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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 2023

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## *Fastställelseintyg för årsredovisning för räkenskapsåret 2023*

Undertecknad verkställande direktör samt undertecknad ekonomichef i Suzuki Garphyttan AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 24 juni 2024
Årsstämman beslutade att godkänna styrelsens förslag till hur vinsten ska fördelas.

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

Garphyttan 2024-07-03

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* | *2023* | *2022* | *2021* | *2020* | *2019* |
|---|---|---|---|---|---|
| Nettoomsättning | 1 090 | 1 075 | 979 | 715 | 901 |
| Rörelseresultat | 43 | 69 | 134 | -6 | -13 |
| Rörelsemarginal % | 4 | 6 | 14 | -1 | -1 |
| Balansomslutning | 1 725 | 1 763 | 1 575 | 1 288 | 1 117 |
| Avkastning på eget kapital % | 5 | 17 | 23 | -2 | 3 |
| Soliditet % | 44 | 45 | 48 | 48 | 56 |

## Väsentliga händelser under räkenskapsåret

Omsättningen ökade bara 1% och volymen är oförändrad jämfört med föregående år. Efterfrågan i europa har varit avvaktande och inte ökat som förväntades. Därför varslades 60 personer under hösten för att justera personal i produktionen till den efterfrågan som förväntas under år 2024. Kostnaderna ökade under året pga högre kostander på ingående material och något sänkta priser på utgående material under början av år 2023. Produktivitet har också varit något lägre under året. Under året så fick företaget kompensation för höga elkostnader under år 2022.

## Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Efterfrågan i europa fortsätter vara avvaktande. På global nivå så minskar europas export till Kina vilket påverkar företagets befintliga affärer negativt. Å andra sidan utvecklas nya affärer vilket väntas ersätta den eventuellt minskade efterfrågan inom segmentet förbränningsmotorer och transmissioner till bilar.

## Forskning och utveckling

Forskning och utveckling bedrivs framförallt som produkt- och processutveckling i nära samarbete med både kunder och leverantörer. Syftet är att utveckla nya produkter och ständigt förbättra produkternas egenskaper och produktionsprocesser. Under året har kalldragen tråd och blankdragen tråd utvecklats.

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## Icke-finansiella upplysningar

Under året har strategiplanen upppdaterats och gäller nu åren 2024 - 2028. 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 2023 har 24 285 ton tråd tillverkats.

## Eget kapital

| 2023-12-31 | 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 | – | – | 563 070 | 583 570 |
| Årets resultat | | | | | | 22 445 | 22 445 |
| *Transaktioner med ägare* | | | | | | | |
| Utdelning | | | | | | -66 000 | -66 000 |
| Vid årets utgång | 15 000 | – | 5 500 | – | – | 519 515 | 540 015 |

## Förslag till disposition av företaget vinst eller förlust

Styrelsen föreslår att fritt eget kapital, kronor 519 514 887 disponeras enligt följande:

| | *Not* | |
|---|---|---|
| Utdelning 150 000 x 253 kr/aktie | | 37 950 000 |
| Balanseras i ny räkning | | 481 564 887 |
| Summa | 32 | 519 514 887 |

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 förpliktelser och genomföra planerade investeringar. Föreslagen utdelningen ligger i linje med koncernens utdelningspolicy.

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* | *2023* | *2022* |
|---|---|---|---|
| Nettoomsättning | 3 | 1 089 821 | 1 075 208 |
| Kostnad för sålda varor | | -895 726 | -819 884 |
| **Bruttoresultat** | | 194 095 | 255 324 |
| Försäljningskostnader | | -81 179 | -73 251 |
| Administrationskostnader | | -86 532 | -110 908 |
| Forsknings- och utvecklingskostnader | | -25 776 | -24 637 |
| Övriga rörelseintäkter | 4 | 54 319 | 25 720 |
| Övriga rörelsekostnader | 7 | -11 534 | -3 634 |
| **Rörelseresultat** | 4,5,6,7 | 43 393 | 68 614 |
| ***Resultat från finansiella poster*** | | | |
| Resultat från andelar i koncernföretag | 9 | 7 793 | 56 786 |
| Övriga ränteintäkter och liknande resultatposter | 10 | 24 925 | 19 795 |
| Räntekostnader och liknande resultatposter | 11 | -37 559 | -10 851 |
| **Resultat efter finansiella poster** | | 38 552 | 134 344 |
| ***Bokslutsdispositioner*** | | | |
| Bokslutsdispositioner, övriga | 12 | -9 600 | -14 100 |
| **Resultat före skatt** | | 28 952 | 120 244 |
| Skatt på årets resultat | 13 | -6 507 | -12 788 |
| **Årets resultat** | | 22 445 | 107 456 |

# Balansräkning

| *Belopp i tkr* | *Not* | *2023-12-31* | *2022-12-31* |
|---|---|---|---|
| **TILLGÅNGAR** | | | |
| **Anläggningstillgångar** | | | |
| ***Immateriella anläggningstillgångar*** | | | |
| Balanserade utgifter för utvecklingsarbeten och liknande | 14 | 79 217 | 75 050 |
| | | 79 217 | 75 050 |
| ***Materiella anläggningstillgångar*** | | | |
| Byggnader och mark | 15 | 42 335 | 30 847 |
| Maskiner och andra tekniska anläggningar | 16 | 117 475 | 111 495 |
| Inventarier, verktyg och installationer | 17 | 17 085 | 16 131 |
| Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar | 18 | 112 924 | 52 348 |
| | | 289 819 | 210 821 |
| ***Finansiella anläggningstillgångar*** | | | |
| Andelar i koncernföretag | 19 | 475 403 | 475 403 |
| Uppskjuten skattefordran | 21 | 5 670 | 5 121 |
| Andra långfristiga fordringar | 22 | 7 578 | 5 433 |
| | | 488 651 | 485 957 |
| **Summa anläggningstillgångar** | | 857 687 | 771 828 |
| **Omsättningstillgångar** | | | |
| ***Varulager m m*** | | | |
| Råvaror och förnödenheter | | 102 911 | 189 996 |
| Varor under tillverkning | | 47 126 | 57 053 |
| Färdiga varor och handelsvaror | | 74 747 | 81 612 |
| | | 224 784 | 328 661 |
| ***Kortfristiga fordringar*** | | | |
| Kundfordringar | | 80 279 | 92 296 |
| Fordringar hos koncernföretag | | 473 380 | 485 530 |
| Aktuell skattefordran | | 18 296 | – |
| Övriga fordringar | | 13 855 | 15 471 |
| Förutbetalda kostnader och upplupna intäkter | 23 | 19 904 | 13 358 |
| | | 605 714 | 606 655 |
| ***Kassa och bank*** | | | |
| Kassa och bank | 30 | 37 184 | 55 674 |
| | | 37 184 | 55 674 |
| **Summa omsättningstillgångar** | | 867 682 | 990 990 |
| **SUMMA TILLGÅNGAR** | | 1 725 369 | 1 762 818 |

# Balansräkning

| *Belopp i tkr* | *Not* | *2023-12-31* | *2022-12-31* |
|---|---|---|---|
| **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 | | 497 070 | 455 614 |
| Årets resultat | | 22 445 | 107 456 |
| | | 519 515 | 563 070 |
| | | 540 015 | 583 570 |
| ***Obeskattade reserver*** | | | |
| Ackumulerade överavskrivningar | 24 | 172 950 | 144 950 |
| Periodiseringsfonder | 25 | 106 370 | 124 770 |
| | | 279 320 | 269 720 |
| ***Avsättningar*** | | | |
| Avsättningar för pensioner och liknande förpliktelser | 26 | 30 858 | 40 290 |
| | | 30 858 | 40 290 |
| ***Långfristiga skulder*** | 27 | | |
| Övriga skulder till kreditinstitut | | 209 062 | 260 161 |
| | | 209 062 | 260 161 |
| ***Kortfristiga skulder*** | | | |
| Skulder till kreditinstitut | | 127 314 | 62 722 |
| Checkräkningskredit | 28 | 28 912 | 7 971 |
| Leverantörsskulder | | 92 172 | 140 214 |
| Skulder till koncernföretag | | 211 505 | 194 629 |
| Aktuell skatteskuld | | – | 16 823 |
| Övriga skulder | | 13 611 | 13 016 |
| Upplupna kostnader och förutbetalda intäkter | 29 | 192 600 | 173 702 |
| | | 666 114 | 609 077 |
| **SUMMA EGET KAPITAL OCH SKULDER** | | 1 725 369 | 1 762 818 |

# Kassaflödesanalys

| Belopp i tkr | | 2023 | 2022 |
|---|---|---|---|
| **Den löpande verksamheten** | | | |
| Resultat efter finansiella poster | | 38 552 | 134 344 |
| Justering för poster som inte ingår i kassaflödet | 31 | 24 905 | 52 557 |
| | | 63 457 | 186 901 |
| Betald inkomstskatt | | -42 175 | 13 824 |
| **Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital** | | 21 282 | 200 725 |
| *Förändringar i rörelsekapital* | | | |
| Ökning(-)/Minskning(+) av varulager | | 103 877 | -69 129 |
| Ökning(-)/Minskning(+) av rörelsefordringar | | 19 237 | -99 972 |
| Ökning(+)/Minskning(-) av rörelseskulder | | 9 268 | 152 005 |
| **Kassaflöde från den löpande verksamheten** | | 153 664 | 183 629 |
| | | | |
| **Investeringsverksamheten** | | | |
| Förvärv av materiella anläggningstillgångar | | -122 685 | -75 255 |
| Avyttring av materiella anläggningstillgångar | | – | – |
| Förvärv/investering dotterbolag | | – | -68 607 |
| Förvärv av finansiella tillgångar | | -399 | -975 |
| **Kassaflöde från investeringsverksamheten** | | -123 084 | -144 838 |
| | | | |
| **Finansieringsverksamheten** | | | |
| Upptagna lån | | 33 969 | 80 000 |
| Amortering av lån | | -17 039 | -40 914 |
| Utbetald utdelning till moderföretagets aktieägare | | -66 000 | -84 000 |
| **Kassaflöde från finansieringsverksamheten** | | -49 070 | -44 914 |
| | | | |
| **Årets kassaflöde** | | -18 490 | -6 123 |
| **Likvida medel vid årets början** | | 55 674 | 61 797 |
| **Likvida medel vid årets slut** | 30 | 37 184 | 55 674 |

# 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.

## 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 2023-12-31 uppgår till 15 548 tkr (f.å. 15 708 tkr).

## Not 3 Nettoomsättning per rörelsegren och geografisk marknad

| | 2023 | 2022 |
|---|---|---|
| *Nettoomsättning per rörelsegren* | | |
| Oljehärdad tråd | 926 966 | 863 582 |
| Special Wire Products | 162 855 | 211 626 |
| | 1 089 821 | 1 075 208 |
| *Nettoomsättning per geografisk marknad* | | |
| Sverige | 46 186 | 51 138 |
| EU | 949 346 | 920 784 |
| Övriga världen | 94 289 | 103 286 |
| | 1 089 821 | 1 075 208 |

## Not 4 Övriga rörelseintäkter

| | 2023 | 2022 |
|---|---|---|
| Royalty från dotterbolag | 54 319 | 24 938 |
| Ersättning sjukönekostnader | – | 782 |
| | 54 319 | 25 720 |

## Not 5 Anställda, personalkostnader och arvoden till styrelse och revisorer

**Medelantalet anställda**

| | 2023 | varav män | 2022 | varav män |
|---|---|---|---|---|
| Sverige | 329 | 83% | 343 | 83% |
| Totalt | 329 | 83% | 343 | 83% |

**Redovisning av könsfördelning i företagsledningar**

| | 2023-12-31 Andel kvinnor | 2022-12-31 Andel kvinnor |
|---|---|---|
| Styrelsen | 0% | 0% |
| Övriga ledande befattningshavare | 25% | 29% |

**Löner och andra ersättningar samt sociala kostnader, inklusive pensionskostnader**

| | 2023 | 2022 |
|---|---|---|
| *Löner och ersättningar* | *198 072* | *199 656* |
| *Sociala kostnader* | *82 618* | *85 022* |
| *(varav pensionskostnad) 1)* | *(28 095)* | *(33 427)* |

1) Av företagets pensionskostnader avser 1 273 tkr (f.å. 1 211 tkr) företagets ledning.
Företagets utestående pensionsförpliktelser till dessa uppgår till 6 618 tkr (f.å.5 605 tkr).

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Styrelse och VD | Övriga anställda | Styrelse och VD | Övriga anställda |
| *Löner och andra ersättningar* | 5 138 | 192 934 | 5 658 | 193 998 |
| *(varav tantiem o.d.)* | *(1 218)* | | *(716)* | |

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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**

| | *2023* | *2022* |
|---|---|---|
| *KPMG AB* | | |
| Revisionsuppdrag | 400 | 390 |
| Skatterådgivning | – | 10 |
| Andra uppdrag | 130 | 150 |

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**

| | *2023* | *2022* |
|---|---|---|
| *Avskrivningar enligt plan fördelade per funktion* | | |
| Kostnad för sålda varor | -28 027 | -25 795 |
| Administrationskostnader | -10 416 | -9 586 |
| Forsknings- och utvecklingskostnader | -1 078 | -993 |
| | -39 521 | -36 374 |

**Not 7 Övriga rörelsekostnader**

| | *2023* | *2022* |
|---|---|---|
| Valutakursförsluster | -11 534 | -3 634 |
| | -11 534 | -3 634 |

**Not 8 Operationell leasing**

| | *2023* | *2022* |
|---|---|---|
| Räkenskapsårets kostnadsförda leasingavgifter | 13 620 | 12 035 |

| *Framtida minimileaseavgifter avseende icke uppsägningsbara operationella leasingavtal* | *2023* | *2022* |
|---|---|---|
| Inom ett år | 662 | 527 |
| Mellan ett och fem år | 2 650 | 2 354 |
| | 3 312 | 2 881 |

**Not 9 Resultat från andelar i koncernföretag**

| | *2023* | *2022* |
|---|---|---|
| Utdelning | 7 793 | 56 786 |
| | 7 793 | 56 786 |

**Not 10 Övriga ränteintäkter och liknande resultatposter**

| | *2023* | *2022* |
|---|---|---|
| Ränteintäkter, koncernföretag | 9 974 | 8 824 |
| Ränteintäkter, övriga | 14 951 | 5 151 |
| Kursvinster på kortfristiga fordringar och skulder | – | 5 820 |
| | 24 925 | 19 795 |

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## Not 11 Räntekostnader och liknande resultatposter

| | 2023 | 2022 |
|---|---|---|
| Räntekostnader, koncernföretag | -7 091 | -262 |
| Räntekostnader, övriga | -20 887 | -9 473 |
| Övrigt | -9 581 | -1 116 |
| | -37 559 | -10 851 |

## Not 12 Bokslutsdispositioner, övriga

| | 2023 | 2022 |
|---|---|---|
| Maskiner och andra tekniska anläggningar | -28 000 | -17 500 |
| Periodiseringsfond, årets avsättning | -11 300 | -23 500 |
| Periodiseringsfond, årets återföring | 29 700 | 26 900 |
| | -9 600 | -14 100 |

## Not 13 Skatt på årets resultat

| | 2023 | 2022 |
|---|---|---|
| Aktuell skattekostnad | -7 056 | -13 562 |
| Uppskjuten skatt | 549 | 774 |
| | -6 507 | -12 788 |

**Avstämning av effektiv skatt**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | *Procent* | *Belopp* | *Procent* | *Belopp* |
| Resultat före skatt | | 28 952 | | 120 244 |
| Skatt enligt gällande skattesats för moderföretaget | 20,6% | -5 964 | 20,6% | -24 770 |
| Ej avdragsgilla kostnader | 4,9% | -1 409 | 0,6% | -717 |
| Ej skattepliktiga intäkter | -0,4% | 128 | -0,1% | 93 |
| Schablonränta periodiseringsfond | 1,7% | -499 | 0,1% | -132 |
| Erhållen utdelning från dotterbolag | -5,5% | 1 605 | -9,7% | 11 696 |
| Tillägg återföring periodiseringsfond | 1,3% | -367 | 0,0% | – |
| Skattereduktion investeringar | 0,0% | – | -0,9% | 1 041 |
| Redovisad effektiv skatt | 22,5% | -6 507 | 10,6% | -12 788 |

## Not 14 Balanserade utgifter för utvecklingsarbeten och liknande

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 90 921 | 14 500 |
| Övriga investeringar | 13 413 | 77 621 |
| Avyttringar och utrangeringar | – | -1 200 |
| Vid årets slut | 104 334 | 90 921 |
| | | |
| *Ackumulerade avskrivningar* | | |
| Vid årets början | -15 871 | -11 704 |
| Återförda avskrivningar på avyttringar och utrangeringar | – | 1 200 |
| Årets avskrivning | -9 246 | -5 367 |
| Vid årets slut | -25 117 | -15 871 |
| **Redovisat värde vid årets slut** | 79 217 | 75 050 |

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## Not 15 Byggnader och mark

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 127 687 | 127 687 |
| Nyanskaffningar | 15 355 | – |
| Vid årets slut | 143 042 | 127 687 |
| *Ackumulerade avskrivningar* | | |
| Vid årets början | -96 840 | -92 967 |
| Årets avskrivning | -3 867 | -3 873 |
| Vid årets slut | -100 707 | -96 840 |
| **Redovisat värde vid årets slut** | 42 335 | 30 847 |

| **Varav mark** | 2023-12-31 | 2022-12-31 |
|---|---|---|
| Ackumulerade anskaffningsvärden | 134 | 134 |
| **Redovisat värde vid årets slut** | 134 | 134 |

## Not 16 Maskiner och andra tekniska anläggningar

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 616 041 | 608 356 |
| Nyanskaffningar | 26 007 | 20 310 |
| Avyttringar och utrangeringar | -1 158 | -12 625 |
| Vid årets slut | 640 890 | 616 041 |
| *Ackumulerade avskrivningar* | | |
| Vid årets början | -504 546 | -497 361 |
| Återförda avskrivningar på avyttringar och utrangeringar | 1 158 | 12 580 |
| Årets avskrivning | -20 027 | -19 765 |
| Vid årets slut | -523 415 | -504 546 |
| **Redovisat värde vid årets slut** | 117 475 | 111 495 |

## Not 17 Inventarier, verktyg och installationer

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 54 662 | 58 273 |
| Nyanskaffningar | 7 334 | 1 614 |
| Avyttringar och utrangeringar | – | -5 225 |
| Vid årets slut | 61 996 | 54 662 |
| *Ackumulerade avskrivningar* | | |
| Vid årets början | -38 531 | -36 387 |
| Återförda avskrivningar på avyttringar och utrangeringar | – | 5 225 |
| Årets avskrivning på anskaffningsvärden | -6 380 | -7 369 |
| Vid årets slut | -44 911 | -38 531 |
| **Redovisat värde vid årets slut** | 17 085 | 16 131 |

## Not 18 Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Vid årets början | 52 348 | 76 638 |
| Omklassificeringar | -62 109 | -99 545 |
| Investeringar | 122 685 | 75 255 |
| **Redovisat värde vid årets slut** | 112 924 | 52 348 |

## Not 19 Andelar i koncernföretag

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 475 403 | 406 796 |
| Omklassificeringar | – | 68 607 |
| Vid årets slut | 475 403 | 475 403 |
| **Redovisat värde vid årets slut** | 475 403 | 475 403 |

| | | | *2023-12-31* | *2022-12-31* |
|---|---|---|---|---|
| *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 | 210 077 |

## Not 20 Finansiella instrument och riskhantering

### Derivat och finansiell riskhantering

| | *2023-12-31* | | *2022-12-31* | |
|---|---|---|---|---|
| *Tillgångar* | *Redovisat värde* | *Verkligt värde* | *Redovisat värde* | *Verkligt värde* |
| *Derivat för vilka säkringsredovisning tillämpas* | | | | |
| Valutaterminer | – | – | -1 386 | -1 386 |

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 valutasäkringspolicy 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 2023-12-31 var 0 kr (-1,3 mkr).

## Not 21 Uppskjuten skatt

| | *Redovisat värde* | *2023-12-31 Skattemässigt värde* | *Temporär skillnad* |
|---|---|---|---|
| *Väsentliga temporära skillnader* | | | |
| Byggnader och markanläggningar | 42 201 | 53 402 | -11 201 |
| Lager | 224 784 | 233 122 | -8 338 |
| Avsättning Kapitalförsäkring Inkl löneskatt | -7 437 | – | -7 437 |
| Skuldreserv bonus | -548 | – | -548 |
| | 259 000 | 286 524 | -27 524 |

| | *Uppskjuten skattefordran* | *2023-12-31 Uppskjuten skatteskuld* | *Netto* |
|---|---|---|---|
| *Väsentliga temporära skillnader* | | | |
| Byggnader och markanläggningar | 2 307 | – | 2 307 |
| Lager | 1 718 | – | 1 718 |
| Avsättning Kapitalförsäkring | 1 532 | – | 1 532 |
| Skuldreserv bonus | 113 | – | 113 |
| *Uppskjuten skattefordran* | 5 670 | – | 5 670 |

| | *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 |
| Uppskjuten skatt underskott | -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 |
| *Skattemässigt underskottsavdrag* | 608 | – | 608 |
| *Uppskjuten skattefordran* | 5 121 | – | 5 121 |

## Not 22 Andra långfristiga fordringar

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| *Ackumulerade anskaffningsvärden* | | |
| Vid årets början | 5 433 | 4 458 |
| Tillkommande fordringar | 2 145 | 975 |
| **Redovisat värde vid årets slut** | 7 578 | 5 433 |

## Not 23 Förutbetalda kostnader och upplupna intäkter

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Förutbetalda försäkringar | 2 150 | 1 044 |
| Övriga poster | 17 754 | 12 314 |
| | 19 904 | 13 358 |

## Not 24 Ackumulerade överavskrivningar

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Maskiner och andra tekniska anläggningar | 172 950 | 144 950 |

## Not 25 Periodiseringsfonder

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Avsatt räkenskapsår 2017 | – | 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 | 23 500 |
| Avsatt räkenskapsår 2023 | 11 300 | |
| | 106 370 | 124 770 |

## Not 26 Avsättningar för pensioner och liknande förpliktelser

| | *2023* | *2022* |
|---|---|---|
| Avsättning pension PRI | 25 026 | 34 857 |
| Avsättning direkt pension | 5 832 | 5 433 |
| | 30 858 | 40 290 |

## Not 27 Långfristiga skulder

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Skulder som förfaller senare än ett år från balansdagen | | |
| Övriga skulder till kreditinstitut | 209 062 | 260 161 |
| Skulder som förfaller senare än fem år från balansdagen | | |

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| *Ställda säkerheter för övriga skulder* | | |
| Fastighetsinteckningar | 15 000 | 15 000 |
| Företagsinteckningar | 131 000 | 131 000 |
| | 146 000 | 146 000 |

## Not 28 Checkräkningskredit

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Beviljad kreditlimit | 135 000 | 80 000 |
| Outnyttjad del | -106 088 | -72 029 |
| Utnyttjat kreditbelopp | 28 912 | 7 971 |

## Not 29 Upplupna kostnader och förutbetalda intäkter

| | *2023-12-31* | *2022-12-31* |
|---|---|---|
| Personalrelaterade kostnader | 83 602 | 79 334 |
| Kundbonus | 49 053 | 36 227 |
| Garantier | 14 960 | 14 436 |
| Övriga poster | 44 985 | 43 705 |
| | 192 600 | 173 702 |

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## Not 30 Likvida medel

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| *Följande delkomponenter ingår i likvida medel:* | | |
| Banktillgodohavanden | 37 184 | 55 674 |
| | 37 184 | 55 674 |

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

| | 2023 | 2022 |
|---|---|---|
| *Följande delkomponenter ingår i justering som ej ingår i kassaflödet:* | | |
| Avskrivningar enligt plan | 39 521 | 36 373 |
| Rearesultat försäljning av anläggningstillgångar | – | 45 |
| Förändring avsatta pensioner | -9 433 | -4 107 |
| Övriga ej kassaflödespåverkande poster | -3 436 | 20 246 |
| | 26 652 | 52 557 |

## Not 32 Vinstdisposition

**Förslag till disposition av företaget vinst eller förlust**
Styrelsen föreslår att fritt eget kapital, kronor 519 514 887 disponeras enligt följande:

| | |
|---|---|
| Utdelning 150 000 x 253 kr/aktie | 37 950 000 |
| Balanseras i ny räkning | 481 564 887 |
| Summa | 519 514 887 |

## Not 33 Aktier kvotvärde

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| Aktiekapital 150 000 aktier *(kvotvärde 100 kr/aktie)* | 15 000 | 15 000 |

## Not 34 Ställda säkerheter och eventualförpliktelser

| | 2023-12-31 | 2022-12-31 |
|---|---|---|
| **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 | 501 | 697 |
| | 501 | 697 |

## Not 35 Väsentliga händelser efter räkenskapsårets utgång

Inga väsentliga händelser efter räkenskapsårets utgång

20240704144114

## 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 20% (27%) av försäljningen bolag inom Suzukikoncernen. Inköp från koncernbolag förekommer endast undantagsvis.
Internvinster på transaktioner i koncernen beräknas till 5 263 tkr (4 310 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 4/6 2024

Kimitoshi Yonezawa
*Styrelsens ordförande*

Ad Raatgeep
*Verkställande direktör*

Masahiko Ichinose
Vice verkställande direktör

Vår revisionsberättelse har lämnats 2024-06-19

KPMG

Magnus Gustafsson
*Auktoriserad revisor*

20240704344415

# 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 2023.

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 2023 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 lakttagelser 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 2023 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 19 juni 2024

KPMG AB

Magnus Gustafsson
Auktoriserad revisor

# Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten

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

## Uppdrag och ansvarsfördelning

Det är styrelsen som har ansvaret för hållbarhetsrapporten för år 2023 på sidorna 1-31 och för att den är upprättad i enlighet med årsredovisningslagen.

## Granskningens inriktning och omfattning

Vår granskning har skett enligt FAR:s rekommendation RevR 12 *Revisoms yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande.

## Uttalande

En hållbarhetsrapport har upprättats.

Karlskoga den 19 juni 2024

KPMG AB

Magnus Gustafsson
Auktoriserad revisor

# NIPPON STEEL CORPORATION

# Financial Report for

# The Year Ended March 31, 2024

**Consolidated Financial Statements**

Consolidated Statements of Financial Position

(Millions of Yen)

| **ASSETS** | | As of March 31, 2023 | **As of March 31,2024** |
|---|---|---|---|
| **Current assets :** | | | |
| Cash and cash equivalents | (Notes 8 and 32) | 670,410 | **448,892** |
| Trade and other receivables | (Notes 9, 32 and 33) | 1,062,384 | **1,587,979** |
| Inventories | (Note 10) | 2,085,971 | **2,276,665** |
| Other financial assets | (Note 32) | 28,176 | **33,927** |
| Other current assets | | 223,575 | **212,919** |
| **Total current assets** | | 4,070,518 | **4,560,384** |
| **Non-current assets :** | | | |
| Property, plant and equipment | (Notes 11, 12) | 3,183,638 | **3,380,436** |
| Right-of-use assets | (Note 14) | 83,935 | **100,601** |
| Goodwill | (Notes 7, 13 and 29) | 65,062 | **70,207** |
| Intangible assets | (Notes 13) | 157,444 | **177,853** |
| Investments accounted for using the equity method | (Notes 15) | 1,210,542 | **1,537,936** |
| Other financial assets | (Note 32) | 528,794 | **675,942** |
| Defined benefit assets | (Note 19) | 124,628 | **127,579** |
| Deferred tax assets | (Note 16) | 136,349 | **75,893** |
| Other non-current assets | | 6,185 | **7,791** |
| **Total non-current assets** | | 5,496,581 | **6,154,242** |
| **Total assets** | | 9,567,099 | **10,714,627** |

The accompanying notes are integral parts of these statements.

(Millions of Yen)

| LIABILITIES | | As of March 31, 2023 | **As of March 31,2024** |
|---|---|---|---|
| **Current liabilities :** | | | |
| Trade and other payables | (Notes 17 and 32) | 1,592,137 | **1,890,718** |
| Bonds, borrowings and lease liabilities | (Notes 11, 14, 18 and 32) | 403,028 | **541,495** |
| Other financial liabilities | (Note 32) | 5,878 | **7,036** |
| Income taxes payable | | 51,917 | **80,269** |
| Other current liabilities | | 40,839 | **62,353** |
| **Total current liabilities** | | 2,093,802 | **2,581,874** |
| **Non-current liabilities :** | | | |
| Bonds, borrowings and lease liabilities | (Notes 11, 14, 18 and 32) | 2,296,322 | **2,170,148** |
| Other financial liabilities | (Note 32) | 323 | **146** |
| Defined benefit liabilities | (Note 19) | 185,441 | **116,309** |
| Deferred tax liabilities | (Note 16) | 37,685 | **140,532** |
| Other non-current liabilities | (Note 32) | 307,105 | **349,737** |
| **Total non-current liabilities** | | 2,826,879 | **2,776,874** |
| **Total liabilities** | | 4,920,682 | **5,358,748** |
| **EQUITY** | | | |
| Common stock | (Note 20) | 419,524 | **419,799** |
| Capital surplus | (Note 20) | 399,366 | **398,914** |
| Retained earnings | (Note 20) | 3,079,144 | **3,525,585** |
| Treasury stock | (Note 20) | (58,054) | **(58,149)** |
| Other components of equity | | 341,173 | **491,576** |
| **Total equity attributable to owners of the parent** | | 4,181,155 | **4,777,727** |
| Non-controlling interests | | 465,261 | **578,150** |
| **Total equity** | | 4,646,417 | **5,355,878** |
| **Total liabilities and equity** | | 9,567,099 | **10,714,627** |

The accompanying notes are integral parts of these statements.

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

Consolidated Statements of Profit or Loss (Millions of Yen)

| | | Year ended March 31, 2023 | **Year ended March 31, 2024** |
|---|---|---|---|
| Revenue | (Notes 22 and 33) | 7,975,586 | **8,868,097** |
| Cost of sales | (Notes 19 and 24) | (6,682,028) | **(7,481,331)** |
| **Gross profit** | | 1,293,557 | **1,386,765** |
| Selling, general and administrative expenses | (Notes 19,23,24 and 33) | (579,411) | **(730,388)** |
| Share of profit in investments accounted for using the equity method | (Note 15) | 102,915 | **144,326** |
| Other operating income | (Note 25) | 181,497 | **178,085** |
| Other operating expenses | (Note 25) | (82,102) | **(109,131)** |
| **Business profit** | (Note 26) | 916,456 | **869,657** |
| Losses on reorganization | (Note 27) | (32,810) | **(90,995)** |
| **Operating profit** | | 883,646 | **778,662** |
| Finance income | (Note 28) | 8,091 | **21,540** |
| Finance costs | (Note 28) | (24,888) | **(36,230)** |
| **Profit before income taxes** | | 866,849 | **763,972** |
| Income tax expense | (Note 16) | (128,117) | **(176,074)** |
| **Profit for the year** | | 738,732 | **587,898** |
| **Profit for the year attributable to :** | | | |
| Owners of the parent | | 694,016 | **549,372** |
| Non-controlling interests | | 44,715 | **38,526** |
| **Earnings per share** | (Note 31) | | |
| Basic earnings per share (Yen) | | 753.66 | **596.59** |
| Diluted earnings per share (Yen) | | 671.89 | **527.96** |

Consolidated Statements of Comprehensive Income (Millions of Yen)

| | | Year ended March 31, 2023 | **Year ended March 31, 2024** |
|---|---|---|---|
| Profit for the year | | 738,732 | **587,898** |
| Other comprehensive income | (Note 30) | | |
| Items that cannot be reclassified to profit or loss | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | | 32,577 | **125,783** |
| Remeasurements of defined benefit plans | | 16,567 | **17,570** |
| Share of other comprehensive income of investments accounted for using the equity method | (Note 15) | 1,355 | **9,179** |
| Subtotal | | 50,500 | **152,533** |
| Items that might be reclassified to profit or loss | | | |
| Changes in fair value of cash flow hedges | | (7,779) | **1,570** |
| Foreign exchange differences on translation of foreign operations | | 88,768 | **81,716** |
| Share of other comprehensive income of investments accounted for using the equity method | (Note 15) | 56,700 | **(12,886)** |
| Subtotal | | 137,688 | **70,400** |
| **Total other comprehensive income, net of tax** | | 188,188 | **222,933** |
| **Total comprehensive income for the year** | | 926,920 | **810,831** |
| **Comprehensive income for the year attributable to:** | | | |
| Owners of the parent | | 874,564 | **748,961** |
| Non-controlling interests | | 52,356 | **61,870** |

The accompanying notes are integral parts of these statements.

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## Consolidated Statements of Changes in Equity

Year ended March 31, 2023

(Millions of Yen)

| | | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| | | Common stock | Capital surplus | Retained earnings | Treasury stock | Changes in fair value of financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans |
| Balance as of March 31, 2022 | | 419,524 | 393,547 | 2,514,775 | (57,977) | 178,442 | — |
| Changes of the year | | | | | | | |
| Comprehensive income | | | | | | | |
| Profit for the year | | | | 694,016 | | | |
| Other comprehensive income | (Note 30) | | | | | 38,476 | 14,289 |
| Total comprehensive income | | — | — | 694,016 | — | 38,476 | 14,289 |
| Transactions with owners and others | | | | | | | |
| Conversion of convertible bonds | (Note 20) | | | | | | |
| Cash dividends | (Note 21) | | | (165,950) | | | |
| Purchases of treasury stock | (Note 20) | | | | (69) | | |
| Disposals of treasury stock | (Note 20) | | 0 | | 2 | | |
| Changes in ownership interests in subsidiaries | | | 5,818 | | | | |
| Transfer from other components of equity to retained earnings | | | | 36,302 | | (22,012) | (14,289) |
| Changes in scope of consolidation | | | | | (11) | | |
| Subtotal | | — | 5,819 | (129,647) | (77) | (22,012) | (14,289) |
| **Balance as of March 31, 2023** | | **419,524** | **399,366** | **3,079,144** | **(58,054)** | **194,905** | — |

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

The accompanying notes are integral parts of these statements.

Year ended March 31, 2024

(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, 2023 | | 419,524 | 399,366 | 3,079,144 | (58,054) | 194,905 | — |
| Changes of the year | | | | | | | |
| Comprehensive income | | | | | | | |
| Profit for the year | | | | 549,372 | | | |
| Other comprehensive income | (Note 30) | | | | | 126,397 | 15,685 |
| Total comprehensive income | | — | — | 549,372 | — | 126,397 | 15,685 |
| Transactions with owners and others | | | | | | | |
| Conversion of convertible bonds | (Note 20) | 275 | 275 | | | | |
| Cash dividends | (Note 21) | | | (152,117) | | | |
| Purchases of treasury stock | (Note 20) | | | | (84) | | |
| Disposals of treasury stock | (Note 20) | | 1 | | 49 | | |
| Changes in ownership interests in subsidiaries | | | (729) | | | | |
| Transfer from other components of equity to retained earnings | | | | 49,186 | | (33,500) | (15,685) |
| Changes in scope of consolidation | | | | | (59) | | |
| Subtotal | | 275 | (452) | (102,930) | (94) | (33,500) | (15,685) |
| **Balance as of March 31, 2024** | | **419,799** | **398,914** | **3,525,585** | **(58,149)** | **287,802** | — |

| | | 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, 2023 | | 92,699 | 53,568 | 341,173 | 4,181,155 | 465,261 | 4,646,417 |
| Changes of the year | | | | | | | |
| Comprehensive income | | | | | | | |
| Profit for the year | | | | — | 549,372 | 38,526 | 587,898 |
| Other comprehensive income | (Note 30) | (48,486) | 105,993 | 199,589 | 199,589 | 23,344 | 222,933 |
| Total comprehensive income | | (48,486) | 105,993 | 199,589 | 748,961 | 61,870 | 810,831 |
| Transactions with owners and others | | | | | | | |
| Conversion of convertible bonds | (Note 20) | | | — | 550 | | 550 |
| Cash dividends | (Note 21) | | | — | (152,117) | (11,959) | (164,076) |
| Purchases of treasury stock | (Note 20) | | | — | (84) | | (84) |
| Disposals of treasury stock | (Note 20) | | | — | 51 | | 51 |
| Changes in ownership interests in subsidiaries | | | | — | (729) | 50 | (679) |
| Transfer from other components of equity to retained earnings | | | | (49,186) | — | | — |
| Changes in scope of consolidation | | | | — | (59) | 62,928 | 62,868 |
| Subtotal | | — | — | (49,186) | (152,389) | 51,018 | (101,370) |
| **Balance as of March 31, 2024** | | **44,212** | **159,561** | **491,576** | **4,777,727** | **578,150** | **5,355,878** |

The accompanying notes are integral parts of these statements.

## Consolidated Statements of Cash-Flows

(Millions of yen)

| | | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|---|
| **Cash flows from operating activities :** | | | |
| Profit before income taxes | | 866,849 | 763,972 |
| Depreciation and amortization | | 340,171 | 363,002 |
| Finance income | | (8,091) | (21,540) |
| Finance costs | | 24,888 | 36,230 |
| Share of profit in investments accounted for using the equity method | | (102,915) | (144,326) |
| Losses on reorganization | | 32,810 | 90,995 |
| (Increase) decrease in trade and other receivables | | (81,796) | 50,126 |
| (Increase) decrease in inventories | | (309,525) | 68,618 |
| Increase (decrease) in trade and other payables | | 58,431 | (53,628) |
| Other, net | | (2,038) | (73,798) |
| Subtotal | | 818,783 | 1,079,651 |
| Interest received | | 7,588 | 21,140 |
| Dividends received | | 70,911 | 66,459 |
| Interest paid | | (21,575) | (30,565) |
| Income taxes paid | | (214,433) | (126,526) |
| **Net cash flows provided by operating activities** | | 661,274 | 1,010,159 |
| **Cash flows from investing activities :** | | | |
| Purchases of property, plant and equipment and intangible assets | | (470,018) | (466,345) |
| Proceeds from sales of property, plant and equipment and intangible assets | | 15,483 | 12,384 |
| Purchases of investment securities | | (6,981) | (7,474) |
| Proceeds from sales of investment securities | | 88,698 | 20,982 |
| Purchases of investments in affiliates | | — | (184,232) |
| Proceeds from sales of investments in affiliates | | 5,231 | 19,670 |
| Purchases of shares of subsidiaries resulting in change in scope of consolidation | (Note 7) | (735) | (108,168) |
| Proceeds from sale of businesses | | — | 1,300 |
| Loans to associates and others | | (3,977) | (4,262) |
| Collection of loans from associates and others | | 1,730 | 1,696 |
| Other, net | | 3,988 | 3,795 |
| **Net cash flows used in investing activities** | | (366,580) | (710,654) |
| **Cash flows from financing activities :** | | | |
| Increase (decrease) in short-term borrowings, net | (Note 18) | 27,240 | (325,935) |
| Proceeds from long-term borrowings | (Note 18) | 150,273 | 85,218 |
| Repayments of long-term borrowings | (Note 18) | (207,909) | (211,736) |
| Proceeds from issuance of bonds | (Note 18) | 50,000 | — |
| Redemption of bonds | (Note 18) | (20,000) | (60,000) |
| Purchases of treasury stock | | (58) | (73) |
| Cash dividends paid | (Note 21) | (165,950) | (152,117) |
| Dividends paid to non-controlling interests | | (10,235) | (11,959) |
| Purchases of shares of subsidiaries that do not result in change in scope of consolidation | | (1,843) | (2,960) |
| Other, net | | (19,171) | 135,618 |
| **Net cash flows used in financing activities** | | (197,655) | (543,945) |
| **Effect of exchange rate changes on cash and cash equivalents** | | 22,322 | 22,922 |
| **Net increase in cash and cash equivalents** | | 119,361 | (221,518) |
| **Cash and cash equivalents at beginning of the year** | | 551,049 | 670,410 |
| **Cash and cash equivalents at end of the year** | (Note 8) | 670,410 | 448,892 |

The accompanying notes are integral parts of these statements.

**Notes to the consolidated financial statements**

## 1. Reporting Entity

NIPPON STEEL CORPORATION (hereinafter referred to as the "Company" or "NSC") is a corporation domiciled in Japan. The consolidated financial statements for the year ended March 31, 2024 are composed of the Company and its consolidated subsidiaries and equity-method affiliates (collectively hereinafter referred to as the "Group"). The principal businesses of the Group consist of Steelmaking and Steel Fabrication business, Engineering and Construction business, Chemicals & Materials business, and System Solutions business. Further details are described in Note "6. Segment Information".

## 2. Basis of Preparation

### (1) Compliance with International Financial Reporting Standards

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

### (2) Basis of measurement

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

### (3) Functional currency and presentation currency

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

### (4) Changes in presentation methods

(Related to consolidated statements of cash-flows)

"Payments for acquisition of businesses" ((4,369) million yen in the year ended March 31, 2023) in "Cash flows from investing activities" have become immaterial and therefore are included in and presented as "Other, net" in "Cash flows from investing activities" for the year ended March 31, 2024. In addition, "Proceeds from issuance of stock to non-controlling interests" (1,922 million yen in the year ended March 31, 2023) in "Cash flows from financing activities" have become immaterial and therefore are included in and presented as "Other, net" in "Cash flows from financing activities" for the year ended March 31, 2024. The consolidated statements of cash flows for the year ended March 31, 2023 are reclassified to reflect these changes in presentation methods.

### (5) Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issuance by Tadashi Imai, Representative Director, President and COO of the Company on June 21, 2024.

## 3. Material Accounting Policies

### (1) Basis of consolidation

#### (a) Subsidiaries

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

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

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

**(b) Investments in associates**

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

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

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

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

**(c) Joint arrangements**

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

**(d) Scope of consolidation and application of equity method**

Number of consolidated subsidiaries: 434 companies
Names of principal subsidiaries are listed in "Principal Subsidiaries and Affiliates"
In the year ended March 31, 2024, the scope of consolidation expanded by 95 companies, including 90 newly acquired companies and 4 newly established companies, etc. 21 companies—14 merged companies and 5 liquidations, etc.—were eliminated from the scope of consolidation in the year ended March 31, 2024.
As part of the above, the acquisition of Nippon Steel Trading Corporation on April 14, 2023, added 89 companies to the scope of consolidation.

Number of equity-method affiliates (associates, joint operations and joint ventures): 113 companies
Names of principal equity-method affiliates are listed in "Principal Subsidiaries and Affiliates"
During the year ended March 31, 2024, 27 companies were added to the scope of equity-method affiliates and 11 companies were removed from the scope of equity-method affiliates.
As part of the above, the acquisition of Nippon Steel Trading Corporation on April 14, 2023, added 16 companies to the scope of equity method.

**(2) Business combinations**

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

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

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

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

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

**(3) Foreign currency translation**

**(a) Functional currency and presentation currency**

The financial statements of each Group entity are presented in its functional currency that is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

**(b) Foreign currency transactions**

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

**(c) Foreign operations**

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

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

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

**(4) Financial instruments**

**(a) Non-derivative financial assets**

(i) Recognition and measurement

The Group recognizes financial assets when it becomes a party to the contractual provisions of the assets. Financial assets purchased or sold in a regular way are recognized on the trade date. Financial assets other than derivative financial instruments are classified at initial recognition as those measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at amortized cost and fair value through other comprehensive income are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition of the assets. However, the trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

*Financial assets measured at amortized cost*

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

*Financial assets measured at fair value through other comprehensive income*

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

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

(ii) Derecognition

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

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

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

The Group determines whether credit risk has significantly increased based on changes in the risk of a default occurring on the financial assets. When determining whether there are changes in the risk of a default occurring on the financial assets, the Group considers the following;
- Significant deterioration in the financial conditions of an issuer or a borrower;
- A breach of contract, such as default or past-due payment of interest or principal; or
- It has become probable that a borrower will enter into bankruptcy or other financial reorganization

**(b) Non-derivative financial liabilities**
(i) Recognition and measurement
Financial liabilities other than derivatives are classified as financial liabilities measured at amortized cost.

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

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

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

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

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

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

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

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

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

**(e) Compound financial instruments**

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

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

**(5) Cash and cash equivalents**

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

**(6) Inventories**

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

**(7) Property, plant and equipment**

**(a) Recognition and measurement**

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

**(b) Depreciation**

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

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

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

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

**(8) Goodwill and intangible assets**

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

**(a) Goodwill**

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

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

**(b) Intangible assets**

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

**(c) Amortization**

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

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

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

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

**(9) Leases**

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

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

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

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

**(10) Impairment of non-financial assets**

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

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

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

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

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

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

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

**(11) Employee benefits**

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

**(a) Short-term employee benefits**

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

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

**(b) Retirement benefits**

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

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

The net defined benefit liabilities or assets of defined benefit plans are recognized as the present value of defined benefit obligations less the fair value of any plan assets. If the defined benefit plan has been overfunded, the defined benefit asset is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in the future contributions to the plan or cash refunds.

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

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

(ii) Defined contribution plans

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

**(12) Equity**

**(a) Ordinary shares**

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

**(b) Treasury stock**

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

**(13) Revenue**

Revenue is recognized based on the following five-steps.

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

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

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

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

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

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

**(14) Income taxes**
Income taxes comprise of current taxes and deferred taxes, and are recognized in profit or loss, except for the items which are recognized directly in equity or other comprehensive income.
Current taxes are measured at the amounts expected to be paid or recovered from the taxation authorities using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are recognized based on future tax consequences attributable to temporary differences between the carrying amounts of assets or liabilities for accounting purposes and the tax bases of the assets or liabilities, carryforward of unused tax losses and tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets are reviewed at the end of each reporting period and recognized only to the extent that it is probable that the tax benefits can be realized. However, deferred tax assets are not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, affects neither accounting profit nor taxable profit, and does not give rise to equal taxable and deductible temporary differences 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, and does not give rise to equal taxable and deductible temporary differences at the time of the transaction;
- Taxable temporary differences associated with investments in subsidiaries to the extent that the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group assesses the recoverability of deferred tax assets using all the future information available such as projections of the future taxable profit based on the medium- to long-term management plan and the latest business plan which incorporate the steel supply and demand forecast and manufacturing cost improvement as key assumptions. Although the Group recognizes its deferred tax assets to the extent that it is probable that the related tax benefits will be realized, the recoverable amount may vary depending on the factors such as the changes in the projections of the future taxable profit in case of not achieving the goal of the medium- to long-term management plan and business plan due to unfavorable business environment or tax reforms including the changes in the statutory tax rate.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and in either of the following circumstances:
- Income taxes are levied by the same taxation authority on the same taxable entity; or
- Different taxable entities intend either to settle current tax assets and current tax liabilities on a net basis, or to realize the current tax assets and settle the current tax liabilities simultaneously.

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

(Changes in Accounting Policies)
The Group has initially applied the following standard from the beginning of the year ended March 31, 2024.
The application of this standard does not have a material impact on the various items of the consolidated financial statements.

| Standards | Name of Standards | Content |
|---|---|---|
| IAS 12 | Income Taxes | Amendments clarify that deferred taxes related to transactions such as leases and decommissioning obligations (when an entity recognizes both assets and liabilities) cannot be exempted from recognition. |

**(15) Earnings per share**
Basic earnings per share is calculated by dividing the profit for the reporting period attributable to owners of the Company by the weighted average number of common stock outstanding during the period in which the number of treasury stock is excluded.
Diluted earnings per share is calculated by adjusting the effects of all dilutive potential ordinary shares.

## 4. Significant Accounting Estimates and Judgments

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

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

Information about judgments that have been made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:
- Note 3 (1) "Basis of consolidation" and Note 15 "Interests in Subsidiaries, Associates and Others"
- Note 3 (4) "Financial instruments" and Note 32 "Financial Instruments"

Information about uncertainty of key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities in the subsequent reporting year is included in the following notes:
- Note 3 (10) "Impairment of non-financial assets" and Note 29 "Impairment of Assets"
- Note 3 (11) "Employee benefits" and Note 19 "Employee Benefits"
- Note 3 (13) "Revenue" and Note 22 "Revenue"
- Note 3 (14) "Income taxes" and Note 16 "Income Taxes"
- Note 35 "Loan Guarantees"

## 5. New Accounting Standards and Interpretations Not Yet Applied

New standards, interpretations, and amendments to standards and interpretations that were issued as of the date of approval of the consolidated financial statements but have not yet been adopted in the preparation of the consolidated financial statements are as follows. The effect of applying new standards to the Group is now under consideration and cannot be estimated at this time.

| Standards | Name of Standards | Effective date (The fiscal year beginning on or after) | Adoption date of the Group | Content |
|---|---|---|---|---|
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | Fiscal year ending March 31, 2028 | IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and introduces new requirements primarily regarding the presentation and disclosure of financial performance in the Statements of Profit or Loss. |

## 6. Segment Information

### (1) Description of reportable segments

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

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

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

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

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

(Year ended March 31, 2023)

(Millions of Yen)

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

Notes:

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

(Year ended March 31, 2024)

(Millions of Yen)

| | Reportable segment | | | | Subtotal | Adjustments (Note 1) | Consolidated |
|---|---|---|---|---|---|---|---|
| | Steelmaking and Steel Fabrication | Engineering and Construction | Chemicals and Materials | System Solutions | | | |
| Revenue | | | | | | | |
| Revenue from external customers | **8,010,655** | **381,600** | **243,327** | **232,513** | **8,868,097** | **—** | **8,868,097** |
| Inter-segment revenue or transfers | **65,689** | **27,632** | **17,506** | **79,058** | **189,887** | **(189,887)** | **—** |
| Total | **8,076,345** | **409,233** | **260,834** | **311,572** | **9,057,985** | **(189,887)** | **8,868,097** |
| Segment profit (loss) <Business profit> | **821,065** | **(1,340)** | **15,390** | **35,588** | **870,704** | **(1,046)** | **869,657** |
| Other items | | | | | | | |
| Depreciation and amortization | **346,758** | **3,379** | **8,566** | **8,727** | **367,431** | **(4,428)** | **363,002** |
| Share of profit in investments accounted for using the equity method | **130,081** | **130** | **1,340** | **20** | **131,572** | **12,754** | **144,326** |
| Segment assets | **9,824,730** | **360,665** | **237,606** | **363,379** | **10,786,381** | **(71,754)** | **10,714,627** |
| Other items | | | | | | | |
| Investments accounted for using the equity method | **1,357,813** | **4,324** | **30,459** | **142** | **1,392,740** | **145,195** | **1,537,936** |
| Capital expenditure | **473,901** | **5,663** | **9,636** | **3,390** | **492,592** | **(4,876)** | **487,716** |
| Segment liabilities (Interest-bearing debt) | **2,674,600** | **17,201** | **9,787** | **21,555** | **2,723,144** | **(11,500)** | **2,711,644** |

Notes:

1. The adjustments of segment profit of (1,046) million yen include investment return of 11,967 million yen from the equity method associate Nippon Steel Kowa Real Estate Co., Ltd., and elimination of inter-segment revenue or transfers of (13,013) million yen.

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**(4) Information about geographical areas**

**(a) Revenue**

Revenue information is based on the geographical location of customers and classified by region.

(Year ended March 31, 2023)

(Millions of Yen)

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

(Year ended March 31, 2024)

(Millions of Yen)

| Japan | Overseas Subtotal | | | Total |
|---|---|---|---|---|
| | | Asia | Other | |
| **5,286,846** | **3,581,251** | **1,992,906** | **1,588,344** | **8,868,097** |

**(b) Non-current assets**

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

(As of March 31, 2023)

(Millions of Yen)

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

(As of March 31, 2024)

(Millions of Yen)

| Japan | Overseas | Total |
|---|---|---|
| **3,152,514** | **584,376** | **3,736,890** |

**(5) Revenue from major customers**

There has been no single external customer revenue which represented 10% or more to the Group's revenue for the year ended March 31, 2024.

Nippon Steel Trading Corporation, which was a major customer in the year ended March 31, 2023, has been excluded from the scope of this note since it has become our consolidated subsidiary in the year ended March 31, 2024.

(Millions of Yen)

| | Related segment | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|---|
| NIPPON STEEL TRADING CORPORATION | Steelmaking and Steel Fabrication | 1,555,353 | — |

## 7. Business combinations

**Business combinations consummated during the year ended March 31, 2024**
**Acquisition of NIPPON STEEL TRADING CORPORATION**

**(1) Overview**

(a) Name of the acquiree and the description of its business
Name of the acquiree: NIPPON STEEL TRADING CORPORATION (Nippon Steel Trading Corporation)
Description of business: Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others

(b) Acquisition date: April 14, 2023

(c) Ratio of acquired voting equity interest
Ratio of voting rights held prior to the acquisition date: 34.54%
Ratio of voting rights after additional acquisition on the acquisition date: 70.21%
Ratio of voting rights after the company's stock consolidation and the handling of fractions of less than one share: 80.00%

(d) Primary reason for business combination
The 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 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 Nippon Steel Trading Corporation a consolidated subsidiary of the Company and delist Nippon Steel Trading Corporation in order to make the relationship between the Company and Nippon Steel Trading Corporation stronger and implement measures with a medium- to long-term perspective.

(e) Form of control acquisition of the acquirees
Acquisition of shares for cash

**(2) Consideration transferred**

| | (Millions of Yen) |
|---|---|
| Cash | 136,543 |
| Fair value of equity interests held before the acquisition date, etc. (Note 1) | 103,616 |
| Total consideration transferred (Note 2) | 240,159 |

Note:
1. The Company recorded a profit of 36,430 million yen as other operating income in the consolidated statements of profit or loss as a result from fair value measurement conducted at the acquisition date of the equity Interests of Nippon Steel Trading Corporation held prior to the acquisition date.
2. The Group recorded acquisition-related costs of 1,081 million yen as selling, general and administrative expenses in the consolidated statements of profit and loss.

**(3) Fair value of the assets acquired and liabilities assumed, non-controlling interests and bargain purchase gain**

The fair value of the assets acquired and liabilities assumed, non-controlling interests and bargain purchase gain has been confirmed at the year ended March 31, 2024.

| | (Millions of Yen) |
|---|---|
| Current assets | 991,604 |
| Non-current assets | 183,003 |
| Total assets | 1,174,608 |
| Current liabilities | 690,620 |
| Non-current liabilities | 147,867 |
| Total liabilities | 838,488 |
| Total identifiable net assets acquired | 336,120 |
| Non-controlling interests (Note 1) | 89,987 |
| Total equity attributable to owners of the parent | 246,132 |
| Total consideration transferred | 240,159 |
| Bargain purchase gain (Note 2) | 5,972 |

Note:
1. Non-controlling interests are measured at the proportionate share of the fair value of the acquirees' identifiable total equity.
2. The total equity attributable to owners of the parent of 246,132 million yen, which is determined by subtracting the non-controlling interests from the fair value of assets acquired and liabilities assumed based on reasonable information (such as financial and assets conditions based on due diligence performed by a third-party and valuation of shares performed by a financial advisor), exceeds the consideration transferred for the acquisition of Nippon Steel Trading Corporation of 240,159 million yen. The Group recorded a bargain purchase gain of 5,972 million yen arising from the difference between those two as "Other operating income" in the consolidated statements of profit or loss for the year ended March 31, 2024.

(4) **Net cash used in the transaction**

| | (Millions of Yen) |
|---|---|
| Cash consideration transferred | 136,543 |
| Cash and cash equivalents held by the acquirees at the acquisition date | (28,899) |
| Net cash used in the transaction | 107,643 |

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

| | (Millions of Yen) |
|---|---|
| Revenue | 2,098,224 |
| Profit or loss | 32,040 |

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

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

## 8. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Cash | 670,410 | **448,892** |
| Cash equivalents | — | — |
| Total | 670,410 | **448,892** |

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

## 9. Trade and Other Receivables

The components of trade and other receivables are as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Notes and accounts receivable | 905,613 | **1,472,582** |
| Other | 158,745 | **117,723** |
| Allowance for doubtful receivables | (1,974) | **(2,325)** |
| Total | 1,062,384 | **1,587,979** |

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

## 10. Inventories

The components of inventories are as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Merchandise and finished goods | 1,108,363 | **1,244,000** |
| Work in progress | 83,608 | **98,217** |
| Raw materials and supplies | 893,999 | **934,446** |
| Total | 2,085,971 | **2,276,665** |

## 11. Assets Pledged as Collateral

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

Assets pledged as collateral and secured debts are as follows:

(Millions of Yen)

| Assets pledged as collateral | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Land | 5,656 | **5,740** |
| Buildings and structures | 2,257 | **2,038** |
| Machinery and vehicles | 710 | **612** |
| Other | 10,387 | **10,029** |
| Total | 19,012 | **18,420** |

(Millions of Yen)

| Secured debts | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Short-term borrowings | 925 | **630** |
| Long-term borrowings (current portion is included) | 610 | **—** |
| Other | 1,164 | **1,028** |
| Total | 2,700 | **1,658** |

In addition to the pledged assets listed above, shares of associates are pledged as collateral (447 million yen, and 461million yen as of March 31, 2023 and 2024, respectively).

## 12. Property, Plant and Equipment

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

(Millions of Yen)

| Carrying amount | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2022 | 642,583 | 760,982 | 1,376,426 | 79,014 | 193,633 | 3,052,640 |
| Acquisitions and reclassified from construction in progress | 1,244 | 58,823 | 251,947 | 37,570 | 60,252 | 409,838 |
| Disposals and sales | (4,507) | (4,765) | (3,473) | (4,386) | (523) | (17,657) |
| Depreciation | — | (53,913) | (208,222) | (27,229) | — | (289,365) |
| Effects of changes in foreign exchange rates | 2,672 | 6,103 | 27,382 | 427 | 866 | 37,453 |
| Other | 1,104 | (299) | (3,204) | 1,598 | (8,470) | (9,270) |
| As of March 31, 2023 | **643,097** | **766,930** | **1,440,856** | **86,994** | **245,759** | **3,183,638** |
| Acquisitions and reclassified from construction in progress | **4,224** | **59,127** | **271,246** | **40,273** | **53,814** | **428,686** |
| Acquisitions through business combinations | **25,519** | **21,740** | **13,330** | **1,512** | **1,163** | **63,265** |
| Disposals and sales | **(2,261)** | **(4,359)** | **(8,607)** | **(4,410)** | **(1,170)** | **(20,810)** |
| Depreciation | — | **(58,801)** | **(217,997)** | **(29,564)** | — | **(306,364)** |
| Effects of changes in foreign exchange rates | **2,476** | **6,119** | **30,726** | **432** | **2,725** | **42,479** |
| Other | **(1,588)** | **(1,281)** | **(3,993)** | **129** | **(3,724)** | **(10,458)** |
| As of March 31, 2024 | **671,466** | **789,475** | **1,525,560** | **95,367** | **298,566** | **3,380,436** |

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

(Millions of Yen)

| Acquisition costs | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2022 | 709,322 | 2,853,613 | 8,942,195 | 430,961 | 220,558 | 13,156,650 |
| As of March 31, 2023 | 710,081 | 2,899,785 | 9,123,745 | 444,383 | 272,309 | 13,450,305 |
| As of March 31, 2024 | **737,412** | **2,993,003** | **9,297,664** | **466,325** | **329,097** | **13,823,502** |

(Millions of Yen)

| Accumulated depreciation and accumulated impairment losses | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2022 | 66,738 | 2,092,630 | 7,565,768 | 351,947 | 26,924 | 10,104,009 |
| As of March 31, 2023 | 66,984 | 2,132,854 | 7,682,889 | 357,388 | 26,550 | 10,266,667 |
| As of March 31, 2024 | **65,945** | **2,203,527** | **7,772,103** | **370,957** | **30,530** | **10,443,066** |

## 13. Goodwill and Intangible Assets

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

(Millions of Yen)

| Carrying amount | Goodwill | Software | Mining rights | Other | Total |
|---|---|---|---|---|---|
| As of April 1, 2022 | 61,741 | 82,394 | 29,956 | 18,147 | 192,238 |
| Acquisitions | — | 45,613 | — | 373 | 45,987 |
| Amortization | — | (22,939) | (2,122) | (2,856) | (27,919) |
| Effects of changes in foreign exchange rates | 3,447 | 344 | 2,234 | 1,250 | 7,276 |
| Other | (126) | (876) | — | 5,925 | 4,922 |
| As of March 31, 2023 | **65,062** | **104,536** | **30,067** | **22,839** | **222,506** |
| Acquisitions | **—** | **47,312** | **—** | **1,585** | **48,897** |
| Acquisitions through business combinations | **—** | **254** | **—** | **504** | **758** |
| Amortization | **—** | **(27,984)** | **(2,178)** | **(2,908)** | **(33,071)** |
| Effects of changes in foreign exchange rates | **5,144** | **659** | **2,382** | **2,596** | **10,782** |
| Other | **—** | **(996)** | **—** | **(817)** | **(1,813)** |
| As of March 31, 2024 | **70,207** | **123,781** | **30,271** | **23,800** | **248,061** |

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

(Millions of Yen)

| Acquisition costs | Goodwill | Software | Mining rights | Other | Total |
|---|---|---|---|---|---|
| As of April 1, 2022 | 81,497 | 153,746 | 55,948 | 28,598 | 319,790 |
| As of March 31, 2023 | 84,819 | 182,861 | 60,073 | 34,720 | 362,474 |
| As of March 31, 2024 | **89,964** | **217,886** | **65,016** | **38,150** | **411,016** |

(Millions of Yen)

| Accumulated amortization and accumulated impairment losses | Goodwill | Software | Mining rights | Other | Total |
|---|---|---|---|---|---|
| As of April 1, 2022 | 19,756 | 71,351 | 25,992 | 10,451 | 127,551 |
| As of March 31, 2023 | 19,756 | 78,324 | 30,005 | 11,880 | 139,967 |
| As of March 31, 2024 | **19,756** | **94,104** | **34,744** | **14,349** | **162,955** |

## 14. Leases

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

### (1) Right-of-use assets

As a lessee

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Buildings and structures | 13,204 | **13,635** |
| Machinery and vehicles | 6,696 | **7,314** |
| Tools, furniture and fixtures | 2,986 | **2,617** |
| Total depreciation | 22,886 | **23,567** |
| Total amount of cash outflows incurred from leases | 23,774 | **24,951** |
| Increase in right-of-use assets | 29,340 | **34,240** |
| Details of right-of-use assets | | |
| Buildings and structures | 38,591 | **54,185** |
| Machinery and vehicles | 37,151 | **38,672** |
| Tools, furniture and fixtures | 8,191 | **7,743** |
| Total balance of right-of-use assets | 83,935 | **100,601** |

### (2) Operating leases

As a lessor

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Within 1 year | 3,579 | **3,846** |
| Over 1 but less than 2 years | 3,529 | **3,783** |
| Over 2 but less than 3 years | 3,390 | **3,686** |
| Over 3 but less than 4 years | 3,358 | **3,376** |
| Over 4 but less than 5 years | 3,099 | **3,277** |
| Over 5 years | 30,943 | **31,266** |
| Total | 47,901 | **49,236** |

## 15. Interests in Subsidiaries, Associates and Others

### (1) Principal subsidiaries

Principal subsidiaries of the Company as of March 31, 2024 are as follows:

| Operating segment | Name | Address | % of voting rights interests |
|---|---|---|---|
| Steelmaking and Steel Fabrication | Sanyo Special Steel Co., Ltd. | Himeji City, Hyogo | 53.2 |
| | NIPPON STEEL TRADING CORPORATION | Chuo-ku, Tokyo | 80.0 |
| | NIPPON STEEL COATED SHEET CORPORATION | Chuo-ku, Tokyo | 100.0 |
| | Osaka Steel Co., Ltd. | Osaka City, Osaka | 66.3 |
| | NIPPON STEEL METAL PRODUCTS CO., LTD. | Chiyoda-ku, Tokyo | 100.0 |
| | Krosaki Harima Corporation | Kitakyushu City, Fukuoka | *47.0 |
| | NIPPON STEEL TEXENG. CO., LTD. | Chiyoda-ku, Tokyo | 100.0 |
| | NIPPON STEEL PIPE CO., LTD. | Chiyoda-ku, Tokyo | 100.0 |
| | NIPPON STEEL Stainless Steel Corporation | Chiyoda-ku, Tokyo | 100.0 |
| | NIPPON STEEL LOGISTICS CO., LTD. | Chuo-ku, Tokyo | 100.0 |
| | NIPPON STEEL SG WIRE CO.,LTD. | Chiyoda-ku, Tokyo | 100.0 |
| | Geostr Corporation | Bunkyo-ku, Tokyo | *45.0 |
| | NIPPON STEEL WELDING & ENGINEERING Co., Ltd. | Koto-ku, Tokyo | 100.0 |
| | NIPPON STEEL DRUM CO., LTD. | Koto-ku, Tokyo | 100.0 |
| | NIPPON STEEL PROCESSING Co., LTD. | Sakai City, Osaka | 66.4 |
| | NIPPON STEEL CEMENT CO., LTD. | Muroran City, Hokkaido | 85.0 |
| | NIPPON STEEL FINANCE Co., Ltd. | Chiyoda-ku, Tokyo | 100.0 |
| | NIPPON STEEL STAINLESS STEEL PIPE CO., LTD. | Chiyoda-ku, Tokyo | 100.0 |
| | NIPPON STEEL Eco-Tech Corporation | Minato-ku, Tokyo | 85.1 |
| | G Steel Public Company Limited | Rayong Province, Thailand | 60.2 |
| | G J Steel Public Company Limited | Chonburi Province, Thailand | 57.6 |
| | NS-Siam United Steel Co., Ltd. | Rayong Province, Thailand | 95.2 |
| | NIPPON STEEL PIPE (THAILAND) CO., LTD. | Chonburi Province, Thailand | 100.0 |
| | PT KRAKATAU NIPPON STEEL SYNERGY | Cilegon City, Indonesia | 80.0 |
| | Standard Steel, LLC | Pennsylvania State, United States of America | 100.0 |
| | WHEELING-NIPPON STEEL, INC. | State of West Virginia, United States of America | 100.0 |
| | PT PELAT TIMAH NUSANTARA TBK. | Jakarta City, Indonesia | *40.0 |
| | NIPPON STEEL Steel Processing (Thailand) Co., Ltd. | Rayong Province, Thailand | 70.1 |
| | NIPPON STEEL PIPE AMERICA, INC. | Indiana State, United States of America | 80.0 |
| Engineering and Construction | NIPPON STEEL ENGINEERING CO., LTD. | Shinagawa-ku, Tokyo | 100.0 |
| Chemicals & Materials | NIPPON STEEL Chemical & Material CO., LTD. | Chuo-ku, Tokyo | 100.0 |
| System Solutions | NS Solutions Corporation | Minato-ku, Tokyo | 63.4 |

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

### (2) Investments in associates

Carrying amount of investments in associates is as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Carrying amount of investments in associates | 713,630 | **986,447** |

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Net profit or loss | 71,743 | **66,755** |
| Other comprehensive income | 19,549 | **30,251** |
| Total | 91,292 | **97,007** |

### (3) Investments in joint ventures

Carrying amount of investments in joint ventures is as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Carrying amount of investments in joint ventures | 496,911 | **551,488** |

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Net profit or loss | 31,172 | **77,570** |
| Other comprehensive income | 38,506 | **(33,958)** |
| Total | 69,678 | **43,612** |

There are no investments in associates or joint ventures accounted for under the equity method that are individually significant to the Group for the years ended March 31, 2023 and 2024.

## 16. Income Taxes

### (1) Deferred tax assets and deferred tax liabilities

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | | |
| Accrued bonus | 36,123 | **36,625** |
| Defined benefit liabilities | 53,788 | **33,834** |
| Impairment losses on assets | 66,917 | **55,401** |
| Unused tax losses | 13,827 | **5,727** |
| Elimination of unrealized gains on property, plant and equipment and others | 44,905 | **53,898** |
| Losses on inactive facilities | 44,160 | **55,551** |
| Other | 43,489 | **75,886** |
| Total deferred tax assets | 303,213 | **316,924** |
| Deferred tax liabilities | | |
| Equity securities | (77,735) | **(123,312)** |
| Defined benefit assets | (38,136) | **(39,039)** |
| Undistributed earnings | (48,763) | **(152,815)** |
| Special tax purpose reserves and other | (39,913) | **(66,395)** |
| Total deferred tax liabilities | (204,549) | **(381,563)** |
| Net deferred tax assets (liabilities) | 98,663 | **(64,638)** |

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

(Changes in presentation methods)

"Losses on inactive facilities" (44,160 million yen for the year ended March 31, 2023) has become material and therefore is presented independently for the year ended March 31, 2024. Notes for the year ended March 31, 2023 are reclassified to reflect the change in presentation method.

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of the year | 118,226 | **98,663** |
| Recognized in profit or loss | 4,986 | **(5,707)** |
| Recognized in other comprehensive income | (16,249) | **(68,013)** |
| Effect of changes in scope of consolidation and other | (8,299) | **(89,580)** |
| Balance at end of the year | 98,663 | **(64,638)** |

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Carryforward of unused tax losses | 37,325 | **34,413** |
| Deductible temporary differences | 166,498 | **194,866** |
| Total | 203,824 | **229,280** |

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Within 1 year | 977 | **844** |
| Over 1 year but less than 2 years | 676 | **2,139** |
| Over 2 years but less than 3 years | 626 | **1,205** |
| Over 3 years but less than 4 years | 1,355 | **703** |
| Over 4 years | 33,690 | **29,520** |
| Total | 37,325 | **34,413** |

## (2) Income tax expense

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Current taxes | 133,104 | **170,366** |
| Deferred taxes | (4,986) | **5,707** |
| Total | 128,117 | **176,074** |

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

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Statutory tax rate | 30.6% | **30.6%** |
| (Adjustments) | | |
| Share of profit in investments accounted for using the equity method | (3.0) | **(4.9)** |
| Effects of expense not deductible for tax purposes | 0.2 | **0.3** |
| Effects of income not taxable for tax purposes | (0.3) | **(0.3)** |
| Effects of differences in statutory tax rates applied to companies in Japan and foreign companies | (2.2) | **(1.9)** |
| Effects of changes in unrecognized deferred tax assets | (8.2) | **3.6** |
| Other | (2.3) | **(4.3)** |
| Average effective tax rate | 14.8 | **23.0** |

## (3) Potential impacts of Pillar Two Income Taxes

In the reforms to the Japanese tax system made in 2023, a corporate tax complying with the global minimum tax was newly created, with the tax reform act ("Act for Partial Revision of the Income Tax Act, etc." (Act No.3 of 2023))(hereinafter "Revised Corporation Tax Act") enacted on March 28, 2023 that includes the relevant regulations for the global minimum tax. Within the global minimum tax rules in the Revised Corporation Tax Act, an income inclusion rule ("IIR") has been introduced. Applicable from the business year starting on or after April 1, 2024, top-up taxes will be imposed on parent companies located in Japan up to the minimum tax rate (15%) of the taxes borne by the subsidiaries, etc. of those parent companies located in Japan. As a result of evaluating the potential exposure of the top-up taxes based on the most recent financial information available on our group companies, the impact of this tax on the Group's consolidated financial statements is immaterial.

## 17. Trade and Other Payables

The components of trade and other payables are as follows:

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Notes and trade accounts payable | 758,422 | **869,757** |
| Other payables | 600,954 | **635,890** |
| Other | 232,760 | **385,070** |
| Total | 1,592,137 | **1,890,718** |

## 18. Bonds, Borrowings and Lease Liabilities

### (1) Bonds, borrowings and lease liabilities

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

(Millions of Yen)

| | As of March 31, 2023 | Average interest rate (%) | As of March 31, 2024 | Average interest rate (%) | Maturity date |
|---|---|---|---|---|---|
| Short-term borrowings | 116,355 | 3.2 | **152,891** | **3.2** | — |
| Current portion of long-term borrowings repayable within one year | 164,818 | 1.0 | **143,562** | **0.9** | — |
| Current portion of bonds repayable within one year | 60,000 | 0.1 | **219,450** | **0.1** | — |
| Current portion of lease liabilities repayable within one year | 19,856 | 0.9 | **22,592** | **0.9** | — |
| Commercial papers | 41,999 | (0.0) | **3,000** | **0.1** | — |
| Long-term borrowings | 1,341,078 | 1.0 | **1,355,304** | **0.9** | July 22, 2080 |
| Bonds | 888,625 | 0.5 | **733,932** | **0.6** | September 12, 2079 |
| Lease liabilities | 66,619 | 0.9 | **80,912** | **0.9** | March 31, 2076 |
| Total | 2,699,351 | | **2,711,644** | | |

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

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**(2) Details of bonds**

(Millions of Yen)

| Type | Issue date | As of March 31, 2023 | As of March 31, 2024 | Maturity date |
|---|---|---|---|---|
| Bonds issued by NSC | | | | |
| The 59th Issue of Unsecured Corporate Bonds | September 2, 2008 | 10,000 | **10,000** | June 20, 2028 |
| The 1st Issue of Unsecured Corporate Bonds | September 26, 2016 | 10,000 | **10,000** | September 18, 2026 |
| The 2nd Issue of Unsecured Corporate Bonds | September 26, 2016 | 10,000 | **10,000** | September 19, 2031 |
| The 3rd Issue of Unsecured Corporate Bonds | May 25, 2017 | 10,000 | **10,000** | May 20, 2024 |
| The 4th Issue of Unsecured Corporate Bonds | May 25, 2017 | 10,000 | **10,000** | May 20, 2027 |
| The 5th Issue of Unsecured Corporate Bonds | December 8, 2017 | 10,000 | **10,000** | December 20, 2024 |
| The 6th Issue of Unsecured Corporate Bonds | December 8, 2017 | 10,000 | **10,000** | December 20, 2027 |
| The 7th Issue of Unsecured Corporate Bonds | June 12, 2018 | 20,000 | — | June 20, 2023 |
| The 8th Issue of Unsecured Corporate Bonds | June 12, 2018 | 20,000 | **20,000** | June 20, 2025 |
| The 9th Issue of Unsecured Corporate Bonds | June 12, 2018 | 20,000 | **20,000** | June 20, 2028 |
| The 1st Issue of Unsecured Corporate Bonds | June 14, 2019 | 30,000 | **30,000** | June 20, 2024 |
| The 2nd Issue of Unsecured Corporate Bonds | June 14, 2019 | 30,000 | **30,000** | June 19, 2026 |
| The 3rd Issue of Unsecured Corporate Bonds | June 14, 2019 | 20,000 | **20,000** | June 20, 2029 |
| The 1st Issue of Unsecured Subordinated Corporate Bonds (Note 1) | September 12, 2019 | 70,000 | **70,000** | September 12, 2079 |
| The 2nd Issue of Unsecured Subordinated Corporate Bonds (Note 2) | September 12, 2019 | 30,000 | **30,000** | September 12, 2079 |
| The 3rd Issue of Unsecured Subordinated Corporate Bonds (Note 3) | September 12, 2019 | 200,000 | **200,000** | September 12, 2079 |
| The 4th Issue of Unsecured Corporate Bonds | June 17, 2020 | 40,000 | — | June 20, 2023 |
| The 5th Issue of Unsecured Corporate Bonds | June 17, 2020 | 30,000 | **30,000** | June 20, 2025 |
| The 6th Issue of Unsecured Corporate Bonds | June 17, 2020 | 10,000 | **10,000** | June 20, 2030 |
| Zero Coupon Convertible Bonds Due 2024 | October 4, 2021 | 150,000 | **149,450** | October 4, 2024 |
| Zero Coupon Convertible Bonds Due 2026 | October 4, 2021 | 150,000 | **150,000** | October 5, 2026 |
| The 7th Issue of Unsecured Corporate Bonds (Green Bond) | March 9, 2023 | 30,000 | **30,000** | March 17, 2028 |
| The 8th Issue of Unsecured Corporate Bonds (Green Bond) | March 9, 2023 | 20,000 | **20,000** | March 18, 2033 |
| Bonds issued by Sanyo Special Steel Co., Ltd. | | | | |
| The 2nd Issue of Unsecured Corporate Bonds | December 7, 2017 | 10,000 | **10,000** | December 6, 2024 |
| Bonds issued by Nippon Steel Trading Corporation | | | | |
| The 2nd Issue of Unsecured Corporate Bonds | March 5, 2018 | — | **15,000** | March 3, 2028 |
| The 3rd Issue of Unsecured Corporate Bonds | June 14, 2018 | — | **20,000** | June 13, 2025 |
| The 4th Issue of Unsecured Corporate Bonds | June 14, 2018 | — | **10,000** | June 14, 2038 |
| The 5th Issue of Unsecured Corporate Bonds | April 17, 2019 | — | **10,000** | April 17, 2024 |
| The 6th Issue of Unsecured Corporate Bonds | April 17, 2019 | — | **10,000** | April 17, 2029 |
| Total | | 950,000 | **954,450** | |

Notes:

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

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

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

(Millions of Yen)

| | Short-term borrowings | Commercial papers | Long-term borrowings | Bonds | Lease liabilities | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2022 | 105,221 | 18,001 | 1,530,810 | 918,317 | 81,045 | 2,653,396 |
| Cash flows from financing activities | 3,242 | 23,997 | (33,861) | 30,000 | (23,774) | (395) |
| Effects of changes in scope of consolidation | — | — | 1,003 | — | — | 1,003 |
| Effects of changes in foreign exchange rates | 7,892 | — | 7,886 | — | 1,100 | 16,878 |
| Other | — | — | 58 | 307 | 28,103 | 28,468 |
| As of March 31, 2023 | 116,355 | 41,999 | 1,505,896 | 948,625 | 86,475 | 2,699,351 |
| Cash flows from financing activities | **(194,936)** | **(130,999)** | **(101,566)** | **(60,000)** | **(24,951)** | **(512,453)** |
| Effects of changes in scope of consolidation | **218,253** | **92,000** | **91,820** | **65,000** | **6,298** | **473,371** |
| Effects of changes in foreign exchange rates | **13,218** | **—** | **2,265** | **—** | **1,714** | **17,197** |
| Other | **—** | **—** | **450** | **(242)** | **33,969** | **34,176** |
| As of March 31, 2024 | **152,891** | **3,000** | **1,498,866** | **953,382** | **103,505** | **2,711,644** |

## 19. Employee Benefits

### (1) Overview of retirement benefit plans

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

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

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

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

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

### (2) Reconciliation statement of defined benefit obligations and plan assets

Reconciliation statement of defined benefit obligations and plan assets is as follows:

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Present value of defined benefit obligations | (538,174) | **(554,444)** |
| Fair value of plan assets | 477,361 | **604,986** |
| Effect of asset celling | — | **(39,272)** |
| Net defined benefit assets (liabilities) | (60,812) | **11,269** |
| Defined benefit assets | 124,628 | **127,579** |
| Defined benefit liabilities | (185,441) | **(116,309)** |
| Net defined benefit assets (liabilities) | (60,812) | **11,269** |

Note: If the defined benefit plan has been overfunded, the defined benefit asset is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in the future contributions to the plan or cash refunds.

Changes in the effect of the asset ceiling are as follows:

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| The effect of the asset ceiling at beginning of year | — | — |
| Interest income | — | — |
| Remeasurements<br>Changes in the effect of the asset ceiling | — | **(39,272)** |
| The effect of the asset ceiling at end of year | — | **(39,272)** |

**(3) Reconciliation of the present value of the defined benefit obligations**

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of the year | 559,224 | **538,174** |
| Current service cost | 30,646 | **30,204** |
| Interest cost | 3,853 | **5,975** |
| Actuarial gains and losses | (33,729) | **(23,142)** |
| Past service cost | (1,312) | **246** |
| Benefits paid | (22,519) | **(23,129)** |
| Other | 2,012 | **26,115** |
| Balance at end of the year | 538,174 | **554,444** |

Note: The weighted average duration of the defined benefit obligations for the years ended March 31, 2023 and 2024 is 14.9 years and 14.5 years, respectively.

**(4) Reconciliation of the fair value of the plan assets**

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of the year | 494,437 | **477,361** |
| Interest income | 4,137 | **6,138** |
| Return on plan assets, excluding interest income | (10,094) | **41,874** |
| Employer contributions | 12,835 | **13,804** |
| Benefits paid | (13,307) | **(13,487)** |
| Contribution of securities to retirement benefit trust | — | **60,766** |
| Other | (10,647) | **18,527** |
| Balance at end of the year | 477,361 | **604,986** |

Note: The Group expects to contribute 12,979 million yen to the defined benefit plans for the year ending March 31, 2025.

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

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

(Millions of Yen)

| | As of March 31, 2023 | | As of March 31, 2024 | |
|---|---|---|---|---|
| | With quoted market price in an active market | With no quoted market price in an active market | With quoted market price in an active market | With no quoted market price in an active market |
| Bonds | 93,260 | — | **104,110** | **—** |
| Equity investments | 145,283 | — | **226,158** | **—** |
| Cash and cash equivalents | 30,232 | — | **34,430** | **—** |
| General accounts at life insurance company | — | 131,040 | **—** | **161,967** |
| Other | — | 77,544 | **—** | **78,319** |
| Total | 268,776 | 208,585 | **364,699** | **240,286** |

**(6) Significant actuarial assumptions**

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

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Discount rate | Mainly 1.2% | Mainly **1.6%** |

### (7) Sensitivity analysis

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Effects of incremental increase in discount rate by 0.5% | 34,770 million yen decrease | **32,008** million yen decrease |

The sensitivity analysis assumes that other assumptions remain unchanged.

### (8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans are 9,227 million yen and 10,858 million yen for the years ended March 31, 2023 and 2024, respectively.

### (9) Employee benefits expenses

The Group incurred employee benefits expenses of 943,812 million yen and 1,002,603 million yen for the years ended March 31, 2023 and 2024, respectively. These expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss. Salary, bonus, statutory health and welfare benefits and retirement benefits expenses are included in employee benefits expenses.

## 20. Equity and Other Equity Items

### (1) Common stock and reserves

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

| | Number of shares authorized to be issued (Thousands) | Number of shares outstanding (Thousands) |
|---|---|---|
| As of April 1, 2022 | 2,000,000 | 950,321 |
| Changes | — | — |
| As of March 31, 2023 | 2,000,000 | 950,321 |
| Changes | — | 227 |
| As of March 31, 2024 | **2,000,000** | **950,549** |

All the shares authorized to be issued and shares outstanding are without par value. All the shares outstanding are fully paid.
During the year ended March 31, 2024, the number of shares outstanding increased due to the exercises of the stock acquisition rights of the convertible bonds.

・Capital surplus

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

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

・Retained earnings

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

### (2) Treasury stock

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

| | Number of shares (Thousands) |
|---|---|
| As of April 1, 2022 | 29,449 |
| Changes | 32 |
| As of March 31, 2023 | 29,481 |
| Changes | **28** |
| As of March 31, 2024 | **29,510** |

## 21. Dividends

The dividends paid by the Company are as follows:

(Year ended March 31, 2023)

**(1) Dividends paid**

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

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

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

(Year ended March 31, 2024)

**(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, 2023 | Ordinary shares | **82,973** | **90** | March 31, 2023 | June 26, 2023 |
| Board of directors meeting held on November 1, 2023 | Ordinary shares | **69,143** | **75** | September 30, 2023 | November 30, 2023 |

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

| Date of resolution | Class of share | Source of dividends | Total amount of dividends (Millions of Yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Shareholders' meeting held on June 21, 2024 | Ordinary shares | Retained earnings | **78,381** | **85** | March 31, 2024 | June 24, 2024 |

## 22. Revenue

### (1) Disaggregation of revenue

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

(Year ended March 31, 2023)

(Millions of Yen)

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

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

(Year ended March 31, 2024)

(Millions of Yen)

| | Steelmaking and Steel Fabrication | Engineering and Construction | Chemicals and Materials | System Solutions | Consolidated |
|---|---|---|---|---|---|
| Japan | **4,593,321** | **314,077** | **153,085** | **226,361** | **5,286,846** |
| Asia | **1,832,601** | **67,441** | **86,913** | **5,949** | **1,992,906** |
| Middle East | **195,354** | **—** | **399** | **—** | **195,754** |
| Europe | **417,500** | **14** | **1,701** | **62** | **419,278** |
| North America | **483,348** | **21** | **1,002** | **129** | **484,502** |
| Central and South America | **410,693** | **44** | **159** | **10** | **410,908** |
| Africa | **60,130** | **—** | **61** | **—** | **60,192** |
| Pacific | **17,705** | **—** | **2** | **—** | **17,707** |
| Total | **8,010,655** | **381,600** | **243,327** | **232,513** | **8,868,097** |

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

### (2) Contract balances

(Millions of Yen)

| | As of April 1, 2022 | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Receivables | 760,050 | 829,098 | **1,361,399** |
| Contract assets | 60,057 | 76,515 | **111,182** |
| Contract liabilities | 32,162 | 36,345 | **56,634** |

Receivables and contract assets are included in "Trade and Other Receivables" in the consolidated statement of financial position. Contract liabilities are included in "Other current liabilities" in the consolidated statement of financial position. The amount included in the contract liabilities as of April 1, 2022 and 2023 and recognized as revenue for the years ended March 31, 2023 and 2024 amounted to 23,830 million yen and 28,641 million yen, respectively. The amount recognized as revenue for the years ended March 31, 2023 and 2024 from performance obligations satisfied in previous periods is immaterial.

**(3) Transaction price allocated to the remaining performance obligation**

(Millions of Yen)

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

(Millions of Yen)

| | As of March 31, 2024 | Engineering and Construction | System Solutions |
|---|---|---|---|
| Within 1 year | **330,709** | **253,359** | **77,350** |
| Over 1 year | **213,006** | **176,312** | **36,693** |
| Total | **543,715** | **429,672** | **114,043** |

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

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

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

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

## 23. Selling, General and Administrative Expenses

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Transportation and storage | 159,314 | **210,926** |
| Salaries and bonuses | 152,759 | **195,785** |
| Retirement benefit costs | 7,182 | **8,763** |
| Research and development costs | 58,893 | **60,672** |
| Depreciation and amortization | 22,988 | **30,861** |
| Other | 178,273 | **223,377** |
| Total | 579,411 | **730,388** |

## 24. Research and Development Costs

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Research and development costs | 70,555 | **72,743** |

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## 25. Other Operating Income and Other Operating Expenses

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

### (1) Other operating income

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Dividends received | 14,609 | **15,298** |
| Foreign exchanges gains (net) | 40,021 | **50,835** |
| Gain on step acquisitions | — | **36,518** |
| Other | 126,867 | **75,433** |
| Total | 181,497 | **178,085** |

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

(Changes in presentation methods)
"Gain on sale of inventories" (46,438 million yen in the year ended March 31, 2023) have become immaterial and therefore are included in and presented as "Other" for the year ended March 31, 2024. Notes for the year ended March 31, 2023 are reclassified to reflect the change in presentation method.

### (2) Other operating expenses

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Losses on disposal of fixed assets | 33,448 | **38,496** |
| Other | 48,653 | **70,634** |
| Total | 82,102 | **109,131** |

## 26. Business profit

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

## 27. Losses on reorganization

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

Losses on business withdrawal 9,325 million yen
Losses on business withdrawal were mainly incurred as a result of the partial withdrawal from the electric power retail business operated by NIPPON STEEL ENGINEERING CO., LTD. in the Engineering and Construction segment.

Losses on inactive facilities 23,485 million yen
In the Steelmaking and Steel Fabrication segment, losses on inactive facilities were incurred mainly due to termination and demolition losses based on the decision to close the facilities.

(Year ended March 31, 2024)
Losses on reorganization were recorded owing to business reorganization and withdrawal, and the details are described below.

Losses on inactive facilities and others 90,995 million yen
Losses on inactive facilities and others were mainly incurred due to termination and demolition losses based on the decision to close the hot strip mill, pickling line, etc. of Setouchi Works Kure Area.

## 28. Finance Income and Finance Costs

The components of "Finance income" and "Finance costs" are as follows:

**(1) Finance income**

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Interest income | 8,065 | **21,437** |
| Other | 25 | **102** |
| Total | 8,091 | **21,540** |

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

**(2) Finance costs**

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Interest expense | 20,924 | **30,501** |
| Other | 3,963 | **5,729** |
| Total | 24,888 | **36,230** |

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

## 29. Impairment of Assets

**Impairment test of goodwill**

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

(Millions of Yen)

| Operating segment | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Steelmaking and Steel Fabrication | 58,810 | **63,955** |
| Engineering and Construction | 1,226 | **1,226** |
| Chemicals and Materials | — | **—** |
| System Solutions | 5,025 | **5,025** |
| Total | 65,062 | **70,207** |

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

The discount rate for the year ended March 31, 2024 is calculated based on the weighted average cost of capital of each cash-generating unit which is the pre-tax discounted rate of mainly 6.0% (6.0% for the year ended March 31, 2023).

## 30. Other Comprehensive Income

The components of other comprehensive income are as follows:

(Year ended March 31, 2023)

(Millions of Yen)

| | Incurred during the year | Reclassification | Before tax effect | Tax effect | After tax effect |
|---|---|---|---|---|---|
| Items that cannot be reclassified to profit or loss | | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | 49,098 | — | 49,098 | (16,520) | 32,577 |
| Remeasurements of defined benefit assets | 23,635 | — | 23,635 | (7,068) | 16,567 |
| Share of other comprehensive income of investments accounted for using the equity method | 1,355 | — | 1,355 | — | 1,355 |
| Subtotal | 74,089 | — | 74,089 | (23,589) | 50,500 |
| Items that might be reclassified to profit or loss | | | | | |
| Changes in fair value of cash flow hedges | 6,123 | (22,248) | (16,125) | 8,345 | (7,779) |
| Foreign exchange differences on translation of foreign operations | 88,698 | 1,075 | 89,774 | (1,006) | 88,768 |
| Share of other comprehensive income of investments accounted for using the equity method | 72,958 | (16,257) | 56,700 | — | 56,700 |
| Subtotal | 167,779 | (37,430) | 130,349 | 7,339 | 137,688 |
| Total | 241,869 | (37,430) | 204,438 | (16,249) | 188,188 |

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

(Year ended March 31, 2024)

(Millions of Yen)

| | Incurred during the year | Reclassification | Before tax effect | Tax effect | After tax effect |
|---|---|---|---|---|---|
| Items that cannot be reclassified to profit or loss | | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | **182,100** | **—** | **182,100** | **(56,317)** | **125,783** |
| Remeasurements of defined benefit assets | **25,744** | **—** | **25,744** | **(8,173)** | **17,570** |
| Share of other comprehensive income of investments accounted for using the equity method | **9,179** | **—** | **9,179** | **—** | **9,179** |
| Subtotal | **217,024** | **—** | **217,024** | **(64,491)** | **152,533** |
| Items that might be reclassified to profit or loss | | | | | |
| Changes in fair value of cash flow hedges | **5,733** | **(2,938)** | **2,795** | **(1,225)** | **1,570** |
| Foreign exchange differences on translation of foreign operations | **84,219** | **(206)** | **84,013** | **(2,297)** | **81,716** |
| Share of other comprehensive income of investments accounted for using the equity method | **32,055** | **(44,941)** | **(12,886)** | **—** | **(12,886)** |
| Subtotal | **122,008** | **(48,086)** | **73,922** | **(3,522)** | **70,400** |
| Total | **339,033** | **(48,086)** | **290,947** | **(68,013)** | **222,933** |

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

## 31. Earnings per Share

### (1) Basic earnings per share

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Profit for the year attributable to owners of the parent | 694,016 | **549,372** |
| Profit for the year not attributable to ordinary equity holders of the parent | — | **—** |
| Profit for the year used to calculate basic earnings per share | 694,016 | **549,372** |

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

(Shares)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Weighted average number of ordinary shares outstanding | 920,858,089 | **920,840,121** |

**(2) Diluted earnings per share**

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Profit for the year used to calculate basic earnings per share | 694,016 | **549,372** |
| Adjustment to profit | — | — |
| Profit for the year used to calculate diluted earnings per share | 694,016 | **549,372** |

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

(Shares)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Weighted average number of ordinary shares outstanding | 920,858,089 | **920,840,121** |
| Dilutive effect | 112,067,646 | **119,715,279** |
| Weighted average number of ordinary shares used to calculate diluted earnings per share | 1,032,925,735 | **1,040,555,400** |

## 32. Financial Instruments

### (1) Capital management

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

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

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| ROE (%) | 18.1 | **12.3** |
| D/E Ratio (times) | 0.65<br>*0.51 | **0.57**<br>***0.45** |

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

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

### (2) Classification of financial instruments

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

(i) Equity instruments

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

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

(ii) Derivatives

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

#### (b) Classification by levels in the fair value hierarchy

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

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

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

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

#### (c) Method to measure the changes in fair value

FVPL: Method of measuring changes in fair value through profit or loss

FVOCI: Method of measuring changes in fair value through other comprehensive income

**(d) Carrying amounts of financial instruments by classification**

(As of March 31, 2023)
Financial assets

(Millions of Yen)

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

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

The carrying amount of "Trade and other receivables" in the table above does not include the contract assets recognized in accordance with IFRS 15 "Revenue" which amounts to 76,515 million yen.

Financial liabilities

(Millions of Yen)

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

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

The carrying amount of "Other non-current liabilities" in the table above does not include the liabilities recognized in accordance with IAS 19 "Employee Benefits" which amounts to 23,235 million yen.

(As of March 31, 2024)

Financial assets

(Millions of Yen)

| | Carrying amount | | | |
|---|---|---|---|---|
| | Amortized cost | Fair value | | Total |
| | | FVPL | FVOCI | |
| Current assets | | | | |
| Cash and cash equivalents | **448,892** | **—** | **—** | **448,892** |
| Trade and other receivables | **1,476,797** | **—** | **—** | **1,476,797** |
| Other financial assets | **16,022** | **650** | **17,254** | **33,927** |
| Derivatives | **—** | **650** | **17,254** | **17,905** |
| Debt instruments | **16,022** | **—** | **—** | **16,022** |
| Non-current assets | | | | |
| Other financial assets | **74,301** | **1,552** | **600,088** | **675,942** |
| Equity instruments | **—** | **—** | **593,894** | **593,894** |
| Derivatives | **—** | **1,552** | **6,194** | **7,746** |
| Debt instruments | **74,301** | **—** | **—** | **74,301** |

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of "Trade and other receivables" in the table above does not include the contract assets recognized in accordance with IFRS 15 "Revenue" which amounts to 111,182 million yen.

Financial liabilities

(Millions of Yen)

| | Carrying amount | | | |
|---|---|---|---|---|
| | Amortized cost | Fair value | | Total |
| | | FVPL | FVOCI | |
| Current liabilities | | | | |
| Trade and other payables | **1,890,718** | **—** | **—** | **1,890,718** |
| Bonds and borrowings | **518,903** | **—** | **—** | **518,903** |
| Other financial liabilities | | | | |
| Derivatives | **—** | **252** | **6,783** | **7,036** |
| Non-current liabilities | | | | |
| Bonds and borrowings | **2,089,236** | **—** | **—** | **2,089,236** |
| Other financial liabilities | | | | |
| Derivatives | **—** | **—** | **146** | **146** |
| Other non-current liabilities | **326,224** | **—** | **—** | **326,224** |

Derivatives included in FVOCI represent the effective portion of hedging instruments designated in cash flow hedge.
The carrying amount of "Other non-current liabilities" in the table above does not include the liabilities recognized in accordance with IAS 19 "Employee Benefits" which amounts to 23,512 million yen.

## (e) Financial instruments measured at fair value

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

(Millions of Yen)

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

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

Financial liabilities measured at fair value

(Millions of Yen)

| FVPL | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other financial liabilities | | | | |
| Derivatives | — | 19 | — | 19 |
| FVOCI | | | | |
| Other financial liabilities | | | | |
| Derivatives | — | 6,182 | — | 6,182 |

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

(As of March 31, 2024)
Financial assets measured at fair value

(Millions of Yen)

| FVPL | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other financial assets | | | | |
| Derivatives | — | **2,202** | — | **2,202** |
| FVOCI | | | | |
| Other financial assets | | | | |
| Equity instruments | **510,968** | — | **82,926** | **593,894** |
| Derivatives | — | **23,449** | — | **23,449** |

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

Financial liabilities measured at fair value

(Millions of Yen)

| FVPL | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other financial liabilities | | | | |
| Derivatives | — | **252** | — | **252** |
| FVOCI | | | | |
| Other financial liabilities | | | | |
| Derivatives | — | **6,929** | — | **6,929** |

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

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of the year | 66,652 | **71,003** |
| Net changes in fair value | 5,097 | **(723)** |
| Acquisitions | 732 | **683** |
| Sale / settlements | (1,480) | **(805)** |
| Effects of changes in scope of consolidation | — | **12,767** |
| Other | 1 | **—** |
| Balance at end of the year | 71,003 | **82,926** |

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

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

(As of March 31, 2023)

(Millions of Yen)

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

(As of March 31, 2024)

(Millions of Yen)

| | |
|---|---|
| POSCO Holdings Inc. | **137,482** |
| Recruit Holdings Co., Ltd. | **56,741** |
| Daido Steel Co., Ltd. | **28,287** |
| Kobe Steel, Ltd. | **22,070** |
| AIR WATER INC. | **16,547** |

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

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Fair value at the time of derecognition | 84,520 | **74,861** |
| Cumulative gains or losses on disposal (net of tax) | 22,758 | **33,258** |

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Investment derecognized in the reporting period | 1,485 | **1,943** |
| Investment held at the end of reporting period | 13,124 | **13,355** |
| Total | 14,609 | **15,298** |

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**(3) Fair value of financial instruments**

Financial instruments measured at amortized cost

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

(As of March 31, 2023)

(Millions of Yen)

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

(As of March 31, 2024)

(Millions of Yen)

| | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets (Current) | | | | |
| Other financial assets | | | | |
| Debt instruments | **16,022** | **12,736** | **1,000** | **2,284** |
| Financial assets (Non-current) | | | | |
| Other financial assets | | | | |
| Debt instruments | **74,301** | **15,975** | — | **58,220** |
| Financial liabilities (Current) | | | | |
| Bonds and borrowings | **518,903** | **69,967** | — | **448,798** |
| Financial liabilities (Non-current) | | | | |
| Bonds and borrowings | **2,089,236** | **577,504** | — | **1,499,776** |

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

Valuation techniques used to measure the fair value of financial instruments measured at amortized cost

- The fair value of a marketable financial asset is measured based on its market price.
- The fair value of a non-marketable financial asset is measured with reference to the price quoted by financial institutions.
- The fair value of a bond is measured based on its market price.
- The fair value of convertible bonds with stock acquisition rights is measured at the present value discounted by the yield of similar bonds that do not have an equity conversion option.
- The fair value of a borrowing is measured at the present value of the total amounts of principal and interest discounted by the Group's incremental borrowing rate for a similar term.

## (4) Risk management

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

### (a) Market risk management

(i) Foreign currency risk

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

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

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

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

The Group's principal foreign currency risk exposures for the years ended March 31, 2023 and 2024 are as follows.

(Millions of USD)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Net exposure (liability) | 1,746 | **1,350** |

Impacts on profit before income taxes in the consolidated statements of profit or loss if Japanese yen were to appreciate by 1% against the U.S. Dollar at the end of the reporting period are as follows. In this analysis, the impacts on the assets and liabilities denominated in foreign currencies as of March 31, 2023 and 2024 are estimated by assuming that variables, such as outstanding balances and interest rates, are constant (negative figures indicate negative impacts on profit).

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Impacts on profit before income taxes | (2,332) | **(2,045)** |

(ii) Interest rate risk

Certain bonds and long-term borrowings are floating-rates debts. The interest expenses vary depending on interest rates. The Group enters into interest rate swap contracts to mitigate the risk of interest rate fluctuations.

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Impacts on profit before income taxes | (1,339) | **(1,617)** |

Interest Rate Benchmark Reform

As of March 31, 2023, the interest rate benchmark that was subject to interest rate benchmark reform and for which the transition to an alternative benchmark rate had not been completed was U.S. Dollar LIBOR. However, because the publication of U.S. Dollar LIBOR (with some tenors excluded) ceased at the end of June 2023, the Group has completed the transition to an alternative benchmark rate in place of the U.S. Dollar LIBOR during the year ended March 31, 2024. Consequently, there are no financial instruments referencing the U.S. Dollar LIBOR that have not transitioned to an alternative benchmark rate as of March 31, 2024.

(iii) Market price fluctuation risk

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

**(b) Credit risk management**

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

(i) Credit risk exposure

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

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

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

(ii) Financial assets subject to allowance for doubtful accounts

The aging of trade and other receivables is as follows:

(Millions of Yen)

| Days past due | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Current | 1,050,906 | **1,558,783** |
| Within 90 days | 10,029 | **24,319** |
| Over 90 days and within 1 year | 1,663 | **3,013** |
| Over 1 year | 1,759 | **4,188** |
| Total | 1,064,358 | **1,590,305** |

(iii) Changes in allowance for doubtful accounts

The changes in allowance for doubtful accounts are as follows:

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of the year | 10,725 | **11,187** |
| Increase during the year | 479 | **791** |
| Decrease during the year | (212) | **(1,908)** |
| Other | 194 | **2,396** |
| Balance at end of the year | 11,187 | **12,466** |

**(c) Liquidity risk management**

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

The figures below show the remaining amount of the Group's financial liabilities by contractual maturity at the end of the reporting period, but do not contain financial guarantees where the Group is obligated to make payments on the obligations arising from financial guarantee contracts. The maximum amounts of guarantees that are extended by the Group are described in Note 35 "Loan Guarantees".

As of March 31, 2023

(Millions of Yen)

| | Carrying amount | Total contractual cash flow | Within 1 year | Over 1 year but within 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other payables | 1,592,137 | 1,592,137 | 1,592,137 | — | — |
| Borrowings | 1,622,252 | 1,623,564 | 281,173 | 595,471 | 746,919 |
| Bonds | 948,625 | 950,000 | 60,000 | 500,000 | 390,000 |
| Lease liabilities | 86,475 | 86,475 | 19,856 | 43,356 | 23,262 |
| Commercial paper | 41,999 | 41,999 | 41,999 | — | — |
| Derivatives | 6,202 | 6,133 | 5,810 | 323 | 0 |
| Total | 4,297,692 | 4,300,311 | 2,000,976 | 1,139,151 | 1,160,182 |

As of March 31, 2024

(Millions of Yen)

| | Carrying amount | Total contractual cash flow | Within 1 year | Over 1 year but within 5 years | Over 5 years |
|---|---|---|---|---|---|
| Trade and other payables | **1,890,718** | **1,890,718** | **1,890,718** | — | — |
| Borrowings | **1,651,757** | **1,652,620** | **296,453** | **699,738** | **656,428** |
| Bonds | **953,382** | **954,450** | **219,450** | **355,000** | **380,000** |
| Lease liabilities | **103,505** | **103,505** | **22,592** | **51,551** | **29,361** |
| Commercial paper | **3,000** | **3,000** | **3,000** | — | — |
| Derivatives | **7,182** | **7,182** | **7,036** | **146** | — |
| Total | **4,609,546** | **4,611,476** | **2,439,250** | **1,106,436** | **1,065,789** |

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**(5) Derivatives**

**(a) Impacts on the consolidated statement of financial position**

(i) Derivative assets and liabilities designated as hedging instruments

As of March 31, 2023

(Millions of Yen)

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

As of March 31, 2024

(Millions of Yen)

| Types of hedges | Derivative assets and liabilities | Notional amount | | Carrying amount (Fair value) (Note) | |
|---|---|---|---|---|---|
| | | Total | Settlement in excess of one year | Assets | Liabilities |
| Cash flow hedge | Foreign exchange forward contract | **361,697** | **14,629** | **8,690** | **6,680** |
| | Interest rate swap | **450,000** | **450,000** | **2,793** | **0** |
| | Currency swap | **19,876** | **3,217** | **11,964** | **—** |
| | Commodity derivative | **2,957** | **619** | **—** | **248** |
| Total | | **834,532** | **468,466** | **23,449** | **6,929** |

Note:

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

(ii) Derivative assets and liabilities not designated as hedges

(Millions of Yen)

| | As of March 31, 2023 | | As of March 31, 2024 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign exchange forward contract | 12 | 19 | **3** | **252** |
| Interest swap | 2,711 | — | **2,199** | **—** |
| Currency swap | 41 | — | **—** | **—** |
| Total | 2,765 | 19 | **2,202** | **252** |

**(b) Changes in fair value of cash flow hedges**

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

Year ended March 31, 2023

(Millions of Yen)

| Risk classification | Beginning of the year | Changes in fair value of cash flow hedge recognized in the other comprehensive income | Amount transferred to profit or loss from other components of equity as a reclassification adjustment | End of the year | The account in which the reclassification adjustment to profit or loss is recognized |
|---|---|---|---|---|---|
| Foreign currency risk | 11,473 | 789 | (15,400) | (3,137) | Other operating income/Other operating expenses |
| Interest rate risk | (121) | 2,602 | 375 | 2,856 | Finance income/Finance costs |
| Other | 7,317 | 2,730 | (7,223) | 2,824 | — |
| Total | 18,669 | 6,123 | (22,248) | 2,543 | |

Year ended March 31, 2024

(Millions of Yen)

| Risk classification | Beginning of the year | Changes in fair value of cash flow hedge recognized in the other comprehensive income | Amount transferred to profit or loss from other components of equity as a reclassification adjustment | End of the year | The account in which the reclassification adjustment to profit or loss is recognized |
|---|---|---|---|---|---|
| Foreign currency risk | **(3,137)** | **6,335** | **(402)** | **2,795** | Other operating income/Other operating expenses |
| Interest rate risk | **2,856** | **(353)** | **289** | **2,792** | Finance income/Finance costs |
| Other | **2,824** | **(248)** | **(2,824)** | **(248)** | — |
| Total | **2,543** | **5,733** | **(2,938)** | **5,339** | |

## 33. Related Parties

### (1) Related party transactions

Details of significant transactions with related parties are as follows:

Year ended March 31, 2023

(Millions of Yen)

| Category | Name | Description of transaction | Amount | Account | Outstanding balance |
|---|---|---|---|---|---|
| Associate (Note 1) | NIPPON STEEL TRADING CORPORATION | Sells steel products (Note 2) | 1,464,148 | Trade and other receivables | 52,089 |
| Joint venture | AMNS Luxembourg Holding S.A. | Loan guarantee (Note 3) | 274,858 | — | — |

Notes:

1. Nippon Steel Trading Corporation became the Group's consolidated subsidiary in the fiscal year ended March 31, 2024.
2. The terms and conditions applied to related party transactions are determined based on terms equivalent to those that prevail in arm's length transactions.
3. The Company provided a guarantee for 40% of the loan which AMNS Luxembourg Holding S.A. procured from banks.

Year ended March 31, 2024

(Millions of Yen)

| Category | Name | Description of transaction | Amount | Account | Outstanding balance |
|---|---|---|---|---|---|
| Joint venture | AMNS Luxembourg Holding S.A. | Loan guarantee (Note) | **367,986** | — | — |

Notes:

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

### (2) Key management personnel compensation

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

(Millions of Yen)

| | Year ended March 31, 2023 | Year ended March 31, 2024 |
|---|---|---|
| Salary | 1,147 | **1,348** |

## 34. Commitments

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Contractual commitments related to acquisition of property, plant and equipment and intangible assets | 612,353 | **797,794** |

## 35. Loan Guarantees

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

(Millions of Yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Guarantees for the bank loans of joint ventures and associates | 343,474 | **429,418** |

## 36. Subsequent Events

(Exercises of the stock acquisition rights of the convertible bonds)

Between April 1, 2024 and May 31, 2024, as a result of the exercises of the stock acquisition rights of the convertible bonds, the total number of shares outstanding increased by 11,461,481 shares, and common stock and capital surplus increased by ¥13,830 million each.

(Financial Information)

Principal Subsidiaries and Affiliates (As of March 31, 2024)

| Company | Paid-in Capital (Millions of yen) | % of voting rights interest | Business Content |
|---|---|---|---|
| Steelmaking and Steel Fabrication (467 companies) Principal Consolidated Subsidiaries | | | |
| Sanyo Special Steel Co., Ltd. | 53,800 | 53.2<br>(0.1) | Makes and markets special steel products |
| NIPPON STEEL TRADING CORPORATION | 16,389 | 80.0 | Marketing and import/export of steel, industrial supply and infrastructure, foodstuffs, textiles and others |
| NIPPON STEEL COATED SHEET CORPORATION | 12,588 | 100.0 | Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials |
| Osaka Steel Co., Ltd. | 8,769 | 66.3<br>(0.4) | Makes and markets shapes, bars, flat steels and billets |
| NIPPON STEEL METAL PRODUCTS CO., LTD. | 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 | 5,537 | 47.0<br>(0.0) | Makes, markets and constructs refractories |
| NIPPON STEEL TEXENG. CO., LTD. | 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. | 5,000 | 100.0 | Makes, coats and markets steel pipes and tubes |
| NIPPON STEEL Stainless Steel Corporation | 5,000 | 100.0 | Makes and markets stainless steel |
| NIPPON STEEL LOGISTICS CO., LTD. | 4,000 | 100.0 | Undertakes ocean and land transportation and warehousing |
| NIPPON STEEL SG WIRE CO., LTD. | 3,634 | 100.0 | Makes and markets bars and wire rods |
| Geostr Corporation | 3,352 | 45.0<br>(4.3) | Makes and markets concrete and metal products for civil engineering and building construction work |
| NIPPON STEEL WELDING & ENGINEERING Co., Ltd. | 2,100 | 100.0 | Makes and markets welding materials and apparatuses |
| NIPPON STEEL DRUM CO., LTD. | 1,654 | 100.0 | Makes and markets drums |
| NIPPON STEEL PROCESSING Co., LTD. | 1,530 | 66.4<br>(4.5) | Makes, processes, and markets cold-heading wire, cold-finished bars, other secondary processed products using bars and wires, drawn steel tubes, and machine parts |
| NIPPON STEEL CEMENT CO., LTD. | 1,500 | 85.0 | Makes and markets cement |
| NIPPON STEEL FINANCE Co., Ltd. | 1,000 | 100.0 | Engages in the Group's financing operations |
| NIPPON STEEL STAINLESS STEEL PIPE CO., LTD. | 916 | 100.0 | Makes and markets stainless-steel pipes |
| NIPPON STEEL Eco-Tech Corporation | 500 | 85.1<br>(10.1) | Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis |
| G Steel Public Company Limited | THB 144,643 million | 60.2<br>(50.0) | Makes and markets hot-rolled steel sheets |
| G J Steel Public Company Limited | THB 24,467 million | 57.6<br>(49.9) | Makes and markets hot-rolled steel sheets |
| NS-Siam United Steel Co., Ltd. | THB 13,007 million | 95.2<br>(0.3) | Makes and markets cold-rolled sheets and galvanized sheets |
| NIPPON STEEL PIPE (THAILAND) CO., LTD. | THB 8,336 million | 100.0<br>(100.0) | Makes, coats and markets steel pipes and tubes |
| PT KRAKATAU NIPPON STEEL SYNERGY | USD186 million | 80.0 | Makes and markets cold-rolled sheets and galvanized sheets |
| Standard Steel, LLC | USD77 million | 100.0<br>(100.0) | Makes and markets railway wheels and axles |
| WHEELING－NIPPON STEEL, INC. | USD71 million | 100.0<br>(100.0) | Makes and markets galvanized sheets |
| PT. PELAT TIMAH NUSANTARA TBK. | USD26 million | 40.0<br>(5.0) | Makes and markets tinplate |
| NIPPON STEEL Processing (Thailand) Co., Ltd. | THB571 million | 70.1<br>(11.2) | Makes and markets cold-heading wire and cold-finished bars |
| NIPPON STEEL PIPE AMERICA, INC. | USD10 million | 80.0<br>(80.0) | Makes and markets steel pipes and tubes |

| Company | Paid-in Capital (Millions of yen) | % of voting rights interest | Business Content |
|---|---|---|---|
| Steelmaking and Steel Fabrication (467 companies) Principal Affiliates Accounted for by the Equity Method | | | |
| Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS | BRL13,200 million | 22.2 | Makes and markets steel products |
| Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. | RMB3,000 million | 50.0 | Makes and markets automotive steel sheets |
| WISCO-NIPPON STEEL Tinplate Co., Ltd. | RMB2,310 million | 50.0 | Makes and markets tinplate and tinplate sheets |
| AMNS Luxembourg Holding S.A. | USD229 million | 40.0 | A holding company of ArcelorMittal Nippon Steel India Limited |
| Jamshedpur Continuous Annealing & Processing Co. Pvt. Ltd. | INR14,320 million | 49.0 | Makes and markets automotive cold-rolled steel sheets |
| UNIGAL Ltda. | BRL584 million | 30.0<br>(0.8) | Makes galvanized sheets |
| Engineering and Construction (34 companies) Principal Consolidated Subsidiaries | | | |
| NIPPON STEEL ENGINEERING CO., LTD. | 15,000 | 100.0 | Makes and markets industrial machinery, equipment and steel structures, construction projects under contract, waste processing and recycling, and supplying electricity, gas, and heat |
| Chemicals and Materials (24 companies) Principal Consolidated Subsidiaries | | | |
| NIPPON STEEL Chemical & Material CO., LTD. | 5,000 | 100.0 | Makes and markets coal-based chemical products, petrochemicals, electronic materials, materials and components for semiconductors and electronic parts, carbon fiber and composite products, and products that utilize technologies for metal processing |
| System Solutions (21 companies) Principal Consolidated Subsidiaries | | | |
| NS Solutions Corporation | 12,952 | 63.4 | Provides computer systems engineering and consulting services; IT-enabled outsourcing and other services |
| Other (1 company) | | | |

Notes:
1. Total consolidated subsidiaries: 434 companies
2. Total equity-method affiliates (consisting of associates, joint ventures accounted for by the equity method and joint operations): 113 companies
3. Voting rights ratio in parentheses stands for indirect voting rights ratio (%) and is included in voting rights ratio as the Group.

(Other Information)

Audit fees

Compensation for certified public accountants, etc. conducting audits

| Category | Year ended March 31, 2023 | | Year ended March 31, 2024 | |
|---|---|---|---|---|
| | Compensation for audit and attestation service (Millions of Yen) | Compensation for non-audit services (Millions of Yen) | Compensation for audit and attestation service (Millions of Yen) | Compensation for non-audit services (Millions of Yen) |
| Reporting company | 170 | 0 | 171 | — |
| Consolidated subsidiaries | 875 | 7 | 1,000 | 2 |
| Total | 1,045 | 8 | 1,171 | 2 |

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

| Category | Year ended March 31, 2023 | | Year ended March 31, 2024 | |
|---|---|---|---|---|
| | Compensation for audit and attestation service (Millions of Yen) | Compensation for non-audit services (Millions of Yen) | Compensation for audit and attestation service (Millions of Yen) | Compensation for non-audit services (Millions of Yen) |
| Reporting company | — | 24 | — | 52 |
| Consolidated subsidiaries | 440 | 139 | 490 | 195 |
| Total | 440 | 163 | 490 | 248 |

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

# Independent auditor's report

**To the Shareholders and the Board of Directors of NIPPON STEEL CORPORATION:**

**Report on the Audit of the Consolidated Financial Statements**

## Opinion

We have audited the accompanying consolidated financial statements of NIPPON STEEL CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the Consolidated Statements of Financial Position as at March 31, 2024, and the Consolidated Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash-Flows for the year then ended, and Notes, comprising Material Accounting Policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment** | |
|---|---|
| **The key audit matter** | **How the matter was addressed in our audit** |
| In the consolidated statement of financial position of the Company at the end of the current fiscal year, property, plant and equipment of ¥3,380,436 | The primary procedures we performed to assess the appropriateness of the Company's judgment with respect to whether an impairment loss |

| | |
|---|---|
| million and intangible assets of ¥177,853million were recognized, most of which were used in the Steelmaking and Steel Fabrication segment.<br><br>As described in Note 3, "Material Accounting Policies, (10) Impairment of non-financial assets" to the consolidated financial statements, the Group assesses whether there is any indication of impairment on each asset or cash-generating unit ("CGU") to which the asset belongs at the end of each reporting period. Impairment indications include significantly worse actual net cash flows or the operating profit or loss flowing from the asset than those budgeted, an operating losses or net cash outflows for the asset, the asset becoming idle and the plans to discontinue or restructure the operation to which the asset belongs. When there is any impairment indication, the recoverable amount of the CGU is estimated. If the recoverable amount of CGU is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized.<br><br>The balance of property, plant and equipment and intangible assets used in the Steelmaking and Steel Fabrication segment is material. In addition, determination as to whether there is any impairment indication involves management judgment, because such determination is made based on information available from internal and external sources at the timing when they are practically available in normal business activities. Furthermore, when there is an indication of impairment of any non-financial assets and an impairment loss is recognized as a result, the amount of the impairment loss might be material, considering the amount of the balance of the non-financial assets.<br><br>We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment was one of key audit matters in our audit of the consolidated financial statements for the current fiscal year. | should be recognized on non-financial assets used in the Steelmaking and Steel Fabrication segment included the following:<br><br>(1) Internal control testing<br><br>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether an impairment loss on property, plant and equipment and intangible assets should be recognized.<br><br>(2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indication<br><br>To assess the appropriateness of Company's judgment concerning the identification of an impairment indication, among others, we:<br><br>• assessed the consistency between the policies on identification of CGUs adopted by management and the units for management accounting purposes used for reporting to management;<br><br>• assessed the accuracy of index used for identifying impairment indication, which were calculated based on operating profits or losses related to the CGUs, by performing the trend analysis and assessing consistency between such index and related materials; and<br><br>• evaluated the appropriateness of the judgment concerning the identification of an impairment indication by inspecting related minutes of meetings and explanatory materials and by inquiring of management and personnel in related departments regarding the existence of assets that became idle and the plans to discontinue or restructure the operation to which the asset belongs. |
| **Appropriateness of the Company's judgment on the recoverability of deferred tax assets** | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| In the consolidated statement of financial position of the Company at the end of the current fiscal | The primary procedures we performed to assess whether the Company's judgment on the |

year, deferred tax assets of ¥75,893 million were recognized. As described in Note 16, "Income Taxes" to the consolidated financial statements, the gross amount of deferred tax assets before being offset by deferred tax liabilities amounted to ¥316,924 million.

As described in Note 3, "Material Accounting Policies, (14) Income taxes" to the consolidated financial statements, deferred tax assets are recognized for all the deductible temporary differences, unused tax losses and unused tax credits ("Deductible Temporary Differences") to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and recognized only to the extent that it is probable that the tax benefits can be realized.

The estimated future taxable income to be generated, which was used to determine the recoverability of the deferred tax assets, was based on the medium- to long-term management plan and latest business plan prepared by management. Accordingly, there was a high degree of estimation uncertainty because these plans involved significant management judgment on key assumptions, such as the steel supply and demand forecast and manufacturing cost improvement.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets was one of key audit matters in our audit of the consolidated financial statements for the current fiscal year.

recoverability of deferred tax assets was appropriate included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of projecting future taxable income, including the development of the latest business plan.

(2) Assessment of the reasonableness of the estimated future taxable income

We inquired of management regarding the basis for key assumptions used for estimating the amount of future taxable income, in order to assess the appropriateness of those assumptions, which were important for management's judgment on the recoverability of deferred tax assets. In addition, among others, we:

- evaluated the probability of realizing the estimated future taxable income by comparing them with the medium- to long-term management plan and latest business plan for consistency, and by inspecting the materials that analyze the achievement of estimated future taxable income in the past and the causes of any differences from the actual taxable income;
- assessed the reasonableness of the steel supply and demand forecast and manufacturing cost improvement, which were key assumptions used to develop the future earnings projections under the medium- to long-term management plan and latest business plan by inquiring of personnel in the relevant business units regarding how the assumptions were developed, and by inspecting the related minutes of meetings and explanatory materials;
- compared the steel supply and demand forecast with market forecast data published by external organizations and evaluated the probability of realizing projected manufacturing cost improvement by inspecting materials that analyze the achievement of the actual manufacturing cost improvements in the past and the causes of any differences from the projections;
- evaluated the appropriateness of the scheduling of Deductible Temporary Differences and tax-return adjustments included in the calculation of future taxable

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| | income by comparing them with the taxable income calculation for past years and the current fiscal year; and<br>• requested the component auditors of the 11 major consolidated subsidiaries to perform specific audit procedures, and evaluated the reports on the results from the component auditors as to whether sufficient and appropriate audit evidence was obtained in order to assess the reasonableness of the estimated future taxable income and scheduling of Deductible Temporary Differences at these subsidiaries. |

## Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon. 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are 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 issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Audit fees" included in "Other Information" of the Financial Report.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

Hirotaka Tanaka

Designated Engagement Partner

Certified Public Accountant

Takahiro Toyama

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 21, 2024

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.