# 3 Introduction

# Nippon Steel Group's Values

## Nippon Steel Group's 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 as a group continue to value trust 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 our employees and bring out the best in them to make our Group rich with energy and enthusiasm.

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"The Nippon Steel Group's Corporate Philosophy" is our group's raison d'être, and consists of "Basic Principles," which represent our most precious values, and "Management Principles," which represent the attitude and policy we emphasize in realizing the Basic Principles.

"Steel" is one of the most familiar materials of which things are made and is indispensable for our daily lives. Due to diverse advantages such as strength and easiness to work, steel has been used in a wide range of applications and deserves recognition as the most outstanding material for the infrastructure of society, – a material that supports people's lives and overall economic growth. Steel is so close to us that we cannot live without steel products.

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 increase. 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 a material as well as considerations to the environment and society.

We have 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 capabilities, by means such as 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 the sustainable development of society – our commitment as a steelmaker.

# Value Creation Process

## Inputs

### Manufacturing capital
Mother mills in Japan that cultivate high levels of technology

Overseas production bases that capture growth

### Natural capital
Efficient use of resources and energy

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

### Human capital
Human resources development and diversity & inclusion

### Financial capital
Robust financial base

### Social 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 coastal integrated steelworks model

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

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

**Other group companies**
Contribution to value enhancement by supporting the domestic steel business from upstream to downstream of the value chain. Incorporating distribution into our own business domain

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

**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

## Outputs

**Wealth of steel products and solution proposals for diverse applications**

Steel sheets
Construction products
Plates
Railway, automotive and machinery parts

Materials
Design
Processing methods

Pipes & tubes
Bars and wire rods
Titanium
Stainless steel

Automobiles, shipbuilding, energy, household appliances, containers, industrial machinery, civil engineering, construction

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

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

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

## Outcomes

**Contribution to SDGs in society**

SUSTAINABLE DEVELOPMENT GOALS

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

Creation of economic value
Creation of social value

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

## Carbon Neutral Vision 2050

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

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

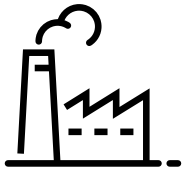
NSCarbolex™ Neutral
NSCarbolex™ Solution

**2050 Realization of a carbon neutral society**

# Six Types of Capital

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

## Manufacturing capital



- **Global crude steel production capacity** (2025.6E)

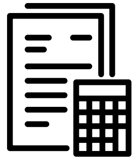
Approx. **86** million tons/year (consol.)

(domestic **44** million tons + overseas **42** million tons)

- **Property, plant and equipment**

**3.6** trillion yen (consol.)

## Financial capital



- **Equity attributable to owners of parent**

**5.3** trillion yen (consol.)

- **Interest-bearing debt**

**2.5** trillion yen (consol.)

- **D/E ratio**

**0.35** (consol.)

## Natural capital

- **Iron ore**

**51.71** mil. tons/year (non-consol.)

- **Coking coal**

**25.79** mil. tons/year (non-consol.)

- **Industrial water**

Approx. **600** mil. $m^3$/year (non-consol.)

Rate of water recycling: 90%

## Social capital

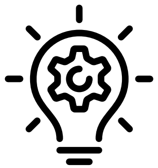
- **Trusted and cooperative relationships with customers**

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

- **Coexisting with local communities**

Approx. **90,000** visitors hosted for plant tours (non-consol.)

## Intellectual capital



- **R&D expenses**

Approx. **80.7** bn. yen/year (consol.)

- **Number of R&D personnel**

Approx. **800** (non-consol.)

- **Number of patents we hold**

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

Approx. **19,000** overseas (non-consol.)

## Human capital

- **Number of employees**

**113,845** (consol.)

**28,652** (non-consol.)

- **Number of female employees in management positions**

**91** (non-consol.)

- **Number of education and training hours**

**0.94** mil. hours/year (non-consol.)