

NIPPON STEEL Announces Acquisition of U.S. Steel—JCR Will Examine Fulfilment of Closing Conditions and Incorporate the Effects into Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of United States Steel Corporation (U.S. Steel) by NIPPON STEEL CORPORATION (security code: 5401).

- (1) On December 18, NIPPON STEEL CORPORATION (the “Company”) announced that it would acquire U.S. Steel, the third largest producer of crude steel in the United States, for a total consideration of approximately 2 trillion yen. The acquisition is subject to the fulfillment of closing conditions, including approval by U. S. Steel shareholders and the relevant authorities, and is targeted for closing in the second and third quarters of the calendar year 2024. The acquisition will be financed primarily with loans from financial institutions, and the Company plans to consider the most appropriate means of financing after this transaction is executed.
- (2) The Company is focusing on overseas business development with the aim of establishing a global crude steel production capacity of 100 million tons, and this acquisition is in line with this strategy. U.S. Steel is one of the leading integrated blast furnace and electric furnace manufacturers in the U.S., focusing on steel sheets, including those for automobiles, and also has state-of-the-art electric furnace facilities and iron ore mines. The U.S. is the world's largest consumer of high-grade steel, and the expansion of the Company's business base in the U.S. will increase the depth of the Company's business structure and will have a positive effect on the evaluation of the business foundation.
- (3) On the other hand, after the transaction, the Company's interest-bearing debt is expected to increase by approximately 2.6 trillion yen. This will place a heavy burden on the Company's financials, and if the transaction is realized, there will be downward pressure on the rating. However, since the fulfillment of the conditions for this transaction and the timing of its implementation have not yet been determined, JCR does not consider that it is necessary to immediately revise the rating. JCR will incorporate the above effects into the rating when the probability of the closing of the transaction increases, and will consider based on the outlook for the earnings power after the acquisition of U.S. Steel and the refinancing policy of the bridge funds at the time of the acquisition. If JCR judges that the financial structure is likely to be restored in the medium term, JCR may also choose not to downgrade the rating.

Masayoshi Mizukawa, Yosuke Sato

<Reference>

Issuer: NIPPON STEEL CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

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