

TYO : 5401

OTC : NPSCY(ADR)



Tender Offer for Shares of Nippon Steel Trading Corporation

-Making it a consolidated
subsidiary of Nippon Steel
and delisting its shares-

December 21, 2022

NIPPON STEEL CORPORATION

Notes on this presentation material

Unless otherwise noted, all volume figures are presented in metric tons

Unless otherwise noted, all financial figures are on a consolidated basis

Agenda

1. Overview of the Acquisition

2. Purposes of the Acquisition

3. Overview of Nippon Steel Trading

(Reorganized from Nippon Steel Trading's public materials)

Rationale for the Acquisition

Purposes

In an effort to enforce the sales capabilities in the integrated supply chain of steel by making use of trading company functions in the group and in order to enhance its ability to promptly and appropriately respond to structural changes in the market, Nippon Steel (NSC) aims to

- increase direct contact with domestic and overseas customers and enhance its ability to conduct integrated operations regarding steel transactions,
- further strengthen its competitiveness throughout the supply chain by optimizing and streamlining from steel manufacturing to distribution and processing thereof, and creating new added values, and
- ensure profitability of the overall group company

Enable to;

- 1) Streamline and strengthen the trading company's functions across the group
- 2) Strengthen direct sales capabilities by integrally utilizing sales know-hows and infrastructure
- 3) Further sophisticate the supply chain (establishment of a new business model)

Restrictions

Limited synergy due to limited capital relationship

Implementation of measures with a medium- to long-term perspective may cause a conflict of interest with minority shareholders

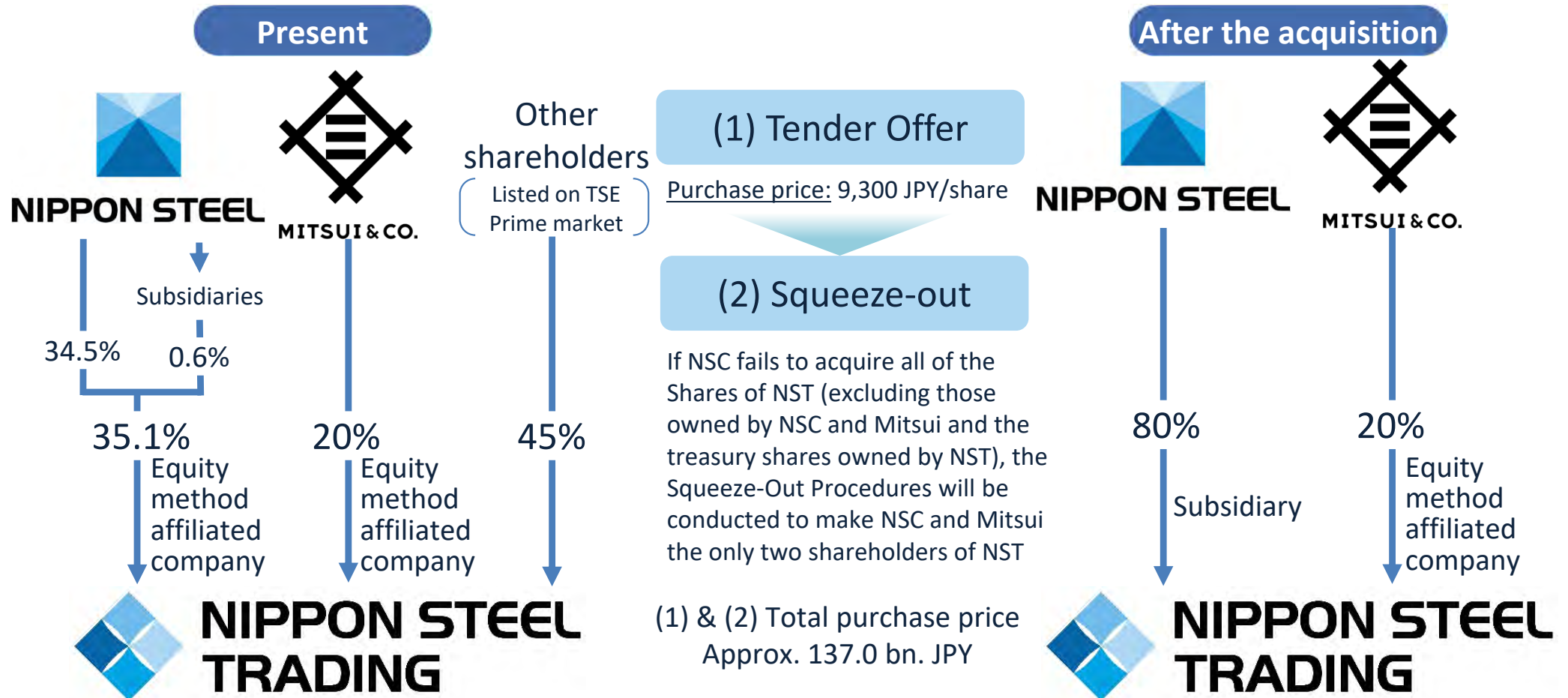


By conducting the acquisition, NSC will make Nippon Steel Trading (NST) a consolidated subsidiary and delist its shares, which will solve the restrictions above and improve the corporate value through synergies realized by several initiatives



Overview of the Acquisition

Make Nippon Steel Trading (NST) a subsidiary of Nippon Steel (NSC) and delist NST's shares by conducting tender offer and squeeze-out



Following plans

- Late February (target): obtaining antitrust clearances in relevant countries
- Late February: launching the Tender offer after obtaining the clearances (to be concluded in 20 business days)
- Late March: closing the Tender offer and making NST a subsidiary
- Late May: special resolution on the reverse stock split at a special general meeting of shareholders of NST
-> completion of delisting and reverse split

Overview of the Tender Offer

Tender Offeror	Nippon Steel Corporation (Security code: 5401, TSE Prime)
Target Company	Nippon Steel Trading Corporation (Security code: 9810, TSE Prime)
Tender Offer Period	From late February, 2023 (open for 20 business days) * To be launched after obtaining antitrust clearances
Purchase Price	9,300 JPY/share
Premium	Vs. closing price on December 20, 2022 : 85.26% Vs. 1 month average : 82.35% Vs. 3 months average : 80.83% Vs. 6 months average : 79.81%
Minimum Number of Shares Planned for Purchase	3,934,771 shares = Number of shares required to obtain in order to realize special resolution of the shareholders' meeting of Nippon Steel Trading Corporation for the Share Consolidation, combined with shares owned by Mitsui & Co., Ltd.
Maximum Number of Shares Planned for Purchase	-
Total Purchase Amount	136,591,527,300 JPY
Tender Offer Agent	Mizuho Securities Co., Ltd.
Others	<u>December 21, 2022</u> The Target Company resolved at its board of directors meeting to express its current opinion to support the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer. <u>December 21, 2022</u> Mitsui & Co. agreed on not tendering the offer, reflecting on the shareholders agreement with Nippon Steel.

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Conventional practice

Nippon Steel Group has set several trading companies, including NST, as an intermediary for steel transactions, except for some direct transactions with customers, and NSC has maintained and strengthened its sales capabilities throughout the steel supply chain by utilizing their various functions such as their domestic and overseas information network, transaction practices, credit line, and investment in and management of distribution and processing, and management.

Business environment changes

The global steel market has changed dramatically in the short-term

- Domestic demand decrease and customers' expansion of overseas production in the future
- Quality improvements and quantity expansions of competitors including those in China
- A world-wide trend of local production and consumption
- A confusion in supply chains in relation to the recovery of demand from the COVID-19 economy
- Rising resource and energy prices and currency fluctuation influenced by the economic policies of each country in response to geopolitical risks and inflation risks, etc.

Responses to changes

To promptly and appropriately respond to such structural change of the market, NSC accelerates the collaboration with NST and

- Increase direct contact with domestic and overseas customers and enhance Nippon Steel Group's ability to conduct integrated operations regarding steel transactions
- Further strengthen the Group's competitiveness throughout the supply chain in order to ensure its integrated profitability by optimizing and streamlining from steel manufacturing to distribution and processing thereof, and creating new added value

Rationale for Making NST a Delisted Consolidated Subsidiary

NSC has so far established a cooperative relationship with NST for the sales of steel products and personnel interchanges. However, there are certain restrictions in further strengthening the relationship as follows.

Limited synergy due to limited capital relationship

There are certain restrictions on mutually sharing customer information and technology information, etc., and supplementing and mutually utilizing management resources, because NST is a listed company and is merely Nippon Steel's equity-method affiliate.

Implementation of measures with a medium- to long-term perspective may cause conflict of interest with minority shareholders

Implementation of measures with a medium- to long-term perspective will contribute to enhancing the corporate values of NST and Nippon Steel Group as a whole; however, from a short-term perspective, it may cause NST's performance or financial situation to worsen and may not necessarily be advantageous for the general shareholders of NST.

Create synergies and new added values by making NST a delisted consolidated subsidiary and solving the restrictions above.

Measures to be Realized by the Deal

1) Streamlining and strengthening of the trading company's functions across the group

- Strengthening and expansion of direct marketing to customers
- Enhancement of the efficiency of sales administration works
- Increasing the operation rate of the processing sites and establishment of the most appropriate processing framework

Strengthen cost competitiveness throughout the supply chain

2) Strengthening of direct sales capabilities by integrally utilizing sales know-hows and infrastructure

- Under the shared sales strategy, NSC and NST will
- focus on investing the sales force of NSC and NST in new demand areas such as carbon neutrality and in growing overseas markets
 - make full use of both companies' sales data and processing know-hows at their global sales sites and processing sites such as the coil centers

Strengthen the Group's ability to deal with diversifying customers and its overseas sales capabilities

3) Further sophistication of the supply chain (establishment of a new business model)

- By making use of the advantage that the sales data may be shared, NSC will
- apply the latest digital technology and align the scattered data for production, inventory, logistics, delivery deadline, etc. with NST, which will conduct distribution and processing
 - e.g. Optimization of the entire production through logistics (appropriation of inventory amount, shortening of lead time throughout the supply chain, and enhancement of manufacturing efficiency such as process yield)
 - consider to strengthen cooperation in the new expansion field such as GX (Green Transformation)

Create new added value

Impact on Nippon Steel's Financial Statements

* The timings written here are the case in which the Tender Offer begins in late Feb. 2023 and payment of the Amount for the Purchase is successfully completed by the end of the fiscal year

P/L

** Profit attributable to owners of parent

➤ Before and in Q4 FY2022: incorporate NST as an equity-method affiliate as before (NST's group companies will not be incorporated)

➤ From Q1 FY2023: consolidate NST as a subsidiary of NSC

Cf. Nippon Steel Trading Corp. Consol. ordinary profit FY2021 result: 47.8 bn. JPY/Y
FY2022 forecast: 46.0 bn. JPY/Y
Consol. net profit** FY2021 result: 35.4 bn. JPY/Y
FY2022 forecast: 31.0 bn. JPY/Y

Cash flows

➤ Q4 FY2022*: payment of the Amount for the Purchase

➤ Q1 FY2023*: payment to shareholders who did not participate in the Tender Offer

➤ Total cash-out: approx. 137.0 bn. JPY

Balance sheet

➤ From the end of Q4 FY2022*: consolidate NST as a subsidiary of NSC

➤ NSC's consolidated interest-bearing debt will increase by approx. 420.0 bn. JPY by consolidating NST's balance sheet

➤ NSC's consolidated D/E ratio will deteriorate by approx. 0.12

Cf. The end of September 2022: D/E = 0.52

➤ The amount of goodwill will be generated after the assets and liabilities were evaluated within a year after the consolidation

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Overview of Nippon Steel Trading (NST)

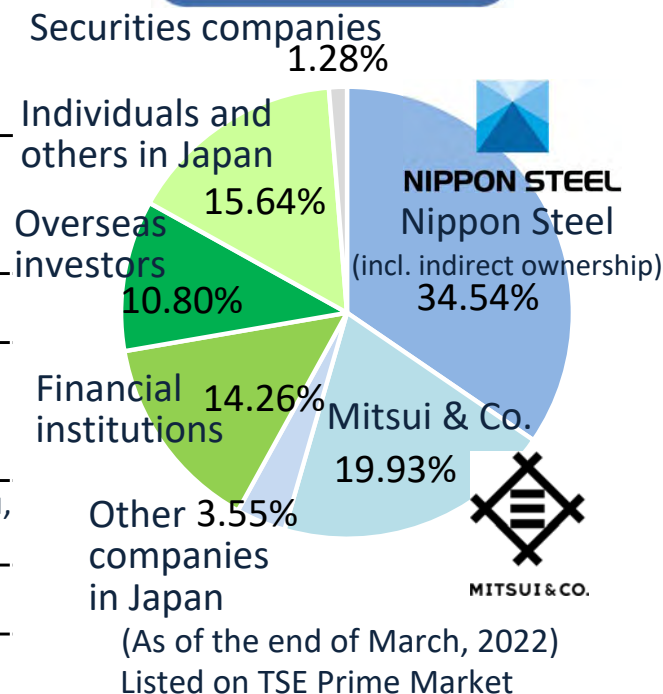
Corporate profile



Consol. net sales	1,865.9 bn. JPY *1
of which, overseas sales	594.4 bn. JPY *1
Consol. ordinary profit	47.8 bn. JPY *1
Consol. employees	6,638 *2
of which, non-consol.	1,307 *2
Headquarters	Nihombashi 2-7-1, Chuo-ku, Tokyo
Domestic sales branches	24 places
Overseas offices	in 33 cities in 18 countries

*1 FY2021 actual *2 as of end of Sep. 2022
*3 as of end of March 2022

Share ownership



Directors and Auditors

9 directors (incl. 3 independent directors)
4 auditors (incl. 1 independent auditor)
13 members (incl. 4 independent members)

President and Representative Director	Shinichi Nakamura	○
Director	Hidetake Ishihara	○
	Yasuyuki Tomioka	
	Kazuhiro Koshikawa	○
	Hiroshi Tashiro	□
Director, Senior Advisor	Yasumitsu Saeki	○
Independent Outside Director	Keishiro Kinoshita	◆
	Ryuko Inoue	◆
	Ryu Matsumoto	◆
Senior Auditor	Shingo Maeda	
Auditor	Tadayoshi Minatani	
Independent Outside Auditor	Shigeji Sugimoto	◆
	Hirofumi Funakoshi	●

◆ : Independent outside member
○ : Ex-Nippon Steel Director/Officer
□ : Ex-Mitsui Officer
● : Nippon Steel Officer

Business Portfolio

Numbers in [parenthesis]: constituent ratio	Steel	Industrial Supply and Infrastructure	Foodstuffs	Textiles
Consol. net sales (bn. JPY) *1	1,593.7 [85%]	89.9 [5%]	106.4 [6%]	75.6 [4%]
Consol. ordinary profit (bn. JPY) *1	43.2 [90%]	2.1 [4%]	2.9 [6%]	(0.5)
Total assets (bn. JPY) *3	938.0 [86%]	72.7 [7%]	49.6 [5%]	31.6 [3%]
# of Consol. employees *3 <non-consol.>	4,400 [67%] <893 [67%]>	842 [13%] <63 [5%]>	156 [2%] <93 [7%]>	142 [2%] <1 [0%]>

Business at a Glance (Steel Division)

Steel Division



Provide comprehensive services that make NST the core trading company of NSC, from raw material procurement to product delivery to customers

Secondary manufacturing

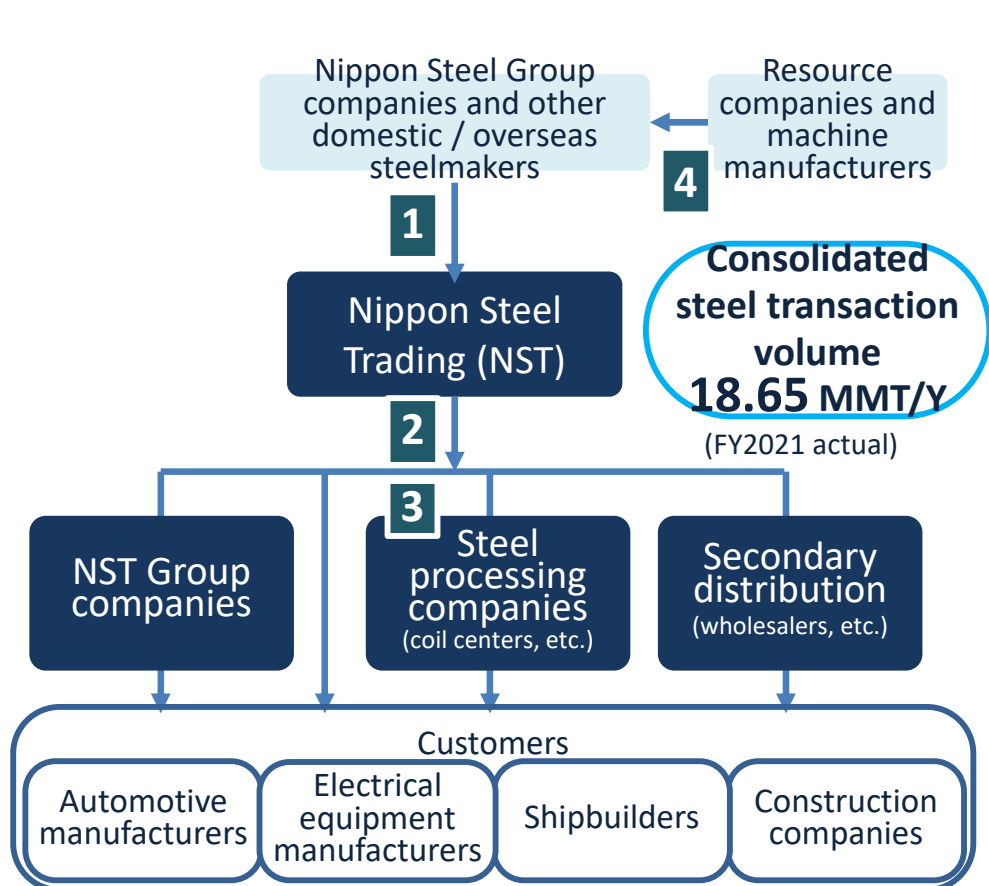
Project development and management

Logistics

Market development

Solution Providing

Risk management service



1) Procurement of steel products

- Procure wide range of steel products from Nippon Steel Group companies and other domestic and overseas steelmakers
- Use the domestic and overseas sales network which NST has developed in a long period of time to provide steel products

2) Sales of steel products

- Enhance the function and ability to timely grasp customers' increasingly diversifying, advancing requirements through thorough customer-oriented sales
- Share the strategy with NSC, invest its resources in the growth areas where demand is expected to increase, and pursue the creation of value-added distribution in the steel business

3) Processing of steel products

- Respond to customers' need to press, cut, and process steel products by taking advantage of distribution processing function globally, and provide sufficient amount of steel to customers stably in a timely manner.

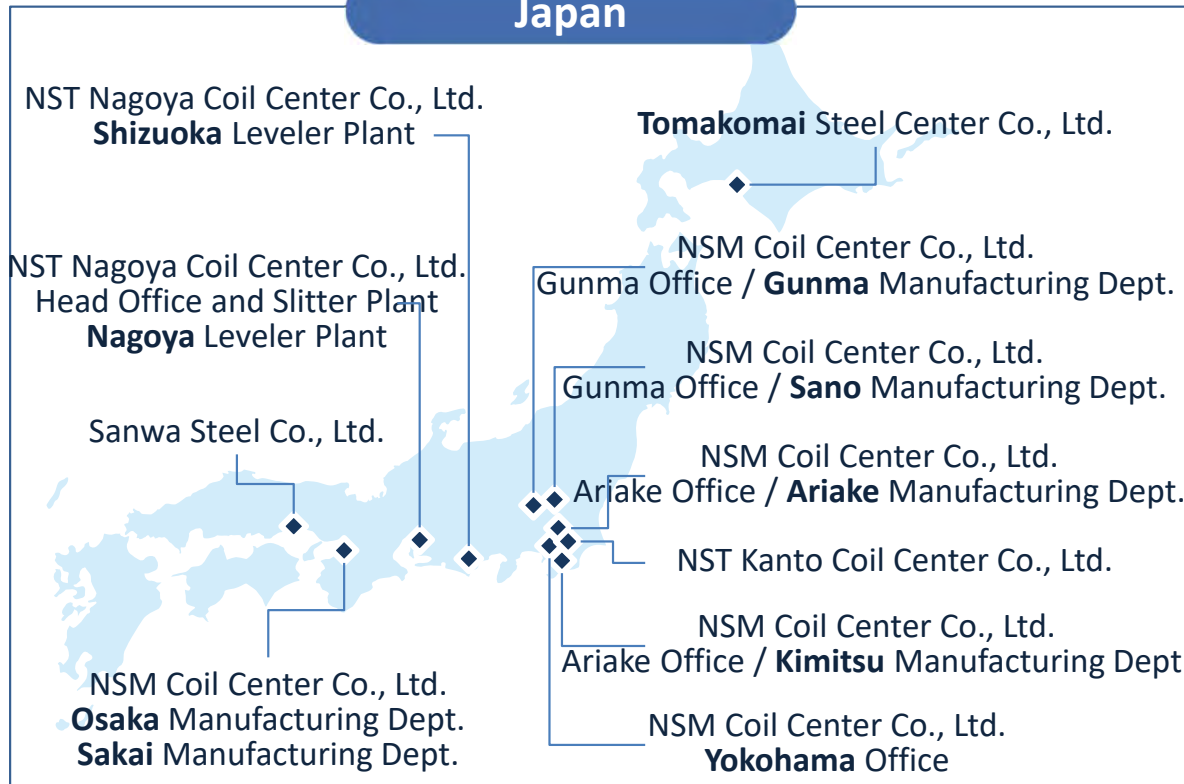
4) Procurement of resources / machines

- Secure stable, diverse supply sources worldwide for steelmaking, such as coking coals, steel scrap, and ferro-alloys.
- Provide various types of products including steelmaking machinery, rolls, and machinery parts to steelmakers

Business at a Glance (Steel Division Steel Plants & Coil Centers)

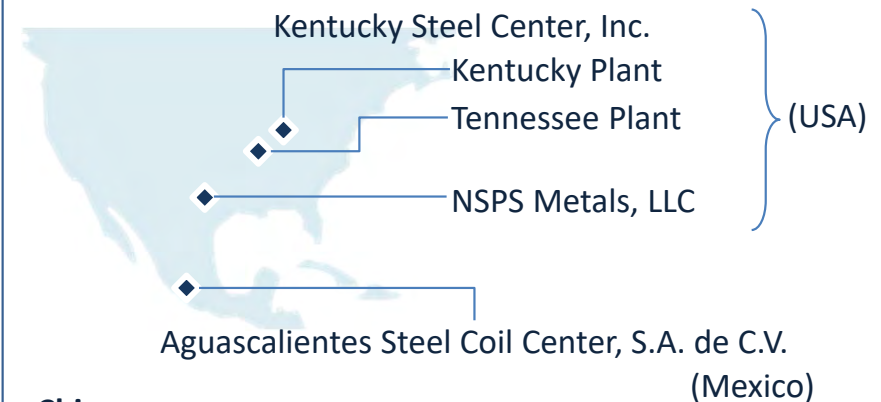
Steel plants and coil centers in 10 cities in Japan, 17 cities in 9 overseas countries

Japan

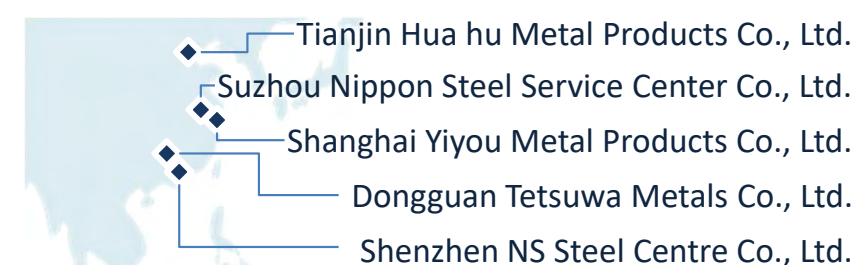


Overseas

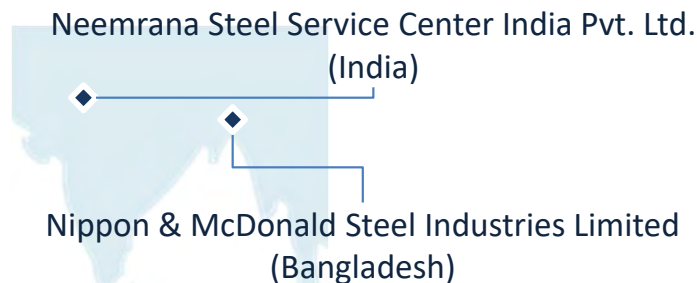
North and Central America



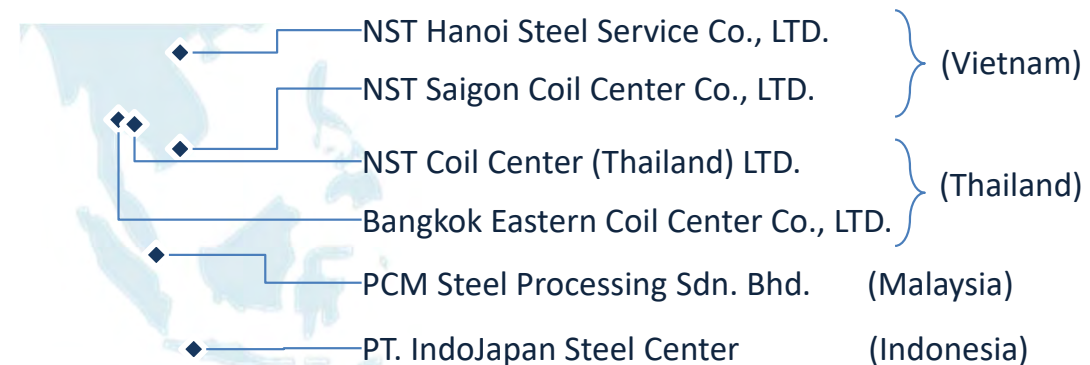
China



Southwest Asia



Southeast Asia



Business at a Glance (Non-steel Businesses)

Industrial Supply & Infrastructure Division



Functional materials business

Aluminum products, copper products, metal silicon, magnesium, carbon fibers, etc.

Automotive parts

Cast forged steel parts, precision machined parts, fuel tanks, automotive stat parts, etc.

Infrastructure, machinery and railways

Operation and sales of industrial parks, machine tools, general industrial tools, railroad vehicles, railway equipment, etc.

Foodstuffs Division



Products handled

Beef, pork, chicken, and other processed meat products

Fishery products such as shrimp and crabs, and processed products

Agricultural products, processed agricultural products, and other foods

NST is one of the frontrunners in the field of imported meat business and always among top players in transaction volume with global procurement network.

Textiles Division



OEM and ODM businesses

Procure optimal materials, utilize sewing bases in China and other Asian countries, and supply high-quality fashion/textile products.

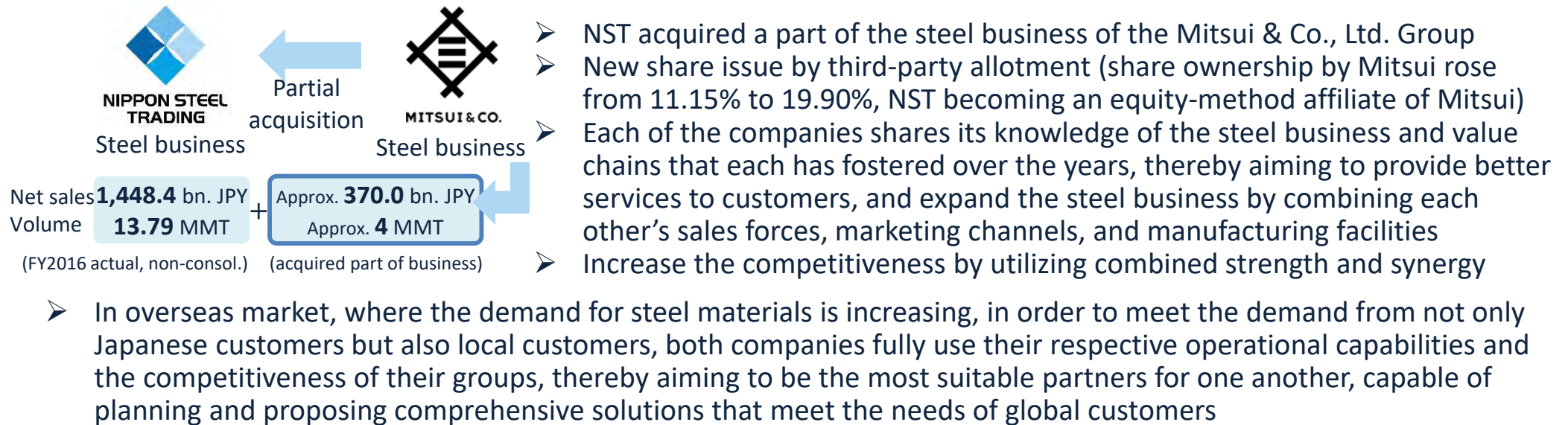
Functional materials and textiles businesses

Develop and propose high-added value materials that help people build enhanced living environments, and provide global distribution services for those materials, with keywords of safety, the environment, health, and comfort.

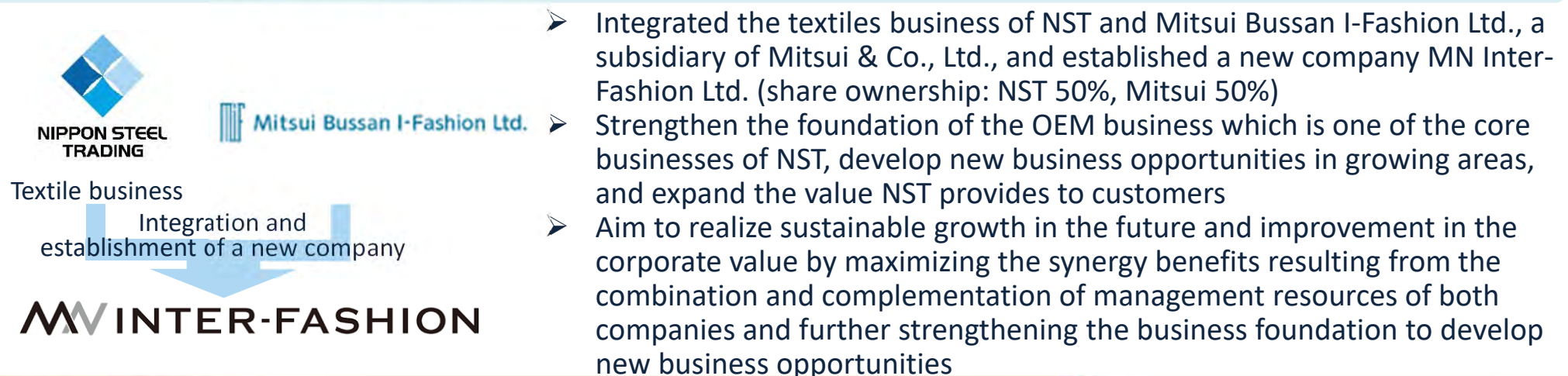
Licensing/Brand Marketing

Collaboration and Business Alliance with Mitsui & Co., Ltd.

April 2018: Acquisition of a part of the steel business of the Mitsui & Co. Group



Jan. 2022: Merger of Textiles Divisions between NST and Mitsui Bussan I-Fashion Ltd.

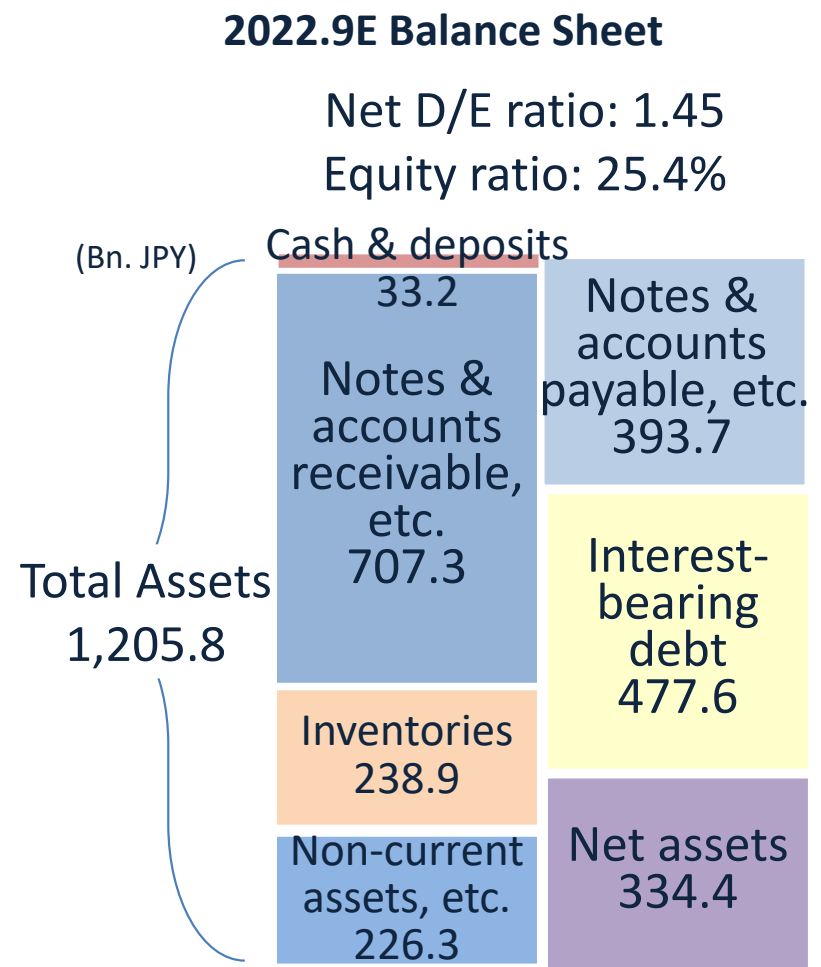
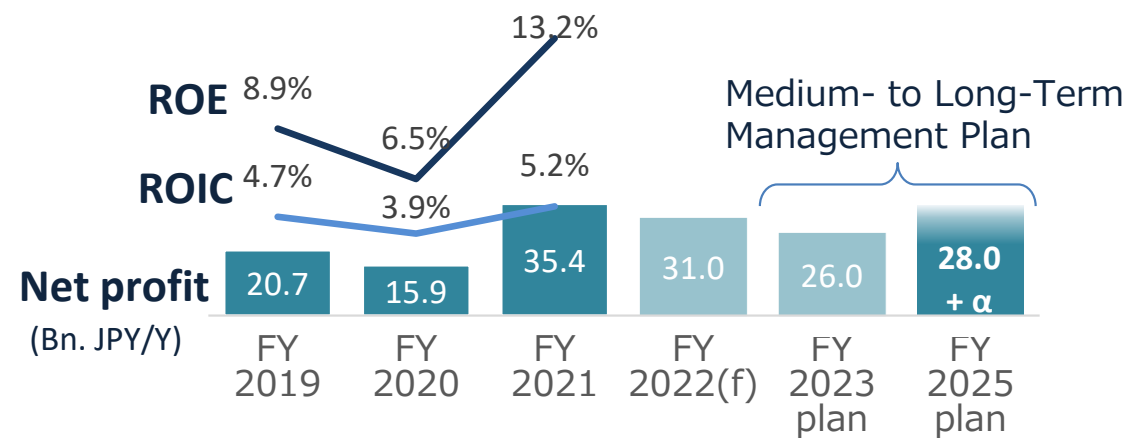
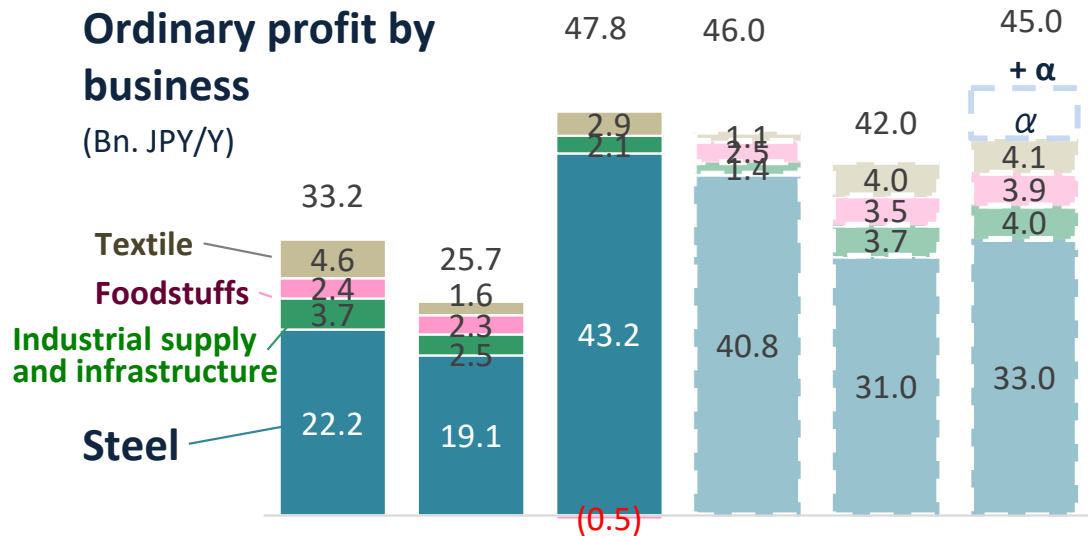


Progress on Medium- to Long-Term Management Plan of NST

Medium- to Long-Term Management Plan Targets

	FY2023	FY2025
Ordinary profit	42.0 bn.	45.0 bn. + α JPY
Net profit	26.0 bn.	28.0 bn. + α JPY
ROE 9 - 10%, ROIC approx. 6%		

NET D/E ratio: 1.0 times or less
Investment: 75.0 bn. JPY/5Y*
System input: 17.0 bn. JPY/5Y*
* Between FY2021 to FY2025



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