TYO: 5401

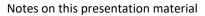
OTC: NPSCY(ADR)



# Q2 FY2022 Earnings Summary

November 1st, 2022

NIPPON STEEL CORPORATION



Unless otherwise noted, all volume figures are presented in metric tons Unless otherwise noted, all financial figures are on consolidated basis

# **Agenda**

# 1. Q2 FY2022 Earnings Summary and FY2022 Earnings Forecast

Summary

Additional Line Items, Net Profit

Dividend

2. Business Domains and Profit Trends

**Business Environment** 

- 1) Domestic Steel Business
- 2) Overseas Steel Business
- 3) Raw Material Interests
- 4) Other Group Companies
- 5) Three Non-steel Segments
- 3. Progress of Carbon Neutral Vision 2050
- 4. Supplementary Materials for Financial Results
- 5. Topics

# **Q2 FY2022 Earnings Summary and FY2022 Forecast**

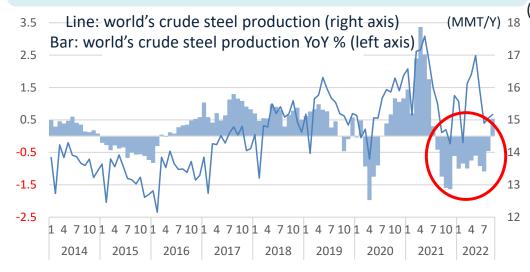
- > H1 FY2022 consol. BP\*: 541.7 bn. JPY (record high, incl. inventory valuation etc. approx. 240.0 bn. JPY)
- New target for consol. BP in FY2022: 870.0 bn. JPY in total and 630 bn. JPY in underlying basis, upward revision from the previous guidance as of Aug. 2022, even in the sluggish business environment
- > We have significantly improved profitability that is becoming more robust than the competitors in east Asia.

*BP: Business profit												
	H2	FY2021	Q1	Q2	Н1	Vs. Forecast as of Aug.4 <sup>th</sup>	Vs. H2 FY21	H2(f)	Vs. H1(f)	_	Vs. Forecast as of Aug.4th	Vs. FY2021
Non-consol. crude steel production	18.45	38.68	8.69	8.34	17.04	-0.47	-1.41	Approx. <b>17.00</b>	Approx. -0.04	Approx. 34.00	Approx. -1.00	-4.68
Non-consol. steel shipment (MMT)	17.28	35.56	8.19	7.49	15.69	-0.31	-1.59	Approx. <b>15.60</b>	Approx. - <b>0.09</b>	Approx. <b>31.30</b>	Approx <b>0.70</b>	-4.26
FX (USD/JPY)	114	112	126	137	132	-	+18 Yen dep	Approx. 150	+18 Yen dep	Approx. <b>141</b>	+5 Yen dep	+29 Yen dep
Revenue (Bn. JPY)	3,644.9	6,808.8	1,919.1	1,955.2	3,877.4	-122.6	+232.5	4,125.6	+251.2	8,000.0	-	+1,191.2
Consol. BP (Bn. JPY)	460.2	938.1	338.8	202.8	541.7	+91.7	+81.5	328.3	-213.4	870.0	+70.0	-68.1
ROS	12.6%	13.8%	17.7%	10.4%	14.0%	+2.7%	+1.4%	8.0%	-6.0%	10.9%	+0.9%	-2.9%
Underlying profit excl. inventory valuation etc.	350.0	690.0	180.0	120.0	300.0	+50.0	-50.0	330.0	+30.0	630.0	+30.0	-60.0

# **Business Environment**

World's crude steel production trend

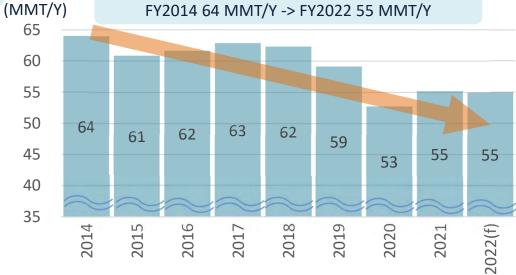


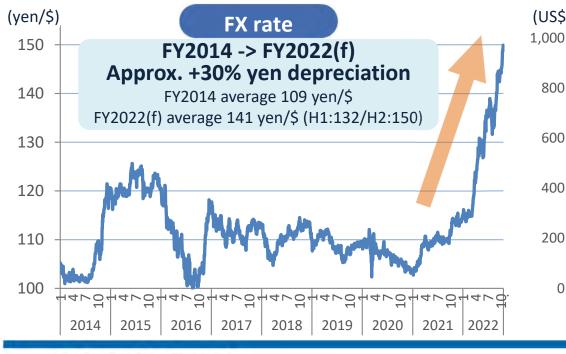


### **Domestic steel demand**

FY2014 -> FY2022(f) approx. -15%

FY2014 64 MMT/Y -> FY2022 55 MMT/Y







(virtually converted into ASEAN CFR)

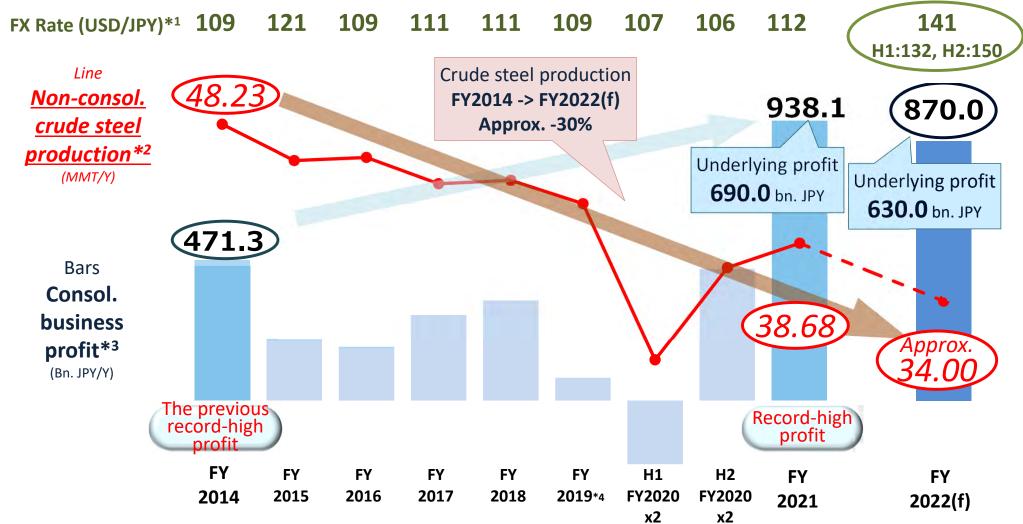
Coking coal (Australia FOB) x 0.9

Fine iron ore (Australia FOB) x 1.7

2021 | 2022

# **Business Profit Trend**

Even though crude steel production has decreased by approximately 30% from FY2014 due to deteriorated business environment such as demand decline and yen depreciation, underlying business profit is expected to reach 630.0 bn. JPY this year as we have established profitable business structure that would not be affected by demand decline significantly.



<sup>\*1</sup> TTM average for previous month \*2 2014~2018: Ex-Nippon Steel Sumitomo Metal + ex-Nisshin Steel Kure Works / 2019: Ex-Nippon Steel + ex-Nisshin Steel Kure Works

<sup>\*3</sup> Before and in 2016: Ex-Nippon Steel Sumitomo Metal + ex-Nisshin Steel consol. ordinary profit (JGAAP) / after and in 2017: consol. business profit (IFRS) \*4 FY2019 excl. impairment losses etc.

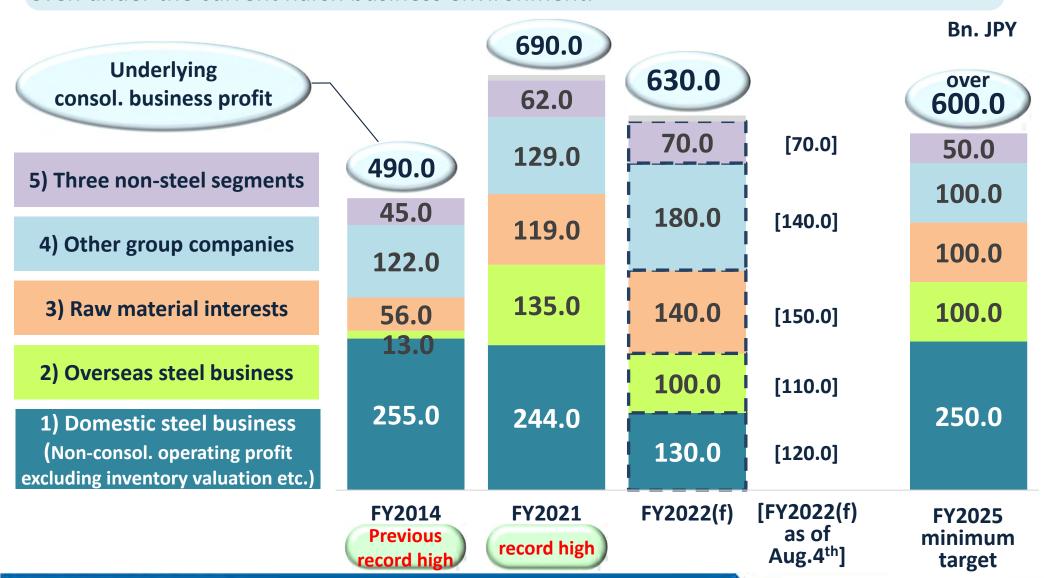


# **Underlying Consol. Business Profit Variance**

	H1 FY2022(f)	H1 FY2022	FY2022(f) as	FY2021
	as of Aug. 4th	result	of Aug. 4th	result
	250.0	300.0	600.0	690.0
*1 excluding effect of BF relining	to	to	to	to
*2 including impact from FX rate	H1 FY2022	H2(f) FY2022	FY2022(f) as	FY2022(f) as
fluctuation	result	as of Nov.1st	of Nov. 1st	of Nov. 1st
Unit: Bn. JPY	300.0	330.0	630.0	630.0
Underlying profit variance	+50.0	+30.0	+30.0	-60.0
Domestic steel business etc.	+15.0	+40.0	+10.0	-114.0
Volume *1	-15.0	-15.0	-30.0	-140.0
[in(de)crease of shipment volume]	[-0.31MMT]	[-0.49MMT]	[-0.70MMT]	[ -4.26MMT ]
Spread (sales price, mix,	+25.0	+70.0	+40.0	-30.0
raw material price) *2	(+2 kJPY/t)	(+4 kJPY/t)	(+1 kJPY/t)	(-1 kJPY/t)
[FX rate]	[ - ]	[ 18 Yen dep ]	[ 5 Yen dep ]	[ 29 Yen dep ]
Cost reduction	-	+10.0	-	+50.0
Others	+5.0	-25.0	-	+6.0
Overseas business	-2.0	-26.0	-10.0	-35.0
Raw material interests	+7.0	+6.0	-10.0	+21.0
Other group companies	+32.0	+2.0	+40.0	+51.0
Three non-steel segments	-	+4.0	-	+8.0

# Breakdown of Underlying Consol. Business Profit

Supported with robust profit from overseas steel business, raw material interests, other group companies, and three non-steel segments, while securing stable profit in domestic steel business, we aim to generate underlying consol. business profit of 630.0 bn. JPY even under the current harsh business environment.



# Additional Line Items, Net Profit

(Bn. JPY)	H1	FY2021	H1	Vs. H1(f) as of Aug. 4 <sup>th</sup>	FY2022 (f)	Vs. FY2022(f) as of Aug. 4 <sup>th</sup>
Consol. business profit	477.8	938.1	541.7	+91.7	870.0	+70.0
Additional line items	(49.4)	(97.2)	-	-	-	-
Net profit (loss)*	298.7	637.3	372.3	+72.4	670.0	+70.0
Net profit (loss)*	298.7	637.3	372.3 record high	7 y	670.0 record high	
Net profit (loss)*  EPS (JPY/share)	324	637.3 692		7 y		

<sup>\*</sup> Profit (loss) attributable to owners of the parent

### <Additional line items>

FY2022: Not applicable

FY2021: (97.2) bn. JPY

 Losses on inactive facilities etc.: (157.2) bn. JPY (1H (81.3), 2H (75.8)) (Upstream facilities in Kure Area (69.6), A series of upstream facilities in Wakayama Area (23.7), Steel plate mill in Nagoya Works (21.2), Large-shape mill and UO pipe mill in Kimitsu (15.8) etc.)

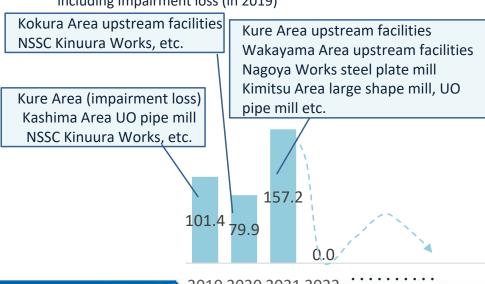
Gain on sale of land (ex-Tokyo Works)

(1Q: sale of land from NSC to Nippon Steel Kowa Real

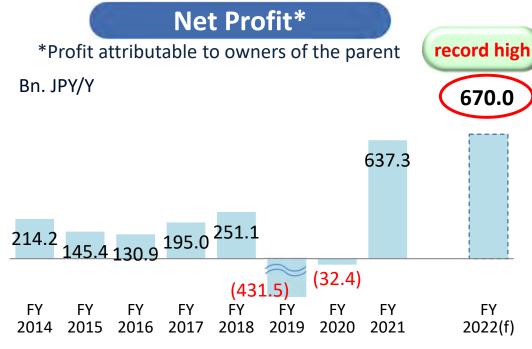
Estate(NSKRE, group company)
3Q: sale of land from NSKRE to a non-group company and realization of unrealized gain)

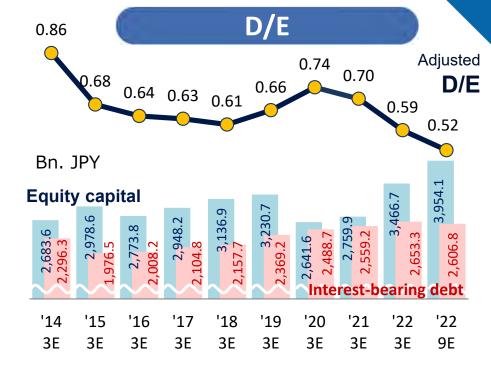
### Cf. Losses on inactive facilities (bn. JPY)

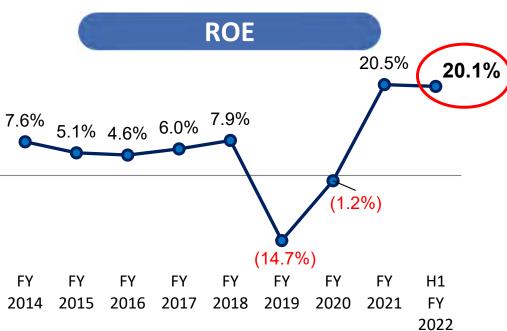
including Impairment loss (in 2019)







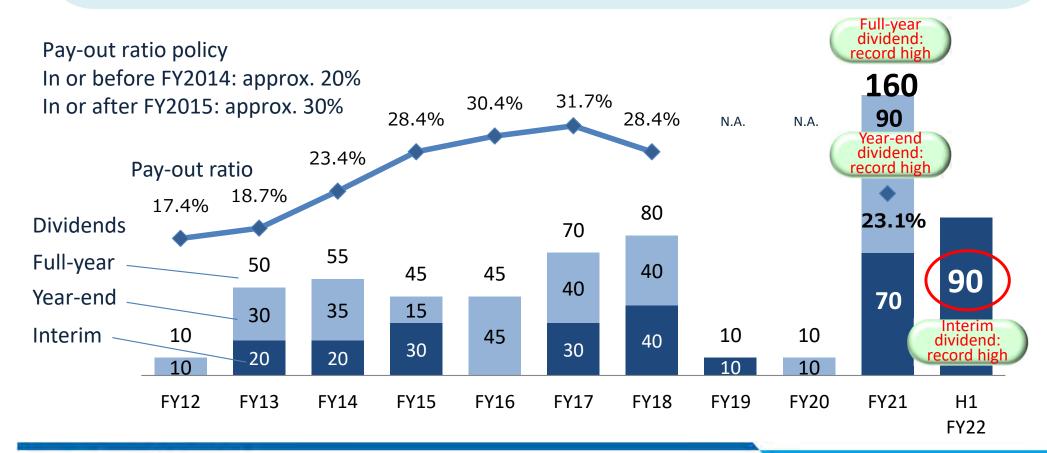






# **Interim Dividend**

Based on the increase of profit in the actual financial results for the H1 of FY2022 and the earnings forecast for FY2022 since the announcement of the previous earnings forecasts, and with a view to maintaining a high-level return to shareholders hereafter, Nippon Steel has decided to increase the planned dividend by 20 yen and distribute a dividend of <u>90</u> <u>yen per share</u> at the end of the first half, <u>reaching a record high as an interim dividend</u>. Nippon Steel plans to determine and announce the forecast for the year-end dividend with due consideration of forecasts for the full fiscal year performance at the time of Q3 announcement



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# **Business Environment** World Economy and Steel Demand

Steel demand is expected to stay sluggish due to increasingly gloomy and uncertain economic outlook. Careful attention must be paid going forward to demand outlook, impact of the economic stimulus measures by Chinese government, and the production cutbacks trend in China.

- > China: suffering prolonged economic slowdown due to ultra-strict zero-COVID policies and sluggish property market
- > The United States: housing market being negatively affected by the interest rate hike
- > Europe: economic slowdown anticipated due to gas supply shortages and soared energy price over the coming winter
- > Emerging countries: suffering decline in foreign currency reserves due to soared energy and USD exchange rate

### **GDP Growth Outlook**

Source: IMF outlook as of Oct. 11th, Unit:%

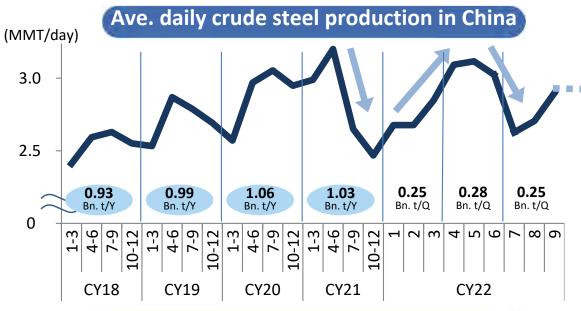
### **Steel Demand Outlook**

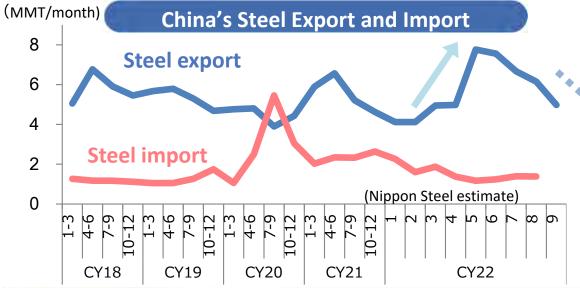
Source: World Steel Association Outlook as of Oct. 19th, 2022, Unit: MMT/Y

	CY21	CY2		ook	CY23	outlook			CY22 c	outlo	ok		CY23	outloo	k	
		New	Vs. as of Jul. 26 <sup>th</sup>	Vs. CY21	New	Vs. CY22		New	Vs. as of Apr. 22 <sup>th</sup>	Vs. 2021	Vs. 2021 (%)	New	Vs. as of Apr. 22 <sup>th</sup>	Vs. 2022	Vs. 2022 (%)	
World	6.0	3.2	-	-2.8	2.7	-0.5	World	1,797	-44	-42	-2.3%	1,815	-67	+18	+1.0%	
US	5.7	1.6	-0.7	-4.1	1.0	-0.6	US	99	-1	+2	+2.1%	101	-1	+2	+1.6%	
Europe	5.2	3.1	+0.5	-2.1	0.5	-2.6	Europe	159	-3	-6	-3.5%	157	-7	-2	-1.3%	
China	8.1	3.2	-0.1	-4.9	4.4	+1.2	China	914	(-38)	-38	-4.0%	914	-48	-	-	
S. Korea	4.1	2.6	+0.1	-1.5	2.0	-0.6	S. Korea	55	-2	-1	-2.5%	55	-2	-	-	
Japan	1.7	1.7	-	-	1.6	-0.1	Japan	58	-1	+0	+0.2%	<b>59</b>	-0	+1	+1.7%	
ASEAN5*	3.4	5.3	-	+1.9	4.9	-0.4	ASEAN5*	77	(+1)	+4	+5.8%	81	(+ <u>1</u> )	+5	+6.0%	)
India	8.7	6.8	-0.6	-1.9	6.1	-0.7	India	113	-1	+7	+6.1%	120	-1	+8	+6.7%	)
Russia	4.7	-3.4	+2.6	-8.1	-2.3	+1.1	Russia	41	+6	-3	-6.0%	37	+2	-4	-10.0%	
Brazil	4.6	2.8	+1.1	-1.8	1.0	-1.8	Brazil	24	-0	-2	-8.5%	25	-0	+1	+5.0%	

# **Business Environment** Steel S&D in China

Steel demand has been sluggish recently and its outlook is uncertain. Careful attention must be paid going forward to impact of economic stimulus measures, production cutback policy, and zero-COVID policies of Chinese government.





### [To date]

- Steel demand has declined due to sluggish construction market, restrictions on electricity use, disrupted supply chain caused by strict lockdowns, and seasonality in summer.
- Crude steel production had temporally increased before around April and May, but dropped after June. Although it was reversed to rise from August, the production in CY2022 will remain the same revel as in CY2021.
- The number of steel export peaked out around May or June.

### [Going forward]

- Chinese government has announced its determination to keep reducing crude steel production in 2022 based on its decarbonization policy, and seems successfully controlling the production level with some fluctuation.
- The high levels of production seen in April to May and export in May to June are not likely to persist in the future.

# **Business Environment** Raw Materials Market Prices

### Fine Iron ore price

➤ Has dropped and stayed around 80\$/t in FOB due to anticipation of worldwide economic recession.





## Coking coal price

Has gradually increased since August due to bad weather and labor shortages in supplier countries and operation troubles in some coal mines.



2012

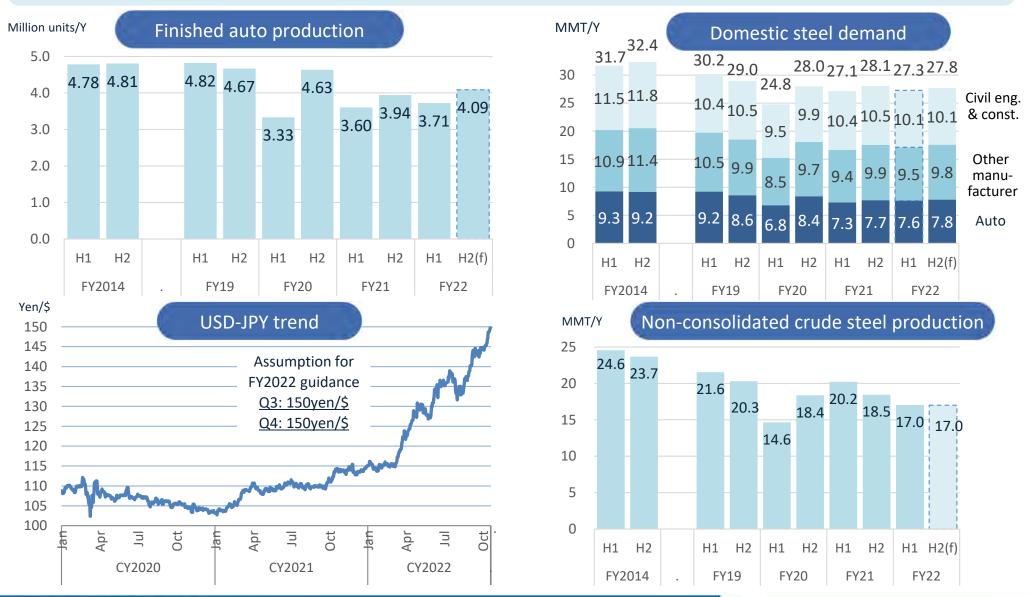
2002

2004

2007 2008 2009 2017

# **Business Environment** Steel S&D in Japan

Although steel demand in some markets such as construction, shipbuilding and industrial machines is robust, Japan is facing downward economic pressure due to prolonged cutbacks in auto production deriving from chip shortages, raw materials inflation, and excessively depreciated yen.

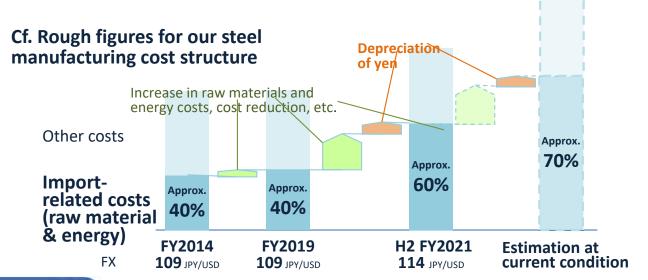


# **Business Environment** The Balance of Trade and FX Sensitivity

### Manufacturing cost denominated in foreign currency

The proportion of import-related costs to steel manufacturing cost has risen due to the recent surge in prices of raw materials and energy

-> The negative impact of Yen depreciation to our domestic steel business has increased significantly.

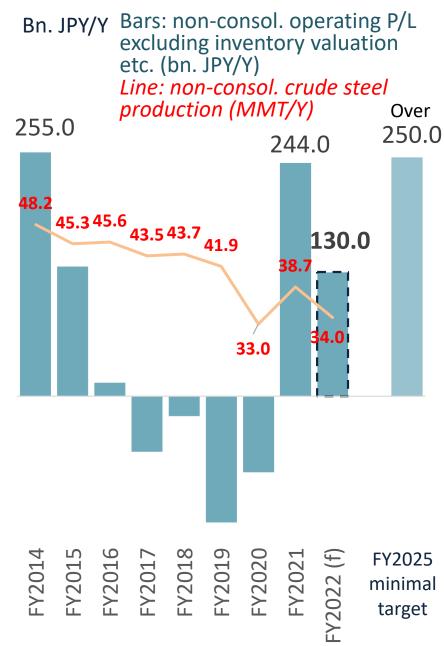


### Impact from FX fluctuation

# Impact from Yen Depreciation

Domestic steel business	-) Negative	Excess in import in Q2 FY2022: 1.8 bn. USD/Q (raw material import etc. 5.3 bn. USD/Q – steel export 3.5 bn. USD/Q)
Overseas business, raw material interests	+) Positive	Gain in foreign currency translation
Other group companies	+) Positive	Excess in export, gain in foreign asset valuation
Underlying business P/L	-) Negative	
Inventory valuation, non-operating P/L	+) Positive	Gain in valuation for imported materials, gain in foreign asset valuation
Business P/L	Neutral or slightly positive	

# Domestic Steel Business P/L Trend



Non-consol. operating P/L excluding inventory valuation etc. Before and in FY2019: including ex-Nisshin Steel Kure Area and Hanshin Area

By drastically lowering BEP, we have established robust profitability even with low shipment volume.

Improvement in direct contract prices

Sophistication of order mix

Production facility structural mesures

Improvement in marginal profit per ton of steel

Significant reduction in fixed cost

Drastic improvement in BEP

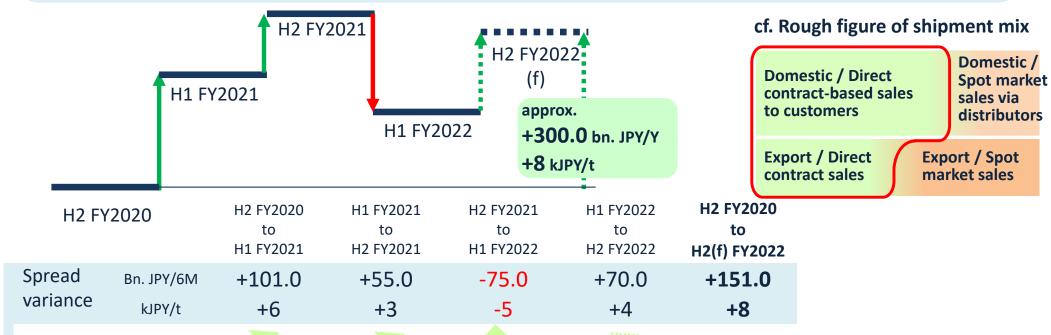
Aiming to secure **130.0 bn. JPY/Y** profit (or **170.0 bn. JPY/Y for H2 annual basis**) in FY2022 even under current harsh business environment

Toward FY2025, we aim to <u>increase profit to more than</u> **250.0 bn. JPY, even if steel demand and market price stay sluggish**, by following initiatives;

- Sophistication of order mix
- 60.0 bn. JPY cost reduction through structural measures
- Recovery in spread which temporally deteriorated in H1 FY2022 due to raw materials price fluctuation that happened after steel price agreement with customers

# **Domestic Steel Business** Improvement in Steel Price Spread

While overseas steel market is expected to stay sluggish going forward, by H2 FY2022 we aim to improve steel price spread by 300.0 bn. JPY in annual basis compared to H2 FY2020 as we secure appropriate level of margin and improve order mix in direct contract-based sales which account for over half of our shipment.



Direct contract sales

**FY2021**, we **realized appropriate level of margin** by continuously asking customers about fair steel prices from following perspectives;

- Substantial correction of steel prices which had been relatively low revel compared with international peers
- ➤ A fair allocation of cost burden for raw materials and commodities
- ➤ Reflection in steel prices of our high value-added product qualities and solutions

Export /
Spot market sales



H1 FY2022 (Changed in price negotiation system to pre-fixed basis.) Temporal deterioration due to raw material cost inflation that happened after steel price agreement with customers

### H2 FY2022(f)

Margin recovery by reflecting soared raw material costs into steel prices

Profitability of Asian steelmakers has significantly deteriorated.

Currently, spot market prices of steel have been lower than the sustainable level for steel mills.



# **Domestic Steel Business**

Renovation in contract terms

### Changes in Japanese business practice for direct contract-based sales

Change in price negotiation system: from retroactive basis to **pre-fixed basis** 

Fix prices before order intake Makes it easier to outlook business environment and enables both customers and us to steadily tackle long-term and difficult management issues such as carbon neutrality.

Enables us to convince customers of our intrinsic values – stable supply of high-quality products – and reflect the values into steel prices.

Makes it easier to reflect raw materials fluctuation into steel prices in a timely manner

in direct contract sales Conventional price

negotiation system (retroactive basis)

Mar. Jul. Sep Apr. May Jun. Aug. Sales at agreed price Sales at provisional price + retroactive adjustment Retroactive adjustment negotiation

negotiation application New price

negotiation system (pre-fixed basis

in half-year contract)

negotiation application New price negotiation system (pre-fixed basis in quarter contract)

Agreement in H1 price

Sales at agreed price

Agreement in Q1 price

Sales at agreed price

Agreement in Q2 price

Sales at agreed price

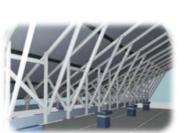
Agreement in H1 price

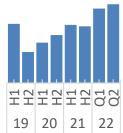
# **Domestic Steel Business**

# Sophistication of Order Mix (Examples of High-value Added Products)

(Unit in the figures below: t/Q)

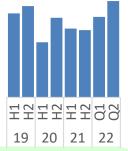
ZEXEED<sup>TM</sup>, ZAM<sup>®</sup>, SuperDyma<sup>TM</sup> (Corrosion resistant coated steel sheet)





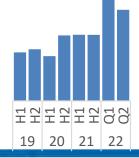
GA
(Alloyed & galvanized steel sheet)





ALSHEET<sup>TM</sup>
(Hot-dipped Al/Si alloy steel sheet)





### **SUPERNICKEL**<sup>TM</sup>

(Nickel precoated steel sheets)



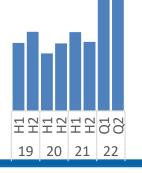
GO Hi-B (High grade grain-oriented electrical steel sheet)





NO-H, M (High and middle grade nonoriented electrical steel sheet)

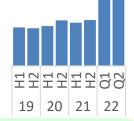




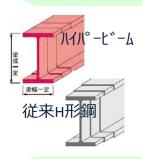
### **Laminated Steel Sheet**







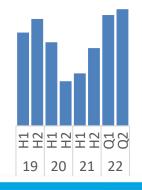
NSHYPER BEAM<sup>TM</sup> (Fixed external dimension H-section steel)





### 13Cr, high alloy seamless pipe





FY2025 Plan



15 -> 10 Units

-5 units

**Total number** of domestic BFs

Annual crude steel production capacity

50 -> 40 MMT/Y

-10<sub>MMT/Y</sub>

Domestic BF -5 units & Nippon Steel Stainless Steel Shunan EAF -1 unit

**Cost reduction** 

150.0 bn. JPY/Y

Variable cost

Depreciation cost

Fixed cost

### **Progress to date**

-> 11 units

At the end of 2020.9: Kokura BF At the end of 2021.9: Kure #1&2 BFs Wakayama #1 BF

-> **43** MMT/Y

**-7** MMT/Y

Domestic BF -4 units

FY2020 to FY2022



22(f)

25 plan

20

21

### FY2023 - FY2025

-> **10** units

At the end of FY2024: Kashima #3BF

-> **40** MMT/Y

**-3** MMT/Y

At the end of FY2023:

Nippon Steel Stainless Steel EAF -1 unit At the end of FY2024:

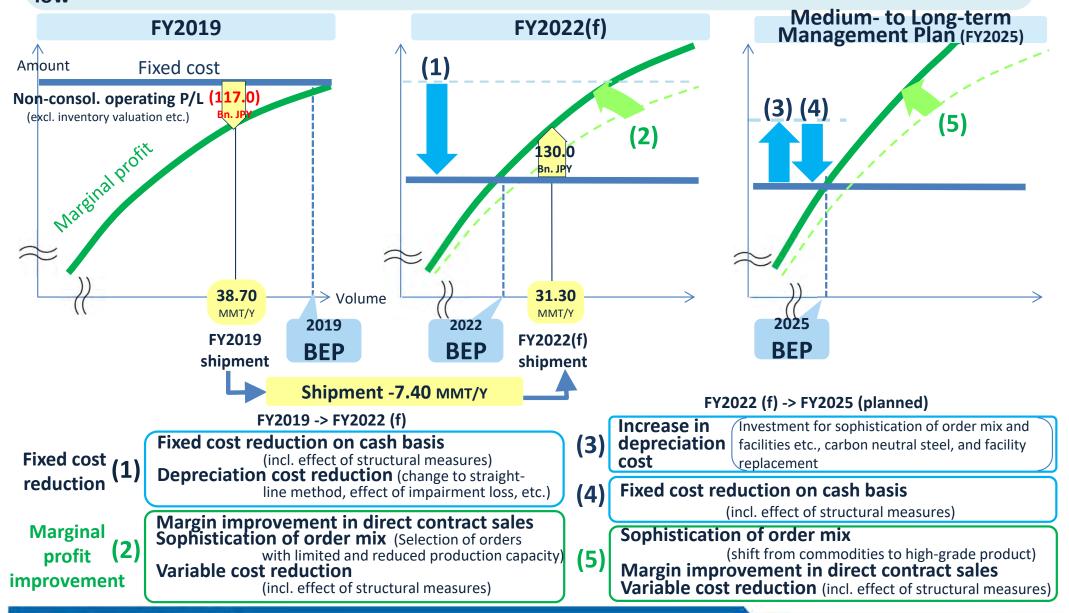
> Kashima one series of upstream facilities, etc.

> > FY2022 -> FY2025

60.0 bn, IPY/Y

# Domestic Steel Business Improvement in Break Even Point

Having drastically improved the break even point by structural measures, direct-contract price improvement, and sophistication of order mix, we are confident to secure 130.0 bn. JPY of underlying operating profit this year, even in the situation where steel demand and overseas market prices are low



# **Domestic Steel Business** Sophistication of Order Mix

**Before structural** measures

**FY2025 Medium- to Long**term Plan

### **High-value added products**

Aggressive investment in strategic products **Expansion of high value** added products

### **High-value added products**

Response to increasing demand for high grade steel including emerging needs for carbon neutrality

### **Commodities**

**Production facility structural measures** Capacity approx. -20% Selective concentration on certain products and facilities

### **Commodities**

Break away from the business model of maintaining facilities on the premise of continuing low-profit exports



## **Electrical Steel Sheet**





High performance ESS for EV motor and transformer

### CAPEX to improve production capacity and product quality

- Production capacity increase: up about 1.5 times (NO+GO) Up about 3.5 times (high-grade NO+GO)
- Full-capacity operation: starts in H1 FY2024
- Now considering additional CAPEX for capacity expansion



# **Ultra High-tensile Steel Sheet**

Contributes to production of highly-lightweight and safe vehicle in easy-processing

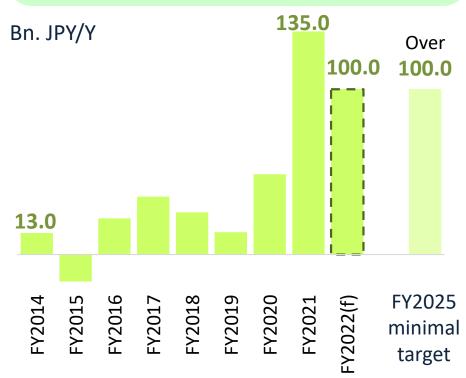
### Establishment of next-generation hot strip mill

- Amount of CAPEX: approx. 270.0 bn. JPY
- > Production capacity: 6 MMT/Y
- > Start of operation: Q1 FY2026 (planned)

# **Overseas Steel Business P/L Trend**

### Profitability has significantly improved through selection and concentration of businesses

- > Selection: Withdrawal from unprofitable business
- Concentration: Expansion of integrated production capacity in major markets



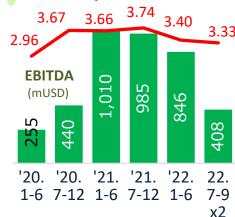
Ordinary profit (subsidiaries) + share of profit in investments accounted for using equity method (equity method affiliates)

Underlying profit excl. inventory valuation

Cf. Most of overseas businesses are operated in Jan.-Dec. term and consolidated to Nippon Steel's Apr. -Mar.



### Crude steel production (MMT/6M)







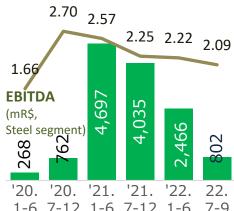
148



### USIMINAS



### Steel shipment (MMT/6M)



1-6 7-12 1-6 7-12 1-6

'21.1-6 and '21.7-12 include 1,414 and X2 666 tax refund etc., respectively.



(mUSD)

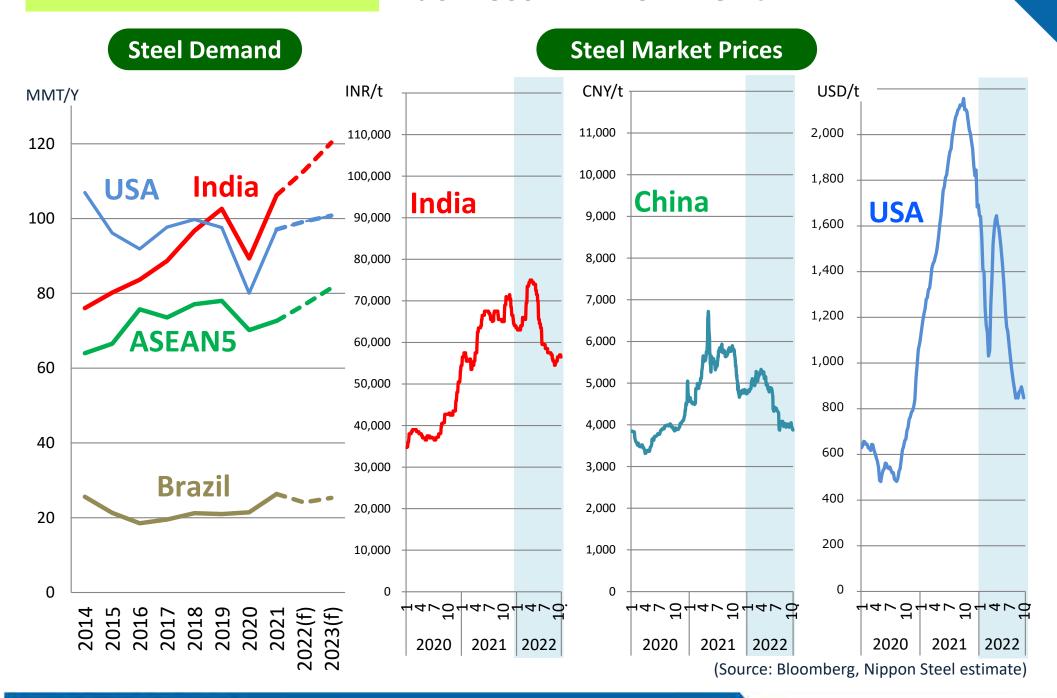
### Steel shipment (MMT/6M)





'20. '21. '21. '22. 1-6 7-12 1-6 7-12 1-6 7-9  $\times 2$ 

# **Overseas Steel Business** Business Environment



# **Overseas Steel Business**

# Vision toward **Global Crude Steel Capacity 100MMT**

- +) AM/NS Calvert: New EAF installation (2023)
- +) AM/NS India: Upstream facilities expansion (2025-2026)
- ) Nippon Steel Stainless Shunan Area: EAF termination (2024.3)

### - ) Kashima #3 BF termination (at the end of FY2024) H2 2026 expectation As of Sep. 2022 **Future vision** MMT/Y **Upstream Downstream Upstream** Downstream +) AM/NS India Japan Further option to expand Hazira 43 +) AM/NS India Further vision to build a new 40 44 integrated steel mill in east India +) Further vision of M&A, equity participation or expansion of existing steel mills Local mills of Local mills of 13 JV partners JV partners **Overseas** 37 31 43 26 19

83



66

Global

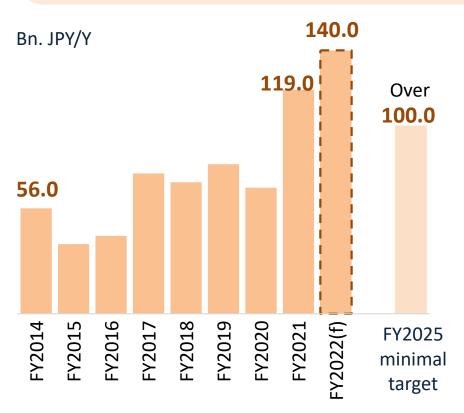
total

80

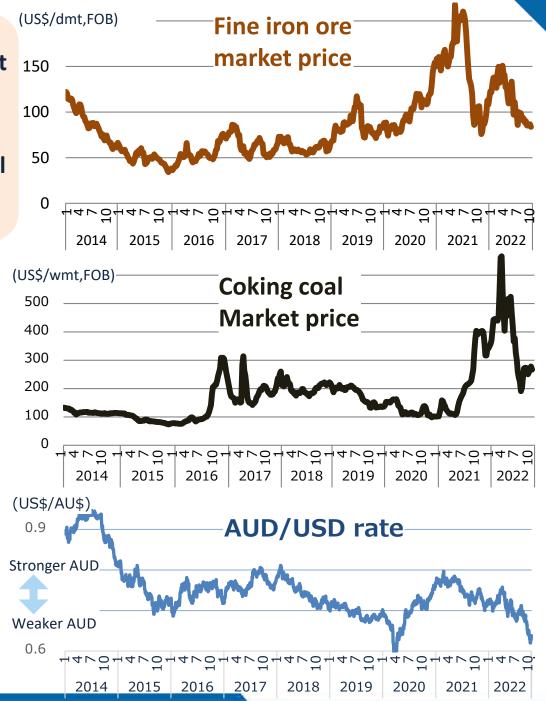
<sup>\*</sup> Simple aggregation of capacities of parent company, subsidiaries, companies with over 30% ownership, and some equity method affiliates less than 30 % ownership (AGIS)

Our investment in competitive mines has not only contributed to our consolidated profit but also played important role in hedging fluctuation in raw material prices and in securing stable raw material procurement.

Profit has stayed high due to high raw material prices and enhanced cost competitiveness associated with depreciated AUD.



Cf. All of raw material businesses are operated in Jan.-Dec. term and consolidated to Nippon Steel's Apr.-Mar.



Coal

Other metals

# Raw Material Interests Overview of Mine Investments



**Ratios of raw** materials procured from invested mines (out of total procurement)

Total procurement volume (FY2021)

Iron ore

Approx. **20**%

**0.58** MMT

Coal

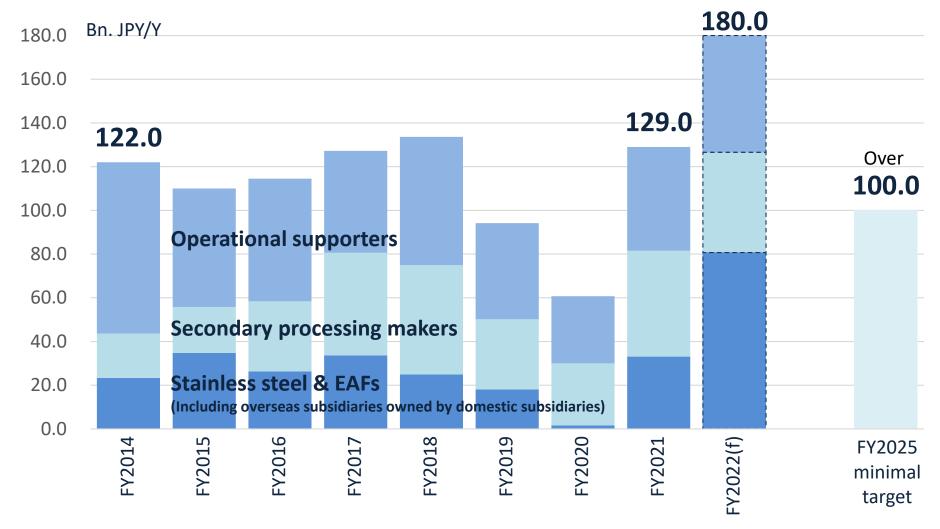
Approx. 20% 0.27 MMT

		Ķ	Year participated	Equity ratio	Major shareholder	Capacity MMT/Y
Iron oro mollot	Australia	Robe River	1977	14.0%	Rio Tinto 53.0%	70
Iron ore, pellet	Brazil	NIBRASCO	1974	33.0%	VALE 51.0%	10
		Moranbah North*	1997	5.0%	Anglo American 88.0%	12
		Warkworth	1990	9.5%	Yancoal 84.5%	8
	Australia	Bulga	1993	12.5%	Glencore 68.3%	7
Coal		Foxleigh	2010	10.0%	Middlemount South70.0%	3
		Boggabri	2015	10.0%	Idemitsu Kosan 80.0%	7
	Canada	Elkview	2005	2.5%	Teck Coal 95.0%	7
	Mozambique	Revuboe	2010	23.3%	Talbot 58.9%	Under exploration
Others (Niobium	<b>)</b> Brazil	СВММ	2011	2.5%	Moreira Solles 70.0%	9
* Grosvenor mine was	integrated with M	Ioranbah North in 2020				



# Other Group Companies P/L Trend

- Businesses that cover the value chain of steel business, from upstream to downstream, have contributed to improvement in steel business value.
- Reinforcement of businesses by restructuring of companies and facilities resulted in stability in profit trend



Excluding inventory valuation, and including group companies of ex-Nisshin Steel and stainless steel business of ex-Nisshin Steel

# **Other Group Companies**

# Steelmaking Value Chain and the Group Companies' Business Domains

Customers (manufacturing, civil engineering, and construction)

# **Secondary processing makers**

NS Coated Sheet, NS Metal Products, NS Pipe, NS Drum, NS SG Wire, NS Welding & Engineering, NS Bolten, NS Wire, NS Stainless Steel Pipe, Geostr, etc.

## **Operational supporters**

### **Recycling of slag**

NS Slag Products, NS Cement, etc.

# **Cooperative companies**

NS Logistics, NS Technology, NS Eco-Tech, etc.

### **Trading firms**

NS Trading, etc.

Domestic steel business (Nippon Steel)

### **Equipment and facility vendors**

NS TexEng, NS Rolls, NS Hardfacing, Kurosaki Harima, etc.

### **Stainless steel & EAFs**

**NS Stainless Steel** 

Osaka Steel (incl. KOS)

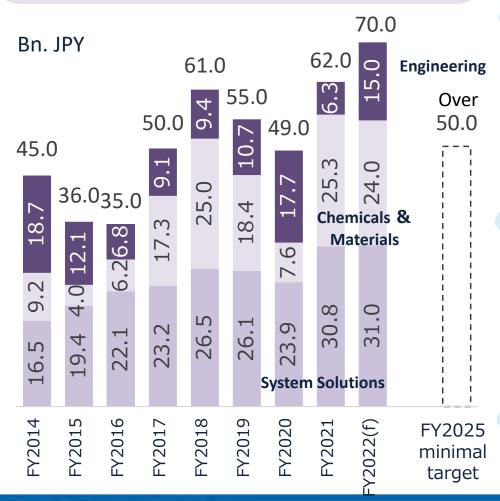
Sanyo Special Steel (Incl. OVAKO)

Oji Steel etc.

# **3 Non-steel Segments**

# **Profit Trend and Outlines**

While supporting and generating synergy with steel business, each segment aims to achieve top-class profit level in respective business field by leveraging its technology strengths and by providing excellent products and services to society



### **Outlines of 3 non-steel segments**

## Nippon Steel Engineering Co., Ltd.

Operates businesses domestically and globally with following 3 sectors; 1) environment & energy (engineering, construction, operation and maintenance of waste to power, renewable energy plant etc.), 2) urban infrastructure, and 3) steelmaking plants

Synergy with Design and construction of steelmaking facilities steel business Construction designing using NS-brand steel

### Nippon Steel Chemical & Material Co., Ltd.

- > Coal tar chemical (needle coke, carbon black, phthalic anhydride, etc.)
- Chemicals (aromatic compounds, Styrene monomer, phenol, etc.)
- Functional materials/composite materials

  (ESPANEX, epoxy resin, display materials, metal foil, metal substrate, spherical particle, bonding wire, carbon fiber composite)

Synergy with By-product recycling steel business Synergy with

Synergy with

Use of development seeds and basic technology

### **NS Solutions Corporation**

Provision of IT solutions including core business cloud service, IoT and AI to various industries; manufacturing, distribution and service industries, financial institutions, public corporations, and government agencies

Provision to other businesses of DX technologies developed in steelmaking business

- steel business > Provision to steelmaking system of DX technologies developed in other businesses
  - Cooperation with Nippon Steel to create value (practical experimentation of new solutions)

# **3 Non-steel Segments**

# **Engineering and Construction**

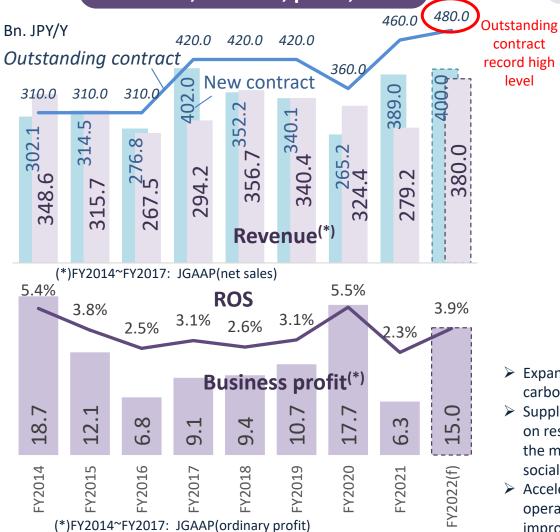
contract

level

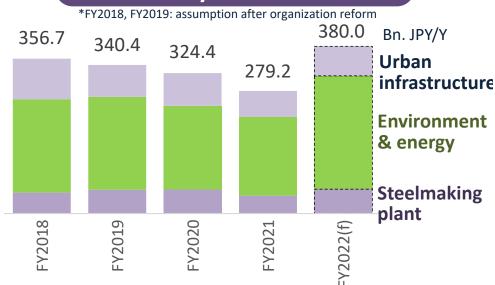
						,
Bn. JPY	H1	H2	FY2021	H1	H2(f)	FY2022(f)
Business P/L	(2.9)	9.2	6.3	5.3	9.7	15.0
[Old estimate]	-	-	-	[7.0]	[8.0]	[15.0]

The revenue and profit in FY2022(f) will be reversed to increase, unlike last year's low profitability, because robust sales are expected including large amount of sales in environment and energy sectors such as overseas marine business, waste to energy plants business, offshore wind power business and so on





### Revenues by business domain



### **Growth strategy**

2020

30%

- > Expansion of decarbonization and lowcarbon related businesses
- > Supplement social needs with a focus on resilient urban development and the maintenance and renewal of aging social and industrial infrastructure
- > Acceleration of smarter engineering operations using digital technology to improve productivity

Ratio of sales regarding decarbonization and CO, reduction Over

2022(f)

2021

37%

42%

2025 target

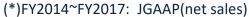
50%

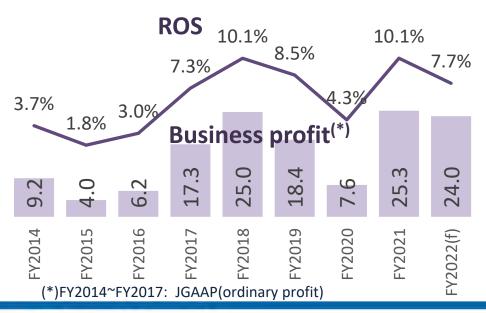
# 3 Non-steel Segments Chemicals and Materials

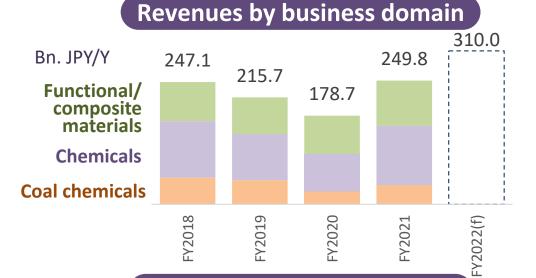
			_			
Bn. JPY	H1	H2	FY2021	H1	H2(f)	FY2022 (f)
Business P/L	13.5	11.8	25.3	13.6	10.4	24.0
[Old estimate]	-	-	-	[12.0]	[12.0]	[24.0]

The revenue in FY2022(f) is expected to increase due to Yen depreciation and increase in sales price reflecting raw material price hike. On the other hand, the business profit will decrease YoY because of calming of chemicals market and S&D adjustment of needle coke.









# **Growth strategy**

### Coal Chemicals / Chemicals

- Establishment of production & sales base by facility improvement, etc.
- Improvement of production processes to realize decarbonization, reduction of fuel and energy consumption, and establishment of an optimal production and sales system with improved facilities

### Functional / Composite materials

- Strengthening of efforts to develop new technologies and new products in addition to the stable supply of products aimed at the expansion of the 5G market and the market for automotive functional materials
- Promoting businesses repairing & reinforcing aged infrastructure which was constructed half a century ago by CFRP composite materials

# **3 Non-steel Segments**

# **System Solutions**

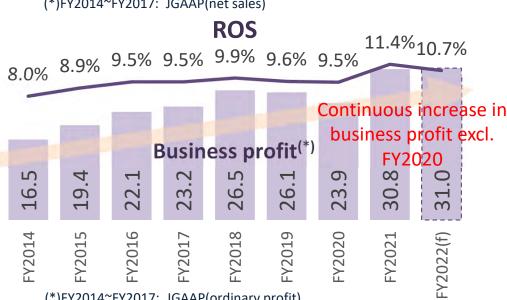
Bn. JPY	H1	H2	FY 2021	H1	H2(f)	FY2022(f)
Business P/L [Old estimate]	14.6	15.2	30.8	14.0	17.0	31.0
[Old estimate]	-	-	-	[14.5]	[16.5]	[31.0]

Revenue, Business Profit, ROS



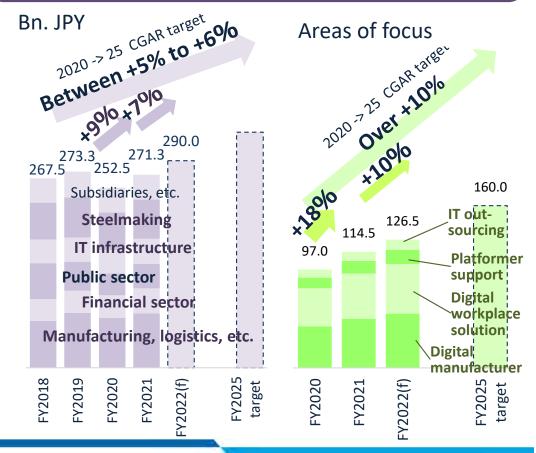


(\*)FY2014~FY2017: JGAAP(net sales)



The revenue in FY2022(f) will rise from FY2021 by steadily capturing needs for DX investment mainly from platformers and Nippon Steel as well, expanding sales of digital workplace solutions, and implementing government projects and so on. While G&A cost will increase due to medium term growth measures, the profit will grow by improving gross profit on sales thanks to the improvement of revenue.

### Revenue by business domain, Growth strategy



(\*)FY2014~FY2017: JGAAP(ordinary profit)

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# **Launch of Carbon Neutrality Brands**



### NIPPON STEEL

# Providing two types of values by progressing toward carbon neutrality



Nippon Steel **Nippon Steel offers** 

+ Carbon dioxide less + X
Products and technical solutions that For rea contribute to reducing CO<sub>2</sub> emissions

For realizing a sustainable future



Advanced products and technical solutions that contribute to reducing CO<sub>2</sub> emissions in society



Steel products certified as reducing CO<sub>2</sub> emissions in the steelmaking process

Reduce CO<sub>2</sub> emissions at Reduce CO<sub>2</sub> emissions the time of production and processing by customers

at the time of use of customers' products made from our steel

Contribute to energy conversion in society

Reduce CO<sub>2</sub> emissions in customers' supply chains

By providing the two types of values, we support international competitiveness of our customers (including approx. 6,000 companies in Japan)

### **NSCarbolex**<sup>TM</sup> Solution: Product and Solution Lineups



Automobiles and home appliances



- •CO<sub>2</sub> reduction in manufacturing processes
- •CO<sub>2</sub> reduction in product use, etc.

### NSafe<sup>™</sup>-AutoConcept



Contributes to making lightweight vehicles by providing highstrength steel and our original processing techniques Contributes to CO<sub>2</sub> reduction in manufacturing process and vehicle rides

### Steel for high-strength gear



Its high strength allows omitting annealing processes at customers and contributes to making vehicles lightweight Contributes to CO<sub>2</sub> reduction in manufacturing process and vehicle rides

Hairline finished electrolytic zinc-nickel alloy plated steel sheet **FeLuce**<sup>TM</sup>



Exquisitely designed surface allows omitting additional surface treatment

Contributes to customers in reducing CO<sub>2</sub> by cutting processes



Energy

Contribution to energy transition in society Energy saving in electricity transmission etc.

#### **Steel for LNG tank**



Its high resistance to extreme low temperature contributes to construction of highly safe LNG tank

Contributes to expansion of LNG use

Stainless steel pipe for high-pressure hydrogen

### **HYDREXEL<sup>TM</sup>**



Its high strength and easy welding features contribute to construction of hydrogen stations Contributes to the future hydrogen-based society

### **High-alloy OCTG**



Its world-class resistance to corrosion contributes to welling in high-concentrate  ${\rm CO_2}$  environment

Contributes to CCS development

# 0000

Infrastructure

CO<sub>2</sub> reduction in construction processes Improvement in energy efficiency in railway, etc.

Mega-sized fixed external dimension H-section steel

MEGA NSHYPER BEAM<sup>TM</sup>



Shortens construction period, saves construction materials, and thus reduces CO<sub>2</sub> emissions from construction processes

# High-speed railway wheels and axles



Strong and lightweight features reduce CO<sub>2</sub> emissions from trains by reducing their body weight

### Designing titanium TranTixxii<sup>TM</sup>



Aesthetic colors and design is added to the surface of corrosion resistant, strong and lightweight titanium Contributes to CO<sub>2</sub> reduction in construction and maintenance of buildings

### High-efficiency electrical steel sheet



Reduces energy loss in electric devices
Reduces CO<sub>2</sub> emissions from use of automobiles and home appliances
Improves power transmission efficiency

# Corrosion resistant coated steel ZEXEED<sup>TM</sup>



Prevents corrosion even in severely corrosive situation Enables omitting of coating

Enhances durability of solar power generation mount Reduces CO<sub>2</sub> emissions from customers' manufacturing maintenance processes



# **Progress in Carbon Neutral Vision 2050**

October 2022: New EAF in Hirohata Area started commercial operation Started to produce high-value added steel by using EAF, including the high-grade electrical steel sheets for the first time in the world

Total reduction in CO₂ emissions will be tracked and credited to NSCarbolex<sup>™</sup> Neutral, which will be on sale from H1 FY2023

Accumulate knowledge of high-grade steelmaking in the EAF at Hirohata and develop it into high-grade steelmaking technology in large EAFs

Establish a technology to produce high-grade steel that can be used as a material of automobile bodies in large EAFs (of 300t/ch size) from steel scrap and direct reduced iron made by low-quality iron ore with hydrogen reduction technology by 2030

2022 Hirohata EAF

Started commercial operation

Accumulate knowledge of high-grade steelmaking in EAF

Develop both large sized EAF and technology to produce its raw material, DRI at Hasaki R&D Center

2024

Set up a small EAF (of 10t/ch size) in the Hasaki R&D Center and start experiment

implementation of large-sized EAF by 2030

2025

Set up a small DRI furnace in the Hasaki R&D Center and start experiment

2025

Start study for scale-up

2027

Start demonstration at the Kimitsu #2 BF

Complete actual implementation by 2030

Complete actual

-

DRI production by hydrogen

High-grade steel

production in

large-sized EAFs

Reduction with hydrogen in BFs

COURSE50

Super-COURSE50 Started R&D by using a pilot plant in Kimitsu Area

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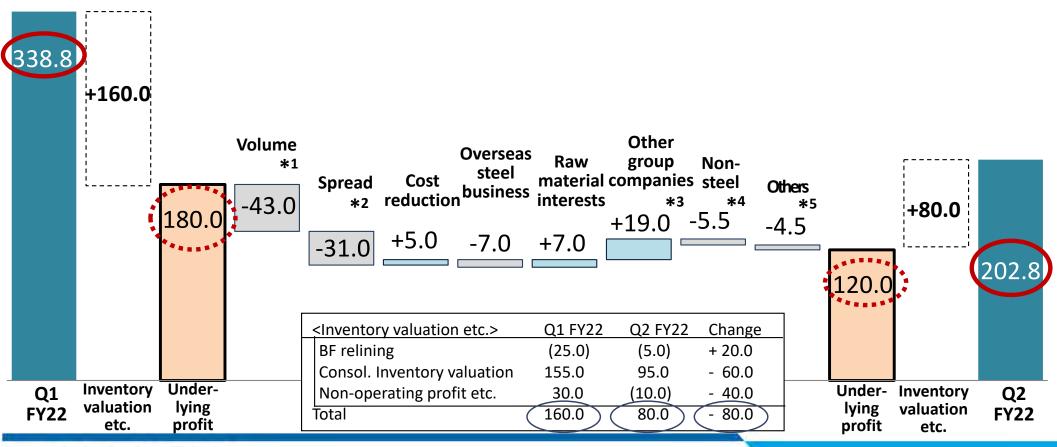
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# **Business Profit Variance (Q1 FY22 vs. Q2 FY22)**

	(Bn. JPY)	Q1 FY22	Q2 FY22	Change
<b>Business Profit</b>		338.8	202.8	-136.0
<	Underlying Profit>	180.0	120.0	-60.0
	Steel	331.6	184.1	-147.5
	Non-steel	19.1	13.6	-5.5
	Adjustment	(12.0)	4.9	+16.9

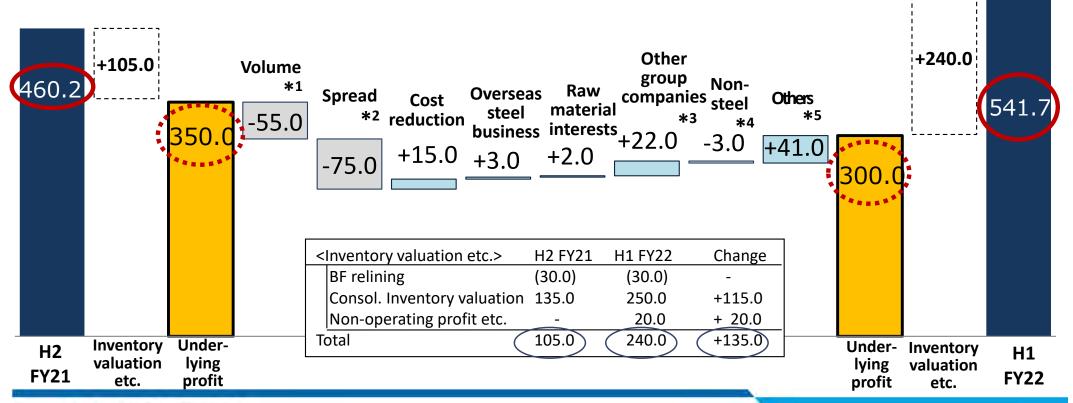
- \*1 Crude steel production: -0.35 MMT (8.69 -> 8.34)
  Excl. BF relining impact : -0.75 MMT (9.09 -> 8.34)
  Steel shipment: -0.70 MMT (8.19 -> 7.49)
  Excl. BF relining impact : -1.10 MMT (8.59 -> 7.49)
- \*2 Incl. the impact of FX fluctuation, and carry over -125.0 (102.0 -> -23.0)
- \*3 Improve: Stainless steel and EAFs, etc.
- **\*4** Engineering -1.4, Chemicals & Materials -4.8, System Solutions +0.7
- \*5 Incl. increase in depreciation cost -2.0



# **Business Profit Variance (H2 FY21 -> H1 FY22)**

	(Bn. JPY)	2H FY21	1H FY22	Change
В	Business Profit	460.2	541.7	+81.5
	Underlying profit	350.0	300.0	-50.0
	1) Domestic	120.0	45.0	-75.0
	2) Overseas	60.0	63.0	+3.0
	3) Raw material	65.0	67.0	+2.0
	4) Other group	67.0	89.0	+22.0
	5) Non-steel	36.5	33.0	-3.0

- \*1 Crude steel: -1.41 MMT (18.45 -> 17.04)
  Excl. BF relining impact: -1.41 MMT (18.85 -> 17.44)
  Steel shipment: -1.59 MMT (17.28 -> 15.69)
  Excl. BF relining impact: -1.59 MMT (17.68 -> 16.09)
- \*2 Incl. the impact of FX fluctuation, and carry over +28.0 (51.0 -> 79.0)
- **\*3** Improve: Stainless Steel and EAFs, etc.
- **\*4** Engineering -3.9, Chemicals & Materials +1.8, System Solutions -2.2
- \*5 Incl. decrease in depreciation cost +4.7



# Business Profit Variance (H1 FY22 (f) -> H1 FY22)

	(Bn. JPY)	1H FY22 (f)	1H FY22	Change
В	usiness Profit	450.0	541.7	+91.7
	Underlying profit	250.0	300.0	+50.0
	1) Domestic	30.0	45.0	+15.0
	2) Overseas	65.0	63.0	-2.0
	3) Raw material	60.0	67.0	+7.0
	4) Other group	57.0	89.0	+32.0
	5) Non-steel	33.5	33.0	_

\*1 Crude steel: approx. -0.46 MMT

(approx. 17.50 -> 17.04)

Excl. BF relining impact: approx. -0.46 MMT

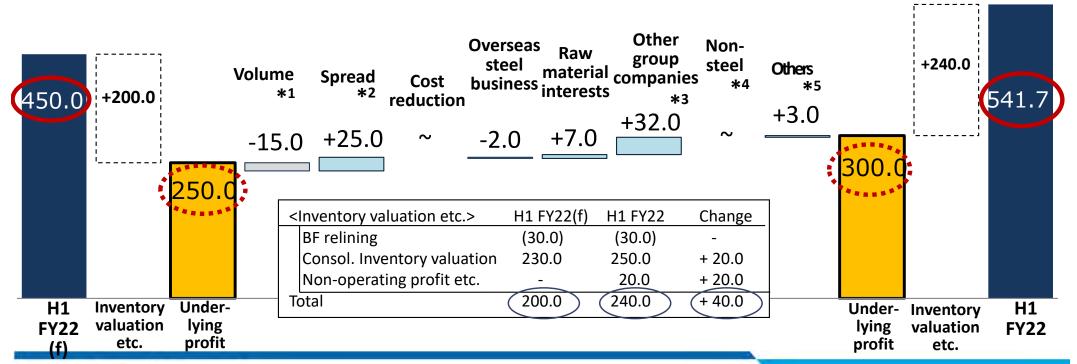
(approx. 17.90 -> 17.44)

Steel shipment: -0.31 MMT

(approx. 16.00 -> 15.69)

Excl. BF relining impact: approx. -0.31 MMT (approx. 16.40 -> 16.09)

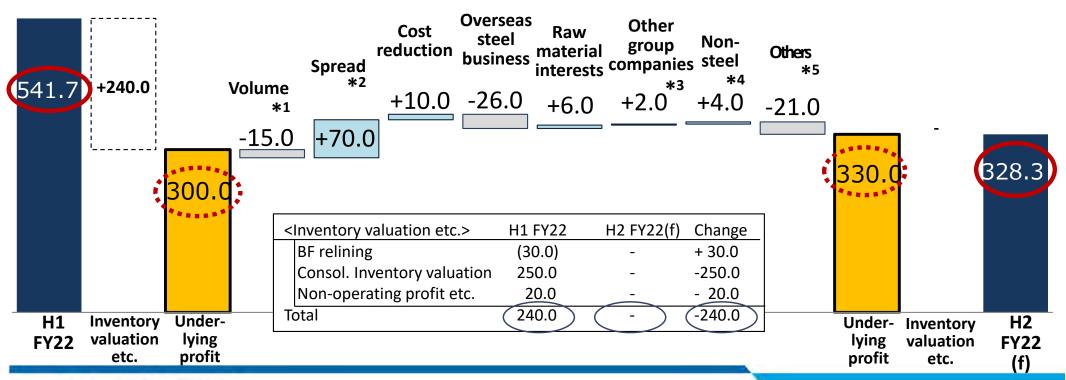
- \*2 Incl. the impact of FX fluctuation, and carry over -5.0 (84.0 -> 79.0)
- **\*3** Deteriorate: Stainless Steel & EAFs, operational support, etc.
- **\*4** Engineering -1.7, Chemicals & Materials +1.6, System Solutions -0.5
- \*5 Incl. decrease in depreciation cost +1.0



# Business Profit Variance (H1 FY22 -> H2 FY22 (f))

	(Bn. JPY)	H1 FY22	H2 FY22 (f)	Change
В	Business Profit	541.7	328.3	-213.4
	Underlying profit	300.0	330.0	+30.0
	1) Domestic	45.0	85.0	+40.0
	2) Overseas	63.0	37.0	-26.0
	3) Raw material	67.0	73.0	+6.0
	4) Other group	89.0	91.0	+2.0
	5) Non-steel	33.0	37.0	+4.0

- \*2 Incl. the impact of FX, and carry over -80.0 (79.0 -> (1.0))
- **\*3** Improve: Stainless steel& EAFs, operational support, etc.
- **\*4** Engineering +4.4, Chemicals & Materials -3.2, System Solutions +3.0
- \*5 Incl. increase in depreciation cost -8.5



# **Business Profit Variance (FY21 -> FY22 (f))**

	(Bn. JPY)	FY21	FY22 (f)	Change
В	Susiness Profit	938.1	870.0	-68.1
	Underlying profit	690.0	630.0	-60.0
	1) Domestic	244.0	130.0	-114.0
	2) Overseas	135.0	100.0	-35.0
	3) Raw material	119.0	140.0	+21.0
	4) Other group	129.0	180.0	+51.0
	5) Non-steel	62.0	70.0	+8.0

\*1 Crude steel: approx. -4.68 MMT (38.68 -> approx. 34.00) Excl. BF relining impact: approx. -4.68 MMT (39.08 -> approx. 34.40) Steel shipment: approx. -4.26MMT

(35.56 -> approx. 31.30) Excl. BF relining impact: approx. -4.26 MMT

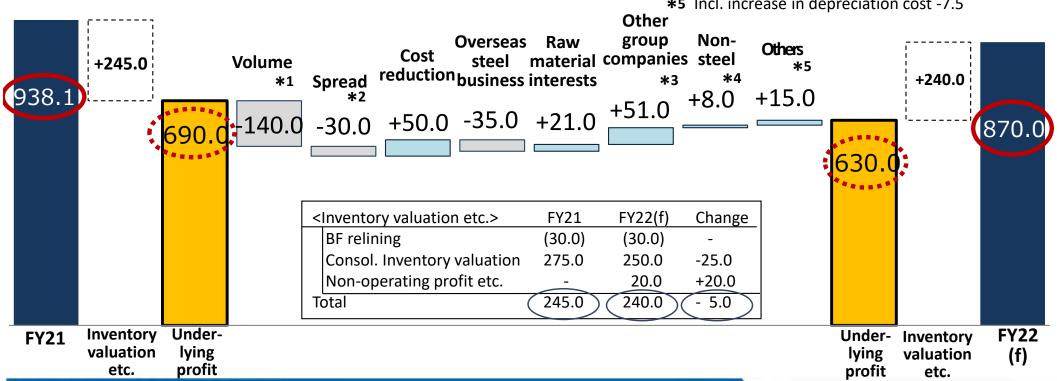
(35.96 -> approx. 31.70)

\*2 Incl. the impact of FX, and carry over -44.0 (122.0 -> 78.0)

\*3 Improve: Stainless steel & EAFs, operational support, etc.

\*4 Engineering +8.7, Chemicals & Materials -1.3, System Solutions +0.2

\*5 Incl. increase in depreciation cost -7.5



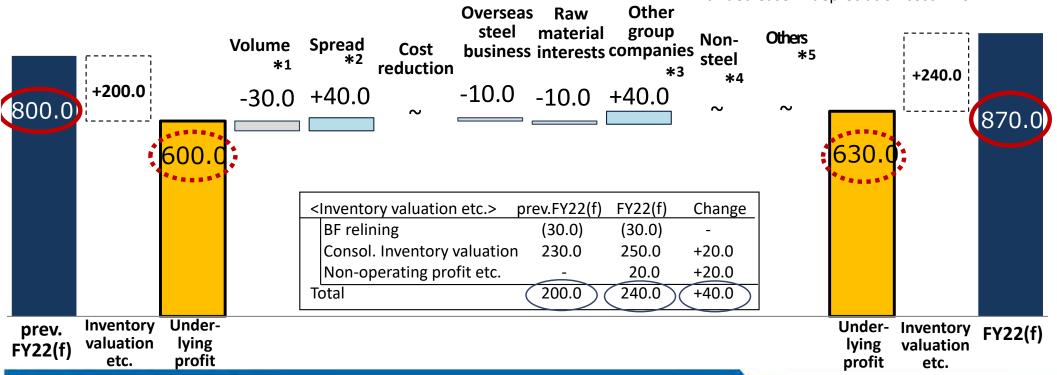
# **Business Profit Variance (prev. FY22(f) -> FY22 (f))**

	(Bn. JPY)	FY22(f) old	FY22(f) new	Change
В	Business Profit	800.0	870.0	+70.0
L	Underlying profit	600.0	630.0	+30.0
	1) Domestic	120.0	130.0	+10.0
	2) Overseas	110.0	100.0	-10.0
	3) Raw material	150.0	140.0	-10.0
	4) Other group	140.0	180.0	+40.0
	5) Non-steel	70.0	70.0	-

(more than 32.40 -> approx. 31.70)

- **\*2** Incl. the impact of FX, and carry over -7.0 (85.0 -> 78.0)
- **\*3** Improve: Stainless steel & EAFs, operational support, etc.
- \*4 Engineering ~, Chemicals & Materials ~, System Solutions ~

**\*5** Incl. decrease in depreciation cost +2.0



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# Overview of the capacity expansion in Hazira steel mill

### Main facilities to be newly installed

Blast furnaces	2 units	7.0 MMT/Y	4,500m <sup>3</sup> /unit x 2 units
Pellet plant	1 units	3.0 MMT/Y	
Sintering lines	2 units	6.0 MMT/Y	
Coke ovens	3 units	2.1 MMT/Y	
Oxygen converters	3 units	Crude steel capacity 6.0 MMT/Y	350 t/ch (the largest class in India) with degassing facilities
Continuous casters	2 units		2 strands/unit x 2 units
Hot strip mill	1 unit	5.5 MMT/Y	The largest class in India

### **CAPEX**

**410.0 bn. INR** (approx. 730.0 bn. JPY), all covered by AM/NS India's own equity and loans. Loan guarantee will be made by Nippon Steel and ArcelorMittal for AM/NS India's loan as necessary

### **Crude steel capacity**

Approx. +6 MMT/Y (approx. 9 -> approx. 15 MMT/Y)

### **Start of operation**

The First Phase (2H 2025): #2 blast furnace and related facilities, new oxygen converters and continuous casters, and new hot strip mill The Second Phase (1H 2026): #3 blast furnace and related facilities





# New construction and capacity expansion of upstream and hot- 48 rolling facilities at the Hazira steel mill

Decision to increase capacity at existing Hazira steel mill through BF and BOF process utilizing the technology of Nippon Steel and ArcelorMittal to address the growth of the Indian steel market.

Capture demand growth through early realization of capacity expansion and start-up

Enhance ability to handle highgrade steel such as steel sheets for automobiles, etc.

Install environmentally friendly and energy-efficient equipment

Provisions to apply Carbon Neutral technology

- Utilization of unused land already owned in India without land acquisition issues, which can be the biggest cause of obstacles and delays in India.
- > Start-up quickly and reliably through the use of the BF and BOF process, which is already an established technology.
- Avoid opportunity loss by starting operation of the new BF in time for relining of the existing BF No. 1
- Adoption of BF and BOF process for high-grade steel production
- Introduction of degassing facilities to ensure capability to manufacture high-grade steel.
- Expansion of product capability in combination with the previously decided expansion of steel sheests production facilities
  - \*Decided in December 2021 to expand steel sheets manufacturing facilities at Hazira steel mill to accommodate the production of high-grade steel such as automotive steel sheets and high corrosion resistant steel sheets for construction
- Introduction of energy-saving equipment such as CDQ (Coke Dry Quenching) and TRT (Blast Furnace Top Pressure Recovery Turbine), and environmental protection facilities (dust, odor, wastewater treatment, noise reducti, etc.)
- Taking into consideration visions of Nippon Steel and ArcelorMittal to apply carbon neutral technology with Blast Furnace which is under development

# Outline of Major infrastructure companies and Assets to be acquired

**Target companies** 

Each company operates exclusively for AM/NS India.

Port related (numbers in parentheses: cargo handling capacity)

Essar Bulk Terminal Ltd.	Hazira	Handles almost all the incoming shipment of raw materials and outgoing shipment of products at the Hazira steel mill (25 million tons/year)
Essar Bulk Terminal Paradip Ltd.	Paradip	Handles pellet transport and cargo at the pellet plant in Paradip (12 million tons/year)
Essar Vizag Teriminals Ltd.	Vizag	Handles pellet transport and cargo at the pellet plant in Vizag (16 million tons/year)

◆ Power related (numbers in parentheses: power generation capacity or transmission line length)

Essar Power Hazira Ltd.	Hazira	Power generation company on the premises of the Hazira steel mill (270MW)
Essar Power Ltd.	Hazira	Power generation assets on the premises of the Hazira steel mill (515MW)
Essar Power Transmission Company Ltd.	Hazira	Power transmission business for electricity outsourced by the Hazira steel mill (100km)

### **Acquisition amount**

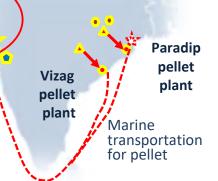
2.4 bn. USD (approx. 340.0 bn. JPY)

All of the amount will be covered by AM/NS India's own equity and loans.

Loan guarantee will be made by Nippon Steel and ArcelorMittal for AM/NS India's loan as necessary

### **Schedule**

August 26<sup>th</sup>, 2022: Agreement with the Essar Group Acquisition will be completed as soon as being confirmed by the government



Hazira Integrated

steel mill

# The Background and the Objectives of the Acquisition

### **Background**

The key infrastructure assets (ports, power plants, etc.) were owned by the Essar Group even after our joint-acquisition of Essar Steel (ESIL).

- ➤ The port, electric power and other infrastructure companies and assets were not included in the acquisition of ESIL, and continued to be owned by the Essar Group.
- ➤ AM/NS India had been using these infrastructures by continuing the contracts made when it was Essar Steel.

# Purposes of the acquisition Further stabilize and strengthen operating production and supply chain by acquiring the key infrastructure assets

- These ports, power plants and other infrastructures are integral and fundamental parts of AM/NS India's steelmaking operation
- By acquiring these facilities, AM/NS India will achieve the following;
  - Seamless and smooth transportation of raw materials and steel products among manufacturing sites located in the west, east, south parts of India and export
  - Stable supply of electric power for Hazira steel mill at low cost
  - Reduction of payment for use of these infrastructures and operating cost reduction by improvement of acquired facilities
  - Development of infrastructure that will be needed for future expansion of production capacity in AM/NS India including the expansion announced this time.

# **Topics – Sophistication of Order Mix**

# 2.0GPa Level Hot-stamping Steel Sheet Adopted as B Pillar by Domestic Auto for the First Time in the World

- Reduces vehicle weight and thus CO<sub>2</sub> emissions, while improving collision safety
- ➤ A constituent of "NSafe®-AutoConcept", the future automobile design concept which contributes to carbon neutrality and which we plan to further develop

# Seamless Steel Pipe for Chemical Plants "NEXAGE™347AlPha" Adopted by Canadian Customer for the First Time

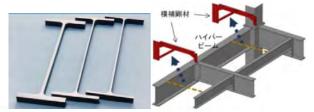
- An original steel pipe with high corrosion-resistance and strength, especially intended for use in chemical plants
- Contributes to efficiency in plant maintenance and cost reduction

### Construction Solution Brand "ProStruct<sup>TM</sup>" Launched

- "Structural steel & technology" solutions for civil engineering and construction (launched in Oct. 2022 with 5 solutions for each), which support all processes from procurement to construction
- ➤ ProStruct<sup>TM</sup> contributes to...
  - 1) easier and solid construction planning
  - 2) quick and cost-saving construction processes
  - 3) resilient and safe constructions
  - 4) reduction in CO<sub>2</sub> emissions in construction process



Example: NSHYPER BEAM<sup>TM</sup> & reinforcement material saving construction method



# **Topics – DX Promotion (1)**

### Facility Inspection and Precise Mapping with Small Drones "IBIS" in Narrow Space

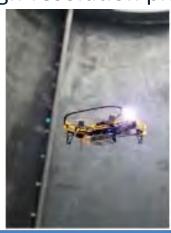
### Difficulties with traditional general-purposed drones

- facility obstacles
- Difficult to evade intricate
  Difficult to fly stably in the
  Difficult to capture highpresence of air currents
  - resolution images of facilities

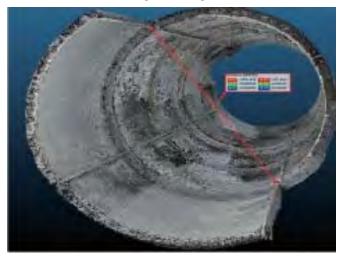
### Small drone "IBIS" provided by Liberaware Co., Ltd.

- Industry's smallest class body
  (20cm width, 185g weight)
  Easy to maneuver, and evade intricate facility obstacles

  Highly resilient control
  Able to fly even through narrow tunnels and take high-resolution pictures
- Able to fly even through narrow tunnels and take high-resolution pictures



### Original 3D mapping and data analysis system



### **Outcomes**

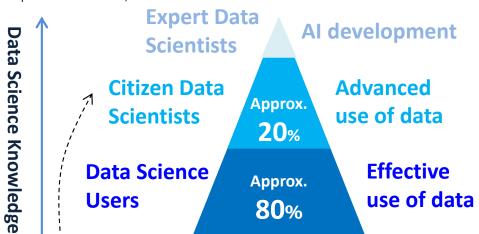
- 1. Saving of labor for inspection of high and narrow spaces
- 2. Advanced maintenance and productivity

### **Topics – DX Promotion (2) DX Human Resource Development**53

Nippon Steel defines DX human resources as "those who can identify and solve business issues based on data", and we are training employees in the following two DX programs;

### **Data Science Training**

- Keep training employees to be "Citizen Data Scientists," who have sophisticated knowledge on data science as well as on daily businesses. (\*1)
- -> Plan to educate 20% of all office staff and engineers by the end of FY2030, and to allocate the trained employees equally to each department, which can accelerate DX strategies. (\*1): Statistics, database and data processing, BI tools, machine learning, etc.
- ➤ Plan to start training session(\*2) from H2 FY2022 in order for all office staff and engineers to become "Data Science Users". (\*2): IT literacy (including governance and security), business analysis methods, promotion mindset, etc.



#### Open Badge(\*3) to "Citizen Data Scientist"

- -> Introduced to motivate employees to improve their skills and to show that the owners are entitled
- -> Started publishing from Sept. 2022 (As of Oct.2022 : 229 employees)

### **Digital Management Training**

- > DX managers education in progress
- -> Aim at training all managers to be those who are able to strongly promote DX strategies, identifying their own role in each organization and creating tactics and visions.
- -> Plan to complete provide training sessions to Heads of Section, Managers and Supervisors(approx. 7,000 managers) by the end of FY2022. Those who will newly become a manager are accordingly to be given the lectures.

Management General staf

Executives and general managers, **Develop strategies** Heads of Div. (Vision / business reform)

Heads of Dept. or Plant/Mill Senior Managers

Manage operational reforms, projects, etc.

Heads of Section. Managers, Supervisors

General staff

Learn and use technology

(\*3) About Open Badge

Citizen

Digital credentials being published in accordance with globally shared technical standards. The badge is given as data, so that it can be shared on SNS, etc. and also is utilized as a certification, which enables to visualize their own skills. (cf. Digital Agency HP)



# **Topics – Awards for Excellence in Corporate Disclosure**

### Received Awards for Excellence in Corporate Disclosure from SAAJ\*

\* Securities Analysts Association of Japan <a href="https://www.saa.or.jp/english/advocacy/disclosure.html">https://www.saa.or.jp/english/advocacy/disclosure.html</a>

1st place for three consecutive years in steel/non ferrous metal industry

1<sup>st</sup> place for the first time in disclosure to individual investors

Highly evaluated criteria and aspects

- Proactive disclosure by management
- Clear management policy and constructive communication with investors
- > Substantially allocated human resources in investor relations department
- > Proactive disclosure of decarbonization and digital transformation initiatives
- > Concrete action plans disclosed with multifaceted perspectives

Highly evaluated criteria and aspects

- Business overview briefing: easy to understand and full of content, <a href="https://www.nipponsteel.com/en/ir/individual/meeting.html">https://www.nipponsteel.com/en/ir/individual/meeting.html</a>
  Briefing session recordings: useful and easily accessible (in Japanese only) <a href="https://www.nipponsteel.com/ir/individual/briefing.html">https://www.nipponsteel.com/ir/individual/briefing.html</a>
- Quality of website contents and reports for shareholders

### Publication of Integrated Report and Sustainability Report 2022

- ➤ Integrated report: Constituted along the lines of the "International IR Framework" of IIRC.

  Contains enhanced reporting of our business models and initiatives of improving corporate values.

  <a href="https://www.nipponsteel.com/en/ir/library/annual report.html">https://www.nipponsteel.com/en/ir/library/annual report.html</a>
- Sustainability Report: 25<sup>th</sup> publication since first published in 1998 as "Environmental Report" Contains enhanced disclosure of our initiatives in climate action, DEI, human resources education, etc. <a href="https://www.nipponsteel.com/en/csr/report/">https://www.nipponsteel.com/en/csr/report/</a>

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