

To Our Shareholders

The 98th Term Interim Report

April 1, 2022 to September 30, 2022

NIPPON STEEL CORPORATION

Securities Code 5401

Message from the President

We would like to thank you for your continued understanding and support.

Nippon Steel has been making steady efforts to realize the four pillars laid out in its Medium- to Long-Term Management Plan (released in March 2021): 1) rebuild the domestic steel business and strengthen Group management, 2) promote a global strategy to deepen and expand overseas business, 3) take on the challenge of carbon neutral steel, and 4) promote digital transformation strategies.

To build an integrated group of Japanese mother mills and overseas local mills, which will have a global crude steel capacity of 100 million tons and generate consolidated business profit of ¥1 trillion, we are implementing structural measures for production facilities as well as acquiring overseas mills and making them our consolidated subsidiaries. At the same time, we announced the “Carbon Neutral Vision 2050” as a part of our Medium- to Long-Term Management Plan, in support of the Japanese government’s ambitious plan to realize a carbon-neutral society in 2050. We will provide high-performance steel products and



Representative Director and President,
Eiji Hashimoto

solutions, as well as carbon-neutral steel through the decarbonization of the steelmaking process ahead of other countries, to thereby support our customers’ international competitiveness. We will also strive to improve our corporate value by achieving corporate growth while doing what we can to preserve the environment.

► Overview of Business Operations and Performance for the First Half of Fiscal 2022 and Full-Year Outlook

In fiscal 2022, in addition to the continuing risk of slowing economic growth in China, supply constraints, mainly affecting semiconductor-related goods, and rising energy and resource prices on the back of greenflation, the prolonged crisis in Ukraine, while elsewhere the sharp depreciation of the yen, is deteriorating Japan’s trade balance. We are thus facing an ever-more harsh business environment. The year-on-year decline in global crude steel production that began in August 2021 has been continuing for over a year and has been at a fairly large scale—which is unprecedented. Nippon Steel’s domestic crude steel production (unconsolidated basis) is expected to be around 34 million tons, a level far below the post-integration peak of 48.23 million tons achieved in fiscal 2014.

Despite the extremely harsh business environment, we will continue to strengthen our total management capabilities and to implement the drastic measures to improve profit structure. We are also working on flexibly responding to changes in the

business environment and securing appropriate margins to maximize profit, and are improving profitability to be more robust than the competitors in East Asia.

Nippon Steel’s consolidated business profit amounted to ¥541.7 billion in the first half of fiscal 2022 and is expected to reach ¥870 billion (¥630 billion on an underlying basis) for the full year.

Regarding the dividend from retained earnings for the end of the first half (interim base), we have decided to pay a dividend of ¥90 per share, the record-high level for our interim dividend, based on consideration of interim performance figures and forecasts for full fiscal year performance, and with a view to maintaining a high-level return to shareholders hereafter. We plan to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, and announce it at the time of the third-quarter results announcement.

▶ Progress in the Medium- to Long-term Management Plan

While promptly and flexibly responding to the immediate short-term environmental changes, Nippon Steel is advancing measures to cope with potential risks and opportunities in line with the four pillars of the Medium- to Long-term Management Plan.

Status of execution and measures to take

Status of execution	Measures to take
Rebuilding domestic steel business and strengthening group management	
Concentrated production	
<ul style="list-style-type: none"> ■ Implemented nearly a half of the planned facility shut-downs for the production facility structural measures, including 4 blast furnaces (Kokura BF, Kure No. 1 and No. 2 BFs, Wakayama No. 1 BF) ■ Reduced annual costs by ¥55 billion cumulative by FY2021 of ¥150 billion planned in the structural measures ■ Significantly reduced the scale of fixed cost due to cost reduction efforts, including the structural measures 	<ul style="list-style-type: none"> ■ Shut down facilities including one BF (Kashima No. 3) in accordance with the roadmap for the structural measures, and consolidate production into competitive facilities ■ Steadily reduce the remaining ¥95 billion cost of the structural measures ■ Absorb the increase in amortization costs, and maintain a low level of fixed costs by cost reduction efforts, including the structural measures
Shift to a more sophisticated order mix, and renewal and improvement of facilities	
<ul style="list-style-type: none"> ■ Relined the No. 3 BF at the Nagoya Works (Jan.–June 2022) ■ Decided to invest in improving capacity and quality of electrical steel sheets, and further investment is being considered ■ Decided to invest in strengthening the supply system of ultra-high-tensile steel sheets (the construction of a next-generation hot strip mill in Nagoya) 	<ul style="list-style-type: none"> ■ Steadily execute construction and start of capital investment plans to improve strategic product capability and quality, increase the ratio of high-value-added products, and increase marginal profit unit price ■ Develop and provide high-value-added products and solutions that meet customer needs
Improvement in direct contract-based pricing for customers	
<ul style="list-style-type: none"> ■ Improved direct contract pricing ■ Revised the business practice of direct contracts 	<ul style="list-style-type: none"> ■ Promptly reflect the short-term rapid fluctuation of raw material market prices in the sales prices ■ Reflect the value of our products and solutions to the sales price
Promoting a global strategy to deepen and expand overseas business	
<ul style="list-style-type: none"> ■ Acquired G/GJ Steel ■ Decided to expand the new steel sheet facilities at AM/NS India's Hazira steel mill in the west and secured renewable energy power ■ Decided to construct and expand capacity of upstream and hot-rolling facilities at the Hazira steel mill in the west, and to acquire major infrastructure companies and assets, etc. 	<ul style="list-style-type: none"> ■ Expand capacity of AM/NS India (expand capacity of the Hazira steel mill in the west and construction of a new steel mill in the east) ■ Explore further opportunities for establishing a 100 million-ton global crude steel capacity
Taking up the challenge of carbon neutral steel	
<ul style="list-style-type: none"> ■ Established the Green Transformation Promotion Division ■ Adopted the assistance by the Green Innovation Fund for the steel industry ■ Decided to install a small electric arc furnace and a direct reduction facility at the Hasaki R&D Center ■ Decided to invest in increasing capacity and quality of Eco-Products to reduce CO₂ emissions in society (Electrical steel sheets and ultra-high-tensile steel sheets) 	<ul style="list-style-type: none"> ■ Start supply of carbon neutral steel (from FY2023) ■ Develop breakthrough technologies to reduce CO₂ emissions by 30% in 2030 and achieve carbon neutrality by 2050 ■ Promote measures to increase capacity and quality measures of Eco-Products to contribute to the CO₂ emissions reduction in society
Promoting digital transformation (DX) strategies	
<ul style="list-style-type: none"> ■ Started prototype application of the integrated production planning simulator ■ Advanced utilization of operational and facility data with wireless IoT sensors (NS-IoT) ■ Started operation of the unified data platform (NS-Lib) ■ Started DX training on two axes: Data science and digital management 	<ul style="list-style-type: none"> ■ Develop smarter manufacturing by advanced use of ICT such as AI and IoT; support production by automation and predictive detection ■ Create new data-based business operations using digital technology ■ Faster sharing of short cycle management, management information, and KPIs

We again offer our deepest apologies for the wastewater incident that occurred in the Kimitsu Area of the East Nippon Works, as it betrayed the trust of our shareholders, the local community, the government and other stakeholders. We take this situation very seriously, and we are making corporate-wide efforts to implement thorough measures to prevent recurrence.

I would like to thank you for your continued understanding and support for Nippon Steel Corporation.

Introduction to Nippon Steel's Integrated Report and Sustainability Report

The Integrated Report 2022 covers themes such as the Company's value creation process and strategies for potential risks and opportunities, while the Sustainability Report 2022 covers the Company's initiatives on sustainability issues, which form a basis for sustainable growth. See the reports from our website: <https://www.nipponsteel.com/en>.

Financial Results for the First Half of Fiscal 2022 and Earnings Outlook for Fiscal 2022

Concerning the current steel demand, China is unlikely to recover, the United States prioritizes controlling inflation, Europe suffers from dampened purchasing power due to inflation, emerging countries' economies are deteriorating due to depreciation of their currencies, and the ASEAN steel market is declining. As evidenced by them, global demand for steel demand is slowing sharply. In Japan, while actual demand in sectors such as construction has been firm, the recovery in automobile production has been delayed due to semiconductor supply constraints. The economy is under strong downward pressure due to the surge in energy and resource prices and the further depreciation of the yen. In this environment, Nippon Steel recorded consolidated business profit of ¥541.7 billion for the first half of fiscal 2022. Consolidated business profit for the full year is expected to be ¥870 billion (¥630 billion on an underlying basis).

Consolidated earnings results and forecasts

(¥ billion)

	1H	2H (f)	FY2022 (f)	FY2021	Vs. FY2021
Revenue	3,874.4	4,125.6	8,000.0	6,808.8	+1,191.2
Business profit	541.7	328.3	870.0	938.1	-68.1
Underlying profit (ex. inventory valuation etc.)	300.0	330.0	630.0	690.0	-60.0
Profit attributable to owners of the parent	372.3	297.7	670.0	637.3	+32.7

Underlying consolidated business profit: Breakdown of difference in FY2022 forecasts vs. FY2021 results

(¥billion)

Difference in profit on an underlying basis	
	-60
1) Domestic steel business	-105
Production and shipment volume (ex. impact of blast furnace relining)	-125
Steel prices and product mix, raw material prices (incl. forex impact)	-30
Cost reduction	+50
Others	±0
2) Overseas steel business	-35
3) Raw material interests	+21
4) Other group companies	+51
5) Three non-steel segments	+8

Composition of consolidated business profit on an underlying basis

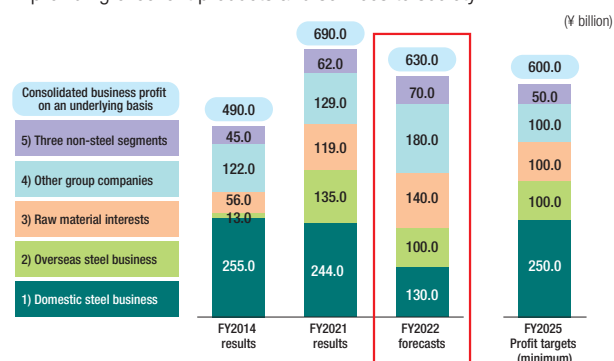
In fiscal 2022, Nippon Steel's unconsolidated crude steel production is decreasing by approximately 30% (down 14 million tons from fiscal 2014) due to the deteriorated business environment caused by a decline in steel demand and the depreciation of the yen. Nevertheless, we are expecting to record ¥630 billion in underlying consolidated business profit, which will be much higher than profit in fiscal 2014—the previous highest from the time of the business integration in 2012 up to fiscal 2020. While profit of the domestic steel business will be only a half of the profit in fiscal 2014, other business segments are offsetting the shortfall.

We will undertake the following initiatives and establish a profitable business structure to generate ¥600 billion or more in underlying consolidated business profit by securing a certain level of profit in the domestic steel business, regardless of the business environment, and by earning a steady profit from the overseas steel business, raw material interests, other group companies, and three non-steel segments.

- 1) Domestic Steel Business** is drastically improving its breakeven point by implementation of production facility structural measures, improvement in direct contract prices, sophistication of the order mix, and other factors, and thereby achieving robust profitability regardless of shipment volume.
- 2) Overseas Steel Business** is improving profitability through selection and concentration of businesses leading to expansion of

integrated production capacity in major markets, and withdrawal from unprofitable businesses.

- 3) Raw Material Interests:** Our investment in competitive mines has played an important role in hedging against fluctuation in raw material prices and in securing stable raw material procurement.
- 4) Other Group Companies** are reinforcing the business by restructuring companies and facilities, and are generating stable profit.
- 5) Three Non-steel Segments** support and generate synergy with the steel business and aim to achieve top-class profitability in their respective business by leveraging technology strengths and providing excellent products and services to society.



Basic Dividend Policy and Distribution of Dividend at End of First Half of Fiscal 2022

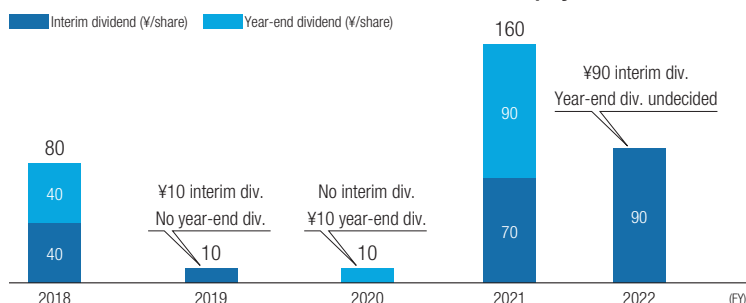
Nippon Steel's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year, with due consideration of such factors as capital requirements for investment and other activities aimed at raising corporate value, performance forecasts, and the financial structure on both consolidated and non-consolidated bases. We have adopted a consolidated annual payout ratio target of around 30% as the benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results."

The level of the first-half dividend is determined based on consideration of interim performance figures and forecasts for the full fiscal year performance.

Regarding the dividend from retained earnings for the end of the second quarter (interim base), we have decided to pay a dividend of ¥90 per share, in accordance with the basic dividend policy described above. This is the record-high level for our interim dividend.

We plan to determine the forecast for the year-end dividend distribution amount, with due consideration of forecasts for the full fiscal year performance, and announce it at the time of the third-quarter results announcement.

Per-share dividend and consolidated dividend payout ratio



Notes regarding forecasts

The descriptions of future performance and such stated in this document include predictions made based on assumptions, forecasts and plans regarding the future as of the results announcement on November 1, 2022. Actual performance may differ significantly from the descriptions due to various factors.

Deepening and expansion of overseas business

Nippon Steel's strategy in the overseas steel business is to expand our integrated production framework in the centers of demand, and ensure that local demand is captured in "markets where we see assurance of demand growth potential" and "areas where our technology and product capacity can be used."

By implementing these strategies, our plan is to achieve 100 million tons of global crude steel capacity per annum for the Nippon Steel Group by combining the efforts of our mother mills in Japan and local mills located overseas.

Global steel demand and our vision

Global steel demand is expected to continue to grow at a moderate pace toward 2025, furthermore, 2030. We have developed our business mainly in Asia (especially China, the ASEAN countries and India), whose market size and growth rate are relatively large globally, and we are well positioned to profit from the scale and growth of this market.

In order to further improve our profitability in this environment, we will maintain our traditional business of exporting steel products, mainly high-grade steel, and supplying by overseas companies in charge of producing predominantly cold-rolled and plating products, and will move toward a full-scale overseas business that enables local demand to be captured in its entirety and provides added value to our products.

Our basic strategy is to make equity participation (brownfield investment) in integrated steel mills in order to maintain a supply/demand balance in the market where excess capacity in crude steel production demands attention, and to avoid the risks associated with a new launch. We acquired Essar Steel (now AM/NS India) in India in December 2019 and G steel and GJ steel in Thailand in March 2022. Our present overseas crude steel production capacity is 19 million tons per year, and the total global crude steel production capacity, including the domestic capacity, is 66 million tons.

Going forward, we will expand the capacity of AM/NS India, construct an electric arc furnace at AM/NS Calvert in the United States, and consider further acquisitions and capital participation in integrated steelworks. Our vision is to expand our overseas crude steel production capacity to exceed 50 million tons, with the ultimate aim of achieving a global crude steel production capacity of 100 million tons for the entire Group.

Expand integrated production systems in major overseas markets in demand locations



Strengthen the foundation of the steelmaking business in AM/NS India

The steel market in India is expected to grow steadily, while the domestic production of steel, including upstream processes, is progressing. The Government of India has firmly maintained its support policy for demand generation, including policies for infrastructure development and the promotion of manufacturing industries, and has also set an aggressive target for expansion of India's steel production capacity.

ArcelorMittal Nippon Steel India Limited (AM/NS India), a joint venture of Nippon Steel and ArcelorMittal, has decided to implement the following measures to strengthen its steelmaking business base.

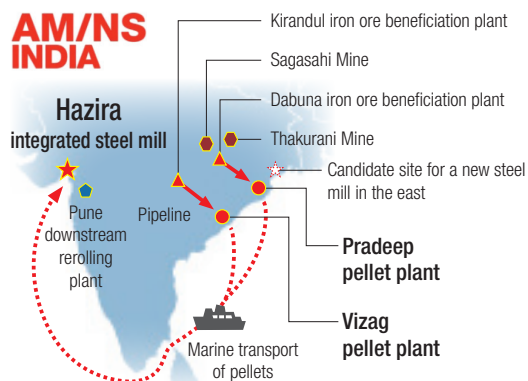
(1) New construction and capacity expansion of upstream and hot-rolling facilities at the Hazira steel mill

- Capital investment: INR 410 billion* (approx. 730 billion yen)
- Approximate crude steel production capacity: 6 million tons/year (from 9 to 15 million tons/year)
- Securing a market presence in response to the growing demand for steel in India

(2) Acquisition of port, electric power and other infrastructure companies, assets, etc.

- Acquisition amount: US\$2.4 billion* (approx. 340 billion yen)
- Acquired of the port and electric power facility of the Hazira steel mill and the pellet plants in Vizag and Paradip
- Stabilize and strengthen production and supply chains
- In addition, secure a system that meets infrastructure requirements after the capacity expansion (1)

* Covered by AM/NS India's equity and loans (loan guarantee by Nippon Steel and ArcelorMittal as necessary)



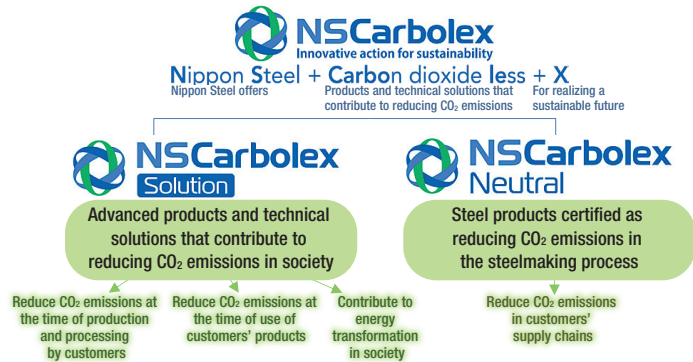


Steelmaking and Steel Fabrication

Nippon Steel is taking up the challenge to realize a carbon-neutral society by 2050 and aiming to reduce CO₂ emissions in the supply chain by providing two values: “high-performance products and solution technologies that contribute to the reduction of CO₂ emissions in society” and “steel products that are certified as having reduced CO₂ emissions in the steelmaking process.”

We have launched the NSCarbolex™ brand and a dedicated website to clearly communicate our commitment and effectiveness to deliver these two values. Going forward, we will contribute to our customers’ decarbonization efforts and improvement of competitiveness, and to the realization of a carbon-neutral society by disseminating information through

this website, by further expanding our product menu, and by establishing a stable supply system.



NSCarbolex™ brand architecture and logos of each brand



Engineering and Construction

In order to realize a carbon-neutral society, Nippon Steel Engineering Co., Ltd. is focusing on the field of offshore wind power generation, which is considered to be a power generation method suited to Japan that has long coastlines. Anticipating future projects, the company aims to provide comprehensive services including the design and construction of offshore wind power generation facilities as well as their operation and maintenance, thereby contributing to the greater production of renewable energy.



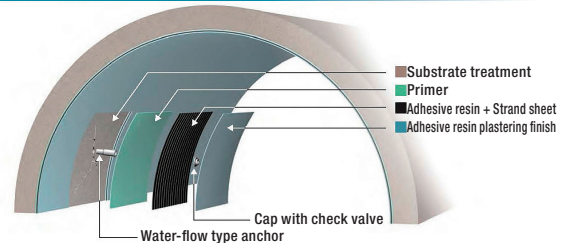
Steel pipe piles for fixing the foundation to the seabed



Chemicals and Materials

Nippon Steel Chemicals & Materials Co., Ltd. in collaboration with the National Agriculture and Food Research Organization and others, has developed a new method to reinforce aging agricultural waterway tunnels using strand sheets, that are made of carbon fiber reinforced plastics with lightweight and high tensile strength. This development is expected to extend the life of waterway tunnels located in mountainous areas, where large-scale countermeasure work is difficult.

Composition of the reinforced material

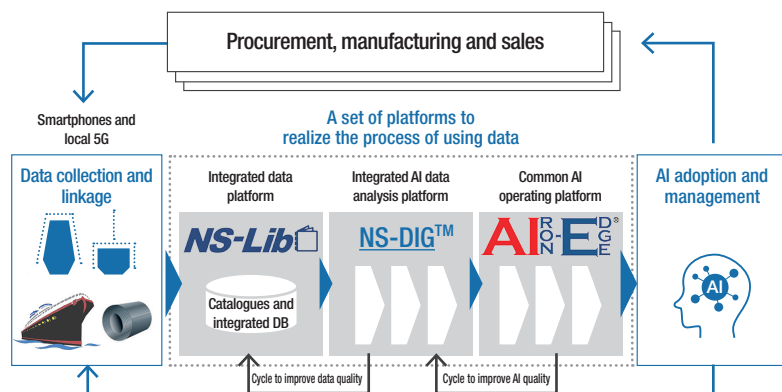


Reinforcement method for agricultural canal tunnels using strand sheets



System Solutions

As part of Nippon Steel DX, meaning our innovation of all business processes, NS Solutions Corporation has built a wireless Internet of Things (IoT) sensor-utilization platform NS-IoT and started actual operation for the purpose of early detection of abnormalities in steelworks facilities. An integrated data utilization platform NS-Lib has also been established to support the development of DX for the manufacturing industry by starting to provide integrated data management services used in this platform to other companies.



"Nippon Steel DX" platforms for advanced use of data

Corporate Profile

Company name	NIPPON STEEL CORPORATION
Head office	6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan
Paid-in capital	¥419.5 billion
Business	Steelmaking and steel fabrication / Engineering and construction / Chemicals and materials / System solutions
Number of employees (consolidated)	106,528 (as of March 31, 2022)
Stock listings	Tokyo, Nagoya, Fukuoka, Sapporo

Overview of Shares (as of September 30, 2022)

Total number of shares authorized to be issued... 2,000,000,000 shares

Total number of shares issued 950,321,402 shares

Number of shareholders 494,252

Principal shareholders (as of September 30, 2022)

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	142,574	15.0
Custody Bank of Japan, Ltd. (Trust Account)	52,436	5.5
Nippon Life Insurance Company	19,625	2.1
STATE STREET BANK WEST CLIENT - TREATY 505234	15,248	1.6
Meiji Yasuda Life Insurance Company	14,064	1.5
Mizuho Bank, Ltd.	12,199	1.3
Nippon Steel Group Employees Shareholding Association	11,758	1.2
Sumitomo Mitsui Banking Corporation	10,252	1.1
Sumitomo Corporation	10,149	1.1
MUFG Bank, Ltd.	9,558	1.0
Total	297,869	31.3

Percentage of ownership by shareholder composition (as of September 30, 2022)



Shareholder Benefits (as of September 30, 2022)

Summary of benefits	Applicable shareholders
Plant tours (by lottery)	Shareholders who own 1,000 or more shares as of the end of September and March
Business briefings (by lottery)	
Invitation to football games of Kashima Antlers (by lottery)	Shareholders who own 5,000 or more shares as of the end of September and March
Invitation to concerts at Kioi Hall (by lottery)	

Notice

(1) Benefits for shareholders as of September 30, 2022

We have decided not to conduct plant tours or invite shareholders to football games of Kashima Antlers and concerts at the Kioi Hall because factors including the COVID-19 pandemic make it difficult to do so.

(2) Revision of benefits from March 31, 2023

We have been holding business briefings twice per year (one in around July to September and one in around February to March), but we have decided to hold one briefing per year in around September in Osaka and one other city (either Nagoya, Fukuoka, or Sapporo) from shareholder benefits as of March 31, 2023. For shareholders who are unable to attend in person, videos and documents will be posted on the business briefing website. Furthermore, invitations to football games of Kashima Antlers will include only home games and not away games.

Shareholder Reference Information

Fiscal year	April 1 to March 31
General Meeting of Shareholders	Latter part of June
Record date for the General Meeting of Shareholders	March 31
Record date for dividends	March 31, September 30 and such other date as determined by the Board of Directors
Number of shares in a unit of shares of the Company	100 shares
Website for electronic public notices	https://www.nipponsteel.com/
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are posted on NIPPON STEEL's website under "Investors"
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan (Telephone enquiries) Toll free within Japan: 9 am-5 pm Telephone number designated for NIPPON STEEL's shareholders: 0120-785-401

NIPPON STEEL CORPORATION GROUP Corporate Philosophy

Our Values

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

Management Principles

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovate from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

NIPPON STEEL CORPORATION

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Make Our Earth Green