

**Nippon Steel enters into agreement with Teck Resources Limited
to acquire equity and royalty interests in Elk Valley Resources Ltd.**

- Securing stable procurement of high-quality steelmaking coal for decarbonization of steelmaking processes, and diversifying business portfolio to be more resilient to the changes in the external business environment -

Nippon Steel Corporation (**Nippon Steel**) and Teck Resources Limited (**Teck**), the second largest producer of high-quality steelmaking coal in the world, have executed an investment agreement with certain other affiliates of each of Nippon Steel and Teck (the **Investment Agreement**), pursuant to which Nippon Steel has agreed to indirectly acquire up to 10% of common shares, preferred shares and royalty interest (the **Investment**) in Elk Valley Resources Ltd. (**EVR**), which will be spun-off from Teck as an independent publicly-listed Canadian company and will own and operate the steelmaking coal business previously conducted by Teck (the **Separation**). Nippon Steel and EVR have agreed that concurrently with the completion of the Investment, they will enter into long-term coal offtake rights agreement, under which EVR will supply steelmaking coal to Nippon Steel.

1. Purpose of the Investment

(1) Securing high-quality steelmaking coal that is essential to Nippon Steel carbon neutral strategy

Nippon Steel is striving to achieve carbon neutrality by multi-track challenging technological developments, including hydrogen injection in blast furnaces, high-grade steel production in large size electric arc furnace, and DRI production by hydrogen (shaft furnace etc.). Nippon Steel has conducted technological development to reduce CO₂ emissions by injecting hydrogen into blast furnaces since 2008. To reduce CO₂ emissions while securing stable and efficient iron production, the use of high-quality steelmaking coal is essential, because it is required to make high-strength cokes, which play important roles such as reducing CO₂ emissions by improving reduction efficiency, securing enough space for hydrogen gas to penetrate in blast furnaces, and generating enough heat to melt and take iron out of blast furnaces in the hydrogen reduction process.

In order to address a concern that steelmaking coal production capacity may shrink in the future, since capital investment for fossil fuels, including coal, has been decreasing in a trend of pursuing carbon neutrality, Nippon Steel has decided to increase its investment in high-quality steelmaking coal, which is essential in pursuing its own carbon neutral strategy.

(2) Sustainable and profitable consolidated business portfolio by increasing investment in high-quality raw materials

In its medium- to long-term management plan, Nippon Steel is striving to become “the best steelmaker with world-leading capabilities” through continuous profit growth of its five-business portfolio, Domestic steel business, Overseas steel business, Raw material interests, Other group companies, and Three non-steel segments. The current situation where raw material and fuel prices remain high regardless of fluctuations in the steel market, however, casts a significant challenge to the sustainability of Nippon Steel steelmaking business.

In addition to securing high-quality steelmaking coal, following completion of the Investment and the acquisition by Nippon Steel of additional common shares of EVR to increase its interest, Nippon Steel will be able to consolidate EVR as an equity-method affiliate. Through the Investment, Nippon Steel expects to diversify its business portfolio to be more resilient to the changes in the external business environment. Furthermore, diversification of Nippon Steel business portfolio by increasing its interest in raw materials is also expected to contribute to higher consolidated

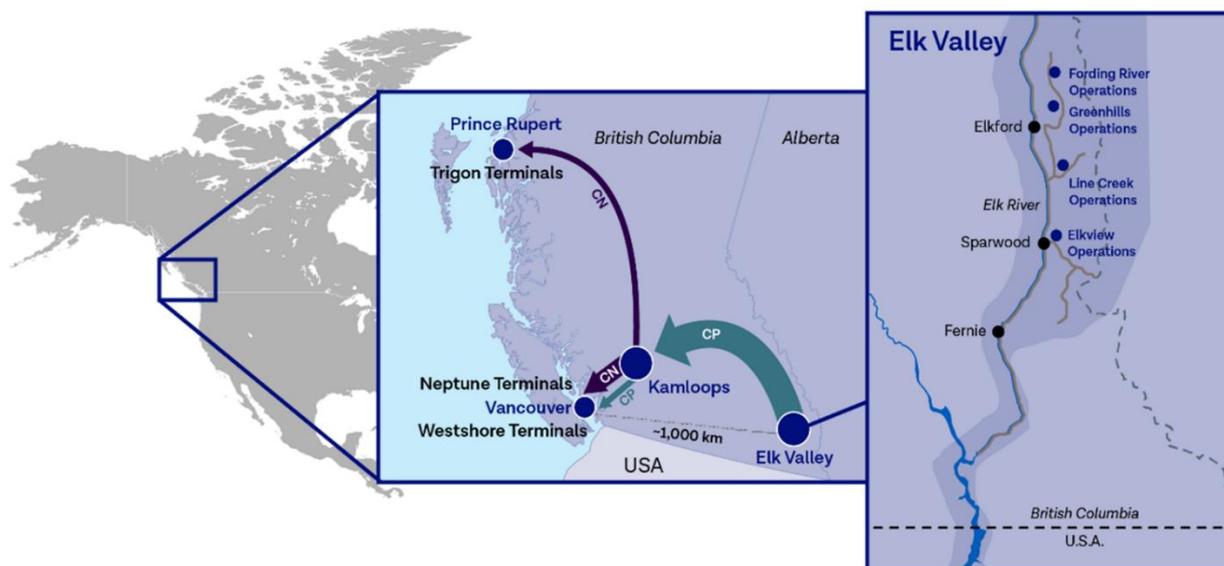
earnings.

Toward the realization of carbon neutrality, Nippon Steel will focus on research and development and commercializing innovative technology ahead of other countries. For securing essential funds for R&D and capital investment, Nippon Steel will seek to continue to build a more resilient business portfolio ranging from raw materials to steel production and trading, and to improve consolidated earnings by strengthening the profitability of each business.

2. Overview of Elk Valley Resources Ltd (planned)

Name	Elk Valley Resources Ltd.
Head Office	Vancouver, British Columbia, CANADA
Description of Business	Production and sales of steelmaking coal
Major coal mines	Fording River, Elkview, Greenhills, Line Creek (Annual production capacity: 25-27 million tonnes in total)

(Location of EVR steelmaking coals mines)



3. Overview of the Investment Agreement, the Investor Rights Agreement, and long-term steelmaking coal Offtake Rights Agreement

Nippon Steel has executed the Investment Agreement, pursuant to which Nippon Steel has agreed to acquire, through its wholly-owned subsidiary, NS Canadian Resources Inc.(NSCR), up to 10% of the common shares, 10% of the preferred shares and a 10% undivided interest in a royalty issued by EVR (the **Royalty**). Nippon Steel and EVR will also enter into an investor rights agreement (the **Investor Rights Agreement**), pursuant to which Nippon Steel will agree to standstill restrictions and be entitled to certain customary rights including a right to nominate one director for election to the board of directors of EVR. In addition, Nippon Steel and EVR will enter into the long-term coal offtake rights agreement consistent with the long-standing commercial arrangements for Nippon Steel’s purchase of steelmaking coal from EVR, upon completion of the Investment (the **Offtake Rights Agreement**). Under the terms of the Offtake Rights Agreement, EVR will supply Nippon Steel with significant portion of the Hard Coking Coal (HCC), high-quality steelmaking coal.

(Overview of Nippon Steel investment in EVR (*1))

	Percentage Acquired
Common shares (*2)	10%
Preferred shares (*3)	10%
Royalty (*4)	10%
Total acquisition values (*5)	1,150 million CAD (approx. 110 billion JPY)

(*1) The transaction is expected to be completed as soon as the preconditions for the transaction are satisfied. The transaction is expected to be completed in the 1Q (April to June) of FY2023.

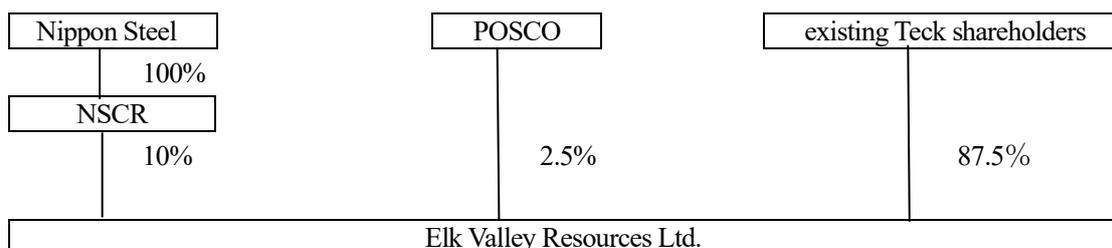
(*2) After closing Nippon Steel will have the right to acquire additional common shares of EVR up to a maximum of 17.5% of all EVR common shares.

(*3) Preferred shareholders have the right to receive dividends in preference to common shares for an agreed period of time.

(*4) Approximately 90% of EVR free cash flow is expected to be distributed to the holders of the Royalty for an agreed period of time.

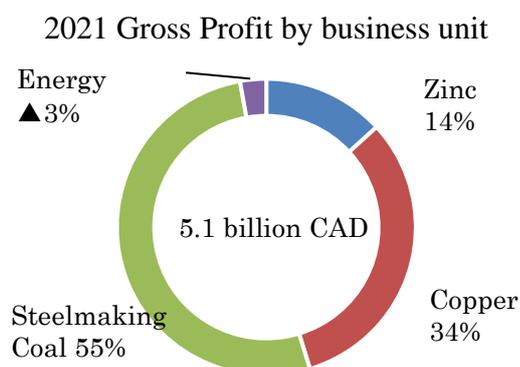
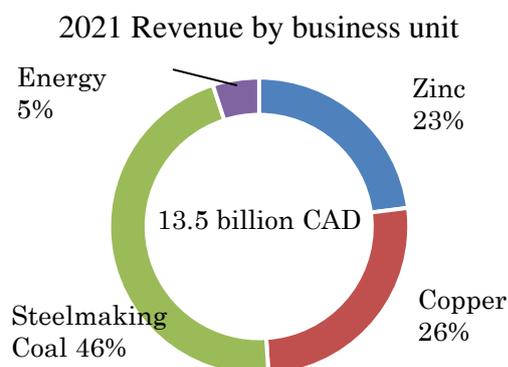
(*5) Nippon Steel will exchange its current Elkview interest and its 1,025 million CAD cash to 10% interest in EVR.

(Structural overview, shareholders in common shares)



(Reference 1) Overview of Teck Resources Limited (as of December 31st, 2022)

Name	Teck Resources Limited
Location	Vancouver, British Columbia, CANADA
Name of Representative	Jonathan Price, Chief Executive Officer
Description of Business	A diversified resource company committed to responsible mining and mineral development with business units focused on copper, zinc, and steelmaking coal
Number of Employees	Approximately 10,000
Foundation	1913 Teck-Hughes Gold Ltd. was established 2009 Change trade name to Teck Resources Limited



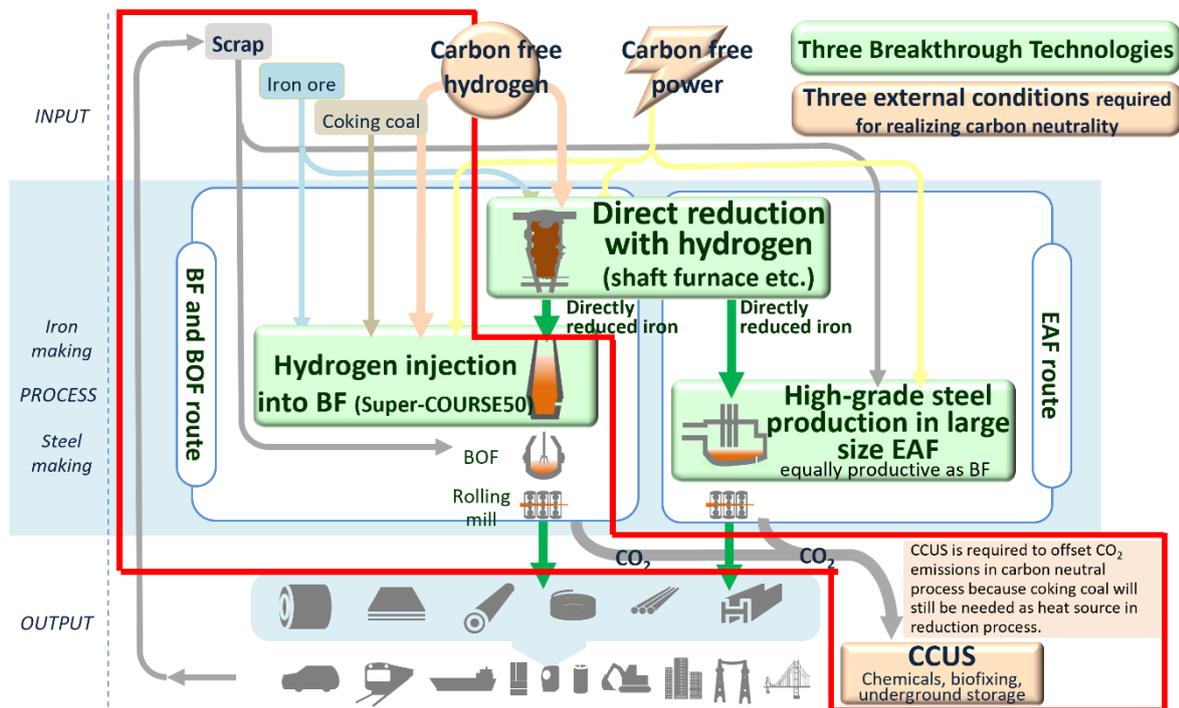
(Reference 2) Overview of Teck reorganization

- Teck will create two independent, publicly-listed companies, Elk Valley Resources Ltd. (Steelmaking Coal Business), and Teck Metals Corp. (Base Metal Business, such as Copper and Zinc), by the Separation.
- The common shares of EVR and Teck Metals are distributed to existing shareholders of Teck, and Nippon Steel will acquire up to 10% of the common shares pursuant to the Investment Agreement and POSCO will acquire a 2.5% interest in the common shares of EVR in a separate transaction.

*For more information about the Separation, please refer to the Teck website:

<https://www.teck.com/>

(Reference 3) Necessity of steelmaking coal in Nippon Steel Carbon Neutral Vision 2050



* Excerpt from “Nippon Steel Carbon Neutral Vision 2050” (released on March 30th, 2021)

4. Future Outlook

The Investment is expected to have a minor impact on the consolidated financial result for this fiscal year ending March 31, 2023.

For inquiries:

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