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Styrelsen och verkställande direktören för

Suzuki Garphyttan AB

Org nr 556030-2886

får härmed avge

Årsredovisning

för räkenskapsåret 1 januari - 31 december 2022

Innehåll: **sida**

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Fastställelseintyg för årsredovisning för räkenskapsåret 2022

Undertecknad verkställande direktör samt undertecknad ekonomichef i Suzuki Garphyttan AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 13 juni 2023
Årsstämman beslutade att godkänna styrelsens förslag till hur vinsten ska fördelas.

Härmed intygas att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalet.

Garphyttan 2023-07-04

Lars Gunnarsson
Ekonomichef

Ad Raatgeep
Verkställande direktör

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Förvaltningsberättelse

Allmänt om verksamheten

Suzuki Garphyttans verksamhet består av utveckling, tillverkning och marknadsföring, huvudsakligen specialtråd i stållegeringar för tillämpningar som ställer höga krav på materialegenskaper som exempelvis utmattningshållfasthet och ytor. De flesta tillämpningarna finns i förbränningsmotorer och transmissioner i lätta och tunga fordon. Vanliga applikationer är ventilfjädrar, fjädrar i växellådor och kopplingar, kolvringar, kompressionsringar och injektorfjädrar i insprutningssystem.

Suzuki Garphyttan AB är moderbolag i en koncern där dotterbolagen är
Suzuki Garphyttan GmbH,
Suzuki Garphyttan Corp, Suzuki Garphyttan Ltd.,
Suzuki Garphyttan (Hong Kong) Co., Ltd.,
Suzuki Garphyttan S.A. de C.V.

Suzuki Garphyttan (Hong Kong) Co., Ltd. äger i sin tur Suzuki Garphyttan Wire (Suzhou) Co., Ltd.

Suzuki Garphyttan AB ägs till 100% av Nippon Steel SG Wire Co., Ltd (NSSG) i Tokyo. Nippon Steel SG Wire Co., Ltd ägs till 100% av Nippon Steel Corporation (NSC) i Tokyo, Japan.

Suzuki Garphyttan AB har sitt säte i Garphyttan i Sverige. Adressen till huvudkontoret är
Suzuki Garphyttan AB, Bruksvägen 3, 719 80 Garphyttan.

Utveckling av företagets verksamhet, resultat och ställning

Ekonomisk översikt i Mkr	*2022*	*2021*	*2020*	*2019*	*2018*
Nettoomsättning	1 075	979	715	901	1 061
Rörelseresultat	69	134	-6	-13	77
Rörelsemarginal %	6	14	-1	-1	7
Balansomslutning	1 773	1 575	1 288	1 117	1 111
Avkastning på eget kapital %	17	23	-2	3	15
Soliditet %	45	48	48	56	58

Väsentliga händelser under räkenskapsåret

Även år 2022 har präglats av stor osäkerhet i världen. Framförallt Rysslands krig i Ukraina har påverkat priser på energi och råvaror. Det har för företagets räkning märkt i ökade råvarupriser och energipriser. Omsättningen har ökat 9,9% jämfört med föregående år. Det beror på generellt ökade priser i stålmarknaden vilket även företaget har kunnat nyttja. Efterfrågan har varierat under året. Under kvartal två var efterfrågan på en lägre nivå. Anledning kan ha varit komponentbrist hos företagets kunder på grund av komponentbrist relaterat till att produktion av komponenter minskat i Ukraina. Under året har företaget implementerat ett nytt affärssystem.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Under år 2023 är det fortsatt stor osäkerhet relaterat till hög inflation, framför allt drivet av ökade energipriser. För att stävja inflation har styrräntor ökats. Hushållens kostnader i europa har ökat kraftigt vilket kan göra att efterfrågan på företagets produkter minskar. I branchen finns det också höga lagernivåer. Detta sammantaget gör att efterfrågan på företagets produkter kan minska under året.

Forskning och utveckling

Forskning och utveckling bedrivs framförallt som produkt- och processutveckling i nära samarbete med både kunder och leverantörer. Syftet är att ständigt förbättra produkternas egenskaper och produktionsprocesser.

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Icke-finansiella upplysningar

Strategiplanen för år 2021 - 2025 som utarbetades år 2020 är ligger till grund för de aktiviteter som gjorts under år 2022 och det som planeras att göras under år 2023. Strategiplanen är till för att styra och utveckla affärsmodeller, produktionsprocesser och produktionskapacitet.

Ett annat viktigt område är ett nära samarbete med leverantörer av råvarumaterial. Suzuki Garphyttan AB arbetar systematiskt med att förbättra arbetsmiljön inom produktion och administration. Ett kontinuerligt och långsiktigt arbete görs också för att minska användning av farliga ämnen och minska energiförbrukning i produktionsprocesser och uppvärmning. Den lagstadgade hållbarhetsrapporten finns som en separat rapport publicerad på Suzuki Garphyttans websida.

Tillstånds- eller anmälningspliktig verksamhet enligt miljöbalken

Bolaget bedriver tillståndspliktig verksamhet enligt miljöbalken. Den yttre miljön påverkas i huvudsak genom utsläpp till luft och vatten, samt genom buller. Bolaget har bedrivit sin verksamhet i enlighet med sitt miljötillstånd och har därigenom följt gällande miljölagstiftning. Företaget har enligt tillståndsplikten rätt att tillverka 40 000 ton tråd. Under 2022 har 25 257 ton tråd tillverkats.

Eget kapital

2022-12-31	Bundet eget kapital			Fritt eget kapital			
	Aktie kapital	*Upp-skrivnings-fond*	*Reserv-fond*	*Överkurs fond*	*Fond för verkligt värde*	*Bal.res inkl årets resultat*	*Summa eget kapital*
Ingående balans	15 000	–	5 500	–	–	539 614	560 114
Årets resultat						107 456	107 456
Transaktioner med ägare							
Utdelning						-84 000	-84 000
Vid årets utgång	15 000	–	5 500	–	–	563 070	583 570

Förslag till disposition av företaget vinst eller förlust

Styrelsen föreslår att fritt eget kapital, kronor 563 069 719 disponeras enligt följande:

	Not	
Utdelning 150 000 x 440 kr/aktie		66 000 000
Balanseras i ny räkning		497 069 719
Summa	32	563 069 719

Till grund för sitt förslag till utdelning har styrelsen enligt 18 kap. 4 § Aktiebolagslagen (2005:551) bedömt att den föreslagna utdelningen är försvarlig med hänsyn till de krav som verksamheten ställer på storleken av moderbolagets och koncernens eget kapital liksom på moderbolagets och koncernens konsolideringsbehov, likviditet och ställning i övrigt. Styrelsen anser även att utdelningen ger utrymme för koncernen att fullgöra sina

Vad beträffar resultat och ställning i övrigt, hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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Resultaträkning

Belopp i tkr	*Not*	*2022*	*2021*
Nettoomsättning	3	1 075 208	978 579
Kostnad för sålda varor		-819 884	-695 288
Bruttoresultat		255 324	283 291
Försäljningskostnader		-73 251	-60 567
Administrationskostnader		-110 908	-102 557
Forsknings- och utvecklingskostnader		-24 637	-17 754
Övriga rörelseintäkter	4	25 720	31 666
Övriga rörelsekostnader	7	-3 634	-522
Rörelseresultat	4,5,6,7	68 614	133 557
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	9	56 786	19 031
Övriga ränteintäkter och liknande resultatposter	10	19 795	32 033
Räntekostnader och liknande resultatposter	11	-10 851	-5 857
Resultat efter finansiella poster		134 344	178 764
Bokslutsdispositioner			
Bokslutsdispositioner, övriga	12	-14 100	-20 110
Resultat före skatt		120 244	158 654
Skatt på årets resultat	13	-12 788	-29 245
Årets resultat		107 456	129 409

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Balansräkning

Belopp i tkr	*Not*	*2022-12-31*	*2021-12-31*
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Balanserade utgifter för utvecklingsarbeten och liknande	14	75 050	2 796
		75 050	2 796
Materiella anläggningstillgångar			
Byggnader och mark	15	30 847	34 720
Maskiner och andra tekniska anläggningar	16	111 495	110 994
Inventarier, verktyg och installationer	17	16 131	21 886
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	18	52 348	76 638
		210 821	244 238
Finansiella anläggningstillgångar			
Andelar i koncernföretag	19	475 403	406 796
Uppskjuten skattefordran	21	5 121	4 347
Andra långfristiga fordringar	22	5 433	4 458
		485 957	415 601
Summa anläggningstillgångar		771 828	662 635
Omsättningstillgångar			
Varulager m m			
Råvaror och förnödenheter		189 996	144 348
Varor under tillverkning		57 053	44 291
Färdiga varor och handelsvaror		81 612	70 893
		328 661	259 532
Kortfristiga fordringar			
Kundfordringar		92 296	69 121
Fordringar hos koncernföretag		485 530	428 827
Aktuell skattefordran		10 251	10 562
Övriga fordringar		15 471	12 246
Förutbetalda kostnader och upplupna intäkter	23	13 358	13 312
		616 906	534 068
Kassa och bank			
Kassa och bank	30	55 674	61 797
		55 674	61 797
Summa omsättningstillgångar		1 001 241	855 397
SUMMA TILLGÅNGAR		1 773 069	1 518 032

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Balansräkning

Belopp i tkr	*Not*	*2022-12-31*	*2021-12-31*
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital 150 000 aktier	33	15 000	15 000
Reservfond		5 500	5 500
		20 500	20 500
Fritt eget kapital			
Balanserat resultat		455 614	410 205
Årets resultat		107 456	129 409
		563 070	539 614
		583 570	560 114
Obeskattade reserver			
Ackumulerade överavskrivningar	24	144 950	127 450
Periodiseringsfonder	25	124 770	128 170
		269 720	255 620
Avsättningar			
Avsättningar för pensioner och liknande förpliktelser	26	40 290	44 397
		40 290	44 397
Långfristiga skulder	27		
Övriga skulder till kreditinstitut		260 161	179 485
		260 161	179 485
Kortfristiga skulder			
Skulder till kreditinstitut		62 722	84 066
Checkräkningskredit	28	7 971	–
Leverantörsskulder		140 214	116 188
Skulder till koncernföretag		194 629	121 986
Övriga skulder		13 016	310
Upplupna kostnader och förutbetalda intäkter	29	200 776	155 866
		619 328	478 416
SUMMA EGET KAPITAL OCH SKULDER		1 773 069	1 518 032

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Kassaflödesanalys

Belopp i tkr		2022	2021
Den löpande verksamheten			
Resultat efter finansiella poster		134 344	178 764
Justering för poster som inte ingår i kassaflödet	31	52 557	20 008
		186 901	198 772
Betald inkomstskatt		-13 250	-25 176
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		173 651	173 596
Förändringar i rörelsekapital			
Ökning(-)/Minskning(+) av varulager		-69 129	-89 830
Ökning(-)/Minskning(+) av rörelsefordringar		-83 148	-143 909
Ökning(+)/Minskning(-) av rörelseskulder		162 256	94 773
Kassaflöde från den löpande verksamheten		183 630	34 630
Investeringsverksamheten			
Förvärv av materiella anläggningstillgångar		-75 255	-61 496
Avyttring av materiella anläggningstillgångar		–	5 174
Förvärv/investering dotterbolag		-68 607	–
Förvärv av finansiella tillgångar		-975	-921
Kassaflöde från investeringsverksamheten		-144 838	-57 243
Finansieringsverksamheten			
Upptagna lån		80 000	
Amortering av lån		-40 914	-8 531
Utbetald utdelning till moderföretagets aktieägare		-84 000	–
Kassaflöde från finansieringsverksamheten		-44 914	-8 531
Årets kassaflöde		-6 123	-31 144
Likvida medel vid årets början		61 797	92 941
Likvida medel vid årets slut	30	55 674	61 797

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Noter

Belopp i tkr om inget annat anges

Not 1 Redovisningsprinciper

Årsredovisningen har upprättats i enlighet med årsredovisningslagen och enligt Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).
Alla belopp i årsredovisningen är i tkr om inget annat anges. Redovisningsprinciper är oförändrade jämfört med tidigare år. Tillgångar, avsättningar och skulder har värderats till anskaffningsvärde om inget annat anges nedan.

Immateriella tillgångar

Utgifter för forskning och utveckling

Utgifter för forskning, dvs. planerat och systematiskt sökande i syfte att erhålla ny vetenskaplig eller teknisk kunskap och insikt, redovisas som kostnad när de uppkommer.

Vid redovisning av utgifter för utveckling av framtagna forskningsresultat eller annan kunskap tillämpas kostnadsföringsmodellen, vilket innebär att alla utgifter kostnadsförs när de uppkommer.

Materiella anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar och nedskrivningar. I anskaffningsvärdet ingår förutom inköpspriset även utgifter som är direkt hänförliga till förvärvet.

Avskrivningar

Avskrivning sker linjärt över tillgångens beräknade nyttjandeperiod eftersom det återspeglar den förväntade förbrukningen av tillgångens framtida ekonomiska fördelar. Avskrivningen redovisas som kostnad i resultaträkningen.

Hänsyn har tagits till beräknat restvärde, fastställt vid anskaffningstillfället i då rådande prisnivå.

	Nyttjandeperiod
Byggnader	20-50 år
Maskiner och inventarier	5-20 år
Markanläggningar	27 år
PC-utrustning	3 år

Byggnaderna består av ett antal komponenter med olika nyttjandeperioder. Huvudindelningen är byggnader och mark. Ingen avskrivning sker på komponenten mark vars nyttjandeperiod bedöms som obegränsad. Byggnaderna består av flera komponenter vars nyttjandeperiod varierar.

Följande huvudgrupper av komponenter har identifierats och ligger till grund för avskrivningen på byggnader:

- Stomme	40 år
- Installationer; värme, el, VVS, ventilation mm	20-33 år
- Yttre ytskikt; fönster, fasader, yttertak mm	10-33 år
- Inre ytskikt	10 år

Maskiner skrivs också av fördelade på komponenter vars nyttjandeperiod varierar.

Nedskrivningar - materiella och immateriella anläggningstillgångar samt andelar i koncernföretag

Vid varje balansdag bedöms om det finns någon indikation på att en tillgångs värde är lägre än dess redovisade värde. Om en sådan indikation finns, beräknas tillgångens återvinningsvärde.

Återvinningsvärdet är det högsta av verkligt värde med avdrag för försäljningskostnader och nyttjandevärde. Vid beräkning av nyttjandevärdet beräknas nuvärdet av de framtida kassaflöden som tillgången väntas ge upphov till i den löpande verksamheten samt när den avyttras eller utrangeras. Den diskonteringsränta som används är före skatt och återspeglar marknadsmässiga bedömningar av pengars tidsvärde och de risker som avser tillgången. En tidigare nedskrivning återförs endast om de skäl som låg till grund för beräkningen av återvinningsvärdet vid den senaste nedskrivningen har förändrats.

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Leasing
Alla leasingavtal redovisas som operationella leasingavtal.

Operationella leasingavtal
Leasingavgifterna enligt operationella leasingavtal, inklusive förhöjd förstagångshyra men exklusive utgifter för tjänster som försäkring och underhåll, redovisas som kostnad linjärt över leasingperioden.

Utländsk valuta
För poster som ingår i en säkringsrelation - se under rubriken "Säkringsredovisning".

Poster i utländsk valuta
Monetära poster i utländsk valuta räknas om till balansdagens kurs. Icke-monetära poster räknas inte om utan redovisas till kursen vid anskaffningstillfället.

Varulager
Varulagret är upptaget till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet. Därvid har inkuransrisk beaktats. Anskaffningsvärdet beräknas enligt först in- först ut- principen. I anskaffninsvärdet ingår förutom utgifter för inköp även utgifter för att bringa varorna till deras aktuella plats och skick.

I egentillverkade halv- och helfabrikat består anskaffningsvärdet av direkta tillverkningskostnader och de indirekta kostnader som utgör mer än en oväsentlig del av den sammanlagda utgiften för tillverkningen. Vid värdering har hänsyn tagits till
normalt kapacitetsutnyttjande.

Finansiella tillgångar och skulder
Finansiella tillgångar och skulder redovisas i enlighet med kapitel 11 (Finansiella instrument värderade utifrån anskaffningsvärdet) i BFNAR 2012:1.

Redovisning i och borttagande från balansräkningen
En finansiell tillgång eller finansiell skuld tas upp i balansräkningen när företaget blir part i instrumentets avtalsmässiga villkor. En finansiell tillgång tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången har upphört eller reglerats. Detsamma gäller när de risker och fördelar som är förknippade med innehavet i allt väsentligt överförts till annan part och företaget inte längre har kontroll över den finansiella tillgången. En finansiell skuld tas bort från balansräkningen när den avtalade förpliktelsen fullgjorts eller upphört.

Värdering av finansiella tillgångar
Finansiella tillgångar värderas vid första redovisningstillfället till anskaffningsvärde, inklusive eventuella transaktionsutgifter som är direkt hänförliga till förvärvet av tillgången.

Finansiella omsättningstillgångar värderas efter första redovisningstillfället till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet på balansdagen.

Kundfordringar och övriga fordringar som utgör omsättningstillgångar värderas individuellt till det belopp som beräknas inflyta.

Finansiella anläggningstillgångar värderas efter första redovisningstillfället till anskaffningsvärde med avdrag för eventuella nedskrivningar och med tillägg för eventuella uppskrivningar.

Räntebärande finansiella tillgångar värderas till upplupet anskaffningsvärde med tillämpning av effektivräntemetoden.

Andelar i dotterföretag, intresseföretag och gemensamt styrda företag redovisas till anskaffningsvärde minskat med ackumulerade nedskrivningar. I anskaffningsvärdet ingår förutom inköpspriset även utgifter som är direkt hänförliga till förvärvet.

Vid värdering till lägsta värdets princip respektive vid bedömning av nedskrivningsbehov anses företagets finansiella instrument som innehas för riskspridning ingå i en värdepappersportfölj och värderas därför som en post.

Derivatinstrument som utgör finansiella tillgångar och för vilka säkringsredovisning inte har tillämpats (se nedan) värderas efter det första redovisningstillfället till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet på balansdagen.

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Värdering av finansiella skulder
Finansiella skulder värderas till upplupet anskaffningsvärde. Utgifter som är direkt hänförliga till upptagande av lån korrigerar lånets anskaffningsvärde och periodiseras enligt effektivräntemetoden.

Derivatinstrument med negativt värde och för vilka säkringsredovisning inte tillämpats (se nedan) redovisas som finansiella skulder och värderas till det belopp som för företaget är mest förmånligt om förpliktelsen regleras eller överlåts på balansdagen.

Säkringsredovisning
Säkringsredovisning tillämpas endast då det finns en ekonomisk relation mellan säkringsinstrumentet och den säkrade posten som överensstämmer med företagets mål för riskhantering. Dessutom krävs att säkringsförhållandet förväntas vara mycket effektivt under den period för vilken säkringen har identifierats samt att säkringsförhållandet och företagets mål för riskhantering och riskhanteringsstrategi avseende säkringen är dokumenterade senast när säkringen ingås.

Säkring av fordringar och skulder i utländsk valuta
Vid säkring av fordringar och skulder i utländsk valuta med valutaterminer värderas den underliggande fordran eller skulden till terminskurs. Om terminspremien, dvs. skillnaden mellan avistakursen den dagen terminen ingicks och terminskursen, är väsentlig värderas dock underliggande fordran eller skuld till avistakursen den dagen terminen ingicks. Terminspremien periodiseras då över terminens löptid som räntekostnad eller ränteintäkt.

Ersättningar till anställda
Ersättningar till anställda efter avslutad anställning
Klassificering
Planer för ersättningar efter avslutad anställning klassificeras som antingen avgiftsbestämda eller förmånsbestämda.

Vid avgiftsbestämda planer betalas fastställda avgifter till ett annat företag, normalt ett försäkrings- företag, och har inte längre någon förpliktelse till den anställde när avgiften är betald. Storleken på den anställdes ersättningar efter avslutad anställning är beroende av de avgifter som har betalat och den kapitalavkastning som avgifterna ger.

Vid förmånsbestämda planer har företaget en förpliktelse att lämna de överenskomna ersättningarna till nuvarande och tidigare anställda. Företaget bär i allt väsentligt dels risken att ersättningarna kommer att bli högre än förväntat (aktuariell risk), dels risken att avkastningen på tillgångarna avviker från förväntningarna (investeringsrisk). Investeringsrisk föreligger även om tillgångarna är överförda till ett annat företag.

Avgiftsbestämda planer
Avgifterna för avgiftsbestämda planer redovisas som kostnad. Obetalda avgifter redovisas som skuld.

Förmånsbestämda planer
Företag har valt att tillämpa de förenklingsregler som finns i BFNAR 2012:1.

Planer för vilka pensionspremier betalas redovisas som avgiftsbestämda vilket innebär att avgifterna kostnadsförs i resultaträkningen.

I de fall förmånsbestämda pensionsplaner finansieras i egen regi redovisas pensionsskulden till det belopp som erhålls från PRI Pensions Garanti.

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Skatt
Skatt på årets resultat i resultaträkningen består av aktuell skatt och uppskjuten skatt. Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats. Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatteskuld redovisas för alla skattepliktiga temporära skillnader, dock särredovisas inte uppskjuten skatt hänförlig till obeskattade reserver eftersom obeskattade reserver redovisas som en egen post i balansräkningen.
Värderingen baseras på hur det redovisade värdet för motsvarande tillgång eller skuld förväntas återvinnas respektive regleras. Beloppen baseras på de skattesatser och skatteregler som är beslutade per balansdagen och har inte nuvärdeberäknats.

Avsättningar
En avsättning redovisas i balansräkningen när företaget har en legal eller informell förpliktelse till följd av en inträffad händelse och det är sannolikt att ett utflöde av resurser krävs för att reglera förpliktelsen och en tillförlitlig uppskattning av beloppet kan göras.

Vid första redovisningstillfället värderas avsättningar till den bästa uppskattningen av det belopp som kommer att krävas för att reglera förpliktelsen på balansdagen. Avsättningarna omprövas varje balansdag.

Eventualförpliktelser
En eventualförpliktelse redovisas inom linjen när det finns:
- En möjlig förpliktelse som härrör till följd av inträffade händelser och vars förekomst endast kommer att bekräftas av en eller flera osäkra framtida händelser, som inte helt ligger inom företagets kontroll, inträffar eller uteblir, eller
- En befintlig förpliktelse till följd av inträffade händelser, men som inte redovisas som skuld eller avsättning eftersom det inte är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen eller förpliktelsens storlek inte kan beräknas med tillräcklig tillförlitlighet.

Intäkter
Det inflöde av ekonomiska fördelar som företaget erhållit eller kommer att erhålla för egen räkning redovisas som intäkt. Intäkter värderas till verkliga värdet av det som erhållits eller kommer att erhållas, med avdrag för rabatter.

Vid försäljning av varor redovisas en intäkt när följande kriterier är uppfyllda:
- De ekonomiska fördelarna som är förknippade med transaktionen sannolikt kommer att tillfalla företaget,
- Inkomsten kan beräknas på ett tillförlitligt sätt,
- Företaget har överfört de väsenliga riskerna och fördelarna som är förknippade med varornas ägande till köparen,
- Företaget har inte längre ett sådant engagemang i den löpande förvaltningen som vanligtvis förknippas med ägande och utövar inte heller någon reell kontroll över de sålda varorna, samt
- De utgifter som har uppkommit eller förväntas uppkomma till följd av transaktionen kan beräknas på ett tillförlitligt sätt.

Ränta, royalty och utdelning
Intäkt redovisas när de ekonomiska fördelarna som är förknippade med transaktionen sannolikt kommer att tillfalla företaget samt när inkomsten kan beräknas på ett tillförlitligt sätt.
Ränta redovisas som intäkt enligt effektivräntemetoden.

Royalty periodiseras i enlighet med överenskommelsens ekonomiska innebörd.

Utdelning redovisas när behörigt organ har fattat beslut om att utdelning ska lämnas.

Eftersom moderföretaget innehar mer än hälften av rösterna för samtliga andelar i dotterföretaget redovisas utdelning när rätten att få utdelning bedöms som säker och kan beräknas på ett tillförlitligt sätt.

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Not 2 Uppskattningar och bedömningar

Suzuki Garphyttan AB gör uppskattningar och bedömningar om framtiden. De uppskattningar för redovisningsändamål som blir följden av dessa kommer, definitionsmässigt, sällan att motsvara det verkliga resultatet. De uppskattningar och antaganden som innebär en betydande risk för väsentliga justeringar i redovisade värden för tillgångar och skulder under nästkommande år behandlas i huvuddrag nedan.

Inkurans i Varulager

En prövning av individuell inkurans genomförs vid varje bokslut med avseende på ekonomisk och teknisk inkurans där ledningen gör en bedömning av vad som skall skrivas ned
Inkuransreserven per 2022-12-31 uppgår till 15 708 tkr (f.å. 11 397 tkr).

Not 3 Nettoomsättning per rörelsegren och geografisk marknad

	2022	*2021*
Nettoomsättning per rörelsegren		
Oljehärdad tråd	863 582	685 104
Special Wire Products	211 626	293 475
	1 075 208	978 579
Nettoomsättning per geografisk marknad		
Sverige	51 138	40 987
EU	920 784	835 264
Övriga världen	103 286	102 328
	1 075 208	978 579

Not 4 Övriga rörelseintäkter

	2022	*2021*
Kursvinster på fordringar/skulder av rörelsekaraktär	–	2 538
Royalty från dotterbolag	24 938	20 148
Ersättning sjukönekostnader	782	750
FORA återbäring	–	8 230
	25 720	31 666

Not 5 Anställda, personalkostnader och arvoden till styrelse och revisorer

Medelantalet anställda

	2022	*varav män*	*2021*	*varav män*
Sverige	343	83%	314	85%
Totalt	343	83%	314	85%

Redovisning av könsfördelning i företagsledningar

	2022-12-31 Andel kvinnor	*2021-12-31 Andel kvinnor*
Styrelsen	0%	0%
Övriga ledande befattningshavare	29%	29%

Löner och andra ersättningar samt sociala kostnader, inklusive pensionskostnader

	2022	*2021*
Löner och ersättningar	*199 656*	*174 797*
Sociala kostnader	*85 022*	*75 034*
(varav pensionskostnad) 1)	*(33 427)*	*(26 358)*

1) Av företagets pensionskostnader avser 1 211 tkr (f.å. 1 145 tkr) företagets ledning.
Företagets utestående pensionsförpliktelser till dessa uppgår till 5 605 tkr (f.å.7 567 tkr).

Löner och andra ersättningar fördelade mellan styrelseledamöter m.fl. och övriga anställda

	2022		*2021*	
	Styrelse och VD	*Övriga anställda*	*Styrelse och VD*	*Övriga anställda*
Löner och andra ersättningar	5 658	193 998	5 516	169 281
(varav tantiem o.d.)	*(716)*		*(1 306)*	

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Avgångsvederlag
VD och vice VD har vid uppsägning från bolagets sida rätt till en avgångsersättning motsvarande 12-18 månadslöner.

Arvode och kostnadsersättning till revisorer

	2022	*2021*
KPMG AB		
Revisionsuppdrag	390	365
Skatterådgivning	10	10
Andra uppdrag	150	34

Med revisionsuppdrag avses lagstadgad revision av årsredovisningen och bokföringen samt styrelsens och verkställande direktörens förvaltning samt revision och annan granskning utförd i enlighet med överenskommelse eller avtal.

Detta inkluderar övriga arbets uppgifter som det ankommer på bolagets revisor att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförandet av sådana övriga arbetsuppgifter.

Not 6 Avskrivningar av materiella anläggningstillgångar

	2022	*2021*
Avskrivningar enligt plan fördelade per funktion		
Kostnad för sålda varor	-25 795	-25 773
Administrationskostnader	-9 586	-8 689
Forsknings- och utvecklingskostnader	-993	-689
	-36 374	-35 151

Not 7 Övriga rörelsekostnader

	2022	*2021*
Valutakursförsluster	-3 634	-522
	-3 634	-522

Not 8 Operationell leasing

	2022	*2021*
Räkenskapsårets kostnadsförda leasingavgifter	12 035	11 322

Framtida minimileaseavgifter avseende icke uppsägningsbara operationella leasingavtal	*2022*	*2021*
Inom ett år	527	390
Mellan ett och fem år	2 354	1 558
	2 881	1 948

Not 9 Resultat från andelar i koncernföretag

	2022	*2021*
Utdelning	56 786	19 031
	56 786	19 031

Not 10 Övriga ränteintäkter och liknande resultatposter

	2022	*2021*
Ränteintäkter, koncernföretag	8 824	6 285
Ränteintäkter, övriga	5 151	1 102
Kursvinster på kortfristiga fordringar och skulder	5 820	24 646
	19 795	32 033

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Not 11 Räntekostnader och liknande resultatposter

	2022	*2021*
Räntekostnader, koncernföretag	-262	-71
Räntekostnader, övriga	-9 473	-5 786
Övrigt	-1 116	–
	-10 851	-5 857

Not 12 Bokslutsdispositioner, övriga

	2022	*2021*
Maskiner och andra tekniska anläggningar	-17 500	-4 000
Periodiseringsfond, årets avsättning	-23 500	-39 900
Periodiseringsfond, årets återföring	26 900	23 790
	-14 100	-20 110

Not 13 Skatt på årets resultat

	2022	*2021*
Aktuell skattekostnad	-13 562	-24 696
Uppskjuten skatt	774	-4 549
	-12 788	-29 245

Avstämning av effektiv skatt

		2022		*2021*
	Procent	*Belopp*	*Procent*	*Belopp*
Resultat före skatt		120 244		158 654
Skatt enligt gällande skattesats för moderföretaget	20,6%	-24 770	20,6%	-32 683
Ej avdragsgilla kostnader	0,6%	-717	0,3%	-477
Ej skattepliktiga intäkter	-9,8%	11 791	-2,5%	4 030
Schablonränta periodiseringsfond	0,1%	-132	0,1%	-115
Skattereduktion investeringar	-0,9%	1 041	0,0%	–
Redovisad effektiv skatt	10,6%	-12 788	18,4%	-29 245

Not 14 Balanserade utgifter för utvecklingsarbeten och liknande

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	14 500	14 500
Övriga investeringar	77 621	–
Avyttringar och utrangeringar	-1 200	–
Vid årets slut	90 921	14 500
Ackumulerade avskrivningar		
Vid årets början	-11 704	-8 668
Rörelseförvärv	–	–
Återförda avskrivningar på avyttringar och utrangeringar	1 200	–
Omklassificeringar	–	–
Årets avskrivning	-5 367	-3 036
Vid årets slut	-15 871	-11 704
Redovisat värde vid årets slut	75 050	2 796

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Not 15 Byggnader och mark

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	127 687	127 560
Nyanskaffningar	–	127
Vid årets slut	127 687	127 687
Ackumulerade avskrivningar		
Vid årets början	-92 967	-88 747
Årets avskrivning	-3 873	-4 220
Vid årets slut	-96 840	-92 967
Redovisat värde vid årets slut	30 847	34 720

Varav mark	*2022-12-31*	*2021-12-31*
Ackumulerade anskaffningsvärden	134	134
Redovisat värde vid årets slut	134	134

Not 16 Maskiner och andra tekniska anläggningar

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	608 356	628 133
Nyanskaffningar	20 310	15 546
Avyttringar och utrangeringar	-12 625	-35 324
Omklassificeringar	–	–
Vid årets slut	616 041	608 355
Ackumulerade avskrivningar		
Vid årets början	-497 361	-511 104
Återförda avskrivningar på avyttringar och utrangeringar	12 580	34 638
Årets avskrivning	-19 765	-20 895
Vid årets slut	-504 546	-497 361
Redovisat värde vid årets slut	111 495	110 994

Not 17 Inventarier, verktyg och installationer

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	58 273	47 322
Nyanskaffningar	1 614	11 138
Avyttringar och utrangeringar	-5 225	-187
Vid årets slut	54 662	58 273
Ackumulerade avskrivningar		
Vid årets början	-36 387	-29 493
Återförda avskrivningar på avyttringar och utrangeringar	5 225	106
Årets avskrivning på anskaffningsvärden	-7 369	-7 000
Vid årets slut	-38 531	-36 387
Redovisat värde vid årets slut	16 131	21 886

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Not 18 Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar

	2022-12-31	*2021-12-31*
Vid årets början	76 638	36 953
Omklassificeringar	-99 545	-26 812
Investeringar	75 255	66 497
Redovisat värde vid årets slut	52 348	76 638

Not 19 Andelar i koncernföretag

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	406 796	406 796
Omklassificeringar	68 607	–
Vid årets slut	475 403	406 796
Redovisat värde vid årets slut	475 403	406 796

			2022-12-31	*2021-12-31*
Dotterföretag / Org nr / Säte	*Antal andelar*	*Andel i % i)*	*Redovisat värde*	*Redovisat värde*
Suzuki Garphyttan GmbH, Tyskland	1 500 000	100,0	42 114	42 114
Suzuki Garphyttan Corp, USA	20 000	100,0	152 607	152 607
Suzuki Garphyttan Co.,Ltd, Hong Kong	39 000	100,0	48 470	48 470
Suzuki Garphyttan Wire Co.,Ltd, Kina				
Suzuki Garphyttan Ltd, England	1 500	100,0	22 135	22 135
Suzuki Garphyttan S.A. de C.V.	99 000 000	100,0	210 077	141 470

Not 20 Finansiella instrument och riskhantering

Derivat och finansiell riskhantering

	2022-12-31		*2021-12-31*	
Tillgångar	*Redovisat värde*	*Verkligt värde*	*Redovisat värde*	*Verkligt värde*
Derivat för vilka säkringsredovisning tillämpas				
Valutaterminer	-1 386	-1 386	–	1 535

Bolaget fakturerar till kunder i huvudsak i utländsk valuta såsom EUR och USD. Inköp av valstråd (råvara) sker i huvudsak i EUR. Därför är bolaget utsatt för valutakursförändringar på transaktioner. En valuta-säkringspolicy är antagen i bolaget för att minska risker av förändringar i valutakurser.
Valutasäkringspolicyn innebär att 50% - 100% av förväntade transaktioner från orderstock i EUR och USD säkras upp med valutaterminer. Marknadsvärde av valutaterminer per 2022-12-31 var -1,3 mkr (1,5 mkr).

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Not 21 Uppskjuten skatt

	Redovisat värde	*2022-12-31 Skattemässigt värde*	*Temporär skillnad*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	30 713	40 451	-9 738
Lager	328 660	334 037	-5 377
Avsättning Kapitalförsäkring inkl löneskatt	-6 793	–	-6 793
Skuldreserv bonus	-2 952	–	-2 952
	349 628	374 488	-24 860

	Uppskjuten skattefordran	*2022-12-31 Uppskjuten skatteskuld*	*Netto*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	2 006	–	2 006
Lager	1 108	–	1 108
Avsättning Kapitalförsäkring	1 399	–	1 399
Skuldreserv bonus	608	–	608
Uppskjuten skattefordran	5 121	–	5 121

	Redovisat värde	*2021-12-31 Skattemässigt värde*	*Temporär skillnad*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	34 586	42 642	-8 056
Lager	259 532	262 801	-3 269
Avsättning Kapitalförsäkring inkl löneskatt	-5 870	–	-5 870
Pensioner	-3 909	–	-3 909
Uppskjuten skatt underskott			
	284 339	305 443	-21 104

	Uppskjuten skattefordran	*2021-12-31 Uppskjuten skatteskuld*	*Netto*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	1 660	–	1 660
Lager	673	–	673
Avsättning Kapitalförsäkring	1 209	–	1 209
Pensioner	805	–	805
Uppskjuten skattefordran	4 347	–	4 347

Not 22 Andra långfristiga fordringar

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	4 458	3 537
Tillkommande fordringar	975	921
Redovisat värde vid årets slut	5 433	4 458

Not 23 Förutbetalda kostnader och upplupna intäkter

	2022-12-31	*2021-12-31*
Förutbetalda försäkringar	1 044	1 229
Övriga poster	12 314	12 083
	13 358	13 312

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Not 24 Ackumulerade överavskrivningar

	2022-12-31	*2021-12-31*
Maskiner och andra tekniska anläggningar	144 950	127 450

Not 25 Periodiseringsfonder

	2022-12-31	*2021-12-31*
Avsatt räkenskapsår 2016	–	26 900
Avsatt räkenskapsår 2017	29 700	29 700
Avsatt räkenskapsår 2018	25 770	25 770
Avsatt räkenskapsår 2019	5 900	5 900
Avsatt räkenskapsår 2021	39 900	39 900
Avsatt räkenskapsår 2022	23 500	–
	124 770	128 170

Not 26 Avsättningar för pensioner och liknande förpliktelser

	2022	*2021*
Avsättning pension PRI	34 857	39 939
Avsättning direkt pension	5 433	4 458
	40 290	44 397

Not 27 Långfristiga skulder

	2022-12-31	*2021-12-31*
Skulder som förfaller senare än ett år från balansdagen		
Övriga skulder till kreditinstitut	260 161	179 485
Skulder som förfaller senare än fem år från balansdagen		–

	2022-12-31	*2021-12-31*
Ställda säkerheter för övriga skulder		
Fastighetsinteckningar	15 000	15 000
Företagsinteckningar	131 000	131 000
	146 000	146 000

Not 28 Checkräkningskredit

	2022-12-31	*2021-12-31*
Beviljad kreditlimit	80 000	80 000
Outnyttjad del	-72 029	-80 000
Utnyttjat kreditbelopp	7 971	–

Not 29 Upplupna kostnader och förutbetalda intäkter

	2022-12-31	*2021-12-31*
Personalrelaterade kostnader	79 334	67 599
Kundbonus	36 227	32 276
Garantier	14 436	11 187
Övriga poster	70 779	44 804
	200 776	155 866

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Not 30 Likvida medel

	2022-12-31	2021-12-31
Följande delkomponenter ingår i likvida medel:		
Banktillgodohavanden	55 674	61 797
	55 674	61 797

Ovanstående poster har klassificerats som likvida medel med utgångspunkten att:
- De har en obetydlig risk för värdefluktuationer.
- De kan lätt omvandlas till kassamedel.
- De har en löptid om högst 3 månader från anskaffningstidpunkten.

Not 31 Justeringar för poster som inte ingår i kassaflödet m m

	2022	2021
Följande delkomponenter ingår i justering som ej ingår i kassaflödet:		
Avskrivningar enligt plan	36 373	35 151
Rearesultat försäljning av anläggningstillgångar	45	–
Förändring avsatta pensioner	-4 107	-15 143
Övriga ej kassaflödespåverkande poster	20 246	–
	52 557	20 008

Not 32 Vinstdisposition

Förslag till disposition av företaget vinst eller förlust
Styrelsen föreslår att fritt eget kapital, kronor 563 069 719 disponeras enligt följande:

Utdelning 150 000 x 440 kr/aktie	66 000 000
Balanseras i ny räkning	497 069 719
Summa	563 069 719

Not 33 Aktier kvotvärde

	2022-12-31	2021-12-31
Aktiekapital 150 000 aktier *(kvotvärde 100 kr/aktie)*	15 000	15 000

Not 34 Ställda säkerheter och eventualförpliktelser

	2022-12-31	2021-12-31
Ställda säkerheter		
För egna skulder och avsättningar		
Fastighetsinteckningar	15 000	15 000
Företagsinteckningar	131 000	131 000
Summa ställda säkerheter	146 000	146 000
Eventualförpliktelser		
Garantiåtaganden, PRI	697	1 120
	697	1 120

Not 35 Väsentliga händelser efter räkenskapsårets utgång

Inga väsentliga händelser efter räkenskapsårets utgång

20230919005O8

Not 36 Koncernuppgifter

Företaget som utgör moderföretag för en koncern med dotterföretag enl not 17, upprättar ej koncernredovisning enligt 7 kap §2 ÅRL, då företaget och dess samtliga dotterföretag omfattas av en koncernredovisning som upprättas av Nippon Steel Co., Ltd i Tokyo.
Nippon Steel Co., Ltd koncernredovisning har upprättats och reviderats enligt lagstiftning som har tillkommit i enlighet med Europeiska gemenskapernas direktiv av den 13 juni 1983 om sammanställd redovisning (83/349/EEG). Årsredovisningen finns att tillgå hos nämnda moderbolag.

Inköp och försäljning inom koncernen

Av företagets faktuerade försäljning mätt i kronor avser 27% (28%) av försäljningen bolag inom Suzukikoncernen. Inköp från koncernbolag förekommer endast undantagsvis.
Internvinster på transaktioner i koncernen beräknas till 4 310 tkr (7 466 tkr).

Not 37 Nyckeltalsdefinitioner

Rörelsemarginal:	Rörelseresultat / Nettoomsättning
Balansomslutning:	Totala tillgångar
Avkastning på eget kapital:	Resultat efter finansiella poster/Justerat eget kapital
Soliditet:	Totalt eget kapital + 79,4% av obeskattade reserver/ Totala tillgångar

Örebro den 8/6 2023

Kimitoshi Yonezawa
Styrelsens ordförande

Ad Raatgeep
Verkställande direktör

Akira Okada

Lars Gunnarsson

Vår revisionsberättelse har lämnats 2023-06-13

KPMG

Magnus Gustafsson
Auktoriserad revisor

20230919005O9

Revisionsberättelse

Till bolagsstämman i Suzuki Garphyttan AB, org. nr 556030-2886

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Suzuki Garphyttan AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Suzuki Garphyttan ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Suzuki Garphyttan AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Suzuki Garphyttan AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Suzuki Garphyttan AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Karlskoga den 13 juni 2023

KPMG AB

Magnus Gustafsson
Auktoriserad revisor

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NIPPON STEEL CORPORATION

Notice of the 99th General Meeting of Shareholders

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

June 2, 2023

Dear Shareholders:

Eiji Hashimoto
Representative Director and President
NIPPON STEEL CORPORATION (Code Number 5401) (the "Company")
6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

Notice of the 99th General Meeting of Shareholders

We are pleased to inform you of the 99th General Meeting of Shareholders which will be held at **10 a.m., Friday, June 23, 2023**, at the **banquet room TSURU (Banquet Floor (1st Floor), the Main Building), Hotel New Otani Tokyo, 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan**, the agenda of which is set forth below.

In convening the General Meeting of Shareholders, the information that constitutes the content of the Reference Documents for Exercising Voting Rights, etc. (matters to be provided in electronic format) is provided in electronic format, and is posted on the Company's website.

The Company's website: https://www.nipponsteel.com/en/ir/individual/meeting.html

In addition to the Company's website above, the matters to be provided in electronic format are also available on the websites of the Tokyo Stock Exchange (TSE), the Nagoya Stock Exchange (NSE), the Fukuoka Stock Exchange (FSE), and the Sapporo Securities Exchange (SSE).

TSE (Listed Company Search):
https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show
NSE (Listed Company Search):
https://www.nse.or.jp/listing/search/ (in Japanese)
FSE (Listings Directory):
https://www.fse.or.jp/english/listed/search.php
SSE (List of Listed Companies):
https://www.sse.or.jp/listing/list (in Japanese)

(How to access the information)
For the TSE, NSE, and FSE websites:

- Enter either Nippon Steel's security code (5401) or company name (Nippon Steel Corporation).
- To see the matters to be provided in electronic format on the TSE website, when the Nippon Steel name is displayed, select "Basic information" and then "Documents for public inspection/PR information." On the NSE website, when the Nippon Steel name is displayed, select "Timely Disclosure Information." On the FSE website, select "Detailed information."

For the SSE website: Look for NIPPON STEEL in the "Steel" category to view the matters to be provided in electronic format.

Although measures to prevent the spread of COVID-19 will be implemented for the General Meeting of Shareholders, depending on factors such as the state of the spread of COVID-19, we may change the venue and other details of this General Meeting of Shareholders in view of ensuring the health and safety of shareholders. Please check the information posted on the Company's website mentioned above in advance.

If you wish to exercise your voting rights in advance instead of attending the General Meeting of Shareholders in person, please review the "Reference Documents for Exercising Voting Rights" and exercise your voting rights using one of the following methods.

(Voting by mail)
Please indicate your choices on the enclosed Voting Rights Exercise Form and return it so that it will arrive at the Company by 5 p.m., Thursday, June 22, 2023 (Tokyo time). If no choice is indicated for a proposal, it will be assumed that you indicate "approval" for the proposal.

(Voting via the Internet)
Please read the "Exercise of Voting Rights via the Internet" on page 19 and cast your vote by 5 p.m., Thursday, June 22, 2023 (Tokyo time). If you exercise your voting rights multiple times via the Internet, the last vote will be treated as the vote of record. Meanwhile, institutional investors can use the Internet voting rights exercise platform operated by ICJ, Inc.

When votes are registered by both methods, the vote registered via the Internet will be treated as the vote of record.

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AGENDA

Matters to be reported to the shareholders:

Report on operations for the 98th term (from April 1, 2022 to March 31, 2023), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Committee on consolidated financial statements for the 98th term.

Matters for approval by the shareholders:

Item 1: Appropriation of Surplus for the 98th Term (from April 1, 2022 to March 31, 2023)
Item 2: Partial Amendments to the Articles of Incorporation
Item 3: Election of Ten (10) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

1. Doors will open at 9 a.m.
2. Attendees are requested to submit the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. When the voting rights are exercised by a proxy, the said proxy is requested to submit the Voting Rights Exercise Form of the principal at the reception desk, together with a power of attorney in this matter. Meanwhile, please note that a proxy must be another shareholder entitled to exercise voting rights.
3. If revisions are made to the matters to be provided in electronic format, the revisions will be indicated on the websites of the Company, the TSE, the NSE, the FSE, and the SSE indicated above.

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Reference Documents for Exercising Voting Rights

Item 1 Appropriation of Surplus for the 98th Term (from April 1, 2022 to March 31, 2023)

The Board of Directors proposes that the term-end dividend for the 98th term will be paid according to the "Surplus Distribution Policy" described on page 37 as follows:

(1) Kind of Dividend
Cash

(2) Dividend Payment and Total Payment
90 yen per share Total payment: 82,973,455,380 yen

(3) Effective Date of Dividend
Monday, June 26, 2023

(Reference)
For more information on dividends per share and dividend payout ratio on a consolidated basis for the 98th Term as well as those trends, see page 29.

Item 2 Partial Amendments to the Articles of Incorporation

(1) Reasons for the proposal

The Company made NIPPON STEEL TRADING CORPORATION its consolidated subsidiary as of April 14, 2023. Accordingly, the Company proposes to make necessary amendments to its business objects stipulated in Article 2 of the Articles of Incorporation, taking account of the business objects of NIPPON STEEL TRADING CORPORATION.

(2) Details of amendments

The current Articles of Incorporation and proposed amendments are compared as follows. Proposed amendments are indicated with underlines.

Current Articles of Incorporation	Proposed Amendments
Article 2 The objects of the Company shall be to carry on the following businesses: (1) manufacture and sale of iron and steel; (2) manufacture and sale of industrial machinery and facilities, steel structures, water supply related facilities, etc.; (3) contract work on civil engineering and construction, and design and supervision of construction of buildings; (4) manufacture and sale of chemical products, electronic components, etc.; (5) manufacture and sale of nonferrous metal, ceramics, carbon fibers, etc.; (6) engineering and consultation related to the use and development of computer systems; (New) (7) freight transportation and warehousing; (8) supply of electric power, gas, heat and other energy; (9) disposal and recycling of waste; (10) trading, leasing and intermediation of real properties; (11) management of cultural, welfare, sport, training and other facilities; and (12) any and all other businesses incidental to the foregoing subparagraphs.	Article 2 The objects of the Company shall be to carry on the following businesses: (1) manufacture and sale of iron and steel; (2) manufacture and sale of industrial machinery and facilities, steel structures, water supply related facilities, etc.; (3) contract work on civil engineering and construction, and design and supervision of construction of buildings; (4) manufacture and sale of chemical products, electronic components, etc.; (5) manufacture and sale of nonferrous metal, ceramics, carbon fibers, etc.; (6) engineering and consultation related to the use and development of computer systems; (7) manufacture and sale of food and textile products; (8) freight transportation and warehousing; (9) supply of electric power, gas, heat and other energy; (10) disposal and recycling of waste; (11) trading, leasing and intermediation of real properties; (12) management of cultural, welfare, sport, training and other facilities; and (13) any and all other businesses incidental to the foregoing subparagraphs.

Item 3 Election of Ten (10) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The term of office of all nine (9) Directors (excluding Directors who are Audit & Supervisory Committee Members) ends at the conclusion of the 99th General Meeting of Shareholders. The Board of Directors proposes that ten (10) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected. The candidates are set forth below. Mr. Tetsuro Tomita and Ms. Kuniko Urano are candidates for Outside Directors.

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

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
1	Kosei Shindo (September 14, 1949)	April 1973:	Joined Nippon Steel Corporation (NSC)	52,645
		June 2005:	Director (Member of the Board) and General Manager, Corporate Planning Division of NSC	
		June 2006:	Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC	
		April 2007:	Director (under the Executive Management System) and General Manager, General Administration Division of NSC	
		April 2009:	Executive Vice President (under the Executive Management System) of NSC	
		June 2009:	Representative Director and Executive Vice President of NSC	
		October 2012:	Representative Director and Executive Vice President of the Company	
		April 2014:	Representative Director and President of the Company	
		Assumed current position as Representative Director and Chairman of the Company in April 2019		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
2	Eiji Hashimoto (December 7, 1955)	April 1979:	Joined NSC	41,977
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Structurals Division of NSC	
		April 2011:	Director (under the Executive Management System) of NSC	
		October 2012:	Executive Officer of the Company	
		April 2013:	Managing Executive Officer of the Company	
		July 2015:	Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of the Company	
		April 2016:	Executive Vice President and Head of Global Business Development of the Company	
		June 2016:	Representative Director, Executive Vice President and Head of Global Business Development of the Company	
		Assumed current position as Representative Director and President of the Company in April 2019		
		(Material concurrent position) Vice Chair, KEIDANREN (Japan Business Federation) Vice Chairman, The Japan Iron and Steel Federation		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
3	Naoki Sato (March 23, 1961)	April 1983:	Joined NSC	10,882
		April 2018:	Managing Executive Officer and Head of Works, Kashima Works of the Company	
		April 2020:	Executive Vice President and Head of Works, East Nippon Works of the Company	
		April 2021:	Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		June 2021:	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		April 2022:	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, and Deputy Project Leader, India Project, Global Business Development Sector of the Company in April 2023		
		(Responsibilities) Digital Innovation; Information & Communication Technology; Intellectual Property; Safety; Environmental Technology & Management; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling; Research and Development Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, Deputy Project Leader, India Project, Global Business Development Sector Cooperating with Executive Vice President T. Imai on Green Transformation Development Cooperating with Executive Vice President H. Funakoshi on Environmental Planning		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	Takahiro Mori (October 3, 1957)	April 1983:	Joined NSC	13,197
		April 2014:	Executive Officer, Vice Head of Unit, Flat Products Unit of the Company	
		June 2016:	Vice President of Usiminas Siderúrgicas de Minas Gerais S.A.-USIMINAS	
		April 2020:	Managing Executive Officer, Head of Unit, Plate Unit, Head of Unit, Pipe & Tube Unit, Project Leader, VSB Project, Global Business Development Sector of the Company	
		April 2021:	Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		June 2021:	Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Project, Global Business Development Sector of the Company in April 2023		
		(Responsibilities) Head of Global Business Development; Project Leader, India Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including locally incorporated companies)		
		(Material concurrent position) Vice Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd.		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
5	Takashi Hirose (April 19, 1962)	April 1986:	Joined NSC	1,194
		April 2018:	Executive Officer, Director, Plate Division of the Company	
		April 2019:	Managing Executive Officer, Head of Unit, Plate Unit, and Vice Head of Unit, Flat Products Unit of the Company	
		April 2020:	Managing Executive Officer, Head of Unit, Flat Products Unit, and Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector of the Company	
		April 2021:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		April 2022:	Executive Vice President, Head of Unit, Flat Products Unit, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		June 2022:	Representative Director and Executive Vice President, Head of Unit, Flat Products Unit, and Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		Assumed current position as Representative Director and Executive Vice President and Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company in April 2023		
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President T. Mori on Overseas Offices (including locally incorporated companies)		
		(Material concurrent position) Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
6	[New Candidate] Kazuhisa Fukuda (December 8, 1960)	April 1986:	Joined NSC	8,825
		April 2018:	Managing Executive Officer and Head of Works, Hirohata Works of the Company	
		April 2020:	Managing Executive Officer and Head of Works, Setouchi Works of the Company	
		April 2021:	Executive Vice President and Head of Works, Setouchi Works of the Company	
		Assumed current position as Executive Vice President and Head of Research and Development of the Company in April 2022		
		(Responsibilities) Head of Research and Development Cooperating with Executive Vice President T. Imai on Green Transformation Development		
		(Material concurrent position) Vice Chairman, The Iron and Steel Institute of Japan Chairman, The Japan Research and Development Center For Metals		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
7	Tadashi Imai (May 22, 1963)	April 1988:	Joined NSC	13,641
		April 2016:	Executive Officer and Head of Works, Nagoya Works of the Company	
		April 2019:	Managing Executive Officer of the Company	
		June 2020:	Managing Director, Member of the Board of the Company	
		April 2021:	Managing Director, Member of the Board and Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		February 2022:	Managing Director, Member of the Board and Project Leader, Thai Steel Project, Global Business Development Sector; Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		April 2022:	Managing Director, Member of the Board and Project Leader, Thai Steel Project, Global Business Development Sector; Vice Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		April 2023:	Representative Director and Executive Vice President, Head of Green Transformation Development; Deputy Project Leader, Next Generation Hot Strip Mill Project of the Company	
		Assumed current position as Representative Director and Executive Vice President, Head of Green Transformation Development; Project Leader, Electric Furnace Project; Deputy Project Leader, Next Generation Hot Strip Mill Project of the Company in June 2023		
		(Responsibilities) Head of Green Transformation Development; Project Leader, Electric Furnace Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President H. Funakoshi on Production & Facilities Planning concerning Corporate Planning		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
8	[New Candidate] Hirofumi Funakoshi (June 17, 1963)	July 1987:	Joined NSC	2,629
		April 2018:	Executive Officer of the Company	
		April 2019:	Executive Officer and Head of Division, Corporate Planning Division of the Company	
		April 2021:	Managing Executive Officer of the Company	
		April 2022:	Managing Executive Officer and Vice Head of Green Transformation Department of the Company	
		Assumed current position as Executive Vice President of the Company in April 2023		
		(Responsibilities) Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Human Resources; Environmental Planning; Business Transformation & Standardization Cooperating with Executive Vice President N. Sato on Environmental Technology & Management Cooperating with Executive Vice President T. Imai on Green Transformation Development		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
9	[Outside Director] [Independent Director] Tetsuro Tomita (October 10, 1951) Status of attendance at the Board of Directors (Fiscal Year 2022): 100% (14 out of 14 meetings)	April 1974:	Joined Japanese National Railways	
		April 1987:	Joined East Japan Railway Company	
		June 2000:	Director and General Manager of Management Administration Department, Corporate Planning Headquarters of East Japan Railway Company	
		June 2003:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
		July 2004:	Executive Director and Deputy Director General of Corporate Planning Headquarters, General Manager of IT Business Department, Corporate Planning Headquarters of East Japan Railway Company	
		June 2005:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 2008:	Executive Vice President and Representative Director, and Director General of Life-Style Business Development Headquarters of East Japan Railway Company	
		June 2009:	Executive Vice President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company	3,132
		April 2012:	President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 2012:	President and Representative Director of East Japan Railway Company	
		Assumed current position as Chairman and Director of East Japan Railway Company in April 2018 Assumed current position as Outside Director of the Company in June 2020		
		(Material concurrent position) Outside Director, ENEOS Holdings, Inc. Outside Director, Nippon Life Insurance Company		
		- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Mr. Tetsuro Tomita as an Outside Director because it believes that he is well-qualified for the position by reason of the deep insight and ample experience in corporate management, as well as his appropriate actions and remarks as an Outside Director of the		

		Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020. Mr. Tetsuro Tomita is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors, based on his deep insight and ample experience.	

(Notes)
1) Mr. Tetsuro Tomita currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for three (3) years as of the conclusion of this General Meeting of Shareholders.
2) The Company has already filed Mr. Tetsuro Tomita as a candidate for an "independent director" with each financial exchange in Japan where it is listed.
3) Mr. Tetsuro Tomita is not engaged in the execution of business of East Japan Railway Company, which has a business relationship with the Company for transactions of steel and other products/services. Since the amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
10	[Outside Director] [Independent Director] Kuniko Urano (October 19, 1956) Status of attendance at the Board of Directors (Fiscal Year 2022): 100% (11 out of 11 meetings)	April 1979:	Joined Komatsu Ltd.	1,000
		April 2011:	Executive Officer, General Manager of Corporate Communications Department of Komatsu Ltd.	
		April 2014:	Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.	
		April 2016:	Senior Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.	
		June 2018:	Director and Senior Executive Officer of Komatsu Ltd.	
		April 2021:	Director of Komatsu Ltd.	
		Assumed current position as Advisor of Komatsu Ltd. in June 2021 Assumed current position as Outside Director of the Company in June 2022		
		(Material concurrent position) Outside Director, Yokogawa Electric Corporation Outside Director, MORINAGA & CO., LTD.		
		- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Ms. Kuniko Urano as an Outside Director because it believes that she is well-qualified for the position by reason of the deep insight and ample experience in corporate management, as well as her appropriate actions and remarks as an Outside Director of the Company since her appointment at the 98th General Meeting of Shareholders held on June 23, 2022. Ms. Kuniko Urano is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing her opinions and exercising her voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors, based on her deep insight and ample experience.		

(Notes) 1) Ms. Kuniko Urano currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for one (1) year as of the conclusion of this General Meeting of Shareholders.

2) The Company has already filed Ms. Kuniko Urano as an "independent director" with each financial exchange in Japan where it is listed.

3) Ms. Urano is currently a non-executive officer of Komatsu Ltd., which has a business relationship with the Company for transactions of steel and other products/services. Since the amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

(Liability Limitation Agreements)

The Company has concluded an agreement with Mr. Tetsuro Tomita and Ms. Kuniko Urano limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as they act unknowingly and is not grossly negligent in performing their duties. Upon approval of Item 3 as proposed herein, the agreements will continue to be in effect.

(Indemnity Agreements)

The Company has concluded an agreement with each of Mr. Kosei Shindo, Mr. Eiji Hashimoto, Mr. Naoki Sato, Mr. Takahiro Mori, Mr. Takashi Hirose, Mr. Tadashi Imai, Mr. Tetsuro Tomita and Ms. Kuniko Urano that the Company indemnifies each of them for the costs stipulated in Article 430-2, Paragraph 1, Item (i) of the Companies Act and the losses stipulated in Item (ii) of the same Paragraph to the extent stipulated by laws and regulations. Upon approval of Item 3 as proposed herein, the agreements will continue to be in effect with each individual.

Upon approval of Item 3 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with each of Mr. Kazuhisa Fukuda and Mr. Hirofumi Funakoshi.

(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 inaction) of the insured pursuant to their positions. Upon approval of Item 3 as proposed herein and assumption of office as Director of the Company (excluding Directors who are Audit & Supervisory Committee Members), the candidates will be insured under the insurance.

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

[Opinion of the Audit & Supervisory Committee]

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

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

(For reference) Composition of the Board of Directors and Skills Matrix of Directors
If Item 3 is approved as proposed herein, the Directors of the Company after this Ordinary General Meeting of Shareholders will be as indicated in the table below.
Outside Directors will account for more than one-third (5 out of 15) of all members of the Company's Board of Directors.
The Company believes that its Board of Directors, as a whole, must have the necessary skills and experience based on the Company's Group corporate philosophy and medium- to long-term management plan, etc. The main skills and experience possessed by each candidate for Director are as shown in the table below.

	Name		Position (Planned)	Skill / Experience								
				Corporate Planning / Business strategy	Finance / Accounting, Monetary / Economy	Personnel / Labor affairs / HR Development	Governance / Risk Management / Legal / Compliance	Technology / R&D	Sales / Purchasing / Marketing	Global	Environment / Sustainability	Public Administration / Public Policy
Directors (Excluding Directors who are Audit & Supervisory Committee Members)	Kosei Shindo		Representative Director and Chairman	✓		✓	✓				✓	✓
	Eiji Hashimoto		Representative Director and 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	✓					✓	✓		
	Kazuhisa Fukuda	New	Representative Director and Executive Vice President				✓	✓			✓	
	Tadashi Imai		Representative Director and Executive Vice President	✓			✓	✓			✓	
	Hirofumi Funakoshi	New	Representative Director and Executive Vice President	✓		✓	✓				✓	
	Tetsuro Tomita	Outside Independent	Director	✓		✓	✓			✓		
	Kuniko Urano	Outside 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	Outside Independent	Audit & Supervisory Committee Member		✓		✓			✓		
	Hiroshi Yoshikawa	Outside Independent	Audit & Supervisory Committee Member		✓		✓			✓		✓
	Masato Kitera	Outside Independent	Audit & Supervisory Committee Member			✓	✓			✓		✓

(Notes) 1. New: New candidate Outside: Outside Director Independent: Independent Director
2. The check mark indicates the main skills and experience (up to four in principle) possessed by each Director candidate, based on their career history and experience.

Exercise of Voting Rights via the Internet

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

Deadline for exercising voting rights via the Internet:
5 p.m., Thursday, June 22, 2023 (JST)

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

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

• Treatment of votes

If you exercise your voting rights both by mail and via the Internet, the vote exercised via the Internet will be treated as the vote of record. If you exercise your voting rights multiple times via the Internet, the last vote will be treated as the vote of record.

• Inquiries about the operation of personal computers and other issues

For inquiries on how to exercise your voting rights via the Internet, please call:
0120-652-031 (toll free within Japan) (9 a.m. ~ 9 p.m.)
This is a dedicated line for website support provided by the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

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Business Report
98th Term: From April 1, 2022 to March 31, 2023

1. Current Situations of the NIPPON STEEL Group

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

General Review

In fiscal year 2022, the global economy remained firm overall, despite downward pressure from factors such as progressive inflation stemming from the situation in Ukraine and the effects of monetary tightening in Europe and the United States. The Japanese economy recovered moderately, but inflation progressed significantly due to the impact of the depreciation of the yen and other factors.

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

In this business environment, the Nippon Steel Group ("the Group") implemented various measures aimed at achieving the four pillars of its medium- to long-term management plan (formulated in March 2021): "Rebuilding the domestic steel business and strengthening the 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".

Business Segment Review

The NIPPON STEEL Group's business segments strived to respond to their changing business environments and have applied their utmost management effort.

- **Steelmaking and Steel Fabrication**

Although the business environment remained extremely harsh, the Steelmaking and Steel Fabrication segment strived to maximize profits by continuing to implement measures such as enhancing the fundamental profit structure, and also established a foundation that will enable the segment to stably record high-level profits compared to major steelmakers in East Asia. As a result, the segment recorded revenue of ¥7,245.5 billion and a business profit of ¥861.4 billion.

Specifically, the following efforts were made during fiscal year 2022.

With the aim of steadily implementing the production facility structural measures and establishing a more robust earnings base, regardless of the short-term improvement in the environment, the Company shut down facilities including parts of the No. 3 continuous casting machine in the Kansai Works Wakayama Area, the No. 1 hot-dip galvanizing and aluminizing line of the Setouchi Works Hanshin Area (Sakai), and the No. 1 pickling line of the East Nippon Works Kashima Area. Production was thereby consolidated into competitive lines. In addition, while non-consolidated crude steel production decreased by 30% from the peak after the business integration in 2012, we have worked to build a profit structure that does not rely on volume by improving marginal profit per ton of steel and drastically reducing fixed costs to fundamentally improve the break-even point. Specifically, we achieved "sophistication of the order mix" by selecting and discarding products to accommodate reduced production capacity, and implemented measures to increase production capacity for high value-added products such as electrical steel sheets and ultra-high-tensile steel sheets in response to their growing demand. Moreover, we have also changed the price negotiation system for direct contract-based sales and have realized "margin improvement in direct contract sales." At the same time, the raw materials business continued to generate high profits, as it was supported by a favorable sales environment stemming from continuously high raw material prices and the depreciation of the Australian dollar against U.S. dollar. In addition, we also decided to make Nippon Steel Trading Corporation, which had been an equity method affiliate, a subsidiary and delist it from the stock market, and to expand our business domain to the distribution

field, which is downstream of the steel manufacturing supply chain. Going forward, we intend to build a new business model by improving and strengthening the efficiency of the Group's trading functions, strengthening our direct sales capabilities through the integrated use of our sales know-how and infrastructure, and further enhancing our supply chain.

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

With regard to our efforts to achieve carbon neutrality, we have implemented various measures to realize the Nippon Steel Carbon Neutral Vision 2050 (announced in March 2021). We also announced our commitment to realizing a carbon neutral society and improving the competitiveness of customers, and launched new brands: NSCarbolex^{TM} Solution, a high-performance product and solution technology that contributes to reducing CO_2 emissions in society; and NSCarbolex^{TM} Neutral, a steel product that is certified to reduce CO_2 emissions in the steelmaking process, as the two values we provide through carbon neutralization. We decided on the procurement of funds through the issuance of a green bond to improve the production capacity and product quality of non-oriented electrical steel sheets, which contribute to higher energy efficiency in eco-friendly car motors and other products. The green bond was then issued in March 2023. By expanding the supply of high-efficiency electrical steel sheets that reduce electrical energy loss, we will contribute to the reduction of CO_2 emissions in our customers' final products. Meanwhile, in order to decarbonize our steelmaking processes, we are taking a multi-track approach: we are developing three breakthrough technologies (hydrogen injection into blast furnace, high-grade steel production in large-sized electric arc furnaces, and 100% hydrogen use in the direct reduction process) and plan to offset some remaining CO_2 emissions with CCUS*. Our target is to reduce total CO_2 emissions by 30% by 2030 and achieve carbon neutrality by 2050. As for hydrogen injection into blast furnace, we announced in February 2023 the start of the world's first demonstration experiment using an actual large-scale 4,500 m^3 blast furnace. In preparation for a full-scale blowing test (Green Innovation Fund Project), we will proceed with the introduction of hydrogen gas blowing demonstration facilities in the East Nippon Works Kimitsu Area. The Company's climate change risk information based on its CO_2 emission reduction targets and the framework of the Task Force on Climate-related Financial Disclosures (TCFD) are disclosed in the Sustainability Report 2022 (pages 19-20, 33). https://www.nipponsteel.com/en/csr/report/

* Carbon Capture, Utilization and Storage (CCUS) is a technology that separates and captures CO2, and uses it either directly or by being converted into other materials, or stores it in the ground.

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

• Engineering and Construction

Nippon Steel Engineering Co., Ltd. is working to contribute to a carbon-neutral society and expand businesses related to building resilient cities against disasters. The Environment and Energy sector recorded robust sales in the construction of offshore wind power plants and the construction and operation of waste-to-energy facilities, while the Urban Infrastructure sector also recorded robust sales, such as in seismic isolation devices and bridge products, and the construction of large-scale logistics facilities. As a result, sales and profit increased year-on-year. Nippon Steel Engineering will continue to work on business expansion while closely monitoring changes in the business environment, including the recent surge in labor costs and material prices. For fiscal year 2022 the Engineering and Construction segment recorded revenue of ¥352.2 billion and business profit of ¥11.6 billion.

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• Chemicals and Materials

Nippon Steel Chemical & Material Co., Ltd. posted a year-on-year decline in earnings due to a rise in raw material and fuel prices and a decline in demand for semiconductors and other products from the middle of the year. In the Coal Chemical business, sales of carbon black for tires were strong, but demand for needle coke used in graphite electrodes remained sluggish. In the Chemicals business, the benzene market remained generally stable, but earnings deteriorated due to sluggish demand for styrene monomer and bisphenol A while progress was made to construct new production facilities in China. In the Function Materials business, sales volume decreased due to a rapid decline in demand for semiconductor-related materials and display-related materials. In the Composite Materials business, while demand for infrastructure upgrades is expected to continue, sales volume of reinforcement materials for mainstay civil engineering and construction decreased due to delays in construction starts. On the other hand, sales of carbon fiber remained strong, mainly in the sports field. The overall Chemicals and Materials segment recorded revenue of ¥274.5 billion and business profit of ¥16.1 billion.

• System Solutions

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

Revenue and Profit

For fiscal year 2022, although the business environment remained extremely harsh, the Company strived to maximize profit by continuing to implement measures such as to fundamentally improve profit structure. As a result, the Company recorded consolidated revenue of ¥7,975.5 billion, business profit of ¥916.4 billion, and profit attributable to owners of the parent of ¥694.0 billion.

An overview of the revenue and business profit of each business segment in fiscal year 2022 is as follows:

Revenue and Business Profit by Business Segment

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Chemicals and materials	System solutions	Adjustments	Consolidated total
Revenue	7,245.5	352.2	274.5	292.5	(189.2)	7,975.5
Business profit	861.4	11.6	16.1	32.1	(4.9)	916.4

Non-consolidated financial result for fiscal year 2022 was net sales of ¥4,973.5 billion, operating profit of ¥318.3 billion, ordinary profit of ¥527.1 billion and profit of ¥503.6 billion.

Assets, Liabilities, and Equity

Consolidated total assets as of March 31, 2023 were ¥9,567.0 billion, an increase of ¥814.7 billion from ¥8,752.3 billion as of March 31, 2022. The main factors were an increase in cash and cash equivalents (¥119.3 billion), an increase in inventories (¥329.3 billion), an increase in property, plant and equipment (¥130.9 billion), and an increase in investments accounted for using the equity method (¥131.4 billion).

Consolidated total liabilities as of March 31, 2023 were ¥4,920.6 billion, an increase of ¥65.3 billion from ¥4,855.3 billion as of March 31, 2022. Interest-bearing debt increased by ¥46.0 billion from ¥2,653.3 billion as of March 31, 2022 to ¥2,699.3 billion and trade and other payables also increased (¥65.4 billion), which were more than offset a decrease in items such as income taxes payable (¥58.0 billion).

Consolidated total equity as of March 31, 2023 was ¥4,646.4 billion, an increase of ¥749.4 billion from ¥3,897.0 billion as of March 31, 2022. This was primarily contributed by an increase from profit attributable

to owners of the parent of ¥694.0 billion, a decrease in dividend payment (¥165.9 billion), and an increase in the foreign exchange differences on translation of foreign operations (¥93.9 billion). As a result, total equity attributable to owners of the parent as of March 31, 2023 amounted to ¥4,181.1 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.65 times (0.51 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Dividends

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 a consolidated and a non-consolidated basis. The Company aims to achieve a consolidated annual payout ratio target of approximately 30% as benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results." The level of the first half dividend is determined in consideration of the first-half performance results and forecasts for the full fiscal year.

In accordance with the basic profit distribution policy described above, NIPPON STEEL paid a dividend of ¥90 per share at the end of the first half. Regarding the fiscal year-end dividend, as disclosed at the third quarter results announcement (February 9, 2023), management has decided to pay a year-end dividend of ¥90 per share (the annual dividend will be a record-high at ¥180 per share).

Tasks Ahead

• Outlook for Operations in Fiscal Year 2023

The current situation concerning global steel demand is unlikely to recover. In China, the real estate market remains sluggish and a recovery in domestic demand is unforeseeable. In Europe and the United States uncertainty over the outlook has not been ruled out. In addition, despite sluggish product prices, raw material prices are expected to remain at a high level, and the spread (price difference between raw materials and steel products) in the overseas general spot market cannot be expected to improve.

In response to this situation, in addition to continuing to implement our existing profit structure measures, we will evolve to a further vertically-integrated business structure to achieve our future vision of ¥1 trillion in business profit, and aim to build a foundation that enables us to record even higher profits regardless of the external environment. For fiscal year 2023, underlying business profit is expected to exceed the record high in fiscal year 2022 and reach ¥800 billion or more. However, approximate consolidated business profit of ¥650 billion and profit attributable to owners of the parent of ¥370 billion are forecasts due to expected significant inventory valuation losses mainly in the first half of fiscal year 2023, largely following a surge in raw material prices in fiscal year 2022, as well as significant losses on reorganization associated with structural measures. For fiscal year 2023, the Company plans to distribute a full-year dividend of ¥140 or more per share (including an interim dividend of ¥70 or more).

With the aim of becoming "the best steelmaker with world-leading capabilities," the Company is committed to steadily implementing various measures aimed at achieving the four pillars of its medium- to long-term management plan: "Rebuilding the domestic steel business and strengthening the 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."

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

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(For reference) Progress of NIPPON STEEL Group's Medium-to Long-term Management Plan

Below is an explanation of the current status of implementation of the NIPPON STEEL Group's Medium- to Long-term Management Plan formulated in March 2021.

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

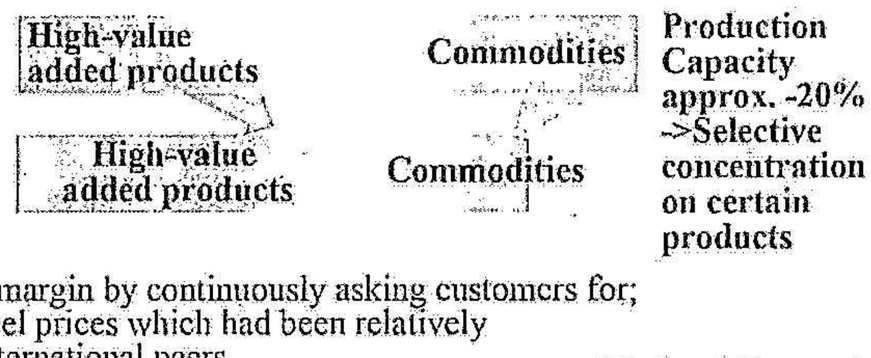
1. Rebuilding our domestic steel business

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

(Efforts to strengthen earnings base)

Sophistication of Order Mix

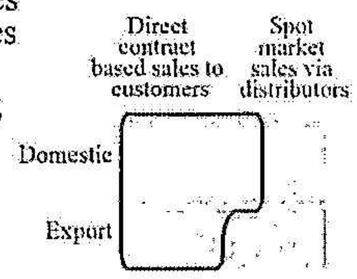
Response to increasing demand for high grade steel including Electric Steel Sheet or Ultra High-tensile steel Sheet
Improvement of production capacity and product quality of Electrical Steel Sheets
Full-capacity operation: starts in phases from H1 FY2023
Establishment of next-generation hot strip mill
Start of operation: Q1 FY2026 (planned)



Margin improvement in direct contract sales

FY2021	Realized appropriate level of margin by continuously asking customers for; > Substantial correction of steel prices which had been relatively low revel compared with international peers > A fair allocation of cost burden for raw materials and commodities > Reflection in steel prices of our high value-added product qualities and solutions
FY2022	Changed in price negotiation system for direct contract-based sales; > from retroactive basis to pre-fixed basis > Renovation in contract terms in direct contract sales
FY2023	Secure appropriate prices and margins while raw material prices drop

cf. Outline of shipment mix

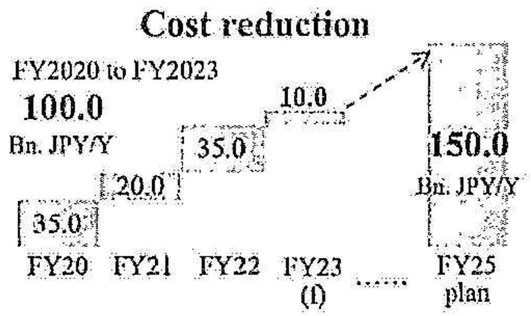


Facility Structural Measures

	At the end of FY2022	At the end of FY2024	
Total number of domestic BFs	15 -> 11 ->	10 Units	-5 Units
Annual crude steel production capacity	50 -> 43 ->	40 Mt/Y	-20%

(Non consol. + Nippon Steel Stainless Steel)

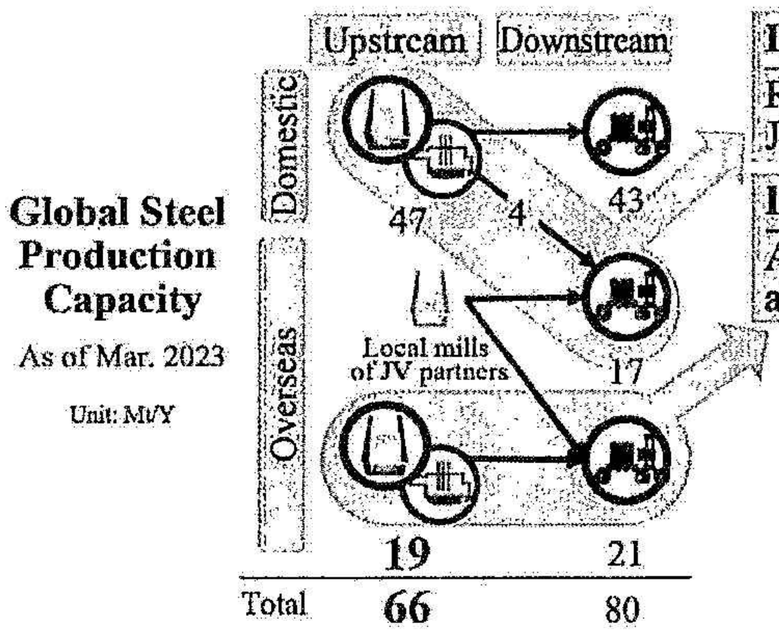
Cost reduction



2. Deepening and expansion of overseas business

NIPPON STEEL will move away from our traditional business of exporting steel products, mainly high-grade steel, and supplying them through overseas companies in charge of producing predominantly cold-rolled and plating products. We will move toward 100 million ton global crude steel capacity through 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."

(Toward 100 million ton global crude steel capacity)

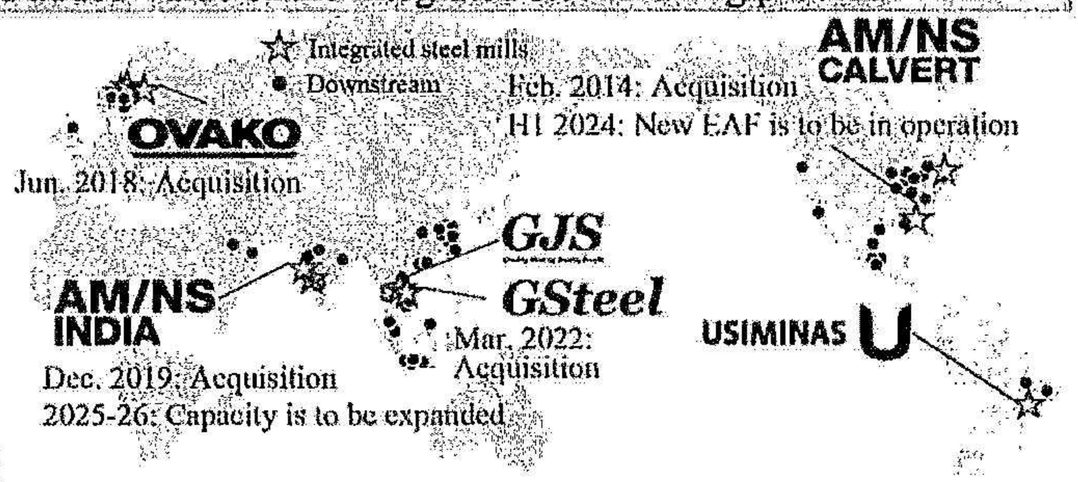


Downstream

Responding to local demand for high-grade steel products from Japanese customers extending their business overseas

Integrated steel mills

Aiming at thoroughly capturing overseas local demand for steel and added-value of the integrated steel-making process



Shift of Global crude steel capacity

Unit: Mt/Y

	2014	2022	Long-term Vision
Domestic	52	47	
Overseas	**6**	**19**	**Approx. 60**
Total	58	66	Approx. 100

Further progress toward the vision of Global Crude Steel Capacity 100Mt

- Further capacity expansion in AM/NS India
- Further vision of M&A, equity participation or expansion of existing steel mills

*In addition to full capacities of 30-50% ownership companies (incl. USIMINAS) as defined by Worldsteel Association, those of equity method affiliates with less than 30% ownership are also included.

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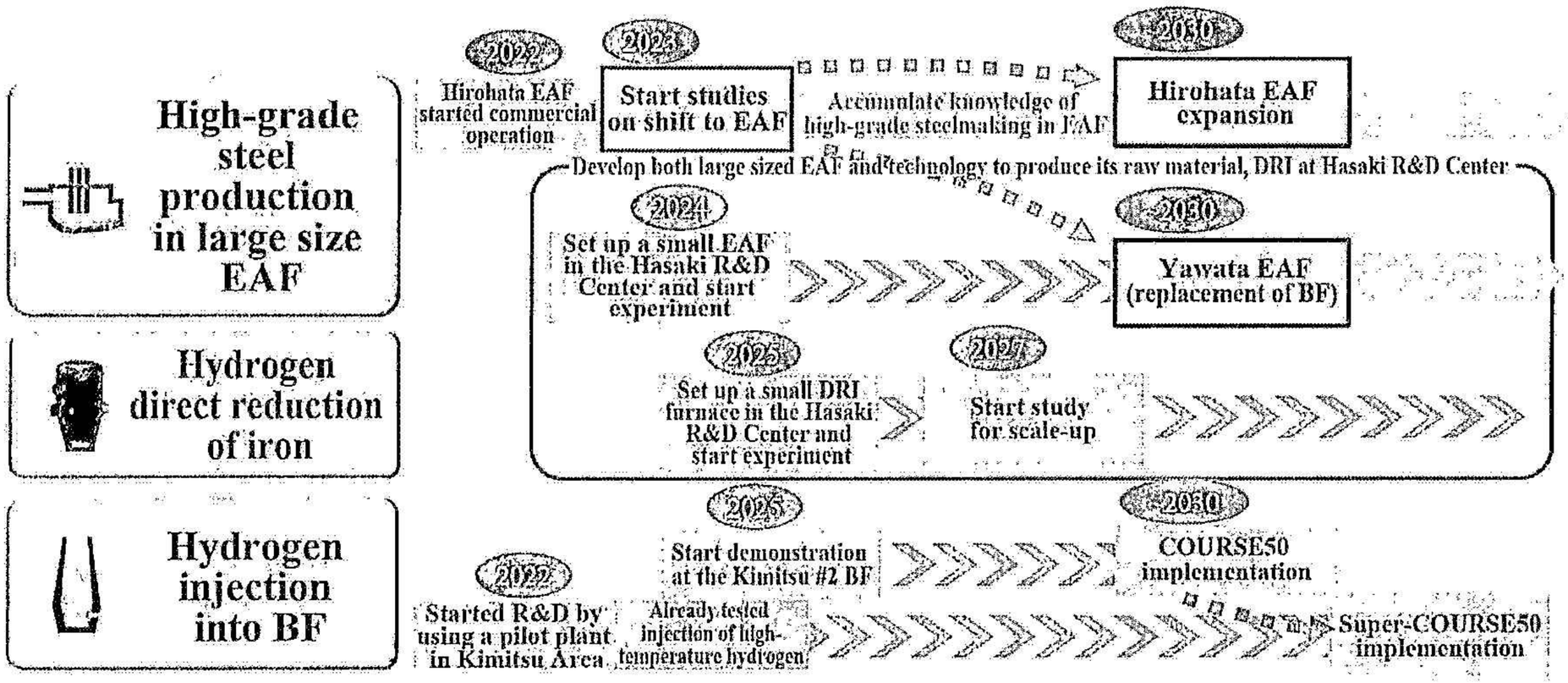
3. Taking on the challenge of carbon neutrality

Adopting "Nippon Steel Carbon Neutral Vision 2050," as our own new initiative against climate change, a critical issue affecting human beings, NIPPON STEEL will strive to achieve carbon neutrality by 2050 as our top priority management issue.

(Progress in Nippon Steel Carbon Neutral Vision 2050)



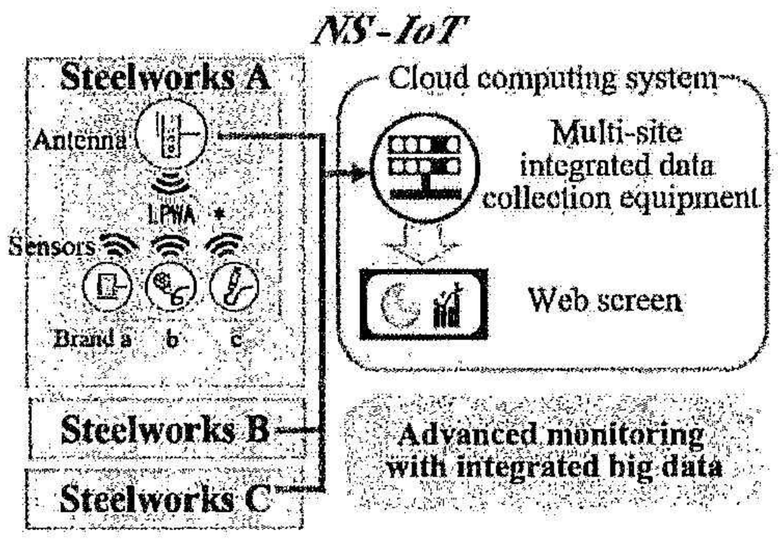
4. Promoting digital transformation strategies

Over the five years, we will invest ¥100 billion or more into our digital transformation strategy, with the aim of becoming a digitally advanced company in the steel industry.

(Expansion of the application of "NS-IoT")

Expansion of wireless IoT Sensor-utilization platform NS-IoT for advanced multi-site data analytics and monitoring

Completed practical implementation in April 2022 at East Nippon Works Kimitsu Area and Kashima Area, aiming to realize prompt detection of equipment malfunction



Formalizing the skills and know-how of skilled workers

Improvement productivity through the use of automation, predictive detection, etc.

Production stabilization through the advancement of production technology

Establishment of remote operation management system that ensures the same level of operations and quality at overseas sites as in Japan

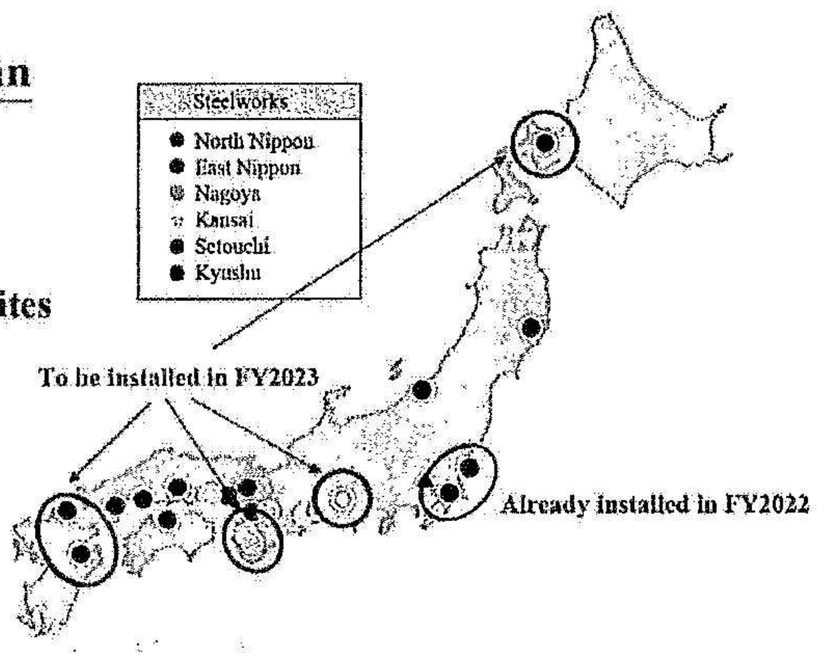
*** Advantages of using LPWA (Low Power Wide Area)**

Extremely low power consumption, available with small battery
⇒ low cost, available without power supply equipment in vast steelworks

Investment decisions made earlier than the initial plan

- **North Nippon Works Muroran Area**
- **Nagoya Works**
- **Kansai Works Wakayama Area**
- **Kyushu Works Yawata Area, Oita Area**

The new system to be installed in FY2023 at the following sites



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(2) Capital Procurement

Date of issue	Title	Total issued amount
March 9, 2023	7th Unsecured Straight Bonds (green bond)	30.0 billion yen
March 9, 2023	8th Unsecured Straight Bonds (green bond)	20.0 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major plant and equipment completed during fiscal year 2022	Relining of No. 3 coke oven, including fixtures and fittings (Nagoya Works, NIPPON STEEL) Relining of No. 3 blast furnace (Nagoya Works, NIPPON STEEL)
Major ongoing plant and equipment investment during fiscal year 2022	Relining of No. 3 coke oven, including fixtures and fittings (Kimitsu, East Nippon Works, NIPPON STEEL) Establishment of next-generation hot-strip mill (Nagoya Works, NIPPON STEEL) Relining of No. 2 coke oven, including fixtures and fittings (Oita, Kyushu Works, NIPPON STEEL)

(Note) No. 3 coke oven of Nagoya Works has begun its operation in fiscal year 2021.

(4) Transfer of Business

There were no significant transfer of business during the current fiscal year.

(5) Changes in Assets and Profits/Losses

Classification \ Fiscal Term	95th Term	96th Term	97th Term	98th Term (fiscal year 2022)
Crude steel production (million tons)	47.05	37.65	44.46	40.32
Revenue (billions of yen) (Overseas revenue shown in brackets)	5,921.5 [2,066.0]	4,829.2 [1,611.1]	6,808.8 [2,707.0]	7,975.5 [3,239.8]
Business profit (billions of yen)	(284.4)	110.0	938.1	916.4
Profit for the year attributable to owners of the parent (billions of yen)	(431.5)	(32.4)	637.3	694.0
Total assets (billions of yen)	7,444.9	7,573.9	8,752.3	9,567.0
Total equity attributable to owners of the parent (billions of yen)	2,641.6	2,759.9	3,466.7	4,181.1
Basic earnings per share	(468.74) yen	(35.22) yen	692.16 yen	753.66 yen
Total equity attributable to owners of the parent per share	2,869.19 yen	2,997.53 yen	3,764.69 yen	4,540.59 Yen
Dividends per share (Interim dividends shown in brackets)	10.00 yen [10.00 yen]	10.00 yen [-]	160.00 yen [70.00 yen]	*180 yen [90.00 yen]
Ratio of cash dividends to consolidated profit (%)	-	-	23.1	*23.9

(Notes)

(1) The consolidated financial statements of NIPPON STEEL are prepared in accordance with the International Financial Reporting Standards ("IFRS"), pursuant to the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting.

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

(3) 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.

(4) The figures with an asterisk (*) are values on the assumption that the proposal on the year-end dividend payment is approved as originally proposed at the 99th General Meeting of Shareholders.

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(6) Major Business Operations (as of March 31, 2023)

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

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

(7) Major Plants, Research Laboratories, Head Office, Office, Marketing Branches and Overseas Offices (as of March 31, 2023)

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

(Notes)
(1) Overseas Offices include local subsidiaries.
(2) See "(9) Principal Subsidiaries and Affiliates" for a listing of major subsidiaries and their locations.

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(8) Employment Data (as of March 31, 2023)

1) NIPPON STEEL Group

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

(Notes)

(1) Number of employees represents the number of employees engaged in each business at NIPPON STEEL and its subsidiaries.

(2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2022) are shown in brackets.

2) NIPPON STEEL

Number of employees	Average age	Average number of years employed
28,331 [1,791] employees	39.3 years old	17.2 years

(Note)

Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2022) is shown in brackets.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2023)

Steelmaking and Steel Fabrication

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

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Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
NIPPON STEEL WIRE CO., LTD. (Seki)	697	51.0	Makes and markets secondary products using bars and wire rods
NIPPON STEEL Eco-Tech Corporation (Minato-ku, Tokyo)	500	*84.2	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
NIPPON STEEL BOLTEN CORPORATION (Osaka)	498	85.0	Makes and markets high-tension bolts, etc.
NIPPON STEEL STRUCTURAL SHAPES CORPORATION (Wakayama)	400	100.0	Makes and markets H-beams
NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD (Kitakyushu)	100	100.0	Makes and markets cement and steelmaking slag and calcined lime products
G Steel Public Company Limited (Rayong State, Thailand)	THB 144,644 million	*60.2	Makes and markets hot-rolled steel sheets
G J Steel Public Company Limited (Chon Buri State, Thailand)	THB 24,468 million	*57.6	Makes and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd. (Rayong State, Thailand)	THB 13,007 million	94.9	Makes and markets cold-rolled sheets and galvanized sheets
NIPPON STEEL PIPE (THAILAND) CO., LTD. (Chon Buri State, Thailand)	THB 8,336 million	*100.0	Makes and markets steel pipes and tubes
PT KRAKATAU NIPPON STEEL SYNERGY (Cilegon, Indonesia)	US$186 Million	84.8	Makes and markets cold-rolled sheets and galvanized sheets
NIPPON STEEL NORTH AMERICA, INC. (Texas, U.S.A.)	US$ 86 million	100.0	Invests in companies in North American region focusing on U.S. and gathers information
WHEELING-NIPPON STEEL, INC. (West Virginia, U.S.A.)	US$ 71 million	*100.0	Makes and markets galvanized sheets
Standard Steel, LLC (Pennsylvania, U.S.A.)	US$ 47 million	*100.0	Makes and markets railway wheels and axles
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL SOUTHEAST ASIA CO., LTD. (Bangkok, Thailand)	THB 827 million	100.0	Gathers information in Asian region focusing on Thailand
NIPPON STEEL AUSTRALIA PTY. LIMITED (New South Wales, Australia)	A$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars
NIPPON STEEL PIPE AMERICA, INC. (Indiana, U.S.A.)	US$ 10 million	*80.0	Makes and markets steel pipes and tubes
Ovako AB (Stockholm, Sweden)	Euro 60 thousand	*100.0	Makes and markets special steel and secondarily processed products

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Companies accounted for using the equity method]	Million yen	%	
Godo Steel, Ltd. (Osaka)	34,896	*15.2	Makes and markets shapes, rails, bars, billets and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.3	Makes and markets shapes, bars, and industrial machine parts
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets shapes, steel bars, and billets; processes and markets steel
NIPPON STEEL TRADING CORPORATION (Chuo-ku, Tokyo)	16,389	* 35.0	Markets, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,084	*20.7	Makes and markets ferroalloy/functional materials, environmental business and electric supply business
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts and wire products
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	32.8	Undertakes ocean transportation
Nippon Coke & Engineering Company Limited (Koto-ku, Tokyo)	7,000	21.7	Markets coal; makes and markets coke
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*31.7	Makes, processes, installs and sells metal roofs and building materials
Sanyu Co., Ltd. (Hirakata)	1,513	*34.2	Makes and markets cold-finished bars and cold-heading wire
NS Architectural Steel Services Corporation (Chuo-ku, Tokyo)	1,300	34.0	Markets steel products, processed steel products, and building materials
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R$13,200 million	31.2	Makes and markets steel products
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	50.0	Makes and markets automotive steel sheets
WISCO-NIPPON STEEL Tinplate Co., Ltd. (Hubei, China)	RMB 2,310 million	50.0	Makes and markets tinplate and tinplate sheets
AMNS Luxembourg Holding S.A. (Luxembourg, Luxembourg)	US$230 million	40.0	A holding company of ArcelorMittal Nippon Steel India Limited
Jamshedpur Continuous Annealing & Processing Company Private Limited (West Bengal, India)	INR 14,320 million	49.0	Makes and markets automotive cold-rolled steel sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R$690 million	*33.0	Holding and leasing of manufacturing facilities of pellets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R$584 million	*30.0	Makes galvanized sheets
Al Ghurair Iron & Steel LLC (Abu Dhabi, UAE)	DH 165 million	20.0	Makes and markets galvanized sheets

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Engineering and Construction

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

Chemicals and Materials

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

System Solutions

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

(Notes)

(1) Figures with asterisks (*) include shares held by subsidiaries

(2) The percentage of the Group's ownership of Krosaki Harima Corporation, Geostr Corporation and PT PELAT TIMAH NUSANTARA TBK. is 50% or less. However, NIPPON STEEL has determined that it effectively has control over these companies and has included them in the scope of consolidation as subsidiaries.

(3) The percentage of the Group's ownership of Godo Steel, Ltd. is below 20%. However, NIPPON STEEL has determined that it effectively has significant influence over the company and has applied the equity method to it as an affiliate.

(4) NIPPON STEEL TRADING CORPORATION became a subsidiary of NIPPON STEEL from its equity-method affiliate as of April 14, 2023 as a result of the tender offer conducted by NIPPON STEEL under the Financial Instruments and Exchange Act of Japan.

(10) Major Lenders (as of March 31, 2023)

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	361.4
MUFG Bank, Ltd.	346.7
Mizuho Bank, Ltd.	327.4
Sumitomo Mitsui Trust Bank, Limited	120.2
Development Bank of Japan Inc.	100.1

(11) Surplus Distribution Policy

1) Dividends

NIPPON STEEL's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year 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 NIPPON STEEL on a consolidated and a non-consolidated basis.

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

The level of the first half dividend is determined in consideration of the first-half performance results and full-year earnings forecasts.

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

2) Acquisition of treasury stocks

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

(12) Others

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

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

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

NIPPON STEEL acquired the shares of common stock of NIPPON STEEL TRADING CORPORATION through a tender offer under the Financial Instruments and Exchange Act of Japan and made it a subsidiary as of April 14, 2023.

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2. Shares and Stock Acquisition Rights

(1) Overview of Shares (as of March 31, 2023)

1) Total number of shares authorized to be issued	2,000,000,000 shares
2) Total number of shares issued	950,321,402 shares (including 28,394,120 treasury stocks)
3) Number of shareholders	541,138

4) Top 10 shareholders

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	138,369	15.0
Custody Bank of Japan, Ltd. (Trust Account)	39,799	4.3
Nippon Life Insurance Company	19,625	2.1
STATE STREET BANK WEST CLIENT - TREATY 505234	15,435	1.7
Meiji Yasuda Life Insurance Company	13,712	1.5
Nippon Steel Group Employees Shareholding Association	12,246	1.3
Mizuho Bank, Ltd.	12,199	1.3
Sumitomo Mitsui Banking Corporation	10,252	1.1
MUFG Bank, Ltd.	9,558	1.0
JP MORGAN CHASE BANK 385781	8,903	1.0

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

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

No matters to be reported during this period.

(2) Stock Acquisition Rights (as of March 31, 2023)

The Company has issued Zero Coupon Convertible Bonds due 2024 and Zero Coupon Convertible Bonds due 2026 on October 4, 2021.

[Outline of Stock Acquisition Rights under Zero Coupon Convertible Bonds due 2024]

Class, contents, and number of shares to be issued upon exercise of stock acquisition rights	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 the bonds subject to the exercise request by the applicable conversion price as detailed 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.
Number of stock acquisition rights	15,000
Conversion price	*2,547.0 yen
Period during which stock acquisition rights may be exercised	From October 18, 2021 to September 20, 2024 (local time at the place where the bonds are deposited to exercise of stock acquisition rights). However, the Terms and Conditions of Zero Coupon Convertible Bonds due 2024 provide additional period during which stock acquisition rights may be exercised in the event of certain events.
Contents of assets to be contributed for the exercise of stock acquisition rights and the amount thereof	Upon the exercise of each stock acquisition right, the bonds pertaining to such stock acquisition right shall be contributed, and the value of such bonds shall be equal to the face value thereof.
Balance of the bonds with stock acquisition rights	150 billion yen

(Note) Of conversion price with an asterisk (*), in accordance with the approval of the payment of an interim dividend of 90 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 1, 2022, the conversion price was adjusted from 2,660.6 yen to 2,547.0 yen on and after October 1, 2022 pursuant to the Terms and Conditions of Zero Coupon Convertible Bonds due 2024.

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[Outline of Stock Acquisition Rights under Zero Coupon Convertible Bonds due 2026]

Class, contents, and number of shares to be issued upon exercise of stock acquisition rights	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 the bonds subject to the exercise request by the applicable conversion price as detailed 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.
Number of stock acquisition rights	15,000
Conversion price	*2,668.9 yen
Period during which stock acquisition rights may be exercised	From October 18, 2021 to September 24, 2026 (local time at the place where the bonds are deposited to exercise of stock acquisition rights). However, the Terms and Conditions of Zero Coupon Convertible Bonds due 2026 provide additional period during which stock acquisition rights may be exercised in the event of certain events.
Contents of assets to be contributed for the exercise of stock acquisition rights and the amount thereof	Upon the exercise of each stock acquisition right, the bonds pertaining to such stock acquisition right shall be contributed, and the value of such bonds shall be equal to the face value thereof.
Balance of the bonds with stock acquisition rights	150 billion yen

(Note) Of conversion price with an asterisk (*), in accordance with the approval of the payment of an interim dividend of 90 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 1, 2022, the conversion price was adjusted from 2,787.9 yen to 2,668.9 yen on and after October 1, 2022 pursuant to the Terms and Conditions of Zero Coupon Convertible Bonds due 2026.

3. Basic Philosophy of Corporate Governance

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

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

Currently, the Board of Directors of NIPPON STEEL is comprised of fourteen (14) members, of whom nine (9) are Directors (excluding Directors who are Audit & Supervisory Committee Members) and five (5) are Directors who are Audit & Supervisory Committee Members. By all Directors appropriately fulfilling their respective roles and responsibilities, prompt decision-making is achieved corresponding and transparent decision-making 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 the election and dismissal of Representative Directors, and other decisions in general regarding business execution (excluding decisions that have been delegated to Directors). The Audit & Supervisory Committee has the authority to give its opinions at the General Meeting of Shareholders regarding the election, compensation, etc. of Directors, excluding Directors who are Audit & Supervisory Committee Members. This structure strengthens the supervisory function of the Board of Directors over management.

If Item 3 is approved as proposed herein at the 99th General Meeting of Shareholders, Outside Directors will account for one-third (5 out of 15) of all members of the Company's Board of Directors.

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4. Members of the Board of Directors

(1) Executive Officers as of March 31, 2023

Title and name	Responsibilities/positions and material concurrent positions
Representative Director and Chairman Kosei Shindo	
Representative Director and President Eiji Hashimoto	Material concurrent positions Vice Chair, KEIDANREN (Japan Business Federation) Vice Chairman, The Japan Iron and Steel Federation
Representative Directors and Executive Vice Presidents Akio Migita	Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environmental Planning; Business Transformation & Standardization Head of Green Transformation Development Cooperating with Executive Vice President N. Sato on Environmental Technology & Management Material concurrent positions Representative Director, Nippon Steel Arts Foundation
Naoki Sato	Intellectual Property; Safety; Environmental Technology & Management; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling; Research and Development Project Leader, Next-Generation Hot Strip Mill Project; Project Leader, Ironmaking Operations Project; Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector Cooperating with Executive Vice President A. Migita on Environmental Planning and Green Transformation Development
Takahiro Mori	Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including locally incorporated companies); special missions related to overseas steel pipe business Material concurrent positions Vice Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd.
Takashi Hirose	Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Head of Unit, Flat Products Unit; Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President T. Mori on Overseas Offices (including locally incorporated companies) Material concurrent positions Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association

Title and name	Responsibilities/positions and material concurrent positions
Managing Director, Member of the Board Tadashi Imai	Corporate Planning Project Leader, Thai Steel Project, Global Business Development Sector; Deputy Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering assistance to Executive Vice President A. Migita on Digital Innovation Rendering assistance to Executive Vice President N. Sato on Ironmaking Operations Project Rendering assistance to Executive Vice President K. Fukuda on Corporate Planning in R & D
Directors, Member of the Board (Outside Directors) Tetsuro Tomita	Chairman and Director, East Japan Railway Company Material concurrent positions Outside Director, ENEOS Holdings, Inc. Outside Director, Nippon Life Insurance Company
Kuniko Urano	Advisor of Komatsu Ltd. Material concurrent positions Outside Director, Yokogawa Electric Corporation Outside Director, MORINAGA & CO., LTD.
Senior Audit & Supervisory Committee Members (full-time) Shozo Furumoto	
Audit & Supervisory Committee Members (full-time) Masayoshi Murase	
Audit & Supervisory Committee Members (Outside Directors) Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office
Hiroshi Yoshikawa	
Masato Kitera	Material concurrent positions Outside Director, Marubeni Corporation Outside Director, Japan Tobacco Inc.

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(Notes)

(1) The Company has concluded an agreement with each Outside Director (excluding Executive Directors etc.) limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as he/she acts unknowingly and is not grossly negligent in performing his/her duties.

(2) The Company has concluded an agreement with each Director that the Company indemnifies each of them for the costs stipulated in Article 430-2, Paragraph 1, Item (i) of the Companies Act and the losses stipulated in Item (ii) of the same Paragraph to the extent stipulated by laws and regulations. The agreement stipulates, among others, that the Company shall not be obligated to compensate each of them for the costs incurred by a Director in the event that the Company makes a claim seeking liability against that Director (excluding cases of shareholder derivative suits), or the costs in the event that a Director has acted in bad faith or gross negligence in performing their duties.

(3) 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.

(4) Representative Director and President Eiji Hashimoto served as Chairman of The Japan Iron and Steel Federation until May 27, 2022.

(5) Director Tetsuro Tomita served as Vice Chair of KEIDANREN (Japan Business Foundation) until June 1, 2022.

(6) Audit & Supervisory Committee Member Seiichiro Azuma is a certified public accountant with substantial knowledge of finance and accounting.

(7) The Company elected Mr. Shozo Furumoto and Mr. Masayoshi Murase as full-time Audit & Supervisory Committee Members to ensure the effectiveness of audits.

(8) Outside Director Tetsuro Tomita also holds a post at East Japan Railway Company, which has a business relationship with the Company for transactions of steel and other products/services.

(9) The Company has filed all five Outside Directors as its "independent directors" with each financial exchange in Japan where it is listed.

(2) Executive Officers after April 1, 2023

Title and name	Responsibilities/positions
Representative Director and Chairman Kosei Shindo	
Representative Director and President Eiji Hashimoto	
Representative Directors and Executive Vice Presidents Naoki Sato	Digital Innovation; Information & Communication Technology; Intellectual Property; Safety; Environmental Technology & Management; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling; Research and Development Project Leader, Next-Generation Hot Strip Mill Project; Project Leader, Ironmaking Operations Project; Deputy Project Leader, India Project, Global Business Development Sector Cooperating with Executive Vice President T. Imai on Green Transformation Development Cooperating with Executive Vice President H. Funakoshi on Environmental Planning
Takahiro Mori	Head of Global Business Development; Project Leader, India Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including locally incorporated companies)
Takashi Hirose	Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President T. Mori on Overseas Offices (including locally incorporated companies)
Tadashi Imai	Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President H. Funakoshi on Production & Facilities Planning concerning Corporate Planning
Directors, Member of the Board Akio Migita	Advisor to the President

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Title and name	Responsibilities/positions
Directors, Member of the Board (Outside Directors)	
Tetsuro Tomita	Chairman and Director, East Japan Railway Company
Kuniko Urano	Advisor of Komatsu Ltd.
Senior Audit & Supervisory Committee Members (full-time)	
Shozo Furumoto	
*(full-time)*Masayoshi Murase	
Masayoshi Murase	
Audit & Supervisory Committee Members (Outside Directors)	
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office
Hiroshi Yoshikawa	
Masato Kitera	

(3) Compensation Paid to Company Officers

Position	Number of recipients	Total amount (yen)	Total amount by type (yen)		
			Monthly compensation*	Non-monetary compensation	Other compensation
Directors (excluding Directors who are Audit & Supervisory Committee Members)	13	962,645,000	962,645,000	-	-
Outside Directors	4	36,720,000	36,720,000	-	-
Directors who are Audit & Supervisory Committee Members	9	184,500,000	184,500,000	-	-
Outside Directors	5	53,280,000	53,280,000	-	-
Total	22	1,147,145,000	1,147,145,000	-	-

(Notes)

(1) The above number of recipients includes four (4) Directors (excluding Directors who are Audit & Supervisory Committee Members; including two (2) Outside Directors) and four (4) Directors who are Audit & Supervisory Committee Members (including two (2) Outside Directors) who retired at the conclusion of the 98th General Meeting of Shareholders held on June 23, 2022.

(2) Of monthly compensation with an asterisk (*), matters regarding performance-linked compensation are as follows.

(i) Monthly compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) is wholly based upon the performance of NIPPON STEEL. As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss (however, corrections were made for the sake of fair remuneration commensurate with earnings for the term by excluding the portion of gains/losses from reorganization for production facility structural measures; hereinafter the same in (ii) and (iii) below), which clearly indicates its business performance and earnings

power, and consolidated EBITDA, while taking into account other factors including the revenue targets in the Medium- to Long-term Management Plan.
(ii) Monthly compensation for Directors who are Audit & Supervisory Committee Members (excluding Outside Directors) is fixed compensation in principle, but the amount of compensation will be increased or decreased only in the event of significant changes in the consolidated annual profit/loss and consolidated EBITDA of NIPPON STEEL.
(iii) Monthly compensation for Outside Directors is fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated annual profit/loss of NIPPON STEEL.
As for monthly compensation for Directors, the base amount of compensation for each position, etc. fluctuates within a certain range based on each of the above indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The consolidated loss for the year attributable to owners of the parent and consolidated EBITDA in fiscal year 2020, which were used to determine the monthly compensation for Directors from April 2022 to June 2022, were (32.4) billion yen and 400.9 billion yen. The consolidated profit for the year attributable to owners of the parent and consolidated EBITDA in fiscal year 2021, which were used to determine the monthly compensation for Directors from July 2022 to March 2023 were 637.3 billion yen and 1,290.2 billion yen.

(3) The specific amount of monthly compensation for each Director (excluding Directors who are Audit & Supervisory Committee Members) is, as detailed in (3) 1) (a) (i) c. below, determined by the Board of Directors after discussion in the "Nomination and Compensation Advisory Committee." The specific amount of monthly compensation for each Director who is Audit & Supervisory Committee Member is determined by discussions of the Directors who are Audit & Supervisory Committee Members.

(4) The limit on the amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) was approved at the 96th General Meeting of Shareholders held on June 24, 2020 to be within 140 million yen per month (including compensation for Outside Directors of within 12 million yen per month). The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) was 11 (including 3 Outside Directors) at the conclusion of the 96th General Meeting of Shareholders.

(5) The limit on the amount of compensation for Directors who are Audit & Supervisory Committee Members was approved at the 96th General Meeting of Shareholders held on June 24, 2020 to be within 22 million yen per month. The number of Directors who are Audit & Supervisory Committee Members was 7 (including 4 Outside Directors) at the conclusion of the 96th General Meeting of Shareholders.

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

1) Content of policies

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 the 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 the basic policy in the above a, 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 earning power, and consolidated EBITDA, while taking into account other factors including the 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.

2) Methods of determining the policies

The policies described in 1) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) are determined by resolution of the Board of Directors, after the deliberation of the "Nomination and Compensation Advisory Committee," while for Directors who are Audit & Supervisory Committee Members, the policies described in 1) 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 by position, taking into account the survey results of directors' compensation levels of other companies obtained from the third-party research organizations.

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

Compensation, etc., for individual Directors (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 1) above, after the deliberation of the "Nomination and Compensation Advisory Committee." Therefore, the Board of Directors judged that the content of the compensation, etc., for each individual is in line with the policy stated in 1) above.

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(5) Outside Directors

1) Material concurrent positions held by Outside Directors
Such positions are shown on pages 42 to 43.

2) Activities of the Outside Directors

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

Position	Name	Main activities
Directors who are Audit & Supervisory Committee Members	Seiichiro Azuma	Mr. Azuma has attended Board Meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience as a certified public accountant possessing deep familiarity with corporate accounting, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Azuma, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Azuma contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (14 out of 14 meetings) Audit & Supervisory Committee meetings attendance rate: 100% (18 out of 18 meetings)
	Hiroshi Yoshikawa	Mr. Yoshikawa has attended Board Meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience in economics as an expert, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Yoshikawa, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Yoshikawa contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (14 out of 14 meetings) Audit & Supervisory Committee meetings attendance rate: 100% (18 out of 18 meetings)
	Masato Kitera	Mr. Kitera has attended Board Meetings, Audit & Supervisory Committee meetings and Nomination and Compensation Advisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on knowledge and experience regarding international affairs, economy, culture, etc., and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Kitera, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Kitera contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (14 out of 14 meetings) Audit & Supervisory Committee meetings attendance rate: 100% (13 out of 13 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (2 out of 2 meetings)

3) Total amount of compensation, etc.

Total amount of compensation, etc. paid to outside directors is as shown on page 46.

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5. Certain Matters concerning Accounting Auditor

(1) Name

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

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

1) Amount of compensations paid	169,000,000 yen
2) The amount of compensations payable by NIPPON STEEL and its subsidiaries to accounting auditor for its audit certification services	1,045,584,980 yen
3) Total amount of cash and other financial benefit payable by NIPPON STEEL and its subsidiaries to accounting auditor	1,054,449,980 yen

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The specific systems under the views above are as follows.

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

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

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

The responsible divisions of NIPPON STEEL will request that each Group company report on the situation of risk management in each Group company, and give advice and other guidance.

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

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

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

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

(2) Outline of status of operation

1) Operational organization

NIPPON STEEL has established an operational organization for its internal control systems. This organization consists of the Internal Control & Audit Division (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 850 staff members). NIPPON STEEL has also designated a person in charge of risk management (about 110 for NIPPON STEEL) and a person responsible for risk management (about 550 in group companies) who are engaged in planning and promoting autonomous internal-control activities in each division and Group company.

This organization operates the internal control system as follows.

2) Specific status of operation

a) Internal control plan

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

b) Autonomous internal control activities

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

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

c) Internal audits, etc.

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

As measures to complement NIPPON STEEL's internal controls, NIPPON STEEL also

operates a hotline for internal reporting and consultations within the company and at external professional organizations, which are open to officers and employees of NIPPON STEEL and group companies and their families, as well as employees of NIPPON STEEL's suppliers and others. In fiscal year 2022, there were 433 cases of internal reporting and consultations. NIPPON STEEL and its major group companies conduct employee awareness surveys regarding internal controls.

d) Assessment and improvement

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

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

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

e) Education and awareness raising

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

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

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

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

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7. Basic Policy regarding the Control of NIPPON STEEL

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

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

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

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

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

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

● Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of Yen)

ASSETS	March 31, 2023	LIABILITIES	March 31, 2023
Current assets :		**Current liabilities :**	
Cash and cash equivalents	670,410	Trade and other payables	1,592,137
Trade and other receivables	1,062,384	Bonds, borrowings and lease liabilities	403,028
Inventories	2,085,971	Other financial liabilities	5,878
Other financial assets	28,176	Income taxes payable	51,917
Other current assets	223,575	Other current liabilities	40,839
Total current assets	**4,070,518**	**Total current liabilities**	**2,093,802**
		Non-current liabilities :	
Non-current assets :		Bonds, borrowings and lease liabilities	2,296,322
Property, plant and equipment	3,183,638	Other financial liabilities	323
Right-of-use assets	83,935	Defined benefit liabilities	185,441
Goodwill	65,062	Deferred tax liabilities	37,685
Intangible assets	157,444	Other non-current liabilities	307,105
Investments accounted for using the equity method	1,210,542	**Total non-current liabilities**	**2,826,879**
Other financial assets	528,794	**Total liabilities**	**4,920,682**
Defined benefit assets	124,628	**EQUITY**	
Deferred tax assets	136,349		
Other non-current assets	6,185	Common stock	419,524
Total non-current assets	**5,496,581**	Capital surplus	399,366
		Retained earnings	3,079,144
		Treasury stock	(58,054)
		Other components of equity	341,173
		Total equity attributable to owners of the parent	**4,181,155**
		Non-controlling interests	**465,261**
		Total equity	**4,646,417**
Total assets	**9,567,099**	**Total liabilities and equity**	**9,567,099**

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(2) Consolidated Statements of Profit or Loss (April 1, 2022—March 31, 2023)

(Millions of Yen)

	Fiscal 2022
Revenue	7,975,586
Cost of sales	(6,682,028)
Gross profit	**1,293,557**
Selling, general and administrative expenses	(579,411)
Share of profit in investments accounted for using the equity method	102,915
Other operating income	181,497
Other operating expenses	(82,102)
Business profit	**916,456**
Losses on reorganization	(32,810)
Operating profit	**883,646**
Finance income	8,091
Finance costs	(24,888)
Profit before income taxes	**866,849**
Income tax expense	(128,117)
Profit for the year	**738,732**
Profit for the year attributable to :	
Owners of the parent	**694,016**
Non-controlling interests	44,715

(3) Consolidated Statements of Changes in Equity

Fiscal 2022 (April 1, 2022—March 31, 2023) (Millions of Yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2022	419,524	393,547	2,514,775	(57,977)	178,442	—
Changes of the year						
Comprehensive income						
Profit for the year			694,016			
Other comprehensive income					38,476	14,289
Total comprehensive income	—	—	694,016	—	38,476	14,289
Transactions with owners and others						
Cash dividends			(165,950)			
Purchases of treasury stock				(69)		
Disposals of treasury stock		0		2		
Changes in ownership interests in subsidiaries		5,818				
Transfer from other components of equity to retained earnings			36,302		(22,012)	(14,289)
Changes in scope of consolidation				(11)		
Subtotal transactions with owners and others	—	5,819	(129,647)	(77)	(22,012)	(14,289)
Balance as of March 31, 2023	**419,524**	**399,366**	**3,079,144**	**(58,054)**	**194,905**	—

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

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Notes to the consolidated financial statements

I. Significant accounting policies for consolidated financial statements

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

2. Scope of consolidation
Number of consolidated subsidiaries: 360 companies
Principal consolidated subsidiaries are presented in "1. Current Situations of the Nippon Steel Group, (9) Principal Subsidiaries and Affiliates."

In fiscal 2022, the scope of consolidation expanded by 2 companies, including 1 newly established company and 1 newly acquired company. 20 companies—11 liquidations and 7 merged companies, etc.—were eliminated from the scope of consolidation in fiscal 2022.

3. Application of equity method
Number of equity-method affiliates (associates, joint operations and joint ventures): 97 companies
Principal equity-method affiliates are presented in "1. Current Situations of Nippon Steel Group, (9) Principal Subsidiaries and Affiliates."

During fiscal 2022, 8 companies were removed from the scope of equity-method affiliates.

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

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

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

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

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

3) Impairment of financial assets measured at amortized cost

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

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

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

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

(2) Derivatives and hedge accounting

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

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

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

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

(3) Inventories

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

(4) Property, plant and equipment

1) Recognition and measurement

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

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2) Depreciation

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

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

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

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

(5) Goodwill and intangible assets

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

1) Goodwill

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

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

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

2) Intangible assets

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

3) Amortization

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

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

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

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

(6) Leases

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

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

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

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

(7) Impairment of non-financial assets

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

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

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

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

(8) Revenue

Revenue is recognized based on the following five-steps.

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

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

1) Performance obligations satisfied at a point in time

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

With respect to revenue from rendering of service whose performance obligation is satisfied at a point in time, the Group recognizes revenue when the rendering of service is completed.
Revenue is measured at the amount of consideration received or receivable less discounts and rebates.
The consideration of the transaction is primarily collected within one year after the satisfaction of its performance obligation and it does not contain a significant financing component.

2) Performance obligations satisfied over time

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

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

(9) Employee benefits

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

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1) Short-term employee benefits

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

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

2) Retirement benefits

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

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

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

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

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

(ii) Defined contribution plans

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

(10) Income taxes

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

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

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

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

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

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

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

The Group assesses the recoverability of deferred tax assets using all the future information available at date such as projections of the future taxable profit based on the medium- to long-term management plan and the latest business plan which incorporate the steel 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 benefit will be realized, the recoverable amount may vary depending on the factors such as the changes in the projections of the future taxable profit in case of not meeting the medium- to long-term management plan and business plan due to unfavorable business environment or tax reforms including the changes in the statutory tax rate.

5. Significant accounting estimates and judgments

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

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

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

-I. Significant accounting policies for consolidated financial statements 4. Accounting principles
(7) Impairment of non-financial assets

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2023

Property, plant and equipment	¥ 3,183,638 million
Right-of-use assets	83,935 million
Goodwill	65,062 million
Intangible assets	157,444 million
Investments accounted for using the equity method	1,210,542 million

-I. Significant accounting policies for consolidated financial statements 4. Accounting principles
(10) Income taxes

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2023

Deferred tax assets (after offsetting deferred tax liabilities)	¥ 136,349 million

II. Notes to the consolidated statements of financial position

1. Assets pledged as collateral and secured debts

Assets pledged as collateral	Amount (Millions of Yen)
Land	5,656
Buildings and structures	2,257
Machinery and vehicles	710
Other	10,387
Total	19,012

Secured debts	Amount (Millions of Yen)
Short-term borrowings	925
Long-term borrowings (current portion is included)	610
Other	1,164
Total	2,700

In addition to the pledged assets listed above, ¥447 million of shares of associates are pledged as collateral for affiliates' loans.

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2. Inventories

Merchandise and finished goods (including semi-finished products)	¥1,108,363 million
Work in progress	83,608 million
Raw materials and supplies	893,999 million

3. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥3,352 million
Other financial assets	9,213 million

4. Accumulated depreciation of property, plant and equipment ¥9,591,643 million

5. Loan guarantees

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

Guarantee for debts of joint ventures and associates	¥343,474 million

III. Notes to the consolidated statements of profit or loss

(Business profit)

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

(Losses on reorganization)

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

Losses on business withdrawal ¥9,325 million

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

Losses on inactive facilities ¥23,485 million

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

IV. Notes to the consolidated statements of changes in equity

1. Number and class of shares outstanding at the end of fiscal 2022

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

Ordinary shares	950,321,402 shares

Number of treasury stock at the end of the period

Ordinary shares	29,481,839 shares

2. Dividends

(1) Dividends paid

Date of resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2022	Ordinary shares	82,975	90	March 31, 2022	June 24, 2022
Board of Directors' meeting held on November 1, 2022	Ordinary shares	82,974	90	September 30, 2022	November 30, 2022

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

Date of resolution	Class of share	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2023	Ordinary shares	Retained earnings	82,973	90	March 31, 2023	June 26, 2023

(3) Class and number of shares to be issued upon exercise of stock acquisition rights at the end of the consolidated fiscal year (excluding those for which the first day of the exercise period has not yet arrived).
Ordinary shares 115,095,745 shares

V. Notes to the financial instruments

1. Current status of financial instruments

(1) Capital management

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

(2) Risk management

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

1) Market risk management

A. Foreign currency risk

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

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

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

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

B. Interest rate risk

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

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

C. Market price fluctuation risk

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

2) Credit risk management

In accordance with the internal credit management policy, the Group shares customer credit records with related departments, and provides for credit protection measures as necessary. Trade receivables, including notes and accounts receivable, are exposed to the credit risk of customers. The Group limits transactions to customers who

are also the principal suppliers of the Group such that the trade receivables due from the customers may be offset with the trade payables and borrowings, or to customers with high credit ratings where and the Group concludes that there are limited credit risks.

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

2. Fair value of financial instruments
The carrying amount and fair value of financial instruments as of March 31, 2023 are as in the following table.
The Group does not disclose the financial instruments measured at fair value in the consolidated statements of financial position and the financial instruments with fair value being nearly equal to their carrying amount.

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Bonds and borrowings	2,289,703	645,576	—	1,641,128

Notes:
Classification by levels in the fair value hierarchy
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.

Notes:
Valuation techniques used to measure the fair value of financial instruments
- The fair value of a bond is measured with reference to its market price.
- The fair value of 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 with a similar term.

VI. Notes to the per share information

Total equity attributable to owners of the parent per share	¥4,540.59
Basic earnings per share	¥753.66

VII. Notes to the significant subsequent events

(Business combination through acquisition / Acquisition of shares of Nippon Steel Trading Corporation (making it a subsidiary))
On December 21, 2022, Nippon Steel Corporation (the "Company") decided to acquire the shares of common stock of Nippon Steel Trading Corporation ("NSTC") through a tender offer (the "Tender Offer") under the Financial Instruments and Exchange Act of Japan, and implemented the Tender Offer from March 13, 2023 to April 10, 2023. As a result of the Tender Offer, NSTC became a consolidated subsidiary (specified subsidiary) of the Company as of April 14, 2023. Following the results of the Tender Offer, the Company intends to implement the procedures to make the Company and Mitsui & Co., Ltd. the only shareholders of NSTC.

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

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

(i)	Name	Nippon Steel Trading Corporation	
(ii)	Location	2-7-1 Nihonbashi, Chuo-ku, Tokyo	
(iii)	Name and Title of Representative	Shinichi Nakamura, President and Representative Director	
(iv)	Description of Business Activities	·Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others	
(v)	Capital	16,389 million yen (as of December 31, 2022)	
(vi)	Date of Establishment	August 2, 1977	
(vii)	Major Shareholders and Ownership Percentage (as of September 30, 2022) *Excluding treasury shares	Nippon Steel Corporation	34.54%
		Mitsui & Co., Ltd. (Custody Bank of Japan, Ltd. as Standing Proxy)	19.93%
		The Master Trust Bank of Japan, Ltd. (trust account)	7.57%
		Custody Bank of Japan, Ltd. (trust account)	3.74%
		Employee Stock Ownership	1.36%
		DFA INTL SMALL CAP VALUE PORTFOLIO (Citibank, N.A., Tokyo Branch as Standing Proxy)	1.04%
		Custody Bank of Japan, Ltd. (trust account, 4)	0.87%
		Custody Bank of Japan, Ltd (Sumitomo Mitsui Trust and Bank, Limited Retrust Account / Nippon Denko Co., Ltd. Retirement Benefit Trust Account)	0.67%
		UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Citibank, N.A., Tokyo Branch as Standing Proxy)	0.62%
		JP MORGAN CHASE BANK 385781 (Mizuho Bank, Ltd., Settlement & Clearing Services Department as Standing Proxy)	0.58%
(viii)	Relationship between the Company and NSTC		
	Capital Relationship	The Company directly owns 11,141,529 NSTC Shares (ownership ratio: 34.54%), and together with NSTC Shares indirectly owned by Nippon Steel Metal Products Co., Ltd. (the number of shares owned: 129,800 shares, ownership ratio: 0.40%), Nippon Steel Logistics Co., Ltd. (the number of shares owned: 8,400 shares, ownership ratio: 0.03%) and Nippon Steel SG Wire Co., Ltd. (the number of shares owned: 4,400 shares, ownership ratio: 0.01%), which are the Company's wholly-owned subsidiaries, and Oji Steel Co., Ltd. (the number of shares owned: 20,000 shares, ownership ratio: 0.06%), Sanyo Special Steel Co., Ltd. (the number of shares owned: 7,700 shares, ownership ratio: 0.02%) and Nippon Steel Cement Co., Ltd. (the number of shares owned: 4,400 shares, ownership ratio: 0.01%), which are the Company's consolidated subsidiaries, the Company owns 11,316,229 NSTC Shares in total (ownership ratio: 35.08%), making NSTC its equity-method affiliate.	
	Personnel Relationship	Four directors and one Audit and Supervisory Board Member of NSTC are from the Company. In addition, as of December 31, 2022, nine employees of the Company are seconded to NSTC, and six employees of NSTC are seconded to the Company.	
	Business Relationship	The Company sells steel products to, and purchases raw fuels, machinery, and other items from, NSTC.	
	Status as Related Parties	NSTC is an equity-method affiliate of the Company and is thus a related party.	

(ix) NSTC's Consolidated Business Performance and Consolidated Financial Condition for the Last Three Years

Fiscal Year	Fiscal Year Ended March 2020	Fiscal Year Ended March 2021	Fiscal Year Ended March 2022
Consolidated net assets	254,877 million yen	278,090 million yen	308,198 million yen
Consolidated total assets	857,744 million yen	883,285 million yen	1,100,441 million yen
Consolidated net assets per share	7,329.73 yen	7,917.51 yen	8,759.36 yen
Consolidated net sales	2,480,256 million yen	1,271,050 million yen	1,865,907 million yen
Consolidated operating profit	32,088 million yen	22,361 million yen	44,627 million yen
Consolidated ordinary profit	33,244 million yen	25,772 million yen	47,810 million yen
Profit for the year attributable to owner of the parent	20,708 million yen	15,992 million yen	35,417 million yen

Consolidated earnings for the year per share	641.97 yen	495.79 yen	1,098.03 yen
Cash dividends per share (interim dividends shown in brackets)	200.00 yen (115.00)	160.00 yen (50.00)	350.00 yen (160.00)

Notes: The "(vii) Major Shareholders and Ownership Percentage (as of September 30, 2022)" is described based on the "Major Shareholders" in the 46th second quarterly report submitted by NSTC on November 14, 2022.

3. Date of stock acquisition
April 14, 2023

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

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

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

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

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

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

VIII. Notes to the revenue recognition

1. Disaggregation of revenue

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Revenue	7,176,756	319,365	257,648	221,815	7,975,586

(For reference 1)

● Consolidated Statements of Cash-Flows

Fiscal 2022 (April 1, 2022—March 31, 2023)	(Millions of Yen)
Cash flows from operating activities	**661,274**
Cash flows from investing activities	**(366,580)**
Cash flows from financing activities	**(197,655)**
Other	**22,322**
Net increase in cash and cash equivalents	**119,361**
Cash and cash equivalents at beginning of the year	**551,049**
Cash and cash equivalents at end of the year	**670,410**

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(For reference 2)

•Segment Information

Fiscal 2022 (April 1, 2022—March 31, 2023)

(Millions of Yen)

	Reportable segment				Total	Adjustments	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	7,176,756	319,365	257,648	221,815	7,975,586	—	7,975,586
Inter-segment revenue or transfers	68,791	32,865	16,937	70,698	189,292	(189,292)	—
Total	7,245,547	352,231	274,586	292,513	8,164,879	(189,292)	7,975,586
Segment profit <Business Profit>	861,443	11,674	16,170	32,111	921,401	(4,944)	916,456

● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of Yen)

ASSETS	March 31, 2023	LIABILITIES	March 31, 2023
Current assets :		**Current liabilities :**	
Cash and bank deposits	386,446	Accounts payable	377,849
Accounts receivable	253,137	Short-term loans payable	142,330
Finished products	226,339	Bonds due within one year	60,000
Semi-finished products	472,790	Current portion of lease obligations	615
Work in process	7,300	Accounts payable-other	564,922
Raw materials	377,686	Accrued expenses	56,485
Supplies	202,896	Income tax payable	8,040
Advance payments-other	62,048	Advances received	1,927
Prepaid expenses	29,127	Deposits received	428,007
Accounts receivable-other	191,933	Other	7,811
Other	6,090		
Less: Allowance for doubtful accounts	(212)	**Total current liabilities**	**1,647,989**
Total current assets	**2,215,586**		
		Long-term liabilities :	
Fixed assets :		Bonds and notes	880,000
Tangible fixed assets :		Long-term loans payable	1,280,776
Buildings (net)	270,210	Lease obligations (excluding current portion)	1,471
Structures (net)	204,369	Accrued pension and severance costs	119,232
Machinery and equipment (net)	880,668	Other	216,061
Vehicles (net)	4,353		
Tools, furniture and fixtures (net)	47,671	**Total long-term liabilities**	**2,497,542**
Land	463,280		
Leased assets (net)	1,837	**Total liabilities**	**4,145,531**
Construction in progress	151,757		
	2,024,148		
Intangible fixed assets :			
Patents and utility rights	1,108		
Software	77,987		
Leased assets	139	**NET ASSETS**	
	79,235	**Shareholders' equity :**	
		Common stock	**419,524**
Investments and others :		**Capital surplus**	
Investments in securities	327,023	Legal capital surplus	111,532
Shares of subsidiaries and affiliates	1,255,093	Other capital surplus	270,305
Investments in capital of subsidiaries and affiliates	52,760		
Long-term loans receivable	7	**Total Capital surplus**	**381,837**
Long-term loans receivable from subsidiaries and affiliates	135,179	**Retained earnings :**	
Long-term prepaid expenses	57,449	Other retained earnings	
Deferred tax assets	125,416	Reserve for advanced depreciation of fixed assets	26,385
Other	17,781	Retained earnings carried forward	1,243,997
Less: Allowance for doubtful accounts	(8,759)		
	1,961,953	**Total retained earnings**	**1,270,382**
		Less: Treasury stock, at cost	**(54,789)**
Total fixed assets	**4,065,337**	**Total shareholders' equity**	**2,016,955**
		Valuation and translation adjustments :	
		Unrealized gains on available-for-sale securities	116,841
		Deferred hedge income (loss)	1,596
		Total valuation and translation adjustments	**118,437**
		Total net assets	**2,135,393**
Total assets	**6,280,924**	**Total liabilities and net assets**	**6,280,924**

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(2) Non-Consolidated Statements of Operations (April 1, 2022—March 31, 2023)

(Millions of Yen)

	Fiscal 2022
Operating revenues :	
Net sales	4,973,537
Cost of sales	4,390,995
Gross profit	**582,542**
Selling, general and administrative expenses	264,142
Operating profit	**318,399**
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	159,701
Other	132,294
	291,996
Non-operating loss :	
Interest expense	16,659
Other	66,573
	83,232
Ordinary profit	**527,162**
Extraordinary profit and loss :	
Extraordinary profit :	
Gains on sales of investments in securities	28,134
	28,134
Extraordinary loss :	
Losses on inactive facilities	22,026
	22,026
Profit before income taxes	**533,270**
Income taxes - current	6,964
Income taxes - deferred	22,662
	29,626
Profit for the year	**503,643**

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

Fiscal 2022 (April 1, 2022—March 31, 2023) (Millions of Yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2022	419,524	111,532	270,304	381,836	26,659	906,029	932,689	(54,733)	1,679,317
Changes of the year									
Reversal of reserve for advanced depreciation of fixed assets				—	(274)	274	—		—
Cash dividends				—		(165,950)	(165,950)		(165,950)
Profit for the year				—		503,643	503,643		503,643
Purchases of treasury stock				—			—	(58)	(58)
Disposals of treasury stock			0	0			—	2	3
Net changes of items other than shareholders' equity									
Total change for fiscal 2022	—	—	0	0	(274)	337,967	337,693	(55)	337,638
Balance as of March 31, 2023	419,524	111,532	270,305	381,837	26,385	1,243,997	1,270,382	(54,789)	2,016,955

	Valuation and translation adjustments			Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Total valuation and translation adjustments	
Balance as of March 31, 2022	89,591	11,139	100,731	1,780,048
Changes of the year				
Provision of reserve for advanced depreciation of fixed assets				—
Cash dividends				(165,950)
Profit for the year				503,643
Purchases of treasury stock				(58)
Disposals of treasury stock				3
Net changes of items other than shareholders' equity	27,249	(9,543)	17,706	17,706
Total change for fiscal 2022	27,249	(9,543)	17,706	355,344
Balance as of March 31, 2023	**116,841**	**1,596**	**118,437**	**2,135,393**

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Notes to the non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of valuation of assets
(1) Marketable securities
• Shares of subsidiaries and affiliates: Stated at cost determined by the moving-average method
• Available-for-sale securities:
Investments in securities other than equity securities without market prices: Stated at fair value (Net unrealized gains or losses are comprehensively included in net assets, and the cost of securities sold is determined by the moving-average method.)
Investments in equity securities without market prices: Stated at cost determined by the moving-average method

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

• Supplies: Cost accounting method mainly based on the first-in, first-out method (Regarding balance sheet values, this method is designed to reduce book value when the contribution of inventories to profitability declines)

2. Depreciation methods for fixed assets
(1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is mainly calculated using the straight-line method.

Useful lives of tangible fixed assets are generally as follows:

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

(2) Intangible fixed assets (excluding leased assets)
Amortization of intangible fixed assets is calculated using the straight-line method.
Software products made by the Company are amortized over the projected usage periods that are of 5 years.

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

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

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

4. Recognition criteria for revenue and expenses
Basic information for understanding revenue is omitted because the same information is disclosed in "Accounting principles" included in "Notes to the consolidated financial statements."

5. Other significant accounting policies for financial statements

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

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

(2) Method of hedge accounting

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

(3) Method and period for amortization of goodwill

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

(4) Retirement benefit accounting policy

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

(5) Application of the group tax sharing system

The group tax sharing system is applied.

(6) Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

From the beginning of fiscal 2022, the Company has switched from the consolidated taxation system to the group tax sharing system. As a result, the accounting treatment and disclosures of national and local corporate income taxes and tax effect accounting for these are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No.42, August 12, 2021). Based on the Practical Solution No. 42, Article 32 (1), it is deemed that there is no impact from the change in accounting policies in accordance with the application of Practical Solution No. 42.

6. Changes in accounting policies

Application of the implementation guidance on accounting standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) from the beginning of Fiscal 2022. In accordance with the transitional treatment set forth in Article 27-2 of the Implementation Guidance, the Company has applied the new accounting policies set forth in the Implementation Guidance prospectively.

This application has no impact on the non-consolidated financial statements of fiscal 2022.

7. Accounting estimates

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

(1) Impairment of fixed assets

• The carrying amounts in the financial statements as of fiscal 2022

Tangible fixed assets	¥2,024,148 million
Intangible fixed assets	79,235 million

• Other information that contributes to understanding of the details of accounting estimates

This information is omitted because the same information is described in "Significant accounting estimates and judgments" included in "Notes to the consolidated financial statements."

(2) The recoverability of deferred tax assets

• The carrying amounts in the financial statements as of fiscal 2022

Deferred tax assets (after offsetting deferred tax liabilities)	¥125,416 million

• Other information that contributes to understanding of the details of accounting estimates

This information is omitted because the same information is described in "Significant accounting estimates and

judgments" included in "Notes to the consolidated financial statements."

II. Notes to the non-consolidated balance sheet

1. Accumulated depreciation of tangible fixed assets ¥6,741,374 million

2. Contingent liabilities
The Company guarantees loans from financial institutions and other sources held by other companies.
(1) Loan Guarantee Liabilities

	(Outstanding amounts as of March 31, 2023)	(Substantial amounts)
AMNS Luxembourg Holding S.A.	¥274,858 million	¥274,858 million
AM/NS Calvert LLC	96,651	55,231
PT KRAKATAU NIPPON STEEL SYNERGY	20,830	20,830
NS Architectural Steel Services Corporation	6,870	6,870
WISCO-NIPPON STEEL Tinplate Co., Ltd.	4,952	4,952
Other	2,955	2,955
Total	¥407,117	¥365,698

(2) Reserved guarantees of loans ¥23 million
(The substantial amount guaranteed is ¥23 million.)

3. Accounts receivable and payable to subsidiaries and affiliates

Short-term accounts receivable	¥266,860 million
Long-term accounts receivable	135,179 million
Short-term accounts payable	742,881 million
Long-term accounts payable	982 million

III. Notes to the non-consolidated statements of operations

Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥1,868,405 million
Purchases	1,373,323 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥633,747 million
Expenditures from the transfer of assets, etc.	163,602 million

IV. Notes to the statements of changes in net assets

Number and class of treasury stocks outstanding at the end of the fiscal year

Ordinary shares	28,394,120 shares

V. Notes to the tax-effect accounting

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

VI. Notes to the related party information

Subsidiaries and affiliates

Category	Name	Equity ownership percentage	Relation with related party	Description of transaction	Amount of transaction (Millions of Yen)	Account	Resulting account balances (Millions of Yen)
Affiliate	AMNS Luxembourg Holding S.A.	Holding 40% directly	Loan guarantee	Loan guarantee(*1)	274,858	—	—

Terms and conditions applied to related party transactions:

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

VII. Notes to the per share information

Net assets per share	¥2,316.22
Earnings per share	¥546.28

VIII. Notes to the significant subsequent events

(Acquisition of shares of Nippon Steel Trading Corporation (making it a subsidiary))

This information is omitted because the same information is described in "Notes to the significant subsequent events" included in "Notes to the consolidated financial statements."

2023070718943

Report of Accounting Auditor on Consolidated Financial Statements (Copy)

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

Independent Auditor's Report

May 11, 2023

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka
Designated Limited Liability Partner
Certified Public Accountant
Takahiro Toyama
Designated Limited Liability Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Nippon Steel Corporation (the "Company") for the fiscal year from April 1, 2022 through March 31, 2023.

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

Basis for the Opinion

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

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the accounting principles prescribed in the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, which omits certain disclosure items required under the designated International Financial Reporting Standards. The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's

independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

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

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

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

Independent Auditor's Report

May 11, 2023

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

KPMG AZSA LLC
Tokyo Office
Koichi Kohori
Designated Limited Liability Partner
Certified Public Accountant
Hirotaka Tanaka
Designated Limited Liability Partner
Certified Public Accountant
Takahiro Toyama
Designated Limited Liability Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Nippon Steel Corporation (the "Company") for the 98th fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

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

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.
We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

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

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

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

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

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

Audit Report

The Audit & Supervisory Committee has audited the performance of duties by Directors of Nippon Steel Corporation ("NIPPON STEEL") for the 98th fiscal year from April 1, 2022 to March 31, 2023. The Audit & Supervisory Committee hereby reports the method and result of its audit as follows:

1. Auditing Method and Details Thereof

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

(1) In compliance with the standards for the Audit & Supervisory Committee's audits, which was established by the Audit & Supervisory Committee, and in accordance with auditing policy, the audit plan, and the assignment of duties, etc., the Audit & Supervisory Committee Members defined the status of establishment and operation of the Internal Control System and the status of promotion of various measures for the Management Plan as priority audit items, cooperated closely with the department in charge of internal audits, attended meetings of the Board of Directors, management meetings and other meetings, received reports from Directors, employees and other relevant personnel regarding the status of execution of their duties, sought explanations as necessary, inspected important documents, and examined the operations and financial position of NIPPON STEEL at the Head Office and Works of NIPPON STEEL. As for the subsidiaries of NIPPON STEEL, each Director and Audit & Supervisory Committee Member endeavored to keep communication and shared information with the Audit & Supervisory Board Members and other related personnel of the subsidiaries, and received reports from the subsidiaries regarding their businesses and sought explanations as necessary.

(2) As for the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of NIPPON STEEL as described in the Business Report, each Audit & Supervisory Committee Member examined its contents based on discussions at the Meetings of Board of Directors and other relevant meetings.

(3) The Audit & Supervisory Committee Members confirmed whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. The Audit & Supervisory Committee Members also received notification from the Accounting Auditor that system for ensuring appropriate execution of the duties of the Accounting Auditor has been prepared and sought explanations as necessary.

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

2. Audit Results

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

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

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

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(2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules
In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements
In our opinion, the method and the results of the audit used and conducted by KPMG AZSA LLC, the Accounting Auditor, are appropriate.

May 15, 2023

The Audit & Supervisory Committee of Nippon Steel Corporation

Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto (Seal)
Audit & Supervisory Committee Member (full-time)	Masayoshi Murase (Seal)
Audit & Supervisory Committee Member	Seiichiro Azuma (Seal)
Audit & Supervisory Committee Member	Hiroshi Yoshikawa (Seal)
Audit & Supervisory Committee Member	Masato Kitera (Seal)

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

NIPPON STEEL CORPORATION GROUP Corporate Philosophy

Our Values

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

Management Principles

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

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Shareholder Reference Information

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

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

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

Payment of accrued dividends

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

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

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

Nippon Steel Corporation
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