

Introduction

Contents

- 7 Nippon Steel Group's Values
- 8 History of Our Development
- 9 The Value Creation Process
- 10 Six Types of Capital
- 11 Financial Highlights
- 12 Non-Financial Highlights

Nippon Steel Group's Values

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.**

The Nippon Steel Group's Corporate Philosophy consists of "Our Values," which are our most precious values representing our raison d'être, and "Management Principles," which put down in writing the attitude and policy we emphasize in realizing Our Values.

Steel is one of the most familiar materials of which things are made and is indispensable for our daily life. Because of its diverse properties, such as strength and easiness to work with, steel has been chosen as the most superb material for creating social infrastructure. Steel is for here for all of us now and will be with us in the future.

We have been leading the world as a steelmaker for many decades, and have supported growth and development of society, by providing this indispensable basic material for all industries and infrastructure building.

Along with global population growth and associated economic growth, the world's crude steel production is expected to continue increasing. At the same time, significant long-term structural changes in society and industries are certain to increase demand for steel to provide more advanced performance. This includes advanced functions as material as well as considerations to the environment and society.

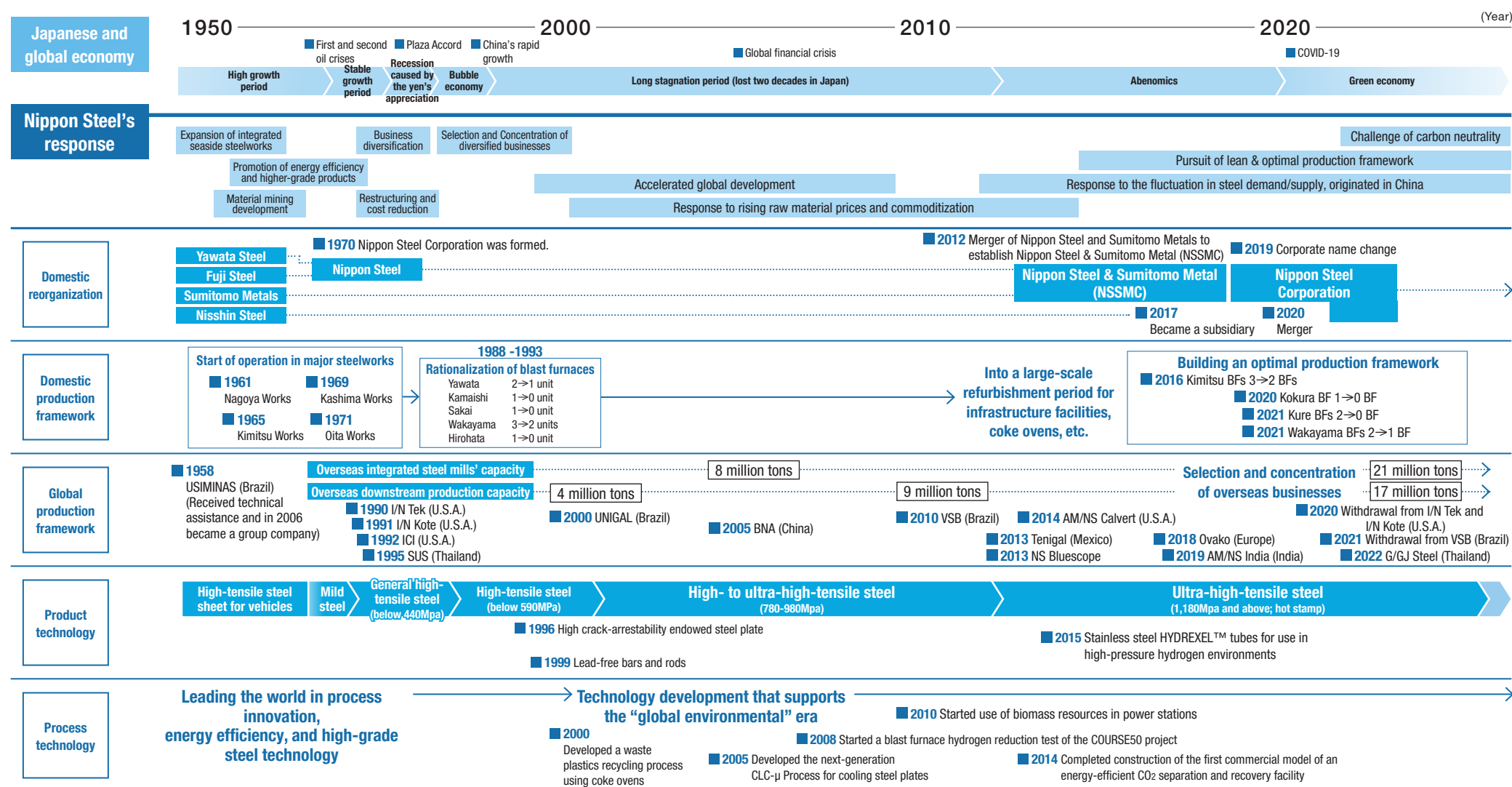
We are pledged to maximize the potential of steel and enhance its competitiveness as a material. On this basis we intend to deploy our accumulated technology and integrated power, by means such as in combining steel with other materials in new ways, and develop and provide total solutions, which incorporate utilization and processing technology in addition to supply of materials. By doing so, we are determined to contribute to a sustainable development of society – a commitment of us, engaged in steelmaking.

History of Our Development

The Nippon Steel Group has realized its growth by aligning with the expanding applications and demand for steel, a foundational material that is essential to people's lives.

Dedicated to overcoming crises caused by recent changes in the external environment, we proactively anticipate changes and initiate self-reform.

As the world's leading steelmaker, we are committed to pioneering the future of steel while striving to maximize our corporate value.



The Value Creation Process

Inputs



Manufacturing capital

Mother mills in Japan—a source of technological prowess
Overseas production bases that capture growth



Natural capital

Efficient use of resources and energy



Intellectual capital

R&D resources on a world-class scale



Human capital

Human Resources Development, and Diversity & Inclusion



Financial capital

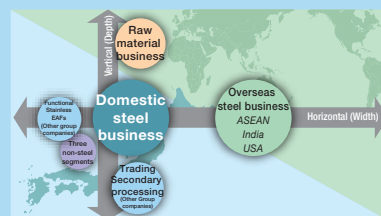
Robust financial base



Social and other related capital

Relationship of trust and cooperation with communities and customers

Business Activities



Domestic steel business

Efficient, integrated high-grade steel production under the large blast furnace and seaside integrated steelworks model

Overseas steel business

A global production system in "regions poised for demand growth" and "domains where our technological and product proficiencies can be utilized" leveraging the expertise cultivated at mother mills in Japan

Raw material business

Transitioning from raw material interests for stable procurement to "business"

Other group companies

Supporting the domestic steel business from upstream to downstream of the value chain to contribute to value enhancement
Incorporating distribution into its own business domain

Three non-steel segments

Companies derived from steelmaking business generate synergy and realize top-class profitability in the respective field

R&D Activities

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

Intellectual property activities

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

Digital transformation strategies

Innovative evolution of manufacturing capabilities and strengthening of customer responsiveness

Realizing a carbon neutral steel production process

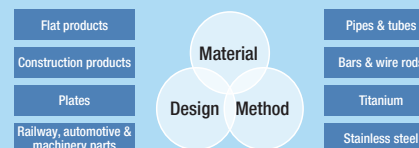
- High-grade steel production in large-sized EAFs
- Hydrogen injection into BF's (COURSE50-Super COURSE50)
- Hydrogen direct reduction of iron

Lower CO₂ emissions in existing processes

Building of an efficient production framework, etc.

Outputs

Wealth of steel products and solution proposals for diverse applications



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

Products using by-products

- Steel slag products, coal chemical products

Minimal emissions

- 99% recycling of by-products
- Air, water, soil contamination risk management

Non-steel business products and services

- Environment and energy, urban infrastructure
- Chemicals, Functional materials, composite materials
- IT consulting, DX promotion, IT solution, modernization

Carbon Neutral Vision 2050



Outcomes

Contribution to SDGs in society



Creation of economic value

Creation of sustainable corporate value and profit distribution

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



Creation of social value

- Jobs for employees and growth in community
- Safe, reliable living
- Energy preservation, climate action, recycle-oriented society
- Disaster prevention and reduction, National Resilience
- Infrastructure to build in emerging countries and to rebuild in developed countries
- Products and technological solutions in growth areas
- Education for employees and communities

2050 Realization of
a carbon neutral society

Six Types of Capital

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

Manufacturing capital

Mother mills in Japan that cultivate high levels of technology, overseas production bases that capture growth

In Japan, we have six steelworks with 13 manufacturing bases, which we call areas, as well as group companies' bases of electric arc furnace steelmaking and secondary processing of steel products. They are "mother mills," cultivating operation, equipment and product technologies—our strength. Beyond Japan's borders, we have been establishing manufacturing bases in "regions poised for secure demand growth" and "domains where our technological and product capabilities can be utilized." Our global capacity for crude steel production currently stands at around 66 million tons per year, and is on track to expand to 100 million tons.



Global crude steel production capacity approx. **66** mn tons/yr (consol.)
Domestic **47** mn tons + Overseas **19** mn tons

Property, plant and equipment
¥3.3 tn (consol.)

Natural capital

Efficient use of resources and energy

We use iron ore mined overseas, coking coal used as a raw material of coke to reduce iron ore, and steel scrap as main raw materials. We also use energy such as electricity and fuel and industrial water in producing steel products. Nippon Steel's steelworks use 100% of by-product gases generated within the steelworks as energy sources for reheating steel or as energy sources for on-site power plants, while 90% of water used in cooling and cleaning of products and manufacturing facilities are recycled. These are examples of our efforts to use limited resources and energy without waste.



Iron ore
51.59 mn tons/yr (non-consol.)

Coking coal
24.87 mn tons/yr (non-consol.)

Industrial water
Approx. **600** mn m³/yr (non-consol.)

Rate of water recycling: 90%

Intellectual capital

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

Our R&D resources are among the most extensive in the global steel industry. We are actively contributing to societal progress through the development of high value-added products and products that contribute to making society carbon-neutral. Furthermore, we carefully select applications of domestic and international patents that support our business strategies. We also continue to improve and accumulate patents in both quality and quantity, thereby increasing our valuable patent assets, which contribute to business revenues and society.



R&D expenses
¥72.7 bn/yr (consol.)

R&D personnel
Approx. **800** (non-consol.)

Number of patents we hold
Japan approx. **15,000** (non-consol.)
Overseas approx. **18,000** (non-consol.)

Human capital

Human resources development and diversity & inclusion

We work on human resources development, recognizing that the source of competitiveness is the power of people, and as Nippon Steel's Management Principles state that "we develop our employees and bring out the best in them to make our Group rich with energy and enthusiasm." From the perspective of creating a company where diverse employees can be productive, perform at their best, and play active roles with pride and fulfillment, we are reinforcing our diversity & inclusion efforts as one of the important management issues.



Number of employees
113,639 (consol.) **28,543** (non-consol.)

Number of female employees in management positions
70 (non-consol.)

Number of education and training hours
0.99 mn hours/year (non-consol.)

Financial capital

Robust financial base

The steel industry is a gigantic process industry, which uses a massive amount of fixed assets, including machinery and equipment and other tangible fixed assets, in its business. Procurement of funds equivalent to tangible fixed assets is covered by shareholders' equity and long-term borrowings, and thus financial stability is ensured. Nippon Steel considers its D/E ratio to be a key measure in the management of its financial strength. We aim at securing a D/E ratio of approximately 0.7 or less even in the deteriorating environment. We remain committed to securing robust financial strength and financial flexibility.



Equity attributable to owners of parent
¥4.7 tn

Interest-bearing debt
Approx. **¥2.7** tn

Debt/Equity ratio
0.45

Social capital

Trusted and cooperative relationships with local communities and customers

Having many manufacturing bases across Japan, Nippon Steel has a long history of being engaged in business activities rooted in local communities and supported by local residents. Our steel products help our customers create value in a wide range of industry sectors, including manufacturing, resources and energy, and civil engineering and construction. These trusted and cooperative relationships that we cultivate with our neighbors and customers are invaluable assets that serve as the source of our competitiveness.



Trusted and cooperative relationships with customers
Approx. **6,000** customers in Japan (non-consol.)

Coexisting with local communities
Hosting steelworks tours, and others.
Approx. **70,000** (non-consol.)

Alliances with leading steelmakers
ArcelorMittal, and others

Financial Highlights

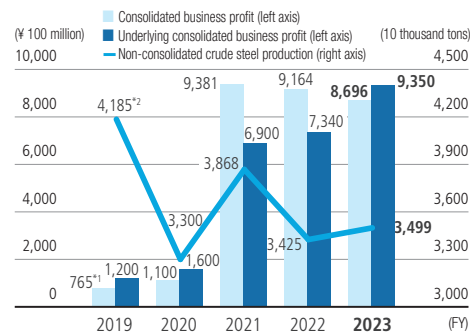
Regarding financial indices, Nippon Steel focuses on the earnings generated by its business activities (business profit, ROS) and capital efficiency (ROE), which are critical to achieving its medium- and long-term growth objectives.

Business profit (consol.)

We have successfully established a resilient business structure that stably ensures underlying business profit of 600 billion yen or more regardless of the external environment. This was achieved by implementing the structural measures for production facilities, improving margins in direct contract-based sales, refining the order mix, seizing growth opportunities in emerging markets with a focus on India. We also achieved a V-shaped recovery in business performance after the COVID-19 pandemic.

In fiscal 2023, we posted a record-high in underlying business profit, though we had one-off gains. We will make further efforts to realize the “1 Trillion Yen Vision.”

In recent years, volatility in raw materials markets and exchange rates has expanded one-off gains and losses, including inventory valuation differences. We are therefore disclosing underlying business profit excluding these items.



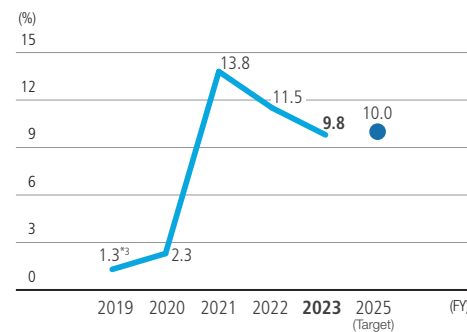
^{*1} FY2019 consolidated business profit excludes the impact of impairments and other items

^{*2} Non-consolidated crude steel production for FY2019 includes former Nippon Steel Nisshin (Kure, Japan)

ROS

We have almost achieved the target ROS level for three consecutive years.

Recently, however, the trend is downward, being significantly affected by a turnaround in inventory valuation from gains in fiscal 2021 and 2022 to losses in fiscal 2023. The ROS was also affected by a significant increase in consolidated revenues mainly due to the acquisition of Nippon Steel Trading as a subsidiary.



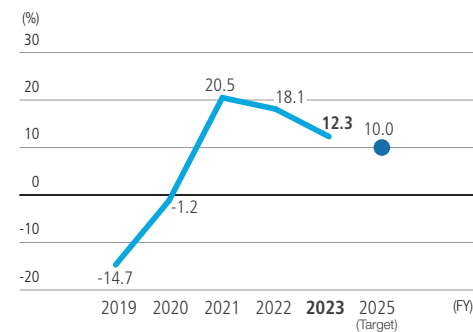
^{*3} FY2019 ROS excludes the impact of impairment and other items

ROE

ROE has exceeded the 10% target for fiscal 2025 in the Medium- to Long-Term Management Plan for three consecutive years.

Profit growth that exceeded the accumulation of equity capital and improvement of capital efficiency through efforts to reduce assets and other measures resulted in achieving a high-level ROE.

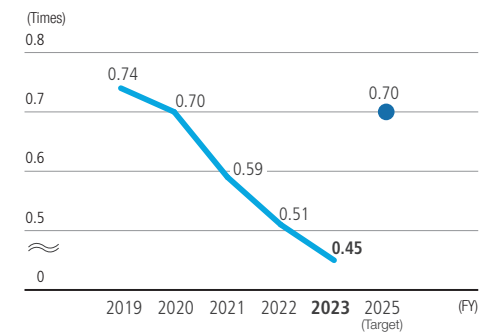
We will continue to strive to improve ROE.



D/E ratio

The existing Medium- to Long-Term Management Plan has a target of not exceeding the D/E ratio of 0.7 even in a deteriorating environment. Thanks to the substantial profits achieved in recent years, the company's financial strength has significantly improved to achieve a D/E ratio of 0.45.

Down the road, the acquisition of U. S. Steel is expected, which is assumed to temporarily raise the D/E ratio. We, however, aim at bringing it down to the target ratio of 0.7 or less as early as possible.

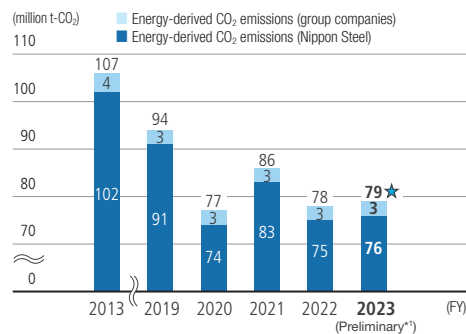


Non-Financial Highlights

Among non-financial indices, Nippon Steel places significant emphasis on CO₂ emissions, safety and diversity.

Energy-derived CO₂ emissions

Nippon Steel has been working at energy conservation as follows: improving effective use of energy generated in the steel manufacturing process (i.e., power generation from recovered by-product gases and exhaust heat); making operational improvements in each process; renewal of aging facilities; introduction of high-efficiency power generation facilities and oxygen plants; and conversion to regenerative burners in the reheating furnaces. In fiscal 2023, by implementing those measures, energy use and energy-derived CO₂ emissions were 936 PJ and 79 million tons (provisional values), respectively, while production increased slightly.



*1 Preliminary figure: The amount of CO₂ per unit of purchased electricity from each of general power companies in Japan in fiscal 2023 is assumed to be the same amount as in fiscal 2022.

*2 Excluding energy used and CO₂ emitted for the IPP operation by the steelworks

*3 The amounts of energy used and CO₂ emitted for production of coke purchased by Nippon Steel are included in the aggregate.

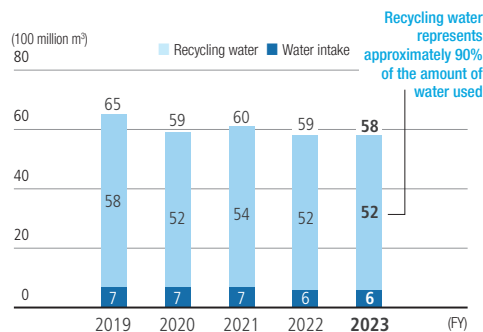
*4 Concerning the three Sanso Center companies, the amounts of energy used and CO₂ emitted for production of oxygen purchased by Nippon Steel Group are included in the aggregate.

★ mark: Items assured by the third party

Amount of industrial water used

We use about 6.0 billion m³ of industrial water a year at all of our steelworks, of which approximately 90% is recycling water. We seek to effectively use precious water resources, and control water discharge volume.

We have confirmed that none of our operational bases in Japan are exposed to high stress in the water stress evaluation with WRI Aqueduct. Nevertheless, in preparation for water intake restrictions, some of our steelworks have their own water reservoir to secure water sources.

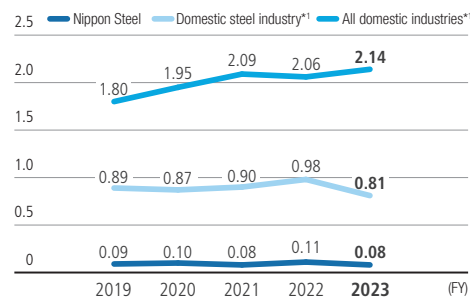


Lost time injury frequency rate

We set a target of 0.10 or lower for the lost time injury frequency rate. In 2023, this rate was 0.08 (compared to an industry average of 0.81 in the domestic steel sector).

We promote risk assessment activities to prevent accidents and mitigate risks, improve the intrinsic safety of our facilities, introduce technology such as surveillance cameras, and enhance various safety and health education programs.

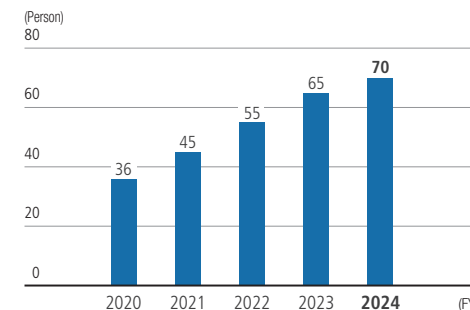
We have obtained ISO (JIS Q) 45001 certification for all our business locations to strengthen management of safety and health.



*1 JISF "Safety Management Overview, 2023"

Number of female employees in management positions

We intend to support female employees in continuing to demonstrate their abilities through their careers, and to promote their active participation in all workplaces and levels, including the enhancement of promotion to managerial positions. For this purpose, we have set up a target which is to aim to triple, at least double, the number of female employees in management positions in 2025 from 36 in 2020, and to increase by seven times, at least four times, by 2030.



* As of April