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Acquisition of Equity and Royalty Interests in Elk Valley Resources Ltd., Steelmaking Coal Supplier in Canada

February 21st, 2023

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

Agenda

1. Overview of the Investment

- 2. Purposes of the Investment
- 3. Appendix



Overview of the Investment

Overview

- Nippon Steel will acquire part of the common shares of Elk Valley Resources Ltd. (EVR), a steelmaking coal company which will be listed after spin-off from Teck Resources Limited (Teck), the second largest producer of high-quality steelmaking coal in the world.
- Acquisition values: approx. ¥110.0bn
- Nippon Steel and EVR will also enter into a long-term coal supply agreement (the Offtake Rights Agreement) consistent with the long-standing commercial arrangements for Nippon Steel's stable procurement of hard coking coal, high-quality steelmaking coal, from EVR.

Purposes

Securing high-quality steelmaking coal that is essential to Nippon Steel's carbon neutral strategy

Securing stable procurement of high-quality steelmaking coal that is essential to a carbon neutral steelmaking process

Stabilizing Nippon Steel's consolidated profit by increasing investment in high-quality raw materials Vertically expand the core business domain to make the consolidated business structure resilient to externalities

Building a more resilient business portfolio to secure essential funds for R&D and capital investment in innovative technologies for realizing carbon neutrality



Structural Overview

Investment

Ordinary Shares,

Preferred shares, Royalty

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10%

Nippon Steel will acquire up to 10% of the common shares of Elk Valley Resources (EVR), a steelmaking coal business that will be spun off from Teck Resources (Teck).

POSCO

2.5%

Existing

Ordinary

Shares

87.5%

Elk Valley Resources Ltd.



Nippon Steel will acquire 10% of each of the common shares, preferred shares and royalty interests. total acquisition values : 1,150 million CAD (approx. ¥110.0bn) Nippon Steel's current Elkview interest will be exchanged into 125 million CAD of the above 1,150 million CAD.

Nippon Steel and EVR will also enter into an investor rights agreement, including a right to nominate one director for election to the board of directors of EVR.

87.5%

The transaction is expected to be completed as soon as the conditions precedent to the transaction are satisfied. (expected to be completed in the Q1 (April to June) of FY2023) Preferred shares : Preferred shareholders have the right to receive dividends in preference to common shares for an agreed period of time. Royalty interests : Approximately 90% of EVR free cash flow is expected to be distributed to the holders of the Royalty for an agreed period of time.

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.



Teck Metals Corp.

(Surviving company)

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 \sim 27 million tons in total)







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Overview of Elk Valley Resources Ltd



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Purpose 1) Securing High-Quality Steelmaking Coal

Nippon Steel has been promoting R&D of three breakthrough technologies to realize carbon neutral steelmaking process: Hydrogen Injection into BF (circled in red), Highgrade Steel Production in Large Size EAF, and Direct Reduction with Hydrogen



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⁹
 Purpose 1) Securing High-Quality Steelmaking Coal
 To reduce CO₂ emissions while securing stable and efficient iron production in hydrogen injection into BF,

it is essential to stably procure high-quality steelmaking coal



High-quality steelmaking coal is essential

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Purpose 1) Securing High-Quality Steelmaking Coal

While the ratio of coal use in carbon neutral steelmaking process is to decrease in the future, a certain amount of coal will still be required in reduction process with hydrogen in blast furnaces

Investment in steelmaking coal mine development is not expected to expand in decarbonization trend

Nippon Steel has decided to increase its investment in raw material interests in order to stably procure high-quality steelmaking coal



Ratio of coal procured from invested mines will further increase in a long-term as steelmaking process shifts to carbon neutral process and the total amount of coal use decreases

10



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Purpose 2) Stabilization of Consolidated Profit

Steelmaking coal market has increased its volatility, and the prices have remained high particularly in recent years, although the users of steelmaking coal are limited to steel manufacturers.



This structural change in the raw material market has cast a significant challenge to the sustainable profit in Nippon Steel's steelmaking business

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Purpose 2) Stabilization of Consolidated Profit

Nippon Steel will be able to consolidate EVR as an equity-method affiliate

Vertically expand the core business domain to make the consolidated business structure resilient to externalities



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.



Underlying Consolidated Business Profit

Horizontal and Vertical Expansion of the Core Businesses





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- **1. Overview of the Investment**
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Appendix: Overview of Teck Resources Limited

The second largest producer of high-quality steelmaking coal in the world

	Name	Teck Resources Limited					
He	ead Office	Vancouver, British Columbia, CANADA	Vancouver, British Columbia, CANADA				
Description of Business		A diversified resource company committed to responsible mining and mineral development with business units focused on copper, zinc, and steelmaking coal					
Name of Representative		Jonathan Price, Chief Executive Officer					
Number of Employees		Approximately 10,000					
Foundation		1913: Teck-Hughes Gold Ltd. Was established 2008: Changed trade name to Teck Resources Limited					
Major Share- holders	Class A share	Temagami Mining Company Ltd. SMM Resources Incorporated	Class A votes 55.4% 18.9%	Aggregate votes 33.0% 11.3%			
	Class B share	Fullbloom Investment Corporation	Class B votes 11.3%	4.5%			





Appendix: Sustainability Highlights of Teck Resources Limited ¹⁶

Ø) '	Water & Tailings			 Quadrupled water treatment capacity at Elk Valley from 2020 to 2022 Aiming to obtain Global Industry Standard on Tailings Management (GISTM) at all facilities by August 2023 Desalinated seawater in place of freshwater use at Quebarada Bianca 2 copper mine 				
) Ir	Hı ndige	uman & nous Rights		 Zero human rights incidents in 2021 85 active agreements with Indigenous Peoples 				
<u>P</u> <u>P</u> <u>P</u>)	Inc Di	lusion & iversity		1/3 of all new hir 21% of women at	es in 2021 women t Teck vs. Bloomberg 2019 industry average of 15.7%			
			DJSI World &	Am	erican Indicates	Top-ranked mining company			
	Ratings &		S&P Susta		bility Award	Gold Class Award 2022 Top ranked North American Mining company			
			Moody's	Moody's ESG Solutions					
Rati			FTSE4Good		Good	Top percentile mining subsector			
Rankings		igs	MSCI			"AA" rating Performance in top 10% of subindustry			
			ISS ESG			Rated Prime among the top 10% of Metals & Mining companies			
	SUSTA		AIN	ALYTICS	#3 ranked diversified metals mining company				



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Appendix: Financial results of Teck Resources Limited

CY2021Gross Profitapprox. 5.1 bn. CAN\$/y (approx. ¥485 bn.)Steelmaking coal business unitapprox. 2.8 bn. CAN\$/y (approx. ¥270 bn.)Profit attributed to shareholdersapprox. 2.9 bn. CAN\$/y (approx. ¥280 bn.)







Profit attributed to shareholders (Mn. CAN\$/y)



 $2010\,2011\,2012\,2013\,2014\,2015\,2016\,2017\,2018\,2019\,2020\,2021$

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Purpose 1) Securing High-Quality Steelmaking Coal

In order to achieve carbon neutrality, it is necessary to not only use steel scrap but also reduce CO₂ emissions from reduction of iron ore

Global scrap



Crude steel production needed to meet global steel stock growth will continue to increase.



Availability of scrap increases as the increase of steel stock.

Obsolete scrap: Available from end-of-life products Prompt scrap: Generated in production of steel-based products

Home scrap: Generated in the steelmaking process

Global pig iron production estimates



Even if all the scrap is recycled, it is insufficient to meet the annual need for crude steel production, and steel production from iron ore will need to be at the same scale in the future.

Source: JISF, Long-term vision for climate change mitigation: A challenge towards zero-carbon steel



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Appendix: R&D of Reduction with Hydrogen in Blast Furnaces

Nippon Steel has been promoting R&D of technologies to reduce iron ore with hydrogen in blast furnaces in steady progress and ahead of steel companies in other countries.

Demonstration thorough process of gas injection to the actual large-scale BF with 4500m³ in size will start in Jan. 2026, which is the first trial in the world





19

Appendix: Our R&D on CCUS Technology

Nippon Steel is Dedicated to Development of Technology to Capture, Transport, Store and Utilize CO₂

Capture	CO ₂ Capturing	 Development of CO₂ capturing at low cost of less than ¥2,000/t-CO₂ by use of high-performance absorbent and heat exchanger for waste heat recovery Nippon Steel Engineering Co., Ltd. commercializes CO₂ separation and recovery equipment R&D for CO₂ capturing from waste gas with RESONAC and 6 universities 	Absorption tower Absorbs CO ₂ at ambient temp.	Stripper Strip CO ₂ at high temp. 99% CO ₂ 120°C Waste heat Reboiler
Transport	R&D and FS of technologies for CO ₂ transport and storage	 Joint R&D and demonstration with ITOCHU and others on CC ship transportation. Joint Study Agreement to capture and transport liquified CO₂ toward flagship offshore floating CO₂ capture and storage huproject("CStore1") in Australia. MOU with Mitsubishi and ExxonMobil to conduct research of capture, transportation and storing CO₂ 	CO, captured & liquefied from industrial sources in Austria & Asia-Pacific 2 b b control by ships 2 b control by ships 2 control by ships 2 contro	CO, Floating Storage and Injection Hub Permanent and safe CO ₂ underground
Storage	Utilization of our steel products for CO ₂ storage	 High alloy OCTG seamless pipe for CCS OCTG pipe and Special joint for EOR 		
Utilization	CO ₂ Utilization for chemical manufacturing	 Joint R&D with ENEOS GLOBE and two universities on technology and processes to produce LP gas from CO₂ Joint R&D with Australian Univ. on technology to produce medium-chain carboxylates from CO₂ using microorganisms Joint R&D with Toyama Univ. produce para-xylene from CO₂ Joint R&D with three universities to produce polyurethane intermediate from CO₂ at normal pressure 	Biomass HD, g GH Metal oxide catalyst Dis	synthesis of renewable polycarbonate dios
	CO ₂ absorption by organisms	Blue Carbon by regeneration of seaweed bed by steel slag	Calcia modified soil Tideland Hydrated form Shallow bottom	Calcia modified soil Seaweed beds Hydrated form & Iron supply unit

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Appendix: Nippon Steel's Investment in Mines

					Rat	io of raw materia procured from invested mines	ls Total procureme (FY2021)	ent
				2	Iron ore	Approx. 20%	58 мм	T
 Iron ore Coal Others 			Vear		Coal	Approx. 20%	27 мм	T
	X -	ра	irticipated	Equity ratio)	Major shareholder	Сарасцу ММТ/Ү	
Iron ore pellet	Australia	Robe River	1977	14.0%	F	Rio Tinto 53.0%	70	
non ore, pener	Brazil	NIBRASCO	1974	33.0%		VALE 51.0%	10	
	Australia	Moranbah North [*]	1997	5.0%	Ang	lo American 88.0%	12	
		Warkworth	1990	9.5%		Yancoal 84.5% Glencore 85.9%		
Coal		Bulga	1993	12.5%	C			
		Foxleigh	2010	10.0%	Middle	emount South 70.0%	3	
		Boggabri	2015	10.0%	Ider	nitsu Kosan 80.0%	7	
	Canada	Elkview	2005	2.5%	Т	eck Coal 95.0%	7	
Others (Niobium)	Brazil	СВММ	2011	2.5%	Мо	reira Solles 70.0%	9	
			* •				1	

* Grosvenor mine was integrated with Moranbah North in 2020



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