Annual Securities Report

The 96th Term (from April 1, 2020 to March 31, 2021)

(ABSTRACT TRANSLATION)

NIPPON STEEL CORPORATION

Editor's notes:

1. Please note that the official text of this document has been prepared in Japanese. The information herein stated is provided only for reference purposes. The company is not responsible for the accuracy of the information. To the extent there is any discrepancy between the English translation and original Japanese version, please refer to the Japanese version.

2. On June 23, 2021, the company filed its Annual Securities Report (Yukashoken Houkokusho) with the Director-General of the Kanto Financial Bureau in Japan.

Contents

I. Overview of the Company

1. Key Financial Data

(1) Key financial data for the five most recent fiscal years

Fiscal term		International Financial Reporting Standards			
		93rd term	94th term	95th term	96th term
Year ended		March 2018	March 2019	March 2020	March 2021
Revenue	(Millions of Yen)	5,712,965	6,177,947	5,921,525	4,829,272
Business profit (loss)	(Millions of Yen)	288,700	336,941	(284,417)	110,046
Profit (loss) for the year attributable to owners of the parent	(Millions of Yen)	180,832	251,169	(431,513)	(32,432)
Comprehensive income for the year	(Millions of Yen)	311,759	85,114	(543,642)	143,233
Equity attributable to owners of the parent	(Millions of Yen)	3,136,991	3,230,788	2,641,618	2,759,996
Total assets	(Millions of Yen)	7,756,134	8,049,528	7,444,965	7,573,946
Total equity attributable to owners of the parent per share	(Yen)	3,554.21	3,509.72	2,869.19	2,997.53
Basic earnings (loss) per share	(Yen)	204.87	281.77	(468.74)	(35.22)
Diluted earnings (loss) per share	(Yen)	—	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	40.4	40.1	35.5	36.4
Return on equity	(%)	6.0	7.9	(14.7)	(1.2)
Price-earnings ratio	(Times)	11.4	6.9	—	—
Cash flows from operating activities	(Millions of Yen)	485,539	452,341	494,330	403,185
Cash flows from investing activities	(Millions of Yen)	(363,170)	(381,805)	(345,627)	(389,035)
Cash flows from financing activities	(Millions of Yen)	(104,969)	(42,900)	(14,582)	52,694
Cash and cash equivalents at end of the year	(Millions of Yen)	142,869	163,176	289,459	359,465
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		97,996 [18,271]	105,796 [20,164]	106,599 [19,725]	106,226 [18,812]

Notes: 1. Starting from the 94th term, the Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

2. The number of employees for each term is the number of persons in employment as of March 31 (excluding those seconded from consolidated companies to companies other than consolidated companies, and including those seconded from companies other than consolidated companies to consolidated companies), and does not include part-time or temporary workers.
3. Figures in parentheses are negative.
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 by deducting cost of sales, selling, general and administrative expenses and other operating expenses from revenue, and adding to it share of profit in investments accounted for using the equity method and other operating income. Other operating income and expenses are composed mainly of dividend income, foreign exchange gains or losses, and losses on disposal of fixed assets.
5. Diluted earnings per share are not presented as there are no potential dilutive shares.
6. The price-earnings ratio for the 95th and 96th terms is not presented as the Company recorded a loss for the year.

Fiscal term		JGAAP	
		92nd term	93rd term
Year ended		March 2017	March 2018
Net sales	(Millions of Yen)	4,632,890	5,668,663
Ordinary profit	(Millions of Yen)	174,531	297,541
Profit attributable to owners of parent	(Millions of Yen)	130,946	195,061
Comprehensive income	(Millions of Yen)	217,453	299,598
Net assets	(Millions of Yen)	3,291,015	3,515,501
Total assets	(Millions of Yen)	7,261,923	7,526,351
Net assets per share	(Yen)	3,340.21	3,563.80
Earnings per share	(Yen)	147.96	221.00
Diluted earnings per share	(Yen)	—	—
Capital adequacy ratio	(%)	40.6	41.8
Return on equity	(%)	4.6	6.4
Price-earnings ratio	(Times)	17.3	10.6
Cash flows from operating activities	(Millions of Yen)	484,288	458,846
Cash flows from investing activities	(Millions of Yen)	(343,738)	(353,419)
Cash flows from financing activities	(Millions of Yen)	(135,054)	(89,190)
Cash and cash equivalents at end of the year	(Millions of Yen)	91,391	111,779
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		92,309 [15,720]	93,557 [16,361]

Notes: 1. The number of employees for each term is the number of persons in employment as of March 31 (excluding those seconded from consolidated companies to companies other than consolidated companies, and including those seconded from companies other than consolidated companies to consolidated companies), and does not include part-time or temporary workers.
2. Figures in parentheses are negative.
3. Diluted earnings per share are not presented as there are no potential dilutive shares.
4. Key financial data for the 93rd term reflect the retrospective application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc.

Note: Amounts presented in this report do not include national or local consumption taxes, in principle. The tax-exclusion method is used in the accounting treatments.

(2) Key financial data of the reporting company for the five most recent fiscal years

Fiscal term		92nd term	93rd term	94th term	95th term	96th term
Year ended		March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	(Millions of Yen)	2,974,224	3,266,686	3,562,226	3,312,949	2,820,992
Ordinary profit (loss)	(Millions of Yen)	48,132	107,213	112,319	(40,410)	(25,446)
Profit (loss) for the year	(Millions of Yen)	41,541	118,275	145,319	(455,641)	(42,098)
Common stock	(Millions of Yen)	419,524	419,524	419,524	419,524	419,524
Total number of issued shares	(Thousands of Shares)	950,321	950,321	950,321	950,321	950,321
Net assets	(Millions of Yen)	1,938,126	2,024,648	2,072,452	1,446,409	1,467,570
Total assets	(Millions of Yen)	5,085,063	5,194,163	5,462,897	5,009,656	5,253,847
Net assets per share	(Yen)	2,192.65	2,290.62	2,247.72	1,568.77	1,591.76
Dividends per share (Interim dividends shown in brackets)	(Yen)	45 [—]	70 [30]	80 [40]	10 [10]	10 [—]
Earnings (loss) per share	(Yen)	46.87	133.81	162.79	(494.18)	(45.66)
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital adequacy ratio	(%)	38.1	39.0	37.9	28.9	27.9
Return on equity	(%)	2.2	6.0	7.1	(25.9)	(2.9)
Price-earnings ratio	(Times)	54.7	17.5	12.0	—	—
Dividend payout ratio	(%)	96.0	52.3	49.1	—	—
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		24,822 [4,204]	25,101 [4,357]	26,570 [4,228]	27,096 [4,087]	29,579 [3,723]
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	(%)	120.7 [114.7]	113.4 [132.9]	99.4 [126.2]	52.3 [114.2]	97.2 [162.3]
Highest share price	(Yen)	2,912.0	3,132.0	2,527.0	2,081.0	1,954.0
Lowest share price	(Yen)	1,787.5	2,228.0	1,794.0	857.0	798.1

Notes: 1. The number of employees for each term is the number of persons in employment as of March 31 (excluding those seconded to other companies, and including those seconded from other companies), and does not include part-time or temporary workers.

2. Figures in parentheses are negative.

3. Diluted earnings per share are not presented as there are no potential dilutive shares.

4. The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the 94th term. Key financial data for the 93rd term reflect the retrospective application of the said accounting standards.

5. The price-earnings ratio and dividend payout ratio for the 95th and 96th term is not presented as the Company recorded a loss for the year.

6. Total shareholder return is the ratio of income (dividends and capital gains) gained from investment in shares divided by the investment amount (share price), which is calculated using the following formula.
(Share price at the end of each fiscal year + cumulative amount of dividends per share from four fiscal years before the current fiscal year to the respective fiscal year) / share price at the end of the year, five fiscal years before the end of the current fiscal year.

7. Share prices on the First Section of the Tokyo Stock Exchange have been adopted.

2. History

The Company was established on April 1, 1950. On March 31, 1970, Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. merged and was renamed Nippon Steel Corporation. On October 1, 2012, Nippon Steel Corporation merged with Sumitomo Metal Industries, Ltd. and was renamed Nippon Steel & Sumitomo Metal Corporation. Furthermore, Nippon Steel & Sumitomo Metal Corporation was renamed NIPPON STEEL CORPORATION on April 1, 2019, which continues to the present.

April 1950	The Company was established. Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. received in-kind contribution of assets, etc. from Japan Iron & Steel Co., Ltd., to which Act on Emergency Measures concerning Companies' Accounting and Enterprise Reorganization Act had been applied Japan Iron & Steel Co., Ltd. was dissolved upon transferring its assets, etc. to Yawata Iron & Steel Co., Ltd., Fuji Iron & Steel Co., Ltd., and other companies, transitioning into a liquidated company
March 1970	Yawata Iron & Steel Co., Ltd. and Fuji Iron & Steel Co., Ltd. merged and was renamed Nippon Steel Corporation Listed shares on eight stock exchanges nationwide including Tokyo
April 1971	Merged with Fuji Sanki Pipe & Tube Co., Ltd.
June 1974	Engineering Division Group was established
April 1984	Nippon Steel Chemical Co., Ltd. and Nittetsu Chemical Industrial Co., Ltd. merged and was renamed Nippon Steel Chemical Co., Ltd.
July 1984	New Materials Projects Bureau was established
July 1986	Electronics Division was established
March 1987	Nippon Steel Chemical Co., Ltd. listed its shares on the Tokyo Stock Exchange
June 1987	New Materials Division, Electronics & Information Systems Division, and Service Business Division were established
April 1988	Nippon Steel Computer Systems Co., Ltd. and the Company’s information systems division were integrated and was renamed Nippon Steel Information & Communication Systems Inc.
June 1989	Service Business Division was incorporated into Engineering Division Group
June 1991	R&D Laboratories were established by integrating Central R&D Bureau and Plant Engineering & Technology Bureau
September 1991	R&E Center was established
June 1993	Semiconductor Division was established
April 1997	Silicon Wafer Division was established
April 1998	Urban Development Division was spun off from Engineering Division Group
April 1999	Semiconductor Division was abolished
April 2001	Nittetsu Life Corporation was renamed Nippon Steel City Produce, Inc. Nippon Steel Information & Communication Systems Inc. and the Company’s Electronics & Information Systems Division were integrated and was renamed NS Solutions Corporation
April 2002	Nippon Steel City Produce, Inc. and the Company’s Urban Development Division were integrated
October 2002	NS Solutions Corporation listed its shares on the Tokyo Stock Exchange
July 2003	Nippon Steel Chemical Co., Ltd. was made a wholly owned subsidiary
April 2004	Silicon Wafer Division was abolished
July 2006	Businesses conducted by Engineering Division Group and New Materials Division were transferred to Nippon Steel Engineering Co., Ltd. and Nippon Steel Materials Co., Ltd. through company split
October 2012	Merged with Sumitomo Metal Industries, Ltd. and was renamed Nippon Steel & Sumitomo Metal Corporation Nippon Steel City Produce, Inc. merged with Kowa Real Estate Co., Ltd. and was renamed Nippon Steel Kowa Real Estate Co., Ltd., becoming an equity-method affiliate from a consolidated subsidiary Nippon Steel Engineering Co., Ltd. was renamed Nippon Steel & Sumikin Engineering Co., Ltd. Nippon Steel Chemical Co., Ltd. was renamed Nippon Steel & Sumikin Chemical Co., Ltd. Nippon Steel Materials Co., Ltd. was renamed Nippon Steel & Sumikin Materials Co., Ltd. Japanese name of NS Solutions Corporation was changed (English name unchanged)
March 2017	Made Nisshin Steel Co., Ltd. a subsidiary
October 2018	Nippon Steel & Sumikin Chemical Co., Ltd. and Nippon Steel & Sumikin Materials Co., Ltd. merged and was renamed NIPPON STEEL Chemical & Material CO., LTD.
January 2019	Made Nisshin Steel Co., Ltd. a wholly-owned subsidiary
March 2019	Made Sanyo Special Steel Co., Ltd. a subsidiary
April 2019	The Company was renamed NIPPON STEEL CORPORATION Nippon Steel & Sumikin Engineering Co., Ltd. was renamed NIPPON STEEL ENGINEERING CO., LTD. Japanese name of NS Solutions Corporation was changed (English name unchanged)
April 2020	Merged with NIPPON STEEL NISSHIN CO., LTD.

3. Description of Business

The principal businesses of the Group (the Company and its subsidiaries and affiliates) consist of the Steelmaking and Steel Fabrication business, the Engineering and Construction business, the Chemicals and Materials business, and the System Solutions business.

These four businesses are the same as the classification in the segment information presented in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated financial statements - segment information" of this report.

As of March 31, 2021, the Group is mainly comprised of the Company and 389 consolidated subsidiaries, as well as 110 equity-method affiliates.

The descriptions and positioning of the main businesses conducted by the Company and its consolidated subsidiaries comprising each business are as follows. Principal subsidiaries and affiliates are presented in "I. Overview of the Company, 4. Subsidiaries and Other Affiliated Entities" of this report.

[Steelmaking and Steel Fabrication business]

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, tin plates, 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), 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), and others (rolled titanium products, power supply, real estate, services and others)

[Engineering and Construction business]

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, pipe piling work, building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices

[Chemicals and Materials business]

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

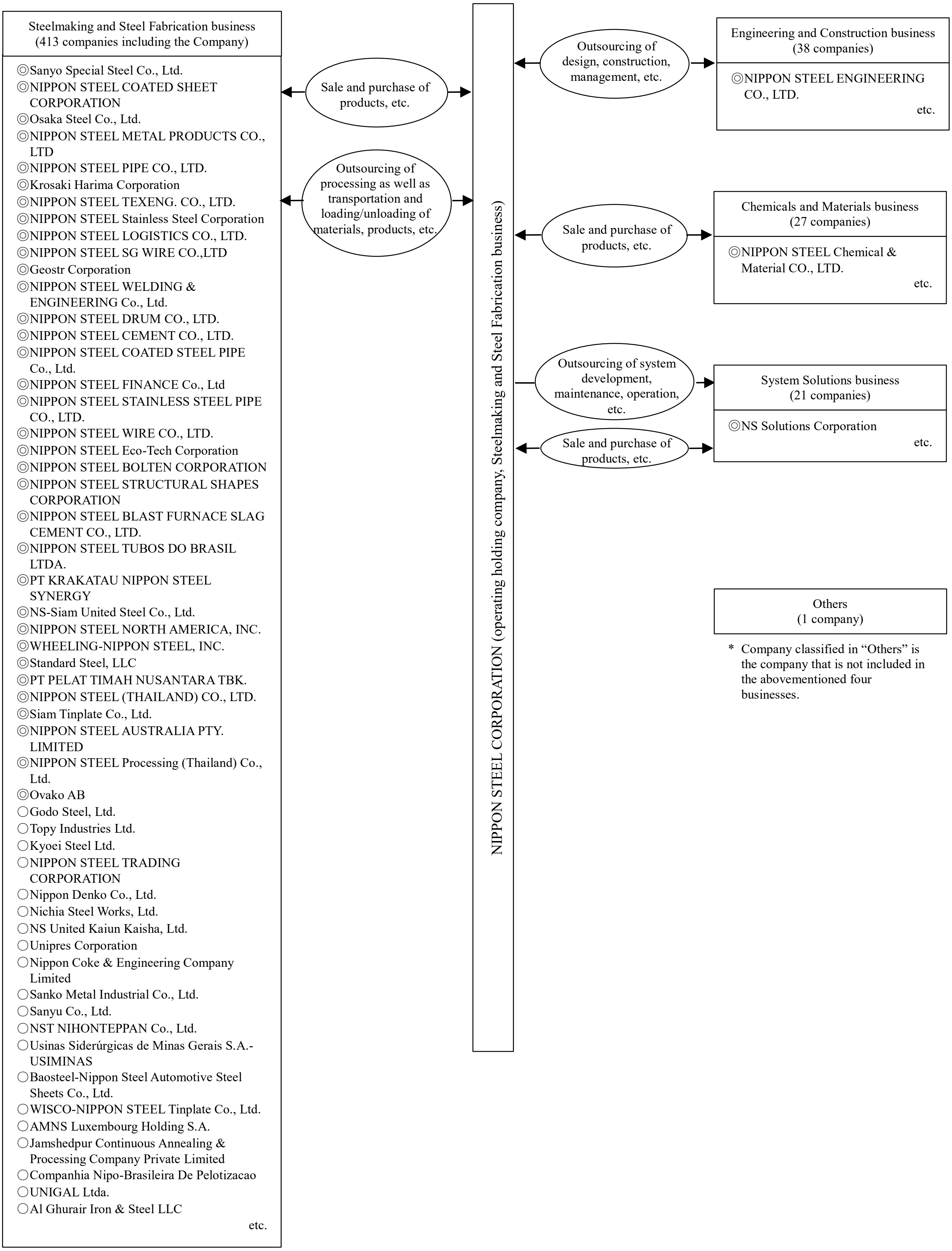
[System Solutions business]

Computer systems engineering and consulting services; IT-enabled outsourcing and other services

[Organization Chart]

The following is an organization chart which explains the matters explained above. (As of March 31, 2021)

◎: principal consolidated subsidiaries, ○: principal equity-method affiliates



4. Subsidiaries and Other Affiliated Entities

Principal consolidated subsidiaries and equity-method affiliates (as of March 31, 2020)

[Steelmaking and Steel Fabrication business / principal consolidated subsidiaries]

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
Sanyo Special Steel Co., Ltd.	Himeji City, Hyogo	53,800 million yen	Makes and markets special steel products	53.2% (0.1%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company and the subsidiary mutually outsource production of steel to each other. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL COATED SHEET CORPORATION	Chuo-ku, Tokyo	12,588 million yen	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
Osaka Steel Co., Ltd.	Osaka City, Osaka	8,769 million yen	Makes and markets shapes, bars, and billets	66.3% (0.3%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The subsidiary deposits funds to the Company and loans funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL METAL PRODUCTS CO., LTD	Chiyoda-ku, Tokyo	5,912 million yen	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets, steelmaking fluxes, and CC powders	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	5,831 million yen	Makes, coats and markets steel pipes and tubes	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary and outsources processing of steel pipes and tubes. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Krosaki Harima Corporation	Kitakyushu City, Fukuoka	5,537 million yen	Makes, markets and constructs refractories	46.9% (0.0%)	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company purchases refractories from the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	5,468 million yen	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company outsources construction, maintenance, and operations related to manufacturing of steel products to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL Stainless Steel Corporation	Chiyoda-ku, Tokyo	5,000 million yen	Makes and markets stainless steel	100.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells chrome hot-rolled coil and other products to the subsidiary. In addition, the subsidiary outsources hot-rolling work on nickel stainless steel sheets to the Company. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	4,000 million yen	Undertakes ocean and land transportation and warehousing	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company outsources transportation and loading/unloading of materials for steel, and steel, etc. to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL SG WIRE CO.,LTD	Chiyoda-ku, Tokyo	3,634 million yen	Makes and markets bars and wire rods	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
Geostr Corporation	Bunkyo-ku, Tokyo	3,352 million yen	Makes and markets concrete and metal products for civil engineering and building construction work	42.3% (1.6%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. In addition, the Company outsources manufacturing of civil engineering products to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	Koto-ku, Tokyo	2,100 million yen	Makes and markets welding materials and apparatuses	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL DRUM CO., LTD.	Koto-ku, Tokyo	1,654 million yen	Makes and markets drums	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL CEMENT CO., LTD.	Muroran City, Hokkaido	1,500 million yen	Makes and markets cement	85.0%	(a) Interlocking officers Three employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells blast-furnace slag, which is a material for cement, to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL COATED STEEL PIPE Co., Ltd.	Chuo-ku, Tokyo	1,400 million yen	Makes and markets steel pipes	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL FINANCE Co., Ltd	Chiyoda-ku, Tokyo	1,000 million yen	Engages in the Group's financing operations	100.0%	(a) Interlocking officers Three employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The subsidiary deposits funds to the Company. The Company outsources administrative work on the Group's financing operations to the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	916 million yen	Makes and markets stainless-steel pipes	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL WIRE CO., LTD.	Seki City, Gifu	697 million yen	Makes and markets secondary products using bars and wire rods	51.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL Eco-Tech Corporation	Chuo-ku, Tokyo	500 million yen	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis	85.1% (10.1%)	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company outsources construction, maintenance, and operations related to manufacturing of steel products to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL BOLTEN CORPORATION	Osaka City, Osaka	498 million yen	Makes and markets high-tension bolts, etc.	85.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL STRUCTURAL SHAPES CORPORATION	Wakayama City, Wakayama	400 million yen	Makes and markets H-beams	100.0%	(a) Interlocking officers Four employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD.	Kitakyushu City, Fukuoka	100 million yen	Makes and markets cement and steelmaking slag and calcined lime products	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company outsources manufacturing of ground granulated slag to the subsidiary and sells the ground granulated slag that has been manufactured to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL TUBOS DO BRASIL LTDA.	State of Sao Paulo, Brazil	BRL 1,221 million	Markets seamless steel pipe	100.0% (0.0%)	(a) Interlocking officers There is nothing to report. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
PT KRAKATAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	US$ 141 million	Makes and markets cold-rolled sheets and galvanized sheets	80.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the subsidiary.
NS-Siam United Steel Co., Ltd.	Rayong Province, Thailand	THB 13,007 million	Makes and markets cold-rolled sheets and galvanized sheets	80.2%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL NORTH AMERICA, INC.	New York State, United States of America	US$ 85 million	Invests companies in North American region focusing on U.S. and gathers information	100.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company outsources information gathering and other work to the subsidiary. The subsidiary loans funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
WHEELING-NIPPON STEEL, INC.	West Virginia State, United States of America	US$ 71 million	Makes and markets galvanized sheets	100.0% (100.0%)	(a) Interlocking officers Three employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
Standard Steel, LLC	Pennsylvania State, United States of America	US$ 47 million	Makes and markets railway wheels and axles	100.0% (100.0%)	(a) Interlocking officers There is nothing to report. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
PT PELAT TIMAH NUSANTARA TBK.	Jakarta City, Indonesia	US$ 26 million	Makes and markets tinplate	35.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL (THAILAND) CO., LTD.	Bangkok Metropolis, Thailand	THB 827 million	Gathers information in Asian region focusing on Thailand	100.0%	(a) Interlocking officers There is nothing to report. (b) Business transactions The Company outsources information gathering and other work to the subsidiary. The subsidiary loans funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Siam Tinplate Co., Ltd.	Rayong Province, Thailand	THB 800 million	Makes and markets tinplate sheets	82.7%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL AUSTRALIA PTY. LIMITED	New South Wales State, Australia	AU$ 21 million	Participates in mine development in Australia and gathers information	100.0%	(a) Interlocking officers Three employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company outsources information gathering and other work to the subsidiary. The subsidiary loans funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL Steel Processing (Thailand) Co., Ltd.	Rayong Province, Thailand	THB 571 million	Makes and markets cold-heading wire and cold-finished bars	66.5% (7.6%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Ovako AB	Stockholm City, Sweden	Euro 60 thousand	Makes and markets special steel and secondarily processed products	100.0% (100.0%)	(a) Interlocking officers There is nothing to report. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

[Steelmaking and Steel Fabrication business / principal equity-method affiliates]

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
Godo Steel, Ltd.	Osaka City, Osaka	34,896 million yen	Makes and markets shapes, rails, bars, billets and wires	17.8% (0.2%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company and the affiliate mutually sell billets to each other and mutually outsource production of steel to each other. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Topy Industries Ltd.	Shinagawa-ku, Tokyo	20,983 million yen	Makes and markets shapes, bars, and industrial machine parts	20.9% (0.2%)	(a) Interlocking officers There is nothing to report. (b) Business transactions The Company sells billets, outsources production of steel, and sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance Upon mutual agreement to form a business alliance, the Company and the affiliate have considered and taken specific measures accordingly.
Kyoei Steel Ltd.	Osaka City, Osaka	18,515 million yen	Makes and markets shapes, steel bars, and billets; processes and markets steel	26.7%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL TRADING CORPORATION	Minato-ku, Tokyo	16,389 million yen	Markets, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products	35.3% (0.5%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel products and other products to the affiliate, and purchases machinery products, materials for steel, etc. from the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Nippon Denko Co., Ltd.	Chuo-ku, Tokyo	11,057 million yen	Makes and markets ferroalloy/ functional materials, environmental business and electric supply business	20.8% (0.1%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company purchases ferromanganese and other products from the affiliate. (c) Financial assistance, lease of facilities, business alliance The Company and the affiliate have formed a business alliance, specific measures for which have been considered and taken.
Nichia Steel Works, Ltd.	Amagasaki City, Hyogo	10,720 million yen	Makes and markets bolts and wire products	24.2%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NS United Kaiun Kaisha, Ltd.	Chiyoda-ku, Tokyo	10,300 million yen	Undertakes ocean transportation	33.4%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company outsources transportation of materials for steel and other goods to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
Unipres Corporation	Yokohama City, Kanagawa	10,168 million yen	Makes and markets automotive parts	17.4%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel and other products to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Nippon Coke & Engineering Company Limited	Koto-ku, Tokyo	7,000 million yen	Markets coal; makes and markets coke	22.6%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company purchases coke and other products from the affiliate. (c) Financial assistance, lease of facilities, business alliance Upon mutual agreement to form a business alliance, the Company and the affiliate have considered and taken specific measures accordingly.
Sanko Metal Industrial Co., Ltd.	Minato-ku, Tokyo	1,980 million yen	Makes, processes, installs and sells metal roofs and building materials	33.2% (0.8%)	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions The Company’s subsidiary sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Sanyu Co., Ltd.	Hirakata City, Osaka	1,513 million yen	Makes and markets cold-finished bars and cold-heading wire	34.5% (0.8%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NST NIHONTEPPAN Co., Ltd.	Chuo-ku, Tokyo	1,300 million yen	Markets, processes, and imports and exports steel products, metal processing machines, and electrical/electronic devices	34.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel products to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS	Estado do Minas Gerais, Brazil	BRL 13,200 million	Makes and markets steel products	31.4%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.	Shanghai City, China	RMB 3,000 million	Makes and markets automotive steel sheets	50.0%	(a) Interlocking officers Two officers of the Company and two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions The Company sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
WISCO-NIPPON STEEL Tinplate Co., Ltd.	Hubei Province, China	RMB 2,310 million	Makes and markets tinplate and tinplate sheets	50.0%	(a) Interlocking officers One officer of the Company and three employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the affiliate.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
AMNS Luxembourg Holding S.A.	Luxembourg City, Luxembourg	US$ 230 million	A holding company of ArcelorMittal Nippon Steel India Limited	40.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the affiliate.
Jamshedpur Continuous Annealing & Processing Company Pvt. Ltd.	State of West Bengal, India	INR 14,320 million	Makes and markets automotive cold-rolled steel sheets	49.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the affiliate.
Companhia Nipo-Brasileira De Pelotizacao	Estado do Espírito Santo, Brazil	BRL 690 million	Holding and leasing of manufacturing facilities of pellets	33.0% (0.0%)	(a) Interlocking officers Three employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
UNIGAL Ltda.	Estado do Minas Gerais, Brazil	BRL 584 million	Makes galvanized sheets	30.0% (0.8%)	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Al Ghurair Iron & Steel LLC	Emirate of Abu Dhabi, UAE	AED 165 million	Makes and markets galvanized sheets	20.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

[Engineering and Construction business / principal consolidated subsidiaries]

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL ENGINEERING CO., LTD.	Shinagawa-ku, Tokyo	15,000 million yen	Makes and markets industrial machinery, equipment and steel structures, construction projects under contract, waste processing and recycling, and supplying electricity, gas, and heat	100.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary and purchases iron and steelmaking plants and other products from the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

[Chemicals and Materials business / principal consolidated subsidiaries]

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL Chemical & Material CO., LTD.	Chuo-ku, Tokyo	5,000 million yen	Makes and markets coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing	100.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company sells coal tar, crude light oil, untreated coke oven gas, etc. to the subsidiary and purchases fuel gas and other products from the subsidiary. (c) Financial assistance, lease of facilities, business alliance The Company leases a part of its factory sites to the subsidiary.

[System Solutions business / principal consolidated subsidiaries]

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NS Solutions Corporation	Chuo-ku, Tokyo	12,952 million yen	Provides computer systems engineering and consulting services; IT-enabled outsourcing and other services	63.4%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company outsources development, maintenance, operation, etc. of computer systems to the subsidiary. In addition, the Company borrows funds from the subsidiary. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

Notes: 1. Sanyo Special Steel Co., Ltd., Osaka Steel Co., Ltd., Krosaki Harima Corporation, Geostr Corporation, Godo Steel, Ltd., Topy Industries Ltd., Kyoei Steel Ltd., NIPPON STEEL TRADING CORPORATION, Nippon Denko Co., Ltd., Nichia Steel Works, Ltd., NS United Kaiun Kaisha, Ltd., Unipres Corporation, Nippon Coke & Engineering Company Limited, Sanko Metal Industrial Co., Ltd., Sanyu Co., Ltd., and NS Solutions Corporation submit Securities Reports.

2. Sanyo Special Steel Co., Ltd. and NIPPON STEEL TUBOS DO BRASIL LTDA. are specified subsidiaries.

3. Although the Group holds less than 50% of the voting rights of Krosaki Harima Corporation, Geostr Corporation, and PT PELAT TIMAH NUSANTARA TBK. (The Company has entered into a consortium agreement with MITSUI & CO., LTD., Metal One Corporation, and NIPPON STEEL TRADING CORPORATION, which are shareholders of PT PELAT TIMAH NUSANTARA TBK., and the four companies combined hold 55% of the shares of the said company. The Company holds 35% of the shares, which is a majority within the consortium.), these entities have been consolidated as subsidiaries because the Group has determined that it substantially controls these entities.

4. Although the Group holds less than 20% of the voting rights of Godo Steel, Ltd., and Unipres Corporation, these entities have been accounted for by the equity method as affiliates because it has determined that it effectively has significant influence over these entities.

5. The figures in parentheses in % of voting rights interest show the percentage of indirect voting rights interest.

6. “(b) Business transactions” presented in the Description of relationships above include transactions through trading companies.

7. NIPPON STEEL (THAILAND) CO., LTD. changed its trade name to NIPPON STEEL SOUTHEAST ASIA CO., LTD. on April 1, 2021.

5. Employees

(1) Status of the Group (the Company and its consolidated subsidiaries)

(As of March 31, 2021)

Segment name	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 is the number of persons in employment (excluding those seconded from consolidated companies to companies other than consolidated companies, and including those seconded from companies other than consolidated companies to consolidated companies), and does not include part-time or temporary workers.
2. Numbers of temporary workers (average number of temporary workers employed during the year ended March 31, 2021) are shown in brackets.

(2) Status of the reporting company

(As of March 31, 2021)

Number of employees	Average age	Average number of years employed	Average annual salary (Yen)
29,579 [3,723]	37.2	15.5	4,940,322

Segment name	Number of employees
Steelmaking and Steel Fabrication	29,579 [3,723]
Total	29,579 [3,723]

Notes: 1. Number of employees is the number of persons in employment (excluding those seconded to other companies, and including those seconded from other companies), and does not include part-time or temporary workers.
2. Number of temporary workers (average number of temporary workers employed during the year ended March 31, 2021) is shown in brackets.
3. Average annual salary is calculated by excluding executives, and includes bonuses and surplus wages.

(3) Status of trade unions

In addition to the Federation of Nippon Steel Workers' Unions, which is a trade union of the reporting company, trade unions have been established at multiple consolidated subsidiaries. The number of union members as of March 31, 2021 is 73,790 persons.

There are no particular items concerning labor-management relations to be reported.

II. Overview of Business

1. Management Policy, Business Environment, Issues to Be Addressed

(Management policy)

The NIPPON STEEL Group conducts its business based on its corporate philosophy: the Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

<Corporate Philosophy of the NIPPON STEEL Group>

Our Values

The NIPPON STEEL 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.

(Business environment)

We expect the following changes in the environment over the medium to long term.

Global steel demand is expected to continue to grow steadily, particularly in Asia, and notably including India. Demand for high-grade steel is also expected to expand, including for emerging needs associated with the move to achieve carbon neutrality. Meanwhile, steel demand in Japan is expected to decrease due to its declining population, the expansion of overseas local production by Japanese customers, and other reasons. In addition, the COVID-19 pandemic is likely to accelerate the manufacturing industry's trend toward local production and local consumption as well as domestic production, leading to the fragmentation of markets, which had been globally connected. Furthermore, competition in overseas markets is expected to intensify further as demand in China, which accounts for 60% of global steel production, has leveled off.

As the awareness of climate change issues grows worldwide, the realization of carbon neutrality will require a concerted effort by the public and private sectors. We believe that the establishment of zero-carbon steel technology ahead of other countries will be the key to determining our future competitiveness, profitability, and brand power in the steel industry.

For the year ending March 31, 2022, it is expected that the world economy will recover from the slowdown caused by the spread of COVID-19, and that Japan's economy will also recover. As for the steelmaking business environment, however, sever 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 tight 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. Nevertheless, future conditions, including the impact of further spread of COVID-19, warrant continued monitoring.

(Management strategies and priority business and financial tasks)

With Steelmaking and Steel Fabrication as its core business, the Group conducts its business in the four operating segments: Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials and System Solutions, based on the technologies it has developed through steelmaking. The Steelmaking and Steel Fabrication segment accounts for approximately 90% of the Group's consolidated revenue.

In response to changes in steel demand caused by the spread of COVID-19, the Company has promptly and appropriately implemented measures, such as production management (including temporary suspension and resumption of operation of blast furnaces), implementation of the business continuity plan (BCP), temporary business shutdowns, and measures in light of the deterioration in operating cash flows. In the year ending March 31, 2022, under the aforementioned business environment, based on the non-consolidated profitable structure to secure operating profit, which was established through a significant reduction in fixed costs and an improvement in variable costs, the Company will continue to work to fully establish 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 in the severe steelmaking business environment that has persisted since before the spread of COVID-19.

On March 5, 2021, the Company announced a newly formulated medium- to long-term management plan as outlined below, 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.

<Outline of the NIPPON STEEL Group’s Medium- to Long-term Management Plan (announced on March 5, 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, the Company has developed its new medium- to long-term management plan.

(Four pillars of the Medium- to Long-term 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.

(Specific measures)

1. Rebuilding our domestic steel business and strengthening our group’s management

(1) Rebuilding our domestic steel business and early recovery of profitability

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 secure appropriate margins.

For the purpose of building an optimal production framework, we will streamline the production framework in manufacturing processes and upstream facilities (including the implementation ahead of schedule of some of the measures announced on February 7, 2020), and invest in strategic products (specifically, build a next-generation hot strip mill, and strengthen the production framework of high-grade electrical steel sheets).

Through the above various measures, the digital transformation (DX) measures described below and other measures, we will reduce the number of necessary personnel by a total of more than 20% in us and our business partners (on-site contractors) for the period from fiscal 2021 to the end of fiscal 2025.

(2) Strengthening our group management

In order to improve our consolidated business profitability and maximize our corporate value, we will strive to 1) strengthen the competitiveness and profitability of each group company; 2) optimize the group structure through concentration on core business operation; and 3) deepen group collaboration and improve and strengthen the management base, among others.

2. Promoting the Group's global strategy to deepen and expand its overseas business

Global steel consumption is expected to continue to grow at a moderate pace toward 2025, furthermore, 2030. We have developed our business mainly in Asia whose market size and growth rate is relatively large globally, and we are well positioned to profit from the scale and growth of this market.

In order to further improve our profitability in this environment, we 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. The Group aims to achieve 100 million tons of global crude steel capacity per annum (*1), which is our vision, by capturing demand in growth markets through the sale of products from our strong domestic mother mills and local mills overseas.

With regard to existing overseas businesses, we have concentrated operations, and narrowed our focus to certain businesses, as we have almost completed the withdrawal from businesses which would not be economically viable for us to continue. Going forward, at each overseas business company, we will aim to increase profits by taking advantage of our advanced technology and capturing the growth of the markets as a company in each country.

(*1) Simple sum of crude steel production at full capacity of i) companies in which we have 30% or more equity interests (including USIMINAS) among companies subject to World Steel Association's crude steel production statistics; and ii) our equity method affiliates with less than 30% equity interests to which we provide semi-finished products.

3. Taking on the challenge of zero-carbon steel

As a part of our widespread efforts toward achieving a decarbonized society, by adopting "Nippon Steel Carbon Neutral Vision 2050 – A Challenge of Zero-Carbon Steel" as our initiative, we will consider and implement various measures as a top priority management issue in order to win development competitions with our competitors in Europe, the United States, China and South Korea and to continue to lead the world's steel industry.

By 2030, our plan is to achieve reduction of CO_2 emissions by 30% compared to 2013 through the practical implementation of COURSE50(*2) into the current blast furnace and basic oxygen furnace processes, reduction of CO_2 emissions in existing processes, and other initiatives. Toward 2050, we will take on the challenge of adopting ultra-innovative technologies such as mass production of high-grade steel in electric furnaces, drastic reduction of CO_2 emissions through developments in hydrogen reduction methods, and production of direct reduction iron using hydrogen, with an aim to achieve carbon neutrality.

In particular, the 100% hydrogen direct reduction method of steelmaking is an unprecedented technology that is not yet proven and possesses extremely high innovation hurdles. In addition, the mass production of high-grade steel by electric furnaces and the realization of the blast furnace hydrogen reduction method also require the development and use of extremely complex technology. These innovations will require R&D expenses of approximately 500 billion yen and 4 to 5 trillion yen in investments in facilities. Moreover, it is possible that the production cost of crude steel will be more than double that of current costs.

The above mentioned zero-carbon steel cannot be achieved by the steel industry alone. The list of premises for realization includes 1) the government support for research and development and equipment implementation; 2) establishment of hydrogen supply infrastructure; 3) realization of carbon free power; and 4) establishment of a system that enormous costs will be borne by society as a whole.

(*2) COURSE50 is a project to develop technology to partially use hydrogen in the blast furnace reduction of iron ore, instead of coking coal.

4. Promoting digital transformation strategies

Over the next five years, we will invest 100 billion yen 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 production and business process innovations.

First, we will realize smart manufacturing by utilizing advanced digital technologies such as AI and the Internet of Things (IoT).

Second, we will build an integrated production planning platform from order to production to delivery, thereby strengthening our flexible and optimal supply framework.

Third, we will build an integrated data platform that provides real-time visibility of various management information and KPIs, enabling rapid improvement action, and strengthening business intelligence.

(Investment plan and financial targets)

1. Aggressive growth investment plan in management resources (fiscal 2021 – 2025)
   1) We will implement capital expenditures of 2,400 billion yen over the next five years.
   2) We will make investments in business of 600 billion yen over the next five years.

2. Financial targets and shareholder return (fiscal 2025)

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

	Fiscal 2025 Plan Targets
Return on sales (ROS)	About 10%
Return on equity (ROE)	About 10%
D/E Ratio (*3)	0.7 or less
Consolidated payout ratio	Around 30%

(*3) After recognizing equity credit attributes of the subordinated loans

(Note) The above description in (Business environment) and (Management strategies and priority business and financial tasks) in this document include predictions and targets based on assumptions, forecasts and plans for the future as of the announcement of financial results on May 7, 2021 (or as of the announcement of the NIPPON STEEL Group's Medium- to Long-term Management Plan for the information on the plan). Since these predictions and targets are based on information, analysis, and certain assumptions that the Company considers appropriate at the time of announcement or publication of the above documents, and thus, such estimates have inherent limitations, actual results may differ materially due to various factors in the future. For such factors, please refer to "2. Business Risks" below.

2. Business Risks

Among the items related to the Group's overview of business, financial information and other information described in this report, the following are major items that may significantly affect investors' decisions. However, they do not constitute an exhaustive list of all types of risks regarding the Group, and there are also unpredictable risks other than those as described below. In addition, as information that may significantly affect investors' decisions is also described in "Part I. Company Information, II. Overview of Business," notes included in "Part I. Company Information, V. Financial Information" and other parts of this report, you are advised to refer to these descriptions as well.

Furthermore, in order to reduce these risks, the Group has established a corporate governance system as described in "Part I. Company Information, IV. Status of the Reporting Company, 4. Corporate Governance, etc." of this report to develop and implement the internal control system. Each company and division identifies and evaluates risks associated with their respective businesses and carry out their duties in accordance with the authority and responsibilities set out in the internal rules for organization and operation.

Forward-looking information contained in the following text is based on the Group's assessment as of the end of the year ended March 31, 2021.

<Risks regarding the business environment (steel market)>

(1) Changes in economic circumstances in Japan and overseas

The Group's core business is Steelmaking and Steel Fabrication, which accounts for approximately 90% of consolidated revenue. As with industries such as automobiles, construction, energy, industrial machinery, to which major consumers of steel belong, the Steelmaking and Steel Fabrication business is significantly affected by the Japanese and global economy as it highly correlates to domestic and overseas macroeconomic trends.

The Company holds many of its assets within Japan, the value of which may significantly fluctuate due to major changes in Japan's political, economic and legal environments. Also, Japan is one of the most important geographical markets for the Group, accounting for approximately 66% of consolidated revenue for the year ended March 31, 2021. If Japan's economy worsens, the Group's business operations, financial performance, financial conditions and future growth may be negatively affected, though it is difficult to foresee the future.

In addition, the Group has positioned the promotion and expansion of its global strategy as one of its business strategies. Revenue of the Group's overseas business, the main markets of which are Asian countries, accounts for approximately 34% of consolidated revenue. In the overseas market, unpredictable risks may arise from political uncertainty (including a war, civil war, conflict, riot and terrorism), worsening diplomatic relations with Japan, weakening economic conditions, business practices, labor relations and differences of culture. In addition to these risks, in the event that a business environment greatly changes in overseas countries with, for example, lower demand of steel, intensifying price competition, significant changes in the exchange rate, outbreak of natural disasters or epidemic disease, the rise of protectionism, investment restrictions, import/export restrictions, exchange restrictions, nationalization of local industries, and significant changes in the taxation system or tax rates, the Group's business operations, financial performance, financial conditions and future growth may be negatively affected. For the year ending March 31, 2022, it is expected that the world economy will recover from the slowdown caused by the spread of COVID-19, and that Japan's economy will also recover. As for the steelmaking business environment, however, sever 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 tight 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. Nevertheless, future conditions, including the impact of further spread of COVID-19, warrant continued monitoring (while also considering the possibility of prolonged spread of the infection depending on the spread of variants and the progress in the administration of vaccines). Under the circumstances, based on the non-consolidated operating profit generating structure, which was established through a significant reduction in fixed costs and an improvement in variable costs, the Company will continue to work to fully establish the overall stability of its facilities and operations, improve its long-term contractual prices, and implement measures to steadily benefit from the solid business environment, including the export market. The Company thereby strives for high-level profit generation even in the severe steelmaking business environment that has persisted since before the spread of COVID-19. However, the results may differ significantly depending on a variety of factors in the future.

(2) Changes in demand and supply of steel

Changes in international demand and supply of steel may affect the financial performance, etc. of the Group. Specifically, issues regarding China's excess steel production capacity have not been sufficiently solved. Fierce competition in the global market caused by this excess supply could cause downside pressure on the global price of steel and thus the Group’s business operations, financial performance and financial conditions may be negatively affected. Also, as changes in crude oil prices lead to changes in demand and supply of steel in the energy field, which is one of our customer segments, these could affect the Group’s financial performance, etc.

Many of the customers of the Group’s Steelmaking and Steel Fabrication business have purchased a large volume of steel over a long period. Therefore, in the event that a major customer makes significant changes to its business strategy or its purchase policy, or if credit risk of a trading company or a customer which purchases steel or other products from the Group materializes, the Group’s financial performance, etc. may be affected.

(3) Changes in price of raw materials and fuels

The Group imports most of its main materials such as iron ore and coal necessary for the production of steel from Australia, Brazil, Canada, the U.S. and other overseas countries. In addition to these main materials, the Group is making efforts to stably procure raw materials and fuels such as alloys, scraps and natural gas. However, the prices of these materials and fares for marine transportation fluctuate significantly due to international trends of demand and supply. In the event that the Group cannot reflect the rise in the market price on the sales price of steel, the Group’s business operations, financial performance and financial conditions may be negatively affected. Also, if production and shipment volume of raw materials and fuels decrease due to a major natural disaster, occurrence of a strike or other issues, or deterioration of political conditions in a country of production of raw materials or fuels, the Group’s financial performance, etc. may be negatively affected.

(4) Changes in exchange rates

The Group conducts foreign currency transactions when exporting products or importing raw materials and fuels, and holds receivables and payables in foreign currencies. While the Group eliminates most of the impact of fluctuations in exchange rates by using foreign currencies received from exporting products, etc. for the payment of imported raw materials and fuels, etc., and enters into forward exchange contracts based on the real demand principle, fluctuations in exchange rates may affect the financial performance, etc. of the Group. If the yen appreciates, the Company’s steel and other domestic products will lose its export competitiveness, while at the same time the automobiles, home appliances, energy, industrial machinery and other industries, which are the main customer segments of Steelmaking and Steel Fabrication business, will also lose their export competitiveness, leading to a decline in the domestic demand of steel. Thus, the Group’s financial performance, etc. may be negatively affected.

(5) Competition with other materials

Steel products inevitably compete with other materials such as aluminum, carbon fibers, glass, resin and plastic, composite materials, concrete and wood. Recently, needs of automobile materials have become diversified particularly due to the spread of electric vehicles (EVs). The Group has responded to this trend by conducting research, development and manufacture of lighter steel and highly functional steel. However, in the event that consumers decide to use other materials such as aluminum, resin, carbon fiber composite materials, resulting in lower demand of steel, the Group’s financial performance, etc. may be negatively affected.

<Risks regarding execution of business strategy and plan>

(1) Execution of Medium- to Long-term Management Plan

The Group has developed the NIPPON STEEL Group’s Medium-to Long-term Management Plan (hereinafter referred to as the “Medium-to Long-term Management Plan” in this section) in March 2021 and has promoted various specific measures set forth in the plan. Although the plan has been developed based on information and analysis that were deemed appropriate at that time, such information and analysis contain uncertainties. Going forward, the Group may not achieve the expected results, and accordingly, may not achieve the investment plans and financial targets set forth in the “Medium- to Long-term Management Plan” due to the deterioration of the business environment and other factors including all the items listed in this “Business Risks” section.

(2) Initiatives toward the realization of zero-carbon steel

By formulating “Nippon Steel Carbon Neutral Vision 2050,” toward 2050, the Company will take on the challenge of adopting ultra-innovative technologies such as mass production of high-grade steel in electric furnaces, drastic reduction of CO_2 emissions through Super-COURSE50 and other developments in hydrogen reduction methods, and production of direct reduction iron using hydrogen, and will aim to achieve carbon neutrality by taking a multi-aspect approach, including measures to offset carbon through CCUS and other methods. These extremely high innovation hurdles will require R&D expenses of approximately 500 billion yen and 4 to 5 trillion yen in investments in facilities. Moreover, it is possible that the production cost even in the best case scenario as of 2050, which factors in potential external conditions, will be more than double the current cost. To resolve these issues, the Company has requested the government and other related sectors to provide long-term and continuous government support for research and development of non-continuous innovation and equipment implementation; and to establish a system that enormous costs will be borne by society as a whole. However, the Company’s failure to receive adequate support may negatively affect its financial performance, etc. In addition, the expected results may not be achieved due to institutional changes that are disadvantageous to industry and factors such as the failure to obtain research and development results.

(3) Initiatives for cost improvement

As set forth in the Medium- to Long-term Management Plan, 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, the Group intends to build an optimal production framework. With regard to making the production framework streamlined and more efficient, the Group expects to achieve structural improvement effects of 150.0 billion yen per year compared to fiscal 2019, through 2025, combined with the effect of the production facility structural measures that were decided in February 2020. However, in the event that the Group is unable to improve costs as planned due to various external or internal factors, such as delays in the planned streamlining and efficiency improvement in the upstream process and manufacturing process for the domestic steelmaking business, the Group’s financial performance, etc. may be negatively affected.

(4) Capital expenditure

The Steelmaking and Steel Fabrication business is capital intensive and continually requires a large amount of capital expenditure as well as facility repair and maintenance expenditure. The Group systematically makes capital expenditure necessary for installing the latest facilities and maintaining the soundness of facilities, including the refurbishment of blast furnaces and coke ovens, and promoting production measures to capture demand in growth areas. However, in the event that depreciation increases or the initially expected effects are not sufficiently achieved, the Group’s financial performance and financial conditions may be negatively affected. As set forth in the Medium- to Long-term Management Plan, 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, the Group plans to implement capital expenditures of approximately 2,400 billion yen over the next five years from fiscal 2021 to 2025 while working to maximize the effects of the investment.

(5) Reorganization and overseas investments

The Group has grown through reorganization and investment including business integration of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. in October 2012, conversion of Nisshin Steel Co., Ltd. into a subsidiary in March 2017 (absorbed in April 2020), acquisition of Ovako AB in Sweden in June 2018, conversion of Sanyo Special Steel Co., Ltd. into a subsidiary in March 2019, joint acquisition of Essar Steel India Limited together with ArcelorMittal in December 2019, and decision to establish a new electric arc furnace at AM/NS Calvert LLC in December 2020. The Group may continue to conduct reorganization and investment, including mergers, acquisition and establishment of joint ventures in Japan and overseas. The Group makes investment decisions and implements investment after conducting careful business assessment, contract negotiation, internal deliberation and other processes. However, in the event that synergy effects are not generated as initially planned or an impairment loss is recognized on goodwill recorded on the consolidated statement of financial position, the Group's financial performance, etc. may be negatively affected. For overseas investment projects, in particular, the level of uncertainty will be higher due to various factors (including the possibility of not being able to find appropriate investment targets and relationships with partners in joint ventures).

(6) Review of business structure and production system

In response to lower domestic steel demand, intensifying competition in the overseas steel market and deterioration of main production facilities, the Group has planned to carry out production facility structural measures, which include suspending some domestic facilities and withdrawing from unprofitable product types for the purpose of thoroughly promoting the realization of a profitable structure, notably through concentrated production by selective concentration on certain products and facilities in the domestic steel business. However, the Group may take additional measures in consideration of changes in the future business environment, revenue trends and other factors. In the overseas market as well, the Group has been actively promoting the selection and concentration of existing businesses and has almost completed the withdrawal from businesses which would not be economically viable for it to continue. However, the Group may continue to reorganize or withdraw from unprofitable businesses for which revenue is unlikely to recover in the future and those for which investment purposes have weakened, due to deterioration of the business environment or other reasons. In the case of such reorganization or withdrawal, the Group's business operations, financial performance and financial conditions may be negatively affected due to production cutbacks, the occurrence of temporary losses, etc. For the year ended March 31, 2021, 98.6 billion yen was recorded as losses on reorganization.

(7) Measures for securing and training human resources and labor savings

As future growth of the Group largely depends on securing and training talented personnel, the Group is making efforts to secure human resources in a stable manner and strengthen the competitiveness of human resources, while establishing a healthy work environment by, for example, offering sufficient work-life balance and making the related systems sufficiently known to employees, as well as developing training systems. In addition, the Group has made capital expenditure for labor-saving technologies to address the labor shortage resulting from population decline. The Group is making steady efforts to secure and train talented personnel and make capital expenditure for labor-saving technologies. However, in the event that these efforts are not achieved as planned, the Group's business operations, financial performance and financial conditions may be negatively affected.

<Risks regarding business operations>

(1) Facility accidents and occupational accidents

The production process of the Steelmaking and Steel Fabrication business, which is the Group's core business, depends on certain types of important facilities, such as blast furnaces, coke ovens, converters, continuous casters, rolling mills and power generation facilities. To ensure stable production, the Group has promoted measures to strengthen manufacturing capacity in terms of both facilities and human resources, centered on the basic management issue of strengthening and rebuilding steel works, etc. However, in case of occurrence of electrical or mechanical accidents, a fire or explosion, occupational accidents, etc. at these facilities, the operations could be partially suspended, leading to the incurrence of costs or compensation due to a delay in production and shipment. This may in turn negatively affect the Group's financial performance and financial conditions. The Group has obtained certain insurance policies with respect to these types of accidents.

(2) Quality issues

The Group provides a wide variety of products and services including steel products to customers. Under its basic principle of manufacturing, that is, "quality is prior to production," the Company has implemented various initiatives in line with the "Guidelines for Enhancing Quality Assurance Systems" established by the Japan Iron and Steel Federation. However, in the event that defects are found in a product or service, leading to quality issues, not only the delivery of substitutes or the payment of compensation may be requested by customers, but it may become necessary to suspend or review manufacturing and quality control operations, or the trust in the Group or the Group's products and services may be lost, resulting in a decrease in revenue. Thus, the Group's financial performance and financial conditions may be negatively affected. The Group has obtained certain insurance policies with respect to these types of accidents.

(3) Protection of intellectual property rights

The Group operates its business globally, utilizing intellectual property including the results of its technological development. To secure its competitive advantage, the Group works to acquire rights to protect its intellectual property obtained through technological development, etc. by industrial property rights including patent rights and trademark rights and to keep such property confidential as trade secrets.

While proceeding with these efforts, the Group may lose competitive advantage in the event that the Company's intellectual property is infringed or used without permission by any third party, lacks the necessary legal protection due to insufficient management of the scope of rights acquisition or as trade secrets, when the rights are invalidated by a third party, or when other similar incident occurs. Thus, the Group's financial performance and financial conditions may be negatively affected or it may become difficult for the Group to continue its business activities. In addition, in case of infringement of rights by a third party, while the Group will promptly consider and implement legal actions, damages incurred may not be fully recovered due to circumstances of litigation or other reasons.

Also, from the perspective of legal compliance, the Company operates its business under the laws, regulations and rules regarding intellectual property in Japan and other countries and regions. However, there is a possibility that a third party may file a claim or bring an action against the Group with respect to infringement of intellectual property. Furthermore, in the event that the Group is judged to have infringed any laws or regulations with respect to intellectual property, the Group's financial performance and financial conditions may be negatively affected or it may become difficult for the Group to continue its business activities as with the case above.

(4) Information system failure and information leakage

The Group' business operations largely depend on use of information systems, which store trade secrets and personal information of the Company, customers and business partners, in addition to other confidential information. The Company recognizes measures against leakage of confidential information including technological information as a priority management issue and has taken measures including strengthening system security, developing operational rules and training employees. However, in case of occurrence of a cyberattack on the Group's information system, including the spread of viruses by a malicious third party, which may cause system stoppage, external leakage, damage and falsification of confidential information or other incidents, the Group's financial performance may be negatively affected due to suspension of production and business operations, loss of competitive advantage of intellectual property, litigation, lower social trust and other factors.

<Other risks>

(1) Natural disasters, wars, terrorism, and infectious diseases

The Group operates its business globally, including manufacture, sale, research and development, and has its bases around the world. At each of its bases including steel works, certain measures have been taken from both tangible perspectives (facility measures) and intangible perspectives (ex. development of business continuity plans) in preparation for typhoons, earthquakes, tsunamis, floods and other natural disasters as well as wars and terrorism. However, in case of occurrence of a major disaster, facilities and information systems at these bases may be damaged and operations could be partially suspended, leading to the incurrence of costs or compensation due to a delay in production and shipment, and infrastructure, such as means of transportation of raw materials, products, and fuel, may be suspended. This may in turn negatively affect the Group's financial performance and financial conditions. In addition, in the event that an infectious disease such as a new and severe type of influenza spreads worldwide, the Group' business activities may be constrained, due to the influence of the spread of infection and self-restraint requests regarding business and social activities based on laws and regulations, etc. Furthermore, associated with such circumstances, the rapid deterioration of the economy caused by lower activity levels of consumers, disturbance of supply chains, etc. may hinder the Group's production and sales activities.

(2) Environmental regulations regarding business activities

The Company makes efforts to reduce environmental burden across the entire Group by promoting environmental risk management, which involves coping with environmental risks that vary among steel works and conducting environmental protection activities in each region. The Group is subject to a wide range of environment-related regulations regarding contamination of air, water and soil, use of chemical substances and treatment and recycling of wastes in Japan and overseas countries where the Group operates its business. In the future, in the event that stricter regulations are introduced or laws and regulations are more strictly enforced or interpreted, it may become difficult for the Group to continue its business activities or the cost for legal compliance may increase.

Also, to contribute to the resolution of the climate change issue, which is set as one of the sustainable development goals (SDGs), the Group produces steel with the world's highest level of resource and energy efficiency. In addition, with a view to reducing CO_2 emission volume in the mid to long term, the Group develops innovative technologies and actively transfers and spreads its technologies accumulated over many years to overseas countries. However, in the event that new regulations, etc. are introduced in relation to CO_2 emissions and use of fossil fuel in the future, the Group's business activities, mainly the Steelmaking and Steel Fabrication business, may be constrained or the cost of operation may increase.

(3) Impairment of non-financial assets and recoverability of deferred tax assets

The Group holds a large amount of non-financial assets including property, plant and equipment such as steel works facilities and intangible assets. In the event that profitability of these assets declines and the invested amount is no longer expected to be recovered due to changes in the business environment or other factors, the carrying amount of the non-financial assets will be reduced based on future recoverability and impairment losses will be recorded. This may in turn negatively affect the Group's financial performance and financial conditions. For the year ended March 31, 2020, the Group recorded impairment losses of 416.0 billion yen mainly on operating assets at steel works. The balances of property, plant and equipment and intangible assets as of March 31, 2021 were 2,954.9 billion yen and 95.8 billion yen, respectively.

In addition, the Group records deferred tax assets based on estimated future taxable profit. In the event that any revision to estimated future taxable profit is required or the taxation system including tax rates are revised due to changes in the business environment or other factors, a reversal of deferred tax assets will be required, and this may negatively affect the Group's financial performance and financial conditions. The balance of deferred tax assets (before offsetting against deferred tax liabilities) as of March 31, 2021 was 313.4 billion yen.

(4) Changes in the value of securities and other assets held (including plan assets)

As of March 31, 2021, the Group holds a total of 1,391.8 billion yen of equity instruments, including shares, and investments in affiliates and joint ventures. Of these assets, the Group confirms the appropriateness of all strategic shareholdings with business partners and alliance partners by specifically examining whether the purpose of each shareholding is appropriate and whether the benefit and risk associated with each shareholding is commensurate with the cost of capital, among other issues. Of these shareholdings, those shareholdings for which the fair value exceeds a certain threshold are examined each year at the Board of Directors meetings. However, valuation losses may occur due to poor performance of the investee companies and deterioration of the securities market. In addition to the above, as the Group holds a total of 485.3 billion yen of plan assets (including retirement benefit trust assets) as of March 31, 2021, and changes in the price of domestic or overseas shares and bonds, etc., which comprise these assets, or changes in the interest rate environment may affect the Group's financial conditions, etc.

(5) Changes in the financial market and funding environment

As of March 31, 2021, the balance of consolidated interest-bearing debt of the Group was 2,559.2 billion yen, and changes in the interest rate environment and other financial markets may affect the Group's financial performance, etc. In addition, the Group raises working capital mainly through borrowings from financial institutions and issuance of corporate bonds. The Group works to maintain a sound financial position with a target ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) of 0.7 or less, as set out in the Medium-to Long-term Management Plan. However, in the event that financial institutions reduce lending or rating agencies downgrade the credit rating of the Company in an increasingly unstable or deteriorated financial market, the Group may not be able to raise necessary funds under appropriate conditions in a timely manner, resulting in an increase in funding costs. Thus, the Group's business operations, financial performance and financial conditions may be negatively affected. As a result, the Group may not be able to achieve the above targets set forth in the Medium to Long-term Management Plan.

(6) Increases in tariffs and imposition of import regulations in major markets overseas

The U.S. and Southeast Asian countries have imposed anti-dumping duties and other special tariffs on certain types of steel exported from the Group. The Company strives to take appropriate measures by, for example, conducting export transactions under the recognition that it may be subject to import restrictions. However, in the event that import restrictions are imposed in the major markets overseas, such as an increase in a tariffs, imposition of special tariffs and quantitative restrictions, export transactions will be restricted, and the Group's financial performance may be affected.

(7) Major changes in accounting systems and taxation systems

In the event that significant changes are made to the accounting systems or taxation systems in countries where the Group operates its business or they are interpreted or applied unfavorably to the Group, the Group's financial performance and financial conditions may be negatively affected. Meanwhile, the Company has voluntarily adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements for the purpose of enhancing its corporate value through further global development and improving international comparability of financial information in the capital market.

(8) Various legal regulations and litigation

The Group operates its business globally in compliance with laws, regulations and rules in Japan and overseas countries and regions. Laws, regulations and rules include commercial transactions laws, antimonopoly laws, labor laws, securities-related laws, intellectual property rights laws, environmental laws, tax laws, import- and export-related laws, criminal laws as well as various government permissions, licenses and regulations necessary for conducting business activities and investments. In the future, in the event that stricter regulations are introduced or the laws and regulations are more strictly enforced or interpreted, it may become difficult for the Group to continue its business activities or the cost for legal compliance may increase.

The Group recognizes that legal compliance is the foundation of its business activities and provides legal and compliance training in various forms to officers and employees in Japan and overseas. However, in the event the Group is deemed to have violated any laws or regulations, the Group may be subject to administrative sanctions such as a surcharge or criminal sanctions such as a fine, and thus the Group's financial performance and financial conditions may be negatively affected.

In addition, a wide range of the Group's business activities may lead to lawsuits filed by a variety of third parties against the Group. In the event that a judgement unfavorable to the Group is rendered in an important lawsuit, the Group's financial performance, etc. may be negatively affected due to suspension or restriction of business activities, payment of compensation, or other reasons.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

(1) Summary of operating results

(a) Operating results

The summary of operating results of the Group for the year ended March 31, 2021 is presented in "3. Management's Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2021" of this report.

(b) Assets, liabilities and equity as of March 31, 2021 and cash flows for the year ended March 31, 2021

Assets, liabilities and equity as of March 31, 2021 are as follows:

Consolidated total assets as of March 31, 2021 were 7,573.9 billion yen, an increase of 128.9 billion yen from March 31, 2020. Consolidated total liabilities as of March 31, 2021 were 4,442.5 billion yen, a decrease of 5.7 billion yen from March 31, 2020. Consolidated total equity as of March 31, 2021 was 3,131.3 billion yen, an increase of 134.7 billion yen from March 31, 2020. Total equity attributable to owners of the parent amounted to 2,759.9 billion yen, and interest-bearing debt amounted to 2,559.2 billion yen as of March 31, 2021. As a result, 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).

Total assets

Cash and cash equivalents as of March 31, 2021 were 359.4 billion yen, an increase of 70.0 billion yen from 289.4 billion yen as of March 31, 2020. This was primarily due to the accumulation of cash and deposits to secure liquidity on hand in the first half of the year ended March 31, 2021, given the impact of the spread of COVID-19 and other factors.

Inventories as of March 31, 2021 were 1,349.3 billion yen, a decrease of 182.8 billion yen from 1,532.1 billion yen as of March 31, 2020. This was primarily due to production in response to changes in steel demand in Japan and overseas.

Property, plant and equipment as of March 31, 2021 were 2,954.9 billion yen, an increase of 142.3 billion yen from 2,812.5 billion yen as of March 31, 2020. The main factors were the relining of the No. 2 blast furnace of Hokkai Steel Co., Ltd. (on the Muroran Works site) and construction for the refurbishment of the No. 3 coke oven in the Nagoya Works in order to maintain and strengthen the soundness of the facilities and further improve productivity, as well as expansion of the production facilities for electrical steel sheets in the Kyushu Works Yawata Area and 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.

Investments accounted for using the equity method as of March 31, 2021 were 817.3 billion yen, a decrease of 60.9 billion yen from 878.2 billion yen as of March 31, 2020. This was mainly because we selected and concentrated businesses through 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.

Other financial assets (non-current assets) as of March 31, 2021 were 628.2 billion yen, an increase of 147.1 billion yen from 481.1 billion yen as of March 31, 2020. This was primarily due to an increase in the fair value of investment securities held by the Group compared to March 31, 2020, owing to higher stock prices.

Liabilities

Interest-bearing debt as of March 31, 2021 was 2,559.2 billion yen, an increase of 70.5 billion yen from 2,488.7 billion yen as of March 31, 2020. This was mainly due to the refinancing of an increased amount of subordinated loans to secure necessary funds in the first half of the year ended March 31, 2021, while operating cash flow improved in the second half.

Trade and other payables as of March 31, 2021 were 1,382.7 billion yen, a decrease of 67.0 billion yen from 1,449.8 billion yen as of March 31, 2020. This was primarily due to a decrease in trade payables.

Equity

Retained earnings as of March 31, 2021 was 1,910.3 billion yen, an increase of 39.3 billion yen from 1,870.9 billion yen as of March 31, 2020. This was primarily due to the transfer from other components of equity to retained earnings primarily as a result of an increase in the fair value of plan assets for employee benefits and the sale of shares held by the Group, which more than offset a decrease from loss for the year attributable to owners of the parent of 32.4 billion yen.

Other components of equity as of March 31, 2021 was 95.3 billion yen, an increase of 80.0 billion yen from 15.2 billion yen as of March 31, 2020. This was primarily due to an increase in the fair value of financial assets measured at fair value through other comprehensive income, owing to a rise in the fair value of the shares held by the Group.

Cash flows for the year ended March 31, 2021 are as follows:

Cash flows from operating activities resulted in an inflow of 403.1 billion yen (compared to an inflow of 494.3 billion yen for the year ended March 31, 2020).

Cash flows from investing activities resulted in an outflow of 389.0 billion yen (compared to an outflow of 345.6 billion yen for the year ended March 31, 2020).

As a result, free cash flow was an inflow of 14.1 billion yen (compared to an inflow of 148.7 billion yen for the year ended March 31, 2020).

Cash flows from financing activities resulted in an inflow of 52.6 billion yen (compared to an outflow of 14.5 billion yen for the year ended March 31, 2020).

As a result of the above, cash and cash equivalents as of March 31, 2021 stood at 359.4 billion yen (compared to 289.4 billion yen as of March 31, 2020).

Cash flows from operating activities

The main inflow factors were depreciation and amortization of 290.8 billion yen, losses from reorganization of 98.6 billion yen, and a decrease of 171.3 billion yen in inventories, on top of loss before income taxes of ¥8.6 billion. The outflow factors included deduction adjustment for share of profit in investments accounted for using the equity method of 55.2 billion yen, and a decrease of 66.3 billion yen in trade and other payables.

Cash flows from investing activities

The main inflow factors were proceeds of 37.3 billion yen from sales of investment securities through additional asset compression as planned in the 2020 Mid-Term Management Plan and proceeds of 20.5 billion yen from sales of investments in affiliates centered in overseas business.

In the meantime, we have invested in leading-edge facilities toward strengthening the competitiveness of domestic mother mills. Specifically, we relined the No. 2 blast furnace of Hokkai Steel Co., Ltd. (on the Muroran Works site) and refurbished the No. 3 coke oven in the Nagoya Works. As a result, there was an outflow of 459.8 billion yen from purchases of property, plant and equipment and intangible assets in addition to other outflows.

Cash flows from financing activities

We refinanced an increased amount of subordinated loans to secure funds necessary to prepare against the impact of the spread of COVID-19 in the first half of the year ended March 31, 2021, while operating cash flow improved in the second half. As a result, there was an increase in interest-bearing debt amounting to 45.9 billion yen.

(c) Results of production, orders received and revenue

a. Production

Production volume by segment for the year ended March 31, 2021 is as follows:

Segment name	Amount in the year ended March 31, 2020 (Millions of yen)	Amount in the year ended March 31, 2021 (Millions of yen)
Steelmaking and Steel Fabrication	5,925,138	4,756,489
Engineering and Construction	291,713	273,669
Chemicals and Materials	206,640	161,146
System Solutions	272,004	253,501
Total	6,695,496	5,444,806

Notes: 1. The above amounts are based on manufacturing costs.
2. The above amounts include production volume for the Group.

b. Orders received

Orders received by segment for the year ended March 31, 2021 are as follows:

Segment name	Orders received in the year ended March 31, 2020 (Millions of yen)	Orders received in the year ended March 31, 2021 (Millions of yen)	Order backlog in the year ended March 31, 2020 (Millions of yen)	Order backlog in the year ended March 31, 2021 (Millions of yen)
Engineering and Construction	316,263	238,090	375,200	337,090
System Solutions	201,431	195,451	86,303	93,128
Total	517,694	433,541	461,504	430,218

Notes: 1. The above amounts do not include orders received within the Group.
2. In the Steelmaking and Steel Fabrication segment and the Chemicals and Materials segment, as a general rule, we constantly and repeatedly receive orders for a wide variety of products, and produce and ship them. Trends in orders received in these segments tend to largely link to production volume and sales amounts. Information on the amounts and quantities of orders received is omitted because demand trends and other relevant information are presented in "3. Management's Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2021" of this report.

c. Revenue

Revenue from external customers by segment for the year ended March 31, 2021 are as follows:

Segment name	Amount in the year ended March 31, 2020 (Millions of yen)	Amount in the year ended March 31, 2021 (Millions of yen)
Steelmaking and Steel Fabrication	5,207,033	4,190,348
Engineering and Construction	296,443	276,241
Chemicals and Materials	210,338	174,056
System Solutions	207,709	188,626
Total	5,921,525	4,829,272

Notes: 1. The table below shows export sales and the percentage of exports for the years ended March 31, 2020 and 2021.

Year ended March 31, 2020		Year ended March 31, 2021	
Export sales (Millions of yen)	Percentage of exports (%)	Export sales (Millions of yen)	Percentage of exports (%)
2,066,087	34.9	1,633,292	33.8

Note: Export sales include local sales of foreign subsidiaries.

2. The table below shows primary export destinations and their percentage to export sales.

Export destination	Year ended March 31, 2020 (%)	Year ended March 31, 2021 (%)
Asia	58.0	59.9
Middle East	7.5	5.9
Europe	10.9	10.6
North America	11.5	11.5
Central and South America	8.7	8.5
Africa	2.7	2.9
Pacific	0.8	0.7
Total	100.0	100.0

Note: Export sales include local sales of foreign subsidiaries.

3. The table below shows revenue from major customers and their percentage to total revenue for the years ended March 31, 2020 and 2021.

Customer	Year ended March 31, 2020		Year ended March 31, 2021	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
NIPPON STEEL TRADING CORPORATION	1,161,138	19.6	946,024	19.6
Sumitomo Corporation	715,518	12.1	510,956	10.6

Production volume and revenue significantly decreased in the year ended March 31, 2021. Special notes regarding production, orders received, revenue, etc. are presented in “3. Management’s Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2021” and other sections of this report.

(2) Details of analysis and examination of operating results from the management perspective

(a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2021

(Analysis of operating results)

In the year ended March 31, 2021, 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.

Steel demand declined sharply in the first half of the year ended March 31, 2021, 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.

With regard to the consolidated business results for the year ended March 31, 2021, the Company 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 profit. For the full fiscal year ended March 31, 2021, the Company recorded consolidated revenue of 4,829.2 billion yen (compared to 5,921.5 billion yen for the year ended March 31, 2020) and consolidated business profit of 110.0 billion yen (compared to business loss of 284.4 billion yen). In addition, due to losses from reorganization and other factors, the Company posted loss attributable to owners of the parent of 32.4 billion yen (compared to loss of 431.5 billion yen).

Operating results by segment are as follows. With Steelmaking and Steel Fabrication as its core business, the Group conducts its business in the four operating segments: Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials and System Solution. The Steelmaking and Steel Fabrication segment accounts for approximately 90% of the Group's consolidated revenue.

(Operating results by segment for the year ended March 31, 2021)

		Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Total	Adjustments	Consolidated total
Revenue (Billions of yen)	Year ended March 31, 2021	4,228.4	324.4	178.6	252.4	4,984.0	(154.7)	4,829.2
	Year ended March 31, 2020	5,257.3	340.4	215.7	273.2	6,086.7	(165.2)	5,921.5
Segment profit (Billions of yen)	Year ended March 31, 2021	63.5	17.7	7.6	23.9	112.8	(2.7)	110.0
	Year ended March 31, 2020	(325.3)	10.7	18.4	26.1	(269.9)	(14.4)	(284.4)

<Steelmaking and Steel Fabrication>

This segment recorded revenue of 4,228.4 billion yen, down from 5,257.3 billion yen in the year ended March 31, 2020, and segment profit of 63.5 billion yen, up from segment loss of 325.3 billion yen in the year ended March 31, 2020.

Of the year-on-year changes of 388.8 billion yen in the Steelmaking and Steel Fabrication segment's profit, the major causes for the 31.0 billion yen, which excludes 358.0 billion yen arising from impairment losses and other factors, are as follows:

	(Billions of yen)
Decline in production and shipment volume	(249.0)
Margin (selling prices, production mix, and raw materials prices)	(5.0)
Cost improvement	165.0
Depreciation	120.0
Inventory valuation impact	(18.0)
Deterioration in Group companies' profits	(30.0)
Foreign exchange impact	1.0
Reversal of loss on disaster in FY2019	42.0
Other	5.0
Total	31.0

Steel demand declined sharply in the first half of the year ended March 31, 2021, both in Japan and overseas, due to the spread of COVID-19. In the second half, demand in Japan recovered mainly in the manufacturing sector, notably the automobile sector, but the level of economic recovery remained at a low level compared to before the COVID-19 outbreak. In response to changes in steel demand caused by the spread of COVID-19, the Company has promptly and appropriately implemented measures, such as production management (including temporary suspension and resumption of 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. The impact of a decline in production and shipping volumes in the year ended March 31, 2021 driven by the decline in steel demand, which amounted to a loss of 249.0 billion yen year on year, became a factor behind a significant decrease in profit. However, the Company significantly reduced fixed costs by 230.0 billion yen (of which, depreciation of 120.0 billion yen) and improved variable costs by 55.0 billion yen, thereby substantially lowering the break-even point and realizing a turnaround to a profitable structure for non-consolidated operating profit. This enabled the Company to ensure segment profit of 63.5 billion yen even under the influence of COVID-19.

<Engineering and Construction>

Nippon Steel Engineering Co., Ltd. builds and operates plants in the steelworks, environmental, and energy fields and provides services utilizing comprehensive engineering technology worldwide in various areas, including construction and building of marine/port steel structures and pipeline facilities. In the year ended March 31, 2021, the Company abolished its business segments and introduced a sector system, which is a business promotion and management system covering broader business sectors, in order to adapt to a wider range of social and environmental changes, and speedily adapt and respond to market needs. The Engineering and Construction segment recorded revenue of 324.4 billion yen (compared to 340.4 billion yen in the year ended March 31, 2020) and segment profit of 17.7 billion yen (compared to 10.7 billion yen in the year ended March 31, 2020).

Revenue by sector (before consolidated adjustments) is as follows:

(Revenue by sector for the year ended March 31, 2021)

		Steelmaking Plant	Environment and Energy	Urban Infrastructure	Adjustments	Consolidated total
Revenue (Billions of yen)	Year ended March 31, 2021	56.3	193.1	76.1	(1.1)	324.4
	Year ended March 31, 2020	55.0	214.9	73.9	(3.5)	340.4

Revenue in the Steelmaking Plant sector amounted to 56.3 billion yen, up from 55.0 billion yen in the year ended March 31, 2020, supported by the completion of projects for the relining of blast furnaces and the steady implementation and management of large-scale projects. Revenue in the Environment and Energy sector amounted to 193.1 billion yen, down from 214.9 billion yen in the year ended March 31, 2020, mainly due to a decline in the scale of electric power business, despite an increase in sales of overseas marine business year on year, supported by progress made in gas field development projects in Thailand. Revenue in the Urban Infrastructure sector amounted to 76.1 billion yen, up from 73.9 billion yen in the year ended March 31, 2020, supported by steady and constant orders received mainly for large-scale distribution warehouses as well as the steady management of projects.

<Chemicals and Materials>

Nippon Steel Chemical & Materials Co., Ltd. experienced severe revenue conditions in the first half of the year ended March 31, 2021, 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 reductions, and changes in the retirement benefit system, the Company managed to record a profit for the full year. The Chemicals and Materials segment recorded revenue of 178.6 billion yen (compared to 215.7 billion yen in the year ended March 31, 2020) and segment profit of 7.6 billion yen (compared to 18.4 billion yen in the year ended March 31, 2020).

Revenue by business (before consolidated adjustments) is as follows:

(Revenue by business for the year ended March 31, 2021)

		Coal Chemical	Chemicals	Functional Materials	Composite Materials	Adjustments	Consolidated total
Revenue (Billions of yen)	Year ended March 31, 2021	26.0	76.0	60.0	17.0	(0.3)	178.6
	Year ended March 31, 2020	49.0	93.0	56.0	18.0	(0.3)	215.7

Revenue in the Coal Chemical business amounted to 26.0 billion yen, down from 49.0 billion yen in the year ended March 31, 2020, because demand for needle coke used in graphite electrodes continued to decline. Revenue in the Chemicals business amounted to 76.0 billion yen, down from 93.0 billion yen in the year ended March 31, 2020, although the market for styrene monomer and bisphenol A, which had been weak since the beginning of 2020, recovered in the second half. Revenue in the Functional Materials business amounted to 60.0 billion yen, up from 56.0 billion yen in the year ended March 31, 2020, because 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. Revenue in the Composite Materials business amounted to 17.0 billion yen, almost unchanged from 18.0 billion yen in the year ended March 31, 2020, because 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.

<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 digital transformation (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 the year ended March 31, 2020. 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 yen (compared to 273.2 billion yen in the year ended March 31, 2020) and segment profit of 23.9 billion yen (compared to 26.1 billion yen in the year ended March 31, 2020).

Revenue by business (before consolidated adjustments) is as follows:

(Revenue by business for the year ended March 31, 2021)

		Business Solutions	Service Solutions	Adjustments	Consolidated total
Revenue (Billions of yen)	Year ended March 31, 2021	162.2	89.7	0.5	252.4
	Year ended March 31, 2020	180.0	94.7	(1.5)	273.2

Revenue in the Business Solutions business amounted to 162.2 billion yen, down from 180.0 billion yen in the year ended March 31, 2020. This was mainly due to decreases relative to the booking of large-scale infrastructure projects in the manufacturing sector, the booking of infrastructure projects for government agencies in the public sector, and sales of IT products in the telecommunication sector although there were positive factors such as an increase in the booking of projects for modifying financial systems to meet regulatory requirements in the financial services sector and steady sales centered in retail and transportation in the manufacturing, retail and service sector. Revenue in the Service Solutions business amounted to 89.7 billion yen, down from 94.7 billion yen in the year ended March 31, 2020. This was primarily due to a decline mainly in sales of IT products in the IT platform sector and a decrease relative to the booking of projects in the NIPPON STEEL Group associated with the company name change and integration and reorganization of steel mills in the year ended March 31, 2020.

(Objective indicators used to assess if business objectives have been achieved)

The following describes the financial targets as provided in the 2020 Mid-Term Management Plan, the final year of which is the year ended March 31, 2021, and the progress made toward achieving these targets until the year ended March 31, 2021.

With regard to the consolidated business results for the year ended March 31, 2021, the Company 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, however, 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 profit. For the full fiscal year, the Company recorded consolidated revenue of 4,829.2 billion yen (2,241.9 billion yen in the first half and 2,587.2 billion yen in the second half) and consolidated business profit of 110.0 billion yen (loss of 106.5 billion yen in the first half and profit of 216.5 billion yen in the second half). The return on sales (ROS) was 2.3% (negative 4.8% in the first half and 8.4% in the second half).

	Results in the year ended March 31, 2019	Results in the year ended March 31, 2020	Results in the year ended March 31, 2021	Targets in the year ended March 31, 2021
Return on sales (ROS)	5.5%	(4.8%)	2.3%	Approx. 10%
Return on equity (ROE)	7.9%	(14.7%)	(1.2%)	Approx. 10%
D/E ratio	0.73 *1 (0.66)	0.94 *1 (0.74)	0.93 *1 (0.70)	Approx. 0.7
Cost improvement (non-consolidated basis)	¥44.0 billion	¥60.0 billion	¥165.0 billion	*2 ¥150.0 billion on an annualized basis
Consolidated payout ratio	28.4%	—	—	Approx. 30%

*1 D/E ratio after adjusting for equity credit attributes of subordinated loans and subordinated bonds

*2 Cumulative total of three years from the year ended March 31, 2019 to the year ended March 31, 2021

(b) Analysis and consideration of cash flows, and information on capital resources and liquidity of funds

The analysis of cash flows is presented in "3. Management's Analysis of Financial Position, Operating Results and Cash Flows, (1) Summary of operating results, (b) Assets, liabilities and equity as of March 31, 2021 and cash flows for the year ended March 31, 2021" of this report.

Forward-looking statements contained in this section are based on the Group's judgments as of March 31, 2021.

(Capital policy)

Under the presumption that a certain level of financial soundness is maintained, the Group's capital policy is to emphasize operational efficiency of invested capital and maximize corporate value by investing capital in investees (including capital expenditures, R&D and M&A). Such investments are expected to generate revenue exceeding the cost of capital to enable sustainable growth and, at the same time, meet the demands of shareholders by providing returns to them.

The necessary funds to achieve the capital policy above are primarily provided through cash flows from operating activities which are generated from maintaining and enhancing the Group's earnings power. The Group also raises funds from external sources, such as through borrowings from banks and issuance of corporate bonds.

The Group identifies ROS, ROE and the D/E ratio as key management indicators to achieve medium- and long-term revenue growth and financial stability.

The payment of dividends is described in "IV. Status of the Reporting Company, 3. Dividend Policy" of this report.

The acquisition of treasury stock shall be made pursuant to the resolution of the meeting of the Board of Directors based on Article

33 of the Articles of Incorporation in order to secure flexibility in financial operations. The Board of Directors comprehensively decides on the acquisition of treasury stock after taking into account such factors as the necessity of implementing a flexible capital policy and other measures and the effects on the financial structure of the Company.

(Management's recognition of changes in fund demand and financing methods)

1) Implementation status of the 2020 Mid-Term Management Plan

Given the deterioration in operating cash flows due to the impact of the spread of COVID-19 and other factors in the first half of the year ended March 31, 2021, the 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, among other profit improvement measures. In addition to such efforts, the Group took the following measures to maintain financial soundness.

a. Additional asset compression

The Group changed its initial target of asset compression of 100.0 billion yen in the 2020 Mid-Term Management Plan to a target of a cumulative total of 380.0 billion yen over two fiscal years (100.0 billion yen and 280.0 billion yen for the years ended March 31, 2019 and 2020, respectively), and carried out the plan accordingly. In the year ended March 31, 2021, the Group further compressed assets in the amount of 140.0 billion yen (a cumulative total of 520.0 billion yen over the three fiscal years from the year ended March 31, 2019 to the year ended March 31, 2021) mainly through the sale of its cross-shareholdings, so as to secure cash flows.

b. Careful selection and optimization of capital expenditures

Based on the long-term refurbishment plan, the Group made carefully selected investments and efficiently injected capital by, for example, making selective investments in products and regions that help generate profits over future years. As a result, the Group reduced the amount of domestic capital expenditures by approximately 300.0 billion yen from the initial plan provided in the 2020 Mid-Term Management Plan (approximately 1,700.0 billion yen over three years) to approximately 1,400.0 billion yen.

c. Additional financing through subordinated loans

The Group raised funds in the amount of 450.0 billion yen through subordinated loans in July 2020 (the Group repaid in full the subordinated loans of 300.0 billion yen borrowed in July 2015 before the maturity date). The Group is qualified for a 50% equity credit by a rating agency.

Driven by the above measures, the Group achieved the target of its financial structure in the 2020 Mid-Term Management Plan, with the D/E ratio reaching 0.7 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds.

2) NIPPON STEEL Group's Medium- to Long-term Management Plan

As stated in the NIPPON STEEL Group's Medium- to Long-term Management Plan announced in March 2021, as part of our management resources investment to realize growth, we will implement capital expenditures of 2,400.0 billion yen over the next five years, as we will invest in rebuilding our strong domestic production framework, and contribute to measures for strategic products. Specifically, we will build a next-generation hot strip mill to dramatically strengthen production capability of high-performance products such as ultra-high-tensile steel sheets at the Nagoya Works, which is our center for the manufacture of automobile steel sheets. We will also take measures to improve the production capacity in the Setouchi Works Hirohata Area in addition to already adopted measures to improve the production capacity in the Kyushu Works and the Setouchi Works in order to respond to the tightened regulations on electric transformer efficiency and to the production of grain-oriented and non-oriented electrical steel sheets, which have seen growing demand in line with increased demand of electric vehicles.

In rapidly growing overseas markets, with the aim of achieving 100 million tons of global crude steel capacity per annum, we will make business investments amounting to 600.0 billion yen over the next five years, in preparation for the steady promotion of AM/NS India capacity expansion measures and acquisition of, and equity participation (brownfield investment) in integrated steel mills in countries, such as China and ASEAN countries.

We will also actively implement R&D activities and capital expenditures in alignment with the government's various measures, aiming to achieve zero-carbon steel before any competitors around the world do.

Further, we will invest funds in our digital transformation strategy, aiming to become a digitally advanced company. Specifically, we will strengthen our business competitiveness by making full use of data and digital technologies and implementing production and business process innovations.

On the assumption that we make necessary investments for the management plan, we aim to achieve the target D/E ratio of 0.7 or less (after adjusting for equity credit attributes of subordinated loans and subordinated bonds) in the year ending March 31, 2026.

(Liquidity management and financing policy)

To secure working capital required to smoothly carry out its business activities, the Group effectively uses cash on hand and borrowings from external sources. The Group has the minimum amounts of cash and deposits required for immediate needs, and intends to secure the appropriate amounts of cash and deposits, given the past and future cash flows. The Group has decided on a basic financing framework for borrowing money from external sources from the perspective of ensuring solvency, stability and flexibility. Specifically, the Company has a line of credit (610.8 billion yen on a consolidated basis) to enhance its solvency while maintaining an appropriate ratio of fixed assets to long-term liabilities in order to ensure the solvency margin in unforeseen circumstances.

The Company also ensures flexibility by having the right amount of interest-bearing debt based on the balance between short-term and long-term funds, and intends to realize optimal financing within the scope of the framework.

(c) Accounting estimates and assumptions used to make such estimates

The consolidated financial statements of the Company are prepared in accordance with IFRS. Significant accounting policies are described “Part I. Company Information, V. Financial Information” of this report. In preparing the consolidated financial statements, the Company is required to make accounting estimates, and uses actual results in prior periods and other rational methods to make such estimates for recognizing provisions and assessing the impairment of non-financial assets and the recoverability of deferred tax assets. As estimates are inherently subject to uncertainties, actual results may differ from such estimates.

The accounting estimates and assumptions used to make such estimates that the Company considers particularly significant are as follows:

a. Impairment of non-financial assets

If any indication of impairment of assets exists, the Group estimates the recoverable amount of an asset or a cash-generating unit at the higher of its fair value less costs of disposal or its value in use. If the recoverable amount of the asset or the cash-generating unit is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized. The value in use is calculated by discounting the estimated future cash flows to the present value. 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 improvements as key assumptions. Projections of steel demand and manufacturing cost improvements are subject to a high degree of uncertainty, and management’s judgements regarding these factors are expected to have a significant impact on future cash flows. In the year ended March 31, 2021, property, plant and equipment and intangible assets as of March 31, 2021 stood at 2,954.9 billion yen and 95.8 billion yen, respectively.

b. Recoverability of deferred tax assets

The Group assesses the recoverability of deferred tax assets using all the future information available at date, including projections of future taxable profit made based on assumptions such as steel demand forecast and manufacturing cost reductions. The Group recognizes deferred tax assets only to the extent that it deems probable that the tax benefits can be realized. However, the recoverable amount may vary depending on factors such as changes in the projections of future taxable profit in cases where the targets in the medium- to long-term management plan and business plan are not met due to unfavorable business environment, or tax reforms including changes in the statutory tax rate. Deferred tax assets (before being offset by deferred tax liabilities) as of March 31, 2021 stood at 313.4 billion yen.

(Impact of COVID-19 on significant accounting estimates in the Group)

The Group makes accounting estimates regarding the impact of COVID-19 on the impairment of non-financial assets and the recoverability of deferred tax assets based on the medium- to long-term management plan and the latest business plan in which the Group assumes that the impact of COVID-19 is accelerating changes in the steel supply-demand structure and that an even severe business environment will persist. These assumptions are subject to a high degree of uncertainty, and any future changes in these assumptions may materially affect the estimated amounts and financial statements.

4. Material Business Agreements, etc.

Contracting party	Counterparty	Country	Details	Effective date	Expiry date
The Company	POSCO	Korea	Strategic alliance agreement for basic technology development, joint venture in third countries, and establishment of cooperative relationships in IT and other fields	August 2, 2000 (revised on July 31, 2015)	August 1, 2021 (with a provision of automatic renewal for every three years)
The Company	ArcelorMittal	Luxembourg	Global strategic alliance agreement in the fields of automotive steel products, etc.	January 22, 2001 (revised on June 14, 2021) *1	June 14, 2031
The Company	Baoshan Iron & Steel Co., Ltd.	China	Joint venture for manufacture and sale of cold-rolled and galvanized steel sheets in China (Business entity: Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.)	December 23, 2003 (revised on June 30, 2011)	The date on which 20 years have passed since the establishment of the joint venture (July 30, 2024)
The Company	Kobe Steel, Ltd.	Japan	Agreement on joint use of iron and steelmaking facilities	June 17, 2005	May 14, 2033
The Company	POSCO	Korea	Agreement on enhanced alliance	October 20, 2006 (revised on July 31, 2015)	August 1, 2021 (with a provision of automatic renewal for every three years)
The Company	Ternium Investments S.à r.l., and others	Japan Luxembourg	Shareholders' agreement on Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS)	November 27, 2011 (revised on April 10, 2018)	November 6, 2031 (with a provision of automatic renewal for every five years)
The Company	BlueScope Steel Limited	Australia	Joint venture for steel business in the building and construction field in Southeast Asia and the United States (NS BlueScope Coated Products)	March 28, 2013	Not stipulated
The Company	Kobe Steel, Ltd.	Japan	Memorandum of understanding on continued consideration of alliance measures and measures in response to takeover proposals	March 29, 2013	November 14, 2022 (with a provision of automatic renewal for every five years)
The Company	ArcelorMittal North America Holdings LLC *2	United States	Joint venture for manufacture of steel slabs by an electric arc furnace and manufacture and sale of hot-rolled, cold-rolled, and galvanized steel sheets in United States *3	November 29, 2013 (revised on December 22, 2020)	Not stipulated

Contracting party	Counterparty	Country	Details	Effective date	Expiry date
The Company	VALLOUREC	France	Agreement on enhanced business collaboration and additional shareholding *4	February 1, 2016	February 1, 2031 (with a provision of automatic renewal for every five years)
The Company	VALLOUREC TUBES SAS	France	Joint venture for manufacture and sale of seamless pipes in Brazil (Business entity: VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A.) *5	February 1, 2016	The date on which 30 years have passed since the execution date of the business integration (September 30, 2046) (with a provision of automatic renewal for every seven years up to three times)
The Company	ArcelorMittal	Luxembourg,	Joint venture for operation of the integrated steelworks in India (Business entity: ArcelorMittal Nippon Steel India Limited)	December 11, 2019	Not stipulated

(Notes) Information in the "Contracting party" and "Counterparty" columns above does not include parties that are not material for disclosure purposes.

*1: The agreement was partially amended on June 14, 2021 after discussions in the extended effective term.

*2: The counterparty was changed from ArcelorMittal USA Holdings II LLC to ArcelorMittal North America Holdings LLC (hereinafter referred to as AMNH).

*3: On December 22, 2020, the Company and AMNH partially amended the agreement on, among others, the construction of an electric arc furnace at AM/NS Calvert LLC, a joint venture between the two companies (the Company: 50%, AMNH: 50%).

*4: The agreement on additional shareholding with VALLOUREC will expire on the date when the financial restructuring plan of VALLOUREC, which is under a restructuring process, is implemented with the necessary approvals, etc., in the future. The agreement on enhanced business collaboration related to VAM® (Counterparty: Vallourec Oil & Gas France) will be continued.

*5: The agreement was terminated as the Company had exercised a put option for all of the Group's equity interests in VALLOUREC SOLUÇÕES TUBULARES DO BRASIL S.A. (15%) under the joint venture agreement and the transfer of the equity interests had been completed on March 26, 2021.

5. Research and Development Activities

Amid the diversifying consumer needs and social needs for the environment and energy, the Company is focusing its management resources on research and development areas that contribute to profit growth through the enhancement of technological superiority and the development of environment-friendly steel manufacturing technologies, including CO_2 reduction. The Company has established a strong cooperative system between the three central research organizations, namely, the Steel Research Laboratories, the Advanced Technology Research Laboratories, and the Process Research Laboratories, as well as the R&D laboratories located in each of steelworks. Based on the philosophy of “Research and Engineering,” the Company has been promoting integrated research and development from basic and generic research to applied development and engineering.

The Company’s strengths are: (a) comprehensive capabilities and speed of development through the integration of R&D and engineering; (b) R&D systems located in customer locations and the ability to propose precise solutions to customer needs; (c) the ability to develop new technologies based on advanced generic technologies; (d) the ability to address environmental and energy issues based on steelmaking process technologies; and (e) industry-academia collaboration, overseas alliances, and joint research with customers. Taking advantage of these strengths, the Company will develop products with new functions centered on steel and will also create and rapidly commercialize innovative, environmentally friendly production processes, thereby contributing to the development of society in line with the Sustainable Development Goals (SDGs).

Research and development expenses for the Company and its consolidated subsidiaries as a whole for the fiscal year ended March 31, 2021 were 65.3 billion yen. The following describes the major research themes, results, and research and development expenses in each segment.

(Steelmaking and Steel Fabrication)

Research and development expenses for this segment were 57.3 billion yen.

With the three R&D centers (located in Futtsu, Amagasaki, and Kamisu) at its core, the Company has been engaged in; (a) research and development of steel materials, products, and applied technologies and solutions at the Steel Research Laboratories, (b) research and development of common infrastructure technologies, research on CO_2 separation and collection as well as reuse, and business development support for businesses in segments other than Steelmaking and Steel Fabrication, mainly in new materials businesses, at the Advanced Technology Research Laboratories, (c) research and development of steelmaking processes, including CO_2 reduction, in close collaboration with the Plant Engineering and Facility Management Center in charge of facility engineering and facility maintenance technology development at Process Research Laboratory. Through these activities, the Company has been accelerating research and development, such as for reducing upstream costs, drastically improving the productivity of core lines, and reducing CO_2 emissions.

<Sheets>

- The Company received the 53rd Ichimura Industrial Award (fiscal 2020), Contribution Award for the development of ultra-high strength steel sheet processing technology to support the evolution of automobiles. The Ichimura Award is a traditional and prestigious award that recognizes technology developers who have contributed to the advancement of science and technology and the development of industry. The Company has won this award for three consecutive years. In order to achieve both the higher body strength required for automobile safety and the lighter weight required for reducing CO_2 emissions, it is effective to apply higher strength steel sheets for the automobile body. The Company was the first company in the world to develop ultra-high strength steel sheets for cold pressing. However, the higher the strength, the lower the press formability and the more difficult it was to process into automobile parts. To solve this problem, the Company used computer simulations to develop the free bending method and the continuous flange forming technology, which appropriately control material deformation during press forming, as well as mold equipment that realizes these technologies. These developed technologies are epoch-making processes that reduce the amount of material deformation during processing to less than 50% of the conventional method, making it possible to process ultra-high strength steel sheets into parts with complex shapes. They have been applied to more than 10 million automobiles, contributing to improved yields for customers while simultaneously reducing vehicle weight and improving safety. In addition, the reduction in CO_2 emissions from these technologies is calculated to be 42,300 tons per year.
- The No. 6 Continuous Hot-Dip Galvanizing Line (CGL) in the East Nippon Works Kimitsu Area started commercial operation to strengthen the Company’s supply of ultra-high-tensile steel sheets. The facility has a monthly production capacity of 33,000 tons and is capable of manufacturing ultra-high-tensile steel sheets with a strength of 1.5 GPa. The automobile industry is seeing an

increase in the application of ultra-high-tensile steel due to the growing need for lighter and stronger vehicle bodies to meet stricter global environmental regulations and collision safety standards, and demand is expected to continue to grow. In addition, for electric vehicles as well, which are expected to become widespread in the future, the need to reduce the weight of the vehicle body is expected to increase due to the issues of driving range and battery weight. The Company has strengthened its supply system to meet the growing need for ultra-high-tensile steel sheets that will lighten the weight and increase the strength of these vehicle bodies.

- Three of our products, namely, tinplates, tin-free steel, and laminated steel sheets have been certified with the EcoLeaf environmental label by the Sustainable Management Promotion Organization in accordance with the international standard ISO14025. These products are made from ultra-thin steel materials used in steel can beverage containers and a variety of other containers. This is the first certification obtained for a container material in Japan. EcoLeaf is an EPD certification system that uses the life cycle assessment method to quantitatively disclose environmental information on a product's life cycle, from resource collection and manufacturing to disposal and recycling. This system enables objective evaluation of the environmental impact associated with the use of the Company's products.
- FeLuce® (hairline-finished electroplated steel sheet), a new product developed by the Company, won the Good Design Award 2020 sponsored by the Japan Institute of Design Promotion. This is the first time our thin sheets have won this award. FeLuce® is a new type of steel sheet created by an innovative, eco-friendly, and waste-free manufacturing method, which gives design characteristics to the plating layer itself that ensures rust-preventive performance. The Company challenged itself to create simple products that utilize the natural texture of metal. Unlike the conventional method of adding paint or film to the surface of the material, the beauty inherent in metal has been added to the functionality required of thin sheets.

<Heavy plates>

- The Company is developing Nsafe®-Hull, a highly ductile steel plate for ships with excellent collision safety. This steel sheet reduces the formation of inclusions such as sulfide, which is a component that inhibits ductility, to the utmost limit. By precisely controlling the rolling and cooling during heat processing, the sheet achieves elongation that is 1.5 times greater than that of conventional rules in mass production during actual operation, thereby reducing damage to ships caused by collisions. This technology was jointly developed by the National Institute of Maritime, Port and Aviation Technology, Imabari Shipbuilding Co., Ltd., and Nippon Kaiji Kyokai (ClassNK). It received the 47th Iwatani Naoji Memorial Award in fiscal year 2020 from the Iwatani Naoji Foundation, and also received the Minister of Land, Infrastructure, Transport and Tourism Award at the third Japan Open Innovation Prize. The Iwatani Naoji Memorial Award recognizes achievements in the development of technologies related to energy and environment that have made a significant industrial contribution. This award follows the award for HRX®19 development in fiscal year 2018. The Japan Open Innovation Prize recognizes initiatives that are expected to serve as role models for the future in order to further promote open innovation, which combines knowledge, technology, and management resources across organizational boundaries to create new approaches. The Company is the first steel manufacturer to win this prize. In addition, the technology developed for Nsafe®-Hull has received many awards, including the 51st Ichimura Industrial Contribution Award in fiscal year 2018 and the 66th Okochi Memorial Production Prize in fiscal year 2019. Nsafe®-Hull has been applied to 31 vessels, including seven ultra-large tankers (VLCC), to prevent oil spills and improve vessel safety.

<Steel pipes>

- The Company received the Equipment Supplier of the Year award jointly with Sumitomo Corporation, which is provided by the Royal Dutch Shell Group to suppliers making a significant contribution to the oil and gas drilling business. This award recognizes The Company's outstanding product development capabilities, high level of on-time delivery, cost reduction throughout the supply chain, and more than 20 joint research projects. Only one company in the world is selected for this award, and this is the third time the award has been given to the Company, following in 2015 and 2019. The Company will continue to make full use of its advanced technology and services to contribute to oil and gas development, which has become increasingly severe in recent years.

<Bars>

- The Company has developed RIDESWELL®, a low-alloy, high-strength steel for suspension springs that has improved toughness and hydrogen embrittlement resistance compared to conventional steels and has also succeeded in reducing alloy. In order to improve fuel efficiency by reducing the weight of automobiles, greater strength and weight reduction are strongly required for suspension springs for automobiles. In recent years, with the development of spring processing technology, the use of the standard steel SUP12 with higher strength has been studied mainly in overseas countries. However, there were issues that the necessary mechanical properties such as toughness and hydrogen embrittlement resistance were reduced with the higher strength. To solve this problem, the Company appropriately controlled the additive components and the process to suppress segregation and precipitation of intergranular carbides, and succeeded in developing RIDESWELL®, which achieves high strength without degradation of hydrogen embrittlement resistance.

<Structural materials>

- The Company has improved the rolling process and expanded the size menu of Hyper-Beam® (external constant H-shaped steel), mainly for large cross-sectional sizes, and launched the product as MEGA NSHYPER BEAM™ in April 2020. Hyper-Beam® and MEGA NSHYPER BEAM™ have acquired the EcoLeaf environmental label certified by the Sustainable Management Promotion Organization. The Hyper-Beam® has been manufactured and sold since 1989. It has simplified design and saved processing labor by keeping the web height and flange width constant. With the sales of the MEGA NSHYPER BEAM™, the Company will be able to satisfy the need for shorter construction periods against the backdrop of the growing shortage of labor as well as the need for larger cross-sections of steel frames to meet the increasing size of buildings.

<Titanium>

- The use of the Company's titanium brand TranTixxii® is expanding. TranTixxii® is used as roofing materials in the new station building of Odakyu Electric Railway Katase-Enoshima Station, the Hirosaki Museum of Contemporary Art in Aomori, and the Yasaki Shrine in Joetsu City, Niigata. It has been widely used for more than just roofing materials. A newly developed titanium alloy, Super-TIX20AFG, has been adopted by Casio Computer Co., Ltd. in a new model watch released in April 2021. The product was adopted and commercialized for the first time in Japan as a material for six-leaf hardware, one of the architectural hardware for shrines and temples, and was also used for the metal design panel Xium of IGKOGYO Co., Ltd. In addition to its high corrosion resistance and decorative properties, titanium is also used as an anti-earthquake reinforcement material. Titanium foils manufactured and sold by the Company and Nippon Steel Anti-Corrosion Co., Ltd. have been adopted as bonding materials for seismic reinforcement materials of the Tomioka Silk Mill West Cocoon Warehouse (a national treasure), which is registered as a world heritage site.

<Railway/automotive/machinery parts>

- The Company received the 2020 Technology Award from the Kansai Branch of the Japan Society of Mechanical Engineers for the development of new brake pads for Shinkansen bullet trains, jointly with Central Japan Railway Company. In order to meet the conflicting needs of shortening the braking distance to improve the safety of Shinkansen bullet trains and increasing the speed to improve convenience, we have reached a point where existing brake systems, especially conventional brake pads, cannot be applied. As a result, the Company has developed new brake pads, taking advantage of its overwhelming share of the Shinkansen brake disc market. The new brake pads support the friction material with a spring structure that is optimized for the brake disc. This ensures even contact between the disc and the pad during braking. Compared with existing brake systems, the new brake pads achieve a temperature drop of more than 100°C and stable braking performance (friction coefficient) under full braking from the maximum speed. At present, all vehicles running on the Tokaido Shinkansen (including the N700S, which debuted in July 2020) use the new brake pads developed by the Company.

<Steelmaking process, etc.>

- The Company received 2020 Minister of MEXT Award "Prize for Science and Technology (Development Division)" for its successful development of the manufacturing technology of high-strength hot-rolled steel sheets that uses a new high-precision flatness meter; the same technology was awarded the Excellence Prize in the Category of Manufacturing and Production Process at the 8th Monodzukuri Nippon Grand Award last year. Thermomechanical treatments are essential to manufacture steel products with superior mechanical properties. In fact, securing the flatness of hot-rolled steel sheets is a major prerequisite for achieving high-precision thermomechanical treatment. The award-winning technology above is a technology that automatically controls a rolling mill, after measuring the width-direction distribution (flatness) of the elongation rates of a steel sheet with a high degree of accuracy during hot rolling, to stably manufacture thin steel sheets. The automatic flatness control that is applicable to all rolling materials in hot rolling of thin steel sheets is the world's first such technology.

- In July last year, the Company turned down and refurbished No.2 blast furnace of Hokkai Iron & Coke Corporation, which owns ironmaking facilities within the site of the Muroran Works. The Company then resumed its operation following blow-in in November 2020. In the refurbishment this time, the Company adopted a method of refurbishing related facilities and refractories while leaving the “iron skin“ covering the blast furnace body intact. In addition, the Company introduced a furnace condition prediction model built on a mathematical model, which allows for analyzing the information obtained from sensors attached to the blast furnace so far and automatically optimizing the operating conditions as to the amount of raw material input such as iron ore and the amount of hot air blown into the furnace. It is expected that this refurbishment will help stabilize the operations of the blast furnace and reduce the workload of its operators. The Company will seek to further stabilize production and improve productivity by using the results obtained from the operation of this new system in other blast furnaces.
- In July last year, the Company, jointly with the University of Toyama, Chiyoda Corporation, Nippon Steel Engineering Co., Ltd., HighChem Company Limited, and Mitsubishi Corporation (collectively the “Study Group”) applied for and was commissioned to carry out the NEDO's program “Development of Technology for Carbon Recycling and Next-Generation Thermal Power Generation/Development of Technologies for CO_2 Reduction and Utilization/Development of Technologies for CO_2 Utilization for Chemicals.” The Study Group has launched a technology development project related to production of para-xylene from CO_2. Para-xylene is an important basic compound in the production of pure terephthalic acid (“PTA”) which is a feedstock material for polyesters such as polyester fibers and plastic bottles. If the feedstock for para-xylene of the current demand level is entirely converted from fossil fuels to CO_2, theoretically 160 million tons of CO_2 could be fixed in the para-xylene per year.
- The Company, jointly with Kyoto University, Japan Synchrotron Radiation Research Institute (a public interest incorporated foundation), and Shinshu University, proposed a high-throughput CO_2 gas separation system using unconventional gate-type absorbent. This research group focused on gate-type adsorbents that capture CO_2 by deforming their structures and thus suppress the heat generated upon CO_2 absorption, and has elucidated its excellent CO_2 separation performance. At the same time, the research group devised a high-efficiency absorption separation system, taking advantage of the characteristics of gas-type absorbents, and found that the CO_2 separation efficiency is much higher than that obtained using conventional methods.
- The Company has adopted NEC Corporation's AI analysis software “NEC Advanced Analytics – in-variant analysis” in order to build a platform for monitoring facilities' conditions and thus accelerate digital transformation at steelworks. Since January this year, the Company has started long-term operational testing for online monitoring of facilities' conditions in the East Nippon Works Kimitsu Area. The in-variant analysis technology is expected to learn “normal conditions” from the measurement data obtained in real time, automatically detect signs of abnormal conditions showing that “something is different” and thereby prevent product quality deterioration caused by non-operation of facilities due to troubles or failures in facilities.
- The Company and NS Solutions will jointly start demonstration of a private network system in the Muroran Works with a view to implementing the system at steelworks. A private network system enables the Company to operate a high-speed wireless network exclusively for internal use, thereby ensuring an extremely high level of security, given no need to go through outside networks, as well as massive data communication with unlimited capacity. The private network also allows the Company to cover every corner of a spacious area, including the locations with poor signal reception, an issue inherent to steelworks dominated by high-rise buildings.

<Slag/cement>

- The Company’s steel slag product “calcia improving materials” are used to reinforce the west breakwater at Hakodate Port. Dredging soil generated in dredging work, as part of the reinforcement work, was mixed with the calcia improving materials and turned into calcia modified soil. Specifically, the calcia modified soil was used for mounds behind the west breakwater for reinforcement purposes. The calcia improving materials are used not only to increase the strength of soft dredged soil but also to suppress the occurrence of turbidity. This is the first time that calcia modified soil was used in a project under direct control of the Hokkaido Regional Development Bureau. Calcia improving materials are the materials for improving dredged soft soil, which are made up primarily of steel slag produced as a by-product in a steelmaking process, whose components are managed and particle size is adjusted. Calcia modified soil, a soil improved using calcia improving materials, is used as highly effective materials for backfilling scoured depressions, reclamation work, and site preparation work for shallow bottom or tideland.
- In November 2019, the Company started “creation of sea forests” jointly with Tomari Village, Furuu District in Hokkaido, and Furuu District Fishery Union, by burying Beverly® Unit, which is the Company’s iron supply steelmaking slag products, in the Tomari

Village area in Furuu District, to regenerate the sea areas where seaweed beds were lost due to sea desertification. As part of this effort, in July last year, the Company confirmed that seaweed beds were regenerated in the sea areas where it buried Beverly® Unit. Through the “creation of sea forests,” the Company has worked to regenerate seaweed beds at 38 locations across Japan. It has been found that a deficiency of iron and other nutrients is one of the causes for sea desertification. To make up for the deficiency of iron, the Company created Beverly® Unit composed of humus, soil and steel slag, the latter being a by-product of the steelmaking process, and put them in jute bags, which will allow for continued delivery of iron ion, in the form of iron-humic acid, to seaweeds. The Company is determined to contribute to absorption and fixation of CO_2 through the regeneration of seaweed beds.

(Engineering and Construction)

Research and development expenses for this segment were 2.2 billion yen.

Nippon Steel Engineering Co., Ltd. has worked on the following R&D initiatives:

- Steelmaking plant sector: Developing advanced steelmaking related processes, mainly through joint research with the Company
- Environmental sector: Strengthening the competitiveness of melting furnace, and developing soil purification technology
- Energy sector: Improving the efficiency of/supporting the operation of on-site power generation
- Marine sector: Automating, speeding-up and improving the quality of submarine pipeline installation
- Construction sector: Developing seismic control/isolation device products and searching for next-generation products
- On-land pipeline sector: Developing on-land pipeline welding technology

(Chemicals and Materials)

Research and development expenses for this segment were 3.9 billion yen.

In this segment, Nippon Steel Chemical & Materials Co., Ltd. has worked on the following R&D initiatives:

- Research and development of coal chemical products, chemicals, functional materials, composite materials, etc.

(System Solutions)

Research and development expenses for this segment were 1.6 billion yen.

In this segment, NS Solutions Corporation has worked on the following R&D initiatives:

- Improving quality and productivity in configuration and operation of systems
- Strengthening the competitiveness of IT services and value co-creation
- Initiatives on technologies that realize digital transformation (DX)

III. Information about Facilities

1. Overview of Capital Expenditures

The Company and its consolidated subsidiaries make capital expenditures independently as required. A breakdown of capital expenditures for the year ended March 31, 2021 (based on accepted property, plant and equipment and intangible assets; exclusive of consumption taxes) is as follows.

	Year ended March 31, 2021	Year-on-year change
Steelmaking and Steel Fabrication	466,117 million yen	3 % increase
Engineering and Construction	2,664 million yen	3 % decrease
Chemicals and Materials	10,001 million yen	14 % decrease
System Solutions	4,212 million yen	43 % decrease
Total	482,995 million yen	2 % increase
Adjustments	(8,506) million yen	—
Total	474,489 million yen	1 % decrease

For the Steelmaking and Steel Fabrication business, the Group is committed to steadfastly and systematically pushing forward with measures to strengthen its foundation and competitiveness in an efficient way based on the long-term renewal plan, while adhering to the following basic policies: “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.”

2. Major Facilities

(1) Reporting company

(As of March 31, 2021) (Millions of Yen)

Business site (Location)	Segment name	Description of facilities	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land (area: 1,000 m^2)	Construction in progress	Total	Number of employees
Head Office, etc. (Chiyoda-ku, Tokyo and other locations)	Steelmaking and Steel Fabrication	Research and development facilities, other facilities	64,898	3,508	3,904	97,769 (3,052) [0]	42,645	212,726	4,152
Muroran Works (Muroran City, Hokkaido)	Same as above	Manufacturing facilities of bars and shapes	29,038	32,913	1,891	5,543 (7,846) [110]	3,493	72,881	1,041
East Nippon Works (Kashima City, Ibaraki, Kimitsu City, Chiba, Kamaishi City, Iwate and Joetsu City, Niigata)	Same as above	Manufacturing facilities of bars, shapes, flat-rolled products, pipes and tubes, stainless and titanium products	140,264	236,232	11,904	153,595 (25,362) [72]	27,728	569,725	7,037
Nagoya Works (Tokai City, Aichi)	Same as above	Manufacturing facilities of flat-rolled products, pipes and tubes	29,727	73,606	2,790	14,878 (6,489) [0]	25,256	146,259	3,246
Kansai Works (Wakayama City and Kainan City, Wakayama, Sakai City and Osaka City, Osaka, and Amagasaki City, Hyogo)	Same as above	Manufacturing facilities of billets, bars, shapes, flat-rolled products, pipes and tubes, railway/automotive /machinery parts	91,245	128,017	9,968	85,538 (7,776) [128]	10,190	324,960	5,254
Setouchi Works (Himeji City, Hyogo, Kure City, Hiroshima, Sakai City, Osaka, Saijo City, Ehime, Osaka City, Osaka and Amagasaki City, Hyogo)	Same as above	Manufacturing facilities of flat-rolled products	14,815	23,226	3,564	23,568 (9,025) [58]	10,294	75,470	3,183
Kyushu Works (Kitakyushu City, Fukuoka, Oita City, Oita and Hikari City, Yamaguchi)	Same as above	Manufacturing facilities of bars, shapes, flat-rolled products, pipes and tubes, titanium products	141,180	255,155	11,487	84,259 (23,851) [10]	21,903	513,985	5,666
Total			511,169	752,660	45,511	465,153 (83,403) [379]	141,512	1,916,008	29,579

Notes: 1. Figures in brackets in the Land (area: 1,000 m^2) column indicate the area (1,000 m^2) of land leased from parties other than the consolidated companies.
2. Head Office, etc. includes R&D Laboratories, offices, marketing branches and overseas offices.
3. The table above includes welfare facilities.

(2) Domestic subsidiaries

(As of March 31, 2021) (Millions of Yen)

Company name	Business site (Location)	Segment name	Description of facilities	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land (area: 1,000 m²)	Construction in progress	Total	Number of employees
Sanyo Special Steel Co., Ltd.	Head Office/Works (Himeji City, Hyogo)	Steelmaking and Steel Fabrication	Manufacturing facilities of steel products, powders and formed and fabricated materials	12,447	39,714	1,536	7,283 (804) [59]	5,492	66,474	1,486
NIPPON STEEL COATED SHEET CORPORATION	Funabashi Works (Funabashi City, Chiba), etc.	Same as above	Sheet surface treatment facilities	10,668	7,951	632	18,706 (756) [60]	345	38,303	1,498
Osaka Steel Co., Ltd.	Osaka Unit (Osaka City and Sakai City, Osaka), etc.	Same as above	Steelmaking and rolling facilities	5,012	11,309	1,352	27,612 (532) [49]	3,813	49,100	464
Krosaki Harima Corporation	Head Office and Yahata Works (Kitakyushu City, Fukuoka), etc.	Same as above	Refractory manufacturing facilities	8,872	5,439	714	5,789 (1,140) [17]	504	21,320	1,526
NIPPON STEEL TEXENG. CO., LTD.	Kimitsu Office (Kimitsu City, Chiba), etc.	Same as above	Steel product processing facilities	13,827	4,847	981	16,481 (1,076) [30]	867	37,005	12,275
NIPPON STEEL Stainless Steel Corporation	Hikari Works (Hikari City, Yamaguchi), etc.	Same as above	Stainless steel manufacturing facilities	26,967	46,475	3,449	19,902 (3,597)	1,241	98,037	2,924
NIPPON STEEL LOGISTICS CO., LTD.	Head Office (Chuo-ku, Tokyo), etc.	Same as above	Ships, etc.	4,664	5,540	664	6,495 (215) [9]	535	17,899	806
NIPPON STEEL ENGINEERING CO., LTD.	Kitakyushu Technology Center (Kitakyushu City, Fukuoka), etc.	Engineering and Construction	Facilities for general construction work	3,740	934	527	1,136 (631)	187	6,526	1,257
NIPPON STEEL Chemical & Material CO., LTD.	Kyushu Works (Kitakyushu City, Fukuoka), etc.	Chemicals and Materials	Chemical product manufacturing facilities	10,302	6,384	1,292	9,924 (255)	177	28,081	1,236
NS Solutions Corporation	Head Office (Chuo-ku, Tokyo), etc.	System Solutions	Data center facilities, computers and related equipment	7,865	0	6,511	2,542 (10)	438	17,358	3,286

Notes: 1. Figures in brackets in the Land (area: 1,000 m²) column indicate the area (1,000 m²) of land leased from parties other than the consolidated companies.
2. The table above includes welfare facilities.

(3) Foreign subsidiaries

(As of December 31, 2020) (Millions of Yen)

Company name	Business site (Location)	Segment name	Description of facilities	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land (area: 1,000 m²)	Construction in progress	Total	Number of employees
PT KRAKATAU NIPPON STEEL SYNERGY	Head Office and Works (Cilegon City, Indonesia)	Steelmaking and Steel Fabrication	Manufacturing facilities of cold-rolled sheets and galvanized sheets	4,768	16,191	217	2,929 (184)	489	24,597	286
NS-Siam United Steel Co., Ltd.	Rayong Works (Rayong Province, Thailand)	Same as above	Manufacturing facilities of cold-rolled sheets and coated sheets	3,255	21,882	171	3,048 (414)	2,261	30,618	1,055
Ovako AB	Hofors Works (Hofors City, Sweden), etc.	Same as above	Steelmaking and rolling facilities	6,196	23,167	-	1,706 (7,085)	4,053	35,124	2,700

3. Planned Addition, Retirement, and Other Changes of Facilities

The Company and its consolidated subsidiaries formulate capital expenditure plans by comprehensively taking into account the optimization of capital spending, future demand estimates, production plans and other factors under a severe revenue environment. In principle, facility plans are developed by the respective companies.

The planned amount of investment in additions and refurbishment of facilities is about 480.0 billion yen for the year ending March 31, 2022.

The planned addition and retirement of important facilities are as follows.

Refurbishment

Company name Business site	Location	Segment name	Description of facilities	Planned investment amount (Millions of Yen)		Financing method	Scheduled commencement and completion dates		Capacity, etc.
				Total	Amount already paid		Commencement	Completion	
The Company Nagoya Works	Tokai City, Aichi	Steelmaking and Steel Fabrication	No.3 blast furnace	49,000	100	Self-financing, borrowing and other means	June 2020	First half of fiscal year 2022	Volume of the blast furnace is 4,425 m3.
The Company Nagoya Works	Tokai City, Aichi	Steelmaking and Steel Fabrication	No. 3 coke oven (including fixtures and fittings)	57,000	8,400	Self-financing, borrowing and other means	November 2018	First half of fiscal year 2021	0.8 million tons/year

IV. Status of the Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(a) Total number of shares

Class	Total number of shares authorized to be issued
Ordinary shares	2,000,000,000
Total	2,000,000,000

(b) Issued shares

Class	Number of shares issued as of the end of the fiscal year (March 31, 2021)	Number of shares issued as of the filing date (June 23, 2021)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Ordinary shares	950,321,402	950,321,402	Tokyo Stock Exchange and Nagoya Stock Exchange (on their First Sections) Fukuoka Stock Exchange and Sapporo Stock Exchange	Shares with full voting rights Number of shares that constitute a share unit is 100 shares.
Total	950,321,402	950,321,402	—	—

(2) Subscription right for new shares

(a) Stock option plans

Not applicable

(b) Rights plans

Not applicable

(c) Subscription right for new shares for other uses

Not applicable

(3) Exercise status of corporate bond certificates, etc. corporate bond certificates, etc. with subscription right for new shares with an exercise price adjustment clause

Not applicable

(4) Changes in number of issued shares, common stock and capital reserve

Date	Changes in total number of issued shares	Balance of total number of issued shares	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in capital reserve (Millions of Yen)	Balance of capital reserve (Millions of Yen)
October 1, 2015 (Note)	(8,552,892,620)	950,321,402	—	419,524	—	111,532

Note: Total number of issued shares decreased as a result of the 1-for-10 reverse stock split effective October 1, 2015.

(5) Shareholding by shareholder category

As of March 31, 2021

Category	Status of shares (1 unit = 100 shares)								Number of shares less than one unit
	National and local governments	Financial institutions	Japanese financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	6	143	65	3,450	764	331	312,199	316,958	—
Number of shares held (Units)	329	3,407,612	174,352	900,057	2,807,856	2,056	2,134,928	9,427,190	7,602,402
Shareholding ratio (%)	0.00	36.15	1.85	9.55	29.78	0.02	22.65	100	—

Notes: 1. Treasury stock is included in “Individuals and others” in the amount of 283,438 units, and in “Shares less than one unit” in the amount of 15 shares.
This number of shares of treasury stock is the number listed on the register of shareholders. The number of shares substantially held by the Company is 28,343,150 shares.
2. Shares held under the name of Japan Securities Depository Center are included in “Other corporations” in the amount of 78 units, and in “Shares less than one unit” in the amount of 42 shares.
3. The number of shareholders who only hold shares less than one unit is 107,496 persons.

(6) Major shareholders

As of March 31, 2021

Name	Address	Number of shares held (Hundreds of shares)	Number of shares held as a percentage of total shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	790,617	8.6
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	483,291	5.2
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6 Marunouchi, Chiyoda-ku, Tokyo (2-11-3 Hamamatsucho, Minato-ku, Tokyo)	245,324	2.7
Custody Bank of Japan, Ltd. (Trust Account 5)	1-8-12 Harumi, Chuo-ku, Tokyo	144,754	1.6
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	2-1-1 Marunouchi, Chiyoda-ku, Tokyo (1-8-12 Harumi, Chuo-ku, Tokyo)	140,643	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171,U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	134,225	1.5
Custody Bank of Japan, Ltd. (Trust Account 6)	1-8-12 Harumi, Chuo-ku, Tokyo	128,309	1.4
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	127,252	1.4
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	124,348	1.3
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	1-5-5 Otemachi, Chiyoda-ku, Tokyo (1-8-12 Harumi, Chuo-ku, Tokyo)	121,998	1.3
Total	—	2,440,764	26.5

Notes: 1. In addition to the above, there are 283,431 hundred shares of treasury stock held by the Company (shareholding ratio: 3.1%).

2. In a Change Report Pertaining to Report of Possession of Large Volume Holding made available for public inspection on October 21, 2020, it is stated that Sumitomo Mitsui Trust Bank, Limited and its joint holders, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset management Co., Ltd., held the following shares of the Company as of October 15, 2020. However, as the Company is unable to confirm the actual number of shares held by the said companies as of March 31, 2021, they are not included in the above major shareholders.
The details in the Change Report are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
Sumitomo Mitsui Trust Bank, Limited	79,131	0.83
Sumitomo Mitsui Trust Asset Management Co., Ltd.	309,402	3.26
Nikko Asset management Co., Ltd.	152,424	1.60
Total	540,957	5.69

3. In a Change Report Pertaining to Report of Possession of Large Volume Holding made available for public inspection on November 6, 2020, it is stated that Nomura Securities Co., Ltd. and its joint holders, NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd., held the following shares of the Company as of October 30, 2020. However, as the Company is unable to confirm the actual number of shares held by the said companies as of March 31, 2021, they are not included in the above major shareholders.
The details in the Change Report are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
Nomura Securities Co., Ltd.	7,469	0.08
NOMURA INTERNATIONAL PLC	12,852	0.14
Nomura Asset Management Co., Ltd.	410,610	4.32
Total	430,932	4.53

(7) Voting rights

(a) Issued shares

As of March 31, 2021

Classification	Number of shares	Number of voting rights (Units)	Description
Non-voting shares	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	Ordinary shares 29,358,700	—	Number of shares that constitute a share unit is 100 shares.
Shares with full voting rights (Other)	Ordinary shares 913,360,200	9,133,602	Number of shares that constitute a share unit is 100 shares.
Shares less than one unit	Ordinary shares 7,602,502	—	—
Total number of issued shares	950,321,402	—	—
Total voting rights held by all shareholders	—	9,133,602	—

Notes: 1. The figure in "Shares with full voting rights (Treasury stock, etc.)" above includes shares of treasury stock of 28,343,100 shares and cross-held shares of 1,015,600 shares (including the Company's shares of 239,700 shares contributed to the retirement benefit trust).

2. The figure in "Shares with full voting rights (Other)" above includes 7,800 shares (78 voting rights) held under the name of Japan Securities Depository Center, and 600 shares recorded on the register of shareholders as being held under the name of the Company, which are not substantially held by the Company.

3. The figure in "Number of shares" for "Shares less than one unit" includes the following treasury stock, shares held by subsidiaries and cross-held shares, as well as 42 shares held under the name of Japan Securities Depository Center. In addition, it also includes 65 shares recorded on the register of shareholders as being held under the name of the Company, which are not substantially held by the Company.

The Company: 50 shares; NS United Kaiun Kaisha, Ltd.: 23 shares; TETSUGEN Corporation: 7 shares; STEEL CENTER CO., LTD.: 41 shares; Kyoei Steel Ltd.: 50 shares; DAIDO LOGISTICS INC.: 58 shares

(b) Treasury stock, etc.

As of March 31, 2021

Shareholders	Addresses of shareholders	Number of shares held under the name of the Company	Number of shares held under the name of others	Total number of shares held	Number of shares held as a percentage of total shares issued (%)
(Treasury stock)					
The Company	2-6-1 Marunouchi, Chiyoda-ku, Tokyo	28,343,100	—	28,343,100	2.98
(Cross-held shares)					
NS United Kaiun Kaisha, Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	649,300	—	649,300	0.07
TETSUGEN Corporation	1-4-4 Fujimi, Chiyoda-ku, Tokyo	96,300	—	96,300	0.01
STEEL CENTER CO., LTD.	3-6-2 Uchikanda, Chiyoda-ku, Tokyo	12,900	—	12,900	0.00
Kowa Seiko Co., Ltd.	46-93 Aza-sakinohama, Nakabaru, Tobata-ku, Kitakyushu-shi	10,000	—	10,000	0.00
Kyoei Steel Ltd.	1-4-16 Dojimahama, Kita-ku, Osaka-shi	7,300	—	7,300	0.00
DAIDO LOGISTICS INC.	3-2-1 Kuiseminamishinmachi, Amagasaki-shi	100	—	100	0.00
Total		29,119,000	—	29,119,000	3.06

Notes: 1. In addition to the above, the number of shares with full voting rights (treasury stock, etc.) is 29,358,700 shares, when combined with 239,700 shares of the Company contributed to the retirement benefit trust.

2. In addition to the above, there are 665 shares recorded on the register of shareholders as being held under the name of the Company, which are not substantially held by the Company.

2. Acquisition and Disposal of Treasury Stock

Class of shares: Acquisition of ordinary shares under Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of the general meeting of shareholders

Not applicable

(2) Acquisition by resolution of the board of directors

Not applicable

(3) Acquisition not based on resolution of the general meeting of shareholders or the board of directors

Acquisition of ordinary shares under Article 155, Item 7 of the Companies Act

Classification	Number of shares	Total amount (Yen)
Treasury stock acquired during the year ended March 31, 2021	23,594	30,372,716
Treasury stock acquired during the period from April 1, 2021 to the filing date of this report	4,289	8,659,388

Note: "Treasury stock acquired during the period from April 1, 2021 to the filing date of this report" does not include the number of shares less than one unit purchased during the period from June 1, 2021 to the filing date of this report.

(4) Disposal of treasury stock acquired and number of share of treasury stock held

Classification	Year ended March 31, 2021		Period from April 1, 2021 to the filing date of this report	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Treasury stock acquired for which subscribers were solicited	—	—	—	—
Treasury stock acquired that were cancelled	—	—	—	—
Treasury stock acquired for which share transfer was conducted in association with merger/share exchange/issue of share/company split	—	—	—	—
Other (Based on demand for cash-out of shares less than one unit)	1,509	2,911,709	232	447,566
Number of shares of treasury stock held	28,343,150	—	28,347,207	—

Note: "Number of shares of treasury stock held" during the "Period from April 1, 2021 to the filing date of this report" does not include the number of shares acquired or disposed of based on the exercise of appraisal rights or demand for cash-out of shares less than one unit during the period from June 1, 2021 to the filing date of this report.

3. Dividend Policy

The Company'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 basis.

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 first-half dividend is determined based on consideration of interim performance figures and forecasts for the full fiscal year performance.

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.

In accordance with the basic profit distribution policy described above, the Company has decided to forgo the payment of the first half. Regarding the year-end dividend, following the previously stated policy, the Company resolved at the 97th General Meeting of Shareholders held on June 23, 2021 to pay a dividend of 10 yen per share for the end dividend. The dividend for the full fiscal year 2021 therefore is 10 yen per share.

Date of resolution	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)
The 97th General Meeting of Shareholders held on June 23, 2021	9,219	10

4. Corporate Governance, etc.

(1) Overview of corporate governance

(a) Basic Views on Corporate Governance

Under the corporate philosophy as described below, 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 mandate delegation of responsibilities by and trust of from all stakeholders, including its shareholders and business partners.

NIPPON STEEL 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.

(b) Overview of corporate governance system and reasons for adopting the system

a. Reasons for Adopting a Company with an Audit & Supervisory Committee

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.

b. Corporate Governance System

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.

Also, in accordance with a provision in the Articles of Incorporation, the Board of Directors of the Company delegates part of the decisions regarding execution of important operations (excluding matters listed in each item of Article 399-13, Paragraph 5 of the Companies Act) to the Representative Director and Chairman and Representative Director and President, thereby expediting management decision-making, limiting the number of items for deliberation by the Board of Directors, and enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies. In order for all Outside Directors to obtain necessary information and sufficiently fulfill their roles, the Chairman, the President and other senior management regularly hold meetings with all Outside Directors to share management challenges, and exchange opinions.

Outside Directors account for more than one-third (7 out of 18) of all members of the Company’s Board of Directors.

Composition of the Board of Directors

Name	Position		
[Directors (excluding Directors who are Audit & Supervisory Committee Members)]			
Kosei Shindo	Representative Director and Chairman		
Eiji Hashimoto	Representative Director and President (Chairperson)		
Shinichi Nakamura	Representative Director and Executive Vice President		
Akio Migita	Representative Director and Executive Vice President		
Shuhei Onoyama	Representative Director and Executive Vice President		
Naoki Sato	Representative Director and Executive Vice President		
Takahiro Mori	Representative Director and Executive Vice President		
Tadashi Imai	Managing Director		
Noriko Iki	Director	Outside Director	Independent Director
Tetsuro Tomita	Director	Outside Director	Independent Director
Masato Kitera	Director	Outside Director	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	Audit & Supervisory Committee Member	Outside Director	Independent Director
Jiro Makino	Audit & Supervisory Committee Member	Outside Director	Independent Director
Seiichiro Azuma	Audit & Supervisory Committee Member	Outside Director	Independent Director
Hiroshi Yoshikawa	Audit & Supervisory Committee Member	Outside Director	Independent Director

Note: The details of each member, including titles and brief personal histories, are described in “4. Corporate Governance, etc., (2) Status of Officers, (a) List of Officers” of this report.

c. Establishment and Operation of the Internal Control System

To comply with applicable laws and regulations, and ensure the integrity of financial reports and the effectiveness and efficiency of business and affairs, the Company establishes and appropriately operates an internal control system, and strives to continually improve it. To create a sound and open organization, the Company establishes the internal control environment by emphasizing dialogue in and outside the workplace, regularly conducting attitude surveys with all employees, and establishing a whistleblower system to receive consultation and reports not only from employees of the Company and the Group companies, but also from temporary workers and employees of contractors and suppliers, and their families.

d. Appropriate Information Disclosure

To enhance management transparency and advance a correct understanding by stakeholders on the management situation of the Group, the Company not only seeks to disclose information in accordance with applicable laws and regulations and the rules of financial instruments exchanges, but also seeks to disclose financial and non-financial information at an appropriate timing, in an easily understandable manner, and accurately.

e. Regular Examination and Review of Corporate Governance

The Company regularly examines and reviews, at the Board of Directors, the corporate governance structure, its operating situation, and other relevant facts and circumstances, including the analysis and evaluation of the effectiveness of the Board of Directors as a whole so that the Company will be able to make improvements autonomously, considering the opinions of Outside Directors.

(c) Nomination and Compensation Advisory Committee

To ensure the soundness of procedures for determining the nomination and compensation of the Directors, the Company makes it a rule to resolve the nomination of Director candidates and the appointment of Representative Director at the Board of Directors meeting after discussion at the “Nomination and Compensation Advisory Committee,” comprised of the Chairman, the President, and three or more members designated by the President, who is the Chairperson, from among the Outside Directors. In addition, compensation of each Director (excluding Directors who are Audit & Supervisory Committee Members) is also resolved at the Board of Directors after discussion at the “Nomination and Compensation Advisory Committee.”

The Nomination and Compensation Advisory Committee comprises six members, the Representative Director and Chairman, Kosei Shindo, the Representative Director and President, Eiji Hashimoto, and Outside Directors Noriko Iki, Tetsuro Tomita, Masato Kitera and Hiroshi Obayashi. The President serves as the chairman of the Committee.

(d) Status of development and operation of the internal control system

The Company has established its basic policy on internal control system at the Board of Directors meeting as follows, and operates the system in accordance with such policy.

Basic Policy on Internal Control System (System for Ensuring Appropriateness of its Business)

The Company is aiming at continuous improvement of its corporate value and winning the trust of society under the "NIPPON STEEL GROUP Corporate Philosophy". In addition, the Company will establish and appropriately manage an internal control system (a system for ensuring 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

(a) Matters related to Directors and Employees to Assist the Audit & Supervisory Committee of the Company in its Duties

The Company 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.

(b) 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.

(c) System for Directors, Employees, Etc. of the Company 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 the Company will report to the Audit & Supervisory Committee in a timely and appropriate manner in accordance with laws and regulations or the Company'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 the Company will report to the Audit & Supervisory Committee in a timely and appropriate manner in accordance with laws and regulations or the Company'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.

(d) 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

The Company will stipulate Rules for the Whistleblower System, which state that the Company 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.

(e) Matters related to the Policy for the Handling of Expenses Incurred in the Performance of Duties by Audit & Supervisory Committee Members

The Company 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, the Company will handle them appropriately in accordance with the provisions of the Companies Act.

(f) 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 the Company 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, the Company 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 the Company 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 the Company and its Subsidiaries

(a) System to Ensure that Performance of Responsibilities by the Directors of the Company 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.

(b) System for the Preservation and Management of Information in relation to the Performance of Responsibilities by the Directors of the Company

The Company 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.

The Company 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.

(c) Rules and Other Systems with respect to Loss-related Risk Management of the Company

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.

(d) System to Ensure Efficiency in the Performance of Responsibilities by Directors of the Company

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.

(e) System to Ensure that Performance of Responsibilities by Employees of the Company Complies with Applicable Laws and Regulations and the Articles of Incorporation

The Company 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. The Company 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.

(f) System to Ensure Appropriateness of Operation in the Corporate Group Consisting of the Company and its Subsidiaries

Under the “Corporate Philosophy of the NIPPON STEEL Group,” the Company 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, the Company 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 the Company. Each responsible division of the Company 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 the Company in relation to the Performance of Responsibilities by the Group Companies' Directors

The responsible divisions of the Company will request that each Group company report on important management matters in relation to the Company'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 the Company 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 the Company 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 the Company 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.

(e) Basic Policy regarding the Control of the Company

The Company established as follows the Basic Policy on the Composition of Persons to Control the Decision-Making over the Financial and Business Policies of the Company.

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

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.

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

Consequently, the Company will pay close attention to the status of trading of shares of the Company and changes of its shareholders in order to prepare for such disadvantages to the shareholders of the Company 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 the Company, which could result in harm to the common interests of shareholders of the Company, the Company 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.

(f) Liability Limitation Agreements with Non-executive Directors

To secure capable Outside Directors and allow Non-executive Directors, including Directors who are Audit & Supervisory Committee Members who were employees of the Company to adequately carry out their expected roles in the performance of their duties, the Company has concluded an agreement with each of the Non-executive Directors that limits his liability under Article 423, Paragraph 1 of the Companies Act to the greater of 20 million yen or the Minimum Liability Amount, as defined in Article 425, Paragraph 1 of the Companies Act, so long as he acts in good faith and without gross negligence in performing his responsibilities.

(g) Indemnity agreement with Directors

The Company has entered into an agreement with each of the Directors to indemnify each of them for the costs stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph to the extent stipulated by laws and regulations, so that the Company is able to secure highly competent management personnel and the Directors can fully fulfill their expected roles in the performance of their duties. 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.

(h) Maximum number of Directors

The Articles of Incorporation of the Company stipulate that the maximum number of Directors shall be twenty (20) (the maximum number of Directors who are Audit & Supervisory Committee Members shall be seven (7)).

(i) Requirements for Resolution of Appointment and Dismissal of Directors

The Company stipulates in its Articles Incorporation that a resolution of a general meeting of shareholders electing Directors shall require the presence of the shareholders holding in the aggregate one third or more of the votes of the shareholders who are entitled to exercise their voting rights and the affirmative vote of a majority of the votes of the shareholders present; the election of Directors shall be implemented by distinguishing between Directors who are Audit & Supervisory Committee Members and other Directors; and cumulative voting shall not be adopted for the election of Directors.

(j) Provisions in the Articles of Incorporation to Enable Surplus Distribution by Resolution of the Board of Directors

With the aim of securing flexibility in financial operations, the Company stipulates in its Articles Incorporation that matters related to distribution of surplus, acquisition of treasury stock and other matters set forth in each item of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors.

(k) Provisions in the Articles of Incorporation to Limit the Liability of Directors by Resolution of the Board of Directors

To allow Directors to adequately carry out their expected roles in the performance of their duties, the Company stipulates in its Articles Incorporation that it may, by resolution of the Board of Directors, limit the liability of Directors to the extent as provided in laws and regulations.

(l) Provisions in the Articles of Incorporation to Change the Requirements for Special Resolution at Shareholders Meeting

To ensure that the quorum for a special resolution is more reliably achieved, the Company stipulates in its Articles Incorporation that resolutions set forth in Article 309, Paragraph 2 of the Companies Act shall require the presence of the shareholders holding in the aggregate one third or more of the votes of the shareholders who are entitled to exercise their voting rights and the affirmative vote of two thirds or more of the votes of the shareholders present.

(2) Status of Officers

(a) List of Officers

17 males, 1 female (female ratio of 5.6%)

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Representative Director and Chairman	Kosei Shindo	September 14, 1949	April 1973 Joined Nippon Steel Corporation (NSC) 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 April 2019 Representative Director and Chairman of the Company (to present)	(Note 1)	431
Representative Director and President	Eiji Hashimoto	December 7, 1955	April 1979 Joined NSC April 2009 Director (under the Executive Management System), Director, Plate Division and Director, Structurals 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 April 2019 Representative Director and President of the Company (to present)	(Note 1)	282
Representative Director and Executive Vice President	Shinichi Nakamura	February 15, 1959	April 1982 Joined NSC April 2013 Executive Officer, Head of Unit, Construction Products Unit of the Company 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 April 2018 Representative Director and Executive Vice President of the Company (to present) *Representatives of other major companies* Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.	(Note 1)	170

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Representative Director, Executive Vice President, and Project Leader, Zero-Carbon Steel Project	Akio Migita	October 19, 1961	April 1984 Joined NSC 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 April 2021 Representative Director, Executive Vice President, and Project Leader, Zero-Carbon Steel Project of the Company (to present)	(Note 1)	136
Representative Director, Executive Vice President, and Head of R & D Laboratories	Shuhei Onoyama	December 20, 1961	April 1984 Joined NSC 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 2019 Japanese name of Kimitsu Works was changed (English name unchanged) April 2020 Executive Vice President and Head of R & D Laboratories of the Company June 2020 Representative Director, Executive Vice President, and Head of R & D Laboratories of the Company (to present)	(Note 1)	68
Representative Director, Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector	Naoki Sato	March 23, 1961	April 1983 Joined NSC 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 April 2021 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 June 2021 Representative Director, 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 (to present)	(Note 1)	78
Representative Director, Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector	Takahiro Mori	October 3, 1957	April 1983 Joined NSC April 2014 Executive Officer and 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, and Project Leader, VSB Project, Global Business Development Sector of the Company April 2021 Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company June 2021 Representative Director, Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company (to present)	(Note 1)	44

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Managing Director, Member of the Board	Tadashi Imai	May 22, 1963	April 1988 Joined NSC 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 (to present)	(Note 1)	56
Director, Member of the Board	Noriko Iki	March 21, 1956	April 1979 Joined Ministry of Labor 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 June 2018 President of Japan Institute for Women's Empowerment & Diversity and Management (to present) June 2018 Director, Member of the Board (Outside Director) of the Company (to present)	(Note 1)	45
Director, Member of the Board	Tetsuro Tomita	October 10, 1951	April 1974 Joined Japanese National Railways 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 April 2018 Chairman and Director of East Japan Railway Company (to present) June 2020 Director, Member of the board (Outside Director) of the Company (to present)	(Note 1)	10

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares owned (Hundreds)
Director, Member of the Board	Masato Kitera	October 10, 1952	April 1976 Joined Ministry of Foreign Affairs of Japan 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 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 June 2020 Director, Member of the Board (Outside Director) of the Company (to present)	(Note 1)	10
Senior Audit & Supervisory Committee Member (full-time)	Masato Matsuno	May 29, 1957	April 1981 Joined Sumitomo Metal Industries, Ltd. April 2015 Managing Executive Officer and Head of Division, General Administration Division of the Company April 2016 Managing Executive Officer and Head of Office, Osaka Office April 2019 Executive Officer and Advisor to the President of the Company June 2019 Senior Audit & Supervisory Board Member (full-time) June 2020 Senior Audit & Supervisory Committee Member (full-time) of the Company (to present)	(Note 2)	69
Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto	January 19, 1961	April 1985 Joined NSC March 2014 Head of Division, Legal Division of the Company April 2016 Executive Officer and Head of Division, Legal Division of the Company April 2019 Managing Executive Officer of the Company April 2020 Executive Officer and Advisor to the President of the Company June 2020 Senior Audit & Supervisory Committee Member (full-time) of the Company (to present)	(Note 2)	88
Senior Audit & Supervisory Committee Member (full-time)	Nobuhiro Miyoshi	February 23, 1960	April 1982 Joined Nisshin Steel Co., Ltd. June 2014 Director, Managing Executive Officer and Head of Division, Corporate Planning Division of Nisshin Steel Co., Ltd. April 2015 Director and Managing Executive Officer of Nisshin Steel Co., Ltd. April 2017 Representative Director, Vice President and Executive Officer of Nisshin Steel Co., Ltd. April 2019 Representative Director, Vice President and Executive Officer of NIPPON STEEL NISSHIN CO., LTD. April 2020 Executive Officer and Advisor to the President of the Company June 2020 Senior Audit & Supervisory Committee Member (full-time) of the Company (to present)	(Note 2)	118

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares owned (Hundreds)
Audit & Supervisory Committee Member	Hiroshi Obayashi	June 17, 1947	April 1972 Prosecutor, Tokyo District Public Prosecutor's Office May 2001 Director-General, Rehabilitation Bureau, Ministry of Justice January 2002 Deputy Vice-Minister, Ministry of Justice June 2004 Director-General, Criminal Affairs Bureau, Ministry of Justice June 2006 Vice-Minister, Ministry of Justice July 2007 Superintending Prosecutor, Sapporo High Public Prosecutors Office July 2008 Superintending Prosecutor, Tokyo High Public Prosecutors Office June 2010 Prosecutor-General, the Supreme Public Prosecutors Office December 2010 Retired from Prosecutor-General, the Supreme Public Prosecutors Office March 2011 Registered as Attorney-at-law (to present) June 2014 Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company June 2020 Audit & Supervisory Committee Member (Outside Director) of the Company (to present)	(Note 2)	132
Audit & Supervisory Committee Member	Jiro Makino	October 22, 1949	April 1973 Joined Ministry of Finance July 2003 Director-General, Financial Bureau, Ministry of Finance October 2006 President, Policy Research Institute, Ministry of Finance and President, Account Center, Ministry of Finance July 2007 Commissioner, National Tax Agency July 2008 Retired from Commissioner, National Tax Agency July 2008 Vice Chairman, General Insurance Rating Organization of Japan (retired in November 2009) November 2009 Vice Chairman, The General Insurance Association of Japan April 2012 Vice Chairman, The General Insurance Association of Japan (to present) June 2014 Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company June 2020 Audit & Supervisory Committee Member (Outside Director) of the Company (to present)	(Note 2)	64

Titles	Name	Date of birth	Brief personal history		Term of office	Number of shares owned (Hundreds)
Audit & Supervisory Committee Member	Seiichiro Azuma	July 23, 1951	December 1975	Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)	(Note 2)	71
			July 1991	Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)		
			June 2007	Partner and Member of Management Council and General Manager, Kansai Block of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)		
			June 2009	Partner and Member of Management Council and General Manager, Kansai Block of Deloitte Touche Tohmatsu LLC		
			November 2013	Partner and Chairman of Management Council of Deloitte Touche Tohmatsu LLC		
			November 2015	Partner of Deloitte Touche Tohmatsu LLC		
			June 2016	Retired from Deloitte Touche Tohmatsu LLC		
			June 2016	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company		
			July 2016	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office (to present)		
			June 2020	Audit & Supervisory Committee Member (Outside Director) of the Company (to present)		
Audit & Supervisory Committee Member	Hiroshi Yoshikawa	June 30, 1951	February 1993	Professor of Faculty of Economics, The University of Tokyo	(Note 2)	0
			April 1996	Professor of Graduate School of Economics, The University of Tokyo		
			October 2009	Dean of Graduate School of Economics, The University of Tokyo		
			October 2011	Professor of Graduate School of Economics, The University of Tokyo		
			April 2016	Professor of Faculty of Economics, Rissho University		
			June 2016	Professor Emeritus of The University of Tokyo		
			April 2019	President of Rissho University (to present)		
			June 2019	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company		
			June 2020	Audit & Supervisory Committee Member (Outside Director) of the Company (to present)		
Total						1,879

Notes: 1. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2020 up to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2021.
2. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2020 up to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2022.
3. Directors Noriko Iki, Tetsuro Tomita, Masato Kitera, Hiroshi Obayashi, Jiro Makino, Seiichiro Azuma, and Hiroshi Yoshikawa are Outside Directors.

(b) The functions and roles of Outside Directors

The Outside Directors of the Company contribute to making decisions from various perspectives at the Board of Directors meetings, enhancing the audit and supervisory functions over management, and ensuring management transparency, by expressing their respective opinions independently at the Board of Directors meetings and other opportunities, exercising their voting rights, and making appropriate remarks and actions as Audit & Supervisory Committee Members, based on their vast experience in, and deep insights into, such areas as employment, labor, corporate management, international affairs, economies, cultures, laws, public administration, public finances, corporate accounting, and economies.

(c) The interests of Outside Directors

The Company decides the independence of Outside Directors in accordance with the independence standards set by financial instruments exchanges in Japan (e.g. Tokyo Stock Exchange), considering each individual's personal relationship, capital relationship, transaction relationship, and other interests with the Company.

The interests between the Outside Directors, on the one hand, and the Company, on the other hand, on which the Company bases its decisions are stated below. Because each Outside Director is not in a position that may involve conflicts of interest with general shareholders, the Company has reported all of them as Independent Directors to each financial instruments exchange in Japan (e.g. Tokyo Stock Exchange) on which the Company is listed.

Outside Director Noriko Iki

Although Ms. 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 0.76 million yen.

She does not conflict with the independence standards as set by each financial instruments exchange on which the Company is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with the Company.

Outside Director Tetsuro Tomita

Although Mr. Tomita is 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 accounts for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

He does not conflict with the independence standards as set by each financial instruments exchange on which the Company is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with the Company.

Outside Director Masato Kitera

He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which the Company is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in the Company.

Outside Director Hiroshi Obayashi

He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which the Company is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in the Company.

Outside Director Jiro Makino

He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which the Company is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in the Company.

Outside Director Seiichiro Azuma

He does not conflict with either the independence standards or attribute information as set by each financial instruments exchange on which the Company is listed (e.g. the Tokyo Stock Exchange), and does not have any special interests in the Company.

Outside Director Hiroshi Yoshikawa

Although Mr. Yoshikawa engaged in the execution of business of The University of Tokyo until March 2016, to which the Company makes donations, he currently does not engage in the execution of business of the university. Furthermore, the university is not a specified associated service provider of the Company. The Company donates 18 million yen annually for a corporate sponsored research program in the School of Engineering at The University of Tokyo.

He does not conflict with the independence standards as set by each financial instruments exchange on which the Company is listed (e.g. Tokyo Stock Exchange), and does not have any special interests with the Company.

(3) Audits

(a) Audits by the Audit & Supervisory Committee

(i) Organization, members and procedures for audits by the Audit & Supervisory Committee

The Company's Audit & Supervisory Committee is comprised of three (3) full-time Directors who are Audit & Supervisory Committee Members who were employees of the Company, with intimate knowledge of the Company's businesses, and four (4) Outside Directors who are Audit & Supervisory Committee Members who have vast experience in, and deep insights into, each of such areas as laws, public administration, public finances, corporate accounting and economies. The Audit & Supervisory Committee acts with the obligation of contributing to the establishment of a high quality corporate governance system that enables sound and sustainable growth of the Company and its Group companies, by supervising the performance of responsibilities by Directors and acting as part of the Company's oversight function, as an independent organ fulfilling its roles and responsibilities that are recently expected, in response to the delegation of responsibilities by the shareholders, and social trust.

Specifically, in compliance with the standards for the Audit & Supervisory Committee's audits, which were established by the Audit & Supervisory Committee, and in accordance with the policies and plans of audits, and the assignment of duties, etc., the Audit & Supervisory Committee Members cooperate closely with the departments in charge of internal audit and proceed with daily supervisory activities in a planned way, with a main focus on the development and operation of the internal control system, the development of business infrastructure, and the progress of various measures for management plans, as priority audit items. In addition, the Audit & Supervisory Committee Members attends important meetings, such as meetings of the Board of Directors, and conducts onsite audits of steelworks and other facilities. Further, the Audit & Supervisory Committee Members ask Executive Directors and employees, among others, to explain the performance of their responsibilities, and other related matters, and actively express their opinions.

For the Group companies, the Audit & Supervisory Committee Members of the Company exchanges opinions and information with the Directors of such Group companies and the Directors, etc. of the responsible divisions of the Company, and as necessary, receives business reports from them and asks them for explanations. Further, the Audit & Supervisory Committee Members of the Company seeks to improve the quality of the supervisory activities as the whole Group, by establishing close cooperation with the Group companies' audit & supervisory board members, through liaison conferences and other opportunities.

Outside Director who is an Audit & Supervisory Committee Member Mr. Seiichiro Azuma is a certified public accountant with substantial knowledge of finance and accounting.

The Company has established the Audit & Supervisory Committee Members' Office and has assigned six (6) full-time dedicated staff members, in order to assist the Audit & Supervisory Committee in the smooth execution of its duties.

(ii) Activities of the Audit & Supervisory Comittttee

During the current fiscal year, the Company held five meetings of the Audit & Supervisory Board until it transitioned to a company with an Audit & Supervisory Committee on June 24, 2020, and subsequently held 14 meetings of the Audit & Supervisory Committee up to the end of the current fiscal year. The status of attendance of each Audit & Supervisory Board Member and Audit & Supervisory Committee Member at these meetings is as follows.

a. Before transition to a Company with Audit & Supervisory Committee

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

Title	Name	Status of attendance (Attendance rate)
Senior Audit & Supervisory Board Member (full-time)	Masato Matsuno	5/5 (100%)
Senior Audit & Supervisory Board Member (full-time)	Atsuhiko Yoshie	5/5 (100%)
Audit & Supervisory Board Member (full-time)	Masato Tsuribe	5/5 (100%)
Audit & Supervisory Board Member	Hiroshi Obayashi	5/5 (100%)
Audit & Supervisory Board Member	Jiro Makino	5/5 (100%)
Audit & Supervisory Board Member	Seiichiro Azuma	5/5 (100%)
Audit & Supervisory Board	Hiroshi Yoshikawa	5/5 (100%)

Member		

Note: Mr. Hiroshi Obayashi, Mr. Jiro Makino, Mr. Seiichiro Azuma, and Mr. Hiroshi Yoshikawa are Outside Audit & Supervisory Board Members

The Audit & Supervisory Board deliberated on finalization of audit reports by the Audit & Supervisory Board, and the contents of a proposal to be submitted to the General Meeting of Shareholders concerning the election and dismissal or non-reelection of the Accounting Auditor.

In accordance with, among others, the policies and plans of audit as set forth by the Audit & Supervisory Board, Audit & Supervisory Board Members endeavored to gather information and to create an improved environment for auditing through close communication with Directors, employees including those working in the departments in change of internal audit and other relevant personnel, as well as attended meetings of the Board of Directors and Corporate Policy Committee, etc., heard in advance about the matters to be submitted for deliberation or reported, heard other important matters, and heard reports from the Accounting Auditor.

Outside Audit & Supervisory Board Members expressed their respective opinions from an independent standpoint at meetings of the Board of Directors and the Audit & Supervisory Board, and were engaged in audit activities including the hearing of reports from the Accounting Auditor, based on their vast experience in, and deep insights into, each of such areas as laws, public administration, public finances, corporate accounting and economies.

b. After transition to a Company with Audit & Supervisory Committee

(From the conclusion of the 96th General Meeting of Shareholders (June 24, 2021) through March 31, 2021)

Title	Name	Status of attendance (Attendance rate)
Senior Audit & Supervisory Committee Member (full-time)	Masato Matsuno	14/14 (100%)
Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto	14/14 (100%)
Senior Audit & Supervisory Committee Member (full-time)	Nobuhiro Miyoshi	14/14 (100%)
Audit & Supervisory Committee Member	Hiroshi Obayashi	14/14 (100%)
Audit & Supervisory Committee Member	Jiro Makino	14/14 (100%)
Audit & Supervisory Committee Member	Seiichiro Azuma	14/14 (100%)
Audit & Supervisory Committee Member	Hiroshi Yoshikawa	14/14 (100%)

Note: Mr. Hiroshi Obayashi, Mr. Jiro Makino, Mr. Seiichiro Azuma, and Mr. Hiroshi Yoshikawa are Outside Directors

The Audit & Supervisory Committee primarily deliberates on the election and dismissal of the Chairperson of the Audit & Supervisory Committee or their delegate(s), full-time Audit & Supervisory Committee Members and Senior Audit & Supervisory Committee Members; election of appointed or specified Audit & Supervisory Committee Members; decisions on items related to the policies, plans, and methods of audit, the assignment of audit duties, and the budgeting of audit expenses, etc.; decisions on policies as to the election, dismissal or non-reelection of the Accounting Auditor; decisions as to whether or not the Accounting Auditor should be reelected, and finalization of audit reports by the Audit & Supervisory Committee. The Audit & Supervisory Committee also determines the contents of a proposal to be submitted to the General Meeting of Shareholders concerning the election, dismissal or non-reelection of the Accounting Auditor, and deliberates whether to give consent to the amount of compensation, etc. for the Accounting Auditor and to a proposal regarding the election of Directors who are Audit & Supervisory Committee Members.

In accordance with, among others, the policies and plans of audit and the assignment of duties, etc. as set forth by the Audit & Supervisory Committee, full-time Audit & Supervisory Committee Members, as Audit & Supervisory Committee Members selected by the Audit & Supervisory Committee, have attended meetings of the Board of Directors and Corporate Policy Committee, etc., have heard in advance about the matters to be submitted for deliberation or reported, have heard other important matters, and have heard reports from the Accounting Auditor through close communication with the departments in change of internal audit.

Outside Directors who are Audit & Supervisory Committee Members, as Audit & Supervisory Committee Members selected by the Audit & Supervisory Committee, contribute to the Company's sound and fair management, by, among other tasks, expressing their respective opinions independently at the Board of Directors' meetings, the Audit & Supervisory Committee meetings, and other opportunities, and performing audit activities, including examination of the operations and financial position at major steelworks, and hearing reports from the Accounting Auditor, based on their vast experience in, and deep insights into, each of such areas as laws, public administration, public finances, corporate accounting and economies. In addition, Outside Directors who are Audit & Supervisory Committee Members strive to share information and understand about the Company's management issues through liaison meetings, etc. with the Chairman, President and Outside Directors (excluding Directors who are Audit & Supervisory Committee Members), as well as through opportunities for exchanging opinions.

(b) Accounting Auditor

The Company has appointed KPMG AZSA LLC as its Accounting Auditor. The names of the certified public accountants who executed the accounting audit activities at the Company under the Companies Act and the Financial Instruments and Exchange Act, and the composition of the assistants for such audit activities, are as follows.

KPMG AZSA LLC

- Continuous Audit Period

  15 years

- Names of the Certified Public Accountants Who Executed the Activities (Designated Limited Liability Partner)

  Mr. Koichi Kobori, certified public accountant; Mr. Hirotaka Tanaka, certified public accountant; and Mr. Takashi Hasumi, certified public accountant.

  The number of years that Mr. Koichi Kobori, Mr. Hirotaka Tanaka, and Mr. Takashi Hasumi have continuously conducted the Company's audits is seven or less.

- Composition of the Assistants Involved in Accounting Audit Activities

  The composition of the assistants involved in accounting audit activities is decided under KPMG AZSA's appointment standards. Specifically, certified public accountants are the principal members, and assistants, such as system specialists, are also included.

In addition, KPMG AZSA and its executive partners in charge of the Company's audits have no special interests with the Company.

(Policies and Reasons for Selection of the Accounting Auditor)

The Company selects the Accounting Auditor considered well-qualified based on the policy on selecting the Accounting Auditor, which is formulated by the Audit & Supervisory Committee. Specifically, such policy requires selection of an Accounting Auditor from among multiple candidates based on the scale and the global nature of our business, while taking into consideration the Accounting Auditor's independence, specialty, audit quality, track record, audit plan, audit structure, and level of audit fees.

On the basis of above policy, the Company has judged that KPMG AZSA LLC is well-qualified for its Accounting Auditor.

As for the policy regarding decision on dismissal or non-reelection of the Accounting Auditor, the Company shall 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.

On the basis of above policy, the Audit & Supervisory Committee of the Company carried out an evaluation of KPMG AZSA LLC, to conclude that a proposal for dismissal or non-reelection of the Accounting Auditor need not be submitted to the General Meeting of Shareholders.

(Evaluation of the Accounting Auditor by the Audit & Supervisory Committee)

The Audit & Supervisory Committee of the Company has evaluated the Accounting Auditor in consideration of the factors including its independence, specialty, audit quality, audit activities, level of audit fees, and adequacy of audit report. The Audit & Supervisory Committee of the Company has judged that KPMG AZSA LLC is suitable and adequate as the Accounting Auditor.

(c) Cooperation among the Internal Audit Departments, Audit & Supervisory Committee and Accounting Auditor

- Cooperation between the Internal Audit Departments and Audit & Supervisory Committee

The Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee attend quarterly meetings of the Risk Management Committee, and the Audit & Supervisory Committee receives regular reports from the Internal Control & Audit Division, and both parties exchange opinions to ensure close collaboration. In addition, the Audit & Supervisory Committee regularly interviews functional divisions managing important risks, such as safety, environment, disaster prevention, quality assurance and other matters, on the status of their respective activities, to enhance the effectiveness of audit activities. Moreover, the Internal Control & Audit Division and functional divisions formulate an annual plan based on the opinions of the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee shares information on litigation with the Legal Division.

- Cooperation between the Internal Audit Departments and Accounting Auditor

The Internal Control & Audit Division reports quarterly to the Accounting Auditor with respect to the contents and related matters of the discussions at the Risk Management Committee, and discusses appropriately with the Accounting Auditor the development and operation of the internal control system relating to financial reports, to pursue its continuous improvement.

- Cooperation between the Audit & Supervisory Committee and Accounting Auditor

At the beginning of a fiscal year, the Audit & Supervisory Committee and the Accounting Auditor exchange opinions on matters of concern from the previous fiscal year, items of focus in the audit and other matters, based on the audit plan drafted by the Accounting Auditor, which outlines scope of the audit, the audit structure, and priority audit items for the period, among others, so that an effective accounting audit will be executed.

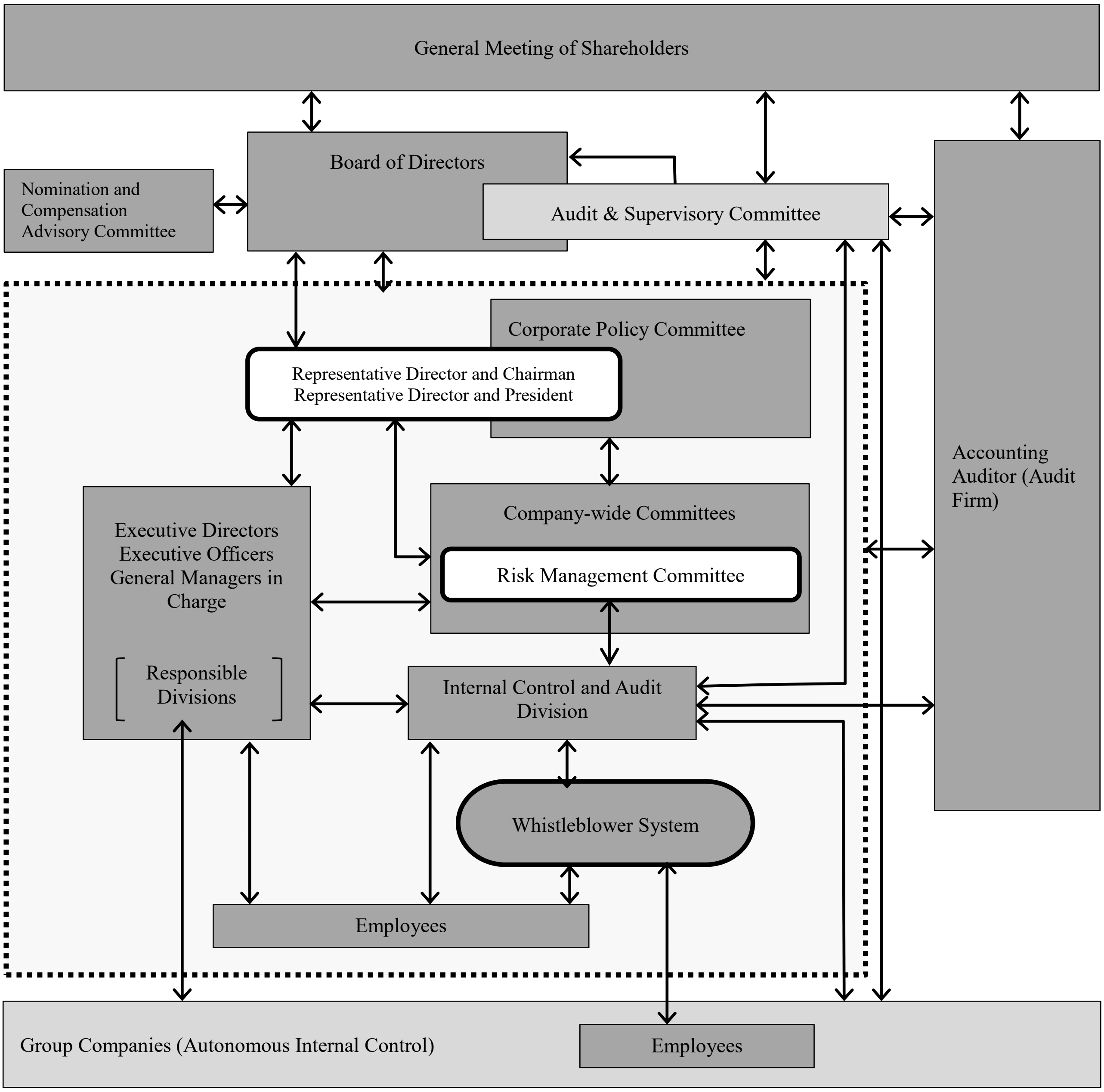
Moreover, at each quarter, the Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee receive a report on the progress and the results of the quarterly review from the Accounting Auditor and exchange opinions regarding matters stated in the quarterly report including non-financial information.

Furthermore, at the end of a fiscal year, the Audit & Supervisory Committee receive the Auditor’s Report and a report on the audit results including the priority audit items for the period from the Accounting Auditor, and use such reports for the basis of the Audit Report, which is subsequently prepared by the Audit & Supervisory Committee.

In addition, the Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee and the Accounting Auditor cooperate and mutually contribute to forming their respective audit opinions by exchanging opinions on audit activities at regular liaison conferences.

<Reference: Relationship Diagram>

The following is a diagram illustrating the relationship regarding the Company's organizations and internal control, etc.



Notes:

1. In accordance with a provision in the Articles of Incorporation, the Board of Directors of the Company delegates part of the decisions regarding execution of important operations (excluding matters listed in each item of Article 399-13, Paragraph 5 of the Companies Act) to the Representative Director and Chairman and Representative Director and President, thereby expediting management decision-making, enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies, and strengthening the supervisory function of the Board of Directors over management.
   The execution of important matters concerning the management of the Company and the NIPPON STEEL Group is determined at the Board of Directors (held about once per month) after deliberations in the Corporate Policy Committee (held once a week, in principle) comprised of the Chairman, President, Executive Vice Presidents, and other members, pursuant to the Company's rules.
2. As corporate organizations engaging in deliberations before the Corporate Policy Committee and the Board of Directors, there are 21 company-wide committees in total as of April 1, 2021, including the Ordinary Budget Committee, the Plant and Equipment Investment Budget Committee, the Investment and Financing Committee, the Fund Management Committee, the Technology Development Committee, the Environment Management Committee, the Risk Management Committee, and the Zero-Carbon Steel Committee depending on each purpose.
3. The Company 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). The Company has also designated a person in charge of risk management (about 110 for the Company) 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.

4. As far as the Group companies are concerned, each company establishes and develops an internal control system based on its autonomous internal control, and the responsible divisions of the Company provide assistance in their improvement, where necessary. Furthermore, the General Manager for the Internal Control & Audit Division of the Company identifies and evaluates the situation of internal control of the NIPPON STEEL Group as a whole, and gives guidance and advice to each responsible division and each Group company.

(d) Audit fees

(Compensation for certified public accountants, etc. conducting audits)

Category	Year ended March 31, 2020		Year ended March 31, 2021	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	172	1	177	1
Consolidated subsidiaries	924	11	821	4
Total	1,096	12	998	6

The Company and its consolidated subsidiaries delegate the preparation of letters to lead managing underwriters in association with the issuance of bonds, etc. as non-audit services, and pay compensation for such services.

(Compensation to member firms of KPMG belonging to the same network as the certified public accountants, etc. conducting audits (excluding compensation to the certified public accountants, etc. conducting audits))

Category	Year ended March 31, 2020		Year ended March 31, 2021	
	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)	Compensation for audit and attestation service (Millions of Yen)	Compensation for non-audit services (Millions of Yen)
Reporting company	-	41	-	22
Consolidated subsidiaries	330	99	395	125
Total	330	141	395	148

The Company and its consolidated subsidiaries delegate the preparation of tax returns and tax consulting, etc. as non-audit services to member firms of KPMG belonging to the same network as the certified public accountants, etc. conducting audits, and pay compensations for such services.

(Policy on determining audit fees)

The Company determined the amount of compensation upon mutual consultation with KPMG AZSA LLC, which is the Accounting Auditor of the Company, based on the audit plan prepared by KPMG AZSA LLC.

(Grounds for consent to compensation, etc. of Accounting Auditor by the Audit & Supervisory Committee)

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.

(4) Compensation for directors and other officers

(a) Total amount of compensation by position, total amount of compensation by type and number of recipients

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 (c) a) (i) 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 (c) a) (ii) 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.

(b) Total amount of consolidated compensation by officer of the reporting company

(Yen)

Name	Position	Company	Classification	Total amount of consolidated compensation
Kosei Shindo	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	106,920,000
Eiji Hashimoto	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	106,920,000

Note: The above table lists only individuals whose total amount of consolidated compensation is 100 million yen or more.

(c) Policies regarding the decision on the amount of compensation for Directors

a) Content of policies

(i) From April 1, 2020 to June 24, 2020

(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.

(ii) From June 24, 2020 to June 23, 2021

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.

(iii) After June 23, 2021

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. As indicators for performance-linked compensation, the Company uses consolidated annual profit/loss, which clearly indicates its business performance and profitability (provided, however, the profit/loss is corrected in a manner to eliminate the amount associated with production facility structural measures, out of profit/loss on reorganization; the same applies hereinafter), as well as consolidated EBITDA, while taking into account other factors including revenue targets in the Medium- to Long-term Management Plan.

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.

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.

b) Methods of determining the policies

(i) From April 1, 2020 to June 24, 2020

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

The policies described in a) (i) 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 a) (i) 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.

(ii) From June 24, 2020 to June 23, 2021

The policies described in a) (ii) 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 a) (ii) 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.

(iii) After June 23, 2021

The policies described in a) (iii) 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 a) (iii) 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.

c) 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 a) (ii) and (iii) 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 a) (ii) and (iii) 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 a) (ii) and (iii) above.

(c) Activities of the Board of Directors and the Nomination and Compensation Advisory Committee in the process of deciding the amount of compensation for Directors

a) Activities of the Board of Directors

The specific amount of monthly compensation of each Director was determined based on the "Policies regarding the Decision on the Amount of Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members)" resolved at the Board of Directors' meeting held on June 24, 2020.

b) Activities of the Nomination and Compensation Advisory Committee

Prior to determination of the specific amount of monthly compensation of each Director (excluding Director who is Audit & Supervisory Committee Member) by resolution at the Board of Directors' meeting mentioned in a) above, at the Nomination and Compensation Advisory Committee meeting held on May 8, 2020, the committee conducted discussions and deliberations on a wide-range of topics including the system of Directors' compensation and the appropriateness of the compensation levels by position, taking into account the survey results of directors' compensation of other companies obtained from third-party research organizations.

(5) Shareholdings

(a) Standards and basic views on classification of investment shares

The Company classifies shares held solely for the purpose of gaining profit from fluctuations in values of shares or dividends on shares as investment shares held for pure investment purposes. The Company does not hold investment shares held for pure investment purposes.

(b) Investment shares held for purposes other than pure investment

a. Shareholding policy and method of examining the reasonableness of shareholding, as well as description of examination on the appropriateness of shareholding of individual stocks at the Board of Directors meetings, etc.

The Company, from the standpoint of sustainable growth and improvement of its corporate value over the mid- to long-term, believes that it is extremely important to maintain and develop the relationships of trust and alliance with its extensive range of business partners and alliance partners both in Japan and overseas, which have been cultivated through its business activities over the years. Accordingly, the Company shall continue to hold strategic shareholdings which are judged to contribute to maintaining and strengthening its business foundation such as the business relationships and alliance relationships between the Company and the investees, enhancing the profitability of both parties, and thereby improving the corporate value of the Company and the Group. Following sufficient discussions with the above companies, for those companies for which we believe are capable of achieving the objectives described above without holding their shares, we will proceed with the sale of shares we hold in such companies.

The Company confirms the appropriateness of its strategic shareholdings by specifically examining whether the purpose of each shareholding is appropriate and whether the benefit and risk associated with each shareholding is commensurate with the cost of capital, among other issues. Of these shareholdings, those shareholdings for which the fair value exceeds a certain threshold are examined each year at the Board of Directors meetings. The fair value of the shareholdings examined at the Board of Directors meetings accounts for approximately 90% of the total fair value of the strategic shareholdings held by the Company on a consolidated basis (as of March 31, 2021).

b. Number of stocks and carrying amount

	Number of stocks	Carrying amount (Millions of Yen)
Unlisted shares	206	12,932
Shares other than unlisted shares	95	249,688

(Stocks whose number of shares increased during the year ended March 31, 2021)

	Number of stocks	Total acquisition cost of increased shares (Millions of Yen)	Reason for increase in number of shares
Unlisted shares	21	546	• Because the shares have been succeeded from consolidated subsidiaries merged into the Company.
Shares other than unlisted shares	15	24,650	• Because the shares have been succeeded from consolidated subsidiaries merged into the Company. • Because the shares have been reclassified into investment shares held for purposes other than pure investment due to the sale of some of the shares in companies that used to be an affiliate.

(Stocks whose number of shares decreased during the year ended March 31, 2021)

	Number of stocks	Total sale amount of decreased shares (Millions of Yen)

Unlisted shares	6	82
Shares other than unlisted shares	26	66,383

c. Information on number of shares, carrying amount, etc. of specified investment shares and deemed holdings of shares by stock

Specified investment shares

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Suzuki Motor Corporation	7,759,531	7,759,531	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	38,991	20,054		
Daido Steel Co., Ltd.	3,100,960	3,100,960	This company and the Company operate joint ventures, etc. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	15,845	10,791		
Mitsubishi UFJ Financial Group, Inc.	25,379,690	25,379,690	This company is a source of funds procurement, stably and flexibly providing funds to the Company in accordance with its business strategies. The Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	15,017	10,228		
AIR WATER INC.	6,900,000	10,000,000	This company and the Company jointly operate on-site plants that supply oxygen, nitrogen, etc. within the premises of the Company's steel works. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	13,386	14,860		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Sumitomo Corporation	6,746,010	7,870,210	This company is a major partner of the Company in activities such as sales transactions of steel and operation of joint ventures. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	10,638	9,751		
Sankyu Inc.	2,061,280	2,061,280	This company is a contractor of logistics and other work within the premises of the Company's steel works. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	10,017	8,317		
UACJ Corporation	3,744,609	3,744,609	This company is a manufacturer of nonferrous metals such as aluminum. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	9,990	5,815		
Nittetsu Mining Co., Ltd.	1,237,960	1,237,960	This company is a stable supplier of limestone, which is essential for the Company's production of steel. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	8,430	5,242		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Kobe Steel, Ltd.	10,734,500	10,734,500	This company is a strategic alliance partner of the Company in the joint use of upstream facilities, operation of joint ventures, reciprocal production support, etc. The Company holds shares in this company for the purpose of maintaining and developing the strategic alliance relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	8,029	3,585		
Sumitomo Mitsui Financial Group, Inc.	1,753,682	1,753,682	This company is a source of funds procurement, stably and flexibly providing funds to the Company in accordance with its business strategies. The Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	7,027	4,599		
OKAMURA CORPORATION	5,313,988	5,313,988	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	6,892	4,596		
OSAKA Titanium technologies Co., Ltd.	7,150,000	—	This company is a stable supplier of titanium materials for the Company. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	6,864	—		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
VALLOUREC	1,667,392	66,695,715	This company is a strategic alliance partner of the Company in the Company's pipe & tube business through collaboration for the VAM® premium connection as well as operation of joint ventures. The Company holds shares in this company for the purpose of maintaining and developing strategic alliance relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	6,276	8,228		
DAIWA HOUSE INDUSTRY CO., LTD.	1,846,200	2,106,500	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	5,983	5,640		
Sanwa Holdings Corporation	3,968,000	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	5,749	—		
Aichi Steel Corporation	1,531,420	1,531,420	This company and the Company operate joint ventures, etc. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	5,681	4,816		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Yokogawa Bridge Holdings Corp.	1,987,303	1,987,303	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	4,075	3,911		
TOKYO ROPE MFG. CO., LTD.	3,236,535	1,150,464	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In the current fiscal year, the Company carried out additional acquisition of this company shares with the aim of contributing to the recovery and improvement of this company's corporate value by increasing the Company's commitment to improvement this company's corporate value. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,964	709		
OKAYA & CO., LTD.	434,500	424,000	This company is a major partner of Company in activities such as sales transactions of steel and operation of joint ventures. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,958	3,413		
Dai-ichi Life Holdings, Inc.	1,969,100	1,969,100	This company is a major source of long-term funds procurement for the Company, and is also the principal company entrusted with the management of pension assets. The Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,745	2,550		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
TOHO TITANIUM CO., LTD.	3,500,000	3,500,000	This company is a stable supplier of titanium materials for the Company. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	3,482	2,264		
NAKAYAMA STEEL WORKS, LTD.	7,921,295	10,708,795	This company, through its subsidiary, operates joint ventures, etc. with the Company. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	3,453	4,304		
MITSUI & CO., LTD.	1,449,250	1,449,250	This company is a major partner of the Company in activities such as sales transactions of steel and operation of joint ventures. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,336	2,178		
Konoike Transport Co., Ltd.	2,451,418	2,451,418	This company is a contractor of logistics and other work within the premises of the Company's steel works. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,963	2,838		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
NIPPON CONCRETE INDUSTRIES CO., LTD.	6,940,000	6,940,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,859	1,859		
Mizuho Financial Group, Inc.	1,484,624	14,846,240	This company is a source of funds procurement, stably and flexibly providing funds to the Company in accordance with its business strategies. The Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,373	1,834		
HANWA Co., Ltd.	600,000	600,000	This company is a major partner of the Company in activities such as sales transactions of steel and operation of joint ventures. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,037	1,009		
Yamaha Motor Co., Ltd.	700,000	700,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,897	914		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Neturen Co., Ltd.	3,101,800	3,101,800	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,888	2,183		
Sumitomo Precision Products Co., Ltd.	764,935	764,935	This company is a customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,812	1,695		
MAX Co., Ltd.	1,044,950	1,044,950	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,710	1,739		
PT CITRA TUBINDO Tbk	55,816,880	55,816,880	This company is a major partner of the Company in activities such as sales of OCTG in the Indonesian market. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,633	886		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Topre Corporation	994,000	994,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,551	1,192		
Sumitomo Mitsui Trust Holdings, Inc.	397,858	397,858	This company is a source of funds procurement, stably and flexibly providing funds to the Company in accordance with its business strategies. The Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,535	1,242		
MinebeaMitsumi Inc.	500,000	5,00,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,414	807		
MARUICHI STEEL TUBE LTD.	500,250	1,000,500	This company a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,263	2,600		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Toyo Seikan Group Holdings, Ltd.	892,000	892,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,173	1,100		
Namura Shipbuilding Co., Ltd.	5,027,656	5,027,656	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,116	1,025		
MS&AD Insurance Group Holdings, Inc.	329,241	329,241	This company is a major provider of non-life insurance to the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,069	995		
Bunka Shutter Co., Ltd.	1,011,875	1,011,875	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,066	794		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
ITOCHU Corporation	280,700	280,700	This company is a major partner of the Company in activities such as sales transactions of steel and operation of joint ventures. The Company holds shares in this company for the purpose of smoothly advancing business activities. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,006	629		
Yodogawa Steel Works, Ltd.	400,103	400,103	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	980	706		
MOLITEC STEEL CO.,LTD.	2,244,166	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	976	—		
TSUKISHIMA KIKAI CO., LTD.	704,000	704,000	This company is a customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	903	953		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Steel Strips Wheels Limited	850,000	*	This company is a stable supplier of parts for wheels of the Group. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	902	*		
Electric Power Development Co., Ltd.	446,500	446,500	This company is an alliance partner of the Company in the Company's power supply business, and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	863	972		
West Japan Railway Company	135,000	135,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	828	998		
Fudo Tetra Corporation	406,252	406,252	This company is a customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	782	521		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
SHINHOKOKU STEEL CORPORATION	508,900	*	This company is a stable supplier of parts for steelmaking facilities in the Company's pipe & tube business. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	763	*		
SNT CORPORATION	2,577,600	2,577,600	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	747	577		
Tokio Marine Holdings, Inc.	134,800	134,800	This company is a major provider of non-life insurance to the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	709	667		
DENSO CORPORATION	96,050	*	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	705	*		

<table>
<tr><th rowspan="3">Stock</th><th>Year ended March 31, 2021</th><th>Year ended March 31, 2020</th><th rowspan="3">Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares</th><th rowspan="3">Whether the Company's shares are held</th></tr>
<tr><th colspan="2">Number of shares</th></tr>
<tr><th colspan="2">Carrying amount (Millions of Yen)</th></tr>
<tr><td rowspan="2">FUTABA INDUSTRIAL CO.,LTD.</td><td>1,014,100</td><td>*</td><td rowspan="2">This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.</td><td rowspan="2">Yes</td></tr>
<tr><td>601</td><td>*</td></tr>
<tr><td rowspan="2">Central Japan Railway Company</td><td>—</td><td>1,190,500</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">Yes</td></tr>
<tr><td>—</td><td>20,619</td></tr>
<tr><td rowspan="2">East Japan Railway Company</td><td>—</td><td>1,064,400</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">Yes</td></tr>
<tr><td>—</td><td>8,702</td></tr>
<tr><td rowspan="2">Mitsubishi Electric Corporation</td><td>—</td><td>5,610,800</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>7,490</td></tr>
<tr><td rowspan="2">Mitsubishi Corporation</td><td>—</td><td>1,283,700</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>2,941</td></tr>
<tr><td rowspan="2">Honda Motor Co., Ltd.</td><td>—</td><td>1,183,500</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">Yes</td></tr>
<tr><td>—</td><td>2,875</td></tr>
<tr><td rowspan="2">Isuzu Motors Limited</td><td>—</td><td>3,628,500</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>2,595</td></tr>
<tr><td rowspan="2">Sumitomo Electric Industries, Ltd.</td><td>—</td><td>1,864,700</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>2,122</td></tr>
<tr><td rowspan="2">Sumitomo Realty & Development Co., Ltd.</td><td>—</td><td>487,868</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">Yes</td></tr>
<tr><td>—</td><td>1,285</td></tr>
<tr><td rowspan="2">The Japan Steel Works, Ltd.</td><td>—</td><td>653,000</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>854</td></tr>
<tr><td rowspan="2">Sumitomo Heavy Industries, Ltd.</td><td>—</td><td>268,076</td><td rowspan="2">The Company does not hold shares in this company as of March 31, 2021.</td><td rowspan="2">No</td></tr>
<tr><td>—</td><td>523</td></tr>
</table>

Notes: 1. "—" indicates that the Company does not hold the relevant stock. "*" indicates that information has been omitted because the carrying amount of the relevant stock is 1% or less of the Company's common stock and the stock is not one of the 60 stocks with the largest carrying amounts.

2. With regard to Mitsubishi UFJ Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc., Dai-ichi Life Holdings, Inc., Mizuho Financial Group, Inc., Sumitomo Mitsui Trust Holdings, Inc., MS&AD Insurance Group Holdings, Inc. and Tokio Marine Holdings, Inc., subsidiaries of these companies hold shares in the Company.

3. In selecting stocks with the largest carrying amounts, specified investment shares and deemed holdings of shares are not combined.

Deemed holdings of shares

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Central Japan Railway Company	1,190,500	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	19,702	—		
Honda Motor Co., Ltd.	2,955,000	2,955,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	9,807	7,180		
East Japan Railway Company	1,064,400	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	8,343	—		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
DAIKIN INDUSTRIES, LTD.	324,000	534,200	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	7,231	7,035		
Isuzu Motors Limited	3,628,500	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	4,314	—		
Nihon Parkerizing Co., Ltd.	2,664,000	2,664,000	This company is a stable supplier of chemicals, rust preventive oils, etc., and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,183	2,983		

Stock	Year ended March 31, 2021	Year ended March 31, 2020	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Sumitomo Realty & Development Co., Ltd.	487,868	—	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,905	—		
TOYOTA MOTOR CORPORATION	—	4,970,900	The Company does not hold shares in this company as of March 31, 2021.	No
	—	32,315		

Notes: 1. "—" indicates that the Company does not hold the relevant stock.

(c) Investment shares held for pure investment

Not applicable.

V. Financial Information

1. Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

ASSETS		As of March 31, 2020	**As of March 31, 2021**
Current assets :			
Cash and cash equivalents	(Notes 7 and 31)	289,459	**359,465**
Trade and other receivables	(Notes 8, 31 and 32)	826,596	**805,306**
Inventories	(Note 9)	1,532,181	**1,349,355**
Other financial assets	(Note 31)	17,340	**27,772**
Other current assets		119,396	**130,786**
Total current assets		2,784,974	**2,672,686**
Non-current assets :			
Property, plant and equipment	(Notes 10, 11 and 28)	2,812,542	**2,954,938**
Right-of-use assets	(Note 13)	93,663	**88,559**
Goodwill	(Notes 12 and 28)	45,486	**46,341**
Intangible assets	(Notes 12 and 28)	96,677	**95,826**
Investments accounted for using the equity method	(Notes 14 and 28)	878,271	**817,328**
Other financial assets	(Note 31)	481,117	**628,226**
Defined benefit assets	(Note 18)	58,643	**110,396**
Deferred tax assets	(Note 15)	186,457	**153,123**
Other non-current assets		7,132	**6,519**
Total non-current assets		4,659,990	**4,901,260**
Total assets		7,444,965	**7,573,946**

The accompanying notes are integral parts of these statements.

(Millions of Yen)

LIABILITIES		As of March 31, 2020	**As of March 31, 2021**
Current liabilities :			
Trade and other payables	(Notes 16 and 31)	1,449,801	**1,382,761**
Bonds, borrowings and lease liabilities	(Notes 10, 13, 17 and 31)	376,900	**308,985**
Other financial liabilities	(Note 31)	2,189	**1,250**
Income taxes payable		27,323	**24,256**
Other current liabilities		38,978	**54,077**
Total current liabilities		1,895,192	**1,771,331**
Non-current liabilities :			
Bonds, borrowings and lease liabilities	(Notes 10, 13, 17 and 31)	2,111,841	**2,250,246**
Other financial liabilities	(Note 31)	4,621	**4,784**
Defined benefit liabilities	(Note 18)	236,758	**189,453**
Deferred tax liabilities	(Note 15)	27,765	**37,385**
Other non-current liabilities	(Note 31)	172,154	**189,358**
Total non-current liabilities		2,553,141	**2,671,228**
Total liabilities		4,448,333	**4,442,559**
EQUITY			
Common stock	(Note 19)	419,524	**419,524**
Capital surplus	(Note 19)	394,404	**393,168**
Retained earnings	(Note 19)	1,870,948	**1,910,333**
Treasury stock	(Note 19)	(58,505)	**(58,342)**
Other components of equity		15,245	**95,311**
Total equity attributable to owners of the parent		2,641,618	**2,759,996**
Non-controlling interests		355,013	**371,390**
Total equity		2,996,631	**3,131,387**
Total liabilities and equity		7,444,965	**7,573,946**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Consolidated Statements of Profit or Loss (Millions of Yen)

		Year ended March 31, 2020	**Year ended March 31, 2021**
Revenue	(Notes 21 and 32)	5,921,525	**4,829,272**
Cost of sales	(Note 18 and 23)	(5,312,367)	**(4,263,940)**
Gross profit		609,158	**565,332**
Selling, general and administrative expenses	(Notes 18, 22, 23 and 32)	(571,781)	**(469,133)**
Share of profit in investments accounted for using the equity method	(Note 14)	38,395	**55,220**
Other operating income	(Note 24)	104,844	**49,710**
Other operating expenses	(Note 24)	(465,035)	**(91,083)**
Business profit (loss)	(Note 25)	(284,417)	**110,046**
Losses on reorganization	(Note 26)	(121,702)	**(98,665)**
Operating profit (loss)		(406,119)	**11,381**
Finance income	(Note 27)	7,706	**5,367**
Finance costs	(Note 27)	(25,159)	**(25,404)**
Profit (loss) before income taxes		(423,572)	**(8,656)**
Income tax expense	(Note 15)	(2,548)	**(10,671)**
Profit (loss) for the year		(426,120)	**(19,327)**
Profit (loss) for the year attributable to :			
Owners of the parent		(431,513)	**(32,432)**
Non-controlling interests		5,393	**13,105**
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	(Note 30)	(468.74)	**(35.22)**

Consolidated Statements of Comprehensive Income (Millions of Yen)

		Year ended March 31, 2020	**Year ended March 31, 2021**
Profit (loss) for the year		(426,120)	**(19,327)**
Other comprehensive income	(Note 29)		
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(83,305)	**125,471**
Remeasurements of defined benefit plans		(1,449)	**42,307**
Share of other comprehensive income of investments accounted for using the equity method	(Note 14)	(6,785)	**10,062**
Subtotal		(91,540)	**177,841**
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges		(1,821)	**5,029**
Foreign exchange differences on translation of foreign operations		(14,812)	**2,752**
Share of other comprehensive income of investments accounted for using the equity method	(Note 14)	(9,346)	**(23,062)**
Subtotal		(25,981)	**(15,280)**
Total other comprehensive income (loss), net of tax		(117,521)	**162,561**
Total comprehensive income (loss) for the year		(543,642)	**143,233**
Comprehensive income (loss) for the year attributable to:			
Owners of the parent		(543,881)	**119,451**
Non-controlling interests		238	**23,781**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Equity

Year ended March 31, 2020 (Millions of Yen)

		Equity attributable to owners of the parent					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	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, 2019		419,524	393,917	2,300,175	(58,831)	248,020	—
Changes of the year							
Comprehensive income							
Profit (loss) for the year				(431,513)			
Other comprehensive income (loss)	(Note 29)					(85,278)	(2,429)
Total comprehensive income		—	—	(431,513)	—	(85,278)	(2,429)
Transactions with owners and others							
Cash dividends	(Note 20)			(46,101)			
Purchases of treasury stock	(Note 19)				(49)		
Disposals of treasury stock	(Note 19)		(104)		625		
Changes in ownership interests in subsidiaries			591				
Transfer from other components of equity to retained earnings				48,387		(50,817)	2,429
Changes in scope of consolidation					(250)		
Subtotal		—	486	2,286	325	(50,817)	2,429
Balance as of March 31, 2020		**419,524**	**394,404**	**1,870,948**	**(58,505)**	**111,924**	**—**

		Equity attributable to owners of the parent					
		Other components of equity					
		Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of March 31, 2019		(4,433)	(67,585)	176,000	3,230,788	376,579	3,607,367
Changes of the year							
Comprehensive income							
Profit (loss) for the year				—	(431,513)	5,393	(426,120)
Other comprehensive income (loss)	(Note 29)	(387)	(24,271)	(112,367)	(112,367)	(5,154)	(117,521)
Total comprehensive income		(387)	(24,271)	(112,367)	(543,881)	238	(543,642)
Transactions with owners and others							
Cash dividends	(Note 20)			—	(46,101)	(8,045)	(54,146)
Purchases of treasury stock	(Note 19)			—	(49)		(49)
Disposals of treasury stock	(Note 19)			—	520		520
Changes in ownership interests in subsidiaries				—	591	(942)	(351)
Transfer from other components of equity to retained earnings				(48,387)	—		—
Changes in scope of consolidation				—	(250)	(12,817)	(13,067)
Subtotal		—	—	(48,387)	(45,288)	(21,804)	(67,093)
Balance as of March 31, 2020		**(4,821)**	**(91,857)**	**15,245**	**2,641,618**	**355,013**	**2,996,631**

The accompanying notes are integral parts of these statements.

Year ended March 31, 2021 (Millions of Yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock	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 (loss) (Note 29)					122,023	45,171
Total comprehensive income	—	—	(32,432)	—	122,023	45,171
Transactions with owners and others						
Cash dividends (Note 20)						
Purchases of treasury stock (Note 19)				(52)		
Disposals of treasury stock (Note 19)		(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	—	(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					
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total	Total equity attributable to owners of the parent		
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 (loss) (Note 29)	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 (Note 20)			—	—	(6,450)	(6,450)
Purchases of treasury stock (Note 19)			—	(52)		(52)
Disposals of treasury stock (Note 19)			—	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	—	—	(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**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash-Flows

(Millions of Yen)

		Year ended March 31, 2020	**Year ended March 31, 2021**
Cash flows from operating activities :			
Profit (loss) before income taxes		(423,572)	**(8,656)**
Depreciation and amortization		417,339	**290,863**
Impairment losses		333,968	**—**
Finance income		(7,706)	**(5,367)**
Finance costs		25,159	**25,404**
Share of profit in investments accounted for using the equity method		(38,395)	**(55,220)**
Losses on reorganization		121,702	**98,665**
(Increase) decrease in trade and other receivables		157,635	**(26,775)**
Decrease in inventories		13,864	**171,376**
(Decrease) in trade and other payables		(152,856)	**(66,325)**
Other, net		92,703	**(18,192)**
Subtotal		539,842	**405,772**
Interest received		7,887	**5,432**
Dividends received		61,024	**40,446**
Interest paid		(21,913)	**(21,733)**
Income taxes paid		(92,510)	**(26,731)**
Net cash flows provided by operating activities		494,330	**403,185**
Cash flows from investing activities :			
Purchases of property, plant and equipment and intangible assets		(460,555)	**(459,811)**
Proceeds from sales of property, plant and equipment and intangible assets		13,283	**21,754**
Purchases of investment securities		(1,793)	**(3,623)**
Proceeds from sales of investment securities		191,924	**37,336**
Purchases of investments in affiliates		(112,302)	**(8,047)**
Proceeds from sales of investments in affiliates		12,404	**20,521**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		—	**1,482**
Loans to associates and others		(225,850)	**(9,868)**
Collection of loans from associates and others		238,418	**9,252**
Other, net		(1,155)	**1,968**
Net cash flows used in investing activities		(345,627)	**(389,035)**
Cash flows from financing activities :			
(Decrease) in short-term borrowings, net	(Note 17)	(89,452)	**(133,514)**
Proceeds from long-term borrowings	(Note 17)	46,020	**570,068**
Repayments of long-term borrowings	(Note 17)	(211,628)	**(425,609)**
Proceeds from issuance of bonds	(Note 17)	377,550	**80,000**
Redemption of bonds	(Note 17)	(60,000)	**(45,000)**
Purchases of treasury stock		(43)	**(30)**
Cash dividends paid	(Note 20)	(46,101)	**—**
Dividends paid to non-controlling interests		(8,045)	**(6,450)**
Purchases of shares of subsidiaries that do not result in change in scope of consolidation		—	**(3,631)**
Other, net		(22,881)	**16,863**
Net cash flows provided by (used in) financing activities		(14,582)	**52,694**
Effect of exchange rate changes on cash and cash equivalents		(7,838)	**3,161**
Net increase in cash and cash equivalents		126,283	**70,006**
Cash and cash equivalents at beginning of the year		163,176	**289,459**
Cash and cash equivalents at end of the year	(Note 7)	289,459	**359,465**

The accompanying notes are integral parts of these statements.

Notes to the consolidated financial statements

1. Reporting Entity

NIPPON STEEL CORPORATION (hereinafter referred to as the "Company" or "NSC") is a corporation domiciled in Japan. The consolidated financial statements for the year ended March 31, 2021 are composed of the Company and its consolidated subsidiaries and equity-method affiliates (collectively hereinafter referred to as the "Group"). The principal businesses of the Group consist of Steelmaking and Steel Fabrication business, Engineering and Construction business, Chemicals & Materials business, and System Solutions business. Further details are described in Note "6. Segment Information".

2. Basis of Preparation

(1) Compliance with International Financial Reporting Standards

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term IFRS also includes International Accounting Standards ("IAS") and the related interpretations of the interpretations committees ("SIC" and" IFRIC").

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities as separately stated in Note "3. Significant Accounting Policies".

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All amounts have been truncated to the nearest millions of Japanese yen, unless otherwise indicated.

(4) Changes in presentation methods

(Related to consolidated statements of cash-flows）

"Gains on sales of property, plant and equipment and intangible assets" ((6,105) million yen in the year ended March 31, 2020) in "Cash flows from operating activities" have become immaterial and therefore are included in and presented as "Other, net" in "Cash flows from operating activities" for the year ended March 31, 2021. In addition, "Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" (1,910 million yen in the year ended March 31, 2020) in "Cash flows from financing activities" have become immaterial and therefore are included in and presented as "Other, net" in "Cash flows from financing activities" for the year ended March 31, 2021. The consolidated statements of cash flows for the year ended March 31, 2020 are reclassified to reflect these changes in presentation methods.

(5) Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issuance by Eiji Hashimoto, Representative Director and President of the Company on June 23, 2021.

3. Significant Accounting Policies

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. If the Group loses control of a subsidiary, any gain or loss resulting from the loss of control is recognized in profit or loss. Changes in the Group's interest in a subsidiary not resulting in a loss of control are accounted for as equity transactions, and the difference between the adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the accounting policies of the subsidiaries are different from those of the Group, the financial statements of subsidiaries are adjusted to ensure that the accounting policies are consistent with those of the Group. All intragroup balances, transaction amounts and unrealized gains and losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Intragroup losses are eliminated in full except to the extent that the underlying asset is impaired.

(b) Investments in associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but there are no control. In principle, it is presumed that the Group has significant influence over an investee when the Group holds 20% or more but no more than 50% of the voting rights of the investee. An investee is determined as an associate when the Group has significant influence over it in one or more ways, not only the ratio of the voting rights, but also through participation in the policy-making progress and other right.

An investment in an associate is accounted for under the equity method from the date when the Group has significant influence over it until the date when the significant influence is lost. Under the equity method, the investment is initially recognized at cost, and any excess of the Group’s share of the acquisition-date fair value of the investee’s identifiable net assets over the cost of the investment is recognized as goodwill that is included in the carrying amount of the investment. Thereafter, the investment is adjusted for the change in the Group’s share of the investee’s profit or loss and other comprehensive income. When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to zero and recognition of further losses over the carrying amount of the investment is discontinued except to the extent that the Group assumes obligations or makes payments on behalf of the investee.

When the Group ceases to have significant influence over an associate and discontinues the use of the equity method, gain or loss arising from discontinuance of the use of the equity method is recognized in profit or loss.

Goodwill arising from the acquisition of an associate forms a part of the carrying amount of investments in the associate and is not separately recognized. Therefore, the goodwill of investment in an associate is not subject to impairment test separately. However, whenever there is any possibility that an investment in an associate may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset. Regarding impairment of goodwill, refer to (10) “Impairment of non-financial assets”.

(c) Joint arrangements

The Group determines the type of a joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. When the parties that have joint control of an arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement, the arrangement is classified as a joint operation. When the parties that collectively control the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of those parties, that arrangement is classified as a joint venture. The Group recognizes assets, liabilities, income and expenses generated from operating activities of joint operations only in a ratio equivalent to its shares. As for joint ventures, the Group uses the equity method.

(d) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 389 companies
Names of principal subsidiaries are listed in “Principal Subsidiaries and Affiliates”
In the year ended March 31, 2021, 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 the year ended March 31, 2021.

Number of equity-method affiliates (associates, joint operations and joint ventures): 110 companies
Names of principal affiliates are listed in “Principal Subsidiaries and Affiliates”
During the year ended March 31, 2021, 2 companies were added to the scope of equity-method affiliates and 10 companies were removed from the scope of equity-method affiliates.

(2) Business combinations

Business combinations are accounted for using the acquisition method when control is obtained. The identifiable assets acquired and the liabilities assumed of the acquiree are recognized at fair value as of the acquisition date.

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. Conversely, when the total of consideration transferred and amount of non-controlling interests is lower than the net of identifiable assets acquired and liabilities assumed, the difference is recognized as profit.

The consideration transferred for the acquisition is measured as the total of fair value of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the acquirer. In addition, the fair value of equity interest in the acquiree that the Group held before the date of obtaining control is included in the consideration transferred for a business combination achieved in stages. Acquisition costs attributable to a business combination are recognized as expenses as incurred.

Non-controlling interests are initially measured at fair value or at non-controlling interests’ proportionate share of the acquiree’s identifiable net assets on an acquisition-by-acquisition basis.

The components of profit or loss and other comprehensive income are attributed to owners of the parent and non-controlling interests based on the proportionate shares held.

(3) Foreign currency translation
(a) Functional currency and presentation currency
The financial statements of each Group entity are presented in its functional currency that is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

(b) Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the spot exchange rate at the transaction date or using the foreign exchange rate that approximates such rate. Foreign currency monetary items at the end of each reporting period are translated into the functional currency using the exchange rate at the end of each reporting period. Non-monetary items measured at historical cost in foreign currencies are translated into the functional currency using the exchange rates at the transaction date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency using the exchange rates at the date when the fair value is measured. Exchange differences arising from the translation or settlement are recognized in profit or loss, except for those recognized in other comprehensive income.

(c) Foreign operations
The financial performance and financial position of all of foreign operations which use a functional currency other than the presentation currency are translated into the presentation currency of the Company using the following exchange rates:

(i) Assets and liabilities are translated using the exchange rates at the reporting date
(ii) Income and expenses are translated at average exchange rates
(iii) All resulting exchange differences arising from translation of foreign operations are recognized in other comprehensive income.

When a foreign operation is disposed of, the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(4) Financial instruments
(a) Non-derivative financial assets
(i) 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 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.

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.

However, the trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

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.

(ii) 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.

(iii) 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

(b) Non-derivative financial liabilities

(i) Recognition and measurement

Financial liabilities other than derivatives are classified as financial liabilities measured at amortized cost.

(ii) Derecognition

The Group derecognizes financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(d) 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:

(i) 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.

(ii) 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.

(Changes in Accounting Policies)

The Group has initially applied Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from the beginning of the year ended March 31, 2021.
The application of these standards has no material impacts on the respective items in the consolidated financial statements.

(5) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, bank deposits available for withdrawal on demand, and short-term investments with the maturity of three months or less from the acquisition date, that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) 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 of 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.

(7) Property, plant and equipment

(a) 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.

(b) 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, except for land and other non-depreciable assets. 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.

(8) 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.

(a) 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 (10) “Impairment of non-financial assets”.

(b) 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. Intangible assets with finite useful lives are presented at cost less accumulated amortization and impairment losses. Expenditures related to internally generated intangible assets are recognized as expenses when incurred, unless development expenses meet the criteria for capitalization.

(c) 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.

(9) 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.

(10) 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 exits.

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 judgements regarding these factors are expected to have significant impacts on the future cash flows.

The cash-generating unit or the group of cash-generating units to which goodwill is allocated is the lowest level monitored for internal management purposes, and is not larger than an operating segment.

As corporate assets do not independently generate cash inflows, when there is an indication that a corporate asset may be impaired, an impairment test is performed based on the recoverable amount of the cash-generating unit or the group of cash-generating units to which such corporate asset belongs.

If the recoverable amount of the asset or the cash-generating unit is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized. The impairment loss recognized with respect to the cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

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.

(11) Employee benefits

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

(a) 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.

(b) 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.

(12) Equity

(a) Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to the issuance of ordinary shares (net of tax effects) are recognized as a deduction from equity.

(b) Treasury stock

When the Company acquires treasury stocks, the consideration paid, including any directly attributable costs (net of tax effects), is deducted from equity. In case of disposal of treasury stocks, the difference between the consideration received and the carrying amount of treasury stocks is recognized in equity.

(13) 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).

(a) Performance obligations satisfied at a point in time

The Group recognizes revenue from sale of goods at the point of shipment when 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 the performance obligation and it does not contain a significant financing component.

(b) 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.

(14) 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 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 benefits 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 achieving the goal of 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.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and in either of the following circumstances:

- Income taxes are levied by the same taxation authority on the same taxable entity; or
- Different taxable entities intend either to settle current tax assets and current tax liabilities on a net basis, or to realize the current tax assets and settle the current tax liabilities simultaneously.

(15) Earnings per share

Basic earnings per share is calculated by dividing the profit for the reporting period attributable to owners of the Company by the weighted average number of common stock outstanding during the period in which the number of treasury stock is excluded.

4. 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.

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 medium- to long-term management plan and the latest 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.

Information about judgments that have been made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3 (1) "Basis of consolidation" and Note 14 "Interests in Subsidiaries, Associates and Others"
- Note 3 (4) "Financial instruments" and Note 31 "Financial Instruments"

Information about uncertainty of key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities in the subsequent reporting year is included in the following notes:
- Note 3 (10) “Impairment of non-financial assets” and Note 28 “Impairment of Assets”
- Note 3 (11) “Employee benefits” and Note 18 “Employee Benefits”
- Note 3 (13) “Revenue” and Note 21 “Revenue”
- Note 3 (14) “Income taxes” and Note 15 “Income Taxes”
- Note 34 “Loan Guarantees”

(Changes in Accounting Estimates)

Effective from the beginning of the year ended March 31, 2021, Nippon Steel 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 yen and business profit, operating profit, and profit before income taxes increased by 57,779 million yen, respectively, during the year ended March 31, 2021.

5. New Accounting Standards and Interpretations Not Yet Applied

None of the new standards, interpretations, and amendments to standards and interpretations that have been issued by March 31, 2021 has material impacts on the consolidated financial statements.

6. Segment Information

(1) Description of reportable segments

The Company engages in the Steelmaking and Steel Fabrication business and acts as the holding company of the Group. The Group has four operating segments determined mainly based on products and services, which are Steelmaking and Steel Fabrication, Engineering and Construction, Chemicals and Materials, and System Solutions. Each operating segment shares the management strategy of the Group, while conducting its business activities independently from and in parallel with other companies of the Group. The following summary describes the operations of each reportable segment:

Reportable segments	Principal businesses
Steelmaking and Steel Fabrication	Manufacturing and sale of steel products
Engineering and Construction	Manufacturing and sale of industrial machinery, equipment and steel structures, construction projects under contract, waste processing and recycling, and supplying electricity, gas, and heat
Chemicals and Materials	Manufacturing and sale of coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing
System Solutions	Computer systems engineering and consulting services; IT-enabled outsourcing and other services

(2) Basis of measurement of segment revenue, profit or loss, assets, liabilities, and other items

Inter-segment revenue is based on transaction prices between third parties. Segment profit is measured using business profit.

(3) Information about segment revenue, profit or loss, assets and liabilities and other items

(Year ended March 31, 2020)

(Millions of Yen)

	Reportable segment				Subtotal	Adjustments (Note 1) (Note 2)	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	5,207,033	296,443	210,338	207,709	5,921,525	—	5,921,525
Inter-segment revenue or transfers	50,310	43,960	5,395	65,584	165,251	(165,251)	—
Total	5,257,344	340,404	215,733	273,294	6,086,777	(165,251)	5,921,525
Segment profit (loss) <Business profit>	(325,341)	10,717	18,477	26,162	(269,984)	(14,433)	(284,417)
Other items							
Depreciation and amortization	403,127	3,722	8,403	6,664	421,918	(4,578)	417,339
Share of profit in investments accounted for using the equity method	31,586	(1,615)	1,240	29	31,240	7,154	38,395
Segment assets	6,785,775	308,372	196,280	248,778	7,539,206	(94,240)	7,444,965
Other items							
Investments accounted for using the equity method	752,893	4,385	23,114	338	780,732	97,538	878,271
Capital expenditure	451,989	2,749	11,641	7,365	473,746	7,564	481,310
Segment liabilities (Interest-bearing debt)	2,471,822	6,500	6,661	15,757	2,500,741	(12,000)	2,488,741

Notes:

1. The adjustments of segment profit of (14,433) million yen include investment return of 7,151 million yen from the equity method associate Nippon Steel Kowa Real Estate Co., Ltd., and elimination of inter-segment revenue or transfers of (21,585) million yen.
2. The adjustments of segment liabilities include the elimination of inter-segment borrowings.

(Year ended March 31, 2021)

(Millions of Yen)

	Reportable segment				Subtotal	Adjustments (Note 1)	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 (loss) <Business profit>	**63,522**	**17,708**	**7,631**	**23,948**	**112,811**	**(2,764)**	**110,046**
Other items							
Depreciation and amortization	**275,792**	**3,627**	**7,266**	**8,789**	**295,475**	**(4,612)**	**290,863**
Share of profit in investments accounted for using the equity method	**49,095**	**632**	**(135)**	**(39)**	**49,553**	**5,667**	**55,220**
Segment assets	**6,873,924**	**320,658**	**195,198**	**280,062**	**7,669,842**	**(95,895)**	**7,573,946**
Other items							
Investments accounted for using the equity method	**681,436**	**6,021**	**23,743**	**299**	**711,500**	**105,828**	**817,328**
Capital expenditure	**466,117**	**2,664**	**10,001**	**4,212**	**482,995**	**(8,506)**	**474,489**
Segment liabilities (Interest-bearing debt)	**2,519,386**	**6,578**	**21,055**	**12,212**	**2,559,232**	**—**	**2,559,232**

Notes:

1. The adjustments of segment profit of (2,764) million yen include investment return of 9,635 million yen from the equity method associate Nippon Steel Kowa Real Estate Co., Ltd., and elimination of inter-segment revenue or transfers of (12,400) million yen.

(4) Information about geographical areas
(a) **Revenue**
Revenue information is based on the geographical location of customers and classified by region.

(Year ended March 31, 2020)

(Millions of Yen)

Japan	Overseas Subtotal			Total
		Asia	Other	
3,855,438	2,066,087	1,197,715	868,371	5,921,525

(Year ended March 31, 2021)

(Millions of Yen)

Japan	Overseas Subtotal			Total
		Asia	Other	
3,195,980	**1,633,292**	**977,978**	**655,314**	**4,829,272**

(b) Non-current assets

(As of March 31, 2020)

(Millions of Yen)

Japan	Overseas	Total
2,663,948	391,553	3,055,501

(As of March 31, 2021)

(Millions of Yen)

Japan	Overseas	Total
2,793,079	**399,105**	**3,192,184**

Non-current assets are based on the location of the asset and do not include financial assets, deferred tax assets and assets for retirement benefits.

(5) Revenue from major customers

(Millions of Yen)

	Related segment	Year ended March 31, 2020	Year ended March 31, 2021
NIPPON STEEL TRADING CORPORATION	Steelmaking and Steel Fabrication	1,161,138	**946,024**
Sumitomo Corporation	Steelmaking and Steel Fabrication	715,518	**510,956**

7. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Cash	286,706	**357,537**
Cash equivalents	2,753	**1,928**
Total	289,459	**359,465**

The balance of cash and cash equivalents in the consolidated statements of financial position agrees with the balance of cash and cash equivalents in the consolidated statements of cash flows.

8. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Notes and accounts receivable	687,944	**692,904**
Other	140,114	**114,124**
Allowance for doubtful receivables	(1,461)	**(1,722)**
Total	826,596	**805,306**

Contract assets are included in "Notes and accounts receivables".

9. Inventories

The components of inventories are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Merchandise and finished goods	822,941	**689,719**
Work in progress	78,065	**75,006**
Raw materials and supplies	631,175	**584,630**
Total	1,532,181	**1,349,355**

10. Assets Pledged as Collateral

As per general contractual provisions for long-term and short-term borrowings, banks may require collateral and guarantees for present and future obligations, and retain the rights to offset the liabilities with bank deposits when repayment is overdue or when default occurs.

Assets pledged as collateral and secured debts are as follows:

(Millions of Yen)

Assets pledged as collateral	As of March 31, 2020	As of March 31, 2021
Land	8,841	**9,197**
Buildings and structures	4,263	**4,121**
Machinery and vehicles	4,561	**4,149**
Other	5,286	**6,037**
Total	22,953	**23,505**

(Millions of Yen)

Secured debts	As of March 31, 2020	As of March 31, 2021
Short-term borrowings	1,265	**951**
Long-term borrowings (current portion is included)	1,175	**975**
Other	238	**578**
Total	2,680	**2,504**

In addition to the pledged assets listed above, shares of associates are pledged as collateral (419 million yen, and 419 million yen as of March 31, 2020 and 2021, respectively).

11. Property, Plant and Equipment

Details of changes in the carrying amounts and acquisition costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

(Millions of Yen)

Carrying amount	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2019	661,502	855,274	1,403,287	89,343	192,294	3,201,702
Acquisitions and reclassified from construction in progress	2,355	82,456	294,295	39,726	21,527	440,361
Disposals and sales	(3,602)	(9,022)	(22,053)	(4,188)	(87)	(38,954)
Depreciation	—	(58,853)	(275,649)	(38,361)	—	(372,864)
Impairment losses	(15,711)	(123,331)	(238,622)	(10,875)	(4,675)	(393,215)
Effects of changes in foreign exchange rates and other	1,803	(1,241)	(12,314)	(2,999)	(9,734)	(24,486)
As of March 31, 2020	**646,346**	**745,282**	**1,148,943**	**72,645**	**199,324**	**2,812,542**
Acquisitions and reclassified from construction in progress	**1,301**	**80,136**	**283,121**	**34,967**	**43,848**	**443,375**
Disposals and sales	**(10,228)**	**(7,978)**	**(19,595)**	**(2,831)**	**(404)**	**(41,038)**
Depreciation	—	**(51,530)**	**(169,437)**	**(24,982)**	—	**(245,950)**
Effects of changes in foreign exchange rates and other	**(4,652)**	**(2,430)**	**(868)**	**666**	**(6,705)**	**(13,990)**
As of March 31, 2021	**632,766**	**763,479**	**1,242,162**	**80,465**	**236,063**	**2,954,938**

Depreciation of property, plant and equipment is mainly included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

(Millions of Yen)

Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2019	710,235	2,730,502	8,733,560	407,619	196,767	12,778,686
As of March 31, 2020	711,547	2,790,749	8,861,279	418,490	208,387	12,990,453
As of March 31, 2021	**698,519**	**2,848,602**	**8,986,755**	**435,884**	**242,327**	**13,212,089**

(Millions of Yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2019	48,733	1,875,228	7,330,272	318,276	4,473	9,576,983
As of March 31, 2020	65,200	2,045,467	7,712,335	345,845	9,062	10,177,910
As of March 31, 2021	**65,752**	**2,085,122**	**7,744,592**	**355,419**	**6,264**	**10,257,151**

12. Goodwill and Intangible Assets

Details of changes in the carrying amounts and acquisition costs, accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

(Millions of Yen)

Carrying amount	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2019	52,803	46,629	37,139	21,133	157,705
Acquisitions	—	20,842	—	2,516	23,359
Amortization	—	(17,912)	(1,814)	(2,392)	(22,119)
Impairment losses	(6,320)	(2,184)	—	(117)	(8,622)
Effects of changes in foreign exchange rates and other	(995)	(2,138)	(4,263)	(759)	(8,156)
As of March 31, 2020	**45,486**	**45,236**	**31,061**	**20,379**	**142,164**
Acquisitions	**—**	**17,953**	**—**	**179**	**18,133**
Amortization	**—**	**(15,997)**	**(1,720)**	**(2,030)**	**(19,748)**
Effects of changes in foreign exchange rates and other	**854**	**(510)**	**816**	**458**	**1,618**
As of March 31, 2021	**46,341**	**46,681**	**30,157**	**18,986**	**142,167**

Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

(Millions of Yen)

Acquisition costs	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2019	66,238	115,358	58,617	28,696	268,910
As of March 31, 2020	65,243	124,883	51,320	29,223	270,669
As of March 31, 2021	**66,097**	**116,548**	**52,876**	**28,409**	**263,931**

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2019	13,435	68,729	21,478	7,562	111,205
As of March 31, 2020	19,756	79,647	20,258	8,843	128,505
As of March 31, 2021	**19,756**	**69,866**	**22,719**	**9,422**	**121,764**

13. Leases

The Group leases assets such as buildings and machinery as a lessee and land and buildings as a lessor.

(1) Right-of-use assets

As a lessee

Expenses, cash flows, the increase and the carrying amount related to leases as a lessee are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Depreciation of right-of-use assets		
Buildings and structures	12,822	**14,036**
Machinery and vehicles	7,401	**8,322**
Tools, furniture and fixtures	2,131	**2,804**
Total depreciation	22,355	**25,164**
Total amount of cash outflows incurred from leases	23,651	**26,424**
Increase in right-of-use assets	37,433	**20,397**
Details of right-of-use assets		
Buildings and structures	46,347	**42,693**
Machinery and vehicles	41,150	**40,480**
Tools, furniture and fixtures	6,165	**5,384**
Total balance of right-of-use assets	93,663	**88,559**

(2) Operating leases

As a lessor

The future lease payments before discounts expected to be received under non-cancellable operating lease contracts are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Within 1 year	3,367	**3,756**
Over 1 but less than 2 years	4,057	**3,278**
Over 2 but less than 3 years	3,631	**3,301**
Over 3 but less than 4 years	3,519	**3,242**
Over 4 but less than 5 years	3,392	**3,183**
Over 5 years	36,171	**35,137**
Total	54,138	**51,899**

14. Interests in Subsidiaries, Associates and Others

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2021 are as follows:

Operating segment	Name	Address	% of voting rights interests
Steelmaking and Steel Fabrication	Sanyo Special Steel Co., Ltd.	Himeji City, Hyogo	53.2
	NIPPON STEEL COATED SHEET CORPORATION	Chuo-ku, Tokyo	100.0
	Osaka Steel Co., Ltd.	Osaka City, Osaka	66.3
	NIPPON STEEL METAL PRODUCTS CO., LTD	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Krosaki Harima Corporation	Kitakyushu City, Fukuoka	* 46.9
	NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL Stainless Steel Corporation	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL SG WIRE CO.,LTD	Chiyoda-ku, Tokyo	100.0
	Geostr Corporation	Bunkyo-ku, Tokyo	* 42.3
	NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	Koto-ku, Tokyo	100.0
	NIPPON STEEL DRUM CO., LTD.	Koto-ku, Tokyo	100.0
	NIPPON STEEL CEMENT CO., LTD.	Muroran City, Hokkaido	85.0
	NIPPON STEEL COATED STEEL PIPE Co.,Ltd.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL FINANCE Co., Ltd	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL WIRE CO., LTD.	Seki City, Gifu	51.0
	NIPPON STEEL Eco-Tech Corporation	Chuo-ku, Tokyo	85.1
	NIPPON STEEL BOLTEN CORPORATION	Osaka City, Osaka	85.0
	NIPPON STEEL STRUCTURAL SHAPES CORPORATION	Wakayama City, Wakayama	100.0
	NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD.	Kitakyushu City, Fukuoka	100.0
	NIPPON STEEL TUBOS DO BRASIL LTDA.	State of Sao Paulo, Brazil	100.0
	PT KRAKARAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	80.0
	NS-Siam United Steel Co., Ltd.	Rayong Province, Thailand	80.2
	NIPPON STEEL NORTH AMERICA, INC.	New York State, United States of America	100.0
	WHEELING-NIPPON STEEL, INC.	State of West Virginia, United States of America	100.0
	Standard Steel, LLC	Pennsylvania State, United States of America	100.0
	PT PELAT TIMAH NUSANTARA TBK.	Jakarta City, Indonesia	* 35.0
	NIPPON STEEL (THAILAND) CO., LTD.	Bangkok Metropolis, Thailand	100.0
	Siam Tinplate Co., Ltd.	Rayong Province, Thailand	82.7
	NIPPON STEEL AUSTRALIA PTY. LIMITED	New South Wales State, Australia	100.0
	NIPPON STEEL Steel Processing (Thailand) Co., Ltd.	Rayong Province, Thailand	66.5
	Ovako AB	Stockholm City, Sweden	100.0
Engineering and Construction	NIPPON STEEL ENGINEERING CO., LTD.	Shinagawa-ku, Tokyo	100.0
Chemicals & Materials	NIPPON STEEL Chemical & Material CO., LTD.	Chuo-ku, Tokyo	100.0
System Solutions	NS Solutions Corporation	Chuo-ku, Tokyo	63.4

* Although the Group holds less than 50% of the voting rights of Krosaki Harima Corporation, Geostr Corporation, and PT PELAT TIMAH NUSANTARA TBK., it includes the entities in consolidated subsidiaries because it substantially controls the entities.

(2) Investments in associates

Carrying amount of investments in associates is as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Carrying amount of investments in associates	613,809	**571,110**

Share of net profit or loss and other comprehensive income of associates are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net profit or loss	16,308	**30,268**
Other comprehensive income	(13,235)	**2,002**
Total	3,072	**32,270**

(3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Carrying amount of investments in joint ventures	264,462	**246,217**

Share of net profit or loss and other comprehensive income of joint ventures are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net profit or loss	22,087	**24,952**
Other comprehensive income	(2,896)	**(15,002)**
Total	19,190	**9,950**

There are no investments in associates or joint ventures accounted for under the equity method that are individually significant to the Group for the years ended March 31, 2020 and 2021.

15. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

(a) The components of deferred tax assets and deferred tax liabilities are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Deferred tax assets		
Accrued bonus	24,934	**25,544**
Defined benefit liabilities	72,660	**53,915**
Impairment losses on assets	68,625	**90,191**
Property, plant and equipment	15,386	**10,961**
Unused tax losses	15,851	**29,380**
Elimination of unrealized gains on property, plant and equipment and others	32,950	**34,595**
Other	69,370	**68,816**
Total deferred tax assets	299,780	**313,405**
Deferred tax liabilities		
Equity securities	(48,988)	**(95,351)**
Defined benefit assets	(17,944)	**(33,781)**
Undistributed earnings	(31,338)	**(28,498)**
Special tax purpose reserves	(42,816)	**(40,036)**
Total deferred tax liabilities	(141,088)	**(197,667)**
Net deferred tax assets (liabilities)	158,691	**115,738**

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. The recoverability of deferred tax assets are evaluated based on planned reversal of deferred tax liabilities, estimated future taxable profit and tax planning.

(b) The changes in net deferred tax assets and liabilities are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of the year	60,104	**158,691**
Recognized in profit or loss	50,076	**36,547**
Recognized in other comprehensive income	47,632	**(76,606)**
Effect of changes in scope of consolidation	878	**(2,894)**
Balance at end of the year	158,691	**115,738**

(c) Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Carryforward of unused tax losses	103,554	**174,765**
Deductible temporary differences	170,274	**146,082**
Total	273,829	**320,848**

(d) The components by expiry date of unused tax losses for which no deferred tax assets are recognized are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Within 1 year	1,957	**5,347**
Over 1 year but less than 2 years	24,558	**3,379**
Over 2 years but less than 3 years	2,471	**2,919**
Over 3 years but less than 4 years	2,824	**6,127**
Over 4 years	71,741	**156,990**
Total	103,554	**174,765**

(2) Income tax expense

(a) Details of income tax expense are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Current taxes	52,625	**47,219**
Deferred taxes	(50,076)	**(36,547)**
Total	2,548	**10,671**

(b) Differences between the statutory income tax rate and the Group's average effective tax rate consist of the following:

	Year ended March 31, 2020	Year ended March 31, 2021
Statutory tax rate	30.6%	**30.6%**
(Adjustments)		
Effects of expense not deductible for tax purposes	(0.5)	**(13.9)**
Effects of income not taxable for tax purposes	0.3	**10.9**
Effects of differences in statutory tax rates applied to companies in Japan and foreign companies	0.3	**15.0**
Effects of changes in unrecognized deferred tax assets	(28.4)	**(205.4)**
Other	(2.9)	**39.6**
Average effective tax rate	(0.6)	**(123.3)**

16. Trade and Other Payables

The components of trade and other payables are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Notes and trade accounts payable	689,500	**609,144**
Other payables	546,825	**537,908**
Other	213,475	**235,708**
Total	1,449,801	**1,382,761**

17. Bonds, Borrowings and Lease Liabilities

(1) Bonds, borrowings and lease liabilities

Details of bonds, borrowings and lease liabilities are as follows:

(Millions of Yen)

	As of March 31, 2020	Average interest rate (%)	As of March 31, 2021	Average interest rate (%)	Maturity date
Short-term borrowings	116,560	1.6	**99,499**	**0.8**	—
Current portion of long-term borrowings repayable within one year	74,082	1.5	**164,809**	**0.8**	—
Current portion of bonds repayable within one year	45,000	1.2	**15,000**	**1.1**	—
Current portion of lease liabilities repayable within one year	22,257	0.8	**22,676**	**0.8**	—
Commercial papers	119,000	0.0	**7,000**	**(0.0)**	—
Long-term borrowings	1,484,999	0.7	**1,563,442**	**0.8**	July 22, 2080
Bonds	552,703	0.8	**618,010**	**0.7**	September 12, 2079
Lease liabilities	74,138	0.8	**68,793**	**0.8**	March 31, 2076
Total	2,488,741		**2,559,232**		

"Average interest rate" represents the weighted average interest rate to the aggregate balance at the end of the reporting period.

(2) Details of bonds

(Millions of Yen)

Type	Issue date	As of March 31, 2020	As of March 31, 2021	Maturity date
Bonds issued by NSC				
The 59th Issue of Unsecured Corporate Bonds	September 2, 2008	10,000	**10,000**	June 20, 2028
The 65th Issue of Unsecured Corporate Bonds	August 31, 2010	15,000	—	June 19, 2020
The 67th Issue of Unsecured Corporate Bonds	May 24, 2011	30,000	—	March 19, 2021
The 68th Issue of Unsecured Corporate Bonds	October 20, 2011	15,000	**15,000**	September 17, 2021
The 70th No.2 Issue of Unsecured Corporate Bonds	July 20, 2012	20,000	**20,000**	June 20, 2022
The 1st Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	**10,000**	September 18, 2026
The 2nd Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	**10,000**	September 19, 2031
The 3rd Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	**10,000**	May 20, 2024
The 4th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	**10,000**	May 20, 2027
The 5th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	**10,000**	December 20, 2024
The 6th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	**10,000**	December 20, 2027
The 7th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	**20,000**	June 20, 2023
The 8th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	**20,000**	June 20, 2025
The 9th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	**20,000**	June 20, 2028
The 1st Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	**30,000**	June 20, 2024
The 2nd Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	**30,000**	June 19, 2026
The 3rd Issue of Unsecured Corporate Bonds	June 14, 2019	20,000	**20,000**	June 20, 2029
The 1st Issue of Unsecured Subordinated Corporate Bonds (Note 1)	September 12, 2019	70,000	**70,000**	September 12, 2079
The 2nd Issue of Unsecured Subordinated Corporate Bonds (Note 2)	September 12, 2019	30,000	**30,000**	September 12, 2079
The 3rd Issue of Unsecured Subordinated Corporate Bonds (Note 3)	September 12, 2019	200,000	**200,000**	September 12, 2079
The 4th Issue of Unsecured Corporate Bonds	June 17, 2020	—	**40,000**	June 20, 2023
The 5th Issue of Unsecured Corporate Bonds	June 17, 2020	—	**30,000**	June 20, 2025
The 6th Issue of Unsecured Corporate Bonds	June 17, 2020	—	**10,000**	June 20, 2030
Bonds issued by Sanyo Special Steel Co., Ltd.				
The 2nd Issue of Unsecured Corporate Bonds	December 7, 2017	10,000	**10,000**	December 6, 2024
Total		600,000	**635,000**	

Notes:

1. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2024 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
2. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2026 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.
3. Early redemption may be made at the Company's discretion on each interest payment date from September 12, 2029 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the issue date.

(3) Reconciliation of changes in liabilities in cash flows from financing activities

The table below presents a reconciliation of main changes in liabilities arising from financing activities.

(Millions of Yen)

	Short-term borrowings	Commercial papers	Long-term borrowings	Bonds	Lease liabilities	Total
As of April 1, 2019	215,393	120,000	1,707,083	280,000	80,328	2,402,805
Cash flows from financing activities	(88,452)	(1,000)	(141,956)	317,550	(23,651)	62,489
Effects of changes in scope of consolidation	(8,420)	—	—	—	(40)	(8,461)
Effects of changes in foreign exchange rates and other	(1,960)	—	(6,044)	153	39,759	31,908
As of March 31, 2020	**116,560**	**119,000**	**1,559,082**	**597,703**	**96,395**	**2,488,741**
Cash flows from financing activities	**(21,514)**	**(112,000)**	**170,882**	**35,000**	**(26,424)**	**45,943**
Effects of changes in scope of consolidation	**5,488**	—	**(1,200)**	—	**969**	**5,257**
Effects of changes in foreign exchange rates and other	**(1,033)**	—	**(512)**	**307**	**20,528**	**19,289**
As of March 31, 2021	**99,499**	**7,000**	**1,728,252**	**633,010**	**91,470**	**2,559,232**

18. Employee Benefits

(1) Overview of retirement benefit plans

The retirement benefit plans that the Group offers to its employees include lump-sum retirement payment plans, defined benefit plans, and defined contribution plans.

Under the lump-sum retirement payment plans, the Group makes lump-sum payments to eligible employees upon their retirement. The amount of benefits under these plans is determined mainly based on the employee's base salary and years of service at retirement.

The Group also has defined benefit plans that are corporate pension plans in compliance with the Defined-Benefit Corporate Pension Act of Japan and provides benefit payments to eligible employees over a certain period of time after retirement. The amount of benefits under these plans is determined mainly based on the employee's base salary and years of service at retirement.

The management of plan assets for defined benefit plans aims to maximize the value of the plan assets within an acceptable level of risk in order to ensure stable future pension benefit payments to the plan participants and qualified beneficiaries. Specifically, the plan establishes a medium- and long-term investment portfolio taking into consideration of the characteristics of the plan assets and pension obligations. This investment portfolio is reviewed periodically and adjusted for changes in the market environment and funding position since initial assumptions has been set out.

Under the defined contribution plans, the responsibility of the Company and its subsidiaries is limited to contributions based on the amount determined in the retirement benefits policies of each participating company.

In addition, during the year ended March 31, 2021, the Company and some of its consolidated subsidiaries have revised the lump-sum retirement payment plans and the defined benefit plans partly due to a rise in the retirement age. As a result, the retirement benefit obligation decreased by 57,989 million yen.

(2) Reconciliation of the present value of the defined benefit obligations

The changes in the present value of the defined benefit obligations for the Group are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of the year	630,754	**624,308**
Current service cost	34,879	**33,636**
Interest cost	2,569	**3,059**
Actuarial gains and losses	(2,888)	**(3,831)**
Past service cost	426	**(57,989)**
Benefits paid	(40,721)	**(34,691)**
Other	(712)	**(36)**
Balance at end of the year	624,308	**564,455**

The weighted average duration of the defined benefit obligations for the years ended March 31, 2020 and 2021 is 12.1 years and 15.2 years, respectively.

(3) Reconciliation of the fair value of the plan assets

The changes in the fair value of the plan assets for the Group are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of the year	526,246	**446,193**
Interest income	2,898	**3,169**
Return on plan assets, excluding interest income	(5,127)	**55,851**
Employer contributions	15,073	**13,617**
Benefits paid	(23,715)	**(21,110)**
Contribution of securities to retirement benefit trust	—	**34,266**
Benefits paid from trust assets	(56,265)	**(39,987)**
Other	(12,918)	**(6,601)**
Balance at end of the year	446,193	**485,398**

Note: The Group expects to contribute 12,227 million yen to the defined benefit plans for the year ending March 31, 2022.

(4) The components of the fair value of plan assets by asset category

The components of the fair value of plan assets by asset category are as follows:

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	With quoted market price in an active market	With no quoted market price in an active market	With quoted market price in an active market	With no quoted market price in an active market
Bonds	80,936	—	**85,745**	—
Equity investments	126,888	—	**159,277**	—
Cash and cash equivalents	33,194	—	**47,608**	—
General accounts at life insurance company	—	133,794	—	**136,190**
Other	—	71,379	—	**56,576**
Total	241,019	205,173	**292,631**	**192,766**

(5) Significant actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations for the Company are as follows:

	As of March 31, 2020	As of March 31, 2021
Discount rate	Mainly 0.5%	Mainly **0.6%**

(6) Sensitivity analysis

The effects on defined benefit obligations of increase in the discount rates are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Effects of incremental increase in discount rate by 0.5%	33,097 million yen decrease	**35,809** million yen decrease

The sensitivity analysis assumes that other assumptions remain unchanged.

(7) Defined contribution plans

The amounts recognized as expenses for defined contribution plans are 7,628 million yen and 7,668 million yen for the years ended March 31, 2020 and 2021, respectively.

(8) Employee benefits expenses

The Group incurred employee benefits expenses of 902,418 million yen and 751,169 million yen for the years ended March 31, 2020 and 2021, respectively. These expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss. Salary, bonus, statutory health and welfare benefits and retirement benefits expenses are included in employee benefits expenses.

19. Equity and Other Equity Items

(1) Common stock and reserves

The total number of shares authorized to be issued and shares outstanding are as follows:

	Number of shares authorized to be issued (Thousands)	Number of shares outstanding (Thousands)
As of April 1, 2019	2,000,000	950,321
Changes	—	—
As of March 31, 2020	2,000,000	950,321
Changes	—	—
As of March 31, 2021	**2,000,000**	**950,321**

All the shares authorized to be issued and shares outstanding are without par value. All the shares outstanding are fully paid.

Capital surplus

Capital surplus comprises of amounts generated through capital transactions that are not recorded in common stock, and its primary component is capital reserves.

The Companies Act of Japan stipulates that one-half or more of the proceeds from issuance of shares should be incorporated in common stock, and that the remainder shall be incorporated in capital reserve included in capital surplus. The act stipulates that the capital reserve may be incorporated in common stock upon resolution at the general meeting of shareholders.

Retained earnings

Retained earnings consist of legal reserves and accumulated earnings. The Companies Act of Japan provides that one-tenth of cash dividends be appropriated as capital reserve or legal reserve at the date of distribution until the total amount of these reserves equals one-fourth of common stock. Legal reserve may be utilized to cover capital losses upon resolution at the general meeting of shareholders.

(2) Treasury stock

The total number of treasury stock held by the Group is as follows:

	Number of shares (Thousands)
As of April 1, 2019	29,797
Changes	(159)
As of March 31, 2020	29,638
Changes	**(73)**
As of March 31, 2021	**29,564**

20. Dividends

The dividends paid by the Company are as follows:

(Year ended March 31, 2020)

(1) Dividends paid

Date of resolution	Class of share	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 25, 2019	Ordinary shares	36,880	40	March 31, 2019	June 26, 2019
Board of directors meeting held on November 1, 2019	Ordinary shares	9,220	10	September 30, 2019	December 2, 2019

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

There were no dividends that belong to the year ended March 31, 2020 but become effective in the year ended March 31, 2021.

(Year ended March 31, 2021)

(1) Dividends paid

There were no dividends paid during the year ended March 31, 2021.

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

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

21. Revenue

(1) Disaggregation of revenue

Disaggregation of revenue from contracts with customers and its relationship with segment revenue are as follows.

(Year ended March 31, 2020)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	3,268,054	249,650	134,248	203,484	3,855,438
Asia	1,100,468	26,802	66,488	3,957	1,197,715
Middle East	154,087	85	356	0	154,529
Europe	201,460	18,973	4,660	66	225,160
North America	231,393	861	4,541	167	236,963
Central and South America	179,099	26	38	34	179,199
Africa	55,487	44	—	—	55,532
Pacific	16,982	—	3	—	16,985
Total	5,207,033	296,443	210,338	207,709	5,921,525

Revenue is classified based on the geographic location of customers and presented at the amount less adjustment of inter-segment transactions.

(Year ended March 31, 2021)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	**2,690,293**	**220,797**	**100,102**	**184,787**	**3,195,980**
Asia	**863,857**	**39,714**	**70,750**	**3,655**	**977,978**
Middle East	**95,349**	**4**	**358**	—	**95,712**
Europe	**156,479**	**15,273**	**1,214**	**78**	**173,045**
North America	**186,779**	**118**	**1,541**	**87**	**188,527**
Central and South America	**139,108**	**326**	**79**	**17**	**139,531**
Africa	**47,125**	**7**	**0**	—	**47,133**
Pacific	**11,354**	—	**8**	—	**11,362**
Total	**4,190,348**	**276,241**	**174,056**	**188,626**	**4,829,272**

Revenue is classified based on the geographic location of customers and presented at the amount less adjustment of inter-segment transactions.

(2) Contract balances

(Millions of Yen)

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
Receivables	774,803	620,322	**644,777**
Contract assets	67,769	67,621	**48,126**
Contract liabilities	28,488	32,628	**47,923**

Receivables and contract assets are included in “Trade and Other Receivables” in the consolidated statement of financial position. Contract liabilities are included in “Other current liabilities” in the consolidated statement of financial position. The amount included in the contract liabilities as of April 1, 2019 and 2020 and recognized as revenue for the years ended March 31, 2020 and 2021 amounted to 26,593 million yen and 24,681 million yen, respectively. The amount recognized as revenue for the years ended March 31, 2020 and 2021 from performance obligations satisfied in previous periods is immaterial.

(3) Transaction price allocated to the remaining performance obligation

(Millions of Yen)

	As of March 31, 2020	Engineering and Construction	System Solutions
Within 1 year	250,617	190,366	60,251
Over 1 year	210,886	184,834	26,052
Total	461,504	375,200	86,303

(Millions of Yen)

	As of March 31, 2021	Engineering and Construction	System Solutions
Within 1 year	**212,957**	**148,259**	**64,698**
Over 1 year	**217,261**	**188,831**	**28,430**
Total	**430,218**	**337,090**	**93,128**

The amount above includes transaction price allocated to the remaining performance obligation which is a part of contracts with original expected duration of one year or less and is presented at the amount after adjustments of inter-segment transactions.

The Group applied the practical expedient and does not disclose the information with respect to Steelmaking and Steel Fabrication segment and Chemicals and Materials segment as original expected duration of performance obligation is mostly one year or less.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

The Group's incremental costs of obtaining a contract and costs to fulfill a contract with customer required to be recognized as assets are immaterial.

22. Selling, General and Administration Expenses

The components of selling, general and administrative expenses are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Transportation and storage	155,866	**129,424**
Salaries and bonuses	144,889	**131,652**
Retirement benefit costs	9,491	**(12,134)**
Research and development costs	63,147	**52,673**
Depreciation and amortization	19,287	**17,089**
Other	179,101	**150,430**
Total	571,781	**469,133**

9,400 million yen included in and presented as "Other" for the year ended March 31, 2020 in the previous year's financial report are reclassified to "Depreciation and amortization" for the year ended March 31, 2020 in this year's financial report.

23. Research and Development Costs

The total amounts of research and development costs included in "Cost of sales" and "Selling, general and administrative expenses" are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Research and development costs	77,691	**65,336**

24. Other Operating Income and Other Operating Expenses

The components of "Other operating income" and "Other operating expenses" are as follows:

(1) Other operating income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Dividends received	22,889	**9,704**
Other	81,954	**40,006**
Total	104,844	**49,710**

Dividend income is generated mainly from financial assets measured at fair value through other comprehensive income.

(2) Other operating expenses

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Foreign exchanges losses (net)	894	**3,040**
Losses on disposal of fixed assets	31,344	**33,560**
Other	432,795	**54,482**
Total	465,035	**91,083**

(Changes in presentation method)

"Impairment losses", "Losses on changes in scope of consolidation" and "Compensation expense" (333,968 million yen, 12,893 million yen and 17,570 million yen, respectively, for the year ended March 31, 2020) have become immaterial and therefore are included in and presented as "Other" for the year ended March 31, 2021. Note for the year ended March 31, 2020 are reclassified to reflect the change in presentation method.

25. Business profit

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 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, losses on disposal of fixed assets.

26. Losses on reorganization

(Year ended March 31, 2020)
Details of losses on reorganization recorded owing to business reorganization, business withdrawal, and other reasons are described below.

Impairment losses 78,700 million yen
In the Steelmaking and Steel Fabrication segment, the Company recognized impairment losses associated with operating assets of NIPPON STEEL NISSHIN CO., LTD. ("Nippon Steel Nisshin"), a subsidiary of the Company.

Losses on business withdrawal 20,203 million yen
In the Steelmaking and Steel Fabrication segment, losses on withdrawal from business were mainly incurred as a result of the withdrawal of a subsidiary in China from manufacturing and marketing cold rolled special steel business.

In the Engineering and Construction segment, losses on withdrawal from business were mainly incurred as a result of the reorganization of the environmental plant engineering business conducted by an overseas subsidiary.

Losses on inactive facilities 22,799 million yen
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 hot-rolling mill and manufacturing facility dedicated for precision products of Kinuura Works of NIPPON STEEL Stainless Steel Corporation, a subsidiary of the Company, and the UO mill of Kashima Works of the Company.

(Year ended March 31, 2021)
Details of losses on reorganization recorded owing to business reorganization, business withdrawal, and other reasons are described below.

Losses on business withdrawal 18,751 million yen
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 manufacturing and sales of seamless pipes in Brazil.

Losses on inactive facilities 79,914 million yen
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.

27. Finance Income and Finance Costs

The components of “Finance income” and “Finance costs” are as follows:

(1) Finance income

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest income	7,703	**5,361**
Other	3	**5**
Total	7,706	**5,367**

Interest income is generated mainly from financial assets measured at amortized cost.

(2) Finance costs

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest expense	21,809	**22,298**
Other	3,349	**3,106**
Total	25,159	**25,404**

Interest expense is generated mainly from financial liabilities measured at amortized cost.

28. Impairment of Assets

(1) Impairment losses

For the year ended March 31, 2020, the Company recorded impairment losses regarding property, plant and equipment, goodwill, intangible assets, and investments accounted for using the equity method as set out below. The impairment losses are included in “Other operating expenses” and “Losses on reorganization” in the consolidated statements of profit or loss.

(Year ended March 31, 2020)

(Millions of Yen)

Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Adjustments	Total
412,668	3,352	—	—	—	416,021

In the Steelmaking and Steel Fabrication segment, the Company recorded impairment losses of 412,668 million yen. These mainly consist of impairment losses of 396,600 million yen on operating assets in Kashima Works, Nagoya Works, Hirohata Works of the Company, and Nippon Steel Nisshin. These consist of impairment losses on buildings and structures 121,356 million yen, machinery and vehicles 234,251 million yen, and others 40,992 million yen.

The Kashima Works, Nagoya Works, and Hirohata Works were continuously in deficit, having been adversely affected by current high prices for raw materials and low prices for steel products, increases in costs of other raw materials, consumables, and logistics, weak domestic demand for indirect exports and other factors. After conducting a calculation of future cash flows based on the current and expected future business environment, the recoverable amount has been estimated to be less than the book value of operating assets held in these steel works. The Company has therefore reduced the book value of the operating assets held by these steel works to the recoverable amount and recorded the reduction as impairment losses of 317,900 million yen.

Nippon Steel Nisshin which is one of the subsidiaries of the Company, is also continuously in deficit, having been affected by disasters caused by torrential rains in the previous fiscal year, and a fire at the No.1 steelmaking plant of Nippon Steel Nisshin’s

Kure Works in the current fiscal year, as well as by deteriorating economic conditions. As part of building an optimal production structure as the Nippon Steel Group, the Company has decided to close all the facilities of the Kure Works. After considering a significant decline in the recoverable amount pertaining to the operating assets planned to be closed in the works and conducting a recoverability test, the Company recorded impairment losses of 78,700 million yen.

The recoverable amount of these operating assets is calculated based on the value in use, and the value in use is calculated based on the discounted cash flow method, and evaluated to have value in use of 282,400 million yen as of the date when impairment losses are recognized, December 31, 2019. The discounted cash flows are calculated by using a pre-tax discount rate of 8.0%.

Impairment losses of 317,900 million yen on operating assets in Kashima Works, Nagoya Works, and Hirohata Works are included in “Other operating expenses”, while impairment losses of 78,700 million yen on operating assets of Nippon Steel Nisshin is included in “Losses on reorganization”.

The details of impairment losses on operating assets of the Steelmaking and Steel Fabrication segment by cash-generating unit are listed as follows:

（Millions of yen）

	Kashima Works	Nagoya Works	Hirohata Works	The Company	Nippon Steel Nisshin (Subsidiary)	Consolidated Basis
Impairment losses	150,400	122,800	44,700	317,900	78,700	396,600

In the Engineering and Construction segment, impairment losses were recognized mainly due to unfavorable business environment. This includes impairment losses of goodwill and others of an overseas subsidiary which were incurred by the reorganization of environmental plant engineering business conducted by the subsidiary. The recoverable amount of related assets was calculated based on value in use by using the discounted cash flow method with the pre-tax discounted rate of 8.0%. These impairment losses are included in “Losses on business withdrawal” of “Losses on reorganization”.

(2) Impairment test of goodwill

The breakdown of the carrying amount of goodwill by segment is as follows:

(Millions of Yen)

Operating segment	As of March 31, 2020	As of March 31, 2021
Steelmaking and Steel Fabrication	40,461	**41,315**
Engineering and Construction	—	—
Chemicals and Materials	—	—
System Solutions	5,025	**5,025**
Total	45,486	**46,341**

The recoverable amount of the cash-generating units to which the goodwill is allocated is calculated based on value in use or the fair value less costs of disposal. In measuring value in use, past experience and external evidence are reflected and the estimated future cash flows are discounted to the present value. The future cash flows are estimated based on a business plan approved by management, which covers a maximum period of five years, and a growth rate for subsequent years.

The discount rate is calculated based on the weighted average cost of capital of each cash-generating unit which is the pre-tax discounted rate of mainly 6.0% (8.0% for the year ended March 31, 2020).

29. Other Comprehensive Income

The components of other comprehensive income are as follows:

(Year ended March 31, 2020)

(Millions of Yen)

	Incurred during the year	Reclassification	Before tax effect	Tax effect	After tax effect
Items that cannot be reclassified to profit or loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	(129,269)	—	(129,269)	45,963	(83,305)
Remeasurements of defined benefit assets	(2,238)	—	(2,238)	788	(1,449)
Share of other comprehensive income of investments accounted for using the equity method	(6,785)	—	(6,785)	—	(6,785)
Subtotal	(138,293)	—	(138,293)	46,752	(91,540)
Items that might be reclassified to profit or loss					
Changes in fair value of cash flow hedges	(4,389)	1,982	(2,406)	585	(1,821)
Foreign exchange differences on translation of foreign operations	(15,176)	69	(15,107)	294	(14,812)
Share of other comprehensive income of investments accounted for using the equity method	(9,376)	30	(9,346)	—	(9,346)
Subtotal	(28,943)	2,082	(26,861)	880	(25,981)
Total	(167,236)	2,082	(165,154)	47,632	(117,521)

"Incurred during the year" and "Reclassification" in "Shares of other comprehensive income of investments accounted for using the equity method" are stated with the amount after tax effect.

(Year ended March 31, 2021)

(Millions of Yen)

	Incurred during the year	Reclassification	Before tax effect	Tax effect	After tax effect
Items that cannot be reclassified to profit or loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	**182,896**	—	**182,896**	**(57,424)**	**125,471**
Remeasurements of defined benefit assets	**59,682**	—	**59,682**	**(17,375)**	**42,307**
Share of other comprehensive income of investments accounted for using the equity method	**10,062**	—	**10,062**	—	**10,062**
Subtotal	**252,641**	—	**252,641**	**(74,800)**	**177,841**
Items that might be reclassified to profit or loss					
Changes in fair value of cash flow hedges	**7,552**	**(104)**	**7,447**	**(2,418)**	**5,029**
Foreign exchange differences on translation of foreign operations	**(956)**	**3,097**	**2,140**	**611**	**2,752**
Share of other comprehensive income of investments accounted for using the equity method	**(33,892)**	**10,830**	**(23,062)**	—	**(23,062)**
Subtotal	**(27,296)**	**13,822**	**(13,473)**	**(1,806)**	**(15,280)**
Total	**225,344**	**13,822**	**239,167**	**(76,606)**	**162,561**

"Incurred during the year" and "Reclassification" in "Shares of other comprehensive income of investments accounted for using the equity method" are stated with the amount after tax effect.

30. Earnings per Share

Profit (loss) for the year attributable to common shares of the parent is as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit (loss) for the year attributable to owners of the parent	(431,513)	**(32,432)**
Profit (loss) for the year not attributable to ordinary equity holders of the parent	—	—
Profit (loss) for the year used to calculate basic earnings per share	(431,513)	**(32,432)**

The weighted average number of ordinary shares outstanding is as follows:

(Shares)

	Year ended March 31, 2020	Year ended March 31, 2021
Weighted average number of ordinary shares outstanding	920,570,952	**920,745,340**

Diluted earnings per share are not presented as there are no potential dilutive shares.

31. 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.

The Group identifies Return on Equity (“ROE”) and Debt Equity Ratio (“D/E ratio”) as key management indicators to achieve medium- and long-term profit growth and stability of the financial base. ROE is calculated by dividing profit for the year attributable to owners of the parent by the equity attributable to owners of the parent. D/E ratio is calculated by dividing interest-bearing debts by the equity attributable to owners of the parent.

	As of March 31, 2020	As of March 31, 2021
ROE (%)	(14.7)	**(1.2)**
D/E Ratio (times)	0.94 *0.74	**0.93** ***0.70**

*After adjusting for equity credit attributes of subordinated loans and subordinated bonds.

There are no significant capital regulations which are applied to the Company.

(2) Classification of financial instruments

(a) Valuation techniques used to measure the fair value for the financial instruments with a carrying amount measured at fair value

(i) Equity instruments

The fair value of marketable equity instruments is measured using quoted market prices at the end of the reporting period.

The fair value of non-marketable equity instruments is estimated using appropriate valuation techniques, such as the market approach.

(ii) Derivatives

The fair value of derivatives is measured with reference to prices provided by the counterparty and forward exchange rates.

(b) Classification by levels in the fair value hierarchy

The fair value hierarchy of financial instruments is classified from Level 1 to Level 3 as follows:

Level 1: Fair value measured with quoted prices in active markets for identical assets or liabilities;

Level 2: Fair value measured using inputs that are directly or indirectly observable for assets or liabilities other than those in Level 1;

Level 3: Fair value measured using inputs that are not based on observable market data for assets or liabilities.

(c) Method to measure the changes in fair value

FVPL: Method of measuring changes in fair value through profit or loss
FVOCI: Method of measuring changes in fair value through other comprehensive income

(d) Carrying amounts of financial instruments by classification

(As of March 31, 2020)
Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	289,459	—	—	289,459
Trade and other receivables	758,975	—	—	758,975
Other financial assets	14,922	583	1,834	17,340
Derivatives	—	583	1,834	2,417
Debt instruments	14,922	—	—	14,922
Non-current assets				
Other financial assets	64,047	—	417,069	481,117
Equity instruments	—	—	413,161	413,161
Derivatives	—	—	3,907	3,907
Debt instruments	64,047	—	—	64,047

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of “Trade and other receivables” in the table above does not include the contract assets recognized in accordance with IFRS 15 ”Revenue” which amounts to 67,621 million yen.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	1,449,801	—	—	1,449,801
Bonds and borrowings	354,642	—	—	354,642
Other financial liabilities Derivatives	—	163	2,026	2,189
Non-current liabilities				
Bonds and borrowings	2,037,703	—	—	2,037,703
Other financial liabilities Derivatives	—	—	4,621	4,621
Other non-current liabilities	147,764	—	—	147,764

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of “Other non-current liabilities” in the table above does not include the liabilities recognized in accordance with IAS 19 “Employee Benefits” which amounts to 24,390 million yen.

(As of March 31, 2021)

Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	**359,465**	**—**	**—**	**359,465**
Trade and other receivables	**757,180**	**—**	**—**	**757,180**
Other financial assets	**19,433**	**64**	**8,273**	**27,772**
Derivatives	**—**	**64**	**8,273**	**8,338**
Debt instruments	**19,433**	**—**	**—**	**19,433**
Non-current assets				
Other financial assets	**48,910**	**2**	**579,313**	**628,226**
Equity instruments	**—**	**—**	**574,490**	**574,490**
Derivatives	**—**	**2**	**4,823**	**4,825**
Debt instruments	**48,910**	**—**	**—**	**48,910**

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of “Trade and other receivables” in the table above does not include the contract assets recognized in accordance with IFRS 15 “Revenue” which amounts to 48,126 million yen.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	**1,382,761**	**—**	**—**	**1,382,761**
Bonds and borrowings	**286,308**	**—**	**—**	**286,308**
Other financial liabilities				
Derivatives	**—**	**76**	**1,174**	**1,250**
Non-current liabilities				
Bonds and borrowings	**2,181,453**	**—**	**—**	**2,181,453**
Other financial liabilities				
Derivatives	**—**	**153**	**4,631**	**4,784**
Other non-current liabilities	**163,974**	**—**	**—**	**163,974**

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of “Other non-current liabilities” in the table above does not include the liabilities recognized in accordance with IAS 19 “Employee Benefits” which amounts to 25,384 million yen.

(e) Financial instruments measured at fair value

(As of March 31, 2020)
Financial assets measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	—	583	—	583
FVOCI				
Other financial assets				
Equity instruments	333,812	—	79,349	413,161
Derivatives	—	5,741	—	5,741

Derivatives included in FVOCI represent the effective portion of hedging instruments designated as cash flow hedges.

Financial liabilities measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Derivatives	—	163	—	163
FVOCI				
Other financial liabilities				
Derivatives	—	6,647	—	6,647

Derivatives included in FVOCI represent the effective portion of hedging instruments designated as cash flow hedges.

(As of March 31, 2021)
Financial assets measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	—	**67**	—	**67**
FVOCI				
Other financial assets				
Equity instruments	**495,289**	—	**79,200**	**574,490**
Derivatives	—	**13,096**	—	**13,096**

Derivatives included in FVOCI represent the effective portion of hedging instruments designated as cash flow hedges.

Financial liabilities measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Derivatives	—	**229**	—	**229**
FVOCI				
Other financial liabilities				
Derivatives	—	**5,805**	—	**5,805**

Derivatives included in FVOCI represent the effective portion of hedging instruments designated as cash flow hedges.

The changes of equity instruments measured at Level 3 are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of the year	79,702	**79,349**
Net changes in fair value	351	**949**
Acquisitions	654	**67**
Sale / settlements	(1,444)	**(970)**
Other	86	**(195)**
Balance at end of the year	79,349	**79,200**

(f) Equity instruments measured at fair value through other comprehensive income ("FVOCI")

(i) Fair value of significant equity instruments measured at FVOCI by name

(As of March 31, 2020)

(Millions of Yen)

POSCO	41,143
Recruit Holdings	31,147
Central Japan Railway Company	20,636
Suzuki Motor Corporation	20,054
AIR WATER INC.	15,008

(As of March 31, 2021)

(Millions of Yen)

POSCO	**92,552**
Acerinox, S.A.	**61,765**
Recruit Holdings	**57,844**
Suzuki Motor Corporation	**38,991**
Daido Steel Co., Ltd.	**15,903**

(ii) Fair value at the time of derecognition for assets that were derecognized and cumulative gains or losses on disposal

The Group derecognizes certain financial assets that are measured at fair value through other comprehensive income as a result of disposals such as sale occurring as a result of review of business relationships.

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Fair value at the time of derecognition	189,407	**73,333**
Cumulative gains or losses on disposal (net of tax)	59,987	**24,973**

(iii) Dividends recognized for the equity investments measured at FVOCI during the reporting period

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Investment derecognized in the reporting period	4,545	**1,305**
Investment held at the end of reporting period	18,343	**8,398**
Total	22,889	**9,704**

(3) Fair value of financial instruments
Financial instruments measured at amortized cost

The fair value of financial assets and financial liabilities measured at amortized cost is as follows:

(As of March 31, 2020)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current) Other financial assets Debt instruments	14,922	11,374	118	3,429
Financial assets (Non-current) Other financial assets Debt instruments	64,047	11	6,029	58,035
Financial liabilities (Current) Bonds and borrowings	354,642	45,357	—	309,642
Financial liabilities (Non-current) Bonds and borrowings	2,037,703	550,314	—	1,504,562

(As of March 31, 2021)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current) Other financial assets Debt instruments	**19,433**	**13,492**	**1,002**	**4,941**
Financial assets (Non-current) Other financial assets Debt instruments	**48,910**	—	**4,991**	**43,910**
Financial liabilities (Current) Bonds and borrowings	**286,308**	**15,070**	—	**271,308**
Financial liabilities (Non-current) Bonds and borrowings	**2,181,453**	**625,025**	—	**1,576,582**

The tables do not include financial assets and liabilities measured at amortized cost whose fair values approximate their carrying amounts.

Valuation techniques used to measure the fair value of financial instruments measured at amortized cost
- The fair value of a marketable financial asset is measured based on its market price.
- The fair value of a non-marketable financial asset is measured with reference to the price quoted by financial institutions.
- The fair value of a bond is measured based on 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 for a similar term.

(4) 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.

(a) Market risk management

(i) 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.

The Group's principal foreign currency risk exposures for the years ended March 31, 2020 and 2021 are as follows.

(Millions of USD)

	As of March 31, 2020	As of March 31, 2021
Net exposure (liability)	(48)	**316**

Impacts on profit before income taxes in the consolidated statements of profit or loss if Japanese yen were to appreciate by 1% against the U.S. Dollar at the end of the reporting period are as follows. In this analysis, the impacts on the assets and liabilities denominated in foreign currencies as of March 31, 2020 and 2021 are estimated by assuming that variables, such as outstanding balances and interest rates, are constant (negative figures indicate negative impacts on profit).

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Impacts on profit before income taxes	52	**(350)**

(ii) 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.

Impacts on profit before income taxes in the consolidated statements of profit or loss if interest rates were to increase by 1% at the end of the reporting period are as follows. In this analysis, all other variables are assumed to be constant (negative figures indicate negative impacts on profit).

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Impacts on profit before income taxes	(4,155)	**(1,199)**

(iii) 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.

(b) 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.

(i) Credit risk exposure

The total amount of the contractual amounts of financial guarantees and loan commitments and the carrying amount of financial assets (net of impairment) represents its maximum exposure to credit risk without taking into account of any collateral held.

For the credit risk exposure, the Group recognizes the allowance for doubtful accounts by measuring the lifetime expected credit losses.

Allowance for doubtful accounts with respect to trade receivables is assessed by multiplying the carrying amount of trade receivables by the rate of historical credit losses on an individual basis.

(ii) Financial assets subject to allowance for doubtful accounts

The aging of trade and other receivables is as follows:

(Millions of Yen)

Days past due	As of March 31, 2020	As of March 31, 2021
Current	822,292	**799,339**
Within 90 days	3,862	**5,419**
Over 90 days and within 1 year	1,655	**1,606**
Over 1 year	247	**663**
Total	828,058	**807,028**

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of the year	7,142	**5,326**
Increase during the year	694	**7,099**
Decrease during the year	(2,487)	**(1,419)**
Other	(22)	**(297)**
Balance at end of the year	5,326	**10,709**

(c) 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.

The figures below show the remaining amount of the Group’s financial liabilities by contractual maturity at the end of the reporting period, but do not contain financial guarantees where the Group is obligated to make payments on the obligations arising from financial guarantee contracts. The maximum amounts of guarantees that are extended by the Group are described in Note 34 “Loan Guarantees”.

As of March 31, 2020

(Millions of Yen)

	Carrying amount	Total contractual cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Trade and other payables	1,449,801	1,449,801	1,449,801	—	—
Borrowings	1,675,642	1,675,642	190,642	678,865	806,134
Bonds	597,703	600,000	45,000	115,000	440,000
Lease liabilities	96,395	96,395	22,257	49,010	25,128
Commercial paper	119,000	119,000	119,000	—	—
Derivatives	6,810	6,527	3,714	2,813	—
Total	3,945,353	3,947,366	1,830,415	845,688	1,271,262

As of March 31, 2021

(Millions of Yen)

	Carrying amount	Total contractual cash flow	Within 1 year	Over 1 year but within 5 years	Over 5 years
Trade and other payables	**1,382,761**	**1,382,761**	**1,382,761**	**—**	**—**
Borrowings	**1,827,751**	**1,829,964**	**264,308**	**652,031**	**913,623**
Bonds	**633,010**	**635,000**	**15,000**	**190,000**	**430,000**
Lease liabilities	**91,470**	**91,470**	**22,676**	**43,240**	**25,552**
Commercial paper	**7,000**	**7,000**	**7,000**	**—**	**—**
Derivatives	**6,035**	**4,005**	**2,412**	**1,630**	**(37)**
Total	**3,948,028**	**3,950,200**	**1,694,159**	**886,903**	**1,369,138**

(5) Derivatives

(a) Impacts on the consolidated statement of financial position

(i) Derivative assets and liabilities designated as hedging instruments

As of March 31, 2020

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount		Carrying amount (Fair value)	
		Total	Settlement in excess of one year	Assets	Liabilities
Cash flow hedge	Foreign exchange forward contract	206,575	9,218	1,448	1,602
	Interest rate swap	252,226	175,724	60	4,630
	Currency swap	36,482	35,410	4,045	—
	Commodity swap	6,895	278	188	413
Total		502,181	220,631	5,741	6,647

As of March 31, 2021

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount		Carrying amount (Fair value)	
		Total	Settlement in excess of one year	Assets	Liabilities
Cash flow hedge	Foreign exchange forward contract	**162,670**	**6,651**	**7,286**	**179**
	Interest rate swap	**639,470**	**600,031**	**92**	**5,126**
	Currency swap	**35,410**	**34,337**	**4,810**	**—**
	Commodity swap	**38,881**	**1,153**	**908**	**500**
Total		**876,433**	**642,174**	**13,096**	**5,805**

The carrying amounts (fair value) of derivative assets are included in "Other financial assets". The carrying amounts (fair value) of derivative liabilities are included in "Other financial liabilities". The changes in the fair value of the hedged item that are used as the basis for recognition of the ineffective portion are not disclosed as the amount is immaterial.

(ii) Derivative assets and liabilities not designated as hedges

(Millions of Yen)

	As of March 31, 2020		As of March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contract	583	150	**49**	**15**
Interest swap	—	—	**—**	**213**
Currency swap	—	13	**17**	**—**
Total	583	163	**67**	**229**

(b) Changes in fair value of cash flow hedges

The changes in fair value of hedging instruments designated as cash flow hedges of the Group recognized in other comprehensive income in the consolidated statements of comprehensive income or loss are as follows.

Year ended March 31, 2020

(Millions of Yen)

Risk classification	Beginning of the year	Changes in fair value of cash flow hedge recognized in the other comprehensive income	Amount transferred to profit or loss from other components of equity as a reclassification adjustment	End of the year	The account in which the reclassification adjustment to profit or loss is recognized
Foreign currency risk	646	(5,295)	3,426	(1,222)	Other operating income/Other operating expenses
Interest rate risk	(5,326)	1,462	(254)	(4,118)	Finance income/Finance costs
Other	1,519	(556)	(1,188)	(225)	—
Total	(3,159)	(4,389)	1,982	(5,566)	

Year ended March 31, 2021

(Millions of Yen)

Risk classification	Beginning of the year	Changes in fair value of cash flow hedge recognized in the other comprehensive income	Amount transferred to profit or loss from other components of equity as a reclassification adjustment	End of the year	The account in which the reclassification adjustment to profit or loss is recognized
Foreign currency risk	**(1,222)**	**8,052**	**(322)**	**6,507**	Other operating income/Other operating expenses
Interest rate risk	**(4,118)**	**(907)**	**(7)**	**(5,033)**	Finance income/Finance costs
Other	**(225)**	**408**	**225**	**408**	—
Total	**(5,566)**	**7,552**	**(104)**	**1,881**	

32. Related Parties

(1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2020

(Millions of Yen)

Category	Name	Description of transaction	Amount	Account	Outstanding balance
Associate	NIPPON STEEL TRADING CORPORATION (Note 1)	Sells steel products (Note 2)	1,081,498	Trade and other receivables	46,358
Joint venture	AMNS Luxembourg Holding S.A.	Loan guarantee (Note 3)	224,015	—	—

Notes:

1. NIPPON STEEL TRADING CORPORATION changed its name from Nippon Steel & Sumikin Bussan Corporation on April 1, 2019.
2. The terms and conditions applied to related party transactions are determined based on terms equivalent to those that prevail in arm's length transactions.
3. The Company provided a guarantee for 40% of the loan which AMNS Luxembourg Holding S.A. procured from banks.

Year ended March 31, 2021

(Millions of Yen)

Category	Name	Description of transaction	Amount	Account	Outstanding balance
Associate	NIPPON STEEL TRADING CORPORATION	Sells steel products (Note 1)	**881,197**	Trade and other receivables	**47,855**
Joint venture	AMNS Luxembourg Holding S.A.	Loan guarantee (Note 2)	**227,885**	—	—

Notes:

1. The terms and conditions applied to related party transactions are determined based on terms equivalent to those that prevail in arm's length transactions.
2. The Company provided a guarantee for 40% of the loan which AMNS Luxembourg Holding S.A. procured from banks.

(2) Key management personnel compensation

Compensation paid to the directors of the Group is as follows:

(Millions of Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Salary	910	**734**

33. Commitments

Significant commitments related to the acquisition of assets are as follows:

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Contractual commitments related to acquisition of property, plant and equipment and intangible assets	426,987	**389,821**

34. 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.

(Millions of Yen)

	As of March 31, 2020	As of March 31, 2021
Guarantees for the bank loans of joint ventures and associates	292,555	**282,058**

35. Subsequent Events

There are no significant subsequent events.