

[Translation]

# Press Release

May 10, 2021

To whom it may concern

NIPPON STEEL TRADING CORPORATION

## Medium- to Long-Term Management Plan of Nippon Steel Trading Corporation Group

The Company has formulated a new management plan with the aim of overcoming structural changes in the business environment for the future and becoming a “strong growth company that contributes to society” through the supply of socially valuable products and services.

### I. Business Environment Recognition and Formulation Policy

In the Steel business, domestic demand for steel products is projected to decrease due to the declining population, the increasing shift to overseas locations in the manufacturing industry and other factors. In addition, competition in the international market is expected to further intensify in the future. In the Textiles business as well, the domestic apparel market, which is the Company’s main market, is expected to continue shrinking due to the declining population, etc. On the other hand, new demand that meets such social needs as SDGs and global demand, mainly in Asia and North America, are forecasted to grow.

As the core trading company for Nippon Steel Corporation, which aims at “becoming the best steelmaker with world-leading capabilities,” the Company has operated a combination of four businesses, centering on Steel, with Industrial Supply & Infrastructure, Textiles, and Foodstuffs, and has been working to expand the scale of its business in Japan and overseas focusing on trading. However, in a situation where the structural deterioration of the business environment is expected as described above, the Company recognizes that it will be difficult to continue the existing business model, given the assumption of the current scale of the cost structure of the Company.

In order to respond appropriately to the above situation, the Company will drastically improve the value-added productivity of employees by implementing measures to strengthen its business foundation, and build a robust corporate structure by reducing the scale of fixed expenses through reorganization, integration, elimination, etc. of the Group’s manufacturing and sales bases.

In addition, in order to sustainably expand profits by promoting new growth strategies, the Company will acquire new demand in response to such social needs as SDGs. We will also meet the expansion of global demand, such as by shifting to becoming a so-called integral member by expanding processing bases and sales networks in each region in growing overseas markets. What is more, all of the Company will join forces in an all-out effort for various improvements of distribution efficiency and new business creation through M&A, alliances, and digital transformation (DX) strategies.

Furthermore, the Company will strongly promote the adoption of ESG management as part of its social contribution efforts. We will contribute to a carbon-free and recycling-based society by proposing eco-solutions. In addition, we will strive with consideration to diversity and inclusion to develop human resources that will be leaders in the next generation, further improve safety as well as health and productivity management, conduct management based on reliability and trust, achieve shareholder returns, etc.

## II. Basic Concept of Medium- to Long-Term Management Plan

In accordance with the recognition of the business environment and policy mentioned above, the Company formulated the Medium- to Long-Term Management Plan, comprised of the following three measures.

1. Building a robust corporate structure by implementing measures to strengthen the business foundation
2. Realizing sustainable increases in profit by promoting growth strategies
3. Adopting ESG management

## III. Outline of Specific Measures

### 1. Building a robust corporate structure by implementing measures to strengthen the business foundation

- 1) Drastic improvement of value-added productivity and reduction of general and administrative expenses
  - (i) Staffing level adjustments at the headquarters  
(Thorough improvement of business processes, utilization of ICT tools, etc.)
  - (ii) Reducing fixed expenses (general and administrative expenses) other than labor costs
- 2) Reorganization, integration, and elimination of the Group's manufacturing and sales bases
  - (i) Reorganizing, integrating, and eliminating low ROIC organizations
  - (ii) Improving personnel efficiency of subsidiaries
  - (iii) Reducing fixed expenses (general and administrative expenses) other than labor costs

(Reference 1)

Measures to strengthen the business foundation

Main indicators

- Ordinary profit per person: 1.4 times
- Number of subsidiaries:  $\Delta 25\%$  decrease

## 2. Realizing sustainable increases in profit by

### promoting growth strategies

- 1) Acquire new business demand  
(Product expansion to meet such social needs as SDGs, etc.)
- 2) Promotion of global strategies for deepening and expanding overseas business (promotion of becoming an integral member in each region, etc.)
- 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  
(Efficiency improvements in integrated ordering operations among manufacturers, distributors, and customers, improvements of operational accuracy, and reduction of inventory and losses via real-time information based on the digitalization of trading operations)

(Reference 2)

Growth Strategy

Breakdown of major measures

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>Acquire new demand</p> <ul style="list-style-type: none"> <li>• Automotive field: EV/FCV batteries/motor battery parts, lightweight materials</li> <li>• Renewable energy field: Wind power and solar power generation materials</li> <li>• High-performance materials for information communication and medical equipment</li> <li>• Environmentally friendly raw materials</li> <li>• Use of multiple materials</li> <li>• : Roof-installed solar power business</li> <li>• Textiles: Expansion of sustainable and recycled materials</li> <li>• Foodstuffs: PBM (Plant Based Meat: meat substitutes) business expansion</li> </ul> |  |
| <p>Promotion of global strategies</p> <ul style="list-style-type: none"> <li>• Further promotion of becoming an integral member (Alliance with local coil centers and FAB, etc.)</li> <li>• Sales expansion in collaboration with local mills (ASEAN, North America, India, etc.)</li> <li>• Sales expansion of high-performance materials such as electrical steel sheets, super-high-tensile materials, and specialty steels</li> <li>• Industrial Supply: Sales expansion of aluminum and carbon fiber overseas</li> <li>• Industrial Supply: Expansion of global operations of headrest parts business</li> </ul>                    |  |
| <p>Collaboration with major users, strengthening distribution and processing, providing solutions</p> <ul style="list-style-type: none"> <li>• Pursuing synergies among the Company, NST Nihon Teppan Co., Ltd., Tsukiboshi Shoji Co., Ltd., and NST Sankohan Co., Ltd.</li> <li>• Promoting national land robustness and strengthening the ability to handle construction projects</li> </ul>                                                                                                                                                                                                                                           |  |

## 3. Adopting ESG management

### 1) Environment

- (i) Contribution to a carbon-free and recycling-based society by proposing eco-solutions
- (ii) CO2 reduction     The Company's CO2 reduction targets for 2030: ▽ 30% reduction (starting point FY2018) and 2050: Carbon neutral  
                                  Making proposals and cooperating in Nippon Steel's "Carbon Neutral Vision 2050"

### 2) Social

- (i) Further strengthening efforts for diversity and inclusion
- (ii) Strengthening efforts that contribute to further improvement of safety as well as health and productivity management
- (iii) Promotion of supply chain CSR taking into consideration the working environment and the natural environment
- (iv) Efficiency improvement in an integrated supply chain making use of DX measures and ICT technology

- 3) Governance
  - (i) Management based on reliability and trust
  - (ii) Strengthening the governance system and improving the effectiveness of the Board of Directors to further enhance management transparency and objectivity
  - (iii) Further promotion of management based on funding and capital costs
  - (iv) Achievement of shareholder returns in response to stable profit growth (targeting dividend payout ratio of 30% or more)
- 4) Regarding ESG management, the Company is working on materiality as follows:
  - Contribution to a carbon-free society and environmental conservation
  - Contribution to national and regional development
  - Contribution to a recycling-based society and sustainable living
  - Optimization of integrated supply chains (use of information and technology)
  - Utilization of diverse human resources (nurturing people, making good use of people, and valuing people)
  - Management based on reliability and trust

#### IV. Measures by Division

##### 1. Steel Division

Together with acquiring new demand (EV/FCV, lightweight materials in the automotive field, renewable energy field such as offshore wind power/solar power generation, high-performance materials for information communication and medical equipment, etc.) that meets social needs such as SDGs, as global strategies for deepening and expanding overseas business, the Company will strengthen alliances with local manufacturers in Asia, North and Central America, etc. and promote becoming an integral member in each region. The Company will work to strengthen cooperation with major customers, strengthen distribution and processing, and expand sales and improve profitability by proposing solutions. The Company will promote the diversification of supply sources necessary for implementing these measures and aim to have a consolidated steel handling volume of 21 million tons or greater.

In addition, in order to reform distribution of steel products through DX strategies, the Company aims at digitalization of steel trading operations, to realize efficiency improvements in integrated ordering operations among manufacturers, distributors, and customers, improvements of operational accuracy and quality control, and reductions of inventory and losses as well as productivity improvements via real-time information.

##### 2. Industrial Supply & Infrastructure Division

The Company will promote the expansion of products and services that meet social needs in such various fields as multiple materials, transportation equipment, and infrastructure. Specifically, the Company will work to acquire the globally growing demand for aluminum materials (cans, EV parts, etc.), expand global operations of the headrest parts business, develop exports of kitchen automation equipment, and engage in the roof-installed solar power generation business, etc. Moreover, the Company will also invest resources in strengthening relationships with existing partners and developing new fields with the aim of maximizing consolidated profit.

### 3. Textiles Division

The Company will further upgrade its planning proposal capabilities in its core business of apparel OEM/ODM, as well as production/logistics/sales know-how, while working to shift to growth fields and expand global transactions. In addition, the Company will promote supply chain CSR by expanding sustainable materials, etc. that support ethical consumption to meet social needs. Concerning the alliance with Mitsui & Co., Ltd., both companies are currently in the evaluation process and a separate announcement will be made as soon as the consultations are complete.

(Reference 3) Notice Regarding the Commencement of Consideration of an Alliance in the Textiles Business with Mitsui & Co., Ltd. (announced on February 3, 2021)

The Company entered into a basic agreement with Mitsui & Co., Ltd. to commence consideration of an alliance between the textiles business of both companies, mainly by integrating the Textiles business of the Company and Mitsui Bussan I-Fashion Ltd., the core subsidiary of Mitsui & Co., Ltd. in the textiles business.

### 4. Foodstuffs Division

Based on various trading capabilities and pioneering programs for food safety that we have developed in our primary business of imported meats, the Company will aim at further growth and development as a “Food Value Creator” to provide customers with new food value and solutions that are environmentally friendly and prioritize reliability and safety. Specifically, we will work to expand the domestic sales base of the wholesale business, etc. and strengthen sales of SDGs-related products such as meat substitutes (Plant Based Meat).

## V. Input Plan, Financial Target, Dividend Policy

### 1. Active investment to realize growth strategy (FY2021-2025)

- 1) Business investment and capital investment will be 75 billion yen (cumulative for 5 years), and strategic investment including M&A will be actively considered and executed in each business area to improve distribution efficiency and create new businesses.
- 2) Through flexible recruitment activities, etc., the Company will work to secure diverse human resources to be leaders in the next generation.
- 3) The Company will invest 17 billion yen in system costs over the next five years for measures such as promoting DX strategies, and strengthen its competitiveness based on digitalization of trading operations, etc.

### 2. Revenue/financial structure targets (FY2023 and FY2025)

By implementing various measures of the Medium- to Long-Term Management Plan and improving funding and capital efficiencies through ROIC/ROE management, the Company will strive for sustainable profit growth with the aim of achieving the following indicators in the FY2023 and FY2025 sections.

#### Consolidated profit, major financial indicators

|                                         | FY2019<br>results | FY2020<br>results | FY2021<br>forecast | Medium- to Long-Term<br>Management Plan |                         |
|-----------------------------------------|-------------------|-------------------|--------------------|-----------------------------------------|-------------------------|
|                                         |                   |                   |                    | FY2023                                  | FY2025                  |
| Consolidated ordinary profit            | ¥33.2 billion     | ¥25.6 billion     | ¥33.0 billion      | ¥42.0 billion                           | ¥45.0+ $\alpha$ billion |
| Profit attributable to owners of parent | ¥20.7 billion     | ¥15.9 billion     | ¥22.0 billion      | ¥26.0 billion                           | ¥28.0+ $\alpha$ billion |
| ROE                                     | 8.9%              | 6.5%              | 8%                 | 9-10%                                   |                         |
| ROIC                                    | 4.7%              | 3.9%              | 5%                 | Approx. 6%                              |                         |
| Net D/E Ratio                           | 1.16              | 0.95              | 1.0                | 1.0 or below                            |                         |

#### (Reference 4) Consolidated Ordinary Profit/Loss Difference Breakdowns (compared with FY2019)

|                                                             | FY2023          | FY2025                    |
|-------------------------------------------------------------|-----------------|---------------------------|
| Structural change of business environment, etc.             | × ¥12.0 billion | × ¥14.0 billion           |
| Execution of measures to strengthen the business foundation | ○ ¥10.0 billion | ○ ¥11.0+ $\alpha$ billion |
| Promotion of growth strategy                                | ○ ¥11.0 billion | ○ ¥15.0+ $\alpha$ billion |

### 3. Dividend policy

The Company will set a target for a consolidated dividend payout ratio of 30% or higher and strive to increase shareholder returns in line with stable profit growth.