Annual Securities Report

The 98th Term (from April 1, 2022 to March 31, 2023)

(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, 2023, 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		94th term	95th term	96th term	97th term	98th term
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Revenue	(Millions of Yen)	6,177,947	5,921,525	4,829,272	6,808,890	7,975,586
Business profit (loss)	(Millions of Yen)	336,941	(284,417)	110,046	938,130	916,456
Profit (loss) for the year attributable to owners of the parent	(Millions of Yen)	251,169	(431,513)	(32,432)	637,321	694,016
Total comprehensive income for the year	(Millions of Yen)	85,114	(543,642)	143,233	816,342	926,920
Total equity attributable to owners of the parent	(Millions of Yen)	3,230,788	2,641,618	2,759,996	3,466,799	4,181,155
Total assets	(Millions of Yen)	8,049,528	7,444,965	7,573,946	8,752,346	9,567,099
Total equity attributable to owners of the parent per share	(Yen)	3,509.72	2,869.19	2,997.53	3,764.69	4,540.59
Basic earnings (loss) per share	(Yen)	281.77	(468.74)	(35.22)	692.16	753.66
Diluted earnings (loss) per share	(Yen)	281.77	(468.74)	(35.22)	657.48	671.89
Ratio of total equity attributable to owners of the parent to total assets	(%)	40.1	35.5	36.4	39.6	43.7
Return on equity	(%)	7.9	(14.7)	(1.2)	20.5	18.1
Price-earnings ratio	(Times)	6.9	—	—	3.1	4.1
Cash flows from operating activities	(Millions of Yen)	452,341	494,330	403,185	615,635	661,274
Cash flows from investing activities	(Millions of Yen)	(381,805)	(345,627)	(389,035)	(378,866)	(366,580)
Cash flows from financing activities	(Millions of Yen)	(42,900)	(14,582)	52,694	(61,304)	(197,655)
Cash and cash equivalents at end of the year	(Millions of Yen)	163,176	289,459	359,465	551,049	670,410
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		105,796 [20,164]	106,599 [19,725]	106,226 [18,812]	106,528 [17,278]	106,068 [15,922]

Notes:
1. 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 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 are composed mainly of dividend income, foreign exchange gains or losses, and losses on disposal of fixed assets.
5. The price-earnings ratio for the 95th and 96th terms is not presented as the Company recorded a loss for the year.

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

Fiscal term		94th term	95th term	96th term	97th term	98th term
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of Yen)	3,562,226	3,312,949	2,820,992	4,365,970	4,973,537
Ordinary profit (loss)	(Millions of Yen)	112,319	(40,410)	(25,446)	536,792	527,162
Profit (loss) for the year	(Millions of Yen)	145,319	(455,641)	(42,098)	393,022	503,643
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)	2,072,452	1,446,409	1,467,570	1,780,048	2,135,393
Total assets	(Millions of Yen)	5,462,897	5,009,656	5,253,847	5,926,165	6,280,924
Net assets per share	(Yen)	2,247.72	1,568.77	1,591.76	1,930.74	2,316.22
Dividends per share (Interim dividends shown in brackets)	(Yen)	80 [40]	10 [10]	10 [—]	160 (70)	180 (90)
Earnings (loss) per share	(Yen)	162.79	(494.18)	(45.66)	426.28	546.28
Diluted earnings per share	(Yen)	—	—	—	404.95	487.07
Capital adequacy ratio	(%)	37.9	28.9	27.9	30.0	34.0
Return on equity	(%)	7.1	(25.9)	(2.9)	24.2	25.7
Price-earnings ratio	(Times)	12.0	—	—	5.1	5.7
Dividend payout ratio	(%)	49.1	—	—	37.5	32.9
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		26,570 [4,228]	27,096 [4,087]	29,579 [3,723]	28,708 [2,648]	28,331 [1,791]
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	(%)	87.1 [95.0]	43.5 [85.9]	85.0 [122.1]	104.0 [124.6]	152.4 [131.8]
Highest share price	(Yen)	2,527.0	2,081.0	1,954.0	2,381.0	3,294.0
Lowest share price	(Yen)	1,794.0	857.0	798.1	1,690.5	1,838.0

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 for the 94th to 96th term are not presented as there are no potential dilutive shares.
4. 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.
5. 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.
6. Share prices before April 3 2022, are from the First Section of the Tokyo Stock Exchange, and share prices after April 4, 2022 are from the Prime Market of the Tokyo Stock Exchange.

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.
April 2023	Made NIPPON STEEL TRADING CORPORATION a subsidiary

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, - segment information" of this report.

As of March 31, 2023, the Group is mainly comprised of the Company and 360 consolidated subsidiaries, as well as 97 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, 2023)

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

Steelmaking and Steel Fabrication business
(377 companies including the Company)

◎Sanyo Special Steel Co., Ltd.
◎NIPPON STEEL COATED SHEET CORPORATION
◎OSAKA STEEL CO., LTD..
◎NIPPON STEEL METAL PRODUCTS CO., LTD
◎KROSAKI HARIMA CORPORATION
◎NIPPON STEEL TEXENG. CO., LTD.
◎NIPPON STEEL PIPE CO., LTD.
◎NIPPON STEEL Stainless Steel Corporation
◎NIPPON STEEL LOGISTICS CO., LTD.
◎NIPPON STEEL SG WIRE CO.,LTD
◎Geostr Corporation
◎NIPPON STEEL WELDING & ENGINEERING Co., Ltd.
◎NIPPON STEEL DRUM CO., LTD.
◎NIPPON STEEL CEMENT CO., LTD.
◎NIPPON STEEL FINANCE Co., Ltd
◎NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.
◎NIPPON STEEL WIRE CO., LTD.
◎NIPPON STEEL Eco-Tech Corporation
◎NIPPON STEEL BOLTEN CORPORATION
◎NIPPON STEEL STRUCTURAL SHAPES CORPORATION
◎NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD.
◎G Steel Public Company Limited
◎G J Steel Public Company Limited
◎NS-Siam United Steel Co., Ltd.
◎NIPPON STEEL PIPE (THAILAND) CO., LTD.
◎PT KRAKATAU NIPPON STEEL SYNERGY
◎NIPPON STEEL NORTH AMERICA, INC.
◎WHEELING-NIPPON STEEL, INC.
◎Standard Steel, LLC
◎PT PELAT TIMAH NUSANTARA TBK.
◎NIPPON STEEL SOUTHEAST ASIA CO., LTD.
◎NIPPON STEEL AUSTRALIA PTY. LIMITED
◎NIPPON STEEL Processing (Thailand) Co., Ltd.
◎NIPPON STEEL PIPE AMERICA, INC.
◎Ovako AB
○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.
○Nippon Coke & Engineering Company Limited
○Sanko Metal Industrial Co., Ltd.
○Sanyu Co., Ltd.
○NS Architectural Steel Service Corporation
○Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS
○Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.
○WISCO-NIPPON STEEL Tinplate Co., Ltd.
○AMNS Luxembourg Holding S.A.
○Jamshedpur Continuous Annealing & Processing Company Private Limited
○Companhia Nipo-Brasileira De Pelotizacao
○UNIGAL Ltda.
○Al Ghurair Iron & Steel LLC
etc.

Sale and purchase of products, etc.

Outsourcing of processing as well as transportation and loading/unloading of materials, products, etc.

NIPPON STEEL CORPORATION (operating holding company, Steelmaking and Steel Fabrication business)

Outsourcing of design, construction, management, etc.

Engineering and Construction business
(34 companies)

◎NIPPON STEEL ENGINEERING CO., LTD.
etc.

Sale and purchase of products, etc.

Chemicals and Materials business
(25 companies)

◎NIPPON STEEL Chemical & Material CO., LTD.
etc.

Outsourcing of system development, maintenance, operation, etc.

Sale and purchase of products, etc.

System Solutions business
(21 companies)

◎NS Solutions Corporation
etc.

Others
(1 company)

* Company classified in "Others" is the company that is not included in the abovementioned four businesses.

4. Subsidiaries and Other Affiliated Entities

Principal consolidated subsidiaries and equity-method affiliates (as of March 31, 2023)

[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, flat steels 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.
KROSAKI HARIMA CORPORATION	Kitakyushu City, Fukuoka	5,537 million yen	Makes, markets and constructs refractories	46.9% (0.0%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer 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.
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.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	5,000 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.
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.
GEOSTER 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 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	Minato-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.
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.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL STRUCTURAL SHAPES CORPORATION	Wakayama City, Wakayama	400 million yen	Makes and markets H-beams	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. (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.
G Steel Public Company Limited	Rayong State, Thailand	THB 144,644 million	Makes and markets hot-rolled steel sheets	60.2% (50.0%)	(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.
G J Steel Public Company Limited	Chon Buri State, Thailand	THB 24,468 million	Makes and markets hot-rolled steel sheets	57.6% (49.9%)	(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.
NS-Siam United Steel Co., Ltd.	Rayong Province, Thailand	THB 13,007 million	Makes and markets cold-rolled sheets and galvanized sheets	94.9%	(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 PIPE (THAILAND) CO., LTD.	Chon Buri State, Thailand	THB 8,336 million	Makes and markets steel pipes and tubes	100.0% (100%)	(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.
PT KRAKATAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	US$ 186 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.
NIPPON STEEL NORTH AMERICA, INC.	Texas State, United States of America	US$ 86 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.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
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.
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 SOUTHEAST ASIA CO., LTD.	Bangkok Metropolis, Thailand	THB 827 million	Gathers information in Asian region focusing on Thailand	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. (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. (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.
NIPPON STEEL PIPE AMERICA, LTD.	Indiana State, United States of America	US$ 10 million	Makes and markets steel pipes and tubes	80.0% (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 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	21.4% (0.3%)	(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	Chuo -ku, Tokyo	16,389 million yen	Markets, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products	35.2% (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	11,084 million yen	Makes and markets ferroalloy/ functional materials, environmental business and electric supply business	21.8% (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
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	32.7% (0.3%)	(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.
NS Architectural Steel Services Corporation	Chuo-ku, Tokyo	1,300 million yen	Markets steel products, processed steel products, and building materials	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 The Company provides loan guarantees to the affiliate.
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 four 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.
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.

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
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 There is nothing to report
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 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.
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	Minato-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, GEOSTER 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., 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., G Steel Public Company Limited and G J Steel Public Company Limited are specified subsidiaries.
3. The percentage of the Group's ownership of KROSAKI HARIMA CORPORATION, GEOSTER 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.) is 50% or less. However, NIPPON STEEL has determined that it effectively has control over these companies and has included them in the scope of consolidation as subsidiaries.
4. The percentage of the Group's ownership of Godo Steel, Ltd. is below 20%. However, NIPPON STEEL has determined that it effectively has significant influence over these companies and has applied the equity method to them as affiliates.
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 TRADING CORPORATION changed from an equity-method affiliate to a subsidiary on April 14, 2023 due to a tender offer by the Company based on the Financial Instruments and Exchange Act.

5. Employees

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

(As of March 31, 2023)

Segment name	Number of employees
Steelmaking and Steel Fabrication	90,216 [14,126]
Engineering and Construction	4,923 [1,113]
Chemicals and Materials	3,414 [626]
System Solutions	7,515 [57]
Total	106,068 [15,922]

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, 2023) are shown in brackets.

(2) Status of the reporting company

(As of March 31, 2023)

Number of employees	Average age	Average number of years employed	Average annual salary (Yen)
28,331 [1,791]	39.3	17.2	8,248,093

Segment name	Number of employees
Steelmaking and Steel Fabrication	28,331 [1,791]
Total	28,331 [1,791]

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, 2023) is shown in brackets.
3. Average annual salaryincludes bonuses and surplus wages. From this fiscal year, exccutives are included in the calculation.
4. The number of temporary workers decreased by 857 in the year up to March 31, 2023 primarily due to a decrease in the number of re-employed workers.

(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, 2023 is 70,028 persons.

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

(4) Percentage of managerial positions occupied by female workers, percentage of male workers who take childcare leave, and wage gap between male and female workers

(a) Reporting Company

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
NIPPON STEEL CORPORATION	1.4	56	100	64.7	64.3	77.8

Notes:

1. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
2. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
   The results for each employment management category are as follows.
   Management group: 74%, assistant management group: 77%, global group: 80%, wide expert group: 42%, area group: 48%
3. Calculation of the rate of taking childcare leave, etc. and time-off for the purposes of childcare set forth in Article 71-4, Item 2 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
4. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
   For regularly employed workers, the five categories described in Note 2 are set according to the role of each employee and the way of assignment that accompanies it, and the salary system is based on each category.
   The salary system, evaluation, and operation of each category are the same for all employees regardless of gender, but even within the same category, the average years of service for men and women are different, and the composition ratio of each category to the number of employees for each gender is different, resulting in a wage gap.

(b) Consolidated subsidiary

[Steelmaking and Steel Fabrication business]

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
Sanyo Special Steel Co., Ltd.	5.3	74	151	70.1	67.1	165.2
NIPPON STEEL Stainless Steel Corporation	1.0	27	98	71.9	74.4	74.3
NIPPON STEEL TEXENG. CO., LTD.	-	26	97	82.2	83.5	55.9
OSAKA STEEL CO., LTD.	1.5	19	76	78.7	74.9	- (Note 5)
NIPPON STEEL METAL PRODUCTS CO., LTD.	4.0	40	70	72.3	73.1	44.4
KROSAKI HARIMA CORPORATION	3.2	22	89	69.0	76.4	48.1
NIPPON STEEL COATED SHEET CORPORATION	0.3	58	91	74.7	75.1	56.0
NIPPON STEEL PIPE CO., LTD.	-	-	-	77.6	81.0	60.1
OJI STEEL Co., Ltd.	-	-	-	71.8	74.3	56.8
NIPPON STEEL LOGISTICS CO., LTD.	-	9	61	65.1	66.2	44.7
NIPPON STEEL SG WIRE CO., LTD.	-	-	-	81.3	82.7	59.0

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
GEOSTER Corporation	2.6	-	-	-	-	-
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	-	-	-	71.4	76.0	58.6
NIPPON STEEL Eco-Tech Corporation	4.1	27	90	74.3	78.9	64.4
NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	0.0	-	-	84.3	84.5	84.1
NIPPON STEEL LOGISTICS KASHIMA CO., LTD.	-	-	-	82.0	81.6	45.3
NIPPON STEEL WIRE RODS PROCESSING CO., LTD.	0.0	25	100	83.4	85.9	16.7
NIPPON STEEL TECHNOLOGY Co., Ltd.	5.2	47	98	78.3	81.7	39.9
MATSUBISHI METAL INDUSTRY CO., LTD.	2.4	-	-	87.0	88.0	94.0
NIPPON STEEL ELECTRICAL STEEL Co., Ltd	-	-	-	89.0	90.1	74.5
NIPPON STEEL WIRE CO., LTD.	0.0	-	-	-	-	-
NIPPON STEEL SLAG PRODUCTS CO., LTD.	-	-	-	70.8	70.1	59.5
NIPPON STEEL LOGISTICS NAGOYA CO., LTD.	-	-	-	72.3	73.8	78.2
TSURUMI STEEL TUBE Co., Ltd.	7.1	-	-	-	-	-
NIPPON STEEL LOGISTICS YAWATA CO., LTD.	-	9	90	85.2	85.9	87.0
Nippon Steel Kozai CO., LTD.	0.0	83	100	-	-	-
WAKO STEEL CO., LTD.	0.0	-	-	-	-	-
NIPPON STEEL PRECISION FORGE, INC.	0.0	-	-	-	-	-
NIPPON STEEL LOGISTICS KIMITSU CO., LTD.	-	27	100	68.9	76.3	71.1
TEXENG SOLUTIONS CORPORATION	-	-	-	72.1	72.4	63.4
NIPPON STEEL LOGISTICS OITA CO., LTD.	-	-	-	68.1	67.2	- (Note 5)

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
NIPPON STEEL ANTI-CORROSION CO., LTD.	3.9	-	-	-	-	-
NIPPON STEEL LOGISTICS HIROHATA CO., LTD.	-	-	-	84.9	85.3	74.0
Tokai Kozai Kogyo Co.,Ltd.	0.0	-	-	-	-	-
NIPPON STEEL KANSAI MACHINING CO., LTD.	-	-	-	84.2	83.6	- (Note 5)
NIPPON STEEL BUSINESS SERVICE KANSAI LTD.	3.2	33	75	89.8	91.8	70.9
NIPPON STEEL RESEARCH INSTITUTE, CORPORATION	6.0	150	150	-	-	-
NIPPON STEEL FIRST TEC CO., LTD.	-	-	-	70.5	74.6	59.0
Santoku Kogyo Co., Ltd.	-	-	-	68.4	71.8	59.1
NIPPON STEEL BUSINESS SERVICE EAST NIPPON LTD.	2.1	40	100	95.2	81.8	89.4
NIPPON STEEL BUSINESS SERVICE TOKAI LTD.	0.0	-	-	-	-	-
NIPPON STEEL INSURANCE SERVICE, INC.	9.1	-	-	-	-	-
TEXENG Techno Service Co., Ltd.	15.0	-	-	-	-	-

[Engineering and Construction business]

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
NIPPON STEEL ENGINEERING CO., LTD.	1.2	53	81	63.9	64.4	56.2
NIPPON STEEL PIPELINE & ENGINEERING CO., LTD.	2.4	-	-	57.5	54.9	63.8
NIPPON STEEL ENVIRONMENTAL& ENERGY SOLUTIONS CORPORATION	0.0	32	97	71.6	79.3	62.0

[Chemicals and Materials business]

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
NIPPON STEEL Chemical & Material CO., LTD.	-	57	92	64.7	69.1	36.4

[System Solutions business]

Year ended March 31, 2023						
Name	Percentage of managerial positions occupied by female workers (%) (Note 1)	Percentage of male workers who take childcare leave (%)		Wage gap between male and female workers (%) (Note 4)		
		Percentage who take childcare leave (Note 2)	Combined percentage who take childcare leave and time-off for the purposes of childcare (Note 3)	All workers	Regularly employed workers	Part time / fixed-term workers
NS Solutions Corporation	4.0	-	91	74.1	73.9	67.0
NIPPON STEEL Hitachi Systems Solutions, Inc.	10.2	-	-	79.3	78.4	96.5
East Japan NS Solutions Corporation	-	-	-	83.0	83.0	64.8
Kyushu NS Solutions Corporation	8.7	-	100	83.9	85.6	29.5
NS Solutions Kansai Corporation	-	-	85	84.7	84.1	84.7
NSSLC Service Corporation	-	-	100	71.4	70.3	97.5
Network Value Components Ltd.	13.3	-	-	-	-	-

Notes:

1. Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Calculation based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015) or a calculation of the rate of taking childcare leave, etc. set forth in Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members," based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
   The following companies disclose the results for each employment management category.
   Sanyo Special Steel Co., Ltd.: Career track: 57%, non-career track: N/A, technical staff: 84% (all regular employees)
   NIPPON STEEL WIRE RODS PROCESSING CO., LTD.: Career track 0%, key personnel 30% (all regular employees)
   Nippon Steel Kozai CO., LTD.: Regular employees: 83%
   NIPPON STEEL BUSINESS SERVICE EAST NIPPON LTD.: Regular employees 40%, contract / part-time employees: N/A
   Nippon Steel Engineering Co., Ltd.: Chief or above: 65%, global staff (clerical): 30%, global staff (technical): 80%, expert staff: N/A, irregular employees: 0%
   NIPPON STEEL ENVIRONMENTAL&ENERGY SOLUTIONS CORPORATION: Regular employees: 32%, irregular employees: 0%
3. Calculation of the rate of taking childcare leave, etc. time-off for the purposes of childcare set forth in Article 71-4, Item 2 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
4. Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
   In each company, multiple categories are set according to the roles of employees, etc., but the salary system, evaluation, and operation of each category are the same for all employees regardless of gender. The difference in wages between men and women is mainly due to differences in the composition ratio of each category, average length of service, work style (three-shift work, etc.), managerial position ratio, and working hours, etc.
   At the following companies, the average annual wages of part-time workers and fixed-term workers are calculated based on the number of employees converted by the prescribed working hours of regularly employed workers.
   NIPPON STEEL Stainless Steel Corporation, OJI STEEL Co., Ltd., NIPPON STEEL STAINLESS STEEL PIPE CO., LTD., NIPPON STEEL TECHNOLOGY Co., Ltd., MATSUBISHI METAL INDUSTRY CO., LTD., TEXENG SOLUTIONS CORPORATION, Santoku Kogyo Co., Ltd.
5. There are no female employees.
6. "-" means that the indicator concerned is not disclosed.

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, 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 continue declining due to its shrinking population, aging society, the expansion of overseas local production by Japanese customers, and other reasons. In addition, the manufacturing industry's trend toward local production and local consumption as well as domestic production is likely to lead 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 more than 50% 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 carbon neutral 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, 2024, the situation concerning global steel demand is unlikely to recover. In China, the real estate market remains sluggish and a recovery in domestic demand is unforeseeable. In Europe and the United States uncertainty over the outlook has not been ruled out. In addition, despite sluggish product prices, raw material prices are expected to remain at a high level, and the spread (price difference between raw materials and steel products) in the overseas general market cannot be expected to improve.

(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.

The Company strived to establish a profit structure that ensures a high level of business profit regardless of the external environment. The actions taken included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal 2020, an improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, and improved profitability of the overseas Group companies. In the year ending March 31, 2024, under the aforementioned business environment, in addition to continuing to implement our existing profit structure measures, we will evolve to a further vertically-integrated business structure to achieve our future vision of ¥1 trillion in consolidated business profit, and aim to build a foundation that enables us to record even higher profits regardless of the external environment.

The outline of the NIPPON STEEL Group's medium- to long-term management plan announced in March 2021 and its progress are as follows.

<Outline and Progress of the NIPPON STEEL Group's Medium- to Long-term Management Plan (announced on March 5, 2021)>

With the aim of becoming "the best steelmaker with world-leading capabilities," the Company is steadily implementing various measures aimed at achieving the four pillars of its medium- to long-term management plan: "Rebuilding our domestic steel business and strengthening our group's management"; "Promoting a global strategy to deepen and expand the overseas business"; "Taking on the challenge of carbon neutrality" and "Promoting digital transformation strategies."

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

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 are promoting the strengthening of its earnings base by rebuilding its cost competitiveness to overwhelm our competitors and securing appropriate margins, in addition to building an optimum production system for the domestic steelmaking business.

With the aim of steadily implementing the production facility structural measures and establishing a more robust earnings base, regardless of the short-term improvement in the environment, the Company shut down facilities including parts of the No. 3 continuous caster in the Kansai Works Wakayama Area, the No. 1 hot-dip galvanizing and aluminizing line of the Setouchi Works Hanshin Area (Sakai), and the No. 1 pickling line of the East Nippon Works Kashima Area. Production was thereby consolidated into competitive lines. In addition, while non-consolidated crude steel production decreased by 30% from the peak after the business integration in 2012, we have worked to build a profit structure that does not rely on volume by improving marginal profit per ton of steel and drastically reducing fixed costs to fundamentally improve the break-even point. Specifically, we achieved "sophistication of the order mix" by selecting and discarding products to accommodate reduced production capacity, and implemented measures to increase production capacity for high value-added products such as electrical steel sheets and ultra-high-tensile steel sheets in response to their growing demand. Moreover, we have also changed and optimized the price negotiation system for direct contract-based prices and have realized "margin improvement in direct contract sales." In addition, we also decided to make Nippon Steel Trading Corporation, which had been an equity method affiliate, a subsidiary and delist it from the stock market, and to expand our business domain to the distribution field, which is downstream of the steel manufacturing supply chain. Going forward, we intend to build a new business model by improving and strengthening the efficiency of the Group's trading functions, strengthening our direct sales capabilities through the integrated use of our sales know-how and infrastructure, and further enhancing our supply chain.

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 and further into 2030. We have developed our business mainly in Asia whose market size and growth rate are relatively large globally, and we are well positioned to profit from the scale and growth of this market.

In this environment, the NIPPON STEEL Group aims to achieve "100-million-ton global crude steel capacity" by expanding integrated production framework in areas with demand and firmly capturing local demands in districts and areas where demand is promisingly expected to grow, and in sectors in which our technologies and products are appreciated.

The Steelmaking and Steel Fabrication segment completed the withdrawal from unprofitable businesses, focused on the integrated steelmaking business with high added value, and made progress in selectively concentrating overseas business operations, with the aim of improving and expanding profitability. Specifically, at ArcelorMittal Nippon Steel India Limited in India, we have implemented aggressive measures such as the decision of investment to increase integrated capacity, including the construction of two blast furnaces, and to acquire infrastructure companies and key assets such as ports and electric power, the acquisition of downstream facilities, and the commencement of studies for the construction of a new integrated steelworks. Although profits decreased compared to the previous fiscal year mainly due to one-off effects including inventory valuation, we will continue to aim to improve profitability through expanding our integrated production system in major overseas markets.

3. Taking on the challenge toward carbon neutrality

As a part of our widespread efforts toward achieving a decarbonized society, by adopting “Nippon Steel Carbon Neutral Vision 2050” as our initiative, we are considering and implementing 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.

We announced our commitment to realizing a carbon neutral society and improving the competitiveness of customers, and launched new brands: NSCarbolex ™ Solution, a high-performance product and solution technology that contributes to reducing CO_2 emissions in society; and NSCarbolex ™ Neutral, a steel product that is certified to reduce CO_2 emissions in the steelmaking process, as the two values we provide through carbon neutralization. We decided on the procurement of funds through the issuance of a green bond to improve the production capacity and product quality of non-oriented electrical steel sheets, which contribute to higher energy efficiency in eco-friendly car motors and other products. The green bond was then issued in March 2023. By expanding the supply of high-efficiency electrical steel sheets that reduce electrical energy loss, we will contribute to the reduction of CO_2 emissions in our customers’ final products. Meanwhile, in order to decarbonize our steelmaking processes, we are taking a multi-track approach: we are developing three breakthrough technologies (hydrogen injection into blast furnace, high-grade steel production in large-sized electric arc furnaces, and 100% hydrogen use in the direct reduction process) and plan to offset some remaining CO_2 emissions with CCUS*. Our target is to reduce total CO_2 emissions by 30% by 2030 and achieve carbon neutrality by 2050. As for hydrogen injection into blast furnace, we announced in February 2023 the start of the world’s first demonstration experiment using an actual large-scale 4,500 m^3 blast furnace. In preparation for a full-scale blowing test (Green Innovation Fund Project), we will proceed with the introduction of hydrogen gas blowing demonstration facilities in the East Nippon Works Kimitsu Area.

(*) Carbon Capture, Utilization and Storage (CCUS) is a technology that separates and captures CO_2, and uses it either directly or by being converted into other materials, or stores it in the ground.

4. Promoting digital transformation strategies

Over the next five years, we will invest 100 billion yen or more into our digital transformation strategy, and are aiming to become a digitally advanced company in the steel industry.

The Company has promoted business and production process reforms that make full use of data and digital technology. As a specific initiative, by expanding the application of NS-IoT, a wireless IoT sensor utilization platform, we aim to consolidate data from multiple sites and realize even more advanced analysis and monitoring. In the Kimitsu and Kashima Areas of the East Nippon Works, actual operations for the purpose of early abnormality detection of equipment began in April 2022, and in order to further expand the application, we decided to advance the investment plan to start operations in the North Nippon Works Muroran Area, Nagoya Works, Kansai Works Wakayama Area, and the Yawata and Oita Areas of the Kyushu Works in fiscal year 2023.

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

Financial targets and other relevant information are presented in “II. Business Overview, 4. Management’s Analysis of Financial Position, Operating Results and Cash Flows” of this report.

(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 10, 2023. 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 “3. Business Risks” below.

2. Concepts and Initiatives Related to Sustainability

The Group's approach and initiatives regarding sustainability are as follows. Matters related to the future in this document are based on the judgments made by the Company as of March 31, 2023.

(1) Governance and risk management for overall sustainability

The NIPPON STEEL Group's corporate philosophy states that we will "pursue world-leading technologies and manufacturing capabilities and contribute to society by providing excellent products and services," and we recognize that responding to sustainability issues is the foundation that supports the existence and growth of the Group.

Based on this recognition, the Board of Directors has established materiality of sustainability issues, such as safety and health, environment (including climate change countermeasures), disaster prevention, quality, diversity and inclusion, and human resources development, and each responsible division plays a central role in promoting initiatives. The status of these initiatives, including risks and opportunities, is reported to the Corporate Policy Committee and the Board of Directors after being deliberated by Company-wide Committees chaired by the Executive Vice Presidents and other organizations for each purpose and field. With respect to overall internal control, including matters related to risk management in each field, the status of initiatives is deliberated and confirmed by the quarterly "Risk Management Committee" chaired by the Executive Vice President in charge of internal control, and important matters are reported to the Corporate Policy Committee and the Board of Directors. Through these mechanisms, the Company's Board of Directors supervises risk management which is important to corporate management. The governance structure of the Company is described in "4. Corporate Governance, etc. in IV. Status of the Reporting Company."

(2) Governance, risk management, strategies, indicators, and targets for climate change countermeasures

We have positioned climate change countermeasures as the most important management issue, and have announced the "Nippon Steel Carbon Neutral Vision 2050" as our own initiative, and are taking on the challenge of achieving carbon neutrality by 2050. Since the Company accounts for 90% or more of the Group's CO_2 emissions and climate change countermeasures differ depending on the business characteristics of each Group company, we will describe our efforts below.

(a) Governance and risk management

We report and deliberate on climate change countermeasures at the Green Transformation Promotion Committee and the Environmental Planning Committee, which we have established as company-wide Committees. The Green Transformation Promotion Committee mainly focuses on important issues related to the promotion of carbon neutrality, while the Environmental Planning Committee mainly focuses on matters related to overall environmental policy and performance evaluation of climate change countermeasures, and both committees recognize risks, confirm the progress of various measures, and make policy decisions. Each committee is chaired by the Executive Vice President in charge of the matters supervised by that committee, and meets at least twice a year. Of the content of deliberations of each committee, important matters are reported to the Corporate Policy Committee and the Board of Directors. The Board of Directors supervises risk management that is important to corporate management by receiving regular reports.

(b) Strategies, indicators, and targets

In March 2021, we announced the "Nippon Steel Carbon Neutral Vision 2050" aimed at realization of a carbon neutral society by 2050. We take on the challenge of realizing carbon neutrality by 2050 and aim to reduce CO_2 emissions in our supply chain by providing the two values of "provision of high-performance steel products and solutions that contribute to reducing CO_2 emissions in society" and "decarbonization of steelmaking process for providing carbon neutral steel."

NIPPON STEEL

In support of the ambitious government policy to realize a carbon neutral society in 2050,
we announced the Carbon Neutral Vision 2050
as a part of the Medium- to Long-Term Management Plan in March 2021.

Providing two types of values by achieving carbon neutrality

Provision of high-performance steel products and solutions that contribute to reducing CO_2 emissions in society (eco PRODUCTS)

- Reduce CO_2 emissions at the time of production and processing by customers
- Reduce CO_2 emissions at the time of use of our products by end customers

Decarbonization of steelmaking process for providing carbon neutral steel (eco PROCESS)

- Reduce CO_2 emissions in customers' supply chains

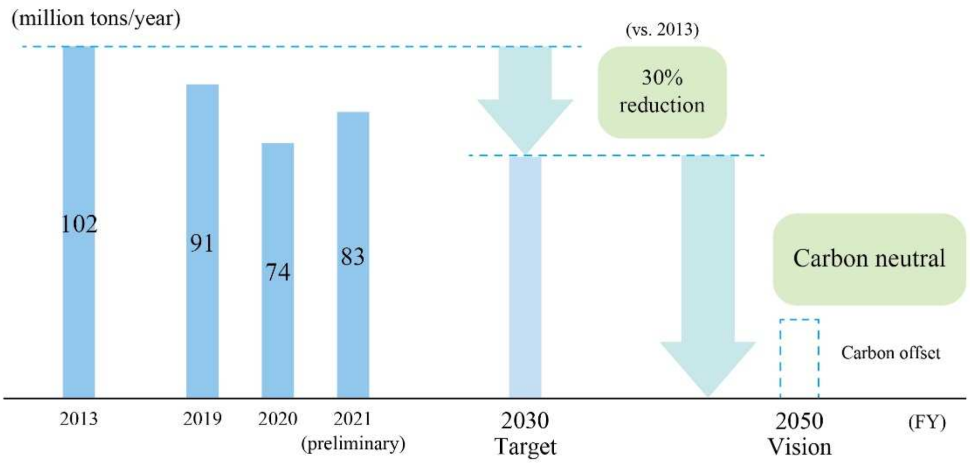
By providing high-performance steel products and solutions,
and by decarbonizing steelmaking Social demands for the carbon neutrality Social demands
for safety process ahead of other countries, we are determined to provide carbon neutral steel
to our customers and support their international competitiveness.

NET ZERO
NIPPON STEEL Green Transformation initiative

Aimed at achieving carbon neutrality by 2050, we have set a target of reducing CO_2 emissions by 30% by 2030 compared to 2013 levels. We aim to achieve this by high-grade steel production in large-sized electric arc furnaces, blast furnace hydrogen reduction (COURSE50), reducing CO_2 in existing processes, building an efficient production system, and so on.

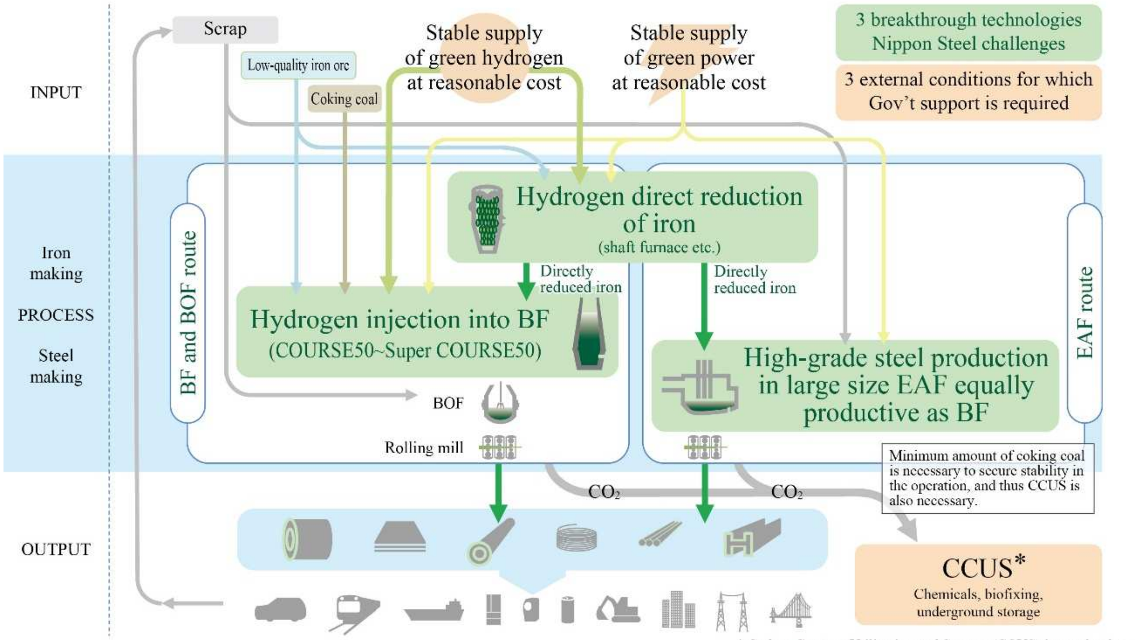
Towards 2050, we will take on the challenges of adopting ultra-innovative technologies such as mass production of high-grade steel in electric furnaces, drastic reduction of CO_2 emissions through developments in blast furnace hydrogen reduction methods such as Super COURSE50, and production of reduction iron using hydrogen. We will aim for carbon neutrality through a multi-track approach that includes carbon offset measures such as CCUS.

Total CO_2 emissions



[Scope of scenario]
Domestic SCOPE 1+2
(direct emissions in our production sites
+ indirect emissions from purchased electricity)
(Including purchased coke and oxygen)

Carbon neutral steel production process



* Carbon Capture, Utilization and Storage (CCUS) is a technology that separates and captures CO_2, and uses it either directly or by being converted into other materials, or stores it in the ground.

We plan to disclose the final values of CO_2 emissions for the previous fiscal year and the provisional values for the current fiscal year in the Sustainability Report scheduled to be issued around September 2023 (https://www.nipponsteel.com/en/csr/report/).

Through these initiatives, we launched NSCarbolex™ as a brand that collectively refers to "products and solution technologies that contribute to reducing CO_2 emissions in society" provided by the Company. NSCarbolex™ consists of two brands, NSCarbolex™ Neutral and NSCarbolex™ Solution, which represent the two values we offer.

"NSCarbolex™ Neutral" are steel products for which we assessed the CO_2 emissions that we actually reduced in each project and allocated it to any product using the mass balance method, and both the emissions reductions and allotment to any product are guaranteed by a third party. As the need for decarbonization in society is rapidly increasing, we believe that quickly working on decarbonization will increase competitiveness for our customers. By establishing a stable supply system for NSCarbolex™ Neutral at an early stage, we will help our customers with decarbonization.

"NSCarbolex™ Solution" is a high-performance product and solution technology that contribute to reducing CO_2 emissions in society. We will contribute to the reduction of CO_2 emissions in various aspects of society through high-performance products and solution technology, including "NSafe™-AutoConcept," which contributes to the reduction of CO_2 emissions during automobile manufacturing and operation, "high-efficiency electrical steel sheets," which contribute to improving the efficiency of motors and reducing energy loss in power transmission and distribution networks, the building material solution brand "ProStruct™," which mainly contributes to productivity improvement at construction sites, and "HRX19™" stainless steel for high-pressure hydrogen which contributes to the realization of a hydrogen society.

Reducing CO_2 emissions in steelmaking process	Reducing CO_2 emissions in society
NSCarbolex™ Neutral	NSCarbolex™ Solution

(3) Human capital strategies, indicators and targets

(a) Strategies

a. Human resource development policy

The Group's basic philosophy is to "pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services." We state in our management principles that we will "develop and bring out the best in our people to make our Group rich with energy and enthusiasm," and we have long been working on human resources development as an important theme.

While the Group shares business strategies to manage the Group as a team, each Group company implements initiatives for human resources development and internal environment development based on its own business characteristics. The initiatives described below are those of the Company.

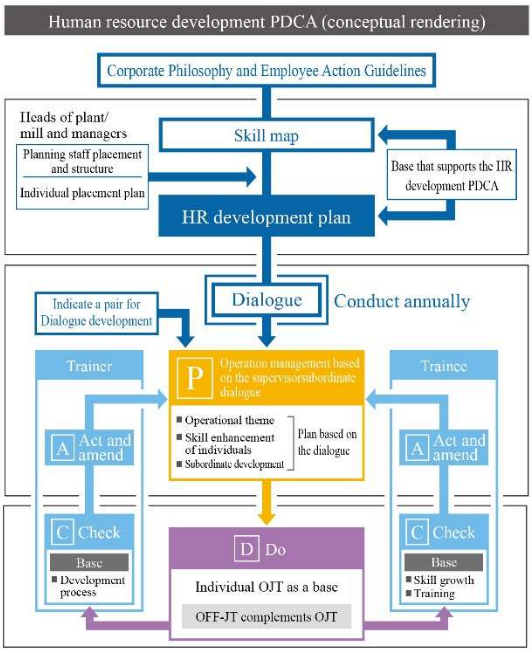
In order to realize the basic philosophy stated above, as part of our basic human resources development policy, we clearly state within the company the importance of superiors' role in human resources development and the position of On the Job Training (OJT) as the basis of human resources development, and we conduct human resources development based on dialogue between superiors and subordinates.

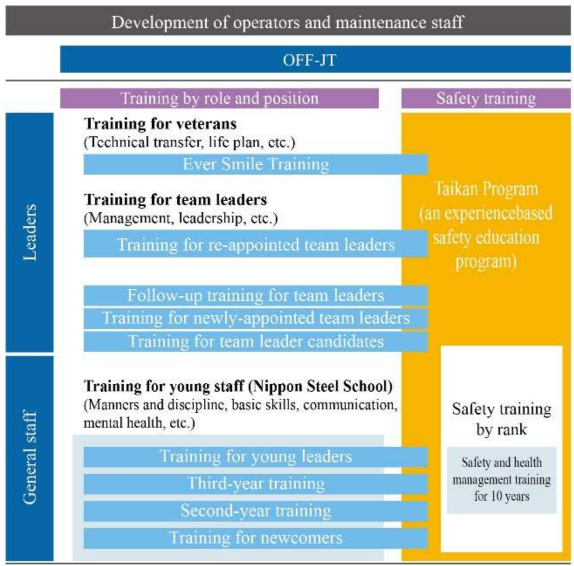
With the aim of continuing to grow into "the best steelmaker with world-leading capabilities," in addition to implementing the four pillars of the medium- to long-term management plan, we are also working to transform our business structure into one that is vertically-integrated and resilient to the external environment, and we are promoting development measures to steadily implement these efforts.

・ Human resources development for operators and maintenance staff

Regarding human resources development of operators and maintenance staff, in order to steadily put into practice accumulation of techniques and skills on the assumption of long-term employment, we engage in development PDCA through OJT, after clearly defining a list of skills to be acquired as a "skill map."

As for OFF-JT, which complements OJT, in addition to having employees acquire basic skills, we also provide workplace leader education to increase the ability to create wisdom on the frontline (frontline skills), and veteran education aimed at passing on skills.





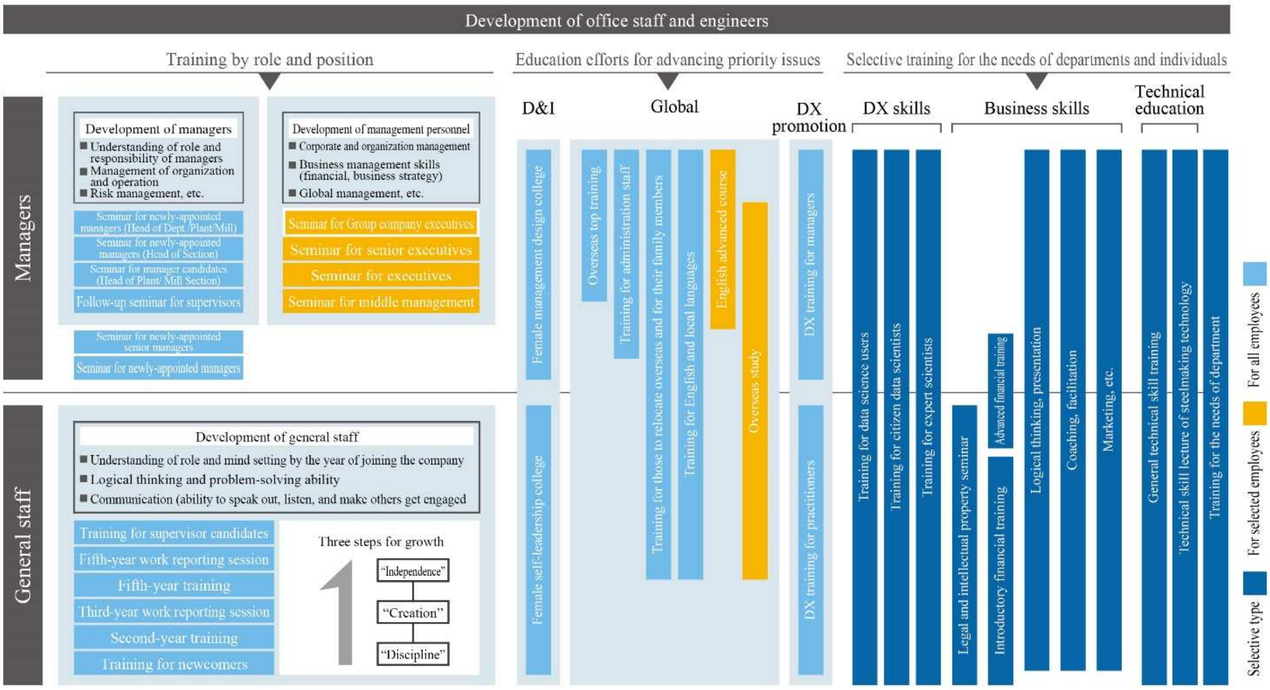
・ Human resources development for office staff and engineers

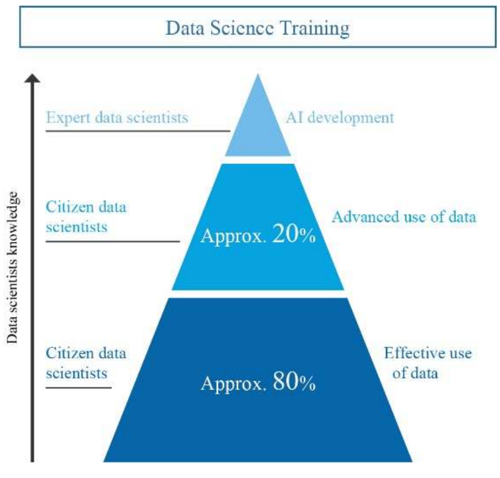
Regarding human resources development of office staff and engineers as well, we formulate individual development plans in accordance with our corporate philosophy, employee action guidelines, and organizational strategy, and based on a specific plan for one year, we conduct OJT centered on dialogue between superiors and subordinates.

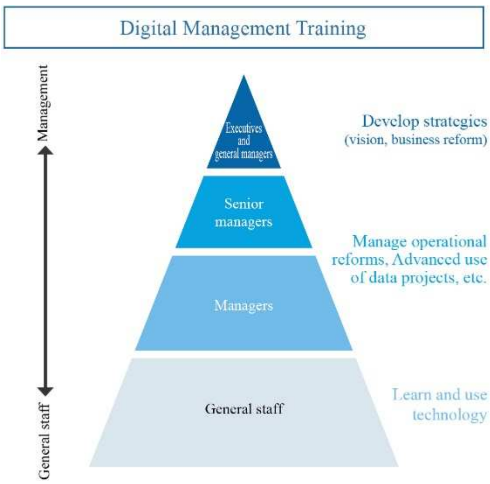
For OFF-JT, in addition to implementing rank-based education that allows each employee to acquire the knowledge and skills required of their role and position so as to improve abilities of all employees, and selective training that meets the development needs of each employee, we are also promoting human resources development by incorporating development measures that support the realization of management strategies.

As a specific example, in order to deepen and expand our overseas business, we have set standards for English proficiency that employees should reach to raise the level of their English proficency, and for employees who have a high need for their work, we have prepared a program to raise their English skills to a level where they can work independently overseas. In addition, we are also focusing on pre-departure training for dispatched employees who will be responsible for local business, and development of local employees.

Furthermore, in order to promote our DX strategy, we are developing human resources on the two axes of data science education and digital management education, and promoting production and business process reforms that make full use of data and digital technology. In data science education, we train staff and engineers so that about 20% of them will become citizen data scientists who can “make advanced use of data” by 2030, and in digital management education, we promote mindset transformation of managers to empower them to drive DX.







b. Internal environment improvement policy

As an in-house environment improvement for our human resources to work with vigor, we are working on an initiative for diversity and inclusion with the aim to be a company where diverse employees can be highly productive, maximize their potential, and work with pride and satisfaction.

In order to strengthen this initiative, the Company has established five major promotion items, and set up a dedicated organization to promote the initiative, and is promoting various measures.

1. Promote female employee’s participation and career advancement
2. Realize work life balance so as to enable employees with various backgrounds and circumstances to perform at their best
3. Develop health management in order for employees to perform at their best until the retirement age of 65
4. Prevent harassment
5. Promote empowerment of the elderly and the disabled

・ Promote female employee’s participation and career advancement

We have been working on creating a working environment that is easy for female employees to work in, by implementing systems that exceed legal standards and opening daycare centers that operate 24 hours a day, among other initiatives. We have also worked to expand recruitment of women.

In order to further promote participation and career advancement of female employees, we have set medium- to long-term targets for the number of female employees in managerial positions, enhanced development measures in anticipation of life events including the new establishment of career training, and promoted education related to diversity management, unconscious bias, and more, in order to foster a corporate culture.

・ Realize work life balance so as to enable employees with various backgrounds and circumstances to perform at their best

In pursuit of flexible and diverse work styles, we have made efforts such as the active use of telework systems and expanded a coreless flextime system that eliminates core time, and we aim to improve productivity and realize work-life balance by pursuing work styles that enable employees to be more active, productive, and maximize their potential.

We are also improving the environment to realize flexible ways of taking leave according to individual circumstances. In addition to encouraging employees to take annual paid leave, from the perspective of encouraging male employees who have children of childcare age to actively participate in childcare, we are promoting initiatives to encourage all male employees whose spouses have given birth to take childcare leave and related leave. Furthermore, we have established systems such as a support system for balancing work and nursing care amid Japan’s aging population and a system for accumulating expired annual leave that can be used for various purposes, and we are also working to create a corporate culture that makes it easy for employees to use these systems.

・ Develop health management in order for employees to perform at their best until the retirement age of 65

The Group’s Basic Policy on Safety and Health states that “Ensuring and maintaining the safety and health of employees is the Group’s most important, top-priority values and the basis that supports business development.” Based on this, we aim to be a company full of vitality where each and every employee can work while demonstrating their maximum performance in good physical and mental health until retirement, which has been raised to the age of 65. To that end, we are working on health promotion measures to ensure prevention, early detection, and early treatment of diseases. Specifically, in order to promote mental and physical health, we are undertaking initiatives such as enhancing the menu of health checkups, promoting the use of health examinations, strengthening follow-up after examinations, and providing health guidance to improve lifestyle habits as countermeasures against brain and heart disease.

In addition, in order to support global business development, we provide necessary advice, etc., and work to enhance measures that allow employees working overseas to work with peace of mind, such as by making regular follow-ups for not only the employees but also the accompanying family members, having our industrial physicians visit overseas offices, conducting surveys of local medical institutions and living environments, and holding interviews with overseas workers.

(b) Indicators and targets

In order to steadily promote the above strategies, we set KPIs for female employee participation and career advancement, work styles and leave styles, health promotion, and human resources development, and accelerate our initiatives. The Group is implementing various initiatives based on the business characteristics of each Group company, but has not set targets of a consolidated Group, so we will describe the Company's indicators and targets.

Indicator	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Target
Number of female employees in managerial positions*1	36	45	55 65 as of April 1, 2023	2 to 3 times the number in 2020 by 2025
Percentage of paid leave taken (%)	60.0 *2	77.8 *2	82.9	75 or above
Percentage of childcare leave taken by male employees (%) Combined percentage of childcare leave and time-off for the purposes of childcare taken by male employees (%)	8 — *3	25 81	56 100	— *4
Education and training time (hours/person/year) [10,000 hours/year, total]	62 *5 [182]	32 *6 [90]	*7	— *4

*1 These are the figures as of the promotion date for each fiscal year.

*2 There was an impact from the temporary leave enforced in response to the reduction in production caused by the drastic drop in steel demand.

*3 Aggregation started from the year ended March 31, 2022.

*4 No quantitative targets have been set.

*5 Due to the spread of COVID-19, some training programs were canceled or postponed.

*6 Due to the spread of COVID-19, some training programs continued to be canceled or postponed, and new hires decreased.

*7 Results for the year ended March 31, 2023 will be disclosed in the Sustainability Report scheduled to be issued around September 2023 (https://www.nipponsteel.com/en/csr/report/).

3. 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 “II. Business Overview,” notes included in “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 “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 Company’s assessment as of the end of the year ended March 31, 2023.

<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 60% of consolidated revenue for the year ended March 31, 2023. 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 deepening and expansion of its global strategy as one of its business strategies. Revenue of the Group’s overseas business accounts for approximately 40% 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 , spread of infectious diseases, 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, 2024, the current situation concerning global steel demand is unlikely to recover. In China, the real estate market remains sluggish and a recovery in domestic demand is unforeseeable. In Europe and the United States uncertainty over the outlook has not been ruled out. In addition, despite sluggish product prices, raw material prices are expected to remain at a high level, and the spread (price difference between raw materials and steel products) in the overseas general market cannot be expected to improve. In response to this situation, in addition to continuing to implement our existing profit structure measures, we will evolve to a further vertically-integrated business structure to achieve our future vision of 1 trillion yen in business profit, and aim to build a foundation that enables us to record even higher profits regardless of the external environment. 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, since changes in prices of crude oil, natural gas, etc. 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 and financial conditions may be affected.

(3) Changes in price of raw materials and fuels

The Group imports most of its main materials necessary for the production of steel, such as iron ore and coal, from Australia, Brazil, Canada, the U.S. and other overseas countries. The Group strives to ensure stable procurement of raw materials and fuels including these main raw materials, alloys, scrap, and natural gas, by diversifying its procurement sources. 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 market price increase in 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 trouble, deterioration of political conditions, war or terrorism, or the spread of infectious diseases in a country of production of raw materials or fuels, the Group's financial performance and financial conditions 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. Though 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 and financial conditions may be negatively affected. In contrast, if the yen depreciates, the Group's domestic products will become relatively price competitive in the export market. However, in a situation where raw materials and fuels prices are rising, the impact of a rapidly depreciating yen on costs may become greater than in the past.

(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 uniquely conducting research, development and manufacture of lighter steel and highly functional steel. However, in the event that customers decide to use other materials such as aluminum, resin, carbon fiber composite materials, resulting in lower demand of steel, the Group's financial performance and financial conditions 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 be able to achieve the expected results, and accordingly, may not be able to 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 carbon neutrality

By formulating “Nippon Steel Carbon Neutral Vision 2050” in March 2021, 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 reduced 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 500.0 billion yen and 4 to 5 trillion yen in investments in facilities for practical implementation. 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 significantly higher. 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 discontinuous 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 and financial conditions. In addition, the expected results may not be achieved due to factors such as institutional changes disadvantageous to industry and 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 and financial conditions 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 for promoting production measures to capture demand in growth areas, including measures for high-grade non-oriented electrical steel sheet production capacity at Setouchi Works and Kyushu Works and the construction of a next-generation hot strip mill at Nagoya Works. However, in addition to depreciation increases, in the event that the initially expected effects are not sufficiently achieved, etc., 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 2,400.0 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 conversion of Nisshin Steel Co., Ltd. into a subsidiary in March 2017 (absorbed and merged 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, decision to establish a new electric arc furnace at AM/NS Calvert LLC in December 2020, the acquisition of G Steel Public Company Limited and G J Steel Public Company Limited in Thailand in February 2022, and the conversion of

NIPPON STEEL TRADING CORPORATION into a consolidated subsidiary in April 2023. 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 and financial conditions. 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, in the domestic steel business, the Group is carring 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. 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 those further 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, 2023, 32.8 billion yen was recorded as losses on reorganization.

(7) Measures for securing and training human resources, diversity & inclusion, 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 through 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, while working to secure and train talented personnel, in order to minimize the labor losses caused by employees' life events and health problems that can arise over the course of their working lives, and realize a work style in which employees from diverse backgrounds facing a variety of personal circumstances can work productively with a sense of pride, we are striving to strengthen specific initiatives to realize a company in which diverse employees can play active roles with pride and fulfillment in their work through proactive initiatives for diversity and inclusion. Furthermore, 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 industrial 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, centering 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, industrial 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 also 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

To secure its competitive advantage in business utilizing its intellectual property, 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. However, 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, the necessary legal protection cannot be assured due to insufficient management of the scope of rights acquisition or as trade secrets, the rights are invalidated by a third party, and other similar incidents occur. Thus, the Group’s financial performance and financial conditions may be negatively affected. In addition, in case of infringement of rights by a third party, the Group will promptly consider and implement legal actions, but damages incurred may not be fully recovered due to circumstances of litigation or other reasons.

Also, the Group operates its business under the laws, regulations and rules regarding intellectual property in each country and region. However, in the event that a third party files a claim or brings an action against the Group with respect to infringement of intellectual property and a judgement unfavorable to the Group is rendered, the Group’s business, financial performance and financial conditions may be negatively affected.

(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 and financial conditions may be negatively affected due to suspension of production and business operations, loss of competitive advantage of intellectual property, litigation, decline in 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 (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 natural 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, regardless of whether the Group has business locations in a given geography, in the event of the occurrence of a major natural disaster or an act of war or terrorism, and in the event that an infectious disease such as a new and severe type of influenza spreads worldwide, the Group’s business activities may be constrained. Furthermore, associated with such circumstances, the rapid deterioration of the economy caused by lowered activity levels of consumers, disrupted 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 meticulously coping with environmental risks that vary depending on 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. The balances of property, plant and equipment and intangible assets as of March 31, 2023 were 3,183.6 billion yen and 157.4 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, 2023 was 303.2 billion yen.

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

As of March 31, 2023, the Group holds a total of 1,665.6 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 whose 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 477.3 billion yen of plan assets (including retirement benefit trust assets) as of March 31, 2023, 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, 2023, the balance of consolidated interest-bearing debt of the Group was 2,699.3 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 after adjusting for equity credit attributes of subordinated loans and subordinated bonds) of 0.7 or less, as set out in the Medium-to Long-term Management Plan. However, in the event that the financial market becomes unstable or deteriorated and financial institutions reduce lending or rating agencies downgrade the credit rating of the Company, 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 Group strives to take appropriate measures by, for example, conducting export transactions after having recognized 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, so the Group's financial performance and financial conditions 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, competition laws, labor laws, securities-related laws, intellectual property rights laws, environmental laws, tax laws, import- and export-related laws, personal information protection-related laws, criminal laws as well as various government permissions and licenses necessary for conducting business activities and investments, and economic security-related regulations. 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 of 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 that 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 and financial conditions may be negatively affected due to suspension or restriction of business activities, payment of compensation, or other reasons.

4. 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, 2023 is presented in "4. 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, 2023" of this report.

(b) Assets, liabilities and equity as of March 31, 2023 and cash flows for the year ended March 31, 2023

Assets, liabilities and equity as of March 31, 2023 are as follows:

Consolidated total assets as of March 31, 2023 were 9,567.0 billion yen, an increase of 814.7 billion yen from March 31, 2022. Consolidated total liabilities as of March 31, 2023 were 4,920.6 billion yen, an increase of 65.3 billion yen from March 31, 2022. Consolidated total equity as of March 31, 2023 was 4,646.4 billion yen, an increase of 749.4 billion yen from March 31, 2022. Total equity attributable to owners of the parent amounted to 4,181.1 billion yen, and interest-bearing debt amounted to 2,699.3 billion yen as of March 31, 2023. As a result, the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.65 times (0.51 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Total assets

Cash and cash equivalents as of March 31, 2023 were 670.4 billion yen, an increase of 119.3 billion yen from 551.0 billion yen as of March 31, 2022. This was primarily due to cash flows from operating activities resulting from a high level of business profit.

Inventories as of March 31, 2023 were 2,085.9 billion yen, an increase of 329.3 billion yen from 1,756.5 billion yen as of March 31, 2022. This was primarily due to the rise in raw material prices.

Property, plant and equipment as of March 31, 2023 were 3,183.6 billion yen, an increase of 130.9 billion yen from 3,052.6 billion yen as of March 31, 2022. The main factors were the relining of the No. 3 blast furnace at the Nagoya Works and the construction of an electric arc furnace at the Setouchi Works Hirohata Area with the aim of renewing and improving facilities, and expansion of the production facilities for electrical steel sheets in the Kyushu Works Yawata Area and the Setouchi Works Hirohata Area and the construction of a next-generation hot strip mill at the Nagoya Works with the aim of realizing a higher-level order mix.

Investments accounted for using the equity method as of March 31, 2023 were 1,210.5 billion yen, an increase of 131.4 billion yen from 1,079.0 billion yen as of March 31, 2022. This was mainly due to 102.9 billion yen of share of profit in investments accounted for using the equity method.

Liabilities

Interest-bearing debt as of March 31, 2023 was 2,699.3 billion yen, an increase of 46.0 billion yen from 2,653.3 billion yen as of March 31, 2022. This was due to an increase primarily from the procurement of borrowings and the issuance of corporate bonds, mainly taking into consideration the economic situation and procurement environment outlook from the next fiscal year onwards, despite a decrease mainly due to the repayment of long-term borrowings.

Trade and other payables as of March 31, 2023 were 1,592.1 billion yen, an increase of 65.4 billion yen from 1,526.7 billion yen as of March 31, 2022. This was primarily due to an increase in other payables.

Income taxes payable as of March 31, 2023 were 51.9 billion yen, a decrease of 58.0 billion yen from 109.9 billion yen as of March 31, 2022. This was primarily due to a decrease in income tax payable.

Equity

Retained earnings as of March 31, 2023 was 3,079.1 billion yen, an increase of 564.3 billion yen from 2,514.7 billion yen as of March 31, 2022. This was mainly due to an increase from profit for the year attributable to owners of the parent of 694.0 billion yen, despite a decrease from dividend payment of 165.9 billion yen.

Other components of equity as of March 31, 2023 were 341.1 billion yen, an increase of 144.2 billion yen from 196.9 billion yen as of March 31, 2022. This was mainly due to an increase in foreign exchange differences on translation of foreign operations of 93.9 billion yen from changes in exchange rates and changes in fair value of cash flow hedges of 33.8 billion yen due to interest rate fluctuations.

Cash flows for the year ended March 31, 2023 are as follows:

Cash flows from operating activities resulted in an inflow of 661.2 billion yen (compared to an inflow of 615.6 billion yen for the year ended March 31, 2022).

Cash flows from investing activities resulted in an outflow of 366.5 billion yen (compared to an outflow of 378.8 billion yen for the year ended March 31, 2022).

As a result, free cash flow was an inflow of 294.6 billion yen (compared to an inflow of 236.7 billion yen for the year ended March 31, 2022).

Cash flows from financing activities resulted in an outflow of 197.6 billion yen (compared to an outflow of 61.3 billion yen for the year ended March 31, 2022).

As a result of the above, cash and cash equivalents as of March 31, 2023 stood at 670.4 billion yen (compared to 551.0 billion yen as of March 31, 2022).

Cash flows from operating activities

The main inflow factors were profit before income taxes of 866.8 billion yen and depreciation and amortization of 340.1 billion yen, while the outflow factors included an increase in inventories of 309.5 billion yen, income taxes paid of 214.4 billion yen, and deduction adjustment for share of profit in investments accounted for using the equity method of 102.9 billion yen.

Cash flows from investing activities

The main inflow factors were proceeds from sales of investment securities of 88.6 billion yen. Meanwhile, there was an outflow of 470.0 billion yen mainly due to purchase of property, plant and equipment and intangible assets related to relining the No. 3 blast furnace at the Nagoya Works and constructing an electric arc furnace at the Setouchi Works Hirohata Area in order to renew and improve facilities, as well as expanding the production facilities for electrical steel sheets in the Kyushu Works Yawata Area and the Setouchi Works Hirohata Area, and constructing a next-generation hot strip mill at the Nagoya Works in order to realize a higher-level order mix.

Cash flows from financing activities

There was an outflow mainly due to payments of dividends at the end of the previous fiscal year and the end of the second quarter of the year ended March 31, 2023 of 165.9 billion yen.

(c) Results of production, orders received and revenue

a. Production

Production volume by segment for the year ended March 31, 2023 is as follows:

Segment name	Amount in the year ended March 31, 2022 (Millions of yen)	Amount in the year ended March 31, 2023 (Millions of yen)
Steelmaking and Steel Fabrication	6,413,794	7,602,584
Engineering and Construction	239,873	306,542
Chemicals and Materials	232,481	259,892
System Solutions	271,643	293,573
Total	7,157,794	8,462,593

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, 2023 are as follows:

Segment name	Orders received in the year ended March 31, 2022 (Millions of yen)	Orders received in the year ended March 31, 2023 (Millions of yen)	Order backlog in the year ended March 31, 2022 (Millions of yen)	Order backlog in the year ended March 31, 2023 (Millions of yen)
Engineering and Construction	356,865	404,251	430,895	527,942
System Solutions	202,434	236,866	90,329	105,380
Total	559,300	641,118	521,224	683,323

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 "4. 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, 2023" of this report.

c. Revenue

Revenue from external customers by segment for the year ended March 31, 2023 are as follows:

Segment name	Amount in the year ended March 31, 2022 (Millions of yen)	Amount in the year ended March 31, 2023 (Millions of yen)
Steelmaking and Steel Fabrication	6,105,157	7,176,756
Engineering and Construction	253,415	319,365
Chemicals and Materials	245,083	257,648
System Solutions	205,233	221,815
Total	6,808,890	7,975,586

Notes: 1. The table below shows export sales and the percentage of exports for the years ended March 31, 2022 and 2023.

Year ended March 31, 2022		Year ended March 31, 2023	
Export sales (Millions of yen)	Percentage of exports (%)	Export sales (Millions of yen)	Percentage of exports (%)
2,707,068	39.8	3,239,876	40.6

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, 2022 (%)	Year ended March 31, 2023 (%)
Asia	57.4	57.9
Middle East	4.7	5.1
Europe	12.4	12.6
North America	12.8	12.3
Central and South America	10.0	9.7
Africa	2.4	1.9
Pacific	0.4	0.4
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, 2022 and 2023.

Customer	Year ended March 31, 2022		Year ended March 31, 2023	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
NIPPON STEEL TRADING CORPORATION	1,434,515	21.1	1,555,353	19.5
Sumitomo Corporation	685,136	10.1	-	-

Note: If the ratio of the amount to total revenue is less than 10%, figures for the relevant fiscal year are omitted and "-" is shown instead.

Production volume and revenue significantly increased in the year ended March 31, 2023. Special notes regarding production, orders received, revenue, etc. are presented in "4. 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, 2023" 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, 2023

(Analysis of operating results)

In the year ended March 31, 2023, the global economy remained firm overall, despite downward pressure from factors such as progressive inflation stemming from the situation in Ukraine and the effects of monetary tightening in Europe and the United States. The Japanese economy recovered moderately, but inflation progressed significantly due to the impact of the depreciation of the yen and other factors.

In the first half of the fiscal year, the recovery in steel demand was delayed, as it took time to normalize the supply chain in China after the lockdown was lifted, and inflation progressed in the United States and Europe, while economic conditions deteriorated in emerging countries due to the depreciation of currencies. These were among the factors which led to a rapid slowdown in the steel market. In the second half, although the Chinese economy was on a recovery track due to the end of its Zero-COVID policy, global demand for steel products was sluggish mainly due to the economic recession in the United States caused by its interest rate policy and continued economic deterioration in Europe and emerging countries. Under these circumstances, global crude steel production continued to decline over an unprecedented period of time and on a broader scale, while non-consolidated crude steel production of Nippon Steel (“the Company”) significantly decreased from 49.00 million tons’ level, the highest since its business integration in 2012, to 34.25 million tons in fiscal year 2022.

For fiscal year 2022, although the business environment remained extremely harsh, the Company strived to maximize profit by continuing to implement measures such as to fundamentally improve profit structure. As a result, the Company recorded consolidated revenue of 7,975.5 billion yen (compared to 6,808.8 billion yen in the year ended March 31, 2022), business profit of 916.4 billion yen (compared to 938.1 billion yen in the year ended March 31, 2022), and profit attributable to owners of the parent of 694.0 billion yen (compared to 637.3 billion yen in the year ended March 31, 2022).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, 2023)

		Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Total	Adjustments	Consolidated total
Revenue	Year ended March 31, 2023	7,245.5	352.2	274.5	292.5	8,164.8	(189.2)	7,975.5
(Billions of yen)	Year ended March 31, 2022	6,153.6	279.2	249.8	271.3	6,954.0	(145.1)	6,808.8
Segment profit	Year ended March 31, 2023	861.4	11.6	16.1	32.1	921.4	(4.9)	916.4
(Billions of yen)	Year ended March 31, 2022	871.0	6.3	25.3	30.8	933.5	4.5	938.1

<Steelmaking and Steel Fabrication>

This segment recorded revenue of 7,245.5 billion yen, up from 6,153.6 billion yen in the year ended March 31, 2022, and segment profit of 861.4 billion yen, up from segment profit of 871.0 billion yen in the year ended March 31, 2022.

The major causes for the year-on-year changes of (9.6) billion yen in the Steelmaking and Steel Fabrication segment’s profit are as follows:

	(Billions of yen)
Manufacturing shipment volume	(135.0)
Spread (incl. impact from FX rate fluctuation)	60.0
Cost improvement	50.0
Overseas steel business	(40.0)
Raw material business	23.0
Other group companies	76.0
Inventory valuation impact etc. (incl. Group companies)	(35.0)
Others	(8.6)
Total	(9.6)

Although the business environment remained extremely harsh, the Company strived to maximize profits by continuing to implement measures such as enhancing the fundamental profit structure. As a result, despite a decline of 135.0 billion yen due to lower production and shipment volumes, segment profit remained at the same level as the previous fiscal year due to an increase of 60.0 billion yen from improved margins and an increase of 50.0 billion yen from cost improvement effects.

<Engineering and Construction>

Nippon Steel Engineering Co., Ltd. is working to expand the waste to energy power generation and offshore wind power generation businesses as well as the development and sales of seismic control/isolation devices and bridge products in order to contribute to a carbon-neutral society and expand businesses related to building resilient cities against disasters. Furthermore, in order to strengthen and expand our stable revenue business, we have acquired a waste treatment O&M (operation and maintenance) business and a gas pipeline business through M&As, and regarding the O&M business for offshore wind power generation facilities, we have started collaborating with specialized companies and companies that own work vessels. In the year ended March 31, 2023, both revenue and business profit increased due to the steady execution of projects that had been ordered up to the previous fiscal year in each sector, mainly in the Environment and Energy sector. The Engineering and Construction segment recorded revenue of 352.2 billion yen (compared to 279.2 billion yen in the year ended March 31, 2022) and segment profit of 11.6 billion yen (compared to 6.3 billion yen in the year ended March 31, 2022).

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

(Revenue by sector for the year ended March 31, 2023)

		Steelmaking Plant	Environment and Energy	Urban Infrastructure	Adjustments	Consolidated total
Revenue	Year ended March 31, 2023	53.8	237.4	69.0	(8.0)	352.2
(Billions of yen)	Year ended March 31, 2022	41.5	182.3	60.3	(4.9)	279.2

Revenue in the Steelmaking Plant sector amounted to 53.8 billion yen, up from 41.5 billion yen in the year ended March 31, 2022, mainly due to the completion of a large-scale project for blast furnace relining. Revenue in the Environment and Energy sector amounted to 237.4 billion yen, up from 182.3 billion yen in the fiscal year ended March 31, 2022, due to construction of large-scale projects progressing in businesses such as waste to energy power generation, biomass power generation, offshore wind power generation, and overseas offshore projects. Revenue in the Urban Infrastructure sector amounted to 69.0 billion yen, up from 60.3 billion yen in the fiscal year ended March 31, 2022, mainly due to steady sales of seismic control/isolation devices, bridge products, and construction of large-scale logistics facilities.

<Chemicals and Materials>

Nippon Steel Chemical & Material Co., Ltd. posted a year-on-year decline in earnings due to a rise in raw material and fuel prices and a decline in demand for semiconductors and other products from the middle of the year. The Chemicals and Materials segment recorded revenue of 274.5 billion yen (compared to 249.8 billion yen in the year ended March 31, 2022) and segment profit of 16.1 billion yen (compared to 25.3 billion yen in the year ended March 31, 2022).

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

(Revenue by business for the year ended March 31, 2023)

		Coal Chemical	Chemicals	Functional Materials / Composite Materials	Adjustments	Consolidated total
Revenue	Year ended March 31, 2023	62.0	125.0	88.0	(0.5)	274.5
(Billions of yen)	Year ended March 31, 2022	39.0	120.0	91.0	(0.2)	249.8

Revenue in the Coal Chemical business amounted to 62.0 billion yen (compared to 39.0 billion yen in the fiscal year ended March 31, 2022) because sales of carbon black for tires were strong, but demand for needle coke used in graphite electrodes remained sluggish. Revenue in the Chemicals business amounted to 125.0 billion yen (compared to 120.0 billion yen in the fiscal year ended March 31, 2022), because the benzene market remained generally stable, but demand for styrene monomer and bisphenol A continued to be sluggish despite the expansion of new production facilities in China. In the Function Materials business, sales volume decreased due to a rapid decline in demand for semiconductor-related materials and display-related materials. In the Composite Materials business, while demand for infrastructure upgrades is expected to continue, sales volume of reinforcement materials for mainstay civil engineering and construction decreased due to delays in construction starts. On the other hand, sales of carbon fiber remained strong, mainly in the sports field, and combined sales of functional materials and composite materials reached 88.0 billion yen (compared to 91.0 billion yen in the fiscal year ended March 31, 2022).

<System Solutions>

NS Solutions Corporation has been making corporate-wide efforts to maximize DX needs and expand its business, while deepening relationships with customers, with a view to the full-scale DX deployment of Japanese companies. In the digital manufacturing area, which is one of the key areas of focus, NS-IoT (a platform using wireless IoT sensors) and NS-Lib (an integrated data platform) have been established to promote DX for the Company. NS Solutions has also worked to promote DX in the manufacturing industry such as by establishing an integrated data utilization platform jointly with a pharmaceutical company. Efforts have also been made to strengthen the company’s ability to respond to DX needs by developing new solutions for the electric power, financial, and food industries, in addition to entering into capital and business alliances and strategic partnership agreements with companies that have respective strengths in the AI field, support for digitalization of business processes, the data utilization field, abundant DX human resources, and other fields. The System Solutions segment recorded revenue of 292.5 billion yen (compared to 271.3 billion yen in the year ended March 31, 2022) and segment profit of 32.1 billion yen (compared to 30.8 billion yen in the year ended March 31, 2022).

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

(Revenue by business for the year ended March 31, 2023)

		Business Solutions	Service Solutions	Adjustments	Consolidated total
Revenue	Year ended March 31, 2023	189.8	101.9	0.8	292.5
(Billions of yen)	Year ended March 31, 2022	175.7	94.7	1.0	271.3

Revenue in the Business Solutions business amounted to 189.8 billion yen, up from 175.7 billion yen in the fiscal year ended March 31, 2022. This was due to large-scale infrastructure construction projects for government agencies in the public sector, in addition to an increase in sales to platform companies in the manufacturing, distribution, and service sector. Revenue in the Service Solutions business amounted to 101.9 billion yen, up from 94.7 billion yen in the fiscal year ended March 31, 2022. This was due to an increase in sales in the IT platform sector centered on the cloud business and an increase in sales to the Company and the Group in the steel sector.

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

The following describes the financial targets and shareholder return as provided in the NIPPON STEEL Group's Medium- to Long-term Management Plan formulated in March 2021, and the progress made toward achieving these targets until the year ended March 31, 2023.

With regard to the consolidated business results for the year ended March 31, 2023, the Company worked to maximize revenue mainly by the ongoing drastic measures to enhance its profit structure. As a result, the Company recorded consolidated revenue of 7,975.5 billion yen (3,874.4 billion yen in the first half and 4,101.1 billion yen in the second half), consolidated business profit of 916.4 billion yen (541.7 billion yen in the first half and 374.7 billion yen in the second half), and return on sales (ROS) of 11.5% (14.0% in the first half and 9.1% in the second half).

	Results in the year ended March 31, 2023	Fiscal 2025 plan targets
Return on sales (ROS)	11.5%	Approx. 10%
Return on equity (ROE)	18.1%	Approx. 10%
D/E ratio (*)	0.51	0.7 or less
Consolidated payout ratio	23.9%	Around 30%

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

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

The analysis of cash flows is presented in "4. 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, 2023 and cash flows for the year ended March 31, 2023" of this report.

Forward-looking statements contained in this section are based on the Group's judgments as of March 31, 2023.

(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 Medium- to Long-term Management Plan

The NIPPON STEEL Group's Medium- to Long-Term Management Plan announced in March 2021 calls for the execution of R&D and capital expenditures to achieve carbon neutral production, as well as investment of funds for the digital transformation strategy. Under the plan, the Company also plans to implement capital expenditures of 2,400.0 billion yen and business investments of 600.0 billion yen over five years, as an investment of management resources to realize growth. On the assumption that we make necessary investments for these management plans, we aim to achieve a D/E ratio (after adjusting for equity credit attributes of subordinated loans and subordinated bonds) of 0.7 or less in the year ending March 31, 2026.

Based on the above policy, regarding capital expenditures, the Company has aggressively promoted investments to rebuild a strong domestic production framework and investments that contribute to measures for strategic products. Specifically, to respond to the need for lighter and stronger car bodies that is expected to grow in the automotive industry, in May 2022, we decided to invest approximately 270.0 billion yen in the construction of a next-generation hot strip mill at the Nagoya Works, which is our center for the manufacture of automobile steel sheets. This is a strategic investment aimed at dramatically strengthening our production capability of high-grade steel sheets including ultra-high-tensile steel sheets. Furthermore, for electrical steel sheets, in addition to investments that have been already decided in light of social needs toward carbon neutrality, in May 2023, we decided to make a new investment of approximately 90.0 billion yen and implement measures for high-grade non-oriented electrical steel sheet production capacity at the Setouchi Works Hanshin Area (Sakai) and the Kyushu Works Yawata Area.

In terms of business investment, we are promoting measures to achieve 100-million-ton global crude steel capacity in the future and evolve into a vertically-integrated business structure that is resilient to the external environment. In the year ended March 31, 2023, we decided in September 2022 to implement measures to strengthen the foundation of ArcelorMittal Nippon Steel India Limited's steelmaking business by expanding upstream facilities at its Hazira Steel Mill and through the acquisition of important infrastructure such as ports and electric power. In December 2022, in order to expand our business domain to the distribution field, which is downstream of the steel manufacturing supply chain, we decided to make a tender offer for Nippon Steel Trading Corporation, which had been an equity-method affiliate, to make it a consolidated subsidiary, and the tender offer was completed and concluded in April 2023.

On the environmental front, as part of its initiatives to realize carbon neutrality, the Company established a dedicated project in April 2021 and has been making efforts to promote the development and practical implementation of three breakthrough technologies (blast furnace hydrogen reduction, 100% hydrogen use in the direct reduction process, and high-grade steel production in large-sized electric arc furnaces) ahead of other countries. The Company and three other companies jointly proposed the "Green Innovation Fund Project/Hydrogen Utilization Project in Iron and Steelmaking Processes," for which the New Energy and Industrial Technology Development Organization (NEDO) publicly solicited proposals, and it was adopted in December 2021 (about 193.5 billion yen in financial support).

2) Financing

In October 2021, we issued 300.0 billion yen in convertible bonds with stock acquisition rights with an aim of securing funds for growth investments and strengthening our financial base while controlling financing costs, as we expect to require a large amount of capital for the aforementioned management plan. In March 2023, we issued green bonds (unsecured straight bonds) of 50.0 billion yen as a means of procuring the necessary funds to promote efforts toward a decarbonized society.

In addition, depending on the status of free cash flow, we will take actions in terms of financing at the most appropriate time, taking into consideration the funding environment, interest rate conditions, and other factors.

The D/E ratio after adjusting for equity credit attributes of subordinated loans and subordinated bonds as of March 31, 2023 was 0.51 times, maintaining the target of 0.7 times or less under the 2025 Medium- to Long-term Management Plan. We will continue to implement cash management that emphasizes financial discipline in order to continue implementing an agile and robust growth strategy over the medium to long term.

(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 (610.9 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 and supply forecast and manufacturing cost improvements as key assumptions. Projections of steel demand and supply 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. The balances of property, plant and equipment and intangible assets as of March 31, 2023 were 3,183.6 billion yen and 157.4 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 and supply 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, 2023 stood at 303.2 billion yen.

5. Material Business Agreements, etc.

Contracting party	Counterparty	Country	Details	Effective date	Expiry date
The Company	POSCO Holdings Inc.	South 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, 2024 (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)	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 Holdings Inc.	South Korea	Agreement on enhanced alliance	October 20, 2006 (revised on July 31, 2015)	August 1, 2024 (with a provision of automatic renewal for every three years)
The Company	Ternium Investments S.à r.l., and others	Luxembourg, and others	Shareholders' agreement on Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS)	November 27, 2011 (revised on April 10, 2018) *1	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 (revised on November 14, 2022) *2	November 14, 2027 (with a provision of automatic renewal for every five years)
The Company	ArcelorMittal North America Holdings LLC	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	November 29, 2013 (revised on December 22, 2020)	Not stipulated

Contracting party	Counterparty	Country	Details	Effective date	Expiry date
The Company	VALLOUREC Oil & Gas France	France	Agreement on enhanced business collaboration about VAM™	February 1, 2016	March 31, 2031 (with a provision of automatic renewal for every year)
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
The Company	Japan Bank for International Cooperation MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank Europe N.V. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited.	Japan Netherlands	Loan guarantee for AMNS Luxembourg Holdings S.A.'s financing for investment to expand the integrated upstream facilities of ArcelorMittal Nippon Steel India Limited	March 30, 2023	The date on which the principal obligation is fulfilled

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

*1: The shareholders’ agreement with Ternium Investments S.à r.l., etc. (“Ternium, etc.”) on Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS (“USIMINAS”) will be amended with regard to the governance structure, etc. of USIMINAS, on the date when the partial transfer of the shares of USIMINAS held by the Company and others to Ternium, etc. is completed, after fulfilment of the conditions precedent such as obtaining approval by the Brazilian antitrust authority.

*2: The agreement was partially amended, and its expiry date was extended.

6. 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 and the realization of carbon neutrality 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, 2023 were 70.5 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 61.4 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.

<Flat Products>

- The Company and Mazda Motor Corporation ("Mazda") jointly developed a lightweight B-pillar with a TWB (tailored welded blank) structure using 1.8 GPa and 1.3 GPa class aluminum-plated hot stamped steel sheets ("AL-HS steel sheets"). This has been adopted in Mazda's new large SUV. Aiming to apply this lightweight B pillar to actual vehicles, the Company and Mazda worked to utilize our NSafe™-Autoconcept (NSAC) technology. This technology involves "optimization by fluid analysis, etc. for direct water-cooled hot stamping to be installed in actual equipment" and "optimization of plate thickness through crash analysis, multi-functional crash tests, etc." Conventionally, when AL-HS steel sheets are joined using TWB technology, aluminum is mixed into the weld zone, resulting in reduced joint strength. In addition, the different strengths and thicknesses of TWB lead to variations in the quality accuracy of the parts. Due to these issues, it was difficult to apply TWB to automobile bodies. Our proprietary TWB joining technology, which we recently commercialized in the Kyushu Works Yawata Area, achieves high joint strength. This makes it possible to apply TWB laser joining technology to automobile car bodies. In addition, with this lightweight B-pillar, the application of TWB and partial patchwork technologies enables reinforced components to be omitted from the conventional one-piece B-pillar. This reduces weight by 34% and improves collision safety. We believe that the application of NSAC technology is one solution that improves automobile safety performance and helps achieve a carbon-neutral society, which are common issues faced by society. We will continue to help further reduce the weight of automobiles, improve collision safety performance, and reduce greenhouse gas emissions.
- The Company has obtained EcoLeaf declaration certification under the Japan EPD Program, which is run by the Sustainable Management Promotion Organization (SuMPO), for our electrical steel sheets and nickel plated steel sheet (product name: SUPERNICKEL™). Electrical steel sheets are steel materials used in the iron cores of motors and generators in electric vehicles and various electrical equipment, as well as in transformers used for power transmission and distribution. Demand is growing for motors for electric vehicles, with high performance requirements and a trend toward stricter regulations for higher efficiency of transformers. By proposing optimal materials that balance such conflicting needs to a high standard and by promoting measures to improve capacity and quality, we have earned a strong reputation among customers in Japan and overseas. SUPERNICKEL™ is a steel sheet product used in storage batteries (secondary batteries), which are becoming increasingly important amid efforts to realize a decarbonized society. It also used in dry batteries (primary batteries), consumer products such as stationery, and automobiles. SUPERNICKEL™ offers characteristics such as excellent workability, strict inclusion control, plating adhesion, and a wide range of materials. Customers using SUPERNICKEL™ are able to improve productivity, increase strength of their products, and extend the service life of their products. In this way, SUPERNICKEL™ helps to curb CO_2 emissions and lower environmental impact.

<Steel Plate>

- Together with National Institute of Maritime, Port and Aviation Technology, and Imabari Shipbuilding Co., Ltd., the Company received the Invention Award at the 2022 National Invention Awards by Japan Institute of Invention and Innovation. The award recognized the invention of a hull structure that used a highly ductile steel plate (product name: NSafe™-Hull) to achieve excellent collision safety. The problem of marine pollution caused by oil spills from tankers has prompted consideration of increasing the width of the hull and modifying the structure to improve safety. However, such structural measures increase construction costs and hull weight, which leads to global warming and increases the burden on ship owners. This gave rise to hopes for an effective and economical alternative that would not involve hull structure modification. Rather than modifying the hull structure as described above, the inventors have invented a material technology that reduces the damage caused to the ship by a collision. To reduce damage to the ship, based on accident statistics and other factors, highly ductile steel plates with a total elongation of at least 1.4 times the total elongation value specified in the unified standards of the International Association of Classification Societies are used for the outer and inner plates of the ship's sides and their associated reinforcing members. This makes it possible to reduce the occurrence of ruptures in ultra-large crude oil tankers even at severe collision speeds (12 knots). As well as preventing the loss of life and the loss of cargo that vessel collisions can cause, this invention will also reduce the impact of oil leaks on marine ecosystems and fisheries, which aligns with "Life below water" of the UN SDGs. It has already been adopted for many ships and is in the process of being implemented.
- CORSPACE™, which the Company developed, received two awards in fiscal 2022. The 9th Monodzukuri Nippon Grand Award recognized our development of CORSPACE™, a coating cycle extension steel that helps reduce life cycle costs of steel bridges and port facilities, with an Excellence Prize. Established in 2005, the Monodzukuri Nippon Grand Award is jointly organized by four ministries, the Ministry of Economy, Trade and Industry, the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare, and the Ministry of Land, Infrastructure, Transport and Tourism. In addition, we received the 55th (fiscal 2022) Ichimura Prize in Industry for Distinguished Achievement from the Ichimura Foundation for New Technology for our coating cycle extension steel that contributes longer service life of steel bridges and port facilities. Bridges are an important part of social infrastructure. Many of them were built during the period of rapid economic growth and are aging. The challenge is to build technologies that minimize maintenance while extending the service life of bridges. This would reduce repair and maintenance costs for aging bridges, while also addressing the decline in the workforce due to the falling birthrate and aging population. Although many steel bridges are painted with coating to protect against corrosion, the corrosion of steel concentrates and advances in coating defects such as scratches and sharp corners of members. This significantly shortens the life of the coating. To address this, we set out to develop a new corrosion-resistant steel with the ability to inhibit corrosion at coating defects, a weak point of the coating process. Corrosion of coating defects in an open air environment proceeds in a thin water film. Using our proprietary corrosion measurement method, we have discovered for the first time that corrosion of coating defects in an open air environment proceeds in an acidic solution. This is caused by a chemical reaction between dissolved iron ions and chlorides that occurs as the aqueous solution dries. Based on these findings, we have been searching for elements that delay the dissolution reaction of iron in acidic solutions. We have developed CORSPACE™, a coating cycle extension steel, by adding a small amount of tin to the steel. The dissolved tin ions suppress the dissolution reaction of iron. Compared to conventional steel, this halves the area of peeling paint film at coating defects. Compared to conventional steel, CORSPACE™ can halve the area of peeling paint film at coating defects, extending the time until repainting is needed to roughly double that required otherwise and significantly reducing the life cycle cost of bridges. The reduction in the number of paint changes also reduces VOC emissions associated with paint production, thereby reducing environmental impact. The product has been adopted for more than 50 bridges in Japan, mainly in coastal areas where salt damage is severe, as well as in snow areas where snow-melting salt is applied. It has also been used for port cranes. CORSPACE™ will continue to contribute to Japan's national land resilience and recovery from the Great East Japan Earthquake, helping to build a sustainable, safe and secure society.

<Pipe and Tube>

- We have newly developed a low-carbon austenitic seamless stainless steel pipe, NEXAGE™ 347AlPha, for use in chemical plants. We recently received our first customer order for this product. NEXAGE™ 347AlPha is a uniquely developed steel with higher strength than 347H, a general-purpose steel. It also offers corrosion resistance while suppressing stress relaxation cracks that occur in welds, a characteristic of low carbon austenitic steel. We expect this material to contribute to the carbon neutrality field, as it is suitable for use in plants that produce hydrogen from natural gas. We have developed our own austenitic stainless steel/Ni-base alloys for harsh environmental applications. We have begun marketing these as the NEXAGE™ series of next-generation material solutions. In this product series, our lineup of low-carbon austenitic steels with excellent corrosion resistance can contribute to improved maintenance and reduced running costs. In particular, this steel has application for chemical plants, which have harsh environments where crude oil and gases are heated to high temperatures for decomposition and modifying.

<Bar and Wire Rod>

- In February 2022, we obtained the EcoLeaf declaration under the Japan EPD Program run by SuMPO, for our bar & bar in coil products and wire rod products, for their entire product types. Since then, we have obtained additional certification for our process-omission steel bar products and process-omission steel wire products. Process-omission steel bar allows customers to omit some of the multiple and diverse steel processing processes. To meet quality requirements for final products and components, the steel processing process also consumes a considerable amount of energy and emits CO_2. We worked to solve this problem at our manufacturing stage, by extracting steel properties through unique heat treatment, specially managing the manufacturing process, and adding trace elements. Through this approach, we have enabled the omission of some processes such as heat treatment in steel processing. Amid demand from society and the market for reductions in CO_2 emissions, utilizing our process-omission steel bar, which has acquired the EcoLeaf declaration, offers an action to reduce CO_2 emissions. This will enable customers to publicize their own GHG Protocol Scope 1 reductions to the market.

<Construction Products>

- In April 2020, we launched MEGA NSHYPER BEAM™, the world's largest rolled H-beam with a cross-section of 1,200mm web height and 500mm flange width. We have adopted it mainly for large-scale logistics facilities, plants, and skyscraper projects. In July 2022, we added new sizes to the lineup, ranging from 800mm to 1,050mm web height and 450mm to 500mm flange width. As a result, the production series of the MEGA NSHYPER BEAM™ has expanded from 18 series to 30 series, making a full lineup. Expanding the MEGA NSHYPER BEAM™ production series will enable us to meet demands for larger cross sections of steel frames as buildings increase in size and as construction periods are compressed against the backdrop of severe labor shortages. This new production series also enables design without changing the length and height of beams, even where large loads are applied, and it is therefore expected to be applied in large logistics warehouses and data centers, which are experiencing a surge in demand.
- We have launched ProStruct™, a brand that provides advanced solutions for the building and infrastructure construction market. Operations began in October 2022. ProStruct™ aims to meet the various challenges of the construction market by providing a "steel materials and application technologies" package. This combines our high-performance steel products and advanced steel structure technology with comprehensive technical support from materials to design and construction. In addition to high performance steel products with large cross-sectional steel dimensions and superior strength and toughness, we have developed application technologies such as construction methods and design/construction techniques to maximize performance. In this way, we have contributed to solving various problems in the construction market. By providing, as a package (solutions), a combination of steel materials and application technologies that are easy-to-use and reliable for the fast and cost-effective construction of structures that are robust and resistant to natural disasters, ProStruct™ helps to toughen and enhance the functionality of structures, shortens construction periods, and reduces costs. These three advantages enable optimization of structures, reduction of materials, and, through advanced steel fabrication and assembly, improvement of on-site construction productivity. This in turn leads to a reduction of CO_2 emissions in the structural construction process, contributing to the realization of an environmentally friendly and sustainable society. In the field of construction, we continue to develop new steel products and application technologies to respond to changes in the market environment. We plan to add these to ProStruct™ as they become available.

<Titanium>

- The Company and Toho Titanium Co., Ltd. ("Toho Titanium") jointly won the Okochi Memorial Production Prize at the 69th (fiscal 2022) Okochi Awards for the development of a new production process for thin titanium sheet by direct slab casting and surface structure control. The Okochi Award is a traditional, prestigious award given by the Okochi Memorial Foundation in commemoration of the late Dr. Masatoshi Okochi's achievements. The award recognizes individuals, groups, or organizations that have made significant contributions to academic progress and industrial development in Japan in the areas of research and development and implementation of production engineering, production technologies, and production systems. Toho Titanium, which smelts and dissolves titanium, and the Company, which rolls titanium, have jointly developed a technology for direct slab casting and surface structure control. The aim of the technology is to improve quality and productivity by reducing defects that derive from crystalline structure that occur during the manufacturing process of thin titanium sheets. We found that the occurrence of defects during rolling can be minimized by controlling crystallization orientation near the surface layer of titanium ingots (direct slab casting) cast in slab shapes. Electron beam irradiation conditions and drawing speed are adjusted in the melting furnace where ingots are produced. This enables the direction and thickness of the initial solidification shell growth in the mold to be optimized, while the orientation of the crystallization can be controlled to a certain degree in the desired direction. In addition, the surface and surface layer of the ingot after solidification are subjected to surface treatment to eliminate casting surface defects, etc. These treatments enable the omission of the hot process to produce slabs from ingots, which is conventionally performed, and also reduce defects during rolling. As a result, we have succeeded in producing high-grade thin titanium sheets that are internationally competitive both in terms of quality and price, with significant improvements in total yield and energy efficiency. Furthermore, the omission of a process leads to a reduction in CO_2 emissions, contributing to a reduction in environmental impact.

<Railway/automotive/machinery parts>

- SMI Amtek Crankshaft, our forged crankshaft manufacturing and sales company in India, has won three awards from Toyota Industries Engine India Pvt. Ltd., a Toyota Industries Corporation's subsidiary of in India, which manufactures engines for Toyota vehicles. The awards received were Best Quality Supplier Award, Zero Defect Supplies Award, and Best Target Achieved Supplier in Delivery for fiscal 2021. In addition to the Delivery award, which SMI Amtek Crankshaft has received for six consecutive years, the company also won the Best Quality and Zero Defect awards simultaneously for the first time. These awards recognized its contribution to further improving and upgrading the quality of its global model, as well as ensuring a stable and continuous supply of high-quality products.

<Steelmaking process, etc.>

- The Company, NS Solutions Corporation and NIPPON STEEL TEXENG. CO., LTD. have jointly established NS-IoT, a wireless IoT sensor utilization platform that centrally manages data from each steel work's manufacturing site using LPWA (Low Power Wide Area, power-saving long-distance wireless communication) and cloud computing technology. The platform started actual operation in April 2022 for the purpose of early detection of abnormalities at facilities in the Kimitsu and Kashima Areas of the East Nippon Works. At each steel work's manufacturing site, sensor data is collected and retained, and these findings are used for its production management such as singularity detection. By introducing NS-IoT, the management of data acquired from sensors installed at each steel work's manufacturing site will be centralized. The integrated big data collected from other sites can then be used for equipment abnormality detection and trend monitoring. This also improves labor productivity by enabling monitoring by engineers shared across multiple locations. In the pilot locations, the Kimitsu and Kashima Areas, we have verified that the system reduces onsite workloads in inspections for early detection of abnormalities in facilities. Going forward, we will expand the application to all steel work's manufacturing sites and group companies, as well as rolling out the platform as a package offering for other manufacturing industries.

<Slag and cement>

- Since 2004, we have been working with the Mashike Fisheries Cooperative Association in Mashike Town, Hokkaido, to create seaweed beds. This initiative uses the Vivary™ unit, a fertilizer unit we developed for sea areas with the aim of preventing rocky shore denudation and promoting fisheries. From 2014, on the Betsukari coast in Mashike Town, we expanded this initiative to a large-scale project covering 300 meters of shoreline. In surveys carried out every year since starting the seaweed beds on the Betsukari coast, we have measured the area of vegetation, which mainly consists of Hosome-kombu (kelp). We found that it had grown from 0.6 hectares in 2015 to 3.3 hectares in 2022, an increase of 5.5 times by the eighth year since the forming of the beds. Since it has already been scientifically proven that atmospheric CO_2 is stored as blue carbon in seaweed beds for a long period of time, the creation of seaweed beds has garnered attention as a CO_2 reduction measure. the Company and the Mashike Fisheries Cooperative Association jointly applied for the J Blue Credit®. We received this credit following certification of 49.5 t-CO_2, the amount of CO_2 absorbed and fixed (blue carbon) over the most recent five years from 2018 to 2022. This is the first certification for kelp beds in Hokkaido, and also the first such joint application between a fishery cooperative and a private company. Going forward, we will continue our efforts in Mashike Town and expand seaweed farming activities nationwide, applying our technology and using blue carbon to help reduce CO_2.

(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: Development related to advanced steelmaking processes, mainly through joint research with the Company
- Environmental and energy sector: Strengthening the competitiveness of waste to energy plants and biomass power plants, improving efficiency of cogeneration, research and development for carbon recycling
- Marine sector: Developing offshore wind power facilities and developing submarine pipeline installation
- Urban infrastructure sector: Developing seismic control/isolation device products, searching for next-generation products and developing soil purification technology
- On-land pipeline sector: Developing on-land pipeline welding technology

(Chemicals and Materials)

Research and development expenses for this segment were 4.5 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 2.3 billion yen.

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

Over many years, we have searched for, evaluated, and verified new technologies and helped our client companies introduce new technologies amid uncertain conditions such as technological evolution, business trends, social environment, and changes in people’s values. Based on this accumulated experience and expertise, we have set and worked toward three “future goals” to achieve sustainability for society as a whole.

- Future Goal 1: “The ultimate digital twin”* - Copying everything to the digital world to recreate it
- Future Goal 2: “Artificial intelligence that can understand and perform tasks” - Bringing the intellectual capacity of machines closer to that of humans
- Future Goal 3: “Sustainable corporate information system” - Making systems adaptable to change and long-lasting

*Digital twin: Copying and reproducing real-world objects such as plant equipment and products as data in a digital space to enable remote monitoring and control, reproduction of past conditions, and predictive simulations.

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, 2023 (based on accepted property, plant and equipment and intangible assets (process computer systems, etc.)) is as follows.

	Year ended March 31, 2023	Year-on-year change
Steelmaking and Steel Fabrication	423,619 million yen	5% increase
Engineering and Construction	1,917 million yen	3% decrease
Chemicals and Materials	10,534 million yen	40% increase
System Solutions	3,727 million yen	56% decrease
Total	439,798 million yen	5% increase
Adjustments	(2,175) million yen	—
Total	437,622 million yen	7% increase

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, 2023) (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	58,007	2,070	3,877	97,587 (3,049) [0]	62,327	223,870	4,202
North Nippon Works (Muroran City, Hokkaido and Kamaishi City, Iwate)	Same as above	Manufacturing facilities of bars and shapes	33,267	40,067	2,622	8,308 (11,178) [122]	2,523	86,788	1,256
East Nippon Works (Kashima City, Ibaraki, Kimitsu City, Chiba, and Joetsu City, Niigata)	Same as above	Manufacturing facilities of bars, shapes, flat-rolled products, pipes and tubes, stainless and titanium products	136,531	216,651	12,016	150,751 (21,904) [158]	23,103	539,054	6,429
Nagoya Works (Tokai City, Aichi)	Same as above	Manufacturing facilities of flat-rolled products, pipes and tubes	43,195	174,000	4,652	14,873 (6,489) [0]	19,604	256,327	3,130
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	81,557	116,566	8,350	85,305 (7,758) [122]	7,786	299,566	5,011
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	18,419	57,700	4,924	23,568 (9,255) [72]	19,787	124,400	2,738
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	136,361	277,964	11,227	82,885 (23,588) [25]	16,623	525,063	5,565
Total			507,339	885,021	47,671	463,280 (83,223) [501]	151,757	2,055,070	28,331

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, 2023) (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 m^2)	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	12,303	39,722	1,962	7,285 (804) [5]	4,622	65,896	1,506
NIPPON STEEL COATED SHEET CORPORATION	Funabashi Works (Funabashi City, Chiba), etc.	Same as above	Sheet surface treatment facilities	9,794	4,506	726	18,706 (756) [43]	298	34,032	1,339
OSAKA STEEL CO., LTD..	Osaka Unit (Osaka City and Sakai City, Osaka), etc.	Same as above	Steelmaking and rolling facilities	4,902	13,346	1,855	30,352 (582) [34]	2,054	52,512	559
KROSAKI HARIMA CORPORATION	Head Office and Yahata Works (Kitakyushu City, Fukuoka), etc.	Same as above	Refractory manufacturing facilities	9,821	6,486	891	5,870 (1,126) [17]	930	24,001	2,402
NIPPON STEEL TEXENG. CO., LTD.	Kimitsu Office (Kimitsu City, Chiba), etc.	Same as above	Steel product processing facilities	14,346	5,814	1,129	16,214 (1,060) [40]	964	38,468	10,151
NIPPON STEEL Stainless Steel Corporation	Yamaguchi Works (Hikari City and Shunan City, Yamaguchi), etc.	Same as above	Stainless steel manufacturing facilities	26,436	40,479	2,763	19,902 (3,586)	3,033	92,616	2,661
NIPPON STEEL LOGISTICS CO., LTD.	Head Office (Chuo-ku, Tokyo), etc.	Same as above	Ships, etc.	3,940	4,961	647	6,476 (218) [9]	398	16,425	786
NIPPON STEEL ENGINEERING CO., LTD.	Kitakyushu Technology Center (Kitakyushu City, Fukuoka), etc.	Engineering and Construction	Facilities for general construction work	3,264	1,358	732	1,048 (658)	188	6,592	1,648
NIPPON STEEL Chemical & Material CO., LTD.	Kyushu Works (Kitakyushu City, Fukuoka), etc.	Chemicals and Materials	Manufacturing facilities of chemicals, coal chemical products, functional materials, etc.	11,841	10,146	1,565	9,920 (473)	1,735	35,210	1,366
NS Solutions Corporation	Head Office (Minato-ku, Tokyo), etc.	System Solutions	Data center facilities, computers and related equipment	8,058	0	6,817	2,398 (10)	461	17,736	3,581

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. The table above includes welfare facilities.

(3) Foreign subsidiaries

(As of March 31, 2023) (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 m^2)	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	5,359	17,724	179	3,756 (184)	420	27,439	293
NS-Siam United Steel Co., Ltd.	Rayong Works (Rayong Province, Thailand)	Same as above	Manufacturing facilities of cold-rolled sheets and coated sheets	2,853	20,074	237	3,366 (414)	3,503	30,035	1,491
Ovako AB	Hofors Works (Hofors City, Sweden), etc.	Same as above	Steelmaking and rolling facilities	5,208	24,554	-	1,855 (7,014)	3,753	35,372	2,714
G Steel Public Company Limited	(Rayong Province, Thailand)	Same as above	Electric arc furnaces and hot-rolling facilities	2,677	19,168	29	1,633 (687)	-	23,508	650
G J Steel Public Company Limited	(Chon Buri Province, Thailand)	Same as above	Electric arc furnaces and hot-rolling facilities	5,530	22,392	242	3,862 (1,043)	620	32,649	654

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 450.0 billion yen for the year ending March 31, 2023.

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

Addition

Company name Business site	Location	Segment name	Description of facilities	Planned investment amount (Billions of Yen)		Financing method	Scheduled commencement and completion dates		Capacity, etc.
				Total	Amount already paid		Commence-ment	Completion	
The Company Nagoya Works	Tokai City, Aichi	Steelmaking and Steel Fabrication	Next-generation hot-strip mill	270.0	47.3	Self-financing, borrowing and other means	May 2022	First quarter of fiscal year 2026	6 million tons/year

Refurbishment

Company name Business site	Location	Segment name	Description of facilities	Planned investment amount (Billions of Yen)		Financing method	Scheduled commencement and completion dates		Capacity, etc.
				Total	Amount already paid		Commence-ment	Completion	
The Company East Nippon Works	Kimitsu City, Chiba	Steelmaking and Steel Fabrication	No. 3 coke oven (including fixtures and fittings)	39.0	1.6	Self-financing, borrowing and other means	February 2022	First half of fiscal year 2026	0.7 million tons/year
The Company Kyushu Works	Oita City, Oita	Steelmaking and Steel Fabrication	No. 2 coke oven (including fixtures and fittings)	50.0	0.1	Self-financing, borrowing and other means	June 2022	Second half of fiscal year 2025	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, 2023)	Number of shares issued as of the filing date (June 23, 2023)	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 on its Prime Market Nagoya Stock Exchange on its Premier Market Fukuoka Stock Exchange and Sapporo Securities 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

The bonds with stock acquisition rights issued under the Companies Act are as follows.

a. Zero Coupon Convertible Bonds due 2024

Date of resolutions: September 14, 2021 (resolution delegated to the Board of Directors), September 16, 2021 (the decision by the Representative Director and President based on such delegation)

Date of issuance: October 4, 2021

(In "a." below, the bonds above are referred to as "Bonds with Stock Acquisition Rights" and bonds solely are referred to as "Bonds" and stock acquisition rights solely are referred to as "Stock Acquisition Right(s)".)

	As of the end of the fiscal year (March 31, 2023)	As of the end of the month immediately prior to the filing date (May 31, 2023)
Number of stock acquisition rights	15,000	Same as left
Number of stock acquisition rights held by the Company included in stock acquisition rights	—	—
Class, contents, and number of shares to be issued upon exercise of stock acquisition rights (Note 1)	Common stock of the Company 58,892,815	Common stock of the Company 60,770,570
Amount to be paid in upon exercise of stock acquisition rights (yen) (Note 2)	2,547.0	2,468.3
Period for exercise of stock acquisition rights (Note 3)	From October 18, 2021 to September 20, 2024	Same as left
Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (yen) (Note 4)	Issue price 2,547.0 Amount to be capitalized 1,274.0	Issue price 2,468.3 Amount to be capitalized 1,235.0
Conditions for exercise of stock acquisition rights	Each Stock Acquisition Right shall not be exercised in part.	Same as left
Matters concerning transfer of stock acquisition rights	Stock Acquisition Rights are attached to Zero Coupon Convertible Bonds with Stock Acquisition Rights and shall not be transferred separately from Bonds.	Same as left
Matters relating to issuance of stock acquisition rights in connection with reorganization	(Note 5)	Same as left
Contents and amount of assets to be contributed upon exercise of stock acquisition rights	Upon the exercise of each Stock Acquisition Right, Bonds pertaining to Stock Acquisition Rights shall be contributed, and the amount of such Bonds shall be equal to the face value thereof.	Same as left
Balance of bonds with stock acquisition rights (billion yen)	150.0	150.0

(Notes)

1. The class and contents of shares to be delivered upon exercise of the Stock Acquisition Rights shall be shares of common stock of the Company (100 shares constituting one unit). The number of shares of common stock of the Company to be delivered by the Company upon exercise of such rights shall be determined by dividing the total face value of Bonds subject to the exercise request by the applicable conversion price as detailed in Note 2 below. Fractions of less than one share shall be discarded and no cash adjustment will be made in respect thereof. If shares not constituting a unit of shares are delivered upon exercise of Stock Acquisition Rights, such non-unit shares shall be delivered to the bondholders with Stock Acquisition Rights in the same manner as the shares constituting a whole unit of shares, and no cash amounts shall be paid by the Company in respect of such non-unit shares.

2. (1) Upon the exercise of each Stock Acquisition Right, Bonds pertaining to such Stock Acquisition Rights shall be contributed, and the value of such Bonds shall be equal to the face value thereof.

   (2) The initial conversion price shall be 2,884 yen; provided, however, that the terms and conditions of Bonds contain the provisions that adjustment shall be made if an event stated in (3) below occurs.

   In accordance with the approval of the payment of an interim dividend of 70 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 2, 2021, the conversion price was adjusted to 2,786.3 yen on and after October 5, 2021 pursuant to the terms and conditions of Bonds.

In accordance with the approval of the payment of a year-end dividend of 90 yen per share of common stock of the Company at the 98th General Meeting of Shareholders held on June 23, 2022, the conversion price was adjusted to 2,660.6 yen on and after April 1, 2022 pursuant to the terms and conditions of Bonds.

In accordance with the approval of the payment of an interim dividend of 90 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 1, 2022, the conversion price was adjusted to 2,547.0 yen on and after October 1, 2022 pursuant to the terms and conditions of Bonds.

In accordance with the approval of the payment of a year-end dividend of 90 yen per share of common stock of the Company at the 99th General Meeting of Shareholders held on June 23, 2023, the conversion price was adjusted to 2,468.3 yen on and after April 1, 2023 pursuant to the terms and conditions of Bonds.

(3) If the Company issues new shares of the Company's common stock or disposes of shares of the Company's common stock held by the Company at a price below the fair value of the Company's common stock after the issuance of Bonds with Stock Acquisition Rights, the conversion price shall be adjusted based on the following formula. In the formula below, "number of issued shares" refers to the total number of outstanding shares of the Company's common stock (excluding those held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount paid per share}}{\text{Fair value}}}{\text{Number of issued shares} + \text{number of shares issued or disposed of}}$$

The conversion price shall also be adjusted as appropriate when a certain event occurs, such as the split or consolidation of shares of the Company's common stock, a certain level of dividends payment, issuance of any stock acquisition rights with a right to request for the delivery of shares of the Company's common stock at a price below the fair value of shares of the Company's common stock (including stock acquisition rights attached to bonds with stock acquisition rights).

3. The period shall be from October 18, 2021 to September 20, 2024 (local time at the place where Bonds are deposited for the exercise of Stock Acquisition Rights); provided, however, that (i) in the case of early redemption of Bonds by the Company, the period shall be until the date three business days in Tokyo prior to the redemption date (excluding Stock Acquisition Rights relating to Bonds for which early redemption due to a change in the taxation system had not been adopted), (ii) if retirement by purchase is made for Bonds, the period shall be until the time when Bonds are retired, and (iii) if the repayment of Bonds becomes due immediately, the period shall be until the time when immediate repayment occurs. In any of the cases stated above, the Stock Acquisition Rights shall not be exercised subsequent to September 20, 2024 (local time at the place where Bonds were deposited to exercise Stock Acquisition Rights).

Notwithstanding the above, if the Company reasonably determines that it is required to implement Reorganization, etc. (as defined below) of the Company, Stock Acquisition Rights shall not be exercised during the period of thirty days, which is specified by the Company and ends within fourteen days from the day following the effective date of the Reorganization, etc. of the Company.

In addition, Stock Acquisition Rights may not be exercised if the calendar day in Japan on which the exercise of the Stock Acquisition Rights becomes effective (or the following business day in Tokyo if such calendar day is not a business day in Tokyo) falls between a date in Tokyo two business days (or three business days if such date is not a business day in Tokyo) prior to the record date specified by the Company or any other date provided for to determine shareholders in connection with the provisions of Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Corporate Bonds and Shares (together with the record date of the Company, hereinafter collectively referred to as the "Shareholder Determination Date") and such Shareholder Determination Date (or the following business day in Tokyo if such Shareholder Determination Date is not a business day in Tokyo). Provided, however, that if any change is made to Japanese law, regulations or practices regarding the issuance of shares related to the exercise of stock acquisition rights through the transfer system based on the Act on Book-Entry Transfer of Corporate Bonds and Shares, the Company may change the limit on the period during which Stock Acquisition Rights may be exercised pursuant to this paragraph in order to reflect such changes on the conditions of Bonds and Stock Acquisition Rights.

"Reorganization, etc." means that either of the following events that involves the transfer of the Company's obligations under Bonds and/or Stock Acquisition Rights to another company is approved at a general meeting of shareholders of the Company (or a meeting of the Board of Directors if a resolution of the general meeting of shareholders is not required): (i) a merger of the Company and another company (including consolidation-type merger and absorption-type merger, but excluding a case where the Company is a surviving company; the same shall apply hereinafter), (ii) a transfer of assets (limited to cases where all or substantially all of the Company's assets are sold or transferred to another company, and the Company's obligations under Bonds with Stock Acquisition Rights are transferred to or succeeded to by another company in accordance with the conditions of such sales or transfer), (iii) a company split (including incorporation-type company split and absorption-type company split, but is limited to a case where the Company's obligations under Bonds with Stock Acquisition Rights are transferred to or succeeded to by another party to such split), (iv) a share exchange or a share transfer (limited to cases where the Company becomes a wholly owned subsidiary of another company; the same shall apply hereinafter), or (v) other corporate reorganization procedures under Japanese law.

4. The amount of common stock to be increased when shares are issued by exercising Stock Acquisition Rights shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17 of the Regulations on Corporate Accounting by 0.5. If there is a fraction less than one yen resulting from such calculation, such fraction shall be rounded up. The amount of capital reserve to be increased shall be the amount obtained by deducting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

5. (1) In the event of Reorganization, etc., the Company shall make best efforts so that Succeeding Company, etc. (as defined below) will succeed to the status of the principal obligor of Bonds with Stock Acquisition Rights in accordance with the terms and conditions for Bonds with Stock Acquisition Rights and deliver new stock acquisition rights that replace Stock Acquisition Rights. Provided, however, that such succession and delivery stated above are on the condition that (i) they can be implemented under then applicable law; (ii) a mechanism to enable such has already been established or can be established; and (iii) the

Company or Succeeding Company may implement such succession and delivery without incurring unreasonable (in the Company's opinion) costs (including taxes) from the perspective of the entire Reorganization, etc. In such case, the Company shall also make best efforts to ensure that Succeeding Company, etc. be a listed company in Japan on the effective date of such Reorganization, etc. The Company's obligation to make efforts as stated in this item (1) shall not apply in the case where the Company issues a certificate that states that the Company does not expect Succeeding Company be a listed company in Japan, regardless of the reason, on the effective date of such Reorganization, etc. to the trustee company for Bonds with Stock Acquisition Rights.

"Succeeding Company, etc." means a company that is the other party in Reorganization, etc. and assumes the Company's obligations relating to Bonds with Stock Acquisition Rights and/or Stock Acquisition Rights.

(2) The contents of the stock acquisition rights of Succeeding Company, etc. to be delivered pursuant to the provisions of (1) above are as follows:

1) Number of stock acquisition rights
It shall be the same as the number of Stock Acquisition Rights pertaining to Bonds with Stock Acquisition Rights outstanding immediately prior to the effective date of such Reorganization, etc.

2) Class of shares to be issued upon exercise of stock acquisition rights
Shares of common stock of Succeeding Company, etc.

3) Number of shares to be issued upon exercise of stock acquisition rights
The number of shares of common stock of Succeeding Company, etc. to be delivered by exercising the stock acquisition rights of Succeeding Company, etc. shall be determined by Succeeding Company, etc. in reference to the terms and conditions of Bonds with Stock Acquisition Rights while taking into consideration conditions for such Reorganization, etc. It is also subject to the following (i) or (ii). The conversion price is subject to the same adjustment as stated in 2 (3) above.

(i) In case of certain mergers, share exchange or share transfer, the conversion price shall be determined so that the holder of the number of the Company's shares of common stock obtained by exercising the Stock Acquisition Rights immediately prior to the effective date of Reorganization, etc. of the Company may receive such number of shares of common stock of Succeeding Company, etc. when the stock acquisition rights of Succeeding Company, etc. are exercised immediately subsequent to the effective date of such Reorganization, etc. If securities or other assets other than the shares of common stock of Succeeding Company, etc. are delivered at the time of such Reorganization, etc., those who receive them shall also receive the shares of common stock of Succeeding Company, etc. in the number obtained by dividing the value of such securities or assets by the fair value of the shares of common stock of Succeeding Company, etc.

(ii) In the case of Reorganization, etc. other than the above, the conversion price shall be determined so that the same economic benefit received by holders of Bonds with Stock Acquisition Rights upon exercise of Stock Acquisition Rights immediately prior to the effective date of such Reorganization, etc. may be received when the stock acquisition rights of Succeeding Company, etc. are exercised immediately subsequent to the effective date of such Reorganization, etc.

4) Content and amount of assets to be contributed upon exercise of stock acquisition rights
Upon the exercise of stock acquisition rights of Succeeding Company, etc., the transferred Bonds shall be contributed, and the amount of such Bonds shall be equal to the face value of the transferred Bonds.

5) Period during which stock acquisition rights may be exercised
From the effective date of such Reorganization, etc. (in some cases, the date within 14 days after the effective date) to the expiration date of the exercise period for Stock Acquisition Rights stated in 3 above.

6) Other conditions for exercising stock acquisition rights
Each stock acquisition right of Succeeding Company, etc. shall not be exercised in part.

7) Common stock and capital reserve to be increased by the issuance of shares upon exercise of stock acquisition rights
The amount of common stock to be increased when shares are issued by exercising stock acquisition rights of Succeeding Company, etc. shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17 of the Regulations on Corporate Accounting by 0.5. If there is a fraction less than one yen resulting from such calculation, such fraction shall be rounded up. The amount of capital reserve to be increased shall be the amount obtained by deducting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

8) In the event of Reorganization, etc.
In cases where Reorganization, etc. of Succeeding Company, etc. occurs, it will be treated in the same manner as Bonds with Stock Acquisition Rights.

9) Others
Any fraction less than one share upon exercise of the stock acquisition rights of Succeeding Company, etc. shall be disregarded and no cash adjustment shall be made. The stock acquisition rights of Succeeding Company, etc. shall not be transferred separately from the transferred Bonds.

(3) In cases where the Company makes Succeeding Company, etc. assume or succeed to the Company's obligations based on the trust certificate pertaining to Bonds and Bonds with Stock Acquisition Rights in accordance with the provisions of (1) above, the Company shall be subject to the terms and conditions for Bonds with Stock Acquisition Rights in addition to providing a guarantee in certain cases specified in the terms and conditions for Bonds with Stock Acquisition Rights.

b. Zero Coupon Convertible Bonds due 2026

Date of resolutions: September 14, 2021 (resolution delegated to the Board of Directors), September 16, 2021 (the decision by the Representative Director and President based on such delegation)

Date of issuance: October 4, 2021

(In "b." below, the bonds above are referred to as "Bonds with Stock Acquisition Rights" and bonds solely are referred to as "Bonds" and stock acquisition rights solely are referred to as "Stock Acquisition Right(s)".)

	As of the end of the fiscal year (March 31, 2023)	As of the end of the month immediately prior to the filing date (May 31, 2023)
Number of stock acquisition rights	15,000	Same as left
Number of stock acquisition rights held by the Company included in stock acquisition rights	—	—
Class, contents, and number of shares to be issued upon exercise of stock acquisition rights (Note 1)	Common stock of the Company 56,202,930	Common stock of the Company 57,995,669
Amount to be paid in upon exercise of stock acquisition rights (yen) (Note 2)	2,668.9	2,586.4
Period for exercise of stock acquisition rights (Note 3)	From October 18, 2021 to September 24, 2026	Same as left
Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (yen) (Note 4)	Issue price 2,668.9 Amount to be capitalized 1,335.0	Issue price 2,586.4 Amount to be capitalized 1,294.0
Conditions for exercise of stock acquisition rights	Each Stock Acquisition Right shall not be exercised in part.	Same as left
Matters concerning transfer of stock acquisition rights	Stock Acquisition Rights are attached to Zero Coupon Convertible Bonds with Stock Acquisition Rights and shall not be transferred separately from Bonds.	Same as left
Matters relating to issuance of stock acquisition rights in connection with reorganization	(Note 5)	Same as left
Contents and amount of assets to be contributed upon exercise of stock acquisition rights	Upon the exercise of each Stock Acquisition Right, Bonds pertaining to Stock Acquisition Rights shall be contributed, and the amount of such Bonds shall be equal to the face value thereof.	Same as left
Balance of bonds with stock acquisition rights (billion yen)	150.0	150.0

(Notes)

1. The class and contents of shares to be delivered upon exercise of the Stock Acquisition Rights shall be shares of common stock of the Company (100 shares constituting one unit). The number of shares of common stock of the Company to be delivered by the Company upon exercise of such rights shall be determined by dividing the total face value of Bonds subject to the exercise request by the applicable conversion price as detailed in Note 2 below. Fractions of less than one share shall be discarded and no cash adjustment will be made in respect thereof. If shares not constituting a unit of shares are delivered upon exercise of Stock Acquisition Rights, such non-unit shares shall be delivered to the bondholders with Stock Acquisition Rights in the same manner as the shares constituting a whole unit of shares, and no cash amounts shall be paid by the Company in respect of such non-unit shares.

2. (1) Upon the exercise of each Stock Acquisition Right, Bonds pertaining to such Stock Acquisition Rights shall be contributed, and the value of such Bonds shall be equal to the face value thereof.

   (2) The initial conversion price shall be 3,022 yen; provided, however, that the terms and conditions of Bonds contain the provisions that adjustment shall be made if an event stated in (3) below occurs.

   In accordance with the approval of the payment of an interim dividend of 70 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 2, 2021, the conversion price was adjusted to 2,919.6 yen on and after October 5, 2021 pursuant to the terms and conditions of Bonds.

   In accordance with the approval of the payment of a year-end dividend of 90 yen per share of common stock of the Company at the 98th General Meeting of Shareholders held on June 23, 2022, the conversion price was adjusted to 2,787.9 yen on and after April 1, 2022 pursuant to the terms and conditions of Bonds.

   In accordance with the approval of the payment of an interim dividend of 90 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 1, 2022, the conversion price was adjusted to

2,668.9 yen on and after October 1, 2022 pursuant to the terms and conditions of Bonds.

In accordance with the approval of the payment of a year-end dividend of 90 yen per share of common stock of the Company at the 99th General Meeting of Shareholders held on June 23, 2023, the conversion price was adjusted to 2,586.4 yen on and after April 1, 2023 pursuant to the terms and conditions of Bonds.

(3) If the Company issues new shares of the Company's common stock or disposes of shares of the Company's common stock held by the Company at a price below the fair value of the Company's common stock after the issuance of Bonds with Stock Acquisition Rights, the conversion price shall be adjusted based on the following formula. In the formula below, "number of issued shares" refers to the total number of outstanding shares of the Company's common stock (excluding those held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount paid per share}}{\text{Fair value}}}{\text{Number of issued shares} + \text{number of shares issued or disposed of}}$$

The conversion price shall also be adjusted as appropriate when a certain event occurs, such as the split or consolidation of shares of the Company's common stock, a certain level of dividends payment, issuance of any stock acquisition rights with a right to request for the delivery of shares of the Company's common stock at a price below the fair value of shares of the Company's common stock (including stock acquisition rights attached to bonds with stock acquisition rights).

3. The period shall be from October 18, 2021 to September 24, 2026 (local time at the place where Bonds are deposited for the exercise of Stock Acquisition Rights); provided, however, that (i) in the case of early redemption of Bonds by the Company, the period shall be until the date three business days in Tokyo prior to the redemption date (excluding Stock Acquisition Rights relating to Bonds for which early redemption due to a change in the taxation system had not been adopted), (ii) if retirement by purchase is made for Bonds, the period shall be until the time when Bonds are retired, and (iii) if the repayment of Bonds becomes due immediately, the period shall be until the time when immediate repayment occurs. In any of the cases stated above, the Stock Acquisition Rights shall not be exercised subsequent to September 24, 2026 (local time at the place where Bonds were deposited to exercise Stock Acquisition Rights).

Notwithstanding the above, if the Company reasonably determines that it is required to implement Reorganization, etc. (as defined below) of the Company, Stock Acquisition Rights shall not be exercised during the period of thirty days, which is specified by the Company and ends within fourteen days from the day following the effective date of the Reorganization, etc. of the Company.

In addition, Stock Acquisition Rights may not be exercised if the calendar day in Japan on which the exercise of the Stock Acquisition Rights becomes effective (or the following business day in Tokyo if such calendar day is not a business day in Tokyo) falls between a date in Tokyo two business days (or three business days if such date is not a business day in Tokyo) prior to the record date specified by the Company or any other date provided for to determine shareholders in connection with the provisions of Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Corporate Bonds and Shares (together with the record date of the Company, hereinafter collectively referred to as the "Shareholder Determination Date") and such Shareholder Determination Date (or the following business day in Tokyo if such Shareholder Determination Date is not a business day in Tokyo). Provided, however, that if any change is made to Japanese law, regulations or practices regarding the issuance of shares related to the exercise of stock acquisition rights through the transfer system based on the Act on Book-Entry Transfer of Corporate Bonds and Shares, the Company may change the limit on the period during which Stock Acquisition Rights may be exercised pursuant to this paragraph in order to reflect such changes on the conditions of Bonds and Stock Acquisition Rights.

"Reorganization, etc." means that either of the following events that involves the transfer of the Company's obligations under Bonds and/or Stock Acquisition Rights to another company is approved at a general meeting of shareholders of the Company (or a meeting of the Board of Directors if a resolution of the general meeting of shareholders is not required): (i) a merger of the Company and another company (including consolidation-type merger and absorption-type merger, but excluding a case where the Company is a surviving company; the same shall apply hereinafter), (ii) a transfer of assets (limited to cases where all or substantially all of the Company's assets are sold or transferred to another company, and the Company's obligations under Bonds with Stock Acquisition Rights are transferred to or succeeded to by another company in accordance with the conditions of such sales or transfer), (iii) a company split (including incorporation-type company split and absorption-type company split, but is limited to a case where the Company's obligations under Bonds with Stock Acquisition Rights are transferred to or succeeded to by another party to such split), (iv) a share exchange or a share transfer (limited to cases where the Company becomes a wholly owned subsidiary of another company; the same shall apply hereinafter), or (v) other corporate reorganization procedures under Japanese law.

4. The amount of common stock to be increased when shares are issued by exercising Stock Acquisition Rights shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17 of the Regulations on Corporate Accounting by 0.5. If there is a fraction less than one yen resulting from such calculation, such fraction shall be rounded up. The amount of capital reserve to be increased shall be the amount obtained by deducting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

5. (1) In the event of Reorganization, etc., the Company shall make best efforts so that Succeeding Company, etc. (as defined below) will succeed to the status of the principal obligor of Bonds with Stock Acquisition Rights in accordance with the terms and conditions for Bonds with Stock Acquisition Rights and deliver new stock acquisition rights that replace Stock Acquisition Rights. Provided, however, that such succession and delivery stated above are on the condition that (i) they can be implemented under then applicable law; (ii) a mechanism to enable such has already been established or can be established; and (iii) the Company or Succeeding Company may implement such succession and delivery without incurring unreasonable (in the Company's opinion) costs (including taxes) from the perspective of the entire Reorganization, etc. In such case, the Company shall also make best efforts to ensure that Succeeding Company, etc. be a listed company in Japan on the effective date of such Reorganization, etc. The Company's obligation to make efforts as stated in this item (1) shall not apply in the case where the Company issues a certificate that states that the Company does not expect Succeeding Company be a listed company in Japan

regardless of the reason on the effective date of such Reorganization, etc. to the trustee company for Bonds with Stock Acquisition Rights.

"Succeeding Company, etc." means a company that is the other party in Reorganization, etc. and assumes the Company's obligations relating to Bonds with Stock Acquisition Rights and/or Stock Acquisition Rights.

(2) The contents of the stock acquisition rights of Succeeding Company, etc. to be delivered pursuant to the provisions of (1) above are as follows:

1) Number of stock acquisition rights
It shall be the same as the number of Stock Acquisition Rights pertaining to Bonds with Stock Acquisition Rights outstanding immediately prior to the effective date of such Reorganization, etc.

2) Class of shares to be issued upon exercise of stock acquisition rights
Shares of common stock of Succeeding Company, etc.

3) Number of shares to be issued upon exercise of stock acquisition rights
The number of shares of common stock of Succeeding Company, etc. to be delivered by exercising the stock acquisition rights of Succeeding Company, etc. shall be determined by Succeeding Company, etc. in reference to the terms and conditions of Bonds with Stock Acquisition Rights while taking into consideration conditions for such Reorganization, etc. It is also subject to the following (i) or (ii). The conversion price is subject to the same adjustment as stated in 2 (3) above.

(i) In case of certain mergers, share exchange or share transfer, the conversion price shall be determined so that the holder of the number of the Company's shares of common stock obtained by exercising the Stock Acquisition Rights immediately prior to the effective date of Reorganization, etc. of the Company may receive such number of shares of common stock of Succeeding Company, etc. when the stock acquisition rights of Succeeding Company, etc. are exercised immediately subsequent to the effective date of such Reorganization, etc. If securities or other assets other than the shares of common stock of Succeeding Company, etc. are delivered at the time of such Reorganization, etc., those who receive them shall also receive the shares of common stock of Succeeding Company, etc. in the number obtained by dividing the value of such securities or assets by the fair value of the shares of common stock of Succeeding Company, etc.

(ii) In the case of Reorganization, etc. other than the above, the conversion price shall be determined so that the same economic benefit received by holders of Bonds with Stock Acquisition Rights upon exercise of Stock Acquisition Rights immediately prior to the effective date of such Reorganization, etc. may be received when the stock acquisition rights of Succeeding Company, etc. are exercised immediately subsequent to the effective date of such Reorganization, etc.

4) Content and amount of assets to be contributed upon exercise of stock acquisition rights
Upon the exercise of stock acquisition rights of Succeeding Company, etc., the transferred Bonds shall be contributed, and the amount of such Bonds shall be equal to the face value of the transferred Bonds.

5) Period during which stock acquisition rights may be exercised
From the effective date of such Reorganization, etc. (in some cases, the date within 14 days after the effective date) to the expiration date of the exercise period for Stock Acquisition Rights stated in 3 above.

6) Other conditions for exercising stock acquisition rights
Each stock acquisition right of Succeeding Company, etc. shall not be exercised in part.

7) Common stock and capital reserve to be increased by the issuance of shares upon exercise of stock acquisition rights
The amount of common stock to be increased when shares are issued by exercising stock acquisition rights of Succeeding Company, etc. shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17 of the Regulations on Corporate Accounting by 0.5. If there is a fraction less than one yen resulting from such calculation, such fraction shall be rounded up. The amount of capital reserve to be increased shall be the amount obtained by deducting the amount of common stock to be increased from the maximum amount of increase in common stock, etc.

8) In the event of Reorganization, etc.
In cases where Reorganization, etc. of Succeeding Company, etc. occurs, it will be treated in the same manner as Bonds with Stock Acquisition Rights.

9) Others
Any fraction less than one share upon exercise of the stock acquisition rights of Succeeding Company, etc. shall be disregarded and no cash adjustment shall be made. The stock acquisition rights of Succeeding Company, etc. shall not be transferred separately from the transferred Bonds.

(3) In cases where the Company makes Succeeding Company, etc. assume or succeed to the Company's obligations based on the trust certificate pertaining to Bonds and Bonds with Stock Acquisition Rights in accordance with the provisions of (1) above, the Company shall be subject to the terms and conditions for Bonds with Stock Acquisition Rights in addition to providing a guarantee in certain cases specified in the terms and conditions for Bonds with Stock Acquisition Rights.

(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	(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, 2023

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	5	168	85	4,519	806	687	419,754	426,024	—
Number of shares held (Units)	316	3,059,878	271,606	922,905	2,237,255	5,906	2,934,120	9,431,986	7,122,802
Shareholding ratio (%)	0.00	32.44	2.88	9.78	23.72	0.06	31.11	100	—

Notes: 1. Treasury stock is included in “Individuals and others” in the amount of 283,947 units, and in “Shares less than one unit” in the amount of 85 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 28,394,120 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 115,114 persons.

(6) Major shareholders

As of March 31, 2023

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	1,383,698	15.0
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	397,998	4.3
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)	196,259	2.1
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)	154,357	1.7
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)	137,127	1.5
Nippon Steel Group Employees Shareholding Association	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	122,466	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
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	102,529	1.1
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	95,587	1.0
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	89,031	1.0
Total	—	2,801,054	30.4

Notes: 1. In addition to the above, there are 283,941 hundred shares of treasury stock held by the Company (shareholding ratio: 3.1%).

2. In a Statement of Changes to a Statement of Large Volume Holding made available for public inspection as of October 21, 2022, 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 NIPPON STEEL as of October 14, 2022. However, they are not included in the above major shareholders because NIPPON STEEL is unable to confirm the actual number of shares held by the said companies as of March 31, 2023.

The details in the Statement of Changes are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
Nomura Securities Co., Ltd.	324,502	3.30
NOMURA INTERNATIONAL PLC	7,060	0.07
Nomura Asset Management Co., Ltd.	343,734	3.62
Total	675,298	6.65

3. In a Statement of Changes to a Statement of Large Volume Holding made available for public inspection as of December 6, 2022, 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 NIPPON STEEL as of November 30, 2022. However, they are not included in the above major shareholders because NIPPON STEEL is unable to confirm the actual number of shares held by the said companies as of March 31, 2023.
The details in the Statement of Changes 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.	313,239	3.30
Nikko Asset Management Co., Ltd.	149,320	1.57
Total	541,690	5.70

4. In a Statement of Changes to a Statement of Large Volume Holding made available for public inspection as of March 20, 2023, it is stated that BlackRock Japan Co., Ltd. and its joint holders, BlackRock Financial Management, Inc., BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (UK) Limited, and iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermogen, held the following shares of NIPPON STEEL as of March 15, 2023. However, they are not included in the above major shareholders because NIPPON STEEL is unable to confirm the actual number of shares held by the said companies as of March 31, 2023.
The details in the Statement of Changes are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
BlackRock Japan Co., Ltd.	172,999	1.82
BlackRock Financial Management, Inc.	11,437	0.12
BlackRock (Netherlands) BV	15,879	0.17
BlackRock Fund Managers Limited	19,378	0.20
BlackRock Asset Management Ireland Limited	56,898	0.60
BlackRock Fund Advisors	152,693	1.61
BlackRock Institutional Trust Company, N.A.	119,599	1.26
BlackRock Investment Management (UK) Limited	15,545	0.16
iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermogen	16,100	0.17
Total	580,530	6.11

(7) Voting rights

(a) Issued shares

As of March 31, 2023

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 29,409,700	—	Number of shares that constitute a share unit is 100 shares.
Shares with full voting rights (Other)	Ordinary shares 913,788,900	9,137,889	Number of shares that constitute a share unit is 100 shares.
Shares less than one unit	Ordinary shares 7,122,802	—	—
Total number of issued shares	950,321,402	—	—
Total voting rights held by all shareholders	—	9,137,889	—

Notes: 1. The figure in "Shares with full voting rights (Treasury stock, etc.)" above includes shares of treasury stock of 28,394,100 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: 20 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, 2023

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	28,394,100	—	28,394,100	2.99
(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		29,170,000	—	29,170,000	3.07

Notes: 1. In addition to the above, the number of shares with full voting rights (treasury stock, etc.) is 29,409,700 shares, when combined with 239,700 shares of the Company contributed to the retirement benefit trust.

2. In addition to the above, there are 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.

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, 2023	24,788	58,579,791
Treasury stock acquired during the period from April 1, 2023 to the filing date of this report	3,197	9,456,046

Note: "Treasury stock acquired during the period from April 1, 2023 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, 2023 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, 2023		Period from April 1, 2023 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)	1,478	2,851,538	289	557,662
Number of shares of treasury stock held	28,394,120	—	28,397,028	—

Note: "Number of shares of treasury stock held" during the "Period from April 1, 2023 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, 2023 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 paid a dividend of 90 yen per share at the end of the first half. Regarding the year-end dividend, the Company resolved at the 99th General Meeting of Shareholders held on June 23, 2023 to pay a year-end dividend of 90 yen per share (the annual dividend is 180 yen per share, reaching a record high as a full-year dividend).

Date of resolution	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)
The Meeting of the Board of Directors held on November 1, 2022	82,974	90
The 99th General Meeting of Shareholders held on June 23, 2023	82,973	90

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 14 members, of whom 9 are Directors (excluding Directors who are Audit & Supervisory Committee Members) and 5 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. During the current fiscal year, the Board of Directors deliberated on the formulation of management policies and strategies, important business strategy matters, the status of initiatives for safety, the environment, disaster prevention, quality, and diversity and inclusion. The Board of Directors also deliberated on the selection of Representative Directors, the nomination of candidates for the Board of Directors, the selection of senior management, the amount of compensation for the Directors (excluding Directors who are Audit & Supervisory Committee Members), the verification of strategic shareholdings, the analysis and evaluation of the effectiveness of the Board of Directors as a whole, the status of development and operation of internal control systems, feedback from shareholders and investors, and other matters. 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 one-third (5 out of 15) of all members of the Company’s Board of Directors.

Composition of the Board of Directors

Name	Position	Attendance during fiscal 2022 (attendance rate)		
		Board of Directors' meeting	Audit & Supervisory Committee meeting	Nomination and Compensation Advisory Committee meeting
[Directors (excluding Directors who are Audit & Supervisory Committee Members)]				
Kosei Shindo	Representative Director and Chairman	14 out of 14 meetings (100%)	—	2 out of 2 meetings (100%)
Eiji Hashimoto	Representative Director and President (Chairperson)	14 out of 14 meetings (100%)	—	2 out of 2 meetings (100%)
Naoki Sato	Representative Director and Executive Vice President	14 out of 14 meetings (100%)	—	—
Takahiro Mori	Representative Director and Executive Vice President	14 out of 14 meetings (100%)	—	—
Takashi Hirose	Representative Director and Executive Vice President	11 out of 11 meetings (100%)	—	—
Kazuhisa Fukuda	Representative Director and Executive Vice President	—	—	—
Tadashi Imai	Representative Director and Executive Vice President	14 out of 14 meetings (100%)	—	—
Hirofumi Funakoshi	Representative Director and Executive Vice President	—	—	—
Tetsuro Tomita	Director (Outside Director) (Independent Director)	14 out of 14 meetings (100%)	—	2 out of 2 meetings (100%)
Kuniko Urano	Director (Outside Director) (Independent Director)	11 out of 11 meetings (100%)	—	1 out of 1 meeting (100%)
[Directors who are Audit & Supervisory Committee Members]				
Shozo Furumoto	Senior Audit & Supervisory Committee Member (full-time)	14 out of 14 meetings (100%)	18 out of 18 meetings (100%)	—
Masayoshi Murase	Audit & Supervisory Committee Member (full-time)	11 out of 11 meetings (100%)	13 out of 13 meetings (100%)	—
Seiichiro Azuma	Audit & Supervisory Committee Member (Outside Director) (Independent Director)	14 out of 14 meetings (100%)	18 out of 18 meetings (100%)	—
Hiroshi Yoshikawa	Audit & Supervisory Committee Member (Outside Director) (Independent Director)	14 out of 14 meetings (100%)	18 out of 18 meetings (100%)	—
Masato Kitera	Audit & Supervisory Committee Member (Outside Director) (Independent Director)	14 out of 14 meetings (100%)	13 out of 13 meetings (100%)	2 out of 2 meetings (100%)

Notes: 1. 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.

2. Kazuhisa Fukuda and Hirofumi Funakoshi were elected at the 99th General Meeting of Shareholders held on June 23, 2023.

3. For Takashi Hirose, Kuniko Urano and Masayoshi Murase, attendance during fiscal 2022 since their election at the 98th General Meeting of Shareholders held on June 23, 2022 is shown.

4. For Directors who retired at the conclusion of the 99th General Meeting of Shareholders held on June 23, 2023, attendance during fiscal 2022 is as follows.

Name	Position at the time of retirement	Attendance during fiscal 2022 (attendance rate)		
		Board of Directors' meeting	Audit & Supervisory Committee meeting	Nomination and Compensation Advisory Committee meeting
Akio Migita	Director	14 out of 14 meetings (100%)	—	—

5. For Directors who retired at the conclusion of the 98th General Meeting of Shareholders held on June 23, 2022, attendance during fiscal 2022 is as follows.

Name	Position at the time of retirement	Attendance during fiscal 2022 (attendance rate)		
		Board of Directors' meeting	Audit & Supervisory Committee meeting	Nomination and Compensation Advisory Committee meeting
Shinichi Nakamura	Director	3 out of 3 meetings (100%)	—	—
Shuhei Onoyama	Director	3 out of 3 meetings (100%)	—	—
Noriko Iki	Director (Outside Director) (Independent Director)	3 out of 3 meetings (100%)	—	1 out of 1 meeting (100%)
Masato Matsuno	Senior Audit & Supervisory Committee Member (full-time)	3 out of 3 meetings (100%)	5 out of 5 meetings (100%)	—
Nobuhiro Miyoshi	Senior Audit & Supervisory Committee Member (full-time)	3 out of 3 meetings (100%)	5 out of 5 meetings (100%)	—
Hiroshi Obayashi	Audit & Supervisory Committee Member (Outside Director) (Independent Director)	3 out of 3 meetings (100%)	5 out of 5 meetings (100%)	1 out of 1 meeting (100%)
Jiro Makino	Audit & Supervisory Committee Member (Outside Director) (Independent Director)	3 out of 3 meetings (100%)	5 out of 5 meetings (100%)	—

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 officers and employees of the Company and the Group companies, but also from 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

The Nomination and Compensation Advisory Committee is positioned as a forum for broad discussion and consideration of all matters related to the Company’s executive personnel and compensation, including the composition of the entire Board of Directors and Audit & Supervisory Committee, and the compensation system and compensation levels of Directors. It is comprised of the Chairman, the President, and three or more members designated by the President who is the Chairperson, from among the Outside Directors.

The Nomination and Compensation Advisory Committee comprises five members, the Representative Director and Chairman, Kosei Shindo, the Representative Director and President, Eiji Hashimoto, and Outside Directors Tetsuro Tomita, Kuniko Urano and Masato Kitera. The President serves as the Chairman of the Committee. In principle, the meeting is held twice a year (in fiscal 2022, it was held in May and December 2022).

(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

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. 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) Directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract with the insurance company with persons including directors, audit & supervisory board members, executive officers, and important employees, of the Company, its subsidiaries, and other related entities as the insured. Under the contract, the insurance company will cover, among others, legal compensation for damages and litigation costs to be incurred by the insured as a result of claims for damages arising from acts (including inactions) of the insured pursuant to their positions. All insurance premiums are paid by the Company and its subsidiaries. The contract stipulates a deductible amount and also stipulates that damages caused by criminal acts of the insured or damages caused by acts committed by the insured that the insured knew were in violation of laws and regulations are not overed.

(i) 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)).

(j) 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.

(k) 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.

(l) 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.

(m) 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

14 males, 1 female (female ratio of 6.7%)

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)	528
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)	423

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Project, Global Business Development Sector	Naoki Sato	March 23, 1961	April 1983 Joined NSC 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 and 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 April 2022 Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company April 2023 Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Project, Global Business Development Sector of the Company (to present)	(Note 1)	109
Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India 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 and Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company April 2023 Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Project, Global Business Development Sector of the Company (to present)	(Note 1)	135

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Representative Director and Executive Vice President, Deputy Project Leader, Next-Generation Hot Strip Mill Project	Takashi Hirose	April 19, 1962	April 1986 Joined NSC April 2018 Executive Officer, Director, Plate Division of the Company April 2019 Managing Executive Officer, Head of Unit, Plate Unit, Vice Head of Unit, Flat Products Unit of the Company April 2020 Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Coldrolled & Coated Sheet Products Project, Global Business Development Sector of the Company April 2021 Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Coldrolled & Coated Sheet Products Project, Global Business Development Sector and Deputy Project Leader, Next-Generation Hot Strip Mill Project April 2022 Executive Vice President, Head of Unit, Flat Products Unit, Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company June 2022 Representative Director and Executive Vice President, Head of Unit, Flat Products Unit, Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company April 2023 Representative Director and Executive Vice President, Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company (to present) *Representatives of other major companies* Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.	(Note 1)	12
Representative Director and Executive Vice President, Head of Research and Development	Kazuhisa Fukuda	December 8, 1960	April 1986 Joined NSC April 2018 Managing Executive Officer and Head of Works, Hirohata Works of the Company April 2020 Managing Executive Officer and Head of Works, Setouchi Works of the Company April 2021 Executive Vice President and Head of Works, Setouchi Works of the Company April 2022 Executive Vice President and Head of Research and Development of the Company June 2023 Representative Director and Executive Vice President, Head of Research and Development of the Company (to present)	(Note 1)	88

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Representative Director and Executive Vice President, Head of Green Transformation Development; Project Leader, Electric Furnace Project; Deputy Project Leader, Next Generation Hot Strip Mill Project	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 April 2021 Managing Director, Member of the Board, Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company February 2022 Managing Director, Member of the Board, Thailand Iron and Steel Project, Global Business Development Sector; Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company April 2022 Managing Director, Member of the Board, Thailand Iron and Steel Project, Global Business Development Sector; Vice Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company April 2023 Representative Director and Executive Vice President, Head of Green Transformation Development; Deputy Project Leader, Next Generation Hot Strip Mill Project of the Company June 2023 Representative Director and Executive Vice President, Head of Green Transformation Development; Project Leader, Electric Furnace Project; Deputy Project Leader, Next Generation Hot Strip Mill Project of the Company (to present)	(Note 1)	139
Representative Director and Executive Vice President	Hirofumi Funakoshi	June 17, 1963	April 1987 Joined NSC April 2018 Executive Officer of the Company April 2019 Executive Officer and Head of Division, Corporate Planning Division of the Company April 2021 Managing Executive Officer of the Company April 2022 Managing Executive Officer and Vice Head of Green Transformation Department of the Company April 2023 Executive Vice President of the Company June 2023 Representative Director and Executive Vice President of the Company (to present)	(Note 1)	26

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
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)	32
Director, Member of the Board	Kuniko Urano	October 19, 1956	April 1979 Joined Komatsu Ltd. April 2011 Executive Officer, General Manager of Corporate Communications Department of Komatsu Ltd. April 2014 Executive Officer, General Manager of Human Resources Department of Komatsu Ltd. April 2016 Senior Executive Officer, General Manager of Human Resources Department of Komatsu Ltd. June 2018 Director and Senior Executive Officer of Komatsu Ltd. April 2021 Director of Komatsu Ltd. June 2021 Advisor of Komatsu Ltd. (to present) June 2022 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 held (Hundreds of shares)
Director, Member of the Board who is an Audit & Supervisory Committee Member; Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto	January 19, 1961	April 1985 Joined NSC 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 Director, Member of the Board, Senior Audit & Supervisory Committee Member (full-time) of the Company (to present)	(Note 2)	118
Director, Member of the Board who is an Audit & Supervisory Committee Member; Audit & Supervisory Committee Member (full-time)	Masayoshi Murase	November 20, 1960	April 1984 Joined NSC April 2016 Executive Counsellor, General Manager, Head of Division, Internal Control & Audit Division of the Company April 2021 Executive Officer, Head of Division, Internal Control & Audit Division of the Company April 2022 Executive Officer, Advisor to the President of the Company June 2022 Director, Member of the Board, Audit & Supervisory Committee Member (full-time) of the Company (to present)	(Note 2)	29
Director, Member of the Board who is an Audit & Supervisory Committee Member; Audit & Supervisory Committee Member	Seiichiro Azuma	July 23, 1951	December 1975 Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC) 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 Director, Member of the Board, Audit & Supervisory Committee Member (Outside Director) of the Company (to present)	(Note 2)	88

Titles	Name	Date of birth	Brief personal history		Term of office	Number of shares held (Hundreds of shares)
Director, Member of the Board who is an Audit & Supervisory Committee Member; Audit & Supervisory Committee Member	Hiroshi Yoshikawa	June 30, 1951	February 1993	Professor of Faculty of Economics, The University of Tokyo	(Note 2)	9
			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		
			June 2019	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company		
			June 2020	Director, Member of the Board, Audit & Supervisory Committee Member (Outside Director) of the Company (to present)		
			April 2022	Retired from the President of Rissho University (to present)		
Director, Member of the Board who is an Audit & Supervisory Committee Member; Audit & Supervisory Committee Member	Masato Kitera	October 10, 1952	April 1976	Joined Ministry of Foreign Affairs of Japan	(Note 2)	10
			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		
			June 2022	Director, Member of the Board, Audit & Supervisory Committee Member (Outside Director) of the Company (to present)		
Total						1,762

Notes: 1. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2023 up to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2024.
2. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2022 up to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2024.
3. Directors Tetsuro Tomita, Kuniko Urano, Seiichiro Azuma, Hiroshi Yoshikawa, and Masato Kitera 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 corporate management, corporate accounting, economies, international affairs, economies and cultures.

(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 Tetsuro Tomita

Mr. Tomita does not engage 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. The amount of transactions with the said company accounts for less than 1% of the consolidated revenue of the Company, so that 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 Kuniko Urano

Ms. Urano does not engage in execution of business of Komatsu Ltd., which has a business relationship with the Company for transactions of steel and other products/services. The amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, so that the said company is not a specified associated service provider of the Company.

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 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

Mr. Yoshikawa does not engage in the execution of business of The University of Tokyo which the Company makes donations. Furthermore, the university is not a specified associated service provider of the Company. The Company donates 21 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.

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.

(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 two (2) full-time Directors who are Audit & Supervisory Committee Members who were employees of the Company, with intimate knowledge of the Company's businesses, and three (3) Outside Directors who are Audit & Supervisory Committee Members who have vast experience in, and deep insights into, each of such areas as corporate accounting, economies, international affairs, economies and cultures. 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 Committee

During the current fiscal year, the Company held 18 meetings of the Audit & Supervisory Committee. The status of attendance of each Audit & Supervisory Committee Member at these meetings is as described in "4. Corporate Governance, etc., (1) Overview of corporate governance, (b) Overview of corporate governance system and reasons for adopting the system" of this report.

The Audit & Supervisory Committee deliberated on the election of the Chairperson of the Audit & Supervisory Committee or its substitute, 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.; finalization of audit reports by the Audit & Supervisory Committee ,decisions as to whether or not the Accounting Auditor should be reelected, consent on the amount of compensation, etc. for the Accounting Auditor, determination of opinions regarding the election and remuneration of Directors other than Directors who are Audit & Supervisory Committee Members, partial revisions of the audit standards of the Audit & Supervisory Committee, and prior consent regarding non-guaranteed services provided by an audit firm.

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, economies, international affairs, economies and cultures. 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.

With regard to the audit activities of the Audit & Supervisory Committee, the Audit & Supervisory Committee strives to improve effectiveness by reviewing the previous year's audit activities and reflecting improvements in the next year's audit plan.

(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

  17 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. Takahiro Toyama, certified public accountant.

  The number of years that Mr. Koichi Kobori, Mr. Hirotaka Tanaka, and Mr. Takahiro Toyama 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. In addition, the Audit & Supervisory Committee shares information on litigation with the Legal Division. Moreover, the Internal Control & Audit Division and functional divisions formulate an annual plan based on the opinions of the Audit & Supervisory Committee.

- 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.

(d) Efforts to ensure the effectiveness of internal audits

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

To ensure the effectiveness of internal audits, the Internal Control & Audit Division and each functional division report the operation of the internal control system to the Risk Management Committee, which meets quarterly, and also to the Corporate Policy Committee and the Board of Directors on important matters. At the same time, the status of the operation of the internal control system is shared with each division and group company at the meetings of the persons in charge of risk management and the meeting of the persons responsive for risk management, which meet quarterly.

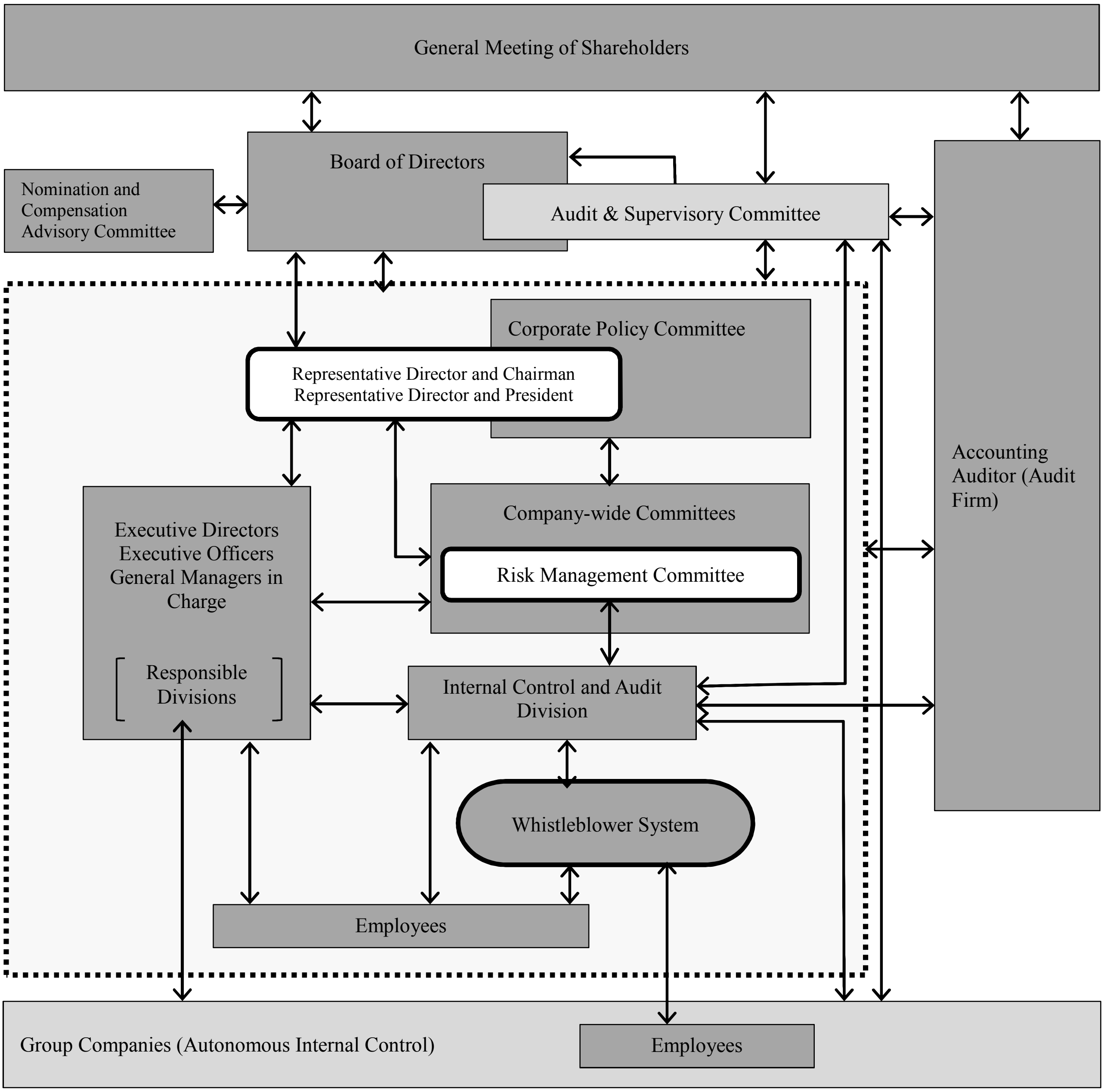
The Internal Control & Audit Division also assesses the effectiveness of its internal control system as of the end of each fiscal year, and compiles a report of its assessment based on the status of internal-control activities, internal audits, etc. This assessment is then reported to the Risk Management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

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

In addition, the Internal Control & Audit Division reports to the Audit & Supervisory Committee as described in (c) above, and the two parties work closely together.

<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 meetings of 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 23 company-wide committees in total as of April 1, 2023, 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 Environmental Planning Committee, the Environmental Technology & Management Committee, the Risk Management Committee, and the Green Transformation Promotion 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 (19 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 850 staff members). The Company has also designated persons in charge of risk management (about 110 for the Company) and persons 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.

(e) Audit fees

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

Category	Year ended March 31, 2022		Year ended March 31, 2023	
	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	173	11	170	0
Consolidated subsidiaries	828	17	875	7
Total	1,001	28	1,045	8

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, 2022		Year ended March 31, 2023	
	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	-	35	-	24
Consolidated subsidiaries	428	162	440	139
Total	428	198	440	163

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

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)	13	962,645,000	962,645,000	-	-
Outside Directors	4	36,720,000	36,720,000	-	-
Directors who are Audit & Supervisory Committee Members	9	184,500,000	184,500,000	-	-
Outside Directors	5	53,280,000	53,280,000	-	-
Total	22	1,147,145,000	1,147,145,000	-	-

Notes:

1. The above number of recipients includes four (4) Directors (excluding Directors who are Audit & Supervisory Committee Members; including two (2) Outside Directors) and four (4) Directors who are Audit & Supervisory Committee Members (including two (2) Outside Directors) who retired at the conclusion of the 98th General Meeting of Shareholders held on June 23, 2022.
2. Of monthly compensation with an asterisk (*), matters regarding performance-linked compensation are as follows.
(i) Monthly compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) is wholly based upon the performance of NIPPON STEEL. As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss (however, corrections were made for the sake of fair remuneration commensurate with earnings for the term by excluding the portion of gains/losses from reorganization for production facility structural measures; hereinafter the same in (ii) and (iii) below), which clearly indicates its business performance and earnings power, and consolidated EBITDA, while taking into account other factors including the revenue targets in the Medium- to Long-term Management Plan.
(ii) Monthly compensation for Directors who are Audit & Supervisory Committee Members (excluding Outside Directors) 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 annual profit/loss and consolidated EBITDA 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 annual profit/loss of NIPPON STEEL.
As for monthly compensation for Directors, the base amount of compensation for each position, etc. fluctuates within a certain range based on each of the above indicators, and the amount of each Director’s monthly compensation is determined within the limit approved by the General Meeting of Shareholders.
The consolidated loss for the year attributable to owners of the parent and consolidated EBITDA in fiscal year 2020, which were used to determine the monthly compensation for Directors from April 2022 to June 2022, were (32.4) billion yen and 400.9 billion yen. The consolidated profit for the year attributable to owners of the parent and consolidated EBITDA in fiscal year 2021, which were used to determine the monthly compensation for Directors from July 2022 to March 2023 were 637.3 billion yen and 1,290.2 billion yen.
3. The specific amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is, as detailed in (c) a) 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.
4. 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 per month). 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.
5. 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	211,290,000
Eiji Hashimoto	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	211,290,000
Akio Migita	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	103,080,000
Naoki Sato	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	103,080,000
Takahiro Mori	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	103,080,000

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

(c) Policies regarding Decision on the Amount of Compensation for Directors

a) Content of policies

The “Policies regarding Decisions on the Amount of Compensation, etc. for Directors” of NIPPON STEEL ware 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 set 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 varied 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) consisted 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 used consolidated annual profit/loss, which clearly indicated its business performance, and business profit/loss in its Steel Fabrication 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 (excluding Directors who are Audit & Supervisory Committee Members) was 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 determined 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

The policies described in a) (i) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) ware 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) (i) above ware determined through discussion by Directors who are Audit & Supervisory Committee 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.

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) above

Compensation, etc., for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) for the current fiscal year were determined by the Board of Directors following confirmation that those amounts are in line with the policy stated in a) 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) 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 23, 2022.

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 11, 2022, 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, 2023).

b. Number of stocks and carrying amount

	Number of stocks	Carrying amount (Millions of Yen)
Unlisted shares	188	12,208
Shares other than unlisted shares	76	207,017

(Stocks whose number of shares increased during the year ended March 31, 2023)

	Number of stocks	Total acquisition cost of increased shares (Millions of Yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	-	-	-

(Stocks whose number of shares decreased during the year ended March 31, 2023)

	Number of stocks	Total sale amount of decreased shares (Millions of Yen)
Unlisted shares	11	1,439
Shares other than unlisted shares	11	77,749

(Change in the number of stocks from the end of the fiscal year ended March 31, 2013 (immediately after the management integration in 2012) to the end of the current fiscal year)

	Number of stocks
As of March 31, 2013	480
As of March 31, 2023	264
Changes in total number of stocks	(216)

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, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
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
	21,519	19,296		
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
	16,124	11,442		
Sumitomo Corporation	5,059,010	6,746,010	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
	11,843	14,294		
AIR WATER INC.	6,900,000	6,900,000	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
	11,454	11,868		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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
	11,303	6,344		
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
	10 110	8,224		
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
	9,291	6,851		
Nittetsu Mining Co., Ltd.	2,475,920	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
	8,863	8,764		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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
	7,717	5,092		
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 mainly in the flat products business. 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
	7,248	6,440		
Unipres Corporation	6,692,000	6,692,000	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 mainly in the automotive steel sheets business. 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
	6,156	4,717		
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
	5,965	4,823		
OSAKA Titanium technologies Co., Ltd.	1,807,000	5,488,000	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
	5,764	7,891		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
DAIWA HOUSE INDUSTRY CO., LTD.	1,846,200	1,846,200	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 mainly in the flat products business. 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
	5,749	5,909		
Sanwa Holdings Corporation	3,468,000	3,468,000	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 mainly in the flat products business. 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
	4,910	4,314		
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
	4,794	4,920		
OKAYA & CO., LTD.	434,500	434,500	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
	4,505	4,232		
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 mainly in the steel plates business. 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
	4,300	3,859		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
TOKYO ROPE MFG. CO., LTD.	3,236,535	3,236,535	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 mainly in the bars and wire rods business. In fiscal 2020, the Company conducted an additional acquisition of the company's shares through a tender offer in order to contribute to recovering and improving the company's corporate value by enhancing commitment to increasing the company's corporate value. However, subsequent to the conclusion of the tender offer, the Japan Fair Trade Commission pointed out that a unified relationship would be formed between the Company and the company. The Company therefore decided to sell part of the company's shares based on the discussions with the Commission. The Company will sell the company's shares as early as possible in such timing and quantity that the shareholders, business partners, employees and other stakeholders of the company and the security markets deem that the ultimate objective of the tender offer, which is to recover and improve the company's corporate value is achieved. 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
	3,780	2,929		
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
	3,650	2,831		
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
	3,583	3,680		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
Mizuho Financial Group, Inc.	1,484,624	1,484,624	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
	2,788	2,326		
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
	2,367	1,944		
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 mainly in the bars and wire rods business. 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
	2,215	1,779		
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 mainly in the bars and wire rods business. 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
	2,155	1,833		
Steel Strips Wheels Limited	8,500,000	1,700,000	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
	2,062	2,245		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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 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
	1,806	1,591		
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 mainly in the bars and wire rods business. 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
	1,769	2,019		
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 mainly in the steel plates business. 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
	1,749	1,649		
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 mainly in the tin plates business. 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
	1,628	1,254		
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
	1,351	1,309		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
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 mainly in the bars and wire rods business. 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
	1,255	1,347		
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 mainly in the automotive steel sheets business. 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
	1,219	1,167		
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
	1,207	1,163		
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 mainly in the flat products business. 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
	1,087	1,051		
Tokio Marine Holdings, Inc.	404,400	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
	1,030	960		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
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
	951	780		
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
	765	762		
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 mainly in the rails and parts for railway vehicles business. 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
	736	687		
MOLITEC STEEL CO.,LTD.	2,244,166	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 mainly in the automotive steel sheets business. 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	745		
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
	662	618		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
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
	655	1,152		
Keisei Electric Railway Co., Ltd.	160,500	160,500	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 mainly in the rails and parts for railway vehicles business. 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
	654	548		
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 mainly in the bars and wire rods business. 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
	628	577		
SHINHOKOKU STEEL CORPORATION	508,900	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.	No
	590	555		
MIYAJI ENGINEERING GROUP, INC.	157,800	157,800	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 mainly in the building and civil engineering materials business. 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
	590	545		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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 Yakin Kogyo Co., Ltd.	127,050	*	This company outsources manufacturing to the Group's stainless steel business. 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
	540	*		
TAKADA CORPORATION	404,928	*	This company is a contractor for maintenance work within the premises of the Company's steel works. 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
	529	*		
Kyushu Railway Company	135,400	*	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 mainly in the rails and parts for railway vehicles business. 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
	399	*		
KAWADA technologies, inc.	93,475	*	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 mainly in the building and civil engineering materials business. 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
	351	*		
The Takigami Steel Construction Co., Ltd.	42,900	*	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 mainly in the building and civil engineering materials business. 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
	343	*		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
MARUFUJI SHEET PILING CO.,LTD.	165,770	*	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 mainly in the building and civil engineering materials business. 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
	342	*		
Suzuki Motor Corporation	—	7,546,531	The Company does not hold shares in this company as of March 31, 2023.	Yes
	—	31,793		
VALLOUREC	—	7,851,128	The Company does not hold shares in this company as of March 31, 2023.	No
	—	12,514		
UACJ Corporation	—	3,744,609	The Company does not hold shares in this company as of March 31, 2023.	No
	—	8,751		
NAKAYAMA STEEL WORKS, LTD.	—	6,181,939	The Company does not hold shares in this company as of March 31, 2023.	No
	—	2,757		
Sumitomo Precision Products Co., Ltd.	—	764,935	The Company does not hold shares in this company as of March 31, 2023.	No
	—	1,776		
FUTABA INDUSTRIAL CO.,LTD.	—	1,014,100	The Company does not hold shares in this company as of March 31, 2023.	Yes
	—	369		

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

3. 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., Tokio Marine Holdings, Inc., and MIYAJI ENGINEERING GROUP, INC., subsidiaries of these companies hold shares in the Company.

4. TSUKISHIMA KIKAI CO., LTD. changed its name to TSUKISHIMA HOLDINGS CO., LTD. on April 1, 2023.

Deemed holdings of shares

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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	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 mainly in the rails and parts for railway vehicles business. 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
	18,821	19,006		
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 mainly in the automotive steel sheets business. 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
	10,372	10,304		
East Japan Railway Company	1,064,400	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 mainly in the rails and parts for railway vehicles business. 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
	7,807	7,567		
DAIKIN INDUSTRIES, LTD.	324,000	324,000	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 mainly in the flat products business as a whole. 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
	7,664	7,260		

Stock	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of shareholding, outline of business alliance, etc., 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)			
Isuzu Motors Limited	1,814,500	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 mainly in the automotive steel sheets business. 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
	2,865	5,762		
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
	2,642	2,482		
Sumitomo Realty & Development Co., Ltd.	487,868	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 mainly in the structural business. 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
	1,454	1,653		
Sumitomo Mitsui Trust Holdings, Inc.	115,773	115,773	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. 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
	525	463		

Notes: 1. In selecting stocks with the largest carrying amounts, specified investment shares and deemed holdings of shares are not combined.

2. With regard to Sumitomo Mitsui Trust Holdings, Inc., subsidiaries of this company hold shares in the Company.

(c) Investment shares held for pure investment

Not applicable.

V. Financial Information

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

ASSETS		As of March 31, 2022	**As of March 31, 2023**
Current assets :			
Cash and cash equivalents	(Notes 8 and 32)	551,049	**670,410**
Trade and other receivables	(Notes 9, 32 and 33)	939,406	**1,062,384**
Inventories	(Note 10)	1,756,589	**2,085,971**
Other financial assets	(Note 32)	41,357	**28,176**
Other current assets		226,253	**223,575**
Total current assets		3,514,655	**4,070,518**
Non-current assets :			
Property, plant and equipment	(Notes 11, 12 and 29)	3,052,640	**3,183,638**
Right-of-use assets	(Note 14)	78,162	**83,935**
Goodwill	(Notes 7,13 and 29)	61,741	**65,062**
Intangible assets	(Notes 13 and 29)	130,497	**157,444**
Investments accounted for using the equity method	(Notes 15 and 29)	1,079,068	**1,210,542**
Other financial assets	(Note 32)	548,283	**528,794**
Defined benefit assets	(Note 19)	123,563	**124,628**
Deferred tax assets	(Note 16)	158,031	**136,349**
Other non-current assets		5,701	**6,185**
Total non-current assets		5,237,691	**5,496,581**
Total assets		8,752,346	**9,567,099**

The accompanying notes are integral parts of these statements.

(Millions of Yen)

LIABILITIES		As of March 31, 2022	**As of March 31, 2023**
Current liabilities :			
Trade and other payables	(Notes 17 and 32)	1,526,719	**1,592,137**
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	344,056	**403,028**
Other financial liabilities	(Note 32)	1,042	**5,878**
Income taxes payable		109,958	**51,917**
Other current liabilities		36,852	**40,839**
Total current liabilities		2,018,630	**2,093,802**
Non-current liabilities :			
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	2,309,339	**2,296,322**
Other financial liabilities	(Note 32)	1,207	**323**
Defined benefit liabilities	(Note 19)	188,350	**185,441**
Deferred tax liabilities	(Note 16)	39,805	**37,685**
Other non-current liabilities	(Note 32)	298,005	**307,105**
Total non-current liabilities		2,836,707	**2,826,879**
Total liabilities		4,855,337	**4,920,682**

EQUITY			
Common stock	(Note 20)	419,524	**419,524**
Capital surplus	(Note 20)	393,547	**399,366**
Retained earnings	(Note 20)	2,514,775	**3,079,144**
Treasury stock	(Note 20)	(57,977)	**(58,054)**
Other components of equity		196,928	**341,173**
Total equity attributable to owners of the parent		3,466,799	**4,181,155**
Non-controlling interests		430,209	**465,261**
Total equity		3,897,008	**4,646,417**
Total liabilities and equity		8,752,346	**9,567,099**

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, 2022	**Year ended March 31, 2023**
Revenue	(Notes 22 and 33)	6,808,890	**7,975,586**
Cost of sales	(Note 19 and 24)	(5,587,331)	**(6,682,028)**
Gross profit		1,221,559	**1,293,557**
Selling, general and administrative expenses	(Notes 19, 23, 24 and 33)	(544,725)	**(579,411)**
Share of profit in investments accounted for using the equity method	(Note 15)	214,480	**102,915**
Other operating income	(Note 25)	128,417	**181,497**
Other operating expenses	(Note 25)	(81,601)	**(82,102)**
Business profit	(Note 26)	938,130	**916,456**
Losses on reorganization	(Note 27)	(97,229)	**(32,810)**
Operating profit		840,901	**883,646**
Finance income	(Note 28)	1,928	**8,091**
Finance costs	(Note 28)	(26,245)	**(24,888)**
Profit before income taxes		816,583	**866,849**
Income tax expense	(Note 16)	(149,052)	**(128,117)**
Profit for the year		667,530	**738,732**
Profit for the year attributable to :			
Owners of the parent		637,321	**694,016**
Non-controlling interests		30,209	**44,715**
Earnings per share	(Note 31)		
Basic earnings per share (Yen)		692.16	**753.66**
Diluted earnings per share (Yen)		657.48	**671.89**

Consolidated Statements of Comprehensive Income (Millions of Yen)

		Year ended March 31, 2022	**Year ended March 31, 2023**
Profit for the year		667,530	**738,732**
Other comprehensive income	(Note 30)		
Items that cannot be reclassified to profit or loss			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(7,962)	**32,577**
Remeasurements of defined benefit plans		14,324	**16,567**
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	5,293	**1,355**
Subtotal		11,655	**50,500**
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges		11,995	**(7,779)**
Foreign exchange differences on translation of foreign operations		56,497	**88,768**
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	68,663	**56,700**
Subtotal		137,156	**137,688**
Total other comprehensive income, net of tax		148,811	**188,188**
Total comprehensive income for the year		816,342	**926,920**
Comprehensive income for the year attributable to:			
Owners of the parent		779,815	**874,564**
Non-controlling interests		36,526	**52,356**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Equity

Year ended March 31, 2022 (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, 2021		419,524	393,168	1,910,333	(58,342)	207,300	—
Changes of the year							
Comprehensive income							
Profit for the year				637,321			
Other comprehensive income	(Note 30)					(3,091)	15,110
Total comprehensive income		—	—	637,321	—	(3,091)	15,110
Transactions with owners and others							
Cash dividends	(Note 21)			(73,757)			
Purchases of treasury stock	(Note 20)				(66)		
Disposals of treasury stock	(Note 20)		0		19		
Changes in ownership interests in subsidiaries			(288)				
Transfer from other components of equity to retained earnings				40,877		(25,766)	(15,110)
Changes in scope of consolidation			667		411		
Subtotal		—	379	(32,880)	365	(25,766)	(15,110)
Balance as of March 31, 2022		**419,524**	**393,547**	**2,514,775**	**(57,977)**	**178,442**	**—**

		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, 2021		3,397	(115,385)	95,311	2,759,996	371,390	3,131,387
Changes of the year							
Comprehensive income							
Profit for the year				—	637,321	30,209	667,530
Other comprehensive income	(Note 30)	55,455	75,019	142,494	142,494	6,317	148,811
Total comprehensive income		55,455	75,019	142,494	779,815	36,526	816,342
Transactions with owners and others							
Cash dividends	(Note 21)			—	(73,757)	(6,805)	(80,562)
Purchases of treasury stock	(Note 20)			—	(66)		(66)
Disposals of treasury stock	(Note 20)			—	20		20
Changes in ownership interests in subsidiaries				—	(288)	(361)	(649)
Transfer from other components of equity to retained earnings				(40,877)	—		—
Changes in scope of consolidation				—	1,078	29,459	30,537
Subtotal		—	—	(40,877)	(73,012)	22,292	(50,720)
Balance as of March 31, 2022		**58,852**	**(40,366)**	**196,928**	**3,466,799**	**430,209**	**3,897,008**

The accompanying notes are integral parts of these statements.

Year ended March 31, 2023 (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, 2022	419,524	393,547	2,514,775	(57,977)	178,442	—
Changes of the year						
Comprehensive income						
Profit for the year			694,016			
Other comprehensive income (Note 30)					38,476	14,289
Total comprehensive income	—	—	694,016	—	38,476	14,289
Transactions with owners and others						
Cash dividends (Note 21)			(165,950)			
Purchases of treasury stock (Note 20)				(69)		
Disposals of treasury stock (Note 20)		0		2		
Changes in ownership interests in subsidiaries		5,818				
Transfer from other components of equity to retained earnings			36,302		(22,012)	(14,289)
Changes in scope of consolidation				(11)		
Subtotal	—	5,819	(129,647)	(77)	(22,012)	(14,289)
Balance as of March 31, 2023	**419,524**	**399,366**	**3,079,144**	**(58,054)**	**194,905**	**—**

	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, 2022	58,852	(40,366)	196,928	3,466,799	430,209	3,897,008
Changes of the year						
Comprehensive income						
Profit for the year			—	694,016	44,715	738,732
Other comprehensive income (Note 30)	33,846	93,935	180,547	180,547	7,641	188,188
Total comprehensive income	33,846	93,935	180,547	874,564	52,356	926,920
Transactions with owners and others						
Cash dividends (Note 21)			—	(165,950)	(10,235)	(176,186)
Purchases of treasury stock (Note 20)			—	(69)		(69)
Disposals of treasury stock (Note 20)			—	3		3
Changes in ownership interests in subsidiaries			—	5,818	(7,346)	(1,528)
Transfer from other components of equity to retained earnings			(36,302)	—		—
Changes in scope of consolidation			—	(11)	278	266
Subtotal	—	—	(36,302)	(160,208)	(17,304)	(177,512)
Balance as of March 31, 2023	**92,699**	**53,568**	**341,173**	**4,181,155**	**465,261**	**4,646,417**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash-Flows

(Millions of Yen)

		Year ended March 31, 2022	**Year ended March 31, 2023**
Cash flows from operating activities :			
Profit before income taxes		816,583	**866,849**
Depreciation and amortization		330,611	**340,171**
Impairment losses		21,500	**—**
Finance income		(1,928)	**(8,091)**
Finance costs		26,245	**24,888**
Share of profit in investments accounted for using the equity method		(214,480)	**(102,915)**
Losses on reorganization		97,229	**32,810**
(Increase) decrease in trade and other receivables		(116,242)	**(81,796)**
(Increase) decrease in inventories		(383,438)	**(309,525)**
Increase (decrease) in trade and other payables		211,354	**58,431**
Other, net		(110,687)	**(2,038)**
Subtotal		676,747	**818,783**
Interest received		1,890	**7,588**
Dividends received		44,905	**70,911**
Interest paid		(21,899)	**(21,575)**
Income taxes paid		(86,008)	**(214,433)**
Net cash flows provided by operating activities		615,635	**661,274**
Cash flows from investing activities :			
Purchases of property, plant and equipment and intangible assets		(466,902)	**(470,018)**
Proceeds from sales of property, plant and equipment and intangible assets		70,251	**15,483**
Purchases of investment securities		(9,267)	**(6,981)**
Proceeds from sales of investment securities		81,717	**88,698**
Proceeds from sales of investments in affiliates		3,898	**5,231**
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(Note 7)	(48,950)	**(735)**
Payments for acquisition of businesses		—	**(4,369)**
Loans to associates and others		(3,150)	**(3,977)**
Collection of loans from associates and others		1,062	**1,730**
Other, net		(7,524)	**8,358**
Net cash flows used in investing activities		(378,866)	**(366,580)**
Cash flows from financing activities :			
Increase (decrease) in short-term borrowings, net	(Note 18)	11,112	**27,240**
Proceeds from long-term borrowings	(Note 18)	20,322	**150,273**
Repayments of long-term borrowings	(Note 18)	(252,478)	**(207,909)**
Proceeds from issuance of bonds	(Note 18)	300,000	**50,000**
Redemption of bonds	(Note 18)	(15,000)	**(20,000)**
Purchases of treasury stock		(59)	**(58)**
Cash dividends paid	(Note 21)	(73,757)	**(165,950)**
Dividends paid to non-controlling interests		(6,805)	**(10,235)**
Proceeds from issuance of stock to non-controlling interests		2,888	**1,922**
Purchases of shares of subsidiaries that do not result in change in scope of consolidation		—	**(1,843)**
Other, net		(47,528)	**(21,094)**
Net cash flows provided by (used in) financing activities		(61,304)	**(197,655)**
Effect of exchange rate changes on cash and cash equivalents		16,119	**22,322**
Net increase in cash and cash equivalents		191,583	**119,361**
Cash and cash equivalents at beginning of the year		359,465	**551,049**
Cash and cash equivalents at end of the year	(Note 8)	551,049	**670,410**

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, 2023 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)

"Purchases of investments in affiliates" ((4,064) million yen in the year ended March 31, 2022) , and "Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation" ((6,170) million yen in the year ended March 31, 2022) in "Cash flows from investing activities" have become immaterial and therefore are included in and presented as "Other, net" in "Cash flows from investing activities" for the year ended March 31, 2023. The consolidated statements of cash flows for the year ended March 31, 2022 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, 2023.

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: 360 companies
Names of principal subsidiaries are listed in "Principal Subsidiaries and Affiliates"
In the year ended March 31, 2023, the scope of consolidation expanded by 2 companies, including 1 newly established company and 1 newly acquired company. 20 companies—11 liquidations and 7 merged companies, etc.—were eliminated from the scope of consolidation in the year ended March 31, 2023.

Number of equity-method affiliates (associates, joint operations and joint ventures): 97 companies
Names of principal affiliates are listed in "Principal Subsidiaries and Affiliates"
During the year ended March 31, 2023, 8 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. However, the trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

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.

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.

(e) Compound financial instruments

The Compound financial instruments the Group issued are convertible bonds with stock acquisition rights convertible into stockholders' equity at the option of the holders. The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component of a compound financial instrument is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The directly attributable transaction costs are allocated to each component in proportion to the initial carrying amounts.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

(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 supply and demand forecast and manufacturing cost improvement as key assumptions. Projections of steel supply and 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 supply and 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.

(Changes in Accounting Policies)

The Group has initially applied International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12 Income Taxes) (announced in May 2023) from the beginning of the year ended March 31, 2023. With regard to the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes, the exceptions set forth in these amendments are applied.

(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.

Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

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.

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 15 "Interests in Subsidiaries, Associates and Others"
- Note 3 (4) "Financial instruments" and Note 32 "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 29 "Impairment of Assets"
- Note 3 (11) "Employee benefits" and Note 19 "Employee Benefits"
- Note 3 (13) "Revenue" and Note 22 "Revenue"
- Note 3 (14) "Income taxes" and Note 16 "Income Taxes"
- Note 35 "Loan Guarantees"

5. New Accounting Standards and Interpretations Not Yet Applied

New standards, interpretations, and amendments to standards and interpretations that have not yet been applied in the preparation of the consolidated financial statements as of March 31 2023, are as follows. None of the new standards, interpretations, and amendments to standards and interpretations that have been issued by March 31, 2023 has material impacts on the consolidated financial statements.

Standards	Name of Standards	Effective date (The fiscal year beginning on or after)	Application date of the Group	Content
IAS 12	Income Taxes	January 1, 2023	Fiscal year ending March 31, 2024	Amendments clarify that deferred taxes related to transactions such as leases and decommissioning obligations (when an entity recognizes both assets and liabilities)cannot be exempted from recognition.

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, 2022)

(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	6,105,157	253,415	245,083	205,233	6,808,890	—	6,808,890
Inter-segment revenue or transfers	48,474	25,844	4,733	66,091	145,144	(145,144)	—
Total	6,153,632	279,260	249,816	271,325	6,954,034	(145,144)	6,808,890
Segment profit <Business profit>	871,051	6,302	25,377	30,859	933,591	4,539	938,130
Other items							
Depreciation and amortization	315,812	3,852	7,926	8,183	335,775	(5,163)	330,611
Share of profit in investments accounted for using the equity method	204,394	475	1,650	103	206,624	7,856	214,480
Segment assets	8,048,947	288,303	230,783	307,022	8,875,056	(122,710)	8,752,346
Other items							
Investments accounted for using the equity method	928,481	6,023	25,664	402	960,572	118,496	1,079,068
Capital expenditure	425,239	1,994	7,543	9,169	443,947	(12,601)	431,345
Segment liabilities (Interest-bearing debt)	2,621,104	4,768	14,904	12,618	2,653,396	—	2,653,396

Notes:

1. The adjustments of segment profit of 4,539 million yen include investment return of 9,034 million yen from the equity method associate Nippon Steel Kowa Real Estate Co., Ltd., and elimination of inter-segment revenue or transfers of (4,495) million yen.

(Year ended March 31, 2023)

(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	**7,176,756**	**319,365**	**257,648**	**221,815**	**7,975,586**	**―**	**7,975,586**
Inter-segment revenue or transfers	**68,791**	**32,865**	**16,937**	**70,698**	**189,292**	**(189,292)**	**―**
Total	**7,245,547**	**352,231**	**274,586**	**292,513**	**8,164,879**	**(189,292)**	**7,975,586**
Segment profit <Business profit>	**861,443**	**11,674**	**16,170**	**32,111**	**921,401**	**(4,944)**	**916,456**
Other items							
Depreciation and amortization	**323,214**	**4,406**	**8,027**	**9,166**	**344,815**	**(4,643)**	**340,171**
Share of profit in investments accounted for using the equity method	**87,698**	**295**	**2,000**	**11**	**90,007**	**12,908**	**102,915**
Segment assets	**8,802,716**	**315,884**	**230,568**	**304,664**	**9,653,833**	**(86,734)**	**9,567,099**
Other items							
Investments accounted for using the equity method	**1,047,248**	**3,952**	**28,494**	**414**	**1,080,108**	**130,433**	**1,210,542**
Capital expenditure	**448,655**	**1,976**	**10,567**	**4,473**	**465,673**	**(2,175)**	**463,497**
Segment liabilities (Interest-bearing debt)	**2,678,184**	**5,156**	**8,001**	**8,009**	**2,699,351**	**―**	**2,699,351**

Notes:

1. The adjustments of segment profit of (4,944) million yen include investment return of 11,443 million yen from the equity method associate Nippon Steel Kowa Real Estate Co., Ltd., and elimination of inter-segment revenue or transfers of (16,387) 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, 2022)

(Millions of Yen)

Japan	Overseas Subtotal			Total
		Asia	Other	
4,101,822	2,707,068	1,553,528	1,153,539	6,808,890

(Year ended March 31, 2023)

(Millions of Yen)

Japan	Overseas Subtotal			Total
		Asia	Other	
4,735,710	**3,239,876**	**1,877,313**	**1,362,562**	**7,975,586**

(b) Non-current assets
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.

(As of March 31, 2022)

(Millions of Yen)

Japan	Overseas	Total
2,859,914	468,828	3,328,743

(As of March 31, 2023)

(Millions of Yen)

Japan	Overseas	Total
2,978,889	**517,376**	**3,496,266**

(5) Revenue from major customers

(Millions of Yen)

	Related segment	Year ended March 31, 2022	Year ended March 31, 2023
NIPPON STEEL TRADING CORPORATION	Steelmaking and Steel Fabrication	1,434,515	**1,555,353**
Sumitomo Corporation	Steelmaking and Steel Fabrication	685,136	—

Note:
In the case the ratio to total revenue is less than 10%, the figure for the relevant year is omitted and indicated as "-".

7. Business combinations

Business combinations consummated during the year ended March 31, 2022
Acquisition of G Steel Public Company Limited and G J Steel Public Company Limited in Thailand
(1) Overview
(a) Name of the acquiree and the description of its business
Name of the acquiree:G Steel Public Company Limited (“G Steel”)
G J Steel Public Company Limited (“G J Steel”)
Description of business: Manufacturing and Sales of Hot Rolled Steel Sheets
(b) Acquisition date: February 17, 2022
(c) Ratio of acquired voting equity interest
G Steel
Ratio of voting rights held prior to the acquisition date: 0%
Ratio of voting rights acquired at the acquisition date and through a tender offer: 60.23%
Ratio of voting rights after the business combination: 60.23%
G J Steel
Ratio of voting rights held prior to the acquisition date: 0%
Ratio of voting rights acquired at the acquisition date and through a tender offer: 57.60%
Ratio of voting rights after the business combination: 57.60%
Note:
In accordance with the securities law in Thailand, the Company had conducted a tender offer for all shares of G Steel and G J Steel for the period from February 23, 2022 to March 29, 2022. The equity interest after the tender offer is used for accounting purposes.

(d) Primary reason for business combination

Both G Steel and G J Steel are the only steel companies which have integrated steel production facilities from electric arc furnaces to hot-rolling processes in Thailand, and they manufacture and sell general grade hot-rolled steel products which constitute the largest market segment. Together, the two companies have a hot-rolled production capability of approximately 3 million tons and have sold hot-rolled steel products for general-purpose, such as for domestic construction industries in Thailand. The company has decided that this opportunity is worthwhile to invest since the electric arc furnaces are suitable for the demand of hot-rolled steel in Thailand, and from the perspective that it will be a future potential development base for promoting “High-grade steel production in electric arc furnaces” which is one of our three initiatives of Carbon Neutral Vision 2050. The company will capture hot-rolled steel demand in Thailand, which is expected to grow steadily, by utilizing the management base of G Steel and G J Steel for manufacturing and sales as well as improving their productivity and quality.

(e) Form of control acquisition of the acquirees

Acquisition of shares for cash

(2) Consideration transferred

	(Millions of Yen)
Cash	53,178
Other payables	1,865
Total consideration transferred	55,044

Note:

The Group incurred acquisition-related costs of 1,097 million yen as selling, general and administrative expenses in the consolidated statements of profit and loss.

(3) Fair value of the assets acquired and liabilities assumed, non-controlling interests and goodwill

In the year ended March 31, 2022, the provisional amounts were reported because the adjustment and allocation of the consideration transferred had not been finalized and it was finalized in the year ended March 31, 2023. Mainly due to the recognition of intangible assets and the associated deferred tax liabilities and additional liabilities assumed before acquisition, non-current assets increased by 3,294 million yen, current liabilities by 1,286 million yen, and non-current liabilities by 647 million yen from the provisional amounts, while the consideration transferred decreased by 552 million yen. The consolidated statements for the year ended March 31, 2022 have not been retrospectively adjusted because changes in the fair value of assets and liabilities and goodwill were immaterial.

	(Millions of Yen)
Current assets	21,710
Non-current assets	59,211
Total assets	80,922
Current liabilities	10,158
Non-current liabilities	3,362
Total liabilities	13,520
Total identifiable net assets acquired	67,402
Non-controlling interests (Note 1)	24,064
Total equity attributable to owners of the parent	43,337
Total consideration transferred	55,044
Goodwill (Note 2)	11,706

Note:

1. Non-controlling interests are measured at the proportionate share of the fair value of the acquirees’ identifiable total equity.
2. The goodwill is attributable mainly to an excess earning power expected to be achieved from the synergies between the Group and the acquirees. The goodwill is not tax-deductible.

(4) Net cash used in the transaction

	(Millions of Yen)
Cash consideration transferred	53,178
Cash and cash equivalents held by the acquirees at the acquisition date	(4,196)
Net cash used in the transaction	48,981

(5) Revenue and profit or loss of the acquirees after the acquisition date

Information about revenue and profit or loss generated subsequent to the acquisition date is not disclosed as it is immaterial to the consolidated financial statements.

(6) Revenue and profit or loss of the Group if the business combination had been completed at the beginning of the year

Information about revenue and profit or loss of the Groups if business combination had been completed at the beginning of the year is not disclosed as it is immaterial to the consolidated financial statements.

8. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Cash	551,049	**670,410**
Cash equivalents	—	**—**
Total	551,049	**670,410**

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.

9. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Notes and accounts receivable	820,107	**905,613**
Other	120,849	**158,745**
Allowance for doubtful receivables	(1,550)	**(1,974)**
Total	939,406	**1,062,384**

Contract assets are included in “Notes and accounts receivables”.

10. Inventories

The components of inventories are as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Merchandise and finished goods	930,077	**1,108,363**
Work in progress	77,980	**83,608**
Raw materials and supplies	748,530	**893,999**
Total	1,756,589	**2,085,971**

11. 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, 2022	As of March 31, 2023
Land	7,098	**5,656**
Buildings and structures	2,417	**2,257**
Machinery and vehicles	800	**710**
Other	8,097	**10,387**
Total	18,412	**19,012**

(Millions of Yen)

Secured debts	As of March 31, 2022	As of March 31, 2023
Short-term borrowings	1,814	**925**
Long-term borrowings (current portion is included)	1,064	**610**
Other	1,396	**1,164**
Total	4,276	**2,700**

In addition to the pledged assets listed above, shares of associates are pledged as collateral (453 million yen, and 447million yen as of March 31, 2022 and 2023, respectively).

12. 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, 2021	632,766	763,479	1,242,162	80,465	236,063	2,954,938
Acquisitions and reclassified from construction in progress	1,934	55,974	320,497	31,973	(34,569)	375,810
Acquisitions through business combinations	9,695	8,406	39,891	79	833	58,906
Disposals and sales	(2,833)	(9,628)	(21,089)	(4,457)	(45)	(38,054)
Depreciation	—	(53,717)	(200,817)	(29,512)	—	(284,047)
Impairment losses	(21)	(6,788)	(16,462)	(300)	(198)	(23,770)
Effects of changes in foreign exchange rates	1,172	3,413	18,038	400	692	23,717
Other	(131)	(157)	(5,794)	365	(9,141)	(14,858)
As of March 31, 2022	**642,583**	**760,982**	**1,376,426**	**79,014**	**193,633**	**3,052,640**
Acquisitions and reclassified from construction in progress	**1,244**	**58,823**	**251,947**	**37,570**	**60,252**	**409,838**
Disposals and sales	**(4,507)**	**(4,765)**	**(3,473)**	**(4,386)**	**(523)**	**(17,657)**
Depreciation	—	**(53,913)**	**(208,222)**	**(27,229)**	—	**(289,365)**
Effects of changes in foreign exchange rates	**2,672**	**6,103**	**27,382**	**427**	**866**	**37,453**
Other	**1,104**	**(299)**	**(3,204)**	**1,598**	**(8,470)**	**(9,270)**
As of March 31, 2023	**643,097**	**766,930**	**1,440,856**	**86,994**	**245,759**	**3,183,638**

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.

(Changes in presentation method)
“Effects of changes in foreign exchange rates” (23,717 million yen for the year ended March 31, 2022) has become material and therefore is presented independently for the year ended March 31, 2023. Notes for the year ended March 31, 2022 are reclassified to reflect the change in presentation method.

(Millions of Yen)

Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2021	698,519	2,848,602	8,986,755	435,884	242,327	13,212,089
As of March 31, 2022	709,322	2,853,613	8,942,195	430,961	220,558	13,156,650
As of March 31, 2023	**710,081**	**2,899,785**	**9,123,745**	**444,383**	**272,309**	**13,450,305**

(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, 2021	65,752	2,085,122	7,744,592	355,419	6,264	10,257,151
As of March 31, 2022	66,738	2,092,630	7,565,768	351,947	26,924	10,104,009
As of March 31, 2023	**66,984**	**2,132,854**	**7,682,889**	**357,388**	**26,550**	**10,266,667**

13. 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, 2021	46,341	46,681	30,157	18,986	142,167
Acquisitions	—	43,896	—	860	44,756
Acquisitions through business combinations	13,059	68	—	5	13,134
Amortization	—	(18,620)	(1,926)	(2,337)	(22,884)
Impairment losses	—	—	—	(177)	(177)
Effects of changes in foreign exchange rates	2,340	442	1,725	135	4,643
Others	—	9,925	—	673	10,599
As of March 31, 2022	**61,741**	**82,394**	**29,956**	**18,147**	**192,238**
Acquisitions	—	**45,613**	—	**373**	**45,987**
Amortization	—	**(22,939)**	**(2,122)**	**(2,856)**	**(27,919)**
Effects of changes in foreign exchange rates	**3,447**	**344**	**2,234**	**1,250**	**7,276**
Other	**(126)**	**(876)**	—	**5,925**	**4,922**
As of March 31, 2023	**65,062**	**104,536**	**30,067**	**22,839**	**222,506**

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

(Changes in presentation method)
“Effects of changes in foreign exchange rates” (4,643 million yen for the year ended March 31, 2022) has become material and therefore is presented independently for the year ended March 31, 2023. Notes for the year ended March 31, 2022 are reclassified to reflect the change in presentation method.

(Millions of Yen)

Acquisition costs	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2021	66,097	116,548	52,876	28,409	263,931
As of March 31, 2022	81,497	153,746	55,948	28,598	319,790
As of March 31, 2023	**84,819**	**182,861**	**60,073**	**34,720**	**362,474**

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2021	19,756	69,866	22,719	9,422	121,764
As of March 31, 2022	19,756	71,351	25,992	10,451	127,551
As of March 31, 2023	**19,756**	**78,324**	**30,005**	**11,880**	**139,967**

14. 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, 2022	Year ended March 31, 2023
Depreciation of right-of-use assets		
Buildings and structures	14,110	**13,204**
Machinery and vehicles	7,175	**6,696**
Tools, furniture and fixtures	2,393	**2,986**
Total depreciation	23,679	**22,886**
Total amount of cash outflows incurred from leases	25,873	**23,774**
Increase in right-of-use assets	14,466	**29,340**
Details of right-of-use assets		
Buildings and structures	32,413	**38,591**
Machinery and vehicles	37,928	**37,151**
Tools, furniture and fixtures	7,820	**8,191**
Total balance of right-of-use assets	78,162	**83,935**

(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, 2022	As of March 31, 2023
Within 1 year	3,449	**3,579**
Over 1 but less than 2 years	3,472	**3,529**
Over 2 but less than 3 years	3,412	**3,390**
Over 3 but less than 4 years	3,353	**3,358**
Over 4 but less than 5 years	3,321	**3,099**
Over 5 years	33,551	**30,943**
Total	50,560	**47,901**

15. Interests in Subsidiaries, Associates and Others

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2023 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
	Krosaki Harima Corporation	Kitakyushu City, Fukuoka	* 46.9
	NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL PIPE 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 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	Minato-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
	G Steel Public Company Limited	Rayong Province, Thailand	60.2
	G J Steel Public Company Limited	Chonburi Province, Thailand	57.6
	NS-Siam United Steel Co., Ltd.	Rayong Province, Thailand	94.9
	NIPPON STEEL PIPE (THAILAND) CO.,LTD.	Chonburi Province, Thailand	100.0
	PT KRAKARAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	80.0
	NIPPON STEEL NORTH AMERICA, INC.	Texas 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 SOUTHEAST ASIA CO., LTD.	Bangkok Metropolis, Thailand	100.0
	NIPPON STEEL AUSTRALIA PTY. LIMITED	New South Wales State, Australia	100.0
	NIPPON STEEL Steel Processing (Thailand) Co., Ltd.	Rayong Province, Thailand	66.5
	NIPPON STEEL PIPE AMERICA, INC.	Indiana State, United States of America	80.0
	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	Minato-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, 2022	As of March 31, 2023
Carrying amount of investments in associates	649,084	**713,630**

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net profit or loss	96,271	**71,743**
Other comprehensive income	13,028	**19,549**
Total	109,299	**91,292**

(3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Carrying amount of investments in joint ventures	429,984	**496,911**

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net profit or loss	118,208	**31,172**
Other comprehensive income	60,927	**38,506**
Total	179,136	**69,678**

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, 2022 and 2023.

16. 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, 2022	As of March 31, 2023
Deferred tax assets		
Accrued bonus	34,827	**36,123**
Defined benefit liabilities	53,663	**53,788**
Impairment losses on assets	70,564	**66,917**
Unused tax losses	13,506	**13,827**
Elimination of unrealized gains on property, plant and equipment and others	42,411	**44,905**
Other	92,186	**87,650**
Total deferred tax assets	307,159	**303,213**
Deferred tax liabilities		
Equity securities	(71,955)	**(77,735)**
Defined benefit assets	(37,810)	**(38,136)**
Undistributed earnings	(40,749)	**(48,763)**
Special tax purpose reserves and other	(38,417)	**(39,913)**
Total deferred tax liabilities	(188,933)	**(204,549)**
Net deferred tax assets (liabilities)	118,226	**98,663**

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 is evaluated based on planned reversal of deferred tax liabilities, estimated future taxable profit and tax planning.

(Changes in presentation methods)
"Property, plant and equipment" (4,427 million yen in the year ended March 31, 2022) has become immaterial and therefore are included in and presented as "Other" for the year ended March 31, 2023. Notes for the year ended March 31, 2022 are reclassified to reflect the change in presentation method.

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of the year	115,738	**118,226**
Recognized in profit or loss	12,298	**4,986**
Recognized in other comprehensive income	(8,245)	**(16,249)**
Effect of changes in scope of consolidation and other	(1,565)	**(8,299)**
Balance at end of the year	118,226	**98,663**

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

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Carryforward of unused tax losses	102,817	**37,325**
Deductible temporary differences	178,201	**166,498**
Total	281,019	**203,824**

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

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Within 1 year	223	**977**
Over 1 year but less than 2 years	2,295	**676**
Over 2 years but less than 3 years	1,605	**626**
Over 3 years but less than 4 years	1,975	**1,355**
Over 4 years	96,717	**33,690**
Total	102,817	**37,325**

(2) Income tax expense

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Current taxes	161,351	**133,104**
Deferred taxes	(12,298)	**(4,986)**
Total	149,052	**128,117**

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

	Year ended March 31, 2022	Year ended March 31, 2023
Statutory tax rate	30.6%	**30.6%**
(Adjustments)		
Share of profit in investments accounted for using the equity method	(5.8)	**(3.0)**
Effects of expense not deductible for tax purposes	0.1	**0.2**
Effects of income not taxable for tax purposes	(0.3)	**(0.3)**
Effects of differences in statutory tax rates applied to companies in Japan and foreign companies	(1.3)	**(2.2)**
Effects of changes in unrecognized deferred tax assets	(4.7)	**(8.2)**
Other	(0.3)	**(2.3)**
Average effective tax rate	18.3	**14.8**

17. Trade and Other Payables

The components of trade and other payables are as follows:

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Notes and trade accounts payable	748,482	**758,422**
Other payables	543,504	**600,954**
Other	234,732	**232,760**
Total	1,526,719	**1,592,137**

18. 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, 2022	Average interest rate (%)	As of March 31, 2023	Average interest rate (%)	Maturity date
Short-term borrowings	105,221	1.0	**116,355**	**3.2**	—
Current portion of long-term borrowings repayable within one year	180,574	0.8	**164,818**	**1.0**	—
Current portion of bonds repayable within one year	20,000	1.0	**60,000**	**0.1**	—
Current portion of lease liabilities repayable within one year	20,260	0.9	**19,856**	**0.9**	—
Commercial papers	18,001	(0.1)	**41,999**	**(0.0)**	—
Long-term borrowings	1,350,235	0.8	**1,341,078**	**1.0**	July 22, 2080
Bonds	898,317	0.5	**888,625**	**0.5**	September 12, 2079
Lease liabilities	60,785	0.9	**66,619**	**0.9**	March 31, 2076
Total	2,653,396		**2,699,351**		

“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, 2022	As of March 31, 2023	Maturity date
Bonds issued by NSC				
The 59th Issue of Unsecured Corporate Bonds	September 2, 2008	10,000	**10,000**	June 20, 2028
The 70th No.2 Issue of Unsecured Corporate Bonds	July 20, 2012	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	**40,000**	June 20, 2023
The 5th Issue of Unsecured Corporate Bonds	June 17, 2020	30,000	**30,000**	June 20, 2025
The 6th Issue of Unsecured Corporate Bonds	June 17, 2020	10,000	**10,000**	June 20, 2030
Zero Coupon Convertible Bonds Due 2024	October 4, 2021	150,000	**150,000**	October 4, 2024
Zero Coupon Convertible Bonds Due 2026	October 4, 2021	150,000	**150,000**	October 5, 2026
The 7th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	—	**30,000**	March 17, 2028
The 8th Issue of Unsecured Corporate Bonds (Green Bond)	March 9, 2023	—	**20,000**	March 18, 2033
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		920,000	**950,000**	

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, 2021	99,499	7,000	1,728,252	633,010	91,470	2,559,232
Cash flows from financing activities	111	11,001	(206,282)	285,000	(25,873)	63,956
Effects of changes in scope of consolidation	142	—	7	—	(153)	(3)
Effects of changes in foreign exchange rates	5,467	—	8,383	—	1,072	14,923
Other	—	—	450	307	14,530	15,287
As of March 31, 2022	105,221	18,001	1,530,810	918,317	81,045	2,653,396
Cash flows from financing activities	**3,242**	**23,997**	**(33,861)**	**30,000**	**(23,774)**	**(395)**
Effects of changes in scope of consolidation	**—**	**—**	**1,003**	**—**	**—**	**1,003**
Effects of changes in foreign exchange rates	**7,892**	**—**	**7,886**	**—**	**1,100**	**16,878**
Other	**—**	**—**	**58**	**307**	**28,103**	**28,468**
As of March 31, 2023	**116,355**	**41,999**	**1,505,896**	**948,625**	**86,475**	**2,699,351**

(Changes in presentation method)
"Effects of changes in foreign exchange rates" (14,923 million yen for the year ended March 31, 2022) has become material and therefore is presented independently for the year ended March 31, 2023. Notes for the year ended March 31, 2022 are reclassified to reflect the change in presentation method.

19. 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.

(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, 2022	Year ended March 31, 2023
Balance at beginning of the year	564,455	**559,224**
Current service cost	31,315	**30,646**
Interest cost	3,169	**3,853**
Actuarial gains and losses	(7,458)	**(33,729)**
Past service cost	(3,264)	**(1,312)**
Benefits paid	(23,778)	**(22,519)**
Other	(5,215)	**2,012**
Balance at end of the year	559,224	**538,174**

The weighted average duration of the defined benefit obligations for the years ended March 31, 2022 and 2023 is 15.2 years and

14.9 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, 2022	Year ended March 31, 2023
Balance at beginning of the year	485,398	**494,437**
Interest income	3,682	**4,137**
Return on plan assets, excluding interest income	13,606	**(10,094)**
Employer contributions	13,304	**12,835**
Benefits paid	(15,675)	**(13,307)**
Other	(5,878)	**(10,647)**
Balance at end of the year	494,437	**477,361**

Note: The Group expects to contribute 12,274 million yen to the defined benefit plans for the year ending March 31, 2024.

(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, 2022		As of March 31, 2023	
	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	93,761	—	**93,260**	—
Equity investments	154,437	—	**145,283**	—
Cash and cash equivalents	32,340	—	**30,232**	—
General accounts at life insurance company	—	136,310	—	**131,040**
Other	—	77,587	—	**77,544**
Total	280,539	213,897	**268,776**	**208,585**

(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, 2022	As of March 31, 2023
Discount rate	Mainly 0.7%	Mainly **1.2%**

(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, 2022	As of March 31, 2023
Effects of incremental increase in discount rate by 0.5%	35,495 million yen decrease	**34,770** 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 9,074 million yen and 9,227 million yen for the years ended March 31, 2022 and 2023, respectively.

(8) Employee benefits expenses

The Group incurred employee benefits expenses of 879,722 million yen and 943,812 million yen for the years ended March 31, 2022 and 2023, 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.

20. 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, 2021	2,000,000	950,321
Changes	—	—
As of March 31, 2022	2,000,000	950,321
Changes	—	—
As of March 31, 2023	**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, 2021	29,564
Changes	(114)
As of March 31, 2022	29,449
Changes	**32**
As of March 31, 2023	**29,481**

21. Dividends

The dividends paid by the Company are as follows:

(Year ended March 31, 2022)

(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 23, 2021	Ordinary shares	**9,219**	**10**	March 31, 2021	June 24, 2021
Board of directors meeting held on November 2, 2021	Ordinary shares	**64,537**	**70**	September 30, 2021	December 1, 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, 2022	Ordinary shares	Retained earnings	82,975	90	March 31, 2022	June 24, 2022

(Year ended March 31, 2023)

(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 23, 2022	Ordinary shares	**82,975**	**90**	March 31, 2022	June 24, 2022
Board of directors meeting held on November 1, 2022	Ordinary shares	**82,974**	**90**	September 30, 2022	November 30, 2022

(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, 2023	Ordinary shares	Retained earnings	**82,973**	**90**	March 31, 2023	June 26, 2023

22. 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, 2022)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	3,546,868	195,504	158,437	201,011	4,101,822
Asia	1,420,010	48,056	81,357	4,103	1,553,528
Middle East	125,401	12	495	—	125,909
Europe	323,600	9,348	3,237	63	336,249
North America	344,212	73	1,501	47	345,836
Central and South America	269,976	405	51	7	270,440
Africa	63,685	9	2	—	63,696
Pacific	11,402	4	—	—	11,407
Total	6,105,157	253,415	245,083	205,233	6,808,890

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, 2023)

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Japan	**4,095,571**	**245,322**	**178,340**	**216,475**	**4,735,710**
Asia	**1,722,355**	**73,757**	**76,004**	**5,195**	**1,877,313**
Middle East	**163,920**	**33**	**380**	—	**164,335**
Europe	**407,564**	**0**	**1,750**	**69**	**409,384**
North America	**397,606**	**40**	**1,107**	**53**	**398,807**
Central and South America	**315,690**	**64**	**58**	**22**	**315,835**
Africa	**60,124**	**147**	—	—	**60,271**
Pacific	**13,922**	—	**5**	—	**13,927**
Total	**7,176,756**	**319,365**	**257,648**	**221,815**	**7,975,586**

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, 2021	As of March 31, 2022	As of March 31, 2023
Receivables	644,777	760,050	**829,098**
Contract assets	48,126	60,057	**76,515**
Contract liabilities	47,923	32,162	**36,345**

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, 2021 and 2022 and recognized as revenue for the years ended March 31, 2022 and 2023 amounted to 40,765 million yen and 23,830 million yen, respectively. The amount recognized as revenue for the years ended March 31, 2022 and 2023 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, 2022	Engineering and Construction	System Solutions
Within 1 year	251,828	185,535	66,292
Over 1 year	269,395	245,359	24,036
Total	521,224	430,895	90,329

(Millions of Yen)

	As of March 31, 2023	Engineering and Construction	System Solutions
Within 1 year	**330,981**	**258,815**	**72,165**
Over 1 year	**302,341**	**269,126**	**33,214**
Total	**633,323**	**527,942**	**105,380**

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.

23. Selling, General and Administrative Expenses

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Transportation and storage	161,026	**159,314**
Salaries and bonuses	139,351	**152,759**
Retirement benefit costs	7,233	**7,182**
Research and development costs	54,550	**58,893**
Depreciation and amortization	19,769	**22,988**
Other	162,794	**178,273**
Total	544,725	**579,411**

24. 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, 2022	Year ended March 31, 2023
Research and development costs	66,431	**70,555**

25. 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, 2022	Year ended March 31, 2023
Dividends received	15,984	**14,609**
Foreign exchanges gains (net)	21,045	**40,021**
Gain on sale of inventories	45,110	**46,438**
Other	46,276	**80,429**
Total	128,417	**181,497**

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, 2022	Year ended March 31, 2023
Losses on disposal of fixed assets	24,690	**33,448**
Other	56,910	**48,653**
Total	81,601	**82,102**

(Changes in presentation methods)
"Impairment losses" (21,500 million yen in the year ended March 31, 2022) have become immaterial and therefore are included in and presented as "Other" for the year ended March 31, 2023. Notes for the year ended March 31, 2022 are reclassified to reflect the change in presentation method.

26. 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 are composed mainly of dividend income, foreign exchange gains or losses, and losses on disposal of fixed assets.

27. Losses on reorganization

(Year ended March 31, 2022)
Losses on reorganization were recorded owing to business reorganization and withdrawal, and the details are described below.

Losses on inactive facilities and others 97,229 million yen

Losses on inactive facilities and others were incurred mainly due to termination and demolition losses based on the decision to close the upstream facilities of Setouchi Works Kure Area and Kansai Works Wakayama Area, the steel plate mill of Nagoya Works and the large-shape mill and the UO pipe line of East Nippon Works Kimitsu Area and these losses amounted to 172,445 million yen. In addition, gains on sale of land of former Tokyo Works were recorded.

(Year ended March 31, 2023)
Losses on reorganization were recorded owing to business reorganization and withdrawal, and the details are described below.

Losses on business withdrawal 9,325 million yen

Losses on business withdrawal were mainly incurred as a result of the partial withdrawal from the electric power retail business operated by NIPPON STEEL ENGINEERING CO., LTD. in the Engineering and Construction segment.

Losses on inactive facilities 23,485 million yen

In the Steelmaking and Steel Fabrication segment, losses on inactive facilities were incurred mainly due to termination and demolition losses based on the decision to close the facilities.

28. 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, 2022	Year ended March 31, 2023
Interest income	1,920	**8,065**
Other	7	**25**
Total	1,928	**8,091**

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

(2) Finance costs

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Interest expense	21,773	**20,924**
Other	4,472	**3,963**
Total	26,245	**24,888**

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

29. Impairment of Assets

(1) Impairment losses

For the year ended March 31, 2022, 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, 2022)

(Millions of Yen)

Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Adjustments	Total
24,448	—	—	—	—	24,448

Impairment losses of 24,448 million yen were recorded in the Steelmaking and Steel Fabrication segment.
Mainly in a part of the seamless carbon steel pipe business, the Company estimates that the business environment would deteriorate due to accelerated decarbonization hereafter. After conducting a calculation of future cash flows based on these assumptions, the recoverable amount has been estimated to be less than the book value of the associated operating assets. The Company has therefore reduced the book value of these operating assets to the recoverable amount and recorded the reduction as impairment losses of 21,500 million yen. This mainly comprises the impairment losses on Machinery and vehicles (14,600 million yen) and Buildings and structures (6,000 million yen).
The recoverable amount of these operating assets is calculated based on the value in use by using the discounted cash flow method with a pre-tax discount rate of 6.0%.

(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, 2022	As of March 31, 2023
Steelmaking and Steel Fabrication	56,715	**58,810**
Engineering and Construction	—	**1,226**
Chemicals and Materials	—	**—**
System Solutions	5,025	**5,025**
Total	61,741	**65,062**

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

The discount rate for the year ended March 31, 2023 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% (6.0% for the year ended March 31, 2022).

30. Other Comprehensive Income

The components of other comprehensive income are as follows:

(Year ended March 31, 2022)

(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	(12,725)	—	(12,725)	4,762	(7,962)
Remeasurements of defined benefit assets	21,064	—	21,064	(6,739)	14,324
Share of other comprehensive income of investments accounted for using the equity method	5,293	—	5,293	—	5,293
Subtotal	13,632	—	13,632	(1,976)	11,655
Items that might be reclassified to profit or loss					
Changes in fair value of cash flow hedges	27,501	(10,713)	16,787	(4,792)	11,995
Foreign exchange differences on translation of foreign operations	59,264	(1,290)	57,974	(1,476)	56,497
Share of other comprehensive income of investments accounted for using the equity method	81,820	(13,157)	68,663	—	68,663
Subtotal	168,586	(25,161)	143,425	(6,269)	137,156
Total	182,218	(25,161)	157,057	(8,245)	148,811

"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, 2023)

(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	**49,098**	—	**49,098**	**(16,520)**	**32,577**
Remeasurements of defined benefit assets	**23,635**	—	**23,635**	**(7,068)**	**16,567**
Share of other comprehensive income of investments accounted for using the equity method	**1,355**	—	**1,355**	—	**1,355**
Subtotal	**74,089**	—	**74,089**	**(23,589)**	**50,500**
Items that might be reclassified to profit or loss					
Changes in fair value of cash flow hedges	**6,123**	**(22,248)**	**(16,125)**	**8,345**	**(7,779)**
Foreign exchange differences on translation of foreign operations	**88,698**	**1,075**	**89,774**	**(1,006)**	**88,768**
Share of other comprehensive income of investments accounted for using the equity method	**72,958**	**(16,257)**	**56,700**	—	**56,700**
Subtotal	**167,779**	**(37,430)**	**130,349**	**7,339**	**137,688**
Total	**241,869**	**(37,430)**	**204,438**	**(16,249)**	**188,188**

"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.

31. Earnings per Share

(1) Basic earnings per share

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit for the year attributable to owners of the parent	637,321	**694,016**
Profit for the year not attributable to ordinary equity holders of the parent	—	—
Profit for the year used to calculate basic earnings per share	637,321	**694,016**

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

(Shares)

	Year ended March 31, 2022	Year ended March 31, 2023
Weighted average number of ordinary shares outstanding	920,765,686	**920,858,089**

(2) Diluted earnings per share

Profit for the year attributable to common shares of the parent after adjustment for the effects of dilutive potential shares is as follows:

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit for the year used to calculate basic earnings per share	637,321	**694,016**
Adjustment to profit	—	**—**
Profit for the year used to calculate diluted earnings per share	637,321	**694,016**

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

(Shares)

	Year ended March 31, 2022	Year ended March 31, 2023
Weighted average number of ordinary shares outstanding	920,765,686	**920,858,089**
Dilutive effect	48,559,263	**112,067,646**
Weighted average number of ordinary shares used to calculate diluted earnings per share	969,324,949	**1,032,925,735**

32. 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, 2022	As of March 31, 2023
ROE (%)	20.5	**18.1**
D/E Ratio (times)	0.77 *0.59	**0.65** ***0.51**

*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, 2022)
Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	551,049	—	—	551,049
Trade and other receivables	879,348	—	—	879,348
Other financial assets	21,331	12	20,013	41,357
Derivatives	—	12	20,013	20,026
Debt instruments	21,331	—	—	21,331
Non-current assets				
Other financial assets	52,783	257	495,242	548,283
Equity instruments	—	—	485,278	485,278
Derivatives	—	257	9,964	10,221
Debt instruments	52,783	—	—	52,783

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 60,057 million yen.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	1,526,719	—	—	1,526,719
Bonds and borrowings	323,796	—	—	323,796
Other financial liabilities Derivatives	—	49	992	1,042
Non-current liabilities				
Bonds and borrowings	2,248,553	—	—	2,248,553
Other financial liabilities Derivatives	—	27	1,179	1,207
Other non-current liabilities	273,396	—	—	273,396

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 24,608 million yen.

(As of March 31, 2023)

Financial assets

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current assets				
Cash and cash equivalents	**670,410**	—	—	**670,410**
Trade and other receivables	**985,869**	—	—	**985,869**
Other financial assets	**17,547**	**648**	**9,980**	**28,176**
Derivatives	—	**648**	**9,980**	**10,629**
Debt instruments	**17,547**	—	—	**17,547**
Non-current assets				
Other financial assets	**60,448**	**2,117**	**466,227**	**528,794**
Equity instruments	—	—	**455,118**	**455,118**
Derivatives	—	**2,117**	**11,109**	**13,226**
Debt instruments	**60,448**	—	—	**60,448**

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 76,515 million yen.

Financial liabilities

(Millions of Yen)

	Carrying amount			
	Amortized cost	Fair value		Total
		FVPL	FVOCI	
Current liabilities				
Trade and other payables	**1,592,137**	—	—	**1,592,137**
Bonds and borrowings	**383,172**	—	—	**383,172**
Other financial liabilities				
Derivatives	—	**19**	**5,858**	**5,878**
Non-current liabilities				
Bonds and borrowings	**2,229,703**	—	—	**2,229,703**
Other financial liabilities				
Derivatives	—	—	**323**	**323**
Other non-current liabilities	**283,870**	—	—	**283,870**

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 23,235 million yen.

(e) Financial instruments measured at fair value

(As of March 31, 2022)
Financial assets measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	—	270	—	270
FVOCI				
Other financial assets				
Equity instruments	418,626	—	66,652	485,278
Derivatives	—	29,977	—	29,977

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	—	77	—	77
FVOCI				
Other financial liabilities				
Derivatives	—	2,171	—	2,171

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

(As of March 31, 2023)
Financial assets measured at fair value

(Millions of Yen)

FVPL	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	**—**	**2,765**	**—**	**2,765**
FVOCI				
Other financial assets				
Equity instruments	**384,114**	**—**	**71,003**	**455,118**
Derivatives	**—**	**21,090**	**—**	**21,090**

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	**—**	**19**	**—**	**19**
FVOCI				
Other financial liabilities				
Derivatives	**—**	**6,182**	**—**	**6,182**

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, 2022	Year ended March 31, 2023
Balance at beginning of the year	79,200	**66,652**
Net changes in fair value	5,429	**5,097**
Acquisitions	45	**732**
Sale / settlements	(17,977)	**(1,480)**
Other	(46)	**1**
Balance at end of the year	66,652	**71,003**

(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, 2022)

(Millions of Yen)

POSCO Holdings Inc. *	83,993
Recruit Holdings Co., Ltd.	57,983
Suzuki Motor Corporation	31,793
Mitsubishi UFJ Financial Group,Inc.	19,776
Sumitomo Corporation	14,294

*POSCO Holdings Inc. changed its name from POSCO on March 2, 2022.

(As of March 31, 2023)

(Millions of Yen)

POSCO Holdings Inc.	**107,749**
Recruit Holdings Co., Ltd.	**36,171**
Mitsubishi UFJ Financial Group,Inc.	**22,088**
Daido Steel Co., Ltd.	**16,191**
Sumitomo Corporation	**11,843**

(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, 2022	Year ended March 31, 2023
Fair value at the time of derecognition	87,655	**84,520**
Cumulative gains or losses on disposal (net of tax)	30,485	**22,758**

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

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Investment derecognized in the reporting period	3,095	**1,485**
Investment held at the end of reporting period	12,889	**13,124**
Total	15,984	**14,609**

(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, 2022)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current) Other financial assets Debt instruments	21,331	14,887	2,004	4,443
Financial assets (Non-current) Other financial assets Debt instruments	52,783	3,988	2,983	45,771
Financial liabilities (Current) Bonds and borrowings	323,796	20,038	—	303,796
Financial liabilities (Non-current) Bonds and borrowings	2,248,553	605,207	—	1,653,196

(As of March 31, 2023)

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets (Current) Other financial assets Debt instruments	**17,547**	**13,924**	**1,997**	**1,621**
Financial assets (Non-current) Other financial assets Debt instruments	**60,448**	**9,964**	**995**	**49,438**
Financial liabilities (Current) Bonds and borrowings	**383,172**	**59,996**	**—**	**323,172**
Financial liabilities (Non-current) Bonds and borrowings	**2,229,703**	**585,580**	**—**	**1,641,128**

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 convertible bonds with stock acquisition rights is measured at the present value discounted by the yield of similar bonds that do not have an equity conversion option.
- 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, 2022 and 2023 are as follows.

(Millions of USD)

	As of March 31, 2022	As of March 31, 2023
Net exposure (liability)	160	**1,746**

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, 2022 and 2023 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, 2022	Year ended March 31, 2023
Impacts on profit before income taxes	(196)	**(2,332)**

(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, 2022	Year ended March 31, 2023
Impacts on profit before income taxes	(1,273)	**(1,339)**

Interest Rate Benchmark Reform

As of March 31 2023, the interest rate benchmark that is subject to interest rate benchmark reform and for which the transition to an alternative benchmark rate has not been completed is U.S. Dollar LIBOR.

To respond to the cessation of publication of U.S. Dollar LIBOR except for certain settings after the end of June 2023, the Group is monitoring the developments in interest rate benchmark reform, evaluating their impact, and preparing for the transition to an alternative benchmark rate to LIBOR.

There are no significant borrowings or derivatives exposed to LIBOR that have not completed the transition to an alternative benchmark rate as of March 31 2023.

(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, 2022	As of March 31, 2023
Current	931,911	**1,050,906**
Within 90 days	6,024	**10,029**
Over 90 days and within 1 year	1,308	**1,663**
Over 1 year	1,711	**1,759**
Total	940,956	**1,064,358**

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

(Millions of Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of the year	10,709	**10,725**
Increase during the year	634	**479**
Decrease during the year	(732)	**(212)**
Other	115	**194**
Balance at end of the year	10,725	**11,187**

(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 35 “Loan Guarantees”.

As of March 31, 2022

(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	1,526,719	1,526,719	1,526,719	—	—
Borrowings	1,636,031	1,637,794	285,795	588,752	763,245
Bonds	918,317	920,000	20,000	510,000	390,000
Lease liabilities	81,045	81,045	20,260	38,577	22,207
Commercial paper	18,001	18,001	18,001	—	—
Derivatives	2,249	2,052	1,614	436	1
Total	4,182,365	4,185,613	1,872,390	1,137,767	1,175,455

As of March 31, 2023

(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	**1,592,137**	**1,592,137**	**1,592,137**	**—**	**—**
Borrowings	**1,622,252**	**1,623,564**	**281,173**	**595,471**	**746,919**
Bonds	**948,625**	**950,000**	**60,000**	**500,000**	**390,000**
Lease liabilities	**86,475**	**86,475**	**19,856**	**43,356**	**23,262**
Commercial paper	**41,999**	**41,999**	**41,999**	**—**	**—**
Derivatives	**6,202**	**6,133**	**5,810**	**323**	**0**
Total	**4,297,692**	**4,300,311**	**2,000,976**	**1,139,151**	**1,160,182**

(5) Derivatives
(a) Impacts on the consolidated statement of financial position

(i) Derivative assets and liabilities designated as hedging instruments

As of March 31, 2022

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount Total	Notional amount Settlement in excess of one year	Carrying amount (Fair value) (Note) Assets	Carrying amount (Fair value) (Note) Liabilities
Cash flow hedge	Foreign exchange forward contract	286,244	14,450	12,504	707
	Interest rate swap	586,064	526,450	1,342	1,464
	Currency swap	34,637	33,451	8,813	—
	Commodity derivative	18,083	538	7,317	—
Total		925,030	574,890	29,977	2,171

As of March 31, 2023

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount Total	Notional amount Settlement in excess of one year	Carrying amount (Fair value) (Note) Assets	Carrying amount (Fair value) (Note) Liabilities
Cash flow hedge	Foreign exchange forward contract	**213,523**	**16,036**	**2,076**	**5,809**
	Interest rate swap	**526,981**	**450,000**	**3,229**	**373**
	Currency swap	**33,265**	**19,876**	**12,959**	**—**
	Commodity derivative	**14,295**	**426**	**2,824**	**—**
Total		**788,064**	**486,340**	**21,090**	**6,182**

Note:
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, 2022		As of March 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contract	15	46	**12**	**19**
Interest swap	254	31	**2,711**	**—**
Currency swap	—	—	**41**	**—**
Total	270	77	**2,765**	**19**

(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, 2022

(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	6,507	16,014	(11,048)	11,473	Other operating income/Other operating expenses
Interest rate risk	(5,033)	4,242	669	(121)	Finance income/Finance costs
Other	408	7,243	(334)	7,317	—
Total	1,881	27,501	(10,713)	18,669	

Year ended March 31, 2023

(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	**11,473**	**789**	**(15,400)**	**(3,137)**	Other operating income/Other operating expenses
Interest rate risk	**(121)**	**2,602**	**375**	**2,856**	Finance income/Finance costs
Other	**7,317**	**2,730**	**(7,223)**	**2,824**	—
Total	**18,669**	**6,123**	**(22,248)**	**2,543**	

33. Related Parties

(1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2022

(Millions of Yen)

Category	Name	Description of transaction	Amount	Account	Outstanding balance
Associate	NIPPON STEEL TRADING CORPORATION	Sells steel products (Note 1)	1,343,710	Trade and other receivables	58,148
Associate	NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	Sells property, plant and equipment (Note 2)	79,050	—	—
Joint venture	AMNS Luxembourg Holding S.A.	Loan guarantee (Note 3)	251,927	—	—

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 selling destination and selling price were decided based on the highest bid price after a bid mainly from plural companies.
3. The Company provided a guarantee for 40% of the loan which AMNS Luxembourg Holding S.A. procured from banks.

Year ended March 31, 2023

(Millions of Yen)

Category	Name	Description of transaction	Amount	Account	Outstanding balance
Associate	NIPPON STEEL TRADING CORPORATION	Sells steel products (Note 1)	**1,464,148**	Trade and other receivables	**52,089**
Joint venture	AMNS Luxembourg Holding S.A.	Loan guarantee (Note 2)	**274,858**	—	—

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, 2022	Year ended March 31, 2023
Salary	869	**1,147**

34. Commitments

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

(Millions of Yen)

	As of March 31, 2022	As of March 31, 2023
Contractual commitments related to acquisition of property, plant and equipment and intangible assets	337,975	**612,353**

35. 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, 2022	As of March 31, 2023
Guarantees for the bank loans of joint ventures and associates	307,819	**343,474**

36. Subsequent Events

(Business combination through acquisition / Acquisition of shares of Nippon Steel Trading Corporation (making it a subsidiary))
On December 21, 2022, Nippon Steel Corporation (the "Company") decided to acquire the shares of common stock of Nippon Steel Trading Corporation ("NSTC") through a tender offer (the "Tender Offer") under the Financial Instruments and Exchange Act of Japan, and implemented the Tender Offer from March 13, 2023 to April 10, 2023. As a result of the Tender Offer, NSTC became a consolidated subsidiary (specified subsidiary) of the Company as of April 14, 2023. Through a share consolidation that took effect on June 23, 2023, in which every 6,428,800 NSTC shares were consolidated into one share, the Company and Mitsui & Co., Ltd. became the only shareholders of NSTC entitled to exercise voting rights.

1. Purpose of share acquisition, etc.
The Company Group believes that to enhance its ability to promptly and appropriately respond to structural changes in the global steel market, it must increase direct contact with domestic and overseas customers and enhance its ability to conduct integrated operations regarding steel transactions, and further strengthen its competitiveness throughout the supply chain in order to ensure integrated profitability of the Company Group by optimizing and streamlining from steel manufacturing to distribution and processing thereof, and creating new added value. Under such understanding, the Company determined that it is desirable to make NSTC a consolidated subsidiary of the Company and delist NSTC in order to make the relationship between the Company and NSTC stronger and implement measures with a medium- to long-term perspective.

2. Name, business content, and scale of the company whose shares were acquired

(i)	Name	Nippon Steel Trading Corporation
(ii)	Location	2-7-1 Nihonbashi, Chuo-ku, Tokyo
(iii)	Name and Title of Representative	Shinichi Nakamura, President and Representative Director
(iv)	Description of Business Activities	Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others
(v)	Capital	16,389 million yen
(vi)	Date of Establishment	August 2, 1977
(vii)	NSTC's Consolidated Business Performance and Consolidated Financial Condition	

Fiscal Year	Fiscal Year Ended March 2021	Fiscal Year Ended March 2022	Fiscal Year Ended March 2023
Consolidated net assets	278,090 million yen	308,198 million yen	342,828 million yen
Consolidated total assets	883,285 million yen	1,100,441 million yen	1,142,057 million yen
Consolidated net assets per share	7,917.51 yen	8,759.36 yen	9,748.73 yen
Consolidated net sales	1,271,050 million yen	1,865,907 million yen	2,134,280 million yen
Consolidated operating profit	22,361 million yen	44,627 million yen	47,600 million yen
Consolidated ordinary profit	25,772 million yen	47,810 million yen	51,328 million yen
Profit for the year attributable to owner of the parent	15,992 million yen	35,417 million yen	33,512 million yen
Consolidated earnings for the year per share	495.79 yen	1,098.03 yen	1,039.00 yen
Cash dividends per share (interim dividends shown in brackets)	160.00 yen (50.00)	350.00 yen (160.00)	170.00 yen (170.00)

3. Date of stock acquisition
April 14, 2023

4. Number of Shares Acquired, Acquisition Price, and Status of Shareholding owned Before and After the Acquisition

(1) Number of shares owned before the change	11,141,529 shares (Number of voting rights: 111,415 voting rights) (Ownership ratio of voting rights: 34.54%)
(2) Number of shares acquired	11,507,774 NSTC Shares (Number of voting rights: 115,077 voting rights) (Ownership ratio of voting rights: 35.67%)
(3) Acquisition price	NSTC Shares: 107,022 million yen
(4) Number of shares owned after the change	22,649,303 shares (Number of voting rights: 226,493 voting rights) (Ownership ratio of voting rights: 70.21%)

Notes: 1. For the purpose of calculating the "Ownership ratio of voting rights," the number of voting rights (322,572 voting rights) pertaining to the number of shares, which is obtained by deducting the number of treasury shares owned by NSTC as of December 31, 2022, notified by NSTC to the Company (50,533 shares) from the total number of issued shares of NSTC as of December 31, 2022, stated in NSTC's Third Quarterly Report (32,307,800 shares), was used as the denominator.

Notes: 2. With regard to the "Ownership ratio of voting rights," any fraction is rounded off to two decimal places.

Notes: 3. The "Acquisition price" is rounded down to the nearest million yen. Advisory fees, etc. are not included.

Notes: 4. The "Acquisition price" and the "Number of shares owned after the change" respectively describe the amount and the number of shares before the share consolidation conducted on June 23, 2023, and the subsequent handling of fractions of less than one share. Through the share consolidation and the handling of fractions of less than one share, the Company's "Ownership ratio of voting rights" will become 80.00%.

5. Others

At this point in time, the accounting treatment for the business combination has not been completed, so detailed information on the accounting treatment is not provided.