Flexibility in Management

Key Commitments under the NSA (National Security Agreement)

Investments	◆ Nippon Steel will make approximately $11 billion in new investments in U. S. Steel by 2028. ◆ This includes an initial investment in a greenfield project that will be completed after 2028.
U.S. Headquarters	◆ U. S. Steel will remain a U.S.-incorporated entity and will maintain its headquarters in Pittsburgh, Pennsylvania.
U.S. Board	◆ A majority of the members of U. S. Steel's board of directors will be U.S. citizens. Note: Nippon Steel will appoint a majority of the board members. (Among three independent directors, one is appointed by the U.S. government, and two are subject to U.S. government consent.)
U.S. Management	◆ U. S. Steel's key management personnel, including its CEO, will be U.S. citizens.
U.S. production	◆ U. S. Steel will maintain capacity to produce and supply steel from its U.S. production locations to meet market demand in the U.S.
U. S. Steel Autonomous trade measures	◆ Nippon Steel will not prevent, prohibit, or otherwise interfere with U. S. Steel's ability to pursue trade action under U.S. law.

Flexibility in Management

Main Rights Granted to the U.S. Government under the NSA and through the ownership of the Golden Shares

The right to appoint one independent director

Consent rights of the U.S. government on the following specific matters

- Reductions in the committed capital investments under the NSA;
- Changing U. S. Steel's name and headquarters;
- Redomiciling U. S. Steel outside of the United States;
- Transfer of production or jobs outside of the United States;
- Material acquisitions of competing businesses in the United States; and
- Certain decisions on closure or idling of U. S. Steel's existing U.S. manufacturing facilities (excluding temporary suspension in normal operations), trade, labor, and sourcing outside of the United States.

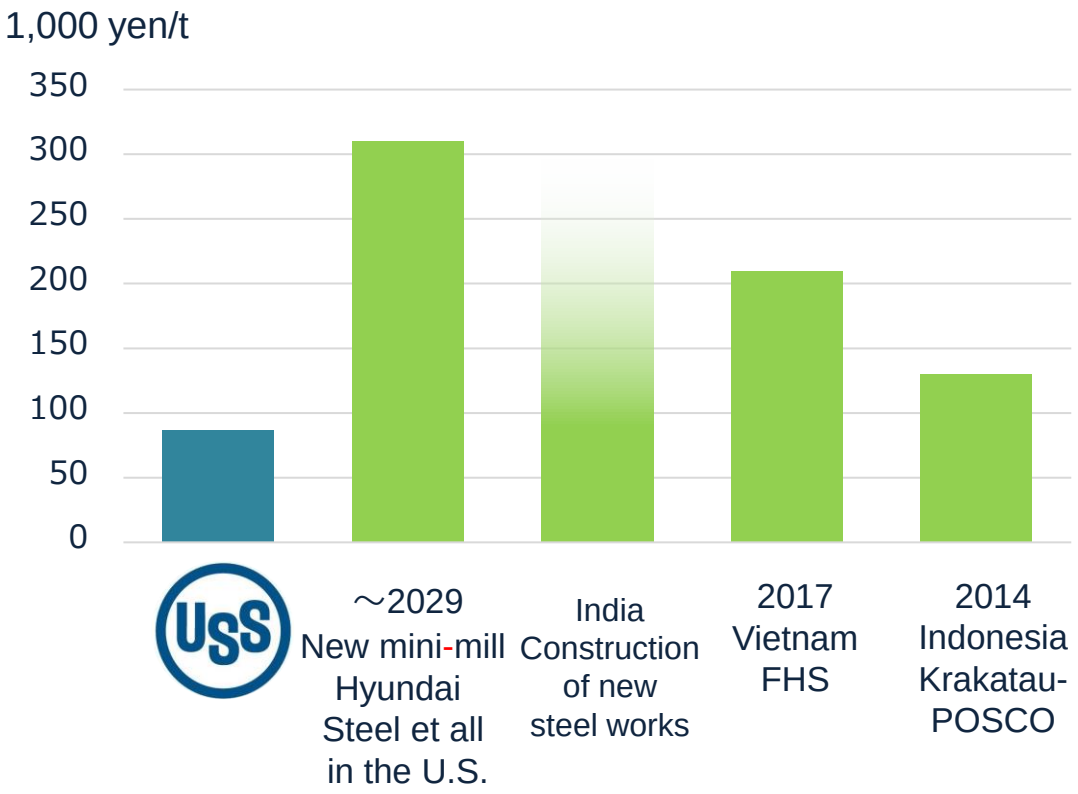
Rationality of the Merger Consideration

Economically reasonable merger consideration for Integrated steel mill

Economic rationality assessment prior to the Trump administration's tariff policy

Competitive Merger Consideration

Investment per ton of Crude Steel Capacity



Advantage of Brownfield development

Without Startup risks

Greenfield integrated steel mill construction: Risks in production facilities startup, workforce recruitment, training, securing sales channels, etc.

Generate Cash flow upon acquisition

Greenfield integrated steel mill with 10M ton production capacity: Construction will require substantial period of time until commercial operation, with upfront cash outflows

Secure Workforce

Skilled workforce secured despite U.S. manufacturing labor shortages

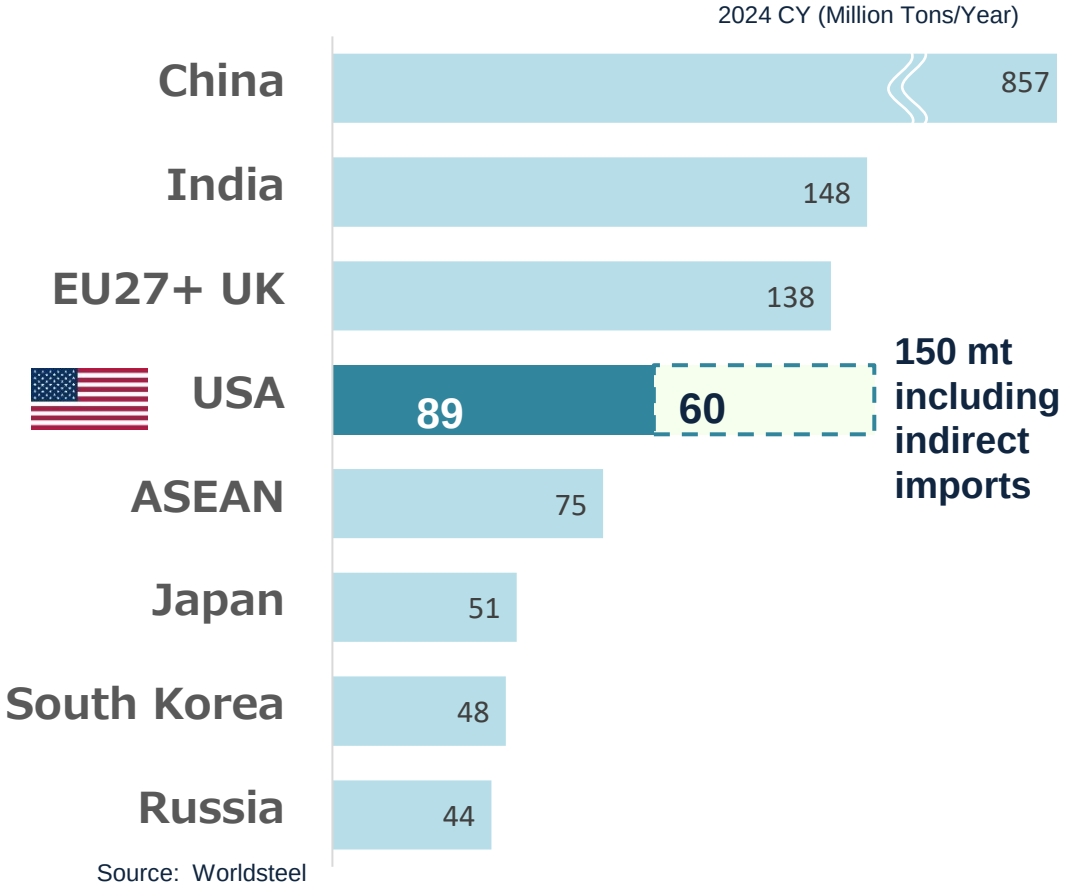
	Total population (million)	Workforce		
			Manufacturing	(Ratio)
USA	342	**172**	**13**	**8%**
Japan	124	**69**	**11**	**15%**

U.S. Steel Market Structure

The largest steel demand in developed countries, and the largest market for high-grade steel leveraging our technology and products

Estimated domestic demand including indirect imports: 150 million tons
Tariff policies expected to shift direct and indirect steel imports to domestic production

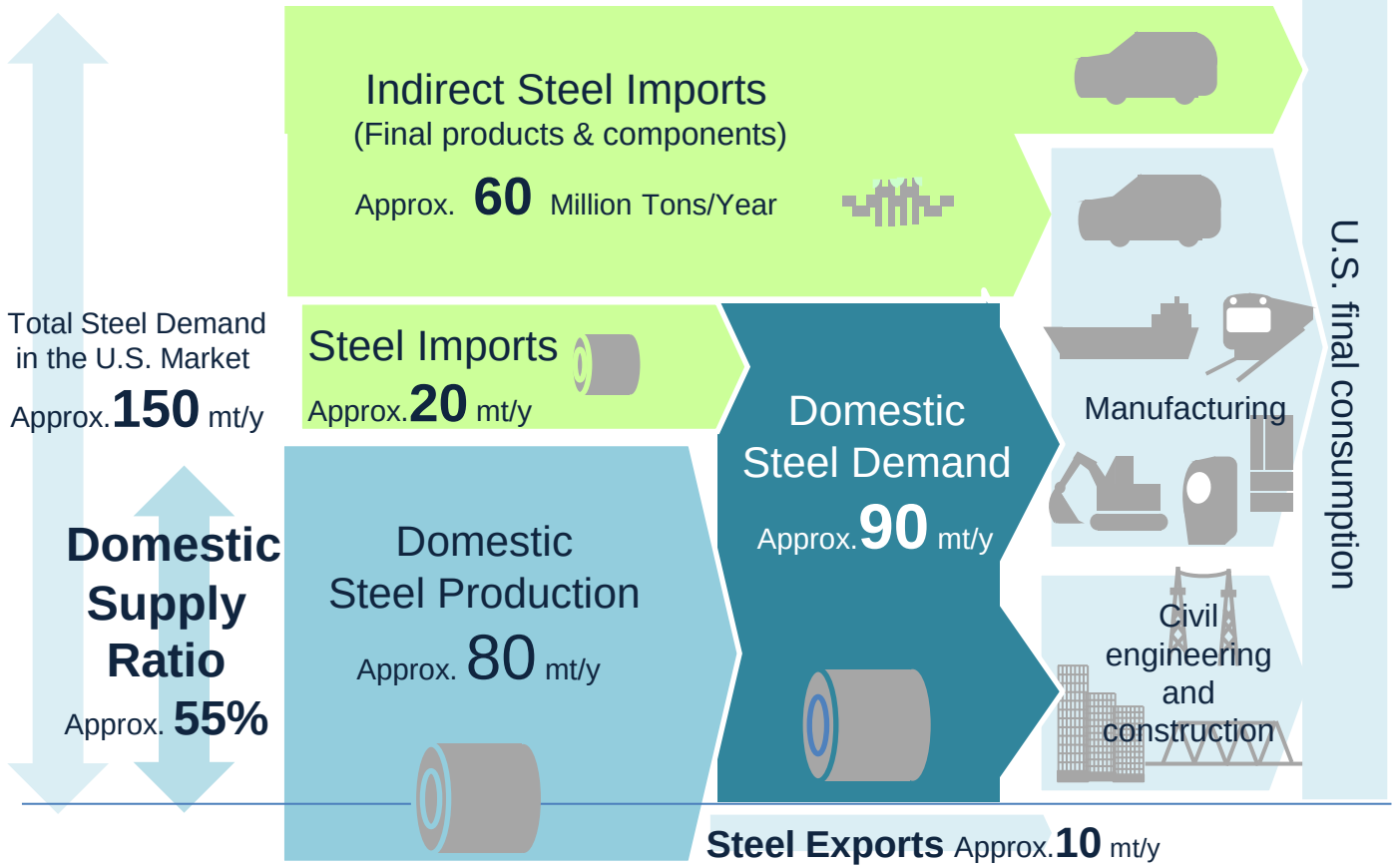
Steel Demand



Source: Worldsteel

U. S. Steel Supply and Demand Overview

Our Estimate



Capital Investment Profitability

Capital Investments will be made to respond to growing steel demand in the U.S. and increasing demand for high-grade steel.

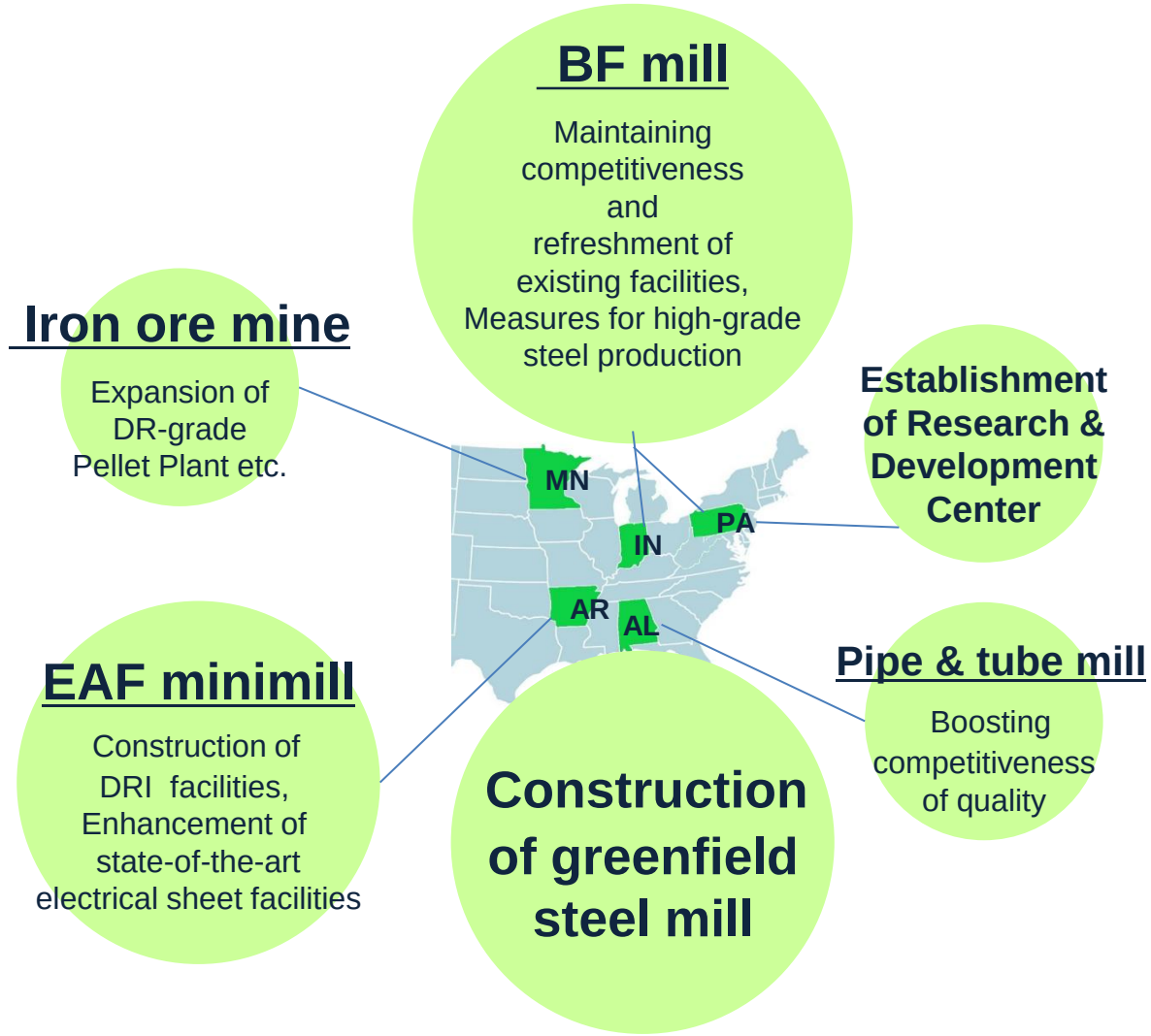
Introduction of our operational technologies to reduce costs, advanced product technologies to enhance added value

Enhance U. S. Steel's competitiveness
Achieve profit growth

Ensure sufficient return on investment

Capital Investment profitability assessment prior to the Trump administration's tariff policy

Commitment under the NSA (National Security Agreement) to invest approx. **$11 billion** by the end of 2028



Next, I will explain this transaction with U. S. Steel.
Negotiations with the U.S. Government surrounding the conditions for approval have been intense and continued right up to the deadline. The terms we committed to with the U.S. government have been satisfactory from our standpoint, in that they do not impact our management flexibility and ensure investment profitability.

Please direct your attention to the front screen, where I will show two slides.

P1. Management Flexibility – Key Commitments under the National Security Agreement (NSA)

First are the main commitments under the National Security Agreement.

P2. Management Flexibility– Main Rights Granted to the U.S. Government through the NSA and Golden Shares

Next are the main rights granted to the U.S. government through the NSA and golden shares, as seen earlier.

As you can see here, if we look at the conditions demanded by the U.S., we can clearly see why the previous Biden administration rejected the deal without providing a clear explanation, and how a previously reticent President Trump was persuaded to reverse this decision.

First, none of the conditions shows any connection to concerns related to national security. It became evident that former President Biden's rejection of the transaction on national security grounds had no basis in fact.

Second, three key voices are reflected in the NSA. The first was President Trump's demand that the purchaser commits to significant capital investment after concluding the deal. The second were voices of the local community to ensure that U. S. Steel maintains its production capacity and jobs. The third were those of competing manufacturers, requesting that further such deals be halted, or that U.S. steel industry trade measures shall not be interfered. This was my interpretation of the NSA.

It is clear that our competitors, fearing our entry into the U.S. market, leveraged the political influence of politicized labor unions during the former Biden administration to block the deal, but then resorted to entreating the Trump administration to secure their own safety.

President Trump's reversal was due to two factors: first, he changed his mind after hearing the earnest and unified voices from various local stakeholders—including political and business leaders, U. S. Steel employees who are union members, and various other local residents,

including those in shopping districts—all appealing for approval and warning that without it, U. S. Steel would not survive, and second, our promise to commit to capital investment, which was not previously offered under the Biden administration. I also believe this outcome reflects the effectiveness of our persistent local engagement strategies from Vice Chairman Mori and his team, and the way we announced our plans for capital investment.

P3. Rationality of the Investment

Next, I will explain the rationality of this deal.
While appearing massive, the ¥2-trillion investment is extremely cost-effective.

Construction costs for steel facilities are soaring globally. Even in India, which is considered to have the lowest cost, building a new integrated steel mill requires at least ¥200,000 per ton of production capacity. Moreover, from the start of construction of a large steel mill to the commencement of commercial operations takes nearly 10 years. During this time, significant upfront cash outflows are inevitable, coupled with risks related to construction, equipment setup, workforce recruitment and training, and securing a customer base.
In the U.S., costs are estimated to exceed ¥400,000 per ton. For reference, South Korea's Hyundai Steel recently announced plans to establish a small-scale electric arc furnace mill with a capacity of just under 3 million tons, targeting a cost of ¥300,000 per ton.

Accordingly, acquiring 23 million tons of production capacity for ¥2 trillion means the cost per ton is under ¥100,000, which is exceptionally cost-effective. Furthermore, this also means there are no risks associated with construction or start-up. The deal also includes high-quality iron ore mines, which further enforces the rational of this deal.
Additionally, the biggest challenge in the U.S. market remains securing a skilled workforce. As shown at lower right, Japan has 10.5 million manufacturing workers, but the U.S., despite a population nearly three times larger, has only 13 million, and this figure continues to drop year by year. A significant advantage is that U. S. Steel has skilled workers. The risk of securing the work force, is one of the main reasons that is holding back entities, such as auto manufacturers, from making large investments in the U.S.
Furthermore, U. S. Steel has an integrated steel mill in Slovakia, as a fully owned subsidiary. While its current crude steel capacity is 4.5 million tons per year, this facility sits on a vast site equivalent to Kimitsu area of East Nippon Works in Japan, which produces 10 million tons, thus allowing for future expansion. In Europe, with its high labor costs, Eastern Europe offers the lowest labor costs. While discussion tends to focus on the U.S., we would like to emphasize

that this ¥2 trillion deal also includes an integrated steelworks in Europe.
Our partnership with U. S. Steel enables us to simultaneously secure footholds in both the U.S. and Europe, where we formerly had no major presence, thus making it easy for us to complete our global network.

P4. Structure of the U.S. Steel Market

Next, I will explain the capital investment profitability after concluding this partnership, but first, allow me to provide a brief overview of the U.S. market.

The U.S. steel market is the largest among developed nations, with demand exceeding 90 million tons—roughly double that of Japan. However, the domestic production ratio is considered to be 70%, meaning 30% is imported. If we also include imports in the form of finished goods or parts, for example, automobiles and auto components, the actual figure rises to 150 million tons—of that, 55% is produced domestically, 15% is steel imports, and 30% is indirect steel imports of final products or components. In the automotive sector, only 55% is domestically produced, whereas 45% of vehicles are imported. President Trump considers this a problem and has said that if companies want to sell cars in America, they should manufacture them there. The same applies to steel, of which only 55% is domestically produced. Accordingly, this is an overwhelmingly large market with significant growth potential, and also one with a high proportion of high-grade steel, which allows us to leverage our technology.
In recent years, manufacturers worldwide have struggled with China’s low-price exports. The steel industry is the most impacted by this, but as a market, the U.S. is also best able to minimize the negative impact of China's cheap steel exports.

P5. Capital Investment Profitability

In such a massive market, the planned capital investments outlined on the screen are all essential and effective in enhancing U. S. Steel’s corporate value, and as such, there are no issues in ensuring sufficient return on investment. By applying our advanced product technologies to the plant operations and equipment management, we will reduce costs. Steel prices in the U.S. are twice as high as in Asia and the rest of the world, but so are the costs, and our aim is to lower these. Furthermore, by introducing strategic products that are currently not manufactured due to a lack of technology, we will enhance added value. By building a supply network for high-grade steel, we will establish the strong and advanced supply chain that is essential for the revival of U.S. manufacturing.
We proposed only partial upgrades to aging facilities where union members work with the aim

of minimizing opposition from the union, to the former Biden administration, which prioritized relations with labor unions. Our reasoning was if we proposed investing in newer plants without unionized workers, this would provoke even stronger opposition. We proposed that if our capital and technology were accepted in facilities where U. S. Steel alone could not fund renovations, these upgrades could go ahead, however, former President Biden appeared preoccupied with electoral strategy, so this proposal had no effect.
However, the Trump administration is focused on revitalizing U.S. manufacturing, and so this time we committed to all the originally planned projects, including the expansion of plants employing non-unionized workers and the introduction of strategic products such as electrical steel sheets, along with the timing for each. I believe this was the decisive factor.

Finally, I would like to mention our relationship with tariff policies. We started on this initiative two years ago in the summer of 2023. The rationality of investment along with capital investment profitability estimates were never based on assumptions of a high-tariff policy. I won’t comment on whether a high-tariff policy is good or bad, but it is unlikely to return to previous levels even under a different president in the future. If this is the case, then this marks a significant shift in U.S. trade policy, and the strategic importance of expanding our operations in the U.S. will continue to grow.

This concludes my explanation. Thank you for your attention.

End