TYO : 5401 OTC : NPSCY(ADR)



## Q3 FY2022 Earnings Summary

February 9<sup>th</sup>, 2023

NIPPON STEEL CORPORATION

Notes on this presentation material

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



## Agenda

#### **1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast**

Summary / Additional Line Items, Net Profit / Dividend

2. Establishing a Business Structure that Ensures Stably High Profit Regardless of the External Environment

> Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

- **3. Business Environment**
- 4. Progress of Carbon Neutral Vision 2050
- 5. Other News Topics and Appendix
- 6. Supplementary Materials for Financial Results



## Q3 FY2022 Earnings Summary and FY2022 Forecast

- Updated forecast for FY2022 consol. underlying business profit: 690.0 bn. JPY, upward revision by 60.0 bn. JPY from the previous guidance, and remaining at the record-high level as last year, even in the prolonged sluggish business environment
- The forecast for FY2022 consol. business profit is unchanged at 870.0 bn. JPY, as the forecast for total amount of inventory valuations etc. is revised downward by 60.0 bn. JPY due to fluctuations in raw material prices and forex rates.

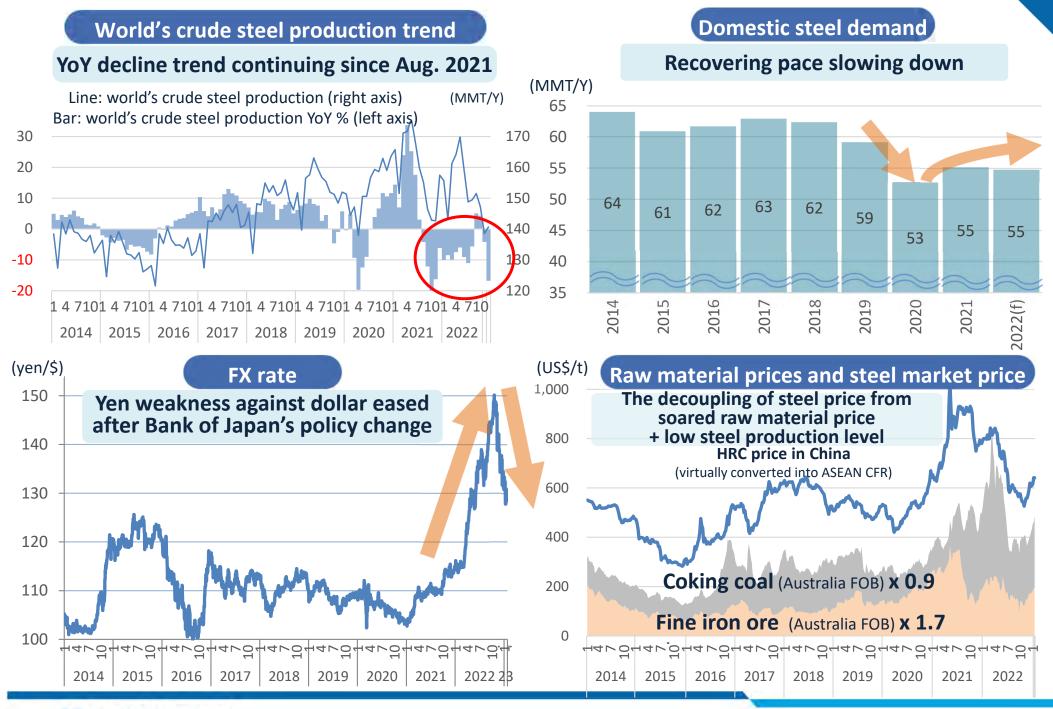
Securing high profit, which is now becoming more robust than that of competitors in east Asia.

				-						
	H2	FY2021	H1	Q3	Q4(f)	H2(f)	Vs. H1	Vs. forecast as of Nov. 1 <sup>st</sup>	FY2022 (f)	Vs. FY2021
Non-consol. crude steel production (MMT)	18.45	38.68	17.04	8.59	Approx. 8.60	Approx. 17.20	Approx. +0.16	Approx. +0.20	Approx. 34.20	Approx. -4.48
Non-consol. steel shipment (MMT)	17.28	35.56	15.69	7.98	Approx. 7.70	Approx. 15.70	Approx. +0.01	Approx. + <b>0.10</b>	Approx. 31.40	Approx. -4.16
FX (USD/JPY)	114	112	132	144	Approx. 130	Approx. 137	+5 Yen dep	-7 Yen app	Approx. 134	+22 Yen dep
Revenue (bn. JPY)	3,644.9	6,808.8	3,874.4	2,087.2	2,038.4	4,125.6	+251.2	-	8,000.0	+1,191.2
Underlying BP excl. inventory val. etc.	350.0	690.0	300.0	220.0	170.0	390.0	+90.0	+60.0	690.0	-
Inventory valuation etc.	110.2	248.1	241.7	~	(61.7)	(61.7)	-303.4	-60.0	180.0	-68.1
Business profit (bn. JPY)	460.2	938.1	541.7	220.0	108.3	328.3	-213.4	-	870.0	-68.1
ROS	12.6%	13.8%	14.0%	10.5%	5.3%	8.0%	-6.0%	-	10.9%	-2.9%

NIPPON STEEL

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

## **Continued Harsh Business Environment**



NIPPON STEEL

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

## **Underlying Consol. Business Profit Variance**

<ul> <li>*1 excluding effect of BF relining</li> <li>*2 including impact from FX rate fluctuation</li> <li>Unit: Bn. JPY</li> <li>Underlying profit variance</li> </ul>	FY2022(f) As of Nov.1 <sup>st</sup> 630.0 to FY2022(f) as of Feb.9 <sup>th</sup> 690.0 +60.0	H1 FY2022 300.0 to H2 FY2022(f) as of Feb.9 <sup>th</sup> 390.0 +90.0	FY2021 690.0 to FY2022(f) as of Feb.9 <sup>th</sup> 690.0
Domestic steel business etc.	+70.0	+110.0	-44.0
Volume <b>*</b> 1	+5.0	-15.0	-135.0
[in(de)crease of shipment volume]	[+0.10MMT]	[-0.39MMT]	[-4.16MMT]
Spread(sales price, mix, raw	+60.0	+120.0	+30.0
material price) <sup>*2</sup>	< +2 kJPY/t >	< +8 kJPY/t >	< +1 kJPY/t >
[FX rate]	[7 Yen App]	[ 5 Yen Dep ]	[ 22 Yen Dep ]
Cost reduction	-	+15.0	+50.0
Others	+5.0	-10.0	+11.0
Overseas Steel business	-15.0	-41.0	-50.0
Raw material interests	-	+6.0	+21.0
Other group companies	+15.0	+17.0	+66.0
Three non-steel segments	-12.0	-8.0	-4.0



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

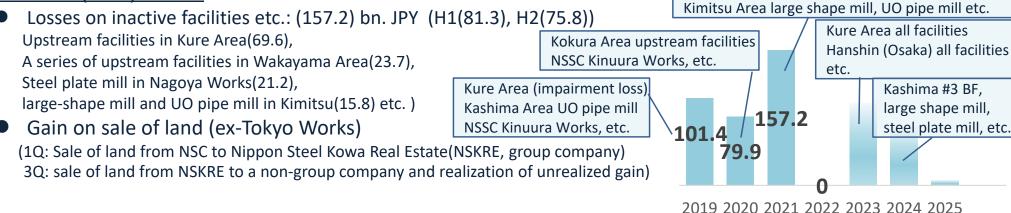
## **Additional Line Items, Net Profit**

	I						
Bn. JPY	H1	FY2021	H1	Q3	H2(f)	Vs. H2(f) as of Nov.1 <sup>st</sup>	FY2022(f)
Consol. Business Profit	477.8	938.1	541.7	220.0	328.3	-	870.0
Additional Line Items	(49.4)	(97.2)	-	-	-	-	-
Net Profit	298.7	637.3	372.3	144.7	299.7	-	670.0
			Record high				Record high
EPS (JPY/Share)	324	692	Record high 404	157	324	-	Record high 728
EPS (JPY/Share) ROE(%)	324 20.3%	692 20.5%			324	-	

#### FY2022 : Not applicable

#### FY2021 : (97.2) bn.JPY

NIPPON STEEL



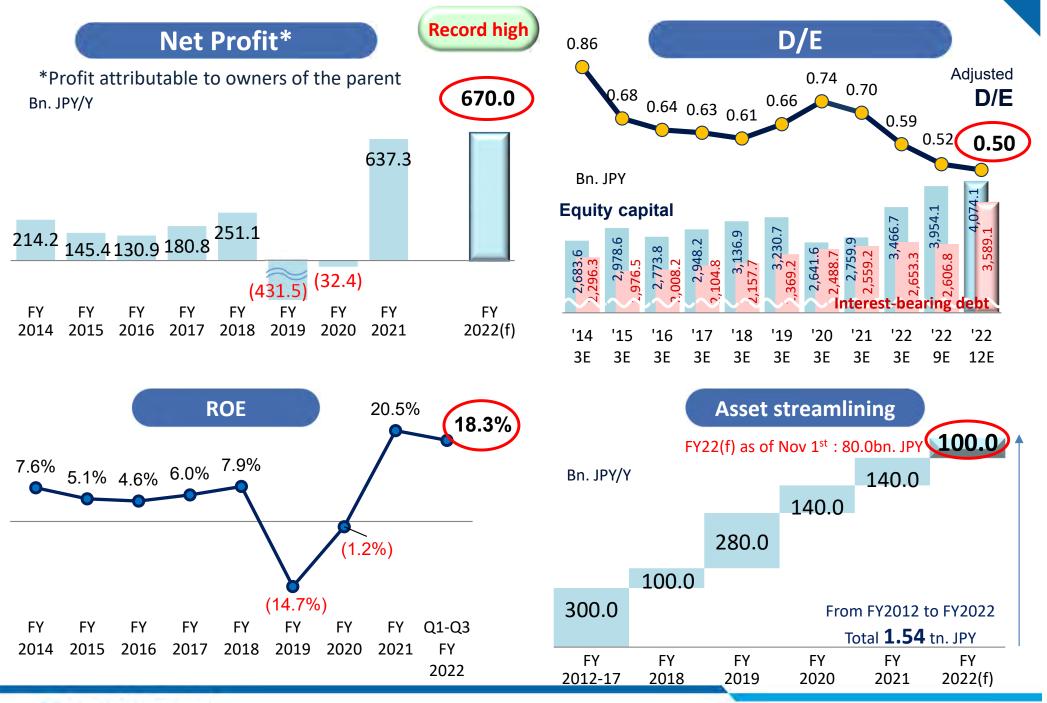
6

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

Kure Area upstream facilities

Wakayama Area upstream facilities Nagoya Works steel plate mill

## Net Profit\*, ROE, Financial Health Indicators

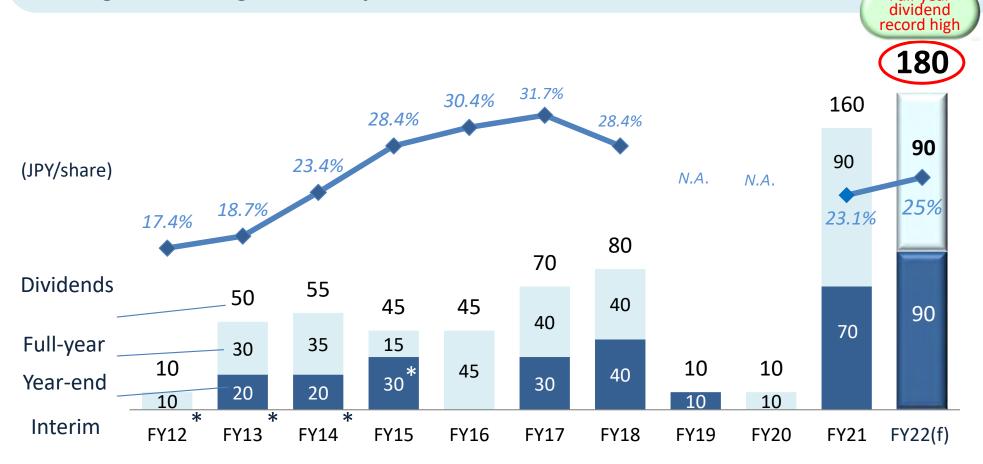


NIPPON STEEL

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

## **Full-year Dividend**

After due consideration of the earnings forecasts for the year and other factors, Nippon Steel plans to distribute a dividend of **¥90 per share at the end of the second half (yearend)**, and this would bring the full-year dividend distribution amount to **¥180 per share**, **reaching a record high as a full-year dividend**.

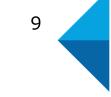


\* Note: FY12 ~ H1 FY15: adjusted by multiplying by ten, as reverse stock split took place in H2 FY15 (10 share to 1)

Dividend Policy~2014 Dividend-yield ratio : approx. 20%2015~Dividend-yield ratio : approx. 30%	
---------------------------------------------------------------------------------------------------	--

NIPPON STEEL

## Agenda



#### **1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast**

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing a Business Structure that Ensures

Stably High Profit Regardless of the External Environment

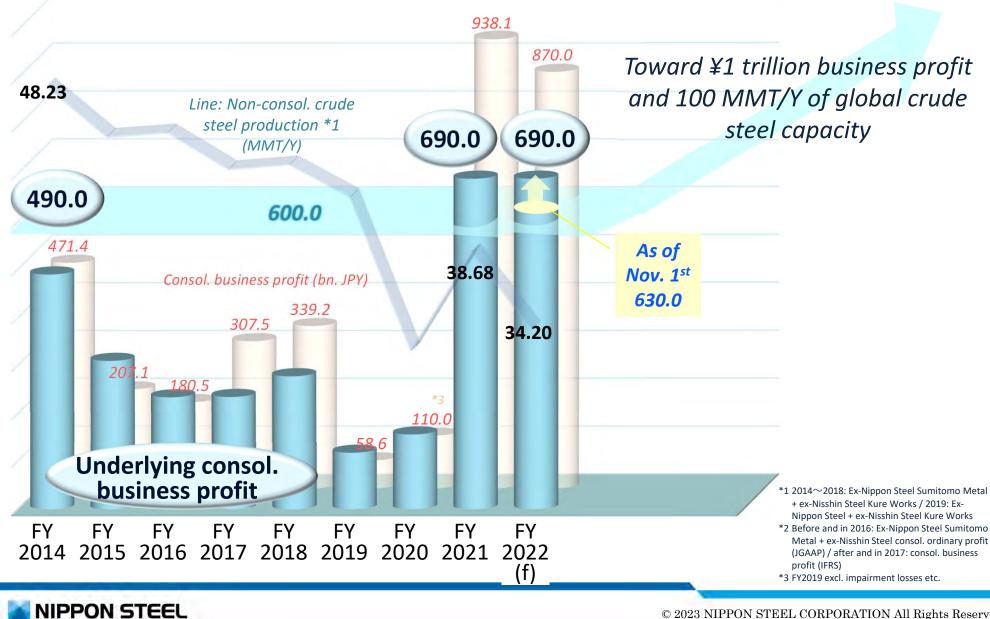
Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

- **3. Business Environment**
- 4. Progress of Carbon Neutral Vision 2050
- 5. Other News Topics and Appendix
- 6. Supplementary Materials for Financial Results



## **Underlying Business Profit Trend**

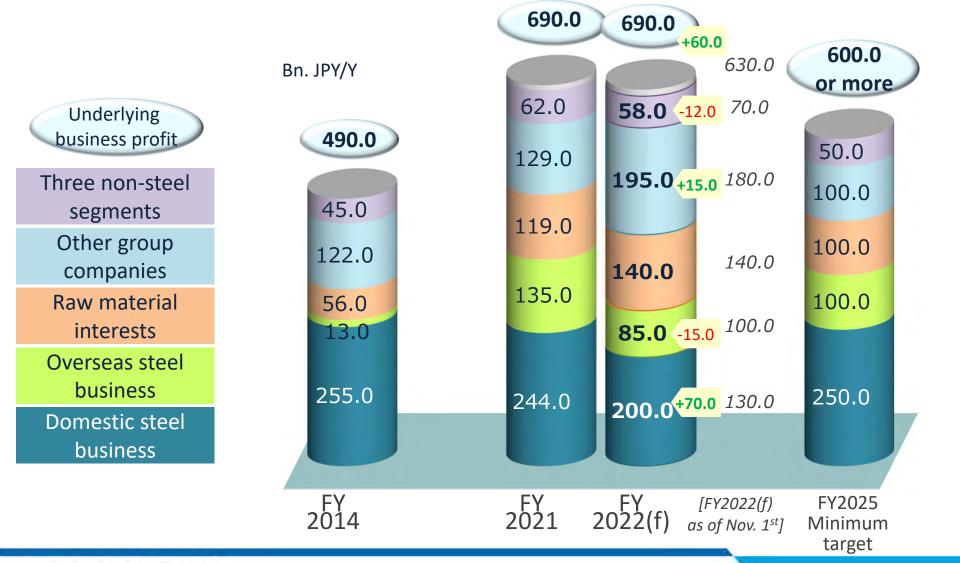
Establishing a profit structure that ensures underlying business profit of 600.0 bn. JPY regardless of the external environment



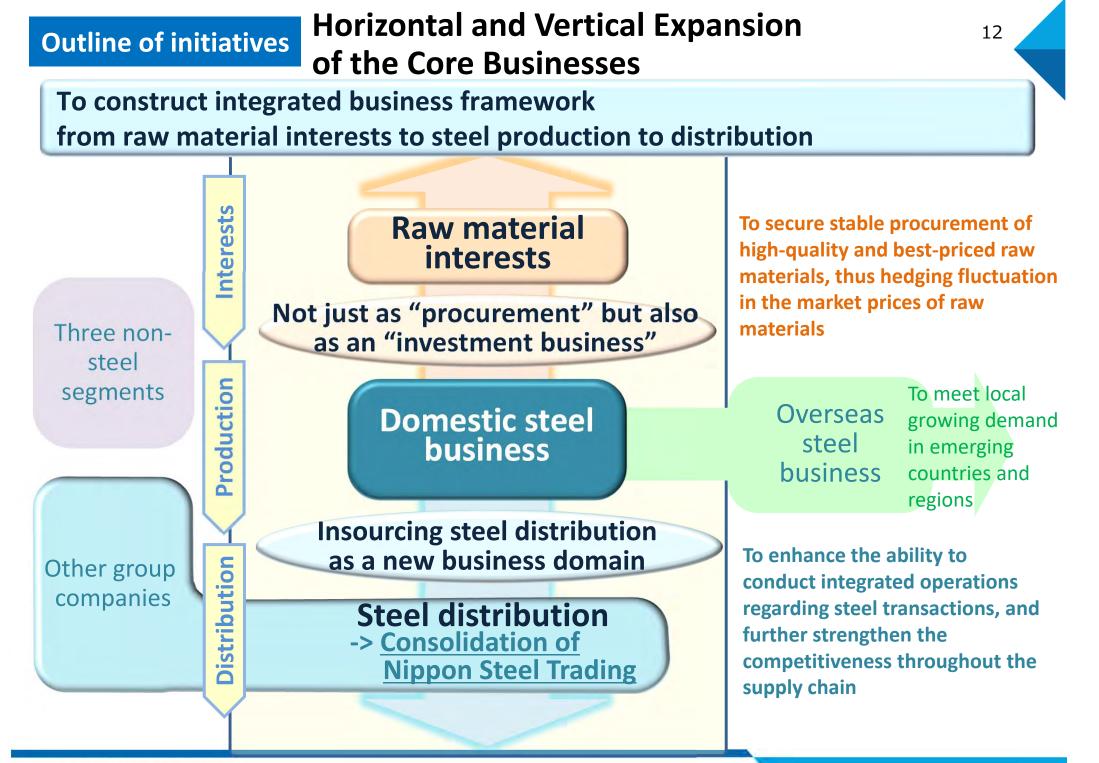
© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

#### Establishment of the five elements in underlying business profit 11

#### Secured robust business structure and stable profitability

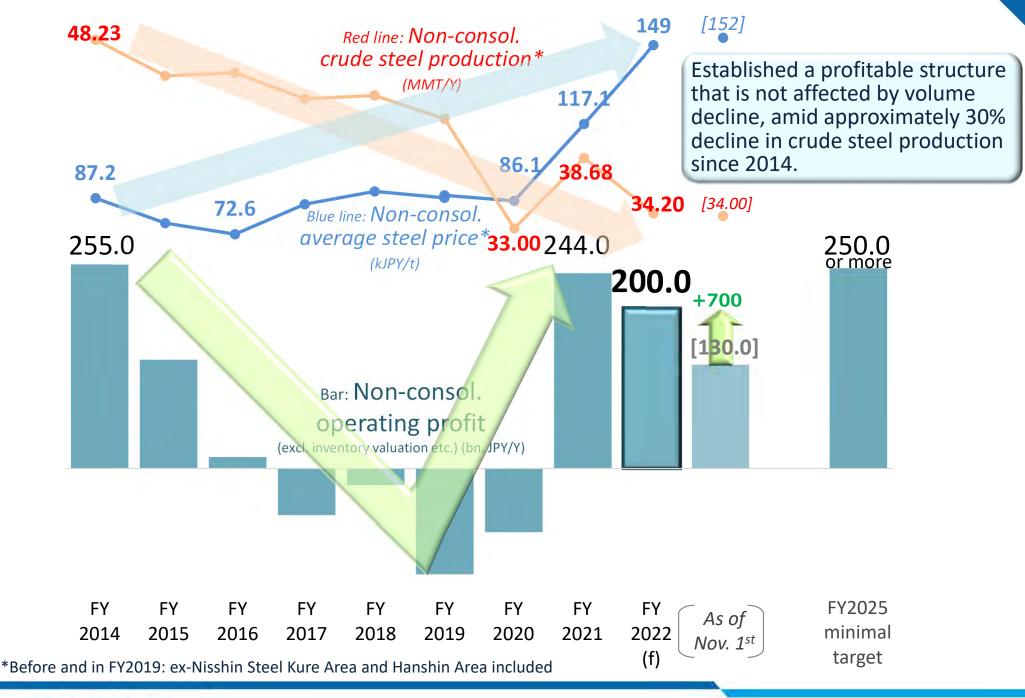






NIPPON STEEL

## Domestic Steel Business P/L Trend (Underlying Basis)

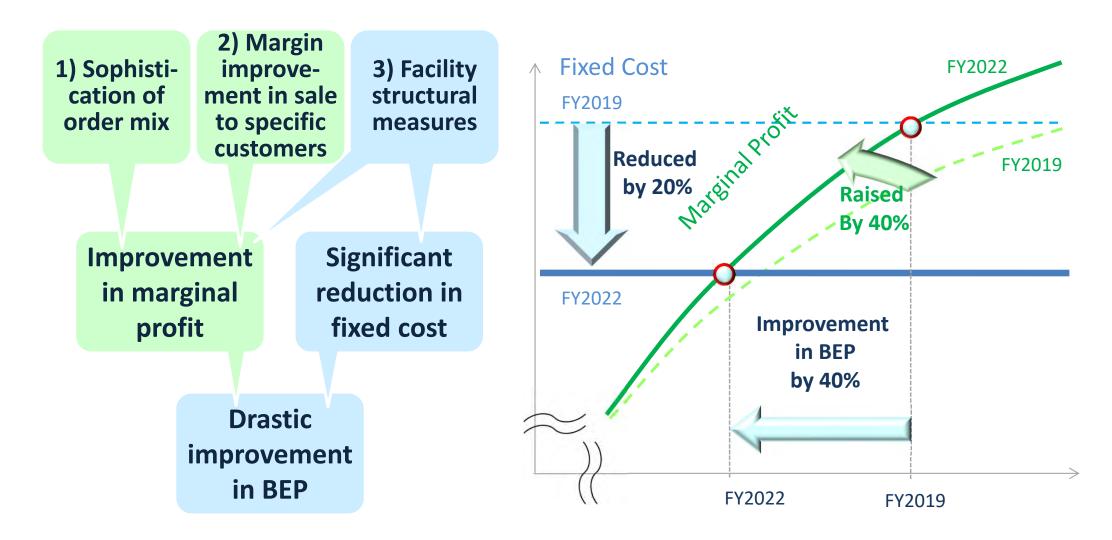




© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

#### **Domestic Steel Business Drastic improvement in Break Even Point** <sup>14</sup>

To establish a business structure that ensures stably high profit regardless of the external environment by drastically lowering the break even point



NIPPON STEEL

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

## **Domestic Steel Business Drastic improvement in Break Even Point** <sup>15</sup>

1)Sophisti- cation of Order Mix	for hi Elect High- ▷ Impr proc ->Fu ▷ Estal	onse to increasing demand igh grade steel including ric Steel Sheet or Ultra tensile steel Sheet ovement of production capacity and duct quality of Electrical Steel Sheets Il-capacity operation: starts in H1 FY2024 plishment of next-generation hot strip art of operation: Q1 FY2026 (planned)	High-value added products High-value added products mill	Commo	dities Production Ca approx20% ->Selective co on certain p	oncentration
2) Margin improve- ment in direct	FY 2021	<ul> <li>Realized appropriate level of marg</li> <li>Substantial correction of steel plow revel compared with internation</li> <li>A fair allocation of cost burden</li> <li>Reflection in steel prices of our and solutions</li> </ul>	<b>prices</b> which had bee ational peers for raw materials and	n relatively d commodities <b>oduct qualities</b>	of shipr Direct contract based sales to customers	gh figure ment mix - Spot market sales via distributors
contract sales	FY 2022	Changed in price negotiation system → from retroactive basis to pre-fixed → Renovation in contract terms in	ed basis	-based sales;	xport	
3) Facility Structural Measures		Total number of domestic BFs15 ->Annual crude steel oroduction capacity50 ->	Units • <b>43 -&gt; 40</b> -	•500 to 900 bn.JF •20% 35.0	<b>.0</b> PY/Y 35.0 20.0	<b>150.0</b> bn.JPY/Y
		(Non consol. + Nippon Steel Stainless Ste	eel)	FY 20	FY FY 21 22(f)	25 plan

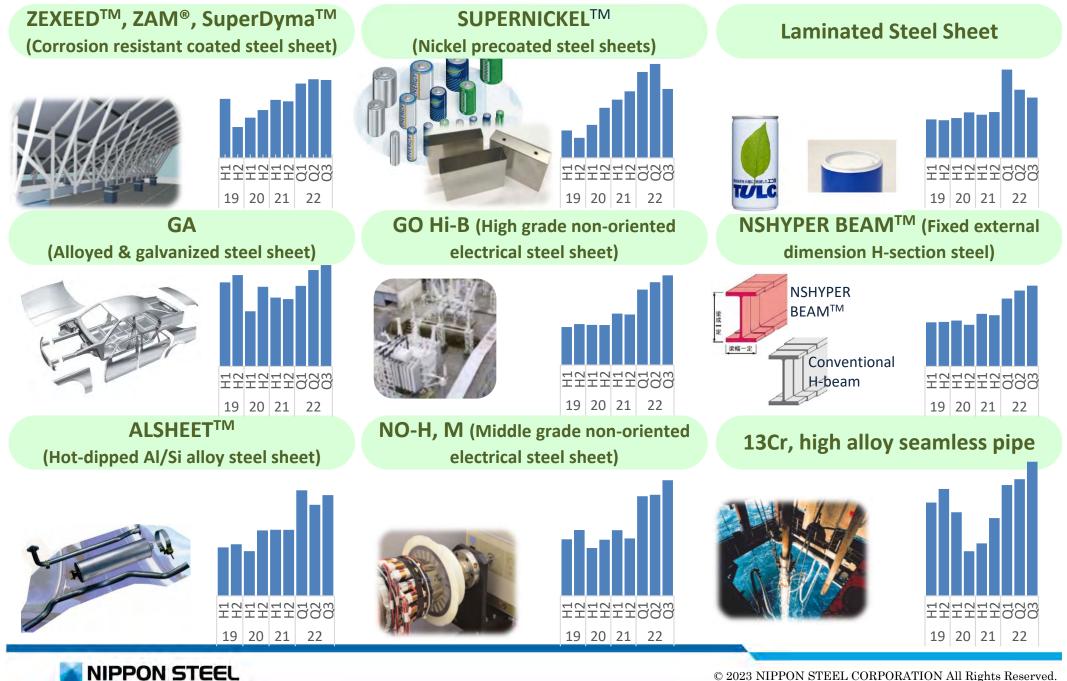
NIPPON STEEL

#### **Domestic Steel Business**

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

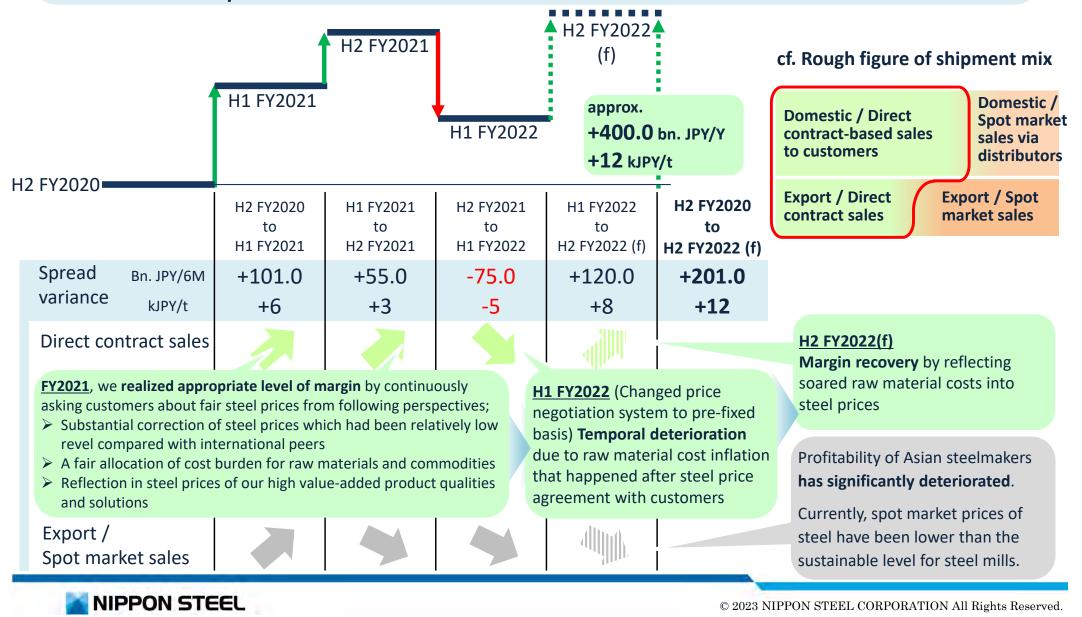
(Unit in the figures below: t/Q)

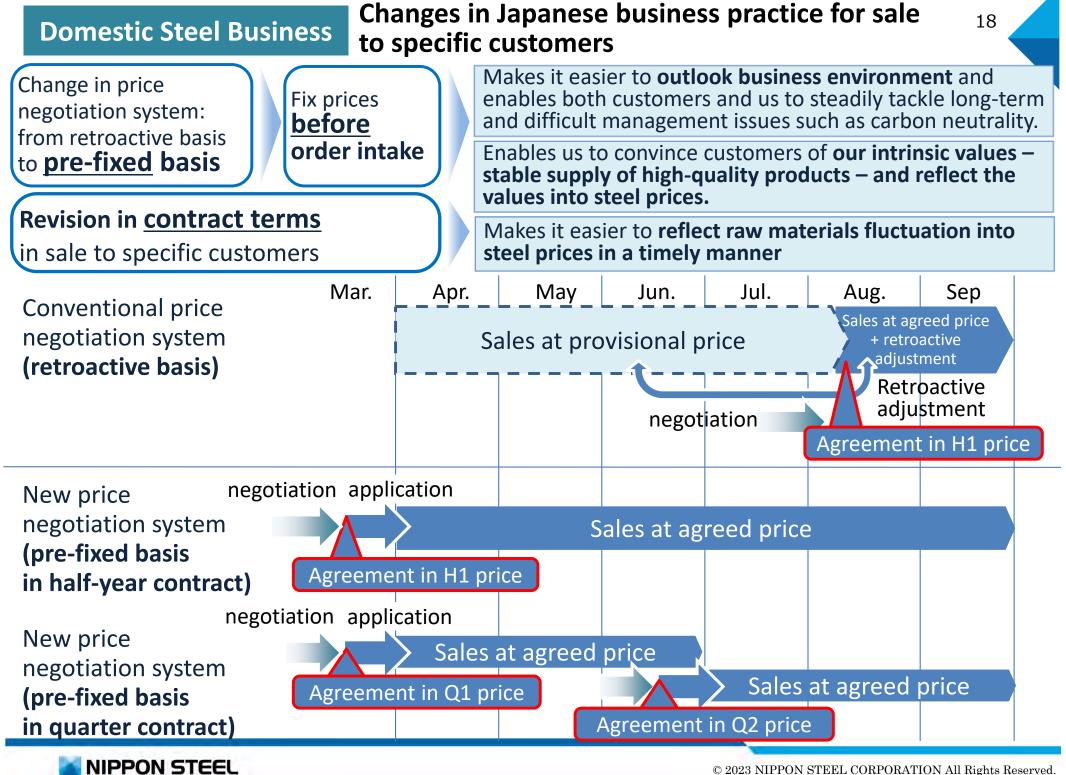
16



#### **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 400.0 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.

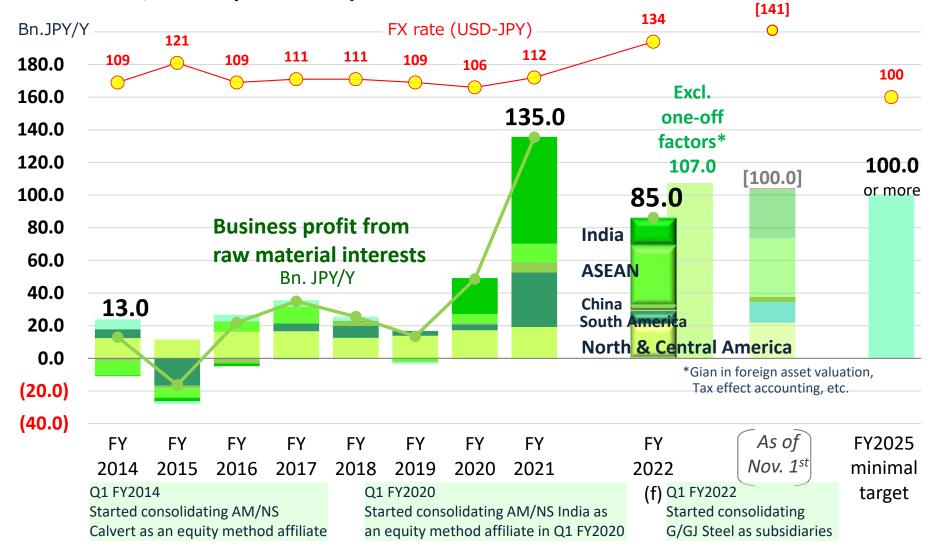




<sup>© 2023</sup> NIPPON STEEL CORPORATION All Rights Reserved.

#### **Overseas Steel Business** P/L Trend (Underlying Basis)

Although the profit in FY2022(f) is expected to decrease YoY and the outlook is revised downward from the previous forecast due to one-off factors, as soon as the one-off factors are eliminated, robust profit is expected onward.

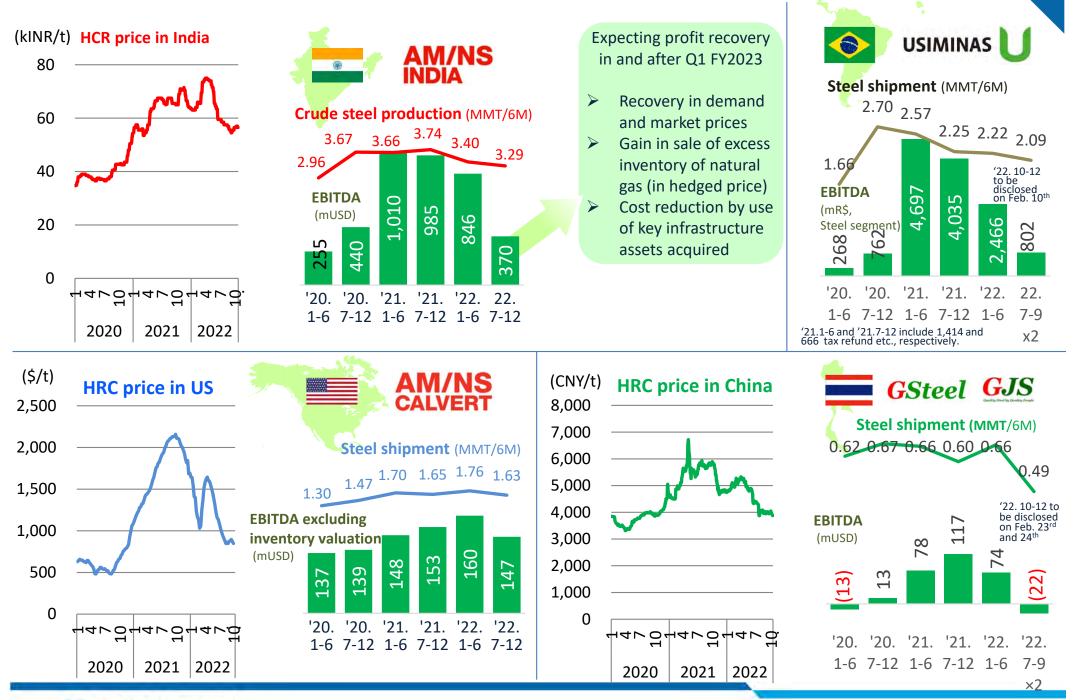


Ordinary profit (subsidiaries) + share of profit in investments accounted for using equity method (equity method affiliates), both underlying profit excl. inventory valuation

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



#### **Overseas Steel Business EBITDA Trends of Main Overseas Businesses**

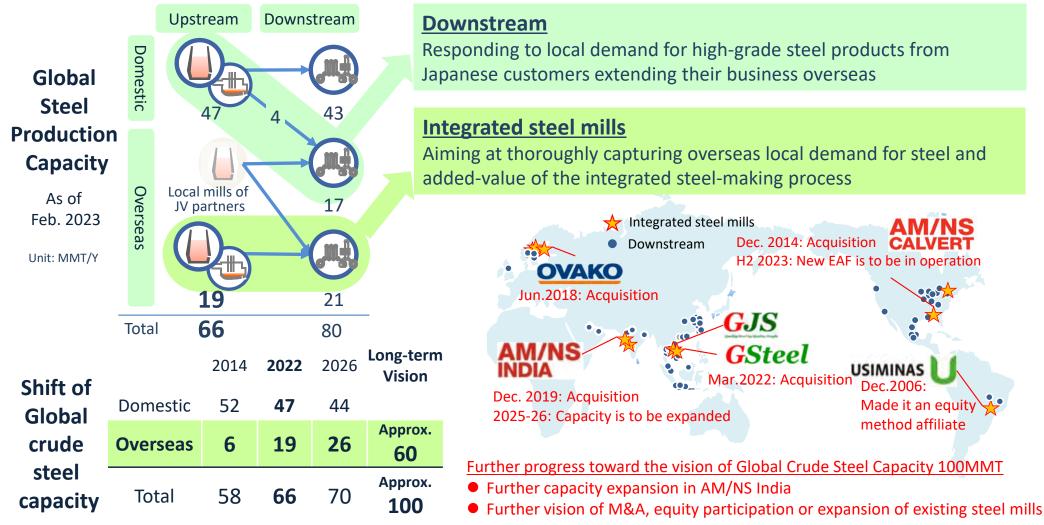


NIPPON STEEL

#### **Overseas Steel Business**

# Improvement of profitability by deepening and expanding overseas business

- Completed withdrawal from unprofitable businesses
- Established integrated steel mills in five prime overseas markets
  - -> toward the vision of "Global Crude Steel Capacity 100MMT"



\*In addition to capacities of 30-50% ownership companies(incl. USIMINAS) as defined by Worldsteel Association, equity method affiliates less than 30% ownership (AGIS) are both included on a 100% capacity basis.



## Raw Material Interests P/L Trend (Underlying Basis)

Profit has remained 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.

#### **Raw material interests** Vertical Expansion of the Core Businesses

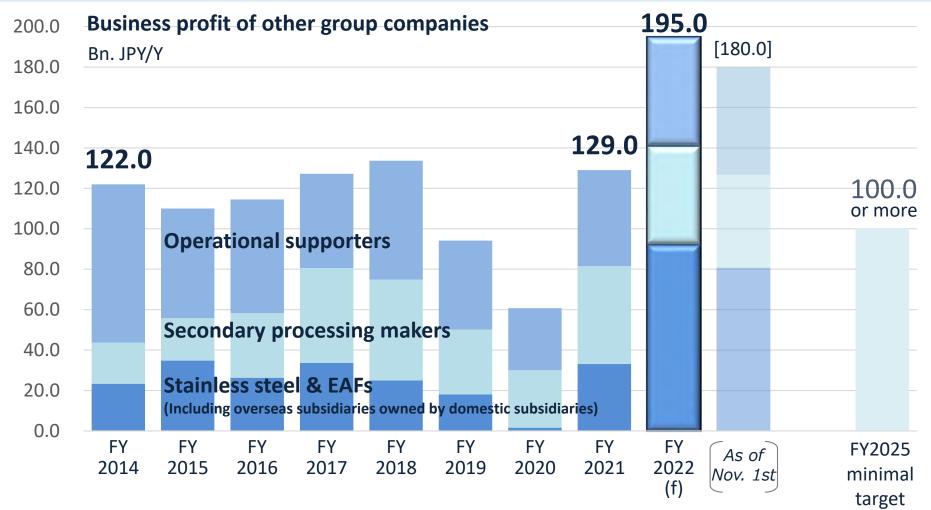
- Establishing stable procurement structure and easing fluctuation in operating profit of domestic steel business caused by raw material cost variance
- > Aiming further growth in the ratios of raw materials procured from invested mines

Currently Invest	ing Mine	s		Year participated	Equity I ratio	Major shareholder	Capacity MMT/Y		
	Austra	alia	<b>Robe River</b>	1977	14.0%	Rio Tinto 53.0%	70		
Iron ore, pelle	Braz	il	NIBRASCO	1974	33.0%	VALE 51.0%	10		
			Moranbah Nort	<b>h</b> 1997	5.0%	Anglo American 88.0%	12		
			Warkworth	1990	9.5%	Yancoal 84.5%	8		
Coal	Australia		Bulga	1993	12.5%	Glencore 85.9%	7		
Carbon Neutral production processe	s		Foxleigh	2010	10.0%	Middlemount South70.0%	3		
will require a certain	1		Boggabri	2015	10.0%	Idemitsu Kosan 80.0%	7		
amount of coking coa	Cana	da	Elkview	2005	2.5%	Teck Coal 95.0%	7		
Others(Niobiur	<b>n)</b> Braz	zil	CBMM	2011	2.5%	Moreira Solles 70.0%	9		
*Grosvenor mine was integrated with Moranbah North in 2020 Ratios of raw materials Total procurement procured from invested mines (FY2021) Approx. 20% 58 MMT -> Aiming further growth in the ratio									
Coal	Ар	Approx. <b>20</b> %			raw materials procured from invested i				



## Other Group Companies P/L Trend (Underlying Basis)

- 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 and improving spread resulted in stability in profit trend

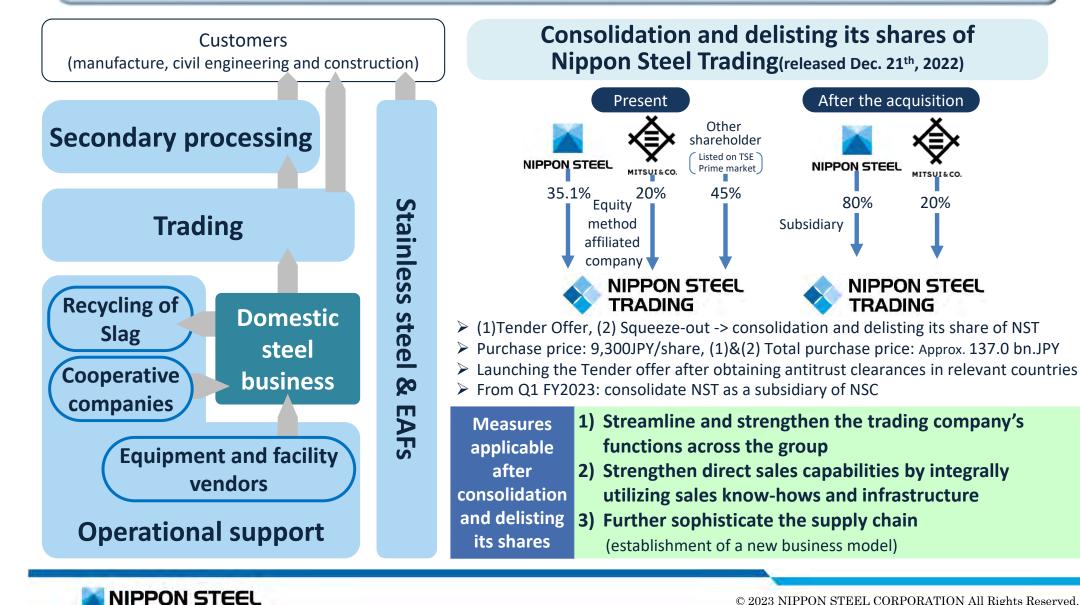


Excluding inventory valuation, and including group companies of ex-Nisshin Steel and stainless steel business of ex-Nisshin Steel



#### **Other Group Companies** Vertical Expansion of the Core Businesses <sup>25</sup>

Businesses that cover the value chain of steel have achieved stable profit  $\succ$ Reinforcement of businesses by restructuring of companies and facilities and improving spread resulted in stability in profit trend



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

MITSUI&CO.

20%

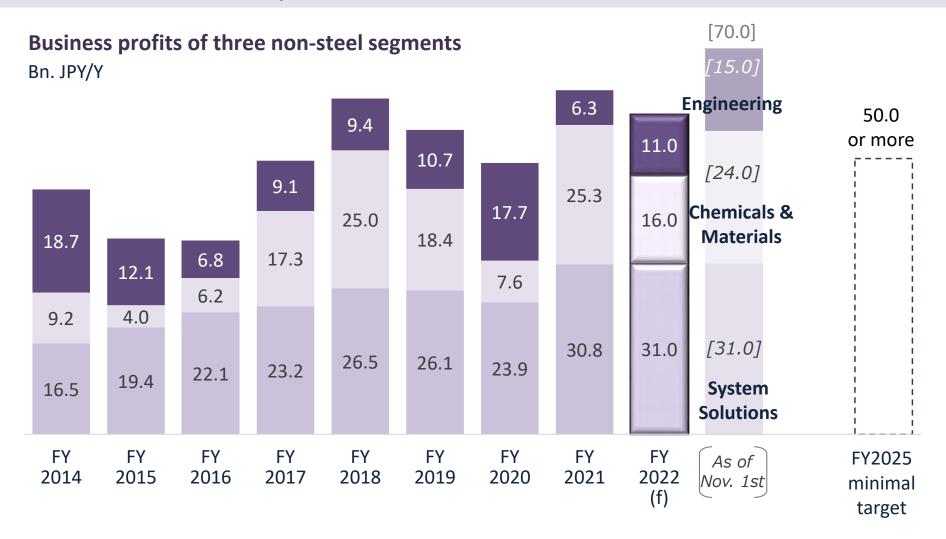
NIPPON STEEL

TRADING

80%

#### **3 Non-steel Segments P/L Trend (Underlying Basis)**

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

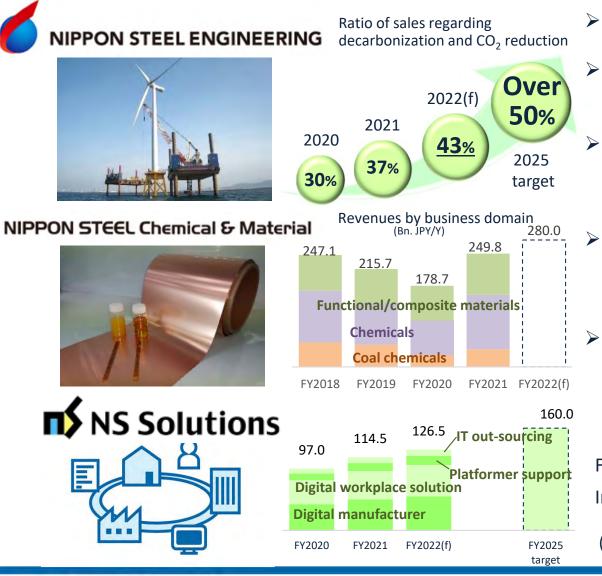




#### **3 Non-steel Segments**

NIPPON STEEL

supporting and generating synergy with steel business, and increasing profit in promisingly growing fields



- Expansion of decarbonization and low-carbon related businesses
- Response to social needs with a focus on resilient urban development and the maintenance & renewal of aged social/industrial infrastructure
- Acceleration of smarter engineering operations using digital technology to improve productivity
- Development of new technologies and new products aimed at the expansion in sales of products related to 5G and automotive functional materials
- Expansion of businesses to repair & reinforce aged infrastructure with CFRP composite materials

#### FY2020->FY2025 CAGR\* target: **+5~6%/year** Incl. CAGR in focus area: **Over +10%/year**

(\*Compound annual growth rate for revenue growth)

#### **Earnings Summary**

#### **Nippon Steel Engineering**

Bn. JPY	H1	Н2	FY2021	H1	H2	FY2022		
	111	112	FIZUZI	111	(f)	(f)		
Order intake	152.9	236.1	389.0	172.1	247.9	420.0		
Revenue	123.8	155.3	279.2	164.0	196.0	360.0		
<b>Business profit</b>	(2.9)	9.2	6.3	5.3	5.7	11.0		
[previous forecast]	-	-	-	-	[9.7]	[15.0]		

Nippon Steel Chemical & Material

						_
Bn. JPY	H1	цэ	FY2021	H1	H2	FY2022
	пт	ПΖ	FIZUZI	пт	(f)	(f)
Revenue	122.5	127.3	249.8	144.9	135.1	280.0
<b>Business profit</b>	13.5	11.8	25.3	13.6	2.4	16.0
[previous forecast]	-	-	-	-	[10.4]	[24.0]

#### **NS Solutions**

Bn. JPY	LI1	ЦЭ	EV2021	H1	H2	FY2022		
	H1	ΠZ	FY2021	ΠI	(f)	(f)		
Revenue	131.2	140.0	271.3	135.0	155.0	290.0		
<b>Business profit</b>	14.6	15.2	30.8	14.0	17.0	31.0		
[previous forecast]					(170)	(310)		

The revenue and profit in FY2022(f) are expected to increase YoY due to robust sales in environment and energy sectors such as overseas marine business, waste to energy plants business and offshore wind power business.

However, business profit outlook has been revised downward from the previous outlook, reflecting valuation losses for accounts receivable due to stronger yen.

The revenue in FY2022(f) is expected to increase YoY due to increase in sales price reflecting depreciated yen and raw materials cost inflation. However, the business profit is expected to decrease YoY due to rapid slowdown in semiconductor market, S&D adjustment in needle coke market, calmed market prices of chemical products, etc., and the outlook has been revised downward from the previous outlook.

<u>The revenue in FY2022(f) is expected to increase YoY</u>, capturing needs for DX needs mainly from platformers and Nippon Steel as well, expanding provision of digital workplace solutions, and implementing government projects. While G&A cost is also expected to increase due through medium-term growth measures, so <u>does</u> <u>business profit outlook along with the increase in</u> <u>revenue</u>.



## **Outlook of FY2023**

Signs of gradual recovery in business environment

> Deepening initiatives currently working on

New factors of contributing to increase in profit

- IMF World Economic Outlook; GDP growth rate: 2.9%(Jan. 314) --- the convert into the "zero-COVID-19" policy.
  - Signs of recovery from the supply chain disruption in automobile parts
- Robust demand of pipe & tube for energy sector
- Expectations of a bottoming out and recovery of steel price in Asian market  $\geq$

US: minimized risk of recession due to the ease of

Europe: partly eliminated pessimistic views toward the economy due to the ease of energy cost rise

China: careful attention to economic impact after

the pressure for the rise in interest rates

- Strengthening and restructuring of domestic steel business
  - Steadily capturing recovering demand cf.+1MMT=approx. +30.0~50.0bn.JPY
  - Sophisticating order mix CAPEX to improve production capacity and product quality; some of them to be commercialized in H1 (Yawata #1&#2 and Hirohata #1&#2)
  - Securing appropriate level of margin in direct contract-based sales
  - Promoting structural measures Kure Area all facilities, Hanshin (Osaka) all facilities, Nippon Steel Stainless Steel Shunan EAF FY2023 Cost reduction : approx.+10.0bn.JPY/Y (FY2020 to FY2023 approx.100.0bn.JPY/Y)
- Increase profit in overseas steel business by;
  - Enjoying outcome from the investment in AM/NS India(Major infrastructure companies and assets to be acquired)
  - Realizing the profit from sales of excess inventory of natural gas in AM/NS India
  - Starting sales of NSCarbolex<sup>™</sup> Neutral ~H1 2023 plan to start sales; approx. 0.30MMT/Y(annualized) in 2023 H1 2023~ Hirohata EAF starting full operation



Vertical Expansion of Core Business 

**Consolidation of Nippon Steel Trading** (plan to start consolidation on P/L from Q1 FY2023) NSC's consol. BP including share of profit from NST (NST's non-consol. Net profit\*35% ->NST's consol. BP\*100%) <FY 2021 performance>; 23.6bn.JPY/Y\*35%=83bn.JPY/Y -> 47.8bn.JPY/Y +approx.40.0bn.JPY/Y)



## Agenda

## 1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing a Business Structure that Ensures Stably High Profit Regardless of the External Environment

Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

#### **3. Business Environment**

- 4. Progress of Carbon Neutral Vision 2050
- **5. Other News Topics and Appendix**
- 6. Supplementary Materials for Financial Results



#### Business Environment World Economy, Steel Demand

- The outlook for GDP growth rate has made a slight uplift compared with the previous one despite the global economic slowdown due to inflation in many countries and its consequence of interest rate hike and prolonged Russia-Ukraine conflict. Of all the developed countries, the growth rate of Japan, which is +1.8%, marked highest in CY2023.
- While global steel demand has increased thanks to the recovery from the COVID-19 pandemic, it is expected to decrease in CY2022. Above all, the decrease is outstanding in China, which has the largest steel demand, and in Europe and CIS which have got negatively affected by Russia-Ukraine conflict.

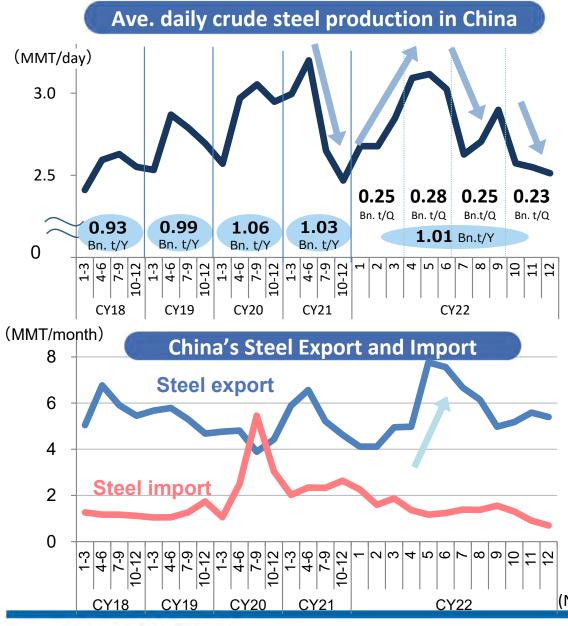
			for GD leased o		_	te		Steel Demand Outlook Source: World Steel Association, estimated on Oct. 19th, 202						2022	
	CY21 <b>CY22(f) CY23(f)</b>						CY22(	f)	CY23(f)						
Unit:%		Curre nt	VS.as of Oct.11 <sup>th</sup>	Vs. CY21	Curre nt	VS.as of Oct.11 <sup>th</sup>	Vs. CY22	ι	Jnit: MMT/Y	Steel demand	Vs. CY2021	Vs. CY2021 (%)	Steel demand	Vs. CY2022	Vs. CY2022 (%)
World	6.2	3.4	+0.2	-2.8	2.9	+0.2	-0.5		World	1,797	-42	-2.3%	1,815	+18	+1.0%
Japan	2.1	1.4	-0.3	-0.7	1.8	+0.2	+0.4		Japan	58	+0	+0.2%	59	+1	+1.7%
US	5.9	2.0	+0.4	-3.9	1.4	+0.4	-0.6		US	99	+2	+2.1%	101	+2	+1.6%
Europe	5.3	3.5	+0.4	-1.8	0.7	+0.2	-2.8		Europe	159	-6	-3.5%	157	-2	-1.3%
Korea	4.1	2.6	±0	-1.5	1.7	-0.3	-0.9		Korea	55	-1	-2.5%	55	±0	±0%
China	8.4	3.0	-0.2	-5.4	5.2	+0.8	+2.2		China	914	-38	-4.0%	914	±0	±0%
ASEAN*	3.8	5.2		+1.4	4.3	-0.2	-0.9		ASEAN*	77	+4	+5.8%	81	+5	+6.0%
India	8.7	6.8	±0	-1.9	6.1	±0	-0.7		India	113 🔇	+7	+6.1%	120	+8	+6.7%
Brazil	5.0	3.1	+0.3	-1.9	1.2	+0.2	-1.9		Brazil	24	-2	-8.5%	25	+1	+5.0%
Russia	4.7	-2.2	+1.2	-6.9	0.3	+2.6	+2.5		Russia	41	-3	-6.0%	37	-4	-10.0%

(\*)GDP growth rate: Indonesia, Malaysia, Philippines, Thailand and Singapore Steel Demand: Indonesia, Malaysia, Philippines, Thailand and Vietnam

NIPPON STEEL

#### **Business Environment** Steel Demand in China

Steel demand has remained at low revel and its outlook is unforeseeable



NIPPON STEEL

#### [To date]

- Steel demand remains at low level because of long lasting sluggish construction market.
- Crude steel production had temporally increased before around April and May, but dropped after June. Although it was reversed to rise from August, it dropped again from October, which ended up with YoY decrease in the number of production in CY2022.
- The number of steel export peaked out around May or June and has remained at the level of 5MMt/month

#### [Going forward]

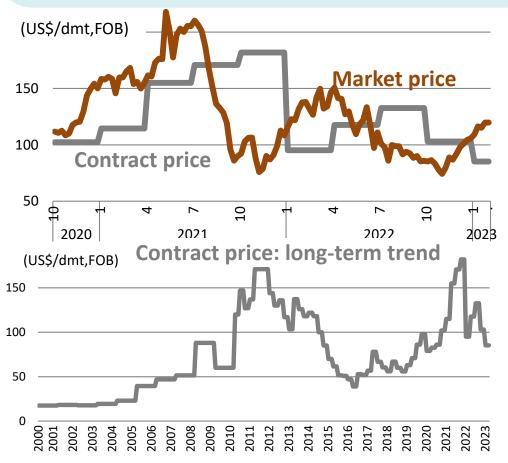
- The policy of controlling the steel production level is expected to be maintained and reinforced in CY2023
- Careful attention should be paid to the impact deriving from the end of the zero COVID-19 policy and economic stimulus measures such as financial support for purchase of real estates

(Nippon Steel estimate)

#### **Business Environment** Raw Materials Market Prices

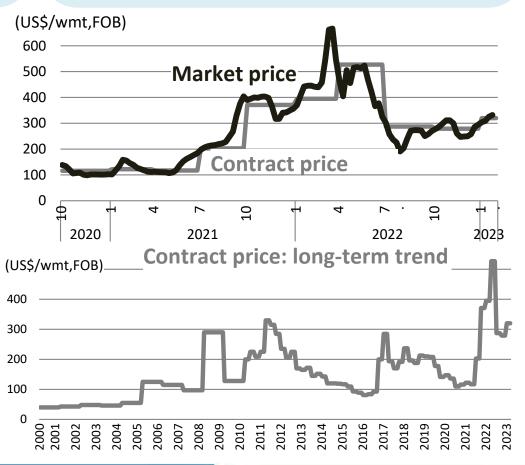
#### Fine Iron ore price

- While the market price dropped to around 80\$ last October, it has reversed to rise due to expectations for economic recovery because of the end of zero COVID-19 policy and financial support for the purchase of real estates in China. Currently, it has marked at around 120\$
- Carefully watching over Chinese economy after New Year event and material supply shortage due to climate change



#### Coking coal price

After turning to below the level of 200\$ last July, the market price has soared due to chronical lack of manpower in coal bearing countries, intermittent rain and recurring facilities breakdown, strikerelated production problem deriving from strike, and the prospect for China's restarting import of coking coal from Australia at the end of last year.

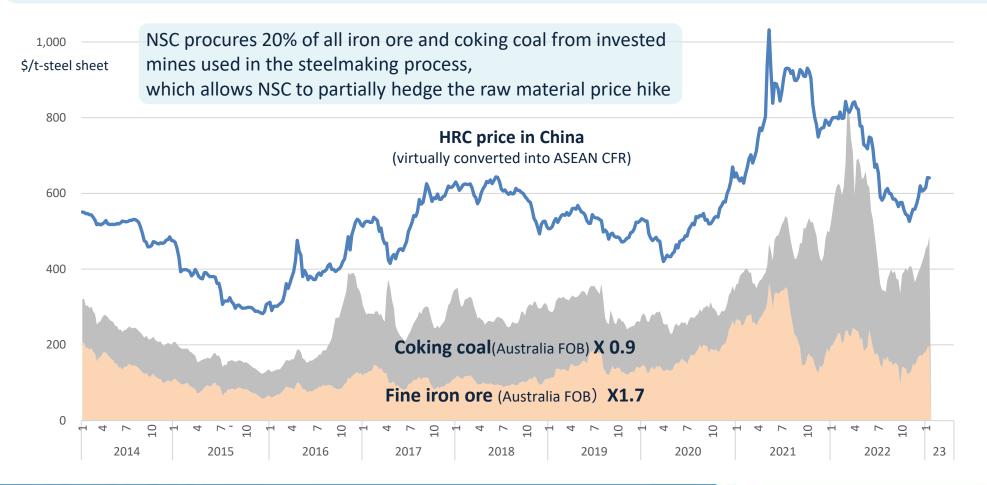


NIPPON STEEL

#### **Business Environment**

# The decoupling of steel price from raw material price

- Market steek price 1) drastically soared due to Russian invasion into Ukraine at the beginning of 2022, and then 2) started to drop until last November, and finally 3) turned upward from last December.
- Because of "the decoupling of steel price from raw material price," steel price spread has been squeezed as in 2015 when slowdown of Chinese economy caused a huge oversupply of steel products.
- Carefully watching how the end of the zero COVID-19 policy and economic stimulus measures such as financial support for purchase of real estates will affect S&D improvement of steel products in China.



NIPPON STEEL

## Business Environment Steel S&D in Japan

The steel S&D in Japan keeps gradually recovering from the pandemic.

- Demand for civil engineering and construction remains stable thanks to large-scale construction in urban area and robust needs for non-residential construction starts.
- > As for auto production which was damaged by supply chain disruption, the number of production continues to achieve YoY increase and its demand seems to be recovering.
- > The amount of inventory has gradually been decreasing.
- > The number of imported products has not largely increased despite the loosened S&D in Asian market.



#### The impact of FX fluctuation to consol. business profit is almost neutral

<u>Domestic steel business</u>: The proportion of import-related costs to steel manufacturing cost has risen due to the recent surge in prices of raw materials and energy, and because the amount of import exceeds export, <u>the impact of Yen depreciation to our domestic steel business is negative</u>.

<u>Consol. business profit</u>: The impact of Yen depreciation is neutral or slightly positive due to increase in profit in overseas business and raw material interests translated into Yen basis, and valuation gains for inventories and foreign assets.

#### depreciation manufacturing cost structure **Depreciation of Yen** Excess of import to export Increase in raw materials **Domestic Steel Business** Q3 FY2022 1.5 bn. USD/Q -) Negative and energy costs, cost (import 5.0 - export 3.5)reduction, etc. **Overseas Steel Business** Approx. 70% Increase in profit translated into +) Positive Other costs Yen basis **Raw Material Interests** Approx. 60% **Other Group Companies** Excess in export, gain in foreign +) Positive **Three Non-Steel Segments** asset valuation Approx. 40% Approx. 40% Underlying consol. Import-relate costs (raw materials & energy) -) Negative business P/L FY FY H<sub>2</sub> FY Estimation 2014 2019 2021 at current Gain in valuation for imported Inventory valuation condition +) Positive materials, gain in foreign asset FX Non-operating P/L 114 (JPY/USD) **109** 109 valuation **Neutral or** Consol. business P/L slightly positive

#### Impact from Yen

NIPPON STEEL

36

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

Cf. Rough figure for our steel

# Agenda

# 1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing a Business Structure that Ensures Stably High Profit Regardless of the External Environment

Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

**3. Business Environment** 

## 4. Progress of Carbon Neutral Vision 2050

- **5. Other News Topics and Appendix**
- 6. Supplementary Materials for Financial Results



# Launch of Carbon Neutrality Brands



NIPPON STEEL

Providing two types of values by progressing toward carbon neutrality



**Nippon Steel offers** 

Nippon Steel + Carbon dioxide less + X Products and technical solutions that For real For realizing a contribute to reducing CO<sub>2</sub> emissions sustainable future



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

NSCarbolex<sup>™</sup> Neutral

**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 as a steel** supplier for our customers

**CAPEX for capacity expansion and guality improvement** Expand product lineup and information disclosure

To start provision in H1 FY2023, applying mass-balance approach (300 kt/year for FY2023)



## **NSCarbolex<sup>™</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



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 CO<sub>2</sub> environment Contributes to CCS development 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>



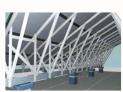
Aesthetic colors and design is added to the surface of corrosion resistant, strong and lightweight titanium Contributes to CO<sub>2</sub> reduction in construction and maintenance of buildings

#### **High-efficiency electrical steel sheet**



Reduces energy loss in electric devices Reduces  $CO_2$  emissions from use of automobiles and home appliances Improves power transmission efficiency

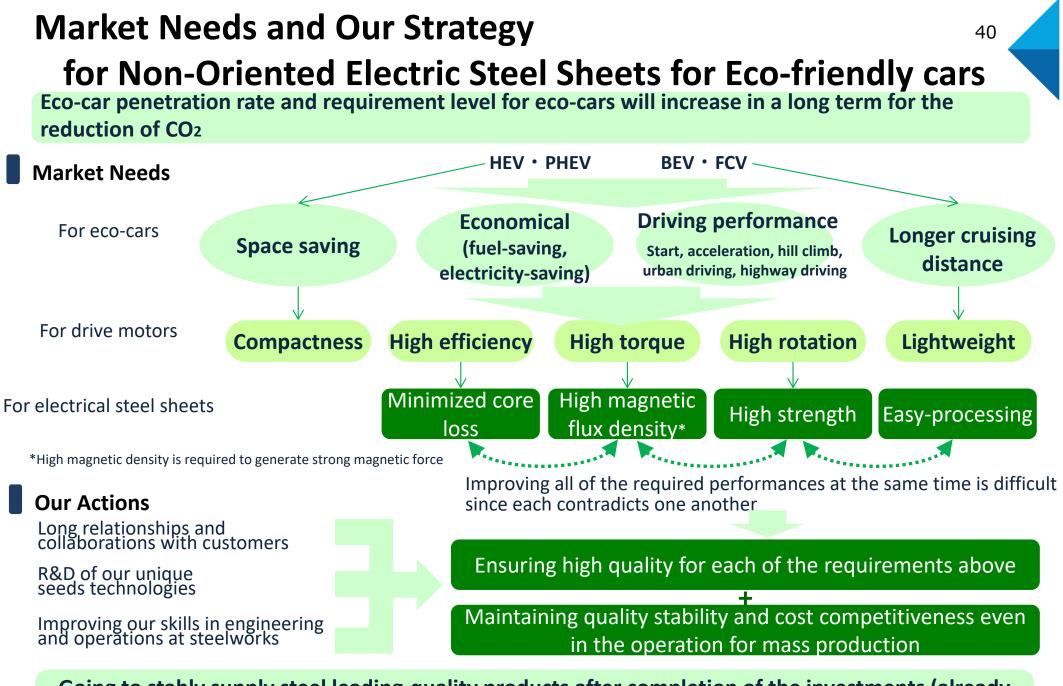




Prevents corrosion even in severely corrosive situation Enables omitting of coating Enhances durability of solar power generation mount Reduces CO<sub>2</sub> emissions from customers' manufacturing maintenance processes



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.



Going to stably supply steel leading-quality products after completion of the investments (already announced) to expand capacity and improve quality



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

# **Issuance of Green Bond**

Decided to issue green bond to finance investments to improve the production capacity and product quality of non-oriented electrical steel sheet that contributes to improvement in energy efficiency of eco-friendly car motors

### Financing



#### Terms of issue

(amount, redemption date, date of issuance, etc.) -> to be decided in or after March

- Already obtained a second-party opinion from R&I, a third-party evaluation organization, stating the framework complies with various standards for green bond issuance
- Formulated the "Nippon Steel Corporation Green Bond Framework" in accordance with the International Capital Market Association (ICMA)'s "Green Bond Principles 2021"

NIPPON STEEL

Use of proceeds (the eligible project)

Production facilities, and other related expenditures of **NO (Non-Oriented electrical steel sheet)** 

NO (Non-Oriented electrical steel she

**NSCarbolex**<sup>™</sup>

for eco-friendly car motors

To be allocated to the equipment that contributes to the production of NO in a series of capital investments totaling 123.0 billion yen (already announced) to improve the capacity and guality of ESS)

- -> Full effect of investments materializes in H1 FY2024
- -> The production capacity of ESS (NO combined with GO) is expected to increase to 1.5 times from the current level, and especially for high-grade ones 3.5 times

## Reduction in CO<sub>2</sub> emissions -3 MMT/Y

**Environmental benefit** 

Total amount of NO sales to be used in drive motors of Eco-friendly cars

The number of Eco-car production (->estimate the amount of NO used in the Eco-cars) X The CO2 reduction per Eco-car which NO can realize

Possible impact of CO2 reduction by utilizing NO

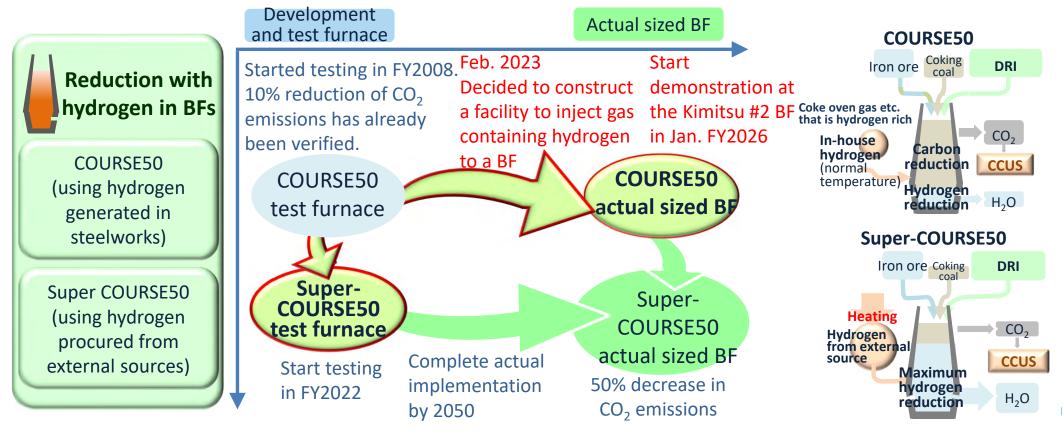
Contributing to reduction of CO<sub>2</sub> emission at the time of use of customer's products by increasing the number of supply of high-grade ESSs enabling the customers to minimize the losses in electric energy use

# **CAPEX for COURSE50 Actual Sized BF**

42

Started to launch a demonstrative facility to inject gas containing hydrogen to the #2 BF in Kimitsu area in East Nippon Works, aiming at demonstrating thorough process of gas injection to the actual large-scale BF with 4500m<sup>3</sup> in size, which is the first trial in the world

- > Control of the temperature and the reduction reaction in BFs is one of the technological challenges.
- Since the result of the development conducted from 2008 on a 12m<sup>3</sup> test plant has been proven favorable, NSC decided to undergo a demonstration by utilizing an actual BF under operation, which is approx. 400 times as large as the test plant
- Currently promoting development of Super-Course50 technology on a 12m<sup>3</sup> test plant, in which it utilizes hydrogen from external source



# **Topics – CCUS Initiatives**

### CCU (GI Fund Project): R&D for CO<sub>2</sub> Capturing from Waste Gas Started

(announced on Dec. 22<sup>nd</sup>, 2022)

Started R&D to separate and collect CO<sub>2</sub> from waste gas (containing low percentage of CO2, under normal pressure) emitted from petrochemical complex and steelworks, etc. **with Resonac and 6 national universities**, aiming to install the technology by late 2030s.

CO <sub>2</sub> separation and CO <sub>2</sub> separation and collection from waste gas	Aim to lower the cost to 2 kJPY/t-co <sub>2</sub> level
<b>RESONAC</b> CO <sub>2</sub> separation and Chemistry for Change collection from waste gas	Production of chemicals

	NIPPON ST	RESONAC Chemistry for Change	Univ.
Improving CO <sub>2</sub> separation material	$\checkmark$	$\checkmark$	$\checkmark$
Developing forming technology	$\checkmark$		$\checkmark$
Developing gas treatment processes	$\checkmark$	$\checkmark$	$\checkmark$
Developing basic processes	$\checkmark$	$\checkmark$	$\checkmark$
Scaling up the processes		$\checkmark$	
Developing mass-production techno	logy	$\checkmark$	
Engineering of a pilot plant for CO <sub>2</sub> separation	✓	$\checkmark$	
Engineering of a pilot plant for chem production	icals	$\checkmark$	

### CCS: MOU with Mitsubishi and ExxonMobil Asia Pacific (announced on Jan. 26<sup>th</sup>, 2023)

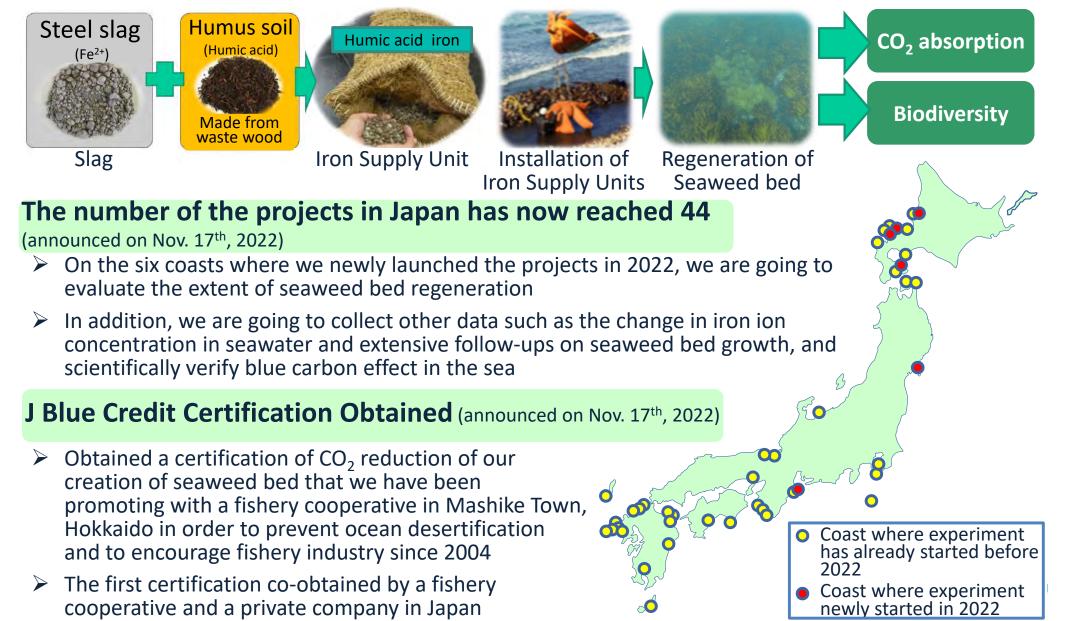
Conduct research on capturing CO<sub>2</sub> emitted in Nippon Steel's domestic steelworks and storing it in Asia-Pacific region including Australia, Malaysia and Indonesia.



# **Blue Carbon and Biodiversity Initiatives**

## **Creation of Sea Forest – Regeneration of Seaweed Bed by Steel Slag**

With the aim of regenerating seaweed bed as a countermeasure to sea desertification across Japan's coasts, we have used steel slag, or a byproduct from steelmaking process, to supply iron nutrition to the sea



## **Nippon Steel Engineering's Decarbonization Initiatives**

### **EPCI for Two Offshore Wind Power Projects are in Progress**

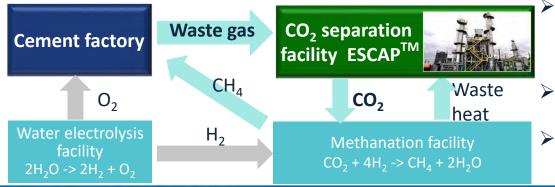
(announced on Sep. 9<sup>th</sup> and Dec. 13<sup>th</sup> respectively)

Location	Co-constructor	Foundation	Operation date
Ishikari Bay New Port	Shimizu Corp.	Jacket-type	From Dec. 2023 (planned)
Kita-Kyushu Hibikinada	Penta-Ocean Construction Co., Ltd.	Jacket-type	From FY2025 (planned)

Signed MOU with Dutsche Windtechnik to Launch O&M Business Jointly for Offshore Wind Power Facilities in Japan (announced on Jan. 13<sup>th</sup>, 2023)

Nippon Steel Engineering	Deutsche Windtechnik	Scope of joint O&M services 1. Wind turbine generator (maintenance, troubleshooting, etc.)
EPCI of large-scale steel structures for marine infrastructure, and O&M for power plants	O&M for offshore wind power facilities (operation, inspection and maintenance)	<ol> <li>2. Foundations (maintenance, troubleshooting, coating, etc.)</li> <li>3. Subsea service (bathymetric survey, scour &amp; cable survey, etc.)</li> <li>4. Offshore substation OSS (maintenance, monitoring, etc.)</li> <li>5. Wind farm management (site management, etc.)</li> </ol>

ESCAP<sup>TM</sup>: Collaboration with the Largest Cement Manufacturer in Thailand for CO<sub>2</sub>, Capturing and Utilization (announced on Jan. 12<sup>th</sup>, 2023)



- ESCAP<sup>TM</sup>, energy saving CO<sub>2</sub> separation and recovery technology developed by Nippon Steel Engineering, will be installed to a cement factory possessed by SCG CEMENT, the largest cement manufacturer in Thailand.
- Together with SCG, we will implement feasibility study for CCU business.

Commercialized ESCAP<sup>TM</sup> projects <u>https://www.eng.nipponsteel.com/english/whatwedo/en</u> ergy\_solutions/escap/escap/

NIPPON STEEL

# Agenda

# 1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing a Business Structure that Ensures Stably High Profit Regardless of the External Environment

Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

- **3. Business Environment**
- 4. Progress of Carbon Neutral Vision 2050
- **5. Other News Topics and Appendix**
- 6. Supplementary Materials for Financial Results



# **Updates in AM/NS India**

### Acquisition of key infrastructure assets etc. (Sep. 28th, 2022)

- Stabilize and strengthen operating production and supply chain by acquiring the key infrastructure assets such as ports and power plants at Hazira mill, Vizag and Paradip pellet plants
- Government approval process is steadily proceeding. Acquisition will be completed as soon as approved by government.
- Will be able to reduce operational cost after completing the acquisition as payment for use of the infrastructure be reduced and facilities be refurbished

### Acquisition of downstream steel mill (Ex-Uttam Galva Steels)

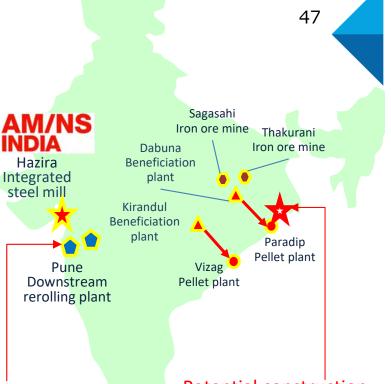
Nov. 10<sup>th</sup>, 2022: Completed the acquisition of ex-Uttam Galva Steels (UG Steels) through the insolvency process, and AM/NS Khopoli established AM/NS Khopoli (Ex-Uttam Galva Steels)

Capacity: Pickled sheet and CRC 1.20 mtpa, galvanized steel sheet 0.75 mtpa Color coated steel sheet 0.28 mtpa, forge-welded tube 0.54 mtpa Purchase amount: approx. 37.0 bn. INR (approx. 67.0 bn. JPY)

AM/NS India supplies semi-finished HRC to UG Steel -> plant utilization rate of two companies combined will improve

Demand for galvanized steel sheet and color coated steel sheet in India is expected to increase along with civil eng. and const. growth -> Aim to expand market share for galvanized and color coated sheets

### Expand profit through further growth and shift to high-value added products in Indian market



Potential construction site of an integrated steel mill in Eastern India

### Progress in the plan to construct a new integrated steelworks in Eastern India

Dec. 1<sup>st</sup>, 2022: AM/NS India and Odisha Government signed MOU regarding the use of the site.

Preparation for construction of an integrated steelworks and facilities is in steady progress.



NIPPON STEEL

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

### EcoLeaf EPDs Obtained for ESS and Nickel Plated Steel Sheet (announced on Dec. 1st, 2022)

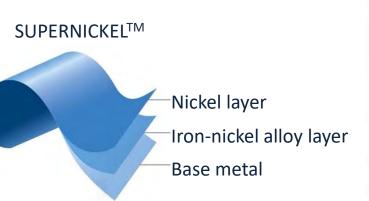
We have so far obtained 41 EcoLeafs for a wide range of items and products, covering most of our steel products.

> Example applications of our Electrical Steel Sheets (ESS)



Motor

Transformer



Nonnental Product Ogn Hung CCCC 以本 製品環境情報 https://ecoleef-label.jp/

48

Sustainable Management Promotion Organization

SAFETY

DNV

FSSC 22000

FSSC22000 Certification \* Obtained for the First Time in Japan (announced on Dec. 14<sup>th</sup>, 2022)

- \* FSSC22000: Food Safety System Certification, an international food safety standard certification approved by NPO GFSI
- Scope of certification (as of Feb. 9<sup>th</sup>, 2023): Kyushu Works Yawata Area, Tinplate Mill
- We aim to obtain this certification for our other manufacturing sites for container steel sheets going forward.

### A Dedicated Site for Designing Metals Launched

Summarizing our "Designing Metals", which includes designing titanium TranTixxii<sup>TM</sup>, hairline-finished electroplated steel sheet FeLuce<sup>TM</sup>, and so on. (Only in Japanese as of Feb. 9<sup>th</sup>, 2023)

https://www.nipponsteel.com/product/use/design/

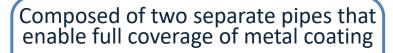




### **Domestic Steel Business**

## Topics – Sophistication of Order Mix (2) 49 Awards

#### 67<sup>th</sup> Shibusawa Awards Received for Slip-Joint Structured Utility Pole for Railways (announced on Dec. 2<sup>nd</sup>, 2022)

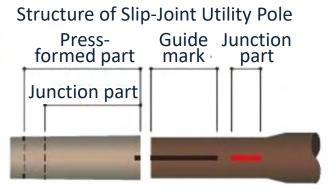


Improved resistance to corrosion

Upper side pipe is made thinner and lightweight compared to lower side

Improved resistance to quake





Upper side: Lower side: expanded diameter smaller diameter

Monodzukuri Nippon Grand Awards Received for Coating Cycle Extension Steel CORSPACE<sup>™</sup> (announced on Jan. 10<sup>th</sup>, 2023)

Twice longer duration against corrosion compared to conventional steel

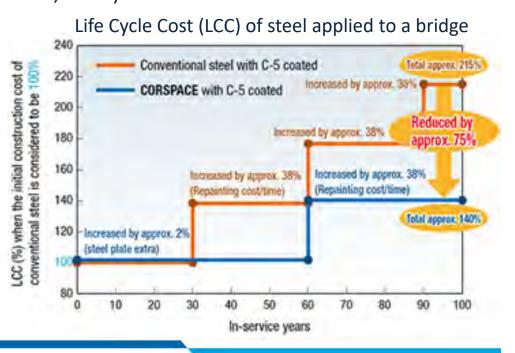
Significant reduction in life cycle cost of steel

Application examples (1) Kesen-numa Bridge



(2) Unloader





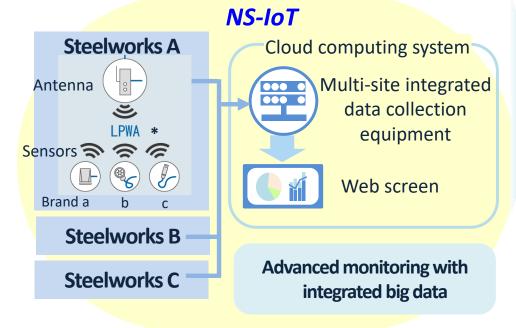


# **Topics – Progress in Digital Transformation Initiatives**

**Expansion of wireless IoT Sensor-utilization platform NS-IoT** 

for advanced multi-site data analytics and monitoring

Completed practical implementation in April 2022 at East Nippon Works Kimitsu Area and Kashima Area, aiming to realize prompt detection of equipment malfunction



Formalizing the skills and know-how of skilled workers

Improvement of productivity through the use of automation and predictive detection, etc.

Production stabilization through the advancement of production technology

Establishment of remote operation management system that ensures the same level of operations and quality at overseas sites as in Japan

<u>\* Advantages of using LPWA (Low Power Wide Area)</u>
 Extremely low power consumption, available with small battery
 -> low cost, available without power supply equipment in vast steelworks

#### Steelworks North Nippon East Nippon Nagoya Kansai Setouchi Kyushu To be installed in FY2023 Already installed in FY2022

### Investment decisions made earlier than the initial plan

The new system to be installed in FY2023 in the following sites

- North Nippon Works Muroran Area
- Nagoya Works
- Kansai Works Wakayama Area
- Kyushu Works Yawata Area, Oita Area



# Agenda

# 1. Q3 FY2022 Earnings Summary and FY2022 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend

## 2. Establishing a Business Structure that Ensures Stably High Profit Regardless of the External Environment

Strategy / Domestic Steel Business / Overseas Steel Business / Raw Material Interests / Other Group Companies / Three Non-steel Segments / FY2023 Outlook

- **3. Business Environment**
- 4. Progress of Carbon Neutral Vision 2050
- **5. Other News Topics and Appendix**

## **6. Supplementary Materials for Financial Results**



 $\ensuremath{\mathbb{C}}$  2023 NIPPON STEEL CORPORATION All Rights Reserved.

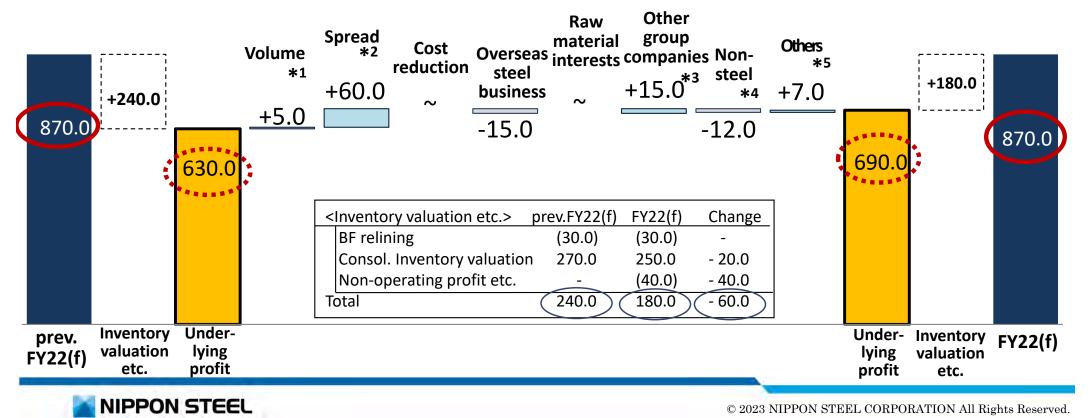
# Business Profit Variance (prev. FY22(f) -> FY22 (f))

		(Bn. JPY)	FY22(f) old	FY22(f) new	Change
B	Bus	siness Profit	870.0	870.0	-
	U	Inderlying profit	630.0	690.0	+60.0
		1) Domestic	130.0	200.0	+70.0
		2) Overseas	100.0	85.0	-15.0
		3) Raw material	140.0	140.0	-
		4) Other group	180.0	195.0	+15.0
		5) Non-steel	70.0	58.0	-12.0

\*1 Crude steel production : approx. +0.20 MMT (approx. 34.00 -> approx. 34.20)
Excl. BF relining impact : approx. +0.20MMT (approx. 34.40 -> approx. 34.60)
Steel shipment volume : approx. +0.10 MMT (approx. 31.30 -> approx. 31.40)
Excl. BF relining impact : approx. +0.10 MMT (approx. 31.70 -> approx. 31.80)
\*2 Incl. the impact of FX, and carry over -10.0 (78.0 -> 68.0)
\*3 Improve: Stainless steel & EAFs, secondary processing makers, etc.
\*4 Engineering -4.0, Chemicals & Materials -8.0, System Solutions -

52

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



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

NIPPON STEEL

(B	n. JPY)	H1 FY22	H2 FY22 (f)	Change	<b>*1</b> Crude steel production	: +0.16 MMT (17.04 -> approx. 17.20)
Business	Profit	541.7	328.3	-213.4	Excl. BF relining impac	t : approx0.24 MMT
				213.4	5 1	(17.44 -> approx. 17.20)
Underly	ying profit	300.0	390.0	+90.0	Steel shipment volume	
1) Do	mestic	45.0	155.0	+110.0	Evel PE rolining impac	(15.69 -> approx. 15.70) ct : approx0.39 MMT
	erseas	63.0	22.0	-41.0	EXCI. BF Teining impac	(16.09 -> approx. 15.70)
	elseas	05.0	22.0	-41.0	<b>*2</b> Incl. the impact of FX, a	
3) Rav	w material	67.0	73.0	+6.0	carry over -90.0 (7	
4) Otl	her group	89.0	106.0	+17.0	<b>*3</b> Improve: Stainless stee	
					operational s	••
	n-steel	33.0	25.0	-8.0	<b>*4</b> Engineering +0.4, Chen	Solutions +3.0
541.7 +24		Spread	uction business	+6.0 +17.	<u>-8.0</u> -4.0	90.0 • 60.0 328.3
	**************************************	<pre><inventory bf="" consol.="" invento="" non-operating<="" pre="" relining="" valuat=""></inventory></pre>	(30 ry valuation 250	FY22 H2 FY22 0.0) - 0.0 - 0.0 - 0.0 (60.0)	2(f) Change + 30.0 -250.0 - 80.0	
H1 Inven FY22 valua ete	ition lying	Total	240	0.0 (60.0)	ly	nder- Inventory H2 ying valuation FY22 rofit etc. (f)

 $\ensuremath{\mathbb{C}}$  2023 NIPPON STEEL CORPORATION All Rights Reserved.

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

Cost

	(Bn. JPY)	FY21	FY22 (f)	Change	*
B	Susiness Profit	938.1	870.0	-68.1	
	Underlying profit	690.0	690.0	-	J
	1) Domestic	244.0	200.0	-44.0	
	2) Overseas	135.0	85.0	-50.0	
	3) Raw material	119.0	140.0	+21.0	*
	4) Other group	129.0	195.0	+66.0	*
	5) Non-steel	62.0	58.0	-4.0	*

Spread

+30.0

\*2

BF relining

Total

Volume

-135.0

690.0

Under-

lying

profit

\*1

\*1 Crude steel production : approx. -4.48 MMT (38.68 -> approx. 34.20) Excl. BF relining impact : approx. -4.48 MMT (39.08 -> approx. 34.60) Steel shipment volume : approx. -4.16MMT (35.56 -> approx. 31.40) Excl. BF relining impact : approx. -4.16 MMT (35.96 -> approx. 31.80) \*2 Incl. the impact of FX, and carry over -54.0 (122.0 -> 68.0) \*3 Improve: Stainless steel & EAFs, operational support, etc. \*4 Engineering +4.7, Chemicals & Materials -9.3, System Solutions +0.2 \*5 Incl. increase in depreciation cost -5.0 Other Nongroup Raw **Overseas** Others steel material companies steel \*5 reduction business interests +240.0 870.0 +22.0+66.0 -4.0 +50.0 -50.0 +21.0690.0 FY22(f) Change <Inventory valuation etc.> FY21 (30.0)(30.0)Consol. Inventory valuation 275.0 250.0 -25.0 Non-operating profit etc. -40.0 (40.0)-245.0 -65.0 180.0

**FY22** Under- Inventory lying valuation (f) profit etc.

54



Inventory

valuation

etc.

**FY21** 

938.1 +245.0

# Business Profit Variance (Q3 FY22 vs. Q4 FY22(f))

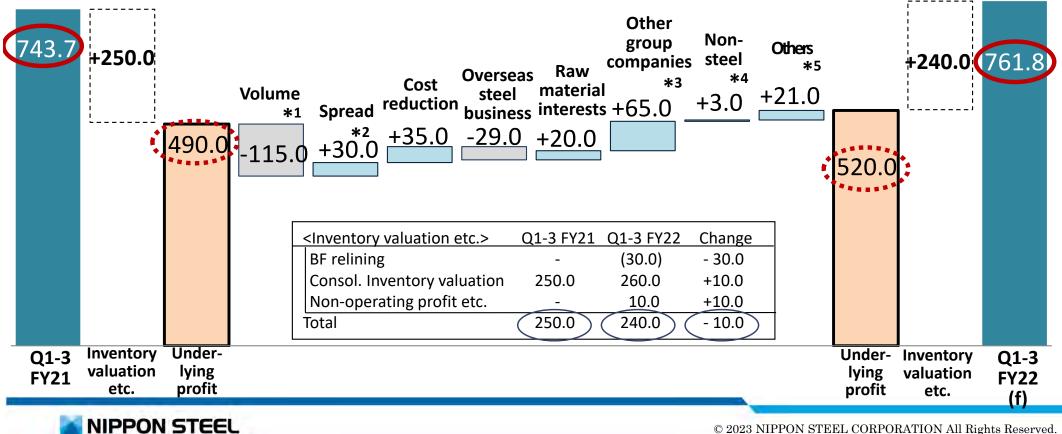
NIPPON STEEL

(Bn. JPY)	Q3 FY22	Q4 FY22(f)	Change	<ul> <li>*1 Crude steel production : approx. +0.01 MMT</li> <li>(8.59 -&gt; approx. 8.60)</li> </ul>
Business Profit	220.0	108.3	-111.7	Steel shipment volume: approx0.28 MMT (7.98 -> approx. 7.70)
<underlying profit=""></underlying>	220.0	170.0	-50.0	<ul> <li>*2 Incl. the impact of FX fluctuation, and carry over +29.0 (-20.0 -&gt; 9.0)</li> </ul>
Steel	210.1	94.1	-116.0	<b>*3</b> Improve: Stainless steel and EAFs,
Non-steel	12.2	12.9	+0.7	secondary processing makers, etc. <b>*4</b> Engineering +3.3, Chemicals & Materials -2.6,
Adjustment	(2.4)	1.5	+3.9	System Solutions - <b>*5</b> Incl. increase in depreciation cost -2.0
	Conso	ory valuation etc.>	on 10.0	<u>Q2 FY22 Change</u> (10.0) - 20.0
Q3 Inventory Under- FY22 valuation lying etc. profit	<u> Non-o</u> Total	perating profit etc.	(10.0)	(50.0)- 40.0Under-InventoryQ4(60.0)- 60.0Under-IvingvaluationFY22profitetc.(f)

© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

# Business Profit Variance (Q1-3 FY21 vs. Q1-3 FY22)

(Bn. JPY) Business Profit		Q1-3 FY21	Q1-3 FY22	Change	<ul> <li>*1 Crude steel production : -4.25 MMT (29.87 -&gt; 25.63)</li> <li>Excl. BF relining impact : -3.85 MMT (29.87 -&gt; 26.03)</li> </ul>	
		743.7	761.8	+18.1	Steel shipment volume : -3.58 MMT (27.25 -> 23.67) Excl. BF relining impact : -3.18 MMT (27.25 -> 24.07)	
<١	<b>Jnderlying Profit&gt;</b>	490.0	520.0	+30.0	*2 Incl. the impact of FX fluctuation, and carry over -70.0 (129.0 -> 59.0)	
	Steel	698.1	725.9	+27.8	<b>*3</b> Improve: Stainless steel and EAFs, secondary processing makers, etc.	
	Non-steel	42.5	45.3	+2.8	<b>*4</b> Engineering +7.0, Chemicals & Materials -3.9,	
	Adjustment	3.0	(9.5)	-12.5	System Solutions -0.3 <b>*5</b> Incl. increase in depreciation cost -4.0	



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.

This presentation does not constitute an offer or invitation to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. This presentation is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. No warranty is given as to the accuracy or completeness of the information contained herein. Investors and prospective investors in securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such company and the nature of the securities. Any decision to purchase securities in the context of a proposed offering, if any, should be made solely on the basis of information contained in an offering circular published in relation to such an offering. By participating in this presentation, you agree to be bound by the foregoing limitations. This presentation contains statements that constitute forward looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of Nippon Steel Corp. or its officers with respect to its financial condition and results of operations, including, without limitation, future loan loss provisions and financial support to certain borrowers. Such forward looking statements as a result of various factors. The information contained in this presentation, is subject to change, including but not limited, to change of economic conditions, financial market conditions, and change of legislation / government directives.

Any statements in this document. other than those of historical facts, are forward-looking statements about future performance of Nippon Steel Corporation and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.



© 2023 NIPPON STEEL CORPORATION All Rights Reserved.