



Nippon Steel acquires equity interests in Blackwater Coal Mine in Australia

Nippon Steel Corporation (**Nippon Steel**) has entered into an equity participation agreement with Whitehaven Coal Limited (**WHC**) to acquire a 20% interest in the Blackwater coal mine (**BW Coal Mine**) in the State of Queensland, Australia. In addition, Nippon Steel has entered into long-term coal offtake rights agreement with WHC, under which WHC will supply steelmaking coal produced at the BW Coal Mine to Nippon Steel.

1. Background and Purpose of the Investment

(1) Securing steelmaking coal that is essential to Nippon Steel business strategy

Nippon Steel is striving to achieve carbon neutrality by utilising multi-track challenging technological developments including hydrogen injection in blast furnaces, high-grade steel production in large size electric arc furnaces and DRI production by hydrogen (shaft furnace etc.). To achieve both carbon dioxide emission reduction and stable and efficient pig iron production in the blast furnace hydrogen reduction process, it is essential to improve the quality (e.g., strength) of the coke input.

Coking coal for steelmaking (semi-soft coking coal and semi-hard coking coal) produced by the BW Coal Mine makes it possible to produce high-quality coke that contributes to reducing carbon dioxide emissions while reducing the costs of coke production, by maximizing the use of our coal pre-processing process, which is one of Nippon Steel's technological strengths.

BW Coal Mine is a large-scale open-pit coal mine located in Australia, a country close to Japan, which has ample resources. As a result, BW Coal Mine can provide a long-term supply of reliable high-quality coking coal, which is expected to enhance the stability of our procurement and operations.

Currently, there are growing concerns that capital investment in coal assets will shrink due to the implementation of policies to raise coal royalty rates in Australia's states, which hold significant influence over the supply of steelmaking coal to the seaborne market. This will certainly contribute to a decrease in the supply of steelmaking coal in the long term. Given the strong sense of urgency in respect to this decrease in the supply of steelmaking coal, Nippon Steel has determined that, as an end-user of steelmaking coal, it is necessary to invest in the BW Coal Mine to secure a long-term stable supply of coking coal required for Nippon Steel's technologically advanced coke production.

(2) Sustainable and profitable consolidated business portfolio by increasing investments in high-quality raw materials

In its medium- to long-term management plan, Nippon Steel aims to become “the best steelmaker with world-leading capabilities” through the continuous growth of the profits of its five-business portfolio: (a) domestic steel business, (b) overseas steel business, (c) raw materials business, (d) other group companies, and (e) three non-steel segments. However, the current situation where raw material and fuel prices remain persistently high regardless of fluctuations in the steel market due to the structural decline in investment in resource development and other factors presents a significant challenge to the sustainability of Nippon Steel steelmaking business.

In addition to securing the necessary raw materials for steelmaking, the acquisition of this interest will enable Nippon Steel to consolidate its interests in BW Coal Mine. Through this investment, Nippon Steel expects to establish a consolidated earnings structure that is less susceptible to changes in the external environment, and is expected to contribute to higher consolidated earnings through increased profitability from investments in raw material.

Toward the realization of carbon neutrality, Nippon Steel is focusing on research and development and commercializing innovative technology ahead of other countries. For securing essential funds for R&D and capital investment, Nippon Steel will seek to continue to build a more resilient business portfolio ranging from raw materials to steel production and trading, and to improve consolidated earnings by strengthening the profitability of each of its five businesses.

2. Overview of the Investment Scheme, and long-term steelmaking coal Offtake Rights Agreement

Nippon Steel, through its wholly owned subsidiary Nippon Steel Australia Pty Ltd. (**NSA**), has entered into transaction agreements to acquire a portion of the interest in the BW Coal Mine, and has also entered into an offtake rights agreement that will enable Nippon Steel to procure coking coal from WHC in the long term. In addition, NSA will enter into a joint venture agreement with WHC to establish the Blackwater Joint Venture (**BWJV**), which provides for, among other things, Nippon Steel’s veto rights with respect to important matters of the BWJV.

(Overview of BW Coal Mine Interests to be Acquired)

Percentage of Interests [to be] Acquired	20% of BW Coal Mine interests
Form of Acquisition of Interests	Un-Incorporated JV
BWJV Investment Structure	WHC 70%, Nippon Steel 20%. JFE Steel 10%
Acquisition values	720 million U.S. dollars (approx. 108 billion JPY)

(Reference 1) Overview of BW Coal Mine

Location	Bowen Basin, Queensland, Australia
Production output	10.1 million saleable tonnes per year (actual - AFY2024)
Mining Method	Open-pit mining

(Reference 2) Overview of WH

Name	Whitehaven Coal Limited
Head Office Location	Level 28, 259 George Street Sydney NSW 2000
Name of Representative	Paul James Flynn
Description of Business	Specializing in coal business
Foundation	1999 Company established Since then, the company has been developing its coal business mainly in the Gunnedah area of New South Wales, Australia. Full-scale entry into coking coal business in Queensland, Australia from April 2024.

Please refer to the following WHC website for the WHC ASX release.

<https://whitehavencoal.com.au/investors/asx-announcements/>

3.Future Outlook

The Investment is expected to have a minor impact on the consolidated financial result for this fiscal year ending March 31, 2025.

For inquiries, <https://www.nipponsteel.com/en/contact/>