TYO : 5401
OTC : NPSCY(ADR)

## NIPPON STEEL

## Q3 FY2023 Earnings Summary

Feb. $7^{\text {th }}, 2024$

## NIPPON STEEL CORPORATION

## Agenda

## 1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast

Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

## Upward revision of Consolidated Business Profit by 60.0bn. JPY,

 Incl. Underlying BP by 50.0bn. JPY from previous forecast Expected to surpass the previous record-high Underlying BP by 156.0bn. JPY> Global steel demand remains unprecedentedly harsh
> While Asian steel market recovered slightly from the previous forecast, margins remain historically small
$>$ Underlying BP for FY2023 is expected to reach 890.0 bn . JPY, upward revision by 50.0 bn . JPY from the previous forecast and surpass the previous record-high Underlying BP(FY2022) by 156.0bn. JPY

|  | $\begin{gathered} \text { FY } \\ 2022 \end{gathered}$ | H1 | Q3 | Q4(f) | H2 | VS H1 FY23 | $\begin{gathered} \text { FY } \\ 2023(f) \end{gathered}$ |  | $\begin{gathered} \text { Vs } \\ \text { FY2022 } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Non-consol. crude steel production (Mt) | 34.25 | 17.44 | 8.84 | $\begin{gathered} \text { Approx. } \\ 8.80 \end{gathered}$ | $\begin{aligned} & \text { Approx. } \\ & 17.60 \end{aligned}$ | +0.16 | $\begin{aligned} & \text { Approx. } \\ & \mathbf{3 5 . 0 0} \end{aligned}$ | - | +0.75 |
| Non-consol. steel shipment (Mt) | 31.47 | 16.17 | 7.95 | $\begin{aligned} & \text { Approx. } \\ & 7.80 \end{aligned}$ | Approx. $15.80$ | -0.37 | $\begin{gathered} \text { Approx. } \\ \mathbf{3 2 . 0 0} \end{gathered}$ | - | +0.53 |
| FX (USD/JPY) | 135 | 140 | 149 | Approx. 145 | Approx. 147 | 7 yen dep. | Approx. 143 | 2 yen app. | 8 yen dep. |
| Revenue (bn. JPY) | 7,975.5 | 4,412.4 | 2,229.3 | 2,358.3 | 4,587.6 | +175.2 | 9,000.0 | - | +1,024.5 |
| Underlying BP <br> Excl. Inventory val. Etc p | $734.0$ <br> Record | $499.0$ | 229.0 | 162.0 | 391.0 | -108.0 | 890.0 <br> Record High | $\underline{+50.0}$ | +156.0 |
| Inventory valuation etc. | 182.4 | (4.8) | (30.9) | (54.3) | (85.2) | -80.4 | (90.0) | +10.0 | -272.4 |
| Consol. business profit (bn. JPY) | 916.4 | 494.2 | 198.1 | 107.7 | 305.8 | -188.4 | 800.0 | $+60.0$ | $-116.4$ |
|  | 11.5\% | 11.2\% | 8.9\% | 4.6\% | 6.7\% | -4.5\% | 8.9\% |  | -2.6\% |

## Additional Line Items, Net Profit: <br> Upward revision of Net profit by 50.0bn.JPY

| Bn. JPY <br> Consol. Business Profit | FY2022 | H1 | Q3 | Q4 | H2(f) | FY2023(f) | Vs prev. Vs <br> forecast as FY2022 <br> of Nov. 1  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 916.4 | 494.2 | 198.1 | 107.7 | 305.8 | 800.0 | +60.0 | -116.4 |
| Additional Line Items | (32.8) | (70.4) | (3.2) | (16.4) | (19.6) | (90.0) | - | -57.2 |
| Net Profit | \|| 694.0 Record high L | 300.2 | 140.6 | 29.2 | 169.8 | 470.0 | +50.0 | -224.0 |
| $\begin{gathered} \hline \text { EPS ( } ¥ / \text { share }) \\ \text { ROE(\%) } \end{gathered}$ | $\begin{gathered} \hline 753 \\ 18.1 \% \end{gathered}$ | $\begin{gathered} \hline 326 \\ 13.6 \% \end{gathered}$ | $\begin{gathered} \hline 152 \\ 12.1 \% \end{gathered}$ | $32$ | $184$ | 510 | $+54$ | $-243$ |

<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)

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


NIPPON STEEL

## Full-year Dividend(forecast)

Based on the company's increase of profit in the earnings forecasts for FY2023 since the announcement of the previous earnings forecasts on Nov. 1st, 2023, Nippon Steel plans to increase the full-year dividend for FY 2023 by $¥ 10$ from the previous dividend forecasts to $¥ 160$ per share (including a year-end dividend of $¥ 85$ ) with a view to achieving a continuous high-level return to shareholders.


## Harsh Business Environment Unlikely to Recover

World's crude steel production trend
YoY decline trend continuing since Aug. 2021
Line: world's crude steel production (right axis)
( $\mathrm{Mt} / \mathrm{Y}$ )


Domestic steel demand
Demand of automobiles has gradually been improving but the over all trends remain sluggish
$9.74 \quad$ 9.49 Line graph: Finished Auto production (Mt/Y)


Overseas commodity steel spread
HRC spread has become historically small because of the manifestation

200
of decoupled pricings between raw
materials and HRC's
600


Coking coal (Australia FOB) $\times \mathbf{0 . 9}$
Fine iron ore (Australia FOB) x 1.7
0

## FY2023 Underlying Consol. Business Profit Variance

FY2023(f)
*1 excluding effect of $B F$ relining
*2 including impact from FX rate fluctuation


H1 FY2023
to
H2(f) FY2023


FY2022
to FY2023(f)

| -116.4 |
| :---: |
| $<916.4$ to $800.0>$ | -272.4 +156.0 <734.0 to 890.0>

[ 7 yen dep.]
[ 8 yen dep.]
+15.0

$$
+60.0
$$

| -1.0 |
| :---: |
| -28.0 |
| -5.0 |
| -4.0 |
| +14.0 |


| $+8.0{ }^{* 1}$ |
| :---: |
| $+25.0{ }^{*}$ |
| -17.0 |
| +25.0 |
|  |
| -10.0 |

[^0]Elaboration of Margin Variance; -80.0bn. JPY from H1 FY2023 to H2(f) FY2023


Prev. forecast as of Nov.1st H2(f) FY2O23

## Spot market sales

Overseas commodity grade steel spread has been depressed to the lowest level ever under unprecedentedly harsh business environment toward H2

## Direct contract-based sales

Temporal fluctuation due to material price hike(incl. coking coal) after fixing prices through negotiation
-> To be normalized to the appropriate level in the following semester
(1) Temporarily expanded margin due to materials and energy price decline in H1 FY2O23 after price negotiation was

Direct contractbased sales 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
(US $\$ / \mathrm{wmt})$
FOB
Coking coal price


- 0
- Coking coal price decline after - Coking coal price hike after steel steel price negotiation for H1 FY23 price negotiation for H2 FY23
- Yen depreciation lulled - Yen depreciation progressed




## FY2023 Earnings Forecast



| H1 | H2 (f) | FY2023 (f)Vs. Prev.  <br> forecast Vs <br> as of  <br> Nov 1st $\quad$ FY2022 |
| :---: | :---: | :---: |


| Consol. business profit | 541.7 | 374.7 | 916.4 | 494.2 | 305.8 | 800.0 | +60.0 | -116.4 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ROS | 14.0\% | 9.1\% | 11.5\% | 11.2\% | 6.7\% | 8.9\% | +0.7\% | -2.6\% |
| Underlying business profit | 300.0 | 434.0 | 734.0 | 499.0 | 391.0 | 890.0 | +50.0 | +156.0 |
| ROS | 7.7\% | 10.6\% | 9.2\% | 11.3\% | 8.5\% | 9.9\% | +0.6\% | +0.7\% |
| 1) Domestic steel business | 45.0 | 177.0 | 222.0 | 218.0 | 137.0 | 355.0 | +50.0 | +133.0 |
| 2) Overseas steel business | 63.0 | 32.0 | 95.0 | 74.0 | 46.0 | 120.0 | - | +25.0 |
| 3) Raw material business | 67.0 | 75.0 | 142.0 | 65.0 | 60.0 | 125.0 | - | -17.0 |
| 4) Other group companies | 89.0 | 116.0 | 205.0 | 117.0 | 113.0 | 230.0 | - | +25.0 |
| 5) Three Non-steel segments | 33.0 | 27.0 | 60.0 | 18.0 | 32.0 | 50.0 | - | -10.0 |
| Inventory valuation, etc. | 241.7 | (59.3) | 182.4 | (4.8) | (85.2) | (90.0) | +10.0 | -272.4 |



NIPPON STEEL

## Net Profit, ROE, Financial Health Indicators

## Net Profit, ROE

Medium- to Long-term Management Plan FY2025 target ROE : Approx.10\%



## ROIC, Invested Capital


0.86

D/E



* NOPAT= business profit x ( 1 - effective tax rate)

Invested Capital( $\left.*^{*} 1\right)=$ 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

## Agenda

1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitabilitv even in varving external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

# Toward the realization of $¥ 1$ trillion underlying consol. business profit and $100 \mathrm{Mt} / \mathrm{Y}$ 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 $¥ 1 \mathrm{tn}$. model

Consol. business profit (bn. JPY)


Establishment of a Resilient Business Portfolio that Ensures Sustainable Growth


## Roadmap for Growth Strategy



## 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


## Domestic Steel Business Drastic improvement in Break Even Point

1)Sophistication of Order Mix

## 2) Margin

 improvement in direct contract salesResponse 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
added products
High-value
added products Commodities

Production Capacity approx. -20\%
->Selective concentration on certain products

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
Although labor and distribution costs are expected to increase, pursue appropriate margins by reflecting these costs on selling prices.

3) Facility Structural Measures

| At the | At the |
| :--- | :--- |
| end of | end of |

Total number of
end of
FY2022 FY2024 domestic BFs

Annual crude steel
$15->11->10{ }_{\text {Units }}-5$ units $^{2}$
50 -> 43 -> $40-20 \%$
Mt/Y

Cost reduction
FY2020 to FY2023 100.0 Bn . JPY//

Bn. JPY/Y production capacity
(Non consol. Nippon

## Domestic Steel Business

Sophistication of Order Mix

Steadily increasing the number of high value-added products

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





ZEXEED $^{\text {TM }}$, ZAM $^{\circledR}$, SuperDyma ${ }^{\text {TM }}$ (Corrosion resistant coated steel sheet)

 -NM, rNm rinm rinm Nกำกำ

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





## ALSHEET ${ }^{\text {TM }}$

(Hot-dipped Al/Si alloy steel sheet)


High-tensile GA
(Alloyed \& galvanized steel sheet)


13Cr, high alloy seamless pipe


## Overseas Steel Business <br> P/L Trend (Underlying Basis)



## Overseas Steel Business EBITDA Trends of Main Overseas Businesset





NIPPON STEEL

## Overseas Steel Business

Toward the vision of

To expand steel production into :
$>$ Markets where steel demand growth is promising
> Markets where Nippon Steel's technologies and products are highly appreciated

To expand integrated steel mill and create added value from the upstream

To acquire brownfield production bases through M\&A

Diversify Nippon Steel's global footprint by three primary geographies


As of Mar. 2023
Unit: Mt/Y


## Growing India


the US Largest market of high-grade steel
Home market ASEAN

## Downstream

Responding to local demand for highgrade 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

GSteel GJS

## Realize further growth of U. S. Steel by combining 23 strengths of both companies

## Contribute to benefits for all the stakeholders of U. S. Steel by expanding its cash flow

## Honor the history and brand

Continuation of the "United States Steel" name, brand, and the Pittsburgh, PA headquarters after acquisition
Contribute technologies as well as R\&D progress as a wholly-owned subsidiary
Bring fresh investment and innovation to U.S. blast-furnace facilities and BRS and to strengthen its current products and services


## Overseas Steel Business Contribute to benefits for all stakeholders

- All-cash offer of 55\$/share for U. S. Steel shareholders


- Dec. 18, 2023

Merger Agreement signed

- Establishing a wholly-owned subsidiary of Nippon Steel, merging it with U. S. Steel, which will become the surviving company. U. S. Steel shareholders will receive cash in exchange for U. S. Steel shares.
-> U. S. Steel will become a wholly-owned subsidiary of Nippon Steel.


## $\$ 55$ per share - $40 \%$ premium over $\$ 39.33$ per share on the business day prior to announcement $(12 / 15)$

\section*{Offer price <br> | Equity | \$14.1 bn |
| :---: | :---: |
| Value | (approx. $\mathbf{\$ 2 , 0 1 0 ~ b n ) ~}$ |

Financing, Impact on financial strength

- All-cash offer for U. S. Steel shareholders
- Enterprise value of $\$ 14.9$ bn (approx. $¥ 2,120 \mathrm{bn}$ ), including the assumption of debt
- 744 \$/one ton of crude steel production capacity ( $=\$ 14.9 \mathrm{bn} / 20 \mathrm{Mnt}$ ) (
Acquisition
Scheme
Offer price
- Bridge Finance for the transaction has been committed by leading Japanese banking institutions, and, in connection with the closing, these banking institutions may fund the financing in a combination of U.S. dollars and yen
- Debt/equity ratio to go to 0.9 (from $0.5\left(^{*}\right)$ ) due to transaction payment (*) based on $9 / 30 / 23$ balance sheet
- Nippon Steel will aim to quickly recover to a debt/equity ratio of 0.7 or less through consolidated earnings and cash flow including U. S. Steel, and appropriate financing.


## Overseas Steel Business <br> Progress

## Working towards a successful closing of the acquisition

Dialogue with
U. S. Steel's

Stakeholders

> U. S. Steel Shareholders
> Meeting

Regulatory process
> On January 24, 2024, U. S. Steel filed its Preliminary Proxy Statement with the SEC for the requisite approval of the acquisition at a shareholders meeting to be held on a future date
> Our proposed acquisition of U. S. Steel was announced on December 18, 2023
> Since then, we have been engaging with U. S. Steel's stakeholders through activities led by NSC executives focused on the benefits to all stakeholders
> The acquisition will enhance U. S. Steel's operations, the broader U.S. steel competitive landscape and the many industries that rely on it
$>$ We and U. S. Steel are pursuing required regulatory approvals in the United States and other jurisdictions

Closing upon receipt of regulatory approvals
(Expected to close in the second or third quarter of 2024)

Raw Material business P/L Trend (Underlying Basis)



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

## Raw Material business

Completion to Invest in
Steelmaking Coal Business in Canada
Nippon Steel to indirectly acquire a 20\% interest in Elk Valley Resources ("EVR JV") (the "Investment"), a newly-formed partnership sold by Teck, the second largest producer of high-quality steelmaking coal in the world

Head Office Vancouver, British Columbia, CANADA
Major coal Fording River, Elkview, mines Greenhills, Line Creek

Production capacity

Approx. 25-27 million tons / year
1.34bn.USD (approx. 200bn.JPY)
(Nippon Steel's existing interest in Elkview (2.5\%) will be


Large scale open pit coal mine

Acquisition Value
exchanged as part of the Investment)

## Jan. 2024 Completion of acquisition

Investment amount paid
$\Rightarrow$ plan to incorporate EVR JV Jan.-Mar. profits into Nippon Steel's consolidated business profit On the basis of its equity interest from Q1 FY2024
$>$ Participate in decision making process of the steelmaking coal business
( holding a right of veto over important decisions )
> Enter into a long-term coal offtake rights agreement upon completion of the Investment, enabling long-term and stable hard coking coal procurement NIPPON STEEL

Raw Material business
Appendix: Financial results of Teck Resources Limited

## Jan.-Sep. 2023 Gross Profit (Steelmaking coal business unit) : approx. 2.9 bn. CAN\$/9m (approx. 300bn. JPY/9M)


> 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 |  | par | Year ticipated | $\begin{gathered} \text { Equity } \\ \text { ratio } \end{gathered}$ | Major shareholder | $\begin{gathered} \text { Capacity } \\ \text { NTt/ } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Iron ore, pellet | Australia | Robe River | 1977 | 14.0\% | Rio Tinto 53.0\% | 70 |
|  | Brazil | NIBRASCO | 1974 | 33.0\% | VALE 51.0\% | 10 |
| Coal | Australia | Moranbah North *1 | 1997 | 6.25\%** | Anglo American 88.0\% | 12 |
|  |  | Warkworth | 1990 | 9.5\% | Yancoal 84.5\% | 8 |
|  |  | Bulga | 1993 | 12.5\% | Glencore 85.9\% | 7 |
|  |  | Foxleigh | 2010 | 10.0\% | Middlemount South70.0\% | 3 |
| Carbon Neutral production processes will require a certain amount of coking coal |  | Boggabri | 2015 | 10.0\% | Idemitsu Kosan 80.0\% | 7 |
|  |  | Coppabella and Moorvale | 1998 | 2.0\% ${ }^{*}$ | Peabody 73.3\% | 5 |
|  | Canada | Elk Valley Resources | 2024 | 20.0\% | Glencore(prospective) 77.0\% | 27 |
| Others(Niobium) | Brazil | CBMM | 2011 | 2.5\% | Moreira Salles 70.0\% | 0.15 |

Iron ore

Coal

Ratios of raw materials Total procurement procured from invested mines (FY2022) -> Aiming further growth in the ratios of raw Approx. 20\%

$$
\text { Approx. } 50 \mathrm{mt}
$$ materials procured from invested mines

[^1]
## Other Group Companies P/L Trend (Underlying Basis)

Business profit of other group companies


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

## Other Group Companies Initiatives of Nippon Steel Trading

NIPPON STEEL 32 TRADING

## Pursue synergies by further strengthening collaboration with our group

Streamline and strengthen the trading company's functions across the group
Strengthen direct sales capabilities by integrally utilizing sales know-hows and infrastructure

## Further sophisticate the supply chain

Measures under consideration and efforts
>Priority allocation of sales forces of both companies to new demand fields
> Enhancement of the efficiency of sales administration works
> Accelerating the collaboration in Overseas Offices
> Started portal site (NST Business Online) for information collaboration with business partners
> Establishment of steel service center for high-grade ESS in Mexico (Jan. 17 ${ }^{\text {th }}, 2023$ released) NIPPON STEEL TRADING COIL CENTER MEXICO S.A. DE C.V. is established on Oct-2023
4 slitting lines(Production capacity: 0.12 M tons/year) are under construction->To be in operation in Apr. 2025
$>$ Expansion of steel service center in India (Oct. $11^{\text {th }}, 2023$ released)
Expanded Factory No. 2 with Slitters, levelers, and presses (9 pieces of equipment in total), to be in operation in Aug-2023
$>$ Merger of NS Kenzai Hanbai Co., Ltd with SK Co., Ltd (Temporary Seating Manufacturer) (Jan. 10 ${ }^{\text {th }}, 2024$ released)
$>$ Transfer of automotive steel tube cutting and processing business from SAKAISHIN, Ltd to NST Mechanical Tubular Products Sales Co., Ltd (Dec. $1^{\text {st, }}, 2023$ released)

Investment in Norwegian company HYSTAR, manufacturer of water electrolysers for hydrogen production (Jan. $17^{\text {th }}, 2023$ released)

Business profits of three non-steel segments

*excl. inventory valuation from FY2023(f) as of Aug. $4^{\text {th }}$ FY2022(excl. inventory valuation) :11.4bn.JPY

3 Non-steel Segments Earnings Summary

Nippon Steel Engineering

| Bn. JPY | H2 | $\begin{gathered} \text { FY } \\ 2022 \end{gathered}$ | H1 | Q3 | $\begin{aligned} & \mathrm{H} 2 \\ & (\mathrm{f}) \end{aligned}$ | Prev. forecast | $\begin{gathered} \text { FY } \\ 2023 \\ \text { (f) } \\ \hline \end{gathered}$ | Prev. forecast |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |
| Order intake | 259.3 | 431.4 | 157.5 | 69.3 | 162.5 | [182.5] | 320.0 | [340.0] |
| Revenue | 188.1 | 352.2 | 175.4 | 109.6 | 244.6 | [224.6] | 420.0 | [400.0] |
| Business profit | 6.3 | 11.6 | (5.4) | 0.6 | 10.4 | [10.4] | 5.0 | [5.0] |

Nippon Steel Chemical \& Material

| Bn. JPY | H2 | $\begin{gathered} \text { FY } \\ 2022 \end{gathered}$ | H1 | Q3 | $\begin{aligned} & \mathrm{H} 2 \\ & \text { (f) } \end{aligned}$ | Prev. forecast | $\begin{gathered} \text { FY } \\ 2023 \end{gathered}$ <br> (f) | Prev. forecast |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | 129.6 | 274.5 | 132.8 | 64.2 | 127.2 | [127.2] | 260.0 | [260.0] |
| Business profit | 2.4 | 16.1 | 10.8 | 1.5 | 3.7 | [3.7] | 14.5 | [14.5] |
| Underlying | 4.1 | 11.4 | 7.9 | 1.5 | 3.1 | [3.1] | 11.0 | [11.0] |

$>$ Although sales is expected to improve from the previous year due to progress of large projects ordered up to the previous year, including offshore wind power generation facilities, waste power generation facility and logistics facilities, BP is expected to decrease from the previous year due to impact of crane failures on offshore work vessels owned by the company.

Sales decreased from the previous year due to sluggish market conditions for needle coke and prolonged adjustment phase in the electronic materials field.
$>$ Despite the severe demand environment, sales and profit expected to equal to the previous year due to an impact from Yen depreciation and cost improvement efforts.
> 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

## NIPPON STEEL ENGINEERING



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

Ratio of sales regarding
decarbonization and $\mathrm{CO}_{2}$ reduction 2023 forecast

> 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.

$>$ 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

11 NS Solutions


Revenue of focus domains(bn. JPY ) 160.0

## Agenda

1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

## Providing two types of values by progressing toward carbon neutrality

## NIPPON STEEL

Innovative action for sustainability

## Solution

Advanced products and technical solutions that contribute to reducing $\mathrm{CO}_{2}$ emissions in society

NSCarbolex ${ }^{\text {" }}$
Neutral
steel products $\mathrm{CO}_{2}$ emissions savings in the steelmaking process are allocated.

|  |  |  |  |
| :---: | :---: | :---: | :---: |
| Reduce $\mathrm{CO}_{2}$ emissions at <br> the time of production <br> and processing by <br> customers | Reduce $\mathrm{CO}_{2}$ emissions <br> at the time of use of <br> customers' products <br> made from our steel | Contribute to <br> energy <br> conversion in <br> society | Reduce $\mathrm{CO}_{2}$ emissions as a steel <br> supplier for our customers |
| soms | 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)
Increase in order intakes for NSCarbolex ${ }^{\text {TM }}$ Neutral, a steel product that contribute
to $\mathrm{CO}_{2}$ emission reduction at the customer's upstream process(SCOPE3)

NSCarbolex ${ }^{\text {TM }}$ Neutral steel products $\mathrm{CO}_{2}$ emissions savings in the steelmaking process are allocated

| Release | Order from | Usage | Products Applied |
| :---: | :---: | :---: | :---: |
| Sep. 21 ${ }^{\text {st, }} 2023$ | Sobajima Can Company | Canday Can | Tinfree Steel |
| Sep. $28^{\text {th }}, 2023$ | 85 Degrees Renewables(Netherland) | Geothermal development project in Netherland | Super 13Cr(Chrome) for Line Pipe |
| Oct. 19 ${ }^{\text {th }}, 2023$ | Hisaka Works | Plate-type heat exchanger to be used at the OsakaKansai Japan Expo | Plates(frame), Bar(tightening bolt), Titanium steel sheets(plate) |
| Oct. $23{ }^{\text {rd }}, 2023$ | Atago-Body | Container for transporting recycled resources "Ecology Box(E/B)" | Abrasion resistant steel plate "ABREX ${ }^{\text {TM" }}$ |
| Oct. $30^{\text {th }}, 2023$ | GE Vernova | Converter <br> to be utilized in Grid Solution business | Grain-Oriented Electrical Steel sheets |

Dec. $11^{\text {th, }}$, 2023 \begin{tabular}{c}
STEELARIS <br>
(steel wholesaler in Singapore)

$\quad$

Oil \& Gas projects, <br>
Construction, Offshore structures
\end{tabular}

Dec. $21^{\text {st, }}, 2023$

## YANGLING METRON <br> NEW MATERIAL <br> (China)

## Diamond wires

to quarry wafers, such as photovoltaic wafers from
silicon ingots.

## Plate

 Construction, Offshore structures
## Wire

Torsia-type ultra-high strength bolt SHTB ${ }^{\text {TM }}$

Bar, Wire

, and many others...

## Hydrogen injection into BF Progress of Super COURSE50 Technology Development

## Super COURSE50 development test in a small test furnace at Kimitsu area in East Nippon Works verified the world's highest level of $\mathrm{CO}_{2}$ emissions reduction effect of heated hydrogen injection by 33\%. <br> (Feb. 6 ${ }^{\text {th }}, 2024$ Released)

*Demonstration of Hydrogen injection into BF using heated hydrogen is an


NIPPON STEEL


## 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

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


On Dec. 24 ${ }^{\text {th, }}$ 2021, the Green Innovation Fund Project was accepted, which had been co-proposed to NEDO* by Nippon Steel, JFE Steel, Kobe Steel, and JRCM**.

[^2]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.

## Carbon Neutral Process



## Agenda

1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

# HR and PR Initiatives to Recruit from and Retain Diverse Talent 

## Change in the labor market

Promoting various strategies toward 100 Mt and $¥ 1 \mathrm{tn}$. 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 Insourcing steel distribution as a new business domain
$>$ Take on the challenge of carbon neutral steel
> Promote digital transformation strategies

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

- 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


## <Major initiatives already taken>

| Recruitment | - Increasing the mandatory retirement age to 65 (since FY2021) <br> - Recruitment of post doctors (since FY2006) |
| :---: | :---: | :---: |
| Employee | - 24-hour available as necessary childcare centers at steelworks (Oita, <br> Kimitsu, Yawata, Nagoya, Hirohata, Kashima, and Muroran as of end <br> of FY2021) |
| support |  |
| - 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) |  |

<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. )


## Progress of HR and PR measures

## To further develop strengthening and diversification of recruiting approaches



## 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


## Improving the conditions of treatment of employees

Even in the midst of unprecedentedly severe business environment, NSC plans to raise compensation conditions to "secure human resources and promote their active roles" (under consideration)
-> Aiming to maximize the potential of employees and further improve their productivity and abilities

## HR \& PR initiatives

$>$ As part of measures to increase awareness among a wide range of generations "The World is Made of Steel," a corporate commercial was intensively aired in Feb., following Oct..
> Various activities are underway, including advertising measures closely tailored to each region.

## 1. Nationwide and metropolitan advertising measures

- TV ads: Feb.1 ${ }^{\text {st }} \sim$ Nationwide commercial broadcast
* Continue to be broadcast on the programs below: Every Wednesdays "Hodo Station" on TV-Asahi affiliate Every Wednesdays "Umikoi: What we can do for the sea now,"

2. Advertising measures in each area of Japan (major ones below:)

Kyushu Steelworks area:
Kokura Station Digital Signage
Kyushu University Gakkentoshi Station escalator jack
Oita Airport signage
Fukuoka International Airport signage, etc.

- East Nippon Steelworks area:

Digital signage at Naoetsu and Takada stations
Monitors at Ibaraki Airport
3: Cooperation in the publication of a book related to the Company

- For the publication of Nikkei BP's book, "The Reincarnation of Nippon Steel Corporation: How a Giant Ship Was Revived", NSC provided full cooperation in interviews with internal personnel and coverage of manufacturing bases, including those overseas.
- Additionally printed on January 22, immediately after release.



## Agenda

1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

## 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



## Business Environment Steel Demand in China

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


NIPPON STEEL

## Business Environment Raw Materials Market Prices

## [Fine iron ore]

$>$ The price rose to the $\$ 140$ range in Nov. due to continuance of high level of pig-iron production in Chinese steel companies and announcement of additional government bond issuance in the amount of 1 trillion RMB
$>$ It turned to drop around $\$ 130$ due to production decline and prospective views toward deflation.

## [Coking coal]

$>$ The price soared to the level of $\$ 360$ (Currently around $\$ 330$ ) from Aug. 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 easily normalized, considering steadily expanding steel demand in India, chronic labor force shortage in coal supplying counties, and etc..


(US\$/wmt,FOB) Contract price: long-term trend
500
400
300
200
100
0


## 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
$>$ Decoupled pricing mechanism of commodity-grade steel products from raw materials has been manifested
$>$ HRC spread has been slightly recovered from that of last Oct., but it remains historically small.
$>$ The profitability of HRC for Asian steelmakers seems to be severely low.


## Business Environment HRC prices in main markets

China


(JPY/S)

(RMB/\$)


Japan
(Standard: 1.6xS)

India

(INR/\$)


$\qquad$
U.S.


## 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.



## 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.

| Domestic Steel Business | -) Negative | Excess of import to export Q3 FY2023 0.9 bn. USD/Q (import 4.2 - export 3.3) |
| :---: | :---: | :---: |
| 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 |  |



NIPPON STEEL

## U. S. Steel Acquisition Overview of U. S. Steel

> Leading integrated BF and EAF manufacturer in the U.S. mainly Flat-Rolled sheets including for auto
$>$ Currently constructing Big River 2, which will increase EAF capacity and capability
$>$ Leveraging own iron ore mines, self-sufficient in pellets for BFs and EAFs, and pig iron for EAFs

|  | U.S. | Europe | Total |
| :---: | :---: | :---: | :---: |
| Headquarters | Pittsburgh, Pennsylvania, USA (remain unchanged after acquisition) |  |  |
| Manufacturing bases | ```<Flat-Rolled> : Gary (Indiana), Mon Valley (Pennsylvania), Granite City (Illinois), Great Lakes (Michigan), PRO-TEC (Ohio) <Mini-Mill>: Big River Steel (Arkansas) <Tubular> : Fairfield (Alabama)``` | Košice <br> (Slovakia) |  |
| Product types | Steel sheets(Hot-rolled sheets, Cold-rolled sheets, Galvanized Sheets, Tin plate, Electrical steel sheets), Pipes and tubes(Seamless pipes) |  |  |
| Raw Steel Production Capability | $15.8 \mathrm{Mt} / \mathrm{Y}$ 8 BFs (Including 2 BFs idle) <br> $(17.4 \mathrm{Mst} / \mathrm{Y})$ 3 EAFs (+2 EAFs under construction) | $4.5 \mathrm{Mt} / \mathrm{Y}$ (5.0Mst/Y) | $\begin{gathered} \mathbf{2 0 . 3} \mathrm{Mt} / \mathrm{Y} \\ (22.4 \mathrm{Mst} / \mathrm{Y}) \end{gathered}$ |
| Raw Steel Production* | $11.7 \mathrm{Mt} / \mathrm{Y}$ <br> (12.9Mst/Y incl. EAF 3.0Mst, EAF ratio $17 \%$ to be expanded in the future) | $\begin{gathered} 4.0 \mathrm{Mt} / \mathrm{Y} \\ (4.4 \mathrm{Mst} / \mathrm{Y}) \end{gathered}$ | $\begin{gathered} 15.7 \mathrm{Mt} / \mathrm{Y} \\ (17.3 \mathrm{Mst} / \mathrm{Y}) \end{gathered}$ |
| Steel shipments * | $10.5 \mathrm{mt} / \mathrm{Y}$ (11.6Mst/Y) | $\begin{gathered} 3.5 \mathrm{Mt} / \mathrm{Y} \\ (3.9 \mathrm{Mst} / \mathrm{Y}) \end{gathered}$ | $\begin{gathered} \text { 14.1 Mt/Y } \\ (15.5 \mathrm{Mst} / \mathrm{Y}) \end{gathered}$ |
| Iron ore mines owned | Minntac, Keetac(Minnesota) |  |  |
| Pellet Production | 20.0Mt/Y (22.1 Mst/Y) <br> All iron ore used in the U.S. is procured from in-house mined pellets. |  |  |
| Net sales * | 14,528m\$/Y | 3,525m\$/Y | 18,053m\$/Y |
| Earnings before income taxes* | 1,047 M / $/ \mathrm{Y}$ |  |  |
| Net earnings* | 895m ${ }^{\text {/ }}$ Y |  |  |
| Active Employees ** End of 2023CY, **2023CY | $13,995$ <br> t : metric ton st: short ton | 7,808 | 21,803 |

U. s. Steel Acquisition Creating new value by combining the technologies of both Nippon Steel and U. S. Steel

|  |  | (UsS) United States Steel Corporation |
| :---: | :---: | :---: |
| Product <br> Technologies | $\checkmark$ Automotive sheets (high-grade), Processing technologies and solutions <br> Electrical steel sheets (high-grade) <br> Highly corrosion-resistant plated steel sheet for building materials (high-grade) <br> Nickel-coated steel sheets | - Automotive sheets <br> Electrical steel sheets <br> Highly corrosion-resistant steel sheet for building materials |
| Operational, Equipment Technologies | - Quality and Cost improvement technologies Energy-saving technologies Automation Technologies <br> - Technologies to recycle | State-of-the-art thin-slab continuous casting and hot rolling facilities <br> Maintenance technologies for integrated blast furnace facilities |
| Decarbonization Technologies | EAF process technologies (Mass production of highgrade steels) <br> BF Hydrogen Reduction Technologies <br> - "NSCarbolex ${ }^{\text {TM }}$ Neutral" steel products $\mathrm{CO}_{2}$ emissions savings in the steelmaking process are allocated | EAF Process Technologies <br> Decarbonized raw material production technologies <br> "verdex тм " has a reduced carbon footprint of 7080\% |

## After acquisition, study the detail of the potential synergy

U. S. Steel Acquisition U. S. Steel : Volume, Price Trend



# U. S. Steel Acquisition U. S. Steel : Balance Sheet, Cash Flows ${ }^{59}$ Balance Sheet 

(The end of Dec. 2023) Units: M\$
Total assets: 20,451
Shareholders' Equity : 11,047 Minority Interest : 93


NIPPON STEEL

## Other topics <br> DX Promotion - Steel casting scheduling system

## As an initiative in "Production Planning DX," NSC constructed steel casting scheduling system by utilizing mathematical optimization technology*

$>$ Full-scale operation started at Kimitsu Area of East Nippon Works.
> Plans to sequentially expand to mills with refining and casting processes. [Conventional Work flow]

* Mathematical optimization technology A mathematical method to select the best of many alternatives under given constraints


NIPPON STEEL

# 1470MPa grade cold-rolled high tensile steel is adopted for the first time in the integrated lightweight A-pillars of Suzuki's new models. 

[Conventional approach] 5 parts to be molded and welded


Lightweight A-pillars Photo provided by Suzuki Corp.


New model "SPCIA" Photo provided by Suzuki Corp.


Enabled processes that previously required forming and welding of five parts to be formed in a ONE part by realizing both high strength and processability through precise composition design and microstructure control of steel materials.

Worked with Suzuki and Bellsonica* to solve delayed fracture and spot weldability issues
*Auto parts supplier

Contributed to weight reduction of vehicle bodies and reduction of secondary processes

[^3]
## Reduction of $\mathrm{CO}_{2}$

emissions when driving

Significant cost
decrease

## "Creation of Sea Forest" - Regeneration of Seaweed Bed by Steel Slag Launched on 21 sites nationwide in FY2023

Creation of With the aim of regenerating seaweed bed as a countermeasure to sea Sea Forest desertification across Japan's coasts, Nippon Steel has used steel slag, or a byproduct from steelmaking process, to supply iron nutrition to the sea。


In FY2023, Iron Supply Units were installed at 21 locations (15 are new cooperative partners: marked with $\star$ ). Continuous surveys of changes in iron concentration in seawater and seaweed growth before and after installation will be conducted to accumulate basic data. Further promotion of seaweed bed creation is planned.
[Some installations in FY2022]

Shikabe town, Hokkaido Cooperation with Shikabe Japan Fisheries cooperatives(JF)

Shima-City, Mie Pref.
Cooperation with Mie Outer Bay JF

Just after installation
(Oct. 2022)


About half an year later
(May 2023)


## Sharp cost hike due to coking coal price soar and progress of yen depreciation

$>$ 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 sharp depreciation, the raw material cost in JPY has soared



## Other topics

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)
2H 2022
(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
(3)

|  | 1 H 22 | 2 H 22 | 1 H 23 | 2 H 23 |
| :---: | :---: | :---: | :---: | :---: |
| Change in the cost after negotiation | Rise | Drop | Drop | Rise |
| Difference from appropriate level of margin | Smaller | Larger | Lager | Smaller |

NIPPON STEEL

## Agenda

1. Q3 FY2023 Earnings Summary and FY2023 Earnings Forecast Summary / Additional Line Items, Net Profit / Dividend
2. Establishing an Enduring Business Structure

Creating a business framework that maintains consistent profitability even in varying external conditions

- 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. References(Business Environment \& Other Topics)
6. Supplementary Materials for Financial Results

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



NIPPON STEEL

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



NIPPON STEEL

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

| (Bn. JPY) | FY22 | FY23(f) | Change |
| :---: | :---: | :---: | :---: |
| Business Profit | 916.4 | 800.0 | -116.4 |
| Underlying profit | 734.0 | 890.0 | +156.0 |
| 1) Domestic | 222.0 | 355.0 | +133.0 |
| 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 : +0.75 Mt
(34.25 -> approx.35.00)

Excl. BF relining impact : +0.35 Mt
(34.65 -> approx.35.00)

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

Excl. BF relining impact : +0.13 Mt
(31.87 -> approx. 32.00)
*2 Incl. the impact of FX, and carry over -9.0 (63.0 -> 54.0)
*3 Improve: Trading, etc.
*4 Engineering -6.6, etc.
*5 Incl. increase in depreciation cost -13.0,
Impact of definition change in underlying profit of
Chemical \& Materials -4.0


## Business Profit Variance (1-3Q FY22 vs. 1-3Q FY23)

| (Bn. JPY) | 1-3Q FY22 | 1-3Q FY23 | Change |
| :---: | :---: | :---: | :---: |
| Business Profit <Underlying Profit> | $\begin{aligned} & 761.8 \\ & 520.0 \end{aligned}$ | $\begin{aligned} & 692.3 \\ & 728.0 \end{aligned}$ | $\begin{array}{r} -69.5 \\ +208.0 \end{array}$ |
| Steel <br> Non-steel <br> Adjustment | $\begin{array}{r} 725.9 \\ 45.3 \\ (9.5) \end{array}$ | $\begin{array}{r} 665.8 \\ 31.5 \\ (5.0) \end{array}$ | -60.1 -13.8 +4.5 |

*1 Crude steel production: +0.65 MMT(25.63 -> 26.28)
Excl. BF relining impact: +0.25 MMT (26.03 -> 26.28)
Steel shipment: +0.46 MMT (23.67-> 24.13 )
Excl. BF relining impact: +0.06 MMT (24.07-> 24.13)
*2 Incl. the impact of FOREX, and
carry over -23.0 (59.0-> 36.0)
*3 Improve: Trading, Operational support, etc.
*4 Engineering -11.3, Chemicals \& Materials -0.05,
*5 Incl. increase in depreciation cost -9.0,
Impact of definition change in underlying profit of Chemical \& Materials -6.0


[^4]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 are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in 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.

## Additional Information and Where to Find It

This presentation relates to the proposed transaction between the United States Steel Corporation ("U. S. Steel") and Nippon Steel Corporation ("NSC"). In connection with the proposed transaction, U. S. Steel has filed and will file relevant materials with the United States Securities and Exchange Commission ("SEC"), including U. S. Steel's proxy statement on Schedule 14A (the "Proxy Statement"), a preliminary version of which was filed with the SEC on January 24, 2024. The information in the preliminary Proxy Statement is not complete and may be changed. The definitive Proxy Statement will be filed with the SEC and delivered to stockholders of U. S. Steel. U. S. Steel may also file other documents with the SEC regarding the proposed transaction. This presentation is not a substitute for the Proxy Statement or for any other document that may be filed with the SEC in connection with the proposed transaction. The proposed transaction will be submitted to U. S. Steel's stockholders for their consideration. BEFORE MAKING ANY VOTING DECISION, U. S. STEEL'S STOCKHOLDERS ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT (A PRELIMINARY FILING OF WHICH HAS BEEN MADE WITH THE SEC), AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT U. S. STEEL, NSC AND THE PROPOSED TRANSACTION.
U. S. Steel's stockholders will be able to obtain free copies of the preliminary Proxy Statement and the definitive Proxy Statement (the latter if and when it is available), as well as other documents containing important information about U. S. Steel, NSC and the proposed transaction once such documents are filed with the SEC, without charge, at the SEC's website (www.sec.gov). Copies of the Proxy Statement and the other documents filed with the SEC by U. S. Steel can also be obtained, without charge, by directing a request to United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania 15219, Attention: Corporate Secretary; telephone 412-433-1121, or from U. S. Steel's website www.ussteel.com.

## Participants in the Solicitation

NSC, U. S. Steel and their directors, and certain of their executive officers and employees may be deemed to be participants in the solicitation of proxies from U. S. Steel's stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of U. S. Steel who may, under the rules of the SEC, be deemed participants in the solicitation of U. S. Steel's stockholders in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the Proxy Statement, a preliminary version of which was filed with the SEC on January 24, 2024. Information about these persons is included in each company's annual proxy statement and in other documents subsequently filed with the SEC, and was included in the preliminary version of the Proxy Statement filed with the SEC. Free copies of the Proxy Statement and such other materials may be obtained as described in the preceding paragraph.

## Forward-Looking Statements

This presentation contains information regarding U. S. Steel and NSC that may constitute "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995 and other securities laws, that are subject to risks and uncertainties. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in those sections. Generally, we have identified such forward-looking statements by using the words "believe," "expect," "intend," "estimate," "anticipate," "project," "target," "forecast," "aim," "should," "plan," "goal," "future," "will," "may" and similar expressions or by using future dates in connection with any discussion of, among other things, statements expressing general views about future operating or financial results, operating or financial performance, trends, events or developments that we expect or anticipate will occur in the future, anticipated cost savings, potential capital and operational cash improvements and changes in the global economic environment, the construction or operation of new or existing facilities or capabilities, statements regarding our greenhouse gas emissions reduction goals, as well as statements regarding the proposed transaction, including the timing of the completion of the transaction. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Forward-looking statements include all statements that are not historical facts, but instead represent only U. S. Steel's beliefs regarding future goals, plans and expectations about our prospects for the future and other events, many of which, by their nature, are inherently uncertain and outside of U. S. Steel's or NSC's control. It is possible that U. S. Steel's or NSC's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Management of U. S. Steel or NSC, as applicable, believes that these forward-looking statements are reasonable as of the time made. However, caution should be taken not to place undue reliance on any such forwardlooking statements because such statements speak only as of the date when made. In addition, forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from U. S. Steel's or NSC's historical experience and our present expectations or projections. Risks and uncertainties include without limitation: the ability of the parties to consummate the proposed transaction on a timely basis or at all; the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreement and plan of merger relating to the proposed transaction (the "Merger Agreement"); the possibility that U. S. Steel's stockholders may not approve the proposed transaction; the risks and uncertainties related to securing the necessary stockholder approval; the risk that the parties to the Merger Agreement may not be able to satisfy the conditions to the proposed transaction in a timely manner or at all; risks related to disruption of management time from ongoing business operations due to the proposed transaction; certain restrictions during the pendency of the proposed transaction that may impact U. S. Steel's ability to pursue certain business opportunities or strategic transactions; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of U. S. Steel's common stock or NSC's common stock or American Depositary Receipts; the risk of any unexpected costs or expenses resulting from the proposed transaction; the risk of any litigation relating to the proposed transaction; the risk that the proposed transaction and its announcement could have an adverse effect on the ability of U. S. Steel or NSC to retain customers and retain and hire key personnel and maintain relationships with customers, suppliers, employees, stockholders and other business relationships and on its operating results and business generally; and the risk the pending proposed transaction could distract management of U. S. Steel. U. S. Steel directs readers to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and Form 10-K for the year ended December 31, 2023, and the other documents it files with the SEC for other risks associated with U. S. Steel's future performance. These documents contain and identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements. Risks related to NSC's forward-looking statements include, but are not limited to, changes in regional and global macroeconomic conditions, particularly in Japan, China and the United States; excess capacity and oversupply in the steel industry; unfair trade and pricing practices in NSC's regional markets; the possibility of low steel prices or excess iron ore supply; the possibility of significant increases in market prices of essential raw materials; the possibility of depreciation of the value of the Japanese yen against the U.S. dollar and other major foreign currencies; the loss of market share to substitute materials; NSC's ability to reduce costs and improve operating efficiency; the possibility of not completing planned alliances, acquisitions or investments, or such alliances, acquisitions or investments not having the anticipated results; natural disasters and accidents or unpredictable events which may disrupt NSC's supply chain as well as other events that may negatively impact NSC's business activities; risks relating to CO2 emissions and NSC's challenge for carbon neutrality; the economic, political, social and legal uncertainty of doing business in emerging economies; the possibility of incurring expenses resulting from any defects in our products or incurring additional costs and reputational harm due to product defects of other steel manufacturers; the possibility that we may be unable to protect our intellectual property rights or face intellectual property infringement claims by third parties; changes in laws and regulations of countries where we operate, including trade laws and tariffs, as well as tax, environmental, health and safety laws; and the possibility of damage to our reputation and business due to data breaches and data theft. All information in this presentation is as of the date above. Neither U. S. Steel nor NSC undertakes any duty to update any forward-looking statement to conform the statement to actual results or changes in U. S. Steel's or NSC's expectations whether as a result of new information, future events or otherwise, except as required by law.


[^0]:    *1 One-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 FY2023 for losses of crane failures on offshore work vessels in Engineering segment.

[^1]:    *1 Grosvenor mine was integrated with Moranbah North in 2020
    *2 Incl. the following increase in Equity ratio of Nippon Steel Trading Moranbah North 1.25\%, Coppabella and Moorvale 2.00\%

[^2]:    *NEDO: New Energy and Industrial Technology Development Organization
    **JRCM: The Japan Research and Development Center for Metals

[^3]:    Reduction of $\mathrm{CO}_{2}$ emissions during parts manufacturing

[^4]:    NIPPON STEEL

