



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)
Contact: Public Relations Department
Corporate Communications Division
Telephone: +81-3-6867-2135, 2141, and 2146

Notice Concerning the Opinion of the Company's Board of Directors on Shareholder Proposals

Nippon Steel Corporation (the “**Company**”) received documents from certain shareholders stating that they intend to make shareholder proposals (the “**Shareholder Proposals**”) at the Company's 101st General Meeting of Shareholders to be held on June 24, 2025 (the “**Shareholders Meeting**”).

The Company resolved at its Board of Directors' meeting held today that it oppose each of these Shareholder Proposals. The details of the Shareholder Proposals and the opinion of the Company's Board of Directors are as follows:

1. Shareholder Proposals

Please see the Annex to this notice. The Shareholder Proposals are proposed jointly by two shareholders (with an aggregate voting rights percentage of less than 0.01%).

2. Opinion of the Board of Directors on the Shareholder Proposals

(1) Opinion of the Board of Directors on Shareholder Proposal 1 (Amendment to the Articles of Incorporation with Regard to the Management of Subsidiaries)

The Company's Board of Directors **opposes this Shareholder Proposal**.

(Reasons for the Opposition)

The Company considers that this Shareholder Proposal is not appropriate as (i) the Company is taking proper measures to manage its listed subsidiaries and making disclosure thereof, and (ii) it is inappropriate to prescribe in the Articles of Incorporation in a uniform and rigid manner individual and specific matters such as deliberation and disclosure concerning the management of listed subsidiaries.

Measures Implemented by the Company

Management of Subsidiaries

The Company manages its listed subsidiaries in ways generally outlined below, including appropriate deliberations, as necessary, by the Board of Directors:

(i) Management of group companies

Guided by the Nippon Steel Corporation Group Corporate Philosophy, the Company aims to be a

company that is relied upon by society, while promoting sound and sustainable growth and improving the medium- to long-term corporate value of the Nippon Steel Group (the “Group”). Under this guiding principle, the Company has set basic rules in the Rules for Control of Group Companies to manage group companies, built and is maintaining an internal control system suitable for the Group’s businesses, and ensures appropriate implementation of the system, including PDCA management such as formulation of consolidated management plans and management of consolidated financial results. For example, the Company conducts assessment of the management soundness of all group companies, including listed subsidiaries, at least once a year based on financial data and reports the results to the Corporate Policy Committee and the Board of Directors.

The Company reviews on a continuous basis its capital policy concerning individual group companies from a comprehensive perspective, taking into account factors including their positions in the Group's business strategies and capital efficiency. With respect to the relationships between the Company and its listed subsidiaries, as discussed in its Corporate Governance Report, which explains the reasons for holding each listed subsidiary, the Company considers its relationships with the listed subsidiaries, including the current capital holding therein, as appropriate from three perspectives: the reasons for the Company to have those listed subsidiaries in the Group; the reasons for those listed subsidiaries to belong to the Group; and the necessity for those companies to be listed companies. Further, the Company conducts a review as necessary in response to changes in the business environment and its group strategy while taking into account the perspective of not disadvantaging minority shareholders. As a result of such review, for example, the Company made Nisshin Steel Co., Ltd., a then-listed subsidiary, a wholly-owned subsidiary in 2019, Nippon Steel Trading Corporation, a then-equity method listed affiliate, a consolidated and unlisted subsidiary in 2023, and Sanyo Special Steel Co., Ltd., a listed subsidiary, a wholly-owned subsidiary on April 25, 2025.

(ii) Independence of listed subsidiaries; protection of minority shareholders

The Company considers that independent decision-making is ensured and autonomous management is conducted at each of its listed subsidiaries, with more than one-third of the Board members of each of those subsidiaries being independent outside directors in accordance with the principle of the Corporate Governance Code.

The Company takes proper measures, including deciding the terms and conditions of parent-subsidary transactions on the basis of standard commercial terms and conditions with other customers, market prices, and other reasonable criteria, in order to ensure that the minority shareholders of the listed subsidiaries are not disadvantaged. For the subsidiaries listed on the Prime Market of the Tokyo Stock Exchange, the Company has established a system to set up a special committee if a significant parent-subsidary transaction or action occurs.

Disclosure Concerning Group Companies Including Listed Subsidiaries

The Company appropriately discloses its approach and policies regarding the management of the Group, including the management of its listed subsidiaries, as well as the details of specific measures that it takes to manage those listed subsidiaries, in relevant disclosure documents. The Company considers making such disclosures appropriately as one of its responsibilities as a listed company, and intends to continue its efforts to enhance disclosure in order to promote constructive dialogue with its shareholders and investors with a view to enhancing its corporate value.

The Company is thus making proper efforts to manage its listed subsidiaries and making disclosures thereof.

The Company considers none of its listed subsidiaries to be in a situation to potentially violate any continued

listing criteria at this point.

Appropriateness of Amending the Articles of Incorporation

The Company considers this Shareholder Proposal to be inappropriate as it seeks to prescribe in the Articles of Association, which prescribe basic matters such as the organization of the Company, in a uniform and rigid manner individual and specific matters such as deliberation and disclosure concerning the management of listed subsidiaries, interfering with the Company's swift policy formulation and amendment and business execution in response to changes in the business environment.

(2) Opinion of the Board of Directors on Shareholder Proposal 2 (Grant of Restricted Stock Compensation to Representative Directors, and Change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors)

The Company's Board of Directors **opposes this Shareholder Proposal**.

(Reasons for the Opposition)

With respect to the compensation of Directors, the Company believes that the new compensation system, which will include the performance-linked stock compensation to be proposed at the Shareholders Meeting in Item 3 of the Company Proposals "Decisions on the Amount and Details of Performance-linked Stock Compensation for Directors (Excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)" ("**Item 3 of the Company Proposals**"), is appropriate. Item 3 of the Company Proposals is intended to provide the Directors with appropriate incentives commensurate with their positions and the Company's performance, given the circumstances requiring (i) continuously securing excellent personnel that can enhance the Group's medium- and long-term corporate value and (ii) appropriate risk taking through proactive and bold decision-making in order to address diverse and difficult management issues. The Company considers that this Shareholder Proposal contravenes this company proposal and is not appropriate.

As announced today in the "Notice Concerning Introduction of Performance-linked Stock Compensation System for the Company's Directors," the Company resolved at its 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 at the Shareholders Meeting a proposal regarding the introduction of the 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 Company plans to request approval of its shareholders in Item 3 of the Company Proposals, which will be in addition to the current compensation structure and will not alter it, to introduce the System, using a trust for its Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors). The purpose of the System is to further strengthening the Directors' focus on contributing to the enhancement of medium- to long-term performance and corporate value by linking a portion of their compensation to the Company's stock value and by the Directors sharing with its shareholders profits and risks arising from stock price fluctuations.

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 System is designed to provide them with new performance-linked stock compensation, taking into consideration trends in the levels and systems of executive compensation in other companies and changes in economic circumstances, among other factors. The System is separate from, and will not alter the upper limit on the existing fixed compensation and performance-linked compensation.

If Item 3 of the Company Proposals is approved as proposed therein, compensation for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside 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.

The Company's Board of Directors has resolved to present Item 3 of the Company Proposals at the Shareholders Meeting after deliberation by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors.

In addition, in conjunction with introducing the System, after deliberation by the Nomination and Compensation Advisory Committee, 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), subject to an approval of Item 3 of the Company Proposals. The revised policies will provide the following:

- 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; and
- 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.

The Company believes that the new compensation system outlined above, which will include performance-linked stock compensation to be proposed, following deliberation by the Nomination and Compensation Advisory Committee, at the Shareholders Meeting as Item 3 of the Company Proposals, is appropriate from the perspective of providing the Directors with appropriate incentives commensurate with their positions and the Company's performance, given the circumstances requiring (i) continuously securing excellent personnel that can enhance the Group's medium- and long-term corporate value and (ii) appropriate risk taking through proactive and bold decision-making in order to address diverse and difficult management issues. This Shareholder Proposal contravenes the compensation system proposed by the Company and is not appropriate.

(3) Opinion of the Board of Directors on Shareholder Proposal 3 (Addition of Clawback Clauses for Performance-linked Compensation of Representative Directors)

The Company's Board of Directors **opposes this Shareholder Proposal.**

(Reasons for the Opposition)

With respect to the compensation of Directors, the Company believes that the new compensation system, which will include the performance-linked stock compensation to be proposed in Item 3 of the Company Proposals, is appropriate. In addition, the Company considers that the clawback clauses proposed in this Shareholder Proposal are inappropriate, as they would hold the Directors accountable for the outcomes of business management without due consideration of the specific and individual circumstances and will hinder their appropriate risk taking.

Executive Compensation System of the Company

As stated in “Opinion of the Board of Directors on Shareholder Proposal 2 (Grant of Restricted Stock Compensation to Representative Directors, and Change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors),” the Company believes that the new compensation system, which will include the performance-linked stock compensation to be proposed in Item 3 of the Company Proposals following deliberation by the Nomination and Compensation Advisory Committee, is appropriate from the perspective of providing the Directors with appropriate incentives commensurate with their positions and the Company’s performance, given the circumstances requiring (i) continuously securing excellent personnel that can bring sustainable growth to the Group and can enhance its medium- and long-term corporate value and (ii) appropriate risk taking through proactive and bold decision-making in order to address diverse and difficult management issues. The Company notes that the performance-linked stock compensation to be proposed in Item 3 of the Company Proposals is designed to allow the Company to elect not to deliver all or part of the Company’s shares in cases such as where the relevant 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.

Further, the Company has established the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors, and the amount and details of the specific compensation of each Director are examined by the said Committee and then determined by a resolution of the Board of Directors. The Company believes that matters such as the necessity for any compensation to Directors to be returned or deferred must be appropriately determined after sufficient, in-depth and careful discussions and consideration by the said Committee and the Board of Directors.

Propriety of the Proposed Clawback Clauses

This Shareholder Proposal seeks to defer the payment of performance-linked compensation, which accounts for a fair portion of a Representative Director’s compensation, and to forfeit the performance-linked compensation uniformly if the Company incurs any losses related to a company that newly becomes a consolidated subsidiary or an equity method affiliate of the Company, without taking into account the specific and individual circumstances. The Company considers that such arrangement would hold the Directors accountable for the outcomes of business management without due consideration of the specific and individual circumstances, including compliance with their duty of due care of a prudent manager. It would also unduly and inappropriately discourage the Representative Directors’ business decisions, including on investments, and hinder appropriate risk taking, which would not result in the enhancement of the Company’s corporate value or the interests of its shareholders.

3. For Reference: Agenda of the 101st General Meeting of Shareholders Matters to be reported to the shareholders:

Report on operations for the 100th term (from April 1, 2024 to March 31, 2025), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Committee on consolidated financial statements for the 100th term.

Matters for approval by the shareholders:

<Company Proposals (Items 1 through 3) >

Item 1: Appropriation of Surplus for the 100th Term (from April 1, 2024 to March 31, 2025)

Item 2: Election of Ten (10) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Item 3: Decisions on the Amount and Details of Performance-linked Stock Compensation for Directors (Excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

<Shareholder Proposals (Items 4 through 6)>

Item 4: Amendment to the Articles of Incorporation with Regard to the Management of Subsidiaries

Item 5: Grant of Restricted Stock Compensation to Representative Directors, and Change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors

Item 6: Addition of Clawback Clauses for Performance-linked Compensation of Representative Directors

End

The substance of the Shareholder Proposals is as follows. The proposals, the substance thereof, and the reasons for the proposals have been quoted from relevant parts of the original documents submitted by the proposing shareholders (certain of the URLs for Japanese webpages provided below have been replaced with those for the corresponding English-language webpages).

I. Proposals

1. Amendment to the Articles of Incorporation with Regard to the Management of Subsidiaries
2. Grant of Restricted Stock Compensation to Representative Directors, and Change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors
3. Addition of Clawback Clauses for Performance-linked Compensation of Representative Directors

II. Details of the proposals

With regard to Proposal 1 below (the “**Proposal to Amend Articles of Incorporation**”), if any formal adjustments (including but not limited to renumbering of clauses) to any chapters or clauses of the Company’s Articles of Incorporation referred to in the Proposal to Amend Articles of Incorporation are required due to approval or disapproval of other proposals (including those related to any of the Company’s proposals) presented at the Shareholders Meeting, the clauses related to the Proposal to Amend Articles of Incorporation shall be deemed to refer to the clauses that reflect the required adjustments. For more explanation of the Shareholder Proposals below, please refer to <https://stracap.jp/english/> or the link to a special webpage to be provided in the upper right-hand corner of the website of Strategic Capital, Inc. (<https://stracap.jp/english/>). All corporate figures contained in the Shareholder Proposals are based on the Company’s consolidated financial statements, unless identified as “non-consolidated.”

1. Amendment to the Articles of Incorporation with Regard to the Management of Subsidiaries

To add the following Chapter and Article to the current Articles of Incorporation:

CHAPTER VII. MANAGEMENT OF SUBSIDIARIES

Article 36

1. With respect to listed subsidiaries of which the Company is the parent company, the points listed below shall be deliberated at least once a year by the Board of Directors, taking into consideration the maximization of shareholder value of the Company and the listed subsidiaries and the protection of the minority shareholders of the listed subsidiaries. The details of the deliberations made during the relevant fiscal year shall be disclosed in the Corporate Governance Report submitted by the Company to the relevant financial instruments exchange.

A) How maintaining a subsidiary as a listed subsidiary will contribute to increasing the shareholder value of the Company and the listed subsidiary (e.g., reasons for maintaining the subsidiary as a listed subsidiary instead of taking it private, such as by making it a wholly-owned subsidiary)

B) As the parent company, whether there is an appropriate governance system to discipline the management of the listed subsidiary and protect the interests of the minority shareholders of the listed subsidiary.

2. If the listed subsidiary's PBR (the value calculated by dividing the price per share of its common stock by the per-share amount of consolidated net assets (meaning the value obtained by deducting the number of treasury shares from the number of issued shares, and calculated in accordance with Guidance No. 4 of the Accounting Standards Board of Japan (ASBJ) titled "Guidance on Accounting Standard for Earnings Per Share")) as of the last stock trading day of its previous fiscal year is below 1x, or if its return on equity (ROE) as of the end of its previous fiscal year was less than 8%, the Company's Board of Directors shall discuss the adequacy of the management plan for the listed subsidiary at least once a year and request that the relevant subsidiary formulate an improvement plan. The details of the deliberation and requests to the listed subsidiary made during the relevant fiscal year shall be disclosed in the Corporate Governance Report submitted by the Company to the relevant financial instruments exchange.

3. In the event that shares issued by a listed subsidiary are in violation of the listing maintenance criteria established by any of the stock exchanges on which the subsidiary is listed (including cases where it is objectively considered that there is a high likelihood of a breach of the criteria for maintaining listing), the Board of Directors shall deliberate on an appropriate response policy from the perspective of protecting the interests of minority shareholders of the listed subsidiary at least once a year (including making the subsidiary a wholly-owned subsidiary of the Company or taking it private through an absorption-type merger), and the Company shall disclose the details of the deliberation made during the relevant fiscal year in its Corporate Governance Report submitted by the Company to the relevant financial instruments exchange.

2. Grant of Restricted Stock Compensation to Representative Directors, and Change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors

This proposal requests that the Company introduce restricted stock compensation to the Representative Directors ("**Stock Compensation**") without amending the maximum annual amount of compensation paid to Directors (excluding Directors who are members of the Audit and Supervisory Committee) from the current annual amount of JPY 3.48 billion (of which the amount for Outside Directors shall not exceed JPY 168 million), and that the ratio of fixed and performance-linked compensation, and the Stock Compensation paid to the Representative Directors, be changed.

The current and post-change compensation systems for the Representative Directors shall be as follows.

Matters relating to the compensation of the Company's Directors not specified below shall be subject to the provisions of the current compensation system and other agenda items approved by resolution at the Shareholders Meeting.

<Current compensation system for Representative Directors>

1. The compensation of a Representative Director consists of fixed compensation and performance-linked compensation.
2. The index for the performance-linked compensation shall be the consolidated underlying annual profit/loss (which is consolidated business profit/loss excluding inventory valuation impact and other items), and the base amount for the performance-linked compensation shall be the achievement of JPY 600 billion.

3. The ratio of fixed compensation to performance-linked compensation at the time of achievement of the base amount set forth in item 2 above shall be 50:50.

<Compensation system for Representative Directors under the proposed change> (changes underlined)

1. The compensation of a Representative Director consists of fixed compensation, performance-linked compensation, and restricted stock compensation (“**Stock Compensation**”).
2. The index for the performance-linked compensation shall be the consolidated underlying annual profit/loss (which is consolidated business profit/loss excluding inventory valuation impact and other items), and the base amount for the performance-linked compensation shall be the achievement of JPY 600 billion.
3. The ratio of fixed and performance-linked compensation, and Stock Compensation, at the time of achievement of the base amount of set forth in item 2 above shall be 30:30:40, and neither the amount of the fixed compensation nor that of the performance-linked compensation shall exceed the amount of the Stock Compensation.
4. The Stock Compensation shall be provided through granting of “restricted stock.” The compensation and other payments provided in order to grant “restricted stock” to Representative Directors eligible for Stock Compensation (“**Subject Directors**”) shall be paid in the form of monetary compensation claims, the total amount of which shall not exceed JPY 1,324.8 million per year. The Board of Directors shall determine the specific timing and allocation of the payment to each Subject Director after consulting with the Nomination and Compensation Advisory Committee. Pursuant to a resolution of the Company’s Board of Directors, the Subject Directors shall receive all of the monetary compensation claims to be paid under this proposal as assets contributed in kind, and shall have shares of common stock of the Company issued or appropriated, and the total number of shares of common stock of the Company to be issued or appropriated for the Subject Directors as a result shall be 400,000 shares or less (however, if on or after the date of the Shareholder Proposals, a stock split (including the allotment of shares of common stock of the Company without contribution) or consolidation of shares of common stock of the Company, or any other event occurs requiring adjustment of the total number of shares of the Company’s common stock issued or appropriated under the current system, that total number shall be adjusted to a reasonable extent). The amount to be paid per share shall be determined by the Board of Directors based on the last closing price of the common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or if there is no trading closed on that day, then the closing price on the immediately preceding trading day), to the extent that such amount is not particularly favorable to the Subject Directors who will subscribe for such shares of common stock. The issuance or appropriation of shares of the Company’s common stock, and the payment of monetary claims as assets contributed in-kind, shall be subject to the execution of a Restricted Share Allotment Agreement containing the following provisions between the Company and the respective Subject Directors (each, an “**Allotment Agreement**”).

Allotment Agreement

(1) Transfer restriction period

The Subject Directors may not transfer, create a security interest in, or otherwise dispose of, the shares of the Company's common stock allotted pursuant to the respective Allotment Agreements ("Allotted Shares") during the period from the date of payment for the Allotted Shares to the time immediately following the time the relevant persons retire from their positions as an officer or employee of the Company or its subsidiary, as previously determined by the Company's Board of Directors ("Transfer Restriction Period") ("Transfer Restriction").

(2) Cancellation of Transfer Restriction

The Company shall cancel the Transfer Restriction with respect to all of the Allotted Shares upon the expiration of the Transfer Restriction Period, on the condition that the relevant Subject Director has continuously held the position set forth in item (1) above during the period predetermined by the Company's Board of Directors ("Service Period"). However, if such Subject Director resigns from the position set forth in item (1) above before the expiration of the Service Period, due to the expiration of his/her term of office, death or other justifiable reasons, the Company shall reasonably adjust the number of the Allotted Shares for which the Transfer Restriction is cancelled and the timing of cancellation of the Transfer Restriction, as necessary. In addition, the Company automatically shall acquire the Allotted Shares for which the Transfer Restriction has not yet been cancelled without consideration as of the time immediately following the cancellation of the Transfer Restriction in accordance with the provisions above.

(3) Handling of resignations for reasons other than justifiable reasons

Notwithstanding item (2) above, if a Subject Director resigns from the position set forth in item (1) above for reasons other than justifiable reasons during the Transfer Restriction Period, the Company automatically shall acquire the relevant Allotted Shares, without consideration.

(4) Handling in the case of organizational restructuring, etc.

Notwithstanding the provisions of item (1) above, if a merger agreement in which the Company is dissolved, a share exchange or transfer agreement under which the Company becomes a wholly-owned subsidiary, or any other transactions, such as organizational restructuring, are approved at a general meeting of shareholders of the Company (or by the Company's Board of Directors if approval therefor is not required by a general meeting of shareholders) during the Transfer Restriction Period, the Company, by resolution of the Board of Directors, before the effective date of the organizational restructuring, etc., shall cancel the Transfer Restriction of Allotted Shares, the number of which shall be reasonably determined based on the period from the commencement date of the Transfer Restriction Period to the date of approval of the organizational restructuring. In addition, in the above cases, the Company automatically shall acquire the Allotted Shares the Transfer Restriction of which has not been cancelled, without consideration, as of the time immediately following the cancellation of the Transfer Restriction.

(5) Other matters

Other matters relating to Allotment Agreements shall be determined by the Company's Board of Directors.

3. Addition of Clawback Clauses for Performance-linked Compensation of Representative Directors

This proposal seeks to defer the payment of performance-linked compensation to Representative Directors and to forfeit a portion of such compensation as set forth below in the event of losses (including but not limited to impairment losses on goodwill, intangible assets, and property, plant or equipment; hereinafter the same) associated with companies, shares of which the Company acquires on or after the date of the Shareholders Meeting, making them consolidated subsidiaries or equity method affiliates of the Company (including newly acquiring shares of an existing company, acquiring additional shares of an existing company in which the Company has already made an investment, or establishing a new company; "**Subsidiaries**"). The amount of deferral related to the above, whether a loss related to any Subsidiary constitutes a forfeiture event, and the specific amount to be deducted shall be decided by the Board in consultation with the Nomination and Compensation Advisory Committee.

(1) Types of compensation subject to deferral and forfeiture

Performance-linked compensation paid to Representative Directors based on a resolution of a general meeting of shareholders, which will be determined and paid on or after the date of the Shareholders Meeting and the payment of which the Nomination and Compensation Advisory Committee has deemed is lawful to defer and forfeit, or with respect to which the subject Representative Director agrees to the deferral or forfeiture.

(2) Length of deferral

Five years ("**Deferral Period**")

(3) Handling of deferrals and forfeiture of compensation

- (A) In the event no losses are incurred during the continuation period with regard to any Subsidiary, the shares of which the Company acquires on or after the date of the Shareholders Meeting:

At the expiration of the Deferral Period, the Company shall pay the relevant Representative Directors the total amount of compensation that has been deferred and interest calculated at the statutory interest rate.

- (B) In the event losses are incurred during the Deferral Period with regard to any Subsidiary, shares of which the Company acquires on or after the date of the Shareholders Meeting:

Upon the expiration of the Deferral Period, the Company shall recalculate the performance-linked compensation calculated based on the performance from the time of acquisition of such shares to the time when the relevant loss occurred, after deducting the amount of such loss as an expense for the prorated period from the consolidated business profit/loss, and then pay the relevant Representative Directors an amount reflecting the deduction.

III. Reasons for the proposals

1. Amendment to the Articles of Incorporation with Regard to the Management of Subsidiaries

As of March 31, 2025, the Company had five listed subsidiaries (one of which is scheduled to go private), four of which had a PBR less than 1x, meaning that the Company is leaving the negligent management of these companies unchecked.

In addition, a parent-subsidiary listing poses a risk of conflict of interest with minority shareholders of the subsidiary. For example, for years, the Company's listed subsidiaries have provided a large amount of funds to the Company at interest rates well below those subsidiaries' cost of equity, resulting in a decline in capital efficiency and a loss of profit for minority shareholders.

If the Company wishes to continue to enjoy the same benefits of the controlling shareholder as before, those subsidiaries should be converted to wholly-owned subsidiaries and taken private. If the parent-subsidiary listing is to be maintained, the Corporate Governance Report should clearly state, among other matters, the reasons for maintaining the parent-subsidiary listing, while seeking to expand the common interests of shareholders of both the parent company and subsidiaries and protect the interests of the minority shareholders of those subsidiaries.

In addition, even greater protection of minority shareholders is required for listed subsidiaries that violate or are highly likely to violate the criteria for maintaining listing.

2. Grant of Restricted Stock Compensation to Representative Directors, and change of the Composition of Fixed and Performance-linked Compensation, and Stock Compensation, of Representative Directors

This proposal contemplates the introduction of the Stock Compensation as compensation for Representative Directors, a change to the ratio of fixed and performance-linked compensation, and Stock Compensation.

Currently, the Representative Directors' compensation is composed of fixed and performance-linked compensation at a 50:50 ratio, with no Stock Compensation.

Although the Company has set global crude steel production capacity of 100 million tons and consolidated business profit of JPY 1 trillion as its key indicators, shareholder value will not necessarily increase unless investments, acquisitions, etc., are made at appropriate prices.

The stock prices of both the Company and its listed subsidiaries have remained sluggish, and, since fiscal year 2016, when Eiji Hashimoto, the current Chairman and CEO, was first appointed Representative Director, the Company's PBR has never exceeded 1x.

For this reason, Stock Compensation should be introduced for the Representative Directors to strengthen incentives to increase shareholder value.

In the event that U.S. Steel or other large acquisitions materialize in the future, the base amount of

performance-linked compensation should be reviewed also.

3. Addition of Clawback Clauses for Performance-linked Compensation of Representative Directors

This proposal seeks to defer the payment of performance-linked compensation to the Representative Directors and to forfeit part of the compensation if the Company incurs any losses related to a company acquired by the Company in the future.

The Company has set global crude steel production capacity of 100 million tons and consolidated business profit of JPY 1 trillion as its key indicators and is currently aiming to acquire U.S. Steel. While the acquisition may have great growth potential, concerns remain as to whether the increased scale brought by the acquisition will lead to increased shareholder value.

Currently, the majority of the Company's listed subsidiaries in Japan have a PBR less than 1x on a regular basis, in view of these circumstances, which casts doubt that the corporate value of a subsidiary acquired by the Company will necessarily increase as a result of the acquisition.

Therefore, in the event of an impairment or other loss related to a company acquired by the Company on or after the date of the Shareholders Meeting, the Company should recalculate performance-linked compensation, after taking into account the amount of such loss, and reduce the amount paid.

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>
--