

# **Overview of Nippon Steel Business Performance and Future Initiatives**



**NIPPON STEEL**

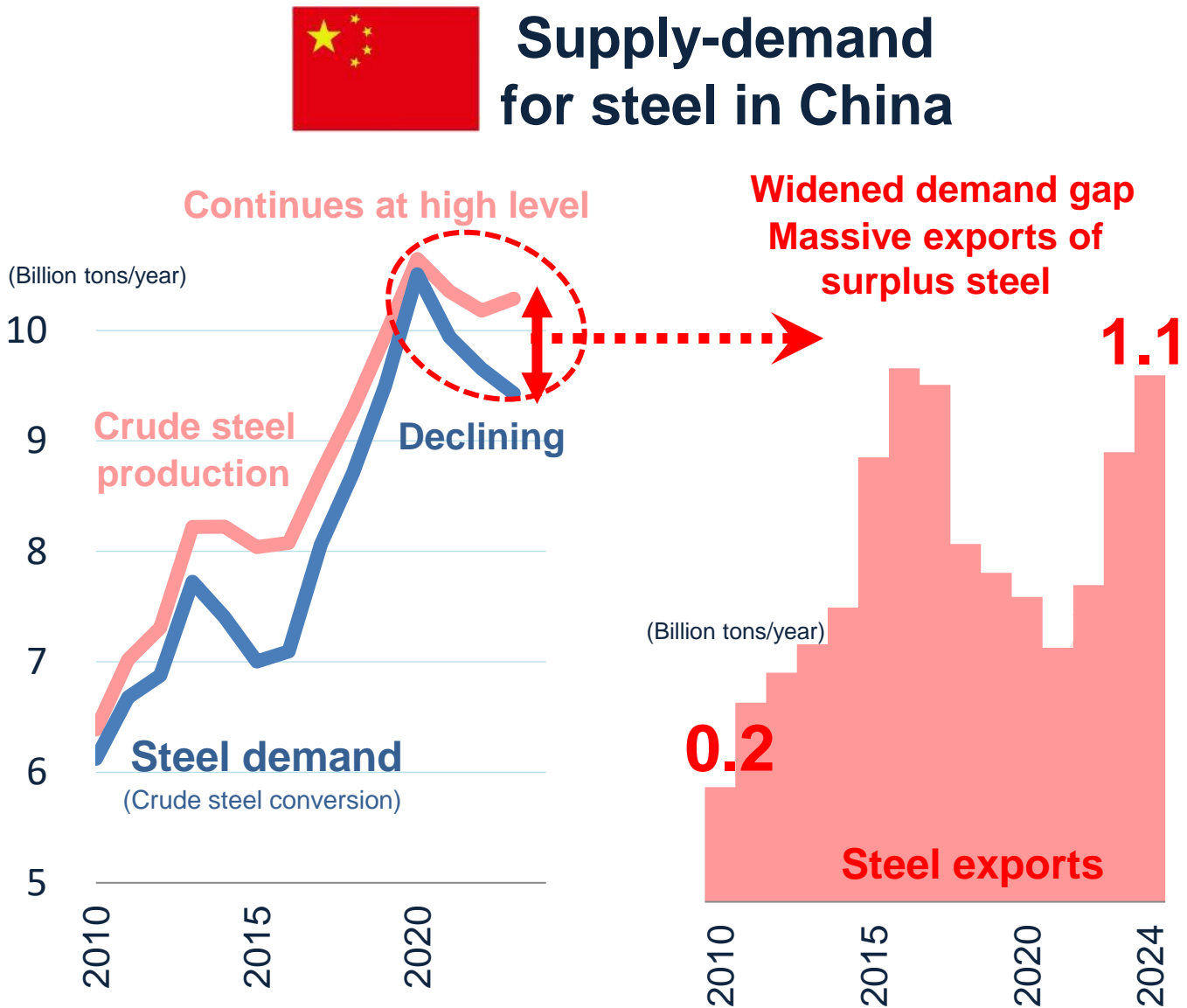
**Business  
Environment**

Performance  
Overview

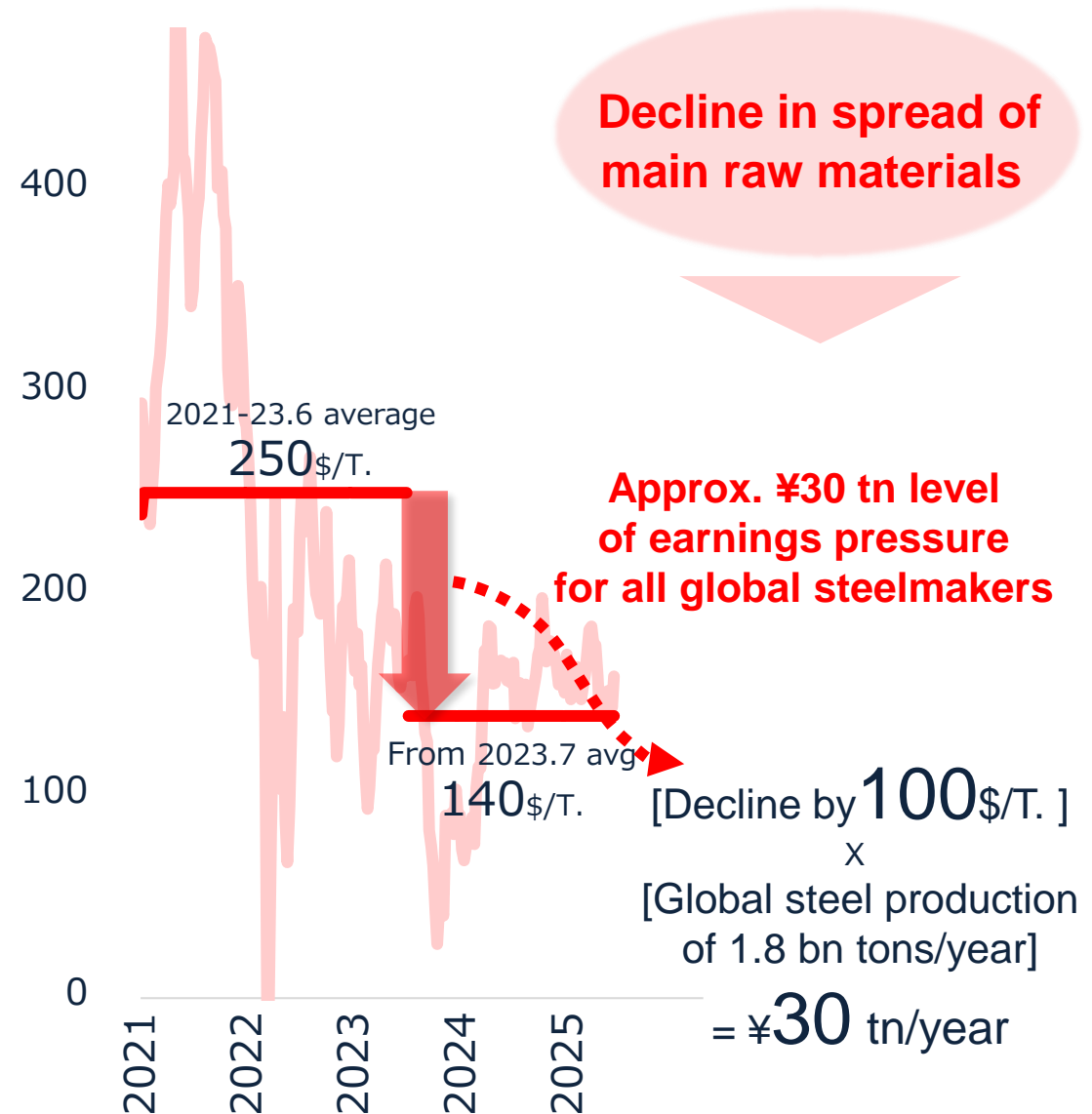
Business  
Strategy

# Global steel demand leveled off after continuous increase

## Steel exports from China surged

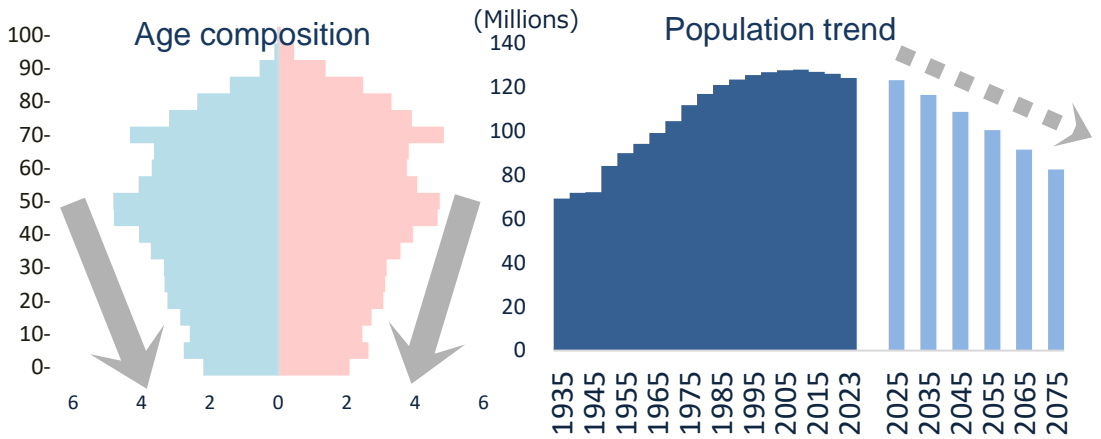


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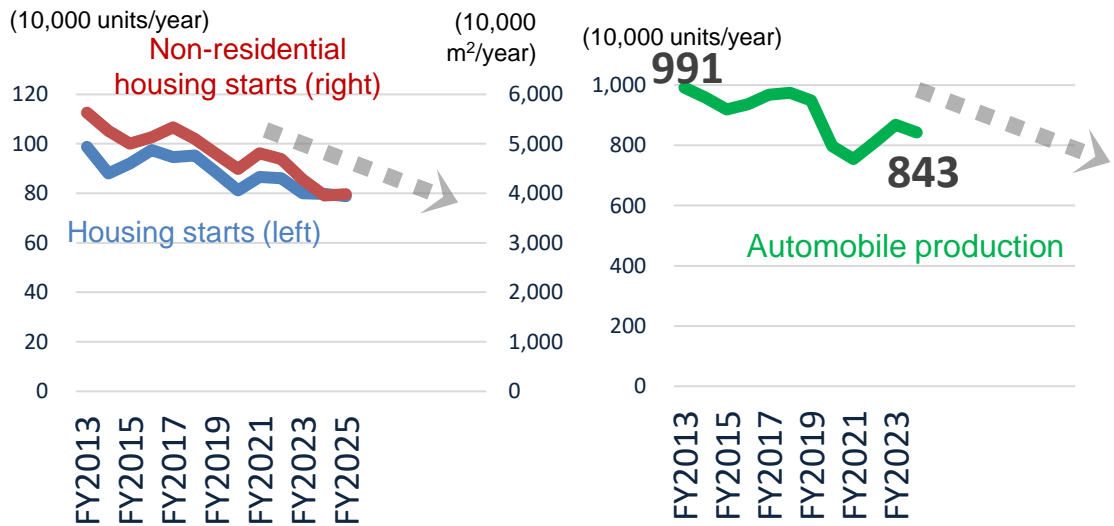
# Steel demand in Japan has been more sluggish than expected

## Continuing population decline



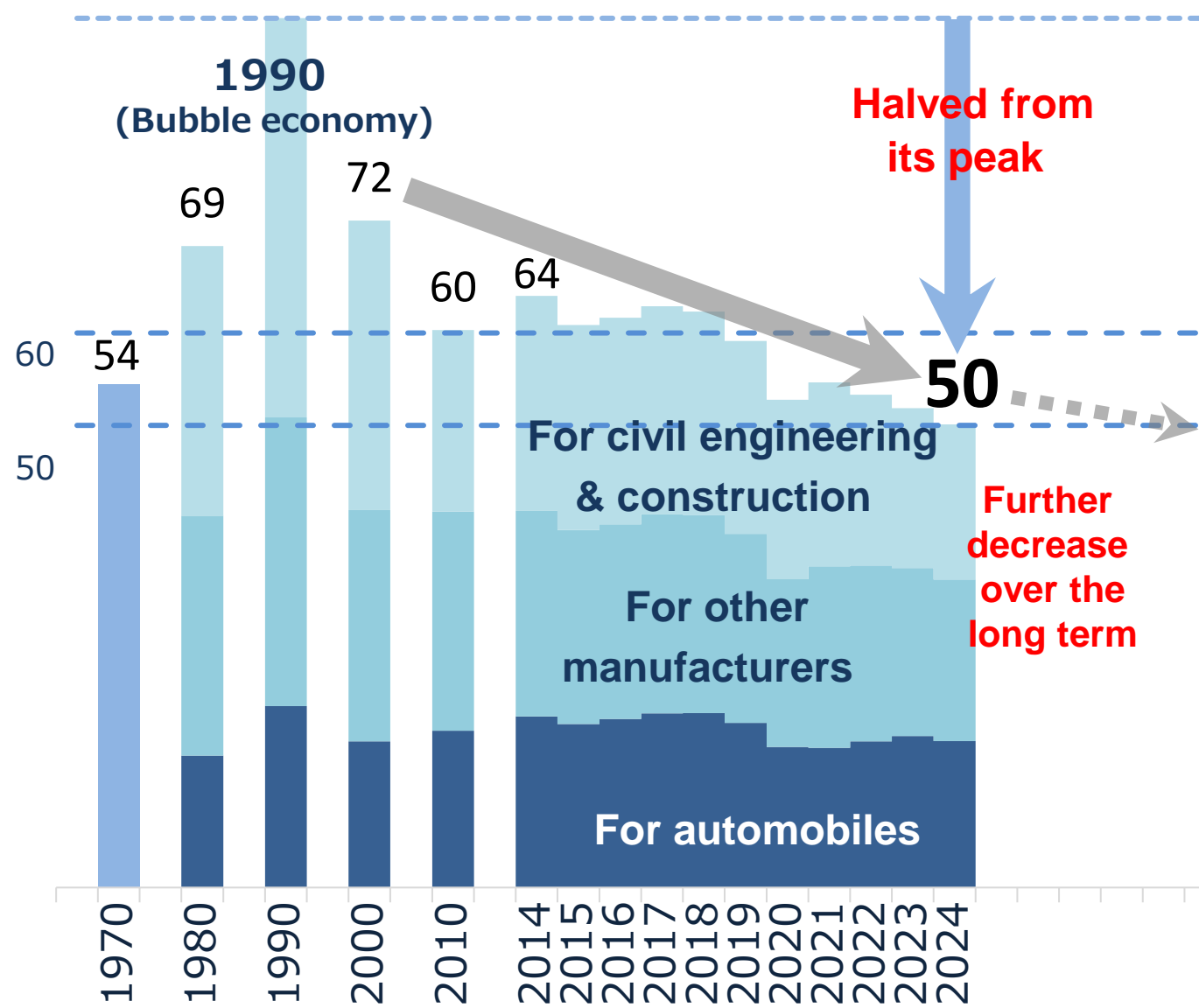
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, "Census Results," "Population Estimates in Japan," "Population Estimates"  
National Institute of Population and Social Security Research "Population Projections for Japan (2023 Estimates)"

## Steel customers also slowed their activities



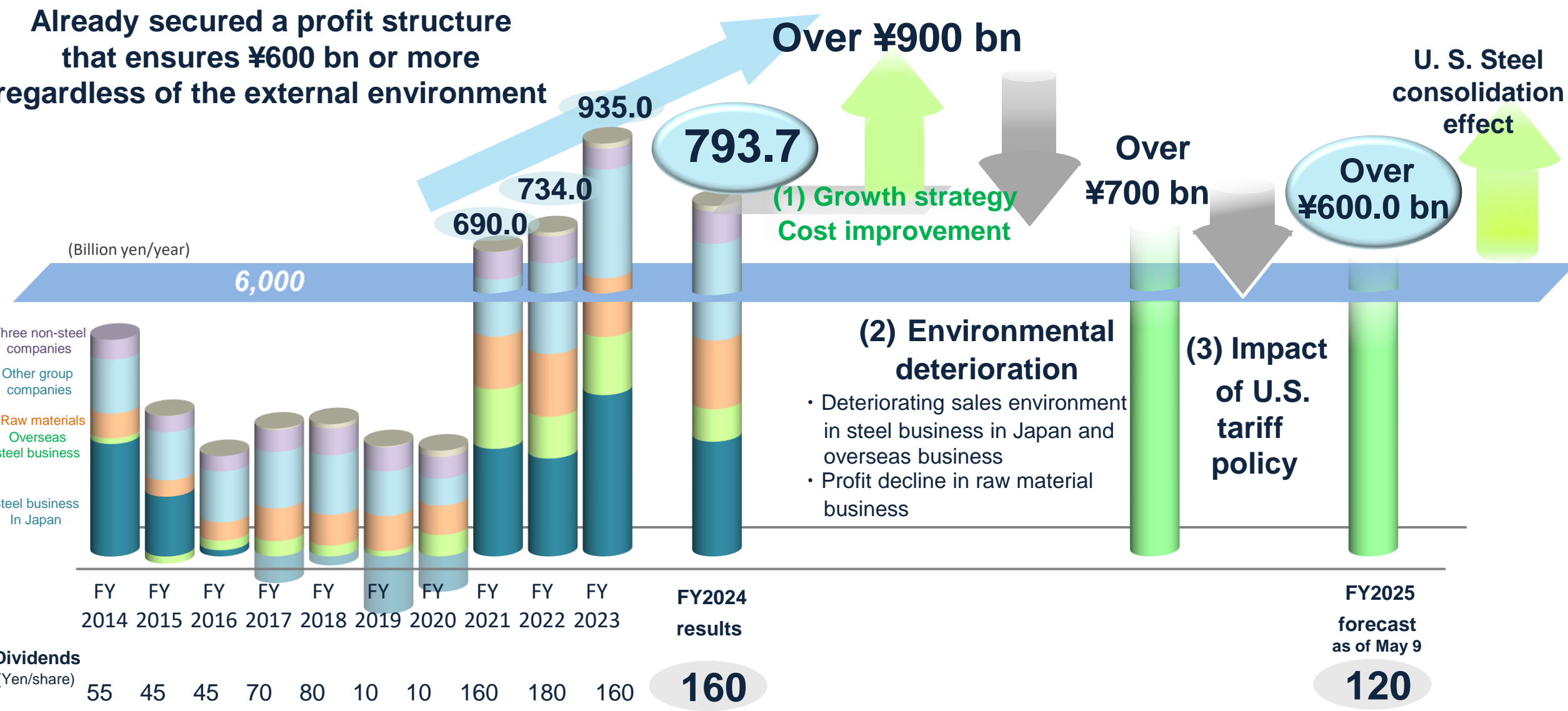
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## Steel demand in Japan

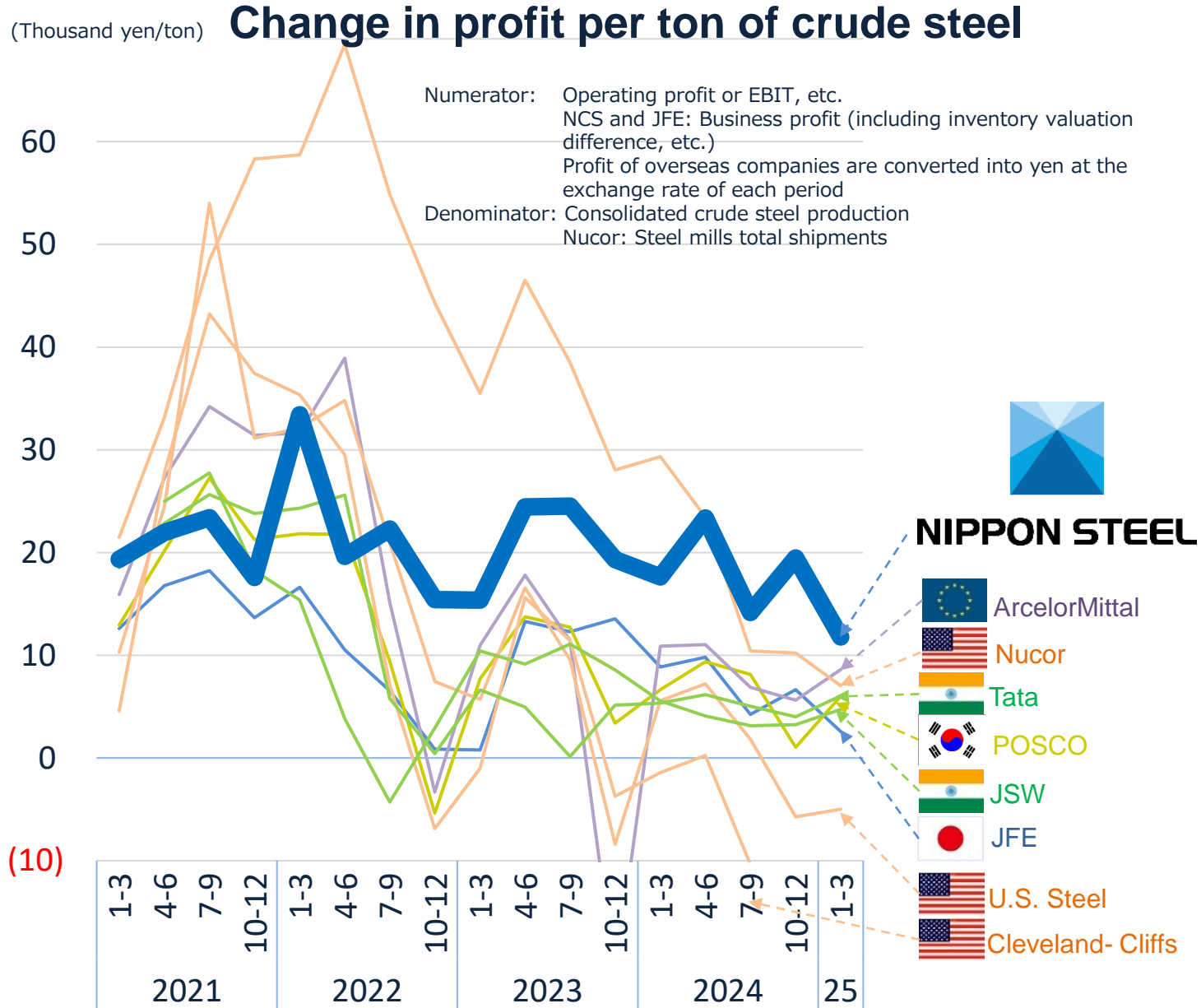




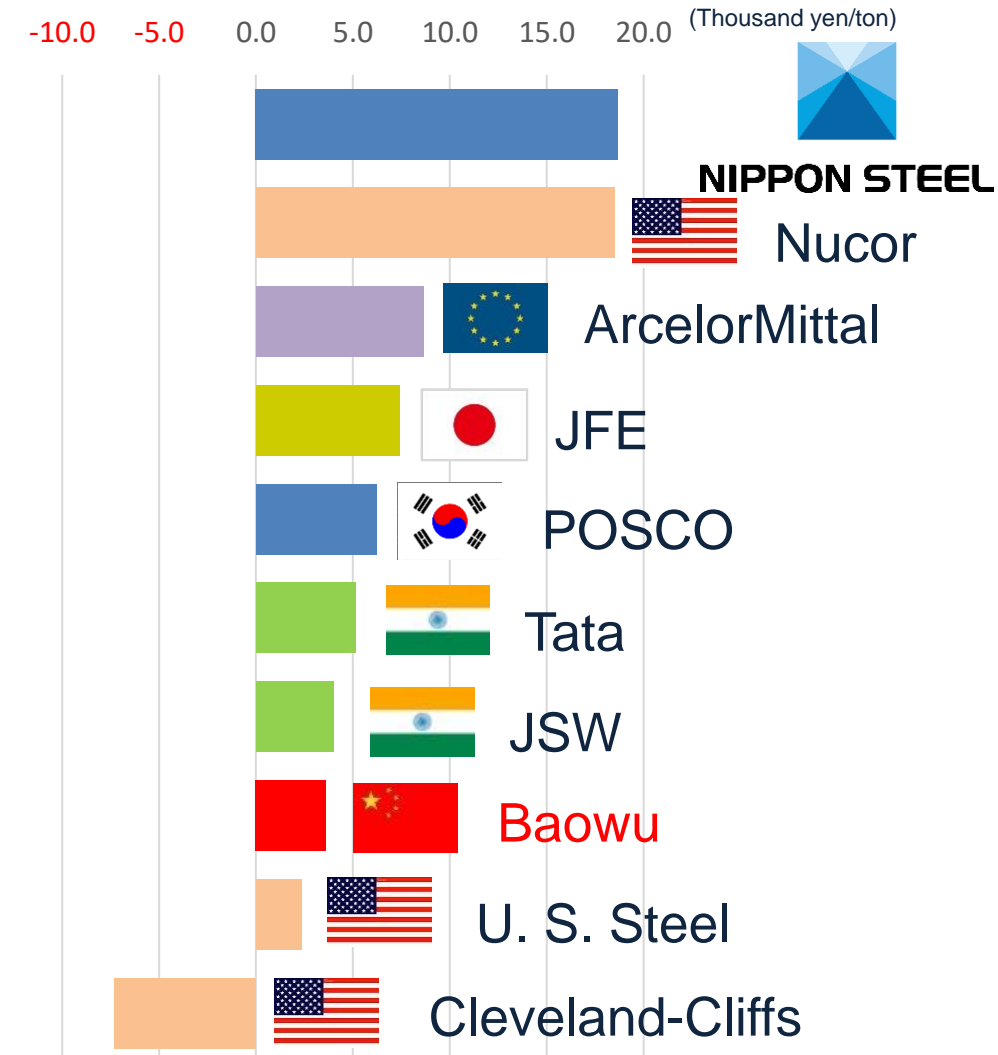
Underlying business profit:  
**FY2024: ¥793.7 bn in the harsh environment**  
**FY2025: ¥600.0 bn or more under any environment + U. S. Steel**



# Outstanding earnings power among global steelmakers



## Profit per ton of crude steel in CY2024



Data source: Bloomberg and company earnings releases

Note: BAO is not shown in the left table because quarterly data is not disclosed



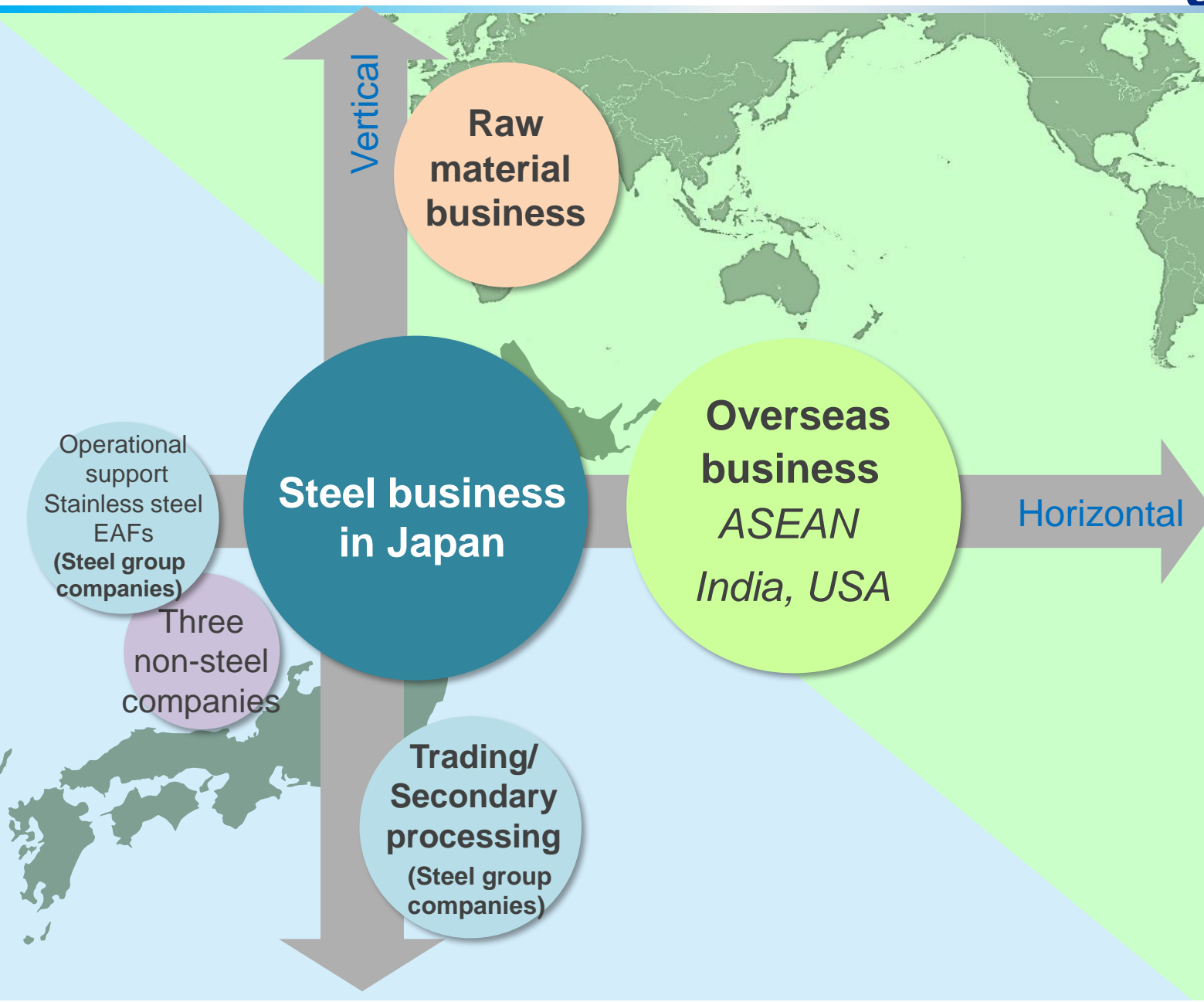
Business  
Environment

Performance  
Summary

**Business  
Strategy**

# Continued pursuit of the current growth strategy in the next mid- to long-term management plan

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**Rebuild  
steel business in Japan**

**Deepen and expand  
overseas business**

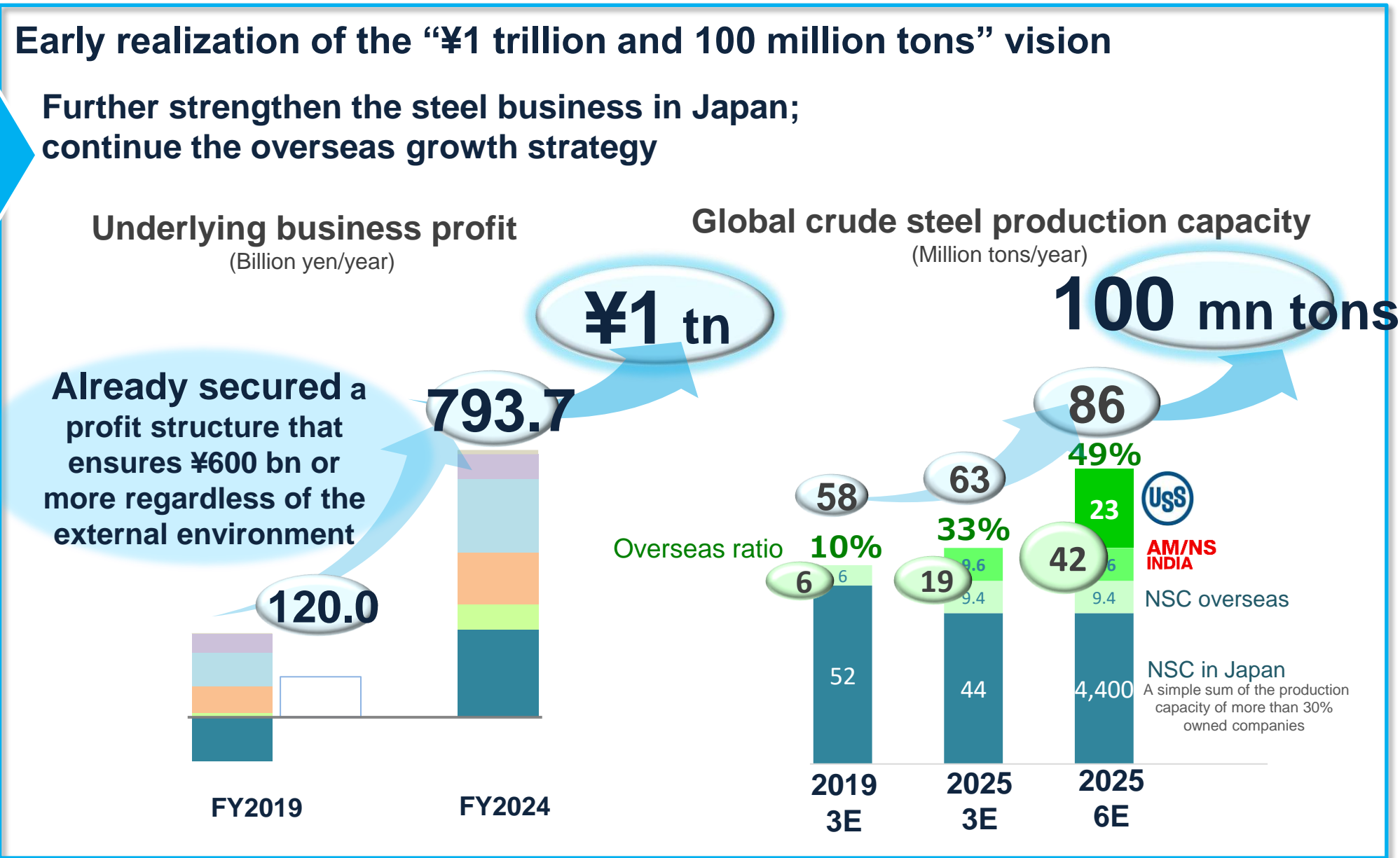
**Procure and earn profit in  
raw materials business**

**Make steel  
distribution to  
own business domain**

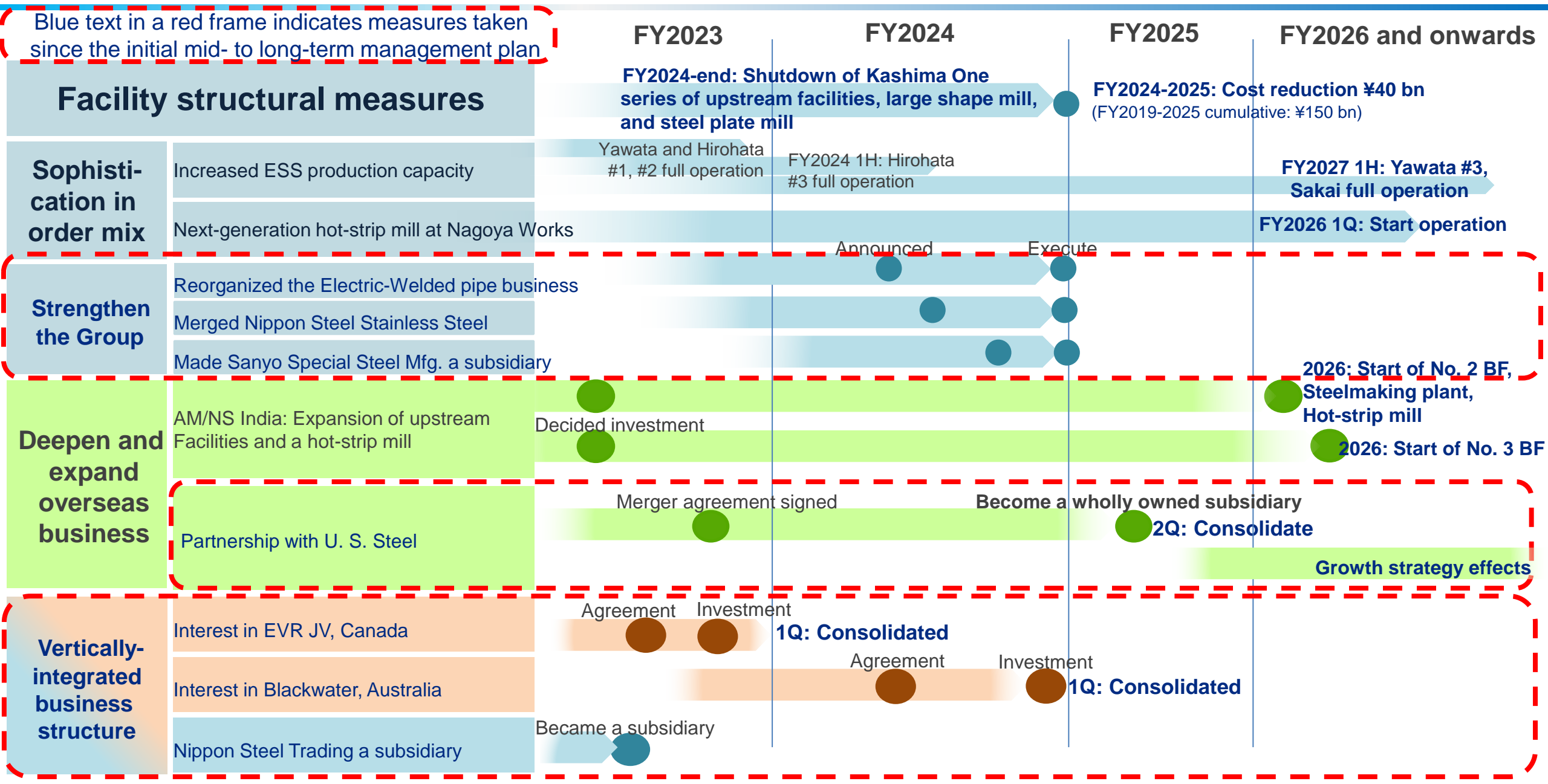
Business growth strategy

Implementation of GX measures

Enhanced competitiveness of human resources

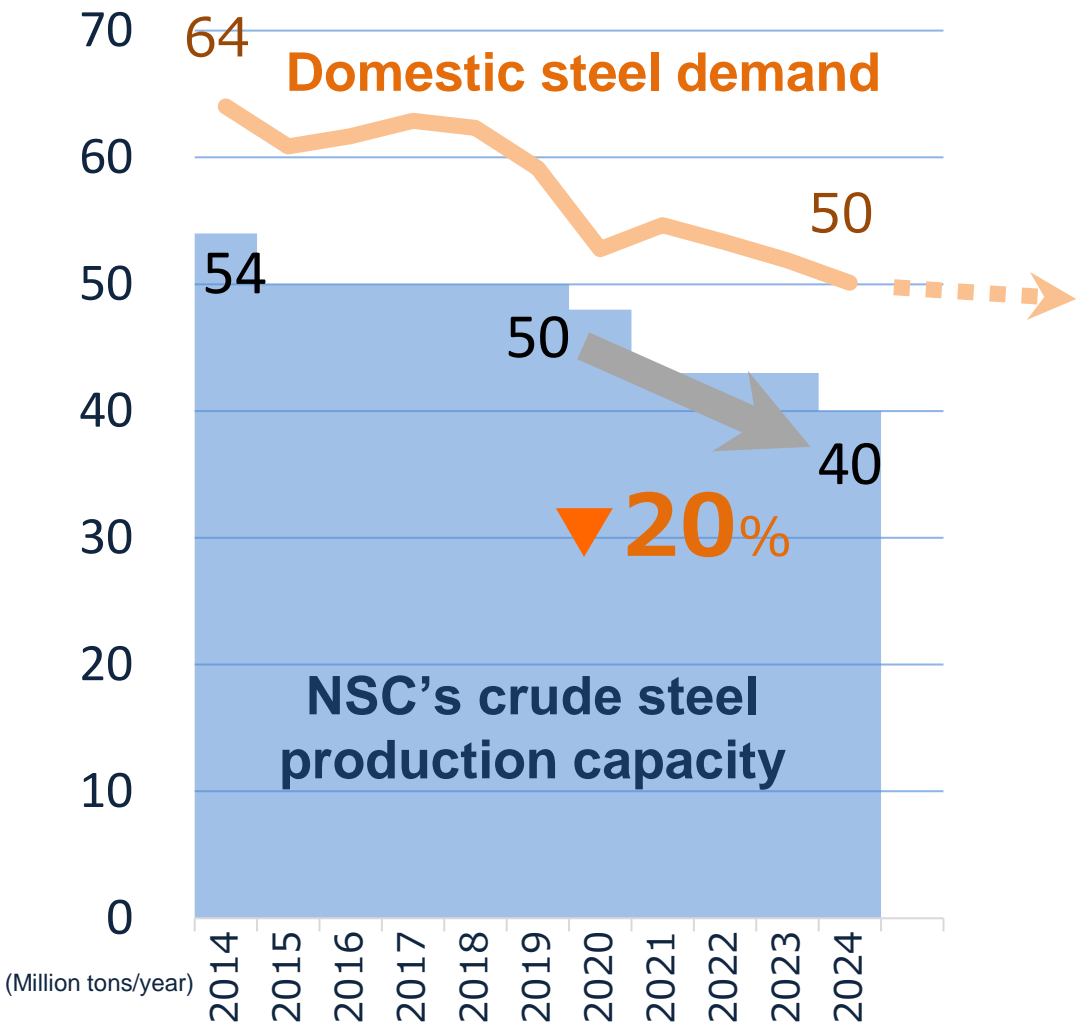
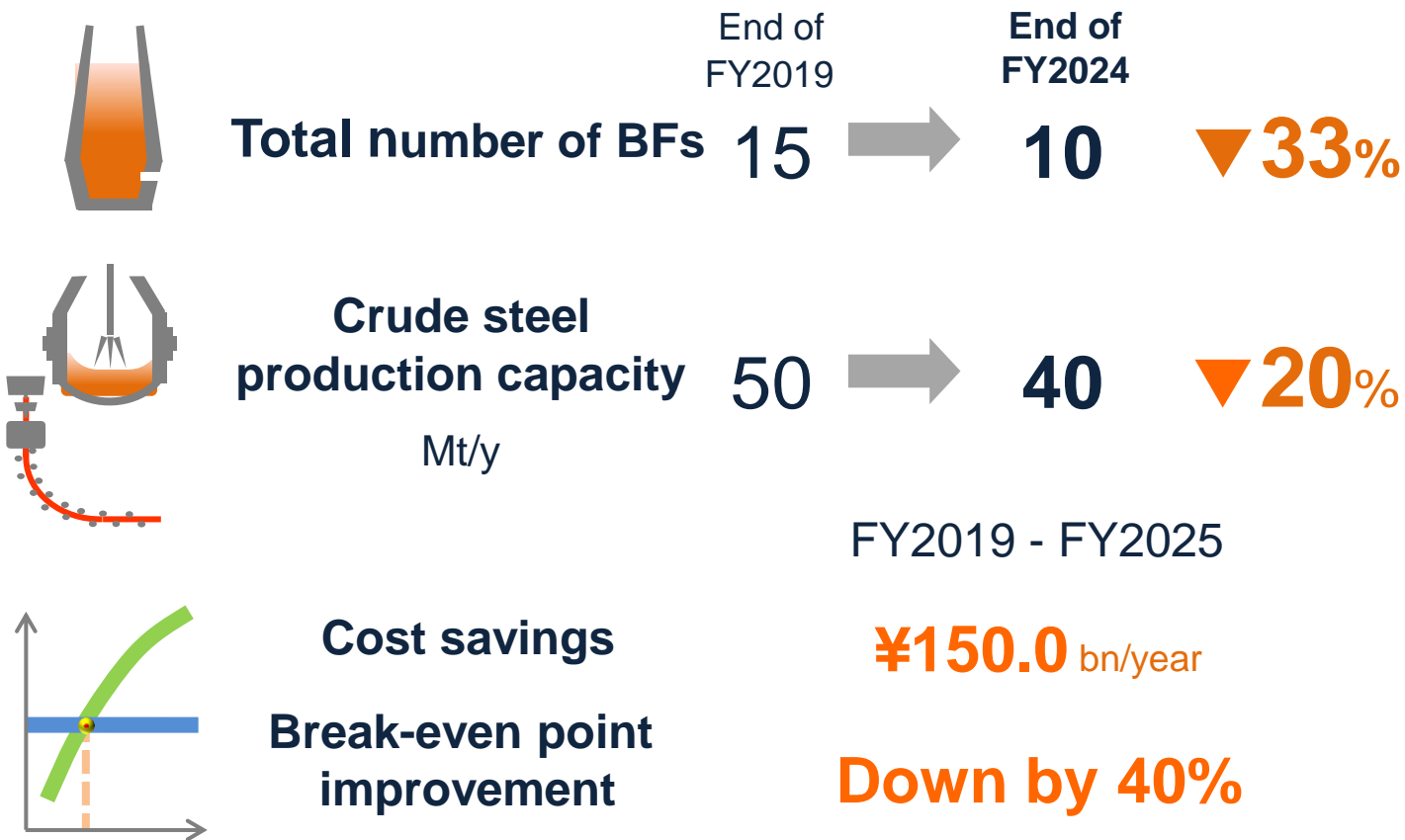


# Growth Strategy Roadmap



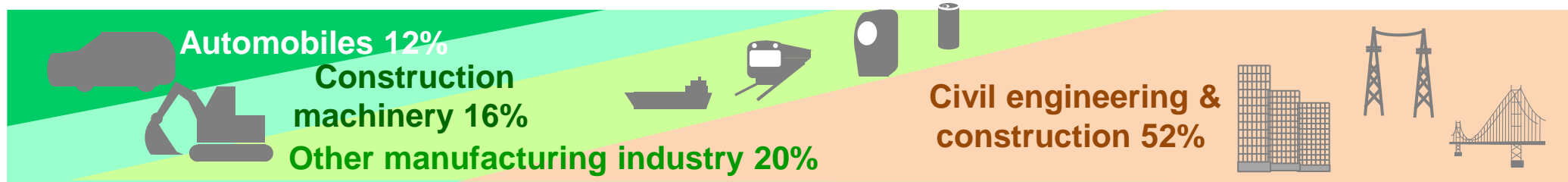
# Reduced large-scale capacity to realize an optimal production system

- Facility structural measures in anticipation of a decline in demand in Japan to improve the supply/demand balance
- Capacity reduction to reduce fixed costs and improve spread for improving break-even point



# (Next mid- to long-term plan) Enhance market-oriented competitiveness

**Global steel demand**  
1.74 bn tons/year 2024



**NSC's sales mix**

**Direct contract sales: 50-60%**

**Spot market sales: 40-50%**

**Measures to enhance competitiveness**

## Order mix sophistication

- Nagoya's next-gen. hot strip mill
- Increased ESS production capacity
- Solution proposals

## Group enhancement

- Reorganized the electric wire pipe business
- Merged Nippon Steel Stainless Steel
- Sanyo Special Steel and Nippon Steel Trading became subsidiaries

## More cost competitiveness

(Against imported materials and in overseas commodity markets)

- EAF JV with Nakayama Steel Works
- Minimize total costs

## Build a strong supply chain

**Reinforce cost competitiveness through structural measures for production facilities**

# Overseas steel business and raw materials business

## Overseas steel-making business

Markets with promising **steel demand growth**

Markets with affinity to Nippon Steel's **technologies and products**

**Expand integrated steel mills**

**Acquire brownfield production bases through M&A**

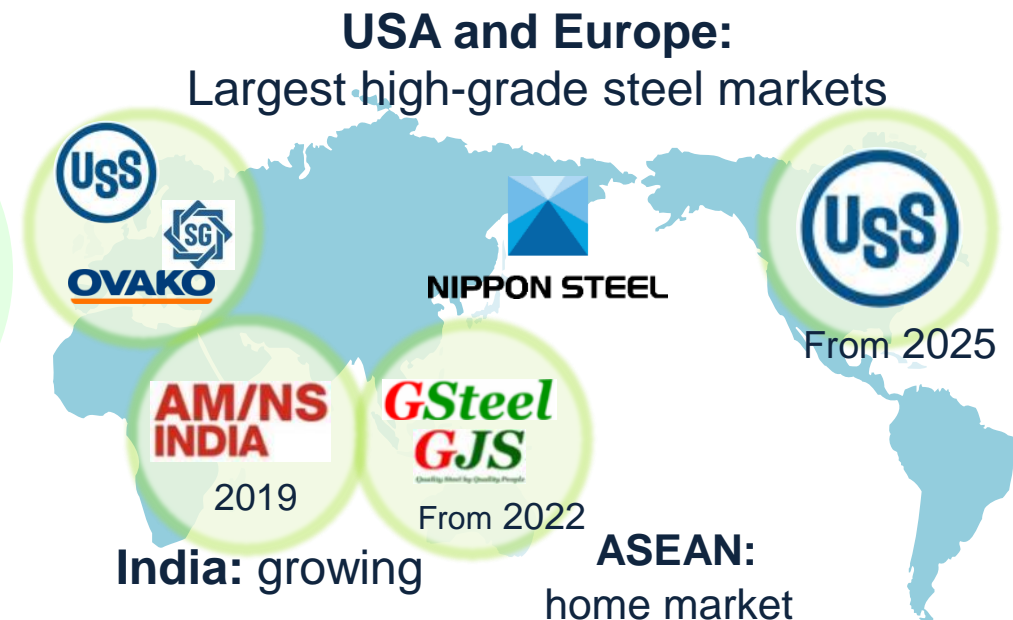
## Raw materials business

**High-quality raw materials** which are key to carbon neutrality

**Resilient profit structure to the impact of market fluctuations**

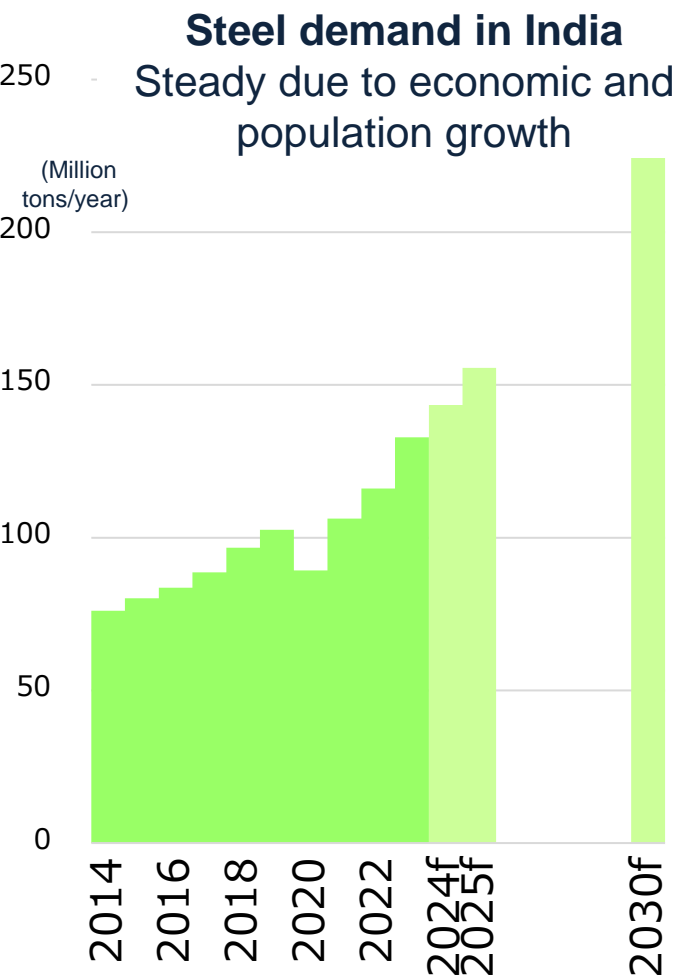
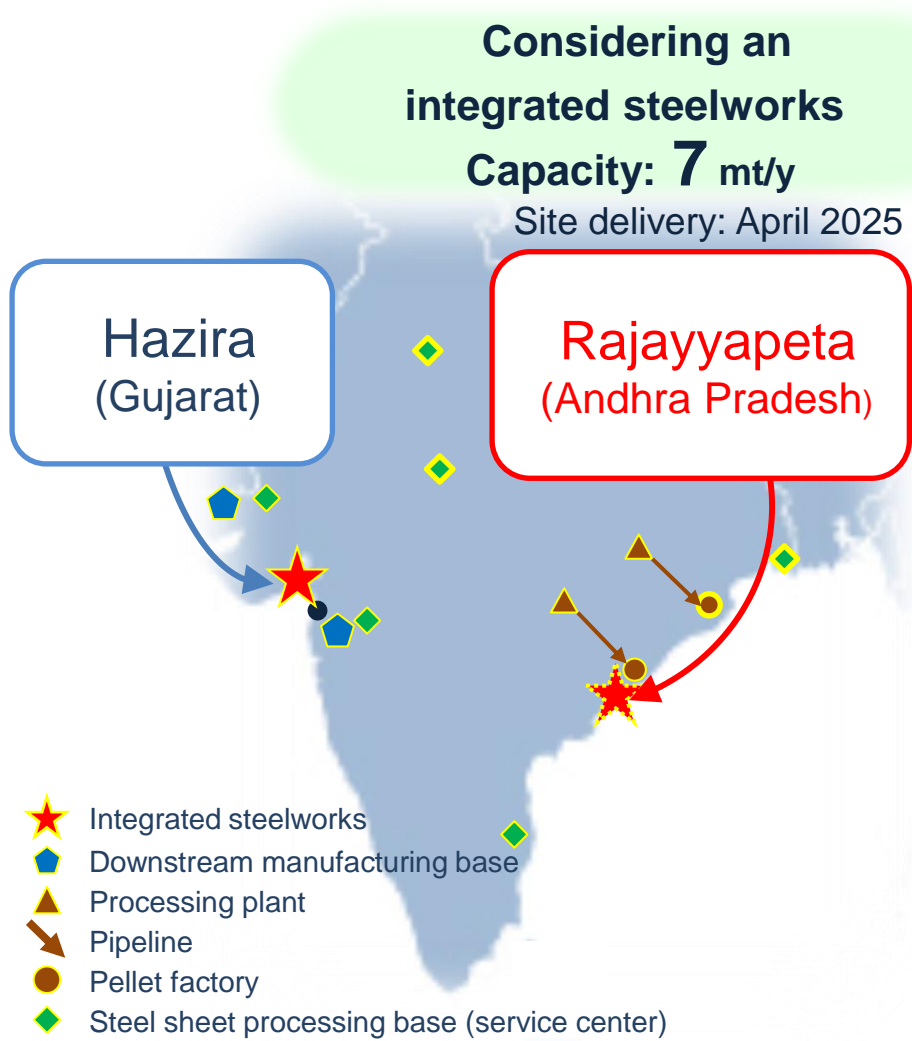
**Increased investments in the raw material mines**

Jan. 2024 **EVR JV Coal Mine** (Canada)  
Mar. 2025 **Blackwater Coal Mine** (Australia)  
Dec. 2024 **Kami Mine** (Canada)



# Acquired land for a new integrated steelworks to further expand capacity in India

AM/NS India reached an agreement with the state government to acquire land for the construction of an integrated steel works in Rajayyapeta, Southern India.



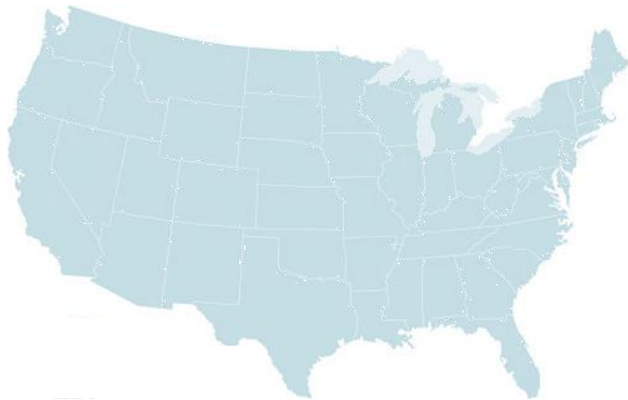


# Completion of U. S. Steel transaction for more growth



Fully enter U.S. and European markets which have demand growth potential mainly in high-grade steel

Make U. S. Steel more competitive and increase its corporate value through investment and technology sharing



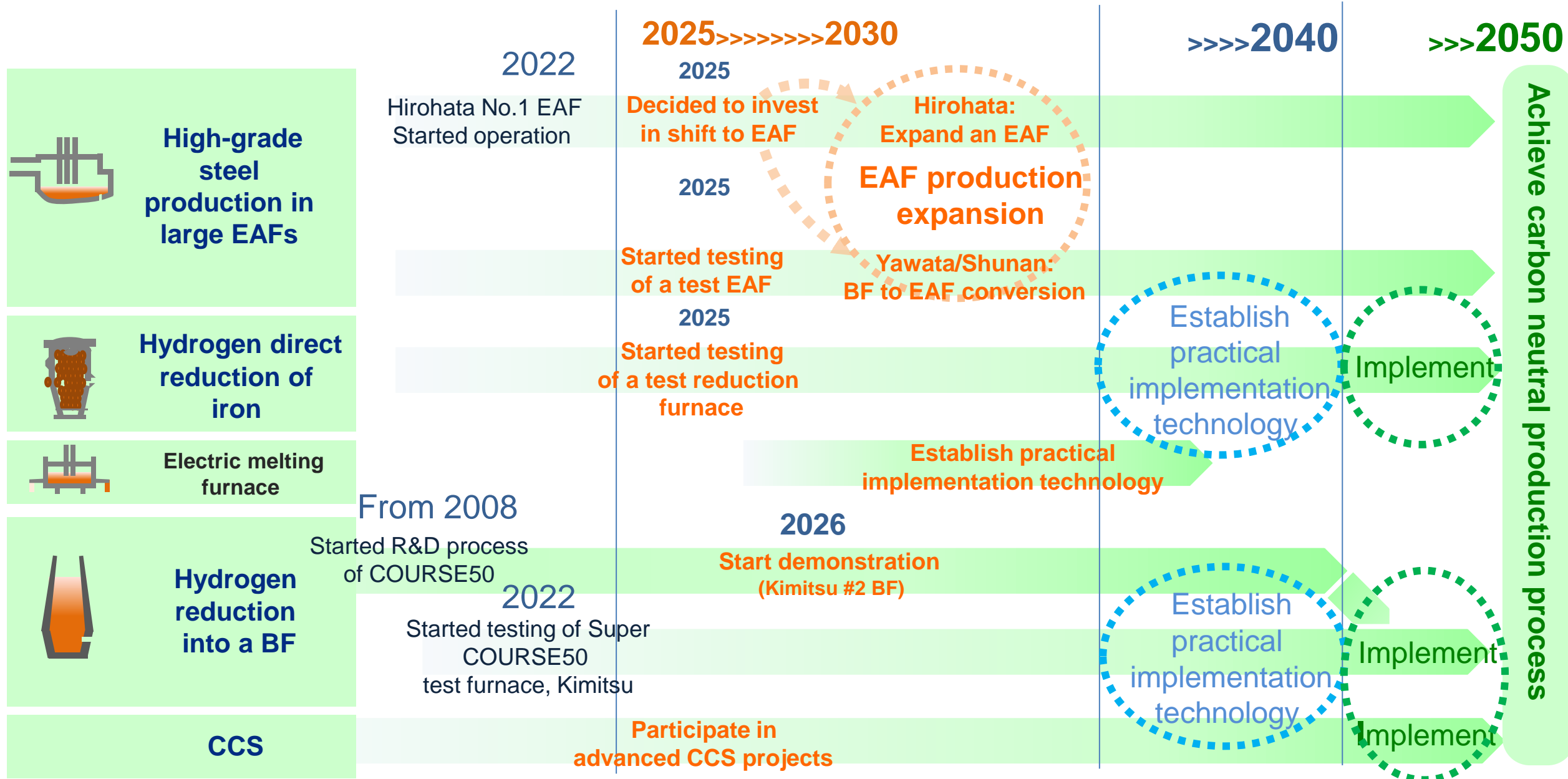
**We will move forward together as the best steelmaker with world-leading capabilities.**

# Initiatives towards achieving carbon neutrality

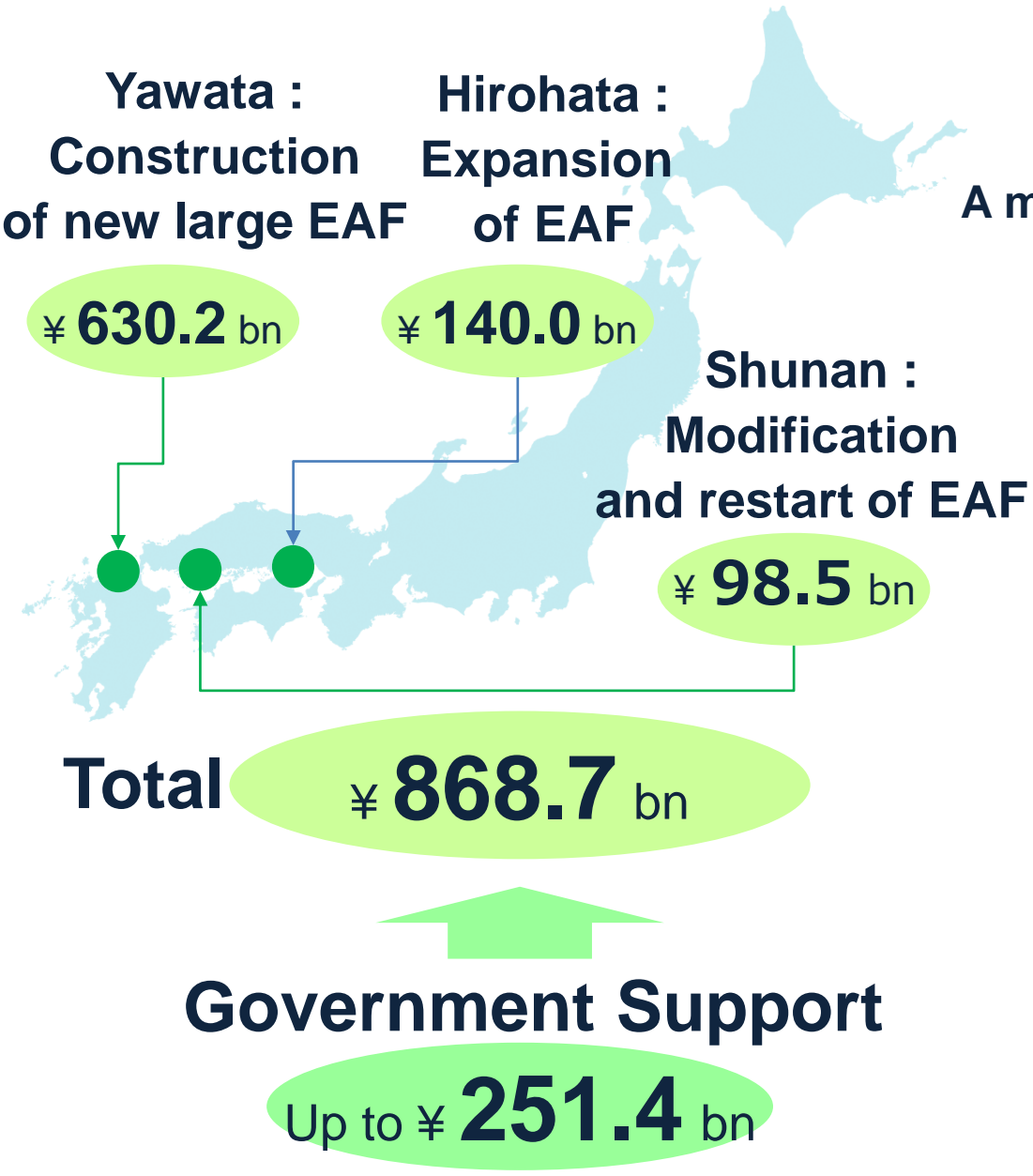
## Steady efforts to develop and implement GX innovative technologies and to promote and standardize GX Steel

Technology development	Gov't support in development planning and testing	<ul style="list-style-type: none"> <li>• Use of Green Innovation (GI) Fund ▶ <b>To develop and implement GX technologies</b> Established a test hydrogen reduction BF; CO<sub>2</sub> reduction technology (Kimitsu Test Furnace) Completed a small test furnace started experimental testing (Hasaki R&amp;D Center)</li> </ul>
Predictability in investment returns	Gov't support for capex and operating costs	<ul style="list-style-type: none"> <li>• Government-supported projects adopted under <b>the GX Promotion Act</b> ▶ <b>EAF investment [Yawata, Hirohata, Shunan]</b></li> <li>• Establishment of a “strategic material production base tax system” (Green Steel)</li> </ul>
	Creation of economic value from environmental value (CO <sub>2</sub> reduction)	<ul style="list-style-type: none"> <li>• <b>Government priority procurement and purchasing support of GX Steel</b> Revision of the Act on Promoting Green Procurement, CEV subsidies</li> <li>• <b>Increased adoption examples of NSCarbolex<sup>®</sup> Neutral</b></li> </ul>
Standardization	International standardization	<ul style="list-style-type: none"> <li>• <b>Actively spearheading</b> international standardization of GX Steel Worldsteel Guideline ver.1 issued</li> </ul>
Infrastructure	Energy infrastructure development	<ul style="list-style-type: none"> <li>• <b>Hydrogen and ammonia:</b> Cooperation with national and local governments and hydrogen supply companies</li> <li>• <b>Green electricity:</b> The Seventh Strategic Energy Plan</li> <li>• <b>CCS:</b> Participation in JOGMEC/Advanced CCS Support Program</li> </ul>

# GX innovative technologies: Development and implementation

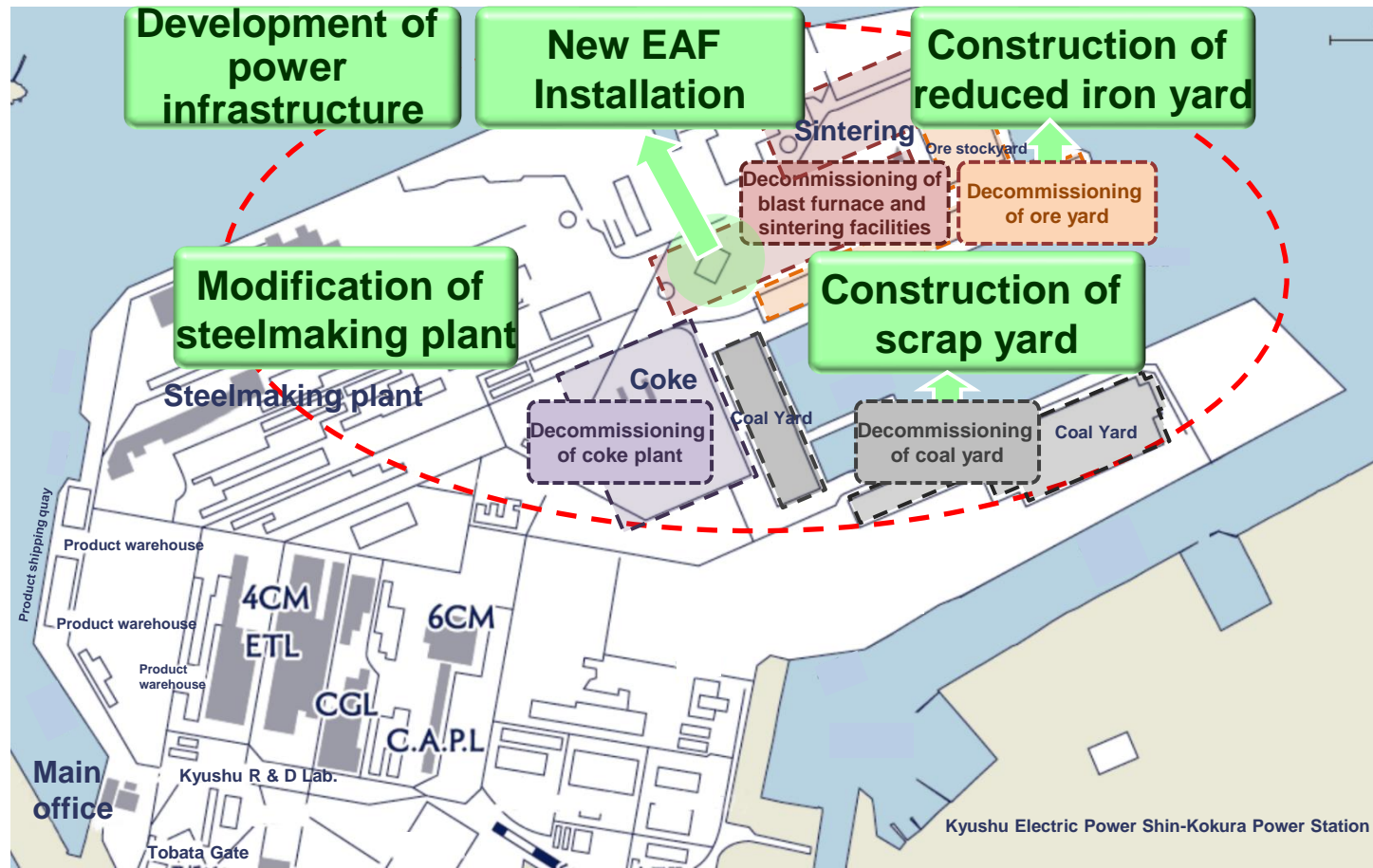


# [Topic] Decided EAF investments in Yawata, Hirohata, and Shunan



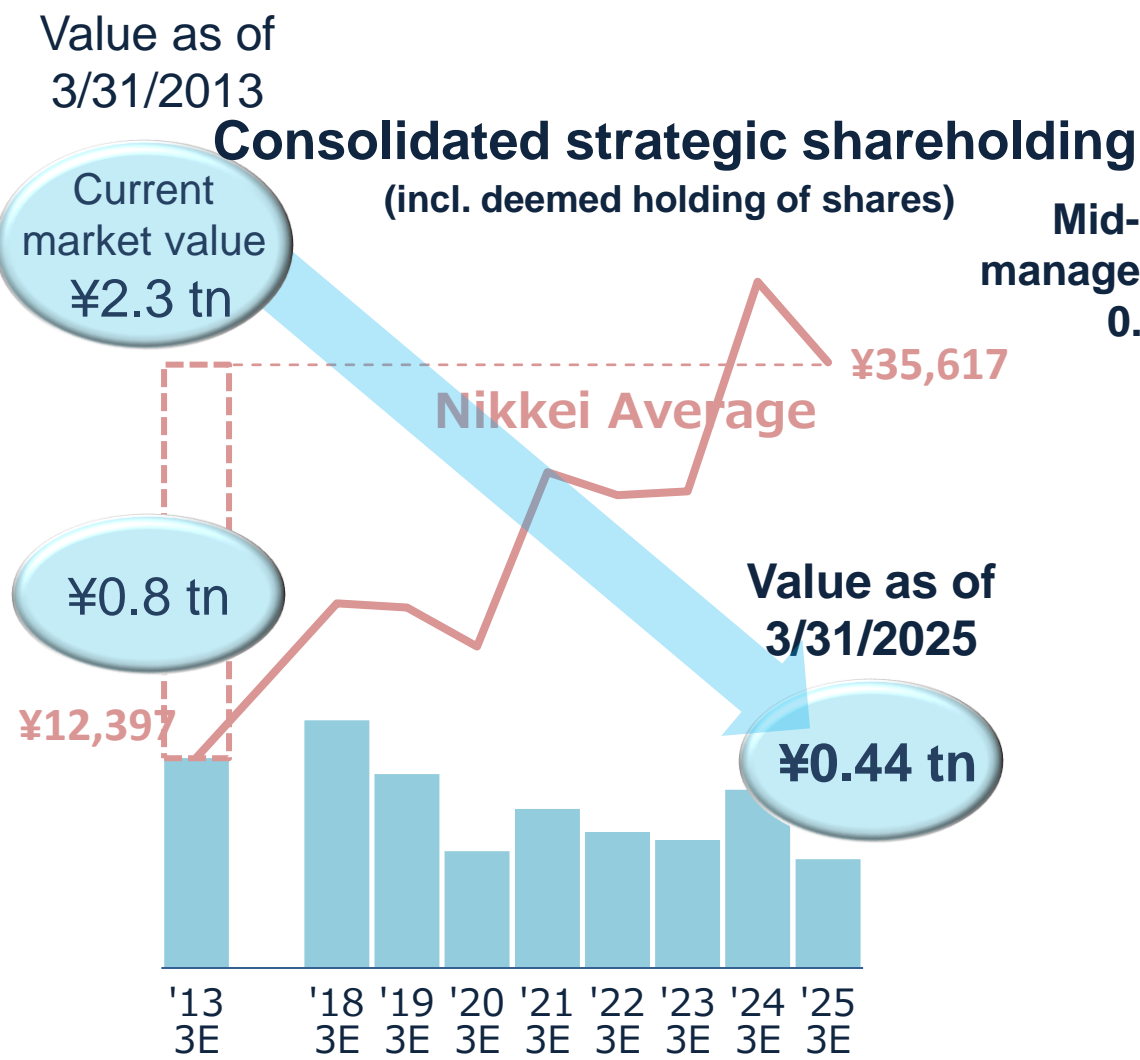
## Kyushu Works Yawata Area: Conversion of a BF to an EAF

A major project to renovate the birthplace of modern steelmaking  
Need investment to reconstruct **about 50%** of the total area

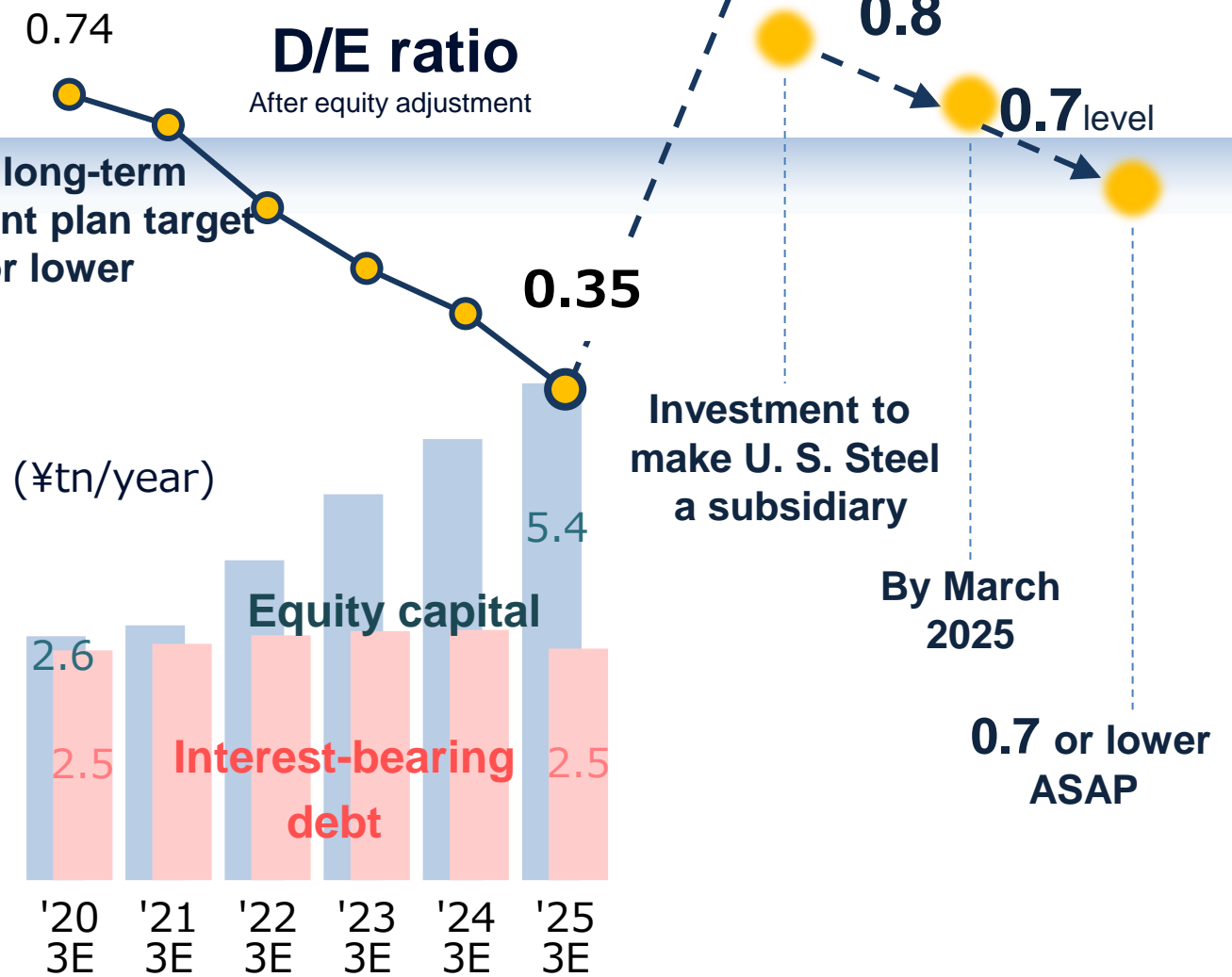


# Maintain a sound financial structure

**Asset streamlining**    **¥2.1 tn** in FY13-FY24  
Of which, **¥0.34 tn** in FY24



**Financial position**





# Strengthen human resource competitiveness

## Human capital-related changing social conditions

Declining working population and increasing HR mobility  
Diversity, equity & inclusion (DEI)

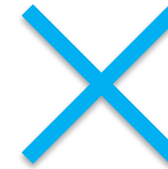
## Promoting diverse management strategies

Growth strategy, global expansion  
Carbon neutrality

**Ensuring HR  
and  
empowerment**



**Improving  
productivity**



**Developing  
HR**

- Raise corporate awareness and attractiveness
- Hire diverse human resources
- Increase work engagement

- Promote business reform and efficiency improvement
- Promote DX

- Strategic placement rotation
- Implement more dialogues
- Develop global human resources

**Strengthen competitiveness of personnel to achieve global growth**

**Strengthen each employee's capabilities and maximize organizational performance**



**NIPPON STEEL**

**We ask you, our shareholders,  
for your continued support  
Thank you very much.**

### *P1. Overview of Nippon Steel Business Performance and Future Initiatives*

I am Tadashi Imai, President and COO. Here, I would like to give a brief explanation of our business and future initiatives.

### *P2. Business Environment*

First, let us discuss the business environment.

### *P3. Global Steel Demand*

The graph at left shows global steel demand.

In the past, while global steel demand has historically continued to grow, China—the country with the highest demand—reached its peak in 2020 and has since been declining. Although India is growing steadily, overall global demand has plateaued at approximately 1.8 billion tons annually.

The graph at right illustrates the supply-demand gap in China.

Despite a decline in domestic steel demand, Chinese production remains high, expanding this gap. As a result, a large amount of surplus steel is being exported, and as of 2024, this has reached 110 million tons annually. As a structural issue, this is unlikely to improve soon and as such has significantly impacted the global steel market, and the profitability of steelmakers.

### *P4. Decline Steel Market Conditions, Decline in Steel Spread*

The graph on the left illustrates trends in steel market conditions within ASEAN in blue, while the graph below shows the trends in prices for iron ore and coal used for producing one ton of steel.

Stagnation in global steel demand has resulted in a decline in raw material market conditions. The resulting annual impact on profitability across the global raw materials industry is approximately ¥30 trillion. Given that we are expanding our raw material business, we are also affected by this decline.

Furthermore, the large-scale and low-cost steel exports from China have resulted in overseas steel market conditions—including in the ASEAN region—continuing to deteriorate. The difference between



steel prices and raw material costs is referred to as the main raw material spread, and after deducting manufacturing costs, this spread constitutes the profit for steelmakers. However, as the main raw material spread shrinks, this has resulted in a decline in profitability for steelmakers.

The graph on the right shows the trend of the main raw material spread, but as previously mentioned, the impact of Chinese steel exports has caused the main raw material spread to remain at its lowest level in recent years. A deterioration of approximately \$100 dollars per ton of steel corresponds to a reduction in annual profits for global steelmakers of around ¥30 trillion.

Given these circumstances, the global steel industry is currently facing an unprecedentedly challenging business environment.

#### *P5. Sluggish Steel Demand in Japan*

Turning our attention to conditions within Japan, we anticipate a mid- to long-term reduction in steel demand in Japan due to the long-term decline in population, which forms the basis of steel demand, coupled with downward trends in housing starts and in automobile production.

At its peak in 1990, steel demand in Japan exceeded 90 million tons, but this currently stands at around 50 million tons, a level near half of that peak.

As explained above, we face extremely challenging business conditions globally. However, in spite of these, we are working to establish a revenue structure that enables us to maintain high levels of profitability and are continuing initiatives toward further growth.

#### *P6. Performance Overview*

Next, I am going to cover our current performance.

#### *P7. 2024 Underlying Business Profit, 2025 Outlook*

This chart illustrates trends in consolidated underlying business profit.

Under the current management plan formulated in 2021, our goal has been to secure a profit structure

that ensures consolidated underlying business profit of ¥600 billion or more, regardless of the external conditions. Despite a significant deterioration in business environments during fiscal 2024, we achieved an underlying business profit of ¥793.7 billion.

Regarding the outlook for the current fiscal year, we had originally aimed to exceed ¥900 billion, based on the effects from structural reforms implemented up until now. However, as mentioned before, the further deterioration in business environment means we now expect this to remain at above ¥700 billion. In addition, another unexpected factor has recently emerged—the Trump administration's tariff policy. At present, accurately forecasting its impact is extremely difficult. However, factoring in the maximum possible effects on indirect exports, we have announced that we will secure at least ¥600 billion in underlying business profit.

This figure does not include our partnership with U. S. Steel. When announcing our first quarter results in August, we plan to announce a revised performance outlook reflecting these factors.

For annual dividends, for fiscal 2024, we propose a dividend of ¥160 per share—this will be presented as part of the agenda for this general meeting of shareholders. For fiscal 2025, while single-year profits will decline, we plan to target a dividend of ¥120, ensuring that the average dividend ratio over the five-year period since the start of our current management plan in 2021 remains at 30%.

#### *P8. Profitability Comparison with Competitors*

This provides a reference for comparing profitability per ton of crude steel with global competitors.

As shown in the graph at left, all companies have reduced profits amid the deteriorating business environment; however, I'm sure you can see that our company has remained relatively stable.

The graph at right shows actual results for 2024, with our profitability exceeding that of China Baowu, South Korea's POSCO, and ArcelorMittal, ranking us alongside U.S.-based Nucor Corporation.

#### *P9. Business Strategy*

Next, I am going to explain our future business strategy.

#### *P10. Continued Pursuit of a Business Structure with Breadth and Depth*

First, here is an overview of our growth strategy.

Our basic strategy is to achieve stable profitability by restructuring the steel business in Japan and to deepen and expand the overseas business, while establishing a supply chain that integrates raw materials through to distribution. This will also continue in our next management plan.

#### *P11. Formulation of the Next Medium- to Long-Term Management Plan*

We are currently considering three pillars: our "business growth strategy," "implementation of GX measures," and "enhanced competitiveness of human resources." As part of our business growth strategy, we aim to achieve our "100 million tons and 1 trillion yen" vision as soon as possible.

#### *P12. Growth Strategy Roadmap*

This is our current growth strategy roadmap.

The facility structural measures under the current management plan were largely completed by the end of last fiscal year. The sophistication in order mix through the expansion of production capacity for electric steel sheets and the next-generation hot-strip mill, and the increase in production capacity in India and other factors will together begin to show results during the period of the next management plan.

In addition to these, the sections outlined in red in the table indicate additional measures developed after the announcement of the current management plan. In Japan, we have reorganized our ERW steel pipe businesses, merged with Nippon Steel Stainless Steel Corporation, and made Sanyo Special Steel Co., Ltd a fully owned subsidiary. In overseas operations, we have pursued our partnership with U. S. Steel. In raw materials and distribution sectors, we are moving forward with mining investments in Canada and Australia, as well as making Nippon Steel Trading Co., Ltd. a subsidiary. Many of these additional measures will also contribute to growing revenue during the next management period.

### *P13. Steel Business in Japan*

This section reviews the current management plan for steel operations in Japan. In response to the anticipated decline in steel demand in Japan, we have put in place restructuring initiatives such as shutting down five blast furnaces ahead of the industry. By reducing production capacity by 20% and compressing fixed cost scales, we achieved cost improvements of ¥150 billion, and combined with enhancements to spreads, enabled us to lower our break-even point by 40%. We believe these measures have allowed us to optimize our production structure in Japan.

### *P14. Steel Business in Japan (Market-Oriented Strategy)*

Under the next management plan, we intend to enhance competitiveness through structures targeting each steel market, based on this optimized production structure.

In the high-grade steel sector, where we excel, we will further refine our order mix. Meanwhile, in commodity steel, we will focus on strengthening our cost competitiveness to compete with low-cost players globally.

Additionally, along with strengthening our group companies, we aim to further reinforce our dominant position as the top player across all steel markets in Japan.

### *P15. Overseas Steel & Raw Material Businesses*

Regarding overseas operations, we will continue our policy of expanding integrated steelmaking from upstream sources in markets with promising steel demand growth, and in markets with affinity to our technologies and products. We aim to deepen and expand our presence not only in the growth market of India and our home ASEAN market, but also in the United States which is the largest market for high-grade steel, as well as in Europe.

In the raw materials business, we will limit investments to high-quality assets that can contribute to our competitiveness.

#### *P16. Capacity Expansion in India*

In India, with its robust growth in steel demand, we are advancing our efforts to expand production capacity. At AM/NS India, the acquisition of new land in Rajayyapeta, Southern India, has been completed. Currently, we are considering plans for a new integrated steelworks with an annual production capacity of 7 million tons.

#### *P17. Partnership with U. S. Steel*

We have finalized partnership with U. S. Steel. Looking forward, we will fully commit our efforts to growing in the high-grade steel market in the United States and Europe. Further details on this will be provided later by Chairman and CEO Eiji Hashimoto.

#### *P18. Initiatives towards Achieving Carbon Neutrality*

Next, I would like to discuss carbon neutrality.

There are four major challenges that must be overcome for the steel industry to achieve carbon neutrality.

First is technology development, which requires innovation in production processes. We are currently taking a multi-faceted approach to promoting research and development into innovative technologies using Green Innovation Funds.

Second, ensuring predictability in investment returns is crucial at the time of implementing on actual equipment. Without a clear expectation of recovering these massive capital investments and operational costs, making investment decisions is difficult. However, our plan for electric arc furnaces was recently selected for support from government-backed initiatives under the GX Promotion Act. Moreover, targeting the development of the GX Steel market, efforts are underway in cooperation with the government to solidify measures such as priority procurement and purchasing support.

Third is the development of institutional frameworks along with standardization. Creating a GX market

requires the establishment and standardization of international rules that correctly value CO<sub>2</sub> reductions.

We are actively engaging through Worldsteel to promote global standardization.

Fourth is the development of infrastructure. Carbon-neutral steel production processes require that industrial infrastructure including production-scale hydrogen, ammonia, green electricity, and CCS (Carbon Capture and Storage) be in place. We are currently involved in discussions with the government and various related companies and organizations.

#### *P19. Development and Implementation of Innovative Technologies*

This diagram shows the implementation schedule for the development and implementation of innovative technologies. Large investments will be made at Yawata, Hirohata, and Shunan in order to expand the production of high-grade steel using electric arc furnaces by 2030. In hydrogen-based steelmaking, parallel efforts are underway to develop and experiment with the technology using test facilities and actual equipment, and we will establish practical implementation technologies by 2040. Also, by combining this with CCS, we are targeting the completion of a carbon-neutral production process by 2050.

#### *P20. Electric Arc Furnace Investment at Yawata, Hirohata, and Shunan*

For electric arc furnaces, we have decided upon investment totaling ¥868.7 billion across these three locations. Of this amount, up to ¥251.4 billion support will be provided by the government.

The figure on the right shows the planned layout within the Yawata Area. This is a major project that significantly renovates the birthplace of modern steelmaking. With a plan to start operations in fiscal 2029, we have started on this large-scale construction project, transforming about half of the total area.

#### *P21. Financial Position*

Continued investment will be required moving forward in order to implement the various strategies mentioned above. All such investments are made after verifying their economic feasibility to ensure that

they can be recovered and that sufficient capital efficiency can be retained. However, maintaining a healthy financial structure is required in order to cover initial investment expenses.

As shown in the graph on the left, we have already reduced our assets by approximately 2 trillion yen over the past decade; in particular significantly reducing strategic shareholding by about 80% based on current market value, while striving for improved capital efficiency.

The figure on the right shows the debt-to-equity ratio (D/E ratio), and our aim is to maintain this below 0.7. Although our transaction with U. S. Steel caused the D/E ratio to temporarily deteriorate up to 0.9 levels, we will use hybrid financing methods to bring this down to 0.8 levels, and expect it to recover to 0.7 levels by the end of this fiscal year.

#### *P22. Strengthening Human Resource Competitiveness*

As outlined above, we are facing unprecedented, diverse, and difficult management challenges in order to increase sustainable corporate value, and to become the best steelmaker with world-leading capabilities. The solution to these challenges rests in our human resources. Finally, I would like to explain our efforts to strengthen human resource competitiveness.

Considering significant changes in the social environment surrounding human capital, we will ensure we do not let on enhancing our competitive edge in our human resources by focusing on three pillars. These are "ensuring human resources and empowerment," "improving productivity" including the promotion of DX (digital transformation), and "developing human resources" who can support global growth.

#### *P23. Conclusion*

This covered a current overview of our business performance and future initiatives.

I humbly request your continued further support.

Thank you for your time.