

NIPPON STEEL Makes U.S. Steel a Wholly-owned Subsidiary—JCR Will Watch Financial Management Policies and PMI with No Immediate Revision of Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on making United States Steel Corporation (U.S. Steel) a wholly-owned subsidiary by NIPPON STEEL CORPORATION (security code: 5401).

- (1) On June 18, NIPPON STEEL CORPORATION (the “Company”) made U.S. Steel a wholly-owned subsidiary. It will impose significant financial burdens on the Company, including approximately 2 trillion yen in share acquisition costs, but JCR has determined that there is no immediate need to revise the rating. This is because the Company can maintain a certain level of financial structure for the time being thanks to the expected strengthening of the business foundation in the United States, the world's largest market for high-grade steel, and through the utilization of hybrid financing.
- (2) Going forward, JCR will carefully examine mid-term financial management policies, status of U.S. Steel's post-merger integration (PMI), and prospects for the performance improvement, and incorporate these findings in the rating. Under the National Security Agreement (NSA) concluded with the U.S. government, the Company plans to invest approximately USD 11 billion in U.S. Steel by 2028. Amid investments expected in the transition to electric furnace process toward carbon neutrality domestically, there is a possibility that the Company's financial improvement may be delayed if its overall cash flow generation capability does not well increase. Additionally, U.S. Steel's management and operations will be subject to certain restrictions due to the NSA and the golden share held by the U.S. government. Business environment surrounding steel industry remains challenging globally, and there remains uncertainty regarding whether U.S. Steel can enhance its profitability at the pace the Company anticipates in the medium term.

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<Reference>

Issuer: NIPPON STEEL CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

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