

**Nippon Steel Corporation, 3Q of FY2025 IR Briefing  
(February 5, 2026)  
Summary of Q&A<sup>1</sup>**

Presented by:

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**◆Business Strategy, Performance**

**Q Will the one-off impact of -¥70.0 billion included in the FY2025 forecast be eliminated in FY2026? Please provide an update on the current situation and the outlook going forward (IR Presentation Materials, page 5).**

A Regarding the expected elimination of the -¥70.0 billion one-off impact. First, for the one-off effects/causal factors of -¥20.0 billion for U. S. Steel, the two coke ovens that had been shut down due to the accident have already resumed operation, so this issue will not carry over into FY2026. As for the purchaser's repudiation of the pellet supply contract, we plan to secure alternative purchasers and believe we can recover that volume. Next, regarding the troubles that occurred at our North Nippon Works Muroran Area in September and December. The trouble in September, caused by blast furnace instability (-¥10.0 billion), has already moved to restore operations promptly, and we do not expect any carryover into the next fiscal year. The December trouble (-¥40.0 billion) was caused by damage to a hot blast stove, a piece of blast-furnace ancillary equipment, which led to scattered internal bricks reaching the furnace's control room and causing a fire. The blast furnace has been shut down for restoration work, and we expect to have a recovery plan in place by early March, with blast furnace operations resuming by the end of March. In terms of the impact on FY2026, while there may be some minor effects during the full ramp-up phase in April, you may expect this to be largely resolved within the fiscal year.

**Q Regarding the -¥20.0 billion deterioration in the business environment compared to the previous forecast (IR Presentation Materials, page 5). For direct sales contracts, how much of the impact from the rise in coking coal prices—after selling prices were set—can be recovered over the next six months or so? While coking coal prices may stabilize by spring, prices of other raw materials such as zinc are also rising. If this trend continues, cost pressures could reach around ¥10,000 per ton into the next quarter, making steel price increases inevitable. What are your thoughts on this?**

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<sup>1</sup> Based on information as of the date of the briefing.

A Coking coal prices has risen more than expected, and this is likely impacted by factors such as cyclones in Australia and operational issues at mines. In the domestic direct sales contract business, selling prices were set at the beginning of the fiscal year, and the subsequent surge in coking coal and other costs has temporarily compressed spread. However, we believe we can recover this in FY2026. We will continue to closely monitor trends in raw materials and other relevant factors.

**Q Regarding underlying business profit of the overseas steel business (IR Presentation Materials, page 17). This time, the forecast for underlying profit remains unchanged at ¥40.0 billion for not only U. S. Steel but also for the overseas business as a whole from the previous forecast. This implies a weaker profit outlook in the second half compared to the actual results of first half, making it difficult to assess future earnings prospects and the potential for changes in the overseas steel business. We understand that you have previously incorporated profit-growth factors from self-help efforts in the overseas steel business and raw materials businesses. As we look ahead to the next fiscal year and beyond, what variable factors can you currently identify? Given that the 2030 Medium- to Long-term Management Plan sets out a long-term vision of ¥500.0 billion in underlying business profit for the overseas steel business, we hope to see steady improvements through milestone-based progress. Could you please elaborate on this point.**

A For U. S. Steel, the impact of rising prices in the hot-rolled coil (HRC) market is subject to a timing lag before being reflected in earnings, and uncertainty remains due to the severe cold wave that struck in North America in January. Therefore, we have again decided not to factor in any earnings contribution from U. S. Steel at this time. For overseas group companies other than U. S. Steel, their fiscal year ended in December, and results have already been finalized broadly in line with the previous forecast. As such, we have not changed the overall earnings outlook for the overseas business.

In India, AM/NS India faced a challenging fiscal year with sluggish performance. However, demand is steadily increasing, and AM/NS India is expanding its market share. This fiscal year, capacity expansions by major competitors coincided, low-priced imports flowed in from countries such as China and Vietnam, and competition within India intensified; factors such as these resulted in softening steel prices and narrowing spreads. Looking ahead, we expect that the Indian market will at some point enter a phase of supply tightness driven by growing demand and safeguard measures by the Indian government. Therefore, while short-term fluctuations in spreads may continue, we anticipate a recovery trend. In fact, Indian steel prices bottomed out in early December and have since been trending upward; we would like to monitor the situation a bit further. We believe that profits can improve from the current year's level in the next fiscal year.

In the ASEAN region, amid the impact from China and insufficient progress in stabilizing production at G/GJ Steel, earnings remained flat in FY2025. Recently, however, we are seeing improvements in yield and variable costs, and productivity is improving. Once stable production and sales, as well as customer service including delivery, are firmly established, we expect G/GJ Steel's EBITDA to show a steady upward trend. We expect it to return to profitability and contribute to earnings next fiscal year.

While we cannot provide specific figures for the next fiscal year at this time, our overall aim is to shift into a profit growth phase.

**Q The 2030 Medium- to Long-term Management Plan, I understand, outlines a policy of maintaining a certain scale in both domestic market and export, while also securing margins. However, we are currently seeing rapid yen depreciation, volatility in raw material prices, and cost increases beyond the main raw materials. To what extent do you believe you can reflect your strong intention to secure a spread in pricing for next fiscal year? I am also concerned that margins may be sacrificed in a phase prioritizing volume. Please share your thoughts on this concern.**

A I understand this question relates to our domestic steel business. In the domestic direct sales contract business, we will maintain our stance of securing an appropriate spread. On the other hand, in the domestic commodity market business we will pursue both volume and spread to expand total marginal profit; keys to this will be competitiveness in both cost and quality. A major theme is the reorganization of our group companies. Under the 2030 Medium- to Long-term Management Plan, we ask that you view our domestic steel business and group companies together as a "domestic" entity. In practice, we are integrating entities such as Nippon Steel Stainless Steel and Nippon Steel Pipe into our company and shifting to a directly managed structure. We are working to maximize synergies from these efforts and will continue to actively promote initiatives aimed at enhancing the overall capabilities of the group, as explained in the 2030 Medium- to Long-term Management Plan. Ultimately, the basic policy of our domestic steelmaking business is to connect these efforts to an expansion of total marginal profit.

#### ◆Financing

**Q Regarding the outstanding ¥1.3 trillion balance for the U. S. Steel acquisition funding (bridge loan), will the entire repayment be possible using long-term debt?**

A At this time, we would prefer not to comment on how we will address the remaining ¥1.3 trillion bridge loan. We are continuously examining optimal financing options, and we intend to reach a conclusion by the bridge loan maturity in June 2026, after carefully assessing various external factors.

- Q Please comment on your expected cash position following repayment of the bridge loan. Over the past five years, cash relative to monthly sales was roughly equivalent to about one month's sales. Looking ahead to the medium to long term, with large investments planned in U. S. Steel, India, and electric arc furnaces, etc., there appears to be a risk of a declining cash position. If you have any target level of cash to maintain, please inform us of this.**
- A Under the 2030 Medium- to Long-term Management Plan, growth investments and profit improvement investments, including the US\$11.0 billion in capital investment at U. S. Steel, will take precedence, which may result in tighter cash flow in the first half of the period. However, once these investments begin generating returns in the latter half, we anticipate sufficient cash coverage. We will first focus on and thoroughly refine the investment plan going forward, and then determine the appropriate financing approach based on the timing of expenditures and factoring in financial conditions at each point in time. As you pointed out, we will have significant investments planned in both the U.S. and India, so we will make appropriate decisions taking into account currencies, interest rates in each country, and financial conditions.

#### ◆U. S. Steel-related Issues

- Q Please explain the 3Q underlying business loss of ¥18.8 billion (IR Presentation Materials, page 4). Does this figure exclude the effect of an improved U.S. steel market environment? Also, to what extent does it include the impact of the coke oven trouble?**
- A Please note that in 3Q, the U.S. HRC market was at its lowest point, and this downturn is directly reflected in performance. Note that the impact of the coke oven trouble that occurred last August was primarily felt in 2Q and 3Q, and with the majority of its impact being included in 3Q. Furthermore, we had expected some recovery in market conditions heading into 4Q, but positive and negative factors offset each other thereby preventing a significant improvement.
- Q Regarding recent progress in U. S. Steel's initiatives (IR briefing materials, page 20). While the impact of the extreme cold wave in North America is unavoidable, given the recent improvement in U.S. steel market, have there been any developments such as price revisions or order volumes? Also, you mentioned a timing lag between general market movements and their reflection in financial performance. How will the benefits of a U.S. steel market recovery manifest? Should we expect these effects to materialize in the next fiscal year rather than the current one?**
- A We cannot comment on details of the status of price negotiations, but we have dispatched a former head of our automotive sheet sales division in Japan to U. S. Steel. Based on the

pricing strategy we have executed in Japan focused on maintaining and securing appropriate prices and spreads commensurate with the added value of steel products, they are applying the same approach in the U.S. Given the limited number of suppliers in the U.S., conducting robust price negotiations is essential; we also consider this as one of the synergies of the acquisition. Since the closing of this transaction, we have been able to review detailed commercial information at U. S. Steel. Its contract structure, contract duration, and how prices are linked to market conditions have a variety of patterns. While the impact of these efforts will be limited in the current fiscal year, we intend to maximize the benefits of the ongoing price negotiations in the next fiscal year and reflect them in U. S. Steel's earnings outlook.

**Q The previous forecast was revised downward (excluding one-off effects/causal factors, by ¥50.0 billion) due to a drop in the U.S. HRC market from US\$850–860 to around US\$800. On the other hand, while the U.S. HRC market has risen to a level higher than at the time of the 1Q announcement, you explained that you cannot quantify the impact due to the timing lag and the extreme cold wave in North America. What is your outlook going forward? If U.S. HRC remains around the US\$900–950 range next fiscal year, can we expect a corresponding improvement in earnings? Will performance improvement also require price increases in steel products other than HRC?**

A The previous forecast incorporated the impact of the U.S. HRC market falling to around US\$800, down from the previously assumed range of US\$860–900. Even though US\$800 per short ton is still a relatively high price level, the downward revision and resulting loss-making are due to U. S. Steel's high-cost structure. That said, if the U.S. HRC market remains above US\$900 next fiscal year, we can expect a reasonable level of contribution to profits. However, U. S. Steel's sales contracts comprise various patterns, and performance is not determined solely by fluctuations in the HRC market. We would like to take some more time to assess these factors, including the outlook for U.S. steel market conditions, and kindly ask for your patience until the fiscal year-end results are announced in May.

**Q How much operating synergy do you intend to realize at U. S. Steel next fiscal year?**

A We believe that initiatives such as operating cost reductions and quality improvements are progressing quite smoothly, but their gains are incremental, and realizing full synergies requires a certain amount of time. We would like a little more time to thoroughly assess and quantify the impact.

**Q You mentioned that U. S. Steel's 3Q was significantly affected by the "deep valley" in U.S. steel market conditions. Is it correct to understand that there is generally about a one-quarter timing lag before changes in steel market conditions are reflected in earnings? Also, you are working intensively on initiatives to reduce variable costs per**

**ton—has your view changed regarding the ability to lower these variable costs reduced without significant capital investment? Furthermore, while it seemed to take around two years to achieve improvements at G/GJ Steel, how quickly do you expect to move forward with improvements at U. S. Steel, and when can we reasonably expect to see a contribution to earnings?**

- A It is difficult to provide a definitive answer on the timing lag between changes in U.S. steel market conditions and their reflection in U.S. Steel's earnings, but your general understanding is correct. As for initiatives toward improving operating costs without significant capital investment, my personal view is that the situation is completely different from the G/GJ Steel case. As Mori mentioned previously, U. S. Steel was the top steelmaker until around 1970, and was once a company we regarded as a mentor. While Nippon Steel became a global leader thereafter, the U.S. steel industry experienced a period of decline, primarily due to insufficient capital investment. The level of their workforce, however, remains very high. We have established a strong and collaborative relationship between our dispatched team and U.S. Steel's personnel; we share common goals and are working together aggressively on operational improvements, and our specific improvement proposals are already yielding positive results. I personally monitor progress on a weekly basis, and am identifying challenges at U. S. Steel, including through comparison with our own operational parameters. We are working daily to resolve fundamental issues. Some issues require capital investment, but we are steadily implementing a wide range of smaller-scale initiatives. For example, if there are issues with sheet pass-through stability, we identify which specific part of the equipment or component needs to be controlled to directly improve performance or yield, or we also review cooling control methods—these are highly operational issues. In total, we are accumulating 260 operational improvement items, aiming to generate US\$500 million in synergies. We expect benefits from these efforts to gradually emerge over next year and the year after that.

◆Other

- Q **Regarding Nippon Steel Engineering Co., Ltd. and Kanadevia Corporation beginning consideration toward a management integration (IR Presentation Materials page 29-30). I understand that both companies have strengths in waste treatment and environmental plant businesses, while Nippon Steel Engineering also has strengths in steel plants and offshore businesses. What synergies do you expect from this management integration?**
- A In their core domestic environmental businesses, they will be able to manage multiple sites as a unified organization, resulting in a dominant presence in the domestic market. They can realize significant economies of scale, including securing human resources and consolidating

owned assets. In the domestic waste treatment business, their respective technological strengths—Kanadevia is strong in stoker furnaces, while Nippon Steel Engineering is strong in melting furnaces—are complementary, and this integration is expected to generate synergies and strengthen profitability. Furthermore, in decarbonization-related businesses, for example, technical collaboration in the wind power business will allow each side's strengths to complement the other's. In addition, we anticipate improvements in operational efficiency across functional departments and business locations, along with reductions in administrative indirect costs. In any case, the business domains of the two companies are very closely aligned, and we expect that their integration will generate significant added value through these synergies. For further details, please refer to the joint press conference held by the two companies.

**Q Do you supply any materials for AI-related demand sectors in the U.S.? In North America, AI-related investments account for a significant portion of fixed asset investment. Please explain areas where your company could benefit.**

**A** One example is where products for data centers are linked to AI-related demand. Also, given that AI consumes a large amount of electricity, we expect increased demand for grain-oriented electrical steel sheets (GO) used in substations and transformers.

End

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