April 17, 2025

To Whom It May Concern

Strategic Capital, Inc.

Tsuyoshi Maruki, President &CEO

Re: Shareholder Proposal to NIPPON STEEL CORP. (5401)

Strategic Capital, Inc. (hereinafter referred to as “SC”) is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and SC (hereinafter referred to as the “Proposing Shareholder”) hold over 300 units of voting right of Nippon Steel Corp. (hereinafter referred to as "Nippon Steel" or the “Company” as the context requires) over 6 months.

The Proposing Shareholder is pleased to announce its execution of the shareholders’ right to make a proposal at the annual shareholder meeting held in the coming June.

As of March 31, 2025, Nippon Steel had five listed subsidiaries, four of which had a PBR less than 1x (one, Sanyo Special Steel Co., Ltd, the Company recently announced will be taking private at a PBR of only 0.66x) and they are leaving the negligent management of these companies unchecked. In addition, the subsidiaries have deposited large amounts of surplus funds in the form of deposits and loans to the Company, which has caused their capital efficiency to deteriorate, and the majority of their directors are alumni of Nippon Steel.

In addition, despite the Company’s own PBR being below 1x, the representative director receives a high level of compensation in contrast to the sluggish stock price.

The Proposing Shareholder in an effort to correct such negligent management of Nippon Steel is making the following proposals with the details below but the main points are 1) to protect the minority shareholders of the listed subsidiaries (appropriate disclosure on how they are dealing with problematic subsidiaries), 2) grant stock compensation to the representative direction in conjunction with changing the ratio of fix, performance-linked and stock based compensation, and 3) add a clawback provision to remuneration of the representative director.

A campaign website is expected to be opened to provide a detailed explanation of the background and the proposal. An update will be provided on SC’s website

The Proposing Shareholder is also a shareholder of Osaka Steel Co., Ltd (TSE Ticker 5449, hereinafter referred to as “Osaka Steel”) and is planning to make a shareholder proposal to Osaka Steel for its AGM.

This release is a reference translation of the original in Japanese. In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

Details

1. **Details of the proposals**

(1) Revision of the provisions of articles with regard to the management of subsidiaries

Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VII. MANAGEMENT OF SUBSIDIARIES

Article 36

With respect to listed subsidiaries of which the Company is the parent company, the below points 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 its listed subsidiaries and the protection of the minority shareholders of the listed subsidiaries. The details of the deliberation shall be disclosed in the Corporate Governance Report submitted by the Company to the Financial Instruments Exchange.

A) How maintaining the company as a listed subsidiary will contribute to increasing the shareholder value of the Company and its listed subsidiary (e.g. reasons for maintaining as a listed subsidiary rather than privatizing)

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

If as of the last trading of the fiscal year for the listed subsidiary, the PBR is below 1x, or if the ROE is less than 8%, at least once a year, the Board of Directors shall discuss the adequacy of the management plan of the listed subsidiary and request said subsidiary to formulate an improvement plan. The details of the deliberation and requests to the listed subsidiary shall be disclosed in the Corporate Governance Report submitted by the Company to the Financial Instruments Exchange.

In the event that the shares issued by a listed subsidiary are in violation of the listing maintenance standards established by 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), at least once a year, the Board of Directors shall deliberate on an appropriate response policy from the perspective of protecting the interests of minority shareholders (including making the subsidiary a wholly owned subsidiary or privatization through an absorption-type merger), and the Company shall disclose the details of the deliberation in the Corporate Governance Report submitted by the Company to the Financial Instruments Exchange.

(2) Grant restricted stock compensation and to change the composition of fixed, performance-linked and stock-based compensation of the Representative Director

This proposal requests that the maximum annual amount of remuneration paid to Directors (excluding members who are members of the Audit and Supervisory Committee) remain unchanged from the current annual amount of JPY 3.48B (of which the amount for outside directors shall not exceed JPY 168 million) and the Company introduce restricted stock compensation to the Representative

Directors, and the ratio of fixed, performance-liked and stock-linked compensation to the Representative Director be changed.
The current and remuneration system after the change for the Representative Director shall be as follows.
Matters relating to the remuneration of the Company's directors not specified below shall be subject to the provisions of the current remuneration system and other agenda items which shall be resolved at the Ordinary General Meeting of Shareholders.

<Current remuneration system for Representative Directors>

1. the remuneration of the Representative Director consists of fixed remuneration and performance-linked remuneration
2. the index for the Performance-linked remuneration shall be the actual consolidated business P&L (consolidated business P&L less inventory valuations etc.), and the base amount for the performance-linked remuneration shall be the achievement of JPY 600 B.
3. The ratio of fixed to performance-linked remuneration at the time of achievement of the base amount of point 2 shall be 50:50.

<Remuneration system for Representative Directors after the change> (changed parts underlined)

1. the remuneration of the Representative Director consists of fixed remuneration, performance-linked and restricted stock compensation (hereinafter referred to as "SOP") remuneration
2. the index for the Performance-linked remuneration shall be the actual consolidated business P&L (consolidated business P&L less inventory valuations etc.), and the base amount for the performance-linked remuneration shall be the achievement of JPY 600 B.
3. The ratio of fixed, performance-linked, and SOP remuneration at the time of achievement of the base amount of point 2 shall be 30:30:40 and the neither the amount of the fixed nor performance-linked remuneration shall exceed the amount of the SOP.
4. Stock compensation through granting of "restricted stock". The stock-based compensation shall be granted in the form of "restricted stock" to eligible Representative Directors ("Subject Director") and 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 "Executive Personnel and Remuneration Committee". In addition, the Subject Directors shall receive all of the monetary compensation claims to be paid under this proposal as assets contributed in kind, and shall be issued or disposed of shares of common stock of the Company, and the total number of shares to be issued or disposed for the Directors as a result shall be 400,000 shares or less (however, if after the date of the Shareholder's proposal, a stock split or reverse stock split or any other event conducted requiring the adjustment to the total shares issued, such total number shall be adjusted to a reasonable extent.) The amount to be paid shall be determined by the Board of Directors based on the last closing

price of the common stock on the Tokyo Stock Exchange immediately preceding the date of the resolution to the extent that such amount is not particularly favorable to the Director who will subscribe to such common stock. The above shall be subject to the execution of the below Restricted Share Allotment Agreement.

Restricted Share Allotment Agreement

1) Transfer restriction period

The Subject Director may not transfer, create a security interest in, or otherwise dispose of the allotted shares during the period from the payment date of the shares allotted under the Allotment Agreement to the time immediately following the time they retire from their position as officer or employee of the Company or its subsidiary, as previously determined by the Board of Directors.

2) Lifting of transfer restrictions

The Company shall cancel the Transfer Restriction with respect to all of the Allotted Shares upon the expiration of the Service Period, on condition that the Subject Director has continuously held the position stipulated in 1 above during the period predetermined by the Board of Directors. However, if such Subject Director resigns from the position stipulated in 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 shall naturally acquire the Allotted Shares for which the Transfer Restriction has not yet been lifted at no cost as of the time immediately following the lifting of the Transfer Restriction in accordance with the provisions above

3) Handling of resignations for reasons other than justifiable reasons

Notwithstanding 2 above, if a Subject Director resigns from the position set forth in 1 above for reasons other than justifiable reasons during the Transfer Restriction Period, the Company shall acquire the Allotted Shares as a matter of course,

4) Handling in the case of organizational restructuring etc.

Notwithstanding the provisions of 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 matters relating to organizational restructuring etc. are approved at a general meeting of shareholders (where approval is not required by a general meeting of shareholders, the Board of Directors), during the transfer restriction period, the Company by resolution of the Board of Directors, lift the transfer restriction of Allotted Shares, the number of which shall be reasonably determined based on the period of the commencement date of the transfer restriction period to the date of approval of such organizational restructuring. In addition, for the above cases, the Company shall naturally acquire the Allotted Shares at no cost as of the time immediately following the lifting of the transfer restrictions.

5) Other matters

Other matters relating to the Allotment Agreement shall be determined by the Board of Directors.

(3) Addition of clawback clause to performance-linked remuneration of Representative Directors

Addition of clawback clause to performance-linked remuneration for Representative Directors

This proposal seeks to defer the payment of performance-linked remuneration to Representative Directors and to forfeit a portion of such remuneration in the event of losses (including but not limited to losses on goodwill, intangible assets, property, plant and equipment) associated with companies in the which the Company acquires after this AGM, making them a subsidiary (including acquiring additional shares of an existing company, shares of an existing company or establishing a new company) with the following details. The amount of deferral related to the above, applicability deducted shall be decided by the Board in consultation with the Executive Personnel and Remuneration Committee.

(1) Types of remuneration subject to deferral and forfeiture

Performance-linked remuneration paid to the Representative Director based on a resolution of the AGM, which will be determined and paid after the AGM and is recognized by the Executive Personnel and Remuneration Committee has deemed it lawful to defer and forfeit payment, or the subject Representative Director agrees to the deferral or forfeiture.

(2) Length of deferral

Five years (referred to as “deferral period”)

(3) Handling of deferrals and forfeits of remuneration

A) In the event no losses incurred relating to subsidiaries acquired during the deferral period

At the expiration of the deferral period, the Company shall pay the Subject Director the total amount of remuneration that has been deferred and interest equivalent to the statutory interest rate.

B) In the event losses incurred relating to subsidiaries acquired during the deferral period

At the expiration of the deferral period, the Company shall pay the Subject Director the performance-linked remuneration based on the performance from time of acquisition to the time when the relevant loss occurred after deducting the amount of such loss as an expense on a pro-rata basis from the consolidated P&L, and then recalculating and subtracting the amount.

2. **Reason for the proposals**

(1) Revision of the provisions of articles with regard to the management of subsidiaries

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

In addition, there is a risk of conflict of interest with minority shareholders of the subsidiary. For example, for years, the listed subsidiary has provided a large amount of funds to the Company at interest rates well below the subsidiary's 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 as before, these 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 the reasons for maintaining the parent-subsidiary listing, etc., while seeking to expand the common interests of both shareholders and protect the interests of the minority shareholders of the subsidiary.
In addition, listed subsidiaries that violate or are highly likely to violate the criteria for maintaining listing should be required to further protect minority shareholders.

(2) Grant restricted stock compensation and to change the composition of fixed, performance-linked and stock-based compensation of the Representative Director

The proposal contemplates the introduction of stock-based remuneration for Representative Directors and a change in the ratio of fixed,performance-linked and stock-based remuneration.
Currently, the Representative Directors' remuneration is composed of fixed and performance-linked remuneration at a 50:50 ratio, with no stock-based remuneration.
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 has remained sluggish and since 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-based remuneration should be introduced for representative directors to strengthen incentives to increase shareholder value.
In the event that US Steel and other large acquisitions in the future, the base amount of performance-linked remuneration should also be reviewed.

(3) Addition of clawback clause to performance-linked remuneration of Representative Directors

This proposal seeks to defer the payment of performance-linked remuneration to the Representative Director and partial forfeiture in the event of losses related company acquired 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 of 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, which casts doubt that the corporate value of a subsidiary acquired will necessarily increase as a result of the acquisition.
Therefore, in the event of an impairment or other loss related to a company acquired after the AGM, the Company should recalculate performance-linked remuneration after taking into account of the amount of such loss, and reduce the amount paid.

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