TYO: 5401

OTC: NPSCY(ADR)



Q2 FY2023 Earnings Summary

Nov 1st, 2023

NIPPON STEEL CORPORATION



Unless otherwise noted, all volume figures are presented in metric tons.
Unless otherwise noted, all financial figures are on consolidated basis.
Unless otherwise noted, net profit represents net profit attributable to owners of the parent.

Agenda

1. Q2 FY2023 Earnings Summary and FY2023 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend

- 2. Establishing a Business Structure that Ensures
 Stably High Profit Regardless of the External Environment
- Proceeding to Next Phase toward the realization of 100 Mt and ¥1 Tn. Vision Strategy / Domestic Steel Business / Overseas Steel Business /
 Raw Material Business / Other Group Companies / Three Non-steel Segments
- 3. Progress in Carbon Neutral Vision 2050
- 4. HR and PR Initiatives to Recruit from and Retain Diverse Talent
- 5. Business Environment
- 6. Supplementary Materials for Financial Results

Upward revision of H1 result, a record-high Underlying Business Profit Maintained 840.0bn JPY for Underlying BP in FY2023(f) despite unprecedentedly harsh business environment

- > Underlying BP in H1 FY2023 reached a record high, 499.0bn JPY with upward revision of 69.0 bn JPY
- ➤ While the business environment is expected to be unprecedentedly sluggish in H2 FY2023, as seen from commodity-grade steel spreads in Asian market that have been depressed to the minimal level ever,

 Nippon Steel plans to achieve a record-high Underlying BP of 840.0bn JPY, maintaining the same target released in 1Q FY2023

	i i										
	FY 2022	Q1	Q2	H1	Vs. prev. forecast as of Aug 4 th	VS H2 FY22	H2(f)	Vs H1 FY23	FY 2023(f)	Vs Prev. forecast as of Aug 4 th	Vs FY2022
Non-consol. crude steel production (Mt)	34.25	8.68	8.76	17.44	-0.06	+0.23	Approx. 17.60	+0.16	Approx. 35.00	-	+0.75
Non-consol. steel shipment (Mt)	31.47	8.07	8.10	16.17	+0.17	+0.38	Approx. 15.80	-0.37	Approx. 32.00	-	+0.53
FX (USD/JPY)	135	136	144	140	2 yen dep.	1 yen dep.	Approx.150	10 yen dep.	Approx. 145	6 yen dep.	10 yen dep.
Revenue (bn. JPY)	7,975.5	2,199.7	2,212.6	4,412.4	-87.6	+311.3	4,587.6	+175.2	9,000.0	-	+1,024.5
Underlying BP Excl. Inventory val. Etc.	734.0	250.0	249.0 F	499.0 Record High	+69.0	+65.0	341.0	-158.0	840.0 Record High	-	+106.0
Inventory valuation etc.	182.4	(1.3)	(3.5)	(4.8)	+65.2	+54.5	(95.2)	-90.4	(100.0)	+50.0	-282.4
Consol. business profit (bn. JPY)	916.4	248.7	245.5	494.2	<u>+134.2</u>	+119.5	245.8	-248.4	740.0	+50.0	-176.4
ROS	11.5%	11.3%	11.1%	11.2%	+3.2%	+2.1%	5.4%	-5.8%	8.2%	+0.6%	-3.3%

Additional Line Items, Net Profit

Upward revision of Net profit by 20.0bn.JPY

Bn. JPY	FY2022	Q1	Q2	Н1	Vs prev. forecast as of Aug 4 th	H2(f)	FY2023(f)	Vs prev. forecast as of Aug 4 th	Vs FY2022
Consol. Business Profit	916.4	248.7	245.5	494.2	+134.2	245.8	740.0	+50.0	-176.4
Additional Line Items	(32.8)	-	(70.4)	(70.4)	-5.4	(19.6)	(90.0)	-15.0	-57.2
Net Profit	694.0	177.0	123.1	300.2	+100.2	119.8	420.0	+20.0	-274.0
EPS (¥/share)	753	192	133	326	+109	130	456	+22	-297
ROE(%)	18.1%	16.6%	11.0%	13.6%					

<Additional Line Items>

FY2022: (32.8) bn.JPY

Losses on inactive facilities: (23.5) bn. JPY

• Losses on business withdrawal: (9.3) bn. JPY

FY2023: (90.0) bn.JPY

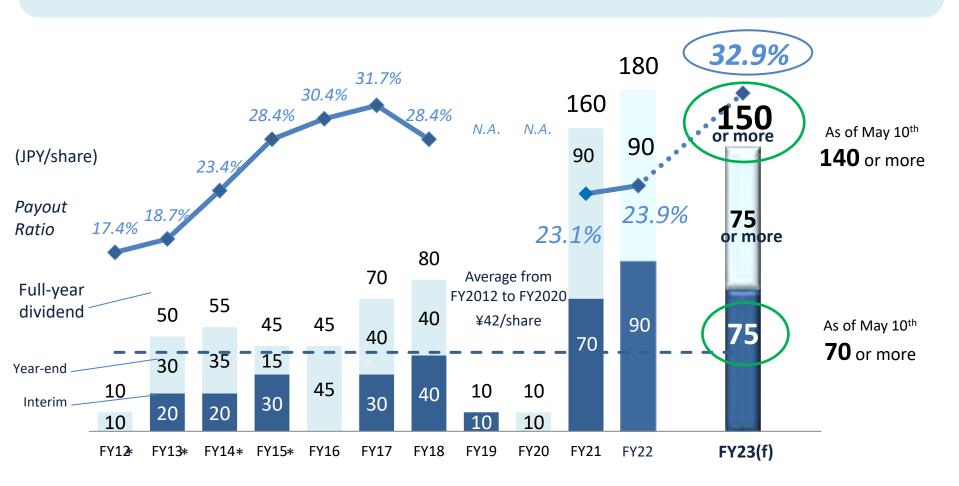
Losses on inactive facilities etc.: (90.0) bn. JPY
 (Kure downstream facilities (64.1), Hanshin (Osaka) etc.)

Bn. JPY Kure downstream facilities Wakayama Area, a part of #3 CC facility Hanshin (Osaka), etc. Hanshin Area, galvanizing and aluminizing lines, etc. Kashima #3 BF, large shape mill, steel plate mill, etc. 157.2 101.4 90.0 79.9 32.8 2025 2019 2020 2021 2022 2023 2024

Cf. Losses on Inactive Facilities (including impairment loss (in 2019)

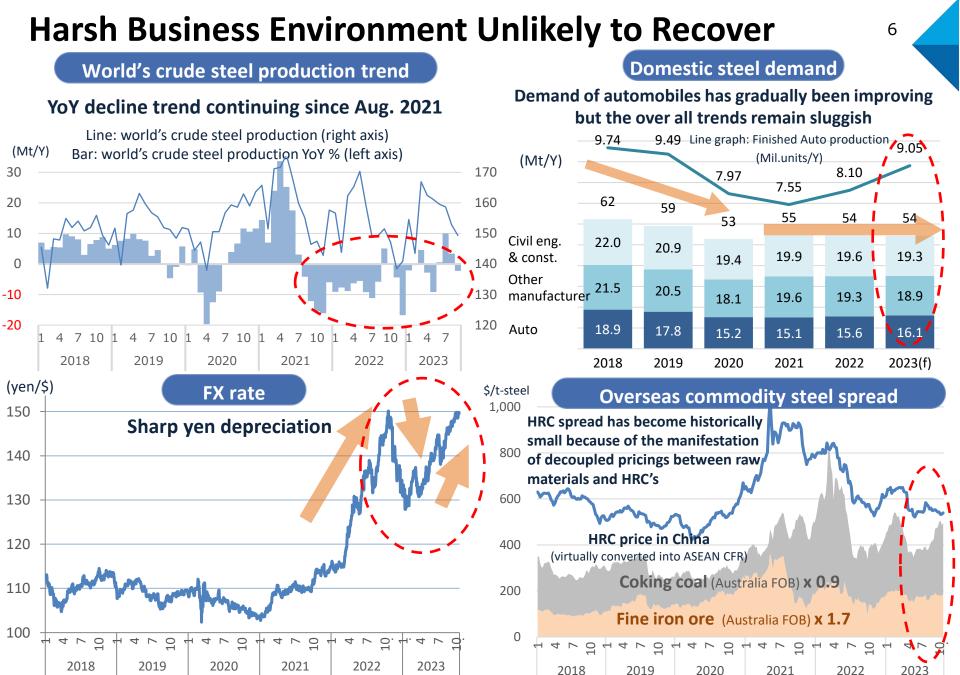
Full-year Dividend(forecast)

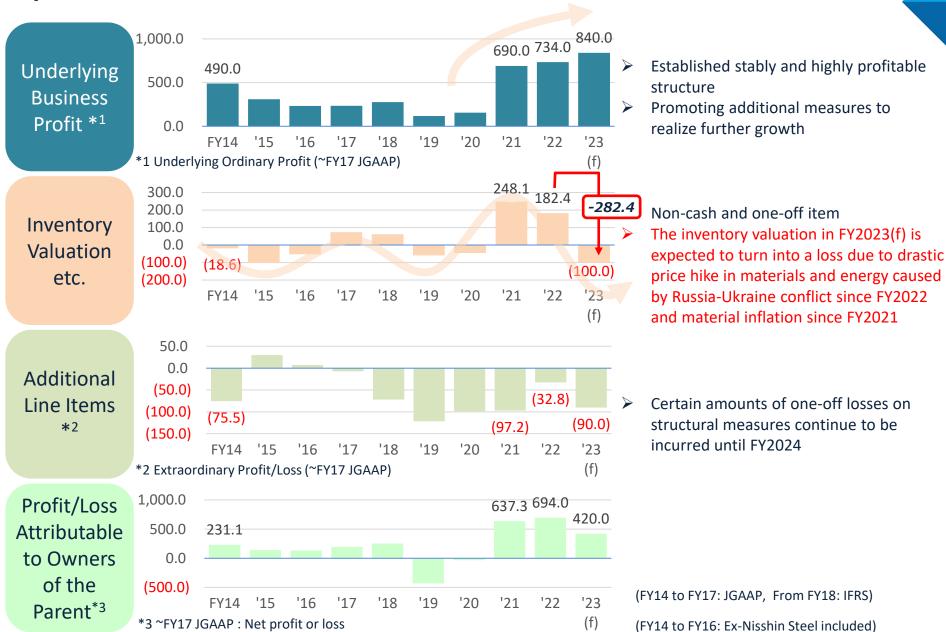
Nippon Steel plans to distribute a full-year dividend ¥150 or more per share for FY2023(including an interim dividend of ¥75), the same amount as the previous announcement



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







1 12023 Officerry	ing conson	Dusiness i	Torre Varian		
*1 excluding effect of BF relining *2 including impact from FX rate fluctuation Unit: bn. JPY	FY2023(f) as of Aug. 4 th to FY2023(f)	H2 FY2022 to H1 FY2023	H1 FY2023 to H2(f) FY2023	FY2022 to FY2023(f)	
Consol. Business Profit	+50.0	+119.5	-248.4	-176.4	
Variance	<690.0 to 740.0>	<374.7 to 494.2>	<494.2 to 245.8>	<916.4 to 740.0>	
Inventory Valuation etc.	+50.0	+54.5	-90.4	-282.4	
Underlying Business Profit Variance	- <840.0 to 840.0>	+65.0 <434.0 to 499.0>	-158.0 <499.0 to 341.0>	+106.0 <734.0 to 840.0>	
Domestic Steel Business	-25.0	+41.0	-131.0	+83.0	
Volume *1	-	+15.0	-15.0	+5.0	
[in(de)crease of shipment volume]	[- Mt }	[+0.38Mt]	[-0.37Mt]	[+0.13Mt]	
Spread *2 (Sales price, mix, raw material price) <per of="" steel="" ton=""> [FX rate]</per>	-35.0 <- 1kJPY/t> [6 yen dep.]	-5.0 <-0 kJPY/t> [1 yen dep.]	-130.0 Refer to <-8 kJPY/t> [10 yen dep.]	+10.0 <+0 kJPY/t> [10 yen dep.]	
Cost Reduction	+5.0	+15.0	+10.0	+55.0	
Others	+5.0	+16.0	+4.0	+13.0	
Overseas Steel Business	-	+42.0	-28.0 *1	+25.0	
Raw Material Business	+10.0	-10.0	-5.0 *2	-17.0	
Other Group Companies	+15.0	+1.0	-4.0	+25.0	
Three Non-steel Segments	+1.0	-9.0	+14.0 *3	-10.0	
Others	-1.0	- *1 One	-4.0 e-off profit in H1 FY2023 from	– integration of AMIPL in India	

^{*2} The impact of change in raw material price reflected *3 The effect of provision in H1 FY2023 for losses of crane failures on offshore work vessels in Engineering segment.

Elaboration of Margin Variance; -130.0bn. JPY

from H1 FY2023 to H2(f) FY2023





- Temporarily expanded margin due to materials and energy price decline in H1 FY2023 after price negotiation was adjusted downward to the appropriate level
- (2) Elevated appropriate margin levels through **sophistication** of order mix and reflection of high value-added product qualities
- (3) Temporarily shrunk margin due to materials and energy cost hike in H2(f) FY2023 after price negotiation



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H2(f) 2023

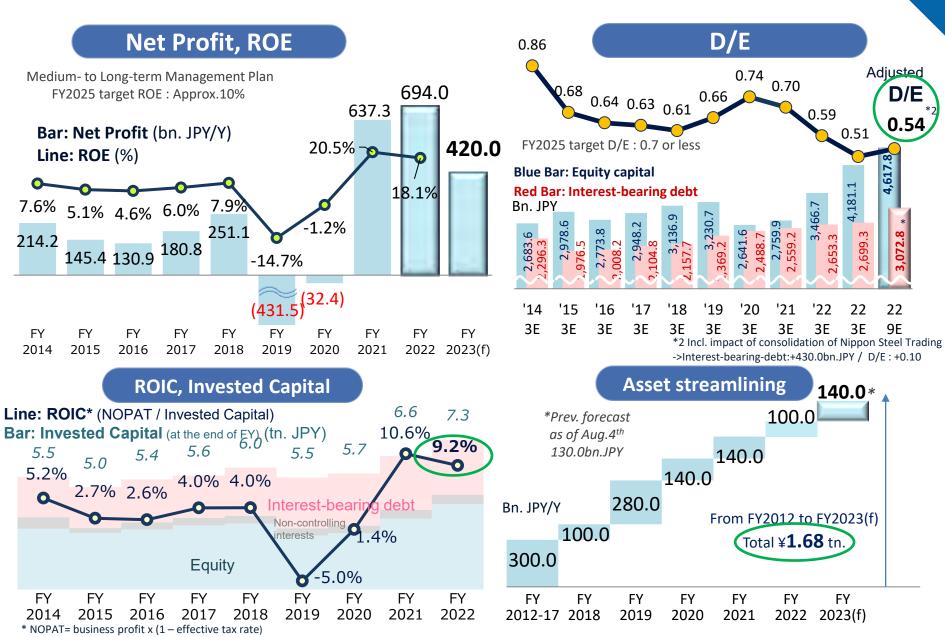
the appropriate

level

FY2023 Earnings Forecast

	(Bn. JPY)	H2	FY2022		H1	H2 (f)	FY2023 (f)	Vs. Prev. forecast as of Aug 4 th	Vs FY2022		
	Consol. business profit	374.7	916.4	4	94.2	245.8	740.0	+50.0	-176.4		
	ROS	9.1%	11.5%	1	.1.2%	5.4%	8.2%	+0.6%	-3.3%		
	Underlying business profit	434.0	734.0	4	99.0	341.0	840.0	-	+106.0		
	ROS	10.6%	9.2%	1	1.3%	7.4%	9.3%	-	+0.1%		
	1) Domestic steel business	177.0	222.0	2	218.0	87.0	305.0	-25.0	+83.0		
	2) Overseas steel business	32.0	95.0		74.0	46.0	120.0	-	+25.0		
	3) Raw material business	75.0	142.0	(65.0	60.0	125.0	+10.0	-17.0		
	4) Other group companies	116.0	205.0	1	L 17.0	113.0	230.0	+15.0	+25.0		
	5) Three Non-steel segments	27.0	60.0		18.0	32.0	50.0	+1.0	-10.0		
	Inventory valuation, etc.	(59.3)	182.4		(4.8)	(95.2)	(100.0)	+50.0	-282.4		

Net Profit, ROE, Financial Health Indicators



Invested Capital(*1) = Total equity attributable to owners of the parent + Non-controlling interests + Interest bearing debt (*1) the average of the beginning and end of the period

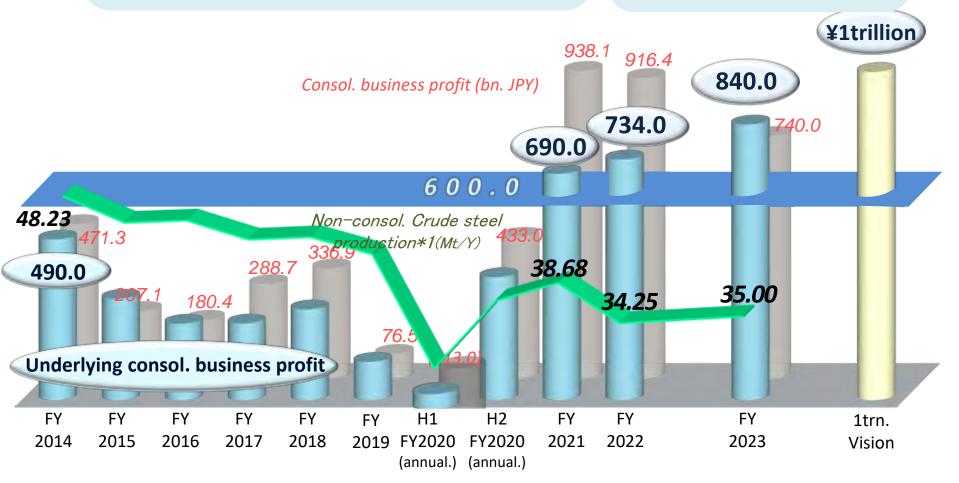
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Toward the realization of ¥1 trillion underlying consol. business profit and 100 Mt/Y of global crude steel capacity

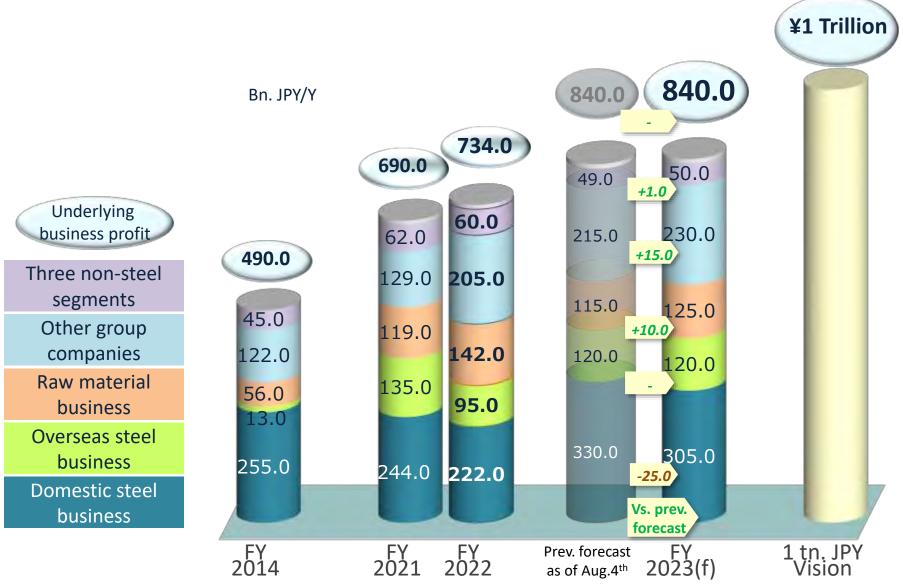
Nippon Steel has already secured a profit structure that ensures **underlying business profit of ¥600.0 bn.** regardless of the externalities

Proceeding to the next phase toward the realization of 100 Mt and ¥1 tn. model



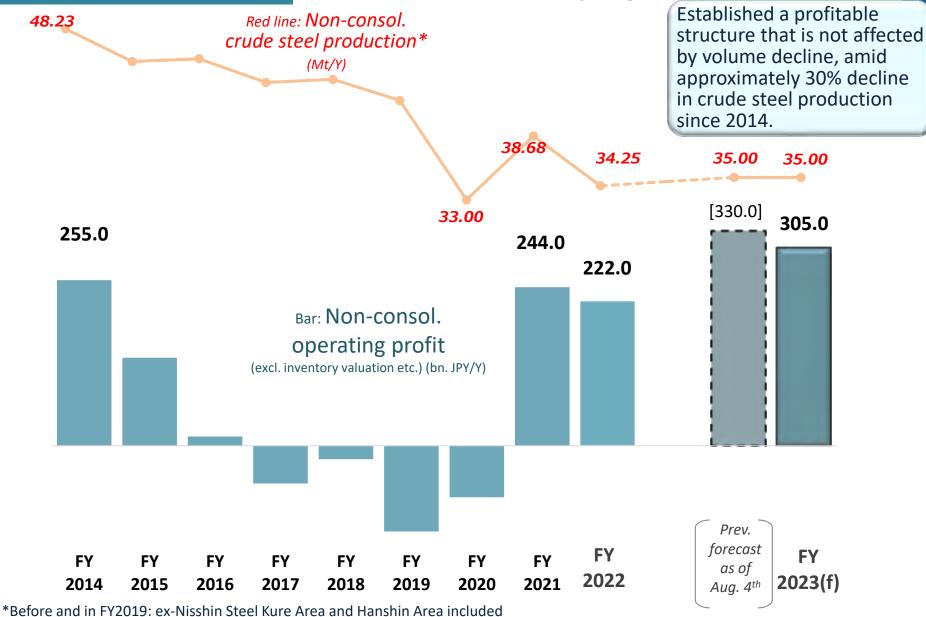
Establishment of a Resilient Business Portfolio that





Domestic Steel Business

P/L Trend (Underlying Basis)



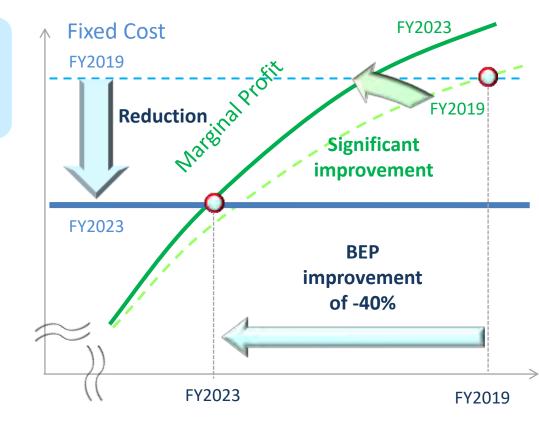
To establish a business structure that ensures stably high profit regardless of the external environment by drastically lowering the break even point

- 1) Sophistication of order mix
- 2) Margin improve-ment in direct contract sales
- 3) Facility structural measures

in marginal profit

Significant reduction in fixed cost

Drastic improvement in BEP



1)Sophistication of **Order Mix**

Response to increasing demand for high grade steel including **Electric Steel Sheet or Ultra High-tensile steel Sheet**

- Improvement of production capacity and product quality of Electrical Steel Sheets
- ->Full-capacity operation: starts in H1 FY2023 > Establishment of next-generation hot strip mill
 - ->Start of operation: Q1 FY2026 (planned)

High-value **Commodities** added products

High-value added products

Commodities

approx. -20% ->Selective concentration on certain products

cf. Outline

of shipment mix

Production Capacity

2) Margin improvement in direct contract sales

FY 2021

FY

2022

FY

2023

Realized appropriate level of margin by continuously asking customers for;

- > 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

Changed in price negotiation system for direct contract-based sales;

- from retroactive basis to pre-fixed basis
- Renovation in contract terms in direct contract sales

Secure appropriate prices and margins while raw material prices drop

At the

Direct contract-Spot market based sales to sales via distributors customers Domestic **Export**

plan

3) Facility **Structural Measures**



Total number of domestic BFs

end of FY2022 15 -> 11 ->

end of FY2024 -5_{Units} 10 Units

At the

Cost reduction FY2020 to FY2023 10.0 **100.0** Bn. JPY/Y **150.0** 35.0 20.0 Bn. JPY/Y 35.0 FY FY FY FY FY 21 22 23(f) 20 25



Annual crude steel production capacity

Mt/Y

(Non consol. + Nippon Steel Stainless Steel)

Domestic Steel Business

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

Steadily increasing the number of high value-added products

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

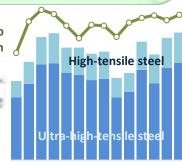
NO-H, M (High or Middle grade nonoriented electrical steel sheet)



200.10 200.10 200.20 20

High-tensile GA
(Alloyed & galvanized steel sheet)





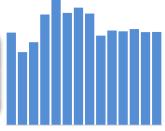
20.10 20.20 20.20 20.30 20.40 21.10 21.130 21.140 22.230 22.230 22.230 22.230 23.20 23.20

ZEXEEDTM, ZAM[®], SuperDymaTM (Corrosion resistant coated steel sheet)

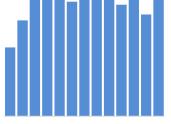
ALSHEETTM
(Hot-dipped Al/Si alloy steel sheet)

13Cr, high alloy seamless pipe



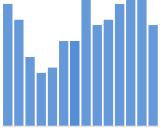






20.10 20.20

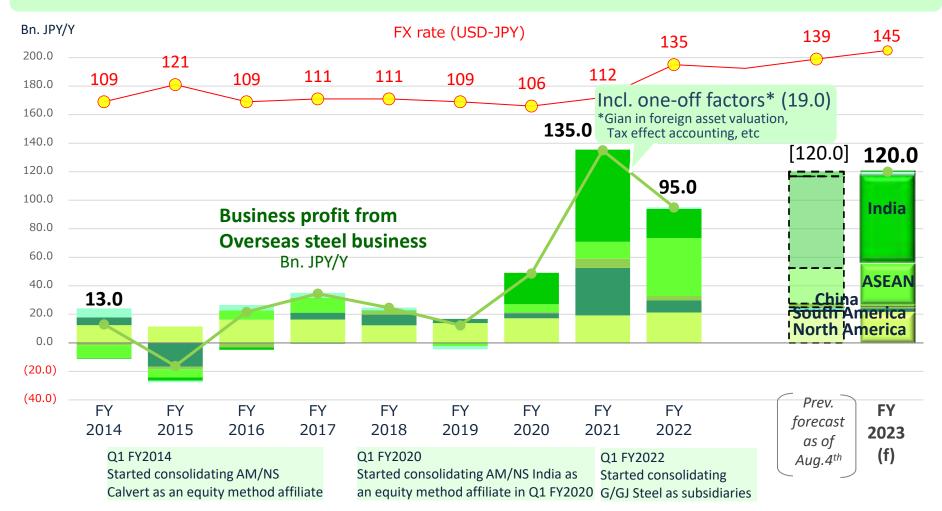




Overseas Steel Business

P/L Trend (Underlying Basis)

Underlying Business Profit is expected to increase due to Indian market recovery and cost reduction by use of key infrastructure assets acquired by AM/NS India as well as removal of one-off factors in FY2022



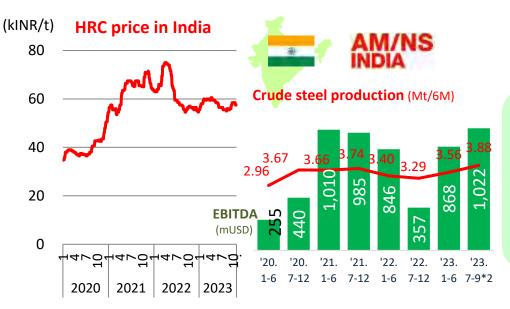
Ordinary profit (subsidiaries) + share of profit in investments accounted for using equity method (equity method affiliates), both underlying profit excl. inventory valuation

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



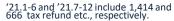
Overseas Steel Business

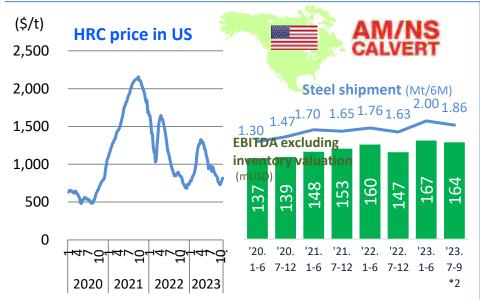
EBITDA Trends of Main Overseas Businesses



- Recovery in demand and market prices
- Gain in sale of excess inventory of natural gas (in hedged price)
 Cost reduction by use
- Cost reduction by use of key infrastructure assets acquired





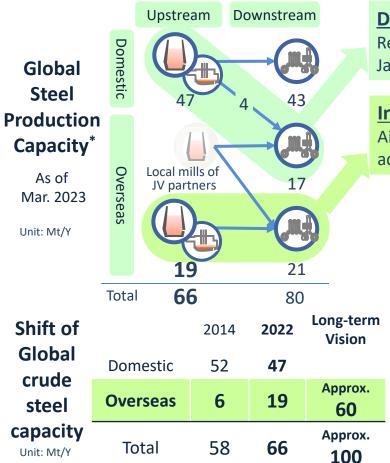




Overseas Steel Business

Improvement of profitability by deepening and expanding overseas business

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



Downstream

Responding to local demand for high-grade steel products from Japanese customers extending their business overseas

Integrated steel mills

Aiming at thoroughly capturing overseas local demand for steel and added-value of the integrated steel-making process



Further progress toward the vision of Global Crude Steel Capacity 100Mt

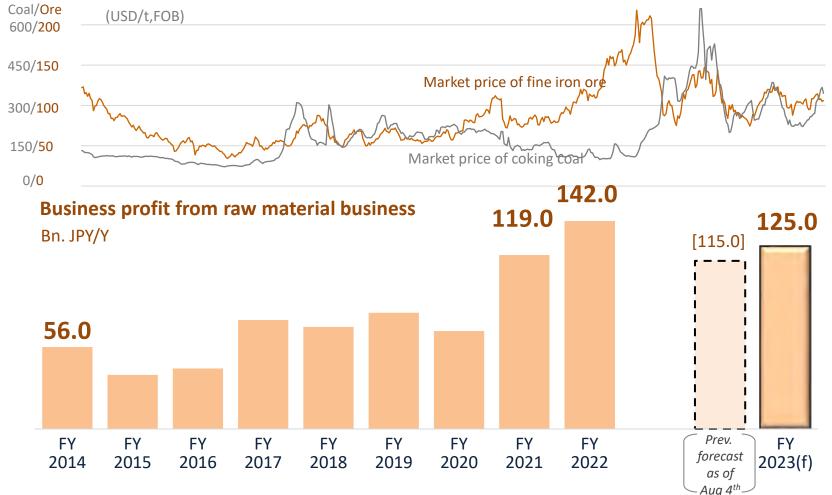
- Further capacity expansion in AM/NS India
- Further vision of M&A, equity participation or expansion of existing steel mills

^{*}In addition to capacities of 30-50% ownership companies as defined by World Steel Association, equity method affiliates less than 30% ownership (AGIS) are both included on a 100% capacity basis.

Raw Material business

P/L Trend (Underlying Basis)

- Profit has remained high due to high raw material prices and enhanced cost competitiveness associated with depreciated AUD to USD etc.
- Revised FY2023 forecast upward due to raw material price hike, especially that of coking coal



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

Raw material business

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 Investing Mines			ра	Year Equity rticipated ratio Ma		Major shareholder	Capacity Mt/Y				
	Iron oro nollot	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 *1	1997	6.25% *2	Anglo American 88.0%	12				
			Warkworth	1990	9.5%	Yancoal 84.5%	8				
	01		Bulga	1993	12.5%	Glencore 85.9%	7				
	Coal	Australia	Australia	Australia	Australia	Australia	Foxleigh	2010	10.0%	Middlemount South70.0%	3
	Carbon Neutral			Boggabri	2015	10.0%	Idemitsu Kosan 80.0%	7			
	production processes will require a certain amount of coking coal		Coppabella and Moorvale	1998	2.0%*2	Peabody 73.3%	5				
	difficult of coking cour	Canada	Elkview	2005	2.5%	Teck Coal 95.0%	7				
	Others(Niobium)	Brazil	CBMM	2011	2.5%	Moreira Salles 70.0%	0.15				

Ratios of raw materials

Total procurement

procured from invested mines

(FY2021)

-> Aiming further growth in the ratios of raw materials procured from invested mines

Approx. **20**%

58 Mt

*1 Grosvenor mine was integrated with Moranbah North in 2020

Approx. **20**%

27 Mt

Iron ore

Coal

^{*2} Incl. the following increase in Equity ratio of Nippon Steel Trading Moranbah North 1.25%, Coppabella and Moorvale 2.00%

Raw material business

Current Status toward Acquisition of Equity of Elk Valley Resources

- Feb. 21st, 2023: Nippon Steel decided to acquire par of the common shares of Elk Valley Resources (EVR), a steelmaking coal company which would be listed after spin-off from Teck Resources, the second largest producer of high-quality steelmaking coal in the world
- April 11th, 2023: Glencore proposed an acquisition of Teck Resources

- ➤ April 26th, 2023: Teck withdrew the separation proposal for the shareholders meeting and expressed its plan to "pursue a simpler and more direct separation."
- Nippon Steel will continue to discuss with Teck Resources on revision of the separation plan

<Purposes of the investment>
Securing high-quality steelmaking coal
that is essential to Nippon Steel's carbon
neutral strategy

Stabilizing Nippon Steel's consolidated profit by increasing investment in high-quality raw materials





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 Initiatives toward carbon neutrality (Osaka Steel)²⁶

Installed "ECOARC-light™," an environmentally-friendly and energy-efficient Electric Arc Furnace at Sakai Works in Osaka Unit of Osaka Steel Corp.

(Released on Sept.1st, 2023)

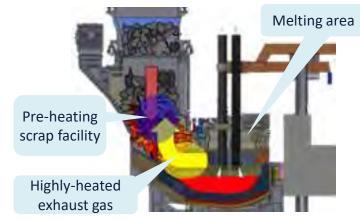
ECOARC-light[™]

- An arc furnace developed by Steel Plantech Corp.
- It enables pre-heating of metal scraps by utilizing highlyheated exhaust gas
- Utilizing existing facilities in the plant to build the new facility can diminish the initial investment cost and shorten construction period

Enhanced cost competitiveness

realized CO2 emission reduction by approx. 10kt/Y

- Time to start operation: FY2025(planned)
- The amount of investment :approx. 8.7bn. JPY (the amount the company will bear after receiving grants*)
- * The company has already ensured receiving subsidiaries from " Promoting investments to lower energy use and encouraging change in energy demand structure project," directed by Sustainable Open Innovation Initiative.



Visualized image of ECOARC-light™



- One of the core EAF steel producers in the Nippon Steel group companies
- Manufacturing Products; Angles, Channels, Bars, Flat bars, Rail, etc.
- Especially, the company has an outstandingly large share in Japan.
- Production Sites(incl. subsidiaries) Osaka Unit(Sakai Works), Okajima Works, Nishi-Nippon Kumamoto Works, Kishiwada Works, Tokyo Kohtetsu(Oyama Works), PT. Krakatau Osaka Steel(Indonesia)

Other Group Companies

Initiatives toward carbon neutrality (Sanyo Special Steel)

Inaugurated the fossil-free hydrogen plant in Ovako

(released on Sept.7th, 2023)

- At Hofors mills in Sweden, the company inaugurated hydrogen plant through electrolysis of water using fossil
 free electricity
 * Volvo Group, Hitachi Energy.
- > One of the largest hydrogen plants in Europe (Capacity: approx.4,000m3)
- Realized in collaboration with four* local key players and with financial support from the Swedish Energy Agency

This enables CO₂ emission reduction by 50%(approx.20,000t/Y) in heating processes at Hofors mills

Verified feasibility of heating steel by using hydrogen in 2020 at Hofors plant

-> Plan to implement hydrogen plant for each of plant in Ovako



OVAKO

H2 Green Steel, Nel Hydrogen

- A wholly owned subsidiary of Sanyo Special Steel, the Group's mainstay special steel electric furnace manufacturer
- Sweden-based
 - Specialty steel electric furnace manufacturer

SSMI in India made a purchase contract for electricity from renewable sources

(Released on Sept. 6th, 2023)

- Purchased approx. 62MM kWh of electricity generated by solar power from Tata Power Renewable Energy, one of the largest integrated power company and a subsidiary of Tata Power
- > Plan to use the purchased renewable energy for special steel production

Enables CO₂ emission reduction by approx. 25% (MAX: 42.5kt-CO₂/Y) in special steel manufacturing processes

SSMI

- Sanyo Special Steel
 Manufacturing India Pvt. Ltd.
- Subsidiary of Sanyo Special Steel Co.Indian special steel electric furnace manufacturer



3 Non-steel Segments

Earnings Summary

Nippon Steel Engineering

Bn. JPY	H2	FY 2022	Q2	H1	previous forecast		FY 2023 (f)	Prev. forecast
Order intake	259.3	431.4	73.2	157.5	[200.0]	182.5	340.0	[350.0]
Revenue	188.1	352.2	92.9	175.4	[200.0]	224.6	400.0	[400.0]
Business profit	6.3	11.6	(8.6)	(5.4)	[0.0]	10.4	5.0	[5.0]

- ➤ BP in H1 dropped from the previous forecast, but expected to improve in H2, due to the provision in H1 for losses expected to be incurred in the H2 from the impact of crane failures on offshore work vessels owned by the company.
- ➤ Order intake decreased from the previous fiscal year when orders of large projects were a high level, due in part to the transfer of a portion of the steel plant business to Nippon Steel.

Nippon Steel Chemical & Material

Bn. JPY	H2	FY 2022	Q2	H1	Prev. Forecast	H2 (f)	FY 2023 (f)	Prev. forecast
Revenue	129.6	274.5	68.3	132.8	[130.0]	127.2	260.0	[270.0]
Business profit	2.4	16.1	8.0	10.8	[3.5]	3.7	14.5	[9.0]
Underlying	4.0	11.0	7.3	7.9	[4.0]	3.1	11.0	[10.0]

- ➤ Sales and profit decreased from the previous year due to sluggish market conditions for needle coke and prolonged adjustment phase in the electronic materials field.
- ➤ However, sales and profit improved from the previous forecast due to an increase in inventory valuation gains and cost improvement efforts under the severe business environment, etc.

NS Solutions

Bn. JPY	H2	FY 2022	Q2	H1	Prev. forecast	H2 (f)	FY 2023 (f)	Prev. forecast
Revenue	157.4	292.5	76.1	145.0	[140.0]	160.0	305.0	[305.0]
Business profit	18.0	32.1	8.1	15.1	[14.0]	18.4	33.5	[33.5]

Despite a decrease from the previous year's largescale infrastructure construction projects for public agencies and an increase in SG&A expenses, the company expects an increase in sales and profit from the previous year due to the capture of DX needs in the manufacturing industry (including Nippon Steel) and an increase in sales of consulting and digital services, etc.



3 Non-steel Segments

Maximizing Synergies with Non-Steel Segments and Expanding Businesses in Growing Market



PPON STEEL ENGINEERING





Ratio of sales regarding

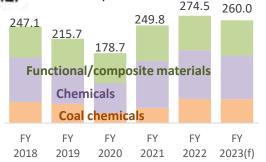
Expansion of decarbonization and low-carbon related businesses

<Focus areas and products>

Offshore wind power, CCUS, hydrogen infrastructure, geothermal energy, sewage sludge fueling, biomass energy, Coke Dry Quenching (CDQ), EPC for waste power generation etc., high-efficiency energy supply service (natural gas cogeneration system), etc.

Revenues by business domain NIPPON STEEL Chemical & Material

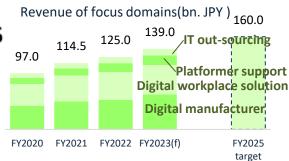




- Establishment of optimal framework for production and sales through facility improvement, and cost reduction through manufacturing process improvement and reduction of fuel and energy use.
- Development of new technologies and new products aimed at the expansion in sales of products related to growing semi-conductor demand, especially for high-grade products for high-speed telecommunication and automobiles

NS Solutions





FY2020->FY2025 CAGR* target: **+5~6%/year**

Incl. CAGR in focus area: Over +10%/year

(*Compound annual growth rate for revenue growth)

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Providing two types of values by progressing toward carbon neutrality





Nippon Steel + Carbon dioxide less + X **Nippon Steel offers**

Products and technical solutions that contribute to reducing CO₂ emissions

For realizing a sustainable future



Advanced products and technical solutions that contribute to reducing CO₂ emissions in society



steel products CO2 emissions savings in the steelmaking process are allocated.

Reduce CO₂ emissions at Reduce CO₂ 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 CO₂ emissions as a steel supplier for our customers

Sales started in H1 FY2023

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



Growing demand for NSCarbolexTM Neutral, a steel product that contribute to CO2 emission reduction at the customer's upstream process(SCOPE3)

NSCarbolexTM Neutral

steel products CO2 emissions savings in the steelmaking process are allocated

Order from

Sobajima Can Company

(released on Sept. 21th, 2023)

Canday Can

Usage

Products Applied

Tinfree Steel

- Steel sheets without tin coating used for metal container
- Products with excellent corrosion resistance, processability paintability, paint adhesion, printability, and economic efficiency

85 Degrees Renewables(Netherland)

(released on Sept. 28th, 2023)

Geothermal development project in Netherland

"85 Degrees Renewables Bleiswijk," supported by ITECO

Super 13Cr(Chrome) for Line Pipe

 excellent corrosion resistance for long-term, contributing to lowering life-cycle cost for customers.

Hisaka Works

(Released on Oct. 19th, 2023)

Plate-type heat exchanger to be used at the Osaka-Kansai Japan Expo



Plates

(frame)

(tightening bolt)

Bar

Titanium steel sheets(plate)

Atago-Body

(Released on Oct.23th, 2023)

Container for transporting recycled resources "Ecology Box(E/B)"



Abrasion resistant steel plate "ABREXTM"

Excellent abrasion resistance, weldability and bend formability contribute to GHG emission reduction during the customer's manufacturing process and in production and use

GE Vernova

(Released on Oct. 30th, 2023) Others...

Converter

to be utilized in Grid Solution business

Grain-Oriented Electrical Steel sheets

 Contributing to GHG emission reduction during the customer's use of converters due to its high energy efficiency



Increased Support to Steelmaking Industry from Green Innovation Fund

With the growing awareness that the steel industry will play an essential role in achieving decarbonization, the fund greatly increased its allotment to the steel industry

Use of hydrogen in steelmaking process $x_{\text{in Dec},2021}$ Additional In total $x_{\text{in Dec},2021}$ $x_{\text{in Dec$

Allotment

The company's breakthrough technology development projects

Development of hydrogen reduction technology utilizing onsite hydrogen



Development of low-carbon technology utilizing hydrogen from external sources and CO₂ contained in BF gas



Development of direct hydrogen reduction technology



¥34.5

Development of impurity removal technology for EAFs using direct reduced iron



¥23.6

On Ju. 15^{th,} 2022, the Green Innovation Fund Project was accepted, which had been co-proposed to NEDO* by Nippon Steel, JFE Steel, Kobe Steel, and JRCM**.

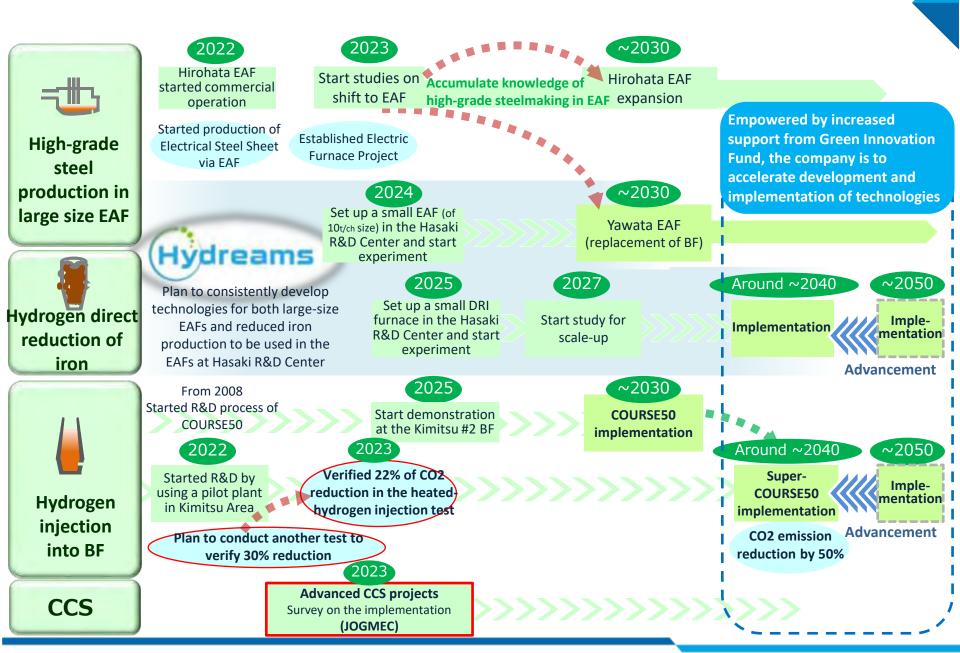
*NEDO: New Energy and Industrial Technology Development Organization

Empowered by increased support from Green Innovation Fund, the company is to accelerate development and implementation of technologies

Green innovation fund: fund by the government to continuously support companies, etc. that are committed to their ambitious goals toward the realization of carbon neutrality in 2050 from research and development to demonstration and implementation for 10 years.

^{**}JRCM: The Japan Research and Development Center for Metals

Carbon Neutral Vision 2050



R&D base "Hydreams," intended for the decarbonization technology development

- ➤ Plan to consistently develop technologies for both high-grade steel production in large-size EAFs and reduced iron production to be used in the EAFs at Hasaki R&D Center
- ➤ The company plans to accelerate R&D processes for decarbonization technologies by designating a district at Hasaki as "Hydreams™," where test shaft furnace and test EAF are to be placed

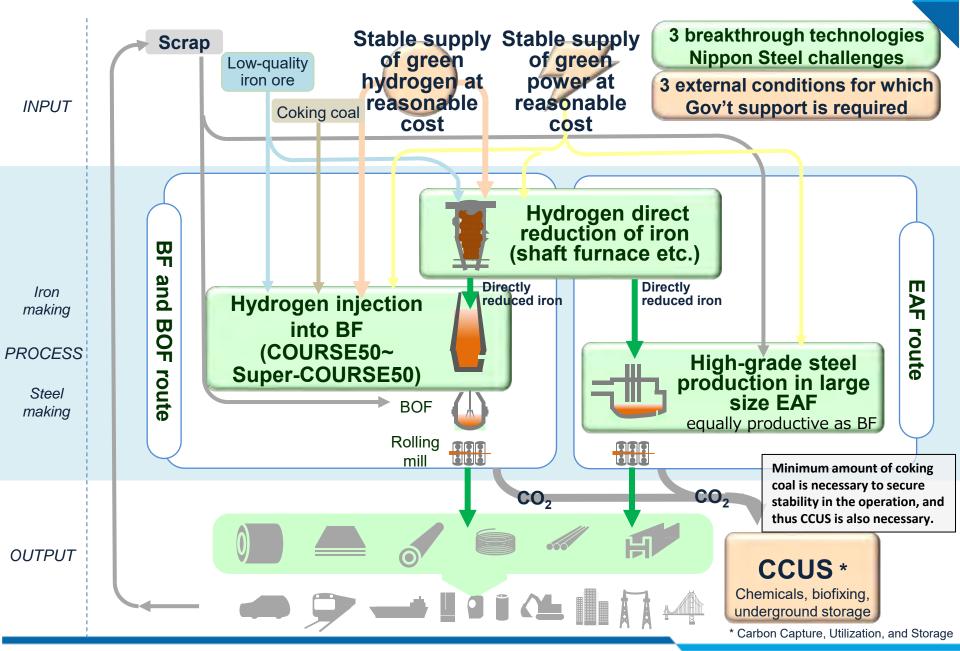
"Hydreams": Hydrogen Direct Reduced Ironmaking and Electric Arc Multi-purpose furnaces for Steelmaking





- Plant to demonstrate technology of inhouse hydrogen injection into blast furnaces(COURSE50) on the #2 blast furnace in Kimitsu
- Conducting tests of technology external source hydrogen injection into blast furnaces(Super-COURSE50) on a 12m³ test furnace

Carbon Neutral Process



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Progress in Nippon Steel's corporate strategy

Promoting various strategies toward 100 Mt and ¥1 tn. Vision

- Rebuild domestic steel business
- Promote a global strategy to deepen and expand overseas business.
- > Evolution to further vertically-integrated business structure Involving "raw material business" not just as procurement activity Insourcing steel distribution as a new business domain
- Take on the challenge of carbon neutral steel
- Promote digital transformation strategies

Change in the labor market

- Intensified competition in recruitment due to population decline
- Diversification of individuals' career targets and higher mobilization of labor market
- Sluggish degree of recognition to steelmaking industry

To secure and support workforce, Nippon Steel will promote various HR and PR measures as one of the highest-priority management challenges

<Major initiatives already taken>

Recruitment

- •Increasing the mandatory retirement age to 65 (since FY2021)
- Recruitment of post doctors (since FY2006)

Employee support

Working hour

- •24-hour available as necessary childcare centers at steelworks (Oita, Kimitsu, Yawata, Nagoya, Hirohata, Kashima, and Muroran as of end of FY2021)
- Accompany leave system for employees whose spouse is transferred to other countries (since FY2016)
- •Working from home system and core-flextime system (since FY2019)
- •Temporary exemption from the transfer (since FY2020)
- •Recommendation to all male employees to take child-care leave (since FY2021)
- •Temporary leave system for employees who wish to take a reeducation (since FY2022)
- •Increasing maximum capacity for "Family holidays" (reserved paid holidays) to 100 days (since FY2022)

development

- **Human capital** Digital transformation training (since FY2021)
 - •Reinforcement of English language training programs (since FY2021)

<Major initiatives going forwards>

- Public relations activities aimed to enhance recognition of Nippon Steel from not only job applicants such as students but also wide range of generation
- Promotion of mid-career recruitment (including alumni hiring) on top of stable recruitment of fresh graduates
- Increasing starting salary
- Promoting employee engagement (e.g. promotion of open feedback culture, creating opportunities for challenge and development such as overseas assignment for mid-career and junior employees, etc.)



As a strengthening and diversification of recruiting approaches, the company launched an online platform for alumni

Enhancing recruitment of experienced personnel

Promotion of mid-career recruitment (those with experiences of working at other companies)

Start alumni hiring

Continue recruitment of post doctors(PhDs and other specialized personnel)

In order to build a network with alumni, those who have left Nippon Steel, the company launched "Alumni Network," an online platform for alumni on Aug. 31st

Sharing information from the company

Content

Communication between the company's employees and alumni

Communication among alumni

Started in-house entrepreneurship and in-house recruitment systems for appropriate placement and personnel training

- In-house recruitment: started from Oct. 2023
- In-house entrepreneurship: Implementing a trial of entrepreneurship from Oct. 2023 by utilizing the system of METI

From the viewpoint of securing human resources and promoting their active participation, the company will make a shift to a personnel system that contributes to active recruitments of young human resources by raising the conditions of employee treatments in the next fiscal year.

Launched new corporate TV advertisements "The World is Made of Steel", aiming at enhancing awareness of the company for wide range of generations

(Released on Sept. 28th, 2023)

Actors Haruna Kawaguchi, Taisei Kido, and child actor Kurea Abe co-star as three siblings who love iron. The film introduces how iron plays an active role everywhere and how the evolution of iron is deeply related to our daily lives and the global environment.

Main media

<Oct.2nd> TV Ads began airing on nationwide broadcast stations

<Oct. 2nd -> Ads on YouTube started

<Oct. 9th -> Train Ads (JR lines and metro lines in the Tokyo metropolitan area) started

<Oct.10th -> Began sponsoring for "Umikoi: What we can do for the sea now," a new program on Nippon Television Network Corporation (Kanto area) broadcast every Wed. from 21:54 to 22:00



Special web page for the TV Ads (Japanese only)

https://www.nipponsteel.com/company/special-contents

All the videos of the new commercials and the making of the commercials are available

Message from Haruna Kawaguchi for employees posted on in-house portal site

"Morning Exercise" Episode



"Scribbling" Episode



"Asking" Episode





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Business Environment World Economy, Steel Demand

- Western countries: Continued downward pressure on the economy due to prolonged inflation and interest rate hikes
- China: Prolonged real estate market slump due to insufficient effects of economic stimulus measures
- India/ASEAN: Growth slows YoY, but demand for steel products continues to increase

Outlook for GDP growth rate (As of October 2023)

Source: IMF released on Oct 10th 2023

	Source	CY22					
	Unit:%		As of Oct. 2023	Vs. CY22	VS.as of Jul. 2023		
S	World	3.5	3.0	-0.5	±0		
tion	Japan	1.0	2.0	+1.0	+0.6		
Developed Nations	US	2.1	2.1	-	+0.3		
	Europe	3.3	0.7 -2.6		-0.2		
Deve	Korea	2.6	1.4	-1.2	-		
S	China	3.0	5.0	+2.0	-0.2		
ation	ASEAN*	5.5	4.2	-1.3	-0.4		
Emerging Nations	India	7.2	6.3	-0.9	+0.2		
	Brazil	2.9	3.1	+0.2	+1.0		
Em	Russia	-2.1	2.2	+4.3	+0.7		

Steel Demand Outlook (As of October 2023)

Source: World Steel Association, estimated on Oct. 17th, 2023

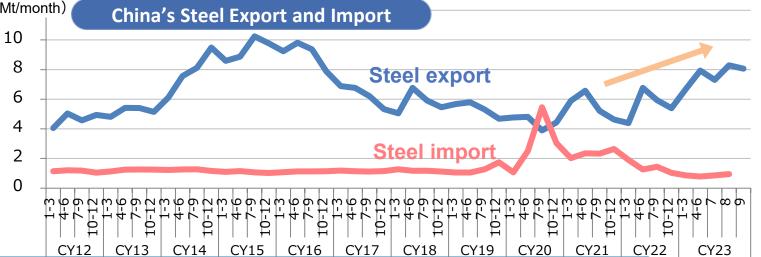
		CY22		,	CY23(f)	
Unit: Mt/Y	Steel demand	Vs. CY2021	Vs. CY2021 (%)	Steel demand	Vs. CY2022	Vs. CY2022 (%)	Vs. as of Apr. 2023
World	1,782	-59	-3.2%	1,814	+33	+1.8%	-8
Japan	55	-2	-4.2%	54	-1	-2.0%	-3
US	95	-2	-2.6%	94	-1	-1.1%	-2
Europe	152	-13	-7.9%	144	-8	-5.1%	-7
Korea	51	-5	-8.6%	53	+2	+3.3%	-
China	921	-33	-3.5%	939	+18	+2.0%	-
ASEAN*	73	-	-0.3%	75	+3	+3.8%	-2
India	116	+10	+9.2%	126	+10	+8.6%	+3
Brazil	24	-3	-11.0%	23	-1	-2.6%	-1
Russia	42	-2	-5.0%	44	+2	+5.0%	+4

Business Environment Steel Demand in China

Despite sluggish steel demand, high crude steel production continues and steel exports are increasing



- Insufficient effect of the government's economic stimulus measures and prolonged slump in the real estate market. No signs of demand recovery, especially in the construction sector.
- IMF and OECD revised China's economic growth outlook downward
- Crude steel production remains at a high level due to a lack of adjustment to a production scale commensurate with demand. Steel exports to neighboring countries are also at a high level, affecting market conditions in ASEAN and other neighboring countries.
- Close attention should be paid to the economic recovery and the government's implementation of its policy to reduce crude steel production.



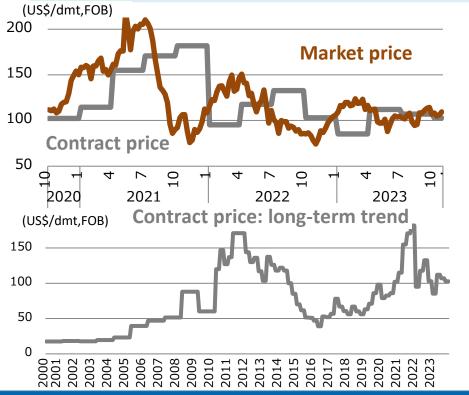
(Nippon Steel estimate)

Business Environment Raw Materials Market Prices

[Fine iron ore]

- The price rose to the higher \$120 range in September due to continuance of high level of pig-iron production in Chinese steel companies, and it has been fluctuating around \$110-\$120.
- Close attention should be paid to China's issuance of policies to reduce steel production and to stimulate its economy. [Coking coal]
- The price soared to the level of \$360(Currently around 350\$) due to the increase in spot purchases made by Indian companies to capture growing and robust demand in India and the manifested unstable operations in coal mines in Australia.

The company expects the current tightened S&D of coking coal not to be normalized, considering steadily expanding steel demand in India, chronic labor force shortage in coal supplying counties, and etc..





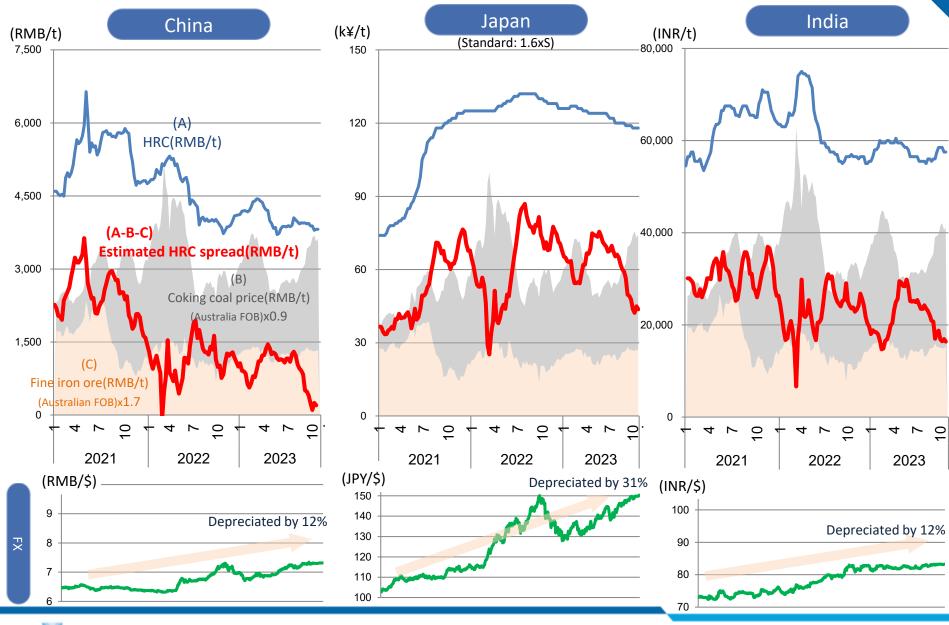
Business Environment

Historically-low level of steel spreads on overseas commodity-grade products

- Steel export from China has increased since the production level has remained constantly high despite depressed demand in Chinese market
- The excess in export has adversely affected steel market conditions in ASEAN or other neighboring countries
- HRC spread has become historically small because of the manifestation of decoupled pricings between raw materials and HRC's
- The profitability of HRC for Asian steelmakers seems to be severely low.

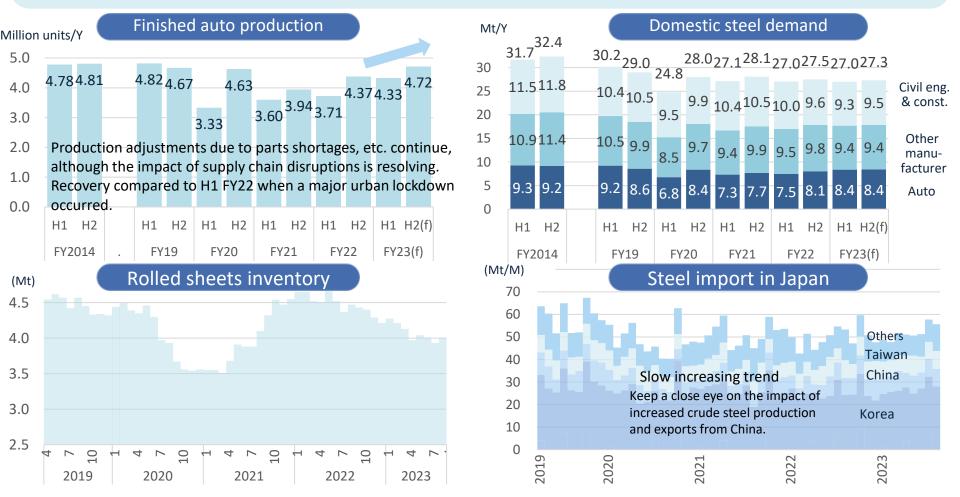


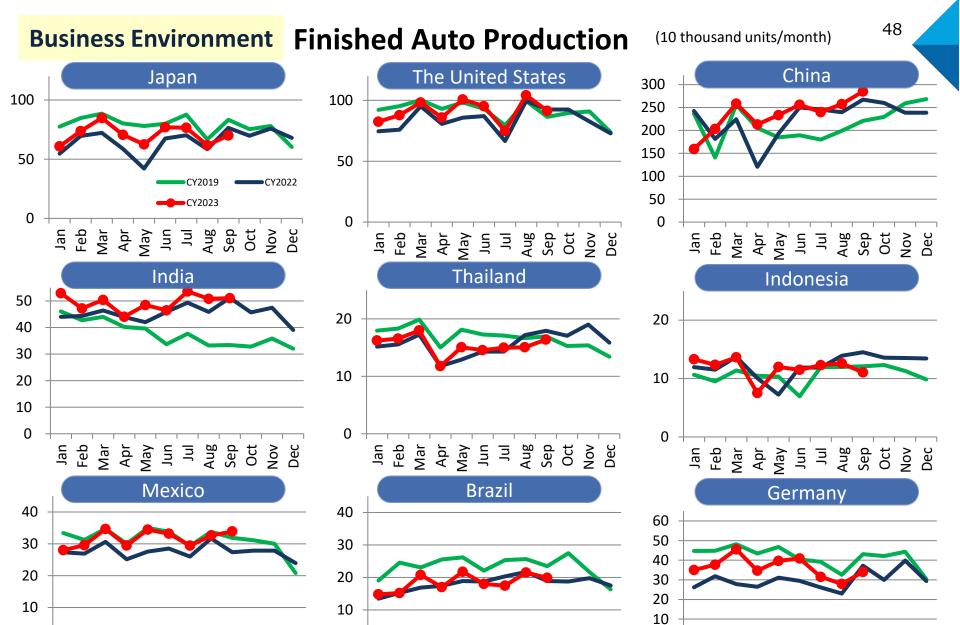
Business Environment HRC prices in main markets



Business Environment Steel S&D in Japan

- The Japanese economy is slowly recovering, driven by inbound demand and service consumption, etc.
- However, the construction and manufacturing sectors still remain below the level of the previous year in many applications.
- A certain level of recovery is expected in the automotive application due to the easing of supply chain disruptions, but shipbuilding, industrial machinery, and other applications remain weak.
- Construction starts is not expected to increase due to labor shortage, shipment and construction cost hike.





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Business Environment The Balance of Trade and FX Sensitivity

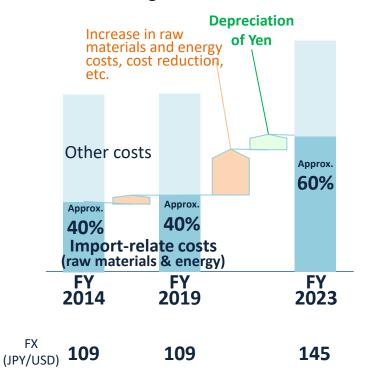
Domestic steel business: The proportion of import-related costs to steel manufacturing cost has risen due to the recent surge in prices of raw materials and energy, and because the amount of import exceeds export, the impact of Yen depreciation to our domestic steel business is negative.

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

> **Impact from Yen** depreciation

Domestic Steel Business	-) Negative	Excess of import to export Q2 FY2023 0.7 bn. USD/Q (import 4.3 – export 3.5)
Overseas Steel Business Raw Material business	+) Positive	Increase in profit translated into Yen basis
Other Group Companies Three Non-Steel Segments	+) Positive	Excess in export, gain in foreign asset valuation
Underlying consol. business P/L	-) Negative	
Inventory valuation Non-operating P/L	+) Positive	Gain in valuation for imported materials, gain in foreign asset valuation
Consol. business P/L	Neutral or slightly positive	

Cf. Rough figure for our steel manufacturing cost structure

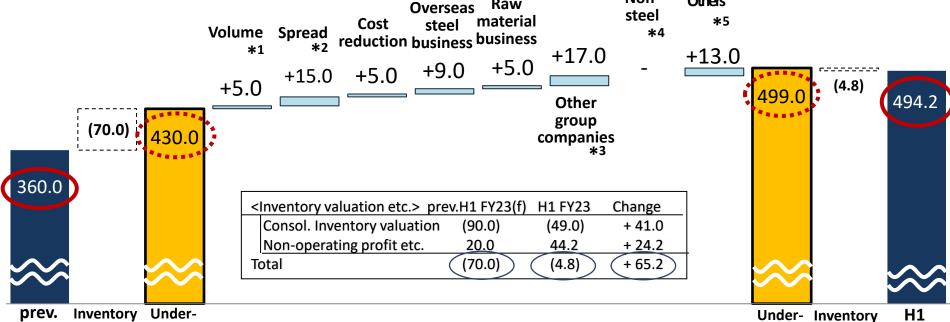


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Business Profit Variance (prev. H1 FY23(f) -> H1 FY23)

(Bn. JPY)	Prev.H1 FY23	H1 FY23	Change	*1 Crude steel production : approx0.06 Mt
Business Profit	360.0	494.2	+134.2	(approx. 17.50 -> 17.44) Steel shipment volume : approx. +0.17 Mt
Underlying profit 430.0		499.0	+69.0	(approx. 16.00 -> 16.17) *2 Incl. the impact of FX, and
1) Domestic	185.0	218.0	+33.0	carry over - (4.0 -> 4.0)
2) Overseas	65.0	74.0	+9.0	*3 Improve: Stainless steel& EAFs, operational support, Trading, etc.
3) Raw material	60.0	65.0	+5.0	*4 Engineering -5.4, Chemicals & Materials +3.9 etc. *5 Incl. decrease in depreciation cost +2.0
4) Other group	100.0	117.0	+17.0	*5 Incl. decrease in depreciation cost +2.0
5) Non-steel	18.0	18.0	-	
	Overseas	Raw	Non- Others	



lying

profit

valuation

etc.

H1

FY23(f)

valuation

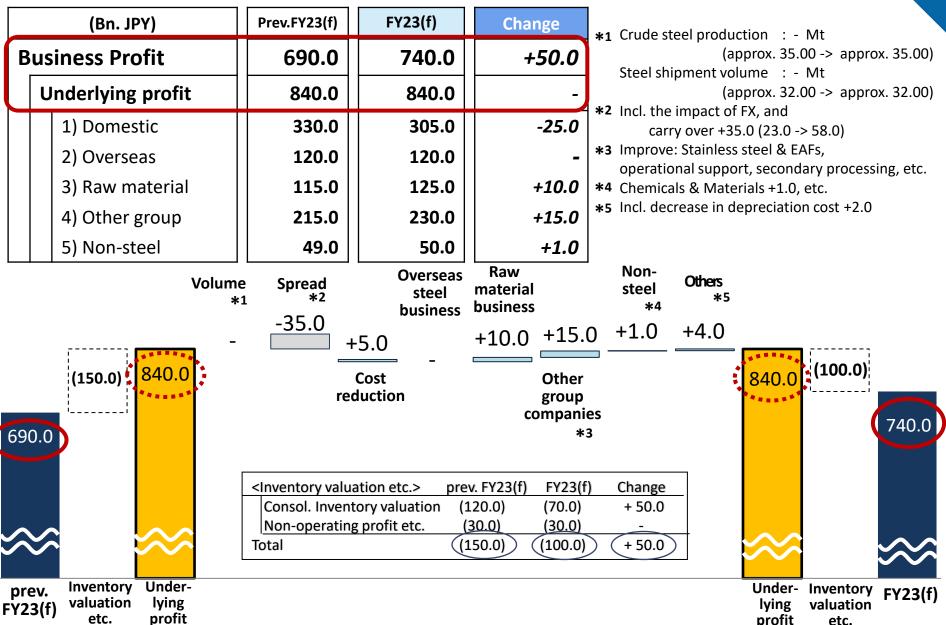
etc.

FY23

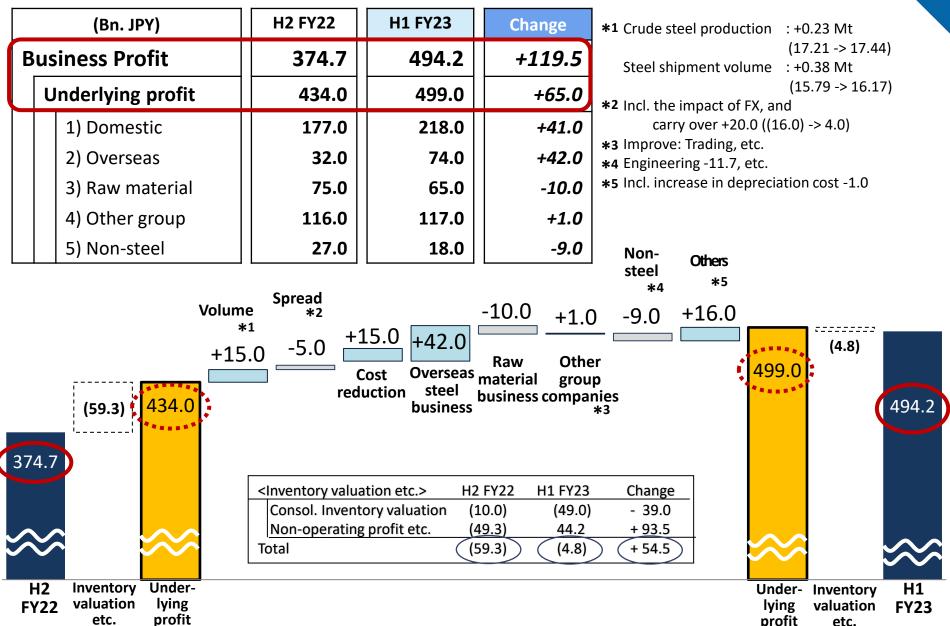
lying

profit

Business Profit Variance (prev. FY23(f) -> FY23(f))



Business Profit Variance (H2 FY22 -> H1 FY23)



Business Profit Variance (H1 FY22 -> H1 FY23)

(Bn. JPY)		H1 FY22	H1 FY23	Change	
Business Profit			541.7	494.2	-47.5
L	Underlying profit		300.0	499.0	+199.0
	1) Domestic		45.0	218.0	+173.0
	2) Overseas	63.0	74.0	+11.0	
	3) Raw mate	rial	67.0	65.0	-2.0
	4) Other grou	ap qu	89.0	117.0	+28.0
	5) Non-steel		33.0	18.0	-15.0

*1 Crude steel production : approx.+0.40 Mt (17.04 -> 17.44)

(17.04 > 17.

Excl. BF relining impact: - Mt

 $(17.44 \rightarrow 17.44)$

Steel shipment volume : approx.+0.49 Mt

(15.69 -> 16.17)

Excl. BF relining impact: approx. +0.09 Mt

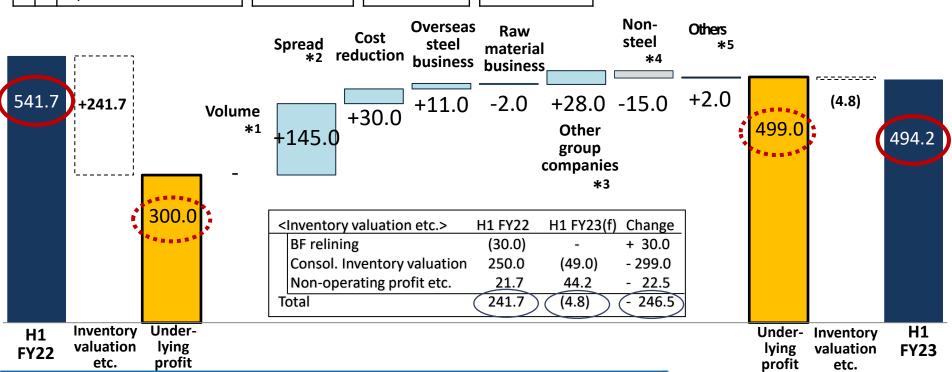
(16.09 -> 16.17)

***2** Incl. the impact of FX, and carry over -75.0 (79.0 -> 4.0)

*3 Improve: Trading, operational support, etc.

*4 Engineering -10.7,etc.

*5 Incl. increase in depreciation cost -7.0



Business Profit Variance (H1 FY23 -> H2 FY23(f))

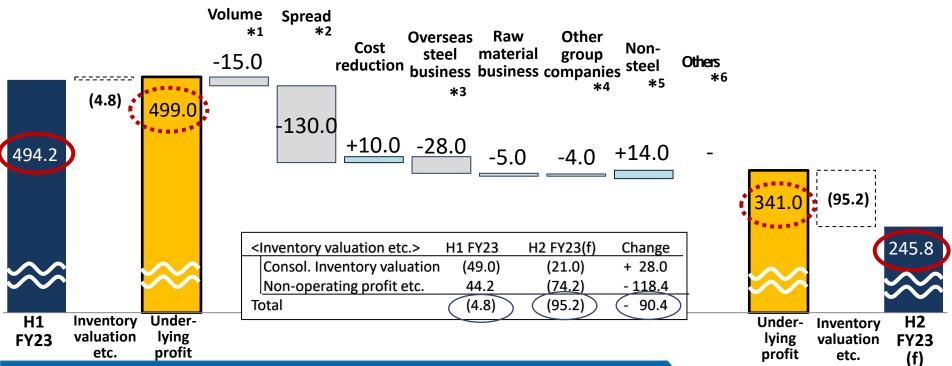
(Bn. JPY)		H1 FY23	H2 FY23(f)	Change	
Business Profit		494.2	245.8	-248.4	
	Underlying profit	499.0	341.0	-158.0	
	1) Domestic	218.0	87.0	-131.0	
	2) Overseas	74.0	46.0	-28.0	
	3) Raw material	65.0	60.0	-5.0	
	4) Other group	117.0	113.0	-4.0	
	5) Non-steel	18.0	32.0	+14.0	

*1 Crude steel production :approx. +0.16Mt (17.44 -> approx.17.60)
Steel shipment volume : approx. -0.37Mt (16.17 -> approx.15.80)

- ***2** Incl. the impact of FX, and carry over +50.0 (4.0 -> 54.0)
- ***3** Stripped one-off gain in H1 FY23 from the integration of AMIPL in India
- *4 Improve: Stainless steel& EAFs, Trading, etc.

*6 Incl. increase in depreciation cost -7.0

*5 Engineering +15.8(Stripped loss in H1 FY23 from provision for losses of crane failures), Chemicals & Materials -4.8, System Solutions +3.3



Business Profit Variance (FY22 -> FY23(f))

(Bn. JPY)	FY22	FY23(f)	Change	
Business Profit	916.4	740.0	-176.4	
Underlying profit	734.0	840.0	+106.0	
1) Domestic	222.0	305.0	+83.0	
2) Overseas	95.0	120.0	+25.0	
3) Raw material	142.0	125.0	-17.0	
4) Other group	205.0	230.0	+25.0	
5) Non-steel	60.0	50.0	-10.0	

*1 Crude steel production : approx. +0.75Mt (34.25 -> approx. 35.00)

Excl. BF relining impact: +0.35Mt

(34.65-> approx. 35.00)

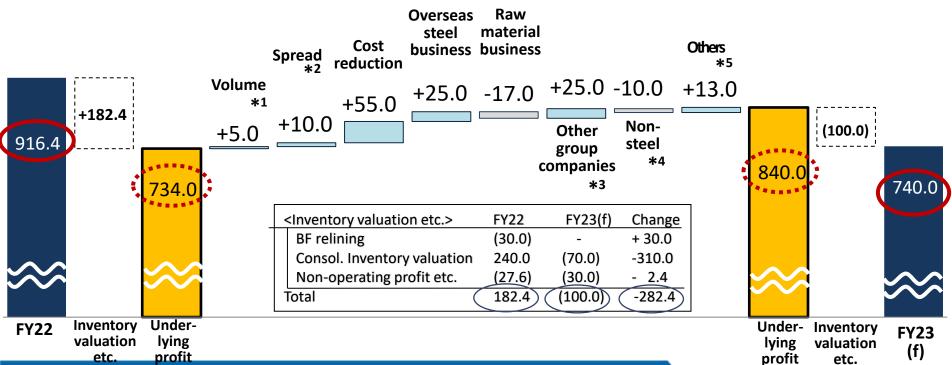
Steel shipment volume : approx. +0.53 Mt (31.47 -> approx. 32.00)

Excl. BF relining impact: +0.13Mt

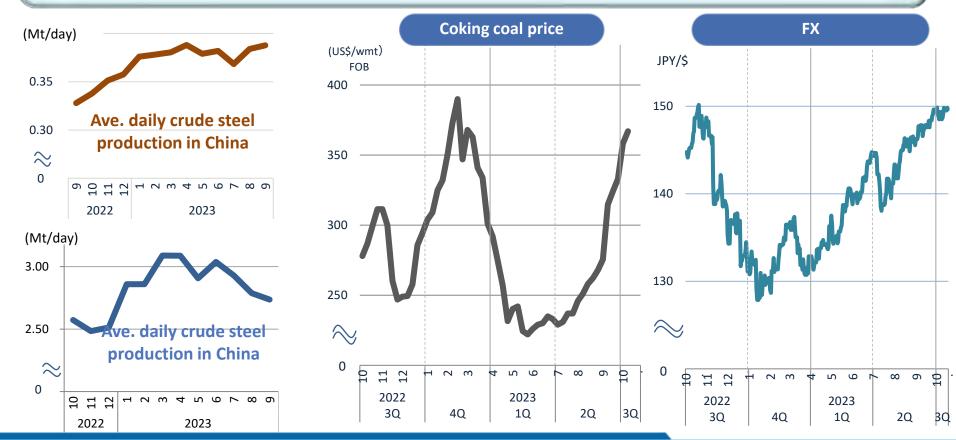
(31.87 -> approx. 32.00)

***2** Incl. the impact of FX, and carry over -5.0 (63.0 -> 58.0)

- ***3** Improve: Trading, etc.
- *4 Engineering -6.6, etc.
- *5 Incl. increase in depreciation cost -15.0



- Coking coal market price has been on the rise since;
 - Indian companies' spot purchase of coking coal continues
 - Chinese companies' high-levels of steel production continues
- Decoupled pricing mechanism of commodity-grade steel products from raw materials has been manifested
- Combined with quick depreciation, the raw material cost in JPY has sharply increased



Secured margin in direct contract-based sales & Sophistication of order mix

<Steel margin shifts in direct contract-based sales>

Appropriate margin level per ton elevated through sophistication of order mix and reflection of high value-added product qualities

Improvement of production capacity and product quality of Electrical Steel Sheets

->Full-capacity operation: starts in H1 FY2023(Yawata #1,2 & Hirohata #1,2) in H1 FY 2024 (Hirohata #3) in H1 FY2027(Yawata #3, Hanshin(Sakai)

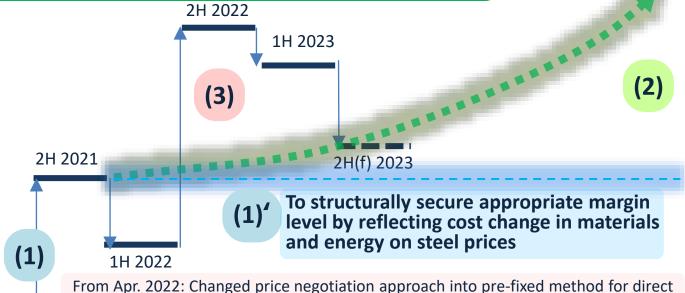
Establishment of next-generation hot strip mill -> Start of operation: Q1 FY2026 (planned)

(1)

Until 2H 2021

- A fair allocation of cost burden for raw materials and commodities
- Reflection in steel prices of our high value-added product qualities and solutions

With the points above reflected in negotiations with customers, margin has greatly improved



2H 2020

Steel margin temporarily fluctuated due to changes in raw materials(incl. coking coal) and energy cost after price negotiation | 1H22 | 2H22 | 1H23 | 2H23

contract-based sales

		1H2Z	2H22	1H23	2H23
(3)	Change in the cost after negotiation	Rise	Drop	Drop	Rise
1-7	Difference from appropriate level of margin	Smaller	Larger	Smaller	larger

(2)

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