

FY2022 1H Financial Results and Progress on Medium- to Long-Term Management Plan

November 24, 2022



NIPPON STEEL TRADING

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* The Company applied the Accounting Standard for Revenue Recognition, Etc. from the beginning of the first quarter of the fiscal year ending March 31, 2023, and made retroactive adjustments from the first half of the fiscal year ended March 31, 2022.

Executive Summary

1H FY2022 Financial Results and FY2022 Full-Year Forecasts

- In addition to the effects of executing measures in the medium- to long-term management plan, the highest levels on record were reached on a half-yearly basis for ordinary profit at ¥27.0 billion in 1H due to factors such as the rise in domestic steel prices.
- The Company will aim to achieve full-year ordinary profit of ¥46.0 billion yen by steadily implementing the measures in the medium- to long-term management plan despite uncertainties in global politics and economics, supply chain trends, and domestic and overseas steel supply, demand, and prices, etc.

	First half	Second half	FY2021 results	<i>(August forecast)</i>				Change
				First half	Second half forecast	FY2022 forecast		
Ordinary profit (billions of yen)	22.7	25.0	47.8	<i>(25.5)</i> 27.0	<i>(17.5)</i> 19.0	<i>(43.0)</i> 46.0	-1.8	
*Net profit (billions of yen)	15.9	19.4	35.4	<i>(17.0)</i> 17.1	<i>(13.0)</i> 13.9	<i>(30.0)</i> 31.0	-4.4	
Dividends (yen per share)	160	190	350	<i>(170)</i> 170	<i>(130)</i> 140	<i>(300)</i> 310	-40	

*Profit attributable to owners of parent (same applies below)

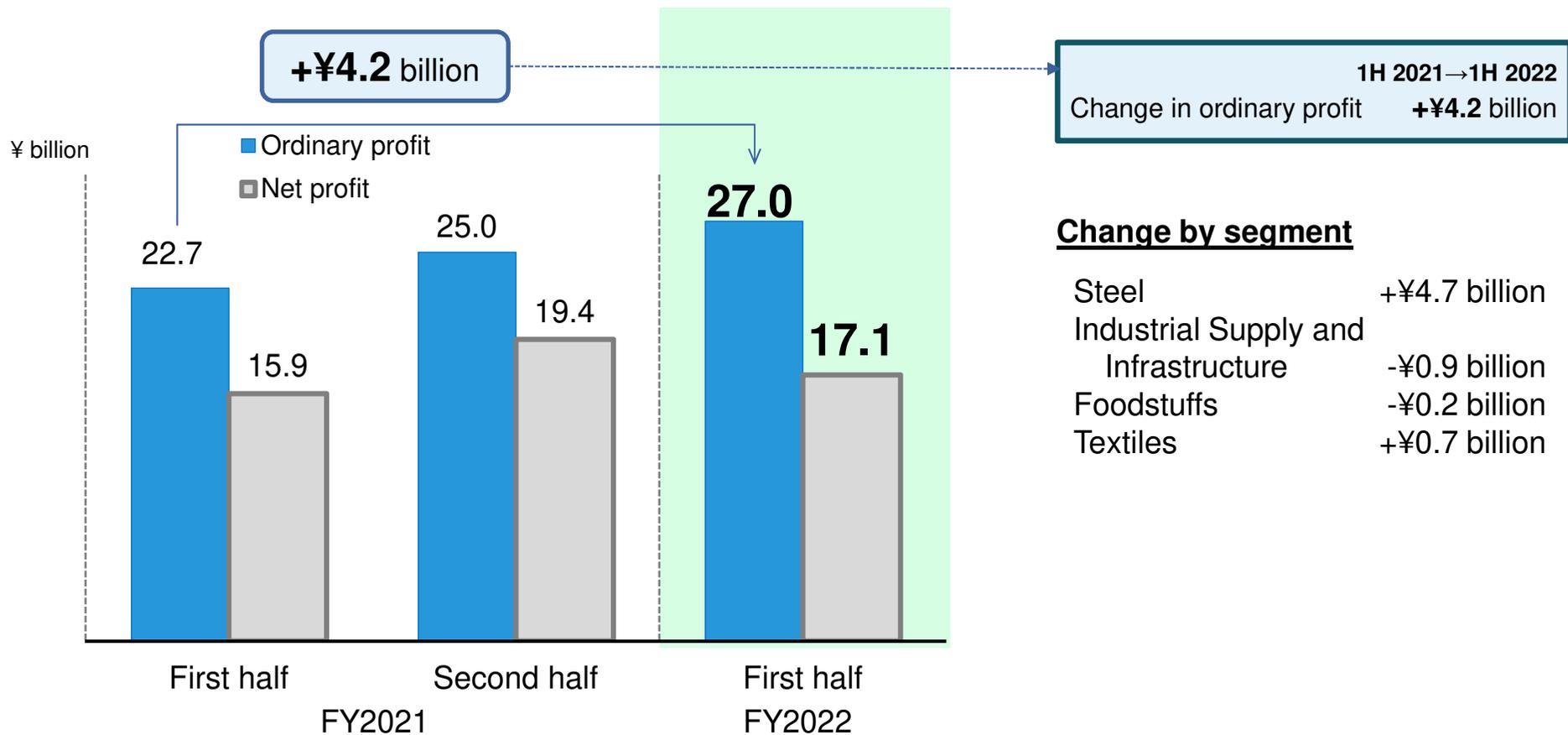
Progress on medium- to long-term management plan

- ~FY2022 forecast Strengthening of business foundation +¥7.8 billion (progress vs. plan: 90%)
Growth strategy +¥11.1billion (progress vs. plan: 110%)
- Review and implement reinforcement measures to become a strong growth company as set forth in the medium- to long-term management plan, regardless of changes in environment

1. 1H FY2022 Financial Results and FY2022 Full-Year Forecasts

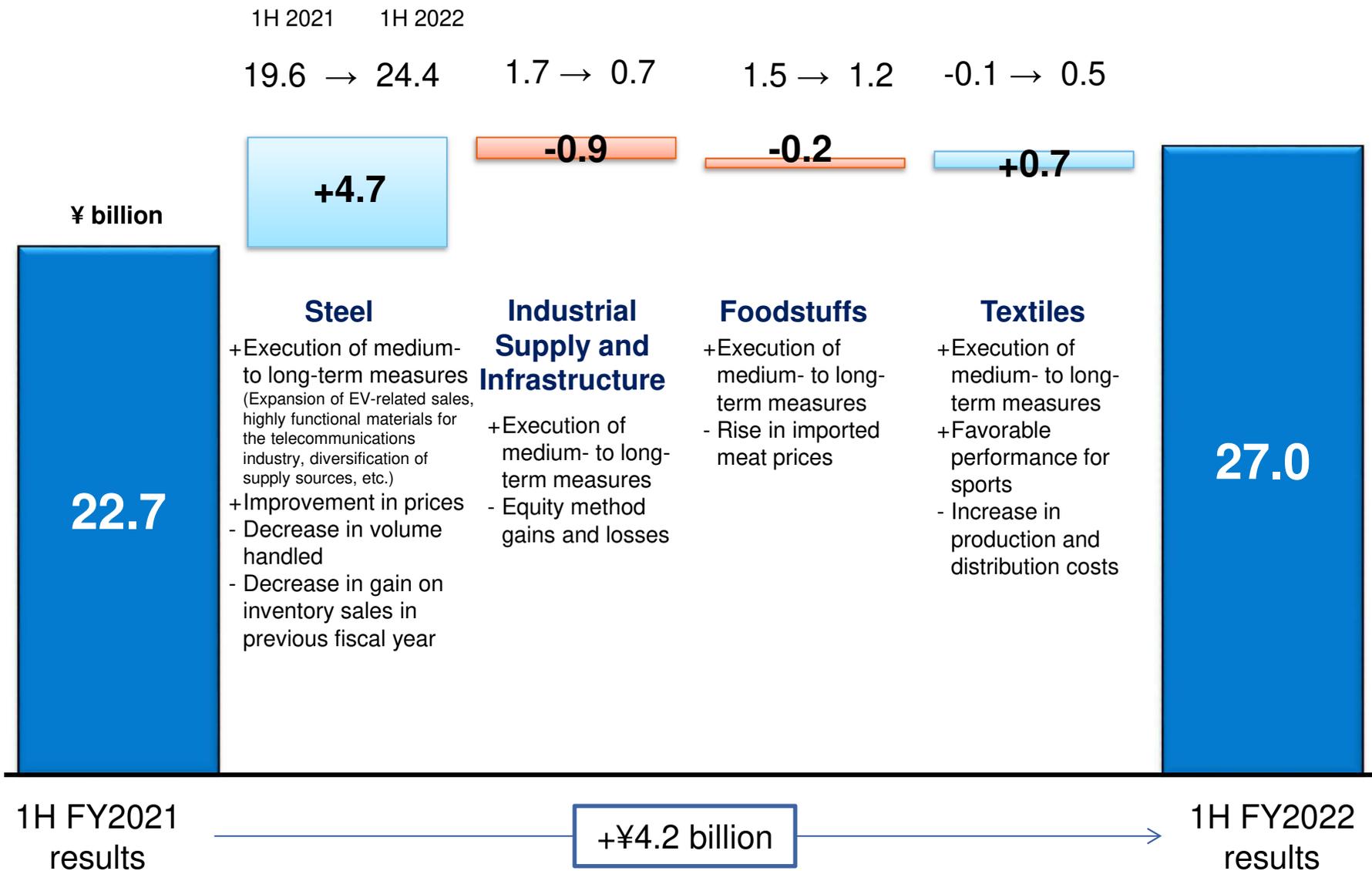
Key Points of the 1H FY2022 Financial Results

- The highest ordinary profit on record was achieved due to execution of measures under the medium- to long-term management plan (strengthening the business foundation and growth strategy) in addition to rising domestic steel prices
- Ordinary profit ¥27.0 billion (+¥4.2 billion year on year)
- Net profit ¥17.1 billion (+¥1.2 billion year on year)
- Interim dividend ¥170 per share (+¥10 per share year on year)



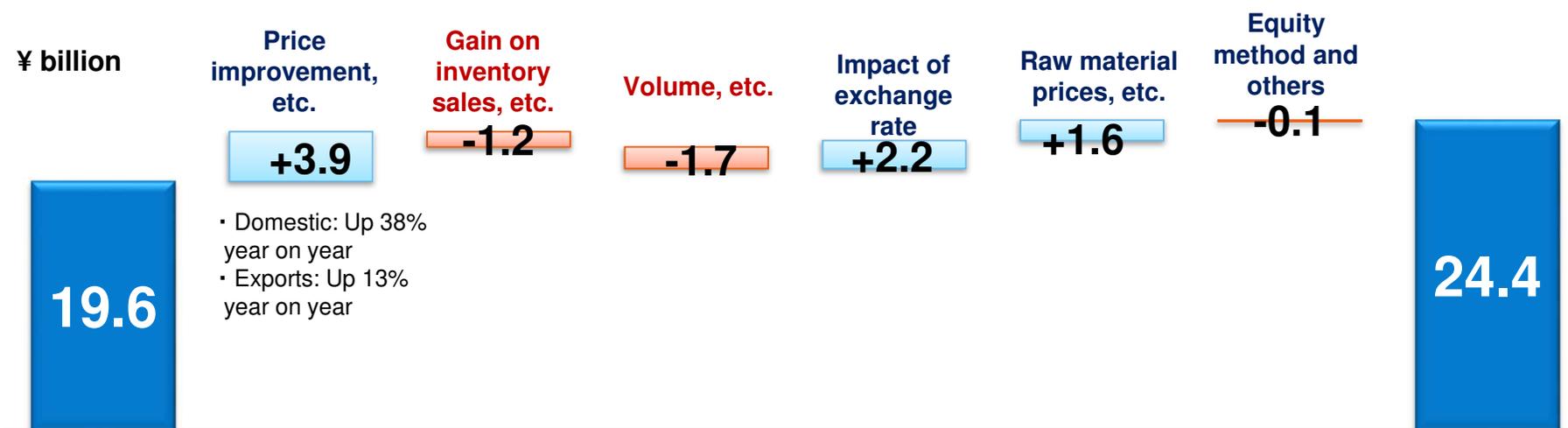
Factors Increasing and Decreasing Ordinary Profit

(FY2021 1H Results→FY2022 1H Results)



Increases and Decreases in Ordinary Profit of Steel Business

(FY2021 1H Results→FY2022 1H Results)



1H FY2021 results

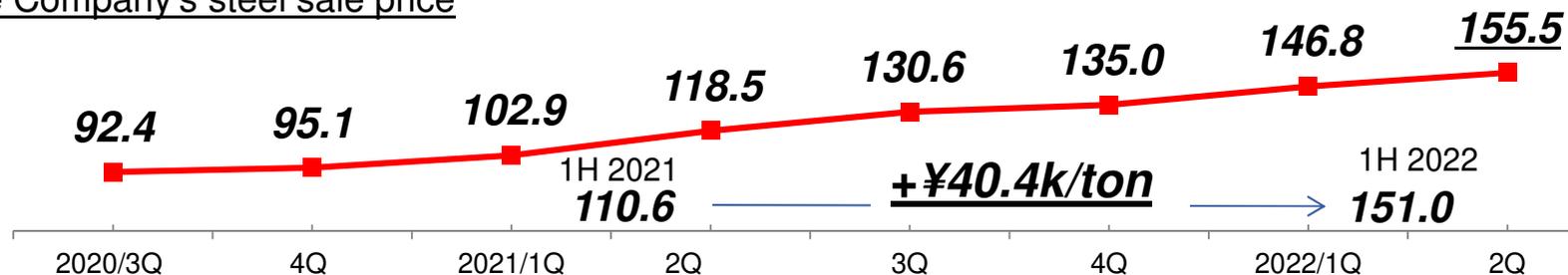
Ordinary profit +¥4.7 billion

1H FY2022 results

Consolidated steel handling volume

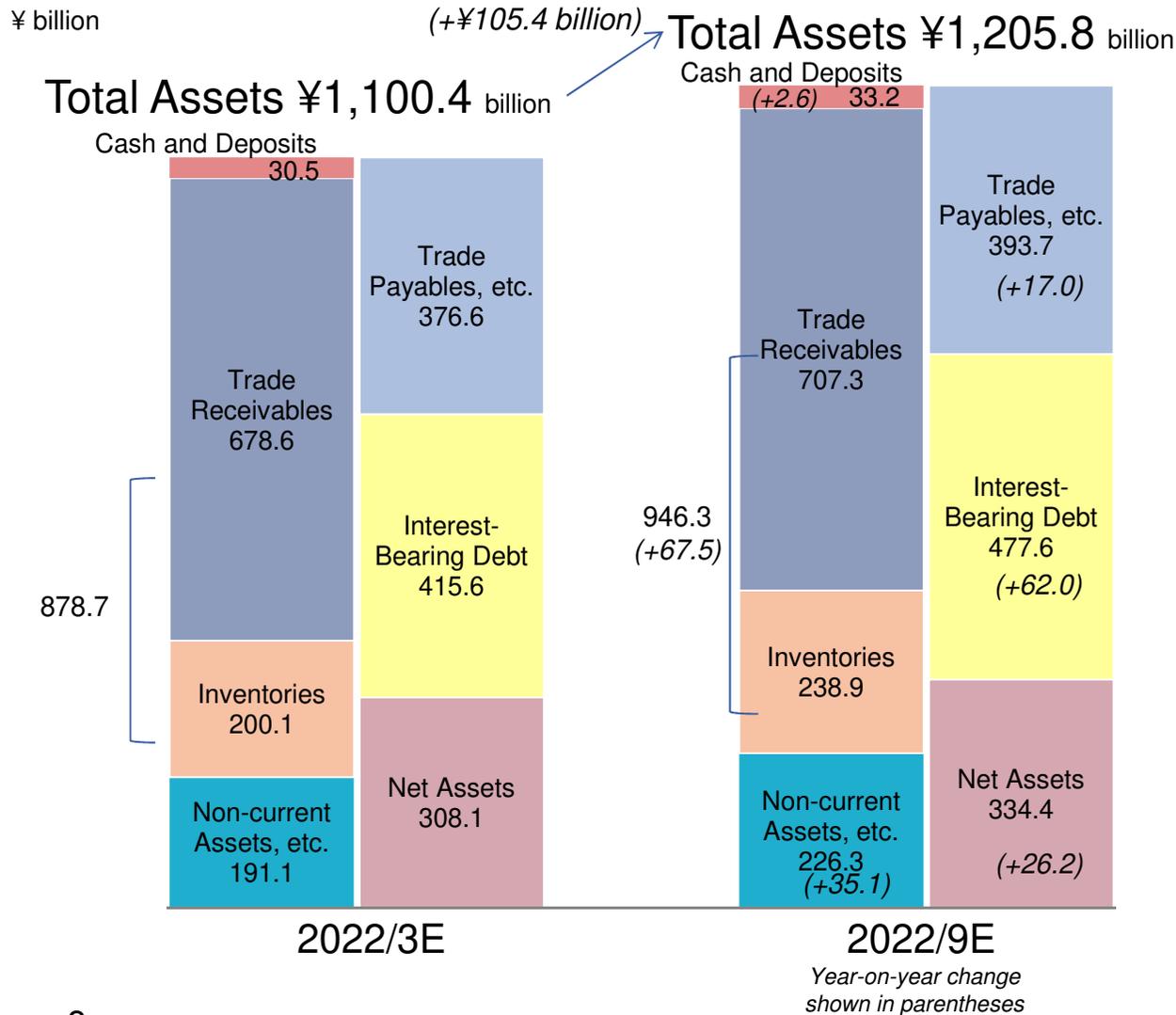
10,000 tons	1H 2021	1H 2022	Change
Consolidated total	93.7	85.0	-8.7
Non-consolidated	71.1	63.3	-7.8
Subsidiaries	22.6	21.8	-0.9

The Company's steel sale price



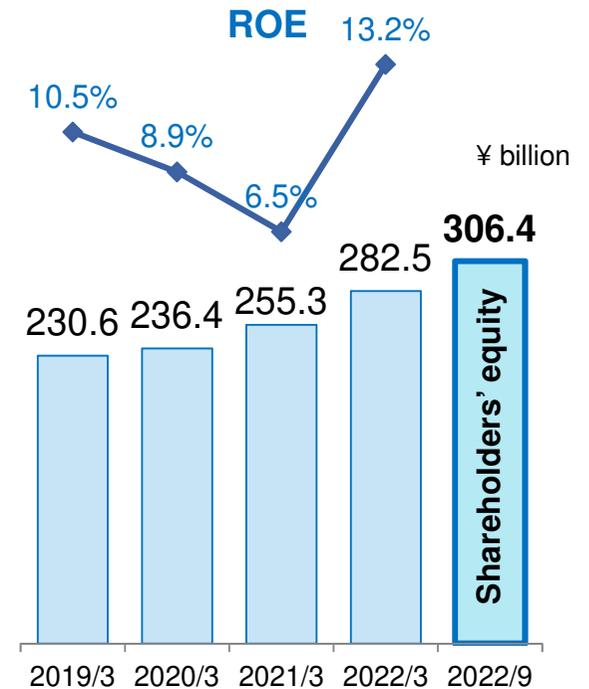
Balance Sheet

- Trade receivables, inventories, etc. also increased with expansion of transaction scale



	2022/3E	2022/9E	Change
Equity ratio	25.7%	25.4%	-0.3%
Net D/E	1.36x	1.45x	-0.09x

Shareholders' Equity and ROE



Cash Flows

¥ billion		1H 2021	1H 2022
	Profit before income taxes	23.5	26.4
	Depreciation	3.1	2.8
	Share of loss (profit) of entities accounted for using equity method	-1.8	-2.2
	Interest, tax and others	-7.8	-23.3
	Subtotal	16.9	3.7
	Change in working capital	-65.1	-42.9
	Operating cash flows	-48.1	-39.2
	Investment cash flows	-2.0	-2.5
	Free cash flow	-50.1	-41.7
	Financial cash flows (change in interest-bearing debt, etc.)	19.4	40.5
	Change in cash and deposits	-30.0	2.2

Including capital and business investment -6.3

FY2022 Earnings Forecasts

- Full-year earnings and dividend forecasts revised upward in light of recent turnaround in business performance
- Full-year forecasts: ¥46.0 billion in ordinary profit, ¥31.0 billion in net profit, and dividend of ¥310 (payout ratio of 32.3%)

¥ billion	FY2021 results			(August)			Change	vs. previous forecast	
		1H forecast	2H forecast	FY2022 forecast	1H results	2H results			(Current) FY2022 forecast
Steel	43.2	23.4	14.0	37.4	24.4	16.4	40.8	- 2.4	+ 3.4
I & I	2.1	0.6	1.5	2.1	0.7	0.7	1.4	- 0.7	- 0.7
Foodstuffs	2.9	1.2	1.2	2.4	1.2	1.3	2.5	- 0.4	+ 0.1
Textiles	- 0.5	0.3	0.8	1.1	0.5	0.6	1.1	+ 1.6	-
Ordinary profit	47.8	25.5	17.5	43.0	27.0	19.0	46.0	- 1.8	+ 3.0
Net profit	35.4	17.0	13.0	30.0	17.1	13.9	31.0	- 4.4	+ 1.0
Dividends (yen per share)	350	170	130	300	170	140	310	- 40	+ 10
Dividend payout ratio	31.9%			32.3%			32.3%		

(Reference)
Net profit
vs. previous year

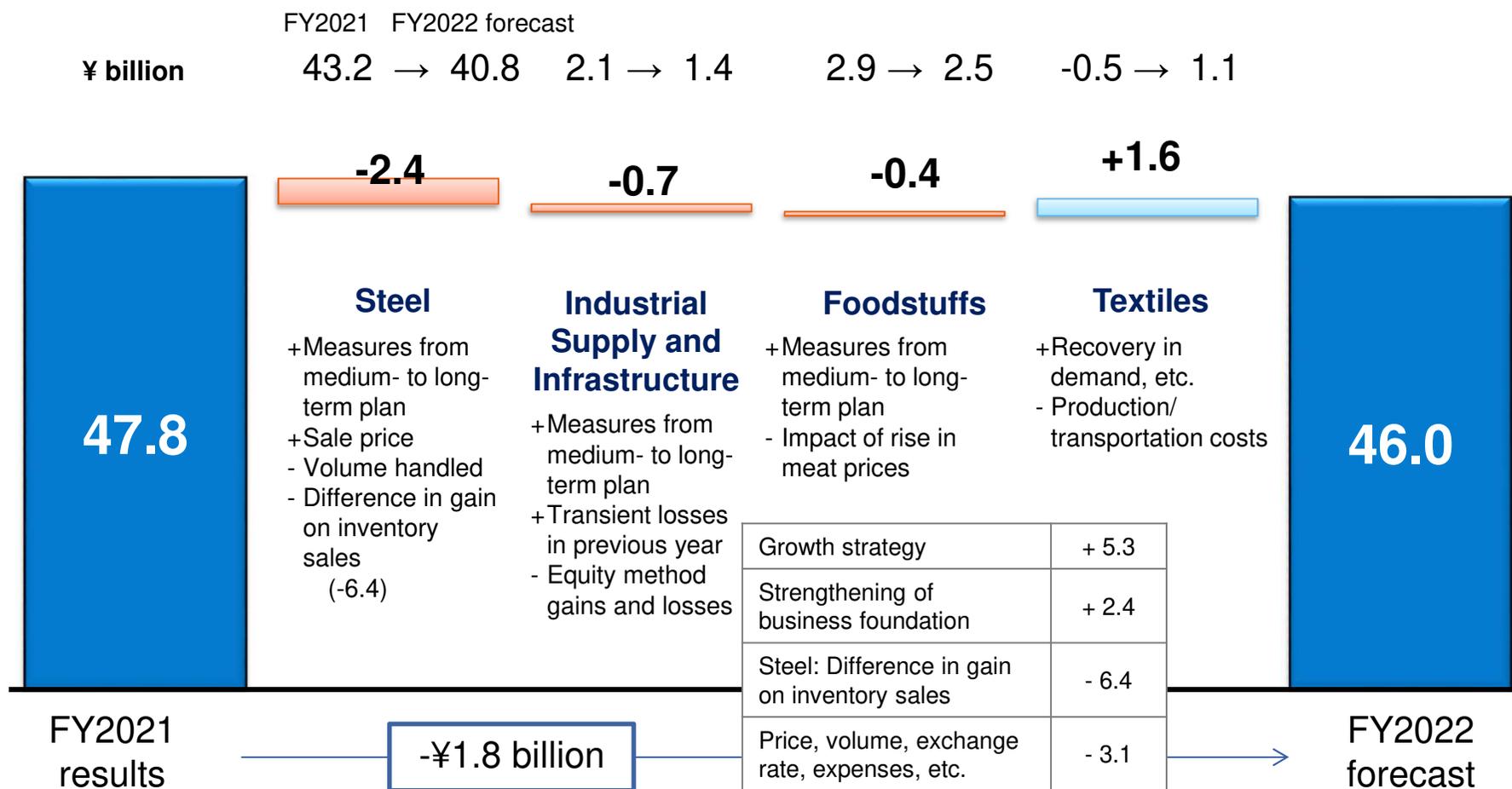
FY2021	FY2022 forecast	Change
¥35.4 billion	¥31.0 billion	- ¥4.4 billion

- Change in ordinary profit - 1.2
- Absence of extraordinary income due to equity method conversion of textile business - 3.7
- Other extraordinary income (loss), etc. + 0.5

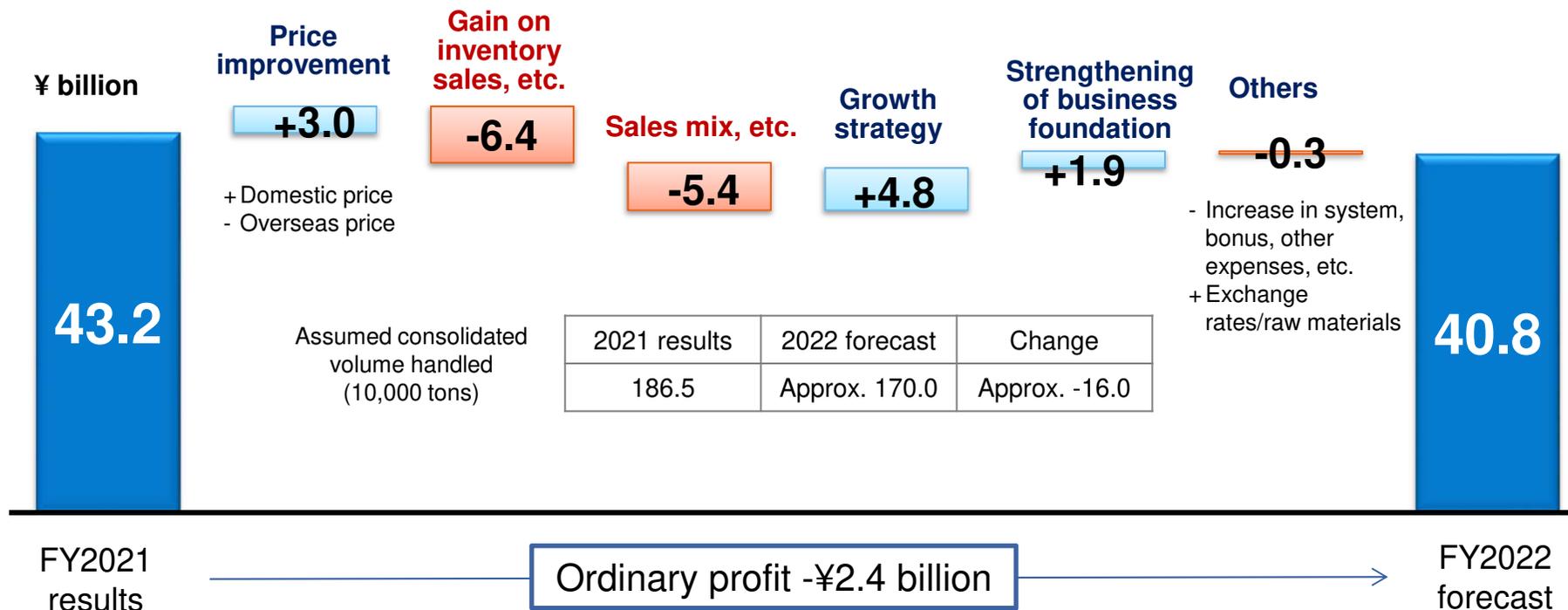
Factors Increasing and Decreasing Ordinary Profit

(FY2021 Results→FY2022 Forecast)

- We aim to achieve the same level of ordinary profit as the previous fiscal year through accelerated implementation of measures in the medium- to long-term management plan and the promotion of reinforcement measures despite the economic uncertainties of global economic deceleration and depreciation of the yen.



<Reference> Increases and Decreases in Ordinary Profit of Steel Business (FY2021 Results→FY2022 Forecast)



<Reference> FY2022 Ordinary Profit: Difference from Previous Forecast

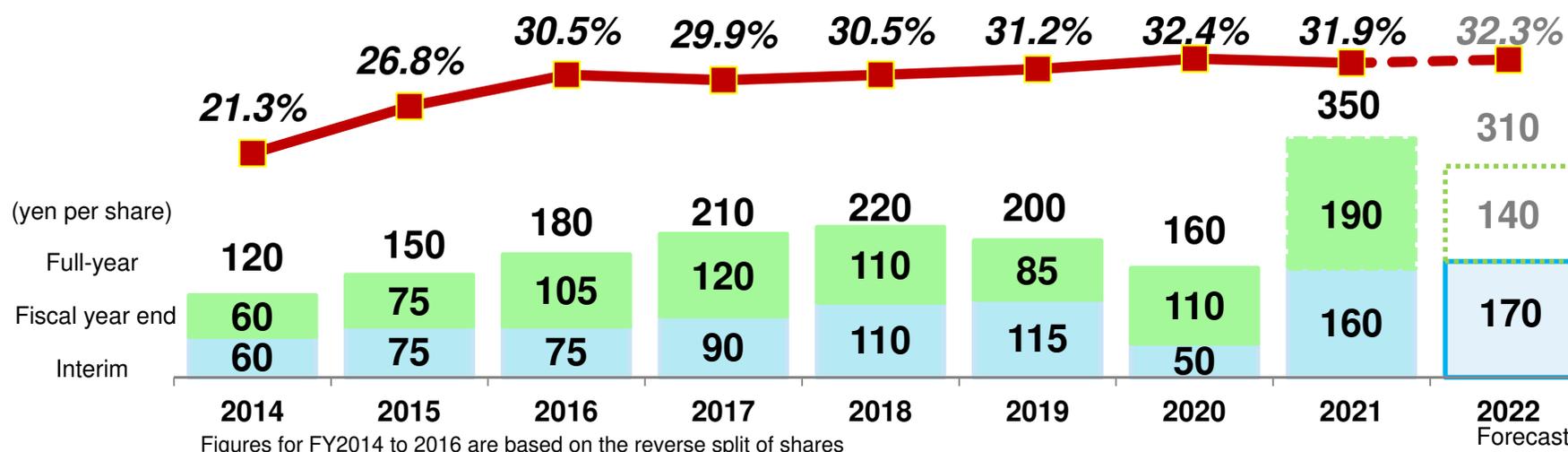
¥ billion	Difference from August forecast
Steel	+ 3.4
I & I	- 0.7
Foodstuffs	+ 0.1
Textiles	-
Ordinary profit	+ 3.0

+ Domestic steel price, - Volume handled
 - Equity method affiliates

Dividend

The Company's Dividends

	FY2020	FY2021 dividend		FY2022 forecast	
		Interim	Fiscal year end	Interim	FY2022 forecast
Net profit	¥15.9 billion	¥15.9 billion	¥19.4 billion	¥17.1 billion	¥31.0 billion
Dividend	¥160 per share	¥160 per share	¥190 per share	¥170 per share	¥310 per share
Dividend payout ratio	32.4%		31.9%		32.3%

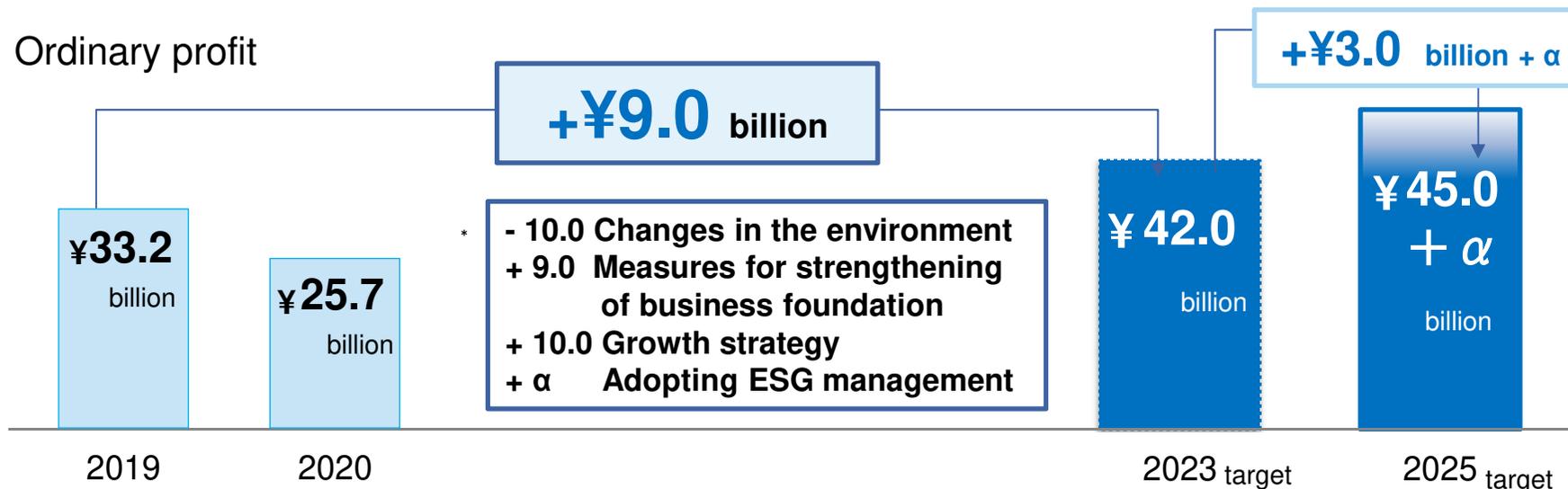


(Reference) Dividend Policy

The Company regards the return of profits to shareholders as one of the top priorities of corporate management, and has a basic policy of providing dividends according to performance with the aim of a consolidated payout ratio of at least 30%, while improving its financial condition.

2. Progress on Medium- to Long-Term Management Plan

Become a Strong Growth Company That Contributes to Society



Quantitative targets

- Target for ordinary profit FY2023 **¥42.0 billion**, FY2025 **¥45.0 billion + α**
- Target for net profit FY2023 **¥26.0 billion**, FY2025 **¥28.0 billion + α**
- ROE **9% - 10%** ■ ROIC Approx. **6%**
- Net D/E Ratio **1.0x or below** ■ Dividend payout ratio **30% or more as a target**

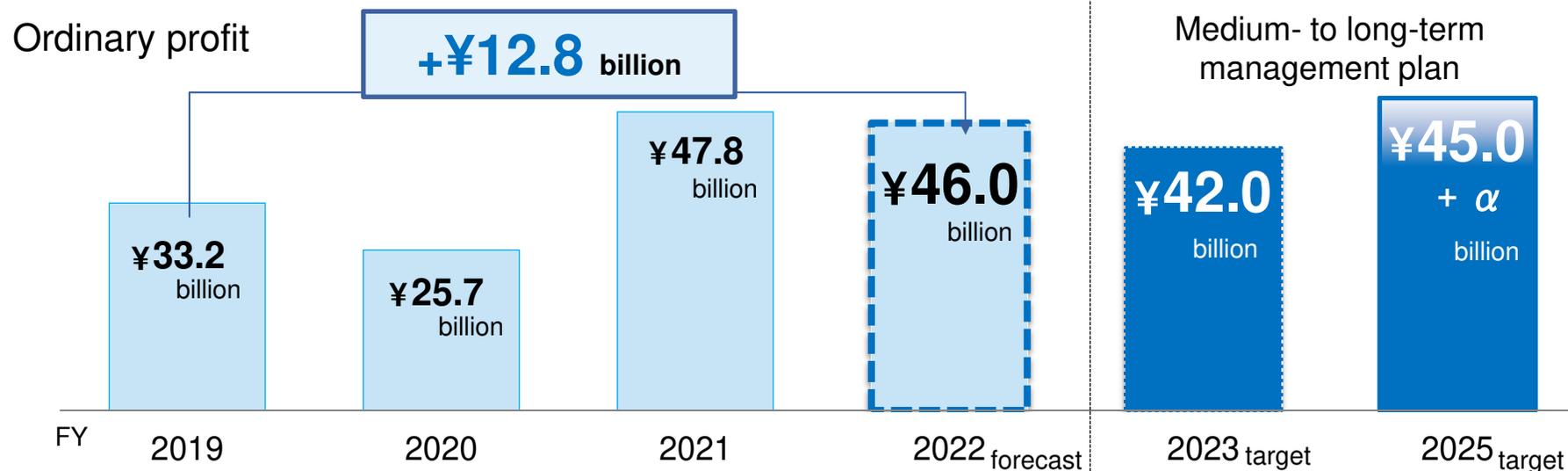
Input plan

- Investment plan **¥75.0 billion** (FY2021 ~ FY2025)
- System input plan **¥17.0 billion** (FY2021 ~ FY2025)

Medium- to long-term CO₂ reduction targets

- FY2030 **30% reduction** ■ FY2050 **Carbon neutral**

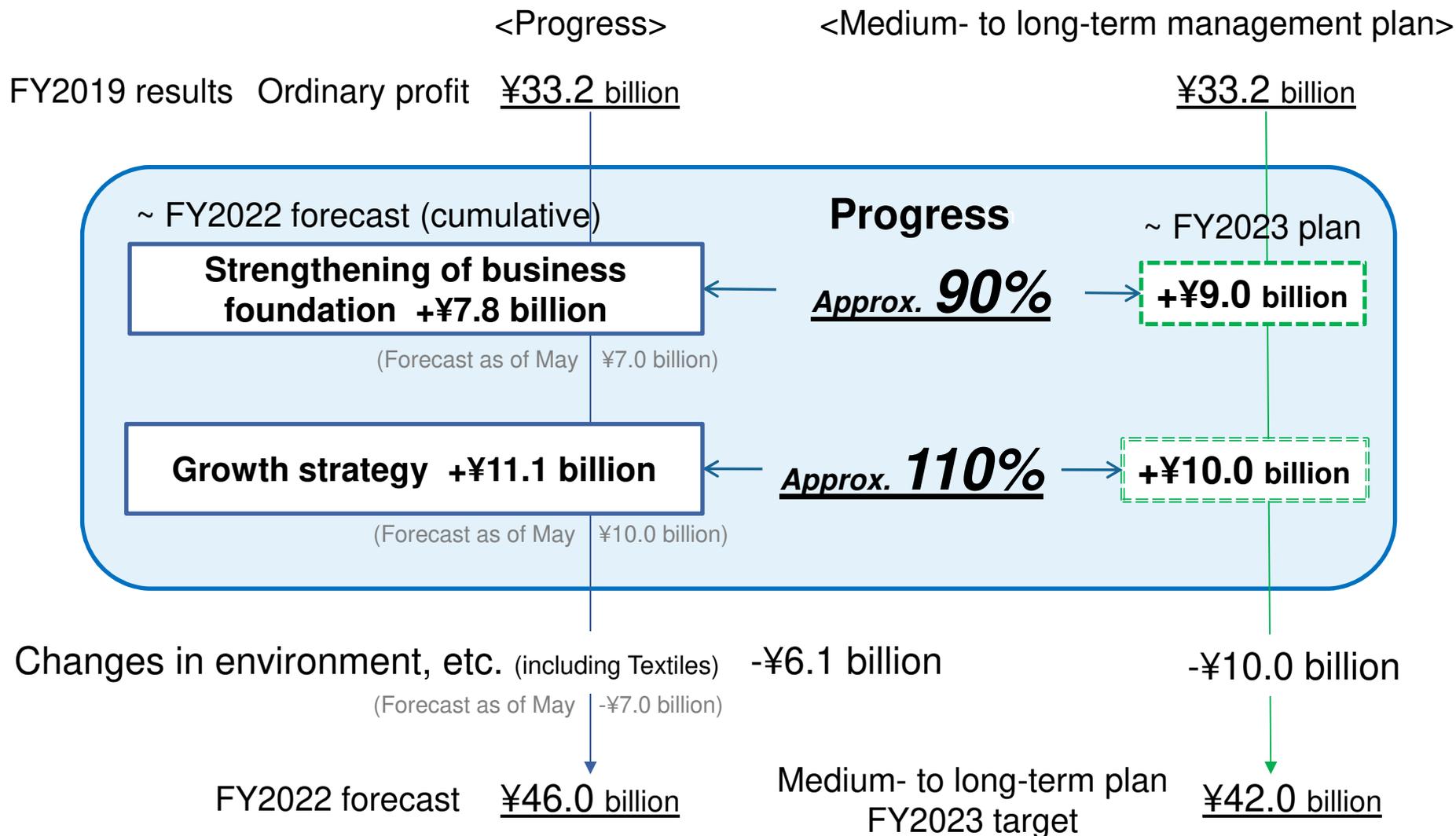
Ordinary Profit Trend



¥ billion	2019 results	2022 forecast	Change	Changes in environment, etc.	Strengthening of business foundation	Growth strategy	Textiles
Company Total	33.2	46.0	+ 12.8	- 2.6	+ 7.8	+ 11.1	- 3.5
Steel	22.2	40.8	+ 18.6	+ 2.4	+ 6.4	+ 9.8	
I & I	3.7	1.4	- 2.3	- 3.8	+ 0.9	+ 0.6	
Foodstuffs	2.4	2.5	+ 0.1	- 1.0	+ 0.4	+0.7	
Textiles	4.6	1.1	- 3.5				

Summary of Progress on Measures of the Medium- to Long-Term Management Plan

Note) Figures are adjusted figures due to spinning off the Textiles Division; the same applies hereafter



Structural Change of Business Environment, etc.

Comparison with situations as of formulating the medium- to long-term management plan (early 2021)

● POSITIVE

● NEGATIVE

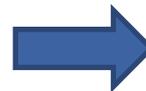
- Steel market conditions 2021/3 Domestic hot-rolled steel sheet ¥80 k/t 2022/10 130 k/t (Japan Metal Daily)
- Decrease in user production due mainly to delayed demand recovery and supply constraints

World Steel Demand forecast 2022 2021/4 ver. 1.924 billion t 2022/10 ver. 1.797 billion t (WSA)

Global top10 LV Production forecast 2022 2021/4Q ver. 92.43 million units 2022/3Q ver. 82.5 million units (MarkLines)

- Rise in energy prices and product import prices (including the impact of exchange rates)
- Increase in labor costs and others

¥ billion	2019→2023 plan
Total	Approx. - 10.0
Steel	Approx. - 7.5
I & I	Approx. - 1.5
Foodstuffs	-
Textiles	Approx. - 0.6



¥ billion	2019→2022 forecast
Total	Approx. - 2.6
Steel	Approx. + 2.4
I & I	Approx. - 3.8
Foodstuffs	Approx. - 1.0

Building a Robust Corporate Structure by Strengthening of Business Foundation

Through the measures below, the Company reduced fixed expenses of ¥5.4 billion by the end of FY2021. Furthermore, it will reduce **¥2.4 billion additionally** (cumulative amount of ¥7.8 billion) in this fiscal year. (Forecast as of May ¥7.0 billion)

- Elimination and consolidation of the headquarters' departments, branches, and sales offices (~2022/9, decrease of 15 organizations)
- Reorganization and integration of the group companies (~2022/9, decrease of 17 companies)

2020/3	2022/3	2022/9	2024/3 target
89 _{companies}	76 _{companies}	72 _{companies}	approx. 68 _{companies}

Fiscal year	2019	19→21	2021	21→22	2022 forecast	Progress	2023 plan
Reduction	Base	+¥5.4 billion	+¥5.4 billion	+¥2.4 billion	+¥7.8 billion	90%	+¥9.0 billion

Non-consolidated	2019→2022 forecast (Forecast as of May ¥4.2 billion)		2019→2023 plan
	“Improving the value-added productivity”	+¥4.6 billion	
	Staffing level adjustments at the headquarters	+¥2.8 billion	+¥2.8 billion
	Reducing general and administrative expenses	+¥1.8 billion	+¥1.6 billion

Subsidiaries	2019→2022 forecast (Forecast as of May ¥2.8 billion)		2019→2023 plan
	“Reorganization, integration and elimination of manufacturing and sales bases”	+¥3.2 billion	
	Improving personnel efficiency of subsidiaries	+¥2.3 billion	+¥2.7 billion
	Reducing general and administrative expenses of subsidiaries	+¥0.9 billion	+¥1.9 billion

Sustainable Increases in Profit by Promoting Growth Strategies

While the Company acquires new demand that meets social needs and globally-expanded demand, it increases profit through efforts on more efficient distribution, M&As, alliances, and digital transformation strategies

2019 → 2021 results
2021 → 2022 forecast

+¥5.8 billion

+¥5.3 billion

Progress **110%**

2019 → 2023 target

+¥10.0 billion

- FY2019 → FY2022 forecast (Forecast as of May ¥10.0 billion) **+¥11.1 billion**

Steel

+¥9.8 billion

I & I

+¥0.6 billion

Foodstuffs

+¥0.7 billion

1. Acquisition of new demand

2. Promotion of global strategies for deepening and expanding overseas business

3. Expansion of sales and improvement of profitability by collaborating with major users, strengthening distribution and processing, and providing solutions

4. Promotion of M&A and alliance strategies that lead to improved distribution efficiency and new business creation

5. Promotion of DX strategies

(Steel)

- Expanding sales in automotive fields in and outside Japan and information communication field, and products such as materials that meet SDGs
- Becoming an integral member outside Japan/expanding sales at overseas coil centers
- Expanding raw material business
- Expanding sales in the construction field
- Acquiring Nihon Teppan Co., Ltd., and Tsukiboshi Shoji Co., Ltd., as consolidated subsidiaries

(I & I)

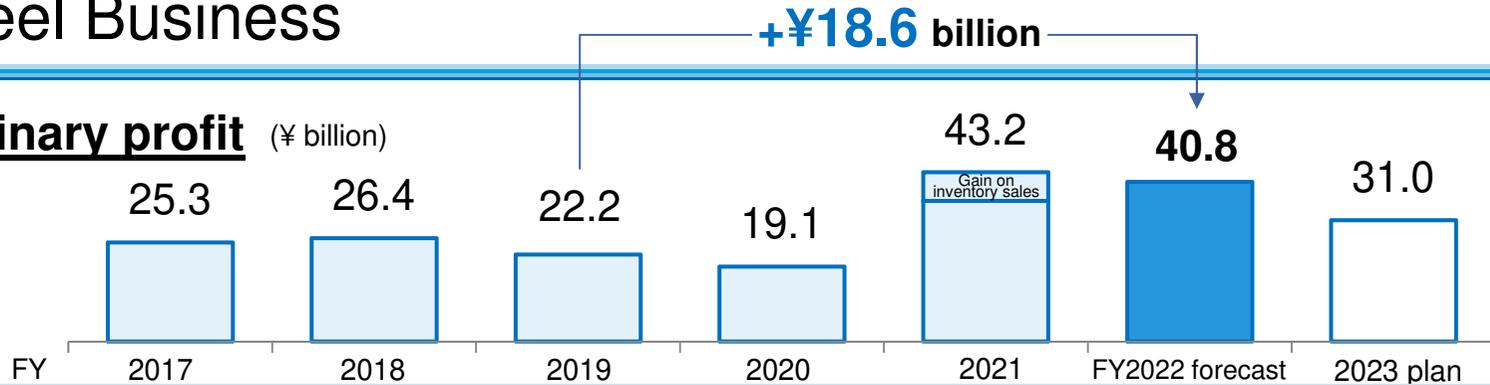
- Acquiring overseas aluminum demand
- Expanding transactions of kitchen automation equipment for the United States

(Foodstuffs)

- Expanding sales of ethical consumption-related products

Steel Business

Ordinary profit (¥ billion)



Strengthening of business foundation **+¥4.5 billion** (2019→2021)

2022 forecast **+¥1.9 billion**

2019→2022 forecast **+¥6.4 billion**

- + Promotion of more efficient operations through ICT utilization
- + Integration of departments, branches, and sales offices
- + Elimination and consolidation of coil centers and other organizations, etc.

Growth strategy **+¥5.0 billion**

+¥4.8 billion

+¥9.8 billion

- + Automotive field (motors for EVs, cell-related materials, super-high-tensile materials, etc.)
- + Highly functional materials for the telecommunications industry (stainless for smartphones, etc.)
- + Materials that meet SDGs (materials for renewable energy field, laminate steel sheets for cans, nickel plating steel sheets for consumer batteries, stainless for vessel scrubbers, etc.)
- + Further promotion of becoming an integral member outside Japan (diversified supply sources)
- + Sales expansion at overseas coil centers (highly functional materials for automobiles and others, full launch of U.S. NSPS, etc.)
- + Expansion of raw material business (scraps, black pellets, etc.)
- + Expansion of sales in the construction field (launch of TIO/NEO, a standardized system construction-type product, etc.)
- + Acquisition of Nihon Teppan Co., Ltd., and Tsukiboshi Shoji Co., Ltd., as consolidated subsidiaries, increase in synergies

Changes in environment, etc. **+¥11.5 billion**

- + Improvement in market conditions
- + Gain on inventory sales, etc.
- Decreased demand
- Constrained supply

-¥9.1 billion

- + Domestic market conditions
- Overseas market conditions
- Reduced gain on inventory sales in previous fiscal year
- Delayed demand recovery
- System expenses and other costs

+¥2.4 billion

Total of change in ordinary profit **+¥21.0 billion**

-¥2.4 billion

+¥18.6 billion

Reform of Steel Product Distribution Through Digital Transformation Strategies

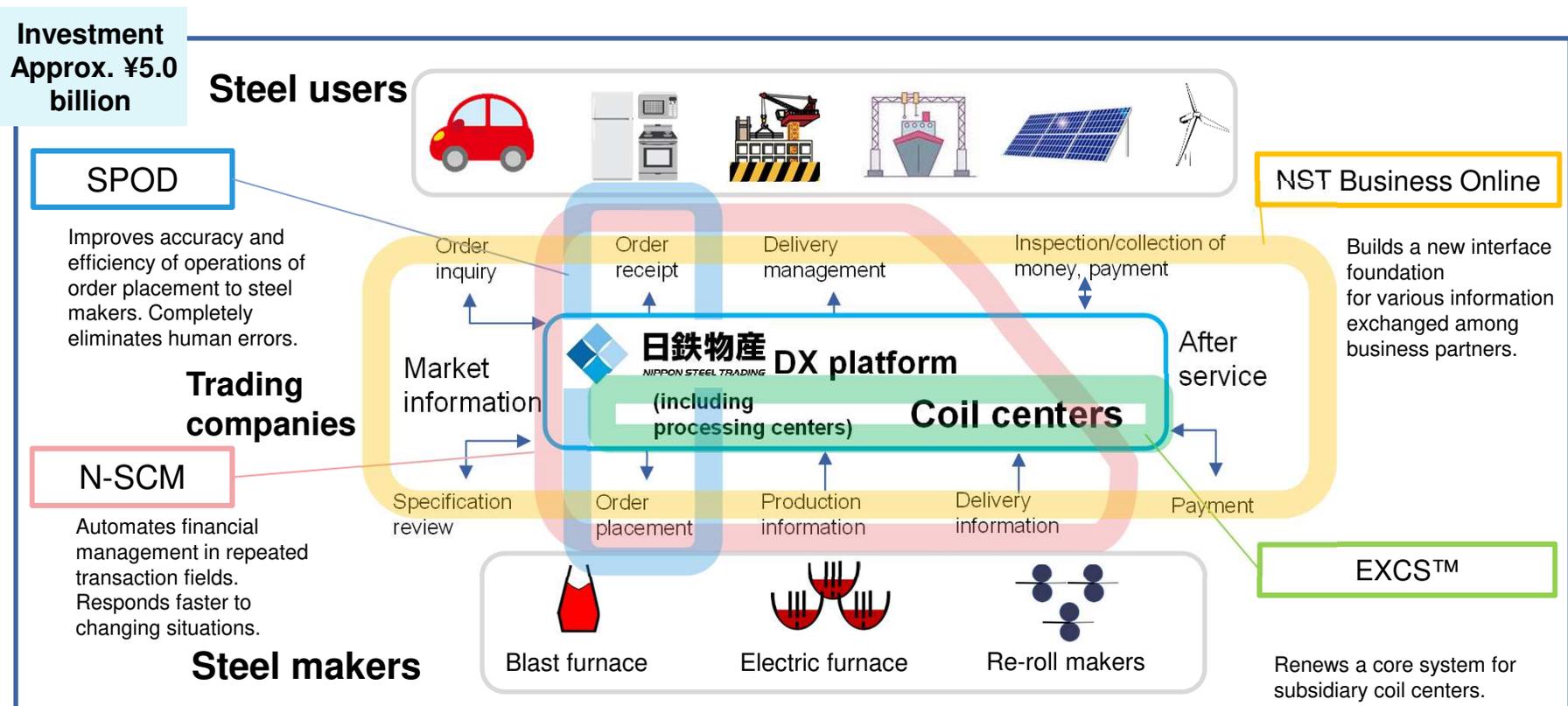
We have developed a new steel distribution DX platform (including processing centers) to fully digitize our trading business

- Significant improvement in the operational efficiency and accuracy and quality control levels of the entire flow involving users, distributors, and makers
- Visualization of information on a real-time basis to reduce inventory and loss and improve logistics efficiency and productivity

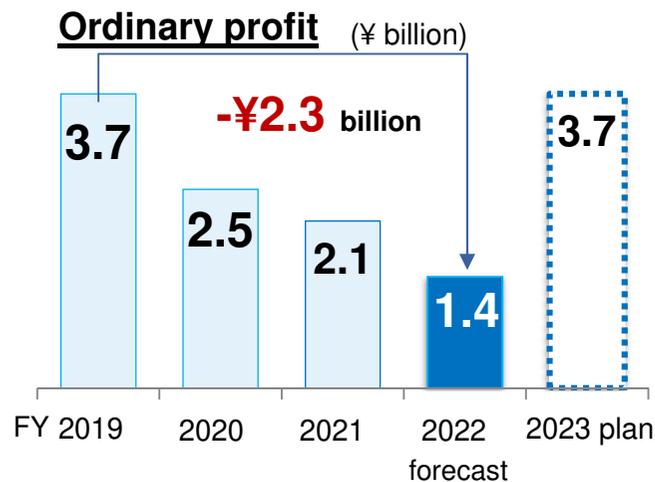


The **“improved entry system (SPOD)”** and the **“automated financial management system (N-SCM)”** were **fully launched in the second half of FY2021**. We continue to expand functions and develop product categories.

We **will establish foundations of a “new coil center system (EXCS™)”** and a **“portal site (NST Business Online)”** in FY2022. As a medium-term effort, we will enhance their functions and increase their bases further.



Industrial Supply & Infrastructure Business



Strengthening of business foundation

2019→2021 **+¥0.7 billion**

Rationalization of costs of group companies, etc.

Growth strategy

2019→2021 **+¥0.4 billion**

Sales expansion of aluminum for EVs and can materials, etc.

Changes in environment

2019→2021 **-¥2.7 billion**

- Reduced production of automobiles
- Temporary loss

Total of change in ordinary profit

2019→2021 **-¥1.6 billion**

2021 →2022 forecast

+¥0.2 billion

2019 →2022 forecast

+¥0.9 billion

+¥0.2 billion

+¥0.6 billion

-¥1.1 billion

-¥3.8 billion

- Delayed demand recovery
- Equity gains and losses (Rise in LNG prices)

-¥0.7 billion

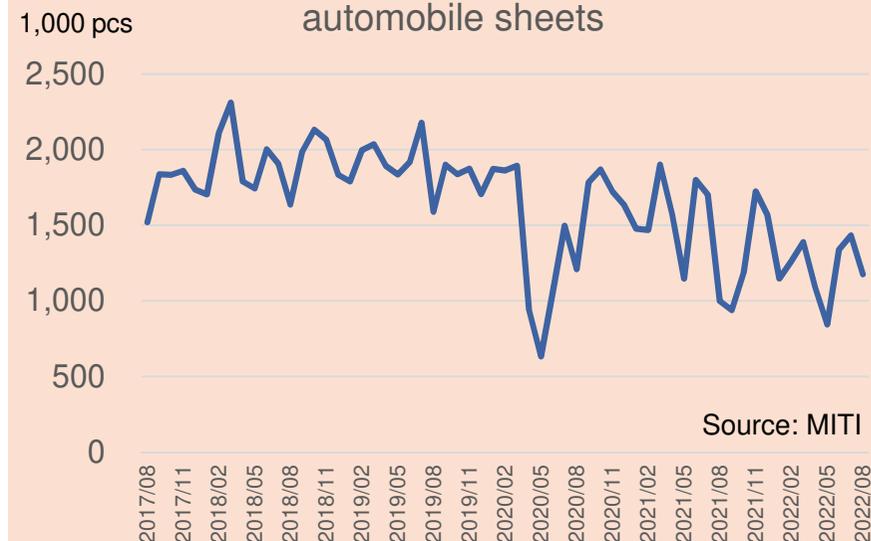
-¥2.3 billion

(including temporary factors -¥1.2 billion)

\$/million BTU LNG prices in Asian region

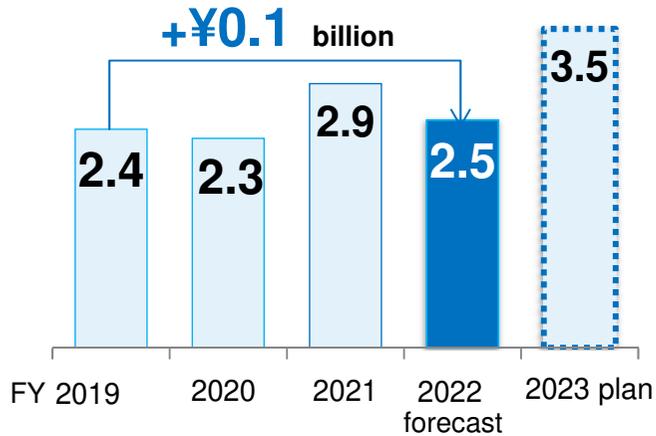


Domestic production volume for automobile sheets



Foodstuffs Business

Ordinary profit (¥ billion)



Strengthening of business foundation

2019→2021 **+¥0.2 billion**

2021 →2022 forecast **+¥0.2 billion**

2019 →2022 forecast **+¥0.4 billion**

More efficient operations, etc.

Growth strategy

+¥0.4 billion

+¥0.3 billion

+¥0.7 billion

Sales expansion for a home meal, alternative meat business, etc.

Changes in environment

-¥0.1 billion

-¥0.9 billion

-¥1.0 billion

- Decreased restaurant
+ Increased home meal

+ Recovered restaurant demand

- Decreased demand due to the rise in imported meat prices

Total of change in ordinary profit

+¥0.5 billion

-¥0.4 billion

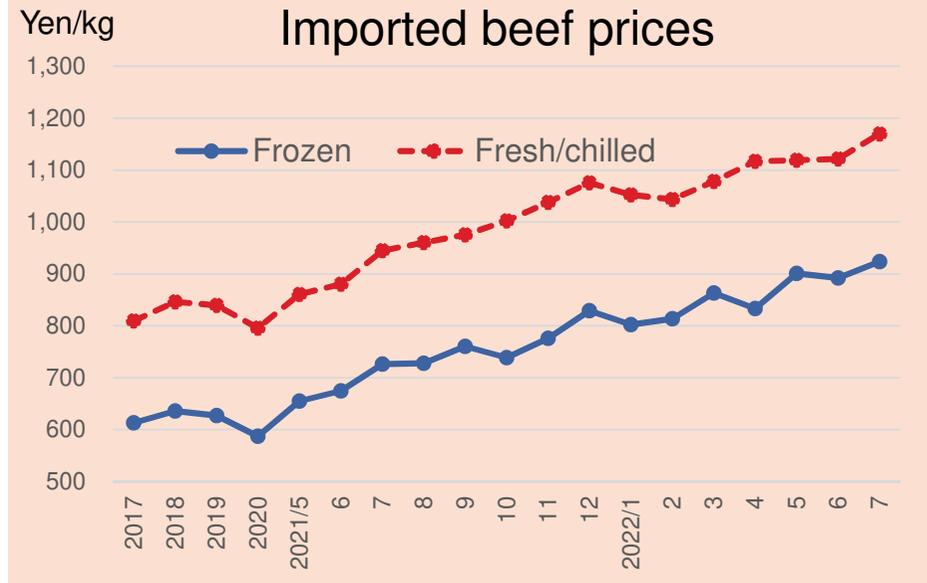
+¥0.1 billion

Restaurant industry sales (year-on-year)



Source: Japan Foodservice Association

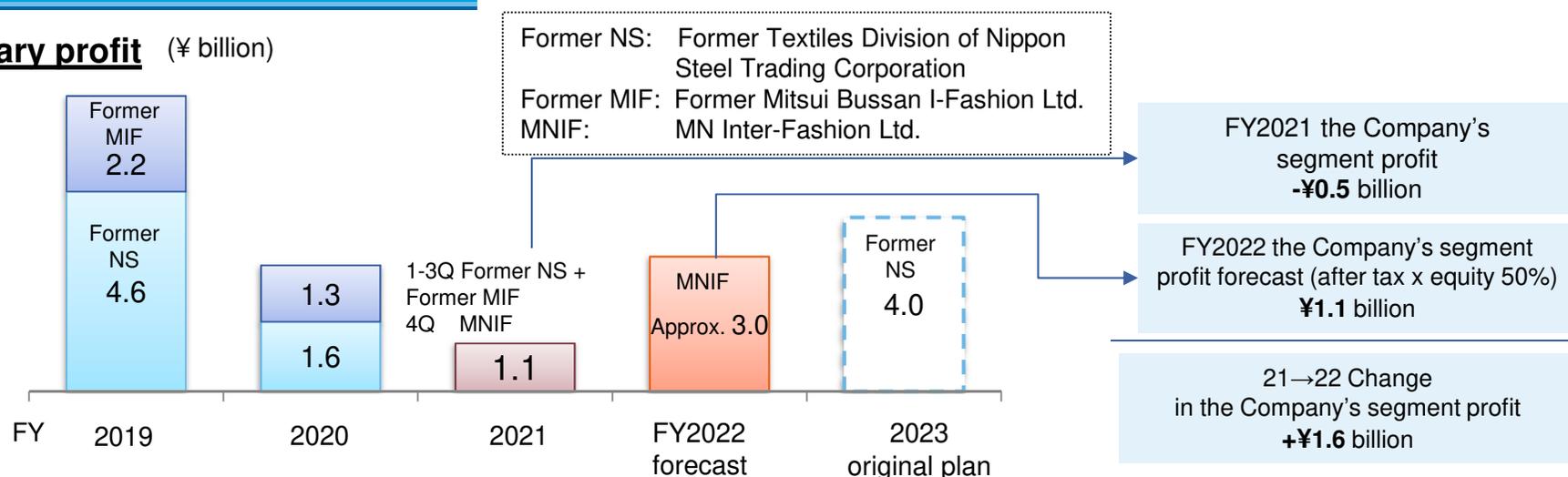
Imported beef prices



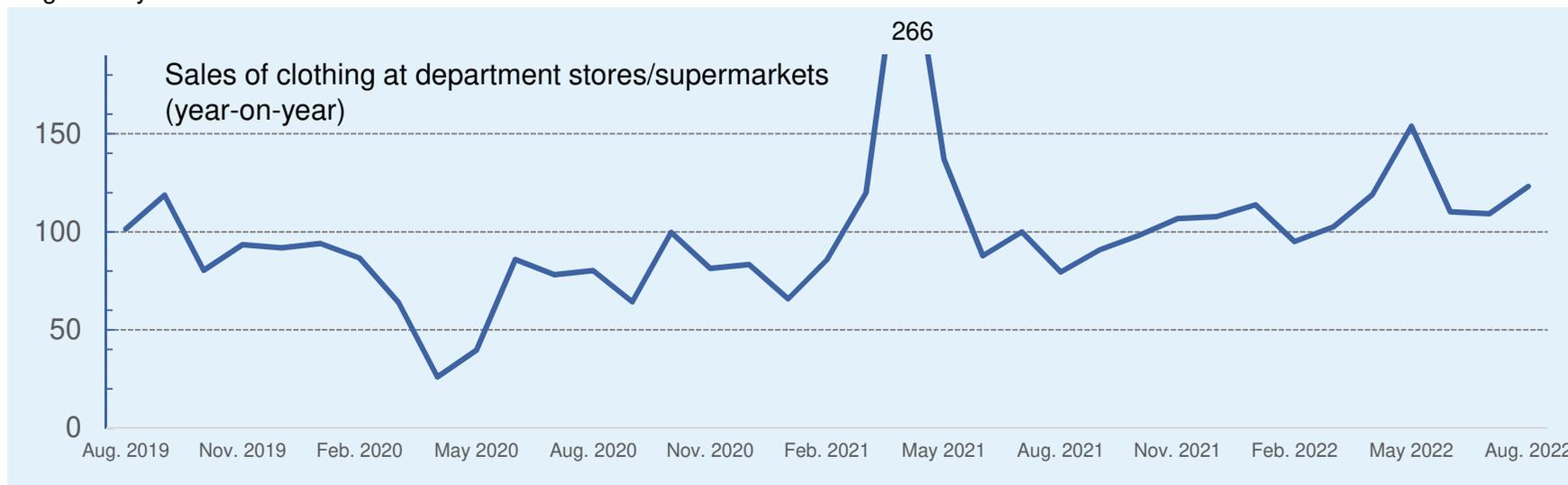
Source: Agriculture & Livestock Industries Corporation

Textiles Business

Ordinary profit (¥ billion)



- The entire apparel demand tends to recover
- The OEM business struggles due mainly to the impact of lockdowns in China, increases in costs of raw materials and logistics expenses, and delay in passing price increases from weak yen on to clients
- Business related to sports clothing, fabrics and raw materials is doing well. Business related to home fashion is also solid. Synergies are gradually created



<Reference> Textiles Business Outline of MN Inter-Fashion Ltd.

- Improvement of business performance through creating synergies* in demand recovery periods, new business opportunities, and others → toward further growth

* By combining the textiles business of Mitsui (former MIF), of which strengths are materials and retail business, and the former NST, of which strengths are planning and production, the company will enhance proposal capabilities, reduce costs of trade and logistics, decrease costs through digitalization, etc.

MN INTER-FASHION

Trade Name	MN Inter-Fashion Ltd.
Representative	President Representative Director Shinichi Kihara Executive Vice President Representative Director Kazumi Yoshimoto
Capital	4,428 million yen
Employees	850 (as of January 1, 2022)
Head Office	Akasaka K Tower, 1-2-7 Moto-Akasaka, Minato-ku, Tokyo
Shareholder	NIPPON STEEL TRADING CORPORATION 50%, MITSUI & CO., LTD. 50% (equity method affiliate of both companies)
Group Company	9 companies in Japan, 11 companies outside Japan



Business activities

Textile Total Solution

We combine a wealth of material development know-how and capabilities of product planning/production site development to enhance total solution functions that meet the various needs of clients at one stop. We procure optimal materials, utilize sewing bases in China and other Asian countries and supply high-quality fashion/textile products.

Functional materials and textiles

Every day we work to develop and propose high-added value materials that will help people to build enhanced living environments and to provide global distribution services for those materials. Our keywords in this area are safety, the environment, health, and comfort.

Licensing/Brand Marketing

We conduct brand licensing business for our own brands such as Pierre Cardin and Hanae Mori and domestic marketing business for European and U.S. brands.

Business development support

We respond to the needs of our business partners by collaborating in key areas of value chains, including business strategies, brand strategies, and procurement strategies.



Materiality		Main Initiatives						
Environment	Contribution to a carbon-free and environmental conservation	Eco solution proposals						
		Making proposals for a reduction in automotive CO ₂ emissions and for electric vehicles (HVs, EVs, FCVs) related products	<ul style="list-style-type: none"> Focusing on receiving orders of high-tensile materials (high-tensile strength steel sheets), steel plates for hot stamps, and aluminum Expanding sales of high-performance electrical steel sheets for motors for EVs and electrification parts and building supply chain networks Reliably acquiring demand related to electrification and environmentally friendly vehicles (expanding sales channels for CNG/LNG/FCV fuel tanks) (expanding new sales of aluminum parts, Tire Pressure Monitoring System (TPMS), and various types of detectors such as overloading detectors) 					
		Making proposals for products related to renewable energy and emission regulations (SO _x , NO _x)	<ul style="list-style-type: none"> Maintaining transactions of thick plates for jackets for Japan and Taiwan Selling carbon fibers to Chinese blade beam manufacturers designated by European large wind power electronic manufacturers Maintaining transactions of coated steel sheets (such as ZAM) for use in solar support structures in and outside Japan Expanding sales channels for products such as titanium foil for stacks and porous titanium mainly in the EU/United States Taking sales activities for thick stainless plates used for scrubbers 					
		Proposal and cooperation for Nippon Steel's "Carbon Neutral Vision 2050"	<ul style="list-style-type: none"> Making efforts toward selling black pellets of U.S. Aymium 					
		The Group's CO ₂ emissions reduction	<table border="1"> <thead> <tr> <th></th> <th>FY2021</th> <th>KPI / Target</th> </tr> </thead> <tbody> <tr> <td>CO₂ emissions</td> <td>30k tons</td> <td>2030: - 30% (vs. 2018) 2050: carbon neutral</td> </tr> </tbody> </table>		FY2021	KPI / Target	CO ₂ emissions	30k tons
	FY2021	KPI / Target						
CO ₂ emissions	30k tons	2030: - 30% (vs. 2018) 2050: carbon neutral						
Contribution to national and regional development	Contributing to the creation of towns that are resistant to disasters and that create vitality in the region	<ul style="list-style-type: none"> Founding a joint electric power generation business company with Loop to conduct electric power selling business by solar power generation in and outside Japan 						

Adopting ESG Management Initiatives in Materiality

Environment

Social

Materiality	Main Initiatives	
Environment	Eco solution proposals	
	Expanding supply of recycled steel raw fuels	<ul style="list-style-type: none"> Expanding sales of upper-grade and SUS scraps for blast and electric furnaces for the Nippon Steel Group Toward a plan for mass-producing black pellets for biomass power generation fuel in and after 2024, cultivating users centered on electric companies
Social	Expanding supply of LCA-related products	<ul style="list-style-type: none"> Promoting thinner can products Making life longer by expanding applications to uses requiring corrosion resistance including solar support structures in and outside Japan Expanding sales of NS ECO-PILE, a product that allows work in small areas and has effects of reducing vibration and noise and decreasing waste soil amount Deploying wire rods that allow the elimination of thermal processing at the time of wire processing in projects such as large bridge projects
	Promotion of supply chain CSR taking into consideration the working environment and the natural environment	
	Provision of services to meet social needs such as ethical consumption and enhanced CSR initiatives in the supply chain	<ul style="list-style-type: none"> Selling raw materials of DAIZ to large ham and sausage makers, promoting further product development and seller cultivation in the future Focusing on increasing sales of PURE RARE pork from Finland toward mass retailers, with the collaboration of a large food maker Taking actions such as developing and selling fabrics and products that are made of fibers of banana stems to be disposed of <ul style="list-style-type: none"> Implementing unique audits and support for improvement among overall CSR including the working environment Launching original recycle products such as REVIBELE, a next-generation leather recycled from cut scraps

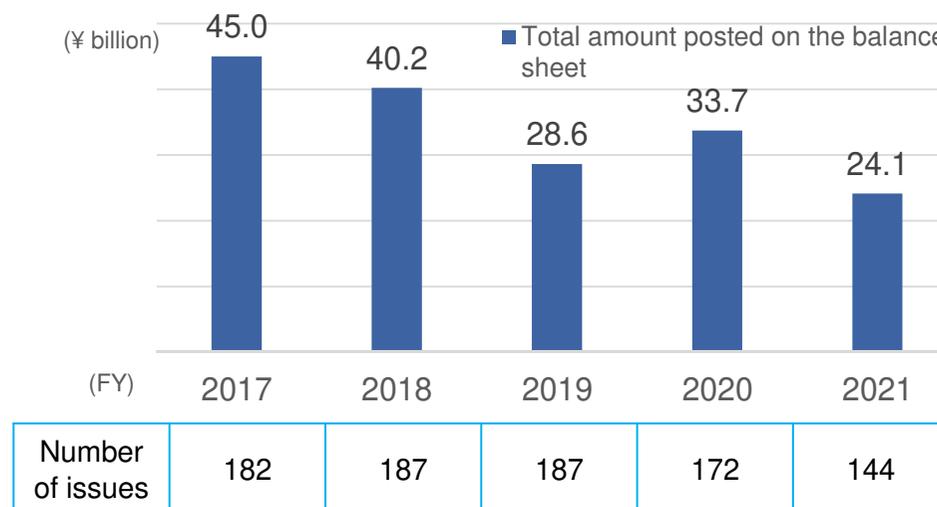
Materiality		Main Initiatives																	
Social	Optimization of integrated supply chains (use of information and technology)	Efficiency improvement in an integrated supply chain making use of DX measures and ICT technology	DX strategies: putting four systems related to order placement operations, financial management, transaction data transmission, and processing base management into the production environment from FY2021 to FY2022																
	Utilization of diverse human resources (nurturing people, making good use of people, and valuing people)	Further strengthening efforts for diversity and inclusion	<table border="1"> <thead> <tr> <th></th> <th>FY2020</th> <th>FY2021</th> <th>KPI / Target</th> </tr> </thead> <tbody> <tr> <td>Ratio of female new graduates hired as career-track employees</td> <td>32%</td> <td>10%</td> <td>More than 30%</td> </tr> <tr> <td>Ratio of employees with disabilities</td> <td>2%</td> <td>2.28%</td> <td>2.3% or more</td> </tr> </tbody> </table>				FY2020	FY2021	KPI / Target	Ratio of female new graduates hired as career-track employees	32%	10%	More than 30%	Ratio of employees with disabilities	2%	2.28%	2.3% or more		
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Creation of an environment where diverse human resources play active roles and are challenged and rewarded (e.g., teleworking, childcare, and nursing care support, enhanced initiatives for personal development, etc.)	<table border="1"> <thead> <tr> <th></th> <th>FY2020</th> <th>FY2021</th> <th>KPI / Target</th> </tr> </thead> <tbody> <tr> <td>Regular medical check participation rate</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Ratio of high-stress employees in stress check</td> <td>8.2%</td> <td>8.8%</td> <td>10% or less</td> </tr> <tr> <td>Percentage of paid annual leave taken by employees</td> <td>62.9%</td> <td>63.2%</td> <td>More than 70%</td> </tr> </tbody> </table>				FY2020	FY2021	KPI / Target	Regular medical check participation rate	100%	100%	100%	Ratio of high-stress employees in stress check	8.2%	8.8%	10% or less	Percentage of paid annual leave taken by employees	62.9%	63.2%	More than 70%
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	Strengthening efforts that contribute to further improvement of safety as well as health and productivity management	Elimination of lost-worktime accidents																	

Materiality		Main Initiatives			
Governance	Management based on reliability and trust	Strengthening the governance system and improving the efficiency of the Board of Directors to further enhance management transparency and objectivity	Ratio of independent outside directors: One-third (3 out of 9 directors)		
		Improving effectiveness of risk management through the enhancement of autonomous internal controls on each of the three defense lines	Conducted an awareness survey to 4,675 employees of the Company and group companies. Response rate: 97.8%		
		Further promotion of management based on funding and capital costs			
		Achievement of shareholder returns based on stable profit growth			
			FY2020	FY2021	KPI / Target
		ROIC	3.9%	5.2%	Approx. 6%
		ROE	6.5%	13.2%	Approx. 9% to 10%
		Dividend payout ratio	32.4%	31.9%	30% or more

Policies regarding shares owned for policy purposes

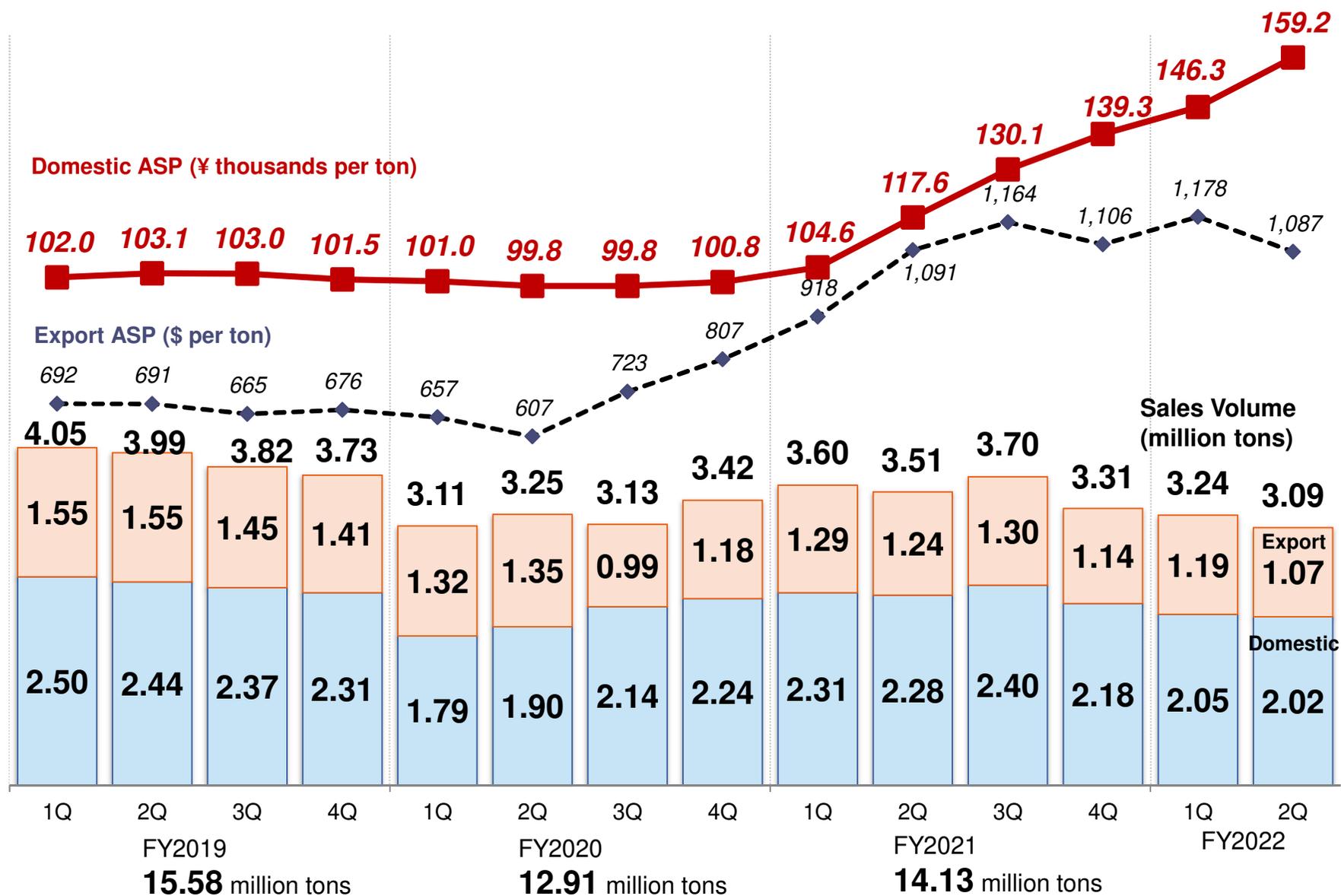
Regarding the basic policy regarding shares owned for policy purposes (all holding shares except shares of the Group companies), the Group conducts regular evaluations of the holdings' significance, economic rationale, etc. Shares for which the validity of holding is not recognized are to be reduced through adequate dialogue with the counterpart company, etc.

Of shares invested, the purpose of holding is other than pure investment objectives



3. Appendix

Non-Consolidated Sales Volume and ASP of Steel by Quarter



Statements of Income

¥ billion					FY 2021			1H FY2022	1H change
			1H	2H		1Q	2Q		
	1Q	2Q							
Net sales	388.3	462.8	851.1	1,014.7	1,865.9	521.3	548.1	1,069.4	218.2
<i>(ratio)</i> Overseas sales	<i>(29.2%)</i> 113.3	<i>(29.5%)</i> 136.5	<i>(29.4%)</i> 249.9	<i>(34.0%)</i> 344.5	<i>(31.9%)</i> 594.4	<i>(38.9%)</i> 202.5	<i>(38.9%)</i> 212.9	<i>(38.9%)</i> 415.5	<i>(9.5%)</i> 165.6
<i>(ratio)</i> Gross profit	<i>(9.4%)</i> 36.6	<i>(8.4%)</i> 39.0	<i>(8.9%)</i> 75.7	<i>(8.3%)</i> 84.5	<i>(8.6%)</i> 160.2	<i>(8.6%)</i> 44.8	<i>(8.1%)</i> 44.2	<i>(8.3%)</i> 89.0	<i>(-0.6%)</i> + 13.3
Operating profit	8.7	11.6	20.3	24.2	44.6	13.5	11.0	24.6	+ 4.2
Equity method gains and losses	0.8	1.0	1.8	0.5	2.4	1.9	0.3	2.2	+ 0.3
Ordinary profit	9.9	12.7	22.7	25.0	47.8	16.1	10.8	27.0	+ 4.2
Extraordinary income (loss)	(0.0)	0.8	0.8	3.4	4.2	1.4	(2.0)	(0.6)	- 1.4
Income taxes	2.6	3.5	6.1	7.5	13.7	4.9	3.1	8.1	- 1.9
Profit attributable to non-controlling interests	0.6	0.7	1.4	1.5	2.9	0.7	0.3	1.0	+ 0.3
Net profit	6.6	9.3	15.9	19.4	35.4	11.9	5.2	17.1	+ 1.2
EPS (yen)	206.35	289.49	495.85	602.18	1,098.03	371.16	162.01	533.17	+ 37.32

Extraordinary Income (Loss)

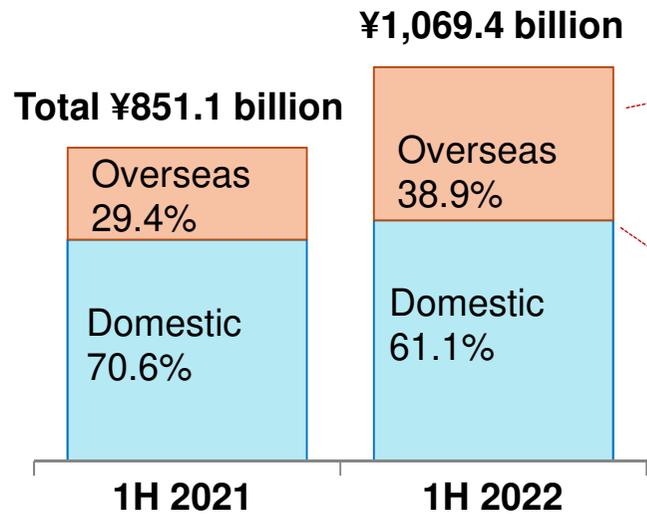
¥ billion	1H 2021	1H 2022	Change
Gain on sale of non-current assets	-	1.72	+ 1.72
Gain on sale of investment securities	0.95	0.03	- 0.92
Gain on sales of investments in capital	-	0.01	+ 0.01
Reversal of provision for loss on guarantees	0.01	-	- 0.01
Total extraordinary income	0.96	1.75	+ 0.79
Impairment loss		1.90	- 1.90
Loss on sale of investment securities	0.07	0.01	+ 0.06
Loss on the valuation of investment securities	0.08	0.28	- 0.20
Loss on liquidation of subsidiaries and associates	-	0.06	- 0.06
Loss on change in equity	-	0.12	- 0.12
Total extraordinary losses	0.14	2.37	- 2.23
Total extraordinary income (loss)	0.82	(0.62)	- 1.43

Sales and Ordinary Profit by Quarter

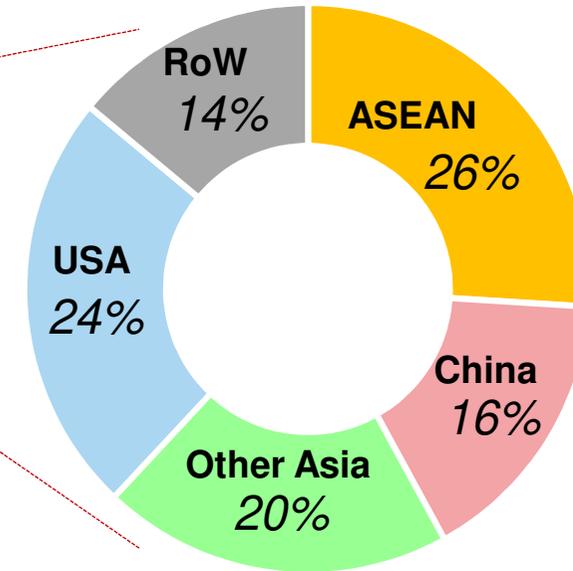
¥ billion	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Steel	237.2	240.6	259.0	284.8	323.4	390.1	428.6	451.5	464.0	488.7
I & I	14.8	13.2	16.4	17.9	19.4	19.9	24.9	25.5	24.5	25.3
Foodstuffs	22.5	22.3	25.0	19.6	24.7	26.6	29.2	25.7	30.5	31.3
Textiles	19.8	26.3	25.3	25.2	20.5	26.1	25.4	3.5	2.0	2.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.1	0.1
Sales	294.6	302.6	325.9	347.8	388.3	462.8	508.3	506.3	521.3	548.1
Steel	4.6	2.9	5.8	5.7	8.3	11.2	12.6	10.8	13.9	10.5
I & I	(0.0)	0.8	0.6	1.1	0.8	0.8	1.0	(0.6)	1.1	(0.3)
Foodstuffs	0.4	0.5	0.9	0.5	0.9	0.5	1.0	0.3	1.0	0.1
Textiles	(0.2)	0.6	0.3	0.9	(0.2)	0.0	(0.5)	0.1	0.0	0.5
Others	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary profit	4.6	4.9	7.7	8.4	9.9	12.7	14.2	10.7	16.1	10.8

Overseas Sales

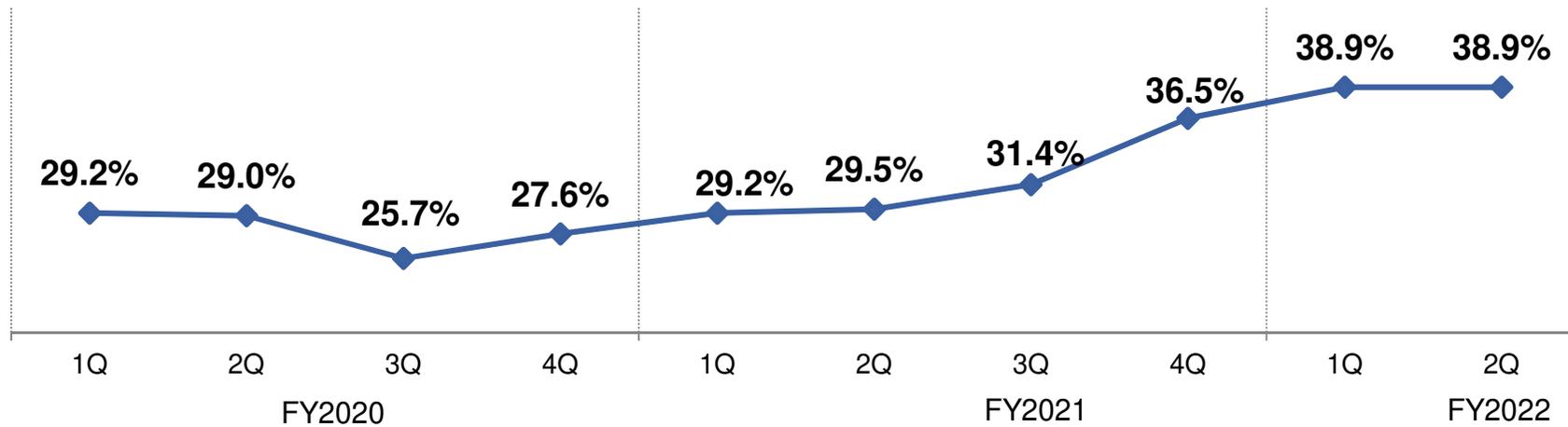
Net Sales



Overseas Sales by Region



Overseas Sales Trend



Corporate Philosophy

1. Continuing to be a corporate group driven by the aspiration of providing goods and services that offer new value to the larger society.
2. Putting trust and reliability first, and by doing so developing together with our customers.
3. Aiming to become the kind of organization that increasingly cultivates, utilizes, and values human resources and their talents.

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NIPPON STEEL TRADING