
Annual Securities Report

The 97th Term (from April 1, 2021 to March 31, 2022)

(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, 2022, the company filed its Annual Securities Report (Yukashoken Houkokusho) with the Director-General of the Kanto Financial Bureau in Japan.

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I. Overview of the Company

1. Key Financial Data

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

Fiscal term	International Financial Reporting Standards				
	93rd term	94th term	95th term	96th term	97th term
Year ended	March 2018	March 2019	March 2020	March 2021	March 2022
Revenue (Millions of Yen)	5,712,965	6,177,947	5,921,525	4,829,272	6,808,890
Business profit (loss) (Millions of Yen)	288,700	336,941	(284,417)	110,046	938,130
Profit (loss) for the year attributable to owners of the parent (Millions of Yen)	180,832	251,169	(431,513)	(32,432)	637,321
Total comprehensive income for the year (Millions of Yen)	311,759	85,114	(543,642)	143,233	816,342
Total equity attributable to owners of the parent (Millions of Yen)	3,136,991	3,230,788	2,641,618	2,759,996	3,466,799
Total assets (Millions of Yen)	7,756,134	8,049,528	7,444,965	7,573,946	8,752,346
Total equity attributable to owners of the parent per share (Yen)	3,554.21	3,509.72	2,869.19	2,997.53	3,764.69
Basic earnings (loss) per share (Yen)	204.87	281.77	(468.74)	(35.22)	692.16
Diluted earnings (loss) per share (Yen)	204.87	281.77	(468.74)	(35.22)	657.48
Ratio of total equity attributable to owners of the parent to total assets (%)	40.4	40.1	35.5	36.4	39.6
Return on equity (%)	6.0	7.9	(14.7)	(1.2)	20.5
Price-earnings ratio (Times)	11.4	6.9	—	—	3.1
Cash flows from operating activities (Millions of Yen)	485,539	452,341	494,330	403,185	615,635
Cash flows from investing activities (Millions of Yen)	(363,170)	(381,805)	(345,627)	(389,035)	(378,866)
Cash flows from financing activities (Millions of Yen)	(104,969)	(42,900)	(14,582)	52,694	(61,304)
Cash and cash equivalents at end of the year (Millions of Yen)	142,869	163,176	289,459	359,465	551,049
Number of employees	97,996	105,796	106,599	106,226	106,528
Figures in brackets represent the average number of temporary workers not included in the above figures	[18,271]	[20,164]	[19,725]	[18,812]	[17,278]

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

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

3. Figures in parentheses are negative.

4. Business profit on consolidated statements of profit or loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company's consolidated performance continuously. It is defined as 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.

Fiscal term		JGAAP
		93rd term
Year ended		March 2018
Net sales	(Millions of Yen)	5,668,663
Ordinary profit	(Millions of Yen)	297,541
Profit attributable to owners of parent	(Millions of Yen)	195,061
Comprehensive income	(Millions of Yen)	299,598
Net assets	(Millions of Yen)	3,515,501
Total assets	(Millions of Yen)	7,526,351
Net assets per share	(Yen)	3,563.80
Earnings per share	(Yen)	221.00
Diluted earnings per share	(Yen)	—
Capital adequacy ratio	(%)	41.8
Return on equity	(%)	6.4
Price-earnings ratio	(Times)	10.6
Cash flows from operating activities	(Millions of Yen)	458,846
Cash flows from investing activities	(Millions of Yen)	(353,419)
Cash flows from financing activities	(Millions of Yen)	(89,190)
Cash and cash equivalents at end of the year	(Millions of Yen)	111,779
Number of employees		93,557
Figures in brackets represent the average number of temporary workers not included in the above figures		[16,361]

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

2. Figures in parentheses are negative.

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

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

Fiscal term		93rd term	94th term	95th term	96th term	97th term
Year ended		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of Yen)	3,266,686	3,562,226	3,312,949	2,820,992	4,365,970
Ordinary profit (loss)	(Millions of Yen)	107,213	112,319	(40,410)	(25,446)	536,792
Profit (loss) for the year	(Millions of Yen)	118,275	145,319	(455,641)	(42,098)	393,022
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)	2,024,648	2,072,452	1,446,409	1,467,570	1,780,048
Total assets	(Millions of Yen)	5,194,163	5,462,897	5,009,656	5,253,847	5,926,165
Net assets per share	(Yen)	2,290.62	2,247.72	1,568.77	1,591.76	1,930.74
Dividends per share (Interim dividends shown in brackets)	(Yen)	70 [30]	80 [40]	10 [10]	10 [—]	160 (70)
Earnings (loss) per share	(Yen)	133.81	162.79	(494.18)	(45.66)	426.28
Diluted earnings per share	(Yen)	—	—	—	—	404.95
Capital adequacy ratio	(%)	39.0	37.9	28.9	27.9	30.0
Return on equity	(%)	6.0	7.1	(25.9)	(2.9)	24.2
Price-earnings ratio	(Times)	17.5	12.0	—	—	5.1
Dividend payout ratio	(%)	52.3	49.1	—	—	37.5
Number of employees Figures in brackets represent the average number of temporary workers not included in the above figures		25,101 [4,357]	26,570 [4,228]	27,096 [4,087]	29,579 [3,723]	28,708 [2,648]
Total shareholder return (Comparative indicator: TOPIX Total Return Index)	(%)	93.8 [115.9]	82.0 [110.0]	42.3 [99.6]	80.2 [141.5]	97.5 [144.3]
Highest share price	(Yen)	3,132.0	2,527.0	2,081.0	1,954.0	2,381.0
Lowest share price	(Yen)	2,228.0	1,794.0	857.0	798.1	1,690.5

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 93rd 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 on the First Section of the Tokyo Stock Exchange have been adopted.

2. History

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

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

3. Description of Business

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

These four businesses are the same as the classification in the segment information presented in “V. Financial Information, - segment information” of this report.

As of March 31, 2022, the Group is mainly comprised of the Company and 378 consolidated subsidiaries, as well as 105 equity-method affiliates.

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

[Steelmaking and Steel Fabrication business]

Bars and shapes (billets, rails, sheet piles, H-beams, other shapes bars, bars, bars-in-coils, wire rods, special wire rods), flat-rolled products (heavy plates, medium plates, hot-rolled sheets, cold-rolled sheets, tin plates, tin-free steel, hot-dipped galvanized sheets, other metallic coated sheets, pre-coated sheets, cold-rolled electrical sheets), pipe and tubes (seamless, butt-welded, electric resistance-welded, electric-arc welded, cold-drawn, coated pipes and tubes, coated steel pipes), railway/automotive/machinery parts (parts for railway vehicles, die-forged products, forged aluminum wheels, retarders, ring-rolled products, forged steel products), specialty steel (stainless steel, machine structural carbon steel, structural alloy steel, spring steel, bearing steel, heat-resistant steel, free-cutting steel, piano wire rods, high tensile strength steel), secondary steel products (steel and synthetic segments, NS-BOX, metro deck, PANZERMAST, vibration-damping sheets and plates, structural steel sheet members, columns, welding materials, drums, bolts/nuts/washers, wire products, OCTG accessories, building and civil engineering materials), pig iron, steel ingots and others (steelmaking pig iron, foundry pig iron, steel ingots, iron and steel slag products, cement, foundry coke), businesses incidental to Steelmaking and Steel Fabrication (design/maintenance/installation of machines/electrical equipment/measurement apparatuses, marine transport, port/harbor transport, land transport, loading/unloading, warehousing, packaging, material testing/analysis, measurement of working environments, surveys on technical information, operation and management of facilities, security services, services related to payment of raw materials, iron-and steelmaking plant construction engineering, operating assistance, steelmaking know-how provision, rolls), and others (rolled titanium products, power supply, real estate, services and others)

[Engineering and Construction business]

Iron and steelmaking plants, industrial machinery and equipment, industrial furnaces, resources recycling and environment restoration solutions, environmental plants, waterworks, energy facilities and plants, chemical plants, storage tanks, on-land and offshore pipelines laying works, energy-related solutions, offshore structure fabrication/construction, civil engineering work, pipe piling work, building construction, steel-structure construction, trusses, standardized buildings products, base-isolation and vibration-control devices

[Chemicals and Materials business]

Pitch coke, pitch, naphthalene, phthalic anhydride, carbon black, styrene monomer, bisphenol A, styrene resin, epoxy resin, adhesive-free copper-clad laminated sheet for flexible printed circuit boards, liquid crystal display materials, organic EL materials, UV/thermosetting resins, rolled metallic foils, semiconductor bonding wire and microballs, fillers for semiconductor encapsulation materials, carbon-fiber composite products, metal catalyst carriers for cleaning automotive emissions, porous carbon materials

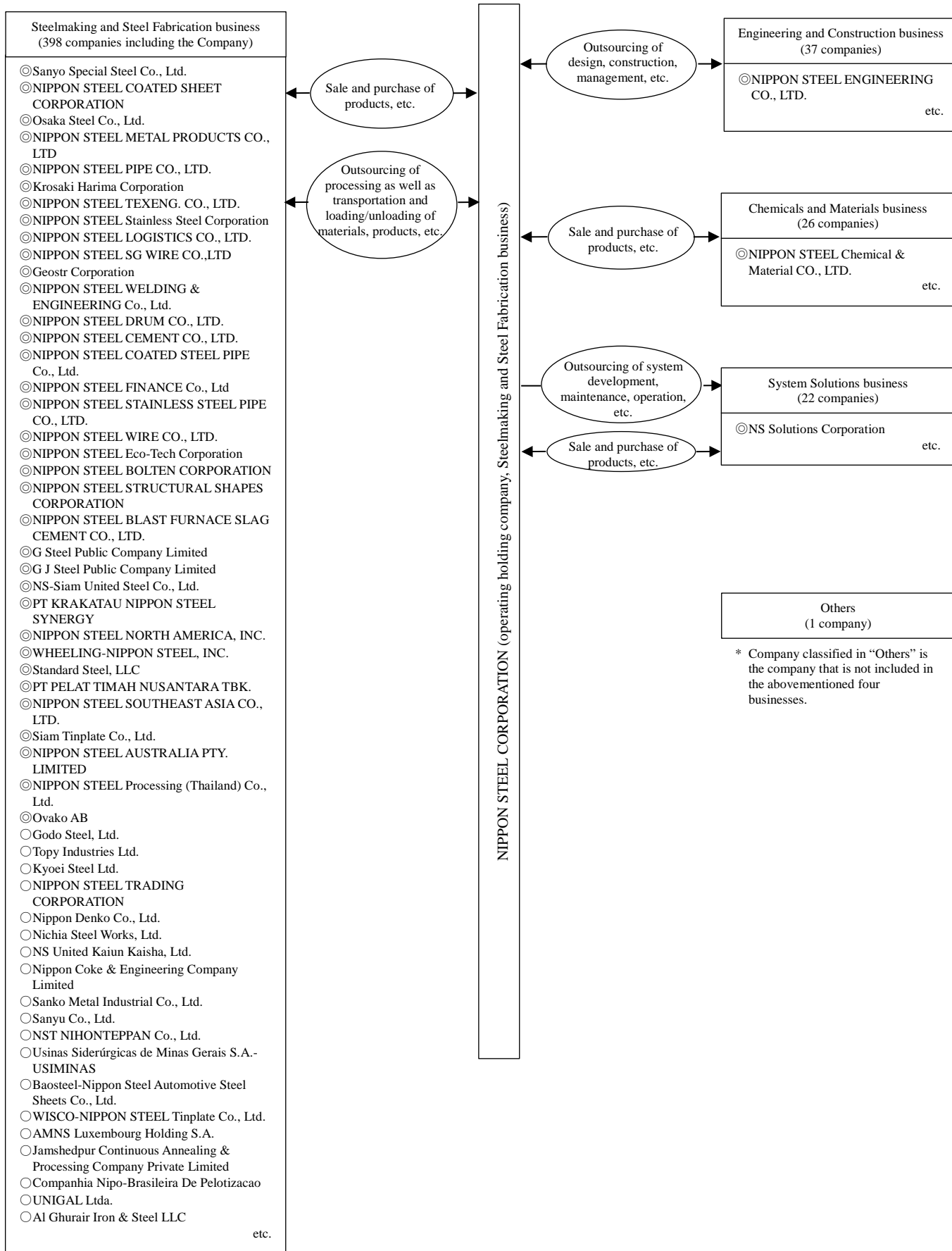
[System Solutions business]

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

[Organization Chart]

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

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



4. Subsidiaries and Other Affiliated Entities

Principal consolidated subsidiaries and equity-method affiliates (as of March 31, 2022)

[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.
NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	5,831 million yen	Makes, coats and markets steel pipes and tubes	100.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary and outsources processing of steel pipes and tubes. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Krosaki Harima Corporation	Kitakyushu City, Fukuoka	5,537 million yen	Makes, markets and constructs refractories	46.9% (0.0%)	(a) Interlocking officers 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.

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

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

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
NIPPON STEEL BOLTEN CORPORATION	Osaka City, Osaka	498 million yen	Makes and markets high-tension bolts, etc.	85.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. The subsidiary deposits funds to the Company. (c) Financial assistance, lease of facilities, business alliance The Company loans funds to the subsidiary.
NIPPON STEEL STRUCTURAL SHAPES CORPORATION	Wakayama City, Wakayama	400 million yen	Makes and markets H-beams	100.0%	(a) Interlocking officers 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	80.2%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the subsidiary. (b) Business transactions The Company sells steel to the subsidiary. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the subsidiary.
PT KRAKATAU NIPPON STEEL SYNERGY	Cilegon City, Indonesia	US\$ 171 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\$ 85 million	Invests companies in North American region focusing on U.S. and gathers information	100.0%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the subsidiary. (b) Business transactions The Company outsources information gathering and other work to the subsidiary. The subsidiary loans funds to the Company. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.

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.
Siam Tinplate Co., Ltd.	Rayong Province, Thailand	THB 800 million	Makes and markets tinplate	100.0%	(a) Interlocking officers Two 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 The Company provides loan guarantees to the subsidiary.
NIPPON STEEL AUSTRALIA PTY. LIMITED	New South Wales State, Australia	AUS\$ 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.
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	21.2% (0.2%)	(a) Interlocking officers There is nothing to report. (b) Business transactions The Company sells billets, outsources production of steel, and sells steel to the affiliate. (c) Financial assistance, lease of facilities, business alliance Upon mutual agreement to form a business alliance, the Company and the affiliate have considered and taken specific measures accordingly.
Kyoei Steel Ltd.	Osaka City, Osaka	18,515 million yen	Makes and markets shapes, steel bars, and billets; processes and markets steel	26.7%	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
NIPPON STEEL TRADING CORPORATION	Chuo -ku, Tokyo	16,389 million yen	Marks, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products	35.3% (0.5%)	(a) Interlocking officers One employee of the Company serves concurrently as an officer of the affiliate. (b) Business transactions The Company sells steel products and other products to the affiliate, and purchases machinery products, materials for steel, etc. from the affiliate. (c) Financial assistance, lease of facilities, business alliance There is nothing to report.
Nippon Denko Co., Ltd.	Chuo-ku, Tokyo	11,072 million yen	Makes and markets ferroalloy/functional materials, environmental business and electric supply business	20.7% (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.
NST NIHONTEPPAN Co., Ltd.	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 three employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the affiliate.
AMNS Luxembourg Holding S.A.	Luxembourg City, Luxembourg	US\$ 230 million	A holding company of ArcelorMittal Nippon Steel India Limited	40.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance The Company provides loan guarantees to the affiliate.
Jamshedpur Continuous Annealing & Processing Company Pvt. Ltd.	State of West Bengal, India	INR 14,320 million	Makes and markets automotive cold-rolled steel sheets	49.0%	(a) Interlocking officers Two employees of the Company serve concurrently as officers of the affiliate. (b) Business transactions There is nothing to report. (c) Financial assistance, lease of facilities, business alliance

Name	Address	Paid-in capital	Description of principal business	% of voting rights interest	Description of relationships
					The Company provides loan guarantees to the affiliate.
Companhia Nipo-Brasileira De Pelotizacao	Estado do Espirito 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, Geostr Corporation, Godo Steel, Ltd., Topy Industries Ltd., Kyoei Steel Ltd., NIPPON STEEL TRADING CORPORATION, Nippon Denko Co., Ltd., Nichia Steel Works, Ltd., NS United Kaiun Kaisha, Ltd., 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, Geostr Corporation and PT PELAT TIMAH NUSANTARA TBK. (The Company has entered into a consortium agreement with MITSUI & CO., LTD., Metal One Corporation, and NIPPON STEEL TRADING CORPORATION, which are shareholders of PT PELAT TIMAH NUSANTARA TBK., and the four companies combined hold 55% of the shares of the said company. The Company holds 35% of the shares, which is a majority within the consortium.) 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. Siam Tinplate Co., Ltd. has transferred all of its business to NS-Siam United Steel Co., Ltd. on April 1, 2022.

5. Employees

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

(As of March 31, 2022)

Segment name	Number of employees
Steelmaking and Steel Fabrication	91,478 [15,735]
Engineering and Construction	4,485 [874]
Chemicals and Materials	3,372 [625]
System Solutions	7,193 [44]
Total	106,528 [17,278]

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, 2022) are shown in brackets.

(2) Status of the reporting company

(As of March 31, 2022)

Number of employees	Average age	Average number of years employed	Average annual salary (Yen)
28,708 [2,648]	38.5	16.5	5,358,608

Segment name	Number of employees
Steelmaking and Steel Fabrication	28,708 [2,648]
Total	28,708 [2,648]

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, 2022) is shown in brackets.

3. Average annual salary is calculated by excluding executives, and includes bonuses and surplus wages.

4. The number of temporary workers decreased by 1,075 in the year up to March 31, 2022 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, 2022 is 71,386 persons.

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

II. Overview of Business

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

(Management policy)

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

<Corporate Philosophy of the NIPPON STEEL Group>

Our Values

The NIPPON STEEL Group will pursue world-leading technologies and manufacturing capabilities, and contribute to society by providing excellent products and services.

Management Principles

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

(Business environment)

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

Global steel demand is expected to continue to grow steadily, particularly in Asia, and notably including India. Demand for high-grade steel is also expected to expand, including for emerging needs associated with the move to achieve carbon neutrality. Meanwhile, steel demand in Japan is expected to decrease due to its declining population, aging society, the expansion of overseas local production by Japanese customers, and other reasons. In addition, the COVID-19 pandemic is likely to accelerate the manufacturing industry's trend toward local production and local consumption as well as domestic production, leading to the fragmentation of markets, which had been globally connected. Furthermore, competition in overseas markets is expected to intensify further as demand in China, which accounts for 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, 2023, the ongoing Russia-Ukraine situation has been amplifying the magnitude of the world economy's three main risks—China's slowdown in economic growth, supply constraints mainly for semiconductors, and a surge in energy and resource prices on the back of "greenflation." Under these circumstances, new risks such as a deterioration in Japan's trade balance prompted by the sharp depreciation of the yen are emerging, while steel market prices, mainly in the U.S. and Europe, are rising sharply. This means that the external environment has been fluctuating beyond the normal economic rationale and the outlook is extremely uncertain.

(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.

While the recovery in steel demand began to slow down in the second half of 2021, 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, 2023, under the aforementioned business environment, the Company is working to maximize profits by continuing and promoting the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time), thereby striving to achieve high-level profit generation.

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

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

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

For the purpose of building an optimal production framework, we are streamlining the production framework in manufacturing processes and upstream facilities, and investing in strategic products (specifically, building a next-generation hot strip mill, and strengthening the production framework of high-grade electrical steel sheets). The progress and prospects of major projects are as follows.

a. Production facility structural measures

Location	Facilities	Timing of suspension
East Nippon Works (Kimitsu Area)	Large-shape mill	March 2022
East Nippon Works (Kimitsu Area)	UO pipe mill	March 2022
East Nippon Works (Kashima Area)	A series of upstream facilities (including No. 3 blast furnace)	By the end of fiscal 2024
Nagoya Works	Steel plate mill	March 2022
Kansai Works (Wakayama Area)	No. 1 blast furnace, etc.	September 2021
Setouchi Works (Kure Area)	All upstream facilities (including No. 1 and No. 2 blast furnaces)	September 2021

b. Renewal and improvement of facilities

Location	Facilities	Details and timing of implementation
East Nippon Works (Kimitsu Area)	No. 6 Continuous Hot-Dip Galvanizing Line (CGL)	New construction, started operation in January 2021
East Nippon Works (Kimitsu Area)	No. 3 coke oven	Relining, first half of fiscal 2026
Nagoya Works	No. 3 blast furnace	Relining, to be completed in the first half of fiscal 2022
Nagoya Works	No. 3 coke oven	Relining, started operation in May 2021
Nagoya Works	Next-generation hot strip mill	New construction, scheduled to start operation in the first quarter of fiscal 2026
Setouchi Works (Hirohata Area)	Electric arc furnace	New construction, scheduled to start operation in the first half of fiscal 2022

(2) Strengthening our group management

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

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

Global steel consumption is expected to continue to grow at a moderate pace toward 2025, furthermore, 2030. We have developed our business mainly in Asia whose market size and growth rate 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. In fiscal 2021, specifically, in February 2022, we acquired G Steel Public Company Limited and G J Steel Public Company Limited, which are steel producers with electric arc furnaces and hot strip mills in Thailand, and made them subsidiaries of Nippon Steel. We will work to capture the growing demand for general-purpose hot-rolled steel sheets in the region. In addition, in India, we promoted capacity expansion of ArcelorMittal Nippon Steel India Limited. In the United States, we plan to install a new electric arc furnace at AM/NS Calvert LLC (scheduled to start operations in the first half of fiscal 2023). These initiatives are part of our efforts to expand the NIPPON STEEL Group's integrated production system in overseas markets where demand is high.

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.

By 2030, our plan is to achieve reduction of CO₂ emissions by 30% compared to 2013 through the practical implementation of COURSE50(*) into the current blast furnace and basic oxygen furnace processes, reduction of CO₂ emissions in existing processes, and other initiatives. Toward 2050, we will take on the challenge of adopting ultra-innovative technologies such as mass production of high-grade steel in electric furnaces, drastic reduction of CO₂ emissions through developments in hydrogen reduction methods, and production of direct reduction iron using hydrogen, with an aim to achieve 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, as part of its initiatives to realize carbon neutrality. In fiscal 2021, 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). Going forward, the Company will install a small-sized electric arc furnace (test to start from fiscal 2024) and small-sized direct reduction furnace (test to start from fiscal 2025) at Hasaki Research and Development Center, targeting practical implementation as soon as possible. The Company is also working on various initiatives aimed at realizing a carbon-neutral society, including offering Eco-Products™, such as ultra-high-tensile steel sheets that contribute to the reduction of automobile weight and electrical steel sheets that contribute to the improvement of the efficiency of EV electric motors and transformers, as well as the use of hydrogen in heating furnaces and the construction of a carbon-free hydrogen production plant at Ovako AB, a subsidiary in Europe.

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

4. Promoting digital transformation strategies

Over the next five years, we will invest 100 billion yen or more into our digital transformation strategy, and are aiming to become a digitally advanced company in the steel industry. To that end, we will strengthen our business competitiveness by making full use of data and digital technologies and implementing production and business process innovations. Specifically, the Company is working to improve productivity through the use of the IoT and AI to support remote operations, visualization of facility maintenance and predictive monitoring, and optimize corporate-wide production management through centralized data management from order taking to production. In fiscal 2021, the Company built a data analysis platform to achieve efficient transfer of skills for highly skilled operations by digitizing heavy machinery operations at manufacturing sites using AI, and started a demonstration experiment at the East Nippon Works Kimitsu Area. Moreover, the Company has obtained a local 5G radio station license with the largest power output in Japan, has started verification of local 5G applications using large amounts of data on the vast premises of the Muroran Works (the current North Nippon Works Muroran Area), and is working to promote DX at manufacturing sites.

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

Financial targets and other relevant information are presented in “II. Business Overview, 3. 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, 2022. Since these predictions and targets are based on information, analysis, and certain assumptions that the Company considers appropriate at the time of announcement or publication of the above documents, and thus, such estimates have inherent limitations, actual results may differ materially due to various factors in the future. For such factors, please refer to “2. Business Risks” below.

2. Business Risks

Among the items related to the Group's overview of business, financial information and other information described in this report, the following are major items that may significantly affect investors' decisions. However, they do not constitute an exhaustive list of all types of risks regarding the Group, and there are also unpredictable risks other than those as described below. In addition, as information that may significantly affect investors' decisions is also described in "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 Group's assessment as of the end of the year ended March 31, 2022.

<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, 2022. 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, 2023, the ongoing Russia-Ukraine situation has been amplifying the magnitude of the world economy's three main risks—China's slowdown in economic growth, supply constraints mainly for semiconductors, and a surge in energy and resource prices on the back of "greenflation." Under these circumstances, new risks such as a deterioration in Japan's trade balance prompted by the sharp depreciation of the yen are emerging, while steel market prices, mainly in the United States and Europe, are rising sharply. This means that the external environment has been fluctuating beyond the normal economic rationale and the outlook is extremely uncertain. Facing such uncertainty, the Company is working to maximize profits by continuing and promoting the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time), thereby striving to achieve high-level profit generation. 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, etc. 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 in a country of production of raw materials or fuels, or the spread of infectious diseases, the Group's financial performance, etc. may be negatively affected.

(4) Changes in exchange rates

The Group conducts foreign currency transactions when exporting products or importing raw materials and fuels, and holds receivables and payables in foreign currencies. 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, etc. 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 consumers decide to use other materials such as aluminum, resin, carbon fiber composite materials, resulting in lower demand of steel, the Group's financial performance, etc. may be negatively affected.

<Risks regarding execution of business strategy and plan>

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

The Group has developed the NIPPON STEEL Group's Medium-to Long-term Management Plan (hereinafter referred to as the "Medium-to Long-term Management Plan" in this section) in March 2021 and has promoted various specific measures set forth in the plan. Although the plan has been developed based on information and analysis that were deemed appropriate at that time, such information and analysis contain uncertainties. Going forward, the Group may not 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,” 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 CO₂ 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, etc. 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, etc. may be negatively affected.

(4) Capital expenditure

The Steelmaking and Steel Fabrication business is capital intensive and continually requires a large amount of capital expenditure as well as facility repair and maintenance expenditure. The Group systematically makes capital expenditure necessary for installing the latest facilities and maintaining the soundness of facilities, including the refurbishment of blast furnaces and coke ovens, and for promoting production measures to capture demand in growth areas. However, in the event that depreciation increases or the initially expected effects are not sufficiently achieved, the Group’s financial performance and financial conditions may be negatively affected. As set forth in the Medium- to Long-term Management Plan, the Group’s basic policies are “to realize a higher-level order mix through aggressive investment in strategic products,” “to renew and improve facilities to ensure technological strength leading to profit generation,” and “to make the production framework streamlined and more efficient by selective concentration on certain products and facilities.” Based on these overall basic policies, the Group plans to implement capital expenditures of approximately 2,400.0 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 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, and the acquisition of G Steel Public Company Limited and G J Steel Public Company Limited in Thailand in February 2022. The Group may continue to conduct reorganization and investment, including mergers, acquisition and establishment of joint ventures in Japan and overseas. The Group makes investment decisions and implements investment after conducting careful business assessment, contract negotiation,

internal deliberation and other processes. However, in the event that synergy effects are not generated as initially planned or an impairment loss is recognized on goodwill recorded on the consolidated statement of financial position, the Group's financial performance, etc. may be negatively affected. For overseas investment projects, in particular, the level of uncertainty will be higher due to various factors (including the possibility of not being able to find appropriate investment targets and relationships with partners in joint ventures).

(6) Review of business structure and production system

In response to lower domestic steel demand, intensifying competition in the overseas steel market and deterioration of main production facilities, in the domestic steel business, the Group has planned to carry out production facility structural measures, which include suspending some domestic facilities and withdrawing from unprofitable product types for the purpose of thoroughly promoting the realization of a profitable structure, notably through concentrated production by selective concentration on certain products and facilities. However, the Group may take additional measures in consideration of changes in the future business environment, revenue trends and other factors. In the overseas market as well, the Group has been actively promoting the selection and concentration of existing businesses and has almost completed the withdrawal from businesses which would not be economically viable for it to continue. However, the Group may continue to reorganize or withdraw from unprofitable businesses for which revenue is unlikely to recover in the future and those for which investment purposes have weakened, due to deterioration of the business environment or other reasons. In the case of such reorganization or withdrawal, the Group's business operations, financial performance and financial conditions may be negatively affected due to production cutbacks, the occurrence of temporary losses, etc. For the year ended March 31, 2022, 97.2 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

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

While proceeding with these efforts, the Group may lose competitive advantage in the event that the Company’s intellectual property is infringed or used without permission by any third party, 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 or it may become difficult for the Group to continue its business activities. In addition, in case of infringement of rights by a third party, 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, from the perspective of legal compliance, the Company operates its business under the laws, regulations and rules regarding intellectual property in Japan and other countries and regions. However, there is a possibility that a third party may file a claim or bring an action against the Group with respect to infringement of intellectual property. Furthermore, in the event that the Group is judged to have infringed any laws or regulations with respect to intellectual property, the Group’s financial performance and financial conditions may be negatively affected, or it may become difficult for the Group to continue its business activities as with the case above.

(4) Information system failure and information leakage

The Group’s business operations largely depend on use of information systems, which store trade secrets and personal information of the Company, customers and business partners, in addition to other confidential information. The Company recognizes measures against leakage of confidential information including technological information as a priority management issue and has taken measures including strengthening system security, developing operational rules and training employees. However, in case of occurrence of a cyberattack on the Group’s information system, including the spread of viruses by a malicious third party, which may cause system stoppage, external leakage, damage and falsification of confidential information or other incidents, the Group’s financial performance may be negatively affected due to suspension of production and business operations, loss of competitive advantage of intellectual property, litigation, 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 CO₂ 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 CO₂ emissions and use of fossil fuel in the future, the Group's business activities, mainly the Steelmaking and Steel Fabrication business, may be constrained or the cost of operation may increase.

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

The Group holds a large amount of non-financial assets including property, plant and equipment such as steel works facilities and intangible assets. In the event that profitability of these assets declines and the invested amount is no longer expected to be recovered due to changes in the business environment or other factors, the carrying amount of the non-financial assets will be reduced based on future recoverability and impairment losses will be recorded. This may in turn negatively affect the Group's financial performance and financial conditions. For the year ended March 31, 2022, the Group recorded impairment losses of 24.4 billion yen mainly on operating assets related to a part of the Company's seamless carbon steel pipe business. The balances of property, plant and equipment and intangible assets as of March 31, 2022 were 3,052.6 billion yen and 130.4 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, 2022 was 307.1 billion yen.

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

As of March 31, 2022, the Group holds a total of 1,564.3 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 494.4 billion yen of plan assets (including retirement benefit trust assets) as of March 31, 2022, 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, 2022, the balance of consolidated interest-bearing debt of the Group was 2,653.3 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 Company 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 may be affected.

(7) Major changes in accounting systems and taxation systems

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

(8) Various legal regulations and litigation

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

The Group recognizes that legal compliance is the foundation of its business activities and provides legal and compliance training in various forms to officers and employees in Japan and overseas. However, in the event 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, etc. may be negatively affected due to suspension or restriction of business activities, payment of compensation, or other reasons.

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

(1) Summary of operating results

(a) Operating results

The summary of operating results of the Group for the year ended March 31, 2022 is presented in "3. Management's Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2022" of this report.

(b) Assets, liabilities and equity as of March 31, 2022 and cash flows for the year ended March 31, 2022

Assets, liabilities and equity as of March 31, 2022 are as follows:

Consolidated total assets as of March 31, 2022 were 8,752.3 billion yen, an increase of 1,178.3 billion yen from March 31, 2021. Consolidated total liabilities as of March 31, 2022 were 4,855.3 billion yen, an increase of 412.7 billion yen from March 31, 2021. Consolidated total equity as of March 31, 2022 was 3,897.0 billion yen, an increase of 765.6 billion yen from March 31, 2021. Total equity attributable to owners of the parent amounted to 3,466.7 billion yen, and interest-bearing debt amounted to 2,653.3 billion yen as of March 31, 2022. As a result, the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.77 times (0.59 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Total assets

Cash and cash equivalents as of March 31, 2022 were 551.0 billion yen, an increase of 191.5 billion yen from 359.4 billion yen as of March 31, 2021. This was primarily due to the issuance of convertible bonds with stock acquisition rights.

Trade and other receivables as of March 31, 2022 were 939.4 billion yen, an increase of 134.0 billion yen from 805.3 billion yen as of March 31, 2021. This was primarily due to the increase in notes and accounts receivable.

Inventories as of March 31, 2022 were 1,756.5 billion yen, an increase of 407.2 billion yen from 1,349.3 billion yen as of March 31, 2021. This was primarily due to the rise in raw material prices and production in response to changes in steel demand in Japan and overseas.

Property, plant and equipment as of March 31, 2022 were 3,052.6 billion yen, an increase of 97.7 billion yen from 2,954.9 billion yen as of March 31, 2021. The main factors were the refurbishment of No. 3 coke oven, etc. at Nagoya Works as part of renewing and improving facilities, expansion of the production facilities for electrical steel sheets in the Kyushu Works Yawata Area and the Setouchi Works Hirohata Area and construction of the No. 6 CGL in the East Nippon Works Kimitsu Area with the aim of realizing a higher-level order mix, as well as the acquisition and conversion into subsidiaries of G Steel Public Company Limited and G J Steel Public Company Limited, which are integrated steel production mills that produce hot-rolled steel sheets from electric arc furnaces in Thailand, as part of the global strategy to deepen and expand overseas business.

Investments accounted for using the equity method as of March 31, 2022 were 1,079.0 billion yen, an increase of 261.7 billion yen from 817.3 billion yen as of March 31, 2021. This was mainly due to 214.4 billion yen of share of profit in investments accounted for using the equity method.

Liabilities

Interest-bearing debt as of March 31, 2022 was 2,653.3 billion yen, an increase of 94.1 billion yen from 2,559.2 billion yen as of March 31, 2021. This was due to a decrease from the execution of repayments of long-term borrowings despite an increase mainly from the issuance of convertible bonds with stock acquisition rights.

Trade and other payables as of March 31, 2022 were 1,526.7 billion yen, an increase of 143.9 billion yen from 1,382.7 billion yen as of March 31, 2021. This was primarily due to an increase in trade payables.

Income taxes payable as of March 31, 2022 were 109.9 billion yen, an increase of 85.7 billion yen from 24.2 billion yen as of March 31, 2021. This was primarily due to an increase of income tax expense resulting from an increase in profit before income taxes.

Other non-current liabilities as of March 31, 2022 were 298.0 billion yen, an increase of 108.6 billion yen from 189.3 billion yen as of March 31, 2021. This was mainly due to recording of 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, the UO pipe mill and other facilities of East Nippon Works Kimitsu Area, in accordance with the production facility structural measures under the Medium- to Long-term Management Plan announced on March 5, 2021

Equity

Retained earnings as of March 31, 2022 was 2,514.7 billion yen, an increase of 604.4 billion yen from 1,910.3 billion yen as of March 31, 2021. This was mainly due to an increase from profit for the year attributable to owners of the parent of 637.3 billion yen, despite a decrease from dividend payment of 73.7 billion yen.

Other components of equity as of March 31, 2022 were 196.9 billion yen, an increase of 101.6 billion yen from 95.3 billion yen as of March 31, 2021. This was mainly due to an increase in foreign exchange differences on translation of foreign operations of 75.0 billion yen from changes in exchange rates.

Non-controlling interests as of March 31, 2022 were 430.2 billion yen, an increase of 58.8 billion yen from 371.3 billion yen as of March 31, 2021. This was mainly due to an increase from profit for the year attributable to non-controlling interests of 30.2 billion yen, and changes associated with changes in scope of consolidation of 29.4 billion yen resulting from the acquisition of shares and conversion into subsidiaries of G Steel Public Company Limited and G J Steel Public Company Limited, etc.

Cash flows for the year ended March 31, 2022 are as follows:

Cash flows from operating activities resulted in an inflow of 615.6 billion yen (compared to an inflow of 403.1 billion yen for the year ended March 31, 2021).

Cash flows from investing activities resulted in an outflow of 378.8 billion yen (compared to an outflow of 389.0 billion yen for the year ended March 31, 2021).

As a result, free cash flow was an inflow of 236.7 billion yen (compared to an inflow of 14.1 billion yen for the year ended March 31, 2021).

Cash flows from financing activities resulted in an outflow of 61.3 billion yen (compared to an inflow of 52.6 billion yen for the year ended March 31, 2021).

As a result of the above, cash and cash equivalents as of March 31, 2022 stood at 551.0 billion yen (compared to 359.4 billion yen as of March 31, 2021).

Cash flows from operating activities

The main inflow factors were profit before income taxes of 816.5 billion yen and depreciation and amortization of 330.6 billion yen, while the outflow factors included an increase in inventories of 383.4 billion yen and deduction adjustment for share of profit in investments accounted for using the equity method of 214.4 billion yen.

Cash flows from investing activities

The main inflow factors were proceeds from sales of property, plant and equipment and intangible assets of 70.2 billion yen associated with the sale of land of former Tokyo Works etc. and proceeds from sales of investment securities of 81.7 billion yen.

Meanwhile, we refurbished the No. 3 coke oven and relined the No. 3 blast furnace at Nagoya Works and constructed an electric arc furnace at the Setouchi Works Hirohata Area as part of renewing and improving facilities, expanded the production facilities for electrical steel sheets in the Kyushu Works Yawata Area and the Setouchi Works Hirohata Area and constructed the No. 6 CGL in the East Nippon Works Kimitsu Area with the aim of realizing a higher-level order mix. As a result, there was an outflow of 466.9 billion yen from purchase of property, plant and equipment and intangible assets. In addition, there was an outflow of 48.9 billion yen due to purchase of shares of subsidiaries resulting in change in scope of consolidation due to the acquisition of shares and conversion into subsidiaries of G Steel Public Company Limited and G J Steel Public Company Limited, etc.

Cash flows from financing activities

While there was an inflow mainly from an increase in interest-bearing debt of 63.9 billion yen associated with the issuance of convertible bonds with stock acquisition rights etc., 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, 2022 of 73.7 billion yen.

(c) Results of production, orders received and revenue

a. Production

Production volume by segment for the year ended March 31, 2022 is as follows:

Segment name	Amount in the year ended March 31, 2021 (Millions of yen)	Amount in the year ended March 31, 2022 (Millions of yen)
Steelmaking and Steel Fabrication	4,756,489	6,413,794
Engineering and Construction	273,669	239,873
Chemicals and Materials	161,146	232,481
System Solutions	253,501	271,643
Total	5,444,806	7,157,794

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, 2022 are as follows:

Segment name	Orders received in the year ended March 31, 2021 (Millions of yen)	Orders received in the year ended March 31, 2022 (Millions of yen)	Order backlog in the year ended March 31, 2021 (Millions of yen)	Order backlog in the year ended March 31, 2022 (Millions of yen)
Engineering and Construction	238,090	356,865	337,090	430,895
System Solutions	195,451	202,434	93,128	90,329
Total	433,541	559,300	430,218	521,224

Notes: 1. The above amounts do not include orders received within the Group.

2. In the Steelmaking and Steel Fabrication segment and the Chemicals and Materials segment, as a general rule, we constantly and repeatedly receive orders for a wide variety of products, and produce and ship them. Trends in orders received in these segments tend to largely link to production volume and sales amounts. Information on the amounts and quantities of orders received is omitted because demand trends and other relevant information are presented in “3. Management’s Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2022” of this report.

c. Revenue

Revenue from external customers by segment for the year ended March 31, 2022 are as follows:

Segment name	Amount in the year ended March 31, 2021 (Millions of yen)	Amount in the year ended March 31, 2022 (Millions of yen)
Steelmaking and Steel Fabrication	4,190,348	6,105,157
Engineering and Construction	276,241	253,415
Chemicals and Materials	174,056	245,083
System Solutions	188,626	205,233
Total	4,829,272	6,808,890

Notes: 1. The table below shows export sales and the percentage of exports for the years ended March 31, 2021 and 2022.

Year ended March 31, 2021		Year ended March 31, 2022	
Export sales (Millions of yen)	Percentage of exports (%)	Export sales (Millions of yen)	Percentage of exports (%)
1,633,292	33.8	2,707,068	39.8

Note: Export sales include local sales of foreign subsidiaries.

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

Export destination	Year ended March 31, 2021 (%)	Year ended March 31, 2022 (%)
Asia	59.9	57.4
Middle East	5.9	4.7
Europe	10.6	12.4
North America	11.5	12.8
Central and South America	8.5	10.0
Africa	2.9	2.4
Pacific	0.7	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, 2021 and 2022.

Customer	Year ended March 31, 2021		Year ended March 31, 2022	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
NIPPON STEEL TRADING CORPORATION	946,024	19.6	1,434,515	21.1
Sumitomo Corporation	510,956	10.6	685,136	10.1

Production volume and revenue significantly increased in the year ended March 31, 2022. Special notes regarding production, orders received, revenue, etc. are presented in “3. Management’s Analysis of Financial Position, Operating Results and Cash Flows, (2) Details of analysis and examination of operating results from the management perspective, (a) Details of recognition, analysis and examination of operating results for the year ended March 31, 2022” 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, 2022

(Analysis of operating results)

In the year ended March 31, 2022, although the global economy was affected by the spread of the COVID-19 pandemic, there were signs of a recovery with the resumption of economic activity supported by the dissemination of vaccines and other factors. The Japanese economy also recovered gradually, reflecting an increase in capital investment and an improvement in private consumption, despite being affected by the spread of the COVID variants.

In the first half of the year ended March 31, 2022, on the back of an economic pick-up from the slowdown in Japan and overseas caused by the COVID-19 pandemic, demand for steel continued to recover mainly in the manufacturing sector, and steel market prices were at a high level, partly due to the influence of China's policy of reducing steel production. In the second half, the recovery in domestic steel demand slowed down, due to a delay in restoring production in the automotive sector, coupled with supply chain disruptions caused by a shortage of semiconductors and stagnant logistics, as well as a labor shortage associated with the resurgence of COVID-19 infections caused by its variants.

With regard to the consolidated business results for the year ended March 31, 2022, the Company recorded consolidated revenue of 6,808.8 billion yen (compared to 4,829.2 billion yen for the year ended March 31, 2021), consolidated business profit of 938.1 billion yen (compared to 110.0 billion yen for the year ended March 31, 2021), and profit attributable to owners of the parent of 637.3 billion yen (compared to loss of 32.4 billion yen for the year ended March 31, 2021). Contributing factors included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, a recovery in production and shipping volumes, improved profitability of the overseas Group companies, and inventory valuation.

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, 2022)

		Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Total	Adjustments	Consolidated total
Revenue	Year ended March 31, 2022	6,153.6	279.2	249.8	271.3	6,954.0	(145.1)	6,808.8
(Billions of yen)	Year ended March 31, 2021	4,228.4	324.4	178.6	252.4	4,984.0	(154.7)	4,829.2
Segment profit	Year ended March 31, 2022	871.0	6.3	25.3	30.8	933.5	4.5	938.1
(Billions of yen)	Year ended March 31, 2021	63.5	17.7	7.6	23.9	112.8	(2.7)	110.0

<Steelmaking and Steel Fabrication>

This segment recorded revenue of 6,153.6 billion yen, up from 4,228.4 billion yen in the year ended March 31, 2021, and segment profit of 871.0 billion yen, up from segment profit of 63.5 billion yen in the year ended March 31, 2021.

The major causes for the year-on-year changes of 807.5 billion yen in the Steelmaking and Steel Fabrication segment's profit are as follows:

	(Billions of yen)
Increase in production and shipment volume	80.0
Margin (selling prices, production mix, and raw materials prices)	245.0
Cost improvement	60.0
Domestic Group companies' profits	40.0
Overseas Group companies' profits	125.0
Inventory valuation impact (incl. Group companies)	305.0
Other	(47.5)
Total	807.5

In the first half of the year ended March 31, 2022, on the back of an economic pick-up from the slowdown in Japan and overseas caused by the COVID-19 pandemic, demand for steel continued to recover mainly in the manufacturing sector, and steel market prices were at a high level, partly due to the influence of China's policy of reducing steel production. In the second half, the recovery in domestic steel demand slowed down, due to a delay in restoring production in the automotive sector, coupled with supply chain disruptions caused by a shortage of semiconductors and stagnant logistics, as well as a labor shortage associated with the resurgence of COVID-19 infections caused by its variants. Against this backdrop, the Company's margins increased by 245.0 billion yen compared with the previous fiscal year, as a result of efforts to improve direct contract-based prices for customers and realize a higher-level order mix with streamlined integrated production capacity, among other efforts. In addition, improved profitability of the domestic and Group companies in Japan and overseas contributed to an increase in profit by 165.0 billion yen, while increased production and shipments contributed to an increase in profit by 80.0 billion yen. Moreover, the cost improvement effect mainly from the implementation of production facility structural measures contributed to an increase in profit by 60.0 billion yen.

<Engineering and Construction>

Nippon Steel Engineering Co., Ltd. is pursuing growth mainly through initiatives related to carbon neutrality, social infrastructure resilience and aging infrastructure renewal. Orders are increasing for waste to energy plant equipment and other products in the Environment and Energy sector, and for seismic control/isolation devices and bridge products in the Urban Infrastructure sector. Both revenue and business profit decreased during the year ended March 31, 2022 mainly because the business was subject to a lull in revenue recognition of orders for large projects. The Engineering and Construction segment recorded revenue of 279.2 billion yen (compared to 324.4 billion yen in the year ended March 31, 2021) and segment profit of 6.3 billion yen (compared to 17.7 billion yen in the year ended March 31, 2021).

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

(Revenue by sector for the year ended March 31, 2022)

		Steelmaking Plant	Environment and Energy	Urban Infrastructure	Adjustments	Consolidated total
Revenue	Year ended March 31, 2022	41.5	182.3	60.3	(4.9)	279.2
(Billions of yen)	Year ended March 31, 2021	56.3	193.1	76.1	(1.1)	324.4

Revenue in the Steelmaking Plant sector amounted to 41.5 billion yen, down from 56.3 billion yen in the year ended March 31, 2021, mainly due to few completed large-scale construction projects such as blast furnace relining. Revenue in the Environment and Energy sector amounted to 182.3 billion yen, down from 193.1 billion yen in the year ended March 31, 2021, due to the lull in revenue from construction of waste treatment and power generation facilities, despite firm sales in offshore gas field development projects overseas and also in contracted operation of waste treatment and power generation facilities, etc. Revenue in the Urban Infrastructure sector amounted to 60.3 billion yen, down from 76.1 billion yen in the year ended March 31, 2021, due to few completed construction projects for large-scale logistics centers in the comprehensive building construction business despite a certain level of revenue secured in building steel structure, seismic control/isolation devices, and port steel structure businesses, etc.

<Chemicals and Materials>

Nippon Steel Chemical & Materials Co., Ltd. was affected by the continuing impact of the COVID-19 pandemic, the rise in raw material prices, the global semiconductor shortage, and the disruption in logistics, but recorded an increase in revenue and profit compared with the year ended March 31, 2021 mainly by passing on the rise in raw material prices to sales prices and expanding sales of high value-added products that meet increasingly sophisticated customer needs. The Chemicals and Materials segment recorded revenue of 249.8 billion yen (compared to 178.6 billion yen in the year ended March 31, 2021) and segment profit of 25.3 billion yen (compared to 7.6 billion yen in the year ended March 31, 2021).

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

(Revenue by business for the year ended March 31, 2022)

		Coal Chemical	Chemicals	Functional Materials	Composite Materials	Adjustments	Consolidated total
Revenue	Year ended March 31, 2022	39.0	120.0	71.0	20.0	(0.2)	249.8
(Billions of yen)	Year ended March 31, 2021	26.0	76.0	60.0	17.0	(0.3)	178.6

Revenue in the Coal Chemical business amounted to 39.0 billion yen (compared to 26.0 billion yen in the year ended March 31, 2021), because demand for needle coke used in graphite electrodes recovered and prices remained firm. Revenue in the Chemicals business amounted to 120.0 billion yen, up from 76.0 billion yen in the year ended March 31, 2021, because market conditions for benzene and bisphenol A were generally firm. Revenue in the Functional Materials business amounted to 71.0 billion yen (compared to 60.0 billion yen in the year ended March 31, 2021), because sales of semiconductor-related materials, circuit board materials, LCD materials, and organic EL materials showed continued strength. Revenue in the Composite Materials business amounted to 20.0 billion yen (compared to 17.0 billion yen in the year ended March 31, 2021), because sales of epoxy resin for semiconductor package substrates, carbon fiber composite materials for civil engineering and construction reinforcement, industrial rolls, and carbon fiber for the sports and space industries expanded.

<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 Solutions has integrated its solutions, services, and know-how into a unified brand called “Planetary” to support the promotion of DX for manufacturing customers. In other areas of focus, the company has expanded sales of digital workplace solutions to meet the IT needs of new working styles and has also promoted internet services as support for platformers and DX in the EC operators and financial services areas. Customers have been increasing their IT investment on the back of DX promotion, and the segment increased revenue and profit compared to the year ended March 31, 2021. The System Solutions segment recorded revenue of 271.3 billion yen (compared to 252.4 billion yen in the year ended March 31, 2021) and segment profit of 30.8 billion yen (compared to 23.9 billion yen in the year ended March 31, 2021).

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

(Revenue by business for the year ended March 31, 2022)

		Business Solutions	Service Solutions	Adjustments	Consolidated total
Revenue	Year ended March 31, 2022	175.7	94.7	1.0	271.3
(Billions of yen)	Year ended March 31, 2021	162.2	89.7	0.5	252.4

Revenue in the Business Solutions business amounted to 175.7 billion yen, up from 162.2 billion yen in the year ended March 31, 2021. This was due to an increase in sales to transportation and platform companies in the manufacturing, retail, and service sector, steady booking of projects for modifying financial systems to meet regulatory requirements in the financial services sector, an increase

in product sales, an increase in booking of infrastructure construction projects for government agencies in the public sector, and an increase in booking in the telecommunication sector. Revenue in the Service Solutions business amounted to 94.7 billion yen, up from 89.7 billion yen in the year ended March 31, 2021. This was due to an increase in security and product sales in the IT platform sector and an increase in sales to the Company 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, 2022.

With regard to the consolidated business results for the year ended March 31, 2022, the Company recorded consolidated revenue of 6,808.8 billion yen (3,163.9 billion yen in the first half and 3,644.9 billion yen in the second half), consolidated business profit of 938.1 billion yen (477.8 billion yen in the first half and 460.2 billion yen in the second half). The return on sales (ROS) was 13.8% (15.1% in the first half and 12.6% in the second half). Contributing factors included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, a recovery in production and shipping volumes, improved profitability of the overseas Group companies, and inventory valuation.

	Results in the year ended March 31, 2022	Fiscal 2025 plan targets
Return on sales (ROS)	13.8%	Approx. 10%
Return on equity (ROE)	20.5%	Approx. 10%
D/E ratio (*)	0.59	0.7 or less
Consolidated payout ratio	23.1%	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 "3. Management's Analysis of Financial Position, Operating Results and Cash Flows, (1) Summary of operating results, (b) Assets, liabilities and equity as of March 31, 2022 and cash flows for the year ended March 31, 2022" of this report.

Forward-looking statements contained in this section are based on the Group's judgments as of March 31, 2022.

(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, we have 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, we are considering additional investments for production capacity and quality improvement measures in light of social needs toward carbon neutrality, in addition to investments that have already been decided.

In terms of business investment, we are expanding our integrated production framework in overseas markets at locations of demand as we work to achieve 100 million ton global crude steel capacity in the future. In fiscal 2021, we invested a total of 55.5 billion yen to acquire G Steel Public Company Limited and G J Steel Public Company Limited—steel producers with electric arc furnaces and hot strip mills in Thailand, converting these companies into subsidiaries.

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. In fiscal 2021, 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 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. Specifically, we hold 551.0 billion yen in cash on hand, 191.5 billion yen more than that as of March 31, 2021 (359.4 billion yen) to be prepared against the deterioration of cash flows due to emerging risks that have been amplified by the Russia-Ukraine situation.

The D/E ratio after adjusting for equity credit attributes of subordinated loans and subordinated bonds as of March 31, 2022 was 0.59 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 (607.8 billion yen on a consolidated basis) to enhance its solvency while maintaining an appropriate ratio of fixed assets to long-term liabilities in order to ensure the solvency margin in unforeseen circumstances.

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

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

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

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

a. Impairment of non-financial assets

If any indication of impairment of assets exists, the Group estimates the recoverable amount of an asset or a cash-generating unit at the higher of its fair value less costs of disposal or its value in use. If the recoverable amount of the asset or the cash-generating unit is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized. The value in use is calculated by discounting the estimated future cash flows to the present value. The cash flows are based on the medium- to long-term management plan and the latest business plan, which incorporate the steel demand 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. In the year ended March 31, 2022, the Group recorded impairment losses of 24.4 billion yen mainly on operating assets related to a part of the Company’s seamless carbon steel pipe business. The balances of property, plant and equipment and intangible assets as of March 31, 2022 were 3,052.6 billion yen and 130.4 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, 2022 stood at 307.1 billion yen.

(Impact of COVID-19 and the ongoing Russia-Ukraine situation on significant accounting estimates in the Group)

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

4. Material Business Agreements, etc.

Contracting party	Counterparty	Country	Details	Effective date	Expiry date
The Company	POSCO Holdings Inc. *1	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) *2
The Company	ArcelorMittal	Luxembourg	Global strategic alliance agreement in the fields of automotive steel products, etc.	January 22, 2001 (revised on June 14, 2021) *3	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. *1	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) *2
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)	November 6, 2031 (with a provision of automatic renewal for every five years)
The Company	BlueScope Steel Limited	Australia	Joint venture for steel business in the building and construction field in Southeast Asia and the United States (NS BlueScope Coated Products)	March 28, 2013	Not stipulated
The Company	Kobe Steel, Ltd.	Japan	Memorandum of understanding on continued consideration of alliance measures and measures in response to takeover proposals	March 29, 2013	November 14, 2022 (with a provision of automatic renewal for every five years)
The Company	ArcelorMittal North America Holdings LLC	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™ *4	February 1, 2016	March 31, 2031 (with a provision of automatic renewal for every year) *5
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	Kendrick Global Limited	British Virgin Islands	Agreement on the purchase of shares in G Steel Public Company Limited and G J Steel Public Company Limited *6	January 21, 2022	Not stipulated

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

*1: The trade name of the counterparty was changed from POSCO to POSCO Holdings Inc.

*2: The Company has extended the expiry date of these agreements.

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

*4: The agreement on additional shareholding with VALLOUREC expired on June 30, 2021 when the financial restructuring plan of VALLOUREC, was completed with the necessary approvals, etc.. The agreement on enhanced business collaboration related to VAM™ (Counterparty: Vallourec Oil & Gas France) will be continued.

*5 The description of the expiry date was changed to that for the agreement on enhanced business collaboration about VAM™, which continues.

*6 Acquisition of shares of G Steel Public Company Limited and G J Steel Public Company Limited in Thailand
On January 21, 2022, the Company decided to enter into a share purchase agreement (“SPA”) to acquire 49.99% shares in G Steel Public Company Limited (“G Steel”) and 49.90% shares in G J Steel Public Company Limited (“G J Steel”), which are integrated steel production mills that produce hot-rolled steel sheets from electric arc furnaces in Thailand, from Kendrick Global Limited (“Kendrick”). Based on the SPA, the Company acquired 100% shares in Asia Credit Opportunities I (Mauritius) Limited (“ACO I”), a special purpose company which holds 49.99% shares of G Steel and 40.45% shares of G J Steel, from Kendrick (the “Transaction”) on February 17, 2022. In addition to the 40.45% shares in G J Steel held by ACO I, G Steel, together with its subsidiaries, holds 9.45% of G J Steel shares, and the Company acquired 49.90% of G J Steel shares in total as a result of the Transaction. As a result of the Transaction, the Company has an effective control over G Steel and G J Steel, and both companies became subsidiaries (specified subsidiaries) of the Company.

1. Purpose of the acquisition of shares, etc.

Global steel consumption is expected to continue to grow steadily to 2025 and further to 2030. The Company has developed its business mainly in Asia especially China, the ASEAN countries and India, where the market size and growth rate are large in global terms and the Company is in an advantageous position to be able to lead the market size and growth to its earnings growth. In line with the Medium- to Long-term Management Plan released in 2021, the Company sets its vision to achieve “100 million ton global crude steel capacity per annum” through expanding local integrated steel production in growing overseas market, and has been considering acquisition of, and equity participation (brownfield investment) in integrated steel mills in the ASEAN countries and others.

Amongst the ASEAN countries, Thailand has been an essential market for the Company, where it has established product processing bases since the 1960s to meet the demand of high-quality steel from local automotive and home appliance manufacturers, and the Company has been supplying semi-finished products from Japan, which are then further processed locally at the Company’s cold-rolling, coating and other processing facilities at its subsidiaries and supplied as final products to local manufacturing companies. In contrast, the demand for general-purpose flat steels products, market size of which is as large as that of high-quality steel, is also expected to grow steadily in Thailand. As the trend of “favoring domestic production” accelerates all over the world, it is important to become an insider in order to capture the demand of general-purpose products in Thailand, and this is the reason that the Company has been considering securing local integrated steel production through M&A and other means.

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 decided that this opportunity was worthwhile to invest because 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 demands 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.

2. Name of the counterparty to the Transaction
Kendrick Global Limited

3. Name, description of business and size of the companies acquired

3-1. G Steel (as of March 31, 2022)

(1) Name	G Steel Public Company Limited
(2) Location	88 PASO Tower, 18th Floor, Silom Road, Suriyawong, Bangrak, Bangkok, Thailand 10500
(3) Name and title of representative	Christopher Michael Nacson, Chairman of the Board of Directors
(4) Description of business	Manufacturing and sales of hot rolled steel sheets
(5) Capital	144,644 million Baht
(6) Date of establishment	October 31, 1995
(7) Major shareholders and ownership percentage	Asia Credit Opportunities I (Mauritius) Limited: 49.99%
(8) Consolidated operating results and consolidated financial positions for the year ended December 31, 2021 ^{*1}	
Net assets	5,779 million Baht
Total assets	12,340 million Baht
Net sales	15,814 million Baht
Profit before taxation	1,432 million Baht
Profit for the year	1,325 million Baht
Profit attributable to owners of the parent	1,325 million Baht

*1 Since G J Steel is no longer consolidated, information related to the company is not included.

3-2. G J Steel (as of March 31, 2022)

(1) Name	G J Steel Public Company Limited
(2) Location	88 PASO Tower, 24th Floor, Silom Road, Suriyawong, Bangrak, Bangkok, Thailand 10500
(3) Name and title of representative	Stephen Karl Stewart, Chairman of the Board of Directors
(4) Description of business	Manufacturing and sales of hot rolled steel sheets
(5) Capital	24,468 million Baht
(6) Date of establishment	January 5, 1994
(7) Major shareholders and ownership percentage	Asia Credit Opportunities I (Mauritius) Limited: 40.45% G Steel Public Company Limited: 8.24% GS Securities Holdings Co., Ltd.: 1.21%
(8) Operating results and financial positions for the year ended December 31, 2021	
Net assets	15,839 million Baht
Total assets	16,622 million Baht
Net sales	18,407 million Baht
Profit before taxation	3,178 million Baht
Profit for the year	3,178 million Baht

4. Timing of the acquisition of shares
February 17, 2022

5. Number of shares acquired through the Transaction, acquisition costs and shareholding ratio after acquisition

(1) Number of shares held before the change	0 shares (Number of voting rights: 0) (Ratio of voting rights held: 0.0%)
(2) Number of shares acquired	G Steel: 14,461,489,473 shares (Number of voting rights: 14,461,489,473) G J Steel: 12,717,786,545 shares and NVDR ^{*2} of 204,485 shares (Number of voting rights: 12,717,786,545)
(3) Acquisition value	Common shares of G Steel: 117 million USD Common shares of G J Steel: 183 million USD
(4) Number of shares held after the change	G Steel: 14,461,489,473 shares (Number of voting rights: 14,461,489,473) (Ratio of voting rights held: 49.99%) G J Steel 12,717,786,545 shares and NVDR of 204,485 shares (Number of voting rights: 12,717,786,545) (Ratio of voting rights held: 49.90%)

*2 Non-voting depository receipt (NVDR) is a trading instrument issued by Thai NVDR.

5. Research and Development Activities

Amid the diversifying consumer needs and social needs for the environment and energy, the Company is focusing its management resources on research and development areas that contribute to profit growth and the realization of carbon neutrality through the enhancement of technological superiority and the development of environment-friendly steel manufacturing technologies, including CO₂ reduction. The Company has established a strong cooperative system between the three central research organizations, namely, the Steel Research Laboratories, the Advanced Technology Research Laboratories, and the Process Research Laboratories, as well as the R&D laboratories located in each of steelworks. Based on the philosophy of “Research and Engineering,” the Company has been promoting integrated research and development from basic and generic research to applied development and engineering.

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

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

(Steelmaking and Steel Fabrication)

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

With the three R&D centers (located in Futtsu, Amagasaki, and Kamisu) at its core, the Company has been engaged in; (a) research and development of steel materials, products, and applied technologies and solutions at the Steel Research Laboratories, (b) research and development of common infrastructure technologies, research on CO₂ 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 CO₂ 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 CO₂ emissions.

<Flat Products>

- We are evolving our next-generation steel car concept Nsafe™-AutoConcept (“NSAC”). In fiscal 2021, we have newly developed the NSAC xEV for electric vehicles and established the NSafe™-AutoFrameConcept (NSAFC) as a production solution for next-generation mobility. Due to their large batteries, electric vehicles present different challenges than conventional car manufacturing in terms of safety, performance, and cost. The NSAC xEV has realized the safety, performance, and cost balanced proposal for maximizing advanced materials and material performance in the fields of body structure including batteries and battery boxes, and motors. With NSAFC, we will address the diversified end-users’ needs regarding automotive structures with CASE and MaaS. NSAFC is a die-less production solution that enables production with no need or less need for molds. This concept is based on steel pipes and their processing and structural solution technologies. In addition, shear forming (“Nsafe™-FORM-SS”), a new press forming technology that enables the application of ultra-high-tensile materials to difficult-to-form parts, has been adopted by automobile manufacturers. Nsafe™-FORM-SS uses simulation technology to analyze the behavior of steel in the mold. By changing the shape and deformation of the steel blank, it avoids cracking and wrinkling, enabling the rapid formation of complex shapes with 1180 MPa-class high tensile strength. As well as making components lighter through the use of ultra-high-tensile materials, this technology can also help to improve component value. For example, compared to the drawing molding method, it can enhance productivity due to lower forming load and save resources due to its improved material yield.
- The Company has uniquely developed a tailored welded blank technology (technology to join steel sheets of different thicknesses and strengths by laser welding; “TWB technology”) for aluminum-plated hot stamped steel sheets (“AL-HS steel sheets”) and commercialized it for the first time in Japan. We have started production and product sales at the Kyushu Works Yawata Area. The TWB technology can optimize component strength and thickness, enabling enhanced performance and reduced weight of car body, and reduced costs. However, when AL-HS steel sheets are joined using conventional TWB technology, aluminum is mixed into the weld zone, resulting in reduced joint strength after hot stamping. Our newly commercialized TWB technology uses proprietary joining technology to achieve high joint strength. With respect to the center pillar, the application of TWB material using this AL-HS steel sheet enables several advantages compared to the conventional spot-welded structure of AL-HS steel sheets. It enhances vehicle body performance, ensures safety, reduces weight, and lowers component costs. As well as developing advanced materials, we are advancing the development of component structures that maximize material performance and processing technologies that embody new structures, thereby reducing vehicle weight and improving safety, and evolving NSAC to meet the needs of the carbon-neutral era.

- We have started commercial production of chromate-free tinplate, in which chromium is not intentionally added in the passivation process. In response to strict environmental regulations overseas and supply demands from customers, we have developed EZP™, a chromate-free tinplate. The manufacturing process uses a zirconium treatment instead of the conventional chromate treatment. The zirconium oxide layer formed has performance characteristics equivalent to the chromate layer on conventional tinplate. EZP™ is the trade name of our chromate-free tinplate. Recognized for its high safety as a food container material, EZP™ has been officially certified as a Food Contact Substance by the United States Food and Drug Administration (FDA) and the European Union (EU). It is currently pending approval by the Southern Common Market (MERCOSUR). The Company started full-scale commercial production of EZP™ in 2021. A number of customers interested in EZP™ are advancing material evaluations, and we expect its sales to increase further in the future.

<Steel Plate>

- CORSPACE™, a coating cycle extension steel developed by the Company, has been used on approximately 50 bridges, a cumulative total of 10,000 tons. It is mainly used on roads and railroad bridges where it is difficult to install scaffolding for future repainting. This includes areas susceptible to severe salt damage, such as Okinawa Prefecture, and areas that become snowbound such as Tohoku and Hokuriku, where snow-melting agents are sprayed. CORSPACE™ suppresses the amount of corrosion by adding a small amount of tin (Sn) to the steel. This inhibits the elution of Fe ions under low pH conditions. The amount of steel corrosion and the surface area of paint peeling are significantly reduced compared to conventional steel under similar coating conditions and operating environments. This enables an extension of the repainting cycle. The Company will continue its efforts to expand the application of CORSPACE™, helping to extend the life of steel structure infrastructure, reduce life cycle costs, and reduce environmental impact.

<Pipe and Tube>

- NSMAX™-GR-PS, a special connection for oil well pipes newly developed by the Company, has been adopted for the drilling of new wells, which is planned to be carried out at INPEX Minamiaga Field Office (Agano, Niigata Prefecture) by INPEX Corporation (“INPEX”) and Japan Oil, Gas and Metals National Corporation (“JOGMEC”), for the first time ever. INPEX and JOGMEC have started joint research for the verification testing of the enhanced oil recovery (EOR) technology using carbon dioxide (CO₂) at INPEX Minamiaga Oil Field. For this verification testing, the Company received all orders for electric resistance welded oil country tubular goods (“ERW OCTG”) and seamless OCTG to be used for two wells that are planned to be newly drilled in 2022. NSMAX™-GR-PS was adopted for the ERW OCTG that will be used for surface casing—the first instance of its use anywhere in the world. NSMAX™-GR-PS achieves seamless and high fastening stability thanks to the Company’s proprietary special connection design. Drilling activities for earth-conscious geothermal power generation and EOR or carbon capture storage (CCS) are expected to increase globally. We are also looking ahead to capturing international demand for the NSMAX™-GR-PS, which is capable of meeting diversifying needs.
- High alloy OCTG seamless pipe from the Company has been selected by Equinor ASA, a service provider to the Northern Lights Joint Venture, which is a carbon dioxide capture and storage value chain operator in the North Sea in Europe. The JV intends to commercialize a service that collects CO₂ emitted from industrial facilities in Norway and other European countries and transports it to an intermediate storage facility, which is located 100 kilometers offshore, through pipeline, then injects it into a subsurface reservoir 2,600 meters under the seabed. Injecting the liquefied CO₂ under the seafloor requires steel pipes with high corrosion resistance. Our high alloy seamless OCTG has been used in oil and natural gas production in very severe conditions for many years. The product has been proven to provide the world’s best corrosion resistance and can be used in a high concentration CO₂ environment without causing corrosion.

<Bar and Wire Rod>

- The Company received the 2020 MEXT Minister’s Award Prize for Science and Technology (Development Division) for the development of wire materials for ultra-high-tensile bridge cables with reduced environmental impact. This award is given in recognition of outstanding achievements in the development and promotion of understanding of science and technology. Conventional cables are manufactured by immersion in a molten lead bath, subjecting them to heat treatment to improve their metallic structure and tensile strength (“LP treatment”). The cables are then pultruded and galvanized. There was a need to develop wire materials that avoid LP treatment, due to low production capacity and also due to the fact that lead is subject to environmental regulations in some countries. The Company has developed the world’s first bridge cable wire rod that can be drawn without LP treatment. We achieved this by utilizing our Direct In-Line Patenting treatment to improve the metallic structure and tensile strength of the cable. This production process adds boron and titanium, which had never been used in bridge cable wire rod, dipping the wire in a molten salt bath immediately after rolling it in the wire rod rolling line. This development has enabled a reduction in environmental impact, including the omission of LP treatment and a resulting reduction in CO₂ emissions, as well as avoidance of the use of lead. This wire rod has been used in ultra-high-tensile cables for several of the world’s ten longest bridges in terms of center span length. This has helped to strengthen our international competitiveness in social infrastructure development.

<Construction Products>

- The Company, together with MO tech Co., Ltd., Toyo Techno Corporation, and NIPPON STEEL METAL PRODUCTS CO., LTD. will conduct demonstration tests sponsored by Japan Association for the 2025 World Exposition and the Osaka Chamber of Commerce and Industry. The experiments consist of a demonstration test of casting and pultrusion of NS ECO-PILE™ in very soft ground and a bearing capacity improvement test using calcia modified material. One of the tests focuses on NS ECO-PILE™, a steel pipe pile with a spiral-shaped vane welded to the tip of the steel pipe open end. This pile method addresses environmental and social problems such as industrial waste (waste soil, slurry, etc.) as well as noise and vibration. At the same time, it enables high bearing capacity, high earthquake resistance, low cost, and a short construction period. The foundation of the structure for the Expo requires an understanding of the characteristics of the reclaimed land at the site. Based on this understanding, we must drive the piles and then extract them and level the ground after the Expo, without fail. We aim to enable low-cost site development for the Expo in a short construction period by demonstrating and assessing the use of small machines for pile driving and for pile extraction and ground leveling after the Expo.

<Titanium>

- The Company's TranTixxii™ received the Good Design Award for 2021. TranTixxii™ is a material that combines titanium's characteristics of extended service life, light weight, high strength, and exceptional environmental performance with the multi-faceted beauty (color and tone) emitted by the material itself through proprietary technologies to control the light and color of the material surface. This proprietary technology, the first of its kind in the world, minimizes changes in the product over the years, providing longevity and beautiful colors.
- The use of our titanium product brand TranTixxii™ is expanding. For example, TranTixxii™ roofing materials were used for major repairs at Kameyama Shrine (Kure City, Hiroshima Prefecture), which were implemented in fiscal 2021 to commemorate the 130th anniversary of the relocation of the shrine. They were also used for renovations at the Main Hall of Zojoji Temple (Minato-ku, Tokyo), the main temple of the Jodo sect of Buddhism. This is the largest-ever adoption of titanium roofing tiles. International adoption of TranTixxii™ is also increasing. Panels made of ALPOLIC™/fr TCM, Mitsubishi Chemical Infracore Co., Ltd.'s titanium composite material of titanium, resin and stainless steel, which uses the Company's TranTixxii™ and NIPPON STEEL Stainless Steel's stainless steel sheets, were used for an international conference center in China and also for the entrance of a research and development facility of CCI Automotive Products Co., Ltd. in Thailand. This is the first time that our titanium material has been used in Thailand.
- The Company has participated in a project, "Development of New Low-Cost Low-Energy-Consumption Titanium Manufacturing Technology." The project is being advanced by Toho Titanium Co., Ltd. under the "Strategic Innovation Program for Energy Conservation Technologies" of the New Energy and Industrial Technology Development Organization (NEDO), a national research and development agency. The existing titanium refining method, the Kroll process, emits CO₂ in the process of generating intermediate raw materials by reacting raw titanium ore with chlorine gas. It consumes a large amount of electricity in the electrolysis process to regenerate magnesium as a reducing agent. This project aims to develop a new titanium refining method using a different solid reduction material. It aims to reduce electricity consumption by 70% to 80% and to achieve zero CO₂ emissions from the titanium refining process. This project transitioned to the demonstration and development phase in July 2021. As a co-implementer, the Company is in charge of testing and evaluating the feasibility of manufacturing thin titanium sheets and other expanded materials using new pilot-scale titanium smelting and melting materials to be produced by Toho Titanium. We aim to contribute to further promoting the adoption of titanium by reducing the energy consumption, environmental impact, and costs involved in titanium metal smelting.

<Railway/automotive/machinery parts>

- The Company received the 54th (fiscal 2021) Ichimura Prize in Industry for Distinguished Achievement from the Ichimura Foundation for New Technology for the development of new brake pads for the Shinkansen (bullet train). The award is a traditional and prestigious prize that recognizes technological developers who have contributed to the advancement of science and technology and the development of industry. Increasing the speed of the Shinkansen gives rise to the need for improved braking performance to maintain safety. The existing brake pads have a structure in which a single piece of the friction material is pressed against the disc. When braking suddenly from high speeds, the friction material makes partial contact with the thermally deformed disc. This creates localized heat spots that result in various problems including reduced braking force. The new brake pad is equipped with a disc spring developed by the Company using the finite element method. This prevents the occurrence of heat spots by allowing the friction material of the brake pad to follow the thermally deformed brake disc. The new pads have succeeded in reducing the disc surface temperature by more than 100°C compared to conventional products. This reduction in temperature prevents a decrease in the coefficient of friction and also shortens the braking distance. All Tokaido Shinkansen trains are now equipped with the new pad, and its application is expected to expand further in the future.

<Steelmaking process, etc.>

- The Company was awarded the Okochi Memorial Production Prize by the Okochi Memorial Foundation at the 68th Okochi Awards (fiscal 2021) for hot rolling technology for high-strength steel sheet by measurement and control adapted to harsh environments. The award-winning technology is based on the development and practical application of measuring instruments that adapt to the harsh hot rolling environment of high temperature, vibration, and large amounts of cooling water, such as a temperature meter in the cooling zone, a finishing flatness meter, and a meander meter between rolling stands and advanced control technology that utilizes them, with the aim of realizing stable, high-quality mass production of high strength steel sheet and other high performance steel sheets. This involved several technological developments. For example, the coolant thermometer adopts an innovative technology in which water acts as a light guiding path for thermal radiation. This was the first to successfully measure the temperature of steel sheet in an environment with a large amount of cooling water. This development has enabled a productivity improvement of more than 20% and a manufacturing yield loss reduction of more than 20%, achieving high-quality manufacturing and stable supply of high-strength steel sheet. This technology reduces CO₂ emissions from the hot rolling process, also contributing to a reduction in environmental impact.
- The Company, Nippon Steel Engineering, and the Research Institute of Innovative Technology for the Earth (RITE), jointly received the Ichimura Prize in Industry against Global Warming for Distinguished Achievement for their achievement in developing a low-energy system to separate and recover CO₂ in factory exhaust gas. The award was presented at the 54th Ichimura Award (fiscal 2021) by the Ichimura Foundation for New Technology. The chemical absorption method is a technology that selectively reacts to and absorbs CO₂ in the absorbent solution. Heat is then added to separate and recover the CO₂. Since the thermal energy required for CO₂ separation accounts for a large portion of the recovery cost, reducing this thermal energy was a key development point. We have developed a new chemical absorbent that can significantly reduce thermal energy consumption by using quantum chemical calculations and chemoinformatics to efficiently search for amine compounds to be used in the absorbent solution, and by studying the plasticity of the absorbent solution. In addition, we have established a method for differentiating and removing impurities that accompany the recovered CO₂. As a result, energy consumption is reduced by 40% compared to monoethanolamine, a conventional general chemical absorbent, and regeneration is achieved at lower temperatures below 100°C. Furthermore, the addition of pre-treatment and post-treatment facilities for removing impurities has enabled the treatment of highly impure exhaust gas. This technology has been commercialized by Nippon Steel Engineering as ESCAP™.

<Slag and cement>

- The Company, together with MO tech Co., Ltd., Toyo Techno Corporation, and NIPPON STEEL METAL PRODUCTS CO., LTD. will conduct demonstration tests sponsored by Japan Association for the 2025 World Exposition and the Osaka Chamber of Commerce and Industry. The experiments consist of a demonstration test of casting and pultrusion of NS ECO-PILE™ in very soft ground and a bearing capacity improvement test using calcia modified material. One of the experiments focuses on calcia modified material made from steel slag with ingredient control and particle size adjustment. This can be used effectively as calcia modified soil by mixing it with soft dredged soil to improve its strength. When the Ca contained in the calcia modifier mixes with Si, Al, and moisture in the dredged soil, hydrates are formed, which enhances its strength and suppresses turbidity. We will modify the soft dredged land base of the Expo site with calcia modifier to solve the lack of bearing capacity. .

(Engineering and Construction)

Research and development expenses for this segment were 1.7 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, enhancing research and development for carbon recycling, and strengthening competitiveness of melting furnace
- 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 3.9 billion yen.

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

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

(System Solutions)

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

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

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

III. Information about Facilities

1. Overview of Capital Expenditures

The Company and its consolidated subsidiaries make capital expenditures independently as required. A breakdown of capital expenditures for the year ended March 31, 2022 (based on accepted property, plant and equipment and intangible assets (process computer systems, etc.)) is as follows.

	Year ended March 31, 2022	Year-on-year change
Steelmaking and Steel Fabrication	401,985 million yen	14 % decrease
Engineering and Construction	1,983 million yen	26 % decrease
Chemicals and Materials	7,543 million yen	25 % decrease
System Solutions	8,538 million yen	103 % increase
Total	420,050 million yen	13 % decrease
Adjustments	(12,601) million yen	—
Total	407,448 million yen	14 % decrease

For the Steelmaking and Steel Fabrication business, the Group is committed to steadfastly and systematically pushing forward with measures to strengthen its foundation and competitiveness in an efficient way based on the long-term renewal plan, while adhering to the following basic policies: “to realize a higher-level order mix through aggressive investment in strategic products,” “to renew and improve facilities to ensure technological strength leading to profit generation,” and “to make the production framework streamlined and more efficient by selective concentration on certain products and facilities.”

2. Major Facilities

(1) Reporting company

(As of March 31, 2022) (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	61,121	2,934	3,931	97,688 (3,050) [0]	33,697	199,373	4,224
Muroran Works (Muroran City, Hokkaido)	Same as above	Manufacturing facilities of bars and shapes	30,189	34,811	1,846	5,543 (7,846) [110]	1,240	73,632	1,026
East Nippon Works (Kashima City, Ibaraki, Kimitsu City, Chiba, Kamaishi City, Iwate and Joetsu City, Niigata)	Same as above	Manufacturing facilities of bars, shapes, flat-rolled products, pipes and tubes, stainless and titanium products	142,567	246,246	10,947	153,520 (25,255) [163]	22,473	575,755	6,780
Nagoya Works (Tokai City, Aichi)	Same as above	Manufacturing facilities of flat- rolled products, pipes and tubes	34,566	128,475	3,582	14,873 (6,489) [0]	13,485	194,984	3,183
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	80,520	114,069	9,176	85,310 (7,759) [119]	11,463	300,540	5,104
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	17,318	34,443	3,936	23,568 (9,026) [58]	13,420	92,687	2,816
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	137,855	280,461	10,100	85,241 (23,824) [26]	18,029	531,688	5,575
Total			504,139	841,442	43,522	465,747 (83,251) [476]	113,810	1,968,661	28,708

Notes: 1. Figures in brackets in the Land (area: 1,000 m²) column indicate the area (1,000 m²) of land leased from parties other than the consolidated companies.

2. 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, 2022) (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	12,202	41,248	1,819	7,284 (804) [5]	1,325	63,881	1,611
NIPPON STEEL COATED SHEET CORPORATION	Funabashi Works (Funabashi City, Chiba), etc.	Same as above	Sheet surface treatment facilities	10,148	5,858	619	18,706 (756) [43]	454	35,787	1,364
Osaka Steel Co., Ltd.	Osaka Unit (Osaka City and Sakai City, Osaka), etc.	Same as above	Steelmaking and rolling facilities	5,066	14,083	1,680	30,352 (582) [34]	2,122	53,306	553
Krosaki Harima Corporation	Head Office and Yahata Works (Kitakyushu City, Fukuoka), etc.	Same as above	Refractory manufacturing facilities	8,753	6,138	772	5,934 (1,162) [17]	390	21,989	2,362
NIPPON STEEL TEXENG. CO., LTD.	Kimitsu Office (Kimitsu City, Chiba), etc.	Same as above	Steel product processing facilities	14,674	5,160	1,003	16,319 (1,072) [33]	1,509	38,667	11,914
NIPPON STEEL Stainless Steel Corporation	Yamaguchi Works (Hikari City and Shunan City, Yamaguchi), etc.	Same as above	Stainless steel manufacturing facilities	26,198	43,815	2,802	19,902 (3,599)	2,021	94,740	2,799
NIPPON STEEL LOGISTICS CO., LTD.	Head Office (Chuo-ku, Tokyo), etc.	Same as above	Ships, etc.	4,260	5,447	636	6,476 (218) [9]	270	17,091	861
NIPPON STEEL ENGINEERING CO., LTD.	Kitakyushu Technology Center (Kitakyushu City, Fukuoka), etc.	Engineering and Construction	Facilities for general construction work	3,545	1,031	604	1,136 (631)	466	6,784	1,586
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.	10,312	6,478	1,423	9,924 (255)	203	28,343	1,271
NS Solutions Corporation	Head Office (Minato-ku, Tokyo), etc.	System Solutions	Data center facilities, computers and related equipment	9,866	0	6,859	2,542 (10)	831	20,100	3,367

Notes: 1. Figures in brackets in the Land (area: 1,000 m²) column indicate the area (1,000 m²) of land leased from parties other than the consolidated companies.

2. The table above includes welfare facilities.

(3) Foreign subsidiaries

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

Company name	Business site (Location)	Segment name	Description of facilities	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land (area: 1,000 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	4,964	16,698	189	3,255 (184)	424	25,532	287
NS-Siam United Steel Co., Ltd.	Rayong Works (Rayong Province, Thailand)	Same as above	Manufacturing facilities of cold-rolled sheets and coated sheets	3,026	20,571	144	3,168 (414)	2,423	29,334	1,073
Ovako AB	Hofors Works (Hofors City, Sweden), etc.	Same as above	Steelmaking and rolling facilities	5,885	25,710	-	1,804 (7,019)	1,757	35,157	2,714
G Steel Public Company Limited	(Rayong Province, Thailand)	Same as above	Electric arc furnaces and hot-rolling facilities	2,572	18,495	24	1,474 (687)	93	22,660	607
G J Steel Public Company Limited	(Chon Buri Province, Thailand)	Same as above	Electric arc furnaces and hot-rolling facilities	5,396	20,920	102	3,511 (1,005)	620	30,550	635

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 under preparation for the year ending March 31, 2023.

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

Refurbishment

Company name Business site	Location	Segment name	Description of facilities	Planned investment amount (Billions of Yen)		Financing method	Scheduled commencement and completion dates		Capacity, etc.
				Total	Amount already paid		Commencement	Completion	
The Company Nagoya Works	Tokai City, Aichi	Steelmaking and Steel Fabrication	No. 3 coke oven (including fixtures and fittings)	57.0	53.0	Self- financing, borrowing and other means	November 2018	First half of fiscal year 2021 *	0.8 million tons/year
The Company Nagoya Works	Tokai City, Aichi	Steelmaking and Steel Fabrication	No.3 blast furnace	49.0	10.0	Self- financing, borrowing and other means	June 2020	First half of fiscal year 2022	Volume of the blast furnace is 4,425 m3.
The Company East Nippon Works	Kimitsu City, Chiba	Steelmaking and Steel Fabrication	No. 3 coke oven (including fixtures and fittings)	39.0	0	Self- financing, borrowing and other means	February 2022	First half of fiscal year 2026	0.7 million tons/year

Notes: * The main body of No. 3 coke oven of Nagoya Works has begun its operation in fiscal year 2021.

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, 2022)	Number of shares issued as of the filing date (June 23, 2022)	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 First Section (as of the end of the fiscal year) on its Prime Market (as of the filing date) Nagoya Stock Exchange on its First Section (as of the end of the fiscal year) on its Premier Market (as of the filing date) Fukuoka Stock Exchange and Sapporo Stock Exchange	Shares with full voting rights Number of shares that constitute a share unit is 100 shares.
Total	950,321,402	950,321,402	—	—

(2) Subscription right for new shares

(a) Stock option plans

Not applicable

(b) Rights plans

Not applicable

(c) Subscription right for new shares for other uses

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, 2022)	As of the end of the month immediately prior to the filing date (May 31, 2022)
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 53,834,834	Common stock of the Company 56,378,260
Amount to be paid in upon exercise of stock acquisition rights (yen) (Note 2)	2,786.3	2,660.6
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 2,786.3 Amount to be capitalized 1,393.15	Issue price 2,660.6 Amount to be capitalized 1,330.3
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.

- (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).

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

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, 2022)	As of the end of the month immediately prior to the filing date (May 31, 2022)
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 51,376,900	Common stock of the Company 53,803,938
Amount to be paid in upon exercise of stock acquisition rights (yen) (Note 2)	2,919.6	2,787.9
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 2,919.6 Amount to be capitalized 1,459.8	Issue price 2,787.9 Amount to be capitalized 1,393.95
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)

- 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.
- 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.
 - 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.

- (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).

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

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, 2022

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	166	78	3,819	788	564	351,415	356,835	—
Number of shares held (Units)	316	3,257,961	335,040	915,827	2,450,703	6,621	2,463,896	9,430,364	7,285,002
Shareholding ratio (%)	0.00	34.55	3.55	9.71	25.99	0.07	26.13	100	—

Notes: 1. Treasury stock is included in “Individuals and others” in the amount of 283,714 units, and in “Shares less than one unit” in the amount of 75 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 28,370,810 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 109,435 persons.

(6) Major shareholders

As of March 31, 2022

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	1,372,773	14.9
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	497,724	5.4
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)	214,658	2.3
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)	160,615	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)	140,643	1.5
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
Nippon Steel Group Employees Shareholding Association	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	112,459	1.2
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)	104,729	1.1
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	104,339	1.1
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	102,529	1.1
Total	—	2,932,471	31.8

Notes: 1. In addition to the above, there are 283,708 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 November 1, 2021, it is stated that MUFG Bank, Ltd. and its joint holders, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., held the following shares of NIPPON STEEL as of October 25, 2021. 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, 2022.

The details in the Statement of Changes are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
MUFG Bank, Ltd.	95,587	1.01
Mitsubishi UFJ Trust and Banking Corporation	214,359	2.26
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	80,019	0.84
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	46,599	0.49
Total	436,565	4.59

3. In a Statement of Changes to a Statement of Large Volume Holding made available for public inspection as of November 8, 2021, it is stated that MUFG Bank, Ltd. and its joint holders, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., held the following shares of NIPPON STEEL as of October 29, 2021. 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, 2022.

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.	182,740	1.89
NOMURA INTERNATIONAL PLC	23,043	0.24
Nomura Asset Management Co., Ltd.	331,653	3.49
Total	537,437	5.44

4. In a Statement of Changes to a Statement of Large Volume Holding made available for public inspection as of February 22, 2022, it is stated that Mizuho Bank, Ltd. and its joint holders, Mizuho Securities Co., Ltd., Asset Management One Co., Ltd., and Mizuho International plc, held the following shares of NIPPON STEEL as of October 25, 2021. 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, 2022.

The details in the Statement of Changes are as follows:

Name / Company name	Number of share certificates, etc. held (Hundreds of shares)	Ownership ratio (%)
Mizuho Bank, Ltd.	144,348	1.49
Mizuho Securities Co., Ltd.	112,557	1.16
Asset Management One Co., Ltd.	369,791	3.82
Mizuho International plc	0	0.00
Total	626,697	6.47

(7) Voting rights

(a) Issued shares

As of March 31, 2022

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 29,386,400	—	Number of shares that constitute a share unit is 100 shares.
Shares with full voting rights (Other)	Ordinary shares 913,650,000	9,136,500	Number of shares that constitute a share unit is 100 shares.
Shares less than one unit	Ordinary shares 7,285,002	—	—
Total number of issued shares	950,321,402	—	—
Total voting rights held by all shareholders	—	9,136,500	—

Notes: 1. The figure in “Shares with full voting rights (Treasury stock, etc.)” above includes shares of treasury stock of 28,370,800 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: 10 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, 2022

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 (Cross-held shares)	2-6-1 Marunouchi, Chiyoda-ku, Tokyo	28,370,800	—	28,370,800	2.99
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		29,146,700	—	29,146,700	3.07

Notes: 1. In addition to the above, the number of shares with full voting rights (treasury stock, etc.) is 29,386,400 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, 2022	29,560	59,066,627
Treasury stock acquired during the period from April 1, 2022 to the filing date of this report	3,107	6,489,441

Note: "Treasury stock acquired during the period from April 1, 2022 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, 2022 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, 2022		Period from April 1, 2022 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)	1,900	3,665,483	309	596,135
Number of shares of treasury stock held	28,370,810	—	28,373,608	—

Note: "Number of shares of treasury stock held" during the "Period from April 1, 2022 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, 2022 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 70 yen per share at the end of the first half. Regarding the year-end dividend, based on the improvement in business performance since the previous forecast announcement and with a view to maintaining a high-level return to shareholders from the next fiscal year, the Company resolved at the 98th General Meeting of Shareholders held on June 23, 2022 to pay a year-end dividend of 90 yen per share (the annual dividend is 160 yen per share).

Date of resolution	Total amount of dividends (Millions of Yen)	Dividends per share (Yen)
The Meeting of the Board of Directors held on November 2, 2021	64,537	70
The 98th General Meeting of Shareholders held on June 23, 2022	82,975	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, limiting the number of items for deliberation by the Board of Directors, and enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies. In order for all Outside Directors to obtain necessary information and sufficiently fulfill their roles, the Chairman, the President and other senior management regularly hold meetings with all Outside Directors to share management challenges, and exchange opinions.

Outside Directors account for more than one-third (5 out of 14) of all members of the Company's Board of Directors.

Composition of the Board of Directors

Name	Position		
[Directors (excluding Directors who are Audit & Supervisory Committee Members)]			
Kosei Shindo	Representative Director and Chairman		
Eiji Hashimoto	Representative Director and President (Chairperson)		
Akio Migita	Representative Director and Executive Vice President		
Naoki Sato	Representative Director and Executive Vice President		
Takahiro Mori	Representative Director and Executive Vice President		
Takashi Hirose	Representative Director and Executive Vice President		
Tadashi Imai	Managing Director		
Tetsuro Tomita	Director	Outside Director	Independent Director
Kuniko Urano	Director	Outside Director	Independent Director
[Directors who are Audit & Supervisory Committee Members]			
Shozo Furumoto	Senior Audit & Supervisory Committee Member (full-time)		
Masayoshi Murase	Audit & Supervisory Committee Member (full-time)		
Seiichiro Azuma	Audit & Supervisory Committee Member	Outside Director	Independent Director
Hiroshi Yoshikawa	Audit & Supervisory Committee Member	Outside Director	Independent Director
Masato Kitera	Audit & Supervisory Committee Member	Outside Director	Independent Director

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

c. Establishment and Operation of the Internal Control System

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

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

The Nomination and Compensation Advisory Committee comprises 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.

(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 covered.

(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

13 males, 1 female (female ratio of 7.1%)

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	<p>April 1973 Joined Nippon Steel Corporation (NSC)</p> <p>June 2005 Director (Member of the Board) and General Manager, Corporate Planning Division of NSC</p> <p>June 2006 Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC</p> <p>April 2007 Director (under the Executive Management System) and General Manager, General Administration Division of NSC</p> <p>April 2009 Executive Vice President (under the Executive Management System) of NSC</p> <p>June 2009 Representative Director and Executive Vice President of NSC</p> <p>October 2012 Representative Director and Executive Vice President of the Company</p> <p>April 2014 Representative Director and President of the Company</p> <p>April 2019 Representative Director and Chairman of the Company</p> <p>(to present)</p>	(Note 1)	477
Representative Director and President	Eiji Hashimoto	December 7, 1955	<p>April 1979 Joined NSC</p> <p>April 2009 Director (under the Executive Management System), Director, Plate Division and Director, Structurals Division of NSC</p> <p>April 2011 Director (under the Executive Management System) of NSC</p> <p>October 2012 Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer of the Company</p> <p>July 2015 Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of the Company</p> <p>April 2016 Executive Vice President and Head of Global Business Development of the Company</p> <p>June 2016 Representative Director, Executive Vice President and Head of Global Business Development of the Company</p> <p>April 2019 Representative Director and President of the Company</p> <p>(to present)</p>	(Note 1)	350
Representative Director and Executive Vice President, Head of Green Transformation Development	Akio Migita	October 19, 1961	<p>April 1984 Joined NSC</p> <p>April 2017 Managing Executive Officer and Head of Division, Human Resources Division of the Company</p> <p>April 2019 Executive Vice President of the Company</p> <p>June 2019 Representative Director and Executive Vice President of the Company</p> <p>April 2021 Representative Director and Executive Vice President, and Project Leader, Zero-Carbon Steel Project of the Company</p> <p>April 2022 Representative Director and Executive Vice President, and Head of Green Transformation Development of the Company</p> <p>(to present)</p>	(Note 1)	160

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 Iron and Steel Project, Global Business Development Sector	Naoki Sato	March 23, 1961	April 1983 April 2017 April 2018 April 2020 April 2021 June 2021 April 2022	Joined NSC Managing Executive Officer and Head of Works, Yawata Works of the Company Managing Executive Officer and Head of Works, Kashima Works of the Company Executive Vice President and Head of Works, East Nippon Works of the Company 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 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 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 (to present)	(Note 1)	93
Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector	Takahiro Mori	October 3, 1957	April 1983 April 2014 June 2016 April 2020 April 2021 June 2021	Joined NSC Executive Officer and Vice Head of Unit, Flat Products Unit of the Company Vice President of Usiminas Siderúrgicas de Minas Gerais S.A.-USIMINAS 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 Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company 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 (to present)	(Note 1)	79

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 Unit, Flat Products Unit, Deputy Project Leader, Next-Generation Hot Strip Mill Project	Takashi Hirose	April 19, 1962	<p>April 1986 Joined NSC</p> <p>April 2016 Executive Officer, Director, Marketing Administration & Planning Division of the Company</p> <p>April 2018 Executive Officer, Director, Plate Division of the Company</p> <p>April 2019 Managing Executive Officer, Head of Unit, Plate Unit, Vice Head of Unit, Flat Products Unit of the Company</p> <p>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</p> <p>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</p> <p>April 2022 Executive Vice President, Head of Unit, Flat Products Unit, Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company</p> <p>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</p> <p>(to present)</p> <p><i>Representatives of other major companies</i> Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.</p>	(Note 1)	10
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	Tadashi Imai	May 22, 1963	<p>April 1988 Joined NSC</p> <p>April 2016 Executive Officer and Head of Works, Nagoya Works of the Company</p> <p>April 2019 Managing Executive Officer of the Company</p> <p>June 2020 Managing Director, Member of the Board of the Company</p> <p>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</p> <p>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</p> <p>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</p> <p>(to present)</p>	(Note 1)	87

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	<p>April 1974 Joined Japanese National Railways</p> <p>April 1987 Joined East Japan Railway Company</p> <p>June 2000 Director and General Manager of Management Administration Department, Corporate Planning Headquarters of East Japan Railway Company</p> <p>June 2003 Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company</p> <p>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</p> <p>June 2005 Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company</p> <p>June 2008 Executive Vice President and Representative Director, and Director General of Life-Style Business Development Headquarters of East Japan Railway Company</p> <p>June 2009 Executive Vice President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company</p> <p>April 2012 President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company</p> <p>June 2012 President and Representative Director of East Japan Railway Company</p> <p>April 2018 Chairman and Director of East Japan Railway Company</p> <p style="text-align: right;">(to present)</p> <p>June 2020 Director, Member of the board (Outside Director) of the Company</p> <p style="text-align: right;">(to present)</p>	(Note 1)	21
Director, Member of the Board	Kuniko Urano	October 19, 1956	<p>April 1979 Joined Komatsu Ltd.</p> <p>April 2011 Executive Officer, General Manager of Corporate Communications Department of Komatsu Ltd.</p> <p>April 2014 Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.</p> <p>April 2016 Senior Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.</p> <p>June 2018 Director and Senior Executive Officer of Komatsu Ltd.</p> <p>April 2021 Director of Komatsu Ltd.</p> <p>June 2021 Advisor of Komatsu Ltd.</p> <p style="text-align: right;">(to present)</p> <p>June 2022 Director, Member of the board (Outside Director) of the Company</p> <p style="text-align: right;">(to present)</p>	(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 Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto	January 19, 1961	<p>April 1985 Joined NSC</p> <p>April 2016 Executive Officer and Head of Division, Legal Division of the Company</p> <p>April 2019 Managing Executive Officer of the Company</p> <p>April 2020 Executive Officer and Advisor to the President of the Company</p> <p>June 2020 Director, Member of the Board, Senior Audit & Supervisory Committee Member (full-time) of the Company</p> <p style="text-align: right;">(to present)</p>	(Note 2)	102
Director, Member of the Board Audit & Supervisory Committee Member (full-time)	Masayoshi Murase	November 20, 1960	<p>April 1984 Joined NSC</p> <p>April 2016 Executive Counsellor, General Manager, Head of Division, Internal Control & Audit Division of the Company</p> <p>April 2021 Executive Officer, Head of Division, Internal Control & Audit Division of the Company</p> <p>April 2022 Executive Officer, Advisor to the President of the Company</p> <p>June 2022 Director, Member of the Board, Audit & Supervisory Committee Member (full-time) of the Company</p> <p style="text-align: right;">(to present)</p>	(Note 2)	20
Director, Member of the Board Audit & Supervisory Committee Member	Seiichiro Azuma	July 23, 1951	<p>December 1975 Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)</p> <p>July 1991 Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)</p> <p>June 2007 Partner and Member of Management Council and General Manager, Kansai Block of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)</p> <p>June 2009 Partner and Member of Management Council and General Manager, Kansai Block of Deloitte Touche Tohmatsu LLC</p> <p>November 2013 Partner and Chairman of Management Council of Deloitte Touche Tohmatsu LLC</p> <p>November 2015 Partner of Deloitte Touche Tohmatsu LLC</p> <p>June 2016 Retired from Deloitte Touche Tohmatsu LLC</p> <p>June 2016 Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company</p> <p>July 2016 Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office</p> <p style="text-align: right;">(to present)</p> <p>June 2020 Director, Member of the Board, Audit & Supervisory Committee Member (Outside Director) of the Company</p> <p style="text-align: right;">(to present)</p>	(Note 2)	79

Titles	Name	Date of birth	Brief personal history	Term of office	Number of shares held (Hundreds of shares)
Director, Member of the Board Audit & Supervisory Committee Member	Hiroshi Yoshikawa	June 30, 1951	February 1993 Professor of Faculty of Economics, The University of Tokyo 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, Rishso University June 2016 Professor Emeritus of The University of Tokyo April 2019 President of Rishso 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 Rishso University (to present)	(Note 2)	0
Director, Member of the Board Audit & Supervisory Committee Member	Masato Kitera	October 10, 1952	April 1976 Joined Ministry of Foreign Affairs of Japan January 2008 Director-General for African Affairs, Ministry of Foreign Affairs of Japan July 2008 Director-General, International Cooperation Bureau, Ministry of Foreign Affairs of Japan January 2010 Deputy Minister, Ministry of Foreign Affairs of Japan September 2012 Assistant Chief Cabinet Secretary November 2012 Ambassador of Japan to the People's Republic of China April 2016 Ambassador of Japan to the French Republic December 2019 Retired from Ambassador of Japan to the French Republic June 2020 Director, Member of the Board (Outside Director) of the Company June 2022 Director, Member of the Board, Audit & Supervisory Committee Member (Outside Director) of the Company (to present)	(Note 2)	10
Total					1,503

- Notes: 1. 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, 2023.
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

Until March 2021, Ms. Urano engaged in execution of business of Komatsu Ltd., which has a business relationship with the Company for transactions of steel and other products/services. However, she currently does not engage in the business. 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

Although Mr. Yoshikawa engaged in the execution of business of The University of Tokyo until March 2016, to which the Company makes donations, he currently does not engage in the execution of business of the university. Furthermore, the university is not a specified associated service provider of the Company. The Company donates 27 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 follows.

Title	Name	Status of attendance (Attendance rate)
Senior Audit & Supervisory Committee Member (full-time)	Masato Matsuno	18/18 (100%)
Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto	18/18 (100%)
Senior Audit & Supervisory Committee Member (full-time)	Nobuhiro Miyoshi	18/18 (100%)
Audit & Supervisory Committee Member	Hiroshi Obayashi	18/18 (100%)
Audit & Supervisory Committee Member	Jiro Makino	18/18 (100%)
Audit & Supervisory Committee Member	Seiichiro Azuma	18/18 (100%)
Audit & Supervisory Committee Member	Hiroshi Yoshikawa	18/18 (100%)

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

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

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

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

(b) Accounting Auditor

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

KPMG AZSA LLC

- Continuous Audit Period

16 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. Moreover, the Internal Control & Audit Division and functional divisions formulate an annual plan based on the opinions of the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee shares information on litigation with the Legal Division.

- Cooperation between the Internal Audit Departments and Accounting Auditor

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

- Cooperation between the Audit & Supervisory Committee and Accounting Auditor

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

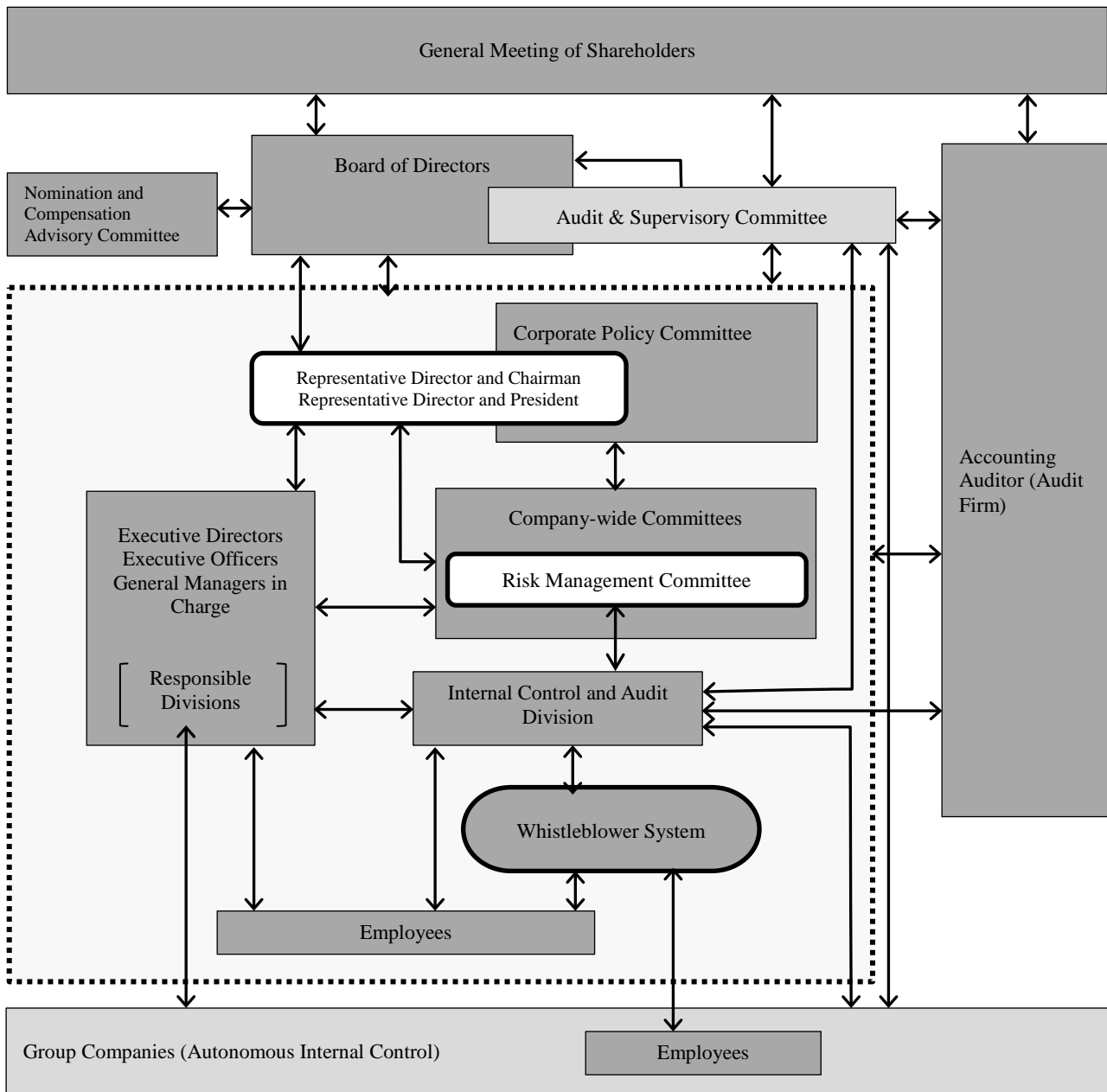
Moreover, at each quarter, the Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee receive a report on the progress and the results of the quarterly review from the Accounting Auditor and exchange opinions regarding matters stated in the quarterly report including non-financial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

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

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

<Reference: Relationship Diagram>

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



Notes:

1. In accordance with a provision in the Articles of Incorporation, the Board of Directors of the Company delegates part of the decisions regarding execution of important operations (excluding matters listed in each item of Article 399-13, Paragraph (5) of the Companies Act) to the Representative Director and Chairman and Representative Director and President, thereby expediting management decision-making, enhancing discussions by the Board of Directors relating to matters such as the formulation of management policies and strategies, and strengthening the supervisory function of the Board of Directors over management. The execution of important matters concerning the management of the Company and the NIPPON STEEL Group is determined at the 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 22 company-wide committees in total as of April 1, 2022, including the Ordinary Budget Committee, the Plant and Equipment Investment Budget Committee, the Investment and Financing Committee, the Fund Management Committee, the Technology Development Committee, the Environment Management Committee, the Risk Management Committee, and the 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 (20 full-time and 22 concurrently with their other posts), which is responsible for the internal

control plan and internal audits, and functional divisions responsible for managing risk in each field (about 900 staff members). The Company has also designated 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.

(d) Audit fees

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

Category	Year ended March 31, 2021		Year ended March 31, 2022	
	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	177	1	173	11
Consolidated subsidiaries	821	4	828	17
Total	998	6	1,001	28

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, 2021		Year ended March 31, 2022	
	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	-	22	-	35
Consolidated subsidiaries	395	125	428	162
Total	395	148	428	198

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	657,335,000	657,335,000	-	-
Outside Directors	3	43,200,000	43,200,000	-	-
Directors who are Audit & Supervisory Committee Members	7	211,870,000	211,870,000	-	-
Outside Directors	4	57,600,000	57,600,000	-	-
Total	20	869,205,000	869,205,000	-	-

Notes:

- The above number of recipients includes two (2) Directors (excluding Directors who are Audit & Supervisory Committee Members) who retired at the conclusion of the 97th General Meeting of Shareholders held on June 23, 2021.
- Of monthly compensation with an asterisk (*), matters regarding performance-linked compensation are as follows. (Regarding monthly compensation from April 2021 to June 2021)
 - Monthly compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) is wholly based upon the performance of NIPPON STEEL.
 - 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 performance of NIPPON STEEL.
 - Monthly compensation for Outside Directors is fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL. As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss, which clearly indicates its business performance, and business profit/loss in its Steel Fabrication segment, which accounts for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan. The base amount of compensation for each position, etc. fluctuates within a certain range based on these indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The consolidated annual loss and business loss in the Steelmaking and Steel Fabrication segment in fiscal year 2019, which were used to determine the monthly compensation for Directors from April 2021 to June 2021, were (431.5) billion yen and (325.3) billion yen. (Regarding monthly compensation from July 2021 to March 2022)
 - 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.
 - 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.
 - 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 annual loss and consolidated EBITDA in fiscal year 2020, which were used to determine the monthly compensation for Directors from July 2021 to March 2022, were (32.4) billion yen and 400.9 billion yen.
- The specific amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is, as detailed in (c) a) (i) i) c. and (c) a) (ii) i) c. below, determined by the Board of Directors after discussion in the "Nomination and Compensation Advisory Committee." The specific amount of monthly compensation for each Director who is Audit & Supervisory Committee Member is determined by discussions of the Directors who are Audit & Supervisory Committee Members.

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	126,540,000
Eiji Hashimoto	Director (excluding Director who is Audit & Supervisory Committee Member)	The Company	Monthly compensation	126,540,000

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

(i) From April 1, 2021 to June 23, 2021

The “Policies regarding Decisions on the Amount of Compensation, etc. for Directors” of NIPPON STEEL were 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.

(iii) After June 23, 2021

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

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

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

a. Basic policy

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

b. Policy on performance-linked compensation

In accordance with “a. Basic Policy” above, compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists solely of monthly compensation, and the amount of compensation is wholly based upon the performance of NIPPON STEEL, in order to give incentives for the sustainable growth of NIPPON STEEL’s group and improvement of its corporate value. As indicators for performance-linked compensation, 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 this section), which clearly indicates its business performance and earnings power, and consolidated EBITDA, while taking into account other factors including revenue targets in the Medium- to Long-term Management Plan.

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

c. Method of determining compensation for each individual

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

ii) Directors who are Audit & Supervisory Committee Members

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

b) Methods of determining the policies

(i) From April 1, 2021 to June 23, 2021

The policies described in a) (i) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) were 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 were 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.

(iii) After June 23, 2021

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

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

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, 2021.

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 7, 2021, 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, 2022).

b. Number of stocks and carrying amount

	Number of stocks	Carrying amount (Millions of Yen)
Unlisted shares	199	12,695
Shares other than unlisted shares	85	243,246

(Stocks whose number of shares increased during the year ended March 31, 2022)

	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	2	11,978	<ul style="list-style-type: none">• Because the shares have been reclassified into investment shares held for purposes other than pure investment due to the sale of some of the shares in companies that used to be an affiliate.• Because the Company underwrote the allotment of stock acquisition rights of a company, without contribution, with which the Company has a strategic alliance for the purpose of contributing to improving the profitability of the businesses of the Company.

(Stocks whose number of shares decreased during the year ended March 31, 2022)

	Number of stocks	Total sale amount of decreased shares (Millions of Yen)
Unlisted shares	7	10,928
Shares other than unlisted shares	16	10,182

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, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Suzuki Motor Corporation	7,546,531	7,759,531	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	31,793	38,991		
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
	19,296	15,017		
Sumitomo Corporation	6,746,010	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
	14,294	10,638		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
VALLOUREC	7,851,128	1,667,392	<p>This company is a strategic alliance partner of the Company in the Company's pipe & tube business through collaboration for the VAM® premium connection as well as operation of joint ventures. The Company holds shares in this company for the purpose of maintaining and developing strategic alliance relationships.</p> <p>In the current fiscal year, the Company underwrote the allotment of stock acquisition rights of the company without contribution for the purpose of contributing to improving the profitability of the steel pipe business of the Company by developing the VAM® premium connection and strengthening customer services through the enhancement and stabilization of the company's financial base.</p> <p>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.</p>	No
	12,514	6,276		
AIR WATER INC.	6,900,000	6,900,000	<p>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.</p> <p>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.</p>	Yes
	11,868	13,386		
Daido Steel Co., Ltd.	3,100,960	3,100,960	<p>This company and the Company operate joint ventures, etc. The Company holds shares in this company for the purpose of smoothly advancing business activities.</p> <p>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.</p>	Yes
	11,442	15,845		
Nittetsu Mining Co., Ltd.	1,237,960	1,237,960	<p>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.</p> <p>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.</p>	Yes
	8,764	8,430		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
UACJ Corporation	3,744,609	3,744,609	This company is a manufacturer of nonferrous metals such as aluminum. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	8,751	9,990		
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
	8,224	10,017		
OSAKA Titanium technologies Co., Ltd.	5,488,000	7,150,000	This company is a stable supplier of titanium materials for the Company. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	7,891	6,864		
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
	6,851	7,027		
OKAMURA CORPORATION	5,313,988	5,313,988	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	6,440	6,892		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Kobe Steel, Ltd.	10,734,500	10,734,500	This company is a strategic alliance partner of the Company in the joint use of upstream facilities, operation of joint ventures, reciprocal production support, etc. The Company holds shares in this company for the purpose of maintaining and developing the strategic alliance relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	6,344	8,029		
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. 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
	5,909	5,983		
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
	5,092	3,482		
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
	4,920	3,745		
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
	4,823	3,336		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Unipres Corporation	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. 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
	4,717	—		
Sanwa Holdings Corporation	3,468,000	3,968,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	4,314	5,749		
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
	4,232	3,958		
Yokogawa Bridge Holdings Corp.	1,987,303	1,987,303	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	3,859	4,075		
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
	3,680	5,681		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
TOKYO ROPE MFG. CO., LTD.	3,236,535	3,236,535	<p>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.</p> <p>In the previous fiscal year, 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.</p> <p>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.</p>	Yes
	2,929	3,964		
Konoike Transport Co., Ltd.	2,451,418	2,451,418	<p>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.</p> <p>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.</p>	Yes
	2,831	2,963		
NAKAYAMA STEEL WORKS, LTD.	6,181,939	7,921,295	<p>This company, through its subsidiary, operates joint ventures, etc. with the Company. The Company holds shares in this company for the purpose of smoothly advancing business activities.</p> <p>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.</p>	No
	2,757	3,453		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
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
	2,326	2,373		
Steel Strips Wheels Limited	1,700,000	850,000	This company is a stable supplier of parts for wheels of the Group. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	2,245	902		
NIPPON CONCRETE INDUSTRIES CO., LTD.	6,940,000	6,940,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,019	2,859		
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
	1,944	2,037		
Neturen Co., Ltd.	3,101,800	3,101,800	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,833	1,888		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
MAX Co., Ltd.	1,044,950	1,044,950	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,779	1,710		
Sumitomo Precision Products Co., Ltd.	764,935	764,935	This company is a customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,779	1,812		
Namura Shipbuilding Co., Ltd.	5,027,656	5,027,656	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,649	1,116		
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
	1,591	1,535		
MinebeaMitsumi Inc.	500,000	5,00,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,347	1,414		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
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
	1,309	1,069		
Toyo Seikan Group Holdings, Ltd.	892,000	892,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,254	1,173		
Topre Corporation	994,000	994,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,167	1,551		
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
	1,163	1,006		
PT CITRA TUBINDO Tbk	55,816,880	55,816,880	This company is a major partner of the Company in activities such as sales of OCTG in the Indonesian market. The Company holds shares in this company for the purpose of maintaining and strengthening business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	1,152	1,633		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Yodogawa Steel Works, Ltd.	400,103	400,103	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,051	980		
Tokio Marine Holdings, Inc.	134,800	134,800	This company is a major provider of non-life insurance to the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening financial transactions. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	960	709		
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
	780	863		
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
	762	903		
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. 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
	745	976		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
West Japan Railway Company	135,000	135,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	No
	687	828		
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
	618	782		
SNT CORPORATION	2,577,600	2,577,600	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	577	747		
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
	555	763		
Keisei Electric Railway Co., Ltd.	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. 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
	548	*		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
MIYAJI ENGINEERING GROUP, INC.	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. 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
	545	*		
FUTABA INDUSTRIAL CO.,LTD.	1,014,100	1,014,100	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	369	601		
Yamaha Motor Co., Ltd.	—	700,000	The Company does not hold shares in this company as of March 31, 2022.	No
	—	1,897		
MARUICHI STEEL TUBE LTD.	—	500,250	The Company does not hold shares in this company as of March 31, 2022.	Yes
	—	1,263		
Bunka Shutter Co., Ltd.	—	1,011,875	The Company does not hold shares in this company as of March 31, 2022.	No
	—	1,066		
DENSO CORPORATION	—	96,050	The Company does not hold shares in this company as of March 31, 2022.	No
	—	705		

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.

Deemed holdings of shares

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Central Japan Railway Company	1,190,500	1,190,500	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	19,006	19,702		
Honda Motor Co., Ltd.	2,955,000	2,955,000	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	10,304	9,807		
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. 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
	7,567	8,343		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
DAIKIN INDUSTRIES, LTD.	324,000	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. 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
	7,260	7,231		
Isuzu Motors Limited	3,628,500	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. 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
	5,762	4,314		
Nihon Parkerizing Co., Ltd.	2,664,000	2,664,000	This company is a stable supplier of chemicals, rust preventive oils, etc., and the Company holds shares in this company for the purpose of maintaining and strengthening business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	2,482	3,183		

Stock	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company's shares are held
	Number of shares			
	Carrying amount (Millions of Yen)			
Sumitomo Realty & Development Co., Ltd.	487,868	487,868	This company is a major customer of the Company, and the Company holds shares in this company for the purpose of maintaining and strengthening commercial business relationships. In addition, this company's shares are included in the Company's retirement benefit trust, and the Company holds the rights to direct the exercise of voting rights. Although it is difficult to state the quantitative effects of shareholding concerning individual transactions with the said party, the Company has confirmed the reasonableness of shareholding by specifically examining whether the purpose of the shareholding is appropriate and whether the benefit and risk associated with the shareholding is commensurate with the cost of capital, among other issues.	Yes
	1,653	1,905		
Sumitomo Mitsui Trust Holdings, Inc.	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
	463	*		

- 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 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, 2021	As of March 31, 2022
Current assets :			
Cash and cash equivalents	(Notes 8 and 32)	359,465	551,049
Trade and other receivables	(Notes 9, 32 and 33)	805,306	939,406
Inventories	(Note 10)	1,349,355	1,756,589
Other financial assets	(Note 32)	27,772	41,357
Other current assets		130,786	226,253
Total current assets		2,672,686	3,514,655
Non-current assets :			
Property, plant and equipment	(Notes 11, 12 and 29)	2,954,938	3,052,640
Right-of-use assets	(Note 14)	88,559	78,162
Goodwill	(Notes 7,13 and 29)	46,341	61,741
Intangible assets	(Notes 13 and 29)	95,826	130,497
Investments accounted for using the equity method	(Notes 15 and 29)	817,328	1,079,068
Other financial assets	(Note 32)	628,226	548,283
Defined benefit assets	(Note 19)	110,396	123,563
Deferred tax assets	(Note 16)	153,123	158,031
Other non-current assets		6,519	5,701
Total non-current assets		4,901,260	5,237,691
Total assets		7,573,946	8,752,346

The accompanying notes are integral parts of these statements.

(Millions of Yen)

LIABILITIES		As of March 31, 2021	As of March 31, 2022
Current liabilities :			
Trade and other payables	(Notes 17 and 32)	1,382,761	1,526,719
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	308,985	344,056
Other financial liabilities	(Note 32)	1,250	1,042
Income taxes payable		24,256	109,958
Other current liabilities		54,077	36,852
Total current liabilities		1,771,331	2,018,630
Non-current liabilities :			
Bonds, borrowings and lease liabilities	(Notes 11, 14, 18 and 32)	2,250,246	2,309,339
Other financial liabilities	(Note 32)	4,784	1,207
Defined benefit liabilities	(Note 19)	189,453	188,350
Deferred tax liabilities	(Note 16)	37,385	39,805
Other non-current liabilities	(Note 32)	189,358	298,005
Total non-current liabilities		2,671,228	2,836,707
Total liabilities		4,442,559	4,855,337
EQUITY			
Common stock	(Note 20)	419,524	419,524
Capital surplus	(Note 20)	393,168	393,547
Retained earnings	(Note 20)	1,910,333	2,514,775
Treasury stock	(Note 20)	(58,342)	(57,977)
Other components of equity		95,311	196,928
Total equity attributable to owners of the parent		2,759,996	3,466,799
Non-controlling interests		371,390	430,209
Total equity		3,131,387	3,897,008
Total liabilities and equity		7,573,946	8,752,346

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, 2021	Year ended March 31, 2022
Revenue	(Notes 22 and 33)	4,829,272	6,808,890
Cost of sales	(Note 19 and 24)	(4,263,940)	(5,587,331)
Gross profit		565,332	1,221,559
Selling, general and administrative expenses	(Notes 19, 23, 24 and 33)	(469,133)	(544,725)
Share of profit in investments accounted for using the equity method	(Note 15)	55,220	214,480
Other operating income	(Note 25)	49,710	128,417
Other operating expenses	(Note 25)	(91,083)	(81,601)
Business profit	(Note 26)	110,046	938,130
Losses on reorganization	(Note 27)	(98,665)	(97,229)
Operating profit		11,381	840,901
Finance income	(Note 28)	5,367	1,928
Finance costs	(Note 28)	(25,404)	(26,245)
Profit (loss) before income taxes		(8,656)	816,583
Income tax expense	(Note 16)	(10,671)	(149,052)
Profit (loss) for the year		(19,327)	667,530
Profit (loss) for the year attributable to :			
Owners of the parent		(32,432)	637,321
Non-controlling interests		13,105	30,209
Earnings (loss) per share (Note 31)			
Basic earnings (loss) per share (Yen)		(35.22)	692.16
Diluted earnings (loss) per share (Yen)		(35.22)	657.48

Consolidated Statements of Comprehensive Income		(Millions of Yen)	
		Year ended March 31, 2021	Year ended March 31, 2022
Profit (loss) for the year		(19,327)	667,530
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		125,471	(7,962)
Remeasurements of defined benefit plans		42,307	14,324
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	10,062	5,293
Subtotal		177,841	11,655
Items that might be reclassified to profit or loss			
Changes in fair value of cash flow hedges		5,029	11,995
Foreign exchange differences on translation of foreign operations		2,752	56,497
Share of other comprehensive income of investments accounted for using the equity method	(Note 15)	(23,062)	68,663
Subtotal		(15,280)	137,156
Total other comprehensive income, net of tax		162,561	148,811
Total comprehensive income for the year		143,233	816,342
Comprehensive income for the year attributable to:			
Owners of the parent		119,451	779,815
Non-controlling interests		23,781	36,526

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Equity

Year ended March 31, 2021

(Millions of Yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2020	419,524	394,404	1,870,948	(58,505)	111,924	—
Changes of the year						
Comprehensive income						
Profit (loss) for the year			(32,432)			
Other comprehensive income (Note 30)					122,023	45,171
Total comprehensive income	—	—	(32,432)	—	122,023	45,171
Transactions with owners and others						
Cash dividends (Note 21)						
Purchases of treasury stock (Note 20)				(52)		
Disposals of treasury stock (Note 20)		(1)		2		
Changes in ownership interests in subsidiaries		1,528				
Transfer from other components of equity to retained earnings			71,818		(26,647)	(45,171)
Changes in scope of consolidation		(2,763)		213		
Subtotal	—	(1,236)	71,818	163	(26,647)	(45,171)
Balance as of March 31, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total			
Balance as of March 31, 2020	(4,821)	(91,857)	15,245	2,641,618	355,013	2,996,631
Changes of the year						
Comprehensive income						
Profit (loss) for the year			—	(32,432)	13,105	(19,327)
Other comprehensive income (Note 30)	8,218	(23,528)	151,884	151,884	10,676	162,561
Total comprehensive income	8,218	(23,528)	151,884	119,451	23,781	143,233
Transactions with owners and others						
Cash dividends (Note 21)			—	—	(6,450)	(6,450)
Purchases of treasury stock (Note 20)			—	(52)		(52)
Disposals of treasury stock (Note 20)			—	1		1
Changes in ownership interests in subsidiaries			—	1,528	949	2,477
Transfer from other components of equity to retained earnings			(71,818)	—		—
Changes in scope of consolidation			—	(2,549)	(1,904)	(4,454)
Subtotal	—	—	(71,818)	(1,072)	(7,404)	(8,477)
Balance as of March 31, 2021	3,397	(115,385)	95,311	2,759,996	371,390	3,131,387

The accompanying notes are integral parts of these statements.

Year ended March 31, 2022

(Millions of Yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—
Changes of the year						
Comprehensive income						
Profit (loss) 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				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent		
	Changes in fair value of cash flow hedges	Foreign exchange differences on translation of foreign operations	Total			
Balance as of March 31, 2021	3,397	(115,385)	95,311	2,759,996	371,390	3,131,387
Changes of the year						
Comprehensive income						
Profit (loss) 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.

Consolidated Statements of Cash-Flows

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities :		
Profit (loss) before income taxes	(8,656)	816,583
Depreciation and amortization	290,863	330,611
Impairment losses	—	21,500
Finance income	(5,367)	(1,928)
Finance costs	25,404	26,245
Share of profit in investments accounted for using the equity method	(55,220)	(214,480)
Losses on reorganization	98,665	97,229
(Increase) in trade and other receivables	(26,775)	(116,242)
(Increase) decrease in inventories	171,376	(383,438)
Increase (decrease) in trade and other payables	(66,325)	211,354
Other, net	(18,192)	(110,687)
Subtotal	405,772	676,747
Interest received	5,432	1,890
Dividends received	40,446	44,905
Interest paid	(21,733)	(21,899)
Income taxes paid	(26,731)	(86,008)
Net cash flows provided by operating activities	403,185	615,635
Cash flows from investing activities :		
Purchases of property, plant and equipment and intangible assets	(459,811)	(466,902)
Proceeds from sales of property, plant and equipment and intangible assets	21,754	70,251
Purchases of investment securities	(3,623)	(9,267)
Proceeds from sales of investment securities	37,336	81,717
Purchases of investments in affiliates	(8,047)	(4,064)
Proceeds from sales of investments in affiliates	20,521	3,898
Purchases of shares of subsidiaries resulting in change in scope of consolidation	—	(48,950)
Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation	1,482	(6,170)
Loans to associates and others	(9,868)	(3,150)
Collection of loans from associates and others	9,252	1,062
Other, net	1,968	2,710
Net cash flows used in investing activities	(389,035)	(378,866)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings, net	(Note 18) 133,514	11,112
Proceeds from long-term borrowings	(Note 18) 570,068	20,322
Repayments of long-term borrowings	(Note 18) (425,609)	(252,478)
Proceeds from issuance of bonds	(Note 18) 80,000	300,000
Redemption of bonds	(Note 18) (45,000)	(15,000)
Purchases of treasury stock	(30)	(59)
Cash dividends paid	(Note 21) —	(73,757)
Dividends paid to non-controlling interests	(6,450)	(6,805)
Proceeds from issuance of stock to non-controlling interests	—	2,888
Other, net	13,231	(47,528)
Net cash flows provided by (used in) financing activities	52,694	(61,304)
Effect of exchange rate changes on cash and cash equivalents	3,161	16,119
Net increase in cash and cash equivalents	70,006	191,583
Cash and cash equivalents at beginning of the year	289,459	359,465
Cash and cash equivalents at end of the year	(Note 8) 359,465	551,049

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, 2022 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 shares of subsidiaries that do not result in change in scope of consolidation” ((3,631) million yen in the year ended March 31, 2021) in “Cash flows from financing activities” have become immaterial and therefore are included in and presented as “Other, net” in “Cash flows from financing activities” for the year ended March 31, 2022. The consolidated statements of cash flows for the year ended March 31, 2021 are reclassified to reflect this change 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, 2022.

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: 378 companies

Names of principal subsidiaries are listed in "Principal Subsidiaries and Affiliates"

In the year ended March 31, 2022, the scope of consolidation expanded by 11 companies, including 6 newly acquired companies and 1 newly established company. 22 companies—9 merged companies and 9 liquidations, etc.—were eliminated from the scope of consolidation in the year ended March 31, 2022.

Number of equity-method affiliates (associates, joint operations and joint ventures): 105 companies

Names of principal affiliates are listed in "Principal Subsidiaries and Affiliates"

During the year ended March 31, 2022, 5 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.

(Changes in Accounting Policies)

The Group has initially applied Interest Rate Benchmark Reform-Phase2 (Amendments to IFRS 9, IAS 39 and IFRS 7) from the beginning of the year ended March 31, 2022.

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

(a) Recognition and measurement

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

(b) Depreciation

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

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

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

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

(8) Goodwill and intangible assets

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

(a) Goodwill

When the total of consideration transferred in business combinations and amount of non-controlling interests in the acquiree exceeds the net of identifiable assets acquired and liabilities assumed on the acquisition date, the excess amount is recognized as goodwill. Goodwill is not amortized and is allocated to cash-generating units or groups of cash-generating units.

Regarding accounting policy for impairment of goodwill, refer to (10) "Impairment of non-financial assets".

(b) Intangible assets

Intangible assets acquired separately are measured at cost at the date of initial recognition. The costs of intangible assets acquired in business combinations are measured at fair value at the acquisition date. Intangible assets with finite useful lives are presented at cost less accumulated amortization and impairment losses. Expenditures related to internally generated intangible assets are recognized as expenses when incurred, unless development expenses meet the criteria for capitalization.

(c) Amortization

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

The estimated useful lives of major intangible assets with finite useful lives are as follows:

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

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

(9) Leases

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

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

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

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

(10) Impairment of non-financial assets

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

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

The cash flows are based on the medium- to long-term management plan and the latest business plan, which incorporate the steel 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.

(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.

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

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

- Note 3 (1) "Basis of consolidation" and Note 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 2022, are as follows. The effect of applying the new standard to the Group is now under consideration and cannot be estimated at this time.

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, 2021)

(Millions of Yen)

	Reportable segment				Subtotal	Adjustments (Note 1)	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	4,190,348	276,241	174,056	188,626	4,829,272	—	4,829,272
Inter-segment revenue or transfers	38,101	48,226	4,622	63,849	154,799	(154,799)	—
Total	4,228,449	324,468	178,678	252,476	4,984,072	(154,799)	4,829,272
Segment profit <Business profit>	63,522	17,708	7,631	23,948	112,811	(2,764)	110,046
Other items							
Depreciation and amortization	275,792	3,627	7,266	8,789	295,475	(4,612)	290,863
Share of profit in investments accounted for using the equity method	49,095	632	(135)	(39)	49,553	5,667	55,220
Segment assets	6,873,924	320,658	195,198	280,062	7,669,842	(95,895)	7,573,946
Other items							
Investments accounted for using the equity method	681,436	6,021	23,743	299	711,500	105,828	817,328
Capital expenditure	466,117	2,664	10,001	4,212	482,995	(8,506)	474,489
Segment liabilities (Interest-bearing debt)	2,519,386	6,578	21,055	12,212	2,559,232	—	2,559,232

Notes:

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

(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.

(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, 2021)

(Millions of Yen)

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

(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

(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, 2021)

(Millions of Yen)

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

(As of March 31, 2022)

(Millions of Yen)

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

(5) Revenue from major customers

(Millions of Yen)

	Related segment	Year ended March 31, 2021	Year ended March 31, 2022
NIPPON STEEL TRADING CORPORATION	Steelmaking and Steel Fabrication	946,024	1,434,515
Sumitomo Corporation	Steelmaking and Steel Fabrication	510,956	685,136

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	2,417
<u>Total consideration transferred</u>	<u>55,596</u>

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

The Company has not completed the recognition and the fair value measurement of identifiable assets and liabilities and accordingly the computation of the fair value of the assets acquired and liabilities assumed, non-controlling interests, and the purchase price allocations are on a provisional basis based on the most current information available.

	(Millions of Yen)
Current assets	21,710
Non-current assets	55,917
<u>Total assets</u>	<u>77,628</u>
Current liabilities	8,871
Non-current liabilities	2,714
<u>Total liabilities</u>	<u>11,585</u>
Total identifiable net assets acquired	66,042
Non-controlling interests (Note 1)	23,505
Total equity attributable to owners of the parent	42,536
Total consideration transferred	55,596
<u>Goodwill (Note 2)</u>	<u>13,059</u>

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)
<u>Cash consideration transferred</u>	<u>53,178</u>
<u>Cash and cash equivalents held by the acquirees at the acquisition date</u>	<u>(4,196)</u>
<u>Net cash used in the transaction</u>	<u>48,981</u>

(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, 2021	As of March 31, 2022
Cash	357,537	551,049
Cash equivalents	1,928	—
Total	359,465	551,049

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, 2021	As of March 31, 2022
Notes and accounts receivable	692,904	820,107
Other	114,124	120,849
Allowance for doubtful receivables	(1,722)	(1,550)
Total	805,306	939,406

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, 2021	As of March 31, 2022
Merchandise and finished goods	689,719	930,077
Work in progress	75,006	77,980
Raw materials and supplies	584,630	748,530
Total	1,349,355	1,756,589

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, 2021	As of March 31, 2022
Land	9,197	7,098
Buildings and structures	4,121	2,417
Machinery and vehicles	4,149	800
Other	6,037	8,097
Total	23,505	18,412

(Millions of Yen)

Secured debts	As of March 31, 2021	As of March 31, 2022
Short-term borrowings	951	1,814
Long-term borrowings (current portion is included)	975	1,064
Other	578	1,396
Total	2,504	4,276

In addition to the pledged assets listed above, shares of associates are pledged as collateral (419 million yen, and 453 million yen as of March 31, 2021 and 2022, 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, 2020	646,346	745,282	1,148,943	72,645	199,324	2,812,542
Acquisitions and reclassified from construction in progress	1,301	80,136	283,121	34,967	43,848	443,375
Disposals and sales	(10,228)	(7,978)	(19,595)	(2,831)	(404)	(41,038)
Depreciation	—	(51,530)	(169,437)	(24,982)	—	(245,950)
Effects of changes in foreign exchange rates and other	(4,652)	(2,430)	(868)	666	(6,705)	(13,990)
As of March 31, 2021	632,766	763,479	1,242,162	80,465	236,063	2,954,938
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 and other	1,041	3,256	12,243	765	(8,448)	8,858
As of March 31, 2022	642,583	760,982	1,376,426	79,014	193,633	3,052,640

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

(Millions of Yen)

Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2020	711,547	2,790,749	8,861,279	418,490	208,387	12,990,453
As of March 31, 2021	698,519	2,848,602	8,986,755	435,884	242,327	13,212,089
As of March 31, 2022	709,322	2,853,613	8,942,195	430,961	220,558	13,156,650

(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, 2020	65,200	2,045,467	7,712,335	345,845	9,062	10,177,910
As of March 31, 2021	65,752	2,085,122	7,744,592	355,419	6,264	10,257,151
As of March 31, 2022	66,738	2,092,630	7,565,768	351,947	26,924	10,104,009

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, 2020	45,486	45,236	31,061	20,379	142,164
Acquisitions	—	17,953	—	179	18,133
Amortization	—	(15,997)	(1,720)	(2,030)	(19,748)
Effects of changes in foreign exchange rates and other	854	(510)	816	458	1,618
As of March 31, 2021	46,341	46,681	30,157	18,986	142,167
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 and other	2,340	10,367	1,725	808	15,242
As of March 31, 2022	61,741	82,394	29,956	18,147	192,238

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

(Millions of Yen)

Acquisition costs	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2020	65,243	124,883	51,320	29,223	270,669
As of March 31, 2021	66,097	116,548	52,876	28,409	263,931
As of March 31, 2022	81,497	153,746	55,948	28,598	319,790

(Millions of Yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Mining rights	Other	Total
As of April 1, 2020	19,756	79,647	20,258	8,843	128,505
As of March 31, 2021	19,756	69,866	22,719	9,422	121,764
As of March 31, 2022	19,756	71,351	25,992	10,451	127,551

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, 2021	Year ended March 31, 2022
Depreciation of right-of-use assets		
Buildings and structures	14,036	14,110
Machinery and vehicles	8,322	7,175
Tools, furniture and fixtures	2,804	2,393
Total depreciation	25,164	23,679
Total amount of cash outflows incurred from leases	26,424	25,873
Increase in right-of-use assets	20,397	14,466
Details of right-of-use assets		
Buildings and structures	42,693	32,413
Machinery and vehicles	40,480	37,928
Tools, furniture and fixtures	5,384	7,820
Total balance of right-of-use assets	88,559	78,162

(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, 2021	As of March 31, 2022
Within 1 year	3,756	3,449
Over 1 but less than 2 years	3,278	3,472
Over 2 but less than 3 years	3,301	3,412
Over 3 but less than 4 years	3,242	3,353
Over 4 but less than 5 years	3,183	3,321
Over 5 years	35,137	33,551
Total	51,899	50,560

15. Interests in Subsidiaries, Associates and Others

(1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2022 are as follows:

Operating segment	Name	Address	% of voting rights interests
Steelmaking and Steel Fabrication	Sanyo Special Steel Co., Ltd.	Himeji City, Hyogo	53.2
	NIPPON STEEL COATED SHEET CORPORATION	Chuo-ku, Tokyo	100.0
	Osaka Steel Co., Ltd.	Osaka City, Osaka	66.3
	NIPPON STEEL METAL PRODUCTS CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Krosaki Harima Corporation	Kitakyushu City, Fukuoka	*46.9
	NIPPON STEEL TEXENG. CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL Stainless Steel Corporation	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL SG WIRE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	Geostr Corporation	Bunkyo-ku, Tokyo	*42.3
	NIPPON STEEL WELDING & ENGINEERING Co., Ltd.	Koto-ku, Tokyo	100.0
	NIPPON STEEL DRUM CO., LTD.	Koto-ku, Tokyo	100.0
	NIPPON STEEL CEMENT CO., LTD.	Muroran City, Hokkaido	85.0
	NIPPON STEEL COATED STEEL PIPE Co., Ltd.	Chuo-ku, Tokyo	100.0
	NIPPON STEEL FINANCE Co., Ltd.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL STAINLESS STEEL PIPE CO., LTD.	Chiyoda-ku, Tokyo	100.0
	NIPPON STEEL WIRE CO., LTD.	Seki City, Gifu	51.0
	NIPPON STEEL Eco-Tech Corporation	Chuo-ku, Tokyo	85.1
	NIPPON STEEL BOLTEN CORPORATION	Osaka City, Osaka	85.0
	NIPPON STEEL STRUCTURAL SHAPES CORPORATION	Wakayama City, Wakayama	100.0
	NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD.	Kitakyushu City, Fukuoka	100.0
	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	80.2
	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	
Siam Tinplate Co., Ltd.	Rayong Province, 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	
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, 2021	As of March 31, 2022
Carrying amount of investments in associates	571,110	649,084

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net profit or loss	30,268	96,271
Other comprehensive income	2,002	13,028
Total	32,270	109,299

(3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Carrying amount of investments in joint ventures	246,217	429,984

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net profit or loss	24,952	118,208
Other comprehensive income	(15,002)	60,927
Total	9,950	179,136

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, 2021 and 2022.

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, 2021	As of March 31, 2022
Deferred tax assets		
Accrued bonus	25,544	34,827
Defined benefit liabilities	53,915	53,663
Impairment losses on assets	90,191	70,564
Property, plant and equipment	10,961	4,427
Unused tax losses	29,380	13,506
Elimination of unrealized gains on property, plant and equipment and others	34,595	42,411
Other	68,816	87,758
Total deferred tax assets	313,405	307,159
Deferred tax liabilities		
Equity securities	(95,351)	(71,955)
Defined benefit assets	(33,781)	(37,810)
Undistributed earnings	(28,498)	(40,749)
Special tax purpose reserves	(40,036)	(38,417)
Total deferred tax liabilities	(197,667)	(188,933)
Net deferred tax assets (liabilities)	115,738	118,226

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets are reviewed at the end of each reporting period and recognized only to the extent that it is probable that the tax benefits can be realized. The recoverability of deferred tax assets are evaluated based on planned reversal of deferred tax liabilities, estimated future taxable profit and tax planning.

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of the year	158,691	115,738
Recognized in profit or loss	36,547	12,298
Recognized in other comprehensive income	(76,606)	(8,245)
Effect of changes in scope of consolidation	(2,894)	(1,565)
Balance at end of the year	115,738	118,226

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

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Carryforward of unused tax losses	174,765	102,817
Deductible temporary differences	146,082	178,201
Total	320,848	281,019

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

	As of March 31, 2021	As of March 31, 2022
Within 1 year	5,347	223
Over 1 year but less than 2 years	3,379	2,295
Over 2 years but less than 3 years	2,919	1,605
Over 3 years but less than 4 years	6,127	1,975
Over 4 years	156,990	96,717
Total	174,765	102,817

(2) Income tax expense

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Current taxes	47,219	161,351
Deferred taxes	(36,547)	(12,298)
Total	10,671	149,052

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

	Year ended March 31, 2021	Year ended March 31, 2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Share of profit in investments accounted for using the equity method	172.9	(5.8)
Effects of expense not deductible for tax purposes	(13.9)	0.1
Effects of income not taxable for tax purposes	10.9	(0.3)
Effects of differences in statutory tax rates applied to companies in Japan and foreign companies	15.0	(1.3)
Effects of changes in unrecognized deferred tax assets	(205.4)	(4.7)
Other	(133.4)	(0.3)
Average effective tax rate	(123.3)	18.3

(Changes in presentation method)

“Share of profit in investments accounted for using the equity method” (172.9% for the year ended March 31, 2021) has become material and therefore is present independently for the year ended March 31, 2022. Notes for the year ended March 31, 2021 are reclassified to reflect the change in presentation method.

17. Trade and Other Payables

The components of trade and other payables are as follows:

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Notes and trade accounts payable	609,144	748,482
Other payables	537,908	543,504
Other	235,708	234,732
Total	1,382,761	1,526,719

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, 2021	Average interest rate (%)	As of March 31, 2022	Average interest rate (%)	Maturity date
Short-term borrowings	99,499	0.8	105,221	1.0	—
Current portion of long-term borrowings repayable within one year	164,809	0.8	180,574	0.8	—
Current portion of bonds repayable within one year	15,000	1.1	20,000	1.0	—
Current portion of lease liabilities repayable within one year	22,676	0.8	20,260	0.9	—
Commercial papers	7,000	(0.0)	18,001	(0.1)	—
Long-term borrowings	1,563,442	0.8	1,350,235	0.8	July 22, 2080
Bonds	618,010	0.7	898,317	0.5	September 12, 2079
Lease liabilities	68,793	0.8	60,785	0.9	March 31, 2076
Total	2,559,232		2,653,396		

“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, 2021	As of March 31, 2022	Maturity date
Bonds issued by NSC				
The 59 th Issue of Unsecured Corporate Bonds	September 2, 2008	10,000	10,000	June 20, 2028
The 68 th Issue of Unsecured Corporate Bonds	October 20, 2011	15,000	—	September 17, 2021
The 70 th No.2 Issue of Unsecured Corporate Bonds	July 20, 2012	20,000	20,000	June 20, 2022
The 1 st Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	10,000	September 18, 2026
The 2 nd Issue of Unsecured Corporate Bonds	September 26, 2016	10,000	10,000	September 19, 2031
The 3 rd Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	10,000	May 20, 2024
The 4 th Issue of Unsecured Corporate Bonds	May 25, 2017	10,000	10,000	May 20, 2027
The 5 th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	10,000	December 20, 2024
The 6 th Issue of Unsecured Corporate Bonds	December 8, 2017	10,000	10,000	December 20, 2027
The 7 th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	20,000	June 20, 2023
The 8 th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	20,000	June 20, 2025
The 9 th Issue of Unsecured Corporate Bonds	June 12, 2018	20,000	20,000	June 20, 2028
The 1 st Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	30,000	June 20, 2024
The 2 nd Issue of Unsecured Corporate Bonds	June 14, 2019	30,000	30,000	June 19, 2026
The 3 rd Issue of Unsecured Corporate Bonds	June 14, 2019	20,000	20,000	June 20, 2029
The 1 st Issue of Unsecured Subordinated Corporate Bonds (Note 1)	September 12, 2019	70,000	70,000	September 12, 2079
The 2 nd Issue of Unsecured Subordinated Corporate Bonds (Note 2)	September 12, 2019	30,000	30,000	September 12, 2079
The 3 rd Issue of Unsecured Subordinated Corporate Bonds (Note 3)	September 12, 2019	200,000	200,000	September 12, 2079
The 4 th Issue of Unsecured Corporate Bonds	June 17, 2020	40,000	40,000	June 20, 2023
The 5 th Issue of Unsecured Corporate Bonds	June 17, 2020	30,000	30,000	June 20, 2025
The 6 th 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	October 4, 2024
Zero Coupon Convertible Bonds Due 2026	October 4, 2021	—	150,000	October 5, 2026
Bonds issued by Sanyo Special Steel Co., Ltd.				
The 2 nd Issue of Unsecured Corporate Bonds	December 7, 2017	10,000	10,000	December 6, 2024
Total		635,000	920,000	

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, 2020	116,560	119,000	1,559,082	597,703	96,395	2,488,741
Cash flows from financing activities	(21,514)	(112,000)	170,882	35,000	(26,424)	45,943
Effects of changes in scope of consolidation	5,488	—	(1,200)	—	969	5,257
Effects of changes in foreign exchange rates and other	(1,033)	—	(512)	307	20,528	19,289
As of March 31, 2021	99,499	7,000	1,728,252	633,010	91,470	2,559,232
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 and other	5,467	—	8,833	307	15,603	30,211
As of March 31, 2022	105,221	18,001	1,530,810	918,317	81,045	2,653,396

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.

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

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

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of the year	624,308	564,455
Current service cost	33,636	31,315
Interest cost	3,059	3,169
Actuarial gains and losses	(3,831)	(7,458)
Past service cost	(57,989)	(3,264)
Benefits paid	(34,691)	(23,778)
Other	(36)	(5,215)
Balance at end of the year	564,455	559,224

The weighted average duration of the defined benefit obligations for the years ended March 31, 2021 and 2022 is 15.2 years and 15.2 years, respectively.

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

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of the year	446,193	485,398
Interest income	3,169	3,682
Return on plan assets, excluding interest income	55,851	13,606
Employer contributions	13,617	13,304
Benefits paid	(21,110)	(15,675)
Other	(12,322)	(5,878)
Balance at end of the year	485,398	494,437

(Changes in presentation methods)

“Contribution of securities to retirement benefit trust” (34,266 million yen in the year ended March 31, 2021) and “Benefits paid from trust assets” ((39,987) million yen in the year ended March 31, 2021) have become immaterial and therefore are included in and presented as “Other” for the year ended March 31, 2022. The table of “The changes in the fair value of the plan assets for the Group” is reclassified to reflect these changes in presentation methods.

Note: The Group expects to contribute 11,802 million yen to the defined benefit plans for the year ending March 31, 2023.

(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, 2021		As of March 31, 2022	
	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	85,745	—	93,761	—
Equity investments	159,277	—	154,437	—
Cash and cash equivalents	47,608	—	32,340	—
General accounts at life insurance company	—	136,190	—	136,310
Other	—	56,576	—	77,587
Total	292,631	192,766	280,539	213,897

(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, 2021	As of March 31, 2022
Discount rate	Mainly 0.6%	Mainly 0.7%

(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, 2021	As of March 31, 2022
Effects of incremental increase in discount rate by 0.5%	35,809 million yen decrease	35,495 million yen decrease

The sensitivity analysis assumes that other assumptions remain unchanged.

(7) Defined contribution plans

The amounts recognized as expenses for defined contribution plans are 7,668 million yen and 9,074 million yen for the years ended March 31, 2021 and 2022, respectively.

(8) Employee benefits expenses

The Group incurred employee benefits expenses of 751,169 million yen and 879,722 million yen for the years ended March 31, 2021 and 2022, 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, 2020	2,000,000	950,321
Changes	—	—
As of March 31, 2021	2,000,000	950,321
Changes	—	—
As of March 31, 2022	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, 2020	29,638
Changes	(73)
As of March 31, 2021	29,564
Changes	(114)
As of March 31, 2022	29,449

21. Dividends

The dividends paid by the Company are as follows:

(Year ended March 31, 2021)

(1) Dividends paid

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

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

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

(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

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, 2021)

(Millions of Yen)

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

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

(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.

(2) Contract balances

(Millions of Yen)

	As of April 1, 2020	As of March 31, 2021	As of March 31, 2022
Receivables	620,322	644,777	760,050
Contract assets	67,621	48,126	60,057
Contract liabilities	32,628	47,923	32,162

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, 2020 and 2021 and recognized as revenue for the years ended March 31, 2021 and 2022 amounted to 24,681 million yen and 40,765 million yen, respectively. The amount recognized as revenue for the years ended March 31, 2021 and 2022 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, 2021		
		Engineering and Construction	System Solutions
Within 1 year	212,957	148,259	64,698
Over 1 year	217,261	188,831	28,430
Total	430,218	337,090	93,128

(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

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, 2021	Year ended March 31, 2022
Transportation and storage	129,424	161,026
Salaries and bonuses	131,652	139,351
Retirement benefit costs	(12,134)	7,233
Research and development costs	52,673	54,550
Depreciation and amortization	17,089	19,769
Other	150,430	162,794
Total	469,133	544,725

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, 2021	Year ended March 31, 2022
Research and development costs	65,336	66,431

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, 2021	Year ended March 31, 2022
Dividends received	9,704	15,984
Foreign exchanges gains (net)	—	21,045
Gain on sale of inventories	—	45,110
Other	40,006	46,276
Total	49,710	128,417

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, 2021	Year ended March 31, 2022
Foreign exchanges losses (net)	3,040	—
Impairment losses	—	21,500
Losses on disposal of fixed assets	33,560	24,690
Other	54,482	35,410
Total	91,083	81,601

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

27. Losses on reorganization

(Year ended March 31, 2021)

Losses on reorganization were recorded owing to business reorganization and withdrawal, and the details are described below.

Losses on business withdrawal 18,751 million yen

In the Steelmaking and Steel Fabrication segment, losses on business reorganization and withdrawal from business were mainly incurred due to the losses on the sale of the shares of Vallourec Soluções Tubulares do Brasil S.A. which engages in manufacturing and sales of seamless pipes in Brazil.

Losses on inactive facilities 79,914 million yen

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

(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.

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, 2021	Year ended March 31, 2022
Interest income	5,361	1,920
Other	5	7
Total	5,367	1,928

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

(2) Finance costs

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Interest expense	22,298	21,773
Other	3,106	4,472
Total	25,404	26,245

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, 2021	As of March 31, 2022
Steelmaking and Steel Fabrication	41,315	56,715
Engineering and Construction	—	—
Chemicals and Materials	—	—
System Solutions	5,025	5,025
Total	46,341	61,741

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, 2022 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, 2021).

30. Other Comprehensive Income

The components of other comprehensive income are as follows:

(Year ended March 31, 2021)

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

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

(Year ended March 31, 2022)

	(Millions of Yen)				
	Incurring 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.

31. Earnings per Share

(1) Basic earnings per share

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit (loss) for the year attributable to owners of the parent	(32,432)	637,321
Profit (loss) for the year not attributable to ordinary equity holders of the parent	—	—
Profit (loss) for the year used to calculate basic earnings per share	(32,432)	637,321

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

(Shares)

	Year ended March 31, 2021	Year ended March 31, 2022
Weighted average number of ordinary shares outstanding	920,745,340	920,765,686

(2) Diluted earnings per share

Profit (loss) 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, 2021	Year ended March 31, 2022
Profit (loss) for the year used to calculate basic earnings per share	(32,432)	637,321
Adjustment to profit	—	—
Profit (loss) for the year used to calculate diluted earnings per share	(32,432)	637,321

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

(Shares)

	Year ended March 31, 2021	Year ended March 31, 2022
Weighted average number of ordinary shares outstanding	920,745,340	920,765,686
Dilutive effect	—	48,559,263
Weighted average number of ordinary shares used to calculate diluted earnings per share	920,745,340	969,324,949

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, 2021	As of March 31, 2022
ROE (%)	(1.2)	20.5
D/E Ratio (times)	0.93 *0.70	0.77 *0.59

*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, 2021)

Financial assets

(Millions of Yen)

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

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

The carrying amount of “Trade and other receivables” in the table above does not include the contract assets recognized in accordance with IFRS 15 “Revenue” which amounts to 48,126 million yen.

Financial liabilities

(Millions of Yen)

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

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

The carrying amount of “Other non-current liabilities” in the table above does not include the liabilities recognized in accordance with IAS 19 “Employee Benefits” which amounts to 25,384 million yen.

(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.

(e) Financial instruments measured at fair value

(As of March 31, 2021)

Financial assets measured at fair value

(Millions of Yen)

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

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

Financial liabilities measured at fair value

(Millions of Yen)

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

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

(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.

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of the year	79,349	79,200
Net changes in fair value	949	5,429
Acquisitions	67	45
Sale / settlements	(970)	(17,977)
Other	(195)	(46)
Balance at end of the year	79,200	66,652

(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, 2021)

(Millions of Yen)

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

(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.

(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, 2021	Year ended March 31, 2022
Fair value at the time of derecognition	73,333	87,655
Cumulative gains or losses on disposal (net of tax)	24,973	30,485

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Investment derecognized in the reporting period	1,305	3,095
Investment held at the end of reporting period	8,398	12,889
Total	9,704	15,984

(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, 2021)

(Millions of Yen)

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

(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

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, 2021 and 2022 are as follows.

(Millions of USD)

	As of March 31, 2021	As of March 31, 2022
Net exposure (liability)	316	160

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, 2021 and 2022 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, 2021	Year ended March 31, 2022
Impacts on profit before income taxes	(350)	(196)

(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, 2021	Year ended March 31, 2022
Impacts on profit before income taxes	(1,199)	(1,273)

Interest Rate Benchmark Reform

As of March 31 2022, 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 2022.

(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, 2021	As of March 31, 2022
Current	799,339	931,911
Within 90 days	5,419	6,024
Over 90 days and within 1 year	1,606	1,308
Over 1 year	663	1,711
Total	807,028	940,956

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance at beginning of the year	5,326	10,709
Increase during the year	7,099	634
Decrease during the year	(1,419)	(732)
Other	(297)	115
Balance at end of the year	10,709	10,725

(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, 2021

(Millions of Yen)

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

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

(5) Derivatives**(a) Impacts on the consolidated statement of financial position****(i) Derivative assets and liabilities designated as hedging instruments**

As of March 31, 2021

(Millions of Yen)

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

As of March 31, 2022

(Millions of Yen)

Types of hedges	Derivative assets and liabilities	Notional amount		Carrying amount (Fair value) (Note 1)	
		Total	Settlement in excess of one year	Assets	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 (Note 2)	18,083	538	7,317	—
Total		925,030	574,890	29,977	2,171

Notes:

- 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.
- Commodity related derivative assets and liabilities are presented as "Commodity derivative" since commodity option transactions were initiated in the year ended March 31, 2022.

(ii) Derivative assets and liabilities not designated as hedges

(Millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contract	49	15	15	46
Interest swap	—	213	254	31
Currency swap	17	—	—	—
Total	67	229	270	77

(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, 2021

(Millions of Yen)

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

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	

33. Related Parties

(1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2021

(Millions of Yen)

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

Notes:

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

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.

(2) Key management personnel compensation

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

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Salary	734	869

34. Commitments

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

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Contractual commitments related to acquisition of property, plant and equipment and intangible assets	389,821	337,975

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, 2021	As of March 31, 2022
Guarantees for the bank loans of joint ventures and associates	282,058	307,819

36. Subsequent Events

(Significant capital investment)

At the Board of Directors' meeting held on May 10, 2022, the Company decided to establish a next-generation hot strip mill at the Nagoya Works.

1. Purpose of capital investment

In the automotive industry, demand for high-performance materials is expected to increase further in response to needs for more lightweight and stronger vehicle bodies, as global environmental regulations and collision safety standards are being tightened. Due to the issues of mileage and battery weight, those needs are particularly expected to increase for electric vehicles and other electric-powered vehicles, with their ever-increasing popularity.

In response to these needs, the Company has decided to establish a next-generation hot strip mill as a strategic investment and to suspend the existing facility after the start-up of the new line, with the aim of fundamentally strengthening the production system for high-grade steel sheets, such as ultra-high-tensile steel sheets at the Nagoya Works, the core of automotive steel sheet production.

2. Outline of capital investment

- (1) Capacity: Approximately 6 million tons per year
- (2) Start of operation: 1st quarter of FY2026
- (3) Investment amount: Approximately 270 billion yen