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

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**

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

**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
Rebuilding our domestic steel business: Basic policies

- 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”.

Selective concentration on certain products and facilities

Concentrated production

Build an optimal production framework

Higher-level order mix
Aggressive investment in strategic products

Renewal and improvement of facilities
Efforts to make technological strength lead to profit generation
Realization of an optimal production framework

**Concentrated production**

- 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 products**

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

**Selective concentration on certain facilities**

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

**Optimization of capacity level and fixed cost level**

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

**Measures to improve the capacity and quality of electrical steel sheets**

- Building of a new hot-dip galvanizing line
- Building of a next-generation hot strip mill

**Higher-level order mix**

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

**Renewal and improvement of facilities**

- Refurbishment of BF s
- Refurbishment of coke ovens
Production facility structural measures (downstream lines)

Steel plate business

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)**

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

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Construction product business

Improve utilization rate and productivity to strengthen the business

Shut down the large shape mills in East Nippon Works Kimitsu Area and Kashima Area, products of which are mainly normal size → Transfer their production to the mills at the Kansai Works Wakayama Area (Sakai) and the Kyushu Works Yawata Area, in which differentiated shape products are manufactured.

Also shut down the continuous casting machine, which manufactures large-shaped slabs, at the East Nippon Works Kimitsu Area

Large shape lines: currently 4 lines → 2 lines

- **Kyushu Works Yawata Area**
  - Spiral pipe
  - Large shape
  - Rails
  - Sheet piles

- **Kansai Works Wakayama Area (Sakai)**
  - Large shape
  - <Senior to mega size> NS Hyper Beam™
  - Mega NS hyper Beam™
  - Hat-type sheet piles

- **East Nippon Works Kashima Area**
  - Welded lightweight H-beams
  - SmartBEAM™
  - Shutdown by around the end of FY2024 (announced this time)

- **East Nippon Works Kimitsu Area**
  - Spiral pipe
  - Large shape
  - <Junior size> Standard H-beams
  - Standard sheet piles
  - Shutdown by around the end of FY2021 (announced this time)
### Production facility structural measures (downstream lines)

#### 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:**

- **Current:** 3 lines → 2 lines

<table>
<thead>
<tr>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kansai Works Wakayama Area (Wakayama)</td>
<td>Bamboo</td>
</tr>
<tr>
<td>Kansai Works Wakayama Area (Kainan)</td>
<td>Small diameter East</td>
</tr>
<tr>
<td>Kansai Works Wakayama Area (Kainan)</td>
<td>Small diameter West</td>
</tr>
<tr>
<td>Brazil VSB</td>
<td>To be sold by around the end of FY2025 (announced this time)</td>
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</tbody>
</table>

#### 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**

<table>
<thead>
<tr>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Nippon Works Kashima Area</td>
<td>Bamboo</td>
</tr>
<tr>
<td>East Nippon Works Kimitsu Area</td>
<td>Shutdown by around the end of FY2021 (Announced this time)</td>
</tr>
</tbody>
</table>

- **East Nippon Works Kashima Area:** Already shutdown in Oct. 2019
Steel sheet business

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.
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
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.

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

- No. 3 blast furnace
- No. 1 steelmaking plant
- No. 2 casting line
- Large shape mill
- Steel plate mill
- No. 3 sintering machine
- No. 2 casting line
- No. 3 steelmaking plant
- No. 1 casting line
- No. 2 steelmaking plant
- No. 1 sintering machine
- No. 2 coke oven
- No. 1-A, B, C, D coke oven
- No. 1-E, F coke oven
- No. 2-E coke oven
- No. 1-A casting line
- No. 2-A, B, C, D coke oven
- No. 3 sintering machine

Shutdown by around the end of FY2024

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**
  - Muroran Area
  - Kamaishi Area

- **East Nippon Works**
  - Kimitsu Area
  - Kashima Area
  - Kamaishi Area
  - Naoetsu Area

- **North Nippon Works**
  - Kamaishi Area

- **East Nippon Works**
  - Kamaishi Works
  - Nagoi Works

Nippon Steel’s bar & wire rod business bases
Production facility structural measures

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

- **Reduction**
  - 10 MT/Y
  - Approx. -20%

- **Cost reduction**
  - ¥150 bil/Y

- **Improvement of labor productivity**
  - 20% or more

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

**Total number of domestic BFs**
- 15 ⇒ 10 units

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

**Annual crude steel production capacity**

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

**Cost reduction**

- Total effect by measures already announced and measures announced this time combined
- Non consol. + Nippon Steel Stainless Steel
- Listed above + Announced this time; Nippon Steel Stainless Steel Shunan EAF

- Annual crude steel production capacity

- BF
### Outline of production facility structural measures (1/2)

<table>
<thead>
<tr>
<th>Announcement</th>
<th>Steelworks</th>
<th>Facilities for shutdown</th>
<th>Approximate time of shutdown (●: completed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>East Nippon Works Kashima Area</td>
<td>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)</td>
<td>The end of FY2024</td>
</tr>
<tr>
<td>New</td>
<td>East Nippon Works Kimitsu Area</td>
<td>No.1 continuous casting machine</td>
<td>The end of FY2021</td>
</tr>
<tr>
<td>Feb. 2020 → Moved up this time</td>
<td>Kansai Works Wakayama Area</td>
<td>Currently-suspended facilities in one series of upstream facilities (No.1 BF, No.5 coke oven, No.5-1 sintering machine)</td>
<td>FY2022 1H → Moved up to the end of FY2021 1H</td>
</tr>
<tr>
<td>Feb. 2020</td>
<td>Kansai Works Wakayama Area</td>
<td>Running facilities in one series of upstream facilities (No.4 coke oven, part of No.3 continuous casting machine)</td>
<td>FY2022 1H</td>
</tr>
<tr>
<td>Feb. 2020</td>
<td>Setouchi Works Kure Area</td>
<td>All upstream facilities (including BF, sintering, steelmaking)</td>
<td>The end of 1H FY2021</td>
</tr>
<tr>
<td>Feb. 2020</td>
<td>Setouchi Works Hirohata Area</td>
<td>Melting furnace (→ New EAF)</td>
<td>FY2023 1H</td>
</tr>
<tr>
<td>Mar. 2015</td>
<td>Kyushu Works Yawata Area (Kokura)</td>
<td>Upstream facilities (BF, sintering, steelmaking)</td>
<td>●-Sep. 2020</td>
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<tr>
<td>New</td>
<td>East Nippon Works Kashima Area</td>
<td>Steel plate mill</td>
<td>FY2024 2H</td>
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<tr>
<td>Feb. 2020</td>
<td>Nagoya Works</td>
<td>Steel plate mill</td>
<td>The end of FY2021</td>
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<tr>
<td>New</td>
<td>East Nippon Works Kimitsu Area</td>
<td>Shape mill, No.1 continuous casting machine</td>
<td>The end of FY2021</td>
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<tr>
<td>New</td>
<td>East Nippon Works Kashima Area</td>
<td>Large shape mill</td>
<td>The end of FY2024</td>
</tr>
<tr>
<td>New</td>
<td>Kansai Works Wakayama Area (Kainan)</td>
<td>Small-diameter seamless pipe mill (West)</td>
<td>The end of FY2025</td>
</tr>
<tr>
<td>New</td>
<td>East Nippon Works Kimitsu Area</td>
<td>UO pipe line</td>
<td>The end of FY2021</td>
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<tr>
<td>May 2019</td>
<td>East Nippon Works Kashima Area</td>
<td>UO pipe line</td>
<td>●Oct. 2019</td>
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<td>Mar. 2018</td>
<td>East Nippon Works Kimitsu Area (Tokyo)</td>
<td>Small-diameter seamless pipe mill</td>
<td>●May 2020</td>
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## Outline of production facility structural measures (2/2)

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

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<tr>
<th></th>
<th>Already announced</th>
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<th>Total</th>
<th>Before → After</th>
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<td>BFs</td>
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<td>15 → 10</td>
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<td>Continuous casters</td>
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<td>-3</td>
<td>-8</td>
<td>32 → 24</td>
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<td>Steel plate lines</td>
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<td>4 → 2</td>
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<tr>
<td>Large shape lines</td>
<td></td>
<td>-2</td>
<td>-2</td>
<td>4 → 2</td>
</tr>
<tr>
<td>Seamless pipe lines</td>
<td></td>
<td>-1</td>
<td>-1</td>
<td>3 → 2</td>
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<tr>
<td>UO pipe lines</td>
<td>-1</td>
<td>-1</td>
<td>-2</td>
<td>2 → 0</td>
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<td>Hot strip lines</td>
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<td>7 → 6</td>
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<td>Cold rolling lines</td>
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<td>-2</td>
<td>17 → 15</td>
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<td>Galvanizing lines</td>
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<td>-3</td>
<td>19 → 16</td>
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<td>Special stainless steel rolling lines</td>
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<td>-2</td>
<td>4 → 2</td>
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<td>1 → 0</td>
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<td>Titanium welded pipe line</td>
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<td>1 → 0</td>
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<td>Nippon Steel Stainless Steel EAFs</td>
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<td>-1</td>
<td>-1</td>
<td>4 → 3</td>
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</table>
Renewal and improvement of facilities, and higher-level order mix – building a next generation hot strip mill

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

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

- 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

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)

Social needs for carbon neutrality

- Increase in demand for vehicle motor with higher performance* along with EV transition

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

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
(Billion tons per year)
(Pla by Nippon Steel)
2000 CY 0.76
2020 CY 1.68

Steel demand forecast of focused areas
(Million tons per year)

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>101</td>
<td>180</td>
</tr>
<tr>
<td>ASEAN</td>
<td>78</td>
<td>140</td>
</tr>
<tr>
<td>China</td>
<td>907</td>
<td>720</td>
</tr>
</tbody>
</table>

India ASEAN China
Up 80% Up 80%
The world's largest Market

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. 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
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

<table>
<thead>
<tr>
<th>Process</th>
<th>Domestic</th>
<th>Overseas</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream</td>
<td>54</td>
<td>16</td>
<td>70</td>
</tr>
<tr>
<td>Downstream</td>
<td>4</td>
<td>17</td>
<td>85</td>
</tr>
</tbody>
</table>

Promote AM/NS India’s capacity expansion

Consider acquisition and equity participation in integrated steel mills in China, ASEAN

* 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.

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

**Vision 2050**

**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.

**Carbon Neutral**

Aim to become carbon neutral

[Means]

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

**Total CO₂ emissions (MT/Y)**

(Vs. 2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2019</th>
<th>2030 Target</th>
<th>2050 Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>102</td>
<td>91</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

[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

Approx. 2 tons of CO₂ is generated for making 1 ton of steel

<Iron oxide reduction reaction>
Carbon is more reactive than iron with oxygen, so oxygen is removed from iron ore.
(Appendix) BF method steelmaking process

1) Iron oxide is removed of oxygen (reduced) and melted,
2) transported in liquid state,
3) removed of impurities,
4) solidified into semi-finished products with standardized sizes,
5) processed into steel products.
Carbon neutral steelmaking process

INPUT
- Scrap
- Iron ore
- Coking coal

PROCESS
- BF and BOF route
  - Super-COURSE50 BF
  - Increased use of scrap
  - BOF
  - Rolling mill

EAF route

OUTPUT
- Carbon neutral steelmaking process
- 100% hydrogen direct reduction process
- High-grade steel production in large size EAF
- CO₂

Iron making
- BF and BOF route
- Steel making

Ultra-innovative technologies
- 3 external conditions required for realizing zero-carbon steel
- Carbon free hydrogen
- Carbon free power
- Ultra-innovative technologies
- EAF route

OUTPUT
- CCUS *
  - Chemicals, biofixing, underground storage
  - * Carbon Capture, Utilization, and Storage

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Our roadmap of CO₂ emissions reduction measures

**CO₂ reduction target**
- 2020
- 2030: -30% (vs FY2013)
- 2050: Carbon neutral

**EAF route**
- Dev’t
  - Production of high-grade steel in large size EAFs
- Dev’t
  - 100% hydrogen direct reduction
- Dev’t
  - Actual demonstration test (Kimitsu)
  - COURSE50
    - Practical implementation
    - Actual demonstration test

**BF and BOF route**
- Dev’t
  - Lower CO₂ emission in existing processes
    - (advance in existing technology, expanded use of scraps and waste plastics, etc.)
- Dev’t
  - Lower carbon power
    - (higher-efficiency power generation facilities, use of low carbon fuel in coal-powered generation, etc.)
- Dev’t
  - Building of an efficient production system
    - (centralized production at an integrated steel mill, etc.)
    - (some transfers from BFs to EAFs, etc.)
- Dev’t
  - CCS (underground storage)/CCU (re-use)

**External conditions**
- BF hydrogen reduction
- Ultra innovative technology development
- Dev’t
  - CCS (underground storage)/CCU (re-use)

**Practical implementation**
### Technological challenges for ultra innovation and external conditions required

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

<table>
<thead>
<tr>
<th>Technological challenges</th>
<th>External condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap: Establishment of technology to eliminate harmful elements from hazardous materials, and use of direct-reduced iron at the same time</td>
<td></td>
</tr>
<tr>
<td>EAF: Increase of <em>productivity</em>, size and efficiency of EAF</td>
<td></td>
</tr>
<tr>
<td>Realization of <em>carbon free power</em> at a competitive cost</td>
<td></td>
</tr>
</tbody>
</table>

#### CO$_2$ emission reduction by hydrogen reduction in BF (COURSE50, Super-COURSE50)

<table>
<thead>
<tr>
<th>Technological challenges</th>
<th>External condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology for <em>hydrogen heating and blowing</em> for endothermic reactions during hydrogen reduction</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td></td>
</tr>
<tr>
<td>Countermeasures to offset the remaining CO$_2$ emission (CCUS)</td>
<td></td>
</tr>
<tr>
<td>Realization of CCU (CO$_2$ reuse technology), CCS (CO$_2$ underground storage technology)</td>
<td></td>
</tr>
<tr>
<td>Large-scale supply of <em>carbon free hydrogen</em></td>
<td></td>
</tr>
</tbody>
</table>

#### 100% hydrogen direct reduction process

<table>
<thead>
<tr>
<th>Technological challenge</th>
<th>External condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of <em>hydrogen direct reduction method</em></td>
<td></td>
</tr>
<tr>
<td>Large-scale supply of <em>carbon free hydrogen</em></td>
<td></td>
</tr>
</tbody>
</table>
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.
4) Promoting DX strategies
Promoting DX strategies

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 share and use our massive data

The power to operate
- 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
  - 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

- Data driven
  - Building new data-driven business and production processes
  - Data platformization
  - Visibility of KPIs

- Empowerment
  - Higher value added to human output
  - AI for predictive diagnostics and optimization
  - AI decision making

- Accelerating decision-making
- Strengthening problem-solving capabilities

Investment (FY2021-2025) ¥100 billion or more

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**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)

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>FY2021-25 plan</th>
<th>¥2,400bil /5 years*</th>
</tr>
</thead>
</table>

**CAPEX**
- 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)

<table>
<thead>
<tr>
<th>Business investment</th>
<th>¥600bil /5 years</th>
</tr>
</thead>
</table>

**Business investment**
- 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.

<table>
<thead>
<tr>
<th>Dividend pay-out ratio</th>
<th>Approx. 30%</th>
</tr>
</thead>
</table>

**Dividend pay-out ratio**
- 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.
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
- Increase revenue in the non-steel segments
- Grow earnings of overseas business by profiting from the size and growth of Asian markets

ROS (line)

Consol. Business profit (bar) *(Billion yen/year)

Approx. 10%

**Target**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROS</th>
<th>Consol. Business Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>1.8%</td>
<td>87.7</td>
</tr>
<tr>
<td>FY13</td>
<td>6.5%</td>
<td>361.0</td>
</tr>
<tr>
<td>FY14</td>
<td>8.1%</td>
<td>451.7</td>
</tr>
<tr>
<td>FY15</td>
<td>4.1%</td>
<td>200.9</td>
</tr>
<tr>
<td>FY16</td>
<td>3.8%</td>
<td>174.5</td>
</tr>
<tr>
<td>FY17</td>
<td>5.1%</td>
<td>288.7</td>
</tr>
<tr>
<td>FY18</td>
<td>5.5%</td>
<td>336.9</td>
</tr>
<tr>
<td>FY19</td>
<td>1.3%</td>
<td>76.5</td>
</tr>
<tr>
<td>FY20</td>
<td>0.6%</td>
<td>30.0</td>
</tr>
<tr>
<td>FY20 (f)</td>
<td></td>
<td>273.0</td>
</tr>
</tbody>
</table>

*Ordinary income, up to FY2016

FY19: Before impairment losses etc.
What we aim to achieve

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 that conducts business in harmony with the environment

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

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

A company that supports the competitiveness of Japanese industries

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
Domestic steelworks

- **Kure Area**
  - To be shutdown
  - All facilities to be shut down by the end of 1H FY2023

- **Hirohata Area**
  - To be built in 1H FY2022

- **Hanshin Area (Toyo)**

- **Hanshin Area (Kanzaki)**

- **Hanshin Area (Osaka)**

- **Hanshin Area (Sakai)**

- **Setouchi Works**

- **Kyushu Works**
  - **Yawata Area**
    - (Tobata)
    - (Kokura)
    - (Yahata)
    - (Hikari Titanium Production)
  - **Oita Area**
    - (Oita)
    - (Hikari Pipe & Tube)
  - **Already been shut down**

- **Kyushu Works**
  - **Nagoya Works**
    - **Amagasaki Area**
    - **Osaka Area**
    - **Wakayama Area**
      - (Wakayama)
      - (Kainan)
      - (Sakai)
    - **To be shut down by 1H FY2021**

- **East Nippon Works**
  - **Naoetsu Area**
  - **Kashima Area**
  - **Kimitsu Area**
  - **North Nippon Works (From Apr. 2022)**
    - **Muroran Area**
    - **Kamaishi Area**
      - (East Nippon Works Kamaishi Area until Mar. 2022)
    - **Hanshin Area**
      - (Toyo)
      - (Osaka)
  - **To be shut down by the end of FY2024**

- **To be built in 1H FY2022**
  - **Hanshin Area**
    - (Toyo)
  - **To be shut down**

- **North Nippon Works (From Apr. 2022)**
  - **Muroran Area**
  - **Kamaishi Area**
    - (East Nippon Works Kamaishi Area until Mar. 2022)
  - **Hanshin Area**
    - (Toyo)
    - (Osaka)

- **To be shut down by the end of FY2024**

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## Domestic steelworks: Upstream facilities and products

<table>
<thead>
<tr>
<th>Upstream facilities (units)</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>BF</td>
<td>BOF</td>
</tr>
<tr>
<td>EAF</td>
<td>Continuous caster</td>
</tr>
<tr>
<td>Hot strip mill</td>
<td>Cold strip mill</td>
</tr>
<tr>
<td>GA</td>
<td>Tinplate</td>
</tr>
<tr>
<td>Electrical Bar</td>
<td>Wire</td>
</tr>
<tr>
<td>Seamless Pipes</td>
<td>UO</td>
</tr>
<tr>
<td>Seamless ERW</td>
<td>ERW</td>
</tr>
<tr>
<td>Seamless Shapes</td>
<td>Rail</td>
</tr>
<tr>
<td>Machinery</td>
<td>Titanium</td>
</tr>
<tr>
<td>Special stainless</td>
<td></td>
</tr>
</tbody>
</table>
| Domestic steelworks: Upstream facilities and products

<table>
<thead>
<tr>
<th>North Nippon Works (from Apr. 2022)</th>
<th>Kamaishi Area (Before Mar. 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muroran Area (Muroran Works until Mar. 2022)</td>
<td>Kamaishi City</td>
</tr>
<tr>
<td>Muroran City</td>
<td>Kamaishi City</td>
</tr>
<tr>
<td>North Nippon Works (from Apr. 2022)</td>
<td>Kamaishi Area (Before Mar. 2022)</td>
</tr>
<tr>
<td>Muroran Area (Muroran Works until Mar. 2022)</td>
<td>Kamaishi City</td>
</tr>
<tr>
<td>Muroran City</td>
<td>Kamaishi City</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>East Nippon Works</th>
<th>Nagoya Works</th>
<th>Kansai Works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kimititsu Area</td>
<td>Tokai City</td>
<td>2⇒1 3 6 2 6⇒5</td>
</tr>
<tr>
<td>Kashima Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naoetsu Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kimititsu City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kashima City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joetsu City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagoya Works</td>
<td></td>
<td>2⇒1 3 6 2 6⇒5</td>
</tr>
<tr>
<td>Tokai City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kansai Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Osaka Area</td>
<td></td>
<td></td>
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<tr>
<td>Amagasaki Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Osaka City</td>
<td></td>
<td></td>
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<tr>
<td>Amagasaki City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wakayama Area</td>
<td></td>
<td>2⇒1 3 1 6⇒5</td>
</tr>
<tr>
<td>(Wakayama, Kainan, Sakai)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oska Area</td>
<td></td>
<td></td>
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<tr>
<td>Amagasaki Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Osaka City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amagasaki City</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Setouchi Works</th>
<th>Kyushu Works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hirohata Area</td>
<td>4⇒3 11⇒7</td>
</tr>
<tr>
<td>Kure Area -&gt; all shutdown</td>
<td></td>
</tr>
<tr>
<td>Hanshin Area (Osaka) -&gt; all shutdown</td>
<td></td>
</tr>
<tr>
<td>Hanshin Area (Kanzaki)</td>
<td></td>
</tr>
<tr>
<td>Hanshin Area (Sakai)</td>
<td></td>
</tr>
<tr>
<td>Hanshin Area (Toyo)</td>
<td></td>
</tr>
<tr>
<td>Himeji City</td>
<td>2⇒0 3⇒0 0⇒1 2 2⇒0</td>
</tr>
<tr>
<td>Kure City</td>
<td></td>
</tr>
<tr>
<td>Osaka City</td>
<td></td>
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<tr>
<td>Amagasaki City</td>
<td></td>
</tr>
<tr>
<td>Sakai City</td>
<td></td>
</tr>
<tr>
<td>Saijo City</td>
<td></td>
</tr>
<tr>
<td>Setouchi Works</td>
<td>4⇒3 11⇒7</td>
</tr>
<tr>
<td>Kyushu Works</td>
<td>4⇒3 11⇒7</td>
</tr>
<tr>
<td>Yawata Area (Tobata, Kokura, Hikari Titanium Production)</td>
<td></td>
</tr>
<tr>
<td>Oita Area (Oita)</td>
<td></td>
</tr>
<tr>
<td>Oita Area (Hikari Pipe &amp; Tube)</td>
<td></td>
</tr>
<tr>
<td>Kitakysushu City, etc.</td>
<td></td>
</tr>
<tr>
<td>Oita City</td>
<td></td>
</tr>
<tr>
<td>Hikari City</td>
<td></td>
</tr>
<tr>
<td>Yawata Works</td>
<td></td>
</tr>
<tr>
<td>Kyushu Works</td>
<td>4⇒3 11⇒7</td>
</tr>
<tr>
<td>Nippon Steel Stainless Steel Corp.</td>
<td></td>
</tr>
<tr>
<td>Nippon Steel Stainless Steel Corp.</td>
<td></td>
</tr>
<tr>
<td>Kashima Works</td>
<td></td>
</tr>
<tr>
<td>Yamaguchi Works</td>
<td></td>
</tr>
<tr>
<td>Kinuura Works -&gt; all shutdown</td>
<td></td>
</tr>
<tr>
<td>Yawata Works</td>
<td></td>
</tr>
<tr>
<td>Nippon Steel Stainless Steel Corp.</td>
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<td>Kinuura Works</td>
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<td>Yawata Works</td>
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</tbody>
</table>

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

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