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OTC: NPSCY(ADR)



Nippon Steel Group Medium- to Long-term Management Plan

March 5, 2021

NIPPON STEEL CORPORATION

The financial figures in this document are consolidated, unless otherwise noted.





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Abbreviations:

BF: Blast Furnace, **BOF:** Basic Oxygen Furnace, **BT/Y:** Billion Tons per Year, **DX:** Digital Transformation,

EAF: Electric Arc Furnace, **MT/Y:** Million Tons per Year



The main points of the management plan



The main points of the management plan

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Steel S&D environment

- Decline in domestic steel demand and deterioration of profitability of exports from Japan
- Increase in demand for high-grade steel due to growing social needs such as decarbonization
- Intensification of competition in the overseas market due to expansion of capacity in emerging mills in East Asia coastal area
- Increase in global steel demand particularly in Asia
- Heightened material to steel products market volatility, driven by the S&D in China, which represents a majority of the world material to steel products market

Climate change

- Climate action plans are globally becoming an all-out battle, participated by public and private sectors of each country.
- The realization of zero-carbon steel will be required as a part of industrial competitiveness.

Four pillars of the management plan

1. Rebuilding our domestic steel business

- **Concentrated production through selection of certain products and facilities**
- **Higher-level order mix**
- **Renewal and improvement of facilities**

2. Deepening and expansion of overseas business

- **Toward 100 MT of global crude steel capacity**

3. Taking on the challenge of Zero-Carbon Steel

- **Carbon neutral by 2050**

4. Promoting DX strategies

- **Accelerated decision-making**
- **Enhanced problem-solving capability**



Financial targets (FY2025)

Aim at achieving profit level needed for the following:

- ◆ Generate cash needed for dividends, capital expenditures and business investment for growth
- ◆ Be prepared for a worsening business environment and a full-scale investment in zero-carbon steel after FY2025
- ◆ Ensure sufficient financial strength (international credit rating of “A”)

	FY2025 targets	Cf. FY2020 2H(f)
ROS (Business profit/Sales)	Approx. 10%	5.2%
ROE (Return on Equity)	Approx. 10%	Approx. 6%
D/E	0.7 or less	Approx. 0.7

Stay below the current level even when the business environment further deteriorates

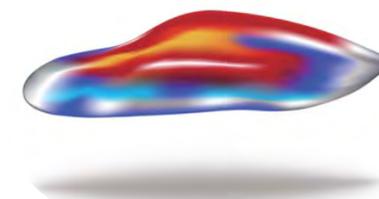
Assumptions

- FY2025 non-consol. crude steel production: 38 MT/Y

Cf. FY2018-2020 mid-term management plan target: 45 MT/Y (ex. 3 MT/Y in Kure)



1) Rebuilding our domestic steel business

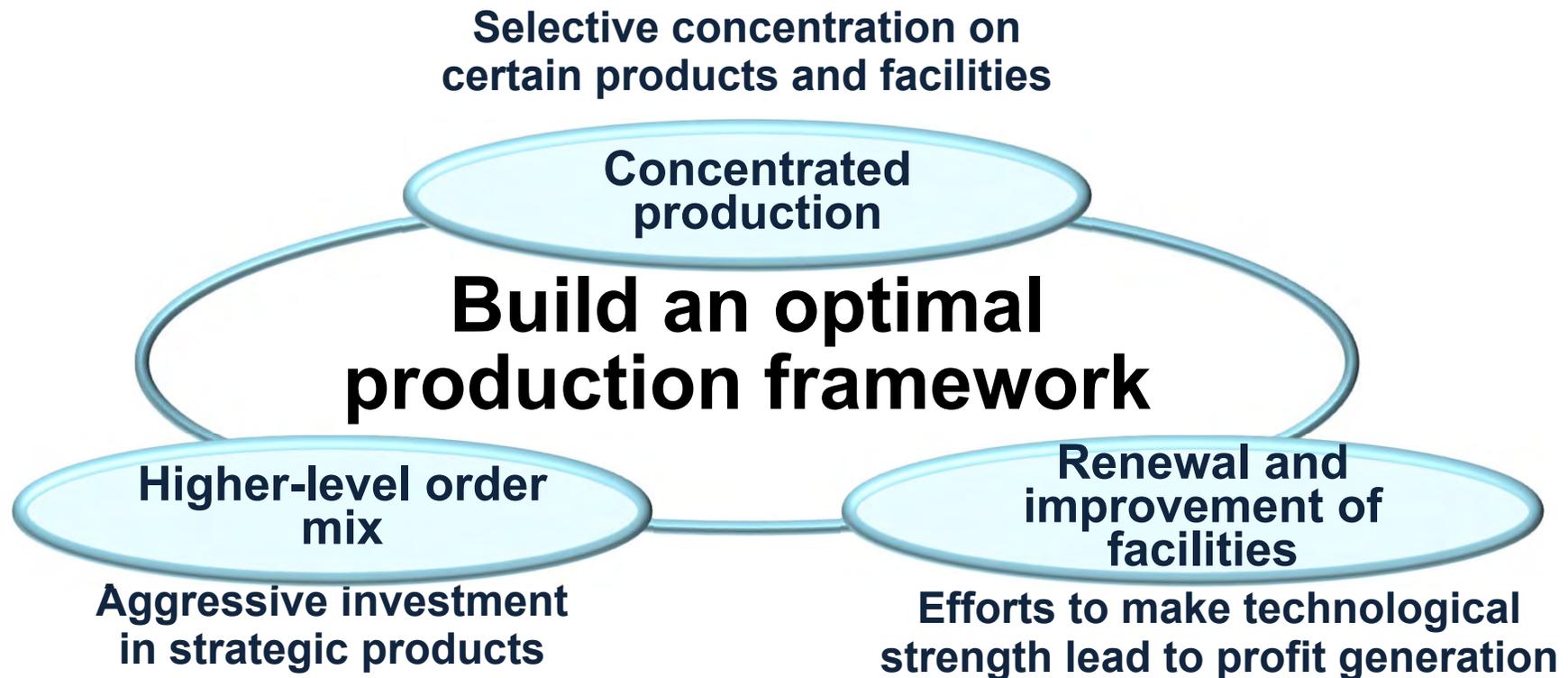


NSafe®-AutoConcept

Rebuilding our domestic steel business: Basic policies ⁷

- External factors: Decline in domestic steel demand and deterioration of profitability of exports from Japan expected in long-term aspect
 - Internal factors: CAPEX expected to remain high, including refurbishment of aging facilities
- ⇒ It is impossible to revitalize the domestic steel business with a simple shrinking equilibrium

We aim to grow by rebuilding our domestic steel business and expanding value provided to the market through rebuilding the domestic steel business with “higher-level order mix”, “renewal and improvement of facilities”, and “concentrated production”.





Concentrated production

Selective concentration on certain products

- Reduce commodity-grade product ratio
- Break away from the business model of maintaining facilities on the premise of continuing low-profit exports

Selective concentration on certain facilities

- Concentrate production on more competitive lines
- Shut down inferior lines through production facility structural measures

Optimization of capacity level and fixed cost level

Building of a new hot-dip galvanizing line

Measures to improve the capacity and quality of electrical steel sheets

- Invest in strategic products to improve capacity and quality
- Raise the ratio of high-value added products
- Improve marginal profit per ton

Building of a next-generation hot strip mill

- Selectively invest in more competitive facilities
- Improve productivity, reduce cost, and realize profitable structure

Refurbishment of BF's

Refurbishment of coke ovens

Higher-level order mix

Renewal and improvement of facilities

Production facility structural measures (downstream lines)⁹



Further improve utilization rate and productivity to strengthen the business

Shut down the steel plate mill in the East Nippon Works Kashima Area
→ Transfer its production to the steel plate mills in the East Nippon Works Kimitsu Area and the Kyushu Works Oita Area

Steel plate lines: currently **4** lines → **2** lines

Kyushu Works
Oita Area

East Nippon Works
Kimitsu Area

East Nippon Works
Kashima Area

Shutdown by around 2H
FY2024
(announced this time)

Nagoya Works

Shutdown by around the
end of FY2021
(moved up the schedule in
Nov. 2020, from the initial
announcement in Feb,
2020)

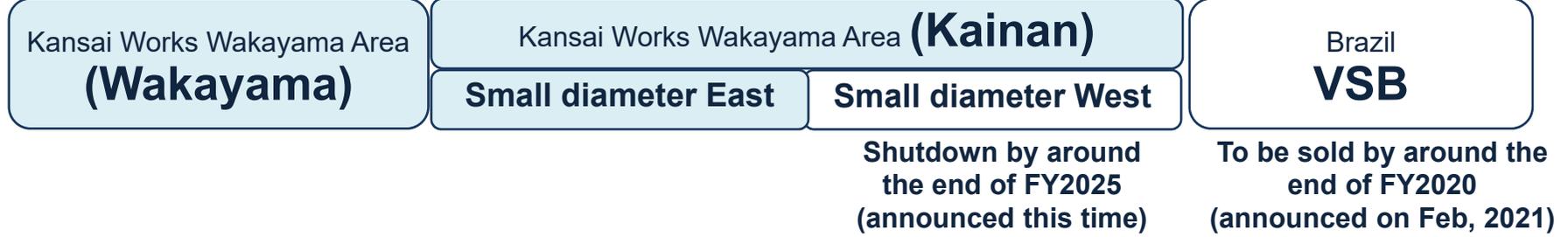
Production facility structural measures (downstream lines)¹¹

Seamless pipe business



Optimize and improve efficiency of the production framework
 Shut down the West small-diameter seamless pipe mill in the Kansai Works Wakayama Area (Kainan), out of the two mills, East and West

Seamless pipe lines: currently **3** lines → **2** lines



Large-diameter pipe (UO) business



Withdraw from the large-diameter pipe (UO) business, as it has no prospects for profit recovery, given the demand outlook

Shut down the UO steel pipe line at the East Nippon Works Kimitsu Area.

UO pipe lines: before Oct. 2019 **2** lines → currently **1** line → **0**



Production facility structural measures (downstream lines)



Concentrate orders into competitive production lines
Become more oriented toward production close to centers of demand

Pickling and Galvanizing lines

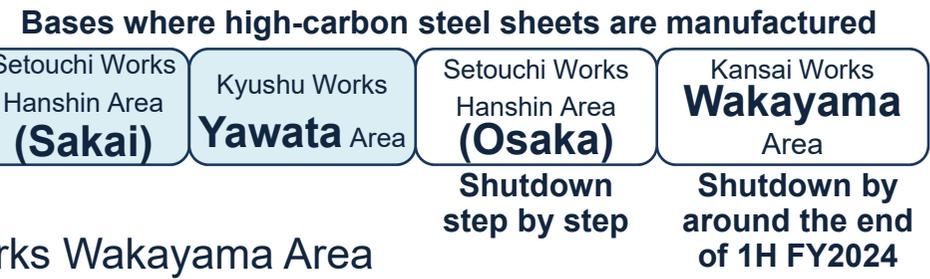
Shut down some facilities of the hot-dip galvanizing line at the East Nippon Works Kimitsu Area
 Shut down some facilities of the pickling line at the Kashima Area
 → Transfer production to lines in the East Nippon Works Kimitsu Area and at the Nagoya Works

Shut down some facilities of the hot-dip galvanizing line at the Setouchi Works Hanshin Area (Sakai) (No.1 hot-dip galvanizing line, No.1 hot-dip galvanizing and aluminizing line)
 → Transfer their production to other lines at Sakai and the Kyushu Works Yawata Area.

High-carbon steel sheet lines

Shut down all facilities of Setouchi Works Hanshin Area (Osaka) (Electrolytic cleaning line, Annealing and processing line, temper rolling line, No.1, 2, and 3 slitter lines, sendzimir rolling mill)

Shut down all steel sheet lines at the Kansai Works Wakayama Area
 → High-carbon products will be manufactured at two bases, the Setouchi Works Hanshin Area (Sakai) and Kyushu Works Yawata Area.



Production facility structural measures (downstream lines)

Titanium and special stainless steel* business



Increase efficiency of the special stainless steel sheet manufacturing

Shut down the special stainless steel sheet manufacturing facilities at the East Nippon Works Naoetsu Area → Our production of special stainless steel sheet will be transferred to Nippon Steel Stainless Steel Shunan Area Yamaguchi Works.

*Special stainless steel - Ultra-thin stainless steel plate used for automotive parts, electronic devices, and other precision processing fields (plate thickness approx. 0.2mm)

Improve efficiency of the titanium production framework

Shut down the titanium raw material plant at the Kansai Works Osaka Area

Stainless steel business



Establish efficient stainless steel sheet production framework

Shut down the cold-rolling and annealing lines at Nippon Steel Stainless Steel Kinuura Works (All production facilities at the Kinuura Works are to be shut down, including a shutdown of its hot strip mill as announced in 2020.)

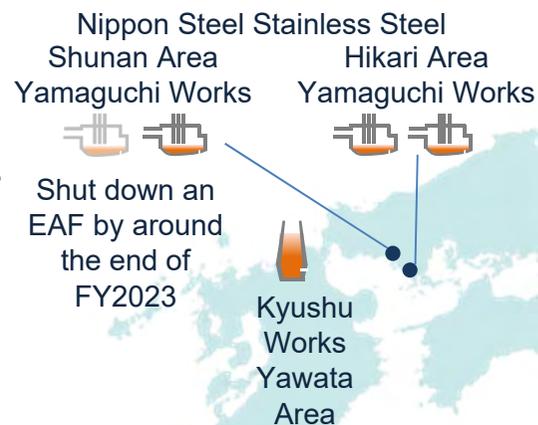
→ Consolidate orders to Nippon Steel Stainless Steel Yamaguchi Works

Shut down some cold-rolling and annealing facilities at Nippon Steel Stainless Steel Shunan Area Yamaguchi Works and Kashima Works.

Consolidate upstream facilities for stainless business

Shut down an EAF out of two at the Shunan Area Yamaguchi Works

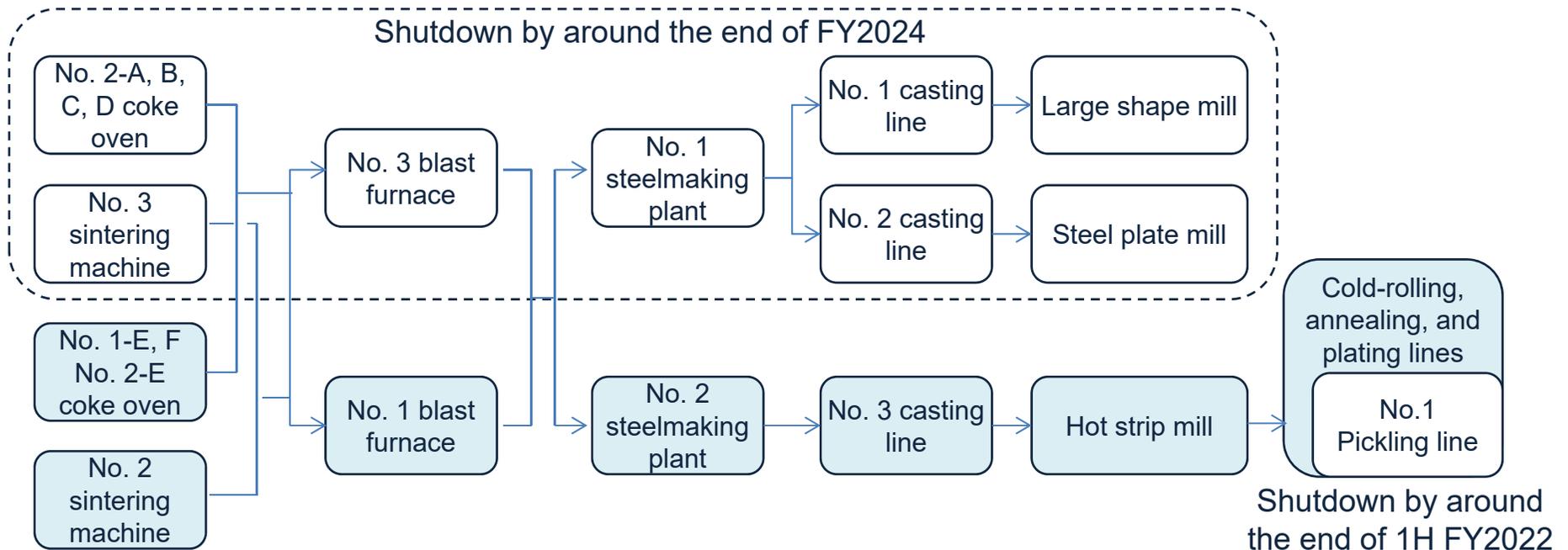
Stainless steel business Consolidation of upstream facilities



Production facility structural measures (upstream facilities)

Shut down one series of upstream facilities at the East Nippon Works Kashima Area

Taking into consideration the upstream facility balance after the shutdown of the steel plate mill and large shape mill at the East Nippon Works Kashima Area, as well as the area's integrated production and shipping capacity costs, and among other factors, the No. 3 BF and related facilities will be shut down.



Advance shutdown schedule for the upstream facilities in the Kansai Works Wakayama Area

Shut down the currently suspended facilities (No. 1 blast furnace, No. 5 coke oven, No. 5-1 sintering machine) by around the end of 1H FY2021 (moved up from around the end of 1H FY2022)

Establishing an efficient production framework (upstream process)



Change in the supply arrangement of steel billets to the East Nippon Works Kamaishi Area and partial steelworks reorganization

Change in the arrangement to supply steel billets for wire rods to the Kamaishi Area

Currently

Mainly supplied from the Kimitsu Area.



From 2025

The main supply base will be changed to the Muroran Works

Steelworks reorganization

Along with the change in the supply arrangement of steel billets, the steelworks organization will be changed as follows

Current organization → From April 2022 (plan)

Muroran Works

North Nippon Works

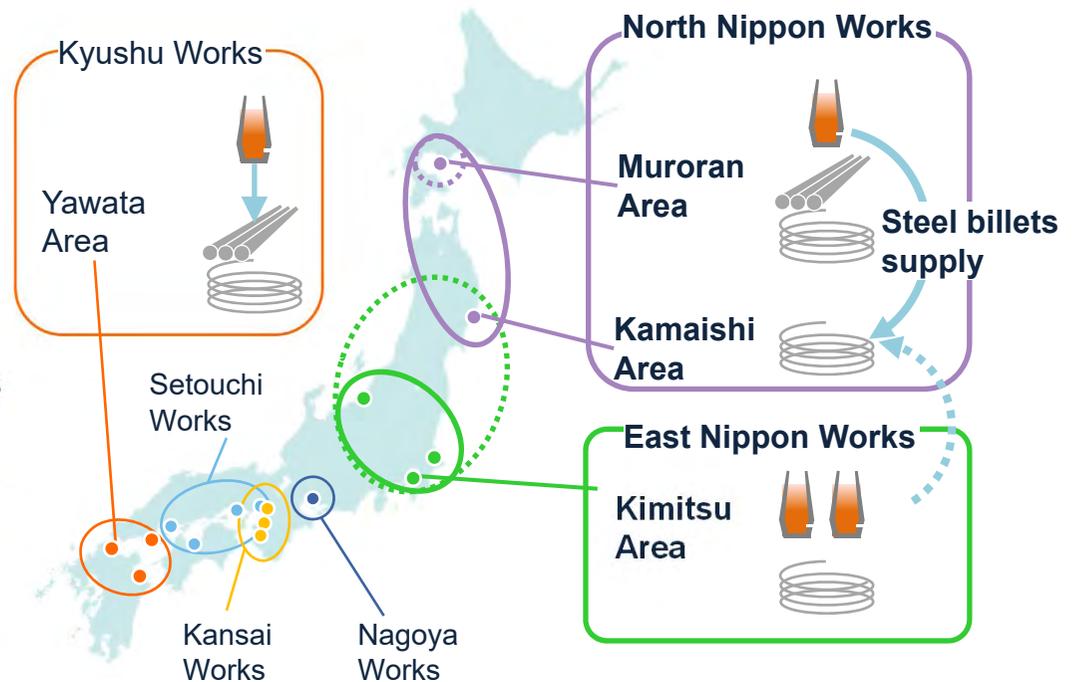
- Muroran Area
- Kamaishi Area

East Nippon Works

East Nippon Works

- Kimitsu Area
- Kashima Area
- Kamaishi Area
- Naoetsu Area

Nippon Steel's bar & wire rod business bases

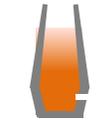


Production facility structural measures

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Total effect by measures already announced and measures announced this time combined



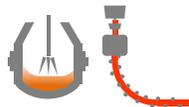
BFs

Shutdown

5 units

Already-announced: Kokura BF, Kure No.1 and 2 BFs,
Wakayama No.1 BF
Announced this time: Kashima No.3 BF

Total number of domestic BFs
15⇒10 units



Annual crude steel production capacity

Reduction

10 MT/Y

Approx. -20%

Listed above
+Announced this time; Nippon Steel Stainless Steel Shunan EAF

Crude steel production capacity
Non consol. + Nippon Steel Stainless Steel
50⇒40 MT/Y

Cost reduction

¥150 bil/Y

Improvement of labor productivity

Reduction of essential personnel
20% or more

From FY2021 to the end of FY2025
Reduction by production facility structural measures and DX measures etc. all combined
(Nippon Steel + contractors)

Outline of production facility structural measures (1/2)

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	Announcement	Steelworks	Facilities for shutdown	Approximate time of shutdown (●: completed)
Upstream facilities	New	East Nippon Works Kashima Area	One series of upstream facilities (No.3 BF, No.2-A,B,C,D coke ovens, No.3 sintering machine, and No.1 steelmaking plant)	The end of FY2024
	New	East Nippon Works Kimitsu Area	No.1 continuous casting machine	The end of FY2021
	Feb. 2020 → Moved up this time	Kansai Works Wakayama Area	Currently-suspended facilities in one series of upstream facilities (No.1 BF, No.5 coke oven, No.5-1 sintering machine)	FY2022 1H → Moved up to the end of FY2021 1H
			Running facilities in one series of upstream facilities (No.4 coke oven, part of No.3 continuous casting machine)	FY2022 1H
	Feb. 2020	Setouchi Works Kure Area	All upstream facilities (including BF, sintering, steelmaking)	The end of 1H FY2021
	Feb. 2020	Setouchi Works Hirohata Area	Melting furnace (→ New EAF)	FY2023 1H
	Mar. 2015	Kyushu Works Yawata Area (Kokura)	Upstream facilities (BF, sintering, steelmaking)	● Sep. 2020
Steel plate	New	East Nippon Works Kashima Area	Steel plate mill	FY2024 2H
	Feb. 2020	Nagoya Works	Steel plate mill	The end of FY2021
Construction product	New	East Nippon Works Kimitsu Area	Shape mill, No.1 continuous casting machine	The end of FY2021
	New	East Nippon Works Kashima Area	Large shape mill	The end of FY2024
Pipe & tube	New	Kansai Works Wakayama Area (Kainan)	Small-diameter seamless pipe mill (West)	The end of FY2025
	New	East Nippon Works Kimitsu Area	UO pipe line	The end of FY2021
	May 2019	East Nippon Works Kashima Area	UO pipe line	● Oct. 2019
	Mar. 2018	East Nippon Works Kimitsu Area (Tokyo)	Small-diameter seamless pipe mill	● May 2020

Outline of production facility structural measures (2/2) 18

Announce-ment	Steelworks	Facilities for shutdown	Approximate time of shutdown (●: completed)	
Steel sheet	New	East Nippon Works Kimitsu Area	No.1 hot-dip galvanizing line (No.1 CGL)	The end of FY2024
	New	East Nippon Works Kashima Area	No.1 pickling line	The end of FY2022 1H
	New	Setouchi Works Hanshin Area (Sakai)	No.1 hot-dip galvanizing line (No.1 CGL) No.1 hot-dip galvanizing and aluminizing line (No.1 GAL)	The end of FY2024 The end of FY2022
	New	Kansai Works Wakayama Area	All steel sheet lines	The end of FY2024 1H
	New	Setouchi Works Hanshin Area (Osaka)	All facilities	The end of FY2023 1H -- the end of FY2023
	Feb. 2020	Setouchi Works Kure Area	Hot strip mill, pickling line	The end of FY2023 1H
	Feb. 2020	Setouchi Works Hanshin Area (Sakai)	Continuous annealing line, electro-galvanizing line, No.1 hot-dip aluminizing line (No.1 CAL)	The end of FY2020
	Nov. 2019	Setouchi Works Hirohata Area	Tinplate mill	The end of FY2020
Titanium & special stainless steel	New	East Nippon Works Naoetsu Area	Special stainless steel line	The end of FY2021
	New	Kansai Works Osaka Area	Titanium raw material plant	The end of FY2022 1H
	Feb. 2020	Kansai Works Osaka Area	Special equipment for titanium round bar manufacturing	The end of FY2022
	Feb. 2020	Kyushu Works Oita Area (Hikari Pipe & Tube)	Titanium welded pipe production line	The end of FY2021 1H
Stainless steel	New	Nippon Steel Stainless Steel Kinuura Works	All lines (the cold-rolling line and all other lines thereafter)	The end of FY2021
	New	Nippon Steel Stainless Steel Kashima Works	A part of annealing lines	The end of June 2021
	New	Nippon Steel Stainless Steel Shunan Area Yamaguchi Works	A part of cold-rolling and annealing lines	The end of March 2021 -- the end of June 2026
			1 EAF	The end of FY2023
	Feb. 2020	Nippon Steel Stainless Steel Kinuura Works	Hot strip mill/ dedicated facility for production of precision products	● Sep. and Oct. 2020

Change in major subject lines (Production facility structural measures)

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	Already announced	Announced this time	Total	Before → After
 BFs	-4	-1	-5	15 → 10
 Continuous casters	-5	-3	-8	32 → 24
 Steel plate lines	-1	-1	-2	4 → 2
 Large shape lines	-	-2	-2	4 → 2
 Seamless pipe lines	-	-1	-1	3 → 2
 UO pipe lines	-1	-1	-2	2 → 0
 Hot strip lines	-1	-	-1	7 → 6
 Cold rolling lines	-	-2	-2	17 → 15
 Galvanizing lines	-	-3	-3	19 → 16
 Special stainless steel rolling lines	-	-2	-2	4 → 2
Titanium raw material line	-	-1	-1	1 → 0
Titanium round bar line	-1	-	-1	1 → 0
 Titanium welded pipe line	-1	-	-1	1 → 0
 Nippon Steel Stainless Steel cold rolling lines	-	-4	-4	13 → 9
 Nippon Steel Stainless Steel EAFs	-	-1	-1	4 → 3

Renewal and improvement of facilities, and higher-level order mix –building a next generation hot strip mill

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The social needs for carbon neutrality

- Further stricter world-wide regulation of fuel consumption of internal combustion vehicles
- Needs for more lightweight bodies for EVs. (for mileage and battery weight)

The social needs for safety

- Stricter collision safety standards



Ultra-high-tensile strength steel sheets

The high strength steel helps ensure safety in the event of a vehicle crash, while reducing weight, improving fuel economy, and reducing CO₂ emissions. Its controlled crystal structure provides both strength and workability.

The ultra-high-tensile strength steel sheets have a tensile strength of 1.0 GPa or higher.

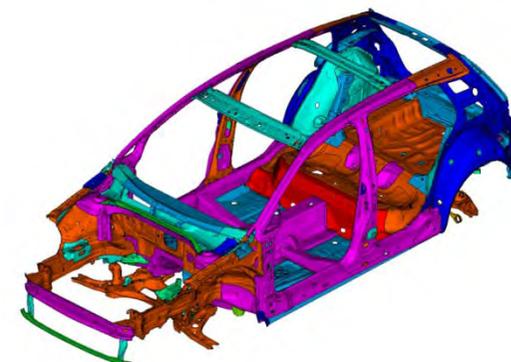
Demand for ultra-high-tensile strength steel sheets which contribute to more lightweight and stronger bodies of vehicles and to easier processing is expected to increase.

Build a next-generation hot strip mill to stably produce state-of-the-art ultra-high-tensile strength steel sheets at the Nagoya Works, which is our center for the manufacture of automobile steel sheets

Production capacity: 6 MT/Y

Start of operation: 1Q FY2026 (plan)

(After its operation at full capacity, the existing hot strip mill will be shut down.)



Higher-level order mix - Measures to improve the capacity and quality of electrical steel sheets

Social needs for carbon neutrality

- Increase in demand for vehicle motor with higher performance* along with EV transition
* Higher efficiency, smaller size, lighter weight, etc.
- World-wide stricter regulation for efficiency of transformer

Social needs along with the growth in developing countries

- World-wide increase in electricity demand

Rapid growth in demand for highest-zone NO electrical steel sheets

Increase in demand for thin and high-efficiency GO electrical steel sheets, the most important materials to raise efficiency of transformers

1) Already-decided or started measures (Aug. 2019 to Nov. 2020)

Kyushu Works Yawata Area and Setouchi Works Hirohata Area, total amount of investments: ¥104.0 bil

+

2) An additional measure announced this time

Setouchi Works Hirohata Area

Electrical steel sheet capacity increase

Full-capacity operation in 1H FY2024 (plan)

1) + 2) Capacity increase

Up about 1.5 times (NO+GO),

Up about 3.5 times (high-grade NO+GO)



Electrical steel sheets

Used for "iron cores" in the motors of electric vehicles, motors of various electrical devices, generators for power plants, and transformers used in power transmission.

Electrical steel sheets are an energy-saving material that exhibit good magnetic properties by controlling the direction of iron crystals, and energy loss (iron loss) is minimized.



2) Promoting global strategy to deepen and expand overseas business





Improve profitability of global businesses

Concentration on core businesses operations

Almost completing the withdrawal from businesses which would not be economically viable for us to continue, such as overseas tin plate business reorganization and withdrawal from VSB. Will keep selecting and concentrating businesses.

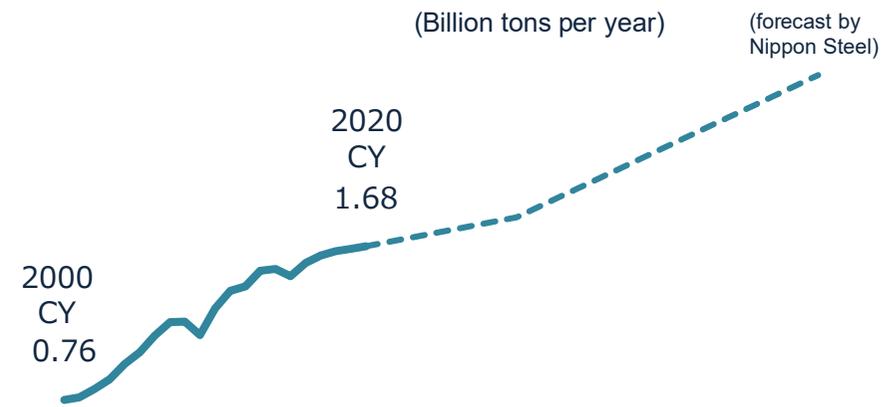
Profitability improvement of existing businesses

Profit from the market scale and growth in existing overseas businesses centered on Asia (China, ASEAN, India, etc.), whose market size and growth rate are large in the world.

Strengthen business base of large-scale acquisitions

- AM/NS India
 - Full use and expansion of existing capacity (From 7 MT/Y to 14 MT/Y+α)
 - Building of new coke ovens
 - Mine acquisition, etc.
- OVAKO
 - Optimization of production framework and fixed cost reduction
 - Synergies with Nippon Steel and Sanyo Special Steel

World steel demand forecast



Steel demand forecast of focused areas



Toward 100 million ton global crude steel capacity

Planning to move up to a full-scale overseas business stage to secure higher added value with integrated production framework in “districts and areas where demand is promisingly expected to grow” and in “sectors in which our technologies and products are appreciated”.

At present, our global supply framework is centered on export of mainly high-grade steel products from Japan and local supply of products such as cold-rolled and galvanized steel sheets produced by overseas companies, involving mainly downstream processes.



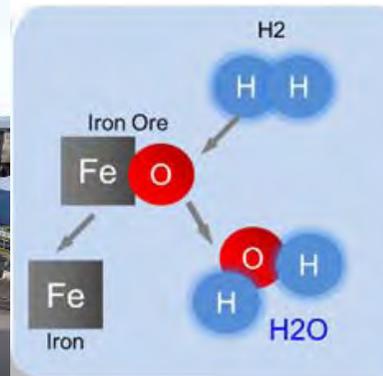
- Aiming to expand to a full-scale overseas business that will capture the entire local demand, while maintaining the current supply framework.
- Overseas business development focusing on M&A to avoid new start-up risks amid global steel production capacity surpluses



* Figures are calculated by simple sum of full production capacity of i) companies in which we have 30% or more equity interests (including USIMINAS) among companies subject to World Steel Association’s crude steel production statistics; and ii) our equity method affiliates with less than 30% equity interests to which we provide semi-finished products (AGIS), in each process.



3) Nippon Steel Carbon Neutral Vision 2050 - A Challenge of Zero-Carbon Steel





Nippon Steel Carbon Neutral Vision 2050 — The Challenge of Zero-Carbon Steel

Adopting "Nippon Steel Carbon Neutral Vision 2050 – The Challenge of Zero-Carbon Steel," as our own new initiative against climate change, a critical issue affecting human beings, we will strive to achieve carbon neutrality by 2050 as our top priority management issue.

Key Phrase



Activity Logo



We have decided to actively work to achieve zero-carbon steel as a top priority management issue, and have established a new "Key Phrase" to summarize our environmental management and an "Activity Logo" to represent our activities as our "Environmental Brand Mark". We will make a concerted effort to tackle these extremely difficult issues.



Zero-Carbon Steel: Our CO₂ emissions reduction scenario

2030 Target

30% or more reduction in total CO₂ emissions vs. 2013

[Means]

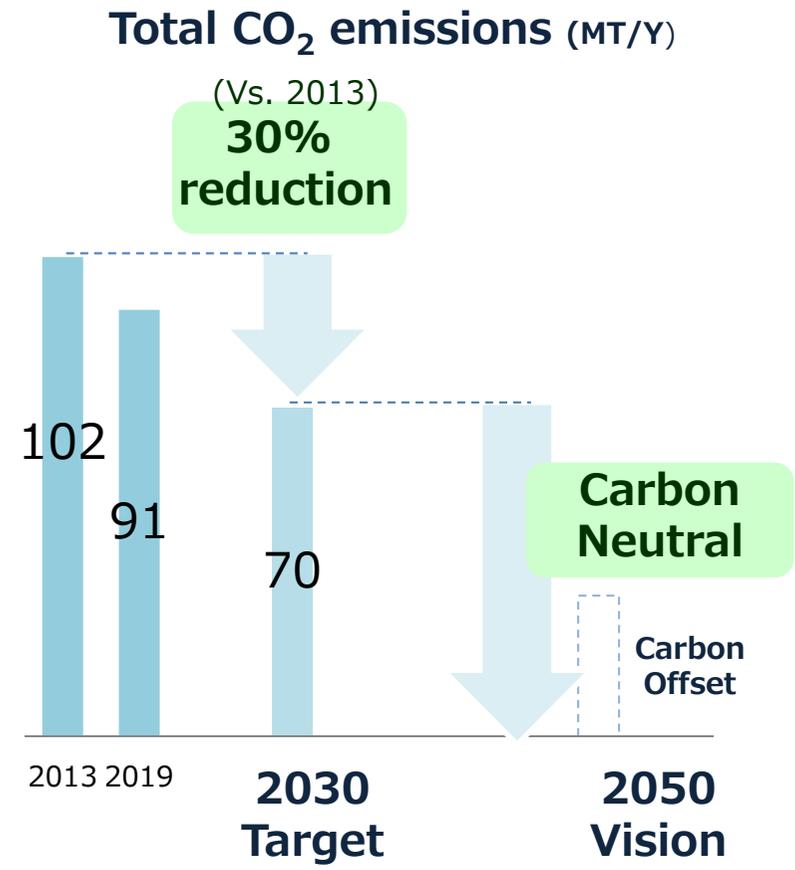
- Actual implementation of the COURSE50 in the existing BF and BOF process
- Reduction of CO₂ emissions in existing processes
- Establishment of an efficient production framework.

Vision 2050

Aim to become carbon neutral

[Means]

- Mass-production of high-grade steel in large size EAFs
- Hydrogen reduction steelmaking (by Super-COURSE50 use of BF; direct reduction of 100% hydrogen)
- Multi-aspect approach, including CCUS* and other carbon offset measures,.

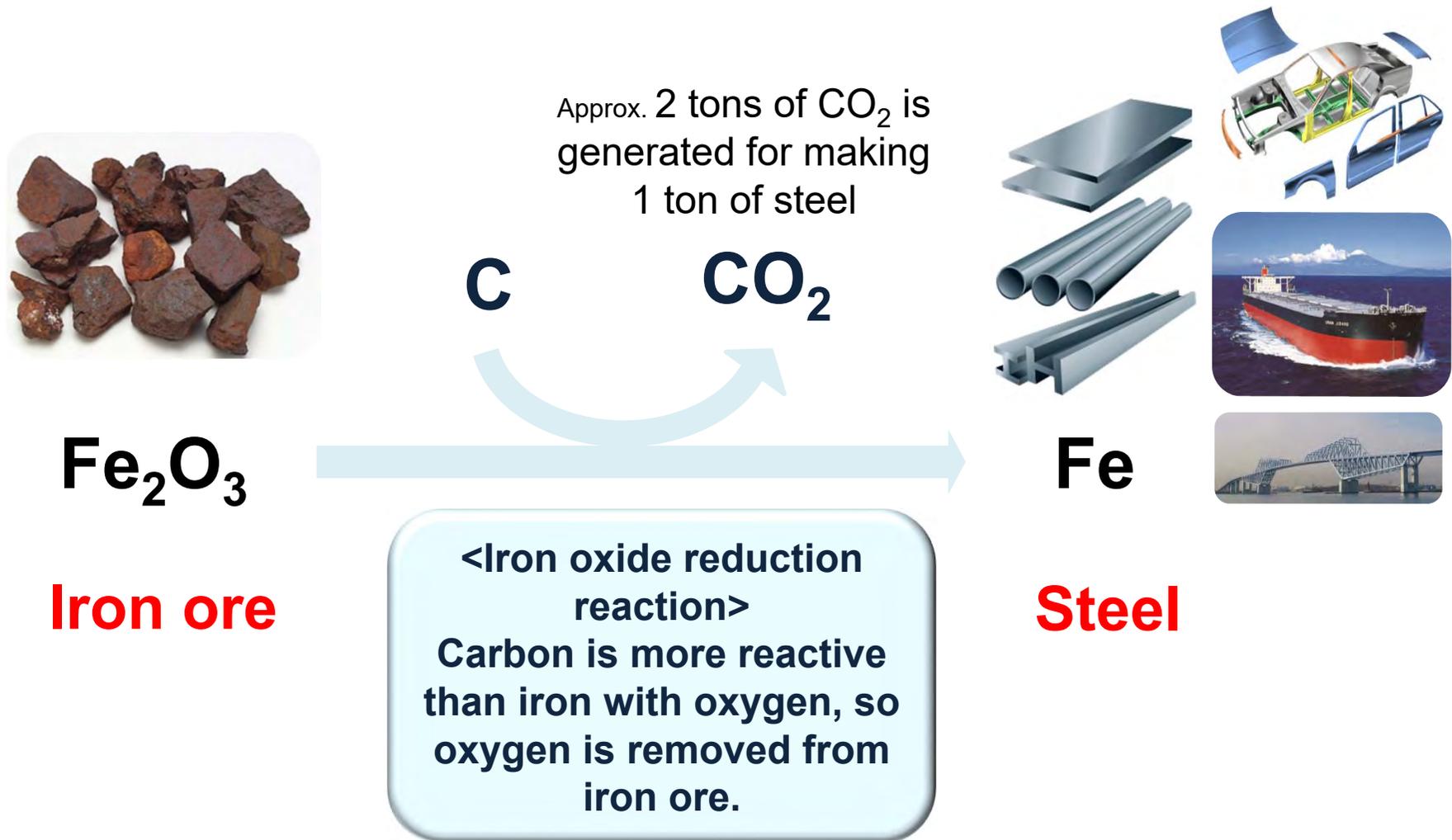


[Scope of Scenario]

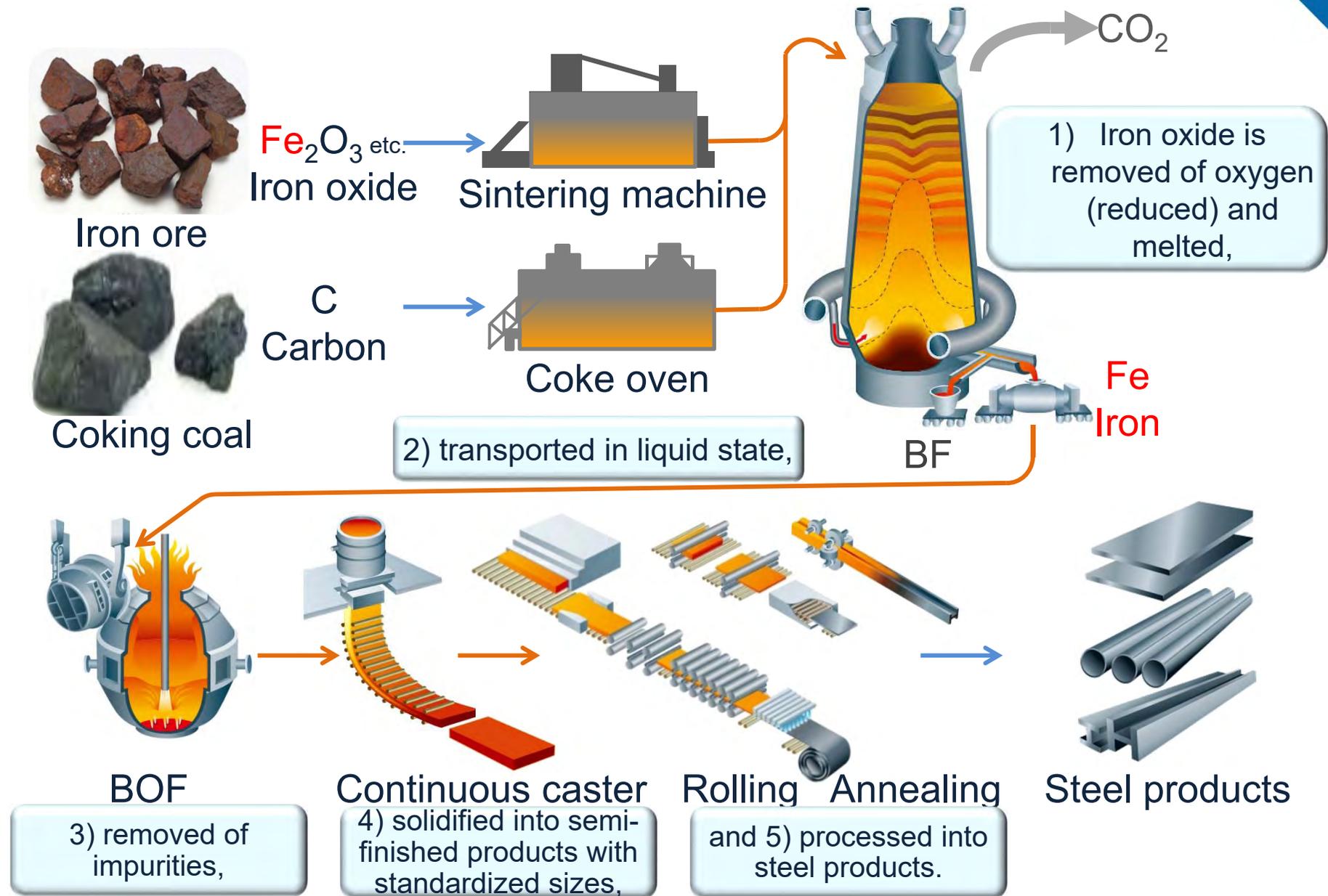
Domestic
SCOPE I + II
(Receipt of raw materials to product shipment) + (CO₂ at the time of purchase power production)

*Carbon dioxide Capture, Utilization, and Storage

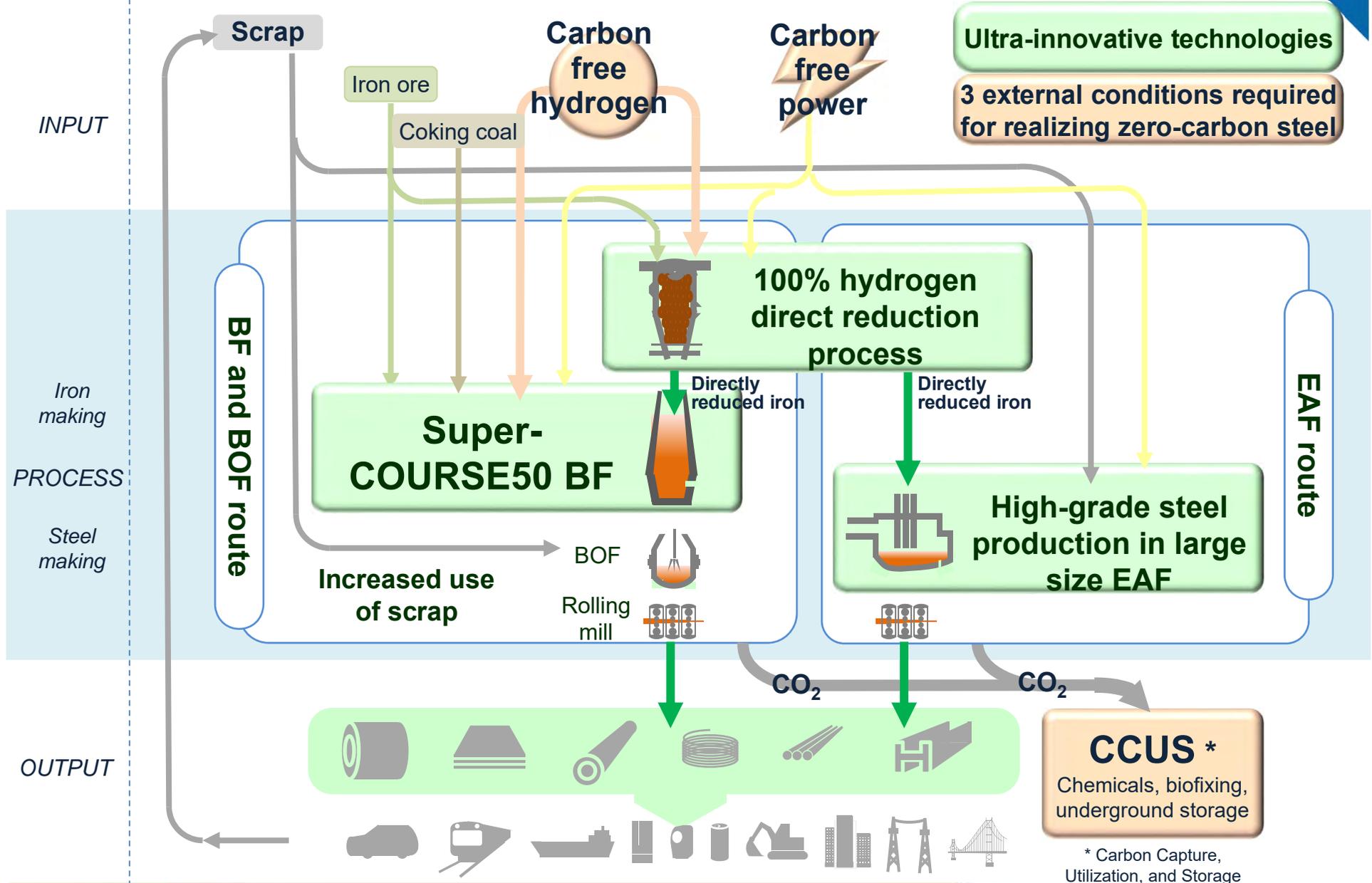
(Appendix) Iron ore needs reduction in steelmaking process



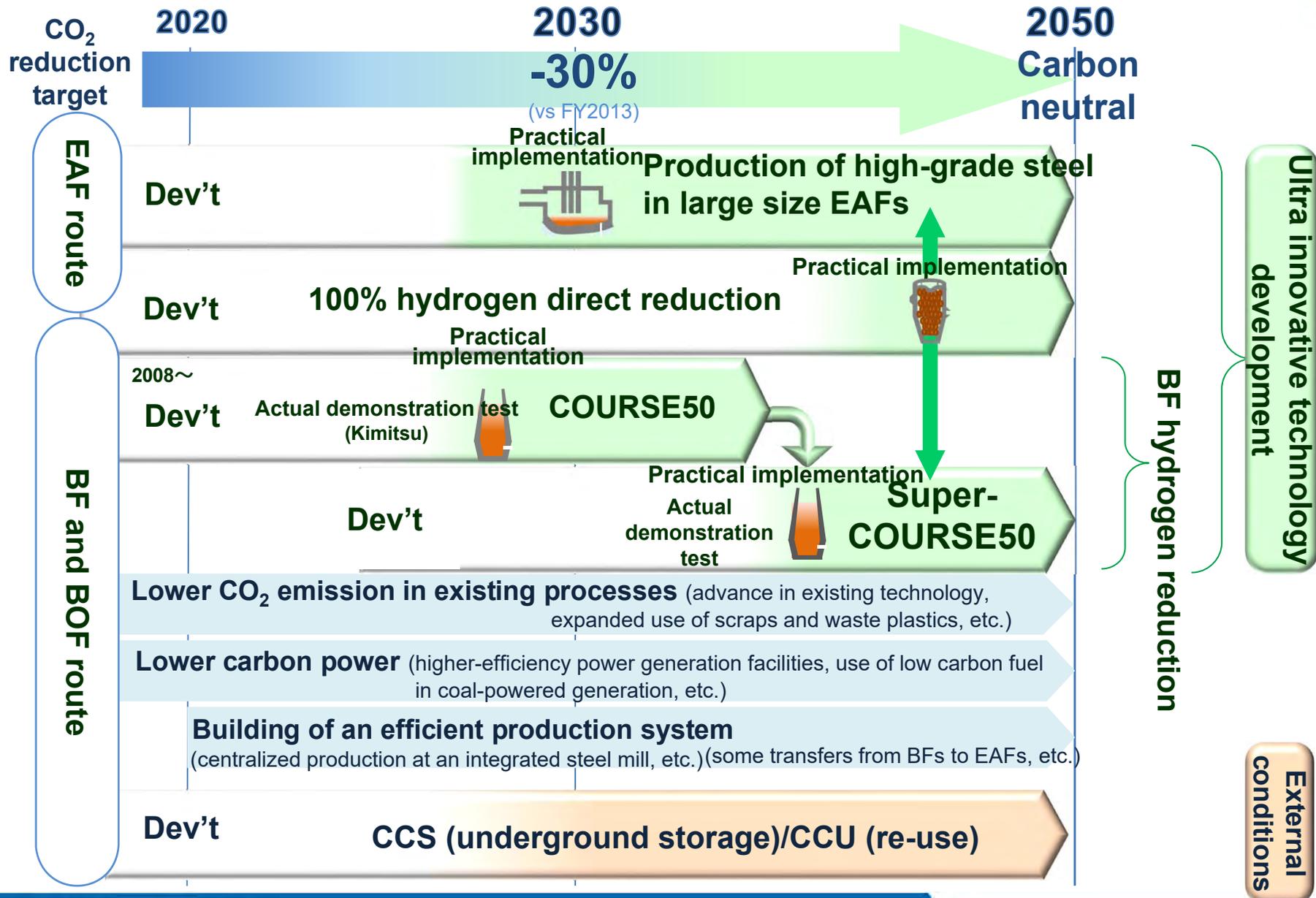
(Appendix) BF method steelmaking process



Carbon neutral steelmaking process



Our roadmap of CO₂ emissions reduction measures



Technological challenges for ultra innovation and external conditions required



Production of high-grade steel by use of large size EAF

Technological challenges

- Scrap: Establishment of technology to eliminate harmful elements from hazardous materials, and use of direct-reduced iron at the same time
- EAF: Increase of productivity, size and efficiency of EAF

External condition

- Realization of carbon free power at a competitive cost

CO₂ emission reduction by hydrogen reduction in BF (COURSE50, Super-COURSE50)

Technological challenges

- Technology for hydrogen heating and blowing for endothermic reactions during hydrogen reduction
- Technology for minimizing the use of coking coal to secure the minimum amounts of heating source and gas flows, and use of direct-reduced iron
- Countermeasures to offset the remaining CO₂ emission (CCUS)

External conditions

- Realization of CCU (CO₂ reuse technology), CCS (CO₂ underground storage technology)
- Large-scale supply of carbon free hydrogen

100% hydrogen direct reduction process

Technological challenge

- Establishment of hydrogen direct reduction method

External condition

- Large-scale supply of carbon free hydrogen

Challenges to realize zero-carbon steel and collaboration with society

Take on the challenge to develop and practically implement ultra-innovative technologies ahead of the other countries to realize zero-carbon steel, as Nippon Steel's top priority issue, which is essential for Japan's steel industry to continue to lead the world and to maintain and strengthen the competitiveness of Japanese industry in general.

3 factors to increase costs for the zero-carbon steel project

- 1) Huge R&D costs
- 2) Huge CAPEX for practical implementation
- 3) Increase in operational cost, even if inexpensive carbon free hydrogen and zero-emission power are to be secured

The production cost of crude steel may more than double the current cost.

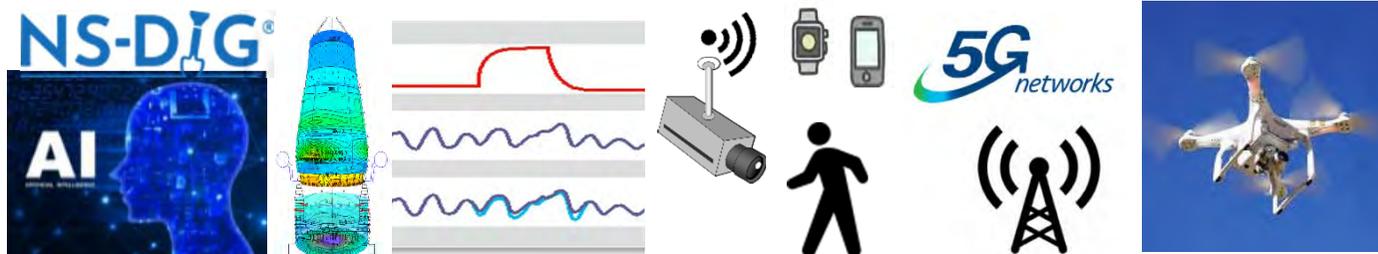
3 collaborations required for realizing zero-carbon steel

- 1) A national strategy to realize a “virtuous cycle of environment and growth”**
 - Long-term and continuous government support for R&D in the field of breakthrough innovation etc.
 - Establishment of inexpensive and stable large-scale hydrogen supply infrastructure
 - Realization of carbon free power at an international competitive cost
 - Promotion of national projects for the development and commercialization of CCUS
- 2) Realization of government's comprehensive policies to secure equal-footing in international competition, strengthen industrial competitiveness, and lead to business chances**
- 3) Formation of consensus on the issue of cost bearing by society**
 - Establishing a system for society as a whole to bear the enormous costs of realizing of zero-carbon, such as R&D costs, CAPEX for replacing existing facilities, and significant increase in production costs.

Images of R&D cost and CAPEX for the zero-carbon steel project



4) Promoting DX strategies





Promoting DX strategies

Investment (FY2021-2025) ¥100 billion or more

Strengthen business competitiveness by making full use of data and digital technology

Business process innovation

Production process innovation

Two types of power, which turn data into value

The power to connect

The power to operate

The power to share and use our massive data

The power to create improvement and reform cycles to strengthen competitiveness by use of data

Three values and effects provided by digital technology

Location free

Data driven

Empowerment

Business execution with no constraint on where to locate or operate

- An integrated operation across multiple bases at headquarters and steelworks
- Remote and automated operation

Building new data-driven business and production processes

- Data platformization
- Visibility of KPIs

Higher value added to human output

- AI for predictive diagnostics and optimization
- AI decision making

- **Accelerating decision-making**
- **Strengthening problem-solving capabilities**



Aims of DX

Smarter steel mills

Innovative evolution of our
“strength in manufacturing”

Flexible and optimal supply system

Drastic increase in our
“strength in sales and marketing”

Enhanced business intelligence

Global management support

Use of DX, such as AI and IoT in the production process

- Expand formalization and standardization of our technology, including implicit knowledge
- Improve labor productivity by utilizing automation and predictive detection
- Advance production technology to achieve production stabilization and further quality improvement
- Establish remote operation management infrastructure at overseas bases

Building of an integrated planning platform for order-to-production-to-delivery

- Develop quick and accurate links with supply chain information and create new value-delivery opportunities

Building of a comprehensive data platform

- Gain real-time insight into key information and KPIs
- Improve decision-making and problem-solving capabilities from the management level to the front line



Investment plan (FY2021-2025) and financial targets (FY2025)



Investment plan (FY2021-2025)

(Consolidated and decision-making basis)

CAPEX

**FY2021-25
plan**

¥2,400bil
/5 years*

Actively promote investments that contribute to the improvement of capacity and quality of strategic products, higher added value, and cost reduction, while in view of the production facility structural measures, the maintenance and renewal investment will be restricted to the minimum required equipment.

Building of a next-generation hot-strip mill at Nagoya Works,
measures to improve the capacity of electrical steel sheets at Setouchi Works Hirohata Area, etc.
* Annual average ¥480 billion/year
(2018-20 results average ¥470 billion/year)

**Business
investment**

¥600bil
/5 years

Business investment of ¥600 billion/5 years is planned for measures such as expansion of AM/NS India and for preparation for the acquisition of, and equity participation in an integrated steel mill in China and ASEAN as a strategic move toward a 100 million tons of global crude steel capacity.

**Dividend
pay-out ratio**

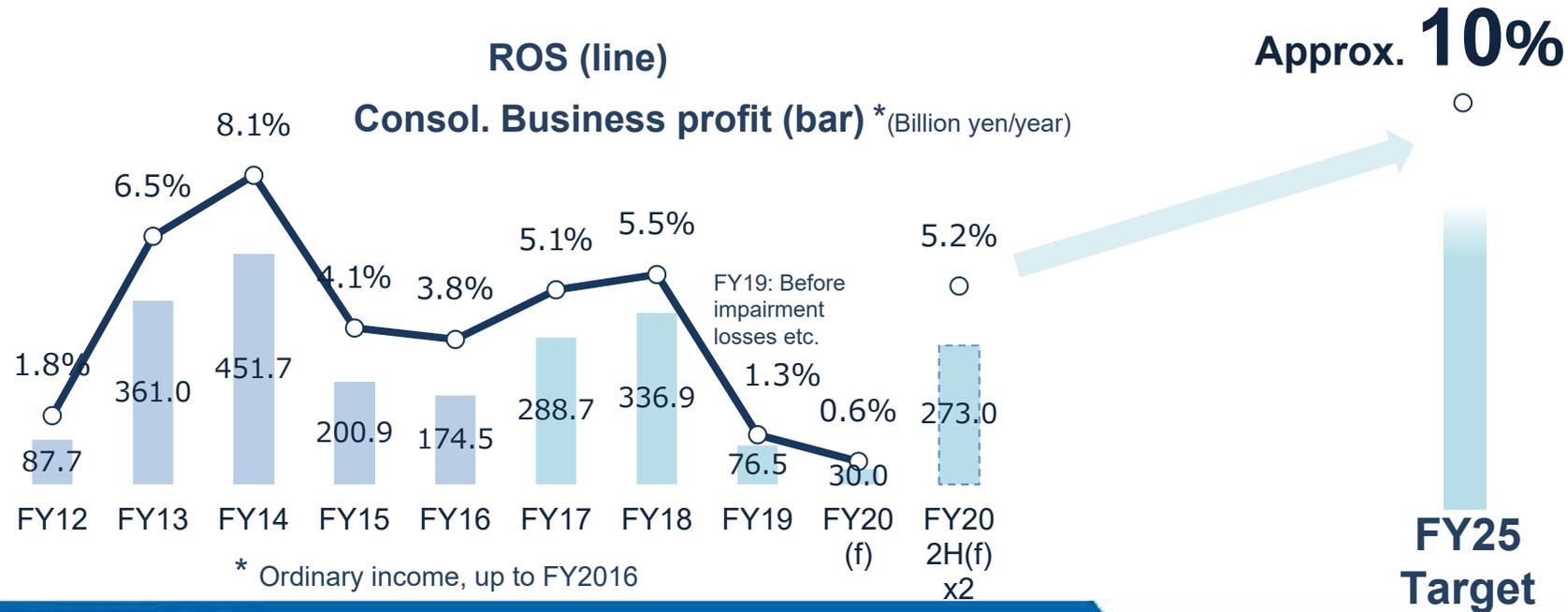
Approx. **30%**



Profit improvement plan

Development of specific action plan for realizing ROS 10%

- Re-establish cost competitiveness that would overwhelm competitors (Effects of structural measures; base cost improvement)
- Improve order mix
- Secure adequate margin
- Strengthen profitability of each group company in steel business and integrated profitability in our group
- Grow earnings of overseas business by profiting from the size and growth of Asian markets
- Increase revenue in the non-steel segments



What we aim to achieve

A company that conducts business in harmony with the environment



A company that provides superior products and services and contributes to the realization of a sustainable and prosperous society through the creation of customer value

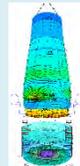
A company where diverse employees can perform well, with pride and fulfillment



A company that supports the competitiveness of Japanese industries



A company that pursues the most advanced steel business and leads the world's steel industry



A company that contributes to global growth through advanced technological and product capabilities

The best steelmaker in terms of market capitalization



NIPPON STEEL

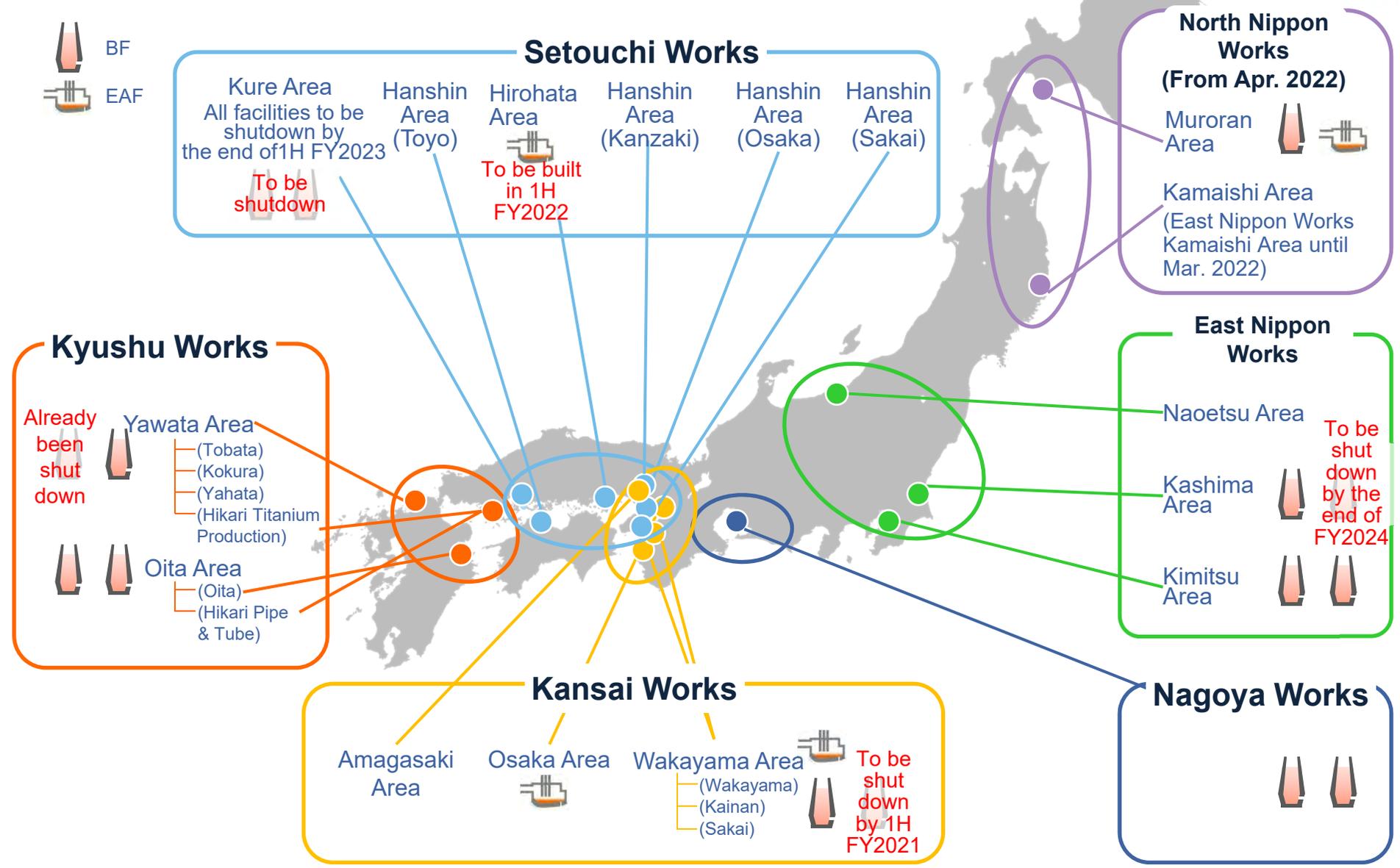
Becoming the best steelmaker with world-leading capabilities



Appendix



Domestic steelworks



Domestic steelworks: Upstream facilities and products⁴³



- ◆: All of the related lines is to be or already been shutdown
- ◇: Some of the related lines is to be or already been shutdown

		Upstream facilities (units)				Products																	
		BF	BOF	EAF	Continuous caster	Hot strip mill	Cold strip mill	GA	Tinplate	Electrical	Bar	Wire	Seamless	UO	ERW	Plates	Shape	Rail	Spiral	Machinery	Titanium	Special stainless	
North Nippon Works (from Apr. 2022)		1	2	1	1						○	○											
Muroran Area (Muroran Works until Mar. 2022)		1	2	1	1						○	○											
Kamaishi Area (East Nippon Works until Mar. 2022)											○	○											
East Nippon Works		4⇒3	10⇒7		9⇒6	○	○	◇			○	◆	◆	○	◇	◆		○			○	◇	
Kimitsu Area		2	5		5⇒4	○	○	◇			○	◆	◆	○	○	◆		○					
Kashima Area		2⇒1	5⇒2		4⇒2	○	○	○				◆	◆	○	◆	◆							
Naoetsu Area																					○	◇	
Nagoya Works		2	6		3	○	○	○	○					○	◆								
Kansai Works		2⇒1	3	2	6⇒5		◆					◇				○				○	◆		
Wakayama Area (Wakayama, Kainan, Sakai)		2⇒1	3	1	6⇒5		◆					◇				○							
Osaka Area				1																○	◆		
Amagasaki Area												○											
Setouchi Works		2⇒0	6⇒0	0⇒1	4⇒2	◇	◇	◇	◆	○													
Hirohata Area			3⇒0	0⇒1	2	○	○	○	◆	○													
Kure Area -> all shutdown		2⇒0	3⇒0		2⇒0	◆																	
Hanshin Area (Osaka) -> all shutdown							◆																
Hanshin Area (Kanzaki)								○															
Hanshin Area (Sakai)								○	◇														
Hanshin Area (Toyo)								○	○														
Kyushu Works		4⇒3	11⇒7		9⇒7	○	○	○	○	○	○	○	○	○	○	○	○	○	○			◇	
Yawata Area (Tobata, Kokura, Yahata, Hikari Titanium Production)		2⇒1	8⇒4		6⇒4	○	○	○	○	○	○					○	○	○			○		
Oita Area (Oita)		2	3		3	○									○	○							
Oita Area (Hikari Pipe & Tube)												○		○								◇	
Nippon Steel Stainless Steel Corp.				4⇒3	4		◇				○	○			○								
Kashima Works							○	○			○	○											
Yamaguchi Works				4⇒3	4		◇				○	○											
Kinuura Works -> all shutdown							◆																
Yawata Works															○								



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