



May 16, 2025

To Whom It May Concern:

Company name:	Nippon Steel Corporation
Representative:	Tadashi Imai Representative Director, President and COO
(Code number:	5401, TSE Prime, NSE, FSE, and SSE)
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Notice Concerning Introduction of Performance-linked Stock Compensation System for the Company's Directors

Nippon Steel Corporation (the “**Company**”) hereby announces that it resolved at the Board of Directors’ meeting held today to introduce for its Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) a performance-linked stock compensation system using a trust (the “**System**”), and to submit a proposal regarding the introduction of the System (the “**Proposal**”) at the 101st General Meeting of Shareholders to be held on June 24, 2025 (the “**Shareholders Meeting**”), as set forth below.

1. Reasons for introducing the System

(1) Introduction of performance-linked stock compensation system

The Company intends to introduce the System in order to link a portion of the compensation of its Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) to the Company’s stock value, and for the Directors to share with its shareholders profits and risks arising from stock price fluctuations, thereby further strengthening the Directors’ focus on contributing to the enhancement of medium- to long-term performance and corporate value.

(2) New compensation system

At present, compensation for the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members) consists of fixed compensation and performance-linked compensation, both of which are monetary compensation. The Proposal, which will be in addition to the current compensation structure and will not alter it, is to introduce the System for the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors).

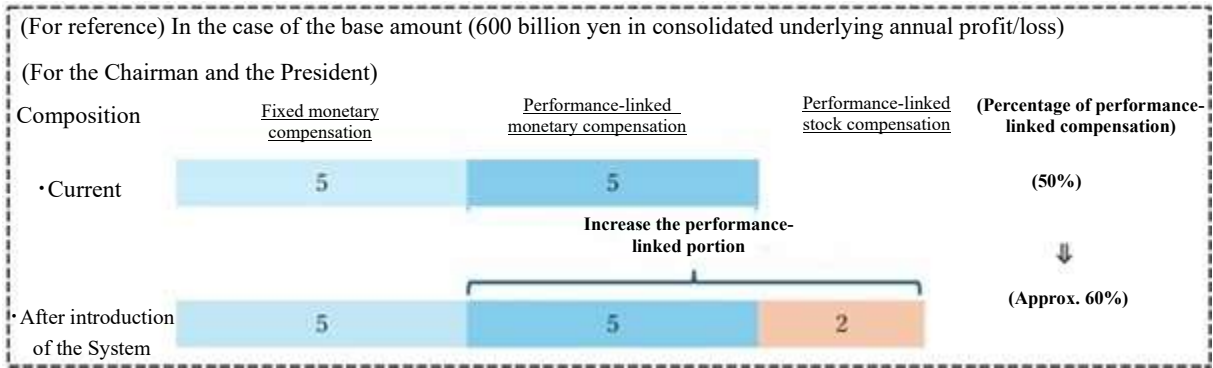
(3) Background to introduction of the System

In order to grow sustainably and enhance its medium- to long-term corporate value amid the ongoing extremely challenging business environment, the Company is tackling unprecedentedly diverse and difficult management issues, including boosting the competitiveness of its domestic steel business, expanding its global business in the growing overseas markets, and achieving carbon neutrality in the steel production processes. To address these management issues, the Company needs to continuously secure excellent personnel that can enhance its medium- and long-term corporate value, as well as to appropriately take risks

through proactive and bold decision-making, thereby robustly accelerating growth measures, including research and development, capital expenditures, M&As, and pay raise.

In light of the above circumstances, and to provide the Directors with appropriate position- and performance-based incentives, the Proposal is to determine the amount and details of a new performance-linked stock compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors; hereinafter the same applies unless otherwise noted) under the System, taking into consideration trends in the levels and systems of executive compensation in other companies and changes in economic circumstances, among other factors. The Proposal will be in addition to the amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) approved at the 100th General Meeting of Shareholders held on June 21, 2024 (within 290 million yen per month (of which the amount of compensation for Outside Directors shall be within 14 million yen per month), which will remain without being altered as the upper limit on fixed compensation and performance-linked compensation, both of which are monetary compensation.

Following the introduction of the System, compensation for the Directors will consist of (i) fixed monetary compensation, (ii) performance-linked monetary compensation, and (iii) performance-linked stock compensation, with an even stronger link to the Company’s performance and also a link to its stock value.



If the Proposal is approved at the Shareholders Meeting, the Company plans to introduce a similar performance-linked stock compensation system for its Executive Officers.

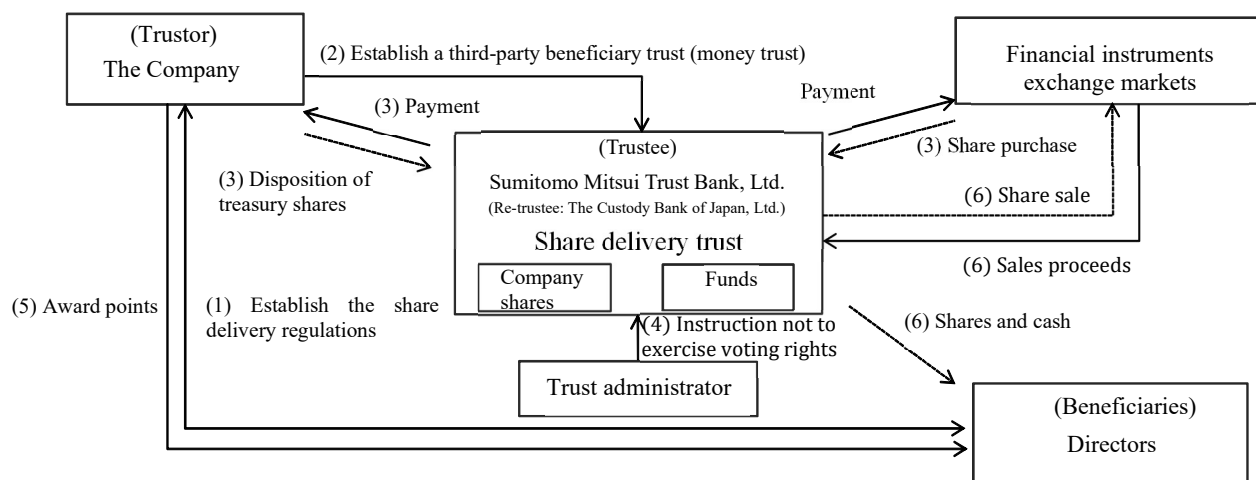
2. Overview of the System

(1) Structure of the System

The System is a performance-linked stock compensation system using a trust established by the Company (the “Trust”). The Company will award points to each Director according to factors such as their positions and the Company’s performance, taking into consideration compensation level commensurate with the skills and responsibilities required, pursuant to the share delivery regulations established by the Board of Directors. The Company will deliver to the Directors, upon their retirement as a general rule, the number of Company shares (acquired by the Trust) equivalent to the number of points so awarded through the Trust.

The number of voting rights with respect to the shares equivalent to the maximum total number of points per fiscal year that can be awarded to the Directors is 2,950, representing less than 0.03% of the number of voting rights, 10,379,742 (as of March 31, 2025), with respect to the total number of the Company’s issued shares.

<Overview of the System's Structure>



- (1) The Company establishes the share delivery regulations for its Directors.
- (2) The Company establishes a share delivery trust (third-party beneficiary trust) (the “**Trust**”) naming the Directors as beneficiaries. At that time, the Company entrusts the trustee with the funds in the amount equal to the share acquisition funds (provided that the share acquisition funds to be delivered to its Directors will be limited to the amount approved by the Company’s General Meeting of Shareholders).
- (3) The trustee acquires all Company shares in one installment that are expected to be delivered in the future (through acquisition on financial instruments exchange markets (including by off-floor trading) or from the Company (acquisition from the Company shall be made by the disposition of its treasury shares)).
- (4) The Company designates a trust administrator (who is independent of the Company and its officers) to protect the interests of beneficiaries to whom the share delivery regulations apply and to supervise the trustee throughout the Trust period. The trust administrator will instruct the trustee not to exercise voting rights for the Company shares held in the Trust, and pursuant to the instruction, the trustee will not exercise the voting rights throughout the Trust period.
- (5) The Company awards points to the Directors pursuant to the share delivery regulations.
- (6) The Directors, who meet the requirements provided in the share delivery regulations and the trust agreement for the Trust, acquire beneficial interests in the Trust and, as beneficiaries of the Trust, receive from the trustee the delivery of Company shares equivalent to the number of points awarded. In certain events stipulated in the share delivery regulations and/or the trust agreement, the Company will sell a portion of Company shares deliverable on financial instruments exchange markets and instead deliver cash to the Directors.

Upon termination of the Trust, the Company plans to acquire, without consideration, all remaining Company shares held in the Trust as residual assets and cancel such acquired shares by a resolution of the Board of Directors.

Sumitomo Mitsui Trust Bank, Ltd., which will be the trustee for the System, will entrust (re-trust) the management of trust assets to The Custody Bank of Japan, Ltd.

(2) Establishment of the Trust

Subject to the approval of the Proposal at the Shareholders Meeting, the Company will establish the Trust by

contributing the funds required for the Trust to acquire, in advance, the number of Company shares reasonably expected to be required for delivery during a certain period, in accordance with (6) below. The Trust will acquire Company shares using the funds contributed by the Company, as set forth in (5) below. Sumitomo Mitsui Trust Bank, Ltd., which will be the trustee for the System, will entrust (re-trust) the management of the trust assets to The Custody Bank of Japan, Ltd.

(3) Trust period

The Trust period will be approximately three years from August 2025 (planned) to August 2028 (planned), which may be extended as set forth in (4) below.

(4) Maximum amount of monetary contributions by the Company

The Company shall establish the Trust for the Directors who meet certain requirements as beneficiaries, and shall contribute up to a total of 1,650 million yen to the Trust, as compensation for the Directors who are in office during the three-year period from July 2025 to June 2028 (the “**Subject Period**”), to acquire Company shares required for delivery to those Directors under the System. The Trust shall acquire Company shares on financial instruments exchange markets (including by off-floor trading) or from the Company, using the funds that the Company places in the trust (acquisition from the Company shall be made by the disposition of treasury shares).

Note: In addition to the aforementioned funds to acquire Company shares, the Company shall also place the funds necessary to cover expenses in the trust, such as trust fees and trust administrator’s fees. In addition, if a similar performance-linked stock compensation system is introduced for Executive Officers as set forth above, the Company also shall place the funds in the trust to acquire Company shares required for delivery to Executive Officers under the System.

By a resolution of the Company’s Board of Directors, the System may be continued by extending the Subject Period in each instance for a period not exceeding ten (10) years, and by extending the trust period accordingly (including extending the trust period in real terms by transferring the assets in the Trust to another trust established by the Company for the same purpose as that of the Trust; hereinafter the same applies). In that case, the Company shall continue to award the points and deliver Company shares as set forth in (6) below by making an additional monetary contribution to the Trust for up to the amount calculated by multiplying the number of extended years of the Subject Period by 550 million yen, as funds to acquire additional Company shares required for delivery to Directors under the System (the same shall apply to any subsequent extensions).

In addition, even if the Company does not extend the Subject Period or continue the System as stated above, if a Director has been awarded points and has not yet retired at the expiration of the trust period, the trust period may be extended until the Director retires and the delivery of Company shares is completed.

(5) Method of acquisition of Company shares by the Trust

The Company plans that the Trust will acquire Company shares initially on financial instruments exchange markets (including by off-floor trading) or from the Company (acquisition from the Company shall be made by the disposition of treasury shares) within the upper limit of the share acquisition funds set forth in (4) above.

(6) Method of calculation and upper limit of the Company shares to be delivered to Directors

(i) Method of awarding points to Directors

In accordance with the share delivery regulations established by the Company’s Board of Directors, the Company shall award points to each Director on the point awarding date stipulated therein, according to factors such as the Director’s position and the Company’s performance.

The upper limit of the total number of points awarded by the Company to the Directors shall not exceed 295,000 per fiscal year.

(ii) Delivery of Company shares in accordance with the number of points awarded

Directors shall receive the delivery of Company shares in accordance with the procedure set forth in (iii) below, according to the number of points awarded in (i) above. However, in certain cases including where a Director is dismissed or resigns due to having executed his or her duties for the purpose of seeking wrongful gain of the Director or a third party, or causing damage to the Company, the Director shall, by a resolution of the Board of Directors, forfeit all or part of the points already awarded and shall not receive the delivery of Company shares pertaining to the forfeited points.

One point represents one Company share. However, if an event occurs with respect to the Company shares that renders it reasonable to adjust the number of Company shares deliverable, such as consolidation of shares or share split, the number of Company shares per point shall be adjusted according to factors such as the ratio of the share split or consolidation of shares.

(iii) Delivery of Company shares to Directors

Each Director acquires beneficial interests in the Trust by following the prescribed procedures upon his or her retirement as a general rule and receives the delivery of Company shares from the Trust as a beneficiary thereof, as set forth in (ii) above.

However, a certain portion of such Company shares may be sold for cash in the Trust in order for the Company to deduct withholding income tax or other tax payment funds, and such cash may be provided in lieu of the Company shares. In addition, if any portion of the Company shares held by the Trust is converted into cash, such as when the relevant Company shares held by the Trust are tendered and settled in a tender offer, such cash will be provided in lieu of the Company shares.

(7) Exercise of voting rights

During the trust period, the voting rights pertaining to the Company shares held in the Trust shall not be exercised in accordance with the instructions of the trust administrator, who is independent of the Company and its officers. This is to ensure neutrality with respect to the Company's business management in the exercise of voting rights related to the Company shares held in the Trust.

(8) Handling of dividends

Dividends on the Company shares held in the Trust shall be received by the Trust and used to acquire Company shares, as well as to pay the trust fees and other expenses related to the Trust.

(9) Handling of Company shares and the funds remaining upon termination of the Trust

Upon termination of the Trust, the Company plans to acquire, without consideration, all remaining Company shares held in the Trust as residual assets, and cancel the acquired shares by a resolution of the Board of Directors.

3. Reasons to consider the System appropriate

The Company resolved at its Board of Directors meeting held today to revise its Policies regarding Decisions on the Amount of Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) as set forth in the "For reference 2" section provided at the end of this Notice, subject to approval of the Proposal at the Shareholders Meeting.

The Company considers the Proposal to be essential and reasonable for setting the compensation of Directors in accordance with such revised policies. The Proposal has been deliberated by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors. The Company therefore believes that the content of the Proposal is appropriate.

(For reference 1) Overview of the trust agreement for the Trust

Trustor:	Nippon Steel Corporation
Trustee:	Sumitomo Mitsui Trust Bank, Ltd.

	(Re-trustee: The Custody Bank of Japan, Ltd.)
Beneficiaries:	The Company's Directors and Executive Officers who meet the beneficiary's requirements
Trust administrator:	The Company plans to appoint a third party independent from it and its officers.
Exercise of voting rights:	Voting rights for the shares held in the Trust will not be exercised throughout the Trust period.
Trust type:	Trust of funds, other than money trust (third-party beneficiary trust)
Date of trust agreement:	August 2025 (planned)
Trust period:	From August 2025 to August 2028 (planned)
Purpose of the Trust:	To deliver Company shares to the beneficiaries pursuant to the share delivery regulations

(For reference 2)

The Company resolved at its Board of Directors meeting held today to revise, subject to an approval of the Proposal at the Shareholders Meeting, its Policies regarding Decisions on the Amount of Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members), after deliberation by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors. The revised policies will be as follows.

**Policies regarding Decisions on the Amount of Compensation for Directors
(excluding Directors who are Audit & Supervisory Committee Members)**

(1) Basic policy and composition of compensation

Compensation for the Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of (i) fixed monetary compensation, (ii) performance-linked monetary compensation, and (iii) performance-linked stock compensation.

The fixed monetary compensation and the performance-linked monetary compensation are paid monthly. The base amounts of fixed monetary compensation and performance-linked monetary compensation (i.e., the amount of compensation when the Company's consolidated performance reaches a certain level) are determined for each Director's position in consideration of compensation level commensurate with the skills and responsibilities required. The amount of performance-linked monetary compensation varies within a certain range based on the Company's consolidated performance. The amounts of the fixed monetary compensation and the performance-linked monetary compensation for each Director are determined within the limit approved by the General Meeting of Shareholders.

The performance-linked stock compensation is based on a trust-type stock compensation system. Pursuant to the share delivery regulations established by the Board of Directors, each Director (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) is awarded points according to their position and the Company's consolidated performance, taking into consideration compensation level commensurate with the skills and responsibilities required. The Director receives the delivery of the number of Company shares (those acquired by the trust established through the Company's monetary contributions) equivalent to the number of points so awarded through the Trust upon his or her retirement, as a general rule.

Compensation for Outside Directors (excluding Outside Directors who are Audit & Supervisory Committee Members) consists solely of fixed monetary compensation, which is paid monthly.

The amount of fixed monetary compensation for each Outside Director is determined within the limit approved by the General Meeting of Shareholders, taking into consideration compensation level

commensurate with the skills and responsibilities required.

(2) Policy on performance-linked compensation

As indicators for performance-linked monetary compensation and performance-linked stock compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors), the Company uses consolidated underlying annual profit/loss (which is consolidated business profit/loss excluding inventory valuation impact and other items, and recognized as representing the Company group's actual profitability) in order to set an appropriate compensation commensurate with performance for the corresponding term, while taking into account other factors including the revenue targets in the medium- to long-term management plan.

(3) Policy on the ratio of compensation by type

With regard to the ratio of fixed monetary compensation, performance-linked monetary compensation and performance-linked stock compensation, the ratio of performance-linked compensation (i.e., performance-linked monetary compensation and performance-linked stock compensation) is set higher for higher level positions in order to provide appropriate incentives according to the position and performance.

For the Representative Director, Chairman, and the Representative Director, President, the ratio of “fixed compensation (i.e., fixed monetary compensation) to performance-linked compensation (i.e., performance-linked monetary compensation and performance-linked stock compensation)” is set at approximately 5:7 at the base amount (when the Company achieves 600 billion yen in consolidated underlying annual profit/loss). This ratio varies within the range of 3:7 to 10:0 depending on the Company's performance. In addition, for the Representative Director, Chairman, and the Representative Director, President, the performance-linked stock compensation accounts for approximately 40% of their performance-linked monetary compensation.

(4) Method of determining compensation for each individual

The specific amount and details of fixed monetary compensation, performance-linked monetary compensation, and performance-linked stock compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) are determined by a resolution of the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors.

End

<p>This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.</p>
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