Acquisition of U.S. Steel

Dec 18, 2023
Agenda

1. Overview
2. Rationale
3. Strengths of U.S.Steel
4. Appendix (Strengths of Nippon Steel)
5. Appendix (Data of U.S.Steel)
Moving Forward Together as the "Best Steelmaker with World-Leading Capabilities"

Combines world-leading technologies and manufacturing capabilities to better serve customers worldwide

Drives the global steel industry towards decarbonization and a sustainable world with a shared commitment to decarbonize by 2050

Brings together two storied companies with rich histories of industry-leading innovation

U.S. Steel to retain its brand name and headquarters in Pittsburgh, PA

“Best Steelmaker with World-Leading Capabilities”

Delivering Best for All®
Contributions for stakeholders

- All-cash offer of 55$/share for U.S.Steel shareholders, Premium: 40% to 12/15 $39.33
- Enhance Nippon Steel's consolidated profitability and potential for growth, and maximize shareholder value
- Combines world-leading technologies and manufacturing capabilities to better serve customers worldwide
- All of U.S.Steel’s commitments with its employees will continue to be honored.
- Values continuity in strong relationships with U.S.Steel’s suppliers, customers, the surrounding communities and people that support U.S.Steel’s operations and is committed to being a productive member of these communities.
- Drives the global steel industry toward decarbonization and a sustainable society
Subsidiary Structure

Transaction

U.S.Steel Shareholders

NIPPON STEEL NORTH AMERICA, INC.

Offer Price: $ 55 per share
Total Amounts: $ 14,126 million (approx. 2,010 billion of yen)

Enterprise value including debt $14,868 million (approx. 2,120 billion of yen)

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Total Amounts: $ 14,126 million (approx. 2,010 billion of yen)

Enterprise value including debt $14,868 million (approx. 2,120 billion of yen)

Approximate timetable
- December 18, 2023: Merger Agreement signed
- Approx. Mar. 2024: U.S.Steel Shareholder Vote

The transaction is expected to close in the second or third quarter of calendar year 2024, subject to approval by stockholders of U.S.Steel and receipt of U.S. and foreign regulatory approvals and other customary closing conditions.
Impact on Nippon Steel’s Financial Statements

**Cash flows**
- Payment of the Amount for the merger consideration to existing U.S.Steel shareholders after approval of U.S.Steel shareholders, receipt of regulatory approvals and other closing conditions as specified in the merger agreement [Second or third quarter of calendar year 2024 (Estimate) ]
- Total amounts $14,126 million(approx. 2,010 billion yen)
- Financing for the transaction has been secured with commitment letters from Japanese banking institutions.

**Balance Sheet**
- Upon consummation of the transaction, U.S.Steel’s asset and debt will be consolidated onto Nippon Steel’s balance sheet.

  *based on 9/30/23 and include any other assumptions

- Cf. Total assets: approx.$+20,395 million (approx. 29,000 billion yen)*

  Interest-bearing debt:
  - Increase in amount equivalent to the payment $+14,126 million (approx. 2,010 billion yen)
  - U.S.Steel’s interest-bearing debt will be added on $+ 4,159 million (approx. 590 billion yen)*
  - Total $+18,285 million (approx. 2,600 billion yen) *

  * Estimated using 2023.9E balance

  Debt/equity ratio to go to 0.9 (from 0.5) due to transaction
  Since then, recovery due to U.S.Steel’s EBITDA and debt reduction

**P/L**
- In case of closing by mid-August :
  NSC will commence consolidation from the 3Q FY2024 (U.S.Steel's July-September 2024 period will be consolidated).
- In case of mid-Aug – mid-Nov closing :
  NSC will commence consolidation from the 4Q FY2024 (U.S.Steel’s October-December 2024 period will be consolidated).

  Cf. 2023.1-9result
  - net profit before tax $1,212million/Y (approx.¥170billion/Y)
  - net profit after tax $975million/Y (approx.¥140billion/Y)
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Toward a group with a more global expansion

Global crude steel production capacity

66 Mt/Y*

86 Mt/Y

20 Mt/Y (22Mst/Y)

Upstream bases
- Japan, India, Brazil, Thailand, Sweden and others, The U.S.

Downstream bases
- Total 16 countries

*Simple aggregate of nominal capacities of companies in which NSC has at least 30% stake, As of March 31, 2023

Manufacturing bases
- The U.S., Slovakia

U.S. Steel
- Integrated steelmill
- Downstream base

Nippon Steel
- Integrated steelmill
- Downstream base

t: metric ton
st: short ton

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This acquisition aligns with Nippon Steel’s global strategy.

**Overseas Business Expansion Policy**

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** (Largest market of high-grade steel)
- **Home market ASEAN**
Attractiveness of the U.S. Steel Market

The market with the largest steel demand in developed countries and where high-grade steel demand is expected and our technologies and products are highly appreciated.

High level of domestic demand
➢ The U.S. is the only developed country whose population continues to grow over the long term
➢ energy and manufacturing industries to return to the U.S. under changes in the world economy structure and cheap energy in the U.S.
➢ the infrastructure bill and spending is expected to drive steel demand uptick moving forward

Supply-demand balance not depending on exports, based on domestic demand

**Steel demand structure**

U.S. demand for steel outpaces domestic supply

- **Crude Steel Production** 81 Mt/Y
- **Steel Export** 8 Mt/Y
- **Steel Consumption** 95 Mt/Y
- **Steel Import** 29 Mt/Y
- **Self-sufficiency** 69%

Steel consumption trend

- China ➢ 94.5 Mt/Y
- US ➢ 355 Mt/Y
- ASEAN5 ➢ 150 Mt/Y
- India ➢ 100 Mt/Y
- Japan ➢ 30 Mt/Y
- Brazil ➢ 50 Mt/Y

Steel demand trend

- Steel consumption ➢ 100 Mt/Y
- Steel export ➢ 15 Mt/Y
- Steel production ➢ 85 Mt/Y

Steel demand structure

U.S. demand for steel outpaces domestic supply

- Crude Steel Production ➢ 81 Mt/Y
- Steel Export ➢ 8 Mt/Y
- Steel Import ➢ 29 Mt/Y
- Steel Consumption ➢ 95 Mt/Y
- Self-sufficiency ➢ 69%

Expected growth until 2080

(Released by Statistical Authority of the US Government in Nov. 2023)
Creating new value by combining the technologies of both Nippon Steel and U.S. Steel

<table>
<thead>
<tr>
<th>Product Technologies</th>
<th>Operational, Equipment Technologies</th>
<th>Decarbonization Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ Automotive sheets (high-grade), Processing technologies and solutions</td>
<td>◆ Quality and Cost improvement technologies</td>
<td>◆ EAF process technologies (Mass production of high-grade steels)</td>
</tr>
<tr>
<td>◆ Electrical steel sheets (high-grade)</td>
<td>◆ Energy-saving technologies</td>
<td>◆ BF Hydrogen Reduction Technologies</td>
</tr>
<tr>
<td>◆ Highly corrosion-resistant plated steel sheet for building materials (high-grade)</td>
<td>◆ Automation Technologies</td>
<td>◆ “NSCarbolex™ Neutral” steel products CO₂ emissions savings in the steelmaking process are allocated</td>
</tr>
<tr>
<td>◆ Nickel-coated steel sheets</td>
<td>◆ Technologies to recycle</td>
<td>◆ EAF Process Technologies</td>
</tr>
</tbody>
</table>

After acquisition, study the detail of the potential synergy
**Shared Commitment: to decarbonize by 2050**

- Both companies are strategically investing in R&D to achieve net zero by 2050
- Together, NSC and U.S.Steel will accelerate technology developments and commercialization

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**NIPPON STEEL**

Leads the world through the development of 3 innovative technologies

- **Total CO₂ emissions** (million t-CO₂/year)
  - Domestic: SCOPE1+2
  - 2013: 102
  - 2030: -30% Carbon Neutral CCUS
  - 2050 Vision: ...

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**United States Steel Corporation**

Leads the world through mini-mill

- **CO₂ emissions per ton of steel** (t-CO₂/t-steel)
  - 2018: 102
  - 2030: -20% Carbon Neutral CCUS
  - 2050 Vision: ...

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**~2030**

- Hydrogen injection into blast furnaces (Implementation of COURSE50)
- Reduction of CO₂ emissions in existing processes
- Establishment of an efficient production framework etc.

**~2050**

- 3 breakthrough technologies
  1. Hydrogen injection into blast furnaces (Super COURSE50)
  2. High-grade steel production in large size EAF
  3. Hydrogen direct reduction of iron
- CCUS* and other carbon offset measures

**~2030**

- Expansion of EAF production capacity
- Optimization of production

**~2050**

- Future mini mill development
- DRI with natural gas
- Development of cutting-edge technologies
  1. CCUS*
  2. DRI with hydrogen
  3. Electric grid improvements
  4. Electrification and hydrogen use
  5. Offsets/Credits

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* Carbon Capture, Utilization and Storage

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1. Overview
2. Rationale
3. **Strengths of U.S.Steel**
4. Appendix (Strengths of Nippon Steel)
5. Appendix (Data of U.S.Steel)
# Overview of U.S.Steel

- Leading integrated BF and EAF manufacturer in the U.S. mainly Flat-Rolled sheets including for auto
- Currently promoting a plan to increase EAF capability
- Leveraging own iron ore mines, self-sufficient in pellets for BF and EAFs, and pig iron for EAFs

<table>
<thead>
<tr>
<th>Headquarters</th>
<th>Pittsburgh, Pennsylvania, USA (remain unchanged after acquisition)</th>
<th>Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing bases</td>
<td>&lt;Flat-Rolled&gt;: Gary (Indiana), Mon Valley (Pennsylvania), Granite City (Illinois), Great Lakes (Michigan), PRO-TEC (Ohio)</td>
<td>Košice (Slovakia)</td>
<td></td>
</tr>
<tr>
<td>&lt;Mini-Mill&gt;: Big River Steel (Arkansas)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;Tubular&gt;: Fairfield (Alabama)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product types</td>
<td>Steel sheets (Hot-rolled sheets, Cold-rolled sheets, Galvanized Sheets, Tin plate, Electrical steel sheets), Pipes and tubes (Seamless pipes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Steel Production Capability</td>
<td>15.8Mt/Y (17.4Mst/Y) 8 BF (Including 2 BF idle) 3 EAF (+2 EAFs under construction)</td>
<td>4.5Mt/Y (5.0Mst/Y)</td>
<td>20.3Mt/Y (22.4Mst/Y)</td>
</tr>
<tr>
<td>Raw Steel Production</td>
<td>11.0Mt/Y (12.2Mst/Y incl. EAF 3.3Mst, EAF ratio 21% to be expanded in the future)</td>
<td>3.5Mt/Y (3.8Mst/Y)</td>
<td>14.5Mt/Y (16.0Mst/Y)</td>
</tr>
<tr>
<td>Steel shipments</td>
<td>10.2Mt/Y (11.2Mst/Y)</td>
<td>3.4Mt/Y (3.8Mst/Y)</td>
<td>13.6Mt/Y (14.9Mst/Y)</td>
</tr>
<tr>
<td>Iron ore mines owned</td>
<td>Minntac, Keetac (Minnesota)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pellet Production</td>
<td>20.0Mt/Y (22.1Mst/Y)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>16,814M$/Y</td>
<td>4,243M$/Y</td>
<td>21,065M$/Y</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>3,259M$/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>2,524M$/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Employees</td>
<td><strong>14,487</strong></td>
<td>8,253</td>
<td>22,740</td>
</tr>
</tbody>
</table>

* End of 2022CY, **2022CY  t: metric ton st: short ton
Strengths of U.S.Steel

**Social and Relationship Capital**
- Extensive U.S. Client bases
- Well-established history Brand value

*Company brand name will remain unchanged after acquisition*

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

**Natural Capital**
- Low cost iron ore mines with abundant reserves

**United States Steel Corporation**

**Human Capital**
- Excellent Management and employees
- Strong relationship with unions
- Good retention ratio

**Intellectual Capital**
- Well-developed, customer-oriented R&D system and bases
  - Munhall, Pennsylvania
  - Houston, Texas
  - Troy, Michigan, etc.

**Financial Capital**
- Excellent financial structure
  - D/E Ratio<0.1
  - (Net interest-bearing debt / Shareholders' equity)
- Sufficient retirement benefit reserves

Company brand name will remain unchanged after acquisition.
## Strengths of U.S.Steel - Strategic Investments

On-time and on-budget, investments focused on expanding the competitive advantages from the raw material process to the finished product process are in progress.

<table>
<thead>
<tr>
<th>Project</th>
<th>Investing</th>
<th>Expected Run-rate EBITDA*</th>
<th>Notes</th>
</tr>
</thead>
</table>
| **Keetac Mine**                | $150 million | Construction started in 2022, Production start in 2024 | - In addition to DR-grade pellets supplied to EAF, BF-grade pellets can also be produced  
- Produced pellets can also be sold to third-party DRI or HBI producers |
| **Gary Works**                 | $60 million | $30 million/Y             | - Tons of Pig Iron Capability : 500k/Y  
- Provide nearly 50% of Big River Steel's ore-based metallics needs |
| **Big River**                  | $450 million | $140 million/Y           | - Tons of Finishing Capability : 200k/Y  
- Meeting the growing electric vehicle demand |
| **Big River 2**                | $280 million | $60 million/Y            | - Tons of Finishing Capability : 325k/Y  
- Manufactures Galvalume® steel for exposed building panels and hot-dipped galvanizing steel for appliance and construction |
| **Integrated line from EAF to Steel Sheets** | $3,000 million | $650 million/Y          | - Tons of EAF Capability : 3M/Y  
- Installing state-of-the-art Endless Casting & Rolling Line |

*Average assumed EBITDA if the current environment continues.
**Strengths of U.S. Steel - State-of-the-art Mini-Mill**

- **U.S. Steel** acquired a 49.9% equity interest of Big River Steel in 2019 and the remaining 51.1% in 2021.
- New production line for non-oriented electrical steel sheets began operations in Oct-2023, and Coating line schedules to start operation in 2024.
- Big River 2 is currently under construction, which will nearly double mini mill steel capacity. The site is approx. twice larger than East Nippon Works Kimitsu Area of Nippon Steel.

### Big River Steel

- **EAF**: 2 (3.3 Mst/Y)
- RH Degasser: 1
- CSP (Compact Strip Production): 1
- Galvanizing line: 1 (525 kst/Y)
- Non-grain oriented electrical steel line: 1 (200 kst/Y)
- **【Under construction】**
- Galv/galvalume: 1 (325 kst/Y)
- Paint line: 1 (165 kst/Y)

### Big River 2

- **EAF**: 2 (3 Mst/Y)
- ESP (Endless Strip Production): 1
- Galvanizing line: 2 (1 Mst/Y)
- 62% of project execution has been completed*
- 92% of project spend has been committed*
- Production to start in 2H 2024 and expected to achieve full-production levels by 2026

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- Location: Osceola, Arkansas
- GHG emissions intensity: ~ 0.4 t CO₂/t-steel (scope 1 & 2)
- 250 MW Driver solar field will add renewable power to BRS EAF electrical supply

*As of Q3.2023 Earnings Call
Stable earnings with high level of quality and cost competitiveness

- **100% self-sufficient in iron ore at Minntac and Keetac mine for use in BFs**
  - Highly cost-competitive strip mining
  - Ore grade suitable for high grade pellet production
  - Largest pellet production capabilities in North America

- **Enable manufacturing of high value-added automotive steel sheets at multiple bases**
  Manufacures at Gary Works, Great Lakes Works, and PRO-TEC

- **Enhanced Cost Competitiveness by Streamlining Facilities**
  - **2015 Fairfield Works**: permanent closure of iron making to steel sheet line (galvanizing line remains in operation)
  - **2021-2022 Great Lakes Works**: permanent closure of iron making to hot rolling line (cold rolling plating line remains in operation)
  - **2022 Gary Works**: permanent closure of East Chicago Tin plant
  - **2023 Granite City Works**: 2 BFs shut down
  - **Dec. 2023 UPI**: scheduled to close in December
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## Overview of Nippon Steel

- Japan’s largest steelmaker and one of the world’s leading steel manufacturers
- Manufacturing a wide range of steel products, mainly steel sheets, with strength in high-grade steel products technologies.

<table>
<thead>
<tr>
<th>Headquarters</th>
<th>Japan</th>
<th>Overseas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing bases</strong></td>
<td>North Nippon (Muroran, Kamaishi), East Nippon (Kimitsu, Kashima, Naoetsu), Nagoya, Kansai (Wakayama, Osaka, Amagasaki), Setouchi (Hirohata, Hanshin), Kyushu (Yawata, Oita), etc.</td>
<td>&lt;Integrated steelmill&gt; India, Brazil, Thailand, Sweden and others, U.S.A.</td>
<td>&lt;Downstream base&gt; In addition to the above, 10 countries including Indonesia, Vietnam, Mexico, etc.</td>
</tr>
<tr>
<td><strong>Product types</strong></td>
<td>Steel sheets (Hot-rolled sheets, Cold-rolled sheets, Galvanized Sheets, Tin plate, Electrical steel sheets), Plates, Bars &amp; wire rods, Structural shapes, Pipes and tubes (Seamless &amp; welded), Stainless steel, Titanium</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Raw Steel Production Capability</strong> *</td>
<td>47 Mt/Y 11 BFs (Including 1 BF scheduled to shut down) 3 EAFs</td>
<td>19 Mt/Y (Including JVs)</td>
<td>66 Mt/Y</td>
</tr>
<tr>
<td><strong>Raw Steel Production</strong> **</td>
<td>37.9 Mt/Y</td>
<td>2.3 Mt/Y</td>
<td>40.3 Mt/Y</td>
</tr>
<tr>
<td><strong>Iron ore mines owned</strong></td>
<td>Approx. 20% of iron ore and coking coal used are procured from the mines invested in.</td>
<td>&lt;Iron ore&gt; Robe River (Australia) etc.</td>
<td>&lt;Coking coal&gt; Moranbah North (Australia), etc.</td>
</tr>
<tr>
<td><strong>Net sales</strong> **</td>
<td>7,975.5 Billion ¥/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earnings before income taxes</strong> **</td>
<td>866.8 Billion ¥/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net earnings</strong> **</td>
<td>694.0 Billion ¥/Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Active Employees</strong> *</td>
<td>106,068 people</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*End of 2022FY, **2022FY
Contribute to customers and society globally by leveraging technologies and products
Acquired local steelmakers around the world and established JVs with major steelmakers

Global Crude steel production capacity* (Mt/Y)

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>2014</th>
<th>2022</th>
<th>After the acquisition of U.S.Steel</th>
<th>47</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas</td>
<td>6</td>
<td>19</td>
<td>39</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>58</td>
<td>66</td>
<td>86</td>
<td>&gt; 100</td>
<td></td>
</tr>
</tbody>
</table>

* Sum of the nominal full production capacity of companies in which the Company has 30% or more of equity interests, which is the same methodology as the World Steel Association’s crude steel production statistics

Initiatives towards strategic goal of 100 Mt
AM/NS India capacity expansion at existing base and new steel mill construction
Operating in the U.S. for nearly 40 years

Since 1980s, Nippon Steel
- has established several downstream bases and equity participation through JVs or M&A in the U.S.,
- has focused on building cooperative and good relationships with employees, labor unions, suppliers, customers, and communities.

### Number of employees in Nippon Steel’s production bases in the U.S. is Approx. 4,000 including JVs

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Company</th>
<th>Industry</th>
<th>Ownership</th>
<th>Capacity</th>
<th>State</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Establishment</td>
<td>Wheeling Nippon Steel</td>
<td>Sheets</td>
<td>100%</td>
<td>0.60 Mt/Y</td>
<td>West Virginia</td>
<td>Initial : JV with Wheeling-Pittsburgh steel -&gt; Made it a subsidiary in 2008</td>
</tr>
<tr>
<td>1989</td>
<td>Establishment</td>
<td>NIPPON STEEL PIPE AMERICA</td>
<td>Pipes &amp; Tubes</td>
<td>80%</td>
<td>0.08 Mt/Y</td>
<td>Indiana</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>Establishment</td>
<td>International Crankshaft</td>
<td>Crankshaft</td>
<td>80%</td>
<td>4.00 M Units</td>
<td>Kentucky</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>Establishment</td>
<td>INDIANA PRECISION FORGE</td>
<td>Bar &amp; Wire</td>
<td>100%</td>
<td>0.04 Mt/Y</td>
<td>Indiana</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>Investment</td>
<td>Suzuki Garphyttan</td>
<td>Bar &amp; Wire</td>
<td>100%</td>
<td></td>
<td>Indiana</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Acquisition</td>
<td>Standard Steel</td>
<td>Wheels</td>
<td>80%</td>
<td>0.20 Mt/Y</td>
<td>Pennsylvania</td>
<td>Founded in 1795 as Freedom Forge Integrated EAF mill</td>
</tr>
<tr>
<td>2013</td>
<td>Capital participation</td>
<td>NS BLUESCOPE Steelscape</td>
<td>Sheets</td>
<td>50%</td>
<td>0.44 Mt/Y</td>
<td>Washington- ton, California, etc.</td>
<td>JV with Bluescope</td>
</tr>
<tr>
<td>2014</td>
<td>Acquisition</td>
<td>AM/NS Calvert</td>
<td>Sheets</td>
<td>50%</td>
<td>5.3 Mt/Y</td>
<td>Alabama</td>
<td>Joint acquisition with ArcelorMittal from Thyssenkrupp</td>
</tr>
</tbody>
</table>
Products competitiveness

World leading and high value-added product lineups that can contribute to realizing sustainable society

Ultra-high tensile steel sheets for autos

- Achieves following features at a high level:
  a. Lightweight equivalent to that of aluminum -> CO₂ emission reduction
  b. Strength -> Collision safety
  c. Easy processing
- Possesses both cold high-tensile and hot stamping high-tensile technologies

Electric Steel Sheets

- NO (Non-oriented)
- GO (Grain-oriented)

- Steel product that can enhance energy efficiency of motors
- Achieving at the same time mutually conflicting motors’ features: high efficiency, high torque, high rotation, lightweight and compact

Highly corrosion-resistant plated steel sheet for building materials

- Eco-friendly material that can improve energy efficiency of transformers used in power plants, power grids, etc.

Nickel-coated steel sheets

- Materials with five to ten times higher corrosion resistance than galvanize coated steel sheets
- Contributing to lifecycle cost reduction and longer service lifespan when used in outside facilities e.g.) solar panel mounts

Developing the world's first cutting-edge products in the field of electric steel sheets for more than 70 years

In 2022, manufactured high-grade electrical products by integrated EAF steelmaking process for the first time in the world
Operational and equipment technologies of Nippon Steel

**Operational and equipment technologies**

- World’s leading level in energy-saving technologies
  - Energy efficiency in steelmaking
    - Source: RITE 2019
    - (Japan=100)

- Quality and Cost improvement technologies
- Automation Technologies
- Technologies to recycle

**Equipment Technologies**

- Approx. 1,600 inhouse plant engineering and maintenance engineers contribute to stable operation, quality assurance and cost reduction

**R&D capabilities**

- One of the world’s leading research resources
  - Best-in-class products, equipment, and operating technologies
- R&D organization in Japan as well as overseas in the future

**R&D Personnel**

- Approx 800 people

**R&D Expenses**

- 70.5 Billion yen/Y

**Number of licenses**

- Domestic 14,000
- Overseas 16,000

**Patent Value**

<table>
<thead>
<tr>
<th>Steel company</th>
<th>Patent Asset Index*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSC</td>
<td></td>
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<tr>
<td>Steel company A</td>
<td></td>
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<tr>
<td>B</td>
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<td>C</td>
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<tr>
<td>D</td>
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<td>E</td>
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</table>

*Calculated using PatentSight™, a patent analysis tool of LexisNexis.
Comprehensive evaluation index of patent calculated by multiplying “technical value” calculated based on the number of citations of patents and “market value” calculated based on the country of application for patents with valid legal status (patents pending and granted).
Nippon Steel's Carbon Neutral Technologies Development

- High-grade steel production in large size EAF
- Hydrogen direct reduction of iron
- Hydrogen injection into BF
- CCS

2022
- Started production of Electrical Steel Sheet via Hirohata EAF
- Started to construct a test EAF
- From 2008 Started R&D process of COURSE50
- Verified 22% of CO₂ reduction

2023
- Start studies on shift to EAF
- Start experiment
- Start demonstration at the Kimitsu #2 BF
- Conduct test to verify 30% reduction
- Advanced CCS projects Survey on the implementation (JOGMEC)

2024
- Start experiment

2025
- Start experiment
- Start study for scale-up
- COURSE50 implementation
- Super-COURSE50 implementation

~2030
- Hirohata EAF expansion
- Yawata EAF (replacement of BF)
- Implementation
- Around ~2040
- Around ~2040

~2030
- CO₂ reduction 50% or more
Nippon Steel's goal of a carbon neutral steel production process

**INPUT**
- Scrap
- Low-quality iron ore
- Coking coal

**PROCESS**
- Iron making
- Steel making

**OUTPUT**
- Rolled steel
- CCUS (*Carbon Capture, Utilization, and Storage*)

**3 breakthrough technologies Nippon Steel challenges**
- Hydrogen injection into BF (COURSE50~Super-COURSE50)
- Directly reduced iron
- High-grade steel production in large size EAF equally productive as BF

**3 external conditions for which Gov't support is required**
- Stable supply of green hydrogen at reasonable cost
- Stable supply of green power at reasonable cost
- Low-quality iron ore
- Coking coal
- Scrap

**EAF route**
- BOF
- Rolling mill

**BF and BOF route**
- BF and BOF route

**Minium amount of coking coal is necessary to secure stability in the operation, and thus CCUS is also necessary.**
Agenda

1. Overview
2. Rationale
3. Strengths of U.S.Steel
4. Appendix (Strengths of Nippon Steel)
5. Appendix (Data of U.S.Steel)
U.S. Steel: History

To a resilient structure through restructuring and asset replacement

Restructuring of Steel business
- 1979: Restructuring (closed 11 works)
- 1983: Restructuring (closed 33 works)
- 1984: Withdrew from rails, wires business
- 1986: USS-POSCO was established
- 1990: PRO-TEC was established
- 1992: Withdrew from shapes, bars business
- 2003: Withdrew from plate business

Entry and withdrawal from Oil & Gas business
- 1982: Acquired Marathon Oil
- 1986: Acquired Texas Oil & Gas, renamed USX
- 2002: Marathon Oil was separated, renamed U.S. Steel

1873: Carnegie Steel
1898: Federal Steel
1901: U.S. Steel
2000: U.S. Steel Europe (Great Lakes works, etc.)
2003: Acquired National Steel
2007: Acquired Lone Star Technologies (major US welding pipes company)
2003: Acquired Sartid (Serbia and Montenegro)
2007: Acquired Stelco (Canada)
2007: Acquired Big River Steel
2012: Sold to Serbia government
2016: Permanently idled
2019: Acquired 100%
2021: Sold to fund

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## U.S.Steel : Primary Manufacturing bases

<table>
<thead>
<tr>
<th>North America</th>
<th>Downstream bases</th>
<th>Integrated steel mill</th>
<th>Crude steel capacity*</th>
<th>BFs</th>
<th>EAFs</th>
<th>Cold-rolled sheets</th>
<th>Hot-rolled sheets</th>
<th>Tin plate</th>
<th>Electrical Steel</th>
<th>Tubular Steel</th>
<th>Seamles Steel</th>
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<tbody>
<tr>
<td><strong>Gary</strong></td>
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<td></td>
<td>7.5</td>
<td>4</td>
<td></td>
<td>●●●●</td>
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<tr>
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<td>(2.8)</td>
<td>(2)</td>
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</tr>
</tbody>
</table>

[] is scheduled  ( ) is idle or scheduled to close

- Chicago suburbs, manufacturing auto sheet including outer panel, supplying semi-products to downstream bases
- Pittsburgh suburbs Edgar Thompson Area / Clairton Area / Irvin Area / Fairless Area
- 2012 iron making-flat steel shut down
- Birmingham suburbs  2020 EAF newly built
- 2014 : Established, 2019 : Acquisition, Non-grain oriented (NGO) electrical steel line started operation in Oct.2023, Two EAFs & ESP are under construction. (To be finished at the end of 2024)
- Ex.National Steel, One BF is being idled from 2023, Considering sale of BF facilities to SunCoke Energy and establishment of granulated pig iron facility by SunCoke.
- Detroit suburbs, Ex.National Steel, manufacturing auto sheet including outer panel, 2021 iron making - hot strip shut down
- JV with KOBE Steel, ownership: 50%, manufacturing auto sheet including outer panel, 2Mst/Y, 3 hot dip galvanizing lines and 1 continuous annealing line
- JV with Cleveland Cliffs, ownership: 50%, 1 hot dip galvanizing line with a capacity of 0.35 million st/year

* Mst/Y
U.S. Steel Primary manufacturing bases

### US
- **BAF:** 8 (2 of 8 units are idle.)
- **EAF:** 3 (+2 EAFs under construction)
- **Minntac**
  - <Minnesota>
  - (7.5 Mst/Y)
- **Keetac**
  - <Minnesota>
- **Granite City**
  - <Illinois>
  - (3.3 Mst/Y)
- **Big River**
  - <Arkansas>
  - (2 EAFs under construction)
- **Košice**
  - <Slovakia>
  - (5.0 Mst/Y)
- **Fairfield**
  - <Alabama>
  - (0.9 Mst/Y)
- **Fairless**
  - <Pennsylvania>
  - Part of Mon Valley Works
- **Mon Valley**
  - <Pennsylvania>
  - (2.9 Mst/Y)
- **PRO-TEC** (JV 50%)
  - <Ohio>

### Europe
- **BAF:** 3
- **EAF:** 3
- **Keetac**
  - <Minnesota>
- **Gary**
  - <Indiana>
  - (7.5 Mst/Y)
- **Minntac**
  - <Minnesota>
- **Košice**
  - <Slovakia>
  - (5.0 Mst/Y)
- **Fairfield**
  - <Alabama>
  - (0.9 Mst/Y)
- **Mon Valley**
  - <Pennsylvania>
  - (2.9 Mst/Y)
- **PRO-TEC** (JV 50%)
  - <Ohio>

**Legend:**
- 🌟 Integrated steel mill (crude steel capacity)
- • Downstream base
- △ Iron ore mine

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U.S. Steel: Product Mix

By segment

North America

14.9 MSt/Y

Flat-Rolled 8.4

Europe

3.8

Mini Mill 2.3

Tubular 0.5

By demand category

By product type

Source: 10-K for 2022CY
U.S. Steel: Volume, Price Trend

Crude steel production

<table>
<thead>
<tr>
<th>Year</th>
<th>Lake Erie</th>
<th>Fairfield</th>
<th>Europe (Košice)</th>
<th>Mon Valley</th>
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<td>12.7</td>
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Sales price

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<td>2023 1-9</td>
<td>36</td>
<td>2000</td>
<td>1900</td>
</tr>
</tbody>
</table>

* 2023 Jan.-Sep.
U.S. Steel: Financial Indicator Trends

**EBIT**
- Europe: 4,946
- Tubular: 3,160
- Mini Mill: 1,030
- Flat-Rolled: 1,124

**EBITDA**
- Europe: 5,737
- Tubular: 3,951
- Mini Mill: 1,705
- Flat-Rolled: 1,900

**CAPEX**
- Europe: 1,769
- Tubular: 725
- Mini Mill: 616
- Flat-Rolled: 521

**Net earnings**
- Europe: 4,174
- Tubular: 1,115
- Mini Mill: 387
- Flat-Rolled: 863

*2023 Jan.-Sep., Source: 10-K*
U.S. Steel: Balance Sheet, Cash Flows

Balance Sheet
(The end of Sep. 2023)  Units: M$
Total assets: 20,395
Liabilities: 9,298  Shareholders' Equity: 11,004  Minority Interest: 93

Current assets 7,395
- Cash 3,222
- Accounts Receivable 1,541
- Inventories 2,304
- Other 328

Current liabilities 3,801
- Accounts Payable 2,939
- Other 862
- Interest-bearing debt 4,129
- Other 1,368

Noncurrent assets 13,000
- Machinery & Equipment, Lands 9,911
- Goodwill 920
- Other 2,169

Noncurrent Liabilities 5,497

Shareholders' Equity 11,004

Cash Flows

Operating CFs
Investment CFs

Pension Benefits and Other Benefits

Source: 10-K, Q, *2023 Jan.-Sep.
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NSC, U. S. Steel and their directors, and certain of their executive officers and employees may be deemed to be participants in the solicitation of proxies from U. S. Steel’s stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of U. S. Steel who may, under the rules of the SEC, be deemed participants in the solicitation of U. S. Steel’s stockholders in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the Proxy Statement when it is filed with the SEC. Information about these persons is included in each company’s annual proxy statement and in other documents subsequently filed with the SEC, and will be included in the Proxy Statement when filed. Free copies of the Proxy Statement and such other materials may be obtained as described in the preceding paragraph.
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This presentation contains information regarding U. S. Steel and NSC that may constitute “forward-looking statements,” as that term is defined under the Private Securities Litigation Reform Act of 1995 and other securities laws, that are subject to risks and uncertainties. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “target,” “forecast,” “aim,” “should,” “plan,” “goal,” “future,” “will,” “may” and similar expressions or by using future dates in connection with any discussion of, among other things, statements expressing general views about future operating or financial results, operating or financial performance, trends, events or developments that we expect or anticipate will occur in the future, anticipated cost savings, potential capital and operational cash improvements and changes in the global economic environment, as well as statements regarding the proposed transaction, including the timing of the completion of the transaction. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements include all statements that are not historical facts, but instead represent only U. S. Steel’s beliefs regarding future goals, plans and expectations about our prospects for the future and other events, many of which, by their nature, are inherently uncertain and outside of U. S. Steel’s or NSC’s control. It is possible that U. S. Steel’s or NSC’s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

Management of U. S. Steel or NSC, as applicable, believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from U. S. Steel’s or NSC’s historical experience and our present expectations or projections. Risks and uncertainties include without limitation: the ability of the parties to consummate the proposed transaction on a timely basis or at all; the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed transaction that could cause the parties to terminate the definitive agreement and plan of merger relating to the proposed transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement; the possibility that U. S. Steel’s stockholders may not approve the proposed transaction; the risks and uncertainties related to securing the necessary stockholder approval; the risk that the parties to the Merger Agreement may not be able to satisfy the conditions to the proposed transaction in a timely manner or at all; risks related to disruption of management time from ongoing business operations due to the proposed transaction; certain restrictions during the pendency of the proposed transaction that may impact U. S. Steel’s ability to pursue certain business opportunities or strategic transactions; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of U. S. Steel’s common stock or NSC’s common stock or American Depositary Receipts; the risk of any unexpected costs or expenses resulting from the proposed transaction; the risk of any litigation relating to the proposed transaction; and the risk that the proposed transaction and its announcement could have an adverse effect on the ability of U. S. Steel or NSC to retain customers and retain and hire key personnel and maintain relationships with customers, suppliers, employees, stockholders and other business relationships and on its operating results and business generally; and the risk the pending proposed transaction could distract management of U. S. Steel. U. S. Steel directs readers to its Form 10-K for the year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, and the other documents it files with the SEC for other risks associated with U. S. Steel’s future performance. These documents contain and identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements. Risks related to NSC’s forward-looking statements include, but are not limited to, changes in regional and global macroeconomic conditions, particularly in Japan, China and the United States; excess capacity and oversupply in the steel industry; unfair trade and pricing practices in regional markets; the possibility of low steel prices or excess iron ore supply; the possibility of significant increases in market prices of essential raw materials; the possibility of depreciation of the value of the Japanese yen against the U.S. dollar and other major foreign currencies; the loss of market share to substitute materials; NSC’s ability to reduce costs and improve operating efficiency; the possibility of not completing planned alliances, acquisitions or investments, or such alliances, acquisitions or investments not having the anticipated results; natural disasters and accidents or unpredictable events which may disrupt NSC’s supply chain as well as other events that may negatively impact NSC’s business activities; risks relating to CO2 emissions and NSC’s challenge for carbon neutrality; the economic, political, social and legal uncertainty of doing business in emerging economies; the possibility of incurring expenses resulting from any defects in our products or incurring additional costs and reputational harm due to product defects of other steel manufacturers; the possibility that we may be unable to protect our intellectual property rights or face intellectual property infringement claims by third parties; changes in laws and regulations of countries where we operate, including trade laws and tariffs, as well as a tax, environmental, health and safety laws; and the possibility of damage to our reputation and business due to data breaches and data theft. 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