

Nippon Steel's Policy Position

[Nippon Steel's stance on carbon neutrality given its mission, corporate philosophy, changing business environment, etc.]

- The Nippon Steel Group is committed to continuously pursue world-leading technology and manufacturing excellence, thereby contributing to social progress by providing superior products and services.
- Steel is a fundamental material essential to all industries and infrastructure development. The demand for steel will remain indispensable to society along with the global population growth and economic expansion. Nippon Steel's mission is to contribute to sustainable societal development by providing comprehensive solutions that include steel as a material, which serve as the foundation of modern life and economic progress, as well as its processing and application technologies.
- Transformational change in society and industry is leading to increasingly sophisticated requirements for steel product performance and properties, especially regarding environmental and social considerations. In particular, climate change response has become a critical global challenge. Regarding efforts for achieving a decarbonized society, which are becoming one of new standards of industrial competition, Nippon Steel is determined to maintain its position as a global leader in the steel industry by cooperating with relevant measures of the government and fully embracing the challenge of developing and implementing new CO₂ reduction technology. Further, leveraging our technological expertise and product capabilities, we will contribute to the realization of carbon neutrality on a broad social level by providing high-performance products and solution technology.
- By adhering to our mission to supply steel products essential for social development and at the same time by tackling with the challenge to help solve global environmental issues, we aim to sustainably develop and grow our business and will work to achieve carbon neutrality by 2050.

[The prerequisites needed for Nippon Steel's efforts aimed at carbon neutrality to lead to the improvement in its business sustainability and corporate value]

1. Maintaining and advancing steelmaking processes that include reduction processes is unavoidable and indeed necessary to meet demand for essential steel products required for societal development, as it will be insufficient to rely solely on scrap-based processes, which have inherent supply limitations. We will seek societal understanding of this necessity.
2. Securing a stable supply of decarbonized energy and reducing agents, at internationally competitive cost, is of critical importance for the stable production of GX Steel and the establishment of a socially acceptable cost structure. We will advocate for the necessary business environment and infrastructure development to support these requirements.

3. Japanese steel products are not mere commodities — they are also products of a highly integrated manufacturing system optimized for diverse quality requirements (realization of customized high-value-added solutions) for individual customers and fine-tuned manufacturing processes. Based on this premise, we will seek society's acceptance of a realistic transition to decarbonized steel manufacturing processes.
4. We will call for the establishment of environmental assessment rules that evaluate the final products manufactured for the benefit of customers who procure GX Steel and manufacturers. We will take a leading role in shaping these rules.
5. The transition to decarbonized steelmaking processes requires massive investment and entails higher operational costs compared to conventional processes. This will make GX Steel to be more expensive than traditional products. We will seek understanding from customers and society at large on the burden-sharing of this environmental premium. We will advocate for the establishment of the GX product market by fostering understanding of GX supply chain innovation, where all stakeholders must commit to realizing the transition to decarbonized steelmaking process.

[Nippon Steel's advocacy stance]

Nippon Steel has endorsed the government's policy of realizing a carbon-neutral society by 2050 in line with the Paris Agreement, has adopted the Nippon Steel Carbon Neutral Vision 2050, and is working to realize the neutrality goals as a top management priority. However, achieving carbon neutrality in the steel industry is not something that can be achieved by steelmakers alone. What is required are strong and continuous support, including financial support; supply of stable and low-cost decarbonized energy; the specific promotion of policies, such as support for and the introduction of systems and regulations to create a GX market; and a business environment that is established by cooperation with society, including a wide range of stakeholders.

In order to realize the neutrality objectives, we will make use of every opportunity to make various proposals regarding Japan's climate change measures and energy policies in line with the Paris Agreement, and will actively participate in and contribute to activities through economic and industry organizations.

Based on the Nippon Steel's Stance on Carbon Neutrality Given Its Mission, Corporate Philosophy, and Changing Business Environment statement and on the Pursuit of a Foundational Environment Where Carbon Neutrality Efforts Enhance Business Sustainability and Corporate Value, we will actively advance carbon neutrality initiatives based on the following advocacy stance.

1. Stance on the government's GX policy

Achieving carbon neutrality requires the bold introduction of policies and systems based on a national strategy, under the strong leadership of the government. This is because it is impossible to solve the problem of external economics only by relying on the market mechanism that is based solely on economic rationality. It is essential to proceed by adjusting the responsibilities and burdens of all stakeholders in each supply chain, and it is also necessary to ensure consistency with maintaining international competitiveness. To realize these policies, we emphasize the necessity of a Japan-specific policy

package that integrates climate change measures with the maintenance and enhancement of international industrial competitiveness. Strong and continuous support across all stages of the decarbonization transition process, from research and development through facility installation, as well as support to offset increased costs related to hydrogen, electricity, and raw material operations, is advocated. We make various proposals regarding Japan's climate change measures and energy policies in line with the Paris Agreement. We also pursue active leadership in promoting initiatives. At the same time, we will take the lead in promoting activities through industry organizations. In order to realize the environment for these policies and systems, it is inevitable to increase the understanding of society as a whole. For this reason, we will also seek the understanding and cooperation of non-industrial entities interested in carbon neutrality.

2. Stance on energy policy

Achieving carbon neutrality in the steel industry requires the expansion of decarbonized power sources and fuels, a stable and low-cost supply flows, realization of pricing that supports international-competitiveness of customers, and establishment of a functional CCS implementation environment. Nippon Steel will continue to actively engage with the government and relevant institutions to establish policies and systems necessary to achieve these objectives.

For decarbonized power sources, in addition to renewable energy, the maximum utilization of nuclear power is essential to ensure a stable and low-cost supply, considering the S+3E perspective. We will actively engage with the government to establish the business environment and systems necessary to achieve these objectives.

In addition, to expand the stable and low-cost supply of hydrogen and ammonia, we will seek effective operation of the government's subsidies for the price difference between low-carbon hydrogen and ammonia as compared to traditional fossil fuels. Regarding the development of hydrogen supply bases and infrastructure in Japan, we will be engaged in development and support for a promotion system in each specific base.

3. Stance on carbon pricing

To simultaneously achieve economic growth and decarbonization, the government's commitment to large-scale, long-term, and multi-year support of capital investment for decarbonization, including investment for technology development and transition, along with the phased introduction of carbon pricing mechanisms after securing the time for companies to work at technology development and capital investment for decarbonization, are crucially important. The growth-oriented carbon pricing concept, as outlined in GX Vision 2040, is designed to evaluate and encourage early transitions to carbon neutrality and to support businesses competing in the international market. We fully endorse this initiative. An emissions trading scheme outlined in the Vision will be incrementally developed but at this stage, the most rational pathway toward 2050 carbon neutrality for high-emission industries that currently lack technological options for full decarbonization, is to promote the development of innovative technology that expands available solutions. As the innovative technologies will be implemented while maintaining international competitiveness in the future, we will also advocate effective and feasible regulatory frameworks by the Japanese government to support this transition.

On the other hand, carbon pricing alone will not create a GX product market and will not lead to predictability of GX investment. We will therefore ask the government to formulate policy for market creation focused on each of these GX products, in addition to promoting the growth-oriented carbon pricing concept.

4. Stance on the creation of the GX product market

For the basic material industries that produce high-GHG emissions to be assisted in continuously pursuing bold decarbonization investments and increased use of recycled materials on the path to carbon neutrality, it is essential to visualize the emission reduction efforts of upstream companies as a value-additive (or environmental value) across the entire value chain. A GX product market must be created and expanded, where downstream companies and consumers recognize and actively quantify these environmental values, leading to appropriate pricing mechanisms that fairly reflect the environmental premium. To ensure that corporate efforts on behalf of GX contribute to global carbon neutrality through emission reductions across the product lifecycle, it is critical to establish a market that favors products and services with such environmental value. A collaborative effort by the public and private sectors is necessary to ensure that actual amounts of reduction are properly assessed and recognized.

The creation of a GX product market requires commitments and financial contributions from demand-side entities, in addition to supply-side entities. In addition to establishing rules for quantifying environmental value, Nippon Steel will actively engage with the government for the promotion of GX product procurement by private enterprises, as well as for the development of incentive programs including government procurement support. Also of vital importance is the implementation of green procurement procedures in infrastructure projects by public institutions. Further, we will support the phased introduction of regulations to support the growth of the GX product market. At the same time, we will emphasize to society the importance of deepening understanding of the GX product market and of fostering a shift toward GX-oriented behavior, and we will ask society at large for cooperation.