human resources, we aim to manage our organization in a way that maximizes the use of the Group's collective knowledge and expertise.

Through these initiatives, we will further strengthen our unique technological capabilities, product appeal, and solution-providing capabilities, thereby establishing a strong competitive advantage in domestic and international markets. Furthermore, we will build a strong management base to support sustainable growth by fostering a corporate culture where every employee embraces change and works autonomously to create value.

We are reorganizing our Group companies to maximize value creation across the Group, improve management efficiency, and expedite decision-making. While considering each company's business environment, financial condition, and historical background, as well as the impact on minority shareholders in publicly traded companies, we have been reorganizing companies to ensure the Group maintains an optimal structure in response to changes in the business environment and strategy. As part of these efforts, We plan to integrate Sanyo Special Steel in April 2027.

[Overseas business]

In our overseas business, we aim to achieve dramatic profit growth by focusing our management resources on four priority regions: the United States, India, Thailand, and Europe, which we recently added. When considering our overseas business portfolio, we place particular emphasis on "regions where steel demand growth is promising," "sectors where our technology and product capacities can be leveraged," and "markets less susceptible to China's influence." Although the United States is a developed country, its population continues to grow. At the same time, the country's demand for high-grade steel is high, an area where we have a competitive



advantage. Moreover, its protectionist trade policies make this market less susceptible to Chinese steel products. Not only is India expected to be the world's fastest-growing economy in the future, but the "Make in India" policy protects it from China's imported steel products. Thailand is geographically close to Japan, and we have had a long-standing presence there and already secured a large market share. In terms of demand for steel products, Europe is the world's third-largest economic zone. The region's demand for high-grade steel is high, and its intra-regional industry protection policies protect the market from Chinese steel products.

We will achieve sustainable profit growth in these regions by establishing local production for local consumption through integrated iron and steel production.

In the United States, U. S. Steel is tasked with generating more than half of the targeted underlying profit of 500 billion yen from overseas operations. We aim to generate more than $3 billion in synergies through operational improvements by introducing our cutting-edge technology and know-how, improving cost and quality competitiveness, and making capital investments designed for sophisticated product types. To this end, the number of employees dispatched from Nippon Steel to U. S. Steel has increased from about 50 at the start of the integration to around 100, who are now implementing 260 improvement initiatives. In our operational improvement efforts, Nippon Steel employees dispatched from Japan and local employees work together as a unified team, guided by Japanese concepts such as "IKKAN QC (integrated quality control across upstream and downstream processes)" and "SEIHAN (integrated optimization of manufacturing and sales)." Despite our original goal of investing $11 billion in U.S. equipment by 2028, we finalized plans for $3.7 billion in investments by July 2026, a year after the integration, with construction already underway. U. S. Steel posted a loss in FY2025, its first year after the merger, due to one-off factors such as accidents and the major cold snap. However, the U.S. steel market is currently performing better than we anticipated at the time of the acquisition. With steady synergy benefits, we expect to generate underlying profit of 180 billion yen in FY2026, making it the largest revenue source in our Group.

In India, AM/NS India is steadily expanding capacity at its existing Hazira Works and has begun constructing a new steelworks in the southern state of Andhra Pradesh, capturing growing demand in the country. In Europe, we took direct ownership of the Slovakian operation, formerly a U. S. Steel subsidiary, and renamed it Nippon Steel Slovakia. We will also take direct ownership of OVAKO, a European subsidiary of Sanyo Special Steel, which Nippon Steel will merge in 2027. Through these initiatives, we will strengthen our Group's management and operational structure within Europe to ensure a stable supply of high-quality steel products in the mature high-grade steel market and reinforce our revenue base. In Thailand, our top-priority home market within ASEAN, we will forge our business base and expand our market share, primarily in the sheet market.

Through these initiatives, we aim to increase our overseas business profit to at least 500 billion yen by the end of FY2030, bringing the Group's underlying profit to over 1 trillion yen when combined with domestic profits. Nippon Steel's global crude steel production capacity increased to 76 million tons after the acquisition of U. S. Steel. We aim to return to the position of the world's number one steelmaker by further increasing this capacity to 100 million or more in the future through growth investments centered on India.

4. Initiatives toward Achieving Carbon Neutrality

To simultaneously achieve a decarbonized society and the sustainable growth of the steel industry, we will devote our full efforts

Achieving carbon neutrality will be an extremely difficult journey, as it involves lots of challenges not only in technological development but also in infrastructure development and ensuring economic viability. Even as the energy landscape remains uncertain, we will continue to devote all our efforts to achieving carbon neutrality by 2050 as a top management priority. The steel

industry underpins the industrial sector by supplying raw materials. At the same time, this industry must reduce a large share of greenhouse gas emissions to achieve carbon neutrality. As an industry leader, Nippon Steel is committed to fulfilling this responsibility.

Four major challenges stand in the way of achieving carbon neutrality in the steel manufacturing process. The first challenge involves developing a steelmaking process that uses hydrogen material instead of carbon, as well as developing a technology to produce high-grade steel from scrap containing impurities using large-size electric arc furnaces. The second challenge is to ensure predictable returns from a huge investment. This requires creating a GX steel market in which the cost of CO_2 reduction is reflected in steel selling prices as the value of CO_2 reduction. The third challenge concerns institutionalization and standardization. The value of CO_2 reductions must be visualized across the entire value chain and recognized appropriately by international institutions. The fourth challenge is infrastructure development. The carbon-neutral steel production process requires building social infrastructure to supply large quantities of green power and green hydrogen and support carbon dioxide capture, utilization, and storage (CCUS).

These challenges will require long-term efforts, but we are already making steady progress. First, regarding the first challenge in technology development, Nippon Steel achieved a 45% reduction in CO_2 emissions in March 2026 during a test of the technology for "hydrogen injection into blast furnaces" at a test blast furnace in the East Nippon Works Kimitsu Area, setting a world record high. In the same month, we began testing an experimental reduction furnace to develop the technology for "hydrogen direct reduction of iron." We plan to begin commercial-scale demonstration testing using a production blast furnace in the Kimitsu Area by the end of 2026. Regarding the production of high-grade steel using large-size electric arc furnaces, we decided to make a large-scale investment in 2025 and began construction in the Kyushu Works Yawata Area in April 2026.

Meanwhile, the second, third, and fourth challenges require collaboration among Nippon Steel, the government, relevant organizations, and the industries our customers belong to, as well as consensus building across society. Therefore, we will proactively engage with these stakeholders and work together with them. Regarding the formation of a GX steel market, we began to see systems in place to prioritize GX steel procurement and support its use in public investment, the automotive industry, shipbuilding, and other industries. However, fundamental measures to stimulate private-sector demand are needed in preparation for a full-scale supply of GX steel starting around 2030. As to institutionalization and standardization, we are promoting the development of rules and standardization efforts through the Japan Iron and Steel Federation and the World Steel Association.

To simultaneously achieve a decarbonized society and sustainable growth in the steel industry, we will devote our full efforts to these initiatives.

5. Initiatives for Sustainability Issues

Achieving sustainable enhancement of corporate value and contributing to society

Amid the initiatives for sustainable development goals (SDGs) advancing around the world, we will conduct our business activities to proactively contribute to creating sustainable communities through the creation of a circular economy, integrated solutions to issues related to biodiversity conservation and "nature positive," and the maintenance and improvement of a favorable living environment, not to mention the climate change measures described above.

Nippon Steel's corporate philosophy is to pursue world-leading technologies and manufacturing capabilities and contribute to society by providing excellent products and services. We want to remain a company that actively helps solve diverse social issues through our business activities. To earn the ongoing trust of all stakeholders, we will place safety, environment, and disaster prevention as our top priorities, while actively fulfilling our corporate social responsibility through quality and production initiatives, respect for human rights, diversity, equity, and inclusion (DEI), social contribution through culture, the arts, and sports, as well as community-based educational support.

Nippon Steel is currently facing management issues that are more diverse and difficult than ever. However, only the strength of our human resources can help us overcome and resolve these challenges. Amid significant changes in the social landscape surrounding human capital, we will focus on "securing human resources and promoting their empowerment," "improving productivity," including business innovation and efficiency enhancement, and "strengthening human resources development" to support our global growth.

I will continue to create an environment where individual employees can fully demonstrate their potential. In addition, I will build an organization where our employees can continue to boldly take on new challenges even in a rapidly changing business environment through a virtuous cycle of investment in human resources and growth. With these initiatives driving future growth, we will strive for sustainable enhancement of corporate value and our contribution to society by returning to our position as the world's number one steelmaker.

