

TYO : 5401

OTC : NPSCY(ADR)



# Acquisition of G Steel and G J Steel, integrated steel mills in Thailand

Jan. 21<sup>st</sup>, 2022

**NIPPON STEEL CORPORATION**

Financial figures in this document are consolidated figures unless otherwise noted



## Acquisition of G Steel and G J Steel (G/GJ Steel)

**NIPPON STEEL will acquire shares in G Steel and GJ Steel to make it subsidiaries**

**G/GJ Steel are the only integrated flat steel producers in Thailand with facilities including electric arc furnaces (EAFs) and hot strip mills, supplying hot-rolled steel sheets for general purpose**

On January 21, 2022, NSC entered into a share purchase agreement with funds managed by Ares SSG, currently the largest indirect shareholder in G/GJ Steel. As a result, NSC will also launch a tender offer for the remaining shares of G/GJ Steel.



**GOAL: To become an insider as a local integrated steel mill in Thailand, thereby capturing the growing local demand for hot-rolled steel sheets for general purpose use**

# G/GJ Steel Overview

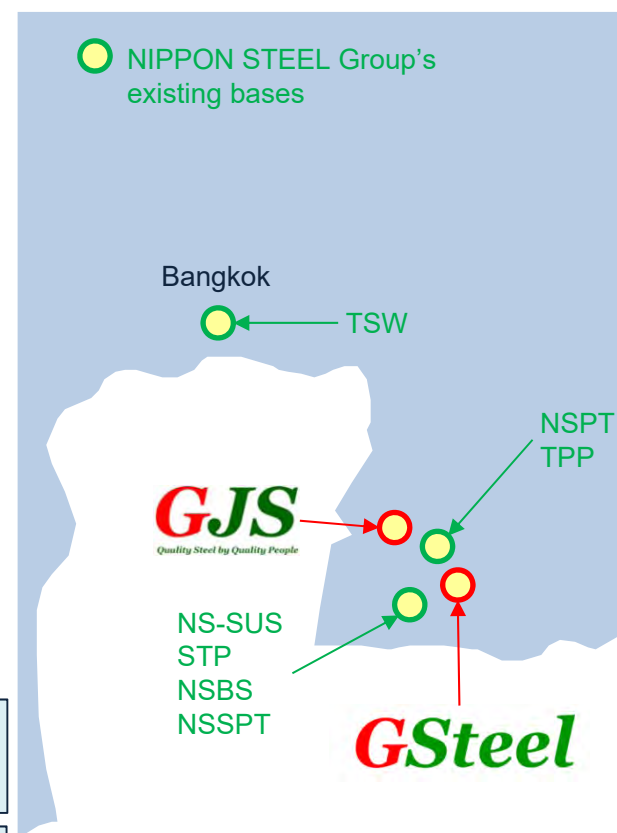
The only integrated flat steel producers and two of the largest Thai companies producing crude steel and hot-rolled steel sheets in Thailand

## Company overview

	G Steel	GJ Steel	Total
Company name	G Steel Public Company Limited	G J Steel Public Company Limited	
Founded	1995 as Siam Strip Mill	1994 as Nakornthai Strip Mill	
Revenue* (mm THB/yr)	9,314	11,379	20,693
Sales volume* (mm t/yr)	0.58	0.71	1.29
Production capacity (mm t/yr)	1.58	1.50	3.08
Product types manufactured	Hot-rolled coil (Mainly for construction, steel pipes, and wholesale)		
# of employees**	613	680	1,293
Listing Market	Stock Exchange of Thailand		

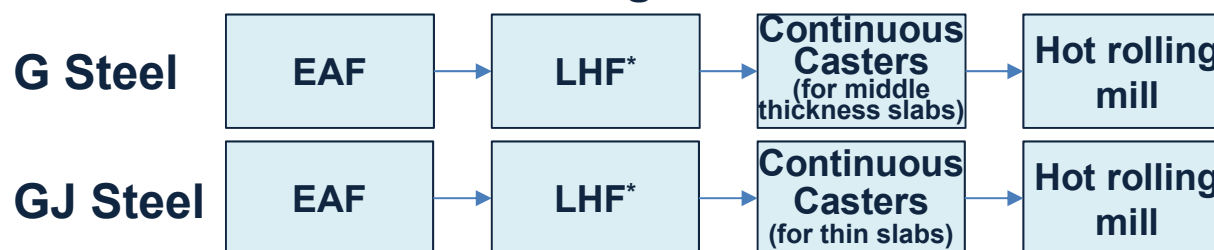
\* CY2020 actual, unconsolidated \*\*As of Dec, 2020

## Footprints



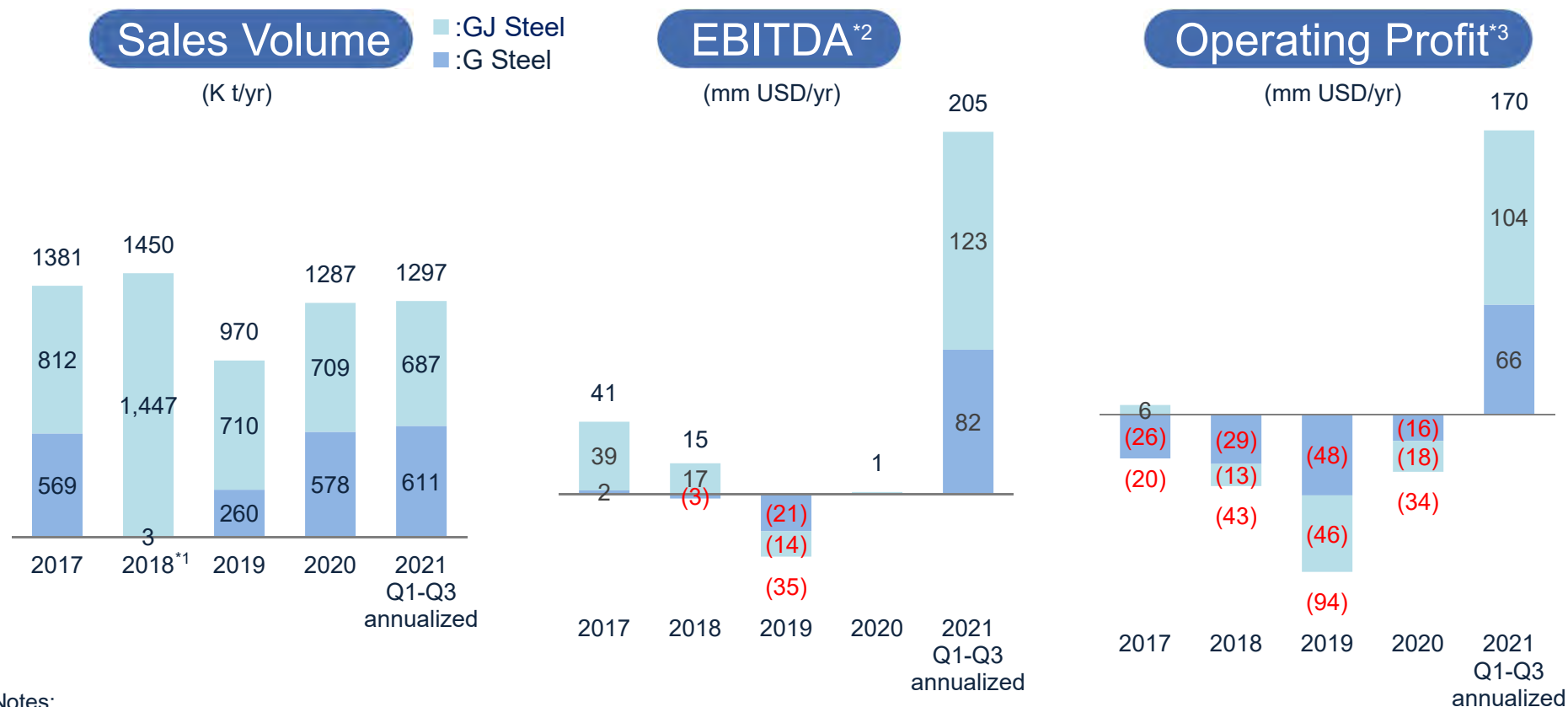
\* LHF: Ladle Heating Furnaces

## Process of manufacturing



# G/GJ Steel Performance Trends

After Ares SSG gained control of G/GJ Steel in 2019 and implemented a management improvement plan, both companies have regained profitability



## Notes:

The total figures are the sum of the individual companies, before consolidation adjustments

\*1 GJ Steel entered the Tolling agreement with G Steel to increase the normal capacity during off peak power usage commencing in 4th quarter of 2017

\*2 EBITDA = Operating Profit + (Depreciation and amortization + Work roll amortization)

\*3 Operating Profit = Revenue from sale/service – (Cost of sale/services + Selling/Administrative expenses + Bad and doubtful debts expense)

THB/USD: (2017~2021) 31.16, 32.57, 31.23, 31.29, 31.29, respectively

# Acquisition Structure Overview

## (1) Acquisition of shares and shareholder loans from Ares SSG's SPCs

Acquire all shares of the SPCs, which holds shares of, and shareholder loans to, G/GJ Steel, from a fund managed by Ares SSG, the largest indirect shareholder of G/GJ Steel (acquisition completion targeted in February 2022, After preconditions for the transaction are satisfied)

## (2) Tender offer for shares of G/GJ Steel

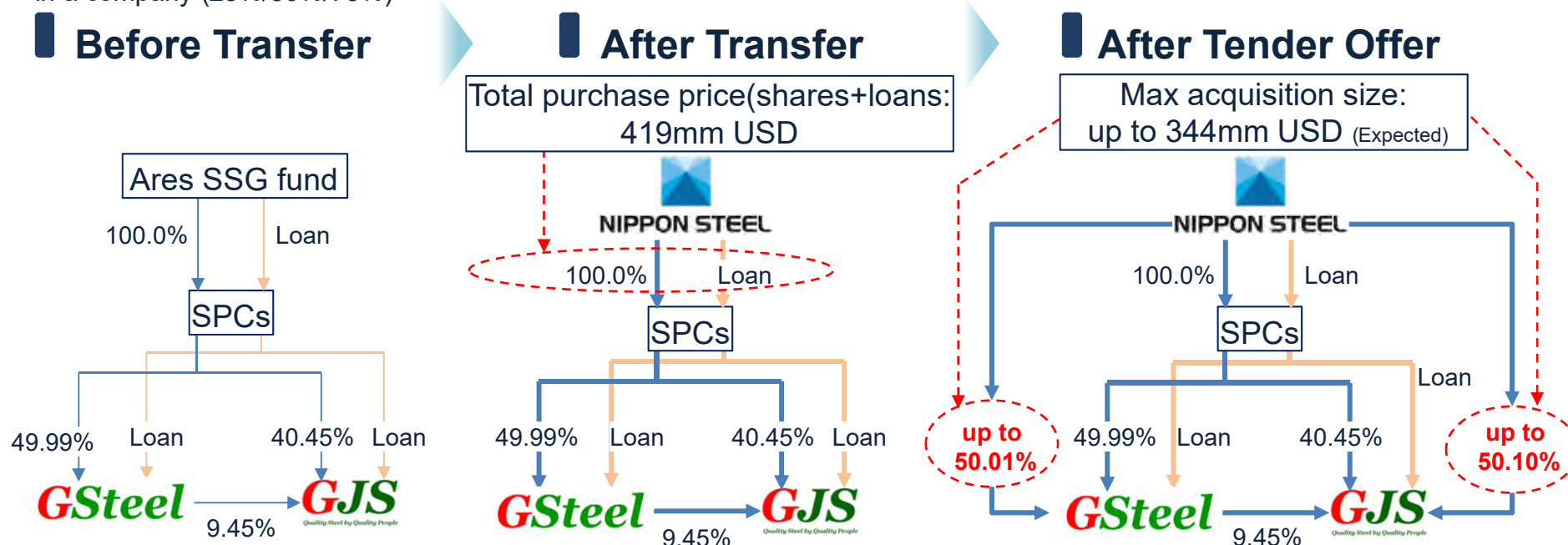
Tender offer to be launched promptly after acquisition of shares from Ares SSG's SPC

Tender offer price: G Steel: 0.0081USD/share (0.27THB/share\*)

GJ Steel: 0.0178USD/share (0.59THB/share\*)

\* Reference value based on the rate announced by Central Bank of Thailand as of January 18, 2022

According to securities laws in Thailand, a tender offer is required when acquiring more than a certain percentage of shares in a company (25%/50%/75%)



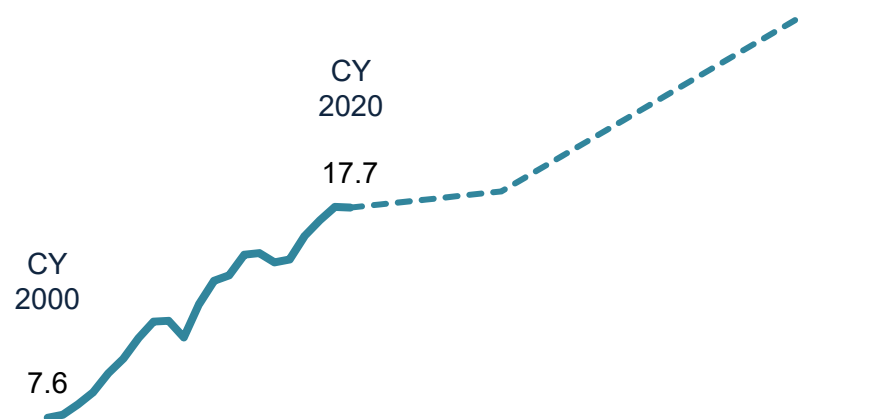


# Strategic Rationale for the Acquisition

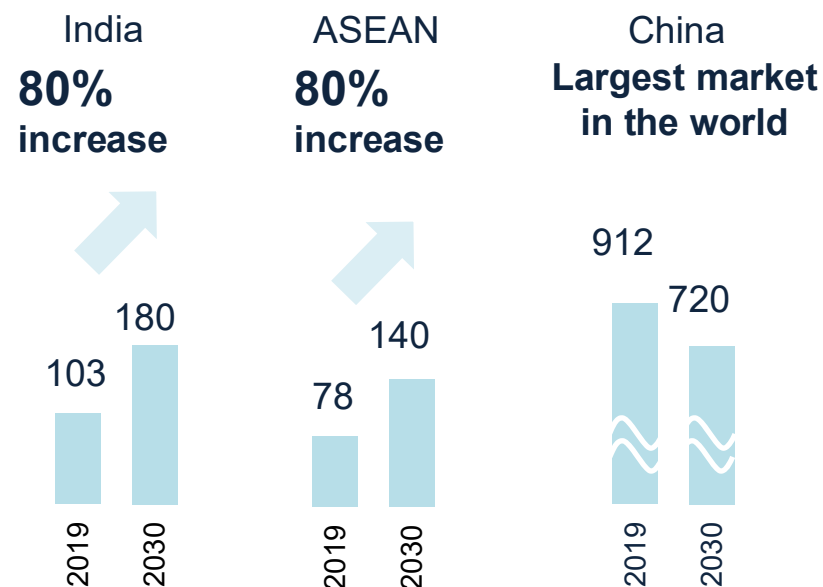
# Global Business Strategy of NIPPON STEEL

- Expand integrated production capacity in overseas markets where steel demand is growing
- Achieve “100 million ton global crude steel capacity per annum” through capacity expansion in India, and M&A of local integrated steel mills in Asia

## Global steel demand assumption (100mm t /yr) (NIPPON STEEL assumption)



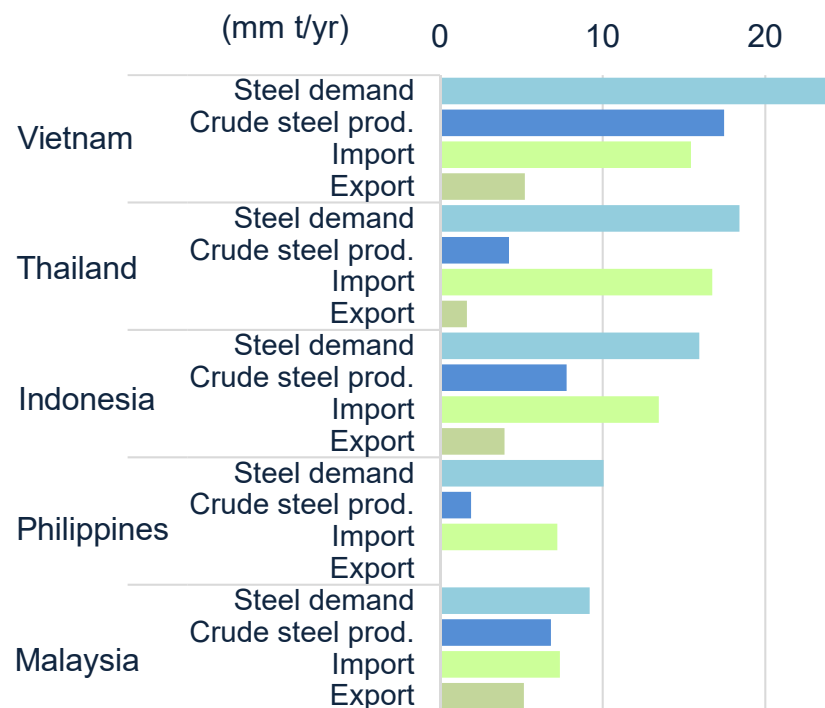
## Steel demand forecast (mm t/yr) (NIPPON STEEL assumption)



# Thailand Steel Market Overview

- ◆ Second largest demand after Vietnam (approx. 18 million tons) in ASEAN (approx. 80 million tons)
- ◆ As Thailand has developed as a competitive exporter of industrial products, its domestic steel demand from the manufacturing sector and demand for high-quality steel is one of the highest among ASEAN countries
- ◆ The steel demand for general purpose from civil engineering and construction etc. accounts for 60% of the steel demand in Thailand

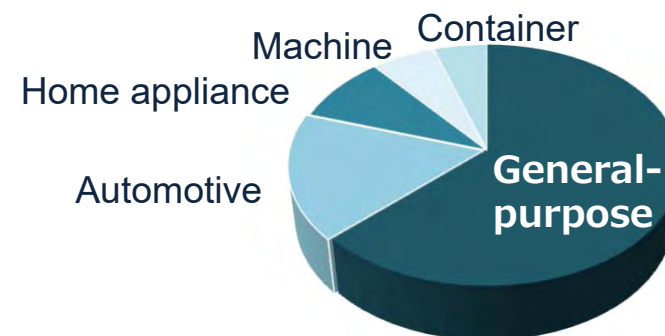
## ASEAN steel supply-demand balance



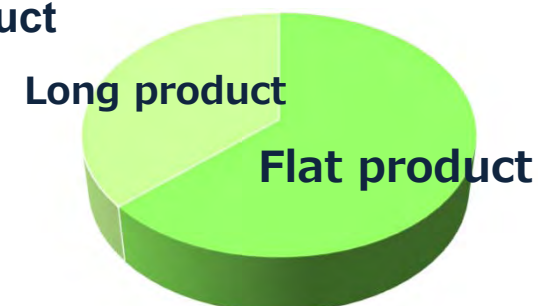
## Thailand steel demand breakdown

(NIPPON STEEL assumption)

### By demand category



### By product



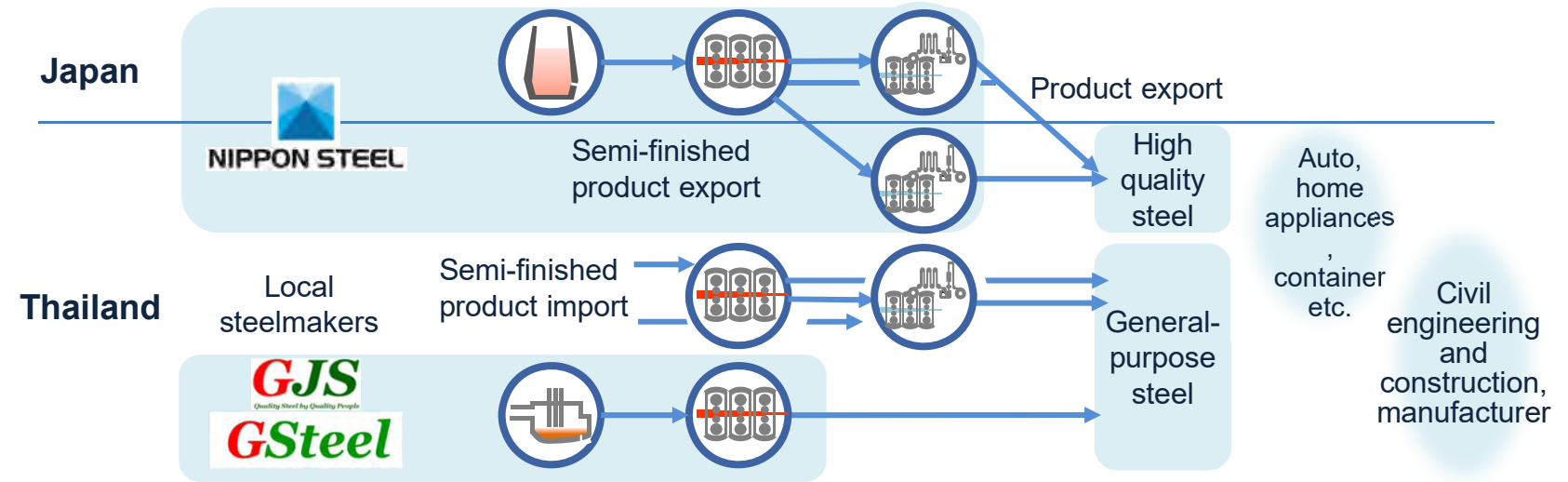


# Thailand Market in our Global Business Strategy



Thailand, a developed manufacturing export base with a high ratio of manufacturing businesses among ASEAN countries, is an important market for NSC

Since the 1960s, NSC has established downstream mills in Thailand, where NSC has been supplying semi-finished products from Japan to meet demands for high-quality steel from local manufacturing businesses, such as automotive and home appliance businesses



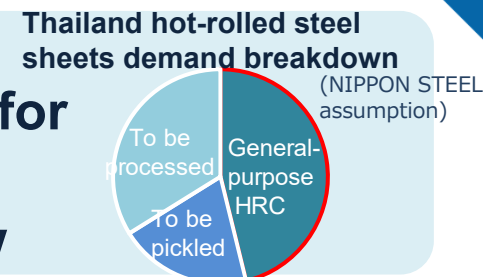
Majority of steel demand in Thailand is general-purpose steel products, supplied by local manufacturers

To capture more of the local demand for general-purpose steel, it is important to become an insider as a local integrated steelmaker

# Strategic Rationale for the Acquisition

## Purpose:

Capturing general-purpose hot-rolled steel demand for wide application, which accounts for the largest segment of the steel market and is expected to grow



**To be an insider as a local integrated steelmaker with EAFs and hot strip mills**

- Become an insider in Thailand as a local integrated steelmaker as countries all over the world are shifting towards protectionism
- Capture total added value from integrated operation
- Upstream capacity matching the steel demand in Thailand
- Future potential development base for promoting “High-grade steel production in large-sized EAFs”, as our Carbon Neutral Vision 2050

**Acquisition of capacity in brown field**

- Enter the Thailand market without changing the S&D balance
- Avoid risks such as in ramping up green field facilities and sales network

## Acquisition of G/GJ Steel, integrated steelmakers with EAFs and hot strip mills

Utilize existing management resources for manufacturing and distribution etc.;  
 Improve the operations and product quality in integrated steelworks with EAFs and hot strip mills;  
 Seek possibility of high-quality steel manufacturing with EAFs in ASEAN; and  
 Contribute to economic growth in Thailand by supplying wide range of steel needed in its market

**Secure new options in global business strategy**



# Impact on Consolidated Financial Statement

## Cash Flow

- Total consideration for share purchase agreement with Ares SSG: 419mm USD (Approx. 48bn JPY)  
⇒ Expected Closing in February 2022
- Total consideration for the tender offer:  
Maximum purchase amount ~344mm USD (Approx. 40bn JPY) (Expected)  
⇒ Settlement after completion of the tender offer

## Balance Sheet

- It is expected to reflect the target companies' assets and liabilities in our consolidated BS at the end of the fourth quarter of FY2021  
Approx. 7bn JPY interest-bearing debt will be consolidated

## Income Statement

- As consolidated subsidiaries, their profits and losses will be reflected in our consolidated PL from the first quarter of FY2022

Plans to reflect G/GJ Steel's January to March 2022 results in NIPPON STEEL's April to June 2022 consolidated financial results

# Deepening and Expansion of Overseas Business

Moving up to a full-scale overseas business stage to secure higher added value with integrated steel production framework in “geography and areas where steel demand is promisingly expected to grow” and “sectors in which our technologies and products are appreciated”



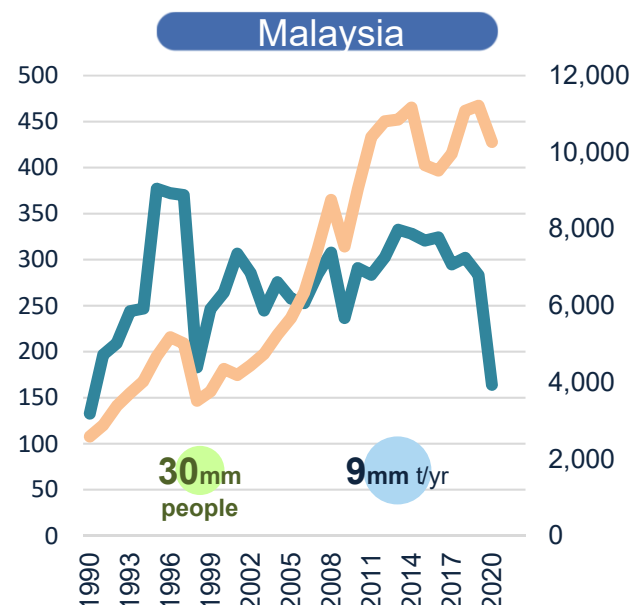
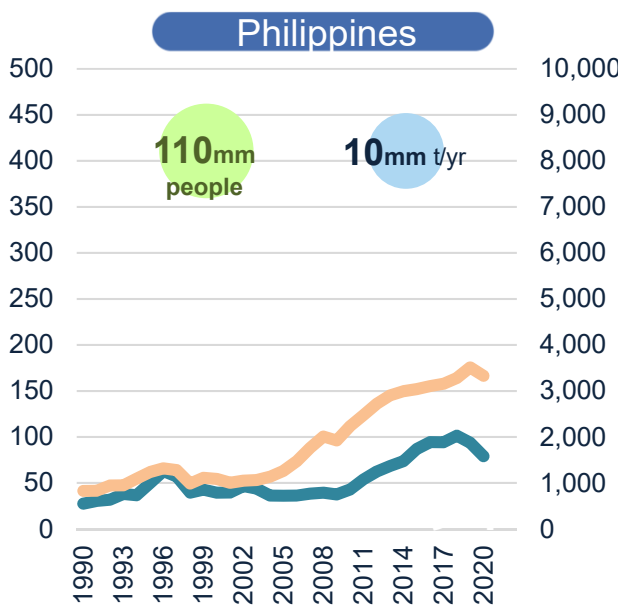
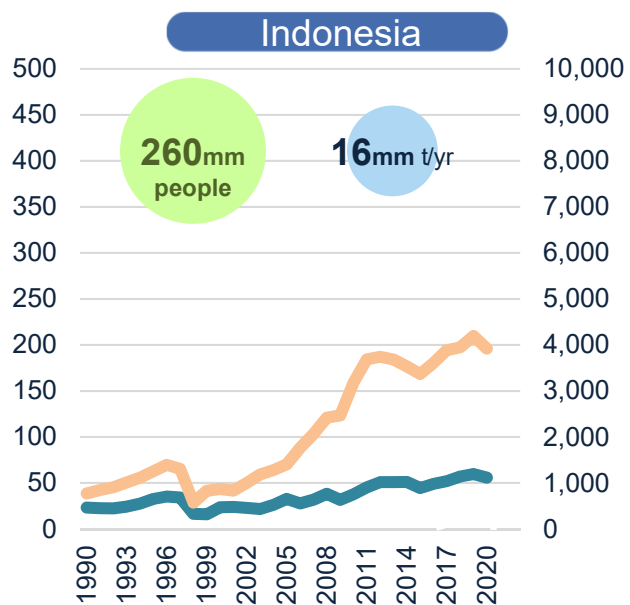
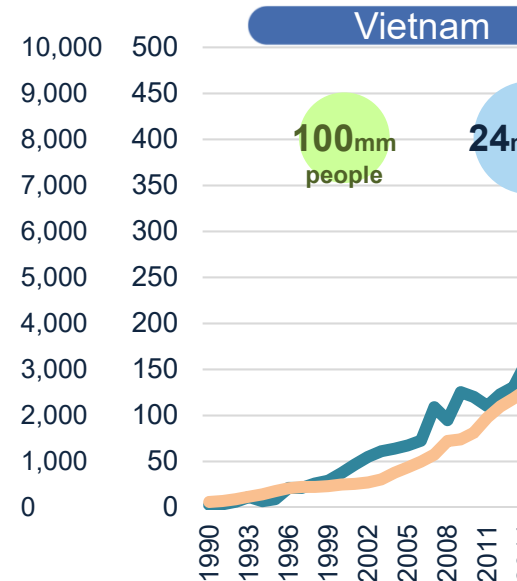
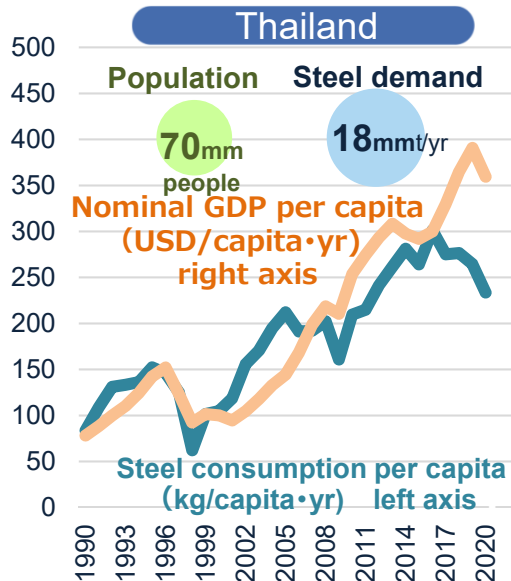
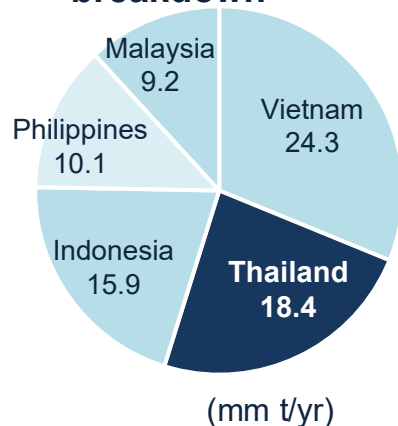
- Build a domestic strong framework enabling us to manufacture products of the highest grade
- Expand integrated steel production framework to capture local demands in overseas markets
- Aim to increase profit through capturing growing steel demands for high-grade steel and in overseas market



# Appendix

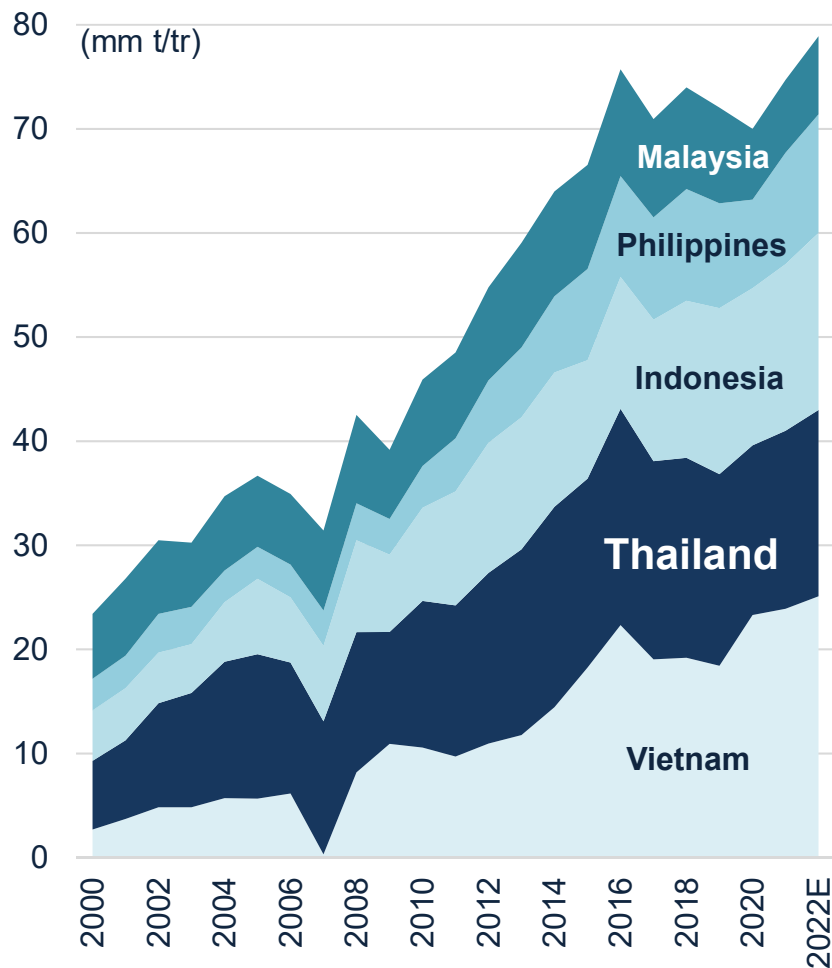
# ASEAN Steel Market Overview

ASEAN Steel demand  
78mm t/yr (CY2019)  
breakdown

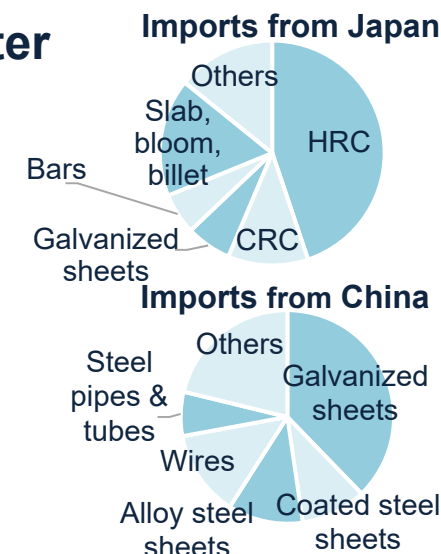
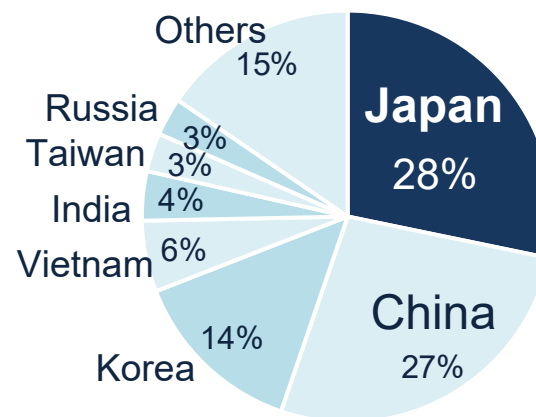


# ASEAN/Thailand Steel Market Overview

## ASEAN Steel Demand Trend



## Thailand steel importer breakdown CY2020



## Major steelmakers in Thailand (with upstream process or producing flat steel)

		Integrated (EAF, long products)	Integrated (EAF, flat products)	Down-stream	Shareholder	
Integrated (EAF, long products)	TATA Steel Thailand	✓				
	Siam Yamato	✓			Yamato Kogyo 64%	
Integrated (EAF, flat products)	G Steel	✓	✓			
	GJ Steel	✓	✓			
Down-stream	Sahaviriya Steel		✓			
	NS-SUS			✓	NSC80%	
	STP				✓*	NSC99%
	NS Bluescope			✓	✓	NSC50%
	JSGT				✓	JFE100%
	PTCS				✓	POSCO100%

\*Plating



# NSC Group's major manufacturing base in ASEAN

\* Scheduled to be integrated with NS-SUS on April, 2022

	Product		Company name	Process	Capability 10K t/yr	Founded	NSC's Investment	
Thailand	Sheets	<b>NS-SUS</b>	NS-Siam United Steel	Cold strip/ Galvanizing	100	1995	80%	
	Tinplate	<b>STP*</b>	Siam Tinplate	Plating	27	1988	99%	
	Pipe	<b>NSPT</b>	NIPPON STEEL PIPE(Thailand)	Pipe welding/ Cold forging/ Heat treatment	16	1963	58%	
	Bar & Wire		<b>NSSPT</b>	NIPPON STEEL Steel Processing(Thailand)	Wire drawing	10	1997	67%
			<b>TSW</b>	Thai Special Wire	Wire drawing	2	1974	51%
			<b>TPP</b>	THAI PRECISION PRODUCTS	Precision processing	1	2012	80%
Thai/Vietnam Indonesia/Malaysia	Sheets	<b>NSBS</b>	NS Bluescope	Pickling/Cold strip/ Galvanizing/Coating	92	2013 joined	50%	
Vietnam	Sheets	<b>CSVC</b>	China steel and NIPPON STEEL Vietnam joint stock Company	Annealing/Galvanizing	120	2009	30%	
	Pipe	<b>NPV</b>	NIPPON STEEL Spiral Pipe Vietnam	Pipe welding	6	2011	76%	
		<b>VNSP</b>	Vietnam NIPPON STEEL Pipe	Pipe welding	4.8	1997	60%	
Indonesia	Sheets	<b>KNSS</b>	PT Krakatau NIPPON STEEL Synergy	Annealing/Galvanizing	48	2017	80%	
	Tinplate	<b>LATINUSA</b>	P.T. Palat Timah Nusantara Tbk.	Plating	16	2006 joined	35%	
	Shaped steel	<b>KOS</b>	PT Krakatau Osaka Steel	Combined mill (Shaped steel/rod/thin plate)	50	2017	80%	
	Pipe	<b>INSP</b>	PT. Indonesia NIPPON STEEL Pipe	Pipe welding/ Cold forging/ Heat treatment	4.2	2007	90%	
Brunei	Pipe	<b>VAM@BRN</b>		Pipe threading		2016	60%	



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