

TYO : 5401

OTC : NPSCY(ADR)



# FY2023 Earnings Summary

May 9<sup>th</sup>, 2024

**NIPPON STEEL CORPORATION**

Notes on this presentation material

Unless otherwise noted, all volume figures are presented in metric tons.

Unless otherwise noted, all financial figures are on consolidated basis.

Unless otherwise noted, net profit represents net profit attributable to owners of the parent.

# Agenda

## 1. FY2023 Earnings Summary, FY2024 Forecast and FY2025 Target

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- Proceeding to Next Phase toward the realization of 100 Mt and ¥1 Tn. Vision -  
Strategy / Domestic Steel Business / Overseas Steel Business /  
Raw Material Business / Other Group Companies / Three Non-steel Segments

## 3. Progress in Carbon Neutral Vision 2050

## 4. HR and PR Initiatives to Recruit from and Retain Diverse Talent

## 5. References(Business Environment & Other Topics)

## 6. Supplementary Materials for Financial Results

# Underlying Business Profit for FY2023: 935.0bn. JPY

## Largely updated record-high profits in the consecutive three years

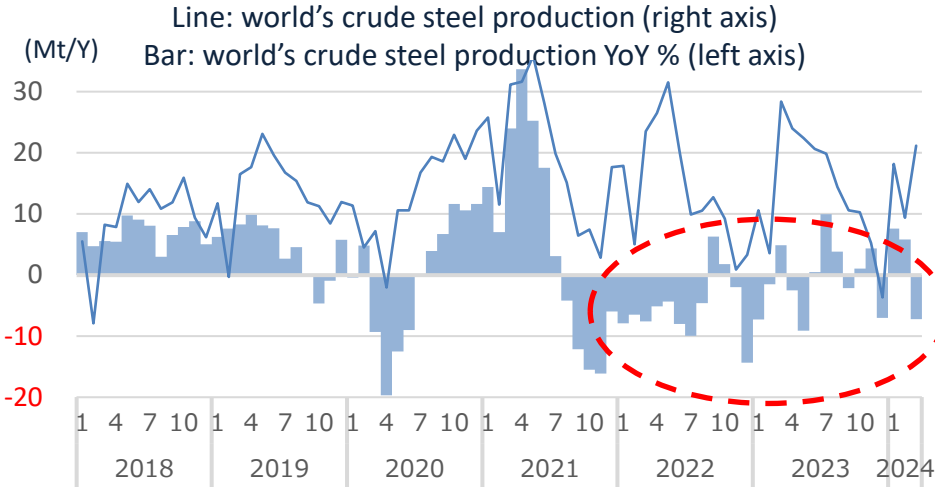
- Global steel demand remains unprecedentedly harsh
- While Asian steel market recovered slightly from the previous forecast, spreads remain historically small
- Even in this business environment, underlying BP for FY2023 reached 935.0 bn.JPY, upward revision by 45.0bn. JPY from the previous forecast and surpassed by 201.0bn.JPY the previous record-high profit in FY2022

	FY2022	H1	Q3	Q4	H2	Vs H1	FY 2023	Vs Prev. forecast as of Feb, 7 <sup>st</sup>	Vs FY2022
Non-consol. crude steel production (Mt)	34.25	17.44	8.84	8.71	17.54	+0.10	34.99	-0.01	+0.74
Non-consol. steel shipment (Mt)	31.47	16.17	7.95	7.90	15.86	-0.32	32.03	+0.03	+0.56
FX (USD/JPY)	135	140	149	147	148	8yen dep	144	1yen dep	9yen dep
Revenue (bn. JPY)	7,975.5	4,412.4	2,229.3	2,226.3	4,555.6	+43.2	8,868.0	-132.0	+892.5
<b>Underlying BP</b> Excl. Inventory val. Etc.	<b>734.0</b>	<b>498.5</b>	<b>229.0</b>	<b>207.5</b>	<b>436.4</b>	-62.0	<b>935.0</b>	<b>+45.0</b>	<b>+201.0</b>
Inventory valuation etc.	182.4	(4.3)	(30.8)	(30.3)	(61.1)	-57.0	(65.5)	+25.0	-248.0
<b>Consol. business profit</b> (bn. JPY)	<b>916.4</b>	<b>494.2</b>	<b>198.1</b>	<b>177.2</b>	<b>375.4</b>	-118.8	<b>869.6</b>	<b>+69.6</b>	-46.8
<b>ROS</b>	11.5%	11.2%	8.9%	8.0%	8.4%	-2.8%	9.8%	+0.9%	-1.7%

# Unprecedentedly harsh Business Environment

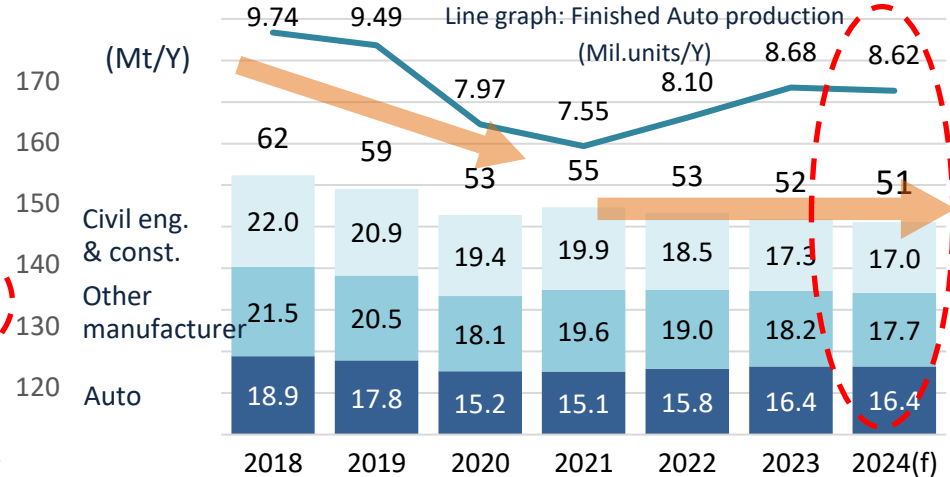
## World's crude steel production trend

YoY decline trend continuing since Aug. 2021



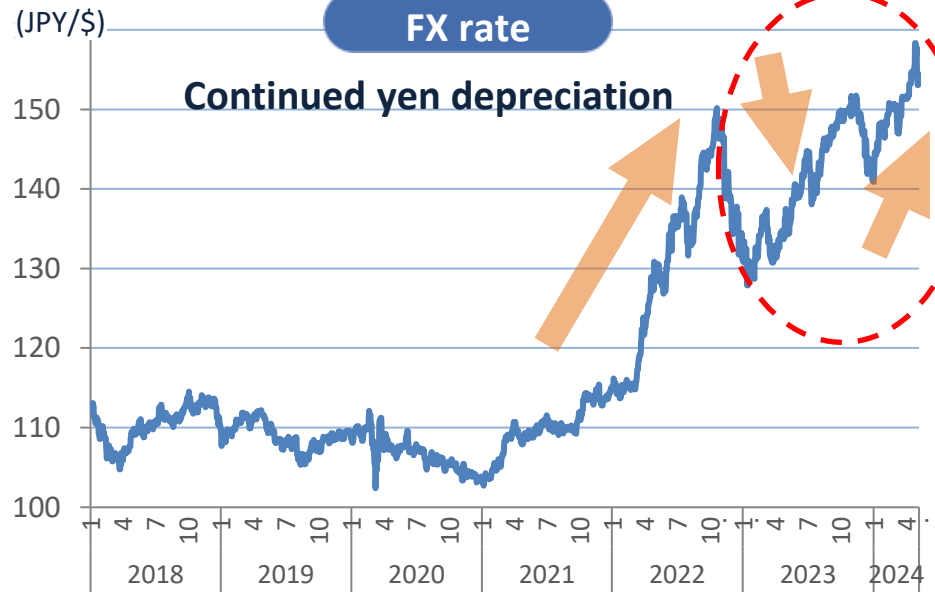
## Domestic steel demand

Demand of automobiles has gradually been improving but the over all trends remain sluggish



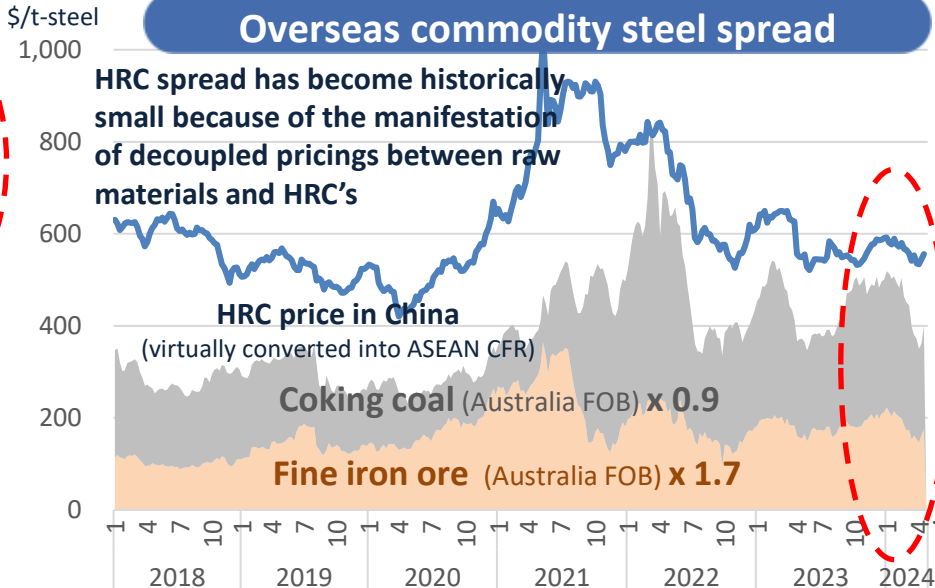
## FX rate

Continued yen depreciation



## Overseas commodity steel spread

HRC spread has become historically small because of the manifestation of decoupled pricings between raw materials and HRC's



# FY2023 Underlying Consol. Business Profit Variance

5

\*1 excluding effect of BF relining

\*2 including impact from FX rate fluctuation

Unit: bn. JPY

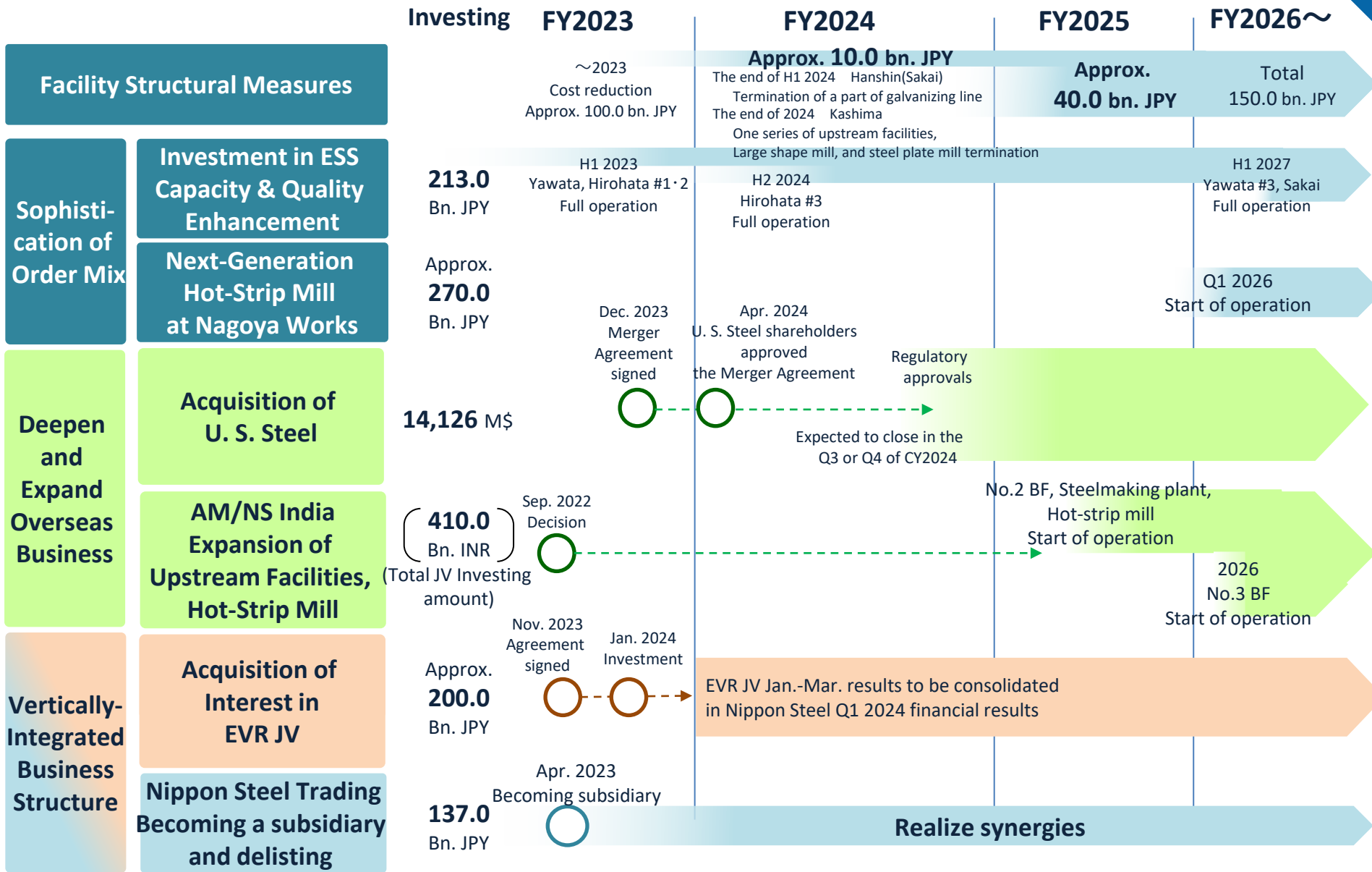
	<i>FY2023(f) as of Feb. 7<sup>th</sup> to FY2023</i>	<i>H1 FY2023 to H2 FY2023</i>	<i>FY2022 to FY2023</i>
<b>Consol. Business Profit Variance</b>	<b>+69.6</b> < 800.0 -> 869.6 >	<b>-118.8</b> < 494.2 -> 375.4 >	<b>-46.8</b> < 916.4 -> 869.6 >
<i>Inventory Valuation etc.</i>	<i>+25.0</i>	<i>-57.0</i>	<i>-248.0</i>
<b>Underlying Business Profit Variance</b>	<b>+45.0</b> < 890.0 -> 935.0 >	<b>-62.0</b> < 498.5 -> 436.4 >	<b>+201.0</b> < 734.0 -> 935.0 >
<b>Domestic Steel Business</b>	<b>+11.0</b>	<b>-70.0</b>	<b>+144.0</b>
Volume *1 [in(de)crease of shipment volume]	- [ - Mt ]	-15.0 [ -0.32Mt ]	+5.0 [ +0.16Mt ]
Spread *2 (Sales price, mix, raw material price) <per ton of steel> [FX rate]	+25.0 <+1k¥/t > [ 1 yen dep. ]	-55.0 < -4k¥/t > [ 8 yen dep. ]	+85.0 < +3k¥/t > [ 9 yen dep. ]
Cost Reduction	-	+15.0	+60.0
Others	-14.0	-15.0	-6.0
Overseas Steel Business	+12.0	-16.0	+37.0 *1
Raw Material Business	+7.0	+3.0	-10.0 *2
Other Group Companies	+16.0	+11.0	+41.0
Three Non-steel Segments	-3.0	+12.0	-13.0 *3

\*1 One-off gain in H1 FY2023 from integration of AMIPL in India

\*2 The impact of change in raw material price reflected

\*3 The effect of provision in FY2023 for losses of crane failures on offshore work vessels in Engineering segment.

# Roadmap for Growth Strategy



# Toward the realization of “¥1 trillion underlying consol. business profit and 100 Mt/Y of global crude steel capacity” vision

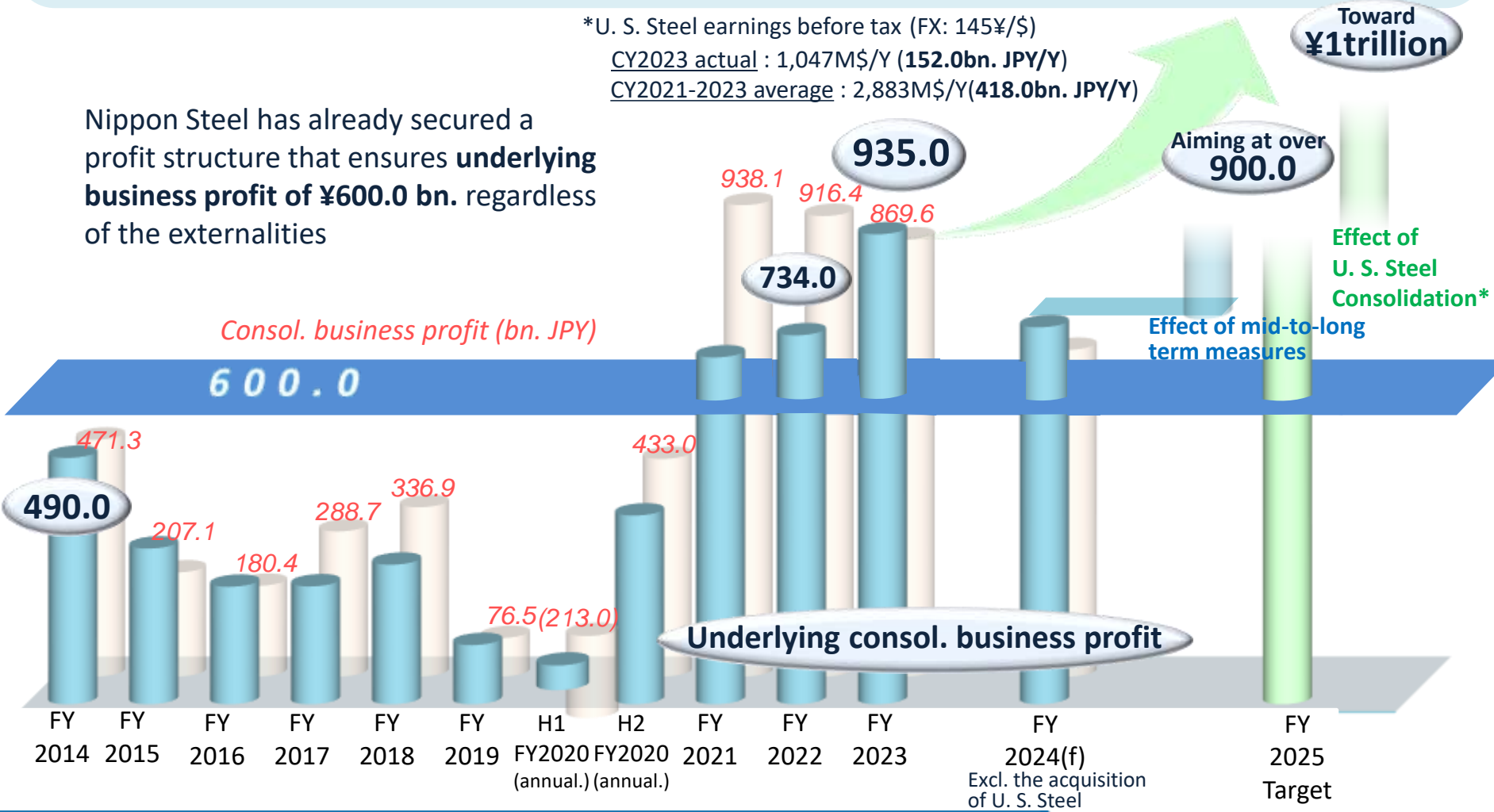
In FY2025, Nippon Steel aims at securing over 900.0bn. JPY due to growth strategy measures, etc. By closing the U. S. Steel acquisition and consolidating profit contribution of U. S. Steel, the company will pursue early realization of ¥1 tn. JPY

\*U. S. Steel earnings before tax (FX: 145¥/\$)

CY2023 actual : 1,047M\$/Y (152.0bn. JPY/Y)

CY2021-2023 average : 2,883M\$/Y(418.0bn. JPY/Y)

Nippon Steel has already secured a profit structure that ensures **underlying business profit of ¥600.0 bn.** regardless of the externalities



# Earnings Forecast for FY2024 and Target of FY2025

## Forecast for FY2024

- Business environment will remain sluggish; domestic/overseas demand are expected to stay at low levels
- **Underlying business profit forecast will be over 750.0 bn. JPY**, considering the losses of one-off profit gain from overseas steel business and temporal spread expansion in FY2023 as well as ongoing “Investment in human capital” to secure and support workforce in the long run [Transitional period to realize further growth]

## Target for FY2025

- In FY2025, the last year of mid-to-long term business plan, **Nippon Steel will pursue BP of over 900.0bn. JPY** by realizing effects of measures toward further profit growth: remaining impact of structural measures (+40.0bn.JPY), further sophistication of order mix, production increase in AM/NS India (Phase 1), etc.
- On top of this, **Nippon Steel will further develop its BP toward future vision of 1 tn. JPY** by closing the U. S. Steel acquisition and consolidating its profit contribution\*

### Excl. the acquisition of U. S. Steel

	FY2023	H1(f)	Vs H2 FY2023	H2(f)	FY 2024	Vs FY2023
Non-consol. crude steel production (Mt)	34.99	Approx. 17.50	-0.04	Approx. 17.50	Approx. 35.00	+0.01
Non-consol. steel shipment (Mt)	32.03	Approx. 16.00	+0.14	Approx. 16.00	Approx. 32.00	-0.03
FX (USD/JPY)	144	Approx. 150	2yen dep	Approx. 140	Approx. 145	1yen dep
Revenue (bn. JPY)	8,868.0	4,400.0	-55.6	4,400.0	8,800.0	-68.0
<b>Underlying BP</b> Excl. inventory val. etc.	<b>935.0</b> Record high	<b>340.0</b>	-96.0	<b>410.0</b>	<b>750.0</b> Or more	-185.0
Inventory valuation etc.	(655)	(40.0)	+21.0	(60.0)	(100.0)	-35.0
<b>Consol. business profit</b> (bn. JPY)	<b>869.6</b>	<b>300.0</b>	-75.4	<b>350.0</b>	<b>650.0</b> Or more	-219.6
<b>ROS</b>	9.8%	6.8%	-1.6%	8.0%	7.4%	-2.4%

## Target for FY2025

Aiming at  
over  
**900.0**  
bn.JPY

+ Consolidation  
of U. S. Steel\*

\*U. S. Steel earnings before tax  
CY2023 actual  
1,047M\$/Y (152.0bn. JPY/Y)  
CY2021-2023 average  
2,883M\$/Y(418.0bn. JPY/Y)  
(FX: 145¥/\$)



# FY2024 Underlying Consol. Business Profit Variance

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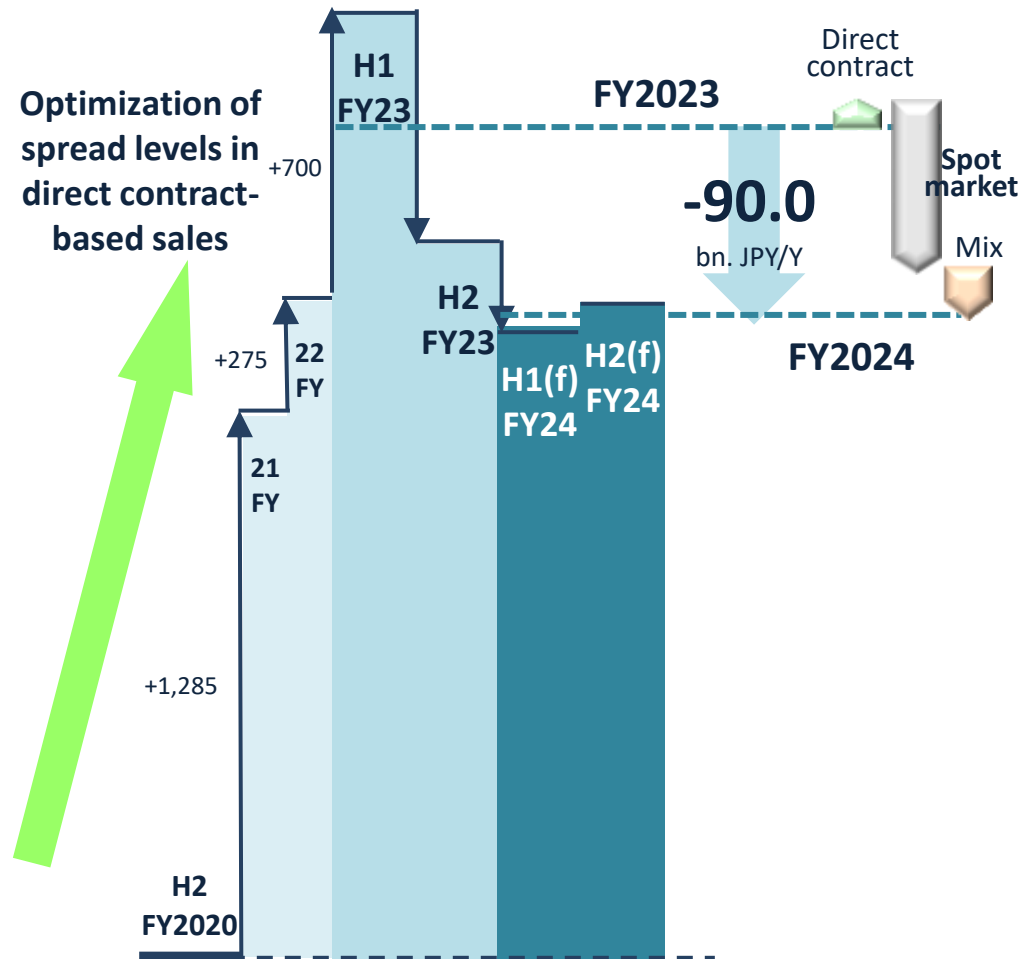
Excl. the acquisition of U. S. Steel

\*1 excluding effect of BF relining  
\*2 including impact from FX rate fluctuation  
Unit: bn. JPY

	FY2023 to FY2024(f)	H2 FY2023 to H1 FY2024(f)
<b>Consol. Business Profit Variance</b>	<b>-219.6</b> < 869.6 -> 650.0 >	<b>-75.4</b> < 375.4 -> 300.0 >
<i>Inventory Valuation etc.</i>	-34.6	+20.6
<b>Underlying Business Profit Variance</b>	<b>-185.0</b> < 935.0 -> 750.0 >	<b>-96.0</b> < 436.4 -> 340.0 >
<b>Domestic Steel Business</b>	<b>-146.0</b>	<b>-48.0</b>
Volume *1 [in(de)crease of shipment volume]	- [ -0.03 Mt ]	+5.0 [ +0.14Mt ]
Spread *2 (Sales price, mix, raw material price) <per ton of steel>	-90.0 ➤ Temporal spread expansion in H1 FY2023 due to drop in external costs after negotiating contract-based sales prices returned to the appropriate level <-3k¥/t>	-20.0 ➤ Continuation of unprecedentedly harsh business environment in overseas spot market < -1k¥/t >
[FX rate]	[1 yen dep.] ➤ Continuation of unprecedentedly harsh business environment in overseas spot market prices	[2yen dep.]
Cost Reduction	+30.0 <span style="border: 1px solid black; border-radius: 5px; padding: 2px;">Refer to P10</span>	+5.0
Others	-86.0 ➤ Investment in human capital to secure and support workforce, depreciation cost hike, etc.	-38.0 ➤ Investment in human capital to secure and support workforce, depreciation costs hike, etc.
Overseas Steel Business	-42.0 ➤ Loss of one-off gain in Indian business in H1 FY2023, etc.	-13.0
Raw Material Business	+23.0 ➤ Consolidation of EVR, Drop in raw material prices	+12.0
Other Group Companies	-36.0 ➤ Profit decrease in Nippon Steel Stainless and EAFs	-43.0 ➤ Profit decrease in Nippon Steel Stainless and EAFs
Three Non-steel Segments	+17.0 ➤ Removal of the loss of crane failures on offshore work vessels in Engineering segment in H1 FY2023, etc.	-5.0

# Spread variance

Unit: bn. JPY/half year



**FY2023 -> FY2024(f) -90.0bn. JPY**  
Stems from the plummet in overseas market spreads mainly due to China impact

## Direct contract-based sales

Maintain the appropriate spread level, reflecting yen depreciation and cost hike in distribution, etc.

- Realized the effect of sophistication of order mix deriving from capacity expansion of electric steel sheets, etc. , which improved the appropriate spread level of direct contract-based sales)
- The variance between H1 and H2 in FY2023 was caused by the difference in raw material prices on and after the price negotiation

## Spot market sales

Spread levels will remain depressed; unprecedentedly harsh business environment is expected to continue

- In H2 FY2023, spreads in overseas spot market sales severely dropped due to the manifested decoupled pricing mechanism of commodity-grade steel products from raw materials

## Product mix

Export ratio increased due to sluggish domestic steel demand

# Additional Line Items, Net Profit: FY2023, FY2024 and FY2025

Excl. the acquisition of U. S. Steel

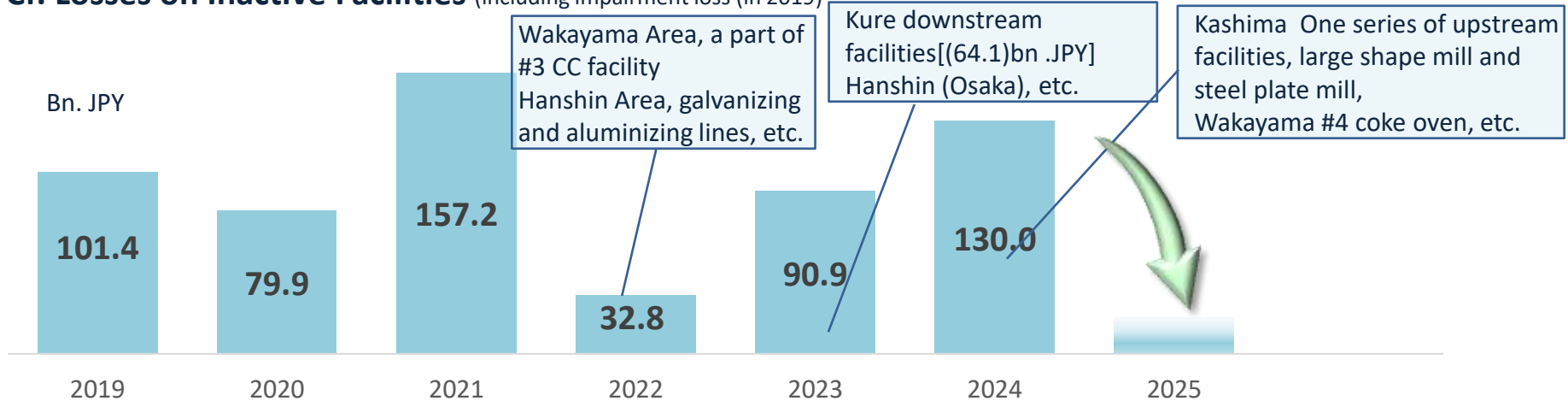
	FY 2022	H1	H2	FY 2023	Vs prev. forecast as of Feb. 7 <sup>th</sup>	Vs FY2022	H1(f)	FY 2024(f)	Vs FY2023
Bn. JPY Consol. Business Profit	916.4	494.2	375.4	869.6	+69.6	-46.8	300.0	650.0 or more	-219.6
<b>Additional Line Items</b>	<b>(32.8)</b>	<b>(70.4)</b>	<b>(20.5)</b>	<b>(90.9)</b>	<b>-0.9</b>	<b>-58.1</b>	-	<b>(130.0)</b>	<b>-39.1</b>
<b>Net Profit</b>	<b>694.0</b> <b>Record high</b>	<b>300.2</b>	<b>249.1</b>	<b>549.3</b>	<b>+79.3</b>	<b>-144.7</b>	<b>180.0</b>	<b>300.0</b>	<b>-249.3</b>
<b>EPS (¥/share)</b>	<b>753</b>	<b>326</b>	<b>270</b>	<b>596</b>	<b>+86</b>	<b>-157</b>	<b>195</b>	<b>326</b>	<b>-270</b>
<b>ROE(%)</b>	<b>18.1%</b>	<b>13.6%</b>	<b>10.6%</b>	<b>12.3%</b>		<b>-5.8%</b>			

FY2025 target

Losses on inactive facilities will dramatically decrease

Net profit will improve

## Cf. Losses on Inactive Facilities (including impairment loss (in 2019))



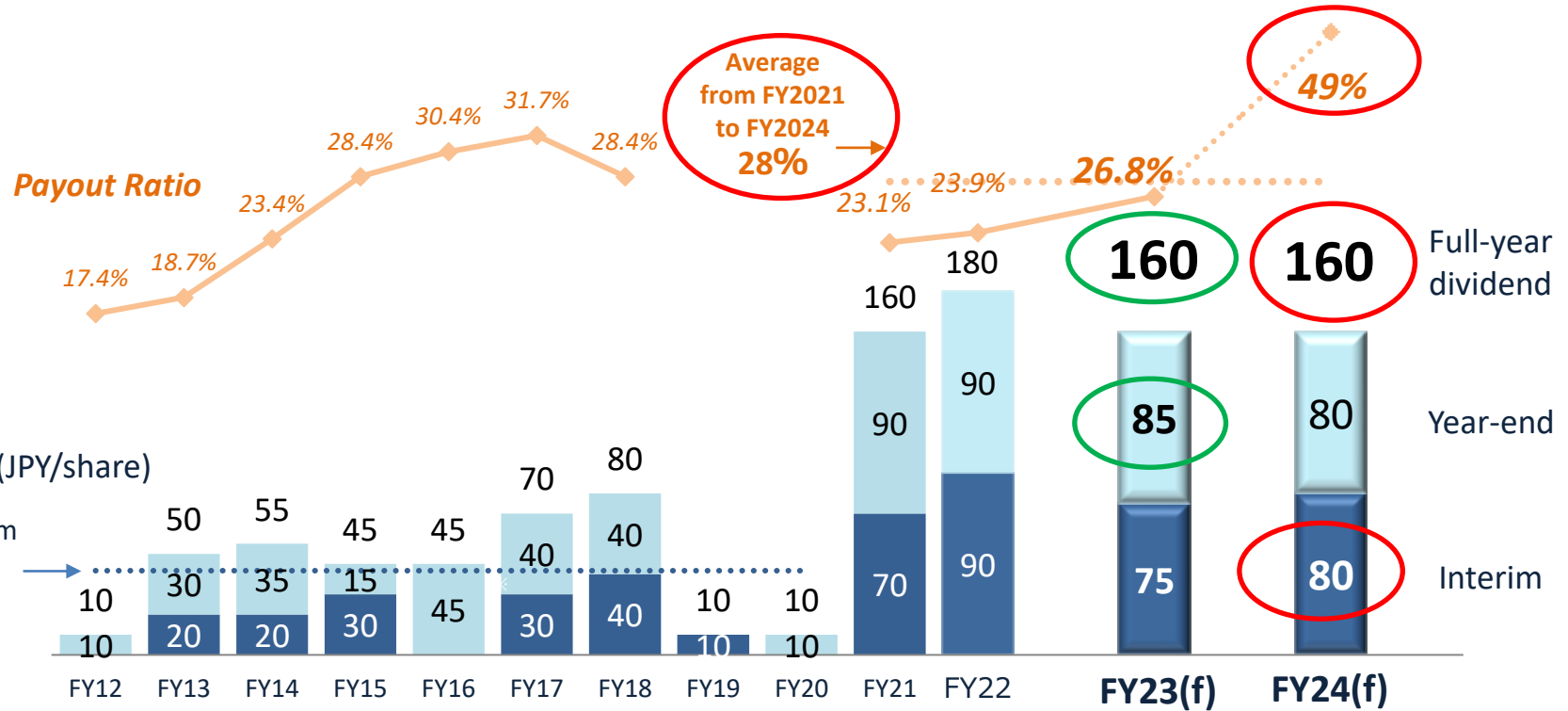
# Dividend Forecast

**FY2023(f)**

Nippon Steel plans to propose a **year-end dividend of 85 yen per share for FY2023** and an **annual dividend of 160 yen per share** to the annual general meeting of shareholders

**FY2024(f)**

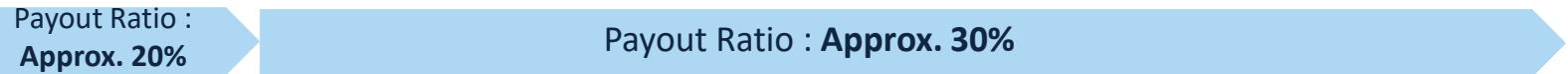
In FY2025, business profit is expected to recover. In addition, most of the losses on reorganization related to structural measures are expected to be eliminated.  
 -> From the viewpoint of continuously high level of shareholder return, Nippon Steel plans to **pay out 160 yen per share**, the same amount as in FY2023.



Average from FY2012 to FY2020  
 ¥42/share

EPS (JPY/Share)

Dividend Policy



\*Note: FY12 ~ H1 FY15: adjusted by multiplying by ten, as reverse stock split took place in H2 FY15 (10 share to 1)

# Cash Flows

Record-high level business profits and continuous asset streamlining have generated high operating cash inflows. Free cash flow has also increased even in large-scale CAPEX for growth strategy and facility strengthening.

Bn. JPY

FY2022 FY2023

**Operating CFs** (excl. asset streamlining) **661.2** **1,010.1**

Business profit	916.4	869.6
Impairment loss	-	-
Depreciation cost	340.1	363.0
EBITDA	1,256.6	1,232.6
Share of profit in investments accounted for using the equity method	(102.9)	(144.3)
Income taxes	(214.4)	(126.5)
WC and others	(278.1)	48.4

**Asset streamlining** **100.0** **230.0**

**Acquisition of fixed assets & investments etc.** **(466.6)** **(940.6)**

CAPEX	(470.0)	(466.3)
Business Investment, etc.	3.4	(474.3)

**Free Cash Flow** **294.6** **299.5**

**Cash dividends** (165.9) (152.1)

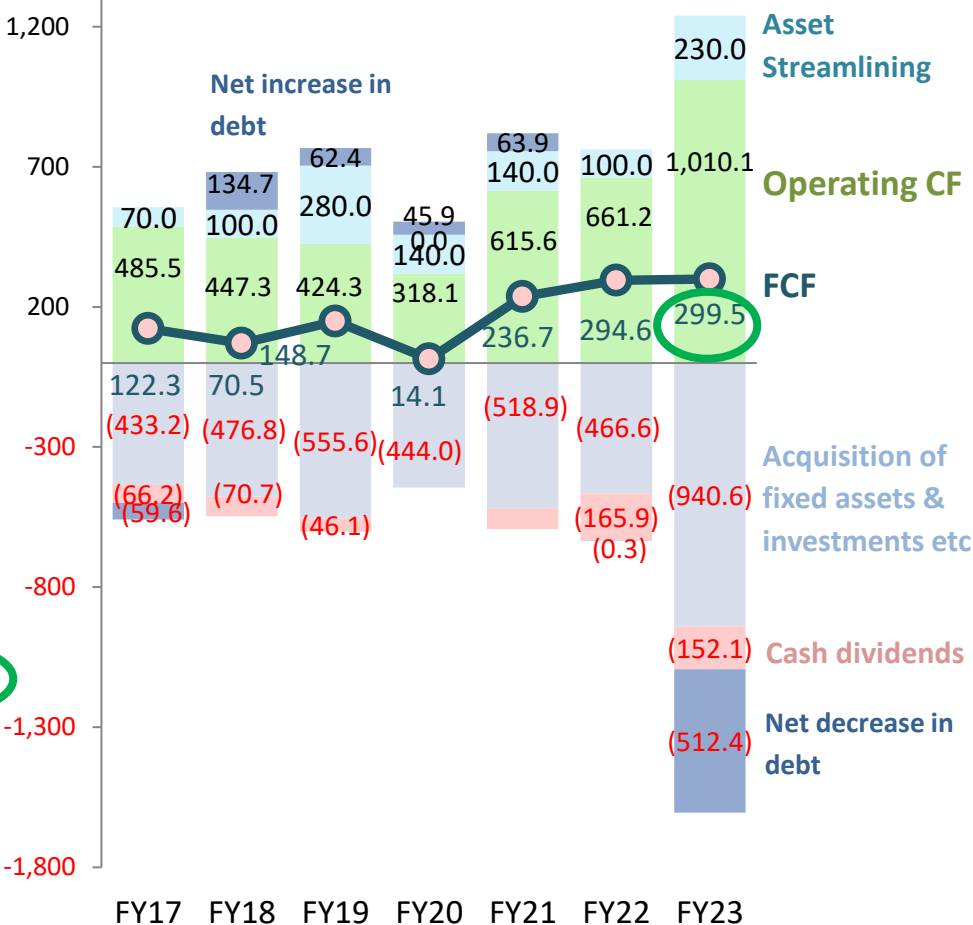
**Net increase of debts** (0.3) (512.4)

**Others** (9.1) 143.5

**Changes in cash & cash equivalents** **+119.3** **+221.5**

(bn. JPY)

## Cash flows



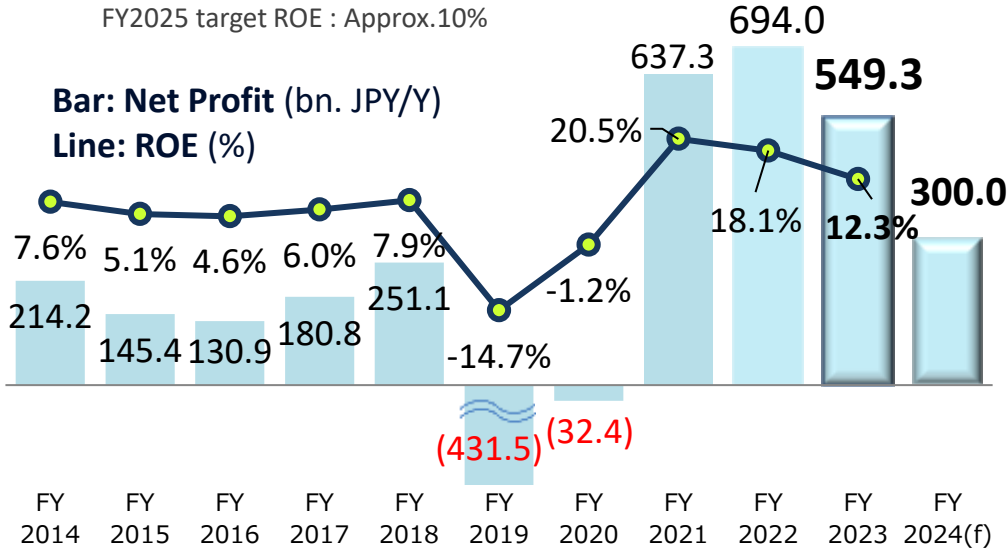
# Net Profit, ROE, Financial Health Indicators

## Net Profit, ROE

Medium- to Long-term Management Plan  
FY2025 target ROE : Approx.10%

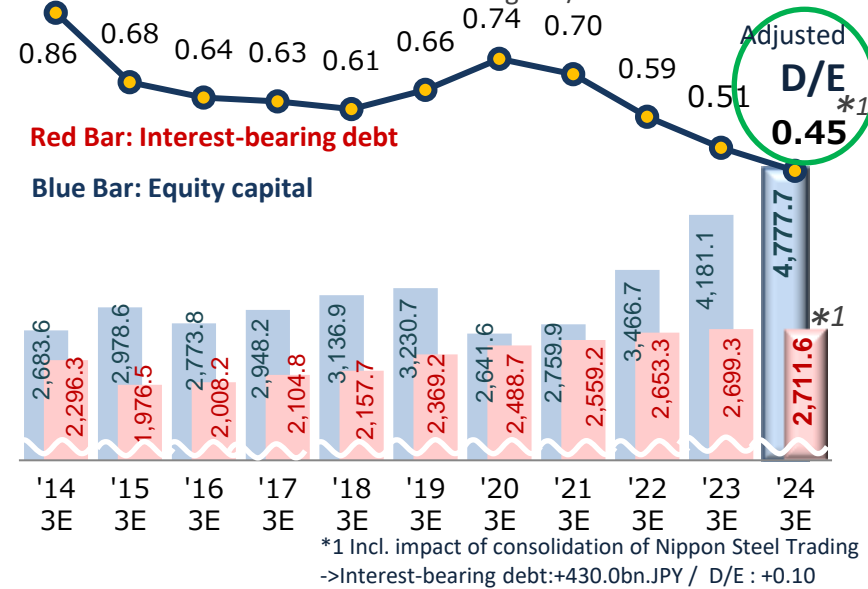
Bar: Net Profit (bn. JPY/Y)

Line: ROE (%)



## D/E

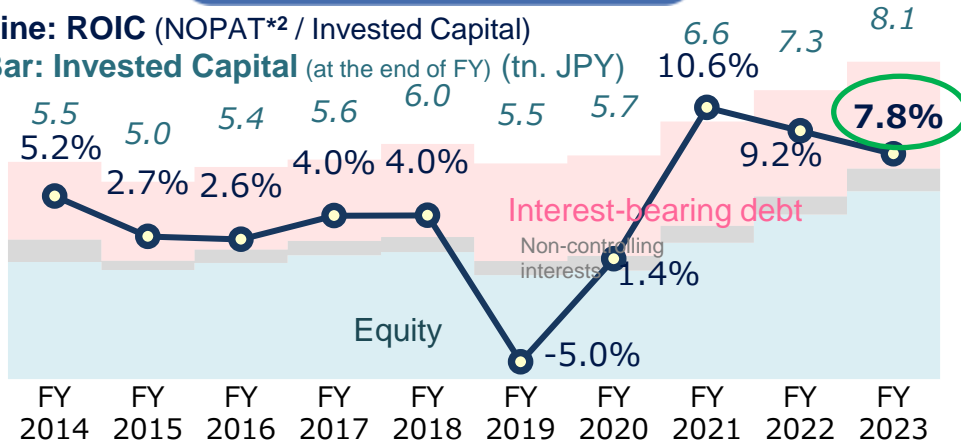
FY2025 target D/E : 0.7 or less



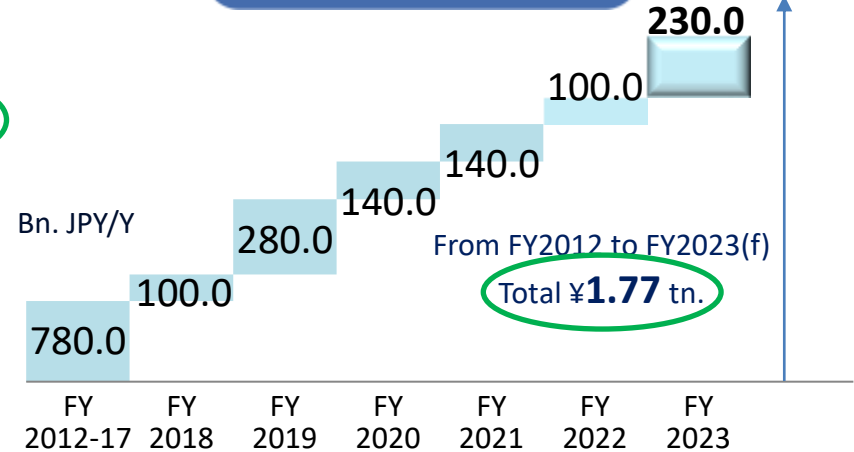
## ROIC, Invested Capital

Line: ROIC (NOPAT\*2 / Invested Capital)

Bar: Invested Capital (at the end of FY) (tn. JPY)



## Asset streamlining



\*2 NOPAT= business profit x (1 - effective tax rate)

Invested Capital(\*1) = Total equity attributable to owners of the parent + Non-controlling interests + Interest bearing debt

(\*1) the average of the beginning and end of the period

# Agenda

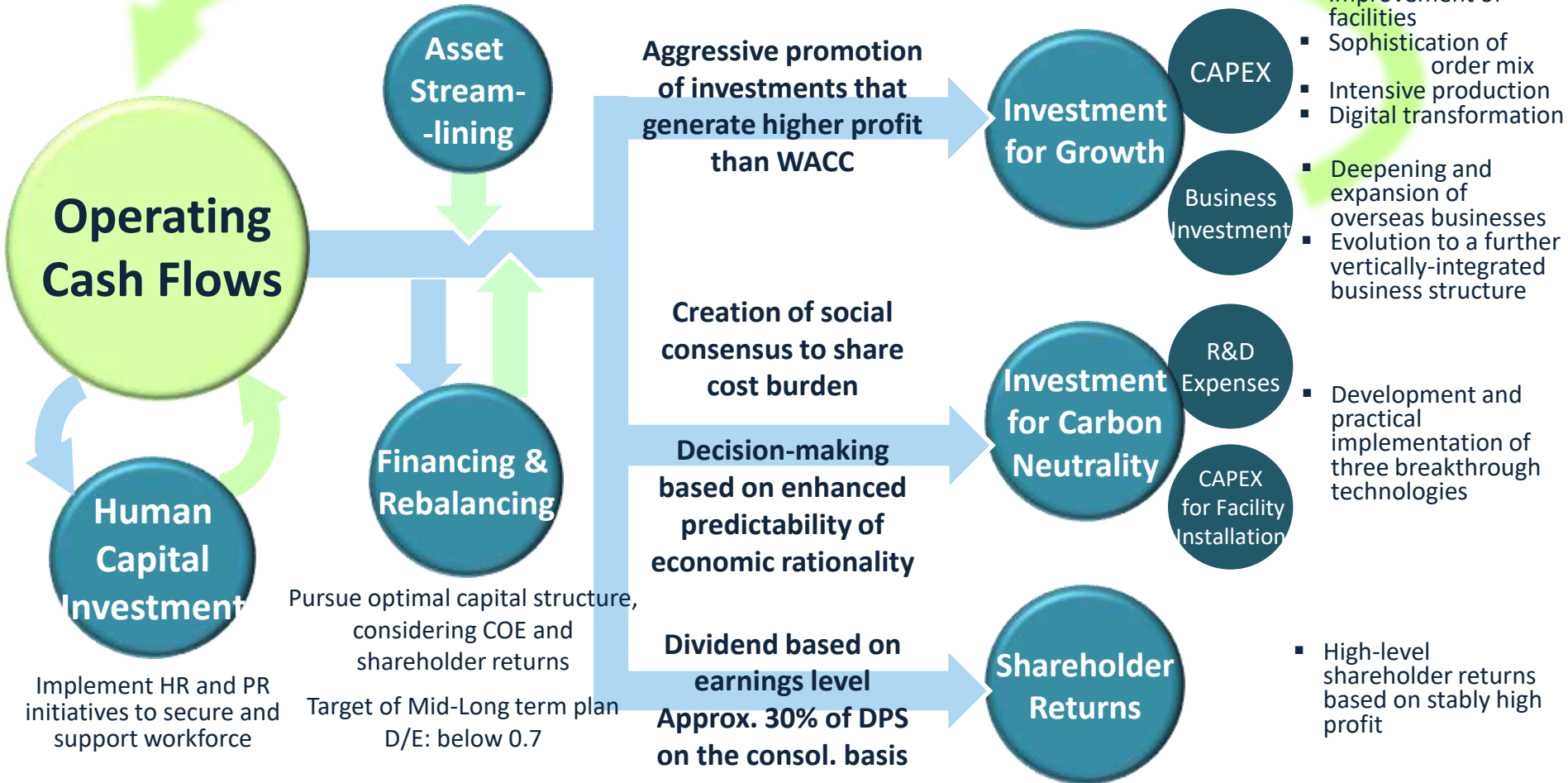
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# Realizing sound cash in/outflows

Cash generated through realization of the 100 Mt and ¥1 tn. Vision and its sustainable growth



# Implementation of financing

**Nippon Steel plans to implement financing of around 200.0bn. JPY in total (up to 250.0bn. JPY), as hybrid financing (50% of the amount to be eligible for treatment as equity by rating agencies)**

**Subordinated  
syndicate  
loan**

**82.5**  
bn. JPY

Syndicated loan with subordination clause  
Tranche A ( 5- year non-call period)  
Tranche B (10-year " )  
Tranche C (10-year " )

Draw-down date: June 13<sup>th</sup>, 2024

**Subordinated  
debt**

**Around  
120.0**  
Bn. JPY

Up to 167.5 bn. JPY

4<sup>th</sup> Publicly Offered Subordinated Bonds  
(Non-call period: 5 years )  
5<sup>th</sup> " ( 7 years )  
6<sup>th</sup> " (10 years )

Payment due date : June 2024 or later

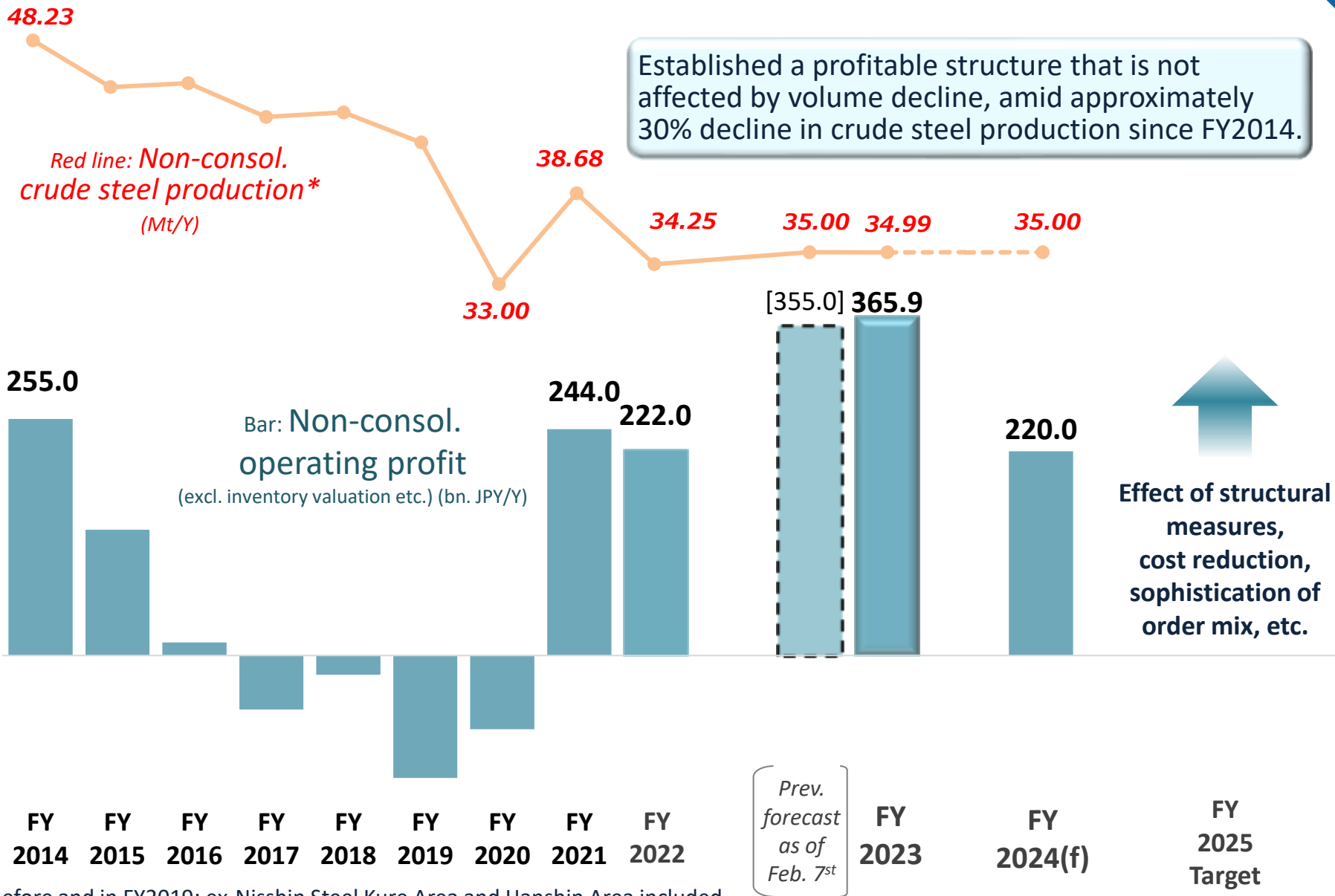
- ◆ Obtained eligibility for the 50% of the amount treated as equity by rating agencies
- ◆ Preliminary Loan Rating  
R&I:A-, JCR: A+

First optional redemption is scheduled for the first publicly offered subordinated bonds (issued in Sept. 2019, 70.0bn. JPY) that will be due for the first optional redemption date in Sept. 2024

**After the acquisition of U. S. Steel,  
Nippon Steel aims to quickly return to a D/E ratio of 0.7 or less  
through consolidated earnings and cash inflow including U. S. Steel, and optimal financing**

Further discussions will be conducted regarding optimal financing

Established a profitable structure that is not affected by volume decline, amid approximately 30% decline in crude steel production since FY2014.



\*Before and in FY2019: ex-Nisshin Steel Kure Area and Hanshin Area included

To establish a business structure that ensures stably high profit regardless of the external environment by drastically lowering the break even point

1) Sophistication of order mix

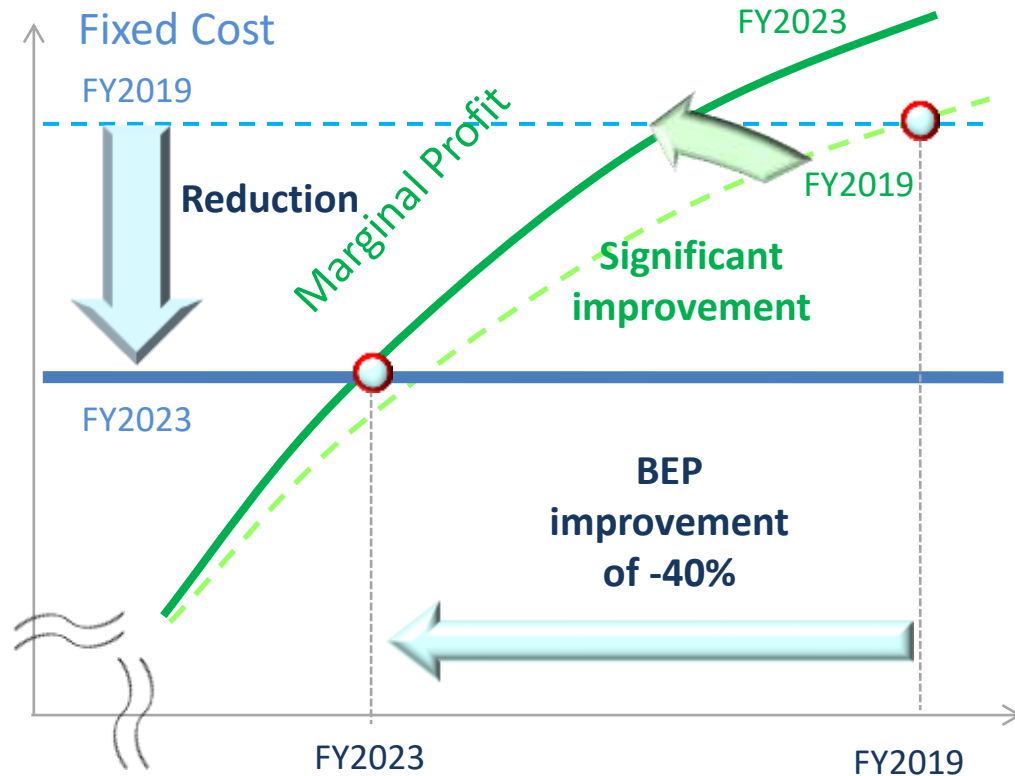
2) Spread improvement in direct contract sales

3) Facility structural measures

Improvement in marginal profit

Significant reduction in fixed cost

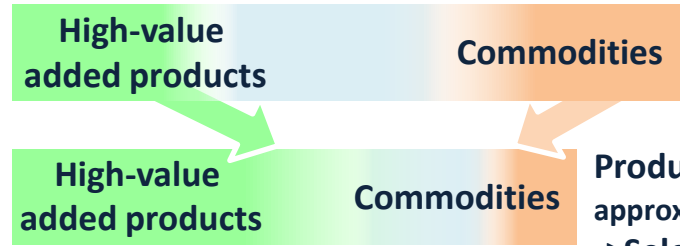
Drastic improvement in BEP



## 1) Sophistication of Order Mix

Response to increasing demand for high grade steel including Electric Steel Sheet or Ultra High-tensile steel Sheet

- Improvement of production capacity and product quality of Electrical Steel Sheets
  - > Full-capacity operation: starts in H1 FY2023
- Establishment of next-generation hot strip mill
  - > Start of operation: Q1 FY2026 (planned)



Production Capacity approx. -20%

-> Selective concentration on certain products

## 2) Spread improvement in direct contract sales

FY 2021

- Realized appropriate level of spread by continuously asking customers for;
  - Substantial correction of steel prices which had been relatively low level compared with international peers
  - A fair allocation of cost burden for raw materials and commodities
  - Reflection in steel prices of our high value-added product qualities and solutions

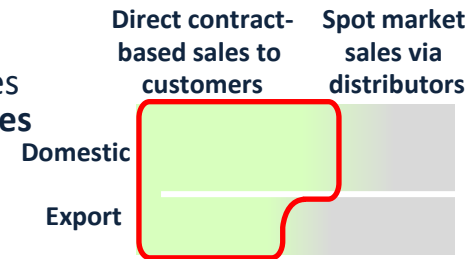
FY 2022

Changed in price negotiation system for direct contract-based sales

FY 2024

Although labor and distribution costs are expected to increase, NSC will pursue appropriate spreads by reflecting these costs on selling prices.

### cf. Outline of shipment mix



## 3) Facility Structural Measures



Total number of domestic BF's

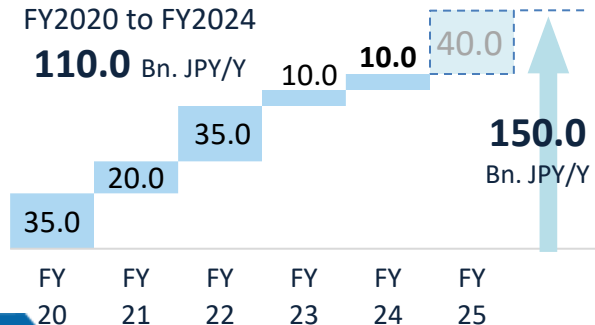
At the end of FY2022: 15  
 At the end of FY2024: 10  
 -5 Units



Annual crude steel production capacity (Non consol. + Nippon Steel Stainless Steel)

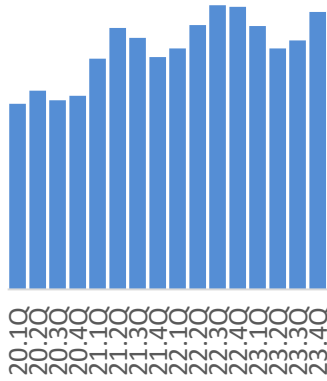
50 -> 43 -> 40  
 -20%

### Cost reduction

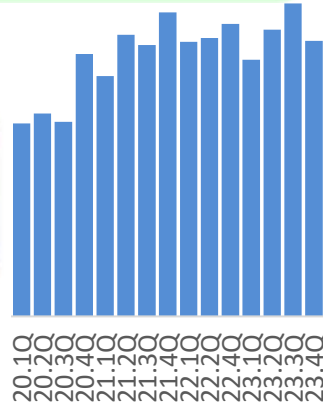


Steadily increasing the amount of high value-added products

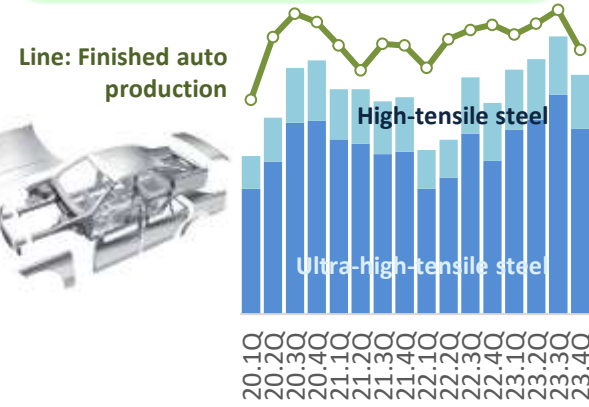
GO Hi-B (High grade grain-oriented electrical steel sheet)



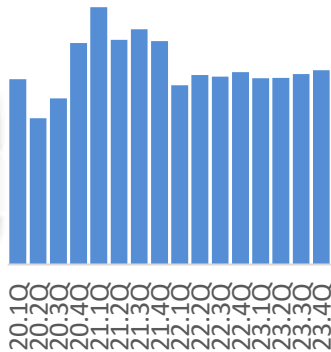
NO-H, M (High or Middle grade non-oriented electrical steel sheet)



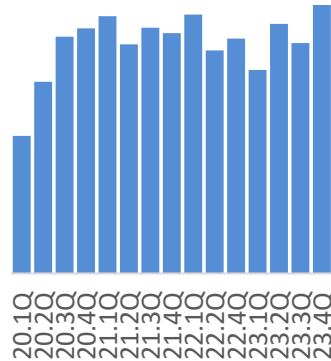
High-tensile GA (Alloyed & galvanized steel sheet)



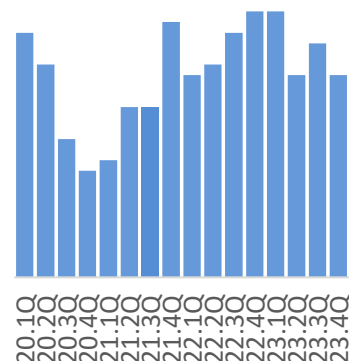
ZEXEED™, ZAM®, SuperDyma™ (Corrosion resistant coated steel sheet)

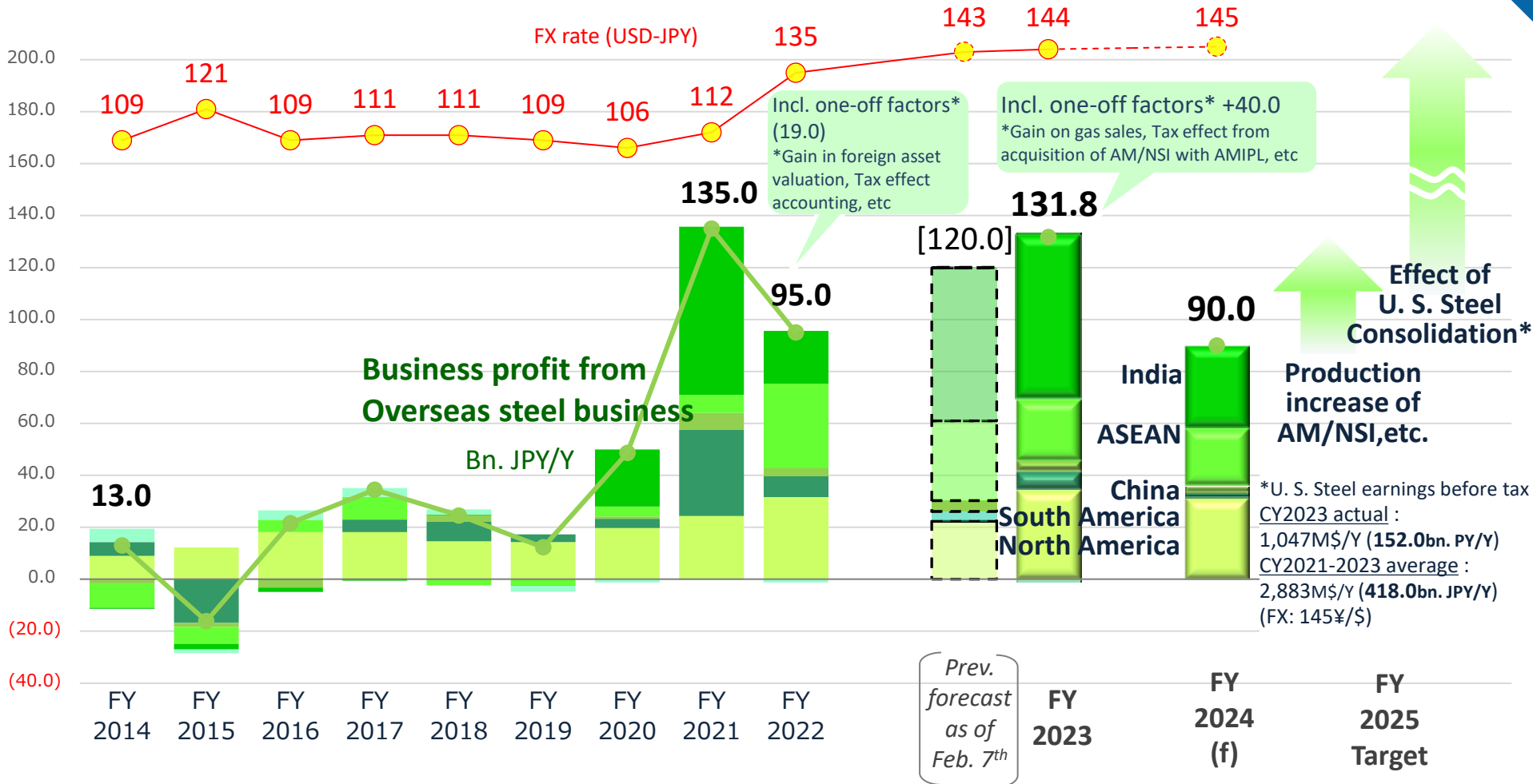


ALSHEET™ (Hot-dipped Al/Si alloy steel sheet)



13Cr, high alloy seamless pipe





\*U. S. Steel earnings before tax  
 CY2023 actual : 1,047M\$/Y (152.0bn. PY/Y)  
 CY2021-2023 average : 2,883M\$/Y (418.0bn. JPY/Y)  
 (FX: 145¥/\$)

Q1 FY2014  
 Started consolidating AM/NS Calvert as an equity method affiliate

Q1 FY2020  
 Started consolidating AM/NS India as an equity method affiliate in Q1 FY2020

Q1 FY2022  
 Started consolidating G/GJ Steel as subsidiaries

Excl. the acquisition of U. S. Steel

Ordinary profit (subsidiaries) + share of profit in investments accounted for using equity method (equity method affiliates), both underlying profit excl. inventory valuation

Note. Most of overseas businesses are operated in Jan.-Dec. term and consolidated to Nippon Steel's Apr. -Mar.

NSC has intended to expand steel production into :

- Markets where steel demand growth is promising
- Markets where Nippon Steel's technologies and products are highly appreciated

To expand integrated steel mill and create added value from the upstream

To acquire brownfield production bases through M&A

Diversify Nippon Steel's global footprint by three primary geographies

Growing India



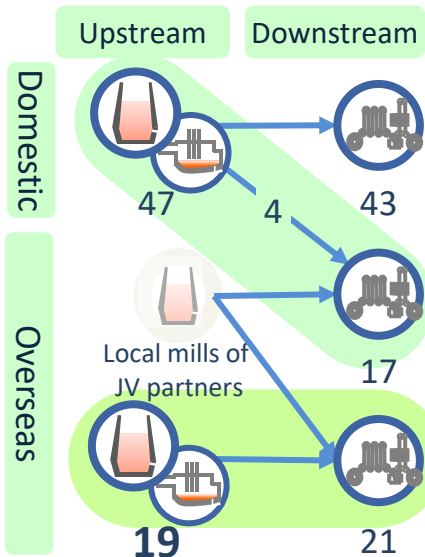
The US, The largest market of high-grade steel

Home market ASEAN

## Global Steel Production Capacity\*

As of Mar. 2023

Unit: Mt/Y



### Downstream

Responding to local demand for high-grade steel products from Japanese customers extending their business overseas

### Integrated steel mills

Aiming at thoroughly capturing overseas local demand for steel and added-value of the integrated steel-making process

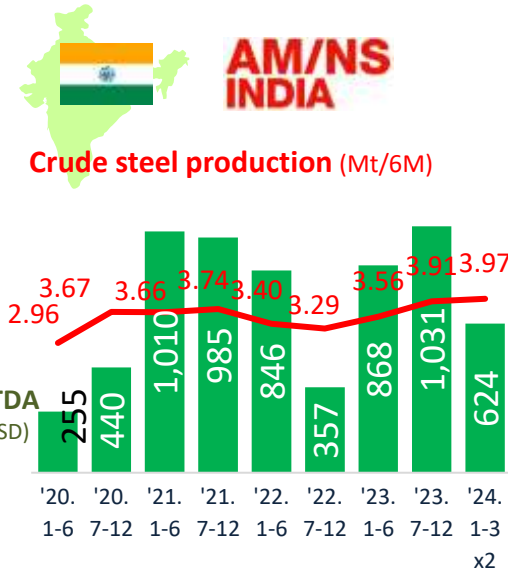
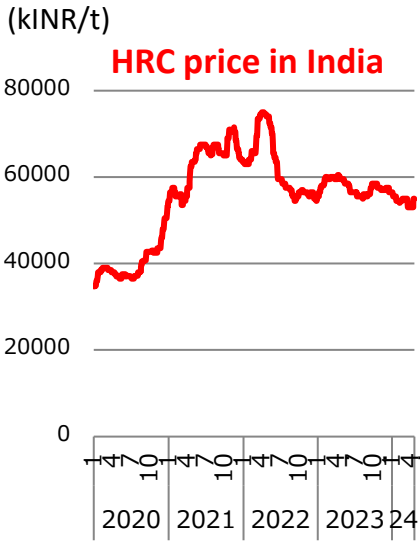
\* Including nominal full capacity of companies with 30% or more subject to the crude steel production standard of the World Steel Association and equity-method affiliates with less than 30% stake to which Nippon Steel plays a significant role in supplying materials.

Toward 100Mt vision:

- Acquisition of U. S. Steel
- Further capacity expansion in AM/NS India
- Further expansion of existing steel mills

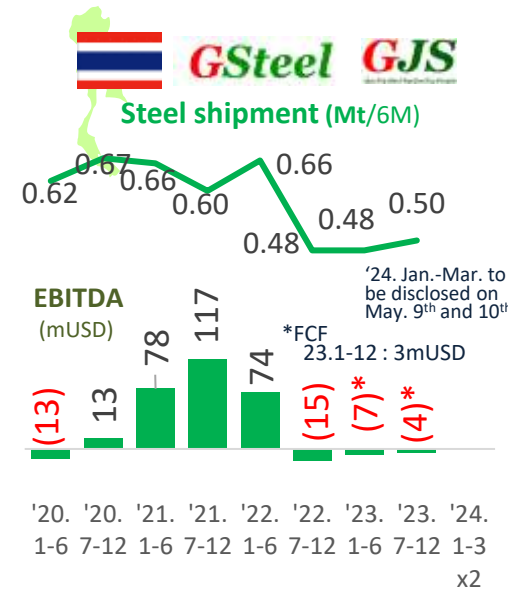
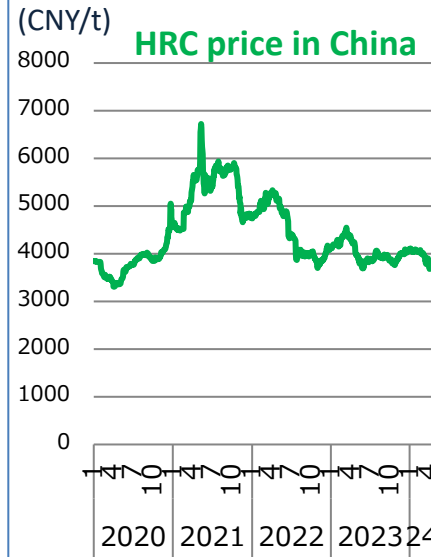
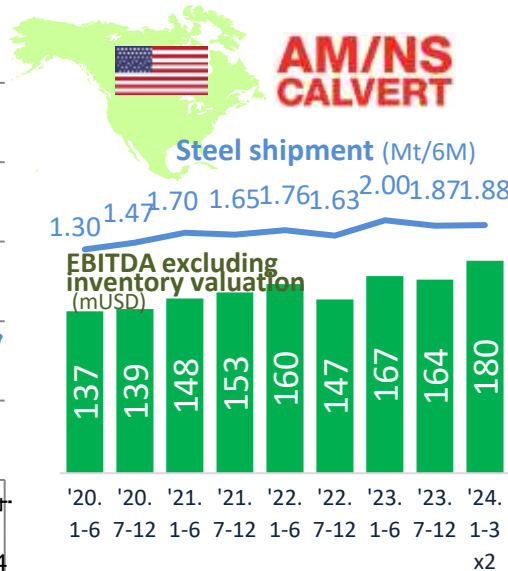
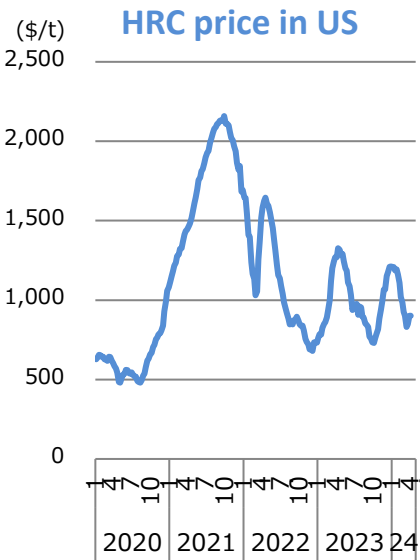
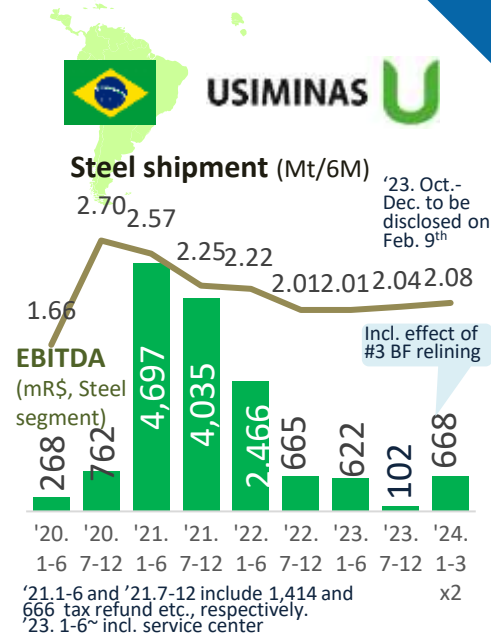
	2014	2022	After acquisition of USS	Long-term Vision
Domestic	52	47	47	
Overseas	6	19	39	> 60
<b>Total</b>	<b>58</b>	<b>66</b>	<b>86</b>	<b>&gt; 100</b>





One-off gains in FY23:

- Gain in sale of excess inventory of natural gas (in hedged price)
- Effect of the integration with the acquiring entity AMIPL at the time of Essar Steel acquisition



## Overseas Steel Business

# U. S. Steel Acquisition: Progressing towards close<sup>26</sup>

Approval at  
the U. S. Steel  
shareholders  
meeting

completed

- On April 12th, an overwhelming majority of U. S. Steel's stockholders voted to approve the proposed acquisition by Nippon Steel Corporation
- Following this approval, U. S. Steel is no longer able to accept a proposal to be acquired by another company.

Approval ratio

99%

Voting ratio 73%

Initiatives  
for  
meeting  
closing  
conditions

Regulatory  
process

ongoing

- U. S. Steel and Nippon Steel are pursuing required regulatory approvals in the United States and other related countries
- Received a Second Request for information and data from the U.S. Department of Justice as part of the U. S. government's merger review process

The scheduled closing timing has been changed, reflecting anticipated timing of obtaining approvals, from regulatory authorities.

Q2 or Q3, CY2024

(Previous)



Q3 or Q4, CY2024  
(Updated)

Closing after regulatory approvals are received and other required conditions in the merger agreement are met

Dialogue with  
stakeholders

ongoing

- After the acquisition of U. S. Steel was announced on Dec. 18, 2023, Nippon Steel has been engaging with U. S. Steel's stakeholders through activities led by NSC executives focused on the benefits to all stakeholders
- Explained that the acquisition will preserve jobs in U. S. Steel's existing facilities, enhance U. S. Steel's operations, broaden the American competitive landscape and many industries that rely on it
- **Offered commitments to the United Steelworkers (USW) that go beyond what is required by the existing agreements between U. S. Steel and the USW (see next page)**

Asterisk\* indicates commitments not included in current BLA

Nippon Steel has agreed to:

- recognize the USW as the exclusive bargaining representative for all USW-represented employees
- honor all commitments in all existing agreements between U. S. Steel and the USW
- present the following legally binding commitments in addition to the current BLA to the USW:

**(\* ) No job losses and no plant closures**

Through at least the current BLA period (~2026), there will be no layoffs, and no idling or closures of any existing U. S. Steel facilities under operation at the time of closing except in extraordinary circumstances.

Cf.) The existing agreement does not prohibit layoffs, idlings, or closures.

**(\* ) No transfer of jobs or production overseas**

**Guarantee current compensation, pension and benefit programs**

Guarantee performance and satisfaction of all obligations under BLA

**Continue to share U. S. Steel financial statements**

**(\* ) Share Nippon Steel's technology**

**(\* ) Invest additional capex of \$1.4 bn**

Refer to the next page

Refer to the next page

Etc.

Steel will grow further through the acquisition by Nippon Steel

### Contribution of NSC's advanced technologies and R&D progress

### Increased capital investment in BFs and EAFs and innovation, including \$1.4 billion additional investment in BLA-covered facilities

#### Product Technologies

Enable U. S. Steel to produce more advanced and environmentally sustainable steel for domestic customers



#### Operational, Equipment Technologies

World's leading level in energy-saving technologies

Approx. **1,600** inhouse plant engineering and maintenance engineers

Make an additional capital investment of at least \$1.4 billion in BLA-covered facilities (Gary, Mon Valley, Granite City, etc.) through 2026, beyond the currently committed \$1.0 billion in BLA to \$2.4 billion

Capital expenditures for BLA-covered facilities through the remaining BLA period



- Successfully tested a **Hydrogen injection into BF Technology** that would reduce carbon emissions by **33%**
- Under development to reduce over **50%** CO<sub>2</sub> Recovery facilities

Successfully commercialized low-cost CO<sub>2</sub> Recovery facilities

#### Decarbonization Technologies



## The acquisition will strengthen the resilience of American industry

Its iconic name will be unchanged.



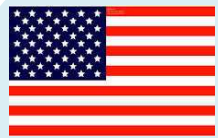
Its headquarters will stay in Pittsburgh.

Headquarters of Nippon Steel North America will move to Pittsburgh from Houston.

Jobs will be protected and there will be no layoff or plant closures as a result of the transaction



Production and jobs will remain in America.



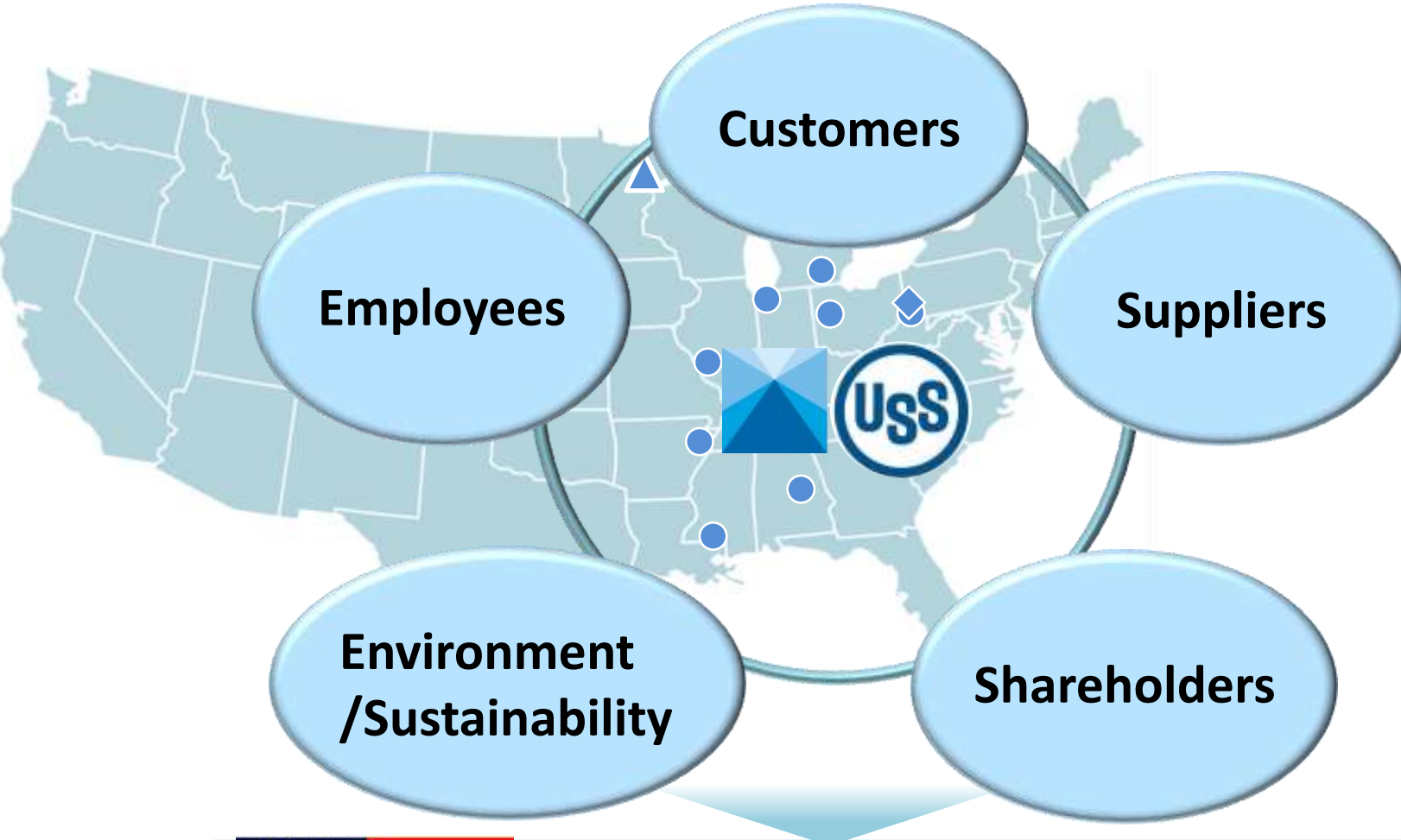
U. S. Steel products will remain mined, melted and made in America and will continue supplying further sophisticated steel products to American industry.

Nippon Steel will strongly support U. S. Steel's sustainable growth, utilizing its advanced technology and access to a strong financial base\*.

\*With an investment grade rating, which is not given to any US blast furnace companies, and three times the size of U. S. Steel in terms of capital, assets, and business profit

## Overseas Steel Business

Contribute to benefits for all the stakeholders of U. S. Steel by advancing product quality, improving operational efficiency, enhancing decarbonization, and expanding its cash flow



The acquisition will deliver clear benefits to the broader American steel industry, and the United States as a whole.

**Contribute to benefits for all stakeholders of U. S. Steel by expanding its cash flow**

**Honor the history and brand**

Continuation of the “United States Steel” name, brand, and the Pittsburgh, PA headquarters after acquisition

**Contribute NSC technologies as well as R&D progress as a wholly-owned subsidiary of NSC**

Bring fresh investment and innovation to U.S. blast-furnace facilities and BRS and to strengthen its current products and services



**Product Technologies**  
Enhance product qualities of U. S. Steel by sharing cutting-edge technologies of automotive sheets and electric steel sheets

**Operational, Equipment Technologies**  
**Strengthening of BF integrated production of U. S. Steel**  
Abundant operational experiences: 6 domestic Steelworks, 11 units of BFs And 51 production sites in 15 countries

**Decarbonization Technologies**  
Share technologies including BF Hydrogen Reduction Technologies, etc

**Solid financial structure**  
Cf. NSC U. S. Steel  
Moody's Baa2 Ba3  
S&P BBB+ BB-

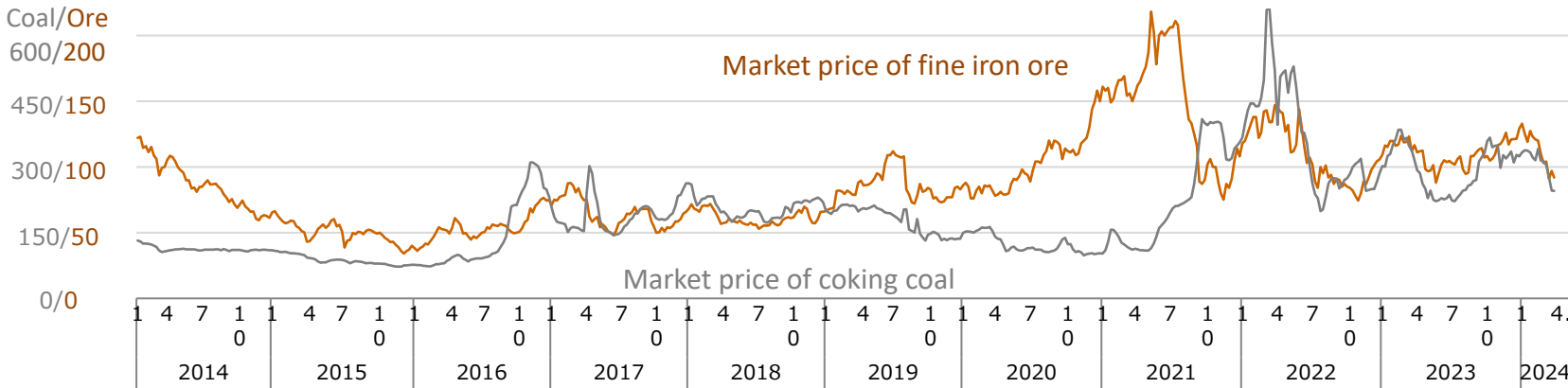


**Extensive U.S. customer bases**  
**Well-established history brand value**

**Robust facilities organically combining iron ore mines, BFs, and EAFs**

**Strong leadership and employees**  
**Industry-leading compensation and benefits for employees**  
**Good retention ratio**

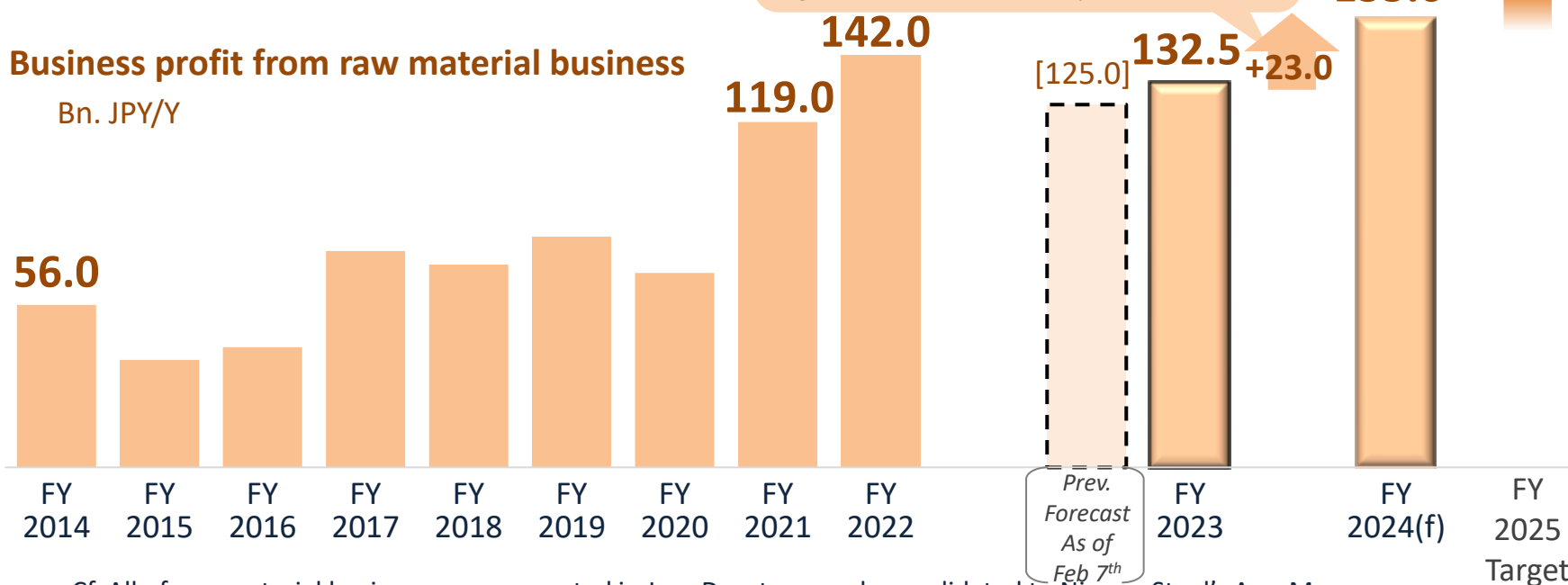
**Well-developed, customer-oriented R&D system and bases**



- ◆ Start consolidation of EVR (smaller impact than previously expected\*)
- ◆ Profit decline in the existing businesses\*  
\*given that current material prices will continue

## Business profit from raw material business

Bn. JPY/Y



Cf. All of raw material businesses are operated in Jan.-Dec. term and consolidated to Nippon Steel's Apr.-Mar.



## Raw Material business

# Completion to Invest in Steelmaking Coal Business in Canada

Nippon Steel to indirectly acquire a 20% interest in Elk Valley Resources (“EVR JV”), a newly-formed partnership sold by Teck, the second largest producer of high-quality steelmaking coal in the world

**Head Office** Vancouver, British Columbia, CANADA

**Major coal mines** Fording River, Elkview, Greenhills, Line Creek

**Production capacity** Approx. 25-27 million tons / year

**Acquisition Value** **1.34bn.USD (approx. 200bn.JPY)**  
(Nippon Steel’s existing interest in Elkview (2.5%) will be exchanged as part of the Investment)

### Jan. 2024 Completion of acquisition

Investment amount paid  
⇒ Incorporate EVR JV Jan.-Mar. profits into Nippon Steel’s consolidated business profit  
On the basis of its equity interest from Q1 FY2024

- Participate in decision making process of the steelmaking coal business  
( holding a right of veto over important decisions )
- Enter into a long-term coal offtake rights agreement upon completion of the Investment , enabling long-term and stable hard coking coal procurement

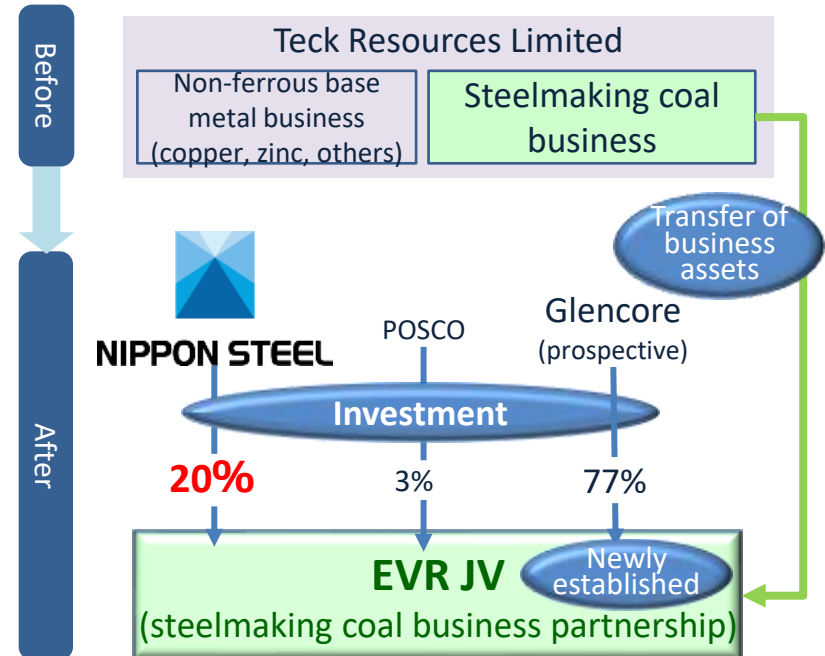


Large scale open pit coal mine

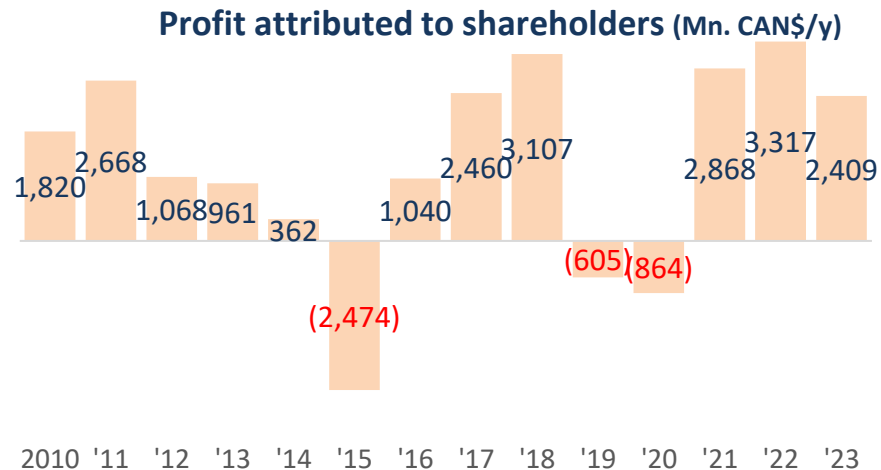
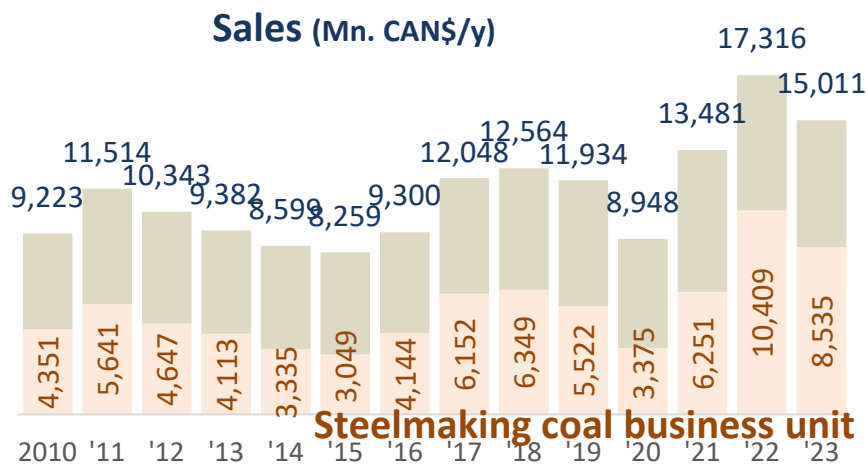
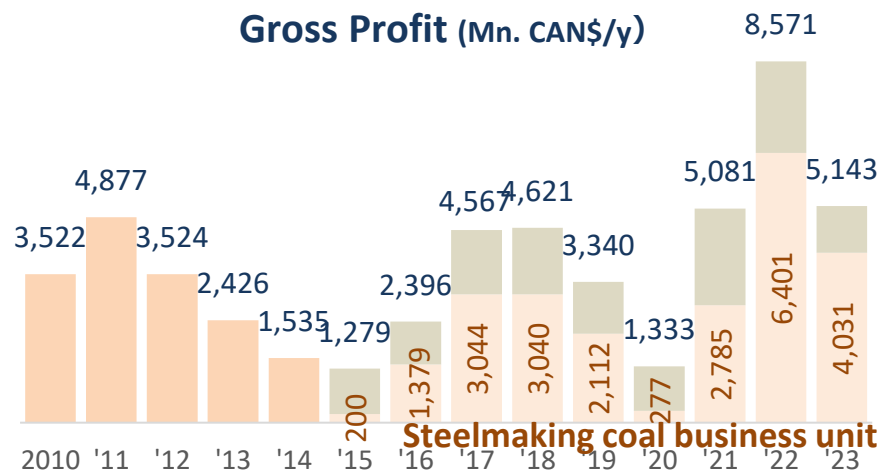
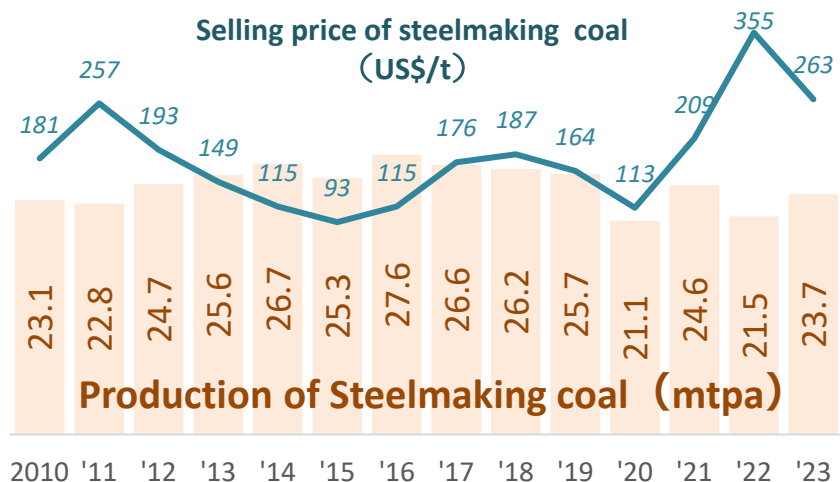


Access to rail transportation

### <Investment Structure>



**Jan.-Dec. 2023 Gross Profit (Steelmaking coal business unit)  
: approx. 4.0 bn. CAN\$/Y (approx. 400bn. JPY/Y)**



- Establishing stable procurement structure and easing fluctuation in operating profit of domestic steel business caused by raw material cost variance
- Aiming further growth in the ratios of raw materials procured from invested mines

Currently Investing Mines		Year participated	Equity ratio	Major shareholder	Capacity Mt/Y	
Iron ore, pellet	Australia	<b>Robe River</b>	1977	14.0%	Rio Tinto 53.0%	70
	Brazil	<b>NIBRASCO</b>	1974	33.0%	VALE 51.0%	10
Coal	Australia	<b>Moranbah North</b> *1	1997	6.25% *2	Anglo American 88.0%	12
		<b>Warkworth</b>	1990	9.5%	Yancoal 84.5%	8
		<b>Bulga</b>	1993	12.5%	Glencore 85.9%	7
		<b>Foxleigh</b>	2010	10.0%	Middlemount South 70.0%	3
		<b>Boggabri</b>	2015	10.0%	Idemitsu Kosan 80.0%	7
	<b>Coppabella and Moorvale</b>	1998	2.0% *2	Peabody 73.3%	5	
	Canada	<b>Elk Valley Resources</b>	2024	20.0%	Glencore(prospective) 77.0%	27
Others(Niobium)	Brazil	<b>CBMM</b>	2011	2.5%	Moreira Salles 70.0%	0.15

Carbon Neutral production processes will require a certain amount of coking coal

Ratios of raw materials procured from invested mines

Total procurement (FY2022)

-> Aiming further growth in the ratios of raw materials procured from invested mines

Iron ore

Approx. **20%**

Approx. 50 Mt

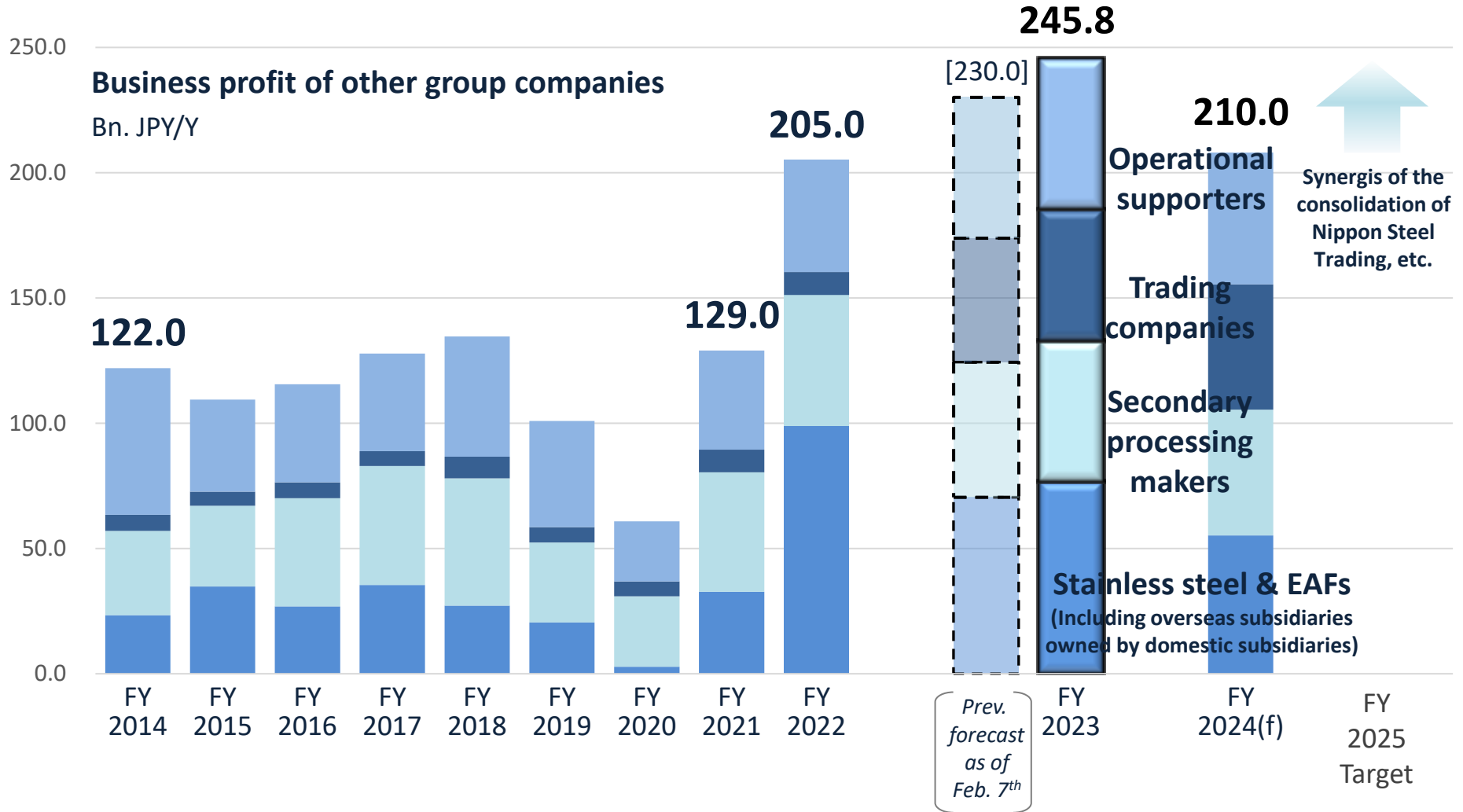
Coal

Approx. **30%**

Approx. 25 Mt

\*1 Grosvenor mine was integrated with Moranbah North in 2020

\*2 Incl. the following increase in Equity ratio of Nippon Steel Trading Moranbah North 1.25%, Coppabella and Moorvale 2.00%



Excluding inventory valuation, and including group companies of ex-Nisshin Steel and stainless steel business of ex-Nisshin Steel

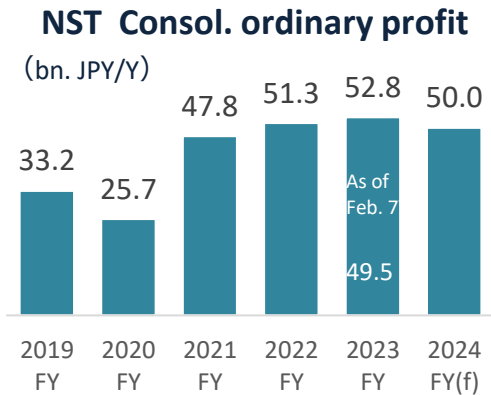
## Pursue synergies by further strengthening collaboration with NSC group companies

Streamline and strengthen the trading company's functions across the group

Strengthen direct sales capabilities by integrally utilizing sales know-hows and infrastructure

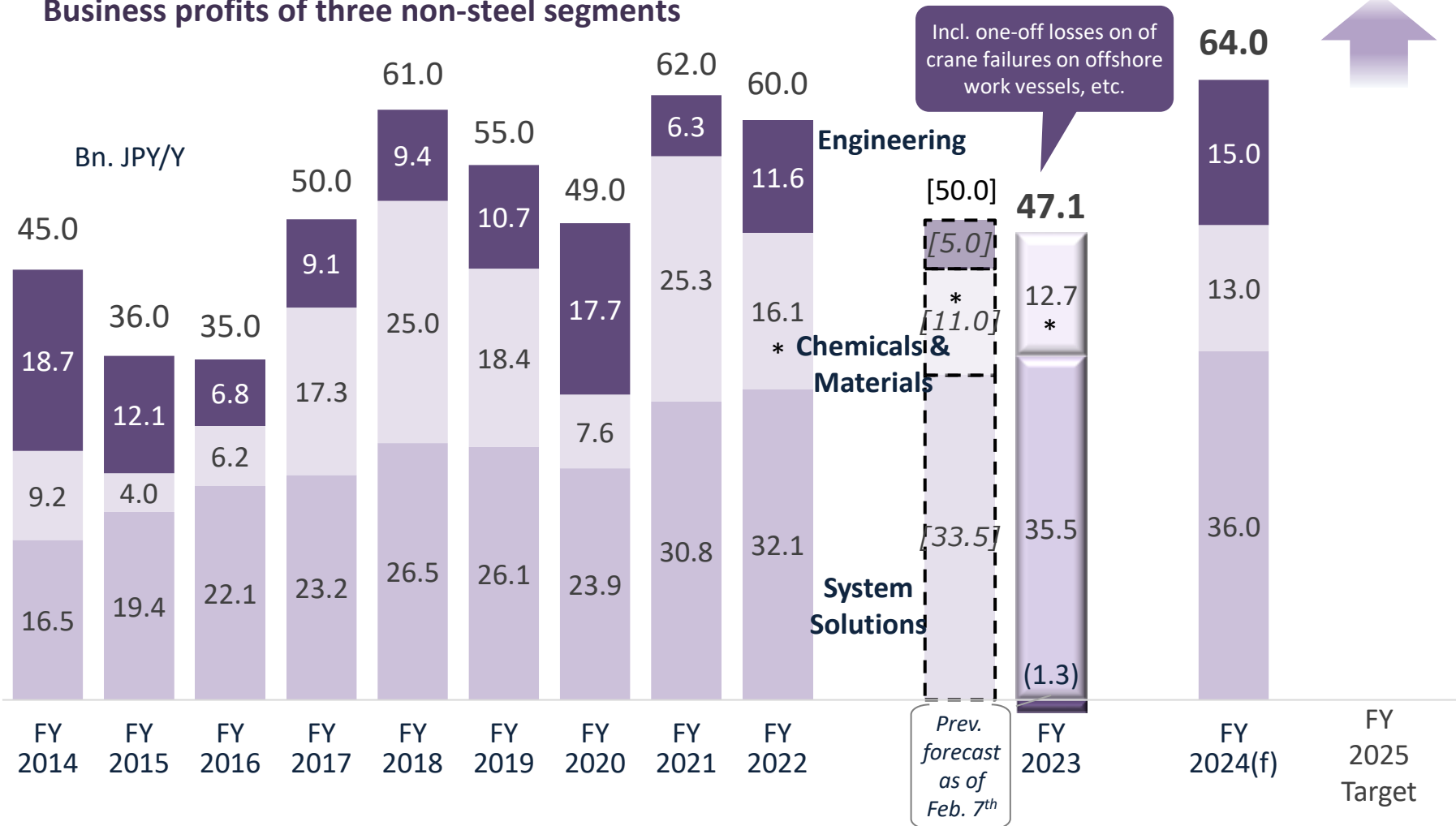
Further sophisticate the supply chain

### Measures under consideration and efforts



- **Merger of NST and NS Architectural Steel Services (ex. Nihon Teppan)\*** (announced on Mar. 28, merger on Oct. 1, 2024)  
-> By organically fusing the broad business domain and inter-group hub functions of NST with the expertise of NS Architectural Steel Services in the building materials market, integrated competitiveness will be strengthened and a robust, high-value-added supply chain will be established. (\*NST: 66%, NSC:34%)
  - **Transfer of the steel processing business of Mitsuhashi Kozai Co.\* to NIPPON STEEL KOBELCO Shearing\*\***  
-> To further strengthen the group's management base by establishing an optimal production and operation system, and further enhance market responsiveness in the Kansai region. \*NST's wholly owned subsidiary \*\*NSC's 50.4% owned subsidiary
  - Construction of a high-grade electrical steel sheet processing plant in Mexico (announced on Jan. 17, 2023 -> scheduled to start operation in April 2025)
  - Expansion of steel service centers in India (announced on Oct. 11, 2023 -> operation started in August 2023)
  - Integration of NS Kenzai Hanbai and SK Kouji (announced on Jan. 10, 2024)
  - Acquisition of automotive steel pipe cutting business from Sakaishin Co. by NST Mechanical Steel Tubular Products Sales (announced on Dec. 1, 2023)
  - Investment in HYSTER, a Norwegian company engaged in the production of water electrolysis equipment for hydrogen production (announced on Jan. 17, 2023)
  - Start of full-scale development of a portal site (NST Business Online) for information collaboration with business partners
- Ongoing efforts are being made to focus sales forces of both companies on new demand areas, improve administrative efficiency in business transactions, and strengthen cooperation at overseas bases.

Business profits of three non-steel segments



Incl. one-off losses on of crane failures on offshore work vessels, etc.

Prev. forecast as of Feb. 7<sup>th</sup>

\*excl. inventory valuation from FY2023(f) as of Aug. 4<sup>th</sup>  
 FY2022(excl. inventory valuation) :11.4bn.JPY

## Engineering and Construction

Bn. JPY	FY 2022		FY 2023		Prev. Forecast	FY 2024 (f)	
	H2	H1	H2	H1(f)		H2	H1(f)
Order intake	259.3	431.4	157.5	176.6	334.1 [320.0]	140.0	320.0
Revenue	188.1	352.2	175.4	233.8	409.2 [420.0]	180.0	400.0
Business profit	6.3	11.6	(5.4)	4.0	(1.3) [5.0]	3.0	15.0

## Chemicals and Materials

Bn. JPY	FY 2022		FY 2023		Prev. Forecast	FY 2024 (f)	
	H2	H1	H2	H1(f)		H2	H1(f)
Revenue	129.6	274.5	132.8	128.0	260.8 [260.0]	130.0	260.0
Business profit	2.4	16.1	10.8	4.5	15.3 [14.5]	5.5	13.0
Underlying	4.1	11.4	7.9	4.8	12.7 [11.0]	5.5	13.0

## System Solutions

Bn. JPY	FY 2022		FY 2023		Prev. Forecast	FY 2024 (f)	
	H2	H1	H2	H1(f)		H2	H1(f)
Revenue	157.4	292.5	145.0	166.5	311.5 [305.0]	153.0	330.0
Business profit	18.0	32.1	15.1	20.4	35.5 [33.5]	15.0	36.0

➤ **FY2023:** Although sales increased YoY due to progress of large projects ordered up to FY2022, including offshore wind power generation facilities, waste power generation facility and logistics facilities, BP decreased due to the impact of crane failures on offshore work vessels and material and fuel cost hike.

➤ **FY2024:** Although sales is expected to decrease YoY due to the transfer of the Plant & Machinery Sector, BP is expected to increase due to the recovery of the losses on crane failures and steady implementation of order intake

➤ **FY2023:** Amid a severe business environment with sluggish market conditions in coal chemicals and chemicals and a prolonged adjustment phase in the electronic materials field, NSMC promoted cost reductions, etc. to improve profitability in each field, resulting in an YoY increase in underlying BP.

➤ **FY2024:** While there are signs of a gradual recovery in demand in the electronic materials field, business environment in coal chemicals and chemical products will remain severe as seen in market slump. NSMC expects to secure the same level of sales and underlying BP as in FY2023 by promoting efforts to improve profitability in each field.

➤ **FY2023:** Despite an increase in SG&A expenses due to enhancement of sales force and internal DX initiatives, etc., sales and profits increased YoY due to higher sales to NSC group companies, financial products business, and consulting & digital services.

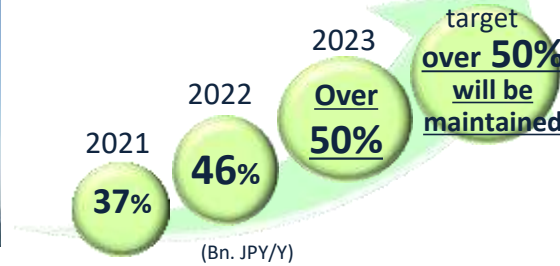
➤ **FY2024:** Despite an increase in SG&A expenses due to increased investment in technology and R&D, NSSOL expects higher sales and profits than those in FY2023 due to higher sales resulting from strong IT demand in various fields.



## NIPPON STEEL ENGINEERING



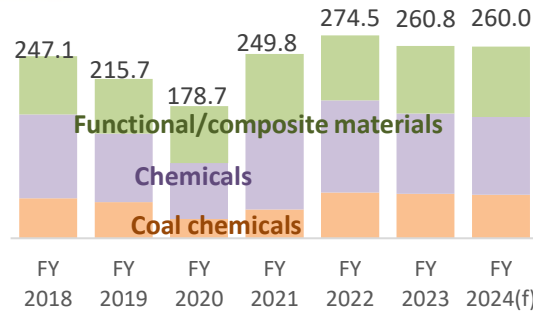
Ratio of sales regarding decarbonization and CO<sub>2</sub> reduction 2024-2025 target



- Expansion of decarbonization and low-carbon related businesses
- <Focus areas and products> Offshore wind power, CCUS, hydrogen infrastructure, geothermal energy, sewage sludge fueling, biomass energy, Coke Dry Quenching (CDQ), EPC for waste power generation etc., high-efficiency energy supply service (natural gas co-generation system), etc.

## NIPPON STEEL Chemical & Material

Revenues by business domain(bn. JPY)

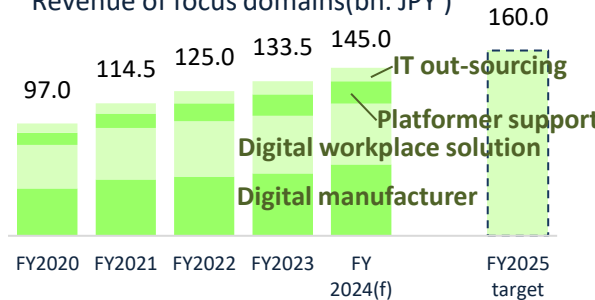


- Establishment of optimal framework for production and sales through facility improvement, and cost reduction through manufacturing process improvement and reduction of fuel and energy use.
- Development of new technologies and new products aimed at the expansion in sales of products related to growing semi-conductor demand, especially for high-grade products for high-speed telecommunication and automobiles

## NS Solutions



Revenue of focus domains(bn. JPY)



FY2020->FY2025 CAGR\* target: **+5~6%/year**

Incl. CAGR in focus area: **Over +10%/year**

(\*Compound annual growth rate for revenue growth)



# Agenda

1. **FY2023 Earnings Summary, FY2024 Forecast and FY2025 Target**  
Summary / Additional Line Items, Net Profit / Dividend
2. **Establishing an Enduring Business Structure**  
Creating a business framework that maintains consistent  
profitability even in varying external conditions  
- Proceeding to Next Phase toward the realization of 100 Mt and ¥1 Tn. Vision -  
Strategy / Domestic Steel Business / Overseas Steel Business /  
Raw Material Business / Other Group Companies / Three Non-steel Segments
- 3. Progress in Carbon Neutral Vision 2050**
4. **HR and PR Initiatives to Recruit from and Retain Diverse Talent**
5. **References(Business Environment & Other Topics)**
6. **Supplementary Materials for Financial Results**

# Providing two types of values by progressing toward carbon neutrality



**NIPPON STEEL**



**NSCarbolex™**  
Innovative action for sustainability

**Nippon Steel + Carbon dioxide less + X**

Nippon Steel offers

Products and technical solutions that contribute to reducing CO<sub>2</sub> emissions

For realizing a sustainable future



**NSCarbolex™**  
**Solution**

Advanced products and technical solutions that contribute to reducing CO<sub>2</sub> emissions in society



**NSCarbolex™**  
**Neutral**

steel products CO<sub>2</sub> emissions savings in the steelmaking process are allocated.

Reduce CO<sub>2</sub> emissions at the time of production and processing by customers

Reduce CO<sub>2</sub> emissions at the time of use of customers' products made from NCS's steel

Contribute to energy conversion in society

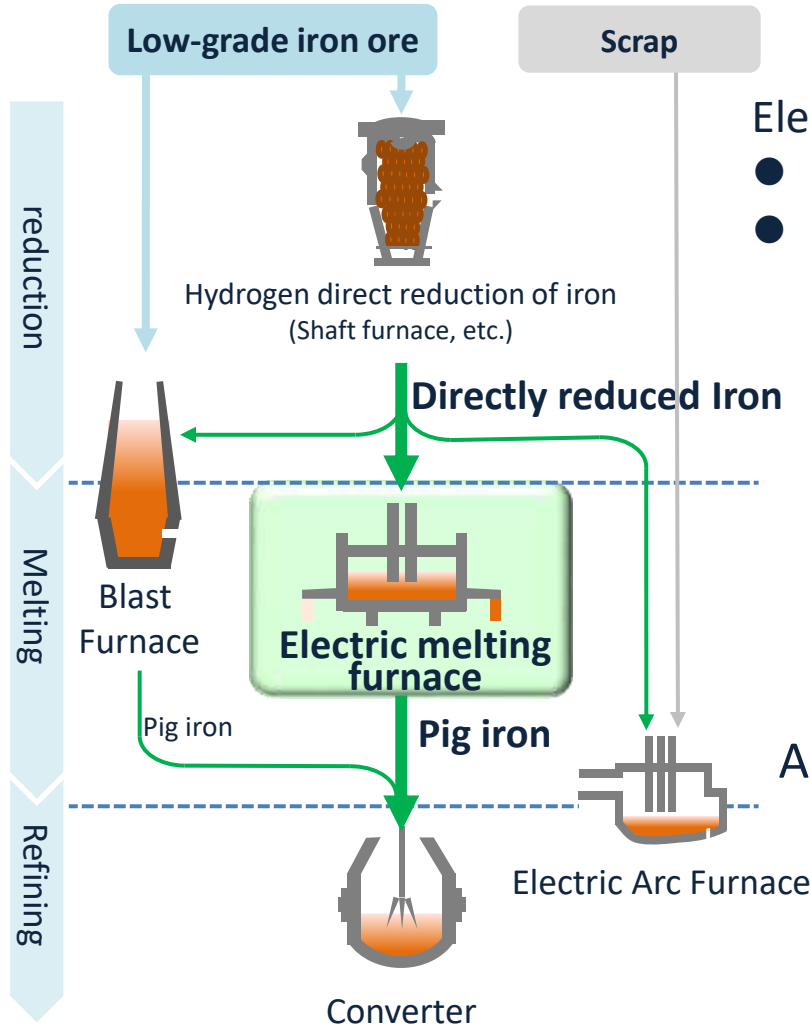
Reduce CO<sub>2</sub> emissions as a steel supplier for NSC's customers

Sales started in H1 FY2023

By providing the two types of values, we support international competitiveness of NSC's customers (including approx. 6,000 companies in Japan)

# Green Innovation fund has enabled us to launch new R&D

A new project gained support of additional ¥23.0bn. JPY from GI fund, and “Development of technologies such as high-efficiency melting by electric melting furnace using directly reduced iron” was launched



Electric melting furnace enables;

- Pig ironing-out by conducting continuous operations
- Impurity removal by continuously discharging slug

This integrated processes with hydrogen direct reduction of iron, electric melting furnace and converter **have potential to achieve both high quality and high productivity even when using low-grade iron ore**

Aiming at developing this technology until 2030

# Update of Green Innovation Fund adoption

GI fund	As of Dec., 2021	Addition ~Mar., 2024.3	Total
<b>Use of hydrogen in steelmaking process</b>	<b>193.5</b> Bn.	<b>+ 256.4</b> Bn.	<b>= 449.9</b> Bn.

## R&D Item #1

(unit: JPY)

### Development of hydrogen injection into BFs

(1)Development of hydrogen reduction technology utilizing on-site hydrogen	14.0 Bn.	+	29.6 Bn.	=	<b>43.6</b> Bn.
--	-------------	---	-------------	---	--------------------

(2)Development of low-carbon technology utilizing hydrogen from external sources and CO <sub>2</sub> contained in BF gas	121.4 Bn.	+	117.2 Bn.	=	<b>238.6</b> Bn.
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Corresponding technologies that NSC has been pushing forward



**COURSE50 BF**



**SUPERCOURSE50 BF**

## R&D Item #2

### Development of hydrogen direct reduction technology: low-grade iron ore reduction only by using hydrogen

(1)Development of direct hydrogen reduction technology	34.5 Bn.	+	79.6 Bn.	=	<b>114.1</b> Bn.
--	-------------	---	-------------	---	---------------------

(2)Development of impurity removal technology for EAFs using direct reduced iron	23.6 Bn.	+	7.0 Bn.	=	<b>30.6</b> Bn.
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**100% hydrogen use in direct reduction process (shaft furnace etc.)**



**Production of high-grade steel in large size EAFs**

(3)Development of technologies such as high-efficiency melting by an electric melting furnace using directly reduced iron

	23.0 Bn.	=	<b>23.0</b> Bn.
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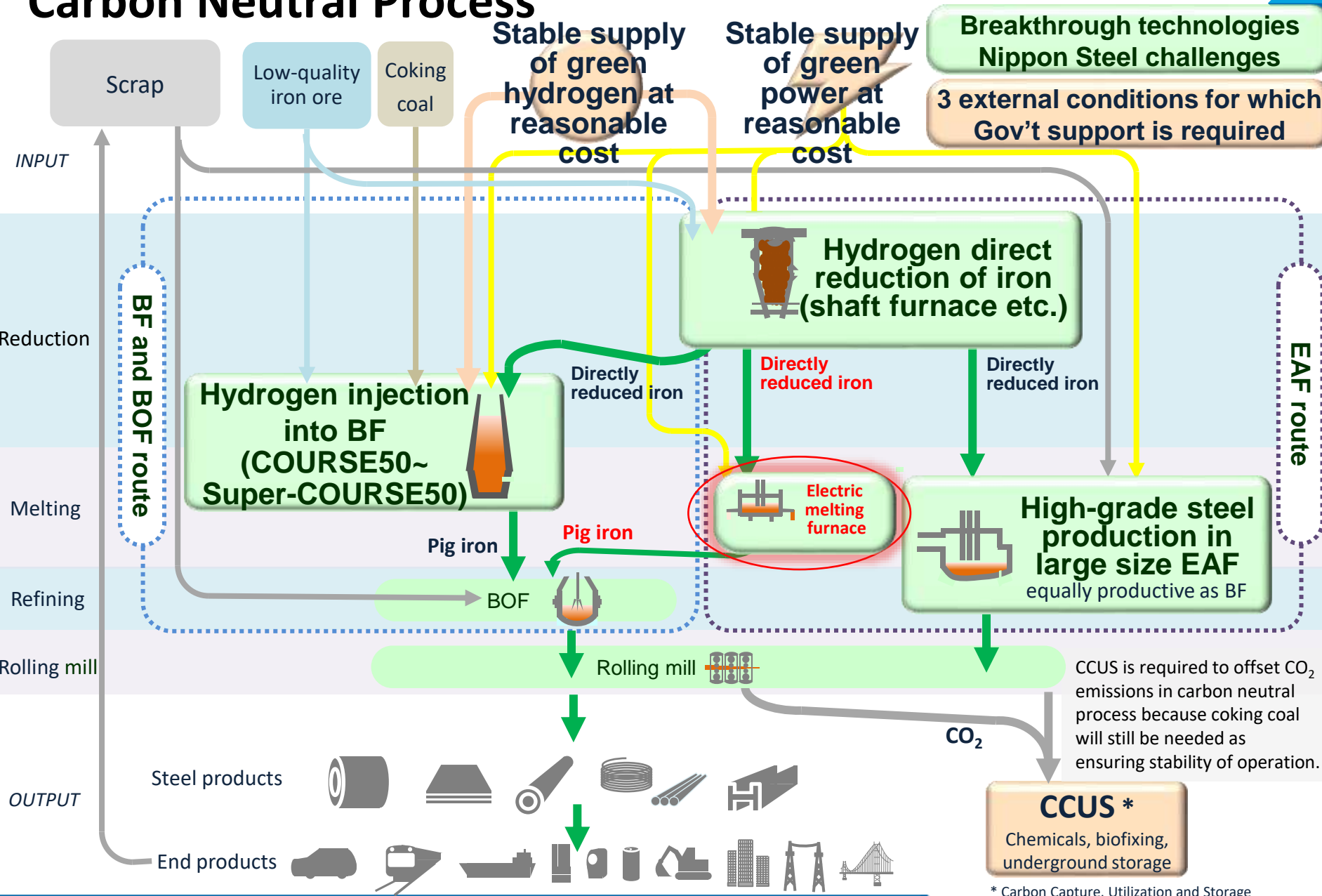
Adopted on  
Mar. 18<sup>th</sup>, 2024



**Electric Melting Furnace**

GI (Green Innovation) Fund : A government fund to provide continuous support to companies and others committed to ambitious goals to achieve carbon neutrality by 2050, from R&D and demonstration to social implementation, for a period of 10 years.

# Carbon Neutral Process





## Standardization to popularize mass balance system

### Domestic

- Oct. 2023: The Japan Iron and Steel Federation released guidelines for mass balance method
- March 2024: GX Product Market Study Group (hosted by METI) proposed economic valorization of "actual reduction amount" in its interim report

### Overseas

- April 2024: At worldsteel, agreement on the significance and basic principles of the mass balance method was made. Standardization on the global basis is being promoted

## Progress of NSCarbolex™ Neutral order intake

NSCarbolex™ Neutral: Green steel that embodies environmental value of CO<sub>2</sub> emission reductions in the steel manufacturing processes

Expanding inquiries and adoption of green steel in various fields such as public civil engineering, other public and private sector demand and mainly in the construction and manufacturing industries (shipbuilding, etc.) in Japan and abroad

<Recent Oder intakes used for: >

### Bridge

- Yokogawa Bridge: bridge construction work for the Kagamiyama Crossing Bridge ordered by the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism

### Construction

- Okaya & Co.: steel frame materials for the coil center of NS Electrical Steel Okaya Processing
- Fuyuki Kogyo: steel frame for the reconstruction of Building #3 of Arisaka Chuo Gakuen Takasaki School (tentative name)
- Minami Electric : highly corrosion-resistant plated steel sheet "Black ZAM™" for electric circuit support materials

### Shipbuilding

- Yamanaka Shipbuilding: steel products for coastal vessels (to be adopted continuously)

### Automotives

- Oiles : copper plated steel sheet for bearing products "Copper Tite™"

### Energy

- Siemens Gamesa Renewable Energy: wind power generation towers in Japan; signed a memorandum of understanding to promote the use of NSCarbolex™ Neutral

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Creating a business framework that maintains consistent profitability even in varying external conditions  
- Proceeding to Next Phase toward the realization of 100 Mt and ¥1 Tn. Vision -  
Strategy / Domestic Steel Business / Overseas Steel Business /  
Raw Material Business / Other Group Companies / Three Non-steel Segments
- 3. Progress in Carbon Neutral Vision 2050**
- 4. HR and PR Initiatives to Recruit from and Retain Diverse Talent**
- 5. References(Business Environment & Other Topics)**
- 6. Supplementary Materials for Financial Results**



# HR and PR Initiatives to Recruit from and Retain Diverse Talent

## Progress in Nippon Steel's corporate strategy

Promoting various strategies toward 100 Mt and ¥1 tn. Vision

- Rebuild domestic steel business
- Promote a global strategy to deepen and expand overseas business
- Evolution to further vertically-integrated business structure
  - Involving “raw material business” not just as procurement
  - Insourcing steel distribution as a new business domain
- Take on the challenge of carbon neutral steel
- Promote digital transformation strategies

## Change in the labor market

- Intensified competition in recruitment due to population decline
- Diversification of individuals' career targets and higher mobilization of labor market
- Sluggish degree of recognition to steelmaking industry

**To secure and support workforce, Nippon Steel will promote various HR and PR measures as one of the highest-priority management challenges**

### <Major initiatives already taken>

#### Recruitment

- Increasing the mandatory retirement age to 65 (since FY2021)
- Recruitment of post doctors (since FY2006)

#### Employee support

- 24-hour available as necessary childcare centers at steelworks (Oita, Kimitsu, Yawata, Nagoya, Hirohata, Kashima, and Muroran as of end of FY2021)

#### Working hour

- Accompany leave system for employees whose spouse is transferred to other countries (since FY2016)
- Working from home system and core-flextime system (since FY2019)
- Temporary exemption from the transfer (since FY2020)
- Recommendation to all male employees to take child-care leave (since FY2021)
- Temporary leave system for employees who wish to take a re-education (since FY2022)
- Increasing maximum capacity for “Family holidays” (reserved paid holidays) to 100 days (since FY2022)

#### Human capital development

- Digital transformation training (since FY2021)
- Reinforcement of English language training programs (since FY2021)

### <Major initiatives going forwards>

- **Public relations activities aimed to enhance recognition of Nippon Steel from not only job applicants such as students but also wide range of generation**
- **Promotion of mid-career recruitment (including alumni hiring) on top of stable recruitment of fresh graduates**
- **Increasing starting salary**
- **Promoting employee engagement (e.g. promotion of open feedback culture, creating opportunities for challenge and development such as overseas assignment for mid-career and junior employees, etc. )**

# Progress of HR and PR initiatives

## Compensation revision to secure and support workforce

“Investment in human capital,” securing productivity improvement going forward

- **Monthly salary** **+35,000 JPY /union member** -> incremental raise : **+12%**  
incl. regular pay raise: -> around **+15%**
- **Raise of starting salary**  
Global Group, undergraduates(four-year uni.) **+41,000 JPY (265,000 JPY / +18%)**  
Area Group, high-school graduates **+30,000 JPY (210,000 JPY / +17%)**
- Improvement of treatment of employees posted alone (e.g., increase in the number of times furlough transportation expenses are paid)
- Expansion of welfare leave system (up to 100 days, for broader purposes including recurrent leave)
- Implementation of improvements to shared facilities on premises



**Achieved one of the top compensation levels among domestic manufacturers**

Aiming for top-class performance commensurate with top-class treatment



**To promptly implement measures to further improve labor productivity as a drastic response to the worker shortage, which is expected to become increasingly severe going forward**

- In-house recruitment systems: started from Oct. 2023
- In-house entrepreneurship: Implemented a trial of entrepreneurship from Oct. 2023 by utilizing the system of METI  
Ex.) KAMAMESHI Corp., a start-up company originated from NSC, released an equipment parts management and matching platform for small and medium-sized enterprises (on April 1<sup>st</sup>, 2024))

## Further development of strengthening and diversification of recruiting approaches

### Recruitment of freshmen

Expansion and strengthening of internships (5 days or more) and workshops (2 days)

FY2023; (common to administrative and technical staff members)

- Internship: **500 students accepted** (vs prev. year: **+60**)
- Workshops: **1,250 students accepted**(vs. prev. year: **+400**)
- 1-day plant tour events: 24 events in total at steelworks

2024FY Internship Web Site launched



### Recruitment of experienced personnel

#### mid-career

Proactively secure human resources with diverse knowledge and experience

Launched a special web page (Feb. 2024)

#### Alumni

Alumni (employees who have retired from Nippon Steel) network established (Aug. 2023); alumni reunion held (Jan. 2024)

#### post doctors

Continued to hire PhDs and other specialized personnel

### Recruitment as an NSC group

Holding group-wide recruitment joint information sessions and screening sessions -> engaging in group-integrated recruitment activities.

**Group internship site to be opened in June**

# Progress of PR initiatives

- Continued implementation of measures to increase awareness among a wide range of generations
- Intensively aired the corporate commercial "The World is Made of Steel" in May
- Implementing a variety of measures including SNS video postings and advertising measures closely tied to each region

## ➤ Nationwide and Tokyo metropolitan advertising measures

### 1: TV commercial

Scheduled to air "Scribbling" episode nationwide from May 13  
 Wednesdays, "News Station" on TV Asahi (nationwide)  
 Thursdays: "Monitoring" on TBS affiliate (nationwide)  
 Fridays: Umikoi "Ima Umi ni Dekirukoto" ("What we can do now for the ocean")  
 \*Nippon Television Network Corp., STV Sapporo Television,  
 Chukyo Television, and FBS Fukuoka Broadcasting System.

2. **Traffic advertisement:** May 13- "Morning Exercise" episode to be aired on JR train door visions in the Tokyo metropolitan area.

### 3. SNS Vertical short videos using Instagram:

Posting short vertical videos via Instagram(Weekly posted from Apr. 4<sup>th</sup> ; The "Nippon Steel Exercise" featuring Kashima area employees, baseball team members, and nursery school children will be produced and sent out.)

4. **"Safety first!" Poster:** Produced in-house posters featuring TV personalities to strengthen employee engagement.

## ➤ Advertising measures in each region (main examples)

Kyushu area: Bus wrapping in Oita / Signage advertising at Hakata Sta.  
 East Nippon Steel Works area: Signage advertisement at Ibaraki Airport / Digital signage at Joetsu Myoko Sta. (Hokuriku Shinkansen)



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- Western countries: Steel demand will increase YoY despite continued downward pressure on the economy due to prolonged inflation and interest rate hikes
- China: Prolonged real estate market slump due to insufficient effects of economic stimulus measures
- India/ASEAN: High level of economic growth will continue and steel demand will keep increasing

## Outlook for GDP growth rate (As of April 2024)

Source: IMF, released on Apr. 16<sup>th</sup>, 2024  
Source: IMF, released on Apr. 16<sup>th</sup>, 2024

	Unit: %	CY23	Vs.as of Jan. 2024	CY24 (f)	Vs. CY23	CY25 (f)	Vs. CY24
World		3.2	+0.1	3.2	±0	3.2	±0
Developed	Japan	1.9	±0	0.9	-1.0	1.0	+0.1
	US	2.5	±0	2.7	+0.2	1.9	-0.8
	Europe	0.4	-0.1	0.8	+0.4	1.5	+0.7
	Korea	1.4	±0	2.3	+0.9	2.3	±0
	China	5.2	±0	4.6	-0.6	4.1	-0.5
Developing	ASEAN*1	4.1	-0.1	4.5	+0.4	4.6	+0.1
	India	7.8	+1.3	6.8	-1.0	6.5	-0.3
	Brazil	2.9	-0.2	2.2	-0.7	2.1	-0.1
	Russia	3.6	+0.6	3.2	-0.4	1.8	-1.4

\*1 Indonesia, Malaysia, Philippines, Thailand, and Singapore

## Steel Demand Outlook (As of April 2024)

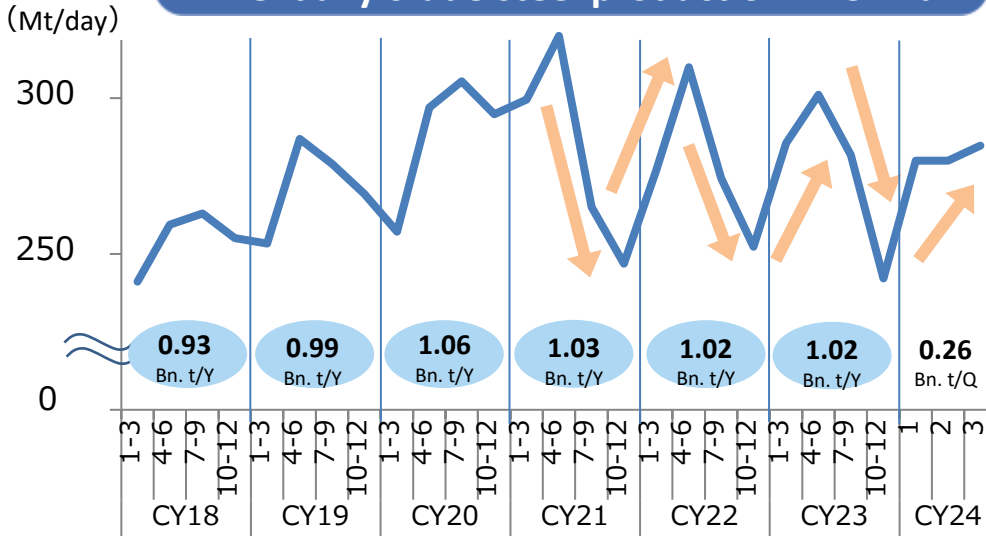
Source: World Steel Association, estimated on Apr. 10<sup>th</sup>, 2024

	Unit: Mt/Y	CY23	Vs.as of Oct. 2023	CY24 (f)	Vs. CY 2023	Vs. CY2023 (%)	CY25 (f)	Vs. CY 2024	Vs. CY2024 (%)
World		1,763	-51	1,793	+30	+1.7%	1,815	+22	+1.2%
Japan		53	-1	53	-0	-0.1%	54	+1	+1.1%
US		91	-3	92	+1	+1.8%	94	+2	+2.0%
Europe		137	-7	141	+4	+2.9%	148	+7	+5.3%
Korea		55	+2	54	-0	-0.8%	54	+1	+0.2%
China		896	-44	896	+0	+0.0%	887	-9	-1.0%
ASEAN*2		73	-2	76	+3	+3.5%	79	+3	+4.3%
India		133	+7	144	+11	+8.2%	156	+12	+8.2%
Brazil		24	+1	24	+0	+1.0%	25	+1	+1.6%
Russia		45	+1	46	+2	+4.0%	46	+0	+0.0%

\*2 Indonesia, Malaysia, Philippines, Thailand, and Vietnam

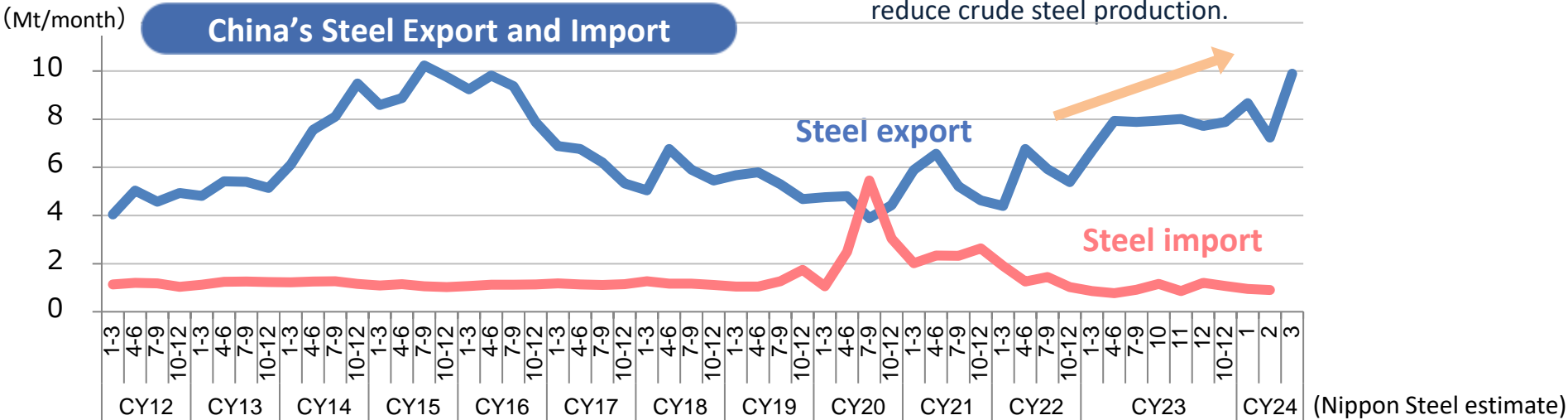
Despite sluggish steel demand, high crude steel production remained high levels and steel exports increased

Ave. daily crude steel production in China



- The effect of government's economic stimulus measures was insufficient and slump in the real estate market prolonged. No signs of demand recovery are expected, especially in the construction sector.
- IMF and OECD revised China's economic growth outlook downward
- Crude steel production has remained at a high level since the beginning of the year in reaction to the sharp production cutback at the end of last year.
- Steel exports to neighboring countries are also at a high level, affecting market conditions in ASEAN and other neighboring countries.
- Close attention should be paid to the economic recovery and the government's implementation of its policy to reduce crude steel production.

China's Steel Export and Import

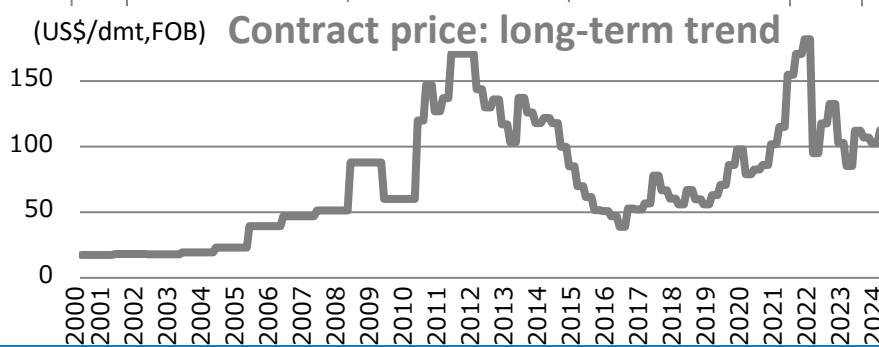
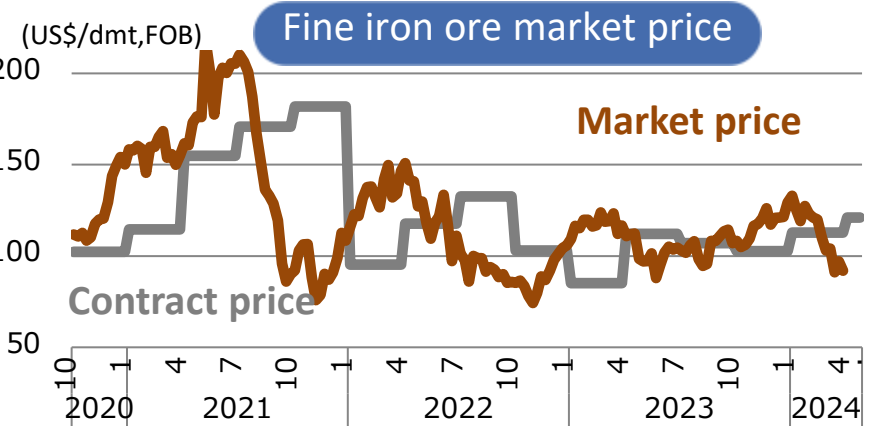


**[Fine iron ore ]**

- Market prices rose to the \$140 level in Jan., respecting expectations for accelerated infrastructure investment in China and concerns about worsening weather conditions at iron ore shipping ports.
- Subsequently, market prices declined due to production cutbacks at mills suffering from worsening spreads and the ongoing slump in the Chinese real estate market, which has led the prices to hover around \$100/ton at present.

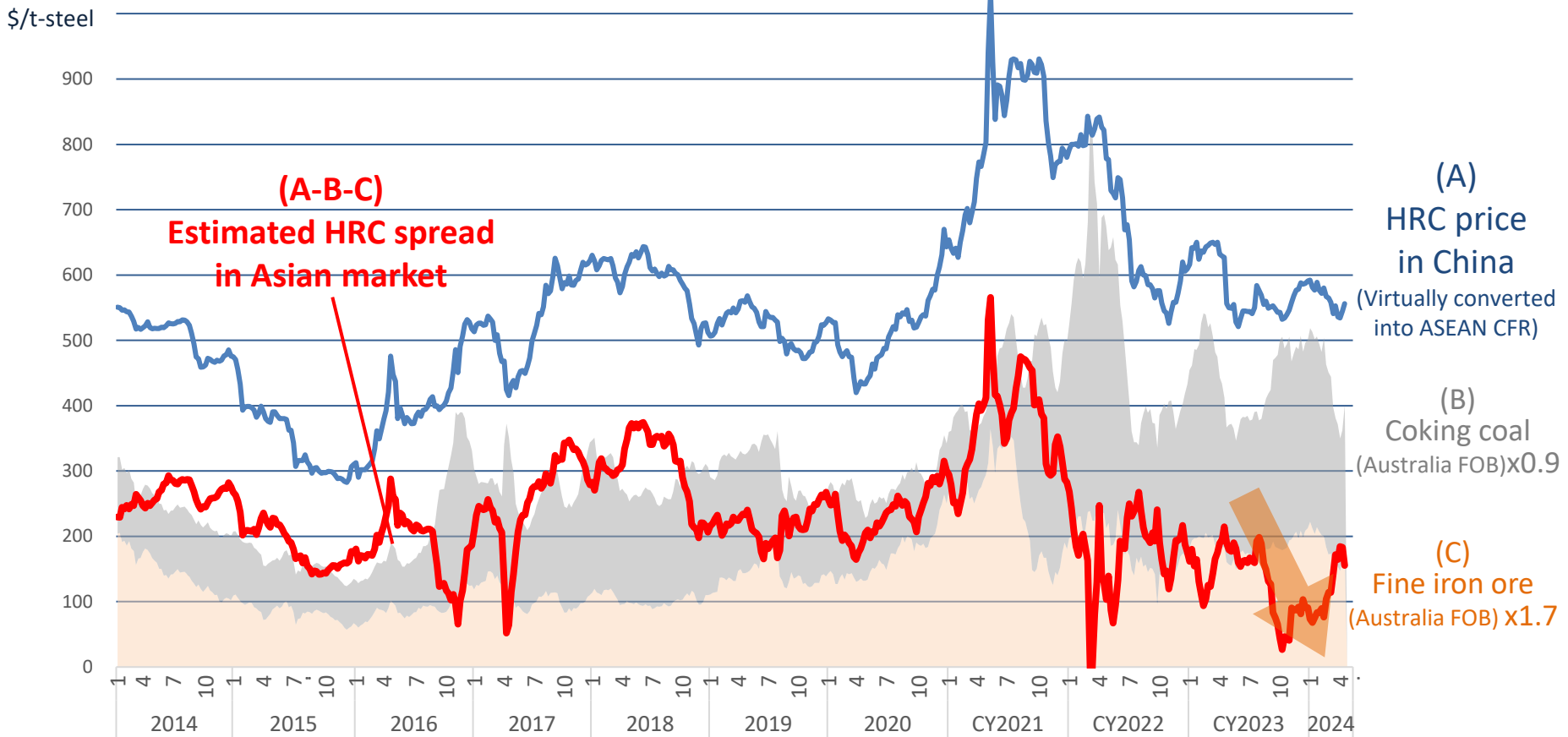
**[Coking coal]**

- From August, market prices rose to the \$360 level due to an increase in spot procurement backed by strong demand for steel products in India, as well as the emergence of operational problems at major coal mines in Australia.
- Subsequently, the prices fell to around \$240 due to the recovery of supply toward the end of the rainy season in Australia and the curbing of spot procurement by Indian customers in response to the decline in steel prices.

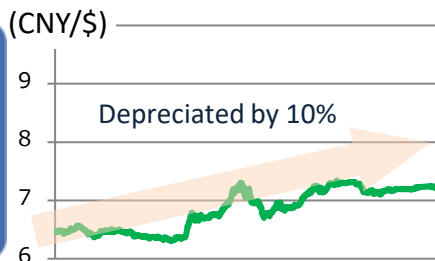




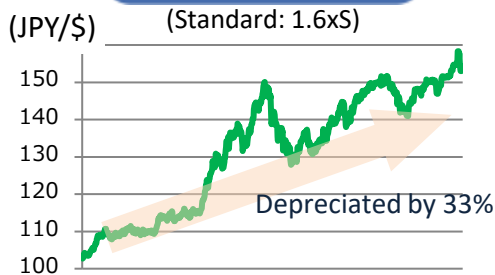
- Steel export from China has increased since the production level has remained constantly high despite depressed demand in Chinese market
- The excess in export has adversely affected steel market conditions in ASEAN or other neighboring countries
- **Decoupled pricing mechanism of commodity-grade steel products from raw materials has been manifested**
- **HRC spread has been slightly recovered from that of last Oct., but it remains historically small.**
- The profitability of HRC for Asian steelmakers seems to be severely low.



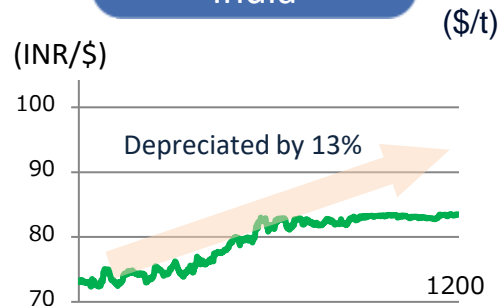
## China



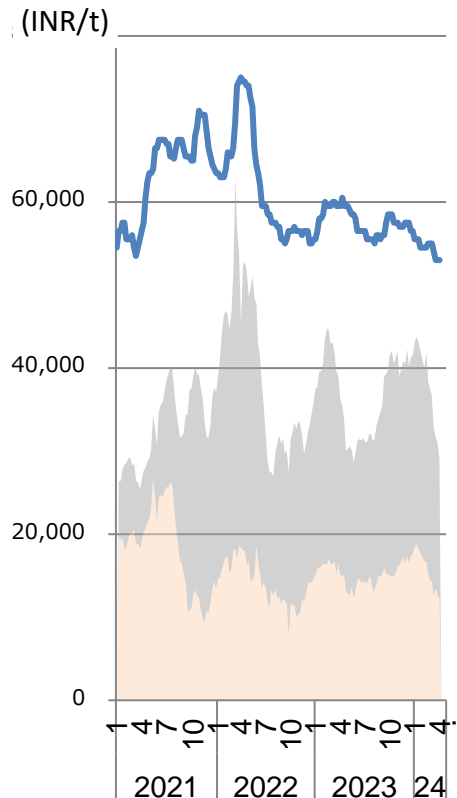
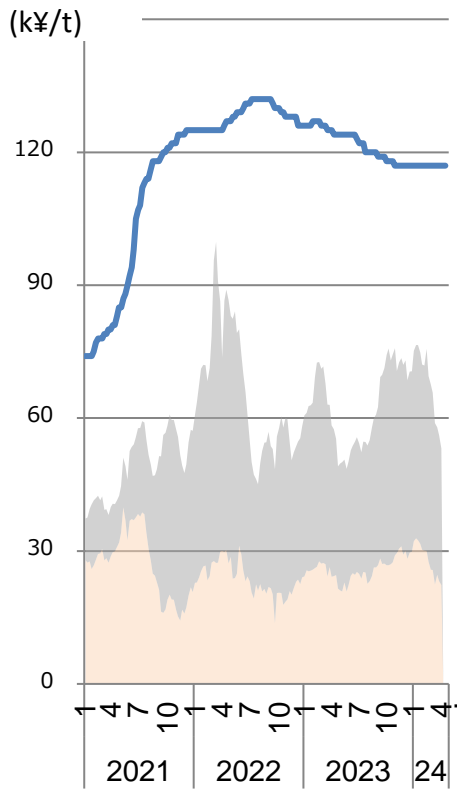
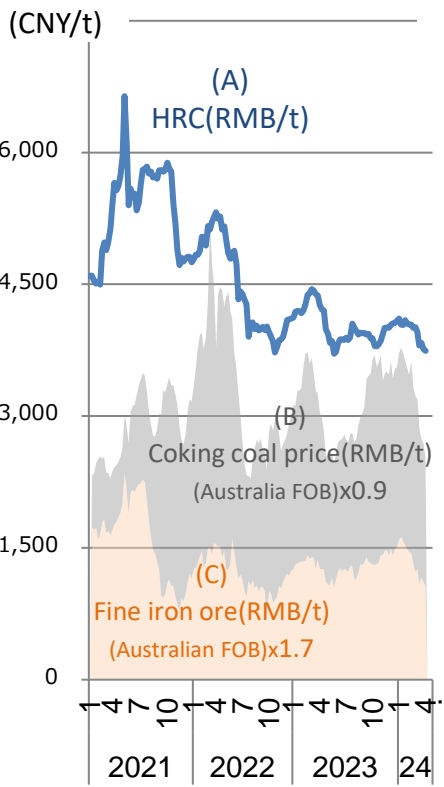
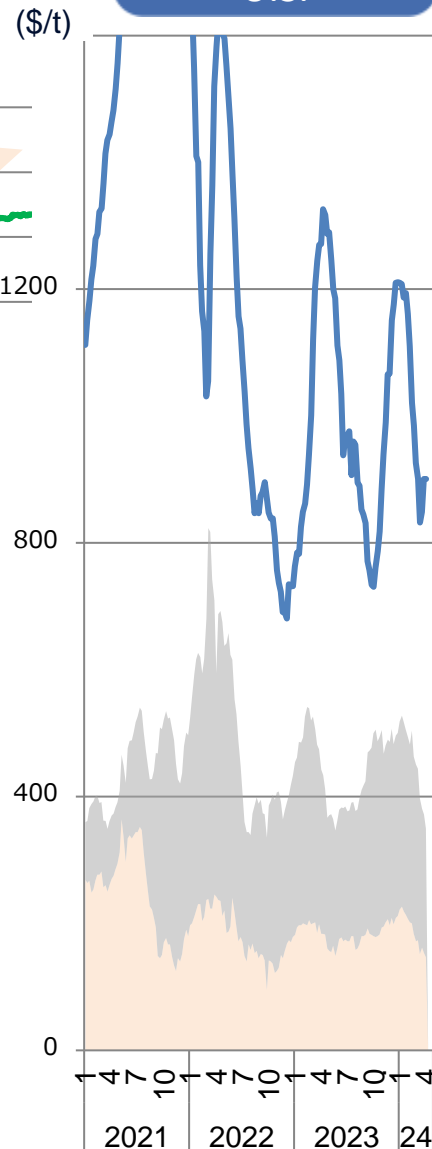
## Japan



## India

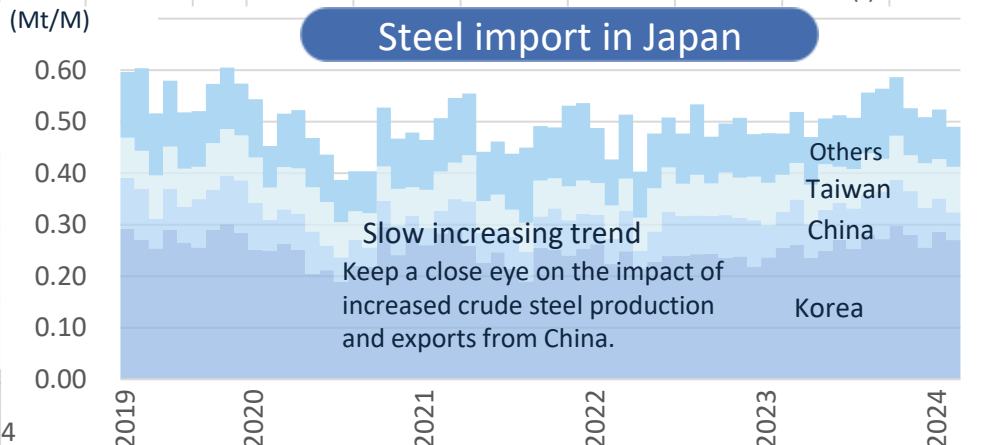
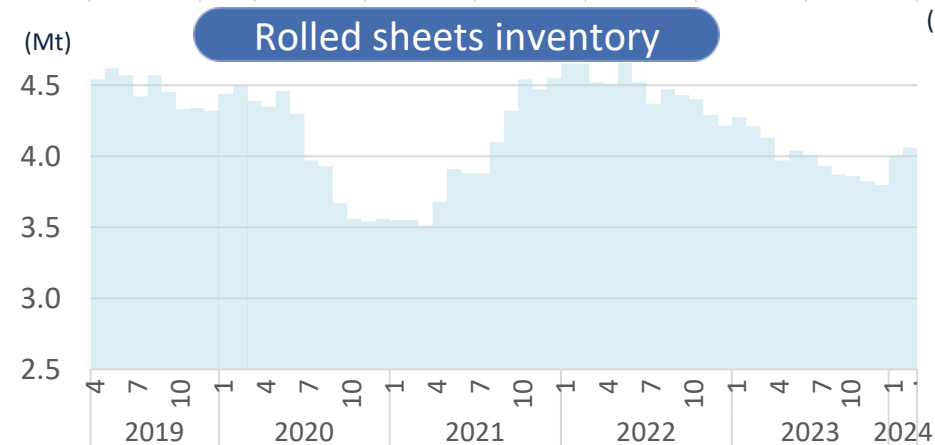
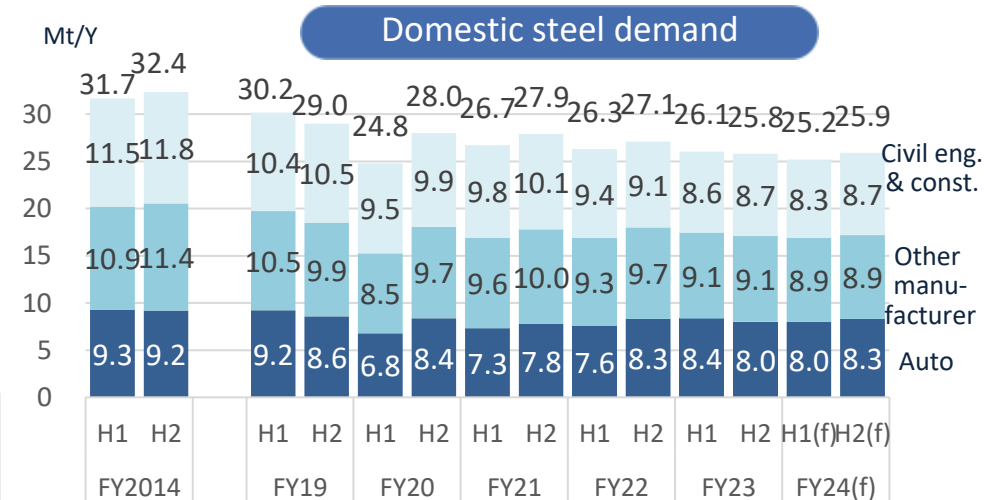
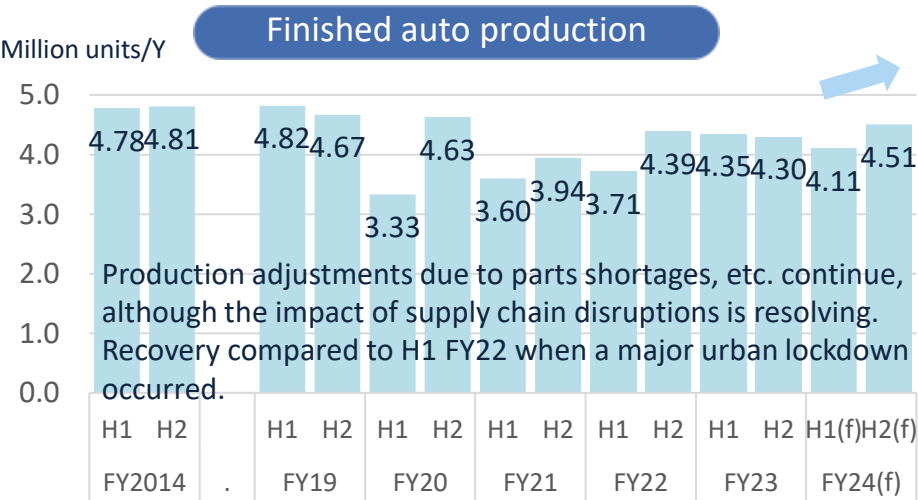


## U.S.



# Business Environment Steel S&D in Japan

- The Japanese economy is slowly recovering, driven by inbound demand and service consumption, etc.
- However, construction and manufacturing sectors remain below the level of the previous year in many applications.
- A certain level of recovery is expected in the automotive application due to the easing of supply chain disruptions, but shipbuilding, industrial machinery, and other applications remain weak.
- Construction starts are not expected to increase due to labor shortage, shipment and construction cost hike.



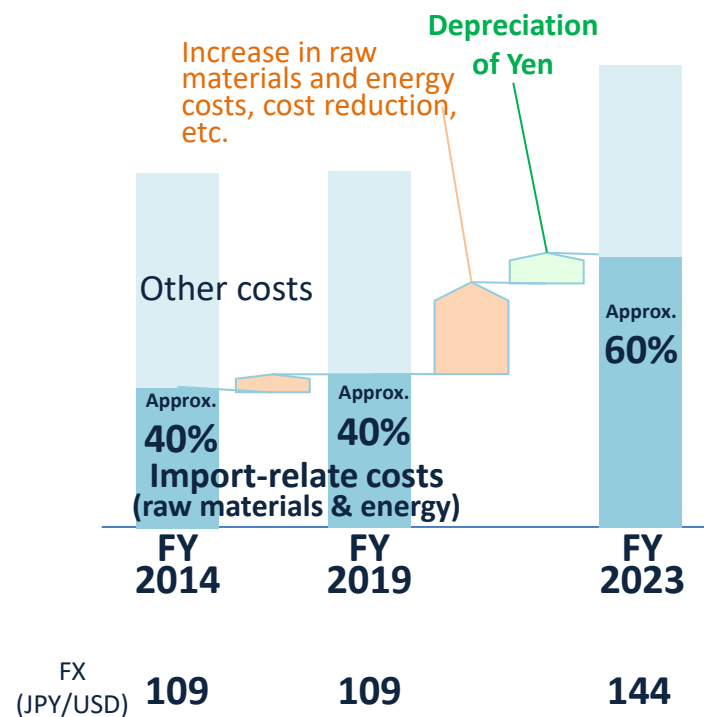
**Domestic steel business:** The proportion of import-related costs to steel manufacturing cost has risen due to the recent surge in prices of raw materials and energy, and because the amount of import exceeds export, the impact of Yen depreciation to our domestic steel business is negative.

**Consol. business profit:** The impact of Yen depreciation is neutral or slightly positive due to increase in profit in overseas business and raw material business translated into Yen basis, and valuation gains for inventories and foreign assets.

### Impact from Yen depreciation

<b>Domestic Steel Business</b>	<b>-) Negative</b>	Excess of import to export Q4 FY2023 0.7 bn. USD/Q (import 4.1– export 3.4)
Overseas Steel Business	+ ) Positive	Increase in profit translated into Yen basis
Raw Material business	+ ) Positive	Excess in export, gain in foreign asset valuation
Other Group Companies Three Non-Steel Segments	+ ) Positive	
Underlying consol. business P/L	-) Negative	
Inventory valuation Non-operating P/L	+ ) Positive	Gain in valuation for imported materials, gain in foreign asset valuation
<b>Consol. business P/L</b>	<b>Neutral or slightly positive</b>	

### Cf. Rough figure for our steel manufacturing cost structure





**NIPPON STEEL**

**United States Steel**

**MOVING FORWARD TOGETHER AS THE  
BEST STEELMAKER  
WITH WORLD-LEADING CAPABILITIES**



### Acquisition Scheme

- Dec. 18, 2023 Merger Agreement signed
- Establishing a wholly-owned subsidiary of Nippon Steel, merging it with U. S. Steel, which will become the surviving company. U. S. Steel shareholders will receive cash in exchange for U. S. Steel shares. -> U. S. Steel will become a wholly-owned subsidiary of Nippon Steel.

**\$55** per share

- 40% premium over \$39.33 per share on the business day prior to announcement (12/15)

### Offer price

Equity Value **\$14.1 bn**  
(approx. **¥2,010 bn**)

- All-cash offer for U. S. Steel shareholders
- Enterprise value of \$14.9 bn (approx. ¥2,120 bn), including the assumption of debt
- 744\$/one ton of crude steel production capacity (= \$14.9bn / 20 Mn metric tons)

### Financing, Impact on financial strength

- Bridge Finance for the transaction has been committed by leading Japanese banking institutions, and, in connection with the closing, these banking institutions may fund the financing in a combination of U.S. dollars and yen.
- Debt/equity ratio to go to approx. 0.9 (from approx. 0.5) due to transaction payment.
- Nippon Steel will aim to quickly recover to a debt/equity ratio of 0.7 or less through consolidated earnings and cash flow including U. S. Steel, and appropriate financing.

# U. S. Steel Acquisition Overview of U. S. Steel

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( Released on Dec. 18, 2023.)

- Leading integrated BF and EAF manufacturer in the U.S. mainly Flat-Rolled sheets including for auto
- Currently constructing Big River 2, which will increase EAF capacity and capability
- Leveraging own iron ore mines, self-sufficient in pellets for BFs and EAFs, and pig iron for EAFs

	U.S.	Europe	Total	
<b>Headquarters</b>	<b>Pittsburgh, Pennsylvania, USA (remain unchanged after acquisition)</b>			
<b>Manufacturing bases</b>	<b>&lt;Flat-Rolled&gt; : Gary (Indiana), Mon Valley (Pennsylvania), Granite City (Illinois), Great Lakes (Michigan), PRO-TEC (Ohio)</b> <b>&lt;Mini-Mill&gt; : Big River Steel (Arkansas)</b> <b>&lt;Tubular&gt; : Fairfield (Alabama)</b>	<b>Košice (Slovakia)</b>		
<b>Product types</b>	<b>Steel sheets(Hot-rolled sheets, Cold-rolled sheets, Galvanized Sheets, Tin plate, Electrical steel sheets), Pipes and tubes(Seamless pipes)</b>			
<b>Raw Steel Production Capability</b>	<b>15.8Mt/Y</b> (17.4Mst/Y)	<b>8 BFs (Including 2 BFs idle)</b> <b>3 EAFs (+2 EAFs under construction)</b>	<b>4.5Mt/Y</b> (5.0Mst/Y)	<b>20.3Mt/Y</b> (22.4Mst/Y)
<b>Raw Steel Production *</b>	<b>11.7Mt/Y</b> (12.9Mst/Y)	incl. EAF 3.0Mst, EAF ratio 17%, as a percentage of total incl. Europe)	<b>4.0Mt/Y</b> (4.4Mst/Y)	<b>15.7Mt/Y</b> (17.3Mst/Y)
<b>Steel shipments *</b>	<b>10.5Mt/Y</b> (11.6Mst/Y)		<b>3.5Mt/Y</b> ( 3.9Mst/Y)	<b>14.1Mt/Y</b> (15.5Mst/Y)
<b>Iron ore mines owned</b>	<b>Minntac, Keetac (Minnesota)</b>			
<b>Pellet Production</b>	<b>20.0Mt/Y (22.1Mst/Y)</b> All iron ore used in the U.S. is procured from in-house mined pellets.			
<b>Net sales *</b>	<b>14,528M\$/Y</b>		<b>3,525M\$/Y</b>	<b>18,053M\$/Y</b>
<b>Earnings before income taxes *</b>	<b>1,047M\$/Y</b>			
<b>Net earnings *</b>	<b>895M\$/Y</b>			
<b>Active Employees **</b>	<b>13,995</b>		<b>7,808</b>	<b>21,803</b>

\* End of 2023CY, \*\*2023CY t : metric ton st : short ton

# U. S. Steel Acquisition

# Creating new value by combining the technologies of both Nippon Steel and U. S. Steel



## Product Technologies

- ◆ Automotive sheets (high-grade), Processing technologies and solutions
- ◆ Electrical steel sheets (high-grade)
- ◆ Highly corrosion-resistant plated steel sheet for building materials (high-grade)
- ◆ Nickel-coated steel sheets

- ◆ Automotive sheets
- ◆ Electrical steel sheets
- ◆ Highly corrosion-resistant steel sheet for building materials

## Operational, Equipment Technologies

- ◆ Quality and Cost improvement technologies
- ◆ Energy-saving technologies
- ◆ Automation Technologies
- ◆ Technologies to recycle

- ◆ State-of-the-art thin-slab continuous casting and hot rolling facilities
- ◆ Maintenance technologies for integrated blast furnace facilities

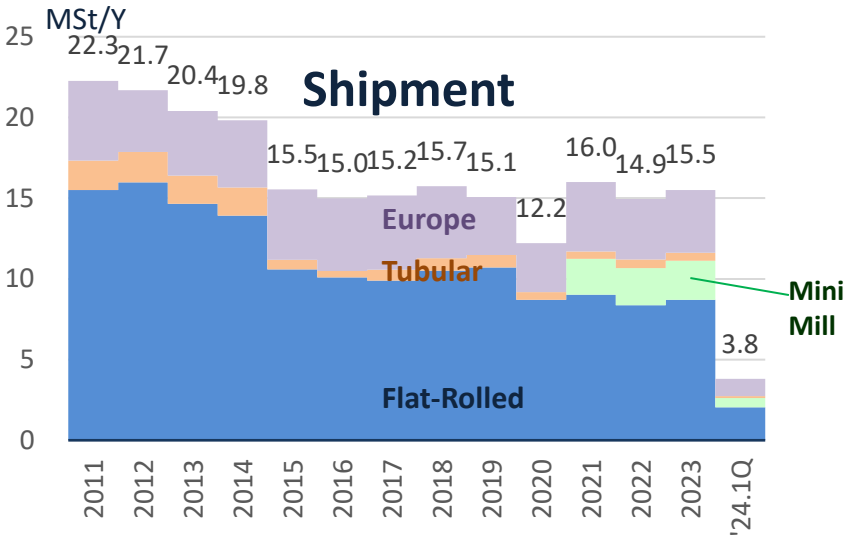
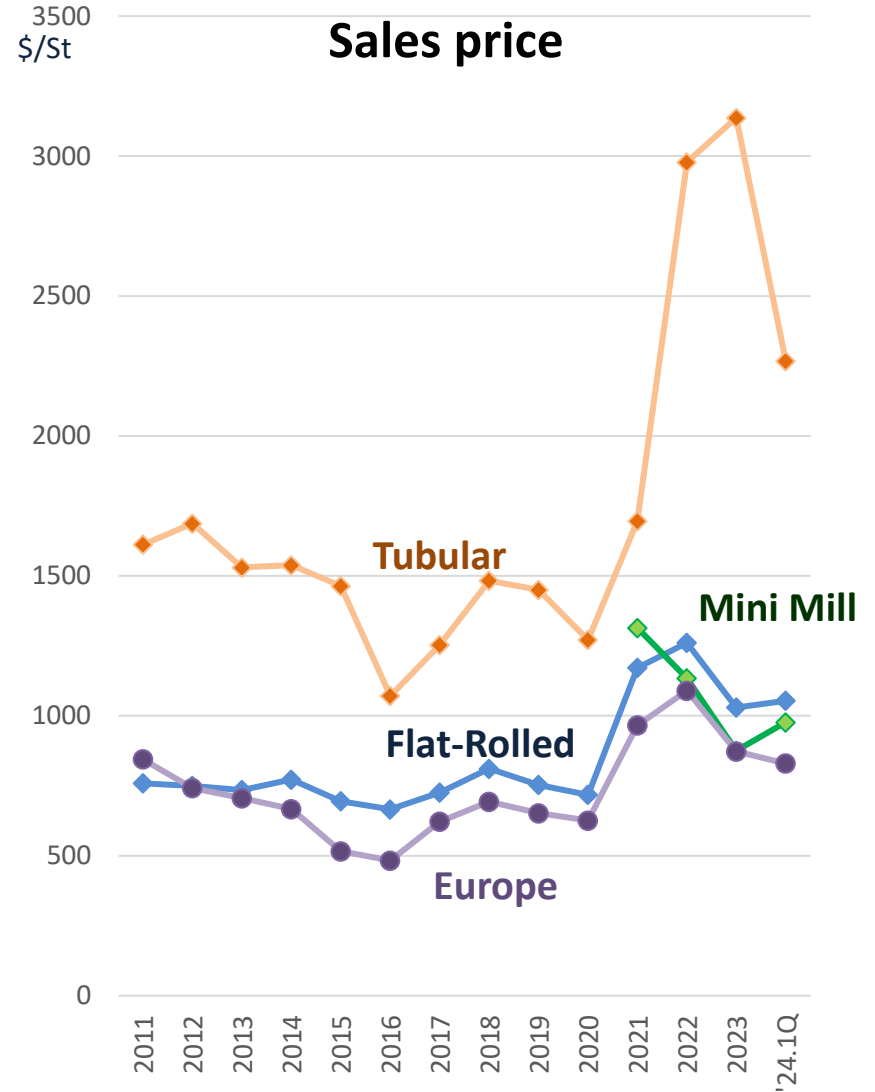
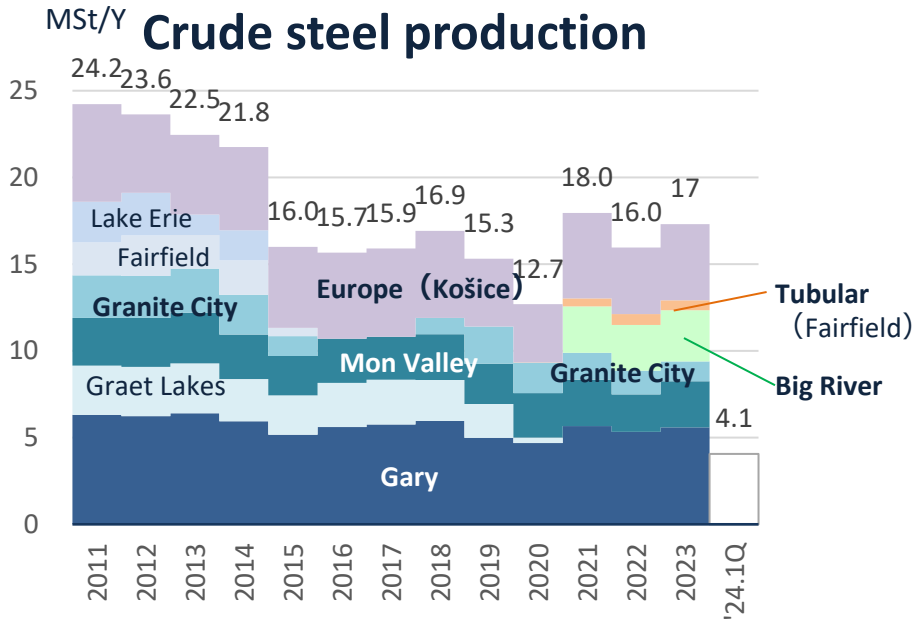
## Decarbonization Technologies

- ◆ EAF process technologies (Mass production of high-grade steels)
- ◆ BF Hydrogen Reduction Technologies
- ◆ "NSCarbolex™ Neutral" steel products CO<sub>2</sub> emissions savings in the steelmaking process are allocated

- ◆ EAF Process Technologies
- ◆ Decarbonized raw material production technologies
- ◆ "verdex™" has a reduced carbon footprint of 70-80%

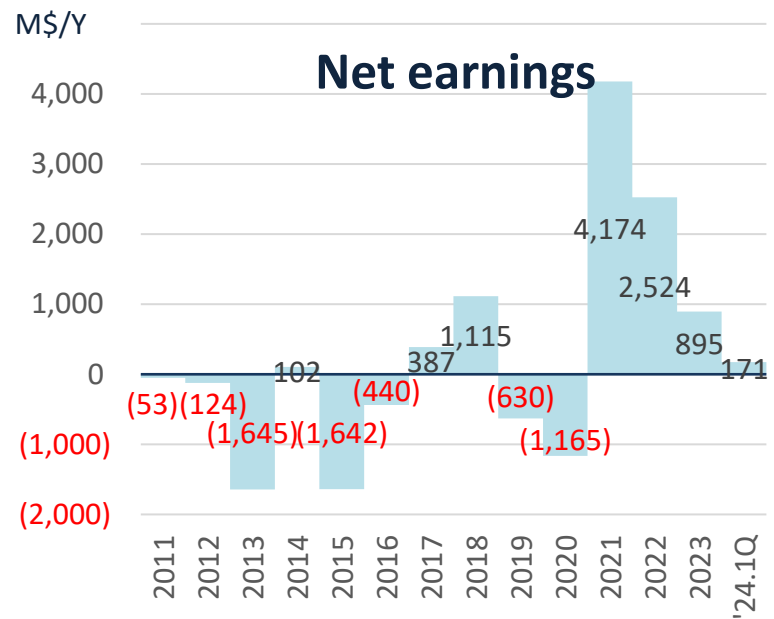
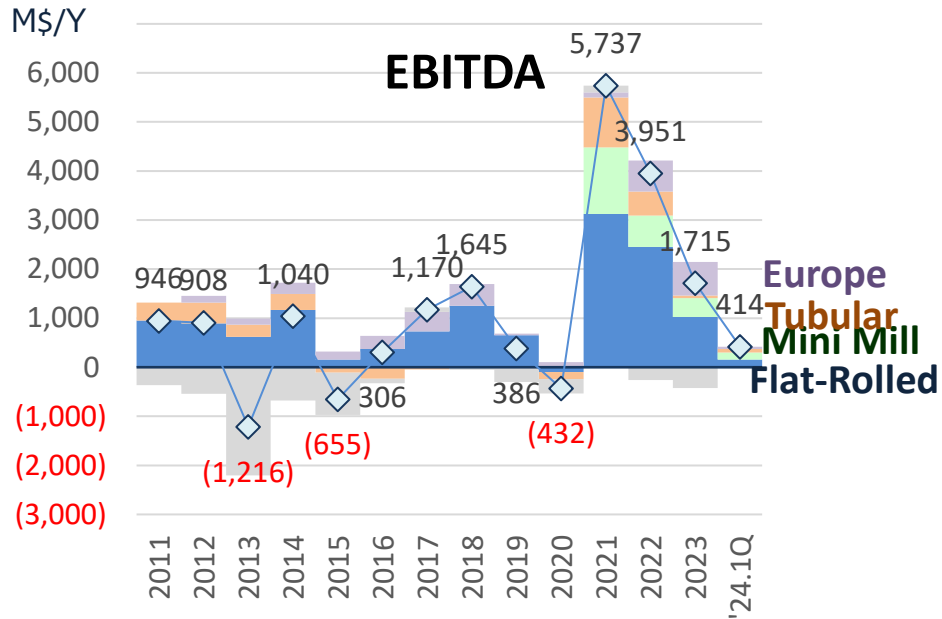
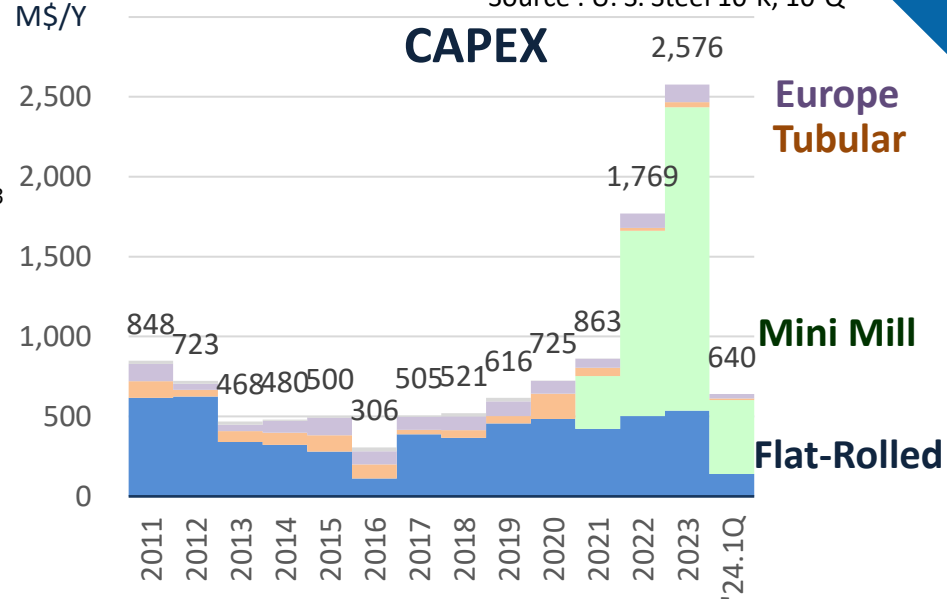
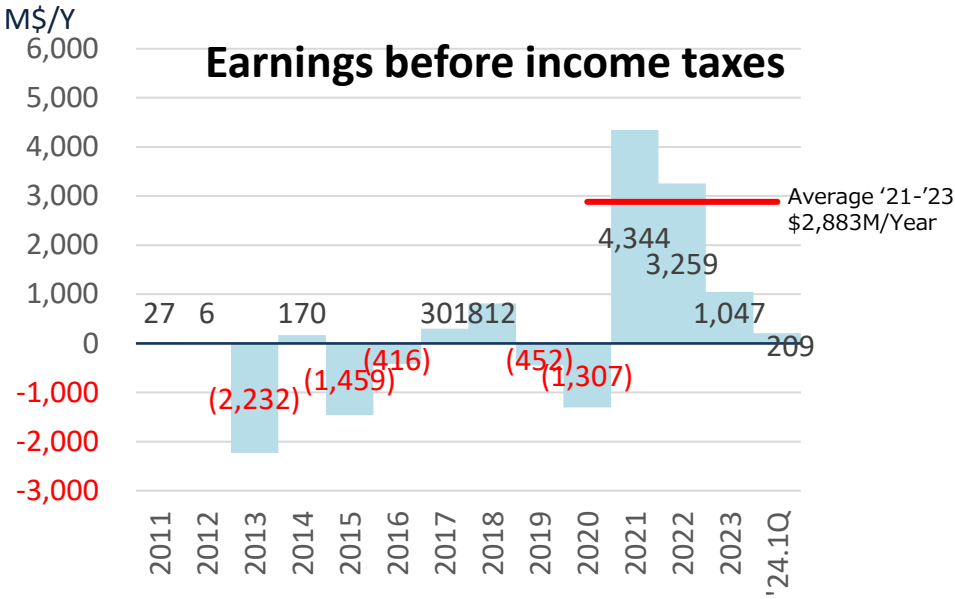
After acquisition, study the detail of the potential synergy

Source : U. S. Steel 10-K, 10-Q





Source : U. S. Steel 10-K, 10-Q



## Balance Sheet

(The end of Mar. 2024) Units : M\$

Total assets : 20,448

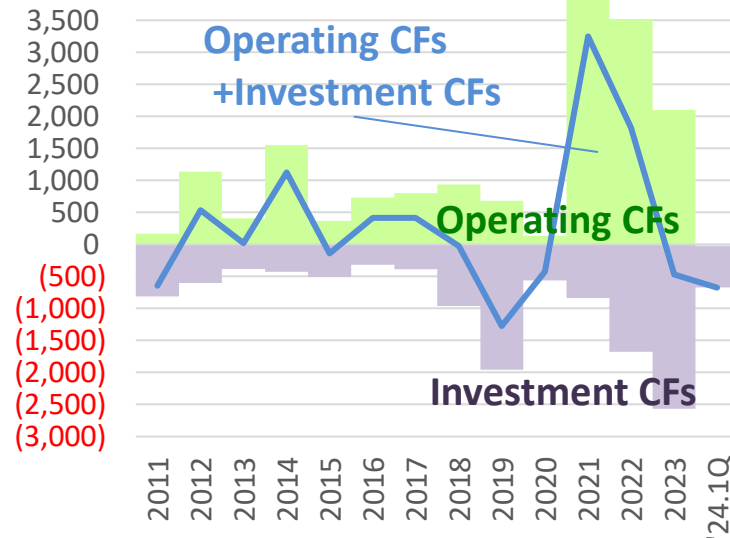
Liabilities : 9,156 Shareholders' Equity : 11,199

Noncontrolling Interests : 93

Current assets 6,421	Cash 2,221	Current liabilities 3,748	Accounts Payable 2,948
	Accounts Receivable 1,722		Other 800
	Inventories 2,157	Noncurrent Liabilities 5,408	Interest-bearing debt 4,082
	Other 321		Other 1,326
Noncurrent assets 14,027	Machinery & Equipment, Lands 10,807	Shareholders' Equity 11,199	
	Goodwill 920		
	Other 2,300		

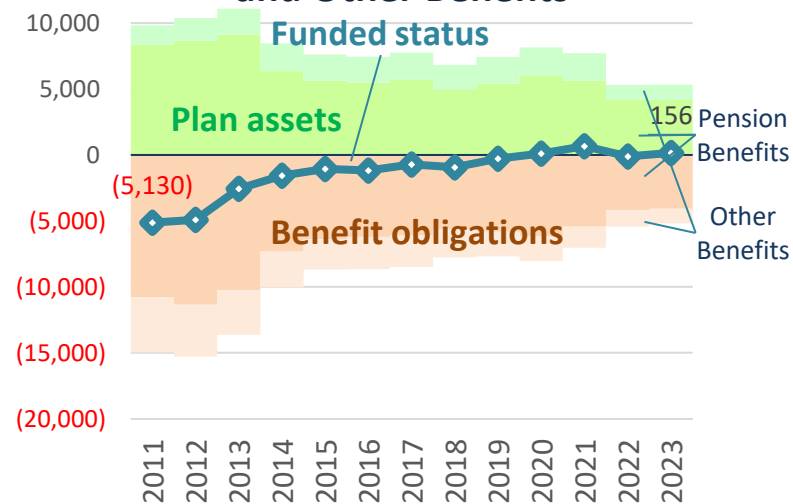
## Cash Flows

Units : M\$/Y



Units : M\$

## Pension Benefits and Other Benefits



# Advanced products and technical solutions that contribute to reducing CO<sub>2</sub> emissions in society

New products Launch of "SUPER DIMA GB," a colored highly corrosion-resistant plated steel sheet that can reduce CO<sub>2</sub> emissions by eliminating the painting process at the customer's site.



(Released on Feb 28<sup>th</sup>, 2024)

SuperDyma GB: Highly corrosion-resistant plated steel sheet SuperDyma colored with pigments in the post-treatment process.

Coating processes can be skipped on customers' sides

- ✓ Cost reduction
- ✓ CO<sub>2</sub> emission reduction (100% reduction for emissions in coating lines)



From Apr. 2024 Order intake started -> Jun. 2024 Shipment will start  
Nippon Steel will actively employ this technology in the installation of switchboards for new and renewal facilities at steel mills.

## Three new J Blue Credit certificates were obtained for the Blue Carbon Project, as in the previous fiscal year.

(Released on Mar. 19<sup>th</sup>, 2024)

Project to create seaweed beds using steel slag products



Calculation of CO<sub>2</sub> absorption by seaweed beds

Certified as J Blue Credit for FY2023 by Japan Blue Economy Technology Research Association approved by Ministry of Land, Infrastructure, Transport and Tourism.

	Co-applicants	Certified amount	Area of Seaweed beds	Major type of seaweed
2018-22	Mashike Fishery Cooperative Association	49.5 t-CO <sub>2</sub>	3.3ha	Kombu
2023	<b>Mashike Fishery Cooperative Association</b>	<b>12.2 t-CO<sub>2</sub></b>	<b>19.56 ha</b>	<b>Kombu</b>
	<b>Furuu-gun Fishery Cooperative Association</b>	<b>8.5 t-CO<sub>2</sub></b>	<b>8.35 ha</b>	<b>Kombu</b>
	<b>Chiba-Pref. Fishery Cooperative Association, Kimitsu-City</b>	<b>12.6 t-CO<sub>2</sub></b>	<b>4.73 ha</b>	<b>Wakame</b>

# Advanced products and technical solutions that contribute to reducing CO<sub>2</sub> emissions in society

## Ichimura Global Environment Industry Award Achievement Award

**Awarded for the practical application of our carbon-neutral technology of woody biomass exclusive combustion and the development of coke strength improvement technology**

(released on Mar. 11<sup>th</sup> 2024)

Conducted Japan's largest woody biomass co-firing demonstration test(In FY2015, IHI and NSC collaborated to conduct this project at a thermal power plant in North Nippon Works, Kamaishi Area)

Made one of the four mill burner systems dedicated exclusively to biomass burning.



Thermal power plant in North Nippon Works, Kamaishi Area (output: 149,000 kW)

**The maximum use of woody biomass, which had been limited to a few percent until then, raised significantly (25% of the total)**

Commercial Operation of 100% Woody Biomass exclusive combustion

## Okochi Production Memorial Award

**Development of coke strength improvement technology to contribute to blast furnace low carbon and cost reduction**

(Released on Feb. 14<sup>th</sup> 2024)

The role of coke in BF steelmaking processes

- Reduction agents for iron ore
- Heat source for melting iron ore, etc.
- Spacer to ensure ventilation of reducing gas and passage of molten iron and slag

To improve reduction efficiency and reduce coke usage (= reduce CO<sub>2</sub> emissions), high-strength coke is needed as a spacer

**Developed technology to produce high-strength coke even when the blending ratio of inexpensive inferior coal (semi-soft coking coal) increased and the ratio of hard coking coal with limited resources and higher price decreased**

- ✓ Classifying inferior coals into three types depending on the cause of coke strength reduction
- ✓ Optimizing the composition ratio and particle size of each type of inferior coal
- ✓ Adding binder according to the blending composition ratio

Kyushu Works (Yawata Area) succeeded in producing high-strength coke while achieving the world's highest ratio of inferior coal (74%)  
Partially introduced at Kyushu Works (Oita Area) and Kansai Works (Wakayama Area)

**This Can be combined with hydrogen injection into BF technology currently under development  
-> Highly versatile technology that will contribute to low carbon emissions in the future**

Realize  
a carbon neutral  
society

Strengthen  
Japan's overall  
industrial  
competitiveness

For the sake of both,  
**need to introduce a drastic policy  
system based on national strategy**  
under strong government leadership

Long-term, continuous government support for huge R&D and equipment implementation regarding 3 breakthrough technologies

Establishment of the development of social infrastructures such as the low cost and stable supply of green hydrogen and green electricity and the introduction of CCUS

Nuclear  
power

Need to position as a major option

Renewable  
energy

Need to promote development of the following as important themes

- Whether it can be a main power source **equipped with 3E+S (Energy security, Economic efficiency, and Environment + Safety)**
- **How sharing of cost should be** in light of industrial competitiveness

Nippon Steel will take every opportunity  
for **collaboration with society, policy recommendations, and industry activities.**

Disclosed on page 27 of the 2023 Sustainability Report

**Make efforts to enhance disclosure of major activities in policy recommendations,  
and policy positions in conducting activities**

## Released the establishment of “Nippon Steel Group Human Rights Policy”

(on Apr. 1<sup>st</sup> 2024)

In light of international norms on human rights, the "Nippon Steel Group Human Rights Policy" was established and published on April 1, 2024 as a statement of the Group's corporate stance on respect for human rights, both internally and externally.

[https://www.nipponsteel.com/en/csr/common\\_2021/file\\_2021/csr/human/humanrightspolicy\\_en.pdf](https://www.nipponsteel.com/en/csr/common_2021/file_2021/csr/human/humanrightspolicy_en.pdf)

### Nippon Steel Group Human Rights Policy

1. Commitment to respecting human rights
2. Scope
3. Compliance with applicable laws and regulations
4. Human rights due diligence
5. Remedial actions
6. Education
7. Dialogues and discussions with stakeholders
8. Information disclosure
9. Promotion system

Applied to all the management and employees in NSC group companies

NSC hopes all stakeholders, including its suppliers will understand and support this policy.

**Based on this policy,  
the Nippon Steel Group will continue to  
promote its business activities  
with high ethical standards  
while taking utmost care to respect human rights.**

(Bn. JPY)

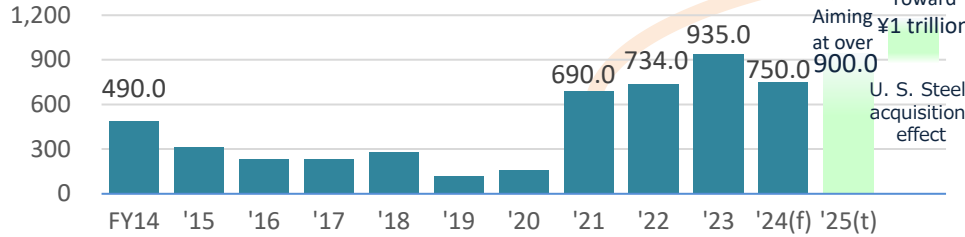
	H1	H2	FY2022	H1	H2	FY2023	Vs. Prev. forecast	Vs. FY2022	H1 (f)	FY2024 (f)	Vs. FY2023
<b>Consol. business profit</b>	541.7	374.7	916.4	494.2	<b>375.4</b>	<b>869.6</b>	+69.6	-46.8	300.0	<b>650.0</b>	-219.6
ROS	14.0%	9.1%	11.5%	11.2%	8.4%	9.8%	+0.9%	-1.7%	6.8%	7.4%	-2.4%
<b>Underlying business profit</b>	300.0	434.0	734.0	498.5	<b>436.4</b>	<b>935.0</b>	+45.0	+201.0	340.0	<b>750.0</b>	-185.0
ROS	7.7%	10.6%	9.2%	11.3%	<b>9.8%</b>	<b>10.5%</b>	+0.6%	+1.3%	7.7%	<b>8.5%</b>	-2.0%
<b>1) Domestic steel business</b>	45.0	177.0	222.0	218.0	<b>147.9</b>	<b>365.9</b>	+11.0	+144.0	100.0	<b>220.0</b>	-146.0
<b>2) Overseas steel business</b>	63.0	32.0	95.0	73.8	<b>58.0</b>	<b>131.8</b>	+12.0	+37.0	45.0	<b>90.0</b>	-42.0
<b>3) Raw material business</b>	67.0	75.0	142.0	64.7	<b>67.7</b>	<b>132.5</b>	+7.0	-10.0	80.0	<b>155.0</b>	+23.0
<b>4) Other group companies</b>	89.0	116.0	205.0	117.4	<b>128.4</b>	<b>245.8</b>	+16.0	+41.0	85.0	<b>210.0</b>	-36.0
<b>5) 3 Non-steel segments</b>	33.0	27.0	60.0	17.6	<b>29.5</b>	<b>47.1</b>	-3.0	-13.0	24.0	<b>64.0</b>	+17.0
Inventory valuation, etc.	241.7	(59.3)	182.4	(4.3)	(61.1)	(65.5)	+25.0	-248.0	(40.0)	(100.0)	-35.0

References

# P/L Trend Breakdown

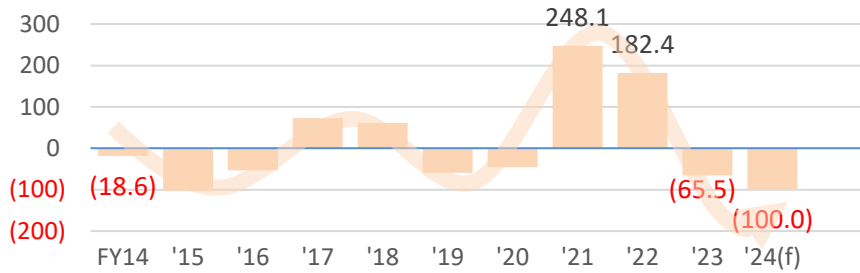
U. S. Steel acquisition not included in FY2024 forecast

Underlying Business Profit \*1



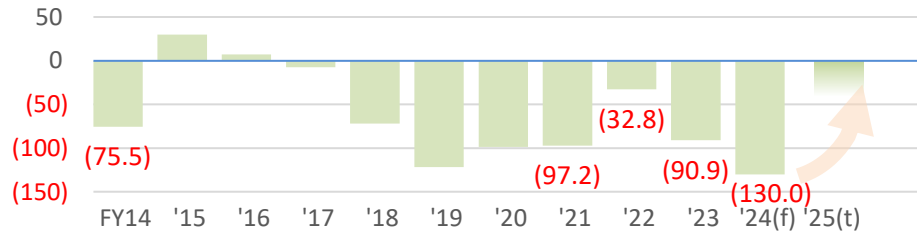
- Established stable and highly profitable structure
- Promoting additional measures to realize further growth

Inventory Valuation etc.



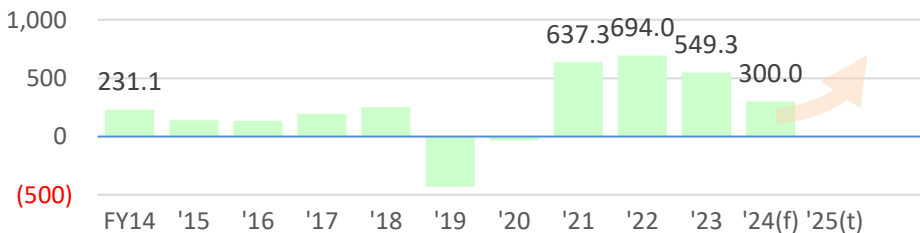
- Non-cash and one-off item
- Adjustment phase in FY2023 and FY2024 due to a drastic price hike in materials and energy caused by Russia-Ukraine conflict since FY2022 and material inflation since FY2021

Additional Line Items \*2



- Certain amounts of one-off losses on structural measures continue to be incurred until FY2024

Profit/Loss Attributable to Owners of the Parent \*3



(FY14 to FY17: JGAAP, From FY18: IFRS)  
(FY14 to FY16: Ex-Nisshin Steel included)

\*1 Underlying Ordinary Profit (~FY17 JGAAP)

\*2 Extraordinary Profit/Loss (~FY17 JGAAP)

\*3 ~FY17 JGAAP : Net profit or loss



**(1) Secured appropriate spread level**

Until 2H 2021

- A fair allocation of cost burden for raw materials and commodities
- Reflection of NSC's high value-added product qualities and solutions on steel prices

With the points above reflected in negotiations with customers, spread has greatly improved

**(1)' Maintained appropriate spreads**

To structurally secure appropriate margin level by reflecting cost change in materials and energy on steel prices

**(2) Sophistication of order mix**

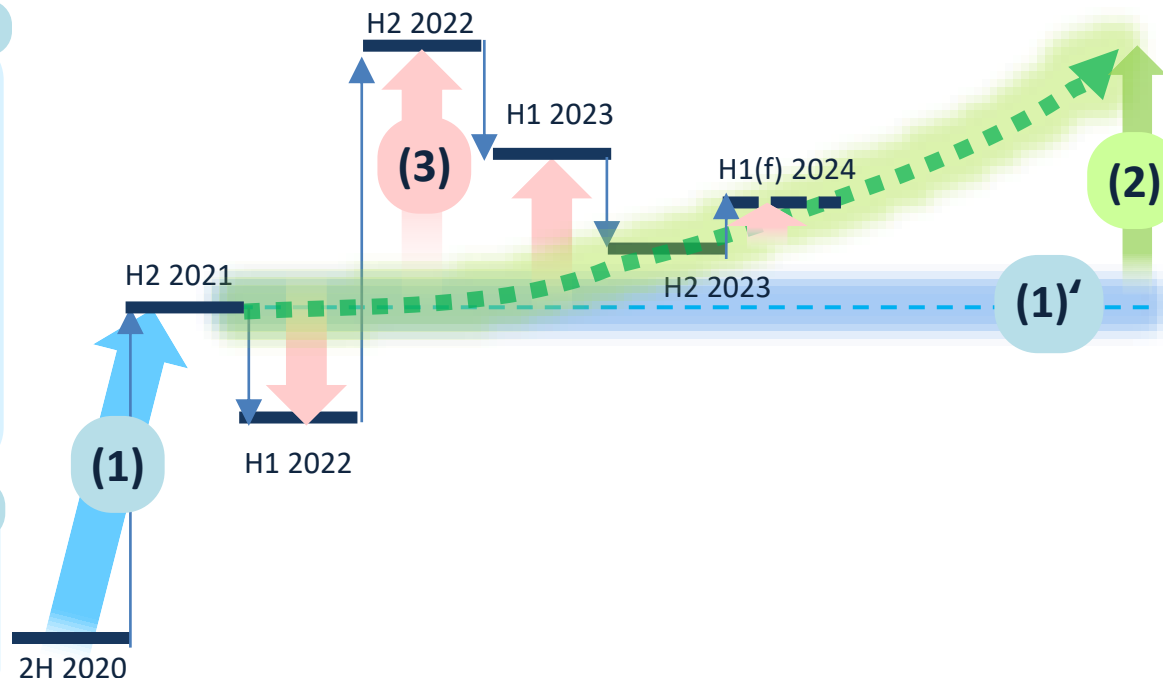
Appropriate margin level per ton elevated through sophistication of order mix and reflection of high value-added product qualities

**Improvement of production capacity and product quality of Electrical Steel Sheets**

->Full-capacity operation: starts in H1 FY2023(Yawata #1,2 & Hirohata #1,2) in H1 FY 2024 (Hirohata #3) in H1 FY2027(Yawata #3, Hanshin(Sakai))

**Establishment of next-generation hot strip mill**

->Start of operation: Q1 FY2026 (planned)

**(3) Raw material and energy cost fluctuation after price negotiation**

From Apr. 2022: Changed price negotiation approach into pre-fixed method for direct contract-based sales

Steel margin temporarily fluctuated due to changes in raw materials(incl. coking coal) and energy cost after price negotiation

	H1 FY22	H2 FY22	H1 FY23	H2 FY23	H1(f) FY24
Change in the cost after negotiation	Rise	Drop	Drop	Almost unchanged	Slight drop
Difference from appropriate level of spread	Smaller	Larger	Larger	Almost unchanged	Slightly larger

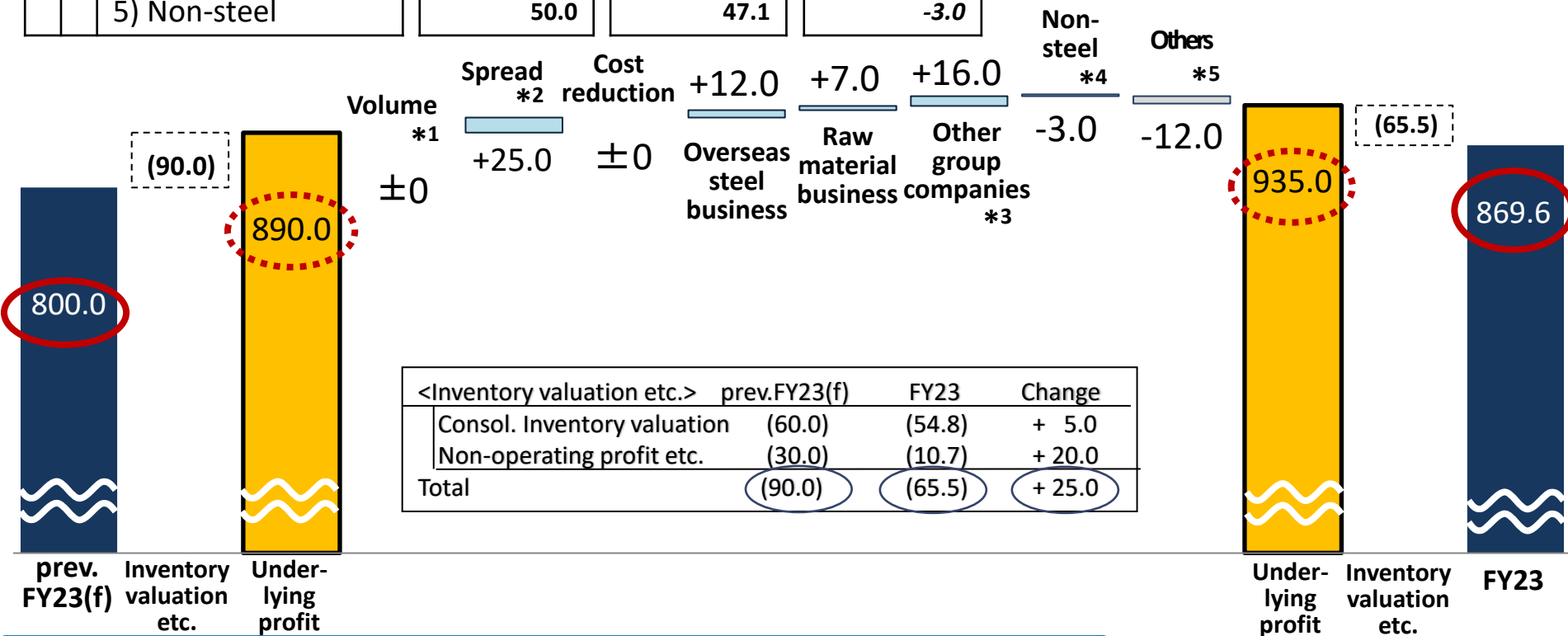
# Agenda

- 1. FY2023 Earnings Summary, FY2024 Forecast and FY2025 Target**  
Summary / Additional Line Items, Net Profit / Dividend
- 2. Establishing an Enduring Business Structure**  
Creating a business framework that maintains consistent profitability even in varying external conditions  
- Proceeding to Next Phase toward the realization of 100 Mt and ¥1 Tn. Vision -  
Strategy / Domestic Steel Business / Overseas Steel Business /  
Raw Material Business / Other Group Companies / Three Non-steel Segments
- 3. Progress in Carbon Neutral Vision 2050**
- 4. HR and PR Initiatives to Recruit from and Retain Diverse Talent**
- 5. References(Business Environment & Other Topics)**
- 6. Supplementary Materials for Financial Results**

# Business Profit Variance (prev. FY23(f) -> FY23)

(Bn. JPY)	Prev. FY23(f)	FY23	Change
<b>Business Profit</b>	<b>800.0</b>	<b>869.6</b>	<b>+69.6</b>
<b>Underlying profit</b>	<b>890.0</b>	<b>935.0</b>	<b>+45.0</b>
1) Domestic	355.0	365.9	+11.0
2) Overseas	120.0	131.8	+12.0
3) Raw material	125.0	132.5	+7.0
4) Other group	230.0	245.8	+16.0
5) Non-steel	50.0	47.1	-3.0

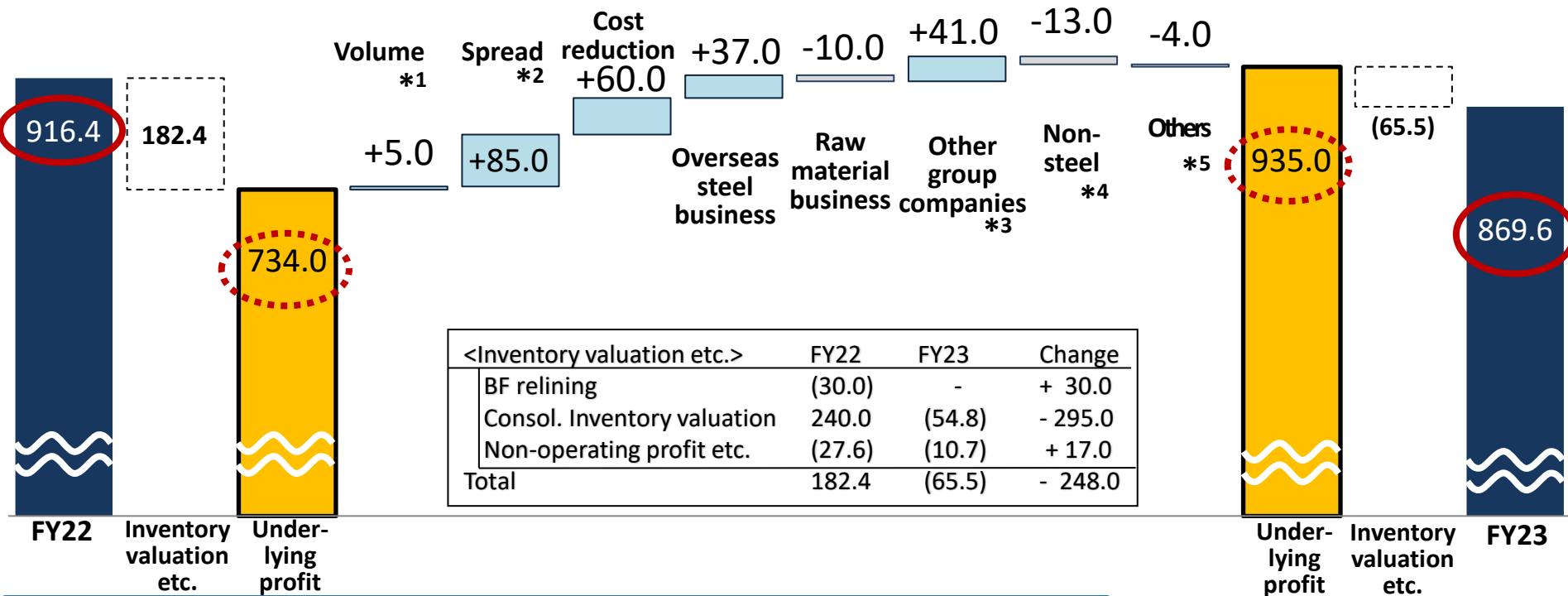
- \*1 Crude steel production : -0.01 Mt (approx. 35.00 -> 34.99)  
Steel shipment volume : approx. +0.03 Mt (approx. 32.00 -> 32.03)
- \*2 Incl. the impact of FX, and carry over -5.0bn. JPY(-30M\$) (10.0M\$ -> (20.0)M\$)
- \*3 Improve: Stainless steel & EAFs, Operational support etc.
- \*4 Engineering -6.3, Chemicals & Materials +1.7, Solutions +2.0
- \*5 Incl. decrease in depreciation cost ±0



# Business Profit Variance (FY22 -> FY23)

(Bn. JPY)	FY22	FY23	Change
<b>Business Profit</b>	<b>916.4</b>	<b>869.6</b>	<b>-46.8</b>
<b>Underlying profit</b>	<b>734.0</b>	<b>935.0</b>	<b>+201.0</b>
1) Domestic	222.0	365.9	+144.0
2) Overseas	95.0	131.8	+37.0
3) Raw material	142.0	132.5	-10.0
4) Other group	205.0	245.8	+41.0
5) Non-steel	60.0	47.1	-13.0

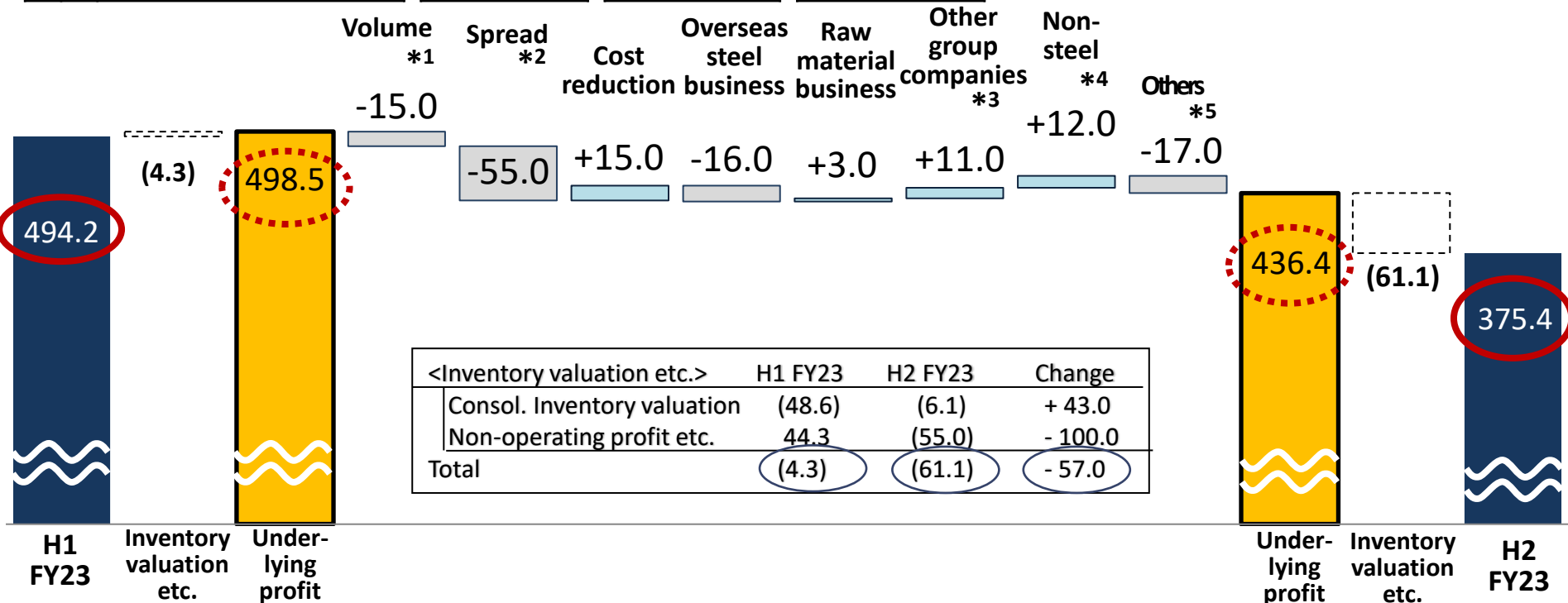
- \*1 Crude steel production : +0.74 Mt (34.25 -> 34.99)  
Excl. BF relining impact : +0.34Mt (34.65 -> 34.99)  
Steel shipment volume : +0.56 Mt (31.47 -> 32.03)  
Excl. BF relining impact : +0.16Mt (31.87 -> 32.03)
- \*2 Incl. the impact of FX, and carry over  
-22.0bn. JPY(-200M\$) (180M\$ -> (20)M\$)
- \*3 Improve: Trading, etc.
- \*4 Engineering -12.9, etc.
- \*5 Incl. increase in depreciation cost -12.0,  
Impact of definition change in underlying profit of  
Chemical & Materials -4.0



# Business Profit Variance (H1 FY23 -> H2 FY23)

(Bn. JPY)	H1 FY23	H2 FY23	Change
<b>Business Profit</b>	<b>494.2</b>	<b>375.4</b>	<b>-118.8</b>
<b>Underlying profit</b>	<b>498.5</b>	<b>436.4</b>	<b>-62.0</b>
1) Domestic	218.0	147.9	-70.0
2) Overseas	73.8	58.0	-16.0
3) Raw material	64.7	67.7	+3.0
4) Other group	117.4	128.4	+11.0
5) Non-steel	17.6	29.5	+12.0

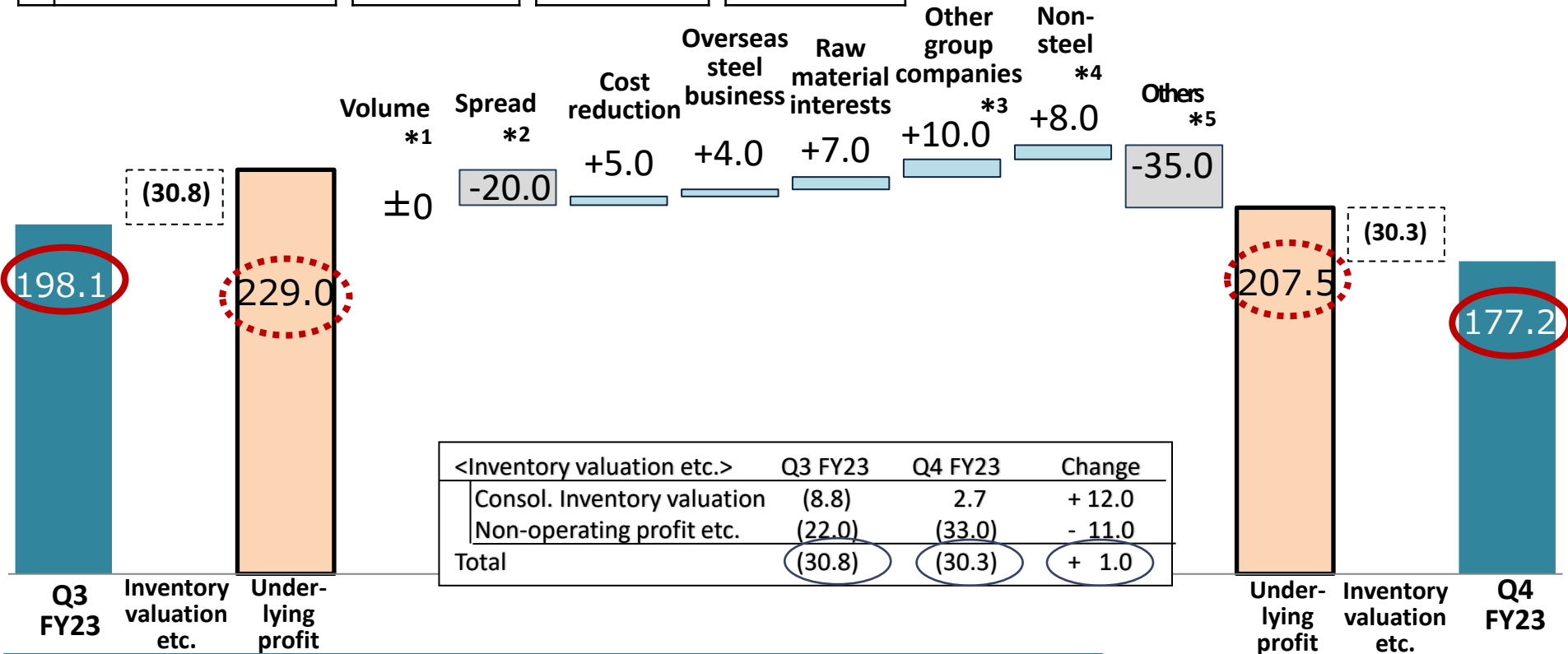
- \*1 Crude steel production : +0.10 Mt  
(17.44 -> 17.54)  
Steel shipment volume : -0.32Mt  
(16.17 -> 15.86)
- \*2 Incl. the impact of FX, and carry over  
+67.0bn. JPY(+490M\$) ((260)M\$ -> 230M\$)
- \*3 Improve: Secondary processing,  
Operational support etc.
- \*4 Engineering +9.4(Stripped loss in H1 FY23 from  
provision for losses of crane failures),  
Chemicals & Materials -3.1, Solutions +5.3
- \*5 Incl. Increase in depreciation cost -5.0



# Business Profit Variance (Q3 FY23 vs. Q4 FY23)

(Bn. JPY)	Q3 FY23	Q4 FY23	Change
<b>Business Profit</b>	<b>198.1</b>	<b>177.2</b>	<b>-20.8</b>
<b>&lt;Underlying Profit&gt;</b>	<b>229.0</b>	<b>207.5</b>	<b>-21.0</b>
Steel	189.1	155.2	-33.9
Non-steel	10.9	18.0	+7.1
Adjustment	(2.0)	3.9	+5.9

- \*1 Crude steel production: -0.13 Mt(8.84 -> 8.71)  
Steel shipment: -0.05 Mt (7.95 -> 7.90)
- \*2 Incl. the impact of FX, and carry over -12.0bn. JPY(-90M\$) (160M\$ -> 70M\$)
- \*3 Improve: Trading, Operational support, etc.
- \*4 Engineering +2.8, Chemicals & Materials +1.8, Solution +2.8
- \*5 Incl. increase in depreciation cost -2.0, Impact of definition change in underlying profit of Chemical & Materials -6.0



# Business Profit Variance (H2 FY23 -> H1 FY24(f))

(Bn. JPY)	H2 FY23	H1 FY24(f)	Change
<b>Business Profit</b>	<b>375.4</b>	<b>300.0</b>	<b>-75.4</b>
<b>Underlying profit</b>	<b>436.4</b>	<b>340.0</b>	<b>-96.0</b>
1) Domestic	147.9	100.0	-48.0
2) Overseas	58.0	45.0	-13.0
3) Raw material	67.7	80.0	+12.0
4) Other group	128.4	85.0	-43.0
5) Non-steel	29.5	24.0	-5.0

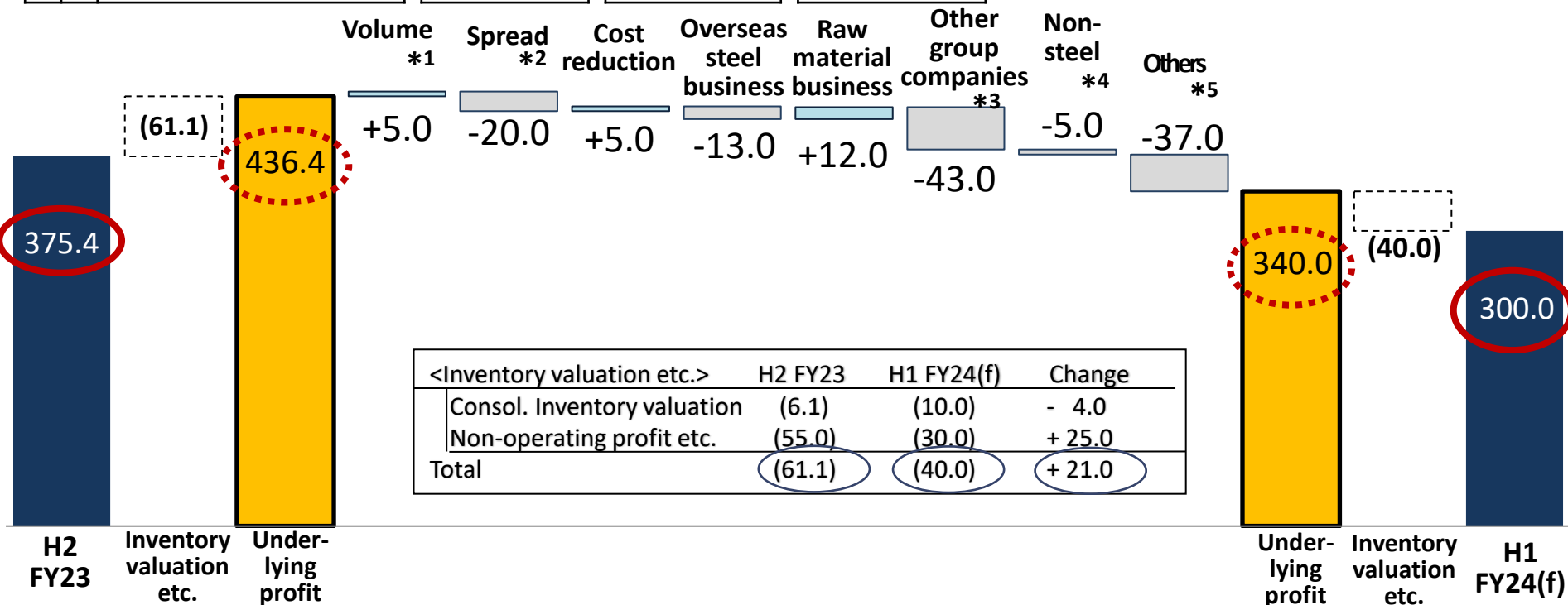
\*1 Crude steel production : approx. -0.04 Mt  
(17.54 -> approx. 17.50)  
Steel shipment volume : approx. +0.14Mt  
(15.86 -> approx. 16.00)

\*2 Incl. the impact of FX, and carry over  
-840bn. JPY(-580M\$) (230M\$ -> (350)M\$)

\*3 Deteriorate : Stainless steel & EAFs,  
Secondary processing,  
Operational support etc.

\*4 Solutions -5.4

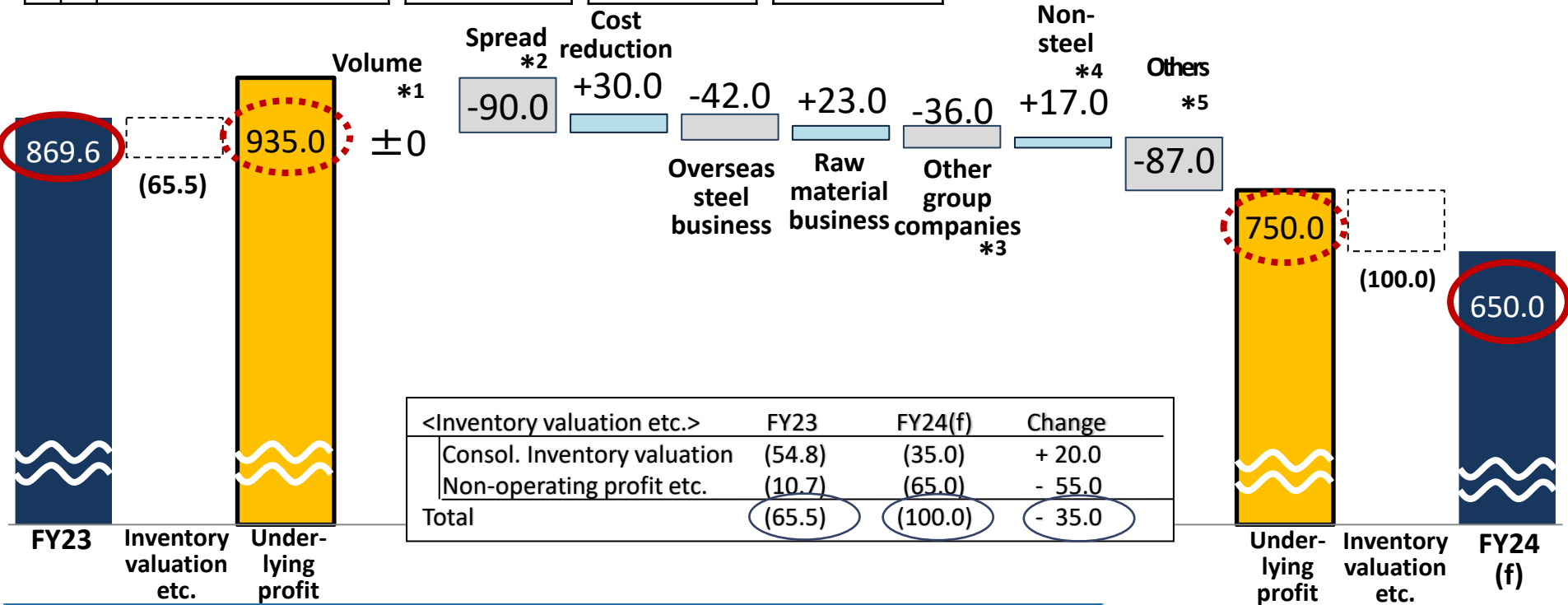
\*5 Incl. Increase in depreciation cost -6.0



# Business Profit Variance (FY23 -> FY24(f))

(Bn. JPY)	FY23	FY24(f)	Change
<b>Business Profit</b>	<b>869.6</b>	<b>650.0</b>	<b>-219.6</b>
<b>Underlying profit</b>	<b>935.0</b>	<b>750.0</b>	<b>-185.0</b>
1) Domestic	365.9	220.0	-146.0
2) Overseas	131.8	90.0	-42.0
3) Raw material	132.5	155.0	+23.0
4) Other group	245.8	210.0	-36.0
5) Non-steel	47.1	64.0	+17.0

- \*1 Crude steel production : approx. +0.01 Mt (34.99 -> approx. 35.00)  
Steel shipment volume : approx. -0.03 Mt (32.03 -> approx. 32.00)
- \*2 Incl. the impact of FX, and carry over -44.0bn.JPY(-280M\$) ((20)M\$ -> (300)M\$)
- \*3 Deteriorate : Stainless steel & EAFs, Operational support etc.
- \*4 Engineering +16.3, etc.
- \*5 Incl. increase in depreciation cost -17.0,





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