

NIPPON STEEL CORPORATION

Notice of the 97th General Meeting of Shareholders

Nippon Steel Corporation

6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071

June 1, 2021

Dear Shareholders:

Eiji Hashimoto

Representative Director and President

NIPPON STEEL CORPORATION (Code Number 5401) (the “Company”)

6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

Notice of the 97th General Meeting of Shareholders

We are pleased to inform you of the 97th General Meeting of Shareholders which will be held at **10 a.m., Wednesday, June 23, 2021**, at the **banquet room TSURU (Banquet Floor (1st Floor), the Main Building), Hotel New Otani Tokyo, 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan**, the agenda of which is set forth below.

Recently, in order to prevent the spread of COVID-19, the Japanese government and prefectural governors are requesting that people refrain from going outdoors.

In light of this situation, we urge, from the perspective of preventing the spread of COVID-19, that you exercise your voting rights in advance by one of the following methods, and refrain from attending the meeting, regardless of your physical condition.

In addition, depending on, among others, the situation regarding the spread of COVID-19 and requests from the government and prefectural governors, we may change the venue and other details of this General Meeting of Shareholders in view of ensuring the health and safety of shareholders. Please check the information posted on the Company’s website as described on page 3 in advance.

(Voting by mail)

Please indicate your choices on the enclosed Voting Rights Exercise Form and return it so that it will arrive at the Company by 5 p.m., Tuesday, June 22, 2021 (Tokyo time).

(Voting via the Internet)

Please read the “Exercise of Voting Rights via the Internet” on page 18 and cast your vote by 5 p.m., Tuesday, June 22, 2021 (Tokyo time). Meanwhile, institutional investors can use the Internet voting rights exercise platform operated by ICJ, Inc.

In exercising your voting rights either by returning the Voting Rights Exercise Form by mail or via the Internet, please read the “Reference Documents for Exercising Voting Rights” as explained below. When votes are registered by both methods, the vote registered via the Internet will be treated as the vote of record.

AGENDA

Matters to be reported to the shareholders:

Report on operations for the 96th term (from April 1, 2020 to March 31, 2021), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Board on consolidated financial statements for the 96th term.

Matters for approval by the shareholders:

Item 1: Appropriation of Surplus for the 96th Term (from April 1, 2020 to March 31, 2021)

Item 2: Election of Eleven (11) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

1. Doors will open at 9 a.m.
2. Attendees are requested to submit the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. When the voting rights are exercised by a proxy, the said proxy is requested to submit the Voting Rights Exercise Form of the principal at the reception desk, together with a power of attorney in this matter. Meanwhile, please note that a proxy must be another shareholder entitled to exercise voting rights.
3. If revisions are made to the “Reference Documents for Exercising Voting Rights”, the report on operations or consolidated and non-consolidated financial statements, such changes will be indicated on the Company website (<https://www.nipponsteel.com/en/ir/individual/meeting.html>).

Measures in response to the spread of COVID-19

In holding the General Meeting of Shareholders, the Company gives the highest priority to the health and safety of its shareholders, and would like to request from you the following, with a view to preventing the spread of COVID-19, and ask your understanding and cooperation on this matter again.

<Requests>

- **The Company urges you to consider exercising your voting rights in advance and refraining from attending this year's meeting, regardless of your physical condition.**

- Also, the Company asks that those who return from overseas and have spent less than 14 days in Japan prior to the meeting not attend this year's meeting.
- In exercising your voting rights in advance, the Company kindly asks you to exercise them via the Internet if possible. (Please see page 18 for how to exercise your voting rights via the Internet.)

<Correspondence at the venue for the General Meeting of Shareholders>

- The number of shareholder seats will be limited, as shareholder seats will be spaced far apart. Therefore, the Company may refuse admission of shareholders even if you come to the venue.
- Additionally, the Company may refuse admission of shareholders such as those who fall into the following categories, with a view to preventing the spread of COVID-19:
 1. Those who do not bring and wear masks;
 2. Those who have a fever (the Company will take your temperature near the entrance of the venue), cough or other symptoms, or are suspected to have an infectious disease such as COVID-19; or
 3. Those who do not cooperate with hand disinfection (alcohol sanitizer will be provided at the entrance of the venue).
- With a view to preventing the spread of COVID-19, the Company plans to hold the proceedings of the General Meeting of Shareholders in a much shorter time.
- Cafe services and exhibition booths will be canceled.

Depending on the situation regarding the spread of COVID-19 and requests from the government and prefectural governors, we may change the venue and other details of this General Meeting of Shareholders in view of ensuring the health and safety of shareholders. Please check the information posted on the Company's website below in advance.

The summary of the proceedings, questions and answers of the meeting will be posted on the Company's website below as soon as it is ready, on or after the day following the General Meeting of Shareholders.

<https://www.nipponsteel.com/en/ir/individual/meeting.html>

Reference Documents for Exercising Voting Rights

Item 1 Appropriation of Surplus for the 96th Term (from April 1, 2020 to March 31, 2021)

The Board of Directors proposes that the term-end dividend for the 96th term will be paid according to the “Surplus Distribution Policy” described on page 44 as follows:

- (1) Kind of Dividend
Cash
- (2) Dividend Payment and Total Payment
10 yen per share Total payment: 9,219,782,520 yen
- (3) Effective Date of Dividend
Thursday, June 24, 2021

(Reference)

For more information on dividends per share and dividend payout ratio on a consolidated basis for the 96th Term as well as those trends, see pages 35 and 36.

Item 2 Election of Eleven (11) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The term of office of all eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) ends at the conclusion of the 97th General Meeting of Shareholders. The Board of Directors proposes that eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected. The candidates are set forth below. Ms. Noriko Iki, Mr. Tetsuro Tomita and Mr. Masato Kitera are candidates for Outside Directors.

Candidates for Directors (Excluding Directors who are Audit & Supervisory Committee Members)

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
1	Kosei Shindo (September 14, 1949)	April 1973:	Joined Nippon Steel Corporation (NSC)	42,903
		June 2005:	Director (Member of the Board) and General Manager, Corporate Planning Division of NSC	
		June 2006:	Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC	
		April 2007:	Director (under the Executive Management System) and General Manager, General Administration Division of NSC	
		April 2009:	Executive Vice President (under the Executive Management System) of NSC	
		June 2009:	Representative Director and Executive Vice President of NSC	
		October 2012:	Representative Director and Executive Vice President of the Company	
		April 2014:	Representative Director and President of the Company	

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned		
2	Eiji Hashimoto (December 7, 1955)	April 1979:	Joined NSC	27,737	
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Structural Division of NSC		
		April 2011:	Director (under the Executive Management System) of NSC		
		October 2012:	Executive Officer of the Company		
		April 2013:	Managing Executive Officer of the Company		
		July 2015:	Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of the Company		
		April 2016:	Executive Vice President and Head of Global Business Development of the Company		
		June 2016:	Representative Director, Executive Vice President and Head of Global Business Development of the Company		
		Assumed current position as Representative Director and President of the Company in April 2019			
		(Material concurrent position) Chairman, The Japan Iron and Steel Federation Vice Chair, KEIDANREN (Japan Business Federation)			

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
3	Shinichi Nakamura (February 15, 1959)	April 1982:	Joined NSC	16,970
		April 2016:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		June 2016:	Managing Director, Member of the Board, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Project Leader, India Continuous Annealing and Processing Line Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President of the Company in April 2018		
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President T. Mori on Overseas Offices (including Corporate Entities)		
		(Material concurrent position) Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	Akio Migita (October 19, 1961)	April 1984:	Joined NSC	13,518
		April 2015:	Executive Officer and Head of Division, Human Resources Division of the Company	
		April 2017:	Managing Executive Officer and Head of Division, Human Resources Division of the Company	
		April 2019:	Executive Vice President of the Company	
		June 2019:	Representative Director and Executive Vice President of the Company	
		Assumed current position as Representative Director and Executive Vice President, and Project Leader, Zero-Carbon Steel Project of the Company in April 2021		
		(Responsibilities) Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization; Project Leader, Zero-Carbon Steel Project		
(Material concurrent position) Representative Director, Nippon Steel Arts Foundation				
5	Shuhei Onoyama (December 20, 1961)	April 1984:	Joined NSC	6,642
		April 2015:	Executive Officer and Head of Division, Technical Administration & Planning Division of the Company	
		April 2018:	Managing Executive Officer and Head of Works, Kimitsu Works of the Company	
		April 2020:	Executive Vice President and Head of R & D Laboratories of the Company	
		Assumed current position as Representative Director and Executive Vice President, and Head of R & D Laboratories of the Company in June 2020		
		(Responsibilities) Head of R & D Laboratories Cooperating with Executive Vice President A. Migita on Zero-Carbon Steel		
		(Material concurrent position) Chairman, The Iron and Steel Institute of Japan Chairman, The Japan Research and Development Center For Metals		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
6	[New Candidate] Naoki Sato (March 23, 1961)	April 1983:	Joined NSC	7,788
		April 2015:	Executive Officer and Head of Works, Yawata Works of the Company	
		April 2017:	Managing Executive Officer and Head of Works, Yawata Works of the Company	
		April 2018:	Managing Executive Officer and Head of Works, Kashima Works of the Company	
		April 2020:	Executive Vice President and Head of Works, East Nippon Works of the Company	
		Assumed current position as Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in April 2021		
		(Responsibilities) Intellectual Property; Safety; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling Project Leader, Next-Generation Hot Strip Mill Project, Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector Cooperating with Executive Vice President A. Migita on Environment and Zero-Carbon Steel		
7	[New Candidate] Takahiro Mori (October 3, 1957)	April 1983:	Joined NSC	4,387
		April 2014:	Executive Officer, Vice Head of Unit, Flat Products Unit of the Company	
		June 2016:	Vice President of Usiminas Siderúrgicas de Minas Gerais S.A.-USIMINAS	
		April 2020:	Managing Executive Officer, Head of Unit, Plate Unit, Head of Unit, Pipe & Tube Unit, Project Leader, VSB Project, Global Business Development Sector of the Company	
		Assumed current position as Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in April 2021		
		(Responsibilities) Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including Corporate Entities); special missions related to overseas steel pipe business		
		(Material concurrent position) Vice Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd.		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
8	Tadashi Imai (May 22, 1963)	April 1988:	Joined NSC	5,572
		April 2016:	Executive Officer and Head of Works, Nagoya Works of the Company	
		April 2019:	Managing Executive Officer of the Company	
		June 2020:	Managing Director, Member of the Board of the Company	
		Assumed current position as Managing Director, Member of the Board and Deputy Project Leader, Zero-Carbon Steel Project ; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company in April 2021		
		(Responsibilities) Corporate Planning; Technical Administration & Planning (including Standardization); Ironmaking Technology; Steelmaking Technology; Energy Technology Deputy Project Leader, Zero-Carbon Steel Project ; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering Assistance to Executive Vice President S. Nakamura on Steel Products Units Rendering Assistance to Executive Vice President A. Migita on Digital Innovation Rendering Assistance to Executive Vice President S. Onoyama on Corporate Planning for Research and Development Cooperating with Managing Executive Officer T. Hirose on Transportation & Logistics Technology		

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned
9 [Outside Director] [Independent Director/Auditor] Noriko Iki (March 21, 1956) Status of attendance at the Board of Directors (Fiscal Year 2020): 100% (14 out of 14 meetings)	April 1979:	Joined Ministry of Labor	4,492
	July 2009:	Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare (MHLW)	
	July 2010:	Research Director, Japan Institute for Labour Policy and Training	
	September 2012:	Director-General, Tokyo Labour Bureau, MHLW	
	April 2014:	Ambassador of Japan to Brunei Darussalam	
	July 2017:	Retired from Ambassador of Japan to Brunei Darussalam	
	March 2018:	Director of Japan Institute for Women's Empowerment & Diversity Management	
	Assumed current position as President of Japan Institute for Women's Empowerment & Diversity and Management and Outside Director of the Company in June 2018		
	(Material concurrent position) Outside Director, NEC Corporation		
	- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Ms. Noriko Iki as an Outside Director because it believes that she is well-qualified for the position by reason of the deep insight she accumulated at MHLW in areas including employment, labor and promoting the success of diverse personnel, and her ample experience, etc. as Director-General of the Tokyo Labour Bureau of MHLW, the Ambassador Extraordinary and Plenipotentiary and other key positions, as well as her appropriate actions and remarks as an Outside Director of the Company since her appointment at the 94th General Meeting of Shareholders held on June 26, 2018, notwithstanding the fact that she does not have experience participating in corporate management other than serving as an Outside Director and as an Outside Audit & Supervisory Board Member. Ms. Noriko Iki is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing her opinions and exercising her voting rights from an independent standpoint in such opportunities as the Board of Directors, based on her deep insight and ample experience.		

(Notes) 1) Ms. Noriko Iki currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for three (3) years as of the conclusion of this General Meeting of Shareholders.

- 2) The Company has already filed Ms. Noriko Iki as an “independent director/auditor” with each financial exchange in Japan where it is listed.
- 3) Although Ms. Noriko Iki serves as President of Japan Institute for Women’s Empowerment & Diversity Management, to which the Company outsources a part of its in-house trainings and pays the membership fee, since the amount of outsourcing fee paid to the said institute accounts for less than 1% of the consolidated selling, general and administrative expenses of the Company, the said institute is not a specified associated service provider of the Company. The annual membership fee paid to the said institute by the Company is 760,000 yen.

Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned	
<p>10 [Outside Director]</p> <p>[Independent Director/Auditor]</p> <p>Tetsuro Tomita (October 10, 1951)</p> <p>Status of attendance at the Board of Directors (Fiscal Year 2020): 100% (11 out of 11 meetings)</p>	April 1974:	Joined Japanese National Railways	1,000	
	April 1987:	Joined East Japan Railway Company		
	June 2000:	Director and General Manager of Management Administration Department, Corporate Planning Headquarters of East Japan Railway Company		
	June 2003:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company		
	July 2004:	Executive Director and Deputy Director General of Corporate Planning Headquarters, General Manager of IT Business Department, Corporate Planning Headquarters of East Japan Railway Company		
	June 2005:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company		
	June 2008:	Executive Vice President and Representative Director, and Director General of Life-Style Business Development Headquarters of East Japan Railway Company		
	June 2009:	Executive Vice President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company		
	April 2012:	President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company		
	June 2012:	President and Representative Director of East Japan Railway Company		
	Assumed current position as Chairman and Director of East Japan Railway Company in April 2018 Assumed current position as Outside Director of the Company in June 2020			
	(Material concurrent position) Vice Chair, KEIDANREN (Japan Business Federation) Outside Director, Nippon Life Insurance Company			
	- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Mr. Tetsuro Tomita as an Outside Director because it believes that he is well-qualified for the position by reason of the deep insight and ample experience in corporate management, as well as his appropriate actions and remarks as an Outside Director of the			

		<p>Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020. Mr. Tetsuro Tomita is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as the Board of Directors, based on his deep insight and ample experience.</p>	
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- (Notes)
- 1) Mr. Tetsuro Tomita currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for one (1) year as of the conclusion of this General Meeting of Shareholders.
 - 2) The Company has already filed Mr. Tetsuro Tomita as a candidate for an “independent director/auditor” with each financial exchange in Japan where it is listed.
 - 3) Mr. Tetsuro Tomita engaged in the execution of business of East Japan Railway Company, which has a business relationship with the Company for transactions of steel and other products/services. Since the amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
11	[Outside Director]	April 1976:	Joined Ministry of Foreign Affairs of Japan	1,000
	[Independent Director/Auditor]	January 2008:	Director-General for African Affairs, Ministry of Foreign Affairs of Japan	
		July 2008:	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs of Japan	
	Masato Kitera (October 10, 1952)	January 2010:	Deputy Minister, Ministry of Foreign Affairs of Japan	
		September 2012:	Assistant Chief Cabinet Secretary	
		November 2012:	Ambassador of Japan to the People's Republic of China	
		April 2016:	Ambassador of Japan to the French Republic	
		December 2019:	Retired from Ambassador of Japan to the French Republic	
	Status of attendance at the Board of Directors (Fiscal Year 2020): 100% (11 out of 11 meetings)	Assumed current position as Outside Director of the Company in June 2020		
		(Material concurrent position) Outside Director, Marubeni Corporation Outside Director, Japan Tobacco Inc.		
		- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Mr. Masato Kitera as an Outside Director because it believes that he is well-qualified for the position by reason of the deep insight regarding international affairs, economy, culture, etc., cultivated in the Ministry of Foreign Affairs as well as ample experience earned as Ambassador Extraordinary and Plenipotentiary and other important positions, as well as his appropriate actions and remarks as an Outside Director of the Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020, notwithstanding the fact that he does not have experience participating in corporate management. Mr. Masato Kitera is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as the Board of Directors, based on his deep insight and ample experience.		

- (Notes)
- 1) Mr. Masato Kitera currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for one (1) year as of the conclusion of this General Meeting of Shareholders.
 - 2) The Company has already filed Mr. Masato Kitera as a candidate for an “independent director/auditor” with each financial exchange in Japan where it is listed.

(Liability Limitation Agreements)

The Company has concluded an agreement with each of Ms. Noriko Iki, Mr. Tetsuro Tomita and Mr. Masato Kitera limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as they act unknowingly and are not grossly negligent in performing their duties. Upon approval of Item 2 as proposed herein, the agreements will continue to be in effect.

(Indemnity Agreements)

The Company has concluded an agreement with each of Mr. Kosei Shindo, Mr. Eiji Hashimoto, Mr. Shinichi Nakamura, Mr. Akio Migita, Mr. Shuhei Onoyama, Mr. Tadashi Imai, Ms. Noriko Iki, Mr. Tetsuro Tomita, and Mr. Masato Kitera that the Company indemnifies each of them for the costs stipulated in Article 430-2, Paragraph 1, Item (i) of the Companies Act and the losses stipulated in Item (ii) of the same Paragraph to the extent stipulated by laws and regulations. Upon approval of Item 2 as proposed herein, the agreements will continue to be in effect with each individual.

Upon approval of Item 2 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with each of Mr. Naoki Sato and Mr. Takahiro Mori.

(Directors and Officers Liability Insurance Contract)

The Company has concluded a directors and officers liability insurance contract with persons including Directors, Audit & Supervisory Board Members, Executive Officers, and important employees, of the Company, its subsidiaries, and other entities as the insured persons. Under the contract, the insurance company will cover damages such as legal compensation for damages and litigation costs incurred as a result of claims for compensation for damages arising from acts (including inaction) by the insured persons pursuant to their positions. Upon approval of Item 2 as proposed herein and assumption of office as Director of the Company (excluding Directors who are Audit & Supervisory Committee Members), the candidates will be insured under the insurance.

The Company plans to renew the insurance contracts with the same details for the duration of the candidates' term of office.

[Opinion of the Audit & Supervisory Committee]

The Audit & Supervisory Committee examined the election of Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the Audit & Supervisory Committee Auditing Standards in consideration of developments including the outline of discussions by the Nomination and Compensation Advisory Committee.

As a result, the Committee concluded that there is nothing in particular to be pointed out regarding the election of Directors (excluding Directors who are Audit & Supervisory Committee Members).

(For reference)

If Item 2 is approved as proposed herein, the Directors of the Company after this Ordinary General Meeting of Shareholders will be as indicated in the table below. Outside Directors will continue to account for more than one-third (7 out of 18) of all members of the Company's Board of Directors.

Candidate No.		Name		Position (Planned)		
Directors	Directors (Excluding Directors who are Audit & Supervisory Committee Members)	Item 2	1	Kosei Shindo	Representative Director and Chairman	
			2	Eiji Hashimoto	Representative Director and President	
			3	Shinichi Nakamura	Representative Director and Executive Vice President	
			4	Akio Migita	Representative Director and Executive Vice President	
			5	Shuhei Onoyama	Representative Director and Executive Vice President	
			6	Naoki Sato	New	Representative Director and Executive Vice President
			7	Takahiro Mori	New	Representative Director and Executive Vice President
			8	Tadashi Imai		Managing Director
			9	Noriko Iki	Outside Independent	Director
			10	Tetsuro Tomita	Outside Independent	Director
			11	Masato Kitera	Outside Independent	Director
	Directors who are Audit & Supervisory Committee Members			Masato Matsuno	Senior Audit & Supervisory Committee Member (full-time)	
				Shozo Furumoto	Senior Audit & Supervisory Committee Member (full-time)	
				Nobuhiro Miyoshi	Senior Audit & Supervisory Committee Member (full-time)	
				Hiroshi Obayashi	Outside Independent Audit & Supervisory Committee Member	
				Jiro Makino	Outside Independent Audit & Supervisory Committee Member	
				Seiichiro Azuma	Outside Independent Audit & Supervisory Committee Member	
				Hiroshi Yoshikawa	Outside Independent Audit & Supervisory Committee Member	

(Note) New: New candidate Outside: Outside Director Independent: Independent Director/Auditor

Exercise of Voting Rights via the Internet

In exercising your voting rights via the Internet, please review and confirm following instructions before exercising your voting rights.

**Deadline for exercising voting rights
via the Internet:
5 p.m., Tuesday, June 22, 2021 (JST)**

Please access the following website and enter your “voting right exercise code” and “password” indicated in the Voting Rights Exercise Form. Please follow the instructions that appear on the display and indicate whether you are for or against each Item.

Internet Voting Website: (<https://www.web54.net>)

- **Treatment of votes**

When you vote more than once, the last vote is treated as the vote of record.

- **Inquiries about the operation of personal computers and other issues**

For inquiries on how to exercise your voting rights via the Internet, please call:

0120-652-031 (toll free within Japan) (9 a.m. ~ 9 p.m.)

This is a dedicated line for website support provided by the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

Business Report

96th Term: From April 1, 2020 to March 31, 2021

1. Current Situations of the NIPPON STEEL Group

(1) Progress and Results of Business Operations and Tasks Ahead

General Review

In fiscal year 2020, the global economy substantially decelerated as economic activity was reduced mainly in the first half by the spread of COVID-19 worldwide. The Japanese economy also deteriorated due to global economic developments and the spread of COVID-19. In the second half of the year, the domestic and overseas economies began to show signs of recovery but the pace of recovery varied by country. In Japan, private consumption and other aspects of the economy showed signs of improvement but have faltered again, while China was one of the first countries that resumed economic activity and steadily recovered, mainly driven by fixed asset investment.

Demand for steel materials declined sharply in the first half of the year, both in Japan and overseas, due to the spread of COVID-19. In the second half, Japan recovered mainly in the manufacturing sector, notably in the automobile sector, but the level of economic recovery remained at a low level compared to before the COVID-19 outbreak. The steel market rose due to continued high levels of domestic demand and production in China, which accounts for about 60% of world crude steel production. Other regions' tighter steel supply-demand conditions, which were in line with their economic resumption, also helped to boost the steel market.

In this business environment, the NIPPON STEEL Group strived to fully establish the overall stability of its facilities and operations, improve its long-term contractual prices and variable costs, and substantially reduce fixed costs. In addition, the Group has been working to enhance its earnings base, including the structural measures for production facilities decided in February of last year, and to reform the management structure. The Group has also been working swiftly and appropriately to respond to changes in steel demand, caused by the spread of COVID-19.

Business Segment Review

The NIPPON STEEL Group's business segments each put forth utmost management effort to generate results while responding to the changing business environment.

• Steelmaking and Steel Fabrication

The Steelmaking and Steel Fabrication segment strived to fully establish the overall stability of its facilities and operations, while taking every possible measures on the safety, environment, disaster prevention, quality management, and compliance, improve its long-term contractual prices and variable costs, and substantially reduce fixed costs. In addition, the segment has been working to enhance its earnings base, including the structural measures for production facilities decided in February of last year, and to reform the management structure. In response to changes in steel demand, caused by the spread of COVID-19, the segment has promptly and appropriately implemented measures, such as production management (including temporary suspension and re-operation of blast furnaces), implementation of the business continuity plan (BCP), temporary business shutdowns, and measures in light of the deterioration in operating cash flow. As for the Steelmaking and Steel Fabrication segment's operating results in fiscal year 2020, it recorded a significant loss in the first half, mainly due to a decline in production and shipping volumes, driven by the decline in steel demand, and deterioration in Group companies' profits. In the second half, the segment worked on production in prompt, appropriate response to a recovery in steel demand, mainly from the manufacturing industry, and substantially reduced fixed costs and improved variable costs, which resulted in turning into a profitable structure in non-consolidated operating income. For the full year, the Steelmaking and Steel Fabrication segment recorded revenue of ¥4,228.4 billion and business profit of ¥63.5 billion.

Specifically, the following efforts were made during fiscal year 2020.

In order to strengthen the competitiveness of the domestic mother mills that support the global strategy, NIPPON STEEL ("the Company") needs to invest in leading-edge facilities and expanding the supply capacity of strategic products, and to reduce costs by concentrating production of high-value-added products. In order to achieve these aims, the Steelmaking and Steel Fabrication segment has moved forward with the transition to an optimal production framework in Japan based on thorough selection of products and facilities. In fiscal year 2020, the blast furnace and continuous casting machine in the Kyushu Works Yawata Area

(Kokura), the small-diameter seamless steel pipe mill in the East Nippon Works Kimitsu Area (Tokyo), the tin production line in the Setouchi Works Hirohata Area, and the electro-galvanizing lines in the Setouchi Works Hanshin Area (Sakai) were shut down, and production was consolidated into competitive lines. In addition, the No. 2 blast furnace of Muroran Works (Hokkai Steel Co., Ltd.) was relined in order to maintain and strengthen the health of the facilities and to further improve productivity.

Utilizing the world's largest and best-in-class technology development capabilities, NIPPON STEEL has been striving to strengthen both the quality and volume of its globally-competitive strategic products, maximize marginal profits, and contribute to the realization of a sustainable society. In fiscal year 2020, the Company decided to expand the production facilities for electrical steel sheets in the Setouchi Works Hirohata Area, with the aim of meeting growing steel demand related to automobiles and electric power and the need for higher-grade products. In January 2021, the No. 6 CGL (Continuous Hot-Dip Galvanizing Line) in the East Nippon Works Kimitsu Area started commercial operation to strengthen the Company's supply of ultra-high-tensile steel sheets.

Overseas, the Steelmaking and Steel Fabrication segment focused on areas where growth in steel demand is anticipated, and areas where the Group's technological and product capabilities can be utilized, contributing to the development of countries and regions, and striving to increase the corporate value of Nippon Steel. In fiscal year 2020, the Company decided to establish a new electric arc furnace at AM/NS Calvert LLC, a joint venture with ArcelorMittal in the United States, in order to strengthen the production and supply of full-line high-grade steel sheets in North America, including leading-edge products. In contrast, the segment sold shares of the automobile steel sheet businesses in the United States, reorganized its tin business in China and other areas, and withdrew from the seamless pipe joint venture business in Brazil. The aim of these efforts to select and concentrate businesses is to properly reallocate management resources.

In order to appropriately respond to greater fluctuation in the business environment and acceleration in the speed of change, NIPPON STEEL has reformed the management structure. With regard to corporate governance, the Company moved to a "Company with an Audit & Supervisory Committee" in June 2020 to expedite management decision-making, enhance discussions at the Board of Directors, and strengthen its function to supervise management. In addition, the Company decided to further streamline its business operations by slimming down the company-wide organization, including the integration and reorganization of its steel mills in April 2020.

NIPPON STEEL is actively promoting digital transformation (DX) and strengthening its business competitiveness by use of data and digital technologies. The Company intends to carry out business process innovation and production process innovation by creating Kaizen (improvement) and Kaikaku (reform) cycles through the building of a system to share and utilize a vast amount of corporate-wide data and the use of connected data, aiming to accelerate decision-making and improve problem solving capabilities. In fiscal year 2020, the Steelmaking and Steel Fabrication segment accelerated DX at manufacturing sites by starting long-term operational tests of AI technology software utilizing NEC Corporation's "in-variant analysis technology" in order to build a facility condition monitoring platform at the steelworks.

On the environmental front, NIPPON STEEL has contributed to energy conservation, CO₂ emissions reduction, and the creation of a circular economy by further improving energy efficiency at the steel manufacturing stage, which is at the highest level in the world, and by developing and producing eco-friendly products. Amid increasing global awareness of climate change issues, the Company has established a cross-functional Zero Carbon Steel Committee, which began discussions on the Company's scenario for a decarbonized society (the target for 2030 and vision for 2050) and research and development on low CO₂ technology. In March 2021, the Company announced "Nippon Steel Carbon Neutral Vision 2050 - A Challenge of Zero-Carbon Steel"—a new, unique initiative to take up the challenge to realize carbon neutrality in 2050 as the Company's priority issue.

NIPPON STEEL has also been actively engaged in diversity and inclusion in order to create a company where its diverse workforce can be proud, feel rewarded, and be empowered. In fiscal year 2020, the Company decided to open its own childcare nursery in the East Nippon Works Kashima Area and the Muroran Works. In March 2021, the Company was selected as a "Nadeshiko" brand name by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which signifies a "company with excellent performance in promoting women's activities."

Following its corporate philosophy of pursuing world-leading technologies and manufacturing

capabilities and contributing to society by providing excellent products and services, the NIPPON STEEL Group will strive to contribute to the realization of a sustainable society and to enhance corporate value.

• **Engineering and Construction**

Nippon Steel Engineering Co., Ltd. posted a decrease in overall revenue due to a decline in the scale of its electric power business, but the overall Engineering and Construction segment recorded an increase in profit, supported mainly by the steady implementation and management of large-scale projects that were ordered in the past fiscal year, and the completion of several projects. These large-scale projects included facility renovation works in the steelmaking plant sector, a gas-fired melting furnace in the environment and energy sector, and the construction of distribution facilities in the urban infrastructure sector. The spread of COVID-19 caused delays in orders and processes for some projects but the segment endeavored to thoroughly respond to changes in the business environment. The Engineering and Construction segment recorded revenue of ¥324.4 billion and business profit of ¥17.7 billion.

• **Chemicals and Materials**

Nippon Steel Chemical & Materials Co., Ltd. experienced severe profit conditions in the first half of fiscal year 2020, amid the global economic slowdown caused by the spread of COVID-19. In the second half, however, the business environment improved, and partly due to efforts to improve profitability, such as cost reduction, and changes in the retirement benefit system, the company managed to record a profit for the full year. In the Coal Chemical business, demand for needle coke used in graphite electrodes continued to decline. In the Chemicals business, the market for styrene monomer and bisphenol A, which had been weak since the beginning of 2020, recovered in the second half. In the Functional Materials business, sales of semiconductor-related materials and LCD materials remained strong throughout the fiscal year, and sales of smartphone materials, which had been sluggish at the beginning of the fiscal year, started to recover. In the Composite Materials business, carbon fiber reinforced materials for civil engineering and construction recorded record-high annual sales, and epoxy resin sales increased for automotive equipment and semiconductor package substrates. The Chemicals & Materials segment recorded revenue of ¥178.6 billion and business profit of ¥7.6 billion.

• **System Solutions**

NS Solutions Corporation has provided digital workplace solutions and other services for IT needs to accommodate new workstyles amid harsh economic activities caused by the spread of COVID-19. In order to support customers' promotion of DX, the company has made efforts to provide digital innovation co-creation programs and promote local 5G and IoX solutions, centered on the manufacturing and energy industries.

However, the System Solutions segment recorded a decline in revenue mainly due to a decrease relative to the booking of a large-scale infrastructure project in fiscal year 2019. The segment's business profit also decreased from the previous year, mainly reflecting a decline in gross profit. The System Solutions segment recorded revenue of ¥252.4 billion and business profit of ¥23.9 billion.

Revenue and Profit

With regard to the consolidated business results for fiscal year 2020, NIPPON STEEL recorded a significant loss in the first half, mainly due to a decline in production and shipping volumes, driven by the decline in steel demand as affected by the spread of COVID-19, and deterioration in Group companies' profits. In the second half, the Company worked on production in prompt, appropriate response to a recovery in steel demand, mainly from the manufacturing industry, and substantially reduced fixed costs and improved variable costs, which resulted in turning into a profitable structure in non-consolidated operating income. For the full fiscal year, the Company recorded consolidated revenue of ¥4,829.2 billion and business profit of ¥110.0 billion. In addition, due to losses from reorganization and other factors, the Company posted loss attributable to owners of the parent of ¥32.4 billion.

An overview of the revenue and business profit of each business segment in fiscal year 2020 is as follows:

Revenue and Business Profit by Business Segment

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Chemicals and materials	System solutions	Adjustments	Consolidated total
Revenue	4,228.4	324.4	178.6	252.4	(154.7)	4,829.2
Business profit	63.5	17.7	7.6	23.9	(2.7)	110.0

Non-consolidated financial result for fiscal year 2020 was net sales of ¥2,820.9 billion, operating profit of ¥(104.7) billion, ordinary profit of ¥(25.4) billion and profit of ¥(42.0) billion.

Assets, Liabilities, and Equity

Consolidated total assets as of March 31, 2021 were ¥7,573.9 billion, an increase of ¥128.9 billion from ¥7,444.9 billion as of March 31, 2020. The main factors were an increase of ¥70.0 billion in cash and cash equivalents, an increase of ¥142.3 billion in property, plant and equipment, and an increase of ¥147.1 billion in other financial assets (non-current assets). The increase was partially offset by a decrease of ¥182.8 billion in inventories, caused by production in response to changes in steel demand in Japan and overseas, and a decrease of ¥60.9 billion in investments accounted for using the equity method, such as the sale of shares of I/N Tek and I/N Kote, which were engaged in the cold-rolling and galvanizing steel sheet business in the United States, and the sale of shares of VSB, which was engaged in the seamless pipe business in Brazil.

Consolidated total liabilities as of March 31, 2021 were ¥4,442.5 billion, a decrease of ¥5.7 billion from ¥4,448.3 billion as of March 31, 2020. Trade and other payables decreased by ¥67.0 billion, while interest-bearing debt increased by ¥70.5 billion, from ¥2,488.7 billion as of March 31, 2020 to ¥2,559.2 billion as of March 31, 2021, stemming from the refinancing of subordinated bonds and other factors.

Consolidated total equity as of March 31, 2021 was ¥3,131.3 billion, an increase of ¥134.7 billion from ¥2,996.6 billion as of March 31, 2020. This was primarily contributed by an increase of ¥122.0 billion in the fair value of financial assets measured at fair value through other comprehensive income and an increase of ¥45.1 billion in remeasurements of defined benefit plans, which more than offset a decrease from loss for the year attributable to owners of the parent of ¥32.4 billion. As a result, total equity attributable to owners of the parent as of March 31, 2021 amounted to ¥2,759.9 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.93 times (0.70 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Dividends

NIPPON STEEL's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year, in consideration of the consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects, while also considering the financial structure of the Company on both consolidated and non-consolidated bases. The Company has adopted a consolidated annual payout ratio target of around 30% as the benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results." The level of the interim dividend is determined in consideration of the first-half performance results and forecasts for the full fiscal year.

Nippon Steel forwent an interim dividend payment, in accordance with the basic profit distribution policy. Regarding the fiscal year-end dividend, in line with the previously stated policy and after giving due consideration to the recent performance recovery, performance outlook, and other factors, management has decided to propose a year-end dividend payment of ¥10 per share (making an annual dividend of ¥10 per share), as announced at the time of third quarter performance results (February 5, 2021).

Tasks Ahead

• Outlook for Operations in Fiscal Year 2021

The world economy is expected to recover from the slowdown caused by the spread of COVID-19, and Japan's economy will also recover. As for the steel-making business environment, however, severe conditions are likely to continue, including a decline in domestic steel demand, which has continued since before the spread of COVID-19, the persistently high prices of iron ore and other main raw materials due to the high level of pig iron production in China, and sluggish new investments in the energy sector due to the

sluggish oil prices.

Steel demand is expected to maintain the recovery trend in Japan and overseas and the tightening supply-demand environment is likely to continue. In China, the government's continued economic stimulus measures are likely to result in high levels of steel consumption and crude steel production. The steel market is on an upward trend both in Japan and overseas, reflecting the tight supply-demand conditions, and conditions, including the impact of further spread of COVID-19, will warrant continued monitoring.

Under these circumstances, based on the non-consolidated operating profit generating structure, which was established by significant reduction in fixed costs and improvement in variable costs, NIPPON STEEL will continue to work on fully establishing the overall stability of its facilities and operations, improve its long-term contractual prices, and implement measures to securely benefit from the solid business environment, including the export market. The Company thereby strives for high-level profit generation even at a low level in production and shipment volumes. As for the Company's forecasts for fiscal year 2021, it is projecting consolidated revenue of ¥6,000 billion, business profit of ¥450 billion, and profit attributable to owners of the parent of ¥240 billion.

In March 2021, NIPPON STEEL developed “the Nippon Steel Group’s Medium- to Long-term Management Plan” with the aim of continually growing to become “the best steelmaker with world-leading capabilities” that contributes to Japan’s industrial competitiveness from the present and into the future. In the domestic steel business, the Company will build a strong framework that enables efficient production of the highest grade products. In overseas steel business, the Group will expand its integrated production framework in the center of demand and ensure that local demand is captured in growing markets. The plan is to achieve 100 million tons of global crude steel capacity per annum for the Group by combining the efforts of its mother mills in Japan and local mills located overseas. The Company will also continue to respond to climate change, aiming to achieve carbon neutrality by 2050. Furthermore, it will push hard for DX while aiming to become a digitally advanced company in the steel industry.

NIPPON STEEL wishes to take this opportunity to ask its shareholders for their understanding of the aforementioned circumstances and for their continued support.

(For reference 1) Implementation Status of the Key Measures in 2020 Mid-Term Management Plan

1. Delivering Materials and Solutions to Address Changes in Society and Industry

Needs for weight reductions, miniaturization, greater reliability and the like are causing the requirements for properties of materials to become more diverse and advanced. Amid such circumstances, NIPPON STEEL is developing materials that address evolving customer needs and expanding its offer of solutions in areas such as application and processing technologies.

(Measures implemented)

- Strengthen ultra-high-tensile steel sheets supply system (Start operation of Kimitsu 6CGL at East Nippon Works)
- Announcement of NSafe[®]-AutoConcept (Automobile weight reduction by approximately 30% using steel materials)
- Established NIPPON STEEL Chemical & Material Co., Ltd. (Support for customers' shift to multi-materials)

2. Global Business Development and Domestic Business Restructuring

NIPPON STEEL is responding to growing overseas demand by the combination of exports of high-grade steel from Japan and supplies from overseas production bases. NIPPON STEEL also expanded overseas integrated steel production bases including upstream process in order to expand supply of steel products to areas where demand for infrastructure in particular is increasing. NIPPON STEEL further reorganized the Group and continued to advance "concentration on core business operations".

(Measures implemented)

- Joint acquisition of Essar Steel India Limited with ArcelorMittal (establishment of ArcelorMittal Nippon Steel India Limited)
- Acquisition and consolidation as a wholly owned subsidiary of Ovako AB, and consolidation of Ovako AB as a wholly owned subsidiary by Sanyo Special Steel Co., Ltd. [Restructuring and strengthening of special steel business]
- Merger with Nippon Steel Nisshin Co., Ltd. and restructuring and strengthening of related business and Group companies
 - Restructuring of stainless business (establishment of NIPPON STEEL Stainless Steel Corporation and NIPPON STEEL Stainless Steel Pipe Co., Ltd. and merger of NS-Stainless Corporation with NIPPON STEEL Stainless Sales Co., Ltd.)
 - Restructuring of building steel sheets business (merger of NIPPON STEEL COATED SHEET CORPORATION and Nippon Steel Nisshin A&C Co., Ltd. and business integration of road related business of NIPPON STEEL METAL PRODUCTS CO., LTD. and Kobelco Engineered Construction Materials Co., Ltd. (planned))
 - Business integration of NIPPON STEEL TEXENG. CO., LTD. and NIPPON STEEL Nisshin Machine Co., Ltd., and Integration and reorganization of NIPPON STEEL LOGISTICS CO., LTD. and NIPPON STEEL Nisshin Marine Transportation Co., Ltd.
 - Consolidation of NIHON TEPPAN Co., Ltd. as a subsidiary by NIPPON STEEL TRADING CORPORATION

3. Continuing to Strengthen "Manufacturing Capabilities" of Domestic Mother Mills

NIPPON STEEL strengthens "manufacturing capabilities" of domestic mother mills, continues to evolve as a base for technological development and cost and productivity improvement, provides a stable supply of steel products to Japan and overseas, and supports overseas businesses.

(Measures implemented)

[Blast furnace/steelmaking]

- Relining of Muroran Works No. 2 blast furnace (Hokkai Iron & Coke Corporation)
- Kansai Works Wakayama area: Introduce advanced blast furnace (Shut down of No. 5 blast furnace, started operation of new No. 2 blast furnace)
- Kyushu Works Yawata area: Integrate steelmaking mills (Started operation of an advanced continuous caster (Tobata), shut down of No. 2 blast furnace/steelmaking mill (Kokura))

[Coke]

- Muroran Works (Hokkai Iron & Coke Corporation) Upgrading of No. 5 coke oven
- East Nippon Works Kimitsu area: Upgrading of No. 5 coke oven

[Pipes & tubes]

- East Nippon Works Kimitsu area (Tokyo): Shut down the seamless pipe & tube mill operation, transferred production to Kansai Works Wakayama area (Kainan)

- East Nippon Works Kashima area: Shut down the large-diameter pipe & tube mill operation, transferred production to East Nippon Works Kimitsu area

4. Utilizing Advanced IT in Steelmaking Processes

NIPPON STEEL actively deploys advanced IT (AI, IoT, BigData, etc.) to achieve a stable and competitive universal manufacturing environment, stable production, quality improvements, and the sophistication of business operations.

(Measures implemented)

- Company-wide Safety Support Project (Smartphone-based safety support for manufacturing frontlines)
- Started local 5G network system demonstration tests (Muroran Works)
- Introduced NS-DIG[®] (Data analysis and AI development platform)

5. Contributing to the Achievement of a Sustainable Society (SDGs)

The NIPPON STEEL Group's corporate philosophy is "The NIPPON STEEL Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services." Through its steelmaking, the NIPPON STEEL Group promotes various measures aimed at the achievement of a sustainable society.

(Measures implemented)

- Creation of video of life cycle assessment (LCA) that examines ecological friendliness through steel lifecycle
- Issued the international standard (ISO20915) regarding a life cycle inventory calculation methodology for steel products
- Expressed support for recommendations of TCFD
- Obtained EcoLeaf Environmental Label for H-beams and tinplate products
- Opening of 24 hour in-house nursery (Oita, Kimitsu, Yawata, Nagoya, Hirohata, Kashima (planned), Muroran (planned))

**(For reference 2) Outline of NIPPON STEEL Group’s Medium-to Long-term Management Plan
(announced in March 2021)**

With the aim of continually growing to become “the best steelmaker with world-leading capabilities” that contributes to Japan’s industrial competitiveness from the present and into the future, NIPPON STEEL has developed its new medium- to long-term management plan.

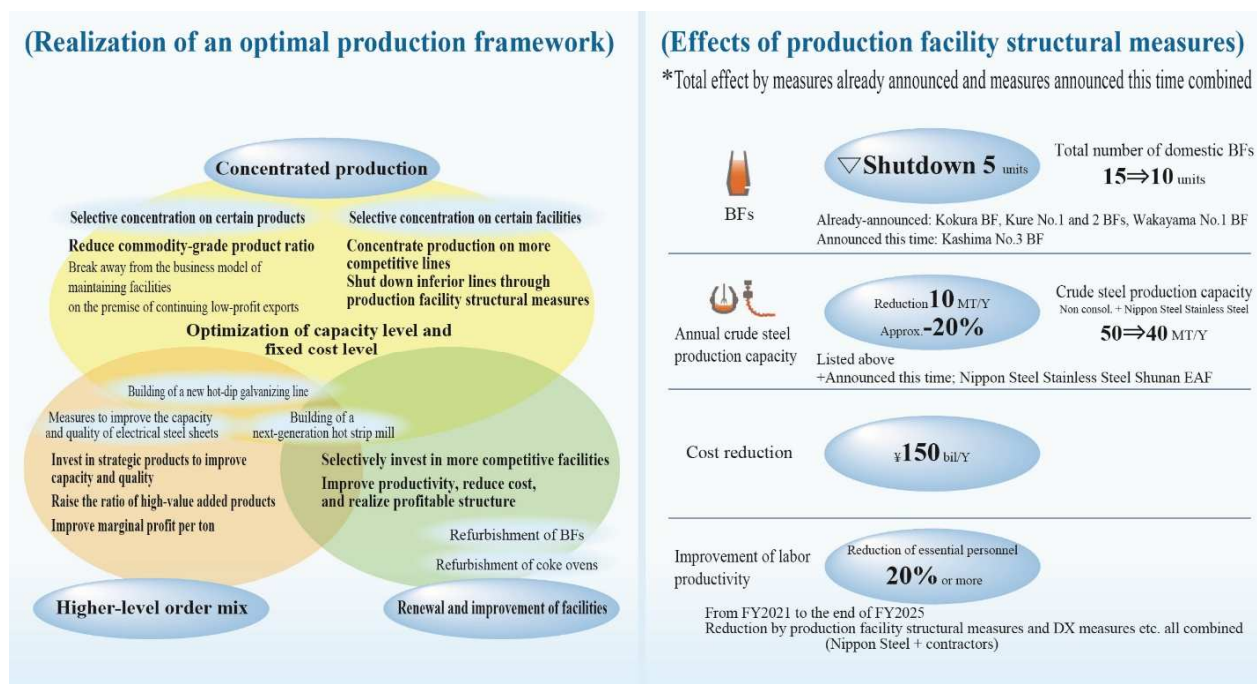
Four pillars of the management plan

1. Rebuilding our domestic steel business and strengthening our group’s management
2. Promoting a global strategy to deepen and expand our overseas business
3. Taking on the challenge of zero-carbon steel
4. Promoting digital transformation strategies

Measures for all four pillars will be implemented according to our roadmap, and based on our long-term outlook. Particularly, with regard to pillar 1 (Rebuilding our domestic steel business and strengthening our group’s management), our plan is to complete the relevant measures by the end of fiscal 2025 in order to establish an efficient and strong production framework at an early stage, and to rebuild the earnings base of our domestic mother mills.

1. Rebuilding our domestic steel business

The Group’s basic policies are “to realize a higher-level order mix through aggressive investment in strategic products,” “to renew and improve facilities to ensure technological strength leading to profit generation,” and “to make the production framework streamlined and more efficient by selective concentration on certain products and facilities.” Based on these overall basic policies, we will strive to build an optimal production framework for our domestic steel business, strengthen our earnings base by re-establishing cost competitiveness, which will overwhelm our competitors, and securing appropriate margins.



(Renewal and improvement of facilities, and higher-level order mix –building a next generation hot strip mill)

The social needs for carbon neutrality

Further stricter world-wide regulation of fuel consumption of internal combustion vehicles
Needs for more lightweight bodies for EVs. (for mileage and battery weight)

The social needs for safety

Stricter collision safety standards



Ultra-high-tensile strength steel sheets

The high strength steel helps ensure safety in the event of a vehicle crash, while reducing weight, improving fuel economy, and reducing CO₂ emissions.

Its controlled crystal structure provides both strength and workability. The ultra-high-tensile strength steel sheets have a tensile strength of 1.0 GPa or higher.

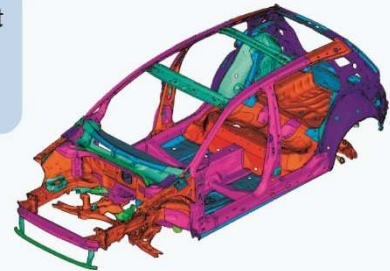
Demand for ultra-high-tensile strength steel sheets which contribute to more lightweight and stronger bodies of vehicles and to easier processing is expected to increase.

Build a next-generation hot strip mill to stably produce state-of-the-art ultra-high-tensile strength steel sheets at the Nagoya Works, which is our center for the manufacture of automobile steel sheets

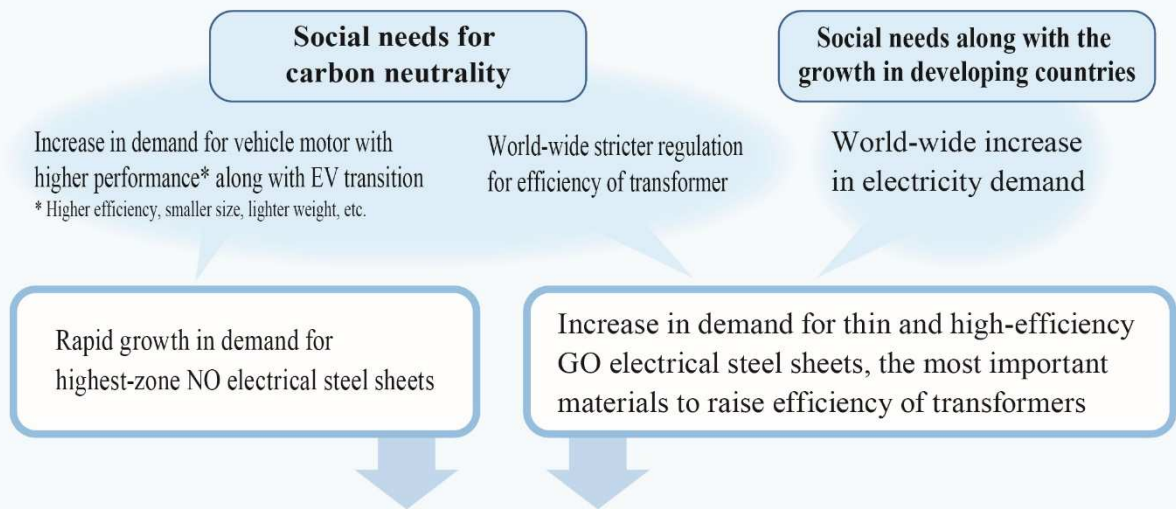
Production capacity: 6 MT/Y

Start of operation: 1Q FY2026 (plan)

(After its operation at full capacity, the existing hot strip mill will be shut down.)




(Higher-level order mix - Measures to improve the capacity and quality of electrical steel sheets)



1) Already-decided or started measures (Aug. 2019 to Nov. 2020)
Kyushu Works Yawata Area and Setouchi Works Hirohata Area, total amount of investments: ¥104.0 bil
+

2) An additional measure announced this time
Setouchi Works Hirohata Area Electrical steel sheet capacity increase
Full-capacity operation in 1H FY2024 (plan)

1) + 2) Capacity increase
Up about 1.5 times (NO+GO),
Up about 3.5 times (high-grade NO+GO)



Electrical steel sheets

Used for “iron cores” in the motors of electric vehicles, motors of various electrical devices, generators for power plants, and transformers used in power transmission.

Electrical steel sheets are an energy-saving material that exhibit good magnetic properties by controlling the direction of iron crystals, and energy loss (iron loss) is minimized.

2. Deepening and expansion of overseas business

NIPPON STEEL will move away from our traditional business of exporting steel products, mainly high-grade steel, and supplying by overseas companies in charge of producing predominantly cold-rolled and plating products, and will move toward a full-scale overseas business that enables local demand to be captured in its entirety and provides added value to our products.

(Improve profitability of global businesses)

Concentration on core businesses operations

Almost completing the withdrawal from businesses which would not be economically viable for us to continue, such as overseas tin plate business reorganization and withdrawal from VSB. Will keep selecting and concentrating businesses.

Profitability improvement of existing businesses

Profit from the market scale and growth in existing overseas businesses centered on Asia (China, ASEAN, India, etc.), whose market size and growth rate are large in the world.

Strengthen business base of largescale acquisitions

AM/NS India

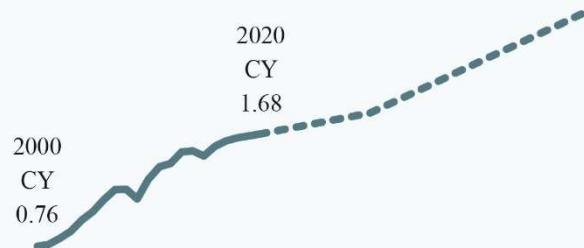
- Full use and expansion of existing capacity (From 7 MT/Y to 14 MT/Y+α)
- Building of new coke ovens
- Mine acquisition, etc.

OVAKO

- Optimization of production framework and fixed cost reduction
- Synergies with Nippon Steel and Sanyo Special Steel

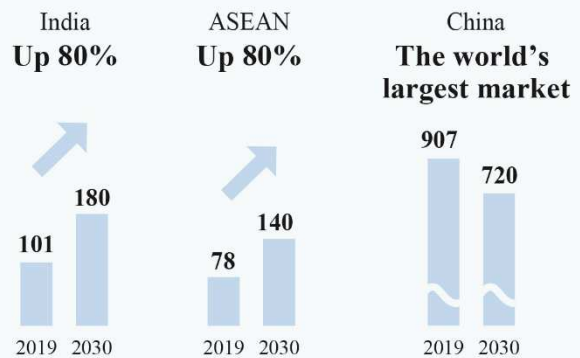
World steel demand forecast

(Billion tons per year) (forecast by Nippon Steel)



Steel demand forecast of focused areas

(Million tons per year) (forecast by Nippon Steel)

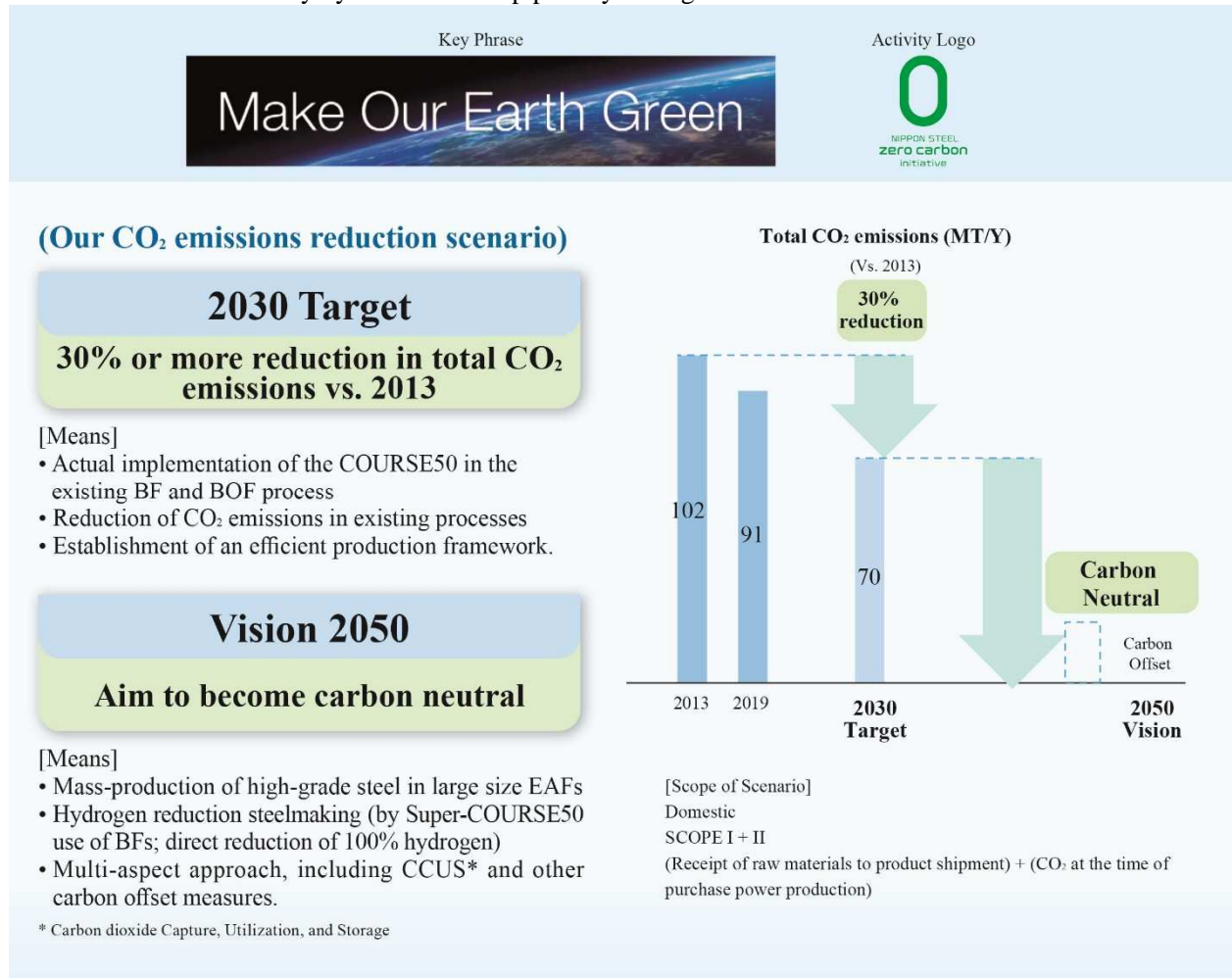


(Toward 100 million ton global crude steel capacity)

Planning to move up to a full-scale overseas business stage to secure higher added value with integrated production framework in “districts and areas where demand is promisingly expected to grow” and in “sectors in which our technologies and products are appreciated.”

3. Taking on the challenge of zero-carbon steel

Adopting “Nippon Steel Carbon Neutral Vision 2050 – The Challenge of Zero-Carbon Steel,” as our own new initiative against climate change, a critical issue affecting human beings, NIPPON STEEL will strive to achieve carbon neutrality by 2050 as our top priority management issue.



(Challenges to realize zero-carbon steel and collaboration with society)

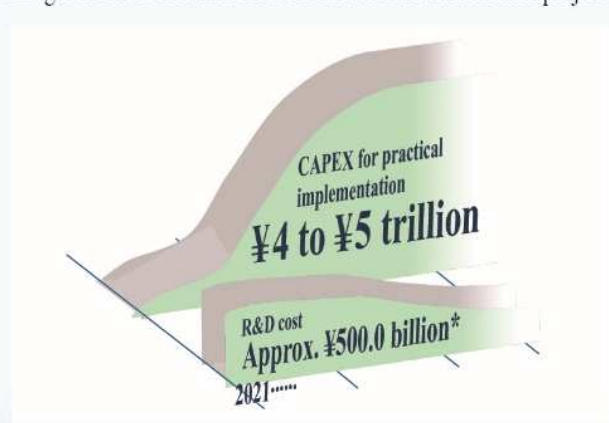
Take on the challenge to develop and practically implement ultra-innovative technologies ahead of the other countries to realize zero-carbon steel, as NIPPON STEEL’s top priority issue, which is essential for Japan’s steel industry to continue to lead the world and to maintain and strengthen the competitiveness of Japanese industry in general.

3 factors to increase costs for the zero-carbon steel project

- 1) Huge R&D costs
- 2) Huge CAPEX for practical implementation
- 3) Increase in operational cost, even if inexpensive carbon free hydrogen and zero-emission power are to be secured

The production cost of crude steel may more than double the current cost.

Images of R&D cost and CAPEX for the zero-carbon steel project



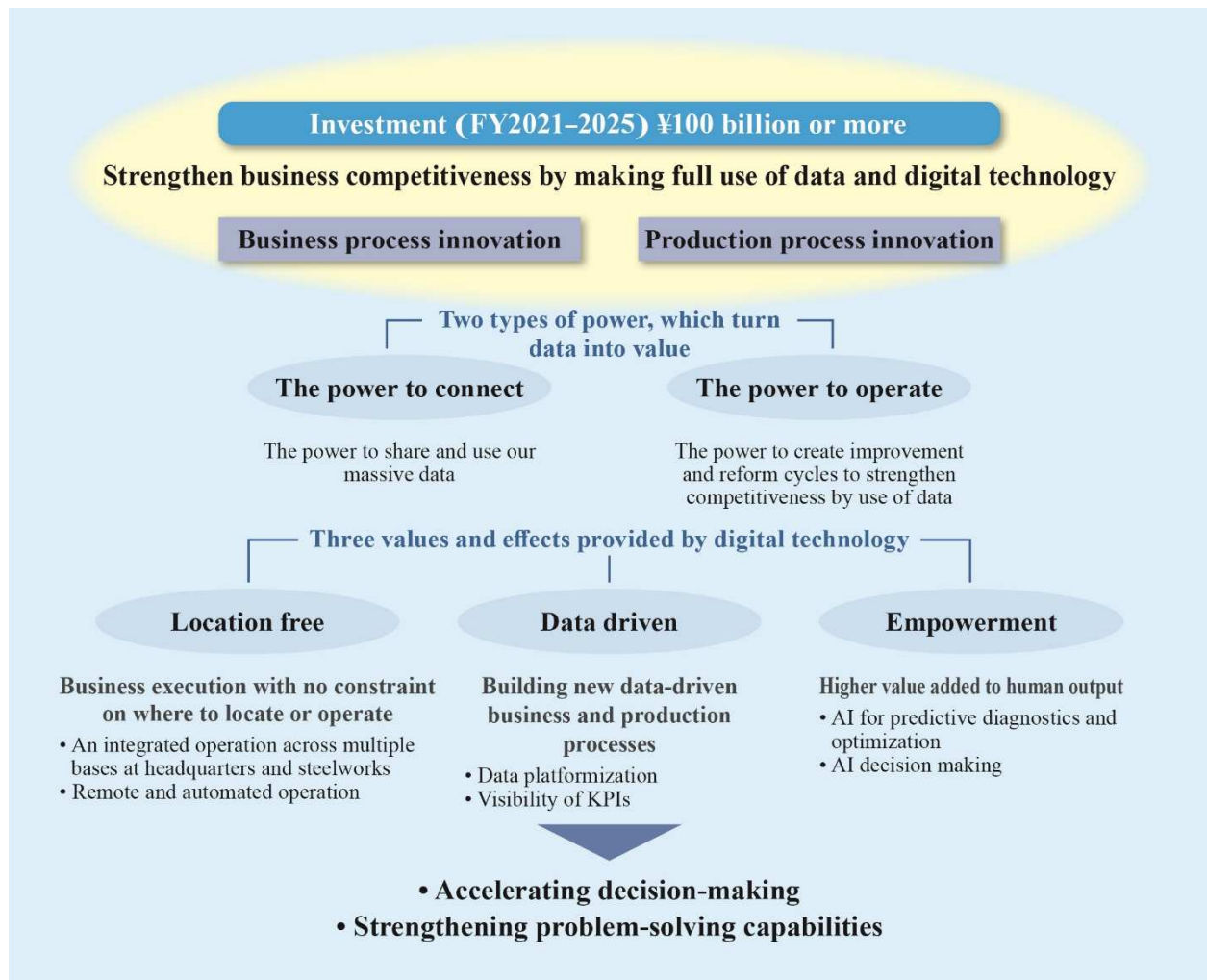
* Minimum level estimated to be required for the time being

3 collaborations required for realizing zero-carbon steel

- 1) A national strategy to realize a “virtuous cycle of environment and growth”
 - Long-term and continuous government support for R&D in the field of breakthrough innovation etc.
 - Establishment of inexpensive and stable large-scale hydrogen supply infrastructure
 - Realization of carbon free power at an international competitive cost
 - Promotion of national projects for the development and commercialization of CCUS
- 2) Realization of government’s comprehensive policies to secure equal-footing in international competition, strengthen industrial competitiveness, and lead to business chances
- 3) Formation of consensus on the issue of cost bearing by society
 - Establishing a system for society as a whole to bear the enormous costs of realizing of zero-carbon, such as R&D costs, CAPEX for replacing existing facilities, and significant increase in production costs.

4. Promoting digital transformation strategies

Over the next five years, we will invest ¥100 billion or more into our digital transformation strategy, with the aim of becoming a digitally advanced company in the steel industry. Specifically, we will strengthen our business competitiveness by making full use of data and digital technologies and implementing the following production and business process innovations.



Investment Plan and Financial Targets

(Aggressive growth investment plan in management resources (fiscal year 2021-2025))

- 1) We will implement capital expenditures of ¥2,400 billion over the next five years.
- 2) We will make investments in business of ¥600 billion over the next five years.

(Financial targets and shareholder return (fiscal year 2025))

We will aim to achieve the following financial targets in fiscal year 2025 in order to ensure sufficient financial strength (an international credit rating of “A”) and recover our corporate value.

	Fiscal year 2025 Plan Targets	2H Fiscal Year 2020 Forecasts
ROS (Return on Sales)	About 10%	5.2%
ROE (Return on Equity)	About 10%	About 6%
D/E Ratio*	0.7 or less	About 0.7
Payout Ratio	Around 30%	Year-end dividend of ¥10/share (plan)

* After recognizing equity credit attributes of the subordinated loans

Disclosed materials on the NIPPON STEEL Group’s Medium-to Long-term Management Plan has been posted on our website.

<https://www.nipponsteel.com/en/ir/library/strategy.html>

(2) Capital Procurement

Date of issue	Title	Total issued amount
June 11, 2020	4th Unsecured Straight Bonds	40.0 billion yen
June 11, 2020	5th Unsecured Straight Bonds	30.0 billion yen
June 11, 2020	6th Unsecured Straight Bonds	10.0 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major plant and equipment completed during fiscal year 2020	Relining of No. 2 blast furnace (Hokkai Iron & Coke Corporation)
Major ongoing plant and equipment investment during fiscal year 2020	Relining of No. 3 coke oven, including fixtures and fittings (Nagoya Works, NIPPON STEEL) Relining of No. 3 blast furnace (Nagoya Works, NIPPON STEEL)

(4) Transfer of Business

Effective April 1, 2020, the Company carried out an absorption-type merger in which the Company was the surviving company and Nippon Steel Nisshin Co., Ltd. was the absorbed company,

(5) Changes in Assets and Profits/Losses

Assets and profits/losses for the current and previous fiscal terms in accordance with International Financial Reporting Standards (IFRS)

Fiscal Term Classification	93rd Term (reference)	94th Term	95th Term	96th Term (fiscal year 2020)
Crude steel production (million tons)	47.02	47.84	47.05	37.65
Revenue (billions of yen) (Overseas revenue shown in brackets)	5,712.9 [1,983.7]	6,177.9 [2,124.7]	5,921.5 [2,066.0]	4,829.2 [1,611.1]
Business profit (billions of yen)	288.7	336.9	(284.4)	110.0
Profit for the year attributable to owners of the parent (billions of yen)	180.8	251.1	(431.5)	(32.4)
Total assets (billions of yen)	7,756.1	8,049.5	7,444.9	7,573.9
Total equity attributable to owners of the parent (billions of yen)	3,136.9	3,230.7	2,641.6	2,759.9
Basic earnings per share	204.87 yen	281.77 yen	(468.74) yen	(35.22) yen
Total equity attributable to owners of the parent per share	3,554.21 yen	3,509.72 yen	2,869.19 yen	2,997.53 yen
Dividends per share (Interim dividends shown in brackets)	70.00 yen [30.00 yen]	80.00 yen [40.00 yen]	10.00 yen [10.00 yen]	*10.00 yen [-]
Ratio of cash dividends to consolidated profit (%)	34.2	28.4	-	-

(Notes)

- (1) Starting from the 94th term, the consolidated financial statements of NIPPON STEEL are prepared in accordance with the International Financial Reporting Standards (“IFRS”), pursuant to the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting.
- (2) The figures for the 93rd term are provided for reference purposes.
- (3) The figures for crude steel production include production amounts of consolidated subsidiaries, in addition to NIPPON STEEL’s production.
- (4) Business profit on Consolidated Statements of Profit or Loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company’s consolidated performance continuously. It is defined as being deducted Cost of sales, Selling general and administrative expenses and Other operating expenses from Revenue, and added Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income. Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.
- (5) The figures with an asterisk (*) are values on the assumption that the proposal on the year-end dividend payment is approved as originally proposed at the 97th General Meeting of Shareholders.

Assets and profits/losses for the previous fiscal terms in accordance with JGAAP

Fiscal Term Classification	93rd Term
Crude steel production (million tons)	47.02
Net sales (billions of yen) (Overseas sales shown in brackets)	5,668.6 [1,960.0]
Ordinary profit (billions of yen)	297.5
Profit attributable to owners of parent (billions of yen)	195.0
Total assets (billions of yen)	7,592.4
Net assets (billions of yen)	3,515.5
Earnings per share	221.00 yen
Net assets per share	3,563.80 yen
Dividends per share (Interim dividends shown in brackets)	70.00 yen [30.00 yen]
Ratio of cash dividends to consolidated profit (%)	31.7

(Note)

The figures for crude steel production include production amounts of consolidated subsidiaries, in addition to NIPPON STEEL's production.

(6) Major Business Operations (as of March 31, 2021)

Business Segment	Main Products	
Steelmaking and Steel Fabrication		Bars and shapes Billets, rails, sheet piles, H-beams, other shapes bars, bars, bars-in-coils, wire rods, special wire rods
		Flat-rolled products Heavy plates, medium plates, hot-rolled sheets, cold-rolled sheets, tinplates, tin-free steel, hot-dipped galvanized sheets, other metallic coated sheets, pre-coated sheets, cold-rolled electrical sheets
		Pipe and tubes Seamless, butt-welded, electric resistance-welded, electric-arc welded, cold-drawn, coated pipes and tubes, coated steel pipes
	Steel Products	Railway/automotive/machinery parts Parts for railway vehicles, die-forged products, forged aluminum wheels, retarders, ring-rolled products, forged steel products
		Specialty steel Stainless steel, machine structural carbon steel, structural alloy steel, spring steel, bearing steel, heat-resistant steel, free-cutting steel, piano wire rods, high tensile strength steel
		Secondary steel products Steel and synthetic segments, NS-BOX, metro deck, PANZERMAST, vibration-damping sheets and plates, structural steel sheet members, columns, welding materials, drums, bolts/nuts/washers, wire products, OCTG accessories, building and civil engineering materials
		Pig iron, steel ingots and others Steelmaking pig iron, foundry pig iron, steel ingots, iron and steel slag products, cement, foundry coke
	Businesses incidental to Steelmaking and Steel Fabrication	Design/maintenance/installation of machines/electrical equipment/measurement apparatuses, marine transport, port/harbor transport, land transport, loading/unloading, warehousing, packaging, material testing/analysis, measurement of working environments, surveys on technical information, operation and management of facilities, security services, services related to payment of raw materials, iron-and steelmaking plant construction engineering, operating assistance, steelmaking know-how provision, rolls
	Others	Rolled titanium products, power supply, real estate, services and others
Engineering and Construction	Iron and steelmaking plants, industrial machinery and equipment, industrial furnaces, resources recycling and environment restoration solutions, environmental plants, waterworks, energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works, energy-related solutions, offshore structure fabrication/construction, civil engineering work, building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices	

Business Segment	Main Products
Chemicals and Materials	Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomer, bisphenol A, styrene resin, epoxy resin, adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display materials, organic EL materials, UV/thermosetting resins, rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carriers for cleaning automotive emissions, porous carbon materials
System Solutions	Computer systems engineering and consulting, outsourcing and other services using IT

(7) Major Plants, Research Laboratories, Head Office, Office, Marketing Branches and Overseas Offices (as of March 31, 2021)

Plants	Muroran Works (Muroran), East Nippon Works (Kashima / Kimitsu / Kamaishi / Joetsu), Nagoya Works (Tokai), Kansai Works (Wakayama / Kainan / Sakai / Osaka / Amagasaki), Setouchi Works (Himeji / Kure / Sakai / Saijo / Osaka / Amagasaki), Kyushu Works (Kitakyushu / Oita / Hikari)
Research Laboratories	Steel Research Laboratories, Advanced Technology Research Laboratories, Process Research Laboratory (Located in Futtsu, Amagasaki, Kamisu) R&D laboratories (Located within Steelworks of Muroran, East Nippon, Nagoya, Kansai, Setouchi, Kyushu)
Head Office, Office and Marketing Branches	Head Office (Chiyoda-ku, Tokyo) Osaka Office (Osaka) Hokkaido Marketing Branch (Sapporo), Tohoku Marketing Branch (Sendai), Niigata Marketing Branch (Niigata), Nagoya Marketing Branch (Nagoya), Chugoku Marketing Branch (Hiroshima), Kyushu Marketing Branch (Fukuoka)
Overseas Offices	NIPPON STEEL Beijing Representative Office (China), NIPPON STEEL Shanghai Representative Office (China), NIPPON STEEL Guangzhou Representative Office (China), NIPPON STEEL Dubai Office (UAE), NIPPON STEEL NORTH AMERICA, INC. (USA), NIPPON STEEL AMÉRICA DO SUL LTDA. (Brazil), NIPPON STEEL EUROPE GmbH (Germany), NIPPON STEEL AUSTRALIA PTY. LIMITED (Australia), NIPPON STEEL CONSULTING (BEIJING) CO., LTD. (China), PT. NIPPON STEEL INDONESIA (Indonesia), NIPPON STEEL VIETNAM COMPANY LIMITED (Vietnam) NIPPON STEEL SOUTHEAST ASIA PTE. LTD. (Singapore), NIPPON STEEL (THAILAND) CO., LTD. (Thailand), NIPPON INDIA PRIVATE LIMITED (India)

(Notes)

(1) Overseas Offices include local subsidiaries.

(2) See “(9) Principal Subsidiaries and Affiliates” for a listing of major subsidiaries and their locations.

(3) With regard to overseas offices (local subsidiaries), as of April 1, 2021, as a result of restructuring overseas offices, trade names of companies have been changed as follows.

- NIPPON STEEL (THAILAND) CO., LTD. to NIPPON STEEL SOUTHEAST ASIA CO., LTD.
- NIPPON STEEL SOUTHEAST ASIA PTE. LTD. to NIPPON STEEL SINGAPORE PTE. LTD.

(8) Employment Data (as of March 31, 2021)

1) NIPPON STEEL Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	91,208 [17,297]
Engineering and Construction	4,800 [819]
Chemicals and Materials	3,206 [651]
System Solutions	7,012 [45]
Total	106,226 [18,812]

(Notes)

- (1) Number of employees represents the number of employees engaged in each business at NIPPON STEEL and its subsidiaries.
- (2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2020) are shown in brackets.

2) NIPPON STEEL

Number of employees	Average age	Average number of years employed
29,579 [3,723] employees	37.2 years old	15.5 years

(Note)

Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2020) is shown in brackets.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2021)

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Subsidiaries]	Million yen	%	
Sanyo Special Steel Co., Ltd. (Himeji)	53,800	*53.1	Makes and markets special steel products
NIPPON STEEL COATED SHEET CORPORATION (Chuo-ku, Tokyo)	12,588	100.0	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd. (Osaka)	8,769	*60.9	Makes and markets shapes, bars, and billets
NIPPON STEEL METAL PRODUCTS CO., LTD. (Chiyoda-ku, Tokyo)	5,912	100.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets, steelmaking fluxes, and CC powders
NIPPON STEEL PIPE CO., LTD. (Chiyoda-ku, Tokyo)	5,831	100.0	Makes, coats and markets steel pipes and tubes
Krosaki Harima Corporation (Kitakyushu)	5,537	*42.9	Makes, markets and constructs refractories
NIPPON STEEL TEXENG. CO., LTD. (Chiyoda-ku, Tokyo)	5,468	100.0	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
NIPPON STEEL Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets stainless steel
NIPPON STEEL LOGISTICS CO., LTD. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
NIPPON STEEL SG WIRE CO., LTD. (Chiyoda-ku, Tokyo)	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*42.0	Makes and markets concrete and metal products for civil engineering and building construction work
NIPPON STEEL WELDING & ENGINEERING CO., LTD. (Koto-ku, Tokyo)	2,100	100.0	Makes and markets welding materials and apparatuses
NIPPON STEEL DRUM CO., LTD. (Koto-ku, Tokyo)	1,654	100.0	Makes and markets drums
NIPPON STEEL CEMENT CO., LTD. (Muroran)	1,500	85.0	Makes and markets cement
NIPPON STEEL COATED STEEL PIPE Co., Ltd. (Chuo-ku, Tokyo)	1,400	100.0	Makes and markets steel pipes
NIPPON STEEL FINANCE Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in the Group's financing operations
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD. (Chiyoda-ku, Tokyo)	916	100.0	Makes and markets stainless-steel pipes

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
NIPPON STEEL WIRE CO., LTD. (Seki)	697	51.0	Makes and markets secondary products using bars and wire rods
NIPPON STEEL Eco-Tech Corporation (Chuo-ku, Tokyo)	500	*84.2	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
NIPPON STEEL BOLTEN CORPORATION (Osaka)	498	85.0	Makes and markets high-tension bolts, etc.
NIPPON STEEL STRUCTURAL SHAPES CORPORATION (Wakayama)	400	100.0	Makes and markets H-beams
NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD (Kitakyushu)	100	100.0	Makes and markets cement and steelmaking slag and calcined lime products
NIPPON STEEL TUBOS DO BRASIL LTDA. (Sao Paulo, Brazil)	BRL 1,221 million	*100.0	Markets seamless steel pipe
PT KRAKATAU NIPPON STEEL SYNERGY (Cilegon, Indonesia)	US\$141 million	80.0	Makes and markets cold-rolled sheets and galvanized sheets
NS-Siam United Steel Co., Ltd. (Rayong State, Thailand)	THB 13,007 million	80.2	Makes and markets cold-rolled sheets and galvanized sheets
NIPPON STEEL NORTH AMERICA, INC. (New York, U.S.A.)	US\$ 85 million	100.0	Invests in companies in North American region focusing on U.S. and gathers information
WHEELING-NIPPON STEEL, INC. (West Virginia, U.S.A.)	US\$ 71 million	*100.0	Makes and markets galvanized sheets
Standard Steel, LLC (Pennsylvania, U.S.A.)	US\$ 47 million	*100.0	Makes and markets railway wheels and axles
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US\$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL (THAILAND) CO., LTD. (Bangkok, Thailand)	THB 827 million	100.0	Gathers information in Asian region focusing on Thailand
Siam Tinplate Co., Ltd. (Rayong State, Thailand)	THB 800 million	82.7	Makes and markets tinplate sheets
NIPPON STEEL AUSTRALIA PTY. LIMITED (New South Wales, Australia)	A\$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars
Ovako AB (Stockholm, Sweden)	Euro 60 thousand	*100.0	Makes and markets special steel and secondarily processed products

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Companies accounted for using the equity method]	Million yen	%	
Godo Steel, Ltd. (Osaka)	34,896	*15.2	Makes and markets shapes, rails, bars, billets and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.3	Makes and markets shapes, bars, and industrial machine parts
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets shapes, steel bars, and billets; processes and markets steel
NIPPON STEEL TRADING CORPORATION (Minato-ku, Tokyo)	16,389	* 35.0	Markets, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,057	*20.7	Makes and markets ferroalloy/functional materials, environmental business and electric supply business
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts and wire products
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	32.8	Undertakes ocean transportation
Unipres Corporation (Yokohama)	10,168	16.3	Manufactures and sell automotive parts
Nippon Coke & Engineering Company Limited (Koto-ku, Tokyo)	7,000	21.7	Markets coal; makes and markets coke
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*32.2	Makes, processes, installs and sells metal roofs and building materials
Sanyu Co., Ltd. (Hirakata)	1,513	*34.2	Makes and markets cold-finished bars and cold-heading wire
NST NIHONTEPPAN Co., Ltd. (Chuo-ku, Tokyo)	1,300	34.0	Markets, processes, and imports and exports steel products, metal processing machines, and electrical/electronic devices
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R\$13,200 million	31.2	Makes and markets steel products
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	50.0	Makes and markets automotive steel sheets
WISCO-NIPPON STEEL Tinplate Co., Ltd. (Hubei, China)	RMB 2,310 million	50.0	Makes and markets tinplate and tinplate sheets
AMNS Luxembourg Holding S.A. (Luxembourg, Luxembourg)	US\$230 million	40.0	A holding company of ArcelorMittal Nippon Steel India Limited
Jamshedpur Continuous Annealing & Processing Company Private Limited (West Bengal, India)	INR 14,320 million	49.0	Makes and markets automotive cold-rolled steel sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R\$690 million	*33.0	Holding and leasing of manufacturing facilities of pellets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R\$584 million	*30.0	Makes galvanized sheets
Al Ghurair Iron & Steel LLC (Abu Dhabi, UAE)	DH 165 million	20.0	Makes and markets galvanized sheets

Engineering and Construction

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Subsidiaries] NIPPON STEEL ENGINEERING CO., LTD. (Shinagawa-ku, Tokyo)	Million yen 15,000	% 100.0	Makes and markets industrial machinery and equipment and steel structures; undertakes civil engineering and building constructions work; waste and regeneration treatment business; electricity, gas, and heat supply business

Chemicals and Materials

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Subsidiaries] NIPPON STEEL Chemical & Material Co., Ltd. (Chuo-ku, Tokyo)	Million yen 5,000	% 100.0	Makes and markets coal chemicals, petrochemicals, electronic materials, semiconductor components and materials, electronic components and materials, carbon-fiber composite products, and metal-processed products

System Solutions

Company (Location of head office)	Paid-in capital	Sharehol ding Ratio	Business content
[Subsidiaries] NS Solutions Corporation (Minato-ku, Tokyo)	Million yen 12,952	% 63.4	Provides engineering and consulting pertaining to computer systems, outsourcing and other services using IT

(Notes)

- (1) Figures with asterisks (*) include shares held by subsidiaries
- (2) The percentage of the Group's ownership of Krosaki Harima Corporation, Geostr Corporation and PT PELAT TIMAH NUSANTARA TBK. is 50% or less. However, NIPPON STEEL has determined that it effectively has control over these companies and has included them in the scope of consolidation as subsidiaries.
- (3) The percentage of the Group's ownership of Godo Steel, Ltd., and Unipres Corporation is below 20%. However, NIPPON STEEL has determined that it effectively has significant influence over these companies and has applied the equity method to them as affiliates.

(10) Major Lenders (as of March 31, 2021)

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	371.2
MUFG Bank, Ltd.	365.3
Mizuho Bank, Ltd.	344.7
Sumitomo Mitsui Trust Bank, Limited	145.2
Development Bank of Japan Inc.	120.1

(11) Surplus Distribution Policy

1) Dividends

NIPPON STEEL's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year after taking into account consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of NIPPON STEEL on a consolidated and a non-consolidated basis.

NIPPON STEEL aims to achieve a consolidated annual payout ratio target of approximately 30% as benchmark for the payment of dividends from distributable funds in consideration of the consolidated operating results.

The level of the first half dividend is set based on consideration of the interim operating results and full-year earnings forecasts.

As in the past, the year-end dividend payment will be made according to the resolution of the General Meeting of Shareholders, and any other form of distribution and appropriation of surplus (including the interim dividend) will be made according to the resolution of the Meeting of the Board of Directors as provided in Article 33 of the Articles of Incorporation and with the aim of securing flexibility in financial operations.

2) Acquisition of treasury stocks

The Company will acquire treasury stocks according to the resolution of the Meeting of the Board of Directors, as provided by Article 33 of the Articles of Incorporation and with the aim of securing flexibility in financial operations. At the Meeting of the Board of Directors, the acquisition of treasury stocks will be comprehensively determined after examining the needs of flexible financial operations management and after studying the effect of such an acquisition on NIPPON STEEL's financial structure.

(12) Others

On October 30, 2018, the Supreme Court of Korea dismissed the appeal by NIPPON STEEL (NIPPON STEEL lost the appeal) of a decision concerning a lawsuit originally filed in the Republic of Korea by 4 South Korean plaintiffs claiming damages for their work as draftees for Japan Iron & Steel Co., Ltd. during the Second World War, and handed down a decision (ordering NIPPON STEEL to pay the four plaintiffs a total of 400 million Won (approximately 40 million yen) and accrued interest).

Additionally, in connection with the series of so-called draftee cases in the Republic of Korea including the above lawsuit, the assets of NIPPON STEEL located in the country (a portion of the shares in Posco-Nippon Steel RHF Joint Venture Co., Ltd. owned by NIPPON STEEL) is currently under seizure.

NIPPON STEEL will deal appropriately with this matter, taking into account the status of diplomatic negotiations between the governments of Japan and South Korea and other factors.

2. Shares and Subscription Right for New Shares

(1) Overview of Shares (as of March 31, 2021)

- 1) Total number of shares authorized to be issued 2,000,000,000 shares
- 2) Total number of shares issued 950,321,402 shares
(including 28,343,150 treasury stocks)
- 3) Number of shareholders 424,454
- 4) Top 10 shareholders

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	79,061	8.6
Custody Bank of Japan, Ltd. (Trust Account)	48,329	5.2
Nippon Life Insurance Company	24,532	2.7
Custody Bank of Japan, Ltd. (Trust Account 5)	14,475	1.6
Meiji Yasuda Life Insurance Company	14,064	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	13,422	1.5
Custody Bank of Japan, Ltd. (Trust Account 6)	12,830	1.4
GOVERNMENT OF NORWAY	12,725	1.4
THE BANK OF NEW YORK MELLON 140044	12,434	1.3
Mizuho Bank, Ltd.	12,199	1.3

(Note)

The percentage of ownership is calculated based on the total number of shares issued excluding treasury stocks.

- 5) Shares delivered to Directors as compensation for the execution of their duties during the current fiscal year

No matters to be reported during this period.

(2) Subscription Right for New Shares (as of March 31, 2021)

No matters to be reported during this period.

3. Basic Philosophy of Corporate Governance

The Company has established a corporate governance system suited to the businesses of the NIPPON STEEL Group in order to achieve the sound and sustainable growth of the NIPPON STEEL Group and increase its corporate value over the medium- to long-term, in response to the delegation of responsibilities by and trust of all stakeholders, including its shareholders and business partners.

The Company has adopted a company structure with an Audit & Supervisory Committee for the purpose of, among others, expediting management decision-making, enhancing discussions relating to items such as the formulation of policies and strategies by limiting the number of items for deliberation by the Board of Directors, and strengthening the supervisory function of the Board of Directors over management.

Currently, the Board of Directors is comprised of 18 members, of whom 11 are Directors (excluding Directors who are Audit & Supervisory Committee Members) and 7 are Directors who are Audit & Supervisory Committee Members. By all Directors appropriately fulfilling their respective roles and responsibilities, prompt decision-makings are achieved corresponding to changes in the management environment, and multifaceted deliberations and objective and transparent decision-makings by the Board of Directors are secured. In addition, Directors who are Audit & Supervisory Committee Members have voting rights on the Board of Directors regarding decisions on proposals for the election and dismissal of Directors as well as on election and dismissal of Representative Directors, and other decisions in general regarding business execution (excluding decisions that have been delegated to Directors). The Audit & Supervisory Committee has the authority to give its opinions at the General Meeting of Shareholders regarding the election, compensation, etc. of Directors, excluding Directors who are Audit & Supervisory Committee Members. This structure strengthens the supervisory function of the Board of Directors over management.

If Item 2 is approved as proposed herein at the 97th General Meeting of Shareholders, Outside Directors will continue to account for more than one-third (7 out of 18) of all members of the Company's Board of Directors.

4. Members of the Board of Directors

(1) Executive Officers as of March 31, 2021

Title and name	Responsibilities/positions and material concurrent positions
<p><i>Representative Director and Chairman</i> Kosei Shindo</p>	<p><u>Material concurrent positions</u> Vice Chair, KEIDANREN (Japan Business Federation)</p>
<p><i>Representative Director and President</i> Eiji Hashimoto</p>	<p><u>Material concurrent positions</u> Chairman, The Japan Iron and Steel Federation</p>
<p><i>Representative Directors and Executive Vice Presidents</i> Shinji Tanimoto</p>	<p>Intellectual Property; Safety; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag and Resource Recycling Cooperating with Executive Vice President A. Migita on Environment</p>
<p>Shinichi Nakamura</p>	<p>Marketing Administration & Planning; Transportation & Logistics; Project Development; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President K. Miyamoto on Overseas Offices (including Corporate Entities) <u>Material concurrent positions</u> Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.</p>
<p>Katsuhiro Miyamoto</p>	<p>Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Raw Materials; Overseas Offices (including Corporate Entities) <u>Material concurrent positions</u> Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association</p>
<p>Akio Migita</p>	<p>Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization <u>Material concurrent positions</u> Representative Director, Nippon Steel Arts Foundation</p>
<p>Shuhei Onoyama</p>	<p>Head of Research and Development</p>

Title and name	Responsibilities/positions and material concurrent positions
<p><i>Managing Directors</i> Tadashi Imai</p>	<p>Corporate Planning; Technical Administration & Planning (including Standardization); Ironmaking Technology; Steelmaking Technology; Energy Technology Rendering assistance to Executive Vice President S. Nakamura on Steel Products Units Rendering assistance to Executive Vice President A. Migita on Digital Innovation Rendering assistance to Executive Vice President S. Onoyama on Corporate Planning in R & D Cooperating with Managing Executive Officer T. Hirose on Transportation & Logistics Technology</p>
<p><i>Directors (Outside Directors)</i> Noriko Iki</p> <p>Tetsuro Tomita</p> <p>Masato Kitera</p>	<p>President, Japan Institute for Women’s Empowerment & Diversity and Management <u>Material concurrent positions</u> Outside Director, NEC Corporation Chairman and Director, East Japan Railway Company <u>Material concurrent positions</u> Vice Chair, KEIDANREN (Japan Business Foundation) Outside Director, Nippon Life Insurance Company <u>Material concurrent positions</u> External Director, Marubeni Corporation Outside Director, Japan Tobacco Inc.</p>
<p><i>Senior Audit & Supervisory Committee Member (full-time)</i> Masato Matsuno Shozo Furumoto Nobuhiro Miyoshi</p> <p><i>Audit & Supervisory Committee Member (Outside Director)</i> Hiroshi Obayashi</p> <p>Jiro Makino</p> <p>Seiichiro Azuma</p> <p>Hiroshi Yoshikawa</p>	<p>Attorney, Obayashi Law Office <u>Material concurrent positions</u> Outside Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Outside Director, Mitsubishi Electric Corporation Outside Audit & Supervisory Board Member, Japan Tobacco Inc.</p> <p>Vice Chairman, The General Insurance Association of Japan</p> <p>Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office <u>Material concurrent positions</u> Outside Audit & Supervisory Board Member, Kansai Paint Co., Ltd.</p> <p>President of Rissho University</p>

(Notes)

- (1) The Company has concluded an agreement with each Outside Director (excluding Executive Directors etc.) limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as he/she acts unknowingly and is not grossly negligent in performing his/her duties.
- (2) The Company has concluded an agreement with each Director that the Company indemnifies each of them for the costs stipulated in Article 430-2, Paragraph 1, Item (i) of the Companies Act and the losses stipulated in Item (ii) of the same Paragraph to the extent stipulated by laws and regulations. The agreement stipulates, among others, that the Company shall not be obligated to compensate each of them for the costs incurred by a Director in the event that the Company makes a claim seeking liability against that Director (excluding cases of shareholder derivative suits), or the costs in the event that a Director has acted in bad faith or gross negligence in performing their duties.
- (3) Audit & Supervisory Committee Member Seiichiro Azuma is a certified public accountant with substantial knowledge of finance and accounting.
- (4) The Company elected Mr. Masato Matsuno, Mr. Shozo Furumoto, and Mr. Nobuhiro Miyoshi as full-time Audit & Supervisory Committee Members to ensure the effectiveness of audits.
- (5) Outside Director Tetsuro Tomita also holds a post at East Japan Railway Company, with which NIPPON STEEL has business relations concerning steel products trading, etc.
- (6) Outside Director Hiroshi Obayashi also holds a post at Mitsubishi Electric Corporation, with which NIPPON STEEL has business relations concerning steel products trading, etc.
- (7) The Company has filed all seven Outside Directors as its “independent directors/auditors” with each financial exchange in Japan where it is listed.

(2) Executive Officers after April 1, 2020

Title and name	Responsibilities/positions
<i>Representative Director and Chairman</i>	
Kosei Shindo	
<i>Representative Director and President</i>	
Eiji Hashimoto	
<i>Representative Directors and Executive Vice Presidents</i>	
Shinichi Nakamura	Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Cooperating with Executive Vice President T. Mori on Overseas Offices (including locally incorporated companies)
Akio Migita	Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization Project Leader, Zero-Carbon Steel Project
Shuhei Onoyama	Head of Research and Development Cooperating with Executive Vice President A. Migita on Zero-Carbon Steel
<i>Managing Directors</i>	
Tadashi Imai	Corporate Planning; Technical Administration & Planning (including Standardization); Ironmaking Technology; Steelmaking Technology; Energy Technology Deputy Project Leader, Zero-Carbon Steel Project ; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering assistance to Executive Vice President S. Nakamura on Steel Products Units Rendering assistance to Executive Vice President A. Migita on Digital Innovation Rendering assistance to Executive Vice President S. Onoyama on Corporate Planning in R & D Cooperating with Managing Executive Officer T. Hirose on Transportation & Logistics Technology
<i>Directors</i>	
Shinji Tanimoto	Advisor to the President
Katsuhiro Miyamoto	Advisor to the President
<i>Directors (Outside Directors)</i>	
Noriko Iki	President, Japan Institute for Women's Empowerment & Diversity Management
Tetsuro Tomita	Chairman and Director, East Japan Railway Company
Masato Kitera	

Title and name	Responsibilities/positions
<p><i>Senior Audit & Supervisory Committee Member (full-time)</i> Masato Matsuno Shozo Furumoto Nobuhiro Miyoshi</p> <p><i>Audit & Supervisory Committee Member (Outside Director)</i> Hiroshi Obayashi Jiro Makino Seiichiro Azuma Hiroshi Yoshikawa</p>	<p>Attorney, Obayashi Law Office Vice Chairman, The General Insurance Association of Japan Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office President of Rissho University</p>

(3) Compensation Paid to Company Officers

Prior to the transition to a Company with an Audit & Supervisory Committee

(From April 1, 2020 to the conclusion of the 96th General Meeting of Shareholders held on June 24, 2020)

Position	Number of recipients	Total amount (yen)	Total amount by type (yen)		
			Monthly compensation*	Non-monetary compensation	Other compensation
Directors	13	215,012,500	215,012,500	-	-
Outside Directors	3	10,800,000	10,800,000	-	-
Audit & Supervisory Board Members	7	52,500,000	52,500,000	-	-
Outside Audit & Supervisory Board Members	4	14,400,000	14,400,000	-	-
Total	20	267,512,500	267,512,500	-	-

(Notes)

- (1) The above number of recipients includes six (6) Directors (including two (2) Outside Directors) and two (2) Audit & Supervisory Board Members who retired at the conclusion of the 96th General Meeting of Shareholders held on June 24, 2020.
- (2) Of monthly compensation with an asterisk (*), compensation for Directors is wholly based upon the performance of NIPPON STEEL.
As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss, which clearly indicates its business performance, and business profit/loss in its steelmaking segment, which accounts for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan. The base amount of compensation for each position fluctuates within a certain range based on these indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The actual results of these indicators in fiscal year 2018, which were used to determine the monthly compensation for Directors prior to the transition to a Company with an Audit & Supervisory Committee, were a consolidated annual profit of 251.1 billion yen and business profit in the steelmaking segment of 274.6 billion yen.
- (3) The specific amount of monthly compensation for each Director is, as detailed in (3) 1) (a) (i) c. below, determined by the Board of Directors after discussion at the "Nomination and Compensation Advisory Committee." The specific amount of monthly compensation for each Audit & Supervisory Board Member is determined by discussion of the Audit & Supervisory Board Members.
- (4) The limit on the amount of compensation for Directors was approved at the 88th General Meeting of Shareholders held on June 26, 2012 to be within 180 million yen per month. At the time the resolution of the 88th General Meeting of Shareholders became effective (October 1, 2012), the Articles of Incorporation stipulated the number of Directors to be not more than 20.
- (5) The limit on the amount of compensation for Audit & Supervisory Board Members was approved at the 82nd General Meeting of Shareholders held on June 28, 2006 to be within 22 million yen per month. At the conclusion of the 82nd General Meeting of Shareholders, the Articles of Incorporation stipulated the number of Audit & Supervisory Board Members to be not more than 7.

After the transition to a Company with an Audit & Supervisory Committee

(From the conclusion of the 96th General Meeting of Shareholders held on June 24, 2020 to March 31, 2021)

Position	Number of recipients	Total amount (yen)	Total amount by type (yen)		
			Monthly compensation*	Non-monetary compensation	Other compensation
Directors (excluding Directors who are Audit & Supervisory Committee Members)	11	379,260,000	379,260,000	-	-
Outside Directors	3	32,400,000	32,400,000	-	-
Directors who are Audit & Supervisory Committee Members	7	140,580,000	140,580,000	-	-
Outside Directors	4	43,200,000	43,200,000	-	-
Total	18	519,840,000	519,840,000	-	-

(Notes)

- (1) Of monthly compensation with an asterisk (*), (i) monthly compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) is wholly based upon the performance of NIPPON STEEL. (ii) Monthly compensation for Directors who are Audit & Supervisory Committee Members is fixed compensation in principle, but the amount of compensation will be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL. (iii) Monthly compensation for Outside Directors is fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL.

As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss, which clearly indicates its business performance, and business profit/loss in its steelmaking segment, which accounts for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan. The base amount of compensation for each position, etc. fluctuates within a certain range based on these indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The results of these indicators in fiscal year 2019, which were used to determine the monthly compensation for Directors after transitioning to a Company with an Audit & Supervisory Committee, were a consolidated annual loss of 431.5 billion yen and business loss in the steelmaking segment of 325.3 billion yen.

- (2) The specific amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is, as detailed in (3) 1) (b) (i) c. below, determined by the Board of Directors after discussion in the "Nomination and Compensation Advisory Committee." The specific amount of monthly compensation for each Director who is Audit & Supervisory Committee Member is determined by discussions of the Directors who are Audit & Supervisory Committee Members.
- (3) The limit on the amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) was approved at the 96th General Meeting of Shareholders held on June 24, 2020 to be within 140 million yen per month (including compensation for Outside Directors of within 12 million yen). The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) was 11 (including 3 Outside Directors) at the conclusion of the 96th General Meeting of Shareholders.
- (4) The limit on the amount of compensation for Directors who are Audit & Supervisory Committee Members was approved at the 96th General Meeting of Shareholders held on June 24, 2020 to be within 22 million yen per month. The number of Directors who are Audit & Supervisory Committee Members was 7 (including 4 Outside Directors) at the conclusion of the 96th General Meeting of Shareholders.

(4) Policies regarding Decision on the Amount of Compensations for Directors

1) Content of policies

(a) Prior to the transition to a Company with an Audit & Supervisory Committee

The “Policies regarding Decisions on the Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members” of NIPPON STEEL were as detailed in items (i) and (ii), below.

NIPPON STEEL abolished its retirement benefits for Directors and Audit & Supervisory Board Members in 2006. Furthermore, the policies relating to their bonuses were removed from the “Policies regarding the Decisions on the Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members, etc.” in 2013.

(i) Directors

a. Basic policy

NIPPON STEEL set the base amount of compensation for each position as it deemed appropriate in consideration of the skills and responsibilities it required of each Director. This base amount varied within a certain range based on NIPPON STEEL’s consolidated performance. The Company then determined the monthly compensation for each Director within the limit approved by the General Meeting of Shareholders.

b. Policy on performance-linked compensation

In accordance with “a. Basic Policy” above, compensation of Directors consisted solely of monthly compensation, and the amount of compensation was wholly based upon the performance of NIPPON STEEL, in order to give incentives for the sustainable growth of NIPPON STEEL’s group and improvement of its corporate value.

As indicators for performance-linked compensation, NIPPON STEEL used consolidated annual profit/loss, which clearly indicated its business performance, and business profit/loss in its steel making segment, which accounted for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan.

c. Method of determining compensation for each individual

The specific amount of monthly compensation for each Director was determined by the Board of Directors after the deliberation of the “Nomination and Compensation Advisory Committee,” which consisted of the Chairman, the President, and three or more Outside Directors designated by the President, who chaired the Committee.

(ii) Audit & Supervisory Board Members

NIPPON STEEL determined the monthly compensation for each Audit & Supervisory Board Member, within the limit approved by the General Meeting of Shareholders, by considering the duties of the Audit & Supervisory Board Member’s position and whether the Audit & Supervisory Board Member was full-time or part-time.

(b) After the transition to a Company with an Audit & Supervisory Committee

The policies regarding the decisions on the amount of compensation, etc. for Directors of NIPPON STEEL are as detailed in items (i) and (ii), below.

NIPPON STEEL abolished its retirement benefits for Directors in 2006. Furthermore, the policies relating to their bonuses were removed from the “Policies regarding Decisions on the Amount of Compensation” for Directors, etc., in 2013.

(i) Directors (excluding Directors who are Audit & Supervisory Committee Members)

a. Basic policy

NIPPON STEEL sets the base amount of compensation for each position as it deems appropriate in consideration of the skills and responsibilities it requires of each Director. This base amount varies within a certain range based on NIPPON STEEL’s consolidated performance. The Company then determines the amount of monthly compensation for each Director within the limit approved by the General Meeting of Shareholders.

b. Policy on performance-linked compensation

In accordance with “a. Basic Policy” above, compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists solely of monthly compensation, and the amount of compensation is wholly based upon the performance of

NIPPON STEEL, in order to give incentives for the sustainable growth of NIPPON STEEL's group and improvement of its corporate value.

Compensation for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) consists solely of monthly compensation, and fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL.

As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss, which clearly indicates its business performance, and business profit/loss in its steel making segment, which accounts for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan.

c. Method of determining compensation for each individual

The specific amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Board of Directors after the deliberation of the "Nomination and Compensation Advisory Committee."

(ii) Directors who are Audit & Supervisory Committee Members

NIPPON STEEL determines the monthly compensation for each Director who is an Audit & Supervisory Committee Member, within the limit approved by the General Meeting of Shareholders, by considering the duties of the Director's position and whether the Director is full-time or part-time.

2) Methods of determining the policies

(a) Prior to the transition to a Company with an Audit & Supervisory Committee

The policies described in 1) (a) above for Directors were determined by resolution at the Board of Directors, after the deliberation of the "Nomination and Compensation Advisory Committee," while for Audit & Supervisory Board Members, the policies described in 1) (a) above were determined through discussion by Audit & Supervisory Board Members.

The Nomination and Compensation Advisory Committee conducted discussions on a wide-range of topics including the system of Directors' compensation and the appropriateness of the compensation levels for each position, taking into account the survey results regarding directors' compensation levels of other companies obtained from the third-party research organizations.

(b) After the transition to a Company with an Audit & Supervisory Committee

The policies described in 1) (b) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) are determined by resolution at the Board of Directors, after the deliberation of the "Nomination and Compensation Advisory Committee," while for Directors who are Audit & Supervisory Committee Members, the policies described in 1) (b) above are determined through discussion by Directors who are Audit & Supervisory Committee Members.

The Nomination and Compensation Advisory Committee conducts discussions on a wide-range of topics including the system of Directors' compensation and the appropriateness of the compensation levels for each position, taking into account the survey results regarding directors' compensation levels of other companies obtained from the third-party research organizations.

3) Reason the Board of Directors judged that the content of compensation, etc., for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) for the current fiscal year is in line with the policy stated in 1) above

Compensation, etc., for individual Directors for the current fiscal year prior to the transition to a Company with an Audit & Supervisory Committee and compensation, etc., for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) for the current fiscal year after the transition were determined by the Board of Directors following confirmation that those amounts are in line with the policy stated in 1) above, after the deliberation of the "Nomination and Compensation Advisory Committee." Therefore, the Board of Directors judged that the content of the compensation, etc., for each individual is in line with the policy stated in 1) above.

(5) Outside Officers

1) Material concurrent positions held by Outside Officers

Such positions are shown on pages 47 and 48.

2) Activities of the Outside Officers

Position	Name	Main activities
Director (excluding Directors who are Audit & Supervisory Committee Members)	Noriko Iki	<p>Ms. Iki has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented her views based on her knowledge and experience concerning employment, labor, and promoting the success of diverse personnel, etc., and exercised her voting rights at Board Meetings. Outside Directors, including Ms. Iki, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Ms. Iki contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (14 out of 14 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (2 out of 2 meetings)</p>
	Tetsuro Tomita	<p>Mr. Tomita has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented his views based on knowledge and experience in corporate management, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Tomita, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Tomita contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (11 out of 11 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (1 out of 1 meetings)</p>
	Masato Kitera	<p>Mr. Kitera has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented his views based on knowledge and experience regarding international affairs, economy, culture, etc., and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Kitera, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Kitera contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (11 out of 11 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (1 out of 1 meetings)</p>

Directors who are Audit & Supervisory Committee Members	Hiroshi Obayashi	<p>Mr. Obayashi has attended Board Meetings, Audit & Supervisory Board Members' meetings, Audit & Supervisory Committee meetings, and Nomination and Compensation Advisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on knowledge and experience as a legal professional, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Obayashi, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Obayashi contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (14 out of 14 meetings)</p> <p>Audit & Supervisory Board Members' meetings attendance rate: 100% (5 out of 5 meetings)</p> <p>Audit & Supervisory Committee meetings attendance rate: 100% (14 out of 14 meetings)</p> <p>Nomination and Compensation Advisory Committee meeting attendance rate: 100% (1 out of 1 meetings)</p>
	Jiro Makino	<p>Mr. Makino has attended Board Meetings, Audit & Supervisory Board Members' meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience concerning public and financial administrations, etc., and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Makino, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Makino contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (14 out of 14 meetings)</p> <p>Audit & Supervisory Board Members' meetings attendance rate: 100% (5 out of 5 meetings)</p> <p>Audit & Supervisory Committee meetings attendance rate: 100% (14 out of 14 meetings)</p>
	Seiichiro Azuma	<p>Mr. Azuma has attended Board Meetings, Audit & Supervisory Board Members' meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience as a certified public accountant possessing deep familiarity with corporate accounting, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Azuma, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through</p>

		<p>these actions, Mr. Azuma contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 100% (14 out of 14 meetings)</p> <p>Audit & Supervisory Board Members' meetings attendance rate: 100% (5 out of 5 meetings)</p> <p>Audit & Supervisory Committee meetings attendance rate: 100% (14 out of 14 meetings)</p>
	Hiroshi Yoshikawa	<p>Mr. Yoshikawa has attended Board Meetings, Audit & Supervisory Board Members' meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience in economics as an expert, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Yoshikawa, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Yoshikawa contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors thereby appropriately fulfilling the expected roles of an Outside Director.</p> <p>Board Meeting attendance rate: 93% (13 out of 14 meetings)</p> <p>Audit & Supervisory Board Members' meetings attendance rate: 100% (5 out of 5 meetings)</p> <p>Audit & Supervisory Committee meetings attendance rate: 100% (14 out of 14 meetings)</p>

(Note) In addition to the matters above, a written resolution based on the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation have been made twice.

3) Total amount of compensation, etc.

Total amount of compensation, etc. paid to outside officers is as shown on page 52 and 53.

5. Certain Matters concerning Accounting Auditor

(1) Name

KPMG AZSA LLC

(Note) NIPPON STEEL NORTH AMERICA, INC. and some other subsidiaries of the Company are audited by audit firms other than the above-mentioned audit firm.

(2) Amount of Compensations, etc. of Accounting Auditor and Grounds for Consent to Such Compensations, etc. by Audit & Supervisory Committee

1) Amount of compensations paid	176,000,000 yen
2) The amount of compensations payable by NIPPON STEEL and its subsidiaries to accounting auditor for its audit certification services	998,209,460 yen
3) Total amount of cash and other financial benefit payable by NIPPON STEEL and its subsidiaries to accounting auditor	1,004,634,460 yen

(Notes)

- (1) With respect to 1) above, the compensations for audit services under the Companies Act and the compensations for audit services under the Financial Instruments and Exchange Act are not clearly distinguished and it is not practically possible to distinguish them, therefore, their total amount is shown above.
- (2) The Company delegates services relating to preparation of letters to lead managing underwriters in association with issuance of bonds as non-audit services and others, and pays compensations for the services.

The Audit & Supervisory Committee, having confirmed the audit plan of the Accounting Auditor, the status of execution of their duties, the data used to calculate the estimated compensation, and other related matters, have determined that the compensation of the Accounting Auditor is reasonable, and have given their consent in accordance with Article 399, Paragraph 1 of the Companies Act.

(3) Policy regarding Decision on Dismissal or Non-Reelection of Accounting Auditor

NIPPON STEEL will dismiss the accounting auditor by unanimous consents of the Audit & Supervisory Committee Members upon occurrence of events justifying such dismissal, pursuant to laws and regulations. In addition, the Audit & Supervisory Committee shall resolve and submit proposal to dismiss or not to reelect the accounting auditor to the General Meeting of Shareholders if any event materially interferes with continuation of the audit services occurs.

6. Outline of the Resolution Concerning Establishment and Management of the System to Ensure Appropriateness of Business, etc. and Status of Operation of the System

(1) Basic policy on internal control system (system to ensure appropriateness of business, etc.)

The resolutions made to ensure appropriateness of its business are as follows.

NIPPON STEEL is aiming at continuous improvement of its corporate value and winning the trust of society under the “Corporate Philosophy of the Nippon Steel Corporation Group.” In addition, NIPPON STEEL will establish and appropriately manage an internal control system (system to ensure appropriateness of business, etc.) as follows to comply with applicable laws and regulations, and ensure integrity of financial reporting, and effectiveness and efficiency of business, and will continue to improve such system in view of further enhancement of corporate governance.

I. Matters Necessary for the Execution of Duties of the Audit & Supervisory Committee

1. Matters related to Directors and Employees to Assist the Audit & Supervisory Committee of NIPPON STEEL in its Duties

NIPPON STEEL will establish the Audit & Supervisory Committee Members’ Office and assign full-time employees (the “dedicated staff members”), in order to assist the Audit & Supervisory Committee in the smooth execution of its duties. No Directors will be assigned to assist the Audit & Supervisory Committee in its duties.

2. Matters related to the Independence of the Dedicated Staff Members from Other Directors (Excluding Directors Who are Audit & Supervisory Committee Members) and Matters related to Ensuring the Effectiveness of Instructions of the Audit & Supervisory Committee to the Dedicated Staff Members

The dedicated staff members are full-time employees and perform their duties under the direction of the Audit & Supervisory Committee. In addition, the Head of the Human Resources Division discusses with the Audit & Supervisory Committee in advance the transfer and evaluation, etc. of the dedicated staff members to ensure their independence from the executive divisions and the effectiveness of the Audit & Supervisory Committee’s instructions to the dedicated staff members.

3. System for Directors, Employees, Etc. of NIPPON STEEL and Its Subsidiaries to Report to the Audit & Supervisory Committee

The Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers, General Managers, and other employees of NIPPON STEEL will report to the Audit & Supervisory Committee in a timely and appropriate manner in accordance with laws and regulations or NIPPON STEEL’s rules, either directly or through the related divisions such as the Internal Control & Audit Division, on the status of the execution of duties, the maintenance and operation of the internal control system (hereinafter including the status of whistleblower systems.), major accidents and incidents, and other matters related to risk management. They will also report important management matters to the Board of Directors, the Corporate Policy Committees and the Risk Management Committees, and other corporate committees, and thereby share such information with the Audit & Supervisory Committee.

In addition, the directors, audit & supervisory board members, employees, etc. of each Group company of NIPPON STEEL will report to the Audit & Supervisory Committee in a timely and appropriate manner in accordance with laws and regulations or NIPPON STEEL’s rules and other regulations, either directly or through the related divisions such as the Internal Control & Audit Division, on the status of the execution of duties, the maintenance and operation of internal control systems, major accidents and incidents, and other matters related to risk management at each Group company.

4. System to Ensure that the Person Who Made the Report Referred to in the Preceding Paragraph will not be Treated Unfavorably for the Reason of Making Such Report

NIPPON STEEL will stipulate Rules for the Whistleblower System, which state that NIPPON STEEL shall not unfavorably treat a person who has reported as stated in the preceding paragraph, for reasons of such report, make such rules known, and implement them appropriately.

5. Matters related to the Policy for the Handling of Expenses Incurred in the Performance of Duties by Audit & Supervisory Committee Members

NIPPON STEEL will record in its budget such expenses as it deems necessary for the execution of duties of Audit & Supervisory Committee Members. If an Audit & Supervisory Committee Member requests reimbursements of such expenses, NIPPON STEEL will handle them appropriately in accordance

with the provisions of the Companies Act.

6. Other Systems to Ensure that Audits by the Audit & Supervisory Committee are Conducted Effectively

The General Manager of the Internal Control & Audit Division and the heads of each functional division of NIPPON STEEL cooperate closely with the Audit & Supervisory Committee through means such as exchanging opinions on the operation of the internal control system and other matters on a regular basis or whenever necessary. In addition, NIPPON STEEL will strive to create an environment that enables the Audit & Supervisory Committee to conduct audits in an organized and efficient manner.

II. System to Ensure that Execution of Duties by the Directors of NIPPON STEEL Complies with Applicable Laws and Regulations and the Articles of Incorporation and Other Systems to Ensure Appropriateness of Operation in the Corporate Group Consisting of NIPPON STEEL and its Subsidiaries

1. System to Ensure that Performance of Responsibilities by the Directors of NIPPON STEEL Complies with Applicable Laws and Regulations and the Articles of Incorporation.

The Board of Directors will make decisions or receive reports on important matters of management in accordance with the Rules of the Board of Directors and other relevant internal rules.

In accordance with the resolution at the Board of Directors, each of the Executive Directors will, in his/her assigned area, perform his/her responsibilities and supervise the performance of responsibilities of employees, and report such supervisory status to the Board of Directors.

2. System for the Preservation and Management of Information in relation to the Performance of Responsibilities by the Directors of NIPPON STEEL

NIPPON STEEL will appropriately preserve various information in relation to the performance of responsibilities, including minutes of Meetings of the Board of Directors, by, among others, specifying managers in charge of information preservation and management, and classifying each information by security level, in accordance with the internal rules for information management.

NIPPON STEEL will seek to make timely and accurate disclosure of important corporate information, such as its management plan and financial information, in addition to such disclosure as required by applicable laws and regulations.

3. Rules and Other Systems with respect to Loss-related Risk Management of NIPPON STEEL

The General Manager of each division will identify and evaluate risks associated with business in his/her division, and carry out his/her duties in accordance with the authority and responsibilities set out in internal rules for organization and operation.

With respect to risks related to areas such as safety and health, environment and disaster prevention, information management, intellectual properties, quality control, and integrity of financial reporting, the division in charge of each specific area (each functional division) will establish rules and other systems from a company-wide perspective, inform other divisions of such rules and systems, identify and evaluate the status of risk management at other divisions through monitoring and other methods, and provide guidance and advice to such divisions.

Upon the occurrence of an accident, disaster, compliance issue, or other event which causes a material effect on the management, the Executive Directors will immediately convene “Emergency Control Headquarters” and other meetings, and take necessary actions in order to minimize the damage, impact, and other effects.

4. System to Ensure Efficiency in the Performance of Responsibilities by Directors of NIPPON STEEL

The Board of Directors will make decisions on the execution of management plans and business strategies, as well as important business executions such as capital expenditure, and investments and provision of loans, after such matters are deliberated by companywide Committees for relevant areas such as ordinary budget, plant and equipment investment budget, investment and financing, and technology development, and the Corporate Policy Committee.

The business execution under the resolution at the Board of Directors and other corporate organizations is performed promptly by the Executive Directors, Executive Officers, and General

Managers.

5. System to Ensure that Performance of Responsibilities by Employees of NIPPON STEEL Complies with Applicable Laws and Regulations and the Articles of Incorporation

NIPPON STEEL will build and maintain an internal control system based on autonomous internal controls.

Each General Manager will develop an autonomous internal control system in his/her Division, and strive to ensure thorough compliance with applicable laws and regulations and internal rules, and prevent any violation of applicable laws and regulations in business and affairs. NIPPON STEEL will also develop and enhance an employee-education system that includes regular seminars, and the creation and distribution of manuals for the purpose of ensuring compliance with applicable laws and regulations and internal rules. When each General Manager becomes aware of any potentially illegal acts or facts, he or she will immediately report such matters to the General Manager for the Internal Control & the Audit Division.

The General Manager of the Internal Control & Audit Division will confirm the status of developing and operating company-wide internal control systems, and identify and evaluate each Division's situation of compliance with applicable laws and regulations and internal rules, and take necessary measures such as preventing violations of applicable laws and regulations and internal rules. Moreover, the General Manager will report on such matters to the Risk Management Committee, and further report on important items among such matters to the Corporate Policy Committee and the Board of Directors. The General Manager will also establish and operate a whistleblower system that provides consultations and takes reports regarding risks in the operation of business. Employees are obligated to comply with applicable laws and regulations and internal rules and to appropriately perform their responsibilities.

Employees who violate applicable laws and regulations and internal rules will be subject to disciplinary action under the Rules of Employment.

6. System to Ensure Appropriateness of Operation in the Corporate Group Consisting of NIPPON STEEL and its Subsidiaries

Under the "Corporate Philosophy of the NIPPON STEEL Group," NIPPON STEEL and each Group company will share business strategy and conduct their business in a unified manner, taking into account each company's business characteristics, and will familiarize their respective employees with their respective business operation policies and other related matters. With respect to control of the Group companies, NIPPON STEEL will set forth basic rules in the Rules for Control of group companies, and ensure their appropriate application.

Each Group company will build and maintain its internal control system based on autonomous internal controls, and seek to improve measures relating to internal control through, among other measures, information sharing with NIPPON STEEL. Each responsible division of NIPPON STEEL will confirm the status of internal controls at each Group company, and provide assistance in its improvements, where necessary.

The General Manager of the Internal Control & Audit Division will coordinate with each functional division, and identify and evaluate the situation of internal control of the Group companies as a whole, and provide guidance and advice to each responsible division and each Group company.

The specific systems under the views above are as follows.

- (i) System for Reporting to NIPPON STEEL in relation to the Performance of Responsibilities by the Group Companies' Directors

The responsible divisions of NIPPON STEEL will request that each Group company report on important management matters in relation to NIPPON STEEL's consolidated management or each Group company's management, including business plans, significant business policies, and financial results, and give advice and other guidance.

- (ii) Rules and Other Systems with respect to Group Companies' Loss-related Risk Management

The responsible divisions of NIPPON STEEL will request that each Group company

report on the situation of risk management in each Group company, and give advice and other guidance.

- (iii) System to Ensure Efficiency in the Performance of Responsibilities by the Group Companies' Directors

The responsible divisions of NIPPON STEEL will evaluate the business performance of each Group company, and give support for the management.

- (iv) System to Ensure that the Performance of Responsibilities by Group Companies' Directors and Employees Complies with Applicable Laws and Regulations and the Articles of Incorporation

The responsible divisions of NIPPON STEEL will request that Group companies report on their respective situation on compliance with applicable laws and regulations, and the development and operation of internal control systems, and give necessary support, advice, and other guidance. Additionally, such divisions will request that each Group company report on any actions and facts in such Group company that may violate applicable laws and regulations, and promptly report to the General Manager of the Internal Control & Audit Division.

(2) Outline of status of operation

1) Operational organization

NIPPON STEEL has established an operational organization for its internal control systems. This organization consists of the Internal Control & Audit Division (23 full-time and 22 concurrently with their other posts), which is responsible for the internal control plan and internal audits, and functional divisions responsible for managing risk in each field (about 900 staff members). NIPPON STEEL has also designated a person in charge of risk management (about 110 for NIPPON STEEL) and a person responsible for risk management (about 550 in group companies) who are engaged in planning and promoting autonomous internal-control activities in each division and Group company.

This organization operates the internal control system as follows.

2) Specific status of operation

a) Internal control plan

In March of each year, NIPPON STEEL develops an annual plan on internal control for NIPPON STEEL Group as a whole based on changes in the related laws and the business circumstances. This plan includes a basic policy, separate plans for each function, including safety, environment, plant safety, and quality, an internal audit plan, and an education plan. Each division and Group company creates its own plan for the fiscal year based on such annual plan developed by NIPPON STEEL.

b) Autonomous internal control activities

In accordance with the annual plan, each division and Group company autonomously performs internal control activities based on the characteristics of each business and its inherent risks. Specifically, such activities include establishment, education and voluntary inspections of operational rules, manuals and other documentation; third-party monitoring; and improvements to operations based on the results thereof.

Such divisions and Group companies immediately report any accidents, disasters, facts that may violate applicable laws and regulations, etc. to the Internal Control & Audit Division, and coordinate with the relevant divisions to take corrective measures, such as measures to prevent recurrence. The Internal Control & Audit Division compiles case studies of such incidents and shares them within the NIPPON STEEL Group. Each division and Group company then performs inspections for similar risks.

c) Internal audits, etc.

Internal audits confirm the status of internal controls via internal-control checklists and other documents. Additionally, the Internal Control & Audit Division and each functional

division monitor each division and group company.

As measures to complement NIPPON STEEL's internal controls, NIPPON STEEL also operates a hotline for internal reporting and consultations within the company and at external professional organizations, which are open to employees of NIPPON STEEL and group companies and their families, as well as employees of NIPPON STEEL's suppliers and others. In fiscal year 2020, there were 375 cases of internal reporting and consultations. NIPPON STEEL and its major group companies conduct employee awareness surveys regarding internal controls.

d) Assessment and improvement

The Internal Control & Audit Division reports the status of operation of the internal control system at the quarterly meeting of the Risk Management Committee. It is also reported at meetings of the Corporate Policy Committee and Board of Directors. Such status is also shared with each division and Group company at the meeting of the persons in charge of risk management and the meeting of the persons responsive for risk management.

The Internal Control & Audit Division also assesses the effectiveness of its internal control system as of the end of each fiscal year, and compiles a report of its assessment based on the status of internal-control activities, internal audits, etc. This assessment is then reported to the Risk Management Committee, Corporate Policy Committee, and Board of Directors.

Based on the results of these assessments, NIPPON STEEL establishes measures to improve the effectiveness of its internal control system, and incorporates them into the next fiscal year's internal control plan.

e) Education and awareness raising

The Company educates employees and officers of NIPPON STEEL and those of its group companies through sessions on internal controls prepared by NIPPON STEEL. The sessions include position-specific training, and are given to everyone from new hires to executive management. The Company also works actively to raise awareness of its approach to internal controls, establishment of better workplace culture, and other topics through a dialog between the Internal Control & Audit Division, and each division of NIPPON STEEL, and its group companies.

f) Coordination with the Audit & Supervisory Committee and Accounting Auditor

The Internal Control & Audit Division reports the status of internal controls to the Audit & Supervisory Committee each quarter. It also reports and discusses the status of internal controls with the Risk Management Committee with the attendance of full-time Audit & Supervisory Committee Members. The Internal Control & Audit Division is also committed to sharing information and coordinating, including holding monthly liaison meetings with the full-time Audit & Supervisory Committee Members.

It reports and discusses such matters as the results of assessments of internal controls relating to the status of operation of the Risk Management Committee and reporting of financial statements to the Accounting Auditor periodically.

7. Basic Policy regarding the Control of NIPPON STEEL

Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NIPPON STEEL

Under the corporate philosophy that the NIPPON STEEL group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services, the NIPPON STEEL group aims to improve its corporate value, and further the common interests of its shareholders, by enhancing its competitiveness and profitability through the planning and execution of management strategies.

NIPPON STEEL believes that in the event a third party proposes the acquisition of substantial shareholdings in NIPPON STEEL (a "Takeover Proposal"), the ultimate decision as to whether or not to accept the Takeover Proposal should be made by the then shareholders of NIPPON STEEL. On the other hand, NIPPON STEEL believes that such Takeover Proposals could include those with the potential to cause clear damage to the corporate value of NIPPON STEEL or the common interests of the shareholders of NIPPON STEEL or those with the potential to practically coerce shareholders into selling their shares of NIPPON STEEL.

Consequently, NIPPON STEEL will pay close attention to the status of trading of shares of NIPPON STEEL and changes of its shareholders in order to prepare for such disadvantages to the shareholders of NIPPON STEEL in the event a Takeover Proposal is made by a third party, and, for the occasions where a Takeover Proposal is actually made, will make efforts to enable its shareholders to make an appropriate informed judgment based on sufficient information and with a reasonable time period to consider such proposal.

If a Takeover Proposal is reasonably judged to damage the corporate value of NIPPON STEEL, which could result in harm to the common interests of shareholders of NIPPON STEEL, NIPPON STEEL will aim to protect its corporate value and the common interests of its shareholders by taking prompt and appropriate measures to the extent permitted under the then applicable laws and regulations.

(Note)

With respect to amount of money and number of shares expressed in this Business Report, the amount less than unit are truncated.

● Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

		(Millions of Yen)	
ASSETS	March 31, 2021	LIABILITIES	March 31, 2021
Current assets :		Current liabilities :	
Cash and cash equivalents	359,465	Trade and other payables	1,382,761
Trade and other receivables	805,306	Bonds, borrowings and lease liabilities	308,985
Inventories	1,349,355	Other financial liabilities	1,250
Other financial assets	27,772	Income taxes payable	24,256
Other current assets	130,786	Other current liabilities	54,077
Total current assets	2,672,686	Total current liabilities	1,771,331
Non-current assets :		Non-current liabilities :	
Property, plant and equipment	2,954,938	Bonds, borrowings and lease liabilities	2,250,246
Right-of-use assets	88,559	Other financial liabilities	4,784
Goodwill	46,341	Defined benefit liabilities	189,453
Intangible assets	95,826	Deferred tax liabilities	37,385
Investments accounted for using the equity method	817,328	Other non-current liabilities	189,358
Other financial assets	628,226	Total non-current liabilities	2,671,228
Defined benefit assets	110,396	Total liabilities	4,442,559
Deferred tax assets	153,123	EQUITY	
Other non-current assets	6,519	Common stock	419,524
Total non-current assets	4,901,260	Capital surplus	393,168
Total assets	7,573,946	Retained earnings	1,910,333
		Treasury stock	(58,342)
		Other components of equity	95,311
		Total equity attributable to owners of the parent	2,759,996
		Non-controlling interests	371,390
		Total equity	3,131,387
		Total liabilities and equity	7,573,946

(2) Consolidated Statements of Profit or Loss (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Fiscal 2020
Revenue	4,829,272
Cost of sales	(4,263,940)
Gross profit	565,332
Selling, general and administrative expenses	(469,133)
Share of profit in investments accounted for using the equity method	55,220
Other operating income	49,710
Other operating expenses	(91,083)
Business profit	110,046
Losses on reorganization	(98,665)
Operating profit	11,381
Finance income	5,367
Finance costs	(25,404)
Profit (loss) before income taxes	(8,656)
Income tax expense	(10,671)
Profit (loss) for the year	(19,327)
Profit (loss) for the year attributable to :	
Owners of the parent	(32,432)
Non-controlling interests	13,105

(3) Consolidated Statements of Changes in Equity

Fiscal 2020 (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2020	419,524	394,404	1,870,948	(58,505)	111,924	—
Changes of the year						
Comprehensive income						
Profit (loss) for the year			(32,432)			
Other comprehensive income					122,023	45,171
Total comprehensive income	—	—	(32,432)	—	122,023	45,171
Transactions with owners and others						
Cash dividends						
Purchases of treasury stock				(52)		
Disposals of treasury stock		(1)		2		
Changes in ownership interests in subsidiaries		1,528				
Transfer from other components of equity to retained earnings			71,818		(26,647)	(45,171)
Changes in scope of consolidation		(2,763)		213		
Subtotal transactions with owners and others	—	(1,236)	71,818	163	(26,647)	(45,171)
Balance as of March 31, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total			
Balance as of March 31, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631
Changes of the year						
Comprehensive income						
Profit (loss) for the year			—	(32,432)	13,105	(19,327)
Other comprehensive income	8,218	(23,528)	151,884	151,884	10,676	162,561
Total comprehensive income	8,218	(23,528)	151,884	119,451	23,781	143,233
Transactions with owners and others						
Cash dividends			—	—	(6,450)	(6,450)
Purchases of treasury stock			—	(52)		(52)
Disposals of treasury stock			—	1		1
Changes in ownership interests in subsidiaries			—	1,528	949	2,477
Transfer from other components of equity to retained earnings			(71,818)	—		—
Changes in scope of consolidation			—	(2,549)	(1,904)	(4,454)
Subtotal transactions with owners and others	—	—	(71,818)	(1,072)	(7,404)	(8,477)
Balance as of March 31, 2021	3,397	(115,385)	95,311	2,759,996	371,390	3,131,387

Notes to the consolidated financial statements

I. Significant accounting policies for consolidated financial statements

1. Standards for preparation of consolidated financial statements

The consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120, paragraph (1) of the Ordinance on Accounting of Companies. Some of the items in the consolidated financial statements required to be disclosed by IFRS have been omitted in accordance with the provisions of the second sentence of Article 120, paragraph (1) of the Ordinance on Accounting of Companies.

2. Scope of consolidation

Number of consolidated subsidiaries: 389 companies

Principal consolidated subsidiaries are presented in “1. Current Situations of the Nippon Steel Group, (9) Principal Subsidiaries and Affiliates.”

In fiscal 2020, the scope of consolidation expanded by 6 companies, including 4 newly established companies and 1 newly acquired company. 25 companies—11 merged companies and 8 divestments, etc.—were eliminated from the scope of consolidation in fiscal 2020.

3. Application of equity method

Number of equity-method affiliates (associates, joint operations and joint ventures): 110 companies

Principal equity-method affiliates are presented in “1. Current Situations of Nippon Steel Group, (9) Principal Subsidiaries and Affiliates.”

During fiscal 2020, 2 companies were added to the scope of equity-method affiliates and 10 companies were removed from the scope of equity-method affiliates.

4. Accounting principles

(1) Financial instruments

1) Recognition and measurement

The Group recognizes financial assets when it becomes a party to the contractual provisions of the assets. Financial assets purchased or sold in a regular way are recognized on the trade date. Financial assets other than derivative financial instruments are classified at initial recognition as those measured at amortized cost or at fair value through other comprehensive income. Financial assets measured at amortized cost and at fair value through other comprehensive income are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition of the assets. However, the trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost only if the assets are held within the Group’s business model with an objective of collecting contractual cash flows, and if the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

For certain equity instruments held primarily for the purpose of maintaining or strengthening business relationship with investees, the Group designates these instruments as financial assets measured at fair value through other comprehensive income at initial recognition.

Subsequent changes in fair value are recognized in other comprehensive income. When these financial assets are derecognized or significant deterioration of fair value occurs, a gain or loss accumulated in other comprehensive income is reclassified to retained earnings. Dividends from the financial assets measured at fair value through other comprehensive income are recognized in profit or loss when the Group’s right to receive dividends is established.

2) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the Group transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party.

3) Impairment of financial assets measured at amortized cost

The Group assesses expected credit loss at the end of each reporting period for the impairment of financial assets measured at amortized cost.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and financial assets with a significant increase in credit risk since initial recognition.

The Group determines whether credit risk has significantly increased based on changes in the risk of a default occurring on the financial assets. When determining whether there are changes in the risk of a default occurring on the financial assets, the Group considers the following:

- Significant deterioration in the financial conditions of an issuer or a borrower;
- A breach of contract, such as default or past-due payment of interest or principal; or
- It has become probable that a borrower will enter into bankruptcy or other financial reorganization

(2) Derivatives and hedge accounting

The Group utilizes derivatives, including foreign exchange forward contracts, interest rate swaps and currency swaps, to hedge foreign currency risk and interest rate risk. These derivatives are initially recognized at fair value when the contract is entered into, and are subsequently measured at fair value.

Changes in fair value of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedges is recognized in other comprehensive income.

The Group formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions in an internal rule titled "Administrative Provisions on Transactions of Derivative Instruments". The rule stipulates that derivative transactions are conducted only for the purpose of mitigating risks arising from the Group's principal business activities (including forecast transactions) and the trading of derivatives for speculative purposes is prohibited.

The Group evaluates whether the derivatives designated as a hedging instrument offsets changes in fair value or the cash flows of the hedged items to a great extent when designating a hedging relationship and on an ongoing basis. A hedging relationship that qualifies for hedge accounting is classified and accounted for as follows:

1) Fair value hedges

Changes in fair value of derivative as a hedging instrument are recognized in profit or loss. Changes in fair value of a hedged item adjust the carrying amount of the hedged item and are recognized in profit or loss.

2) Cash flow hedges

The effective portion of changes in fair value of derivative as a hedging instrument is recognized in other comprehensive income. Any ineffective portion of changes in fair value of derivative as the hedging instrument is recognized in profit or loss.

The amount accumulated in other comprehensive income is reclassified to profit or loss when the hedged transactions affect profit or loss. When a hedged item results in the recognition of a non-financial asset or a non-financial liability, the amount recognized as other components of equity is reclassified as an adjustment of initial carrying amount of the non-financial asset or non-financial liability.

(Change in accounting policy)

The Group has initially applied Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from the beginning of fiscal 2020.

The application of these standards has no material impact on the respective items in the consolidated financial statements.

(3) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is measured mainly based on the weighted average method, and comprises all costs of purchasing and processing as well as other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(4) Property, plant and equipment

1) Recognition and measurement

Property, plant and equipment is initially measured at cost and presented at cost less accumulated depreciation and impairment losses. Acquisition cost includes costs directly attributable to the acquisition of the asset and costs of dismantling, removing and restoration of the asset.

2) Depreciation

Depreciation of property, plant and equipment is mainly computed by the straight-line method over the estimated useful lives of each component based on the depreciable amount.. The depreciable amount is the cost of the asset less the respective estimated residual values.

The estimated useful lives of major property, plant and equipment are as follows:

- Buildings: Principally 31 years
- Machinery: Principally 14 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and modified as necessary.

(5) Goodwill and intangible assets

Intangible assets are measured at cost. Intangible assets with finite useful lives are presented at cost less accumulated amortization and impairment losses. Goodwill and intangible assets with indefinite useful lives are presented at cost less accumulated impairment losses.

1) Goodwill

When the total of consideration transferred in business combinations and amount of non-controlling interests in the acquiree exceeds the net of identifiable assets acquired and liabilities assumed on the acquisition date, the excess amount is recognized as goodwill.

Goodwill is not amortized and is allocated to cash-generating units or groups of cash-generating units.

Regarding accounting policy for impairment of goodwill, refer to (7) "Impairment of non-financial assets".

2) Intangible assets

Intangible assets acquired separately are measured at cost at the date of initial recognition. The costs of intangible assets acquired in business combinations are measured at fair value at the acquisition date. Expenditures related to internally generated intangible assets are recognized as expenses when incurred, unless development expenses meet the criteria for capitalization.

3) Amortization

Amortization of intangible assets with finite useful lives is recognized as an expense by the straight-line method over their estimated useful lives from the date when the assets are available for their intended use. The amortization methods and useful lives are reviewed at the end of each reporting period, and modified as necessary. The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Software: Principally 5 years
- Mining rights: Principally 25 years

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized.

(6) Leases

The Group determines whether a contract is, or contains, a lease based on the substance of the contract rather than its legal form at the commencement date of the lease.

The Group recognizes right-of-use assets and lease liabilities at the commencement date of a lease contract or a contract which is determined to contain a lease. Lease liabilities are measured at the discounted present value of the total lease payments that are not paid at the lease commencement date.

Right-of-use assets are initially measured at the amount of initial measurement of the corresponding lease liability, adjusted mainly by any initial direct costs, and any prepaid lease payments, plus costs including restoration obligations under the lease agreement. Right-of-use assets are depreciated mainly on a straight-line basis over the lease term. Finance costs are presented separately from depreciation costs on right-of-use assets on the consolidated statements of profit or loss.

For leases with an initial term of 12 months or less and leases for which the underlying asset is of low value, the Group applied an exemption of IFRS 16 and elected not to recognize the lease payments associated with those leases as right-of-use assets or lease liabilities. The Group recognizes such lease payments as expenses mainly on a straight-line basis over the lease term.

(7) Impairment of non-financial assets

For the non-financial assets other than inventories and deferred tax assets, the Group assesses whether there is any indication of impairment on each asset or the cash-generating unit to which the asset belongs at the end of each reporting period. If any indication of impairment exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated and impairment tests are performed. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever an indication of impairment exists.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of the individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit or the group of cash-generating units to which the asset belongs. The value in use is calculated by discounting the estimated future cash flows to the present value, and a pre-tax discount rate that reflects the time value of money and the risks specific to the asset is used as a discount rate.

The cash flows are based on the medium- to long-term management plan and the latest business plan, which incorporate the steel demand forecast and manufacturing cost improvement as key assumptions. Projections of steel demand and manufacturing cost improvements are subject to a high degree of uncertainty, and management's judgments regarding these factors are expected to have a significant impact on future cash flows.

An impairment loss is reversed if there are indications that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased and the recoverable amount of the asset is greater than its carrying amount. The amount to be reversed would not exceed its carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss recognized in goodwill is not reversed.

(8) Revenue

Revenue is recognized based on the following five-steps.

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when or as the Group satisfies a performance obligation

Revenue generated from Steelmaking and Steel Fabrication segment and Chemicals and Materials segment primarily consists of revenue generated from sale of goods while revenue generated from Engineering and Construction segment primarily consists of construction contracts and revenue generated from System Solutions segment mainly consists of services rendered and construction contracts (built-to-order software).

1) Performance obligations satisfied at a point in time

The Group recognizes revenue from sale of goods at the point of shipment as the customer obtains control of the goods and therefore a performance obligation is satisfied at a point in time where the Group no longer retains physical possession of the goods upon shipment, the Group has the right to be paid from the customer and their legal title is transferred to the customer.

With respect to revenue from rendering of service whose performance obligation is satisfied at a point in time, the Group recognizes revenue when the rendering of service is completed.

Revenue is measured at the amount of consideration received or receivable less discounts and rebates.

The consideration of the transaction is primarily collected within one year after the satisfaction of its performance obligation and it does not contain a significant financing component.

2) Performance obligations satisfied over time

The Group recognizes revenue from construction contracts and built-to-order software on the basis of progress towards satisfaction of performance obligation as the Group transfers control over time. The progress is measured on the basis of percentage of actual costs incurred to date to estimated total costs as it is considered that costs incurred properly reflect the progress of the services. (input methods)

With respect to revenue from rendering of services whose performance obligation is satisfied over time, the Group recognizes revenue evenly throughout the duration of the service.

(9) Employee benefits

Employee benefits include short-term employee benefits, retirement benefits, and other long-term employee benefits.

1) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as expenses when the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash incentive plans if the Group has a present legal or constructive obligation to pay in exchange for services provided by the employees in the prior period, and such obligation can be reliably estimated.

2) Retirement benefits

Retirement benefit plans comprise of defined benefit corporate pension plans, defined contribution plans, and lump-sum retirement payment plans. These retirement benefit plans are accounted for as follows:

(i) Defined benefit corporate pension plans and lump-sum retirement payment plans

The net defined benefit liabilities or assets of defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets.

The present value of defined benefit obligations is calculated annually by qualified actuaries using the projected unit credit method. The discount rates are based on the market yields of high quality corporate bonds at the end of each reporting period that have terms consistent with the discount period, which is established as the estimated term of the retirement benefit obligations through to the estimated dates for payments of future benefits.

Remeasurements of defined benefit plans are immediately recognized in other comprehensive income when incurred and then directly transferred to retained earnings, while past service costs are recognized in profit or loss.

(ii) Defined contribution plans

Contributions to defined contribution retirement plans are recognized as expenses in the period when the employees render the related services.

(10) Income taxes

Income taxes comprise of current taxes and deferred taxes, and are recognized in profit or loss, except for the items which are recognized directly in equity or other comprehensive income.

Current taxes are measured at the amounts expected to be paid or recovered from the taxation authorities using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are recognized based on future tax consequences attributable to temporary differences between the carrying amounts of assets or liabilities for accounting purposes and the tax bases of the assets or liabilities, carryforward of unused tax losses and tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets are reviewed at the end of each reporting period and recognized only to the extent that it is probable that the tax benefits can be realized. However, deferred tax assets are not recognized if the initial recognition of an asset or liability in a transaction that is not a business combination affects neither accounting profit nor taxable profit at the time of the transaction.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements are recognized only to the extent of the following circumstances:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except for the following circumstances:

- On the initial recognition of goodwill;
- On the initial recognition of an asset or liability in a transaction that is not a business combination affects neither accounting profit nor taxable profit at the time of the transaction;
- Taxable temporary differences associated with investments in subsidiaries to the extent that the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group assesses the recoverability of deferred tax assets using all the future information available at date such as projections of the future taxable profit based on the medium- to long-term management plan and the latest business plan which incorporate the steel demand forecast and manufacturing cost improvement as key assumptions. Although the Group recognizes its deferred tax assets to the extent that it is probable that the related

tax benefit will be realized, the recoverable amount may vary depending on the factors such as the changes in the projections of the future taxable profit in case of not meeting the medium- to long-term management plan and business plan due to unfavorable business environment or tax reforms including the changes in the statutory tax rate.

5. Significant accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, actual results could differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized prospectively in the period in which the estimates are revised.

Information about uncertainty of key estimates and assumption that may have significant risks of causing material adjustments to the carrying amount of assets and liabilities in the subsequent reporting year, particularly the impairment of non-financial assets and the recoverability of deferred tax assets that the Group considers material, is included in the following notes.

-I. Significant accounting policies for consolidated financial statements 4. Accounting principles

(7) Impairment of non-financial assets

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2021	
Property, plant and equipment	¥2,954,938 million
Right-of-use assets	88,559 million
Goodwill	46,341 million
Intangible assets	95,826 million
Investments accounted for using the equity method	817,328 million

-I. Significant accounting policies for consolidated financial statements 4. Accounting principles

(10) Income taxes

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2021	
Deferred tax assets (after offsetting deferred tax liabilities)	¥153,123 million

The effects from the COVID-19 pandemic to the estimates of the recoverable amount in impairment of non-financial assets and the recoverability of deferred tax assets of the Group are based on the assumptions that the COVID-19 pandemic is accelerating the structural changes in the steel market and the steelmaking business continues to face a difficult environment as addressed in the latest medium- to long-term management and business plan. These underlying assumptions are under high uncertainties and any future changes in these assumptions may materially affect the estimated amounts and consolidated financial statements.

(Changes in Accounting Estimates)

Effective from the beginning of fiscal 2020, the Company changed the depreciation method for property, plant and equipment from the declining-balance to the straight-line method.

The Company's domestic steelworks have been operating for about 50 years, and their workforce is experiencing a transition to the next generation. In the midst of this trend, the Company is working to rebuild its "strength in manufacturing" and this includes the prevention of facility troubles. The Company also strives to rebuild a profit base that can be sustainable as a business. To achieve that, the Company takes up major structural reforms that can be described as the "second foundation stage" by promoting manufacturing infrastructure development including the refurbishing of core facilities. In addition, the Company is implementing thorough preventive and planned maintenance to prevent operational and facility troubles from taking place and has been striving to maximize the use of current production capacity to ensure stable production volume and reduced cost. The Company's future plans for facilities stipulate large-scale investment projects such as refurbishment of coke ovens and relining of blast furnaces. The Company expects that large-scale investment for aging facilities may increase and represent a larger portion of the total capital investments. Accordingly, the Company considers that the straight-line method, which reflects the pattern of time based consumption of the future economic benefits associated with the asset over the useful life, is more in line with the current actual situation of Nippon Steel compared to the declining-balance method.

With this change, compared to the previous method, depreciation expenses decreased by ¥ 67,848 million and business profit, operating profit, and profit before income taxes increased by ¥ 57,779 million, respectively, during fiscal 2020.

II. Notes to the consolidated statements of financial position

1. Assets pledged as collateral and secured debts

Assets pledged as collateral	Amount (Millions of Yen)
Land	9,197
Buildings and structures	4,121
Machinery and vehicles	4,149
Other	6,037
Total	23,505

Secured debts	Amount (Millions of Yen)
Short-term borrowings	951
Long-term borrowings (current portion is included)	975
Other	578
Total	2,504

In addition to the pledged assets listed above, ¥419 million of shares of associates are pledged as collateral for affiliates' loans.

2. Inventories

Merchandise and finished goods (including semi-finished products)	¥ 689,719 million
Work in progress	75,006 million
Raw materials and supplies	584,630 million

3. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥ 1,722 million
Other financial assets	8,987 million

4. Accumulated depreciation of property, plant and equipment ¥ 9,548,010 million

5. Loan guarantees

The Group provides guarantees for the bank loans of its joint ventures and associates which would require the Group to repay the loan in the event of a default. The following amount includes reserved guarantees of loans, etc.

Guarantees for the bank loans of joint ventures and associates	¥ 282,058 million
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III. Notes to the consolidated statements of profit or loss

(Business profit)

Business profit on the consolidated statements of profit or loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company's consolidated performance continuously. It is defined as being deducted cost of sales, selling general and administrative expenses and other operating expenses from revenue, and added share of profit in investments accounted for using the equity method and other operating income. Other operating income and expenses is composed mainly of dividend income, foreign exchange gains or losses, loss on disposal of fixed assets.

(Losses on reorganization)

Details of losses from reorganization recorded owing to impairment losses, loss on business withdrawal, and others are described below.

Losses on business withdrawal ¥ 18,751 million

In the Steelmaking and Steel Fabrication segment, losses on business reorganization and withdrawal from business were mainly incurred due to the losses on the sale of the shares of Vallourec Soluções Tubulares do Brasil S.A. which engages in the manufacturing and sales of seamless pipes in Brazil. Gains on the sale of shares of I/N Tek and I/N Kote which engage in manufacturing of cold rolled steel sheets and manufacturing and sale of hot-dip galvanized and electro-galvanized steel sheets in the U.S. were also recorded.

Losses on inactive facilities and others ¥ 79,914 million

In the Steelmaking and Steel Fabrication segment, losses on inactive facilities and others were incurred mainly due to termination and demolition losses based on the decision to close the upstream facility of Kyushu Works Yawata Area (Kokura) of the Company and shut down the manufacturing facility of Kinuura Works of Nippon Steel Stainless Steel Corporation, a subsidiary of the Company.

IV. Notes to the consolidated statements of changes in equity

1. Number and class of shares outstanding at the end of fiscal 2020

Number of shares outstanding at the end of the period (including treasury stock)

Ordinary shares 950,321,402 shares

Number of treasury stock at the end of the period

Ordinary shares 29,564,533 shares

2. Dividends

(1) Dividends paid

None

(2) Dividends that belong to the current consolidated reporting year but become effective in the subsequent consolidated reporting year (planned)

Date of resolution	Class of share	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2021	Ordinary shares	Retained earnings	9,219	10	March 31, 2021	June 24, 2021

V. Notes to the financial instruments

1. Current status of financial instruments

(1) Capital management

Under the presumption that a certain level of financial stability is maintained, the Group has capital management policies which emphasize operational efficiency of invested capital, maximize corporate value by utilizing funds in investments (including investments in capital expenditure, research and development and M&A) which are expected to generate revenue which exceeds the cost of capital to enable sustainable growth and, at the same time, meet the demands of shareholders by providing returns to shareholders based on profits. The necessary funds to achieve this are primarily provided through cash flows from operating activities which are generated from maintaining and enhancing the Group's earnings power, and the Group raises funds through borrowings from banks and the issuance of corporate bonds, as necessary.

(2) Risk management

The Group is exposed to various financial risks (market risk, credit risk and liquidity risk) arising from its business activities and implements risk management processes to minimize these financial risks.

1) Market risk management

A. Foreign currency risk

Trade receivables denominated in foreign currencies arising from exports of products are exposed to foreign currency risk.

Trade payables, notes payable and other payables are, in principle, come due within one year. Certain trade payables are denominated in foreign currencies arising from imports of raw materials and exposed to foreign currency risk.

The Group enters into forward exchange contracts and currency swaps to hedge foreign exchange risk arising from sales and capital transactions and investing and financing activities of the Group.

Derivative transactions are executed in accordance with the internal derivative transaction policy. According to the internal derivative transaction policy, the policy for entering into a derivative transaction of financial instruments is discussed and approved by the Financial Management Committee and reported as necessary at the Board of Directors' meeting. Subsequently the Financial Controller approves the implementation of derivatives within the approved authority limits and reports that transaction amounts as well as gains or losses arising from derivative transactions to the Financial Management Committee on a regular basis.

B. Interest rate risk

Certain bonds and long-term borrowings are floating-rates debts. The interest expenses vary depending on interest rates.

The Group enters into interest rate swap contracts to mitigate the risk of interest rate fluctuations.

C. Market price fluctuation risk

Marketable equity instruments mainly represent the shares of trade counterparties for which are purchased to strengthen business alliances and are exposed to market price fluctuation risk. The Group monitors the market price on a regular basis and regularly evaluates the necessity to retain the respective investments.

2) Credit risk management

In accordance with the internal credit management policy, the Group shares customer credit records with related departments, and provides for credit protection measures as necessary. Trade receivables, including notes and accounts receivable, are exposed to the credit risk of customers. The Group limits transactions to customers who are also the principal suppliers of the Group such that the trade receivables due from the customers may be offset with the trade payables and borrowings, or to customers with high credit ratings where and the Group concludes that there are limited credit risks.

3) Liquidity risk management

The Group manages its liquidity risk on financing activities (the risk that debts cannot be paid by the due dates) by preparing and regularly updating a cash flow forecast based on the reports obtained from respective departments. Furthermore, the Group has a line of credit to cover for unforeseen circumstances.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as of March 31, 2021 are as in the following table.

The Group does not disclose the financial instruments measured at fair value in the consolidated statements of financial position and the financial instruments with fair value being nearly equal to their carrying amount.

(Millions of Yen)		
	Carrying amount	Fair value
Bonds and borrowings	2,196,453	2,216,678

Notes:

Valuation techniques used to measure the fair value of financial instruments

- The fair value of a bond is measured with reference to its market price.
- The fair value of a borrowing is measured at the present value of the total amounts of principal and interest discounted by the Group's incremental borrowing rate with a similar term.

VI. Notes to the per share information

Total equity attributable to owners of the parent per share	¥2,997.53
Basic earnings (loss) per share	(¥35.22)

(For reference 1)

● Consolidated Statements of Cash-Flows

Fiscal 2020	(Millions of Yen)
Cash flows from operating activities	403,185
Cash flows from investing activities	(389,035)
Cash flows from financing activities	52,694
Other	3,161
Net increase in cash and cash equivalents	70,006
Cash and cash equivalents at beginning of the year	289,459
Cash and cash equivalents at end of year	359,465

(For reference 2)

●Segment Information

Fiscal 2020 (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Reportable segment				Total	Adjustments	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	4,190,348	276,241	174,056	188,626	4,829,272	—	4,829,272
Inter-segment revenue or transfers	38,101	48,226	4,622	63,849	154,799	(154,799)	—
Total	4,228,449	324,468	178,678	252,476	4,984,072	(154,799)	4,829,272
Segment profit <Business Profit>	63,522	17,708	7,631	23,948	112,811	(2,764)	110,046

● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

		(Millions of Yen)	
ASSETS	March 31, 2021	LIABILITIES	March 31, 2021
Current assets :		Current liabilities :	
Cash and bank deposits	168,539	Accounts payable	260,892
Accounts receivable	142,997	Short-term loans payable	134,014
Finished products	142,291	Bonds due within one year	15,000
Semi-finished products	297,202	Current portion of lease obligations	729
Work in process	2,948	Accounts payable-other	502,198
Raw materials	206,370	Accrued expenses	35,297
Supplies	194,302	Income tax payable	119
Advance payments-other	46,425	Advances received	16,435
Prepaid expenses	23,203	Deposits received	506,511
Accounts receivable-other	116,133	Other	3,734
Other	21,611		
Less: Allowance for doubtful accounts	(147)	Total current liabilities	1,474,934
Total current assets	1,361,876		
Fixed assets :		Long-term liabilities :	
Tangible fixed assets :		Bonds and notes	610,000
Buildings (net)	281,107	Long-term loans payable	1,456,137
Structures (net)	192,261	Lease obligations (excluding current portion)	2,304
Machinery and equipment (net)	748,938	Accrued pension and severance costs	143,633
Vehicles (net)	3,722	Other	99,267
Tools, furniture and fixtures (net)	45,511		
Land	465,153	Total long-term liabilities	2,311,342
Leased assets (net)	2,589		
Construction in progress	141,512	Total liabilities	3,786,277
	1,880,798		
Intangible fixed assets :			
Patents and utility rights	1,261		
Software	29,130		
Goodwill	7,776		
Leased assets	250		
	38,418		
Investments and others :			
Investments in securities	355,226		
Shares of subsidiaries and affiliates	1,206,198		
Investments in capital of subsidiaries and affiliates	55,864		
Long-term loans receivable	20		
Long-term loans receivable from subsidiaries and affiliates	135,741		
Long-term prepaid expenses	39,701		
Deferred tax assets	173,169		
Other	16,362		
Less: Allowance for doubtful accounts	(9,529)		
	1,972,754		
Total fixed assets	3,891,971		
		NET ASSETS	
		Shareholders' equity :	
		Common stock	419,524
		Capital surplus	
		Legal capital surplus	111,532
		Other capital surplus	270,304
		Total Capital surplus	381,836
		Retained earnings :	
		Other retained earnings	
		Reserve for advanced depreciation of fixed assets	27,811
		Retained earnings carried forward	585,612
		Total retained earnings	613,424
		Less: Treasury stock, at cost	(54,678)
		Total shareholders' equity	1,360,107
		Valuation and translation adjustments :	
		Unrealized gains on available-for-sale securities	104,124
		Deferred hedge income (loss)	3,338
		Total valuation and translation adjustments	107,463
		Total net assets	1,467,570
Total assets	5,253,847	Total liabilities and net assets	5,253,847

(2) Non-Consolidated Statements of Operations (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Fiscal 2020
Operating revenues :	
Net sales	2,820,992
Cost of sales	2,698,979
Gross profit	122,012
Selling, general and administrative expenses	226,791
Operating profit (loss)	(104,779)
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	128,071
Other	44,027
	172,098
Non-operating loss :	
Interest expense	19,023
Other	73,742
	92,766
Ordinary profit (loss)	(25,446)
Extraordinary profit and loss :	
Extraordinary profit :	
Gain on contribution of securities to retirement benefit trust	17,945
	17,945
Extraordinary loss :	
Losses on inactive facilities	54,816
Losses on reorganization of subsidiaries and affiliates	30,145
	84,961
Profit (loss) before income taxes	(92,462)
Income taxes - current	(14,306)
Income taxes - deferred	(36,057)
	(50,363)
Profit (loss) for the year	(42,098)

(3) Non-Consolidated Statements of Changes in Net Assets

Fiscal 2020 (April 1, 2020—March 31, 2021)

(Millions of Yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					Reserve for advanced depreciation of fixed assets	Retained earnings carried forward			
Balance as of March 31, 2020	419,524	111,532	270,305	381,837	26,999	628,523	655,523	(54,651)	1,402,234
Changes of the year									
Provision of reserve for advanced depreciation of fixed assets					825	(825)	—		—
Reversal of reserve for advanced depreciation of fixed assets					(13)	13	—		—
Profit (loss) for the year						(42,098)	(42,098)		(42,098)
Purchases of treasury stock								(30)	(30)
Disposals of treasury stock			(1)	(1)				2	1
Net changes of items other than shareholders' equity									
Total change for fiscal 2020	—	—	(1)	(1)	811	(42,910)	(42,098)	(27)	(42,127)
Balance as of March 31, 2021	419,524	111,532	270,304	381,836	27,811	585,612	613,424	(54,678)	1,360,107

	Valuation and translation adjustments			Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Total valuation and translation adjustments	
Balance as of March 31, 2020	44,688	(514)	44,174	1,446,409
Changes of the year				
Provision of reserve for advanced depreciation of fixed assets				—
Reversal of reserve for advanced depreciation of fixed assets				—
Profit (loss) for the year				(42,098)
Purchases of treasury stock				(30)
Disposals of treasury stock				1
Net changes of items other than shareholders' equity	59,435	3,853	63,288	63,288
Total change for fiscal 2020	59,435	3,853	63,288	21,160
Balance as of March 31, 2021	104,124	3,338	107,463	1,467,570

Notes to the non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of valuation of assets

(1) Marketable securities

- Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
- Available-for-sale securities:
Securities with market quotations: Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
Securities without market quotations: Stated at cost determined by the moving-average method

(2) Inventories

- Products, semi-finished products, work in process, and raw materials: Cost accounting method based on the periodic average method (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines.)
- Supplies: Cost accounting method mainly based on the first-in, first-out method (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines)

2. Depreciation methods for fixed assets

(1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is mainly calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

Buildings:	Principally 31 years
Machinery and equipment:	Principally 14 years

(2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets is calculated using the straight-line method.

Software products made by the Company are amortized over the projected usage periods that are of 5 years.

(3) Leased assets

- Assets concerning finance leases in which ownership is not transferred to the lessee
These assets are depreciated to a residual value of zero based on the straight-line method over a useful life period corresponding to the lease contract period.

3. Accounting basis for allowances

(1) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historical experienced default ratio for non-specific receivables, as well as the estimated irrecoverable portion of specific doubtful receivables calculated on an individual basis.

(2) Accrued pension and severance costs

To provide for employee retirement benefits, an allowance is calculated based on projections of retirement benefit obligations and the pension fund asset balance at the end of the fiscal year. The employee retirement benefit obligation is computed based on the benefit formula basis using the projected retirement benefit obligation at the end of the fiscal year. Prior service cost is appropriated using the straight-line method over a specified period (10 years) within the employees' average remaining service period at the time when such costs accrues. Actuarial differences are principally charged to expenses proportionally using the straight-line method from the fiscal year following the year in which such differences accrue over a specified period (10 years) within the employees' average remaining service period at the time when such differences accrue.

4. Other significant accounting policies for financial statements

(1) Assets and liabilities denominated in foreign currencies and foreign currency translation

Monetary assets and liabilities of the Company denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses.

(2) Method of hedge accounting

In principal, the Company applies the deferred hedging accounting method. For foreign exchange forward contracts and currency swaps whose amounts, currency, and period meet the conditions of hedged items, the “assigning” method is applied. In addition, for interest swaps whose amounts, index, and period meet the conditions for hedged items, the “exceptional” method is applied.

(3) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over the period, where it is possible to estimate such a period, for which the excess cost is expected to have an effect on the balance sheets. Otherwise, the excess cost is amortized proportionately over 5 years.

(4) Retirement benefit accounting policy

The accounting methods for unrecognized actuarial differences associated with the retirement benefits and unrecognized past service liability used herein differ from the methods used in the consolidated financial statements.

(5) Accounting for consumption taxes

The accounting treatment used with respect to consumption tax and local consumption taxes is the tax-excluded method.

(6) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

(7) Application of the tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition from the consolidated taxation system to the group tax sharing system newly organized and the revision of the corporate tax return system along with the transition to the group tax sharing system stipulated in “the Act for Partial Revision of the Income Tax Act, etc.”(No.8, 2020), the Company does not apply the provision No.44 of “Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), based on the provision No.3 of “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Solution No.39, March 31, 2020), and recognizes its deferred tax assets and deferred tax liabilities based on the provision of the previous tax regulation.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Effective from the beginning of fiscal 2020, the Company changed the depreciation method for property, plant and equipment from the declining-balance to the straight-line method.

The Company's domestic steelworks have been operating for about 50 years, and their workforce is experiencing a transition to the next generation. In the midst of this trend, the Company is working to rebuild its "strength in manufacturing" and this includes the prevention of facility troubles. The Company also strives to rebuild a profit base that can be sustainable as a business. To achieve that, the Company takes up major structural reforms that can be described as the “second foundation stage” by promoting manufacturing infrastructure development including the refurbishing of core facilities. In addition, the Company is implementing thorough preventive and planned maintenance to prevent operational and facility troubles from taking place and has been striving to maximize the use of current production capacity to ensure stable production volume and reduced cost. The Company's future plans for facilities stipulate large-scale investment projects such as refurbishment of coke ovens and relining of blast furnaces. The Company expects that large-scale investment for aging facilities may increase and represent a larger portion of the total capital investments. Accordingly, the Company considers that the straight-line method, which reflects the pattern of time based consumption of the future economic benefits associated with the asset over the useful life, is more in line with the current actual situation of Nippon Steel compared to the declining-balance method.

With this change, compared to the previous method, depreciation expenses decreased by ¥ 48,277 million, operating profit increased by ¥ 41,068 million yen, ordinary profit and profit before income taxes increased by ¥ 41,077 million yen, respectively, during fiscal 2020.

5. Accounting estimates

Items of accounting estimates recorded in the financial statements for the current fiscal year that may have a significant impact on the financial statements for the following fiscal year, are as follows.

(1) Impairment of fixed assets

- The carrying amounts in the financial statements as of the year ended March 31, 2021

Tangible fixed assets	¥1,880,798 million
Intangible fixed assets	38,418 million

- Other information that contributes to understanding of the details of accounting estimates
This information is omitted because the same information is disclosed in "Significant accounting estimates and judgments" included in "Notes to the consolidated financial statements."

(2) The recoverability of deferred tax assets

- The carrying amounts in the financial statements as of the year ended March 31, 2021

Deferred tax assets (after offsetting deferred tax liabilities)	¥173,169 million
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- Other information that contributes to understanding of the details of accounting estimates
This information is omitted because the same information is described in "Significant accounting estimates and judgments" of "Notes to the consolidated financial statements."

The effects from the COVID-19 pandemic to the estimates of the recoverable amount in impairment of fixed assets and the recoverability of deferred tax assets of the company are based on the assumptions that the COVID-19 pandemic is accelerating the structural changes in the steel market and the steelmaking business continues to face a difficult environment as addressed in the latest medium- to long-term management and business plan. These underlying assumptions are under high uncertainties and any future changes in these assumptions may materially affect the estimated amounts and financial statements.

(Change in presentation method)

The "Accounting Standard for Disclosures of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied in the financial statements for fiscal 2020, and the disclosure of significant accounting estimates is included in the notes to the financial statements.

II. Notes to the non-consolidated balance sheet

1. Accumulated depreciation of tangible fixed assets ¥6,977,708 million

2. Contingent liabilities

The Company guarantees loans from financial institutions and other sources held by other companies.

(1) Loan Guarantee Liabilities

	(Outstanding amounts as of March 31, 2021)	(Substantial amounts)
AMNS Luxembourg Holding S.A.	227,885 million	227,885 million
AM/NS Calvert LLC	35,571	30,589
PT KRAKATAU NIPPON STEEL SYNERGY	21,643	21,643
WISCO-NIPPON STEEL Tinplate Co., Ltd.	9,688	9,688
Siam Tinplate Co.,Ltd.	7,434	7,434
NST NIHON TEPPAN CO.,LTD.	5,198	5,198
Jamshedpur Continuous Annealing & Processing Company Private Limited	3,513	1,721
Japan-Brazil Niobium Corporation	3,209	3,209
TENIGAL, S.de R.L.de C.V.	2,712	2,712
NIPPON STEEL COLD HEADING WIRE INDIANA INC.	2,533	2,533
NIPPON STEEL INTEGRATED CRANKSHAFT LLC	2,391	2,391
NIPPON STEEL SPIRAL PIPE VIETNAM CO.,LTD.	1,328	1,328
Other	2,145	2,145
Total	¥325,255	¥318,482

(2) Reserved guarantees of loans ¥50 million
(The substantial amount guaranteed is ¥50 million.)

3. Accounts receivable and payable to subsidiaries and affiliates

Short-term accounts receivable	¥127,947 million
Long-term accounts receivable	135,741 million
Short-term accounts payable	740,223 million
Long-term accounts payable	926 million

III. Notes to the non-consolidated statements of operations

Transactions with subsidiaries and affiliates

Operating transactions

Net sales	¥1,049,466 million
Purchases	899,785 million

Non-operating transactions

Proceeds from the transfer of assets, etc.	¥269,998 million
Expenditures from the transfer of assets, etc.	144,291 million

(Additional Information)

The Company entered into an agreement to transfer the following fixed assets that it holds on February 5, 2021, with a delivery date of June 30, 2021, in order to effectively utilize its management resources and strengthen its financial structure.

As a result of the transfer of fixed assets, the Company expects to record approximately ¥75.0 billion as extraordinary profit in the non-consolidated financial statements for the first quarter of fiscal 2021.

1. Contents of assets to be transferred

Name and location of asset
Contents: Land
Location: Funado, Itabashi-ku, Tokyo

2. Overview of transferee

(1) Name	Nippon Steel Kowa Real Estate Co., Ltd.
(2) Related party classification	Nippon Steel Kowa Real Estate is an affiliate of the Company and therefore it is a related party of the Company.

IV. Notes to the statements of changes in net assets

Number and class of treasury stocks outstanding at the end of the fiscal year	
Ordinary shares	28,343,150 shares

V. Notes to the tax-effect accounting

Deferred tax assets primarily arise from the exclusion from expenses of accrued bonus, pension and severance costs, impairment loss, and net loss carried forward. Deferred tax liabilities primarily arise from unrealized gains on available-for-sale securities.

VI. Notes to the related party information

Subsidiaries and affiliates

Category	Name	Equity ownership percentage	Relation with related party	Description of transaction	Amount of transaction (Millions of Yen)	Account	Resulting account balances (Millions of Yen)
Affiliate	AMNS Luxembourg Holding S.A.	Holding 40% directly	Loan guarantee	Loan guarantee(*1)	227,885	—	—

Terms and conditions applied to related party transactions:

(*1) The Company provided a guarantee for 40% of the loan which AMNS Luxembourg Holding S.A. procured from banks.

VII. Notes to the per share information

Net assets per share	¥1,591.76
Earnings (loss) per share	(¥45.66)

Report of Accounting Auditor on Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 10, 2021

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Nippon Steel Corporation (the "Company") for the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the above consolidated financial statements, prepared with the omission of some disclosure items required under the designated International Financial Reporting Standards in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under the designated International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under the designated International Financial Reporting Standards.

The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under the designated International Financial Reporting Standards, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Report of Accounting Auditor on Non-Consolidated Financial Statements (Copy)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 10, 2021

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka (Seal)
Designated Limited Liability Partner
Certified Public Accountant
Takashi Hasumi (Seal)
Designated Limited Liability Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Nippon Steel Corporation (the "Company") for the 96th fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of

fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Report of Audit & Supervisory Committee on Business Report and other issues, Consolidated Financial Statements and Non-Consolidated Financial Statements (Copy)

[English Translation of the Audit & Supervisory Committee Members' Report Originally Issued in the Japanese Language]

Audit Report

The Audit & Supervisory Committee has audited the performance of duties by Directors of Nippon Steel Corporation (“NIPPON STEEL”) for the 96th fiscal year from April 1, 2020 to March 31, 2021. The Audit & Supervisory Committee hereby reports the method and result of its audit as follows:

1. Auditing Method and Details Thereof

The Audit & Supervisory Committee received explanations from the Directors and other relevant personnel on the details of the resolutions of the Board of Directors concerning matters listed in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act and the status of establishment and operation of the frameworks established based on such resolutions (hereinafter referred to as the “Internal Control System”), and scrutinized the explanations and expressed opinion thereon, and conducted an audit in the following manner. With respect to the internal control on financial reporting, each Audit & Supervisory Committee Member received a report on the assessment of such internal control and auditing thereof also from KPMG AZSA LLC and sought explanations as necessary.

- (1) In compliance with the standards for the Audit & Supervisory Committee’s audits, which was established by the Audit & Supervisory Committee, and in accordance with auditing policy, the audit plan, and the assignment of duties, etc., the Audit & Supervisory Committee Members defined the status of establishment and operation of the Internal Control System and the status of promotion of various measures for the Management Plan as priority audit items, cooperated closely with the department in charge of internal audits, attended meetings of the Board of Directors, management meetings and other meetings, received reports from Directors, employees and other relevant personnel regarding the status of execution of their duties, sought explanations as necessary, inspected important documents, and examined the operations and financial position of NIPPON STEEL at the Head Office and Works of NIPPON STEEL. As for the subsidiaries of NIPPON STEEL, each Audit & Supervisory Committee Member endeavored to keep communication and shared information with the Audit & Supervisory Board Members and other related personnel of the subsidiaries, and received reports from the subsidiaries regarding their businesses and sought explanations as necessary.
- (2) As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NIPPON STEEL as described in the Business Report, each Audit & Supervisory Committee Member examined its contents based on discussions at the Meetings of Board of Directors and other relevant meetings.
- (3) The Audit & Supervisory Committee Members confirmed whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. The Audit & Supervisory Committee Members also received notification from the Accounting Auditor that system for ensuring appropriate execution of the duties of the Accounting Auditor has been prepared and sought explanations as necessary.

Based on the foregoing method, the Audit & Supervisory Committee Members reviewed the Business Report for this fiscal year and the supplementary schedules thereof, the non-consolidated financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of operations, non-consolidated statement of changes in net assets and the related notes) and supplementary schedules as well as the consolidated financial statements for this fiscal year (consolidated statements of financial position, consolidated statements of profit or loss, consolidated statements of changes in equity and the related notes).

2. Audit Results

(1) Audit Results on the Business Report, etc.

- 1) In our opinion, the Business Report and the supplementary schedules fairly represent NIPPON STEEL’s condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of NIPPON STEEL.

- 2) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of NIPPON STEEL, related to performance of duties by the Directors.
 - 3) In our opinion, the content of the resolutions of the Board of Directors regarding the Internal Control System is appropriate, and we have found no matters to remark in regard to the implementation thereof, including internal control on financial reporting. In addition, we have found no matters to remark in regard to the description in the Business Report relating to the internal control system.
 - 4) We have found no matters to remark in regard to the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NIPPON STEEL as described in the Business Report.
- (2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules
In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.
- (3) Results of Audit of the Consolidated Financial Statements
In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

May 11, 2021

The Audit & Supervisory Committee of Nippon Steel Corporation

Senior Audit & Supervisory Committee Member (full-time)	Masato Matsuno (Seal)
Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto (Seal)
Senior Audit & Supervisory Committee Member (full-time)	Nobuhiro Miyoshi (Seal)
Audit & Supervisory Committee Member	Hiroshi Obayashi (Seal)
Audit & Supervisory Committee Member	Jiro Makino (Seal)
Audit & Supervisory Committee Member	Seiichiro Azuma (Seal)
Audit & Supervisory Committee Member	Hiroshi Yoshikawa (Seal)

- (Note) Audit & Supervisory Committee Members, Hiroshi Obayashi, Jiro Makino, Seiichiro Azuma and Hiroshi Yoshikawa are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

NIPPON STEEL CORPORATION GROUP Corporate Philosophy

Our Values

Nippon Steel Corporation Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

Management Principles

1. We continue to emphasize the importance of integrity and reliability in our actions.
2. We provide products and services that benefit society, and grow in partnership with our customers.
3. We pursue world-leading technologies and manufacturing capabilities.
4. We continually anticipate and address future changes, innovative from within, and pursue unending progress.
5. We develop and bring out the best in our people to make our Group rich with energy and enthusiasm.

Shareholder Reference Information

Fiscal year end	March 31 each year
General Meeting of Shareholders	Latter part of June each year
Record date for the General Meeting of Shareholders	Shareholders entitled to exercise the right at the General Meeting of Shareholders shall be those who are electronically recorded as having the voting rights in the latest Register of Shareholders of March 31 each year.
Record date for dividends	NIPPON STEEL may distribute its surplus to the shareholders or pledgees of shares registered in the latest Register of Shareholders as of March 31, September 30 and such other date as determined by the Board of Directors.
Website for electronic public notices	https://www.nipponsteel.com/index.html
Articles of Incorporation and Regulations Relating to Shares	Articles of Incorporation and Regulations Relating to Shares are posted on NIPPON STEEL's website under "Investor Relations."
Registration agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Place of business of registration agent (Mailing address and telephone enquiries)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan Telephone number designated for NIPPON STEEL's shareholders: 0120-785-401 (toll free within Japan) Main number of transfer agent: 0120-782-031 (toll free within Japan)

Change of address, and request for sale and purchase of shares less than one unit

Please contact and consult with the securities firm in where you have an account.

Shareholders for whom special accounts have been opened due to their lack of an account in a securities firm should contact Sumitomo Mitsui Trust Bank, Limited, our administrator of the special accounts.

Payment of accrued dividends

Please contact Sumitomo Mitsui Trust Bank, Limited, our registration agent.

Fees concerning sale and purchase of less than one unit of shares

Charged at the amount specified separately (please refer to "Investor Relations" on NIPPON STEEL's website).

Nippon Steel Corporation

6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071

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<https://www.nipponsteel.com/en/index.html>