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Key Takeaways from This Section

To regain our position as the world's No.1 steelmaker

We will achieve a consolidated underlying profit of 1 trillion yen or more in FY2030.

Furthermore, we aim to achieve global crude steel production of at least 100 million tons after FY2031 by leveraging the benefits from growth investment, making a leap to the next level of profitability.

Domestic Business Strategy

– We will maximize the use of our established production system to further improve earning power –

- Strengthen our earning power by enhancing competitiveness tailored to each product type and demand sector, maximizing the benefits of capital investment, and optimizing operations across the entire group
- Expand added value creation through the development of comprehensive solutions and the pursuit of technological superiority, as well as high-value-added products
- Improve productivity and enhance competitiveness through organizational restructuring, business innovation, and efficiency enhancement
- Maintain profit levels above 500 billion yen even in a challenging business environment

Overseas Business Strategy – We will achieve dramatic profit growth –

- Allocate management resources intensively in our priority regions: the United States, Europe, India, and Thailand
- Establish a system of local production for local consumption through integrated production, and achieve growth in markets less susceptible to China's influence
- Accelerate growth investment and synergy creation, centered on U. S. Steel
- Aim for profit from overseas business exceeding 500 billion yen and global crude steel production capacity over 100 million tons

Value Creation Process

Inputs

Manufacturing capital
Mother mills in Japan that cultivate high levels of technology
Overseas production bases that capture growth

Natural capital
Efficient use of resources and energy

Intellectual capital
R&D resources boasting of the world's largest scale

Human capital
Securing and developing human resources

Financial capital
Robust financial base

Social capital
Relationship of trust and cooperation with communities and customers

Business Activities

Domestic / Parent company steel business
Efficient, integrated high-grade steel production under the large blast furnace and coastal integrated steelworks model

Domestic / Other group companies
Contribution to value enhancement by supporting the parent company steel business from upstream to downstream of the value chain. Incorporate steel distribution in the business portfolio

Domestic / Three non-steel segments
Companies derived from steelmaking business generate synergies and realize top-class profitability in their respective fields

Overseas / Overseas steel business
Global production system in "regions poised for demand growth" and in "segments where our technological and production capabilities can be utilized," based on the strengths we cultivated at our mother mills in Japan

Overseas / Raw materials business
Transition from raw materials interests for stable procurement to our "business"

R&D activities
Strategic R&D aimed at sustainable growth of the Nippon Steel Group

Intellectual property activities
Positioned as one of the important factors for obtaining business revenue now and in the future

Promoting digital transformation
Innovative evolution of manufacturing capabilities and strengthening of customer responsiveness

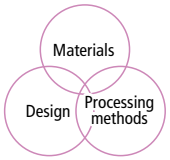
Realizing a carbon neutral steel production process
- Development of decarbonization technologies through a multi-track approach
- Securing decarbonized energy and raw materials

GX Steel market creation
- Promotion and standardization of GX Steel
- Ensured predictability of investment returns

Outputs

Wealth of steel products and solution proposals for diverse applications

Steel sheets
Construction products
Steel Plates
Railway, automotive and machinery parts



Pipes & tubes
Bars and wire rods
Titanium
Stainless steel

Automobiles, Shipbuilding, Energy, Household appliances, Containers, Industrial machinery, Civil engineering, Construction

Products using by-products
- Steel slag products, coal chemical products

Minimal emissions
- A 99% recycling rate of by-products
- Atmosphere, water, and soil contamination risk management

Non-steel business products and services
- DX promotion, IT solutions, IT consulting
- Chemicals, functional materials, composite materials
- Environment and energy, urban infrastructure

Outcomes

Contribution to SDGs in society

SUSTAINABLE DEVELOPMENT GOALS

Sustainable corporate value enhancement and profit distribution
- Securing sustainable profit
- Investment for further growth
- Profit distribution
- Enhancement of corporate value

Creation of economic value

Creation of social value
- Employment and regional revitalization
- Safe and reliable daily life
- Energy conservation, reduction of environmental burdens, environmental preservation, creation of a recycling-oriented society
- Disaster prevention and reduction, National Resilience
- Building infrastructure in emerging countries and rebuilding in developed countries
- Products and technological solutions in growth areas
- Education for employees and communities

Carbon Neutral Vision 2050

NSCarbolex™ Neutral
NSCarbolex™ Solution

2050 Realization of a carbon neutral society

Six Types of Capital

As the global economy has evolved, we have built a distinctive, outstanding capital base that includes diverse human resources filled with pride and fulfillment, research resources and intellectual property that rank among the world's best steelmakers, a production structure that enables global supply, and robust customer relationships built on a foundation of trust.
We are creating economic and social value through our business activities by organically integrating these capitals.

Manufacturing capital

Global crude steel production capacity

Approx.
76 million tons/year (consol.)
(domestic **44** million tons + overseas **32** million tons) (2026.6E)

Property, plant and equipment

5.8 trillion yen (consol.)

Human capital

Number of employees

138,453 (consol.)
32,102 (non-consol.)

Number of female employees in management positions

111 (non-consol.)

Number of education and training hours

0.97 mil. hours/year (non-consol.)

Natural capital

Iron ore

49.01 million tons/year (non-consol.)

Coking coal

22.43 million tons/year (non-consol.)

Industrial water

Approx.
600 mil. m^3/year (non-consol.)
(Rate of water recycling: **90** %)

Financial capital

Equity attributable to owners of parent

5.5 trillion yen (consol.)

Interest-bearing debt

5.1 trillion yen (consol.)

D/E ratio

0.71 (consol.)

Intellectual capital

R&D expenses

Approx.
82.7 bn. yen/year (consol.)

Number of R&D personnel

Approx.
800 (non-consol.)

Number of patents we hold

Approx.
16,000 in Japan (non-consol.)
Approx.
16,000 overseas (non-consol.)

Social capital

Trusted and cooperative relationships with customers

Approx.
6,000 customers in Japan (non-consol.)

Coexisting with local communities

Approx.
92,000 visitors hosted for plant tours (non-consol.)

Potential Risks and Opportunities in the Steel Market

While domestic steel demand is expected to decline due to a shrinking population, global steel demand is projected to grow in the medium to long term, particularly in emerging countries, and demand for high-grade steel that contributes to solving social issues is also expected to rise.

Point 1

Global steel demand will keep increasing, mainly in emerging countries

Steel products are accumulated in society in the form of end products, such as buildings, bridges, factories, ships, automobiles, and household appliances. As of 2015, the amount of accumulated steel products worldwide stood at approximately 30 billion tons, or about 4 tons per capita on average, and about 8 to 12 tons per capita in developed countries. It is forecast that the amount of accumulated steel products per capita will reach 10 tons in China during the first half of this century and in India by the middle of this century.

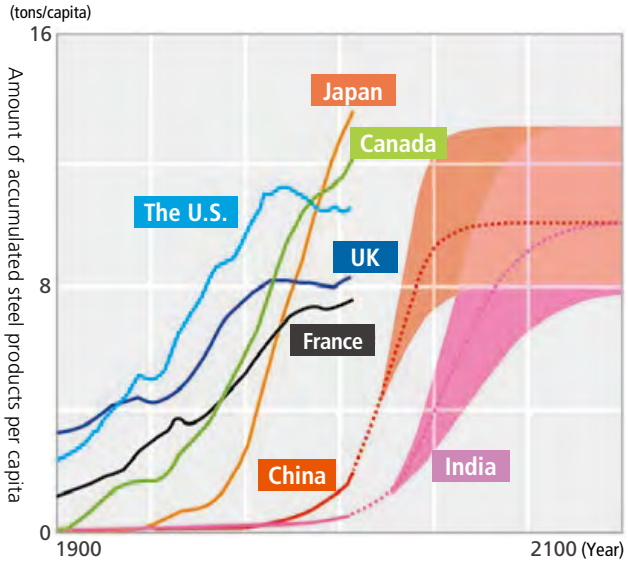
The amount of accumulated steel products will be growing due to economic growth in emerging countries and SDGs initiatives in many countries. Assuming the global per-capita accumulation of steel products reaches 7 tons in 2050, the total amount would come to approximately 70 billion tons, considering population growth.

To meet this level of steel demand, we must increase global crude steel production to approximately 2.7 billion tons/year by 2050.

However, steelmaking using only recycled steel is insufficient to meet the steel production requirements due to the limited amount of scrap available.

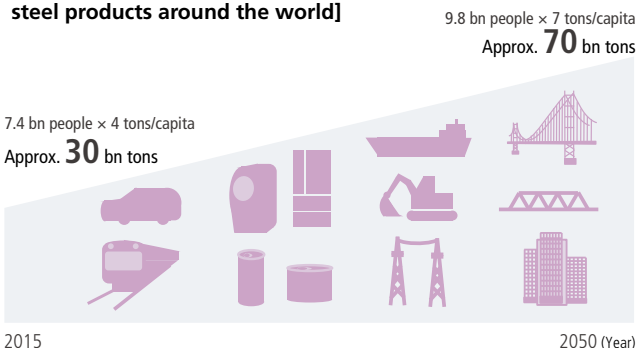
Therefore, even in 2050, we will need nearly the same level of pig iron production via iron ore reduction as we do today.

[Amount of accumulated steel products per capita]

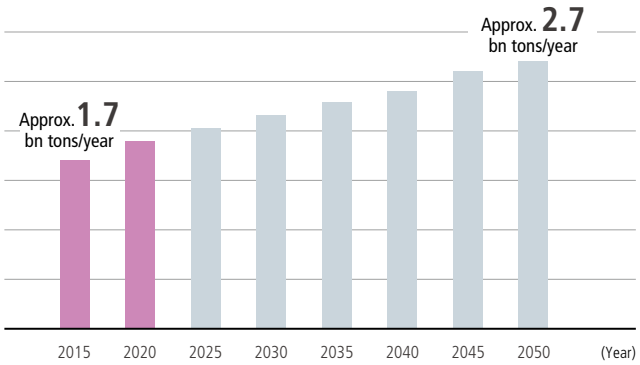


Source: "Sustainable steel: at the core of a green economy," World Steel Association, 2012

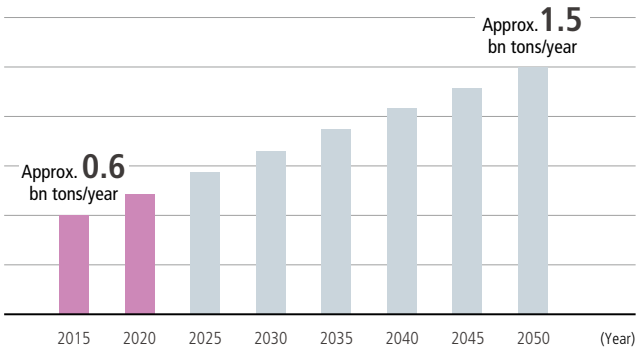
[Projected changes in the amount of accumulated steel products around the world]



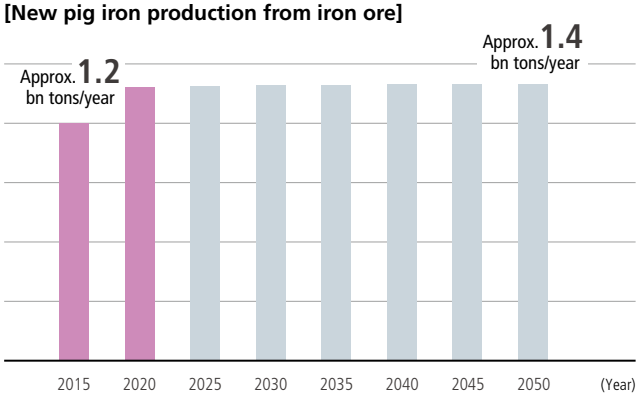
[Projected future global crude steel production]



[Amount of scrap generated]



[New pig iron production from iron ore]



Point 2

Japan's steel market anticipates a gradual decline

Gradual decline in domestic demand

Domestic steel demand peaked at 94 million tons in 1990, during Japan's economic bubble, and has since been on a downward trend due to a decline in demand for civil engineering and construction, the relocation of manufacturing overseas, and other factors. The Japanese steel industry has managed to maintain domestic production levels by offsetting reduced domestic demand with increased exports.

Japan's declining and aging population is expected to further reduce net steel demand from the domestic manufacturing industry and the demand from the civil engineering and construction industries.

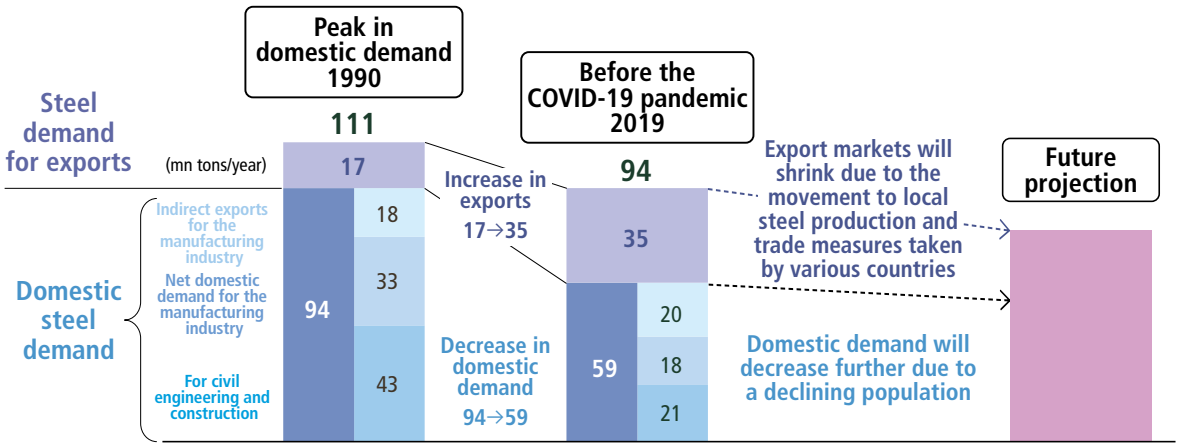
Increasing difficulties in exporting from Japan due to the rise of local steel mills overseas

Steel demand is projected to grow overseas, especially in emerging countries. Nevertheless, the export outlook for steel products from Japan is likely to become more challenging. The main reasons behind this are the growing trend toward local production in various regions of the world and intensified competition resulting from the expanded capacity of new mills along the East Asian coastline.

Decreasing direct and indirect exports from Japan due to trade measures taken by many countries

Recently, many countries around the world have been increasingly considering and implementing trade measures. Given this situation, not only is the direct export of steel products decreasing, but domestic manufacturers are also beginning to shift their production overseas, leading to a decline in indirect exports as well. As a result, we are concerned that the pace of declining domestic demand will accelerate, particularly for high-grade steel.

[Changes in the Japanese steel industry's markets]



Point 3

Prospects for quantitative and qualitative growth in the high-grade steel market

High-grade steel refers to steel products that harness the diverse properties and vast potential of steel, are engineered to meet specific customer requirements, exhibit outstanding performance in use, and contribute to enhancing the value of end products. Our wide range of high-grade steel products includes ultra-high-tensile steel sheets that help reduce vehicle weight, electrical steel sheets that improve energy efficiency in motors and transformers, and Prostruct™, a construction solution brand that supports the development of safe, resilient, and disaster-resistant infrastructure. These high-grade steel products contribute to solving various societal challenges.

As global initiatives for carbon neutrality and sustainable development goals (SDGs) advance, demand for high-grade steel is expected to grow quantitatively and qualitatively.

New business opportunities arising from social transformation

Response to climate change issues (GX)

Energy system reform	Electrification of automobiles	Industrial complex decarbonization	National resilience

Business opportunities

By leveraging our advanced technology
Develop the needs for new steel products and solutions

Assessment of the Business Environment and the Basic Policy of the 2030 Medium- to Long-term Management Plan

Assessment of the business environment

Steel is a base material that supports every industry and people's daily lives, from automobiles, construction, and infrastructure to home appliances, containers, and industrial machinery. Nippon Steel is conducting its business with a mission to maximize the potential of steel and contribute to the sustainable development of society.

However, as structural changes and growing geopolitical uncertainty are occurring simultaneously, the steel market surrounding us is facing an unprecedented level of complexity.

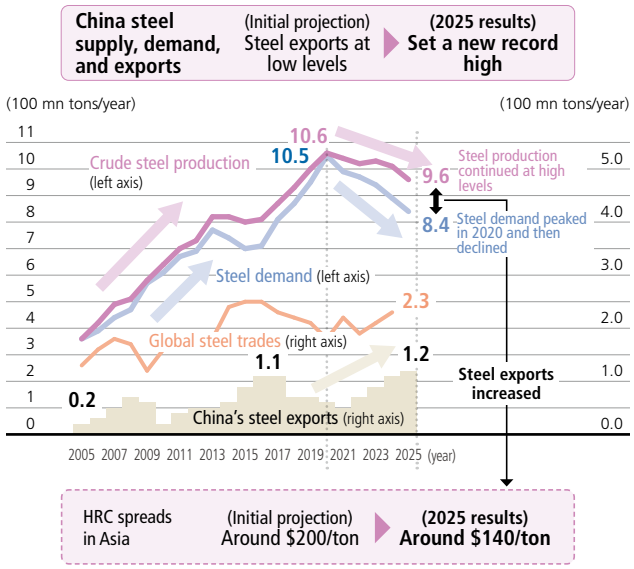
China, the world's largest market in terms of steel demand, saw its domestic demand begin to decline after peaking in 2020. Despite that, the country maintains a high level of steel production, flooding large quantities of surplus steel into the global market. In 2025, China's steel exports reached a record high of 120 million tons/year. As a result, hot rolled coil (HRC) spreads at Asian steelmakers have deteriorated by about $100/ton since July 2023 compared to the levels before then. This impact has caused steelmakers worldwide to face earnings pressure amounting to approximately 30 trillion yen a year. This oversupply condition is a structural problem, and short-term improvements are unlikely. Moreover, uncertainty in the business environment is increasing even further due to protectionist trade policies intensifying in various countries and the continuing imposition of reciprocal tariffs. Under these circumstances, the steel industry will continue to see such structural earnings pressure. The escalating tensions in the Middle East in 2026 are affecting demand across a wide range of industries through their ripple effects on global supply chains, making it even more difficult to forecast the future.

Even in Japan, a decline in steel demand over the medium to long term is inevitable. Domestic steel consumption has roughly halved, from its peak at over 90 million tons in 1990 to a little below 50 million tons today. Demand for steel, including high-grade steel, is expected to continue to decline gradually due to a long-term decline in population, the downward trend in automobile production, and the accelerating shift of manufacturing operations overseas.

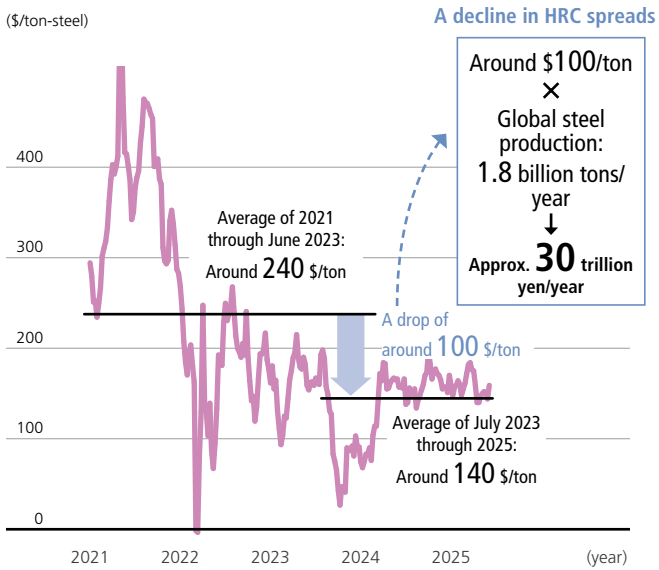
Even in such a difficult environment, opportunities for growth certainly exist. The United States is the largest steel market among all developed countries, with an annual steel demand of approximately 150 million tons (total demand including indirect imports). Despite this, its local content rate remains at around 55%. Against the backdrop of the reshoring of manufacturing and import restrictions resulting from tariff policies, the country's steel demand is expected to grow, particularly for high-grade steel. Against the backdrop of population growth and rapid industrialization, India is expected to see demand growth in excess of 200 million tons by FY2030, and the certainty of that growth stands out among other countries. Furthermore, trends in social transformation, such as decarbonization, electrification, AI, and the spread of data centers, continue to generate new demand for high-grade steel as a high-performance material.

In this "environment where headwinds and opportunities coexist," Nippon Steel will further strengthen its revenue structure to ensure stable profit generation. At the same time, we will achieve sustainable profit growth by capturing demand in growth markets.

[Changes in the business environment in Japan and overseas]



[Projected HRC spreads in the Asian market]



[Risks and opportunities from a medium- to long-term perspective]

	Risks	Opportunities
Global economy	■ The risks of uncertainty and stagnation in the global economy will increase ■ Shift toward protectionism ■ Labor force will decline	■ The economies of emerging countries will grow ■ Investments in AI and energy will increase
Steel business	■ Global supply-demand gap will widen ■ Domestic steel demand will decrease gradually ■ Trade frictions will escalate	■ Japan: Energy-related demand will increase; the need for customers to enhance their international competitiveness ■ The U.S.: Production in the manufacturing industry will increase; demand for high-grade steel will increase ■ India: Demand will definitely increase

Looking back on the 2025 Medium- to Long-term Management Plan

Under the 2025 Medium- to Long-term Management Plan, which spanned five years starting in FY2021, the Nippon Steel Group promptly implemented measures to deal with the changes described above. At the same time, the Group has implemented additional measures to overcome the changes in the business environment that exceeded our initial expectations and to continue to grow further.

In Japan, we aimed for a revenue improvement of approximately 150 billion yen, primarily through fixed cost reductions, by implementing facility structural measures to decrease our crude steel production capacity by about 20%, such as reducing the number of blast furnaces from 15 to 10 units. At the same time, we raised our marginal profit level through the optimization of prices for specific customers and spreads, the fair allocation of the impact of fluctuations in external procurement costs, and product mix sophistication. As a result of these efforts, we lowered our break-even point by about 40% compared to FY2019 levels. These drastic measures have allowed us to steadily transition to a "revenue structure that does not rely on production volume."

Overseas, we have actively promoted a strategy of selection and concentration. In light of changes in our business environment and other factors, we have restructured or withdrawn from businesses that no longer hold strategic significance or offer limited synergies for our Group, and businesses for which sufficient profitability cannot be expected. On the other hand, we have focused our management resources on sectors and regions with growth potential to restructure our overseas business portfolio. Specifically, we acquired U. S. Steel in the United States to enter the high-grade steel market, which is less susceptible to China's influence (completed in June 2025). We also promoted the expansion of the integrated iron and steel production capacity at AM/NS India's Hazira Steel Works in the growing Indian market. In Thailand, our home market, we are expanding our share and enhancing competitiveness in the steel sheet market, building on the acquisition of G/GJ Steel (2022).

In the raw materials business, we transformed raw materials from "procurement" into a "business" through our investment in the EVR JV and the Blackwater JV. We also incorporated distribution into our business domain by making Nippon Steel Trading a subsidiary. This way, we transformed ourselves into a stable, resilient business structure, combining both "wide" and "thick" business domains. Furthermore, Nippon Steel acquired Sanyo Special Steel as a wholly owned subsidiary and merged Nippon Steel Stainless (both completed in April 2025, and Sanyo Special Steel will be merged to Nippon Steel in April 2027). Through this group restructuring, we maximized the synergy effects* worth 16 billion yen in FY2025.

* Increase in profit attributable to the Company due to an increase in equity interest is excluded (approximately 23 billion yen/year after taxes)

[Key initiatives implemented during the 2025 Medium- to Long-term Management Plan period and their effects]

Facility structural measures

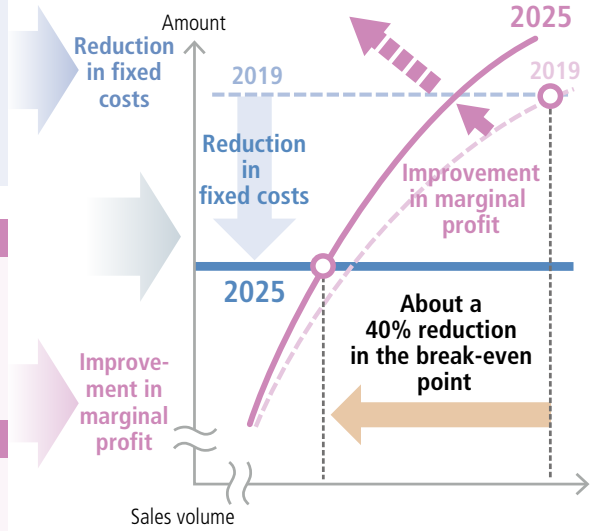
- Number of BFs: 2019 **15** → 2026.3E **10** units ▽**5** units
- Crude steel production capacity: **50** → **40** mn tons/year ▽**20** %
- Cost reduction effect: Approx. **150** billion yen/year

Spread improvements in specific customer sales

- Price optimization based on the value of products and solutions
- \+
- Fair allocation of the impact of fluctuations in external procurement costs through the entire supply chain

Product mix sophistication

High-value added products / Commodity-grade products → High-value added products / Commodity-grade products



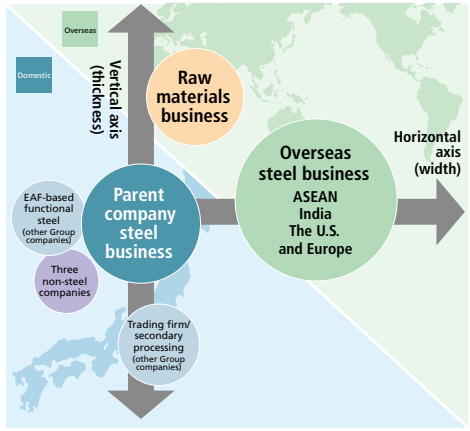
[Transformation to a "wide" and "thick" business structure]

Domestic steel demand will gradually decline
Decreasing population; increasing difficulties in direct and indirect exports

Spreading trade measures around the world
Decreasing steel product spreads worldwide caused by China's supply-demand gap

[Overseas business] Growing as an insider in priority growth regions; withdrawing from businesses without justification for continuation
[Raw materials business] "Comm ercializing" raw materials, stable procurement of high-quality raw materials, and mitigating the impact of fluctuations in raw material costs

Steadily building the base for sustainable growth



Key measures

Overseas steel business
Deepening and expansion

Less susceptible to China's influences
- High-grade steel markets in the **U.S. and Europe**
  ⇨ **Acquisition of U. S. Steel** (incl. USSK)
- Growing **India**
  ⇨ **Capacity expansion at AM/NS India's Hazira Steel Works; land acquisition at Rajayyapeta**

Home market in **ASEAN**
⇨ **Acquisition of G/GJ Steel in Thailand**

* Major withdrawal cases: USIMINAS, BNA, etc.

Raw materials business
Toward a thick business structure

Raw materials:
Shift from procurement to business
Shift from minority investments to equity method investments
[Coal] EVR JV, Blackwater JV

As a result of these initiatives, our consolidated underlying profit for FY2021 through FY2025 averaged approximately 760 billion yen/year, marking a dramatic increase from the average of approximately 200 billion yen/year for the previous five years (FY2016 through FY2020). In FY2025, despite one-time losses (totaling 70 billion yen), we generated a consolidated underlying business profit of 650.4 billion yen (720 billion yen with one-time effects excluded). We maintained a relatively stable and high level of earning power among major steelmakers around the world. Thus, even as the business environment deteriorated more than initially anticipated, we took proactive measures to deal with the worsening conditions in the steel business, establishing a revenue structure capable of generating a consolidated underlying profit of at least 600 billion yen regardless of the business environment.

On the other hand, we identified remaining challenges under the 2025 Medium- to Long-term Management Plan. Contributions to our revenue from large-scale investments, including the acquisition of U. S. Steel, are just beginning to take off, and our overseas businesses have not yet fully realized their potential. The 2030 Medium- to Long-term Management Plan is positioned as an implementation phase aimed at accelerating profit growth by making the most of the strong earnings base and business structure we built in FY2021 through FY2025.

[Improving earning power through Group company reorganization]

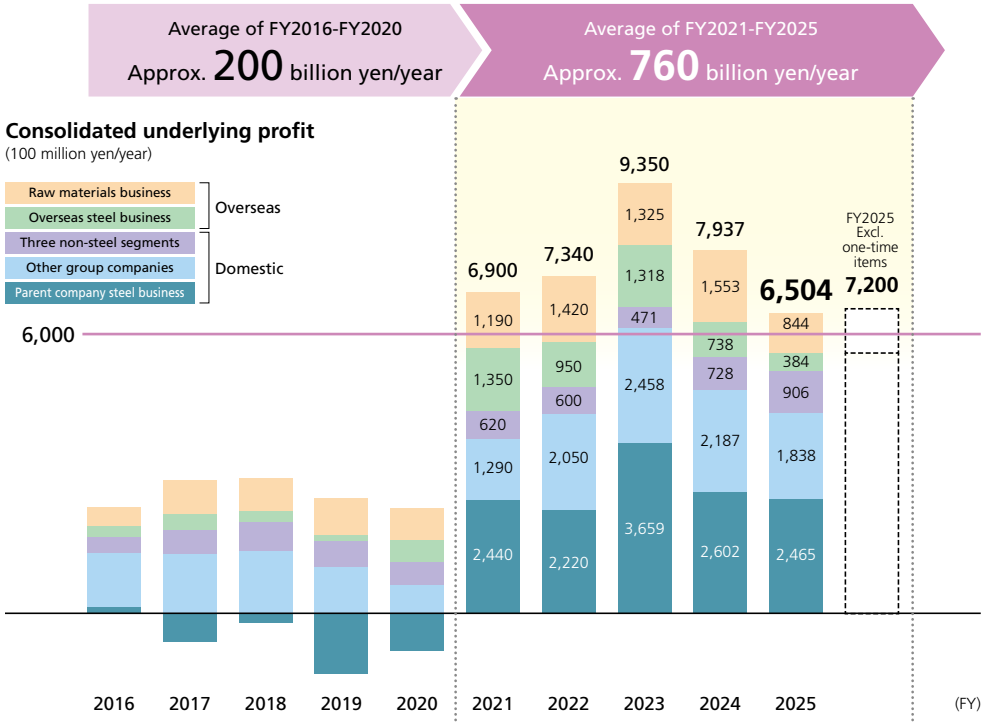
Strengthening the Group's total structural enhancement: 16 billion yen/year in synergy effects* (FY2025)

*Increase in profit attributable to the Company due to an increase in equity interest is excluded (approximately 23 billion yen/year after taxes)

	Sector	Project	Date of implementation	
Acquisition of strategic companies as wholly owned subsidiaries or through absorption-type mergers	Trading firms	Nippon Steel Trading Corporation Made a subsidiary and going private	April 2023: Made a subsidiary June 2023: Going private	Strengthen sales capacity across the supply chain Creating added value
	Special steel bar and wire	Sanyo Special Steel Co., Ltd. Made a wholly owned subsidiary	2025.4	Production structure optimization Strengthen sales and logistics collaboration
	Stainless steel	Nippon Steel Stainless Steel Corporation Absorbed and merged by Nippon Steel	2025.4	Strengthen human resources Strengthen development, sales capacity, and technical prowess
	Refractory	Krosaki Harima Corporation Made a wholly owned subsidiary	2026.4	Collaboration in overseas expansion Enhance cost competitiveness; develop refractories for EAFs
Structural enhancement through integration among our Group companies	Domestic electric welded tube	Transfer and consolidation of businesses of Nippon Steel Pipe Co., Ltd. Building pipes ⇨ Nippon Steel Metal Products Co., Ltd. Mechanical steel pipe ⇨ Nippon Steel	2025.4	Strengthen the business base and efficiency enhancement Strengthen sales capacity; production structure optimization
	Mechanical steel pipe	Integration of three pipe/tube companies* *Nippon Steel Katakura Pipe Co., Ltd., Tsurumi Steel Tube Co., Ltd., and Nippon Steel Pipe Fine Tube Co., Ltd. Inauguration of Nippon Steel Fine Tube Co., Ltd. (96%)	2026.1	Optimal production in the mechanical pipe/tube sector, etc.
	Plate shearing (shipbuilding)	Integration of Taiyo Shearing Co., Ltd. and Sakako Co., Ltd. Inauguration of Taiyo-Sakako Co., Ltd. (77%)	2022.4	Structural enhancement by sharing management resources Order mix diversification
	Plate shearing (steel frames and bridges)	Integration of Nippon Steel Kobelco Shearing Corporation and Fuji Steel Center Corporation Inauguration of Nippon Steel Kobelco Shearing Corporation (55%)	2025.10	Management streamlining Business efficiency enhancement
	Wire, rod, and bar secondary processing	Integration of Matsubishi Metal Industries Co., Ltd., Nippon Steel Metal Industries Co., Ltd., and Nippon Steel Wire Co., Ltd. Inauguration of Nippon Steel Processing Co., Ltd. (68%)	2023.10	Enhance sales capacity; product sophistication Enhance the supply chain and business continuity plan (BCP)
	Slag cement	Integration of Nippon Steel Blast Furnace Slag Cement Co., Ltd. and Nippon Steel Cement Co., Ltd. Inauguration of Nippon Steel Blast Furnace Slag Cement Co., Ltd. (90%)	2026.4	Strengthen the business base and efficiency enhancement Enhance sales, technology, and product development

[Changes in consolidated underlying business profit]

Maintained high levels of underlying profit under tougher business conditions than initially anticipated



Overview of the 2030 Medium- to Long-term Management Plan

Corporate vision and basic policy

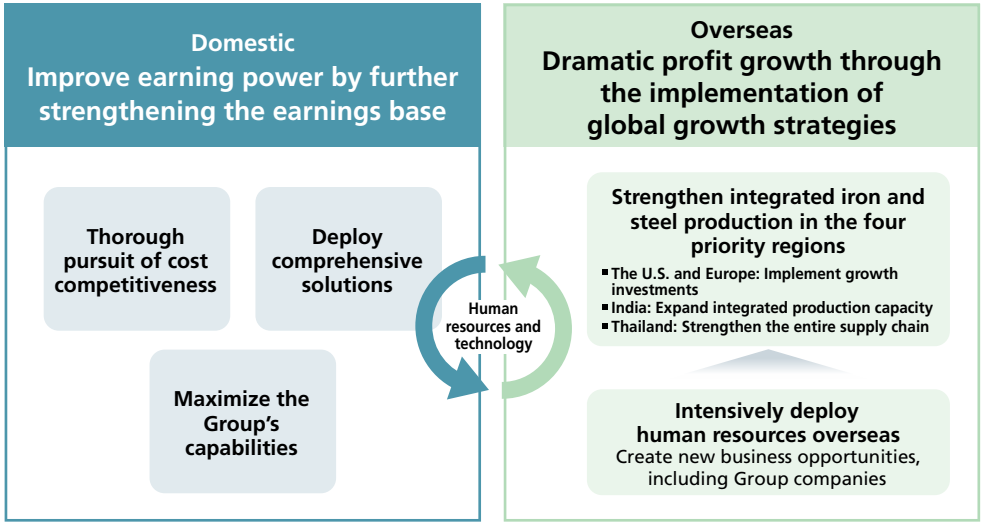
The best steelmaker with world-leading capabilities contributing to the realization of a sustainable, prosperous society through customer value creation

With this being the Nippon Steel Group's corporate vision, Nippon Steel aims to return to the position of the world's number one steelmaker under the 2030 Medium- to Long-term Management Plan (FY2026-FY2030).

Building on its technical prowess, cost competitiveness, and global reach, the Nippon Steel Group aims to become a company that creates high added value and achieves world-class earning power. The core of the 2030 Medium- to Long-term Management Plan lies in "simultaneously strengthening both domestic and overseas businesses." Specifically, we will strengthen and demonstrate our competitiveness depending on each demand sector and product type while making the most of the robust business foundation for our domestic businesses established under the 2025 Medium- to Long-term Management Plan. At the same time, we will dramatically increase our profits for the future by making large-scale growth investments in overseas growth markets. Even as our business environment in Japan becomes increasingly tougher, we will enhance our earning power as the key to stable profit creation. On the other hand, we will achieve dramatic profit growth in overseas businesses by continuing to make growth investments while steadily converting those results into profits. We believe that only successfully accomplishing these two strategies will allow us to achieve the goal of generating a consolidated underlying profit of more than 1 trillion yen in FY2030.

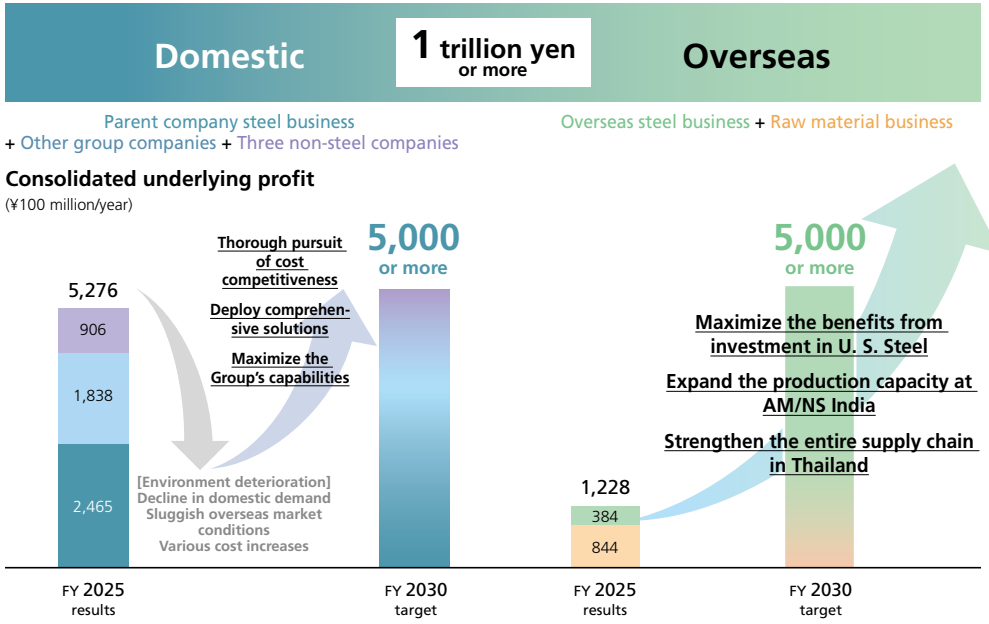
To support these growth strategies, we will invest approximately 500 billion yen over the next five years to develop cutting-edge technologies. Furthermore, we need to establish an organizational structure that allows for the flexible allocation of management resources to facilitate these strategies of our Group. To this end, we will strengthen the competitiveness of our human resources while enhancing productivity by promoting business innovation and enhancing operational efficiency.

[Simultaneously strengthening both domestic and overseas businesses]



Strengthen the management base: Promote the development of cutting-edge technologies, business innovation and efficiency enhancement, and improve the talent competitiveness

[A roadmap toward a consolidated underlying business profit of 1 trillion yen]



INTERVIEW

with the Executive Officer in Charge

Sales is not about "selling." It is about turning Nippon Steel's comprehensive capabilities into value.



Takashi Hirose
Executive Vice President

The business environment surrounding Japan's domestic steel market is undergoing significant change amid a declining population and shifts in the structure of demand. Against this backdrop, Nippon Steel has strengthened its earning power through pricing reforms, a shift toward higher-value-added products, and co-creation with customers, while developing its domestic steel business into a foundation for global growth. In this interview, I discuss the role of sales in supporting the enhancement of corporate value and our efforts to achieve the 2030 Medium- to Long-term Management Plan.

The essence of the steel business

—— The sales function as the company's "eyes, ears, and nose"

Steel is a fundamental material that underpins virtually every industry, including automobiles, construction, energy, and home appliances. Iron ore, which at first glance looks like nothing more than ordinary rock, is transformed through the steelmaking process into the steel used in automobiles and infrastructure, becoming a source of value that supports society. Behind this transformation is a vast supply chain spanning the procurement of raw materials from around the world, steel production, and delivery to customers. To me, it is this immense scale that makes the steel industry so compelling.

In this context, the role expected of the sales function extends far beyond simply selling products. Its role is to understand where society is headed, what customers need, and what competitors are doing, and to communicate those insights to development, manufacturing, and management. In other words, the sales function serves as the company's eyes, ears, and nose, connecting changes in the market with activities across the entire company.

That is why I ask every member of our sales team to engage with the market and our customers with humility at all times. It is essential not only to understand constantly changing market conditions and challenges facing customers, but also to discern what lies behind those changes and intentions—the underlying mechanisms and rationale. Grasping the "essence" of things. That, I believe, is the starting point for sales and serves as the source of Nippon Steel's competitiveness.

Sales reform transformed the profit structure

—— Challenging conventional wisdom in price negotiations

One of the most significant reforms our sales division has undertaken in recent years has been to rethink how we conduct price negotiations. In particular, this involved price negotiations for recurring orders under what are known as "specific customer sales," in which product specifications and transaction terms are agreed directly with customers.

The steel industry had long adhered to a commercial practice known as "after-the-fact pricing," under which deliveries to customers continued on the prescribed conditions, with prices determined later. Under this system, the value of steelmakers' reliable, just-in-time delivery of high-quality products went unrecognized, while prices for high-grade steel remained vulnerable to fluctuations in commodity-grade steel markets.

We therefore fundamentally reviewed our approach to customer contracts and shifted to the "pre-fixed pricing system," under which volumes and prices are agreed upon in advance. We then transitioned to a framework under which customers appropriately recognize the full value we provide—including reliable, just-in-time supply, quality, technical services, and technology development—in addition to movements in raw material prices, and reflect all of these factors in the prices they pay.

Some customers even told us that they would "switch to other suppliers." However, we were firmly determined not to let the efforts and sacrifices entailed by the large-scale structural measures Nippon Steel had undertaken—including the idling of steelworks and production facilities—go to waste. Every member of our sales team stood firm and continued patiently explaining the value Nippon Steel provides and the sustainability of the entire supply chain underpinned by that value.

As a result, our relationships with customers have begun shifting toward healthier ones, with discussion centered not only on price and cost, but also on "value." I believe this has become an important foundation not only for improving profitability, but also for enabling Nippon Steel and its customers to achieve sustainable growth together.

A co-creation strategy supporting the shift to higher-value-added products

—— Creating value together with customers

Another major reform undertaken by our sales division in recent years has been to rethink how we engage and collaborate with customers to promote the shift to higher-value-added products. With progress in energy conservation, decarbonization, and safety enhancement, the performance requirements placed on steel products are becoming increasingly demanding. Anticipating these societal needs and the direction of our customers' business, we established production frameworks for high-performance steel products such as ultra-high-tensile steel sheets and electrical steel sheets, while focusing on proposing comprehensive solutions to promote their adoption and widespread use. However, conventional forms of collaboration made it difficult to propose truly optimal solutions, and the adoption and wider use of high-grade steel products had not progressed sufficiently.

Our co-creation activities with automakers epitomizes this new approach to collaboration. Conventionally, we proposed steel products based on designs that customers had already finalized. This process, however, required substantial time and effort for prototyping and modifications, and did not always result in the optimal selection of steel products. We therefore began participating in vehicle development from its initial stages and working with customers to identify the optimal structures and materials. Doing so makes it possible to develop vehicles with superior performance while reducing waste and shortening lead times. The key is not simply to sell high-performance steel products. What matters is working with customers to determine how Nippon Steel's extensive resources can best contribute to their value creation and enhanced competitiveness.

This approach is expanding beyond the manufacturing sector into the construction sector. From the project planning stage, we are drawing on Nippon Steel's capabilities to address the challenges and achieve the objectives of each stakeholder—such as developers, project owners, and contractors—while addressing social challenges such as labor shortages.

The sales function is evolving beyond simply selling products to become a partner that supports customers in creating value.

Our domestic business underpins global growth

—— The challenge toward 2030

I believe that our domestic business is all the more important in an era of declining domestic demand.

It is true that Japan's steel demand is on a long-term downward trend, with domestic demand having fallen from approximately 94 million tons in 1990 to around 49 million tons today. Approximately 19 million tons of this total comes from "indirect export demand"—demand for steel used in products and components such as automobiles and industrial machinery that are subsequently exported—and remains stable even as overall domestic demand declines. In other words, approximately 40% of Japan's steel demand is linked to global markets, demonstrating that Japanese manufacturing continues to maintain its international competitiveness.

Moreover, our domestic steelworks are more than mere production bases. They are mother mills responsible for technology development, human resources development, and leading the way in the mass production of high-grade steel. Our overseas expansion is made possible precisely by the technology and know-how cultivated here in Japan. Indeed, as we expand our operations in India and North America, the technologies and human resources that form the foundation for those businesses come from Japan. I believe that "a strong domestic business drives growth overseas."

Accordingly, we will drive efforts to strengthen the competitiveness of the entire supply chain, from materials to components and finished products. As we promote business innovation and productivity improvement within Nippon Steel, we will also streamline and rationalize interactions among Group companies and with trading companies and other partners. At the same time, we will expand co-creation activities with a broader range of customers and extend our scope to distribution and processing, thereby strengthening international competitiveness across the entire chain, starting with materials. In this way, we will contribute to enhancing the competitiveness of Japanese industry while increasing the added value and earning power of Nippon Steel's domestic business.



I repeatedly tell our younger staff, "Become a strong sales professional." This is not about speaking loudly or taking an aggressive approach to negotiations. It means being able to get to the truth of a matter, think for oneself, build a logical argument, and articulate one's position clearly. While creating an environment in which such young talent can freely take on challenges, I will further strengthen Nippon Steel's comprehensive capabilities as we strive to become the world's No.1 steelmaker. Sales must remain the driving force that transforms those comprehensive capabilities into value.

1 Domestic Business Strategy

(FY2030 target: Consolidated Underlying Business Profit of ¥500 Billion or More)

In Japan, we will fully utilize the production framework established during the previous Medium- to Long-term Management Plan period and strengthen our competitiveness in line with the needs of each demand sector and product category. Through the thorough pursuit of cost competitiveness, the development of comprehensive solutions, the maximization of the Nippon Steel Group's comprehensive strength, and the pursuit of technological advancement, we aim to further enhance profitability.

For example, in the flat steel business, a core segment of our domestic steel business, we will promote the successful start-up of state-of-the-art facilities already under construction, including the next-generation hot strip mill at Nagoya Works, and fully realize the benefits of these investments. Furthermore, as a result of establishing an optimal production framework, we can further improve production efficiency by clarifying the primary role of each manufacturing base and concentrating production. While moving forward with these initiatives, we will establish optimal production and logistics systems involving our Group companies.

FY2021-FY2025

Improved the break-even point through fixed-cost reductions and selling price optimization

FY2026-FY2030

Fully utilize the established production framework and strengthen competitiveness in line with the needs of each demand sector and product category

Establishing an Optimal Production Framework

Facility Structural Measures

Blast furnaces
15 ⇨ **10 units**

Crude steel production capacity
50 million ⇨ **40 million tons/year**
▼20% reduction

Product Mix Enhancement

Approved and executed investments to enhance production capacity and quality for strategic product categories

Optimization of Prices and Margins for Sales to Specific Customers

Reduced the Break-Even Point by Approximately 40%

Thorough Pursuit of Cost Competitiveness

- Launch state-of-the-art facilities and fully realize the benefits of investments
- Production efficiency enhancement by clarifying the roles of manufacturing lines and through concentrated production
- Further pursuit of optimal production systems

Expand Comprehensive Solutions

- Enhance technological leadership
  Enhance product mix and product and solution proposal capabilities
- Strengthen the supply chain

Maximize the Group's Capabilities

- Enhance profitability across the Group
- Management efficiency enhancement through Group company restructuring

Pursue Technological Advancement

The following are specific examples of our initiatives in each demand sector and product type.

(1) Automotive sector

- Develop new products and enhance cost competitiveness by utilizing the next-generation hot-strip mill at Nagoya Works
- Strengthen our ability to meet customer needs for non-oriented electrical steel sheets used in eco-friendly vehicles by expanding capacity at Kyushu Works (Yawata) and Setouchi Works (Hirohata and Hanshin)
- Further develop comprehensive solutions such as NSafe®-Auto-Concept and create customer value through stronger collaboration with customers

(2) Structural flat products sector

- Enhance the competitiveness of our differentiated products and our solution proposal capabilities in response to societal needs
- Strengthen our ability to capture domestic demand by pursuing optimal sales, distribution, and production systems across the Group

(3) Infrastructure sector (construction and civil engineering)

- Further promote integrated sales activities on a regional basis through collaboration among sales divisions, domestic branches, and Group companies
- Strengthen our ability to capture domestic demand by pursuing an integrated sales, distribution, and production system across the Group
- Capture demand by strengthening our ability to respond to customer needs aligned with market segments and applications [Specific customer segment (steel sections and spiral steel pipes): Deploy construction and civil engineering solutions (ProStruct®) that combine steel products with utilization technologies.] [Distribution sales segment: Expand competitive product lineups through a business alliance with Nakayama Steel Works, Ltd.]

(4) Energy sector

- Capture demand across the entire supply chain by developing and supplying a cross-category range of steel products with superior heat resistance, corrosion resistance, and hydrogen embrittlement resistance for use under high temperatures, high pressures, and other harsh conditions

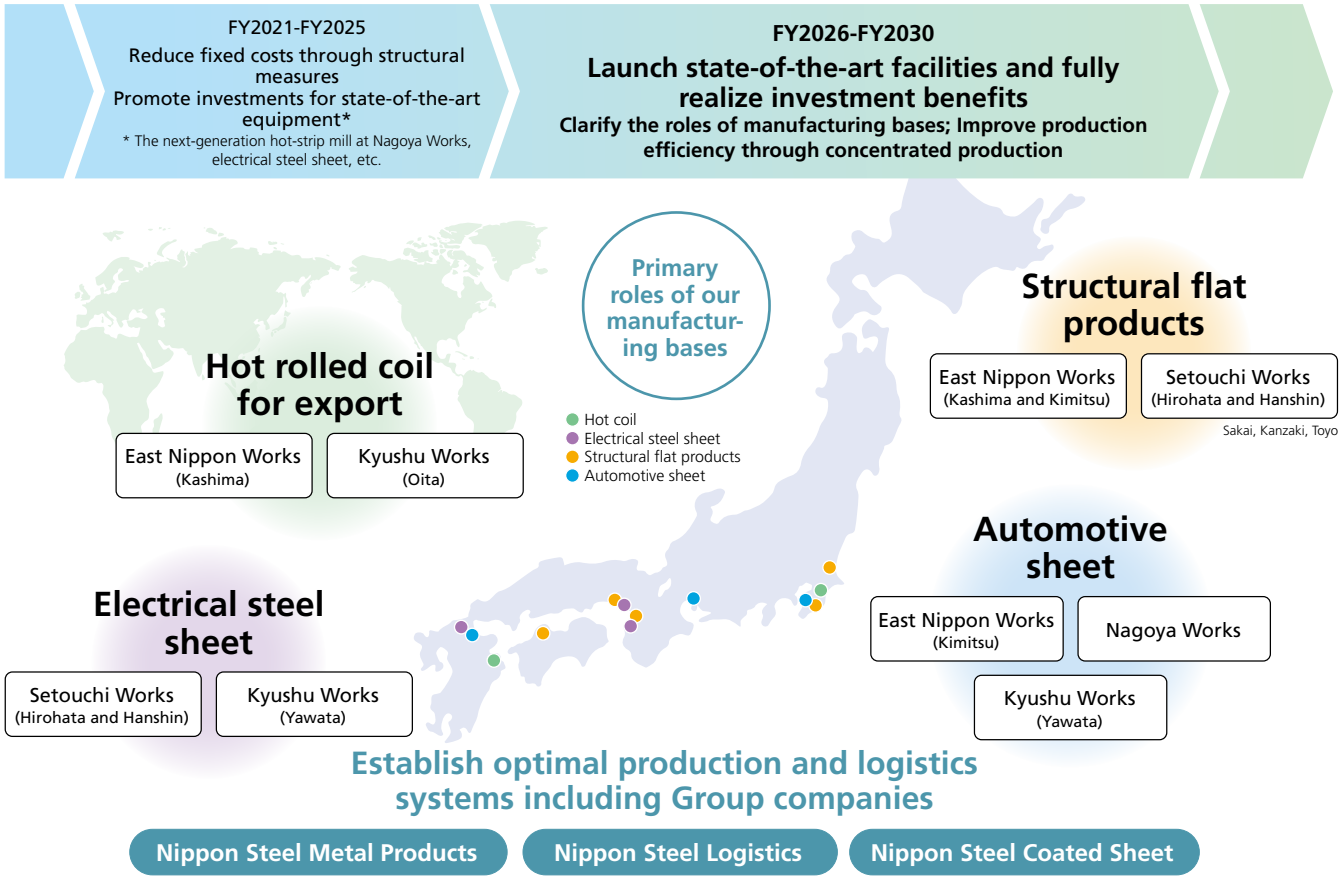
(5) Shipbuilding sector

- Contribute to creating customer value and strengthening Japan's shipbuilding industry by enhancing proposal capabilities for high-performance products and solutions

(6) Stainless steel business

- We aim to capture demand in the energy and shipbuilding sectors through the following two approaches. First, we will pursue an optimal production framework by consolidating chromium-based metallic inputs at the EAFs at Shunan Area and reviewing production arrangements to strengthen the competitiveness of commodity-grade products. Second, we will enhance the product mix through the successful launch and full utilization of the new continuous caster (CC) at Hikari Area

We will also continue to improve profitability through the reorganization of Group companies. We will implement the reorganization in accordance with the approach outlined on the next page with the aim of improving management efficiency and expediting management decision-making, thereby achieving earnings growth through reorganization synergies.



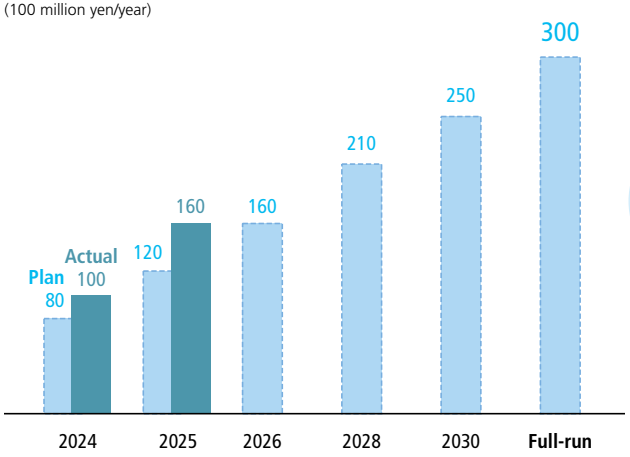
Reorganization of Group Companies

We determine the optimal ownership and management structure of each Group company based on the role it plays within the value chain of our core business, namely the provision of high-value-added products and solutions through integrated steelmaking operations. We have advanced specific reorganization initiatives to establish the optimal structure in response to changes in each company's business environment, financial position, and Group strategy. We aim to increase annual synergies from these initiatives to ¥30 billion on a full-run basis by FY2030 (up ¥14 billion from the FY2025 level of ¥16 billion). The integration of Sanyo Special Steel, scheduled for April 2027, will boost these effects further. Following the integration, we will further enhance competitiveness through the integrated management of domestic and overseas operations, strengthen our execution of growth strategies, and expand our presence in growth sectors.

P.142 "Our Approach to Group Management"

[Plan to fully realize benefits of implemented initiatives]

Total synergies generated from the standalone parent company steel business and steel group companies



Annual Synergies:
¥30 billion/year
(On a Full-Run Basis)
(+¥14 billion/year vs. FY2025)

Excludes additional profit contributions from increased equity stakes

Wholly owned subsidiary conversion / absorption mergers of strategic companies	Nippon Steel Trading: Subsidiarization and delisting	■ Pursue more optimal production systems across the Group ■ Create synergies through further integration and optimization of product-specific businesses ■ Strengthen and optimize human resources and streamline technology, product, and process development across the Group
	Sanyo Special Steel: Transition to a wholly owned subsidiary	
	NS Stainless Steel: Merger with Nippon Steel	
	Krosaki Harima: Transition to a wholly owned subsidiary	
	NS Pipe: Business integration and reorganization	
Enhancing organizational resilience through group company integration	NS Fine Tube: Integration of NS Katakura Tube, Tsurumi Steel Tube, and NS Pipe Fine Tube	■ Strengthen competitiveness, enhance procurement and purchasing power, and improve productivity through the integration of expertise and technological capabilities
	Establishment of Taiyo Sakako: Integrated Taiyo Shirring and Sakako	
	NS KOBELCO Shearing: Integration of NS KOBELCO Shearing and Fuji Steel Center	
	NS Processing: Integration of Matsubishi Metal Industry, NS Wire Rods Processing, and NS Wire	
	NS Blast Furnace Slag Cement: Integration of NS Blast Furnace Slag Cement and NS Cement	

INTERVIEW

with the Executive Officer in Charge

Turning global change into growth opportunities
— Nippon Steel's global strategy



Takahiro Mori
Vice Chairman and
Executive Vice President

Amid population decline, escalating geopolitical risks, and growing protectionism, the global business environment is at a major turning point. Against this backdrop, Nippon Steel regards expanding its overseas business not simply as a means of market expansion, but as a key management strategy for achieving sustainable growth and strengthening competitiveness. In this interview, I will discuss the path to growth we are pursuing through our four-region global strategy, the significance of the acquisition of U. S. Steel, and the development of people capable of competing globally.

The steel industry competes on a global basis

—— No choice but to seek growth overseas

When I consider Nippon Steel's future, I believe that expanding our overseas business is not merely one option, but an imperative. Japan's steel demand is on a long-term downward trend, with domestic demand having fallen from over 90 million tons in the past to below 50 million tons today. Meanwhile, global steel demand is expected to continue growing in the future. In particular, demand is expected to continue growing in India and other emerging economies as urbanization and infrastructure development advance.

I often say, "We have no choice but to seek growth overseas. There is no alternative." This, however, is not simply a market-expansion strategy. The steel industry is inherently global. We procure virtually all our iron ore and coal from overseas. While some of the steel we produce is sold for use in Japanese industries and infrastructure, an extremely large share has been sold to overseas markets when indirect exports are taken into account, reflecting Japan's industrial structure. Since its founding, Nippon Steel has consistently engaged with global markets.

The world, however, is now changing dramatically. I believe we are moving from an era of "globalization" to an era of "economic blocs." As tariffs rise and economic security and geopolitical risks become increasingly important concerns, it is rapidly becoming more important to produce and sell in the markets where demand exists. That is why we must evolve from a company dependent solely on exports from Japan into one with business bases around the world.

Only companies that are prepared can seize opportunities

—— Our four-region global strategy

We are currently pursuing a "four-region global strategy," centered on the United States, India, Thailand, and Europe. The United States is one of the world's largest markets for high-grade steel and an extremely important market offering both growth potential and profitability. India is a market where steel demand is expected to grow on one of the largest scales in the world over the coming decades. Thailand is an important home market for us in ASEAN, while Europe is also a market with substantial demand for high-grade steel, where technological capabilities provide a competitive advantage.

To an outside observer, our steady expansion of operations across these regions might appear to be simply a matter of good timing. I do not see it that way. Opportunities may seem to emerge suddenly, but in fact they come only after years of preparation. That was true of India. The same was true of the United States. For years, we have studied these markets and continued to explore business opportunities. It was this accumulated groundwork that enabled us to make major decisions.

I believe that a long-term perspective matters more than anything else in overseas business. It means anticipating changes in the business environment, preparing continuously, and acting without hesitation when an opportunity arises. That is the essence of Nippon Steel's overseas strategy.



Acquisition of U. S. Steel

—— The final piece on our path to becoming the best steelmaker with world-leading capabilities

The acquisition of U. S. Steel is a defining initiative of Nippon Steel's global strategy. However, I do not view this transaction as a stand-alone large-scale M&A deal. Rather, I see it as a natural extension of the experience we have steadily accumulated over many years in overseas business.

What struck me most when I first met U. S. Steel's management team was how closely our two companies' values aligned. For more than 120 years, U. S. Steel has underpinned the development of American industry, just as Nippon Steel has supported manufacturing in Japan. Both companies shared a commitment to operations on the ground and a sense of pride in supporting their respective countries' industrial foundations. It was this shared outlook that enabled me to clearly envision what our future after integration would look like.

What we acquired was not simply the corporate entity of U. S. Steel itself. I believe we gained an opportunity to transform U. S. Steel's future—and an opportunity for Nippon Steel itself to grow further. I am convinced that through this integration, we can further enhance Nippon Steel's technological and operational capabilities, and human capital on a global scale.

The driving force behind PMI

—— Global management capabilities cultivated over decades

At U. S. Steel, improvement initiatives are now under way, beginning with its 100-day plan. Many Nippon Steel personnel are also working on site, with collaboration advancing across a broad range of areas, including technology, production, sales, and human resources development. One of the major forces underpinning these efforts is the experience and expertise we have accumulated over many years in overseas business.

Nippon Steel has a long history in overseas business: our involvement in Usiminas in Brazil began in the 1950s, and our operations in Thailand date back to the 1960s. Over that time, we repeatedly sharpened our focus through selection and concentration as the business environment changed, while confronting a wide range of challenges arising from differences in culture, business customs, and labor practices. I myself was deeply involved in the turnaround of Usiminas. As a company, we have also built expertise through our operation of AM/NS India and our efforts to improve management at Standard Steel in the United States—learning how to understand our partners' strengths, combine them with Nippon Steel's technological and operational capabilities, and grow their businesses.

Another major factor was the approximately 18-month process leading up to the completion of the U. S. Steel acquisition. Despite various twists and turns along the way, executives and working-level teams from both companies visited each other's sites and engaged in extensive dialogue throughout that period. Even before the acquisition was completed, we were able to get to know one another, deepen our understanding of each other's capabilities and challenges—including in technology and operations—and build a foundation of mutual understanding. This has provided considerable momentum for our subsequent PMI efforts.

PMI is not about unilaterally imposing Japanese ways on the other company. What matters is understanding the other company's strengths, combining them with Nippon Steel's strength, and becoming stronger together. They are the experience and expertise we have developed over many years in overseas business and the mutual understanding we built with U. S. Steel during the acquisition process. Together, these two factors are the driving force behind this PMI.

Ultimately, it comes down to people

—— developing people who can compete on the global stage

I believe that the results we achieve in overseas business ultimately depend on people. Capital investment is important. Technology is important. However, it is people who master these resources and create new value. At our overseas operations, situations arise every day that we could never have imagined while working in Japan. In environments where the language and culture are different, there are times when you must make decisions independently as a manager.

I refer to such challenging experiences as "trials by fire." People grow by overcoming such trials. I have had many experiences overseas myself, but I believe I grew most when I had to think independently, make decisions, and take full responsibility under tough circumstances.

Looking ahead to 2030, we have set ambitious targets of more than ¥500 billion in overseas business profit and over 100 million tons per year in global crude steel production capacity. What we envisage beyond those targets, however, is not simply expansion in scale.

Our true objective is to develop people who can excel around the world and to pass Nippon Steel's strengths down to the next generation. I believe that outstanding human resources are Nippon Steel's greatest competitive advantage. I am convinced that Nippon Steel will grow even stronger as more of its people gain experience and hone their capabilities around the world.

The world will undoubtedly continue to undergo significant changes. What matters is that, rather than fearing change, we continue to view it as an opportunity for growth. That is Nippon Steel's global strategy—and it is my own conviction as well.

2 Overseas Business Strategy

Overview: Nippon Steel's strategy and strengths

(1) Nippon Steel's strategy

For its overseas business, Nippon Steel has pursued the acquisition of brownfield production bases through M&A, based on its strategy of expanding integrated steelmaking bases capable of creating added value from the upstream process in markets with strong growth potential and in fields suited to Nippon Steel's technological capabilities and product strengths.

In the four priority regions of the U.S., Europe, India, and Thailand, we will make significant growth investments to strengthen integrated steel production. These initiatives include strategic capital investments to drive U. S. Steel's profit growth in the U.S., capturing demand for high-grade steel in Europe, expanding AM/NS India's integrated production capacity and constructing a new steelworks in southern India, and expanding our share of Thailand's steel sheet market, which we regard as a home market.

In addition, we will intensively assign human resources overseas to create new business opportunities, including those for our Group companies.

Through these efforts, we aim to dramatically increase overseas business profit to ¥500 billion or more by FY2030. From FY2031 onward, we aim to achieve global crude steel production capacity of 100 million tons or more.

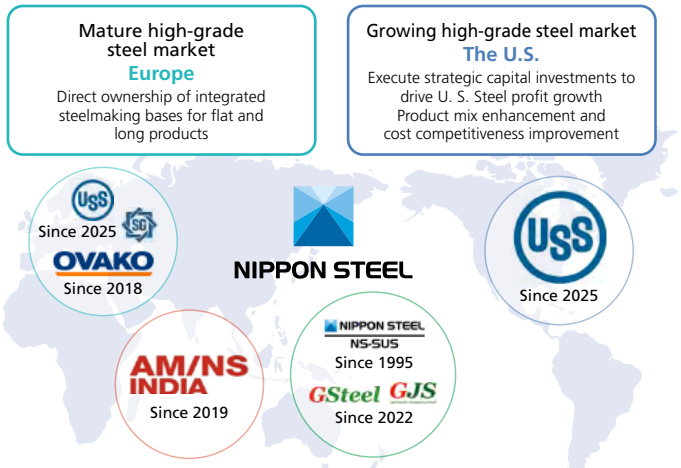
[Significant growth investments and concentration of management resources in four key overseas regions]

Strengthen integrated steel production in priority regions: the U.S., Europe, India, and Thailand

Our overseas business strategy

Expand our overseas manufacturing bases in markets with **strong growth potential and sectors where our technological capabilities and product strengths can be leveraged**

Acquire **integrated steelmaking bases** capable of creating added value from the upstream process. Acquire **brownfield bases** through M&As

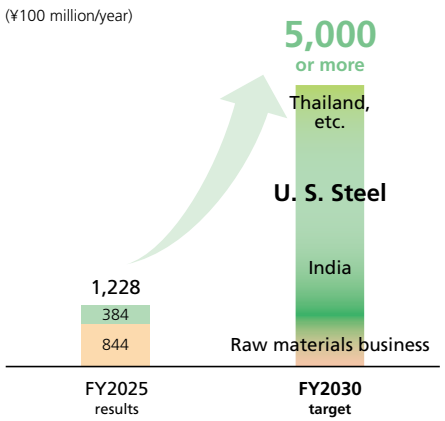


[Contribution of overseas business to achieving ¥1 trillion and 100 million tons]

Profit from overseas business

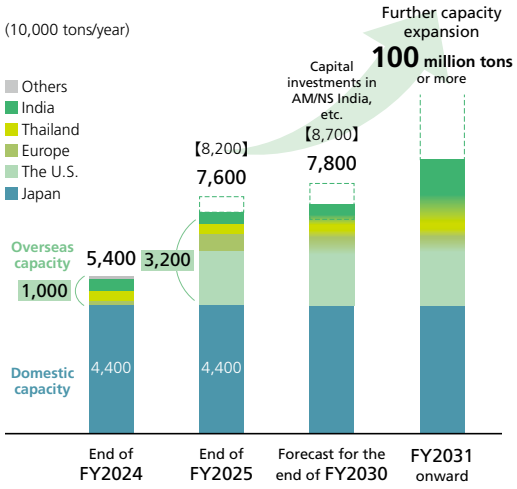
Overseas steel business + Raw materials business

Dramatically increase profit through the full realization of U. S. Steel investment benefits and capacity expansion at AM/NS India



Global crude steel production capacity

Capture global growth and aim for global crude steel production capacity of 100 million tons or more



- Simple sum of the production capacities of consolidated subsidiaries plus production capacity proportional to equity interest of equity method affiliates (30% or more)

Figures in brackets: Production capacity calculated by simply adding the capacity of the equity-method affiliate AM/NS India

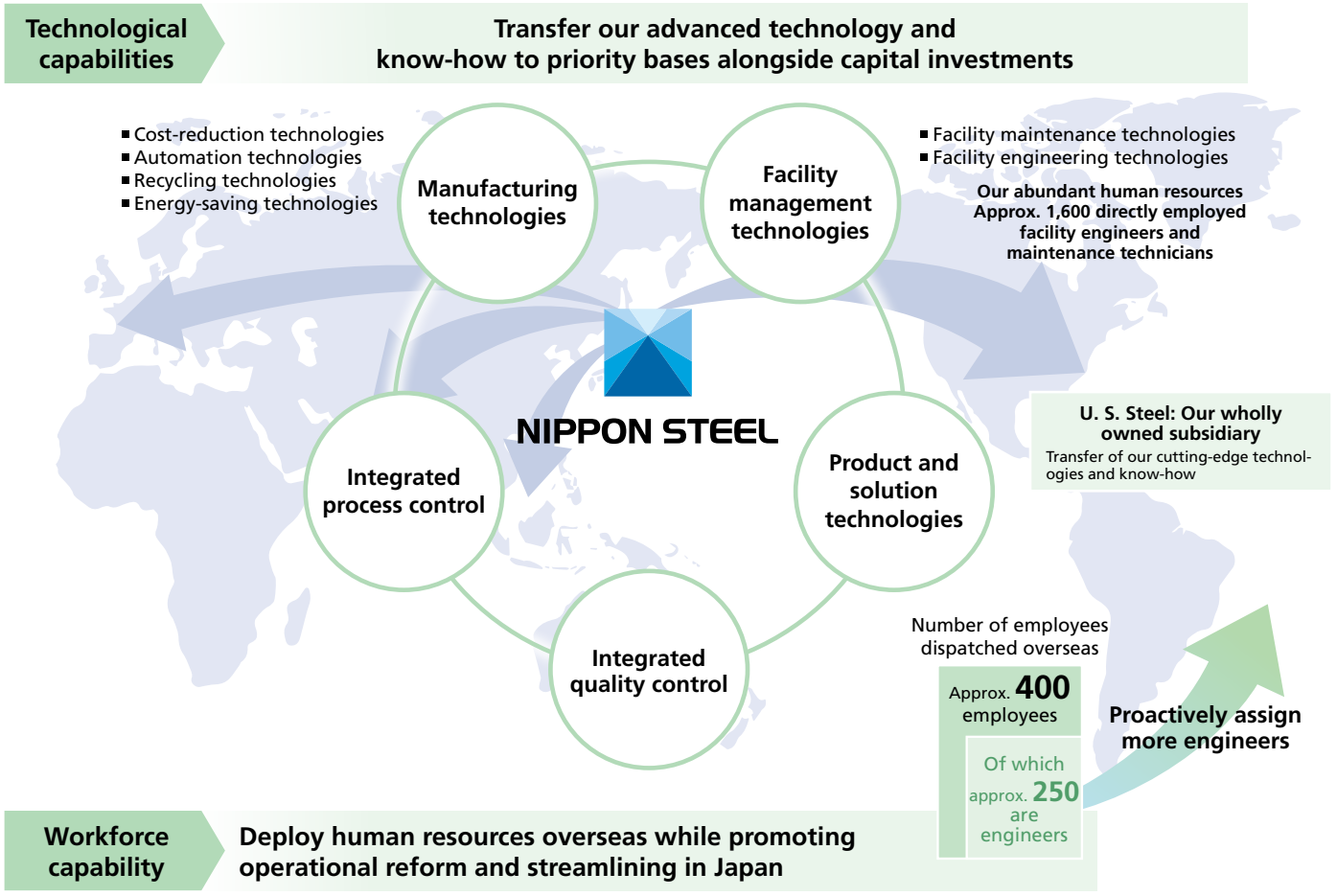
(2) Nippon Steel's strengths supporting the global growth strategy

In pursuing large-scale investments in our key overseas regions, we seek to expand overseas earnings by leveraging the facility engineering expertise and technological capabilities cultivated in Japan and transferring our manufacturing technologies, product solution technologies, and expertise in integrated quality and process management.

The transfer and deployment of these technologies and expertise across our global operations is a key strength of our global growth strategy and serves as an essential foundation to support our growth strategy. Particularly important is that U. S. Steel, which we acquired last year, is now our wholly owned subsidiary. This arrangement enables Nippon Steel to fully transfer its cutting-edge technologies and know-how and deploy personnel to U. S. Steel to maximize our strengths.

To ensure the benefits of transferring technology and know-how to U. S. Steel, we will intensively assign the necessary human resources to promote our global growth strategy.

[Nippon Steel's strengths supporting the global growth strategy]





The primary earnings driver under the 2030 Medium- to Long-term Management Plan

(1) Challenges and strategies at U. S. Steel

The U.S. steel market is the largest of all developed countries, with annual demand for steel products totaling 150 million tons, including indirect imports. Despite that, its local content rate remains around 55%. Currently, the U.S. government is implementing tariff and trade policies to bring the manufacturing industry back to the country, and we expect the demand to grow in the future, particularly for high-grade steel.

Under these circumstances, U. S. Steel must continue to grow by capturing the increasing demand. However, the company is currently unable to demonstrate its potential because it needs to improve equipment performance, replace aging equipment, and review its cost structure and quality management systems. Therefore, aiming to drastically resolve these challenges, U. S. Steel must equip itself with the "weapons" for capturing the demand as soon as possible by accelerating the introduction of Nippon Steel's technologies, know-how, and other resources and by promptly implementing various measures, including huge capital investments.

(2) A roadmap to earnings improvement

In U. S. Steel's medium- to long-term plan announced in November 2025, the company aims to make capital investments totaling $11 billion in the U.S. by the end of 2028 and improve its EBITDA by $3 billion ($2.5 billion from capital investments and $0.5 billion from operational synergies) from FY2024 levels. The plan calls for U. S. Steel to generate more than half of Nippon Steel's targeted underlying business profit from overseas business of ¥500 billion or more. Therefore, we view achieving this target as our top management priority.

[U. S. Steel's dramatic profit growth]

▼ June 2025: **Closing of the acquisition**

Development of the 100-Day Plan
Advancing evaluation and implementation of 66 initiatives across 8 pillars
Dispatched first 50 or so engineers to U. S. Steel

▼ November 2025: **U. S. Steel announced its medium- to long-term plan**

FY2026–FY2030
Deployment of Nippon Steel's cutting-edge technologies and management resources
Synergy maximization and early formulation/execution of strategic investments
Recently increased the number of dispatched personnel to approx. 100 (incl. short-term assignments)

Introduction of Nippon Steel's advanced technologies

- Operational technologies
- Facility management technologies
- Product technologies
- Decarbonization technologies

8 pillars and 66 challenges

(1) Modernize production facilities and maintain/enhance competitiveness
(2) Enhance cost competitiveness
(3) Improve productivity and quality responsiveness of existing facilities
(4) Expand strategic product lineups and high-grade steel supply capacity
(5) Integrate the steel sheet and mini-mill businesses
(6) Maximize synergies from collaboration with Nippon Steel
(7) Construct new steelworks and expand the scope of business domains
(8) Response to carbon neutrality

U. S. Steel's medium- to long-term plan (Announced on November 4, 2025)

Operational synergies

Bring in our advanced technologies and know-how 260 improvement initiatives

- Quality improvements
- Operational improvements (productivity and costs)
- Improvements in fuel costs, yield, and energy efficiency
- Raw materials-related initiatives

⇨ **Improve cost competitiveness, manufacturing capability, etc.**

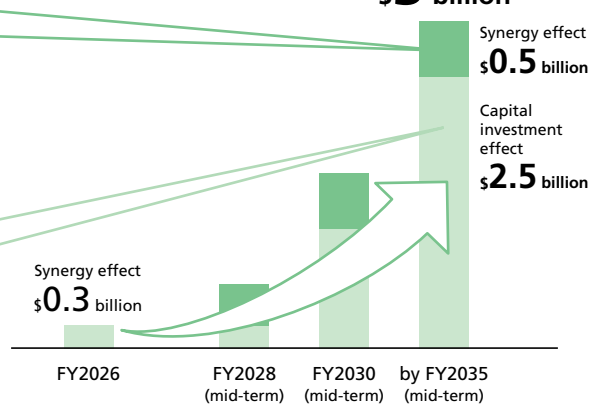
Capital investment

Plan large-scale growth investments totaling more than $14 billion; $11 billion of which will take place in the U.S. by the end of 2028

Realize the benefits of these investments, primarily through strategic projects

- Throughput improvement
- Energy efficiency improvement
- Productivity improvement
- Quality improvement

⇨ **Product mix enhancement, product lineup expansion, supply capacity expansion**



EBITDA improvements compared to FY2024 levels

We expect earnings improvement not only from the realization of benefits from initiatives already underway before our acquisition, including investment benefits at Big River, but also from synergy benefits generated through the transfer of Nippon Steel's technologies and know-how. We also expect synergy benefits from operational improvements and other initiatives enabled by the transfer of Nippon Steel's technologies and know-how, many of which can be realized without requiring additional large-scale investments. After the acquisition of U. S. Steel, we dispatched approximately 100 employees from Japan, largely engineers, to support the early formulation and implementation of these initiatives.

For strategic capital investments, we plan to make large-scale growth investments totaling more than $14,000 million (of which $11,000 million is scheduled to take place in the U.S. by the end of 2028).

Progress has been steady, and major projects have already been approved and entered the construction phase.

We will continue to accelerate our efforts for the early formulation and commencement of construction of strategic capital investments that will contribute to U. S. Steel's future profit growth.

As for operational synergies, we have identified 260 improvement initiatives and are implementing them sequentially. We have introduced improvement frameworks previously unavailable at U. S. Steel, including Integrated Quality Control Management ("Ikkan QC") and Integrated Improvement of Production and Sales ("SEIHAN"). Under these frameworks, employees dispatched from Japan work together with local employees to drive continuous improvement through the PDCA cycle (Plan–Do–Check–Action). We expect synergy benefits of approximately $300 million in FY2026 and aim to achieve the targeted $500 million as early as possible.

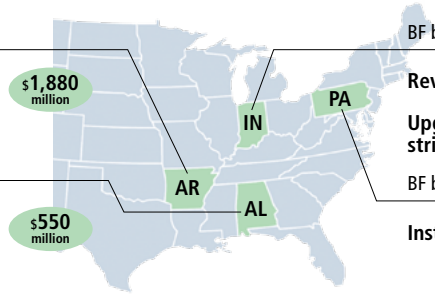
Major Approved Projects

Manufacturing base	Project name	Purpose	Investment amount
Blast furnace base (Gary)	Upgrade existing hot strip mill	Enabling the expansion of high-grade steel offerings	$230 million
	Revamping of BF #14	Securing production capacity and improving cost efficiencies	$350 million
Blast furnace base (Mon Valley)	Install new slag recycler	Revenue expansion through slag sales	$90 million
Electric arc furnace base (Big River)	New DRI plant construction	Raw materials cost reduction, product quality improvement	$1,880 million
Carbon steel pipe base (Fairfield)	Install new premium thread line	Cost savings through in-house threading	$70 million
	Expansion of steel pipe quench & tempering line	Sales expansion, cost reduction	$470 million

Advancing strategic capital investments for U. S. Steel

$11,000 million of planned growth investments in the U.S. by the end of 2028

Approximately 30% of the planned projects had reached final approval by August 2026. Approx. **$3,700 million**



Projects under consideration (scheduled for formulation in FY2026)

BF base: Gary	**Update of steelmaking process and other equipment; update of hot strip mill**
BF base: Mon Valley	**Install new hot strip mill**

Improving cost and quality competitiveness and enhancing product mix

Strengthening manufacturing capabilities and maximizing the effect of synergies at U. S. Steel

Accelerate the deployment of advanced technologies and operational and cost improvements at each base with support from engineers dispatched from Japan

Vigorously advancing U. S. Steel's medium- to long-term plan to strengthen its manufacturing capabilities and maximize the effect of synergies



Blast furnace base (Gary, Indiana; Mon Valley, Pennsylvania)

Nippon Steel's on-site initiatives and introduction of know-how

Integrated quality management
Ikkan QC (integrated QC)

Integrated improvement by the team of manufacturing and sales
SEIHAN (manufacturing and sales)

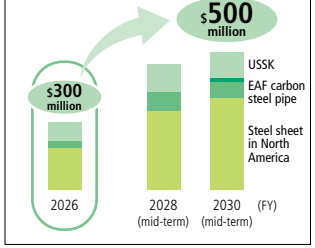
Collaboration with engineers dispatched from Japan / PDCA cycle for reducing operational costs

Engineers dispatched from Japan collaborate with on-site members
Identifying issues by base and process
Currently implementing 260 specific improvement measures one after another

Identify issues
Propose improvement measures
P → D Implement measures on-site
A ← C Monthly KPI follow-up
Consider countermeasures
Implement improvement measures

Synergy benefits

EBITDA improvements compared to FY2024 levels





EAF base (Big River, Arkansas)

Stable production ramp-up of Big River 2

- Supported by the stabilization of the continuous casting-to-rolling production process,
  ESP production reached full capacity on an annualized basis in February 2026
  1.4 million st in FY 2025 ⇨ 2.5 million st in FY2026 (plan)
  (ESP: Endless Strip Production)
- **Energy-efficient and highly productive operations contribute to operational and cost improvements.**
- Standardization is underway to **embed these technologies and know-how** throughout operations.



BF base (Granite City, Illinois)

BF #B restarted operation, blowing-in in March

(announced on December 4, 2025)

- Stable demand is expected in 2026
- Because of the relining of BF #14 at the Gary Steel Works (May–August 2026), U. S. Steel restarted BF #B (with production capacity of 1.4 million tons/year), which has been idle since September 2023.
- **Blowing-in on March 25, 2026**
- **Experienced frontline supervisors from Nippon Steel were dispatched to support the start-up.**
- **Job creation: Approx. 400 positions**



— Comments from Nippon Steel's Resident Employees at U. S. Steel —



Build a solid relationship with U. S. Steel to create the effect of multiplication through mutual trust and continuous dialogues

U. S. Steel
Strategy - Business Planning
Moyuru Fujii

I am working on product portfolio optimization and business value enhancement for the North American flat products business in the Strategy and Business Planning Department at U. S. Steel. I support everything from business planning to project execution, collaborating with members of various specialized departments, such as sales, production, quality, technology, and finance.

One of the most memorable projects for me after arriving here was restarting a tinplate mill that had been shut down for a long time. Engaging in continuous dialogue with many concerned parties in a short period, I conducted the business feasibility assessment, made major decisions, and kept the project going. What struck me during that process was my colleagues at U. S. Steel having a high level of professionalism and a strong desire to "make the company better." They proactively listen to the new perspectives and suggestions I bring and generously share their expertise with me. Furthermore, U. S. Steel and Nippon Steel share very similar core values and code of behavior, such as safety compliance, environmental responsibility, and social and community contributions, allowing us to collaborate with mutual trust and respect.

I realize that through collaboration with our colleagues at U. S. Steel, the market-driven approach and the philosophy of total optimization through the integration of manufacturing and sales that Nippon Steel has cultivated so far are creating tangible value on the global front lines as well. I will continue to contribute to U. S. Steel's further growth by combining the strengths of both companies.







Take on challenging work in a highly motivated workplace

U. S. Steel
Operational Improvement NAFR, Tin Process
Takuaki Miyamoto

I am responsible for improving yield, quality, and productivity on the tinplate mill at the Gary Works. I also oversee the medium- to long-term plans for U. S. Steel's tinplate business.

Since arriving here, I have led efforts to improve operational technologies. U. S. Steel has a lot of outdated equipment and technologies, making it difficult to accomplish even tasks taken for granted in Japan. For this reason, I have consolidated Nippon Steel's knowledge accumulated over the past 20 to 30 years, exploring and proposing feasible improvement measures. U. S. Steel's members are proactive and energetic and implement proposed improvement measures right away. Furthermore, visualizing the results of these improvements encouraged them to take the initiative to make further improvements, resulting in significant yield gains.

The strength of the U. S. Steel members lies in their proactive attitude and speed of execution. On the other hand, Nippon Steel possesses process-improvement technology and expertise cultivated over many years. By combining the on-site energy with Nippon Steel's expertise, new solutions and growth opportunities are emerging one after another. Today, the U.S. market demands tinplate products. The Gary Works is the only steel mill in the United States capable of manufacturing tinplate products. This past April, Nippon Steel approved the restart of the tinplate mill at the Gary Works, a project I was involved in. The sooner the tinplate mill comes online again, the higher our profitability will be. I feel anew I am working in an affluent environment blessed with opportunities and growth.







Maximize synergies through a direct ownership structure

Europe (EU-27 plus the UK) is the world's third-largest steel-demand economic zone. Because its intra-regional industry is protected by tariffs, safeguards, and the carbon border adjustment mechanism (CBAM), the market is less susceptible to the impact of China's excessive exports. Furthermore, as manufacturing activity continues to shift toward Central and Eastern Europe, an increase in steel demand is anticipated in Central and Eastern Europe over the medium to long term.

Nippon Steel has a critical business base in Europe, including U. S. Steel Košice (Slovakia-based USSK), which it acquired as part of the U. S. Steel acquisition, and OVAKO, which it has held through Sanyo Special Steel Co., Ltd. since 2018 (a Sweden- and Finland-based integrated EAF manufacturer with world-class high-grade, special-steel bar and wire technologies). The two companies specialize in high-value-added products that can leverage our technologies and are located in markets where strong growth is anticipated.

To maximize the growth potential of these European bases, we are currently reviewing our management structure. Because USSK has been under the control of U. S. Steel, we hold only indirect ownership, which limits our direct deployment of management resources. Given this situation, we will transition USSK into our direct subsidiary under the name Nippon Steel Slovakia (NSSK) (scheduled for October 2026). At the same time, we will make OVAKO our direct subsidiary following the merger with Sanyo Special Steel Co., Ltd. (scheduled for April 2027). This arrangement will enable rapid decision-making and the direct deployment of our Group's technology, human resources, and capital. Going forward, focusing on synergy maximization and enhancement of high-grade steel offerings, we will take the lead in planning and implementing growth initiatives, such as product competitiveness enhancement and distribution channel expansion, thereby realizing sustainable growth of our European businesses.

[Overseas priority region: Importance of European bases]



	Regions where steel demand growth is promising	Sectors where our technological capabilities and product strengths can be leveraged
Compatibility with our overseas business strategy	**Business opportunities in the European market** • **The world's third-largest** steel-demand economic zone*1 • The **intra-regional industry is protected** by tariffs, safeguards, and CBAM ⇨ Markets with a **high intra-regional self-sufficiency rate** • In Central and Eastern Europe, which are USSK's key markets*2, **steel demand is expected to increase over the medium to long term** as manufacturing activity continues to **shift eastward**.	**Ovako** • World-class **high-grade, special-steel bar and wire technologies** • **Leading the pack in achieving carbon neutrality** in steel production **USSK** • A **diverse sheet product** portfolio • **Competitive labor costs, well-maintained production facilities**, etc.

Capture intra-regional steel demand and drive profit growth through **synergy maximization** and **product mix enhancement** with Nippon Steel

*1 Europe: EU 27 countries plus the UK
*2 Six major countries: Poland, the Czech Republic, Slovakia, Hungary, Romania, and Austria

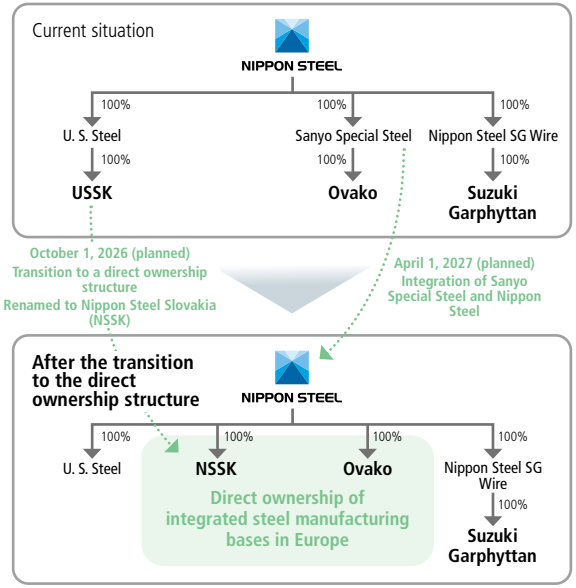
[Direct ownership of NSSK and OVAKO]

Transition European integrated steelmaking operations to a direct ownership structure
Strengthen the management and operational structures of our Group companies within Europe



Strengthen the management base within the region
Quick decision-making
Utilize the Group's management resources

Aim to grow our European businesses through the formulation and execution of long-term growth strategies focused on synergy maximization with Nippon Steel, product mix enhancement, stronger product competitiveness, and expanded distribution channels.





Business expansion and product mix enhancement in a market with highly visible demand growth

India is the market where Nippon Steel can most likely expect long-term earnings growth in its overseas businesses. Backed by the Indian government's "Make in India" policy and against the backdrop of robust economic growth and industrialization, the country's steel demand is expected to increase from approximately 150 million tons in FY2024 to over 200 million tons in FY2030. Furthermore, because the construction of a new steelworks requires a long lead time due to constraints related to land acquisition and various permits and approvals, supply capacity may not keep up with growing demand. This represents a significant competitive advantage for Nippon Steel, which has already established a solid production base.

Since acquiring AM/NS India in December 2019, we have been steadily expanding production capacity and enhancing its product mix, starting with the Hazira Works (Gujarat). The Hazira Works is expanding its steel sheet facilities (plating line already in operation, pickling and cold-rolling lines already in operation, cold-rolling and aluminum plating lines scheduled to come online in or after FY2027), as well as its steelmaking facilities and hot strip mill (scheduled to come online in or after FY2027). Once these expansion projects are completed, the Hazira Works will evolve into an integrated steelworks capable of supplying high-value-added automotive steel products with a crude steel production capacity of 15 million tons (increasing by 6 million tons from 9 million tons in FY2023).

Moreover, in March 2026, we held a groundbreaking ceremony for the construction of an integrated steelworks on a large coastal site (890 ha) we acquired in Rajayyapeta, Andhra Pradesh, Southern India. For Phase I, targeting a crude steel production capacity of 7 million tons/year, we are considering investment plans with the goal of starting commercial production within the period of the 2030 Medium- to Long-term Management Plan.

Hazira
(Gujarat)

Integrated steel production capacity expansion underway

Cold-rolling and aluminum-plating equipment are scheduled to come online in the second half of 2026

Promote capacity expansion and product mix enhancement at AM/NS India

Rajayyapeta
(Andhra Pradesh)

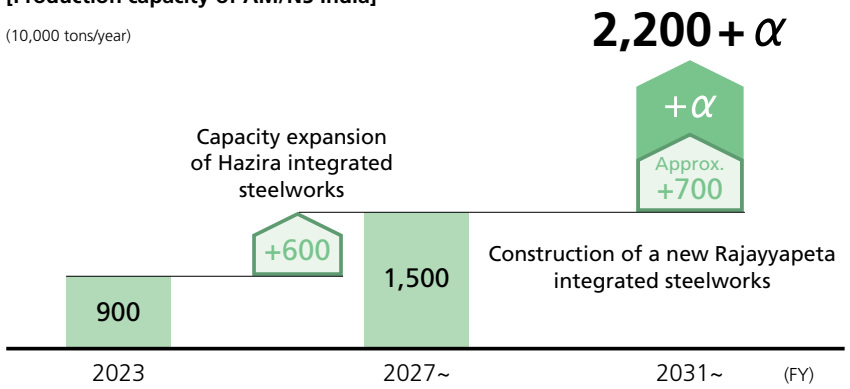
Construction of a new integrated steelworks begins

The groundbreaking ceremony was held in March 2026



[Production capacity of AM/NS India]

(10,000 tons/year)





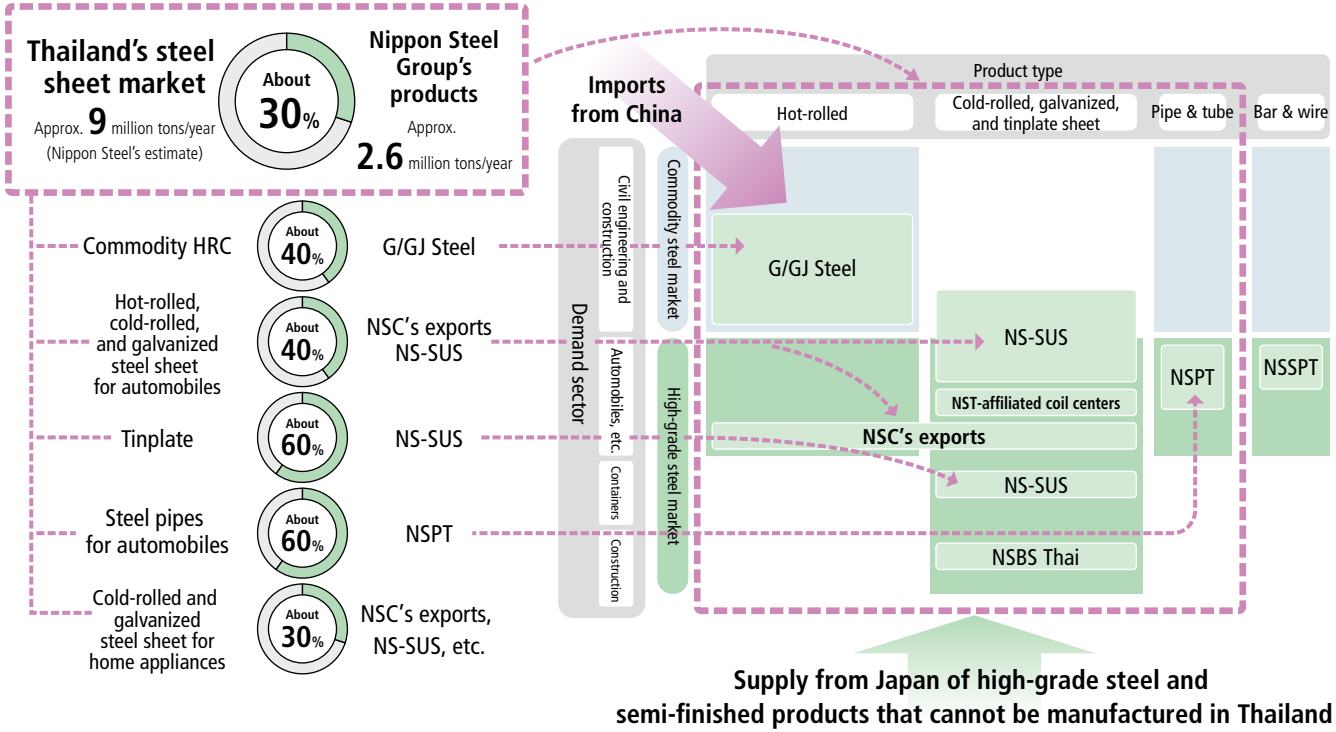
Integrated strengthening of the value chain from steelmaking through the supply chain in our home market

Thailand is our Group's top priority home market within ASEAN, in which we have been investing for more than 60 years since entering the market in 1963. At present, we have as many as 30 operating companies, creating approximately 8,000 jobs. In addition, our Group holds about a 30% share in the steel sheet market (9 million tons/year), which is a testament to many years of our investment and trade. In Thailand, the most important steel market in ASEAN, commodity-grade steel accounts for approximately two-thirds of total steel demand, while the country also has a sizeable market for high-grade steel products used in automobiles and other applications. We have established a strong and well-entrenched position in this market.

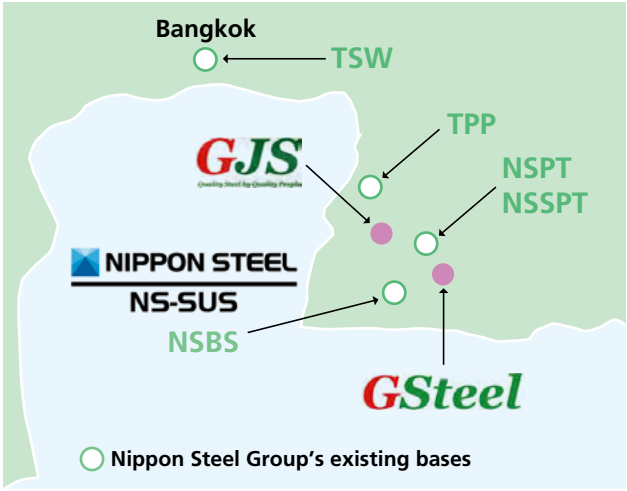
The biggest challenge we face right now is how to respond to the influx of low-cost steel product imports from China. G/GJ Steel, the only integrated EAF and hot-rolling steelmaker in Thailand, is directly affected by this situation. We are promoting revenue improvement through various measures, such as strengthening Group collaboration in sales and procurement of metallic raw materials, reducing operating costs, and leveraging trade measures. On the other hand, NS-SUS, which specializes in high-grade steel, continues performing well, thereby raising the overall competitiveness of our Group.

The Thailand Project, established at our head office in April 2026, is a region-based management structure for centrally driving the Nippon Steel Group's overall business in Thailand. We will build a robust supply chain capable of competing with imports from China by organically coordinating the functions of our group companies, including G/GJ Steel, NS-SUS, and NST-affiliated coil centers, and by combining the supply of high-grade steel and semi-finished products from Japan with the local integrated steel production system.

[Steel market and our business expansion in Thailand]



[Major manufacturing bases in Thailand]



INTERVIEW

with the Executive Officer in Charge

Carbon neutrality is not a "cost." It is a growth strategy that will pave the way for the future of Nippon Steel.



Eiji Orihashi
Managing Executive Officer
Head of Green Transformation Development

Decarbonizing the steel industry is both a global challenge and an endeavor to transform steelmaking itself. This article presents Nippon Steel's efforts to turn carbon neutrality into a new source of competitiveness through the development of technologies such as large-scale EAFs, hydrogen reduction in blast furnaces, and hydrogen direct reduction of iron, together with the development of the GX Steel market and the establishment of relevant rules. It also outlines the path to growth that Nippon Steel envisions beyond these efforts.

Transforming a 3,500-year history of steelmaking

—— The responsibility to take on one of humanity's greatest challenges

Carbon neutrality is no longer a challenge confined to a single company or industry. Addressing global climate change is a challenge shared by humanity as a whole. In this context, the steel industry bears an enormous responsibility. The steel industry accounts for approximately 10% of global CO_2 emissions, and the vast majority of its emissions come from steelmaking processes that use blast furnaces. In other words, global decarbonization cannot advance unless the steel industry changes. I believe it is essential, first and foremost, to fully recognize this fact.

The history of steelmaking itself has reached a major turning point. For approximately 3,500 years, humanity has produced iron by using carbon to remove oxygen from iron ore. The blast furnace process, which uses coal and coke and remains the predominant steelmaking process today, is still based on the same fundamental principle. Our challenge is to transform the very foundations of steelmaking that have endured throughout this long history. This is precisely why Nippon Steel has a mission to fulfill.

I take great pride in the fact that Nippon Steel is not only one of the world's largest steelmakers, but also one of the companies that have led steelmaking worldwide. Over the years, Nippon Steel has led the evolution of the steel industry by advancing blast furnace technology, developing high-grade steels and the technologies to manufacture them, and supplying high-performance steel products that underpin the automotive industry and infrastructure. We take great pride in having pursued world-class standards in quality, productivity, and operational technologies, thereby helping to underpin the competitiveness of Japanese manufacturing through the materials we supply.

For this reason, I believe we must take the lead in achieving carbon neutrality as well. What is needed today is more than simply upgrading equipment or addressing environmental concerns. The challenge is to transform the very principle that has underpinned steelmaking for 3,500 years. Our task is to transform steel—a material that has underpinned human progress—to meet the needs of the next era. We believe this is both the mission entrusted to Nippon Steel and the role we are called upon to play.

Pursuing a multi-track technology strategy

—— Taking the lead in technological competition and standardization efforts

Nippon Steel's carbon neutrality strategy is distinguished by the parallel advancement of multiple technological pathways, rather than reliance on any single technology. With support from the Japanese government through the Green Innovation Fund, we are currently advancing three technologies in parallel: high-grade steel production in large-scale EAFs, hydrogen reduction in blast furnaces, and hydrogen direct reduction of iron. The optimal solution will vary depending on regional and energy conditions and the raw material procurement environment. Looking ahead, we do not believe that steelworks around the world can all be decarbonized using a single approach. That is precisely why it is essential to maintain a range of technological options.

Among these options, large-scale EAFs are closest to commercial implementation. EAF steelmaking recycles iron that was previously produced through the reduction of iron ore and has since accumulated in society, thereby eliminating the need for iron ore reduction altogether. We have been developing technologies to achieve quality and productivity comparable to those of the blast furnace

process. With support from the Japanese government under the "Energy and Manufacturing Process Transformation Support Business," we are currently implementing projects for conversion to EAF steelmaking at Kyushu Works Yawata Area, Yamaguchi Works, and Setouchi Works Hirohata Area.

Meanwhile, we are advancing R&D on hydrogen reduction in blast furnaces, with a focus on Super COURSE50. Using a test blast furnace approximately one four-hundredth the size of a full-scale unit, we have been validating hydrogen-based reduction reactions and developing a highly accurate model. The major achievements were demonstrating a 45% reduction in CO_2 emissions in March 2026 and being able to analyze the reactions inside the blast furnace in far greater detail, whereas previously such analysis relied largely on experience and estimates.This has improved the accuracy of the mathematical model and brought us significantly closer to installing the technology in a full-scale blast furnace Building on these advances, we will begin validation trials in a commercial-scale blast furnace during fiscal 2026.

Furthermore, we are advancing the development of hydrogen direct reduction technology. This technology directly reduces iron ore using hydrogen and is expected to deliver substantial reductions in CO_2 emissions in the future. While natural gas-based direct reduction is already in commercial use worldwide, we aim to further decarbonize the process by replacing natural gas with hydrogen. In regions with ready access to low-cost hydrogen produced using renewable energy, hydrogen direct reduction of iron could be another viable option alongside hydrogen reduction in blast furnaces. Looking ahead to how the business environment may evolve, we are also pursuing world-class R&D in this field.

The competition to develop these technologies is underway worldwide, especially in China. However, I do not believe that this competition is solely about technological achievement. This is because companies that take the lead will influence the formation of future standards. Technology competition and standardization are two sides of the same coin, and I believe Nippon Steel must be at the forefront of both.

Creating the GX Steel market

—— Turning the value of CO_2 emissions reductions into economic value

"Can carbon neutrality generate profits?"

My answer to this question is clear. Carbon neutrality is not a cost but an opportunity to create new value. We have refined and optimized our blast furnace technologies as a source of cost competitiveness. When the need to reduce CO_2 emissions is factored in, steelmaking costs rise accordingly. What matters, then, is how society assesses the value of CO_2 emissions reductions.

Based on a range of analyses, we estimate that reducing CO_2 emissions generates social value of at least US$200 per metric ton of CO_2 reduced. I have consistently emphasized that we must "sell based on value rather than cost." GX Steel is not merely a higher-priced product. It is a product that provides our customers with the value created by reducing CO_2 emissions.

Our deliberations on investment in large-scale EAFs were likewise based on the premise that we would capture the value of CO_2 emissions reductions. We cannot forge a path to the future without taking risks. The question is whether those risks are acceptable. This is more than a business plan; it is also a statement of Nippon Steel's commitment to helping shape the future of society.



To achieve this, the creation of the GX Steel market is essential. We must communicate the value of GX Steel all the way to end consumers and ensure that this value is recognized throughout the entire value chain. Standardization and rule-making form the foundation for this. Nippon Steel is working to establish globally accepted standards for evaluating GX Steel.

Implementation by 2030, carbon neutrality by 2050

—— Our challenge continues

My foremost mission toward 2030 is to ensure the successful start-up of the large-scale EAFs currently under construction and build a market in which GX Steel is appropriately valued by customers. Simply constructing facilities is not enough. Our efforts encompass producing the same high-quality steel products as before, gaining recognition for the value of the associated CO_2 emissions reductions, and creating a viable new market for these products.

That, however, is not the finish line. Rather, 2030 marks the starting point for the next stage.

Looking ahead to 2040, we must establish the technologies needed to install hydrogen reduction in blast furnaces and hydrogen direct reduction of iron at a commercial scale, thereby paving the way for achieving carbon neutrality by 2050. In the process, we will also need to address new challenges, including the development of hydrogen supply networks and the installation of carbon dioxide capture and storage (CCS).

I believe we can develop the full range of technological options we need. Ultimately, however, what matters is how society will recognize that value. Carbon neutrality cannot be achieved through technology alone. It can only be realized when markets, regulatory frameworks, and societal values come together as one.

That is why we will not stop moving forward. Even if we cannot reach zero in a single leap, we will reduce emissions step by step. We will develop new technologies, create new markets, and broaden the range of choices available. I believe that steadily building on these efforts is the surest path to achieving carbon neutrality by 2050. Nippon Steel will remain at the forefront of this challenge.

3 Initiatives to Achieve Carbon Neutrality

Nippon Steel aims to achieve CO_2 emissions reductions in its supply chain by offering two forms of value: "providing high-performance steel products and solutions that contribute to reducing CO_2 emissions across society" and "providing GX Steel* by decarbonizing the steelmaking process" through the realization of the "Nippon Steel Carbon Neutral Vision 2050."

* This refers to the "green steel for green transformation" defined in a summary of the Study Group on Green Steel for Green Transformation (GX) hosted by the Ministry of Economy, Trade and Industry (METI) in January 2025.

Nippon Steel's initiatives to address climate change

In support of the ambitious government policy to realize a carbon-neutral society in 2050, we announced the Carbon Neutral Vision 2050 in March 2021.
We will satisfy the decarbonization needs of our customers (totaling approximately 6,000 companies in Japan) and support their international competition by taking the lead in decarbonizing the steelmaking process ahead of other countries, offering high-performance steel products and solutions, and swiftly supplying GX Steel to the market.

Corporate Philosophy

The Nippon Steel Group will continually pursue world-leading technologies and manufacturing capabilities, contributing to society by providing excellent products and services.

Response to Climate Change
- Reducing CO_2 emissions in the steelmaking process
- Contribute to CO_2 emissions reductions in society (CO_2 emissions reductions during steel processing and usage)

Ensure a sustainable supply of materials essential to building the social infrastructure while continuously enhancing corporate value
Ensure economic viability

《 **Providing two forms of value based on our corporate philosophy** 》

- Realizing a carbon neutral steelmaking process by 2050
- Expanding our range of products that contribute to reducing CO_2 emissions throughout society

Economic valuation of CO_2 emissions reductions

Provision of GX Steel
NSCarbolex® Neutral

Provision of GX Solutions
NSCarbolex® Solution

Contributing to customers' CO_2 emissions reductions

Realizing a carbon-neutral society by 2050

For more information on NSCarbolex™: https://www.nipponsteel.com/en/product/nscarbolex/

Decarbonizing the steelmaking process

The blast furnace–basic oxygen furnace (BF-BOF) process is currently the only steelmaking process capable of producing high-grade steel products from iron ore on a large scale, but it relies on coal in the form of coke as the reducing agent. In the blast furnace process, coke serves as both a reducing agent and a heat source. Because it remains solid even at high temperatures, it also supports the raw materials and maintains gas permeability within the furnace. During the reduction reaction, however, it generates approximately two metric tons of CO_2 per metric ton of steel produced.

For this reason, we will strive to achieve carbon neutrality by drastically reviewing our existing processes and engaging in the development and commercial-scale implementation of three innovative technologies via a multi-track approach. The three technologies are high-grade steel production in large-scale electric arc furnaces (EAFs) with productivity comparable to blast furnaces (enabling the production of high-grade steel that cannot currently be made in EAFs using steel scrap as raw material), hydrogen direct reduction of iron (manufacturing solid reduced iron by hydrogen reduction in direct reduction furnaces), and hydrogen reduction in BFs (injecting hydrogen into the existing BFs to partially replace the use of carbon).

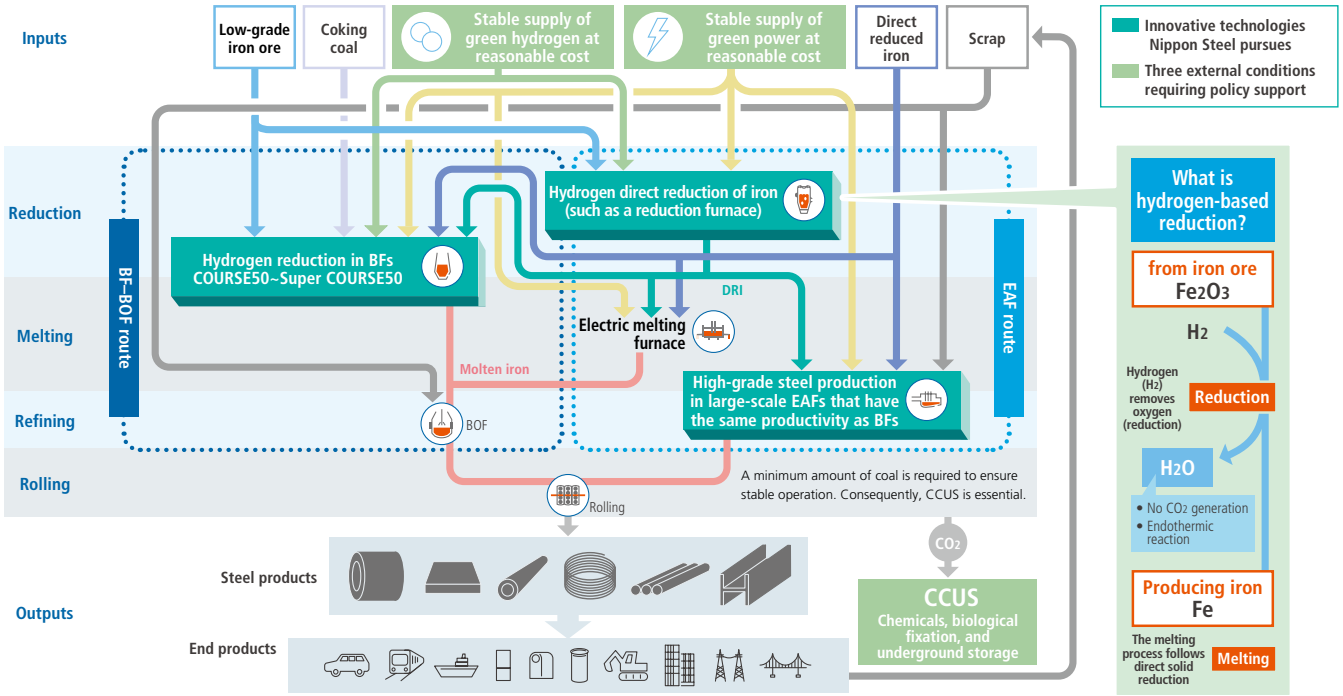
Technical issues in realizing a carbon neutral steel production process
https://www.nipponsteel.com/en/sustainability/env/climate/future.html

The need for a multi-track approach

Among the three breakthrough technologies described above, EAFs are excellent from a decarbonization perspective. However, they are subject to quantitative constraints stemming from the finite nature of scrap, as well as qualitative constraints related to impurities within the scrap. These constraints make it impossible to convert all existing steel production processes to the EAF route. Therefore, we still require steel production relying on the reduction of iron ore to meet global steel demand. Hydrogen direct reduction of iron is also constrained by the limited availability of high-grade iron ore suitable for direct reduction.

Accordingly, rather than committing to a single technology at this stage, we are striving for carbon neutrality through a mult-itrack approach, drawing on the distinct strengths of each technology.

[Carbon neutral steel production process (Conceptual)]



[Constraints of direct hydrogen reduction + EAF process]

Limited availability of scrap

While scrap generation is increasing year after year, iron ore reduction still remains necessary to meet global steel demand

Impurities contained in steel scrap

Manufacturing high-grade steel in EAFs is difficult due to impurities contained in scrap and nitrogen contamination during scrap melting

Availability of high-grade iron ore

The production of DRI requires rare, high-grade iron ore, which accounts for less than 10% of the world's total iron ore resources

[The need to ensure a supply of iron resources through iron ore reduction]

Global steel demand (on a crude steel basis)

1.7 billion tons/year 2015 → 2.7 billion tons/year 2050

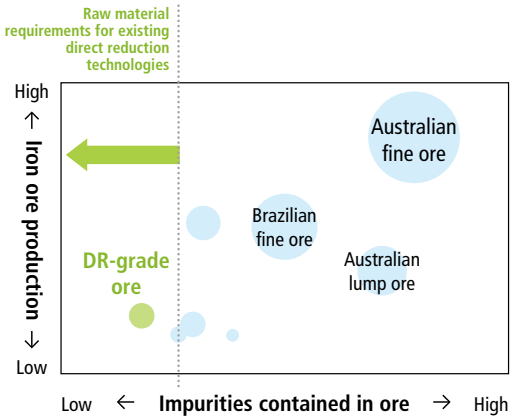
Global scrap generation

0.6 billion tons/year 2015 → 1.5 billion tons/year 2050

Required volume of steel production from iron ore

1.2 billion tons/year 2015 → 1.4 billion tons/year 2050

[Resources of high-grade iron ore]



Source: Created by Nippon Steel based on CRU/AME data (2018 production/export volumes)

Toward the decarbonization of steelmaking process

Nippon Steel has set a target of reducing total CO_2 emissions by 30% by 2030, compared to the 2013 baseline and of achieving carbon neutrality in 2050. We are working to develop and actually implement innovative technologies in steelmaking process ahead of steel companies in other countries.

This plan is intended to significantly contribute to Japan's NDC in line with the Paris Agreement (1.5°C goal). With the assistance of the Green Innovation (GI) Fund*, we are working on specific plans for the roadmap of development and practical implementation.

Looking toward 2030, we will undertake the conversion of some blast furnace-based production to EAF steelmaking. Toward 2050, in step with scheduled blast furnace relinings, we will pursue further conversions to EAF steelmaking and fully install hydrogen direct reduction of iron and hydrogen reduction in blast furnaces. By combining these technologies in the most effective way, we aim to establish a carbon-neutral steelmaking process.

* This is an R&D project commissioned and subsidized by the New Energy and Industrial Technology Development Organization (NEDO), to support companies and other entities implementing projects that aim to achieve the ambitious 2030 targets (such as CO_2 emissions reductions) in priority areas of the Green Growth Strategy Action Plan.

Assessment and verification for decisions on commercial-scale installation

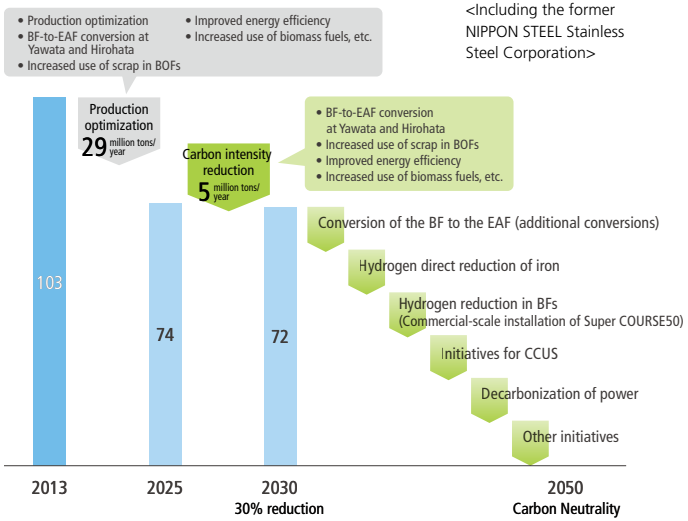
In deciding whether to install at commercial scale the breakthrough technologies set out in the Carbon Neutral Vision, Nippon Steel assesses and verifies their feasibility from both the supply side—technology and infrastructure—and the demand side—predictability of investment recovery.

Specifically, on the supply side, we first assess the maturity of the technologies and the readiness of the necessary infrastructure. Based on these assessments, we then estimate capital expenditures and operating costs. On the demand side, we assume a cost level that society as a whole would be willing to accept in recognition of the value of CO_2 emissions reductions. Based on this assumption, we set a price premium, or "extra" price, for GX Steel and assess whether the projected level of demand would allow us to recover the costs.

Projects judged through this process to offer sufficient predictability of investment recovery will be implemented on a phased basis.

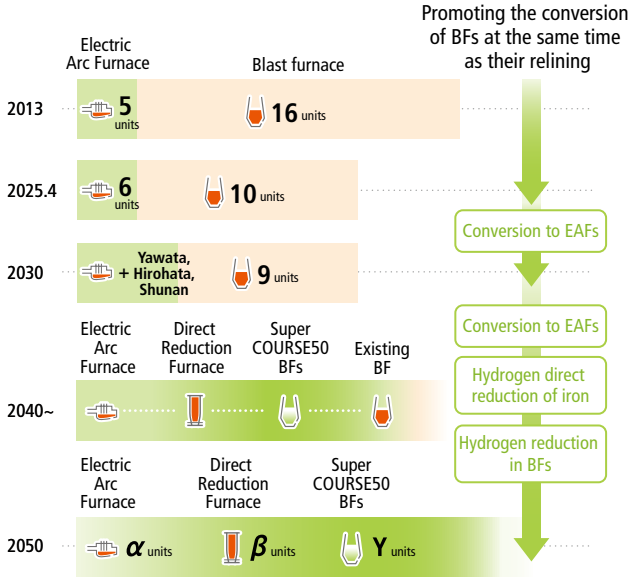
[Decarbonization scenario for "Carbon Neutral Vision 2050"]

Aiming for a 30% reduction in CO_2 emissions by 2030 and achieving carbon neutrality by 2050, steadily advance the full implementation of CO_2 emissions reduction technologies through a multi-track approach



[Carbon neutral conversion of existing BFs]

<Including the former NIPPON STEEL Stainless Steel Corporation>



<Taking government support for investment and costs into account>
Will the costs remain within the socially acceptable limit?

Supply side

(1) Assessment of technological maturity

Development status of the breakthrough technologies (whether the technological challenges have been overcome and the technologies are ready for installation in mass production)

(2) Assessment of infrastructure readiness

- Availability and cost of usable power infrastructure
- Supply capacity and cost of high-grade scrap
- Hydrogen supply capacity and cost
- CCS storage capacity and cost

Cost increases are unavoidable

(3) Assessment of capital expenditure and operating expenditure

Calculate the total cost by aggregating capital investment, OPEX, and infrastructure costs based on assessments (1) and (2)

Demand side

(4) Assessment of the acceptable cost level that can be justified by the value of CO_2 emissions reductions (the limit acceptable to society as a whole)

- Damage costs calculated based on the impacts of climate change
- Marginal abatement cost required to achieve CO_2 emissions reduction targets

(5) Verification of GX Steel demand and the recoverability of investment and operating costs

- Set a GX Steel premium, or "extra" price, with reference to the cost level identified in (4)
- Estimate demand for GX Steel
  ⇨ Policies and measures to create a GX Steel market (Public procurement and measures to stimulate private-sector demand will be key)
- Verify whether costs can be recovered based on the above price and projected demand volume

Nippon Steel's initiatives to achieve carbon neutrality

Achieving carbon neutrality requires a multi-track approach to the development and implementation of innovative technologies aimed at decarbonizing the steelmaking process, as well as efforts in securing decarbonized energy and raw materials. In addition, this initiative requires creating a GX market to supply GX Steel to society by establishing rules that evaluate the value of CO_2 emissions reductions and provide predictability for investment returns, and by promoting the adoption of GX Steel that embeds the CO_2 reduction value.

We are steadily addressing these tasks by developing innovative technologies and by advancing their integration into commercial-scale facilities. We are also engaging stakeholders across society, with a primary focus on policy and institutional proposals to the government and industry.

Technology development

■ **Developing three technologies** with support from the Green Innovation Fund



High-grade steel production in large-scale EAFs



Hydrogen direct reduction of iron



Hydrogen reduction in BFs

Predictability of investment recovery / creation of the GX Steel market

Commercial-scale installation

■ In May 2025, **we decided to invest in conversion from the blast furnace process to the EAF process**

Investment amount: ¥868.7 billion; government support: up to ¥251.4 billion
Construction commenced in April 2026 at Yawata, Hirohata, and Shunan

Economic valuation of environmental value (CO_2 emissions reductions)

■ **Concrete policies to seed initial demand for GX Steel —steel products manufactured with reduced CO_2 emissions—** are making progress

- Preferential procurement by the public sector
- Support for use in the private sector, including the automotive, shipbuilding, and construction sectors

Institutionalization and standardization

■ In October 2025, the Japan Iron and Steel Federation (JISF) established **rules for calculating the carbon footprint of steel products**

■ Working toward international standardization in collaboration with worldsteel and other organizations

Infrastructure Development

■ **Participating in Advanced CCS Projects for CO_2 storage**
Metropolitan Area CCS Project: scheduled for implementation in the early 2030s

■ Regional collaboration to develop **hydrogen and ammonia** infrastructure

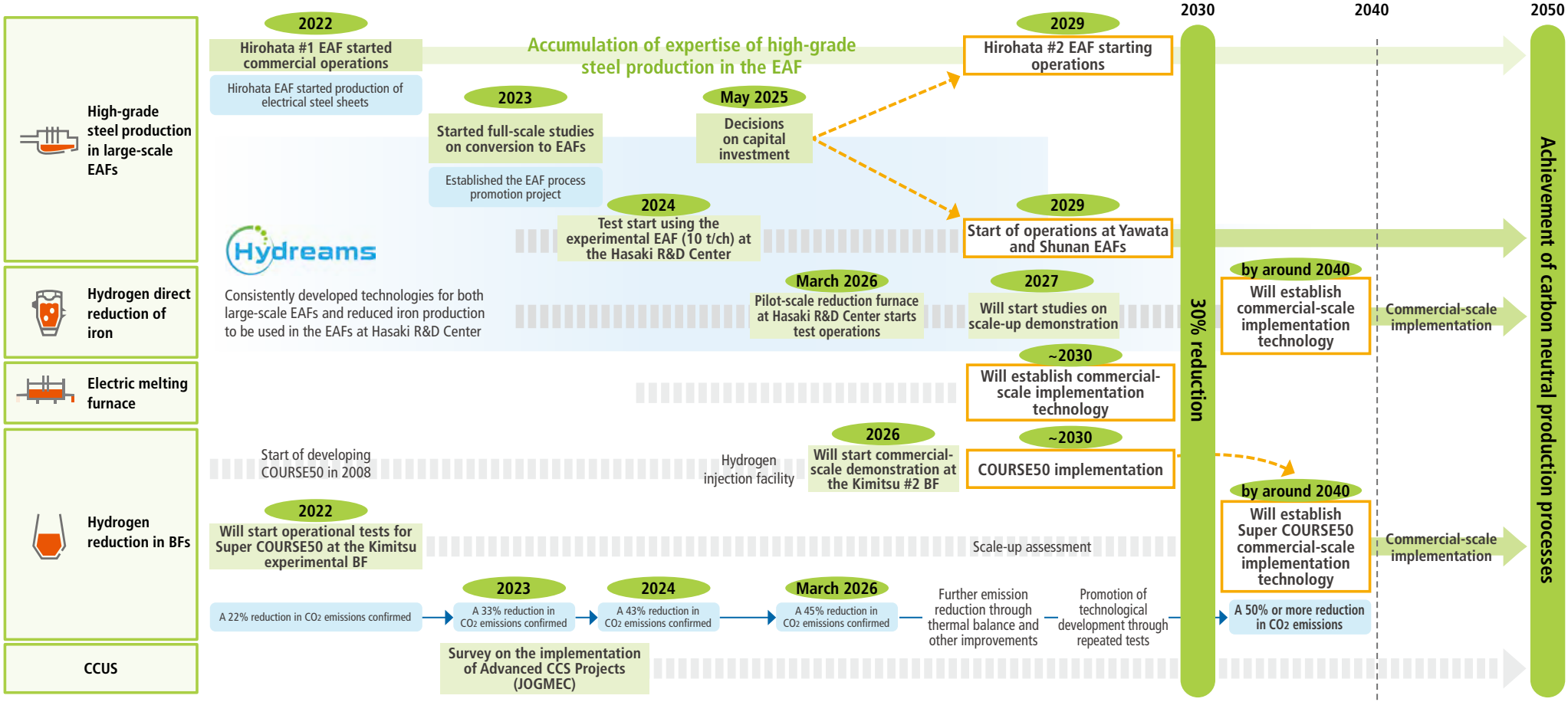
Progress of Carbon Neutral Vision 2050

In line with the roadmap below, Nippon Steel is conducting R&D and demonstration trials and studying the commercial-scale installation of the three breakthrough technologies identified in the Nippon Steel Carbon Neutral Vision 2050: high-grade steel production in large-scale EAFs, hydrogen direct reduction of iron, and hydrogen reduction in BFs.

In May 2025, we also made decisions on capital investments, including the conversion of a BF to an EAF in the Kyushu Works Yawata Area, the addition of #2 EAF in the Setouchi Works Hirohata Area, and the restarting of the EAF in the Yamaguchi Works (Shunan). In April 2026, acting on this decision, we began work toward the commercial-scale installation of these breakthrough technologies, including the start of construction for the conversion to EAF steelmaking at Kyushu Works Yawata Area.

At the Hasaki Research and Development Center within Global Corporate R&D, we have also completed construction of an experimental EAF and an experimental reduction furnace. Testing is now underway. In addition, as part of our R&D on hydrogen reduction in BFs, we achieved a 45% reduction in CO_2 emissions through Super COURSE50 trials conducted in an experimental blast furnace. We are also preparing for commercial-scale demonstration trials of COURSE50 at the Kimitsu #2 BF in the Kimitsu Area, scheduled to begin in 2026.

[Roadmap for Nippon Steel Carbon Neutral Vision 2050]



Toward the development and implementation of CO_2 emissions reduction technologies

Initiatives for High-Grade Steel Production in large-scale EAFs

In May 2025, we decided to invest in transitioning from the blast furnace process to the EAF process, with the aim of producing high-grade steel in large-scale EAFs on a commercial scale.

This investment combines our integrated high-grade steel production technologies with breakthrough technologies enabled by innovative EAFs, allowing us to efficiently produce a diverse range of products with advanced quality in terms of workability and functionality.

At Kyushu Works Yawata Area, we completed advance site preparation, including the removal of existing equipment and the relocation of facilities that would interfere with construction.

[Overview of investment in BF-to-EAF conversion]

	Investment details	Investment (Bn. JPY)	Production capacity (10,000 t/Y)	Start of production
Kyushu Works, Yawata Area	Construction of one new EAF (shutdown of one blast furnace)	**630.2**	**Approx. 200**	Second half of FY2029
Setouchi Works, Hirohata Area	Addition of one EAF	**140.0**	**Approx. 50**	Second half of FY2029
Yamaguchi Works (Shunan)	Modification and restart of one EAF	**98.5**	**Approx. 40**	Second half of FY2028
Total	Construction, addition, modification, and restart of three EAFs, among other measures (shutdown of one blast furnace)	**868.7**	**Approx. 290**	

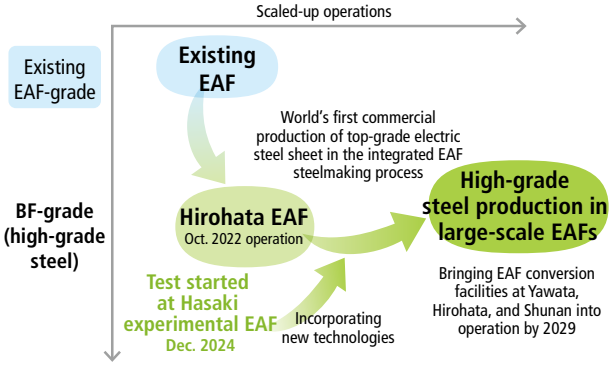
Benefits	■ CO_2 emissions reductions **(3.7 million t-CO_2/year)** ■ GX Steel production capacity **1.6 million tons/year**
Government support	■ CAPEX: Government support under the GX Promotion Act, up to ¥251.4 billion ■ OPEX: Plans to apply for Strategic Materials and Production Base Taxation System (OPEX support)



Construction progress at Kyushu Works Yawata Area (April 2026)

Construction work for the conversion to EAF steelmaking commenced in April 2026. We aim to bring the new EAF into operation by FY2029 and thereby ensure the achievement of our 2030 target of reducing CO_2 emissions by 30%.

[Technology development plans for "high-grade steel production in large-scale EAFs" and their progress]



Starting operational tests toward further technology deepening and expansion

GI Fund Projects

Nippon Steel has completed the installation of an experimental EAF (with a capacity of 10 tons/charge), aimed at developing and verifying the technologies required for the commercial-scale implementation of high-grade steel production technologies at large-scale EAFs, and has already started tests for high-efficiency dephosphorization and denitrification processes at this experimental EAF.



The experimental EAF (Operational tests started in 2024)

Going forward, we will incorporate the technologies developed through these trials into commercial-scale facilities, with the aim of establishing an integrated EAF manufacturing and mass-production system for high-grade steel.

Initiatives to procure raw materials (steel scrap, etc.)

Steel products that have reached the end of their useful lives are collected and recycled as scrap; as BF-to-EAF conversion progresses, however, supply-demand conditions are expected to tighten, particularly for high-grade scrap.

To address this issue, Nippon Steel established a dedicated organization, the Steel Scrap, HBI & Pig Iron General Planning Div., to centrally manage the procurement, use, inventory, and logistics of cold iron sources such as scrap and advance a comprehensive strategy; through this organization, we are working to secure the high-grade scrap for which demand will increase substantially as large-scale EAFs are introduced more widely, while optimizing cold iron source procurement and material blending across the Nippon Steel Group.

[Initiatives under the comprehensive strategy for cold iron sources]

Scrap

- Establish usage standards, procurement pricing, and inspection
- Centralize management of cold charge materials at headquarters
- Develop system infrastructure for more sophisticated operational management
- The steel working group of CPs (Circular Partners) to conduct domestic supply-demand surveys and research on measures to avert shortages of high-grade scrap under the auspices of METI

Direct reduced iron

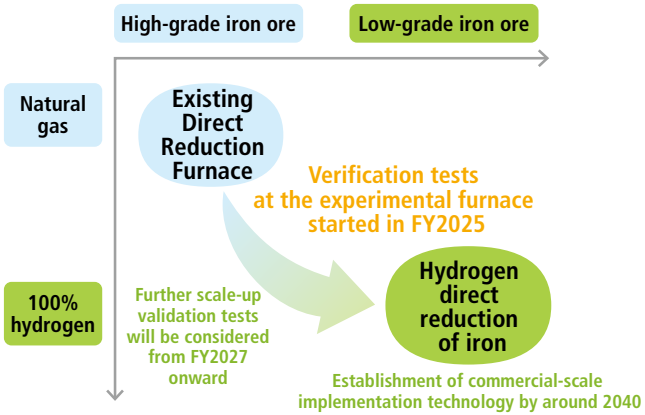
- Explore potential procurement sources

Development of technology for hydrogen direct reduction of iron

Nippon Steel aims to replace natural gas with 100% hydrogen as the reducing agent used to produce reduced iron. However, hydrogen reduction is endothermic and therefore requires additional heat input. It also presents challenges such as pulverization and sticking during reduction, particularly when low-grade iron ore is used.

To address these challenges, we are developing innovative technologies to ensure productivity, stable operations, and quality of reduced iron.

[Technology development plans for "hydrogen direct reduction of iron" and their progress]



Starting operational tests at a scaled-up experimental reduction furnace

GI Fund Projects

To establish commercial-scale technologies for producing reduced iron using hydrogen, Nippon Steel has been conducting tests in a bench-scale reduction furnace at the Research & Engineering Center (Futtsu) since 2010.

Building on the knowledge accumulated through these tests, we constructed a scaled-up, 60-meter-high test reduction furnace at the Hasaki Research and Development Center. In March 2026, we began integrated testing of the entire process—from reduction and cooling through to product forming—using the same process flow and equipment configuration as a commercial-scale plant.

To date, we have achieved 72 hours of continuous hydrogen-reduction operation. We will continue testing to determine the optimal operating conditions.

Proceeding to Acquire Mining Interest in High-Grade Iron Ore Mine Suitable for Direct Reduced Iron Production

In June 2025, Nippon Steel signed an agreement to invest in a joint venture that will conduct an economic feasibility study on the development and operation of new mining areas in the Kami Mine in eastern Canada. The mine is expected to have an abundance of high-grade iron ore suitable for direct reduction of iron.



Experimental reduction furnace (center) and experimental EAF (right)

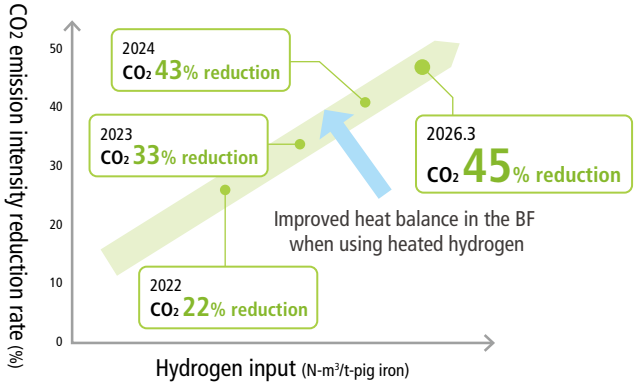


Direct reduced iron produced through hydrogen reduction in the experimental reduction furnace

Initiatives for Commercial-scale Implementation of Hydrogen reduction in BFs

At an experimental BF installed in the East Nippon Works Kimitsu Area, in anticipation of the implementation at a large-scale BF, we are working on technological development through a spiral-up approach combining mathematical model calculations and the verification at the experimental BF to achieve a 50% reduction in CO_2 emissions. In tests using heated hydrogen conducted in February and March 2026, we confirmed a 45% reduction in CO_2 emissions, setting a new world record.

Drawing on the knowledge gained from operational evaluations and analyses of the test blast furnace, we plan to begin demonstration testing using ambient-temperature hydrogen in FY2026 at Kimitsu No. 2 Blast Furnace in East Nippon Works Kimitsu Area. This commercial-scale furnace has an internal volume approximately 400 times that of the test blast furnace. Preparations are currently under way, including the installation of hydrogen injection equipment.



TOPICS

COURSE50 Project*1 Super COURSE50 Project*2

GI Fund Projects

COURSE50 is a technology development program we undertook from 2008 to 2022 to realize steelmaking using hydrogen.

At an experimental BF with a volume of 12m³ constructed in the East NIppon Steel Works Kimitsu Area, we conducted operational tests on hydrogen injection into the BF using hydrogen-rich by-product gas (coke oven gas) generated within the steelworks, verified over a 10% reduction in CO_2 emissions. We also developed an energy-saving CO_2 separation and capture technology using a chemical absorption method, which led to its commercial-scale implementation in the industrial field.

The Super COURSE50 is a Green Innovation Fund-subsidized project that aims for a further reduction of CO_2 emissions (50% or more). This is a technology for heating and using hydrogen purchased from external sources for maintaining the heat balance in the BF.

Since the start of testing in May 2022, we have steadily made progress, including the achievement of a 45% reduction in CO_2 emissions from the BF during operational tests conducted in February to March 2026. This achievement sets a new world record.



Source: NEDO Hydrogen Utilization Project in Iron and Steelmaking Processes

*1 A project commissioned by the New Energy and Industrial Technology Development Organization (NEDO)
*2 An R&D project commissioned and subsidized by NEDO: Green Innovation Fund Project/Hydrogen Utilization Project in Iron and Steelmaking Processes

Initiatives for decarbonization of power

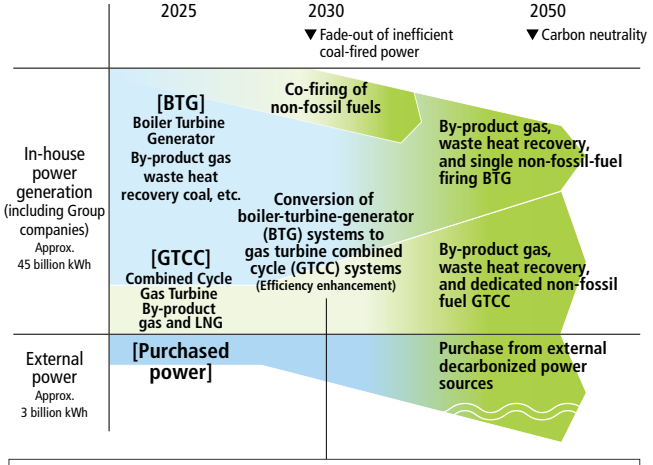
Nippon Steel generates approximately 90% of the power consumed in its steelworks, primarily from internally generated energy sources, including waste heat and by-product gases. We also use LNG, petroleum, and coal as external-source auxiliary fuels to cover the shortfall.

Thus, we will promote the decarbonization of our power structure through fuel conversion to non-fossil fuels (hydrogen, ammonia, and biomass) and efficiency enhancements in our self-generation facilities, thereby accelerating CO_2 emission reduction toward 2050, including the decarbonization of purchased electric power.

[Considerations for the decarbonization of our power structure and the points for promotion]

- Total elimination of inefficient coal-fired power
- Enhancing the efficiency of by-product-gas-fired power generation, installing CCUS, and converting externally sourced auxiliary fuels to non-fossil alternatives
  (Expanding the use of zero-emission fuels such as biomass, ammonia, and hydrogen)
- Purchase of decarbonized electric power from external sources

[Enhancing the efficiency of power generation facilities, transitioning to non-fossil fuels, and advancing decarbonization]



[Ongoing projects for improving power plant efficiency (conversion to GTCC)]

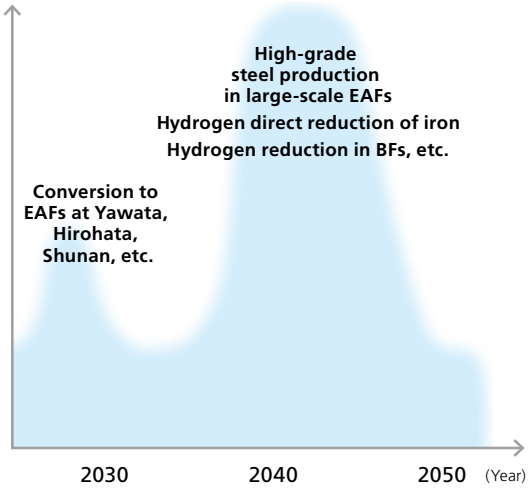
- Conversion of power generation facilities at Kansai Works Wakayama Area to GTCC systems (under construction)
- Conversion of power generation facilities at Kyushu Works Yawata Area to GTCC systems (environmental assessment in progress)

Establishing the predictability of GX investment recovery

Costs of achieving carbon neutrality

The development and commercial-scale implementation of innovative technologies to realize carbon neutral steel production processes require significant R&D expenses and capital investment. At this point, we estimate that achieving carbon neutrality in our steel production processes would require over ¥500 billion in research and development expenses by 2050. In addition, we anticipate requiring capital investment for commercial-scale equipment that exceeds the initially projected ¥4 trillion to ¥5 trillion, depending on future increases in material and labor costs, as well as the specific methods for implementing innovative technologies.

[Image of capital investment timeline for commercial-scale equipment]

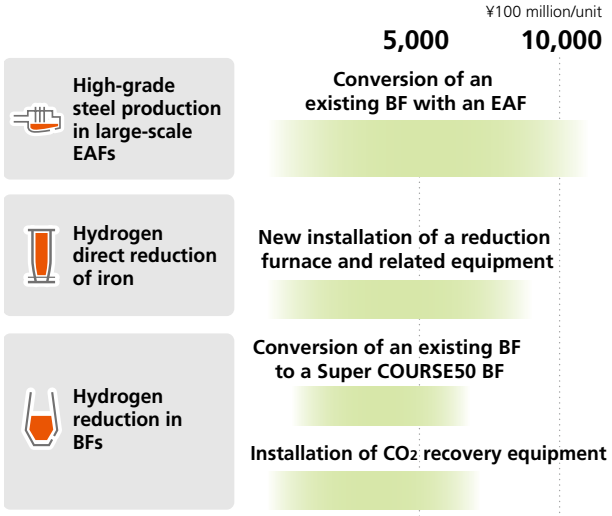


We are committed to engaging in R&D for commercial-scale implementation, supported by the government with the Green Innovation Fund. We are also making steady progress in technology development to minimize cost increases to the extent possible.

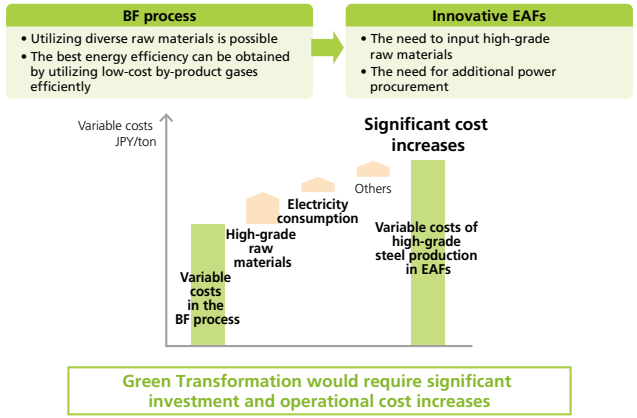
However, the operating cost of GX Steel production will increase significantly due to the need for higher-grade raw materials compared to the conventional process, as well as the requirement to procure electricity to replace recycled energy sources, such as by-product gases.

Therefore, we will make investment decisions on capital investment for commercial-scale facilities after assessing these cost increases and ensuring the predictability of investment returns based on the aforementioned policy support and the progress in the economic valuation of CO_2 emissions reductions in the GX Steel market.

[Image of the estimated capital investment per unit required to introduce innovative technology]



[Image of operational cost increases associated with the conversion of the BF process to the EAF process]



Support for increasing capital investment and operating costs

In other countries, government support systems have been established not only for R&D expenses aimed at achieving carbon neutrality but also for covering increasing capital investment in commercial-scale equipment and operating costs. From the standpoint of equal footing in international competition, such a support system is desired in Japan as well.

To establish such a support system, we are actively advocating to government agencies through proposal submissions and other approaches. As a result, the Japanese government has already launched investment promotion measures utilizing GX economy transition bonds, as well as tax credit measures corresponding to the production volume in each strategic sector. These measures support technologies that effectively and efficiently reduce CO_2 emissions.

This business investment in process conversion from BFs to EAFs we decided in May 2025 is adopted in the "Energy and Manufacturing Process Transformation Support Business (Business I (Steel)) FY2025–2029 Project" under the GX Promotion Act.

We will continue to make efforts to secure such support measures and ensure the predictability of investment returns.

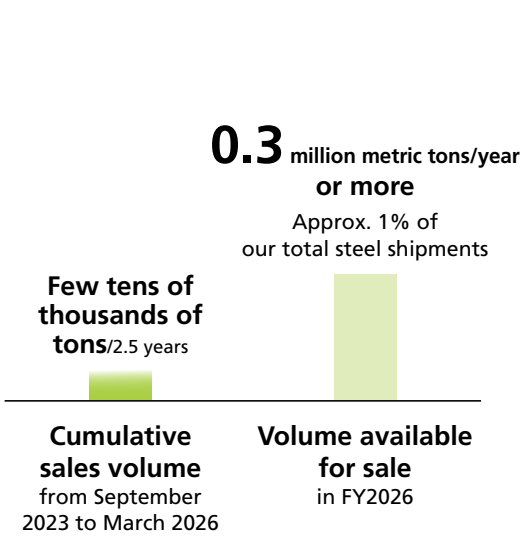
The need to create a GX Steel market

To ensure the predictability of returns on GX investments, which require massive capital expenditures and entail higher operating costs, it is essential not only to provide government support for capital investment in commercial-scale facilities aimed at achieving carbon neutrality, but also to create a sound GX Steel market. In such a market, the value of CO_2 emissions reductions must be shared and borne across the entire value chain as GX value and recovered through prices that reflect that value.

Nippon Steel has sold GX Steel under the brand name NSCarbolex® Neutral since September 2023. Orders are now growing across a diverse range of end-use sectors as government measures to stimulate initial demand lead to increased adoption of our GX Steel. Nevertheless, cumulative sales remain in the tens of thousands of metric tons, compared with a saleable volume of more than 0.3 million metric tons per year—equivalent to approximately 1% of Nippon Steel's steel shipments—leaving considerable room for further sales.

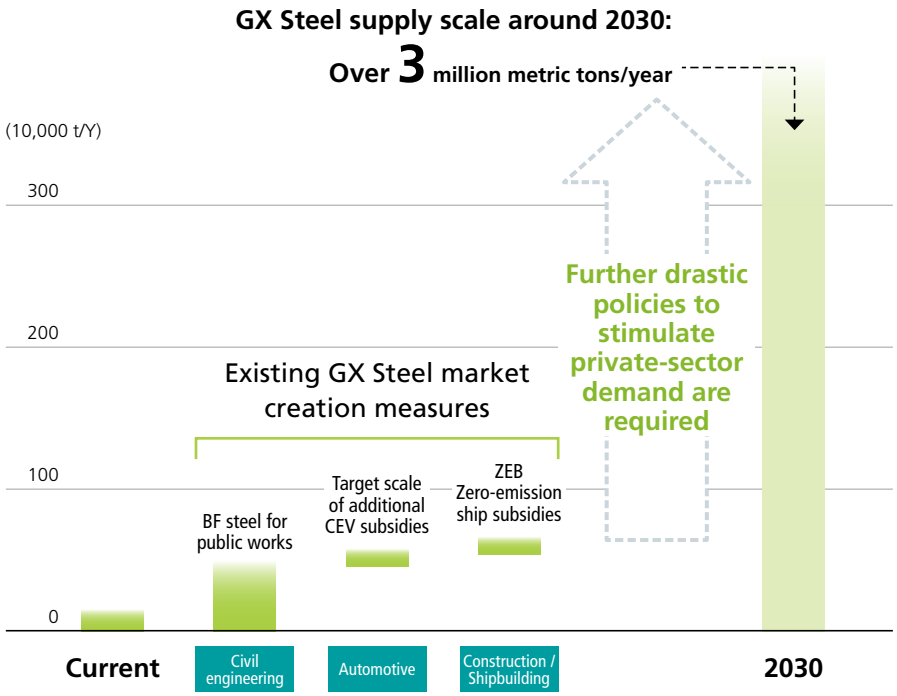
Furthermore, by around 2030, projects for which Japanese steelmakers have already made investment decisions are expected to bring the industry-wide supply of GX Steel to more than 3 million metric tons per year, equivalent to approximately 10% of the market for blast-furnace steel products. However, private-sector demand generated by the current initial demand-creation measures, together with public-sector demand through public procurement, will not be sufficient to create a GX Steel market of the required scale. Given the substantial gap between future supply capacity and market size, additional far-reaching policies to stimulate private-sector demand will be necessary.

[Sales volumes and examples of customer adoption of Nippon Steel's GX Steel, NSCarbolex® Neutral]



Automotive	Nissan Motor	Adopted for mass-produced vehicles	2025. 2
Shipbuilding	Yamanaka Shipbuilding	Adopted for domestic vessels	2024. 2
Machinery	GE Vernova	Transformers	2025. 5
	AIRMAN	Compressors/Generators	2025. 5
	Hitachi, Ltd.	Motors	2024.12
Containers	Sobajima Can Company	CANDAY cans	2023. 9
	Bankaku Co., Ltd.	Yukari cans	2025. 9
Construction	QatarEnergy	Blue Ammonia Production Plant Construction Project	2024. 6
	Sumitomo Corporation/ Swarovski	Shinsaibashi Minami-Semba 3-chome Project	2025. 9
	Hokkaido Electric Power Co., Inc.	Construction work to prevent the washing away of drifting vehicles at Tomari Power Station	2026. 2
Civil engineering	Yokogawa Bridge Corp.	Kagamiyama Crossing Bridge, Kaharu-cho, Tagawa-gun, Fukuoka	2024. 2

[Required Market Size for GX Steel by 2030]



Efforts to create a GX Steel market

In January 2025, the Study Group on Green Steel for Green Transformation (GX), hosted by the Ministry of Economy, Trade and Industry (METI), defined "Green Steel for GX Promotion" as "GX Steel" and identified it as eligible for priority government procurement and purchase support. Measures have since begun to be implemented, including revisions to the Basic Policy under the Act on Promoting Green Procurement and subsidies for clean energy vehicles (CEVs) that use GX Steel.

In addition to these initial demand-creation measures, our continued engagement with the government to translate further measures into concrete policy has resulted in the adoption of GX Steel demand-creation measures for the civil engineering, construction, and shipbuilding sectors.

Specifically, a policy for utilizing GX Steel in public works has been announced, under which pilot projects using GX Steel will begin in FY2026, followed by a phased expansion in scope and full-scale adoption from FY2030 onward. In the construction sector, a life cycle carbon assessment system for buildings is to be introduced, together with subsidies for the use of GX Steel under the Net Zero Energy Building (ZEB) support program. Additional subsidies have also been approved for the introduction of zero-emission ships and other vessels that use GX Steel.

Nippon Steel will continue to promote the broader adoption of products that use GX Steel and engage with the government to secure further support measures for creating both public- and private-sector demand for GX Steel.

Concept of supporting green steel (= GX Steel) for GX promotion

Green steel for GX promotion

Products that achieve a significant reduction in environmental burden due to additional emission reduction actions on a company-by-company basis,

and whose price is significantly higher than a typical product when the costs associated with emission reduction actions are added to the cost of the product.

→ **Preferential procurement by the government** (under the Act on Promoting Green Purchasing, etc.)
Support for demand expansion by prioritizing measures such as **government purchase support**, including the use of GX Steel in subsidy eligibility criteria
*Combined with **production cost reduction support measures**, etc.

Steel products with a low CFP*
*Carbon Footprint of Products

→ Widespread promotion of GX Steel through CFP utilization support and other measures

Government and private sector measures

Promoting GX value, reflecting in international standards	Expanded use of CFP for steel	Support for the demand side, etc.	Support for the supply side

Nippon Steel compiled this based on "Summary of the 5th Study Group on Green Steel for Green Transformation" by METI in January 2025

Specific measures to support GX Steel demand creation

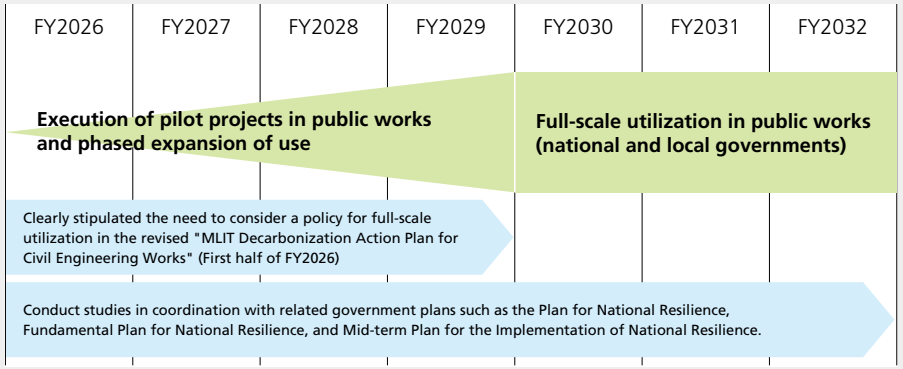
Initial demand-creation measures already in place

- Act on Promoting Green Procurement
  Revise the Basic Policy to designate products made using GX Steel that complies with the Japan Iron and Steel Federation Green Steel Guidelines as designated procurement items and give them priority in procurement
- Automotive sector
  Introduce an additional subsidy for the use of GX Steel under the Subsidy Program to Promote the Introduction of Clean Energy Vehicles

Further demand-creation measures

- Civil Engineering Sector
  "Utilization of GX Steel in public works"
  (Pilot projects will begin in FY2026, followed by a phased expansion in scope and full-scale adoption from FY2030 onward.)

[Illustrative expansion of GX Steel utilization in public works]



Source: Referenced materials of the Working Group of Experts for the Realization of GX, December 2025

- Construction Sector
  Introduction of a Life Cycle Carbon Assessment System for Buildings
  Introduction of subsidies for GX Steel use under the Support Project for Newly Constructed ZEBs Utilizing Low-Carbon Building Materials
- Shipbuilding Sector
  Introduction of subsidies for the use of GX Steel under the Subsidy Program for the Introduction of Zero-Emission Ships, etc.

Initiatives toward the standardization of GX steel

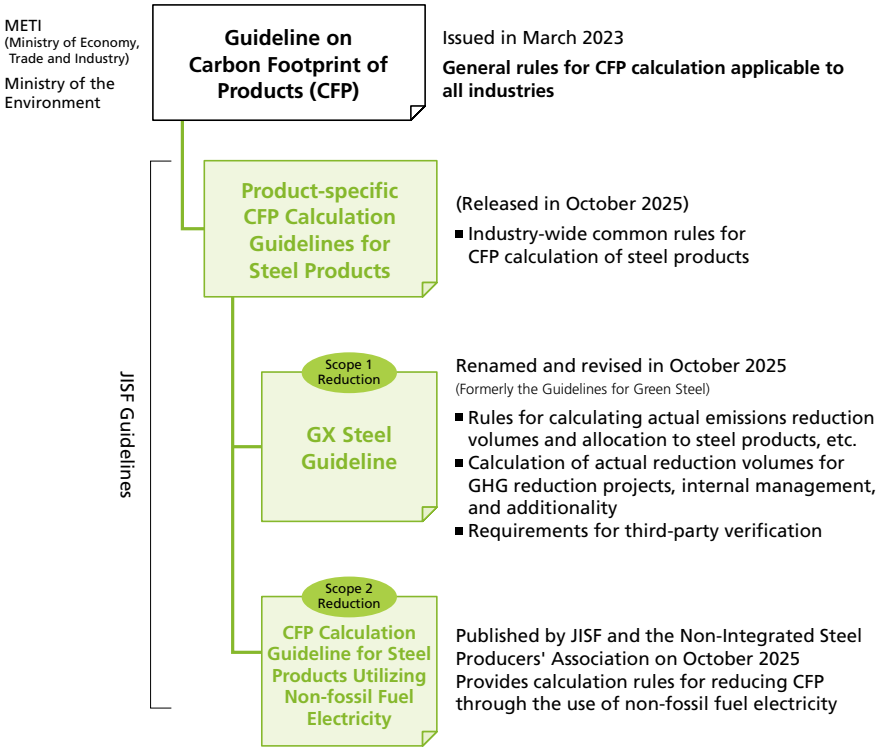
We will incrementally push forward with the conversion of the existing processes toward GX Steel manufacturing, considering the timing for the renewal of BFs and the economic viability. On the other hand, since the high-grade steel required from customers is linked to the steelworks capable of manufacturing it, swiftly responding to customer demand for GX Steel, while ensuring the economic viability of steelmakers' investments during this period of incremental conversion, would require a mechanism that allocates the actual reduction in GHG emissions achieved by additional emission reduction projects implemented by the steel company itself to any given product.

To address this issue, Nippon Steel actively participated in the Japan Iron and Steel Federation's (JISF) efforts to establish the Product-specific CFP Calculation Guidelines for Steel Products and revise its Guidelines for Green Steel as the GX Steel Guideline, contributing to the publication of the latter in October 2025.

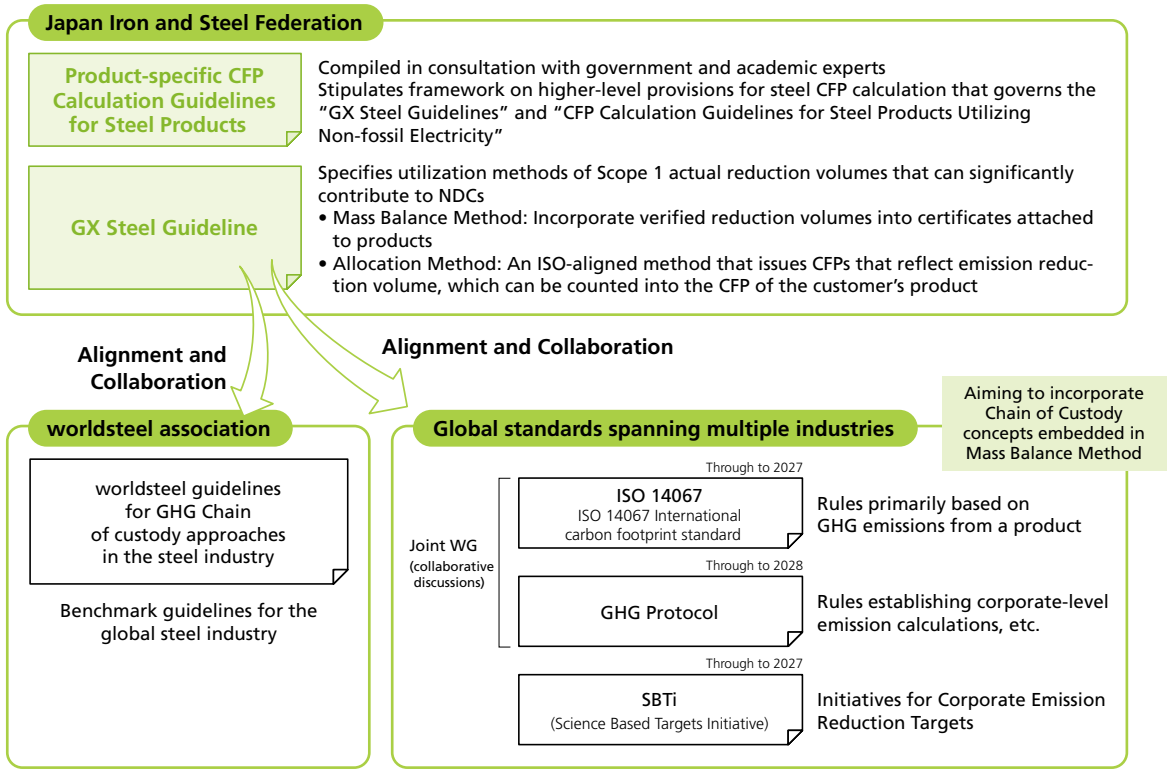
The actual emissions reduction volumes calculated under this guideline can meet customers' needs for quantifying reductions in their organizational Scope 3 emissions and in the carbon footprints of their products (CFPs).

Furthermore, Nippon Steel and JISF are actively participating in international rulemaking efforts to promote the consistent incorporation of the approach embodied in the GX Steel Guideline into the worldsteel association's current benchmark guidelines for the global steel industry—the worldsteel guidelines for GHG Chain of custody approaches in the steel industry, Ver. 1.2—as well as into ISO 14067, the GHG Protocol, SBTi, and other relevant international frameworks.

[Development and Establishment of Domestic Guidelines]



[International standardization of GX Steel]



Energy infrastructure development

Carbon neutral steel production processes require substantial quantities of hydrogen and electricity. These processes also require CO_2 capture, utilization, and storage (CCUS) measures for the CO_2 that is partially generated. Nippon Steel positions the "stable supply of low-cost green hydrogen and power" and the "social implementation of CCUS" as "external conditions that should be developed by the government" for us to achieve carbon neutral steelmaking processes. To this end, we are advocating for support from relevant government agencies.

Securing green hydrogen, green ammonia and green energy

To realize carbon neutral steelmaking processes, Nippon Steel alone would require several million tons of hydrogen and ammonia per year for use in hydrogen reduction in BFs, hydrogen direct reduction of iron, and power decarbonization.

These hydrogen, ammonia and power must be green hydrogen, green ammonia and green power, which are produced without generating CO_2.

In FY2024, the Hydrogen Society Promotion Act was enacted, which developed government support mechanisms, including "support focusing on the price gap" and the "hub development program" with a 15-year support period after the start of supply. However, hydrogen and ammonia production costs are significantly higher than those of current fossil fuels, making a substantial cost reduction essential. Furthermore, large-scale hydrogen production, transportation, and storage technologies require further development.

We are working to resolve the issue of affordable and stable hydrogen and ammonia procurement by collaborating with the national and local governments, as well as participating in various councils in the regions where our steelworks are located.

CCUS technology development

In carbon neutral steel production processes, CCUS technology is used to capture and store remaining CO_2 emitted from the steel manufacturing process after minimizing CO_2 generation.

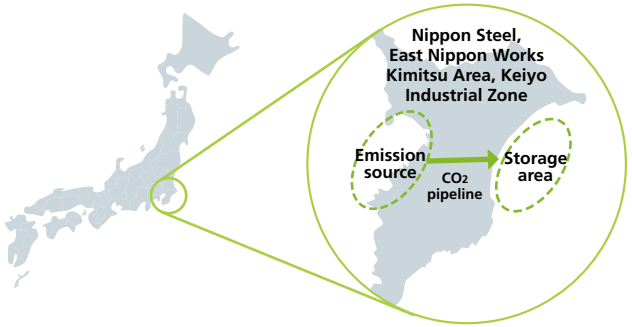
The Nippon Steel Group is aggressively engaged in developing these technologies to help realize the social implementation of CCUS.

[Nippon Steel Group's initiatives for CCUS technology development]

CO_2 storage technology

Nippon Steel is participating in joint projects under the "Engineering Design Work for Advanced CCS Projects," for which the Japan Organization for Metals and Energy Security (JOGMEC) issued a public call in FY2024.

Among these, the Metropolitan Area CCS project, which involves pipeline transportation and storage in aquifers off the Sotobo coast, aims to begin implementation in the early 2030s and is already conducting front-end engineering design (FEED) for the entire CCS value chain and assessing storage potential. In September 2025, the area off Kujukuri was designated as a Specified Area under the CCS Business Act, and an exploratory drilling permit was obtained in April 2026.



CO_2 separation and capture technology

Nippon Steel Engineering Co., Ltd., a company of the Nippon Steel Group, has commercialized an energy-saving CO_2 chemical absorption process, ESCAP™, based on the CO_2 separation and recovery technology using the chemical absorption method developed in the NEDO COURSE50 project. Currently, two units are in operation in Japan, including one at the North Nippon Works Muroran Area.

The ESCAP™ is characterized by its high energy efficiency with a 40% or more reduction in heat consumption compared to general-purpose CO_2 separation and capture technologies. Furthermore, the company's proprietary impurity removal equipment can recover CO_2 with a purity of 99.9% or higher from raw material gases containing high levels of impurities.

Other CCUS technology development initiatives

- Development of low-concentration CO_2 separation and capture technology (subsidized by the Green Innovation Fund)
- Chemical product manufacturing technology using CO_2 as a raw material (NEDO-subsidy project)
- Absorption and fixation by marine life (NEDO-commissioned project)

Click here for Nippon Steel Group's CCUS technology development initiatives
https://www.nipponsteel.com/en/sustainability/env/climate/future.html

Policy proposals and industry activities aimed to realize GX

As stated earlier, carbon neutrality in the steel industry cannot be achieved through the efforts of steelmakers alone. Instead, this is a national challenge that necessitates a nationwide effort in cooperation with society based on policy package to achieve both international industrial competitiveness and carbon neutrality. This should also be based on policies that serve as national strategies, involving strong, continuous support, including the financial and institutional sides.

To realize these policies, Nippon Steel is determined to take every opportunity to make various proposals on Japan's climate change measures and energy policies based on the Paris Agreement and to spearhead activities through economic and industry associations.

Our policy positions and latest activities related to GX are published on the following website.

Nippon Steel's policy positions related to GX
Nippon Steel's advocacy activities related to GX
https://www.nipponsteel.com/en/sustainability/lobbying/pdf/policyposition_final.pdf
https://www.nipponsteel.com/en/sustainability/lobbying/pdf/activities_06en.pdf

Major advocacy activities to date

- Strong, continuous support across all stages of R&D, equipment implementation, and operational cost increases for decarbonization, including the expansion of the GI Fund.
- The need for a Japanese-style policy package that integrates climate change measures with the maintenance and enhancement of the international competitiveness of industries.
- The need to establish a mechanism for regulations and support for creating a green steel market, and standardization for a more accurate assessment of the "actual emission reductions."
- Participation in the GX League to advance voluntary emissions trading and other initiatives. Request for introducing an effective and feasible system in designing a future emissions trading system based on the fact that the path to carbon neutrality varies depending on the industry and from the perspective of equal footing with other countries.
- The shift of the energy supply structure, including not only renewable energy but also the active promotion of the use of nuclear power.
- The need for a stable low-cost supply of green hydrogen and green power, as well as the social implementation of CCUS.

Nippon Steel Group's CO_2 emissions reduction targets

In addition to its independent "Nippon Steel Carbon Neutral Vision 2050," we are addressing climate change measures as a member of the Nippon Steel Group at major domestic and international upstream facilities with high CO_2 emissions, based on medium- to long-term CO_2 emissions reduction targets. As we expand our business in Japan and overseas in the future, we will continually and flexibly assess our climate change measures in accordance with the policy outlined below, while monitoring international trends, as well as developments in laws, regulations, and disclosure standards in other countries.

[Governance policy on CO_2 emissions reduction targets at our global upstream facilities]

Advance carbon neutrality at domestic and overseas upstream facilities by leveraging Nippon Steel's resources and expertise gained through domestic R&D and operational activities

Domestic consolidated group (parent company + subsidiaries)
- Targets are set for the group, including those of the parent company and consolidated subsidiaries
- Each company formulates its emission reduction plans to meet the group target

Overseas subsidiaries
- Their targets are set for each country and company, taking into account different conditions imposed by each country and region, and varying national reduction targets and transition strategies

Equity method affiliates (domestic and overseas)
- Each company's target setting and carbon neutrality initiatives are supported in collaboration with the JV partner

[CO_2 emissions results and reduction targets at our Group's global upstream facilities (consolidated basis)] (As of March 2026)

Consolidated basis (parent company + subsidiaries)			Crude steel production capacity (million t/year)	CO_2 emissions FY2025 Results (million t)	CO_2 emissions reduction targets	
					Mid-term target	Long-term target
Domestic	Nippon Steel		40.0	70.5	2013 → 2030 30% Reduction	2050 Carbon Neutrality
Domestic	Subsidiaries*2		4.0	1.1		
Overseas	U. S. Steel	USA	18.5	15.0*1	2018 → 2030 20% reduction in emissions intensity	2050 Carbon Neutrality
Overseas	U. S. Steel	Slovakia	4.5	5.7*1		
Overseas	OVAKO	Sweden and Finland	1.3	0.1	2015 → 2030 80% reduction	2015 → 2040 90%*3 reduction
Overseas	SSMI*4	India	0.2	0.1	2016 → 2030 40% reduction	2050 Carbon Neutrality
Overseas	G/GJ Steel	Thailand	3.5	0.6		
Overseas	Standard Steel	USA	0.2	0.1		
Total of global upstream facilities (consolidated basis)			**72**	**93*1**		

*1 U. S. Steel's FY2025 results cover the nine-month period from July 1, 2025 to March 31, 2026.
*2 Nippon Steel Structural Shapes, Sanyo Special Steel, Osaka Steel, Tokyo Kohtetsu, OJI Steel
*3 Carbon neutrality already achieved through the 2022 Carbon Offset Program
*4 Sanyo Special Steel Manufacturing India Private Limited
*5 CO_2 emission results equivalent to Nippon Steel's equity ratio

[Reference] Major equity-method affiliates

AM/NS India (Nippon Steel's equity ratio 40%)	India	3.8*5	5.8*5	2021 → 2030 20% reduction in emissions intensity

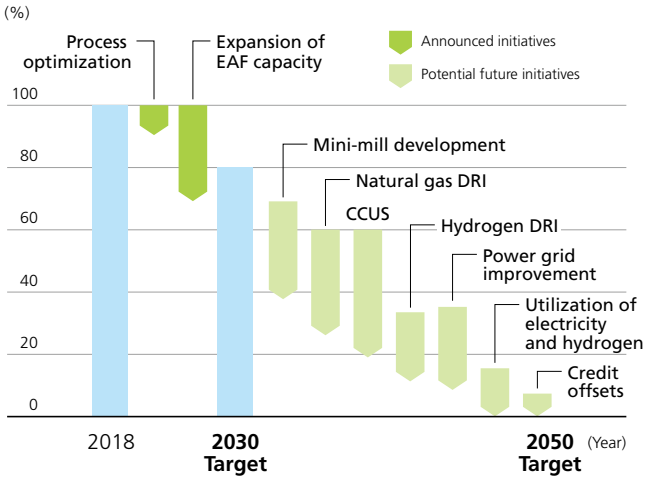
U. S. Steel's emissions reduction plan

U. S. Steel, which joined the Nippon Steel Group in June 2025, is making steady progress in reducing emissions in line with its plan to reduce its Scope 1 and 2 GHG emissions intensity by 20% from 2018 levels by 2030, announced in 2019, and its plan to achieve net-zero emissions by 2050, announced in 2021. And in 2025, it achieved its 2030 target.

In May 2026, U. S. Steel decided, as part of its growth investment program, to construct a new direct reduced iron (DRI) plant at Big River Steel, its EAF mini-mill in Arkansas.

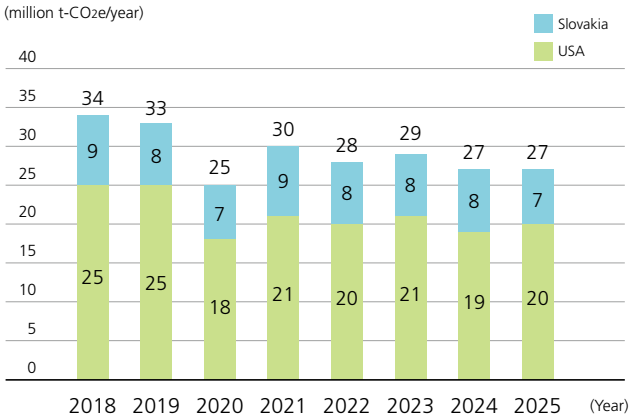
The new DRI plant will make effective use of high-quality direct-reduction-grade pellets from U. S. Steel's Keetac mine in Minnesota to produce direct reduced iron. Using this DRI will enable U. S. Steel to improve the cost competitiveness of its main EAF feedstock and secure a stable supply.

[GHG Emissions reduction initiatives / U. S. Steel]

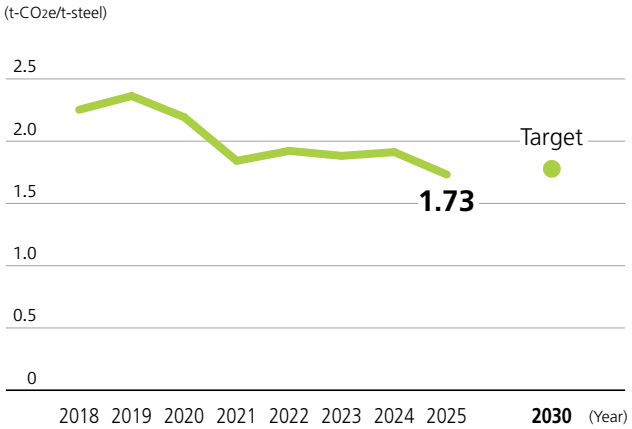


[GHG emissions / U. S. Steel]

<Emissions> SCOPE1+2



<Emissions intensity>



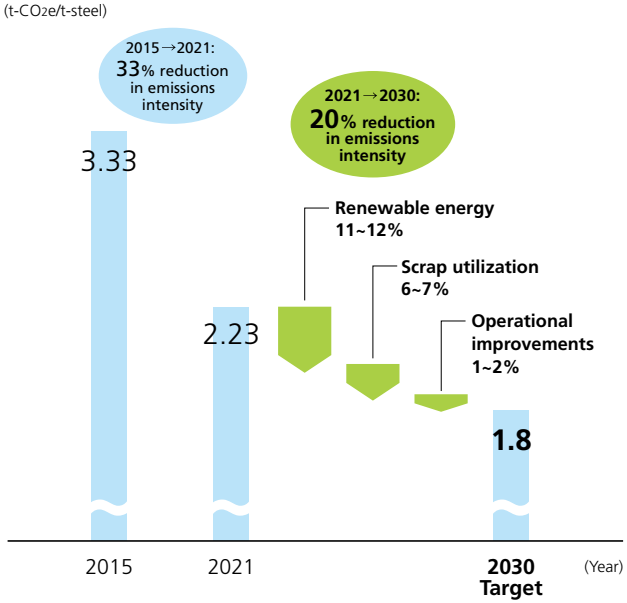
AM/NS India's Decarbonization Initiatives

In 2024, AM/NS India, in which Nippon Steel holds a 40% equity stake, announced a plan to reduce its Scope 1 and 2 GHG emissions intensity by 20% from the 2021 level by 2030.

To achieve this target, AM/NS India is currently working to expand its use of renewable energy and scrap and improve its operations. A renewable energy power generation project, in which it participated through an equity investment in 2022, began operations in 2025.

Nippon Steel is participating in the decision-making process for these important projects as a JV partner.

[GHG emissions intensity / AM/NS India]





4 Strengthening the Management Base

Promoting Business Innovation and Efficiency Enhancement

To steadily implement our growth strategies in Japan and overseas and achieve sustainable growth and enhanced corporate value, Nippon Steel has positioned "business innovation and efficiency enhancement" as a key initiative to strengthen its management base and is actively driving the effort.

To return to being the world's number one steelmaker, we must pursue in tandem improving earning power by further strengthening the revenue base of our domestic operations and achieving dramatic profit growth by deepening and expanding our overseas operations. The business environment surrounding the steel industry has changed significantly, and the management challenges it faces have become even more complex and sophisticated. To make the most of our limited management resources and address these challenges swiftly, accurately, and flexibly from a company-wide optimization perspective, we have reduced overlapping tasks and streamlined business processes by reviewing our organizational structure and personnel allocation. In this way, while radically reviewing how we work and vigorously pursuing efficiency enhancement, we allocate the extra human resources freed up through these efforts intensively to strengthen our technological and sales capabilities, that are the sources of our competitiveness, and to support strategic areas, including overseas markets.

Through business innovation and efficiency enhancement, we will enable each employee to focus on the core challenges that drive value creation and business growth, maximize their potential, and eventually achieve a strong competitive advantage. At the same time, we will build a corporate culture that continually improves productivity, bolstering Nippon Steel's sustainable growth.

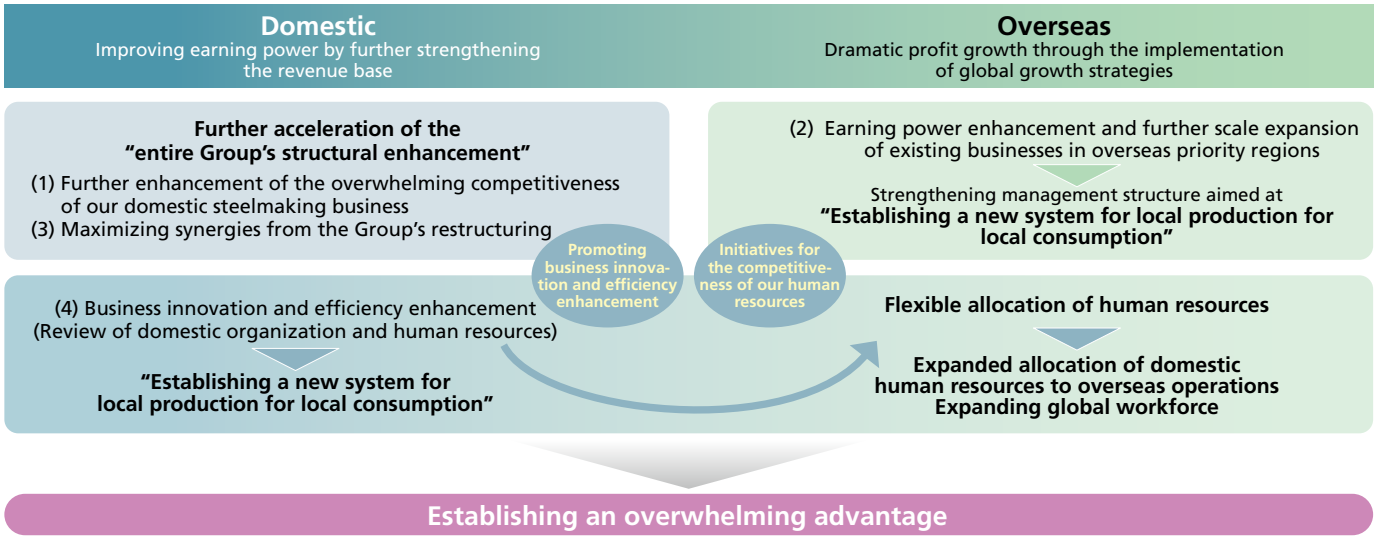
Enhancing the Competitiveness of Our Human Resources

To promote the development and active participation of our human resources, we will continue to advance workforce diversification and further enhance our global human resources development initiatives, including overseas assignments. In addition, we will maximize organizational performance by implementing productivity-enhancing measures, including business innovation and efficiency improvements, while strengthening each employee's capabilities. Through these initiatives, we aim to strengthen the competitiveness of our human resources that support the Group's sustainable growth.

Please see the following pages for more information on our policies and specific initiatives to strengthen the competitiveness of our human resources.

P.120 "Human Capital Management Policy"
P.121 "Securing Human Resources and Human Resources Development"
P.123 "DEI"
P.126 "Respect for Human Rights"





R&D Activities as a Source of Value Creation and Competitiveness

Nippon Steel is committed to advancing strategic R&D to support the sustainable growth of the Nippon Steel Group.

Advancing cutting-edge technologies with world-leading R&D resources

Nippon Steel possesses one of the largest R&D capabilities in the global steel industry. We will continue to leverage these resources as a foundation for steadily executing the major domestic and overseas initiatives set out in the Management Plan. Through process development that ensures stable production and cost competitiveness, and product development that enhances our product portfolio, we will contribute to the sustainable growth of the Nippon Steel Group. As a frontrunner in the transition to carbon neutrality, we will secure multiple technological pathways while continuing to develop innovative technologies toward the deployment of a large-scale electric arc furnace (EAF) by 2030 and the realization of carbon neutrality by 2050.

Integrated R&D network across the global group

At the core of Nippon Steel's R&D activities are the R&D Laboratories, which advance process research, steel research, and advanced technology research.

(1) Process research: Process research focuses on the development of new technologies for ironmaking, steelmaking, rolling, and other steel production processes, as well as the process analysis, measurement and control, and digital technologies that support them.

(2) Steel research: Steel research leverages analysis of physical phenomena, materials design, and advanced numerical simulation to develop high-performance materials that meet customer needs and create new products through solution-based technologies.

(3) Advanced technology research: Advanced technology research develops advanced foundational technologies, including atomic-scale materials analysis and mathematical modeling, while also conducting R&D in fields relevant to the Nippon Steel Group as a whole, including advanced nonferrous materials.

In addition, researchers are stationed at steelworks, enabling the rapid progression of new technologies from initial development to commercialization and practical implementation. Collaboration with domestic Group companies enhances synergies and efficiency, while collaborations including U. S. Steel strengthen our global R&D capabilities and accelerate the development of world-leading technologies.

[Promoting the Development of Cutting-Edge Technologies]

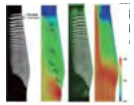
Deploying World-leading R&D Resources
Developing cutting-edge process technologies, product technologies, and carbon-neutral (CN) technologies

Planned R&D Expenditure
(¥ billion, consolidated basis, over five years)

2016-2020	2021-2025	2026-2030
350	450	500

Process development to achieve stable production and cost competitiveness

- One of the World's Largest Off-line Blast Furnace Experimental Facilities
  - Expanded Use of Lower-cost Raw Materials and Fuels Using Blast Furnace Mathematical Models



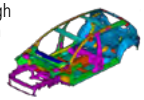
Blast furnace mathematical model



One-third-scale Blast Furnace Burden Distribution Experimental Facility

Strategic Product Development for Product Portfolio Advancement and a Carbon-neutral Society

- Development of Ultra-high-strength Steel Using a World-leading Hot-rolling Line
- Lightweighting of Automotive Steel Components through Proprietary Solution Proposals (Co-creation with Customers)



- Development of World-class Electrical Steel with Low Iron Loss

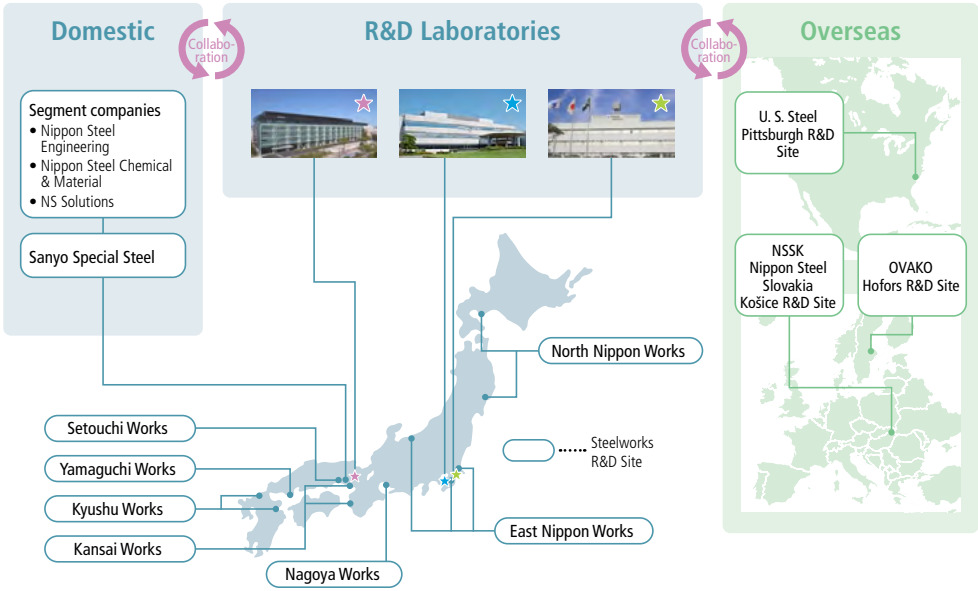
Development of Innovative Processes for Achieving Carbon Neutrality

- Securing Multiple Technological Pathways as a Frontrunner
  - High-grade Steel Production Technologies for Large-scale EAFs
  - Hydrogen-based Direct Reduced Iron Production Technology (shaft furnace, etc.)
  - Hydrogen injection into BFs (COURSE50~SUPER COURSE50)

Global Deployment of Advanced Technologies Developed in Japan

Strengthening the Global R&D Network
Expansion of Strategic Products (High-strength Steel Sheet and Electrical Steel) and Manufacturing Cost Reduction through Collaboration with the U. S. Steel R&D

[R&D at Nippon Steel and Major Group Companies]



Development of high-value-added products and solution technologies

In pursuit of our goal of "mastering steel," we continue to unlock the full potential of steel as a material. R&D that contributes to solving social challenges is pursued through product portfolio advancement and stronger product and solution capabilities. These efforts include the development of NSCarbolex™ Solution, a portfolio of high-performance products and solution technologies designed to reduce CO_2 emissions across society, as well as a diverse range of solution technologies that support resilient and sustainable social infrastructure.

Next-generation automobiles

We contribute to reducing environmental impacts and addressing other societal challenges through the development and expanded application of high-strength steel sheet that enables both vehicle lightweighting and crashworthiness, the development of high-efficiency electrical steel for hybrid and electric vehicles, and the development of chassis products that improve fuel economy.

By combining these high-performance materials with solution technologies, we propose NSafe™-AutoConcept ECO^3, a next-generation steel vehicle concept for the carbon-neutral era. We improved the productivity of hot stamping and received the Grand Prize of the FY2025 Japan Society for Technology of Plasticity Awards. Hot stamping is one of the key technologies underpinning this concept, enabling both high strength and excellent formability. In addition, a processing technology jointly developed with Mazda that increased productivity by a factor of four compared with conventional methods received the Minister of Economy, Trade and Industry Award at the 10th Monodzukuri Nippon Grand Awards.

Energy, Resources, and Shipbuilding

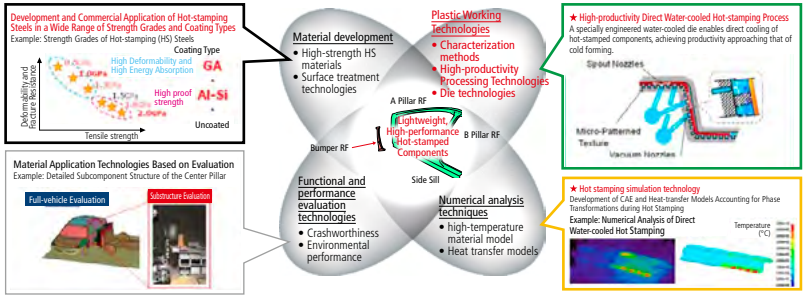
Steel materials for the energy and shipbuilding sectors must deliver the quality and reliability required to ensure long-term safety under diverse service conditions. By supplying high-performance products incorporating advanced technologies, we contribute to improving the safety of end products while enhancing our customers' productivity and competitiveness.

The commercial deployment of NSSC2120™, a duplex stainless steel with excellent corrosion and wear resistance, has improved vessel durability and reduced environmental impact, earning Nippon Steel the Gold Award in the Sustainability Category at the 2025 worldstainless Industry Awards. Nippon Steel also developed NSSC™2351, an advanced-grade steel offering excellent corrosion resistance and cost effectiveness. Kitanihon Shipbuilding became the first company in the world to adopt the steel for a chemical tanker, paving the way for the subsequent development of next-generation large chemical tankers with world-leading environmental performance. In recognition of the technology's innovation and economic benefits, Nippon Steel and Kitanihon Shipbuilding jointly received the Minister of Economy, Trade and Industry Award at the 10th Monodzukuri Nippon Grand Awards.

Civil engineering and infrastructure

By continuously developing and supplying distinctive construction products that meet evolving market needs, Nippon Steel supports social infrastructure in building construction, including columns and beams, as well as civil engineering applications such as roads and railways, rivers and ports, and building foundations. We provide ProStruct™, a suite of building and civil engineering solutions that combines high-performance steel products with design technologies to help shorten construction schedules and reduce environmental impact. Examples include the development of the Thin-Web Steel Beam Construction System, a construction method that reduces steel consumption while maintaining seismic safety. We have also expanded NSYP™385B, a high-strength steel that combines high strength and toughness with improved weldability through controlled rolling and controlled cooling, to a full range of available sizes.

[Advanced Technologies for Improving Hot-stamping Productivity]



[Next-generation Stainless Steel Chemical Tanker Using NSSC™2351]

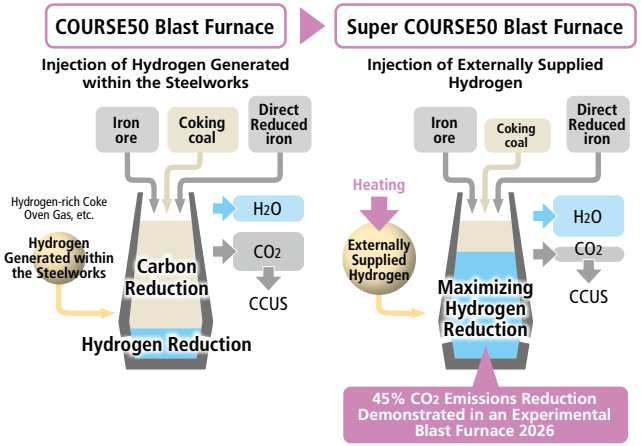


The challenge of achieving carbon neutrality

We aim to achieve carbon neutrality through three innovative technologies. The principal challenges are reducing impurities and scaling up equipment for producing high-grade steel in large-scale EAFs; handling hydrogen and maintaining furnace temperatures during hydrogen injection into blast furnaces; and achieving stable, high-volume production of direct reduced iron using hydrogen. Under the NEDO Green Innovation Fund Project, Nippon Steel is addressing these challenges through demonstration trials using a newly installed experimental EAF and experimental shaft furnace, together with an existing experimental blast furnace. In 2026, we achieved a world-leading 45% reduction in CO_2 emissions in the experimental blast furnace. In addition, we are pursuing R&D on carbon management measures, including CCUS, as part of a multi-track approach to achieving carbon neutrality. In addition, our work to restore seaweed beds using steel slag demonstrated ecosystem recovery and CO_2 reduction. In recognition of this environmental technology, Nippon Steel received the FY2025 Award for Science and Technology (Development Category), part of the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology.

We are expanding the deployment of NSCarbolex™ Neutral, a GX steel product that reflects the environmental value of these CO_2 emissions-reduction initiatives. We will continue to support our customers' decarbonization efforts and enhance their competitiveness by establishing a stable supply framework and fostering the GX steel market.

[Development of Hydrogen Injection Into BFs]



Intellectual Property Activities That Link R&D Results to Strengthening Business Strategy

The Nippon Steel Group respects intellectual property, whether it be ours or that of other companies. We position intellectual property as a key management asset and use it across all our activities, not only to drive business revenue growth and enhance corporate value but also to support the formulation and execution of our business strategies.

Policy and organization of intellectual property activities

Policy on intellectual property activities

"Intellectual property (IP) is the source of our corporate activities. Through enhanced protection, management, and proactive utilization of IP, we will maximize corporate value." We adopted this as our company-wide slogan and are carrying out our activities accordingly. We are strengthening efforts to directly link IP created from R&D activities, which are implemented based on management strategies, to maximizing business revenue and corporate value.

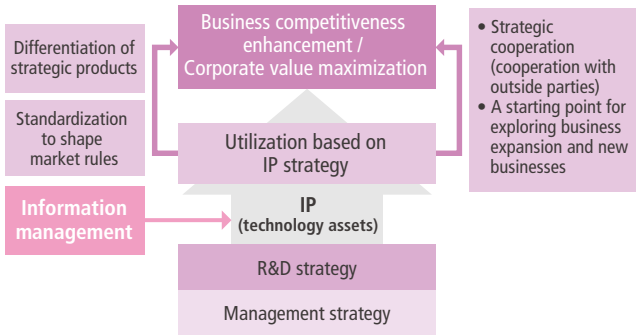
Based on a specific business strategy, we develop and execute an IP strategy aligned with all aspects (offensive and defensive) of individual products and technologies. We then share the results across the Company to strengthen our strategies continuously. Through IP, we actively transfer our advanced technologies and know-how to key overseas bases to support our global growth strategy. We are also actively organizing our patent portfolio and investing in new IP. We are also focusing on the acquisition of IP generated during the development of technologies and products to achieve carbon neutrality, as well as on business and production re-engineering, including business models based on DX technology.

Furthermore, we license IP outside the Group and drive standardization to shape market rules, advancing our business with a competitive edge by leveraging IP from multiple perspectives.

Promotion system of IP activities

Each business division leads management, R&D, and IP strategy in an integrated manner to carry out specific IP activities, with the Intellectual Property Division supporting these activities alongside the business division. In addition, for activities spanning multiple business divisions, the Intellectual Property Division actively manages them from a cross-divisional perspective. After discussing these activities at the company-wide meeting to determine how to proceed, we will ultimately bring the decision to the Corporate Policy Committee and the Board of Directors. We will then provide feedback on the discussion results to the business division and those involved in the invention to help them step up their efforts. Further, through continuous information management and education/training, we are improving the awareness and skills of all the employees related to intellectual property.

[A schematic diagram of our IP activities]



[A schematic diagram of our IP activity promotion system]



[Examples of IP strategies to achieve the 2030 Medium- to Long-term Management Plan]

1. Domestic: Improving earning power by further strengthening the revenue base
- Prioritizing the creation and accumulation of IP that contributes to strengthening the revenue base (patents and proprietary know-how)
- Once securing a competitive advantage by protecting strategic products (high-tensile steel and electrical steel sheet) with patents, contribute to enhancing the value we provide to our customers

2. Overseas: Dramatic profit growth through the implementation of global growth strategies
- Strengthening competitiveness by providing our overseas group companies with patents and technical know-how related to the world-leading mother technologies developed in Japan
- Strengthening the protection and utilization of IP globally through collaboration with global R&D bases, including U. S. Steel

3. Challenge of carbon neutrality
- Protection and utilization of patents and technical know-how for processes and products that achieve carbon neutrality
- Utilizing IP for standardization (rule-making) toward establishing the GX steel market

4. Increasing revenue through business domain expansion and value creation
- Strengthening patent applications for business models that achieve DX supply chain transformation. Securing a competitive advantage through the accumulation of patents, particularly resulting from external collaborations
- Contribution to revenue growth through the effective utilization of AI-based IP data in management strategy, improved productivity, and value creation

Creation, protection, and utilization of IP

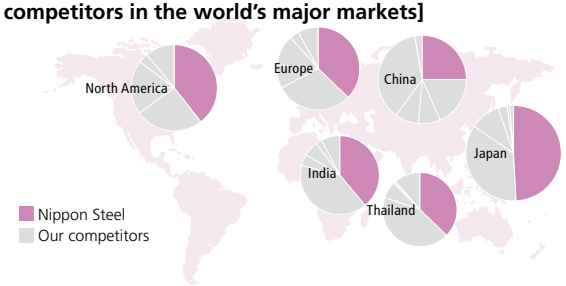
Nippon Steel positions IP as a key management asset and strives to enhance quality and quantity, thereby strengthening its business competitiveness. We strategically protect and accumulate advanced technologies, including those related to carbon neutrality, in the form of patents and know-how, contributing to the growth of business revenue and the realization of a sustainable society in line with our management plan. In addition, by collaborating on IP strategies with our Group companies operating globally, we are enhancing the value of the Group's overall patent portfolio and strengthening earning power. We are also generating IP-related synergies in the reorganization of a domestic group steel company. Using the merger with Sanyo Special Steel Co., Ltd., scheduled for April 2027, as an opportunity, we will further strengthen and leverage our IP in bar, wire, and special steel to maximize the merger's benefits.

[Number of patents held in 2025]
Japan: approx. 16,000; Overseas: approx. 16,000 (non-consolidated)

Value of our patents

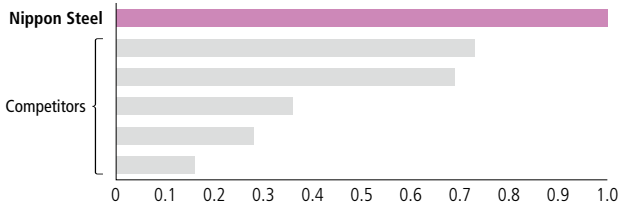
In the world's major markets, the Nippon Steel Group's patent share and patent asset index (PAI) rank higher than those of its competitors in Japan and overseas.

[Comparison of shares of patents held by Nippon Steel and its competitors in the world's major markets]



[Relative comparison of PAI between Nippon Steel and domestic and overseas competitors (2025)]

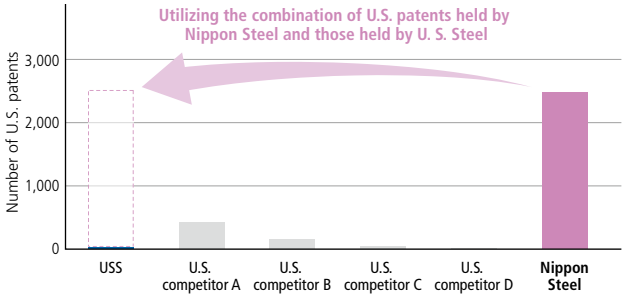
Source: Patent Asset Index™ (PAI), LexisNexis "PatentSight™"



Strengthening IP strategy in the United States

In the U.S. market, we are expanding and accumulating the Nippon Steel Group's intellectual assets, including U. S. Steel (Nippon Steel plus U. S. Steel), while promoting their strategic use to drive business growth.

[Comparison of the number of U.S. patents held by steel manufacturers operating in the U.S.]



We are licensing Nippon Steel's technologies to U. S. Steel and protecting and utilizing IP related to our strategic products (electrical steel sheet, steel pipe, and automotive steel sheet). We are also enhancing competitiveness and expanding revenue in our U.S. operations by providing technical expertise and establishing an information management system through human resources dispatched from Japan.

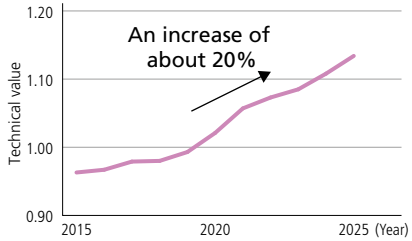
Recognized as one among the Global Top 100

Nippon Steel has been recognized as one of the Global Top 100 companies in the Innovation Momentum 2026 Report of LexisNexis. This recognition is awarded to 100 companies worldwide as demonstrating strong technical development capabilities and high growth potential in innovation. As the technical value* of our patents has risen significantly in aluminum-hot-stamped steel sheet, high-tensile steel sheet, electrical steel sheet, and carbon-neutrality-related technologies, our strategic initiatives in high-value-added, cutting-edge technology fields have gained recognition.

* The technical value of patents calculated based on the number of citations



[Improving technical value (quality) of patents]

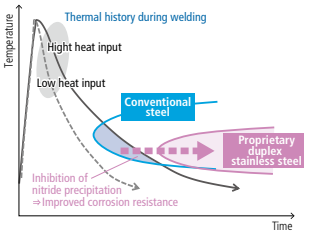


Examples of IP utilization that contributes to business revenue growth

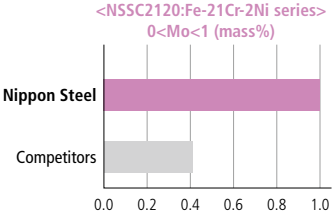
Duplex stainless steel that reduces environmental burdens

NSSC2120™ and NSSC™2351, proprietary steel products developed exclusively by Nippon Steel, addressed on overcoming degradation in corrosion resistance related with high-heat-input welding. Our extensive patent portfolio underpins the distinctiveness of these products, with the PAI overperforming that of our competitors. These products have lower nickel and/or molybdenum content than SUS304 and SUS316L, which helps stabilize prices and reduce environmental burdens. At the same time, their excellent wear resistance supports business revenue growth. In recognition of this achievement, Nippon Steel won the World Stainless Steel Association Award in 2025 and, jointly with KITANIHON SHIPBUILDING CO.,LTD., the Monodzukuri Nippon Grand Award in 2026.

[Mechanism for improving corrosion resistance related with high-heat-input welding]



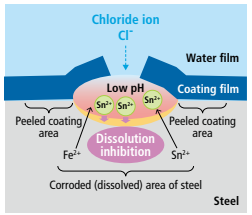
[Relative comparison of the PAI of duplex stainless steel between Nippon Steel and domestic competitors (2025)]



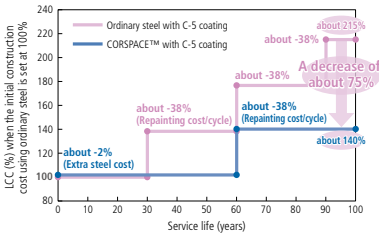
Corrosion-resistant steel for painting to reduce lifecycle costs

At the FY2026 National Commendation for Invention, Nippon Steel won the Invention Award for its Invention of Corrosion-Resistant Steel for Painting. The invention of the award-winning corrosion-resistant steel for painting (product name: CORSPACE™) involves adding a trace amount of tin to inhibit steel dissolution. We build and utilize a patent portfolio from multiple angles, including related patents, to secure market share and boost business revenue. Compared with conventional steel, this product can double the interval between repainting cycles, reducing the lifecycle cost of bridges and other structures while contributing to society through national resilience initiatives.

[Mechanism for inhibiting corrosion in the paint defect area]



[Lifecycle cost (LCC) for bridge applications]



Initiatives to expand the utilization sphere of IP in combination with standardization

Aiming broader utilization of IP

Nippon Steel leverages Intellectual Property (IP) created through its business activities, including production and research and development, in close alignment with its management strategies in each business segment to secure and strengthen its competitive advantage.

Specifically, to optimally combine standardization and Patent strategies such as classification, patent acquisition, standardization, and public disclosure and de facto standardization, are selectively employed depending on the IP's content, characteristics, and market environment.

These initiatives are overseen by Intellectual Property Division and promoted under the supervision of the Representative Director, Executive Vice President as CSO* in coordination with activities across each business sector. In addition, we undertake initiatives to enhance the business value of our entire corporate group, including standardization activities aimed at establishing markets for GX steel and other environmentally oriented products as well.

In collaboration with the Japan Iron and Steel Federation (JISF), a standards-developing organization accredited by the Ministry of Economy, Trade and Industry (METI), we also actively participate in developing and revising JIS, ISO, and other standards in areas of common interest of steel industries. Through these standardization efforts, we pursue to improve the usability and reliability of steel products and enhance their applications across a wide range of industrial sectors.

*CSO: Chief Standardization Officer

Empowering standardization strategies aligned with business objectives

Standardization is not merely core functions like ensuring quality and facilitating business transactions. It is also a critical management tool that contributes to strengthening business competitiveness and to build long-term corporate growth. To effectively advance our broad range of standardization activities, Nippon Steel clearly identifies the roles of standardization according to their business objectives and uses them strategically for three key domains (see the figure at the bottom right).

1) Core business domain for quality assurance (Layer Q):
We promote various standardization initiatives that serve as the fundamental requirements for our business activities. In addition to ensuring compliance with domestic and international standards, we continuously maintain the internal standardization framework that we have established through our efforts in many years in response to the changes in the business environment.

2) Business competitiveness domain (Layer B):
To enhance profitability and strengthen competitiveness in each business areas, we pursue strategic standardization to meet product characteristics and market needs. By combining these efforts with patent protection and trade secret management, we enhance products' value and competitive advantages in each market.

3) Corporate management domain (Layer C):
To support the transition toward the carbon-neutral society, we are proactively engaging in the development of standards and rule-making initiatives in the areas including the GX steel market and life cycle assessment (LCA). These efforts thereby contribute to strengthening the management base to support our long-term corporate growth.

Strategic standardization activities aligned with social trends

Among the priority areas outlined in the "New International Standards Strategy" of Japanese government published in June 2025, Nippon Steel defines the environment and energy sectors (climate change, energy, GX, etc.) as key strategic domains. In addition, we aim for promoting standardization activities aligned with the government's policy direction of technology-driven nation including the creation and expansion of new demands through the accreditations and standardization.

We place emphasis also on empowerment of human resources, which can be also recognized from the recent several awards for our efforts.

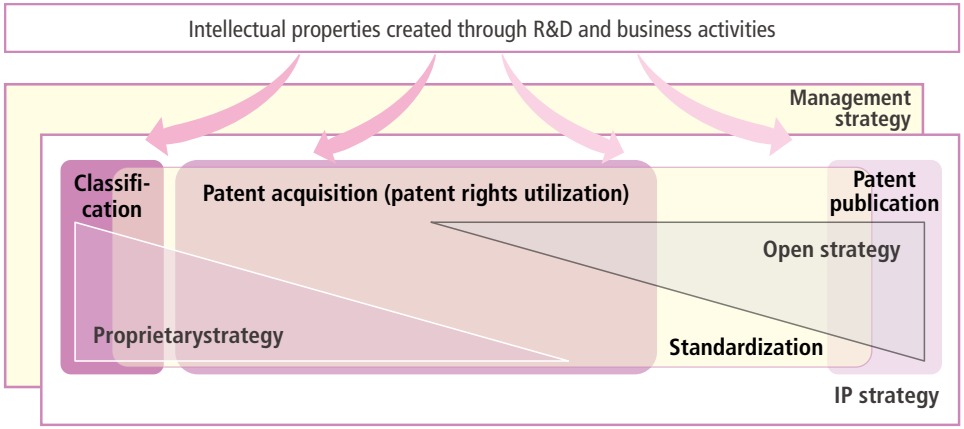
(Recent examples of awards for contributions to standardization)

- IEC 1906 Award (2022)
- Minister's Award for Industrial Standardization, Ministry of Economy, Trade and Industry (two individuals in 2025)

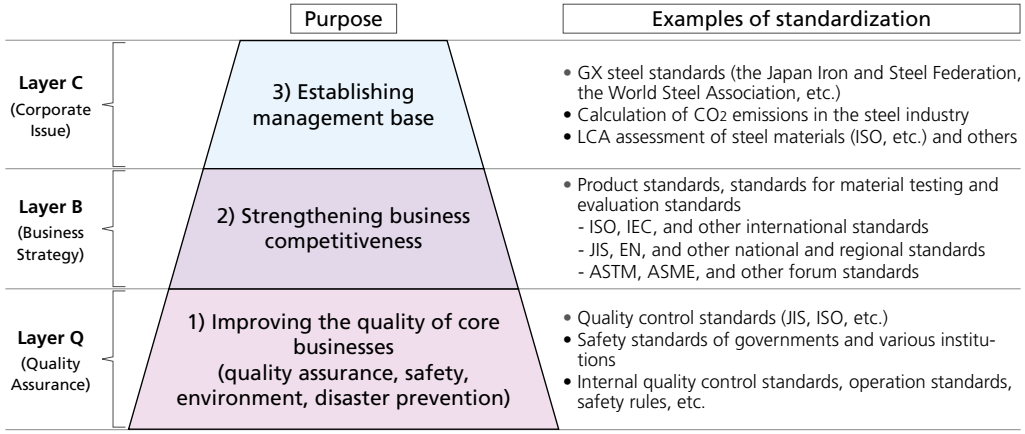


Through these initiatives, we are aiming to accelerate the promotion of our technologies that build up even advanced utilization of steel as the fundamental material that deliver eco-friendly values to support the requirements for various social infrastructure to enrich our lives. Looking ahead, we keep pursuing the integrated value of intellectual properties to enhance social and business values of steel.

[Intellectual properties created through R&D and business activities]



[Our activities related to standardization]



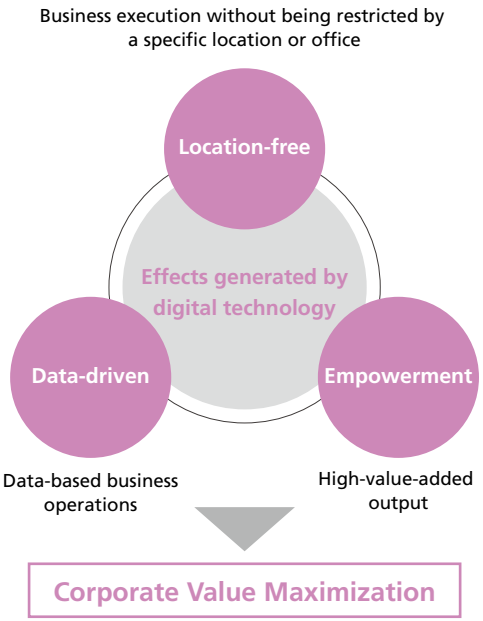
Promoting Digital Transformation

Nippon Steel's Digital Transformation (DX)

Nippon Steel is implementing a ground-breaking digital transformation (DX) that will revolutionize steel business processes. By maximizing the three benefits of digital technology, "location-free," "data-driven," and "empowerment," we will thoroughly transform traditional workstyles, improving productivity dramatically, expediting decision-making, and enhancing problem-solving skills.

We will drastically reevaluate our production processes, business processes, and business models by incorporating the latest digital technologies, including generative AI, and building on our vast data assets, one of our strengths.

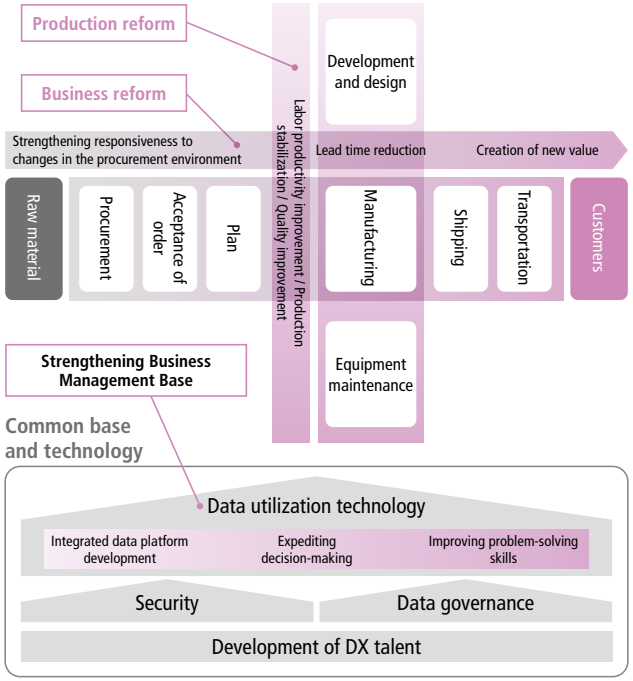
This will enable us to evolve toward company-wide optimal decision-making that maximizes corporate value by moving away from decisions that often lead to partial optimization.



Reforming steel business processes

Steel business processes span the entire supply chain, from raw material procurement to end customers, and a full range of activities, including development, design, manufacturing, and equipment maintenance. Nippon Steel will promote the reform across this broad range of steel business processes.

To realize the reform, we are developing a common system infrastructure that will dramatically improve data accessibility and usability, along with related technologies, and promoting human resources development required to sustain these efforts over the long term.



Production reform

- Promote the visualization, automation, and optimization of our manufacturing processes by connecting operations, facilities, and quality data through databases and IoT, as well as leveraging AI
- Improve safety and quality, stabilize production, maintain equipment integrity, and reduce environmental and disaster risks through predictive detection, quality prediction, and operation support
- Expedite technology deployment across multiple bases through the utilization of digital technology

Business reform

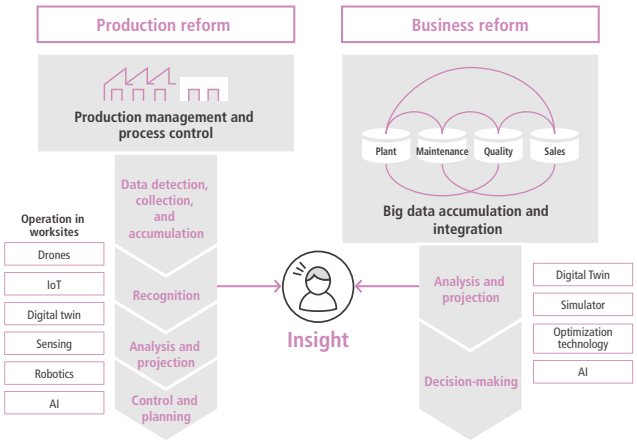
- Develop the company-wide digital infrastructure to strengthen planning skills and seamlessly connect raw material procurement, product order acceptance, production, shipping, transportation, and delivery. Streamline and enhance operational execution to shorten lead times, strengthen the ability to adapt to environmental changes, improve customer responsiveness, and enhance cost competitiveness
- Achieve company-wide optimization of business processes and organizational structures, including the consolidation and centralization of business functions, while striving to streamline and enhance staff operations through the utilization of data, systems, and AI

Strengthening business management base

- Enhance business intelligence (timely access to management information and KPIs) to accelerate information sharing and decision-making from the management level to the front line and to improve problem-solving skills
- Integrate the vast amounts of data accumulated both domestically and internationally. Build a data infrastructure that enables advanced applications, including AI

Accelerating DX through data integration and utilization

Nippon Steel has proactively adopted ICT since the dawn of mainframe computing in the 1960s across a wide range of fields, including production, quality control, sales, logistics, equipment maintenance, purchasing, and profit management. As a result, the Company has many business systems and a vast amount of high-quality data, which is now one of its major strengths. We are establishing company-wide databases by organically integrating valuable data assets currently scattered across plants and departments through digital technology. Furthermore, we are promoting expedited, sophisticated, and optimized decision-making in a broad range of fields by utilizing those databases for AI-assisted analysis and simulations.

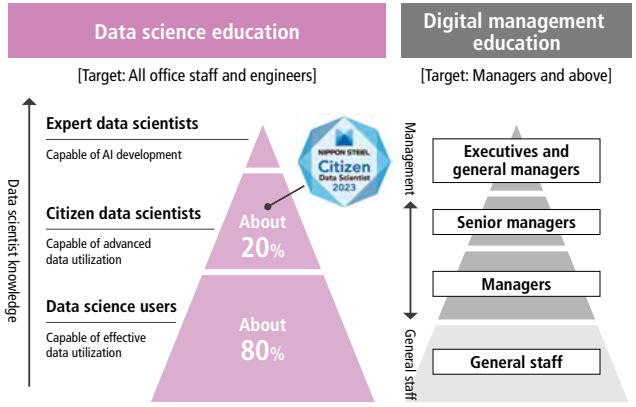


DX human resources development

Nippon Steel is developing DX human resources through both "data science education" and "digital management education."

In "data science education," with three levels defined by knowledge and skills, we aim to ensure that all office staff and engineers are at least at the data science user level and that at least 20% of the group reach the citizen data scientist level. We are also working to enhance AI-related education.

In "digital management education," we equip all managers with the mindset and literacy needed to lead DX initiatives in their workplaces.

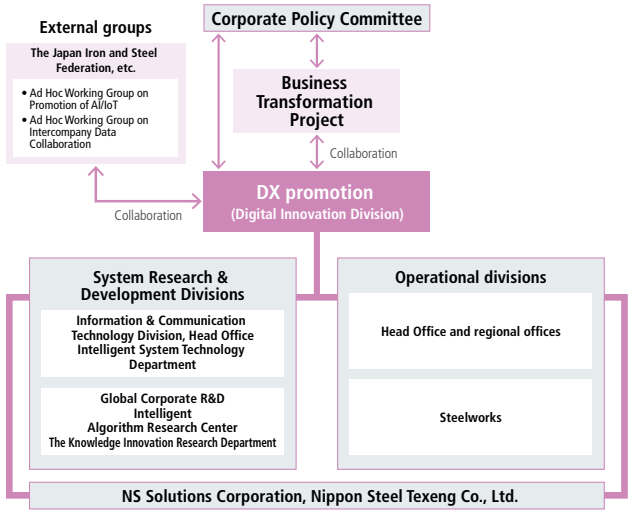


DX promotion framework

With the Digital Innovation Division at the core, operational divisions and system research and development divisions will work together to strengthen business competitiveness mainly through integrated responses to company-wide challenges. In collaboration with the Business Transformation Project, we aim to improve staff work productivity and achieve business operations through an elite corps.

In addition, we are taking on the challenge of innovative initiatives by cooperating with external organizations and leveraging the collective capabilities of Nippon Steel and the Group.

Meanwhile, we strengthened our development and implementation frameworks for AI and digital technologies in 2025 by establishing the Knowledge Innovation Research Laboratory of the Intelligent Algorithm Research Center within our Process Research Laboratories and the Intelligent System Technology Department within our Information & Communication Technology Division.



Strengthening Information Security

Strengthen the security response structure

As cyberattacks have become increasingly sophisticated in recent years, risks affecting entire corporate operations are emerging, including targeted attacks and supply-chain intrusions. Moreover, cyberattacks targeting not only the information technology (IT) domain but also the operational technology (OT) domain, which includes manufacturing equipment, are on the rise, increasing the likelihood that such incidents will lead to operational shutdowns and a loss of social credibility. Given this situation, companies need to strengthen a corporate-wide, integrated security structure rather than rely on the traditional piecemeal approach.

In light of these environmental changes, Nippon Steel has established a specialized organization, the Cybersecurity Operations & Planning Department, to promote centralized security management not only in the information system domain but also in the OT domain, including manufacturing sites. At the same time, we are increasing staffing to enhance our ability to respond to cyber threats. This organization serves as the core function overseeing company-wide, cross-sectional security measures, visualizing risks, developing action plans, and implementing improvement activities in an integrated manner in collaboration with each department. With this system in place, we have consolidated previously decentralized efforts and are working on security enhancement from a company-wide optimization perspective.

By establishing an incident response framework centered on the Computer Security Incident Response Team for the Nippon Steel Group (NSG-CSIRT), consisting of our Group companies, we strengthened our monitoring and analysis capabilities during normal operations. We also improved our ability to respond quickly and recover during an emergency. Thus, we have established a framework to minimize damage and mitigate the impact on our business even in the event of an incident.

Through these initiatives, Nippon Steel has established an effective security response framework that integrates management and manufacturing sites and continuously strengthens its defenses to adapt to the evolving threat landscape.

NSG-CSIRT
Nippon Steel Group

- Early detection of incidents, response to incidents, and implementing post-incident measures
- Collecting and analyzing incident-related information, and communicating response procedures throughout Nippon Steel and to Group companies

Security enhancement initiatives

Nippon Steel positions security measures not as one-time initiatives but as a continuous improvement process and is working on them based on three basic principles: 1) continuous personnel measures, such as security education, 2) technical countermeasures against cyberattacks, and 3) continuous improvement through external assessments and training.

1) By emphasizing individual employee awareness, we continuously conduct education and awareness-raising activities to entrench risk awareness and ensure thorough implementation of basic actions in daily operations. Specifically, we are improving our employees' ability to respond to cyberattacks by regularly providing security education via e-learning and training that simulates targeted attack emails. When it comes to unauthorized removal of information, we continually strengthen penalties for clear violations of internal rules and step up system monitoring. Through these initiatives, we are improving our employees' initial response and judgment capabilities against cyberattacks, thereby reducing human-factor risks.
2) As technical measures, we implement a multi-layered security strategy that combines multiple initiatives, including protecting endpoints and networks through various security measures, controlling communications based on operational risks, continuously updating systems, strengthening authentication management, and conducting integrated monitoring and operations. In response to increasingly sophisticated cyberattacks, we are continually introducing systems designed to provide multi-layered defense and detection. Through this effort, we aim to maintain a secure operational environment by reducing the risk of unauthorized communications and malware infections, preventing unauthorized external access, and implementing measures to prevent information leaks.
3) By periodically reviewing our systems and operational status, we are improving security measures to respond to evolving threats. Specifically, we verify the effectiveness of our measures objectively by using evaluations and insights from external specialized organizations. Based on these results, we continually improve the sophistication and effectiveness of our security measures. Furthermore, we have developed recovery procedures for wide-area system failures, driving continuous improvement through recovery drills and post-exercise reviews.

Security at group companies

In recent years, cyberattacks have increasingly targeted not only individual companies but also the entire supply chain, including their group companies and business partners. Recognizing that attacks targeting our group companies could affect our overall business operations, Nippon Steel is ensuring security across the entire group as a key priority.

In light of these circumstances, Nippon Steel is implementing and enhancing security measures across our group companies in Japan and overseas, while taking into account each company's business characteristics and operating environment. While maintaining group-wide coordination, we are promoting the development and operation of measures to handle sensitive information and system use, thereby entrenching effective security measures.

At our domestic group companies, we are implementing measures aligned with Nippon Steel's security standards and conducting regular security assessments. Through this approach, we monitor each company's progress and continually implement necessary improvements to ensure effective countermeasures take hold and raise their security levels.

At our overseas group companies, we also promote the implementation of appropriate security measures and conduct regular security assessments, while taking into account the environment and risk characteristics of each country and region. Through this approach, we are implementing necessary improvements while monitoring each location's situation, improving the consistency and effectiveness of our global security measures.

In addition, we are strengthening cross-group information sharing and collaboration centered on the NSG-CSIRT. Through this system, we have enabled early incident detection and rapid response, improving the Nippon Steel Group's responsiveness.

Through these initiatives, we are stepping up security measures at our group companies in Japan and overseas and maintaining and improving a consistent level of security across the Nippon Steel Group.

Financial Targets and Shareholder Returns

Financial Targets

To continually enhance corporate value, we will strategically allocate management resources by appropriately balancing growth investments, shareholder returns, and sound financial health.
Specifically, we will make capital and business investments totaling 6 trillion yen over the next five years to enhance earning power by strengthening our domestic earnings base and achieve dramatic profit growth by executing our global growth strategies overseas.
Furthermore, by implementing the measures outlined in the management plan, we will improve our medium- to long-term earning power and capital efficiency and strengthen our financial base.
As a result of these efforts, we aim to achieve the following financial targets, with FY2030 set as a key milestone.

[Key indicators for the 2030 Medium- to Long-term Management Plan]

Financial indicators

Consolidated underlying profit	FY2025 ¥650.4 billion	¥1 trillion/year or more
ROE (return on equity)	FY2025 0.3% (incl. one-off factors)	About 10%
D/E* (debt-to-equity ratio)	FY2025 0.71	Around 0.7
DEBT/EBITDA*	FY2025 4 times	3.5 times or less

*After recognizing equity credit attributes of subordinated debt and similar instruments

Capital and business investments	FY2021 through FY2025 Approx. ¥7.5 trillion/5 years	Approx. ¥6 trillion /5 years
Carbon neutrality		2030 (vs. 2013) 30% reduction

Domestic ¥500 billion or more
Overseas ¥500 billion or more

FY2031 onward
Over 10%

2050
Carbon neutrality

Shareholder Returns Policy (Newly Established Minimum Dividend)

To appropriately balance medium- to long-term growth investments, shareholder returns, and sound financial health, we will continue our current dividend policy of "targeting a consolidated annual dividend payout ratio of around 30%."
Furthermore, given the fact that we have established a stable earnings base so far and from the standpoints of enhancing the predictability of dividends for our shareholders and investors and increasing the attractiveness of Nippon Steel's stock, we will set the minimum annual dividend per share at 24 yen for the five years (FY2026 through FY2030) covered by the 2030 Medium- to Long-term Management Plan.

[Improving the attractiveness of our stock through measures such as enhanced shareholder returns]

Target a consolidated annual dividend payout ratio of around 30% (continued policy)

Appropriately balance medium- to long-term growth investments, shareholder returns, and sound financial health

5-to-1 stock split
(effective on October 1, 2025)

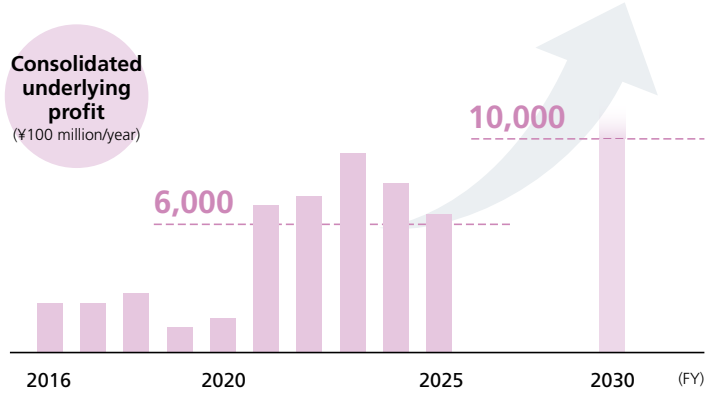
Further expand the investor base by creating a more accessible investment environment, particularly for individual investors

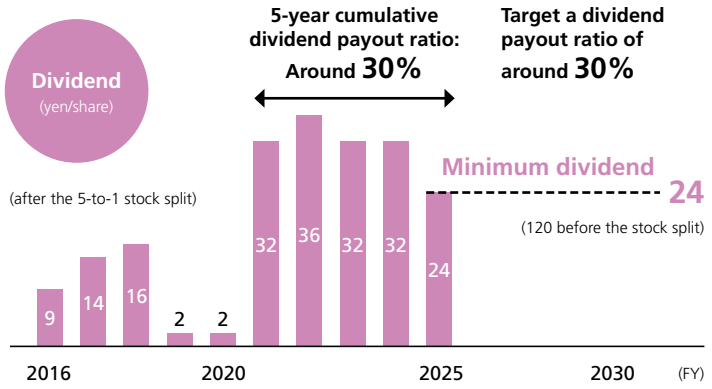
Annual minimum dividend of 24 yen/share
(120 yen before the stock split)

Build an earnings structure that can generate a high level of profit regardless of the business environment

⇨ We have set a minimum dividend to enhance the predictability of dividends for our shareholders and investors and increase the attractiveness of Nippon Steel's stock

Minimum dividend for
FY2026 through FY2030: 24 yen/share





High level of shareholder returns driven by profit growth

We aim to further improve our profit level and deliver even greater shareholder returns as we enter a new stage of growth