

5 Financial Strategy

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Key Takeaways from This Section

● Virtuous cycle of cash flow

We aim to maximize corporate value by optimizing operating cash flow and strategically allocating funds across internal reserves, growth investments, carbon neutrality initiatives, human capital development, and shareholder returns.

● Detailed financial policies

Allocation of management resources

- Adopt agile investment strategies to act quickly and seize opportunities as they arise.
- Enhance corporate value on an ongoing basis by maximizing operating cash flow, focusing management resources through strategic selection and concentration, and reallocating incremental cash flow to priority areas.

Asset streamlining

- Streamline assets with a strong focus on improving capital efficiency and securing resources for reinvestment.

Shareholder returns

- Maintain a flexible dividend policy with a target consolidated payout ratio of around 30%, adjusted for non-recurring gains and losses.
- Continue to review our dividend policy on an ongoing basis.

Financial discipline and funding strategy

- Maintain financial discipline by aiming to reduce the D/E ratio of 0.7 or lower as early as possible.
- Secure fundraising effectively, taking into account our financial foundation.
- Continue to manage growth investments appropriately and enhance communication with the market to improve financial indicators such as PBR.

A Message from the

Executive Vice President of Finance

Takahiro Mori

Representative Director, Vice Chairman and Executive Vice President

The business environment surrounding us has remained structurally severe and highly challenging since last fiscal year. China's steel overproduction and growing exports, caused by a widening domestic supply-demand gap, represent structural challenges with no signs of resolution. Furthermore, as trade measures are being tightened across various countries toward FY2025, the U.S. tariff policies have started to impact the global economy. This raises growing concerns about potentially significant, including indirect, impacts on the steel industry both in Japan and abroad.

Despite the prolonged structural challenges, we have established a robust earning base-capable of consistently delivering an underlying consolidated business profit of over ¥600 billion, through the execution of production facility restructuring and growth strategies. We are virtually recording world-class profits in the most recent term, despite this challenging business environment. Looking back the past, we have secured stable revenue levels without being affected by the environment. This demonstrates our efforts not only to maximize profits but also to reduce earnings volatility and lower capital costs, thereby enhancing our market capitalization.

Based on these achievements, we are currently accelerating our decision-making process for initiatives that accurately anticipate future opportunities. Among these initiatives, the June 2025 merger with U. S. Steel marks a critical turning point in our journey to reclaim our position as the world's leading steelmaker. This highly strategic move aligns closely with the U.S. national strategy to revitalize its manufacturing sector.

This integration is not merely about scale. It is a rigorously assessed investment expected to deliver returns that exceed the cost of capital. Unlike greenfield investments, this brownfield approach leverages U. S. Steel's high-quality existing assets, minimizing construction and labor risks. It significantly strengthens our supply base in North America and Europe and is highly competitive. We expect strong synergies, particularly in high-value-added and environmentally friendly steel products, through the fusion of our technological strengths and brand equity.

In contrast, we are currently in the "investment phase," in which upfront costs related to the merger with U. S. Steel and capital expenditures are taking precedence. Until we enter the "recovery phase," this places a certain level of financial burden on our operations. Precisely because of this, we are

further reinforcing prudent financial management centered on cash flow generation. We are pursuing assets streamlining, such as the reduction of cross-shareholdings, optimizing fundraising, and taking steps to realize and maximize returns early – maintaining a strong balance between investment and financial soundness.

We are confident in moving forward – even in this environment – because we sensed the urgency of change long before structural issues surfaced. With a long-term perspective, we swiftly implemented structural reforms, selection and concentration of resources, and growth investments ahead of competitors. We firmly believe that our current earnings strength is the result of "foresight," "execution capability" and – above all – "timely decision making." Now that a pivotal moment to make bold decisions for our next stage of growth.

In addition, our R&D efforts toward the social implementation of carbon-neutral technologies have already entered the commercial-scale testing phase. Going forward, we will steadily advance these initiatives with a view to long-term capital investment. However, we will place strong emphasis on the predictability of investment returns and make appropriate investment decisions based on proactive efforts to secure government support and take the lead in developing the GX Steel market.

Furthermore, strengthening human capital and implementing appropriate shareholder returns are also key pillars of our strategy. In particular, with regard to shareholder returns, our current basic policy is to provide performance-linked dividends, targeting a consolidated payout ratio of around 30% as a guide. Going forward, we will continue to take a sustainable and flexible approach to our dividend policy, taking into account long-term profit growth and capital efficiency.

We are now formulating a new Medium- to Long-term Management Plan and long-term vision to drive our next phase of growth, with plans to release the finalized version by the end of the year. We will continue to work toward the early realization of "100 million tons of global crude steel production capacity" and "¥1 trillion in consolidated business profit," and the "achievement of a carbon-neutral society." We will also continue to build a strong financial base to support these ambitions, through sincere and ongoing dialogue with the market.



Financial Strategy

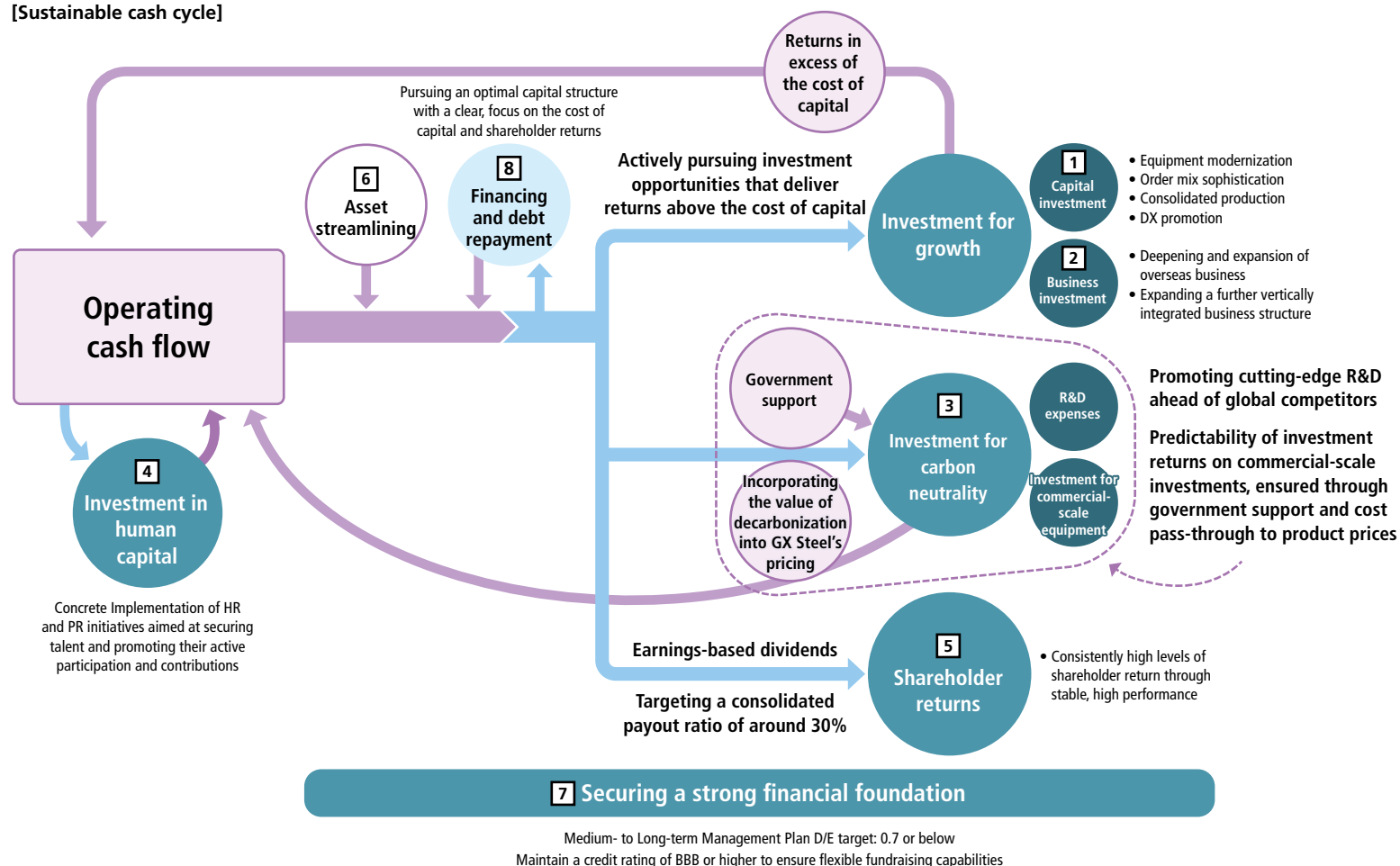
Through a virtuous cash cycle, Nippon Steel aims to achieve growth in profits and carbon neutrality in pursuit of our “100 Million Tons, 1 Trillion Yen Vision.”

Sustainable cash cycle

We will achieve sustainable growth in profits by actively promoting growth investments that generate returns in excess of the cost of capital. At the same time, we will proceed with the necessary investments to achieve carbon neutrality in steel production processes only after ensuring the predictability of investment returns, based on a societal consensus on cost-sharing that includes government support and the development of a GX Steel market.

We aim to deliver continuous, high-level shareholder returns by maintaining a sound financial foundation and achieving stable high performance through these initiatives.

[Sustainable cash cycle]



[Investment plans for FY2021-FY2025]

Capital investment	¥2,400 billion/5 years
Business investment	¥600 billion/5 years
Payout ratio	Around 30% as a guide

[Financial targets for FY2025]

Return on sales (ROS)	About 10%
Return on equity (ROE)	About 10%
Debt-to-equity ratio (D/E)	0.7 or lower even in a deteriorating environment

Assumption: Non-consolidated crude steel production: approximately 38 million tons/year

1 Capital investment

Nippon Steel plans to invest ¥2.4 trillion in capital expenditures over the five years from FY2021 to FY2025. We are implementing production facility restructuring by shutting down less-competitive facilities and concentrating production in more competitive ones. A series of production restructuring initiatives for our domestic steelmaking business, launched in 2020, reached a milestone with the shutting down of the Kashima BF at the end of the last fiscal year. Meanwhile, we are selectively concentrating investment in the remaining facilities for modernization and enhancing the capacity and quality of high-value-added products. To date, investments have been approved for electrical steel sheet capacity and quality improvements (a total of ¥213 billion) and the construction of a next-generation hot rolling line at the Nagoya Works (approximately ¥270 billion).

Many of our steelworks, built during Japan's high growth period, are now over 50 years old. Since their construction, we have maintained and renewed these facilities appropriately to keep them in good condition. However, key infrastructure assets with long renewal cycles are approaching their scheduled replacement

periods. Due to the concentrated need for refurbishment investments, we anticipate maintaining a high level of capital expenditure in the near term. To manage this, we promote efficient capital allocation based on a long-term renewal plan to optimize capital spending. When making capital investment decisions, we apply a payback period hurdle for profit-improving projects, and for all capital expenditures – including those for aged asset renewal – we aim to secure an internal rate of return (IRR) that exceeds our cost of capital.

2 Business investment

Nippon Steel aims to establish a system of 100 million tons of global crude steel capacity by pushing forward with an integrated steel production system that enables us to consistently create added value starting from the upstream processes in “regions where demand is expected to grow significantly” and “sections in which our technological and product capabilities can be utilized.”

For such growth investments that align with our basic policy, flexibility to swiftly execute investments in response to attractive

opportunities - even when such investments are not included in the current Medium- to Long-term Management Plan - is a key element of our investment strategy. Given the always-limited M&A opportunities, we will enhance corporate value on an ongoing basis by maximizing operating cash flow, focusing management resources through strategic selection and concentration, and reallocating incremental cash flow to priority areas.

The partnership with U. S. Steel, which was closed based on the merger agreement in June 2025, marked a pivotal turning point in achieving a global crude steel production capacity of 100 million tons. It is a rare strategic investment opportunity that will enhance corporate value and dramatically strengthen our revenue structure.

- Merger consideration (our payment amount): US\$14.2 billion (approx. ¥2.03 trillion)
- Additional capital investment after closing: approximately US\$11 billion (approx. ¥1.6 trillion)

We will enhance our ability to supply high-value-added products by leveraging U. S. Steel's strong brand power, technological capabilities, and stable customer base in the U.S. market and through the integration of our manufacturing and technical expertise. At the same time, we aim to establish a production system capable of responding to the growing need for energy conversion and decarbonization.

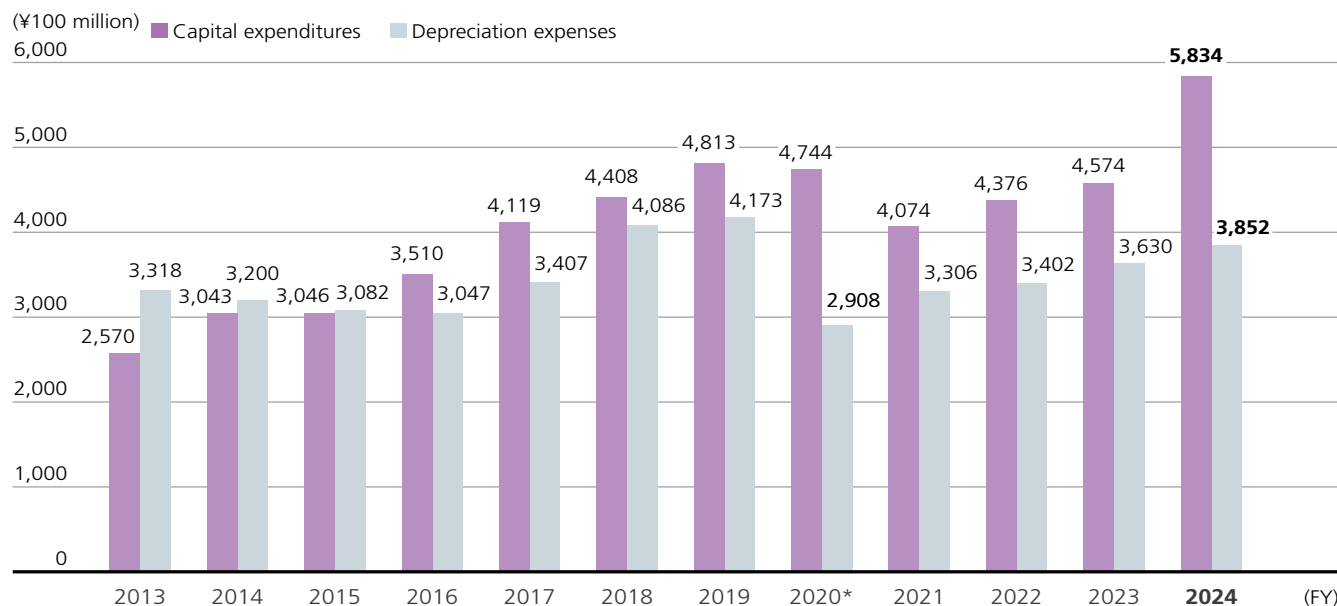
This investment in the U.S. was not included in the current Medium- to Long-term Management Plan at the time of its formulation. While we had already committed to large-scale investments in India, we promptly executed this investment, judging it as an excellent opportunity that aligns with our corporate policy and contributes to our growth strategy. We aim to progressively maximize the management value, under an appropriate financing and risk management system, while carefully assessing the impact of this investment on our future financial foundation and cash flow.

We set an IRR in excess of the cost of capital as a hurdle rate for all business investments, making decisions through rigorous review by management. After the execution of the investment, we implement flexible risk management by visualizing progress through a follow-up system based mainly on the PDCA cycle, enabling us to swiftly determine the need for restructuring or withdrawal.

To execute a sustainable investment strategy over the medium to long term while ensuring financial soundness, we will continue to work on growth investments from a long-term perspective by continuously monitoring cash generation and trends in capital adequacy ratio.

[Changes in capital expenditures and depreciation expenses]

Capital expenditures are based on construction costs. The figures for FY2018 or later reflect the change in the accounting system.

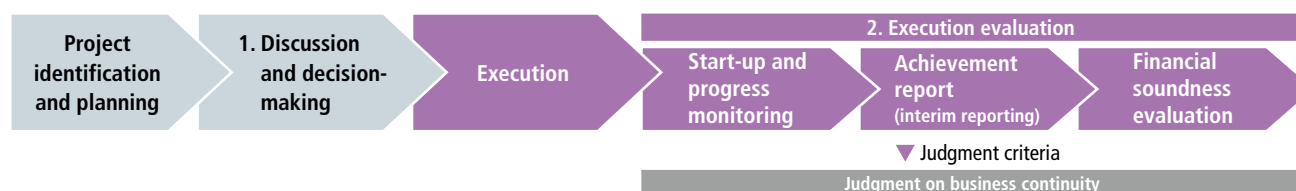


* Depreciation expenses in FY2020: Impact of the change to the straight-line method: -¥70 billion
Impact of impairment loss: -¥60 billion

COLUMN

Business Investment Management System

Nippon Steel has implemented a clearly defined PDCA-based management system, both domestically and internationally, in order to ensure appropriate decision-making on business investments - including company formation, capital contributions, and M&A - as well as early detection and resolution of issues during execution, and the sharing and succession of know-how.



1. Discussion and monitoring

We evaluate the strategic significance, market growth potential, competitive landscape, and individual risks (such as country, partner, and foreign exchange risks). For M&A projects, we identify and appropriately address risks based on due diligence, then analyze risk scenarios and confirm the certainty of returns commensurate with the investment.

Investment and Loan Committee

The Investment and Loan Committee deliberates projects from the specialized perspectives of each corporate division. Business investment proposals are reviewed by the Investment and Loan Committee before decisions are made. Particularly important projects are then submitted to the Corporate Policy Committee or the Board of Directors for further approval.

2. Execution evaluation

Start-up and progress monitoring

For approximately the first three years after project launch, we establish KPIs for operations, production, shipments, and financial performance for each project. As a rule, corporate divisions follow up on the achievement of business plans every three months and report progress to the Investment and Loan Committee and the Corporate Policy Committee. Additionally, for particularly important projects, an annual report is made to the Board of Directors.

Achievement report

After approximately three years from project start-up, we conduct a comprehensive review of the entire process - from decision making to full operation - and report the results to the Investment and Loan Committee and the Corporate Policy Committee. For particularly important projects, an annual report is also submitted to the Board of Directors.

Financial soundness evaluation

All Group companies in which Nippon Steel has made direct investment are evaluated in terms of financial soundness, based on their financial data, and the results are reported at the Corporate Policy Committee semi-annually. Those companies in which Nippon Steel has made indirect investment are similarly evaluated but only once a year. Their evaluation results are also reported annually to the Board of Directors. For companies deemed to be subject to intensive management based on our soundness assessment, we deliberate on their reconstruction plans in the Investment and Loan Committee.

<Decision on exit or restructuring>

Based on the evaluation of soundness using quantitative criteria (such as future cash flow and financial condition) and qualitative criteria (including sustainability and compliance), group companies that are determined not to contribute to enhancing Nippon Steel's corporate value are subject to deliberation by the Investment and Loan Committee regarding whether to continue their operations. For particularly important cases, proposals or reports are submitted to the Corporate Policy Committee, which decides on policies for exit (including restructuring) or business revitalization.

3 Investment for carbon neutrality

Nippon Steel is taking a multi-track approach toward realizing carbon-neutral steel production processes by utilizing three innovative technologies and CCUS, aiming to achieve the optimal process configuration in response to economic conditions such as energy and raw material price. Among these initiatives, the development of innovative technologies and capital investments for their commercialization will require substantial funding. Currently, we expect to invest approximately 500 billion yen in research and development and over 4 to 5 trillion yen in capital expenditures by 2050. The detailed breakdown of these investments will be clarified in the future, depending on the progress of technological development and changes in economic conditions such as energy and raw materials.

As the transition to a carbon-neutral steelmaking process will improve neither product functionality nor its quality, the establishment of a green steel market is crucial that transforms environmental value (CO₂ reduction) to economic value (to be passed on to the sales price) and comprehensive and effective government support for us to invest in equipment implementation aimed at CO₂ reduction. Based on these assumptions, we will continue to advance initiatives that will contribute to both sustainable growth and climate change response.

4 Investment in human capital

Amid intensifying competition in recruitment due to population decline, along with the diversification of individual career perspectives and increasing labor market fluidity, we must secure talented human resources and promote empowerment to drive our diverse management strategies toward realizing the 100 Million Tons and 1 Trillion Yen Vision. Therefore, we position this initiative as one of the highest priority management issues.

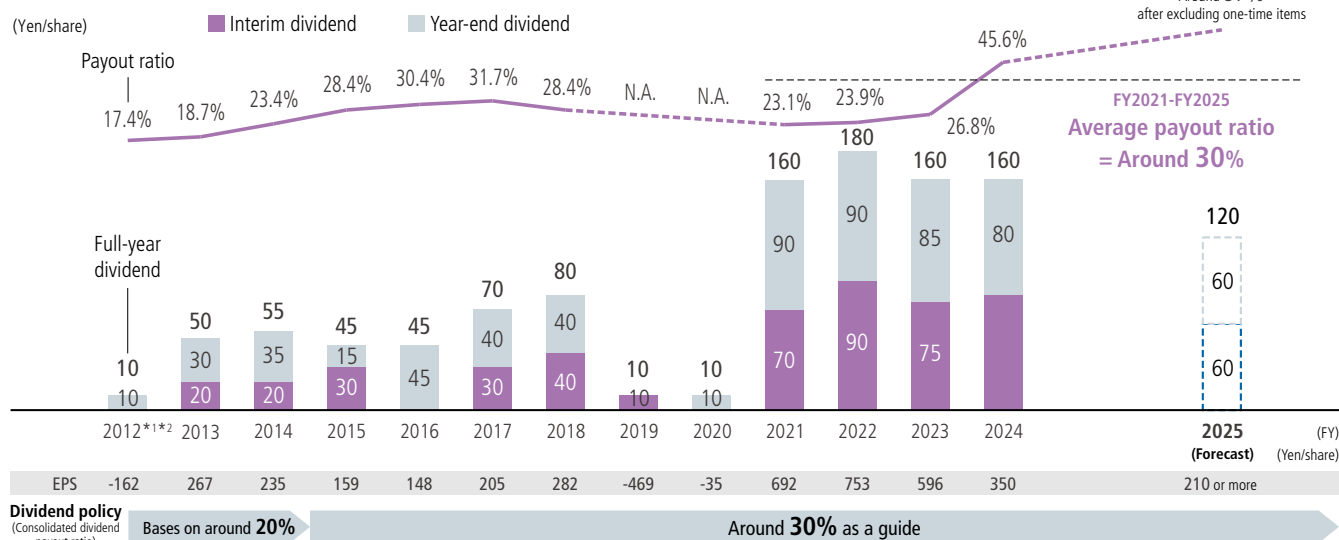
In April 2025, following on from the previous year, we implemented substantial compensation improvement exceeding the rate of inflation, as part of our initiative for “investment in human resources” to realize a virtuous economic cycle. The list of actions that we will continue to implement includes diverse hiring measures, support for work-life balance, and human resource development, among others. These measures are intended to secure and promote human resources, as well as raise favorable recognition of the company through PR.

5 Shareholder returns

With regard to shareholder return, we maintain a dividend policy targeting a payout ratio of approximately 30% of consolidated net profit. Dividends are basically allocated based on business performance, while also taking into consideration the funds required for investments aimed at enhancing corporate value, future earnings forecast, and both consolidated and non-consolidated financial conditions. By building a revenue base that secures stable underlying business profit of 600 billion yen or more regardless of external conditions, we have maintained a high level of underlying business profit exceeding 600 billion yen continuously since FY 2021. However, consolidated net income has fluctuated significantly due to large one-off valuation gains and losses - such as those from inventory and foreign exchange - and losses related to business restructuring disclosed individually. In this context, we continue to manage dividends according to above policy, while also considering sustained high level of shareholder returns. In FY 2021 and 2022, when large inventory and foreign exchange valuation gains were recorded, and in FY 2023, when earnings were sharply

revised upward near the fiscal year-end, we applied a somewhat restrained payout ratio compared to the target. In FY 2024, despite a profit declined from FY 2023 due to an unprecedentedly challenging business environment, the transitional phase of our growth strategy, and significant restructuring losses, we achieved outstanding profitability among global steelmakers through proactive structural reforms and earnings improvement initiatives. This enabled us to maintain dividend levels comparable to FY 2023. Looking ahead to FY 2025, we expect the unprecedented crisis to continue, with additional concerns arising from the increasing trade measures by various countries and U.S. tariff policies, which could severely impact the steel industry. Regarding the annual dividend, we plan to pay a dividend of ¥120 per share, targeting a payout ratio of approximately 30% on a cumulative basis over the five-year period from FY2021 to FY2025. This payout ratio is calculated excluding the one-time loss and expenses (approximately ¥260 billion impact on net income) expected to occur in FY2025 due to the merger with U. S. Steel.

[Changes in dividends]



*1 The figures for FY2012 to FY2015 were adjusted assuming the upcoming share consolidation (10 shares to 1 share on October 1, 2015)

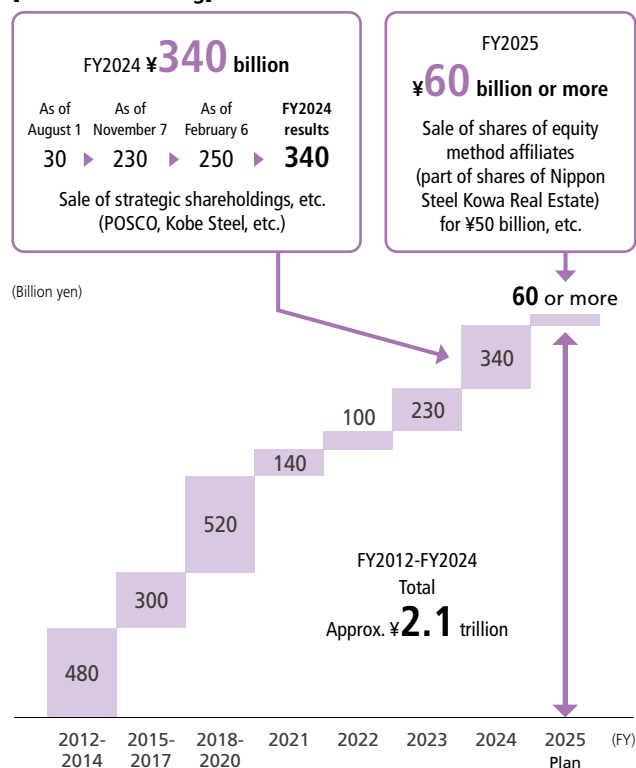
*2 The payout ratio for the net profit in 2H FY2012

6 Asset streamlining

Nippon Steel is continuously working on asset streamlining as one of its top financial strategy-related issues from the perspective of improving capital efficiency and ensuring financial soundness simultaneously. We have executed asset compression totaling approximately ¥2.1 trillion over the 13 years from FY2012 to FY2024 through the sale of strategic shareholdings, inventory reduction, real estate sales, and improvement of consolidated capital efficiency. We will continue and strengthen these initiatives in the future to sustainably improve profitability and capital efficiency.

In addition, given recent changes in the business environment, we intend to prioritize cash generation through asset streamlining in expanding our strategic business investments aimed at medium- to long-term growth.

[Asset streamlining]



Promoting asset streamlining by disposing strategic shareholdings

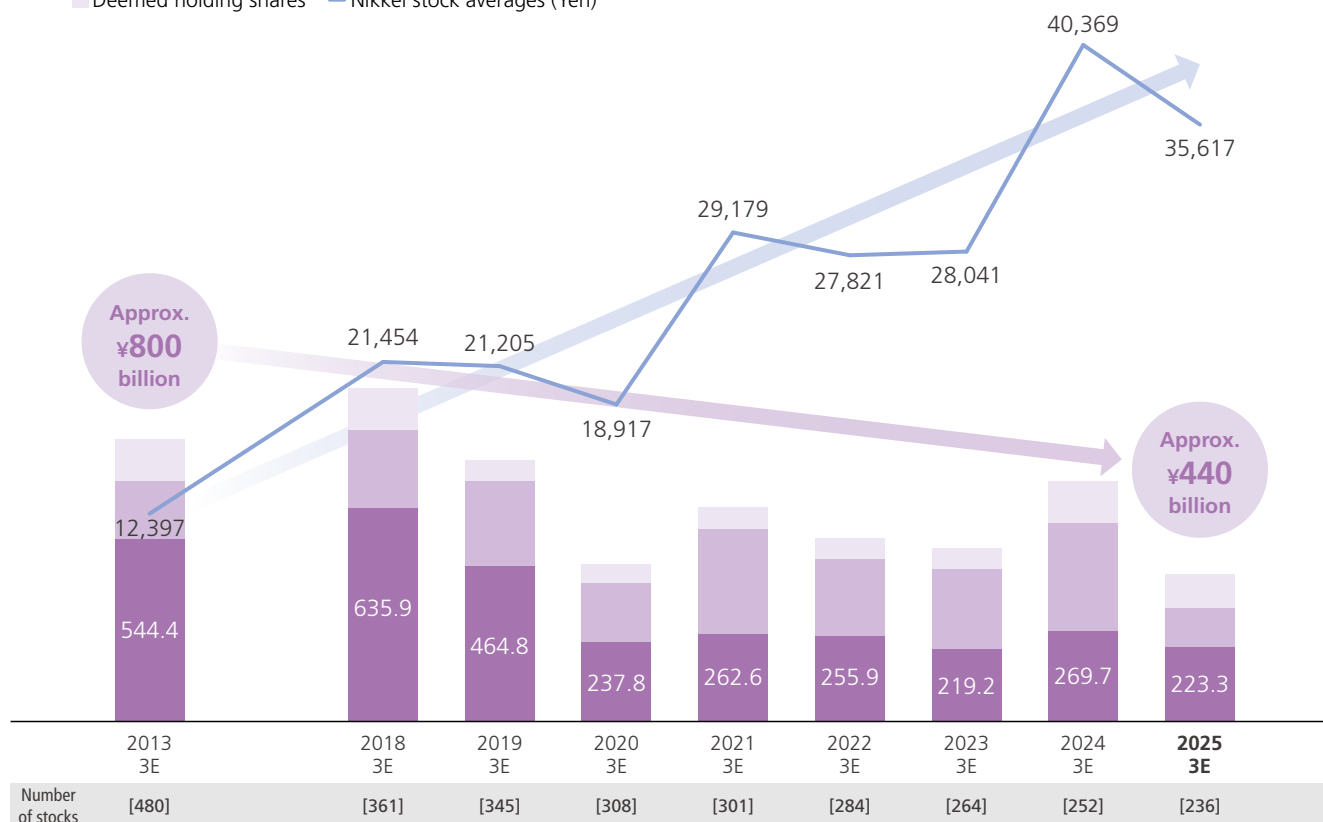
Nippon Steel only hold strategic shareholdings when we reasonably judge that they will contribute to maintaining and strengthening the business foundation and improving the earning power between our business partners and us. Conversely, we dispose of them incrementally once we confirm that achieving the objective is feasible without holding those shares. The decision is made following thorough discussions with our business partners.

Based on this policy, we have sold and reduced our strategic shareholdings by 80% over the 12 years from the end of March 2013 to the end of March 2025. Considering the fact that Nikkei Stock Average has increased about 2.87 times during that period, this can be considered as equivalent to a reduction of 80% or more (*The impact of stock price fluctuations was corrected simply using the Nikkei share averages).

[P.128 "Policy on strategic shareholdings"](#)

[Changes in the balance of (non-consolidated) strategic shareholdings]

■ Non-consolidated strategic shareholdings ■ Strategic shareholdings held by subsidiaries, American Depositary Receipt (ADR), etc.
■ Deemed holding shares — Nikkei stock averages (Yen)



7 8 Financial foundation and fund procurement

The steel industry is capital-intensive, requiring significant investment in fixed assets, including machinery and equipment. Funds equivalent to these assets are financed through shareholders' equity and long-term debt, thereby ensuring financial stability.

Nippon Steel's basic financial policy is to pursue growth investments proactively while maintaining a sound financial foundation, with the D/E ratio positioned as a key financial indicator. Under the Medium- to Long-term Management Plan, we aim to maintain a D/E ratio of 0.7 or lower, even in the event of deterioration in the business environment.

Notably, the merger with U. S. Steel, which was closed in June 2025, represents a rare growth opportunity toward building a global crude steel production capacity of 100 million tons. Accordingly, we made the decision to proceed with this large-scale investment after carefully assessing its profitability. While we have initially financed the merger consideration of approximately ¥2 trillion with a bridge loan, we recognize the need to promptly implement measures including refinancing in order to maintain financial soundness.

We had initially anticipated a D/E ratio of around 0.9 immediately after the merger. However, through thoroughly maximizing operating cash flow, further considering and implementing asset streamlining, and executing fund procurement measures including the following equity-like financing initiatives, we now anticipate an improvement to the 0.7 range. We aim to restore the D/E ratio to 0.7 or below as soon as possible:

- Pre-executed hybrid financing (approx. ¥250 billion)
- Strengthening of capital base through conversion of convertible bonds into shares
- Implementation of optimal permanent financing, including subordinated loans (approx. ¥500 billion) executed in September 2025

Regarding optimal permanent financing, we will utilize combination of methods that best suit our needs after carefully assessing our management and financial status, market conditions, and trends of interest and exchange rates. We will balance the cost of fund procurement and flexibility. We are considering a variety of

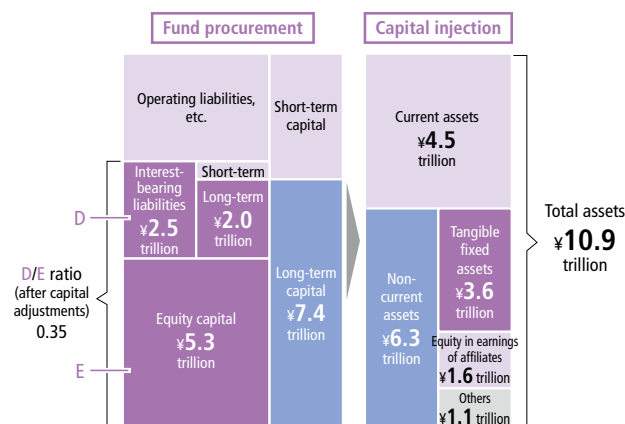
fund procurement methods, including corporate bonds and bank loans. Furthermore, when considering additional capital financing, we aim to avoid any impairment of shareholder value by carefully managing the risk of dilution in earnings per share (EPS).

In addition, regarding the capital investment totaling \$11 billion planned to follow the merger of U. S. Steel, we first intend to maximize U. S. Steel's own cash flow generation capacity and self-financing capabilities. We will then establish a funding scheme as needed, including parent company guarantees and parent-subsidiary loans.

We will continue to execute capital strategies to achieve financial soundness and growth strategies simultaneously, focusing on growth investments in Japan and overseas, capital investments related to carbon neutrality, and enhancing competitiveness through the value chain.

Our credit ratings as of July 2025 are shown in the table below. We will continue to engage in dialogue with rating agencies to maintain and enhance our medium- to long-term creditworthiness.

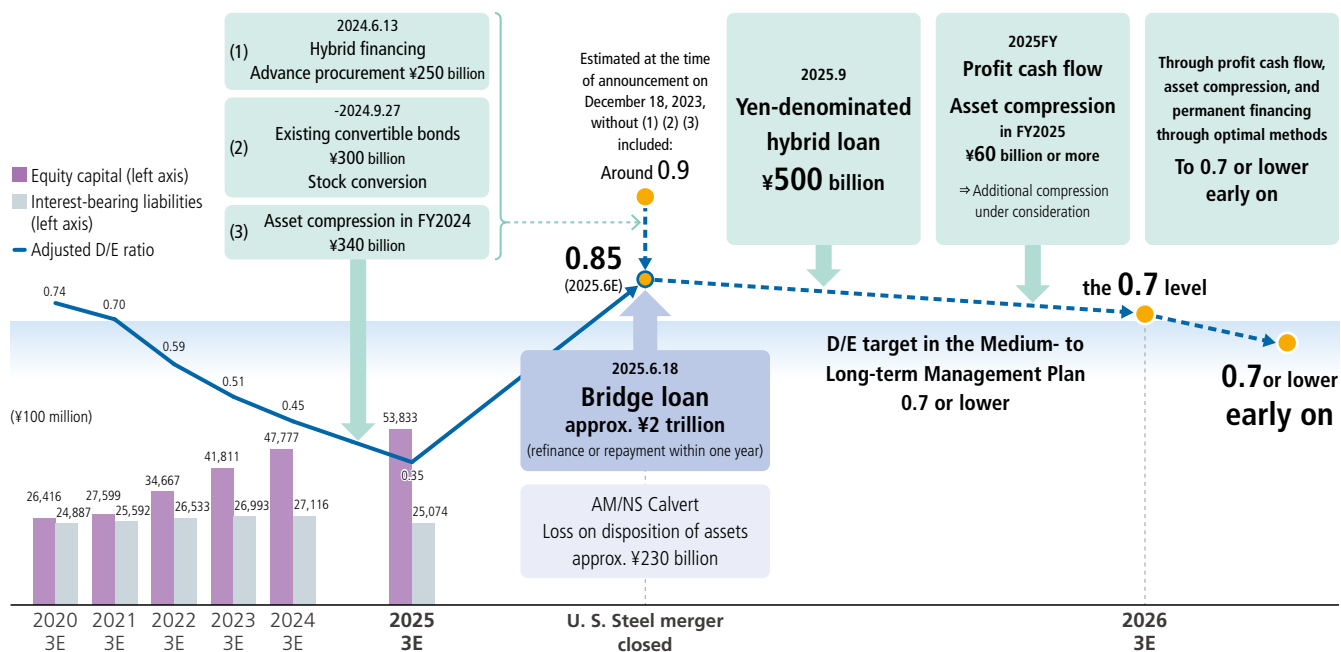
[Our asset-liability management (ALM)] (as of the end of March 2025)



Rating agency		Our rating
Japan	R&I	A+ (stable)
	JCR	AA (stable)
Overseas	Moody's	Baa2 (stable)
	S&P	BBB (negative)

(as of July 2025)

[Outlook for D/E ratio]



Initiatives to Improve Share Price Indicators

1. Basic approach to improving the PBR share price indicator

The Tokyo Stock Exchange requires companies whose price-book value ratio (PBR) consistently falls below 1.0 to disclose their capital efficiency improvement initiatives and the progress thereof.

Nippon Steel is taking strategic measures to address this by focusing on ROE (capital efficiency) and PER (market valuation), the two factors that constitute PBR. We aim to consistently maintain a PBR in excess of 1.0 not only by achieving numerical targets but also by enhancing intrinsic corporate value through sustainable profit generation and building trust with the market.

Reference: Changes in PBR* (FY)

	2021	2022	2023	2024
PBR (times)	0.6	0.7	0.7	0.6
ROE (%)	20.5	18.1	12.3	6.9
PER (times)	3.1	4.1	6.1	9.1

*PBR = ROE × PER

2. Recognition of issues and approaches to be taken (Approaches from both ROE and PER perspectives)

Current status of ROE and approaches to be taken

Nippon Steel's ROE is on a downward trend for the following reasons.

- (1) Factors beyond our control, such as inventory valuation differentials, specific disclosure items, and the utilization of carry-forward losses, had a positive impact in FY2021 and FY2022 but a negative impact in FY2023 and FY2024.**

For this reason, ROE appears high for FY2021 and FY2022, and conversely, ROE appears low for FY2023 and FY2024. For reference, the ROE for FY2024 exceeds 9% if inventory valuation differentials and specific disclosure items are corrected.

- (2) While appropriately returning our earnings to our shareholders, we are in the process of actively investing them in future growth by capturing business opportunities.**

As our basic policy, we make investment decisions to ensure their returns exceed the cost of capital. However, it takes a certain amount of time for investments to generate returns. Because of this, our capital efficiency indicators temporarily deteriorate as we make continuous investments for growth, but these investments are essential for our long-term growth. We believe this approach represents sound management judgment.

In addition, given the expected significant increase in liabilities from the merger with U. S. Steel, we have intentionally not considered capital measures in light of our future financial foundation. Furthermore, the scale of our profits has decreased due to the recent unprecedented deterioration of the business environment. These are also the reasons why our ROE is low.

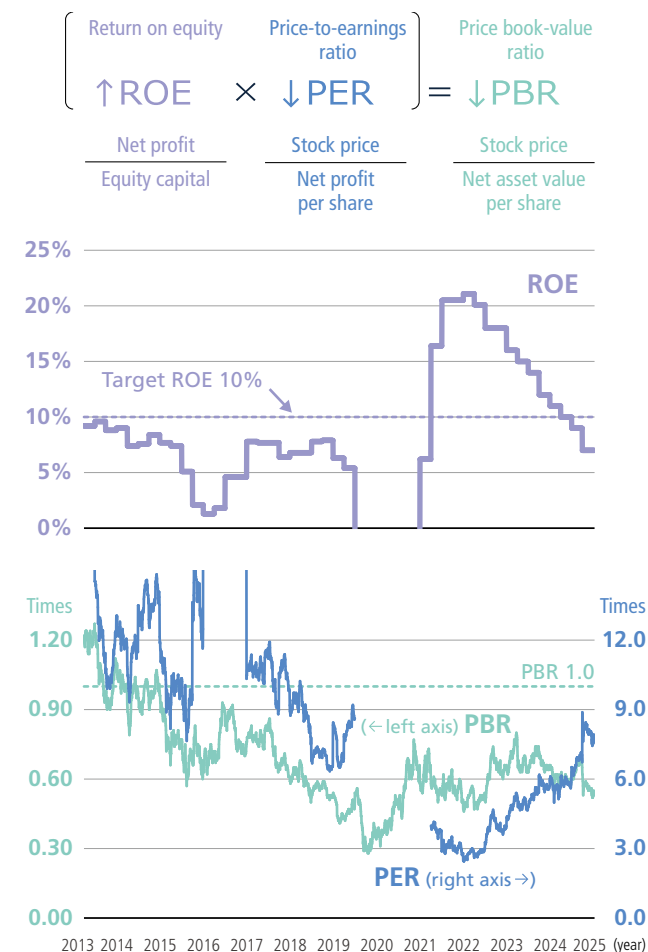
It will take some time before we reach the point of recovering these investments due to planned short-term significant investments for future growth. However, following the implementation of effective permanent financing related to the U. S. Steel merger, we will steadily make investments that will lead to future growth, including capital investments in U. S. Steel. This will enable Nippon Steel to generate the intended returns from growth investments and strive for medium- to long-term improvements in capital efficiency.

Current status of PER and approaches to be taken

Conversely, Nippon Steel's PER is trending upward. We believe this is because our initiatives to date are gaining traction in the market. In addition to continuing these efforts in the future, we believe it is also necessary to implement measures that address the concerns of our shareholders and investors regarding our initiatives to achieve carbon neutrality.

We will improve our PER further by enhancing our integrated reports, which also contain information on ESG, and financial IR materials. We will also expand IR activities for individual investors, and continue strengthening communications with domestic and overseas institutional investors. To ensure the feasibility and economic viability of the Carbon Neutral Vision, we will continue to devote efforts to enhancing shareholders' and investors' understanding of the current status and outlook of our carbon neutrality initiatives through technological development, commercial-scale implementation, and the establishment of a GX Steel market.

[Stock price-related indicators]



* The figures for ROE, PER, and PBR are based on average net assets and net profits of the last four quarters

FY2024 Results, FY2025 Forecast

Although the global steel industry is facing an unprecedented crisis, Nippon Steel has consistently achieved high profit margins among steelmakers worldwide. Even under these severe conditions, we are steadily executing forward-looking investments, and we are committed to improving profitability across the entire Group, including our domestic steel business and overseas steel business, such as U. S. Steel.

An extremely severe and unprecedented business environment

Amid a further weakening of global steel demand, China's economy continues to struggle, with the real estate sector remaining significantly below last year's levels and domestic demand for steel products continuing to decline. While steel production has not been reduced beyond the decline in domestic demand, steel exports continue to increase. In addition, there are growing concerns over market fragmentation due to the expansion

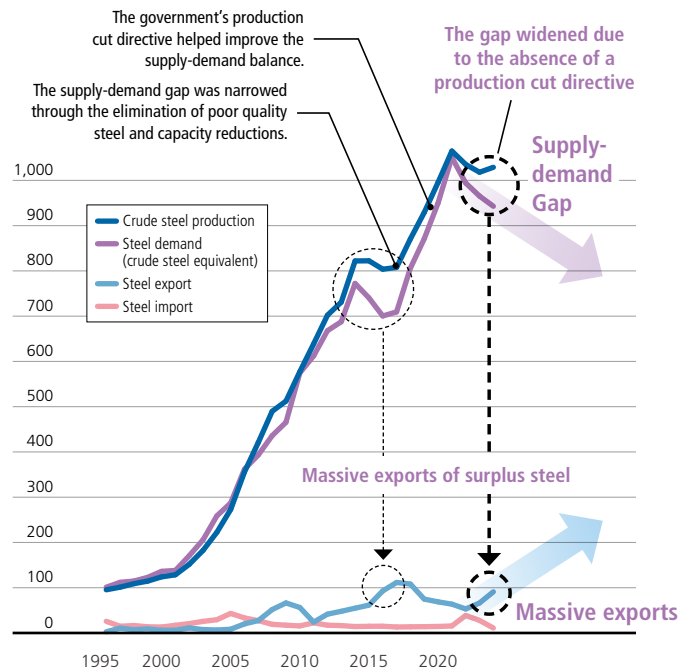
of trade measures by various countries and the rise of protectionist, national interest-first policies.

In Japan as well, domestic steel demand is deteriorating more severely than expected, while pressure from imported steel products remains high. Under these conditions, we see little prospect for improvement in real demand or profit margins, both domestically and internationally.

Furthermore, the market spread between hot-rolled steel products and main raw materials has contracted from an average of \$240 per ton to around \$140 per ton since 2023. This contraction translates to an estimated loss of approximately ¥30 trillion in annual profits across the global steel industry. As a result, many steelmakers have been forced to report lower earnings.

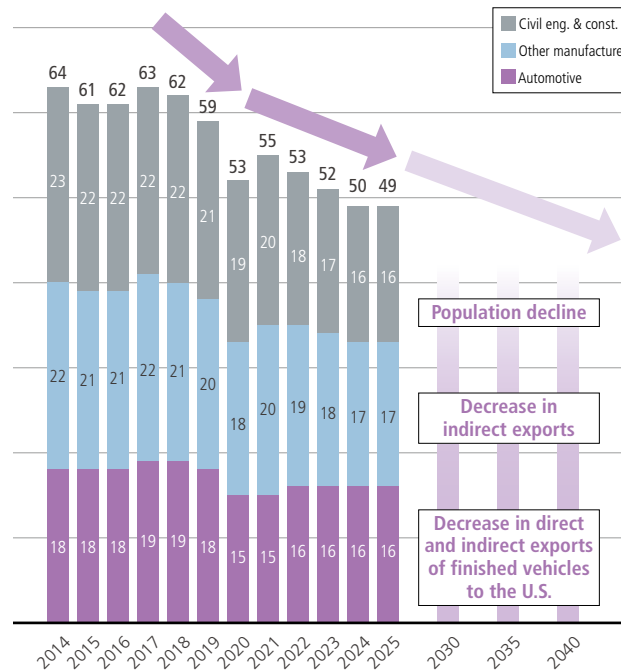
[Status of steel supply-demand gap in China]

(million t/year)



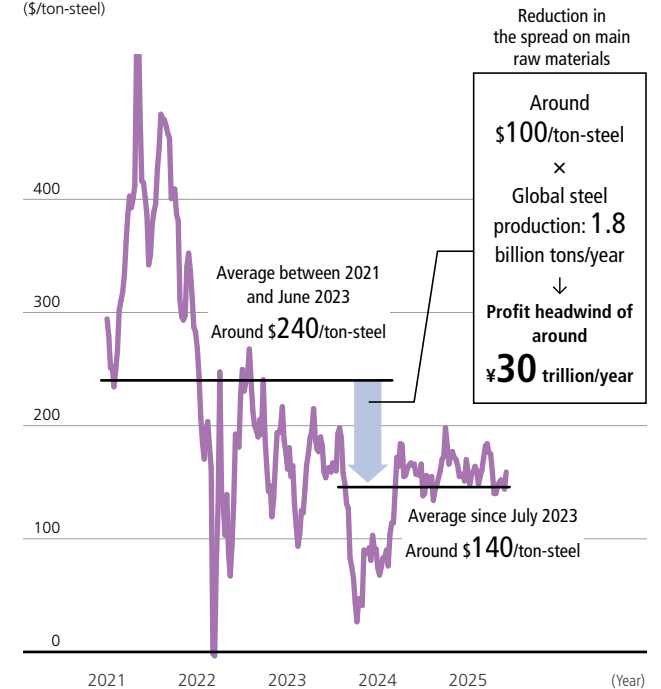
[Steel demand in Japan]

(million t/year)



[Asian markets/hot coils – Changes in the estimated spread on main raw materials]

(\$/ton-steel)



On the other hand, Nippon Steel has successfully implemented structural reforms and profit improvement measures ahead of its competitors. As a result, we have consistently achieved high profit margins compared to other steelmakers worldwide, demonstrating outstanding earning power, particularly in recent challenging conditions.

FY2024 Results

In the period between FY2021 and FY2025 under the current Medium- to Long-term Management Plan, we have built “a revenue structure that ensures an underlying consolidated business profit of ¥600 billion or more regardless of external conditions.” Since FY2024, our business environment has deteriorated beyond the scale and pace we anticipated during the formulation of the current Medium- to Long-term Management Plan. Despite that,

various structural measures and profit improvement measures we have implemented ahead of our competitors were successful. As a result, we achieved an underlying business profit of ¥793.7 billion, a business profit of ¥683.2 billion, and a net profit of ¥350.2 billion for the full year of FY2024, all of which exceeded the figures we had previously announced.

FY2025 Forecast

In this increasingly challenging business environment, we will strive to raise the level of revenue by fully leveraging the effects of the structural measures and capital investments we completed by FY2024. However, we forecast that the impact of the deteriorating environment will significantly decrease our consolidated business profit by approximately ¥210 billion on a year-on-year basis. To overcome this challenge, we will implement profit improvement

measures, including additional cost reduction, and strive for growth in profits by executing the profit improvement measures outlined in the next Medium- to Long-term Management Plan currently under formulation.

However, the impact of the U.S. government's tariff policies may extend beyond the U.S. market, rippling across the entire world and burdening global steel users. This will lead to a risk of downward pressure on the FOB prices of steel products. In addition, further expansion of low-priced steel exports from China would intensify downward pressure on steel prices. This situation, compounded by the price adjustment pressure triggered by the U.S. tariff policies, could also intensify market competition. We inevitably need to consider these risks to some extent. As a result, our underlying business profit (excluding the impact of the U. S. Steel transaction) is forecast to be no more than ¥650 billion (¥50 billion above what we announced previously).

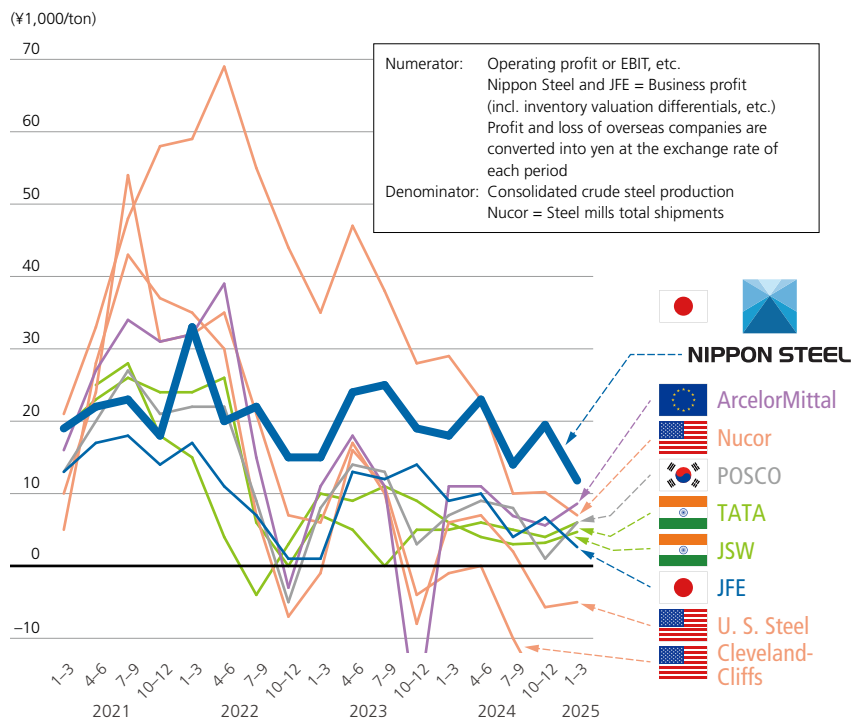
Meanwhile, we will consolidate the financial results of U. S. Steel starting this fiscal year. Regarding U. S. Steel's underlying business profit, we forecast it to be ¥80 billion, based on the assumptions that the profit reflects only the nine-month results of the subsidiary's performance (from July 2025 to March 2026), the Big River 2 project is still in the start-up phase, and the impact of U.S. tariff policies remains uncertain. (U. S. Steel's underlying business profit is forecast to be approximately ¥150 billion after the start-up of the Big River 2 project in FY2025 on an annualized basis.)

Based on these assumptions, Nippon Steel forecasts an underlying business profit of ¥730 billion (¥130 billion above what we announced previously) for FY2025 full year. We will continue to execute further profit improvement measures to maximize our profits.

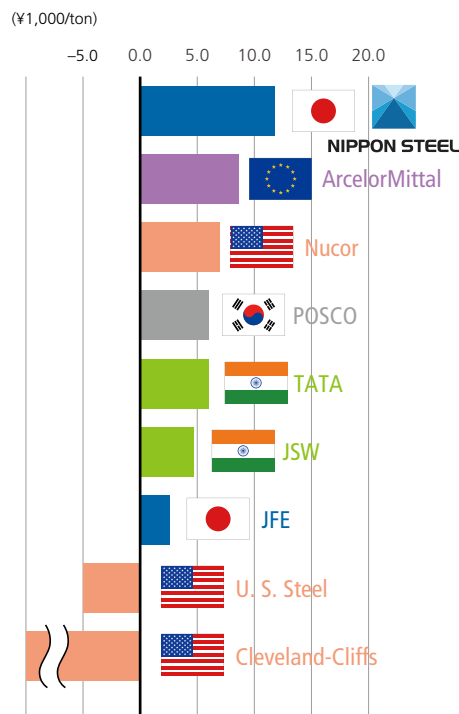
Regarding net profit, we forecast a net loss for FY2025 full-year due to the circumstances described above, inventory valuation losses, and one-off expenses and losses arising from the U. S. Steel transaction (including losses related to the sale of the entire equity interest in AM/NS Calvert (approximately ¥230 billion)). (The net profit is ¥220 billion (¥20 billion higher than our previous announcement) when excluding one-off expenses and losses arising from the U. S. Steel transaction.)

Regarding the dividend payment for FY2025, the final fiscal year of the current Medium- to Long-term Management Plan, we plan to deliver a dividend of ¥120/share (the same as what we announced previously, and before the stock split* effective October 1) based on an average payout ratio of 30% over the five years from FY2021 to FY2025, excluding one-off expenses and losses associated with the U. S. Steel transaction.

[Changes in profit per ton of crude steel]



[Profit per ton of crude steel (January-March 2025)]



Source: Bloomberg and each company's financial results

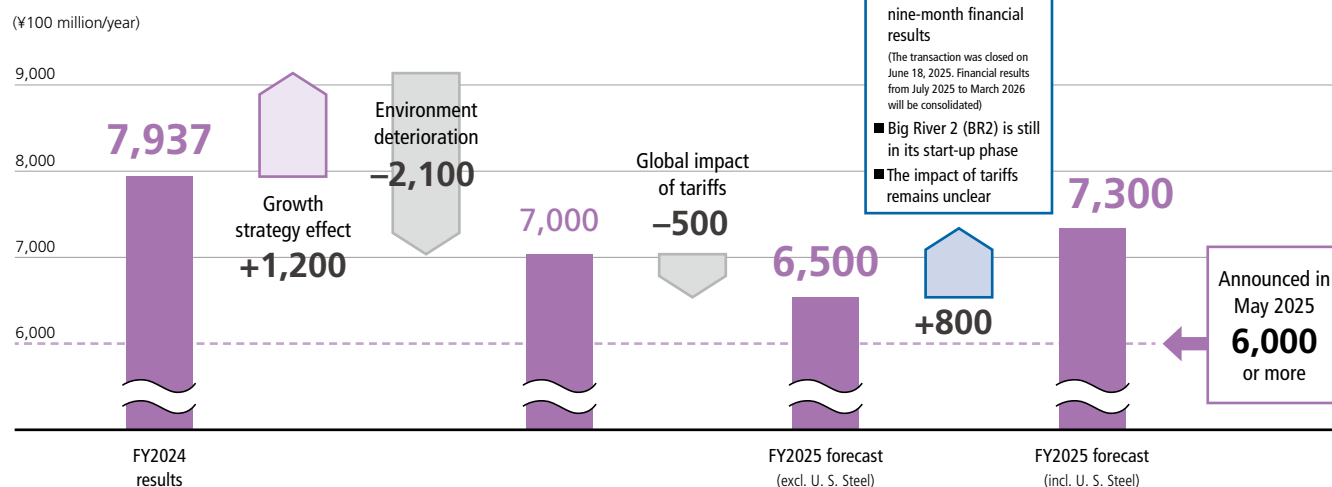
* Effective October 1, 2025, Nippon Steel will split its stocks (one common stock will be split into five) to create a more accessible investment environment and expand its investor base further.

[FY2024 results and FY2025 forecast]

	FY2024 Results	FY2025 Forecast	One-off expenses and losses associated with the U. S. Steel transaction	Excl. one-off items	FY2025 forecast vs. FY2024 results	FY2025 forecast (excl. one-off items) vs. FY2024 results
Sales revenue (100 million yen)	86,955	100,000	—	100,000	+13,045	+13,045
Excluding U. S. Steel	7,937	6,500	—	6,500	-1,437	-1,437
U. S. Steel	0	800	—	800	+800	+800
Underlying business profit excl. inventory valuation	7,937	7,300	—	7,300	-637	-637
Inventory valuation differences, etc.	(1,105)	(2,500)	(250)	(2,250)	-1,395	-1,145
Consolidated business profit ROS	6,832 7.9%	4,800 4.8%	(250)	5,050	-2,032 -3.1%	-1,782 -3.1%
Specific disclosure items	(1,352)	(2,400)	(2,300)	(100)	-952	+1,252
Net profit*1	3,502	(400)	(2,600)	2,200	-3,902	-1,302
EPS (yen/share)*2	350	-38	-248	210	-388	-140
ROE (%)	6.9%					
Non-consolidated crude steel production (10,000 tons)	3,425	3,450			+25	+25
Non-consolidated steel product shipment volume (10,000 tons)	3,162	3,150			-12	-12
Exchange rate (¥/\$)	153	145			-8	-8

*1 Net profit attributable to owners of the parent *2 Net profit per share before stock splitting

[FY2025 Underlying business profit forecast (changes from the previous fiscal year, announced in August 2025)]



Formulation of the next Medium- to Long-term Management Plan is currently underway

Toward further growth in the future, Nippon Steel is developing the next Medium- to Long-term Management Plan to achieve the early realization of the "100 Million Tons, 1 Trillion Yen Vision" as soon as possible. We plan to announce the next Medium- to Long-term Management Plan by the end of 2025, but we will begin implementing each measure as soon as it is finalized.

In Japan, we will strengthen our efforts to capture domestic demand by drastically enhancing our competitiveness, including the development and implementation of innovative technologies focusing on carbon neutrality and the creation of synergy through the reorganization of Group companies. Overseas, we will accelerate business expansion in markets with assured steel demand growth that are less susceptible to China's excessive exports, such as India and the U.S.

Looking ahead, we will achieve sustainable growth and enhance corporate value under any circumstances by consistently implementing growth strategies for future opportunities.