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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 2021

Innehåll:	sida
Förvaltningsberättelse	2-3
Resultaträkning	4
Balansräkning	5-6
Kassaflödesanalys	7
Noter med redovisningsprinciper och bokslutskommentarer	8-20
Underskrifter	20

Fastställelseintyg för årsredovisning för räkenskapsåret 2021

Undertecknad verkställande direktör samt undertecknad ekonomichef i Suzuki Garphyttan AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 30 juni 2022
Årsstämman beslutade att godkänna styrelsens förslag till hur vinsten ska fördelas.

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

Garphyttan 2022-07-06

.....
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, HLW 389 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. och HLW 389 Ltd. äger i sin tur KTS Wire 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	*2021*	*2020*	*2019*	*2018*	*2017*
Nettoomsättning	979	715	901	1 061	967
Rörelseresultat	134	-6	-13	77	102
Rörelsemarginal %	14	-1	-1	7	11
Balansomslutning	1 575	1 288	1 117	1 111	976
Avkastning på eget kapital %	23	-2	3	15	22
Soliditet %	48	48	56	58	62

Väsentliga händelser under räkenskapsåret

Under 2021 ökade omsättningen 36% jämfört med föregående år. Återhämtningen efter covid-19 pandemin har varit stark. Orsaken till den starka återhämtningen är att bolaget har haft en bra beredskap för en uppgång och bra service nivå.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Bilindustrin och andra industrier hade i stort sett återhämtat sig när Rysslands krig med Ukraina startade. Kinas starategi för att hantera covid 19 är att ha kraftiga restriktioner på resande och frakter. Kriget i Ukraina och de kraftiga restriktionerna i Kina kommer att ge komponentbrist inom bilindustrin. Sammantaget finns det risk att affärer påverkas negativt av dessa faktorer.

Forskning och utveckling

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

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Icke-finansiella upplysningar
Strategiplanen för år 2021 - 2025 som utarbetades år 2020 är ligger till grund för de aktiviteter som gjorts under år 2021 och det som planeras att göras under år 2022. 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 2021 har 27 626 ton tråd tillverkats.

Eget kapital

2021-12-31	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	–	–	410 205	430 705
Årets resultat						129 409	129 409
Transaktioner med ägare							
Utdelning						–	–
Vid årets utgång	15 000	–	5 500	–	–	539 614	560 114

Förslag till disposition av företaget vinst eller förlust
Styrelsen föreslår att fritt eget kapital, kronor 539 614 077 disponeras enligt följande:

	Not	
Utdelning 150 000 x 560 kr/aktie		84 000 000
Balanseras i ny räkning		455 614 077
Summa	32	539 614 077

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

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

Resultaträkning

Belopp i tkr	*Not*	*2021*	*2020*
Nettoomsättning	3	978 579	714 838
Kostnad för sålda varor		-695 288	-605 253
Bruttoresultat		283 291	109 585
Försäljningskostnader		-60 567	-43 647
Administrationskostnader		-102 557	-89 420
Forsknings- och utvecklingskostnader		-17 754	-14 657
Övriga rörelseintäkter	4	31 666	24 133
Övriga rörelsekostnader	7	-522	7 785
Rörelseresultat	4,5,6,7	133 557	-6 221
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	9	19 031	17 504
Övriga ränteintäkter och liknande resultatposter	10	32 033	-20 102
Räntekostnader och liknande resultatposter	11	-5 857	-4 440
Resultat efter finansiella poster		178 764	-13 259
Bokslutsdispositioner			
Bokslutsdispositioner, övriga	12	-20 110	19 200
Resultat före skatt		158 654	5 941
Skatt på årets resultat	13	-29 245	1 737
Årets resultat		129 409	7 678

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Balansräkning

Belopp i tkr	*Not*	*2021-12-31*	*2020-12-31*
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Balanserade utgifter för utvecklingsarbeten och liknande	14	2 796	5 832
		2 796	5 832
Materiella anläggningstillgångar			
Byggnader och mark	15	34 720	38 813
Maskiner och andra tekniska anläggningar	16	110 994	117 029
Inventarier, verktyg och installationer	17	21 886	17 829
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	18	76 638	36 953
		244 238	210 624
Finansiella anläggningstillgångar			
Andelar i koncernföretag	19	406 796	406 796
Uppskjuten skattefordran	21	4 347	8 897
Andra långfristiga fordringar	22	4 458	3 537
		415 601	419 230
Summa anläggningstillgångar		662 635	635 686
Omsättningstillgångar			
Varulager m m			
Råvaror och förnödenheter		144 348	95 014
Varor under tillverkning		44 291	32 072
Färdiga varor och handelsvaror		70 893	42 616
		259 532	169 702
Kortfristiga fordringar			
Kundfordringar		69 121	68 112
Fordringar hos koncernföretag		428 827	295 861
Aktuell skattefordran		10 562	10 082
Övriga fordringar		12 246	8 312
Förutbetalda kostnader och upplupna intäkter	23	13 312	7 312
		534 068	389 679
Kassa och bank			
Kassa och bank	30	118 268	92 941
		118 268	92 941
Summa omsättningstillgångar		911 868	652 322
SUMMA TILLGÅNGAR		1 574 503	1 288 008

Balansräkning

Belopp i tkr	*Not*	*2021-12-31*	*2020-12-31*
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		410 205	402 527
Årets resultat		129 409	7 678
		539 614	410 205
		560 114	430 705
Obeskattade reserver			
Ackumulerade överavskrivningar	24	127 450	123 450
Periodiseringsfonder	25	128 170	112 060
		255 620	235 510
Avsättningar			
Avsättningar för pensioner och liknande förpliktelser	26	44 397	59 540
		44 397	59 540
Långfristiga skulder	27		
Övriga skulder till kreditinstitut		179 485	179 372
		179 485	179 372
Kortfristiga skulder			
Skulder till kreditinstitut		84 066	83 304
Checkräkningskredit	28	56 471	54 237
Leverantörsskulder		116 188	76 987
Skulder till koncernföretag		121 986	50 373
Övriga skulder		310	310
Upplupna kostnader och förutbetalda intäkter	29	155 866	117 670
		534 887	382 881
SUMMA EGET KAPITAL OCH SKULDER		1 574 503	1 288 008

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Kassaflödesanalys

Belopp i tkr		2021	2020
Den löpande verksamheten			
Resultat efter finansiella poster		178 764	-13 259
Justering för poster som inte ingår i kassaflödet	31	20 008	41 244
		198 772	27 985
Betald inkomstskatt		-25 176	-3 564
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		173 596	24 421
Förändringar i rörelsekapital			
Ökning(-)/Minskning(+) av varulager		-89 830	-2 887
Ökning(-)/Minskning(+) av rörelsefordringar		-143 909	-77 235
Ökning(+)/Minskning(-) av rörelseskulder		151 244	55 255
Kassaflöde från den löpande verksamheten		91 101	-446
Investeringsverksamheten			
Förvärv av materiella anläggningstillgångar		-61 496	-28 945
Avyttring av materiella anläggningstillgångar		5 174	–
Förvärv/investering dotterbolag		–	-49 134
Förvärv av finansiella tillgångar		-921	-869
Kassaflöde från investeringsverksamheten		-57 243	-78 948
Finansieringsverksamheten			
Upptagna lån			158 227
Amortering av lån		-8 531	-3 000
Utbetald utdelning till moderföretagets aktieägare		–	-30 000
Kassaflöde från finansieringsverksamheten		-8 531	125 227
Årets kassaflöde		25 327	45 833
Likvida medel vid årets början		92 941	47 108
Likvida medel vid årets slut	30	118 268	92 941

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.

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 2021-12-31 uppgår till 11 397 tkr (f.å. 22 833 tkr).

Not 3 Nettoomsättning per rörelsegren och geografisk marknad

	2021	*2020*
Nettoomsättning per rörelsegren		
Oljehärdad tråd	685 104	489 544
Special Wire Products	293 475	203 446
Fjäder	–	21 848
	978 579	714 838
Nettoomsättning per geografisk marknad		
Sverige	40 987	48 205
EU	835 264	597 127
Övriga världen	102 328	69 506
	978 579	714 838

Not 4 Övriga rörelseintäkter

	2021	*2020*
Kursvinster på fordringar/skulder av rörelsekaraktär	2 538	9 691
Royalty från dotterbolag	20 148	14 442
Ersättning sjukönekostnader	750	–
FORA återbäring	8 230	–
	31 666	24 133

Not 5 Anställda, personalkostnader och arvoden till styrelse och revisorer

Medelantalet anställda

	2021	*varav män*	*2020*	*varav män*
Sverige	314	85%	299	85%
Totalt	314	85%	299	85%

Redovisning av könsfördelning i företagsledningar

	2021-12-31 Andel kvinnor	*2020-12-31 Andel kvinnor*
Styrelsen	0%	0%
Övriga ledande befattningshavare	29%	29%

Löner och andra ersättningar samt sociala kostnader, inklusive pensionskostnader

	2021	*2020*
Löner och ersättningar	*174 797*	*157 182*
Sociala kostnader	*75 034*	*58 992*
(varav pensionskostnad) 1)	*(26 358)*	*(23 529)*

1) Av företagets pensionskostnader avser 1 145 tkr (f.å. 1 081 tkr) företagets ledning.
Företagets utestående pensionsförpliktelser till dessa uppgår till 7 567 tkr (f.å.10 971 tkr).

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

	2021		*2020*	
	Styrelse och VD	*Övriga anställda*	*Styrelse och VD*	*Övriga anställda*
Löner och andra ersättningar	5 516	169 281	5 774	151 407
(varav tantiem o.d.)	*(1 306)*		*(1 789)*	

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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

	2021	*2020*
KPMG AB		
Revisionsuppdrag	365	355
Skatterådgivning	10	10
Andra uppdrag	34	25

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

	2021	*2020*
Avskrivningar enligt plan fördelade per funktion		
Kostnad för sålda varor	25 773	28 120
Administrationskostnader	8 689	10 087
Forsknings- och utvecklingskostnader	689	591
	35 151	38 798

Not 7 Övriga rörelsekostnader

	2021	*2020*
Valutakursförsluster	-522	7 785
	-522	7 785

Not 8 Operationell leasing

	2021	*2020*
Räkenskapsårets kostnadsförda leasingavgifter	13 343	12 872

Framtida minimileaseavgifter avseende icke uppsägningsbara operationella leasingavtal	*2021*	*2020*
Inom ett år	390	471
Mellan ett och fem år	1 558	711
	1 948	1 182

Not 9 Resultat från andelar i koncernföretag

	2021	*2020*
Utdelning	19 031	17 504
	19 031	17 504

Not 10 Övriga ränteintäkter och liknande resultatposter

	2021	*2020*
Ränteintäkter, koncernföretag	6 285	3 299
Ränteintäkter, övriga	1 102	897
Kursvinster på kortfristiga fordringar och skulder	24 646	-24 298
	32 033	-20 102

Not 11 Räntekostnader och liknande resultatposter

	2021	*2020*
Räntekostnader, koncernföretag	-71	-25
Räntekostnader, övriga	-5 786	-4 415
	-5 857	-4 440

Not 12 Bokslutsdispositioner, övriga

	2021	*2020*
Maskiner och andra tekniska anläggningar	-4 000	-5 000
Periodiseringsfond, årets avsättning	-39 900	–
Periodiseringsfond, årets återföring	23 790	24 200
	-20 110	19 200

Not 13 Skatt på årets resultat

	2021	*2020*
Aktuell skattekostnad	-24 696	1 741
Uppskjuten skatt	-4 549	-4
	-29 245	1 737

Avstämning av effektiv skatt

		2021		*2020*
	Procent	*Belopp*	*Procent*	*Belopp*
Resultat före skatt		158 654		5 941
Skatt enligt gällande skattesats för moderföretaget	20,6%	-32 683	21,4%	-1 271
Ej avdragsgilla kostnader	0,3%	-477	5,8%	-348
Ej skattepliktiga intäkter	-2,5%	4 030	-64,8%	3 847
Schablonränta periodiseringsfond	0,1%	-115	2,5%	-146
Effekt av ändrade skattesatser/och skatteregler	0,0%		5,8%	-346
Redovisad effektiv skatt	16,4%	-29 245	-29,2%	1 737

Not 14 Balanserade utgifter för utvecklingsarbeten och liknande

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	14 500	10 834
Övriga investeringar	–	3 666
Vid årets slut	14 500	14 500
Ackumulerade avskrivningar		
Vid årets början	-8 668	-3 187
Årets avskrivning	-3 036	-5 481
Vid årets slut	-11 704	-8 668
Redovisat värde vid årets slut	2 796	5 832

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Not 15 Byggnader och mark

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	127 560	127 321
Nyanskaffningar	127	239
Vid årets slut	127 687	127 560
Ackumulerade avskrivningar		
Vid årets början	-88 747	-84 291
Årets avskrivning	-4 220	-4 456
Vid årets slut	-92 967	-88 747
Redovisat värde vid årets slut	34 720	38 813

Varav mark	*2021-12-31*	*2020-12-31*
Ackumulerade anskaffningsvärden	134	134
Redovisat värde vid årets slut	134	134

Not 16 Maskiner och andra tekniska anläggningar

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	628 134	624 889
Nyanskaffningar	15 546	13 129
Avyttringar och utrangeringar	-35 324	-9 884
Omklassificeringar	–	–
Vid årets slut	608 356	628 134
Ackumulerade avskrivningar		
Vid årets början	-511 105	-498 069
Återförda avskrivningar på avyttringar och utrangeringar	34 638	9 676
Årets avskrivning	-20 895	-22 712
Vid årets slut	-497 362	-511 105
Redovisat värde vid årets slut	110 994	117 029

Not 17 Inventarier, verktyg och installationer

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	47 322	43 003
Nyanskaffningar	11 138	5 146
Avyttringar och utrangeringar	-187	-827
Vid årets slut	58 273	47 322
Ackumulerade avskrivningar		
Vid årets början	-29 493	-24 171
Återförda avskrivningar på avyttringar och utrangeringar	106	827
Årets avskrivning på anskaffningsvärden	-7 000	-6 149
Vid årets slut	-36 387	-29 493
Redovisat värde vid årets slut	21 886	17 829

Not 18 Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar

	2021-12-31	*2020-12-31*
Vid årets början	36 953	30 188
Omklassificeringar	-26 812	-22 190
Investeringar	66 497	28 955
Redovisat värde vid årets slut	76 638	36 953

Not 19 Andelar i koncernföretag

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	406 796	357 662
Omklassificeringar	–	49 134
Vid årets slut	406 796	406 796
Redovisat värde vid årets slut	406 796	406 796

			2021-12-31	*2020-12-31*
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				
HLW 389 Ltd, England	1 500	100,0	22 135	22 135
KTS Wire Ltd, England				
Suzuki Garphyttan S.A. de C.V.	99 000 000	100,0	141 470	141 448
Suzuki Garphyttan Services S.A. de C.V.	49 500	99,0		22

Not 20 Finansiella instrument och riskhantering

Derivat och finansiell riskhantering

	2021-12-31		*2020-12-31*	
Tillgångar	*Redovisat värde*	*Verkligt värde*	*Redovisat värde*	*Verkligt värde*
Derivat för vilka säkringsredovisning tillämpas				
Valutaterminer	–	1 535	–	1 093

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 2021-12-31 var 1,5 mkr (1,1 mkr).

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Not 21 Uppskjuten skatt

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

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

	Redovisat värde	*2020-12-31 Skattemässigt värde*	*Temporär skillnad*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	38 679	44 722	-6 043
Lager	169 702	186 759	-17 057
Avsättning Kapitalförsäkring inkl löneskatt	-4 627	–	-4 627
Pensioner	-7 017	–	-7 017
Uppskjuten skatt underskott		8 451	-8 451
	196 737	239 932	-43 195

	Uppskjuten skattefordran	*2020-12-31 Uppskjuten skatteskuld*	*Netto*
Väsentliga temporära skillnader			
Byggnader och markanläggningar	1 245	–	1 245
Lager	3 513	–	3 513
Avsättning Kapitalförsäkring	953	–	953
Pensioner	1 445	–	1 445
Skattemässigt underskottsavdrag	1 741	–	1 741
Uppskjuten skattefordran	8 897	–	8 897

Not 22 Andra långfristiga fordringar

	2021-12-31	*2020-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	3 537	2 668
Tillkommande fordringar	921	869
Redovisat värde vid årets slut	4 458	3 537

Not 23 Förutbetalda kostnader och upplupna intäkter

	2021-12-31	*2020-12-31*
Förutbetalda försäkringar	1 229	550
Övriga poster	12 083	6 762
	13 312	7 312

Not 24 Ackumulerade överavskrivningar

	2021-12-31	2020-12-31
Maskiner och andra tekniska anläggningar	127 450	123 450

Not 25 Periodiseringsfonder

	2021-12-31	2020-12-31
Avsatt räkenskapsår 2015	–	23 790
Avsatt räkenskapsår 2016	26 900	26 900
Avsatt räkenskapsår 2017	29 700	29 700
Avsatt räkenskapsår 2018	25 770	25 770
Avsatt räkenskapsår 2019	5 900	5 900
Avsatt räkenskapsår 2021	39 900	–
	128 170	112 060

Not 26 Avsättningar för pensioner och liknande förpliktelser

	2021	2020
Avsättning pension PRI	39 939	56 004
Avsättning direkt pension	4 458	3 537
	44 397	59 541

Not 27 Långfristiga skulder

	2021-12-31	2020-12-31
Skulder som förfaller senare än ett år från balansdagen		
Övriga skulder till kreditinstitut	179 485	179 372
Skulder som förfaller senare än fem år från balansdagen	–	–

	2021-12-31	2020-12-31
Ställda säkerheter för övriga skulder		
Fastighetsinteckningar	15 000	15 000
Företagsinteckningar	131 000	131 000
	146 000	146 000

Not 28 Checkräkningskredit

	2021-12-31	2020-12-31
Beviljad kreditlimit	125 000	125 000
Outnyttjad del	-68 529	-70 763
Utnyttjat kreditbelopp	56 471	54 237

Not 29 Upplupna kostnader och förutbetalda intäkter

	2021-12-31	2020-12-31
Personalrelaterade kostnader	67 599	67 868
Kundbonus	32 276	13 655
Garantier	11 187	8 157
Övriga poster	44 804	27 990
	155 866	117 670

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Not 30 Likvida medel

	2021-12-31	2020-12-31
Följande delkomponenter ingår i likvida medel:		
Banktillgodohavanden	118 268	92 941
	118 268	92 941

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

	2021	2020
Följande delkomponenter ingår i justering som ej ingår i kassaflödet:		
Avskrivningar enligt plan	35 151	38 797
Rearesultat försäljning av anläggningstillgångar	–	208
Förändring avsatta pensioner	-15 143	2 239
	20 008	41 244

Not 32 Vinstdisposition

Förslag till disposition av företaget vinst eller förlust
Styrelsen föreslår att fritt eget kapital, kronor 539 614 077 disponeras enligt följande:

Utdelning 150 000 x 560 kr/aktie		84 000 000
Balanseras i ny räkning		455 614 077
	Summa	539 614 077

Not 33 Aktier kvotvärde

	2021-12-31	2020-12-31
Aktiekapital 150 000 aktier *(kvotvärde 100 kr/aktie)*	15 000	15 000

Not 34 Ställda säkerheter och eventualförpliktelser

	2021-12-31	2020-12-31
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	1 120	1 032
	1 120	1 032

Not 35 Väsentliga händelser efter räkenskapsårets utgång

Efterfrågan har ännu inte påverkats negativt i väsentlig mening pga krig i Ukraina och nedstängningar i Kina. Under april månad har ett nytt affärssystem tagits i drift. Under den månaden var produktion och skeppning kraftigt reducerat.

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 fakturerade försäljning mätt i kronor avser 28% (25%) av försäljningen bolag inom Suzukikoncernen. Inköp från koncernbolag förekomer endast undantagsvis.
Internvinster på transaktioner i koncernen beräknas till 7 466 tkr (2 900 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 20 juni **2022**

Kimitoshi Yonezawa
Styrelsens ordförande

Ad Raatgeep
Verkställande direktör

Tatsuro Ochi

Tatsuro Ochi

Vår revisionsberättelse har lämnats 2022-06-29

Magnus Gustafsson
KPMG AB

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KPMG

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 2021.

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 2021 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

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

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

Styrelsens och verkställande direktörens ansvar

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

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

Revisorns ansvar

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

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

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

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

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Suzuki Garphyttan AB för år 2021 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 29 juni 2022

KPMG AB

Magnus Gustafsson
Auktoriserad revisor

20220713256l6

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 2021 på sidorna 1-23 och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Vår granskning har skett enligt FAR:s rekommendation RevR 12 *Revisorns 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 29 juni 2022

KPMG AB

Magnus Gustafsson
Auktoriserad revisor

Bolagsverket
2022 -07- 13

20220715140 75

NIPPON STEEL CORPORATION

Notice of the 98th General Meeting of Shareholders

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

June 3, 2022

Dear Shareholders:

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

Notice of the 98th General Meeting of Shareholders

We are pleased to inform you of the 98th General Meeting of Shareholders which will be held at **10 a.m., Thursday, June 23, 2022**, at the **banquet room TSURU (Banquet Floor (1st Floor), the Main Building), Hotel New Otani Tokyo, 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan**, the agenda of which is set forth below.

From the perspective of preventing the spread of COVID-19, we urge you that you exercise your voting rights in advance by one of the following methods, and refrain from attending the meeting.

In addition, depending on, among others, the situation regarding the spread of COVID-19 and requests from the government and prefectural governors, we may change the venue and other details of this General Meeting of Shareholders in view of ensuring the health and safety of shareholders. Please check the information posted on the Company's website as described on page 3 in advance.

(Voting by mail)
Please indicate your choices on the enclosed Voting Rights Exercise Form and return it so that it will arrive at the Company by 5 p.m., Wednesday, June 22, 2022 (Tokyo time).

(Voting via the Internet)
Please read the "Exercise of Voting Rights via the Internet" on page 27 and cast your vote by 5 p.m., Wednesday, June 22, 2022 (Tokyo time). Meanwhile, institutional investors can use the Internet voting rights exercise platform operated by ICJ, Inc.

In exercising your voting rights either by returning the Voting Rights Exercise Form by mail or via the Internet, please read the "Reference Documents for Exercising Voting Rights" as explained below. When votes are registered by both methods, the vote registered via the Internet will be treated as the vote of record.

20220715140 76

AGENDA

Matters to be reported to the shareholders:

Report on operations for the 97th term (from April 1, 2021 to March 31, 2022), consolidated financial statements and non-consolidated financial statements, and reports of accounting auditors and the Audit & Supervisory Committee on consolidated financial statements for the 97th term.

Matters for approval by the shareholders:

Item 1: Appropriation of Surplus for the 97th Term (from April 1, 2021 to March 31, 2022)
Item 2: Partial Amendments to the Articles of Incorporation
Item 3: Election of Nine (9) Directors (Excluding Directors who are Audit & Supervisory Committee Members)
Item 4: Election of Five (5) Directors who are Audit & Supervisory Committee Members

1. Doors will open at 9 a.m.
2. Attendees are requested to submit the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting. When the voting rights are exercised by a proxy, the said proxy is requested to submit the Voting Rights Exercise Form of the principal at the reception desk, together with a power of attorney in this matter. Meanwhile, please note that a proxy must be another shareholder entitled to exercise voting rights.
3. If revisions are made to the "Reference Documents for Exercising Voting Rights", the report on operations or consolidated and non-consolidated financial statements, such changes will be indicated on the Company website (https://www.nipponsteel.com/en/ir/individual/meeting.html).

Measures in response to the spread of COVID-19

In holding the General Meeting of Shareholders, the Company gives the highest priority to the health and safety of its shareholders, and would like to request from you the following, with a view to preventing the spread of COVID-19, and ask your understanding and cooperation on this matter again.

<Requests>

- **The Company urges you to consider exercising your voting rights in advance and refraining from attending this year's meeting.**
- Also, the Company asks that those who return from overseas and have not yet completed the prescribed waiting period at home or elsewhere.in Japan prior to the meeting not attend this year's meeting.
- In exercising your voting rights in advance, the Company kindly asks you to exercise them via the Internet if possible. (Please see page 27 for how to exercise your voting rights via the Internet.)

<Correspondence at the venue for the General Meeting of Shareholders>

- The number of shareholder seats will be limited, as shareholder seats will be spaced far apart. Therefore, the Company may refuse admission of shareholders even if you come to the venue.
- Additionally, the Company may refuse admission of shareholders such as those who fall into the following categories, with a view to preventing the spread of COVID-19:
  1. Those who do not bring and wear masks;
  2. Those who have a fever (the Company will take your temperature near the entrance of the venue), cough or other symptoms, or are suspected to have an infectious disease such as COVID-19; or
  3. Those who do not cooperate with hand disinfection (alcohol sanitizer will be provided at the entrance of the venue).
- With a view to preventing the spread of COVID-19, the Company plans to hold the proceedings of the General Meeting of Shareholders in a shorter time.
- Cafe services and exhibition booths will be canceled.

Depending on the situation regarding the spread of COVID-19 and requests from the government and prefectural governors, we may change the venue and other details of this General Meeting of Shareholders in view of ensuring the health and safety of shareholders. Please check the information posted on the Company's website below in advance.

The summary of the proceedings, questions and answers, part of the footage of the meeting will be posted on the Company's website below as soon as it is ready, on or after the day following the General Meeting of Shareholders.

https://www.nipponsteel.com/en/ir/individual/meeting.html

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Reference Documents for Exercising Voting Rights

Item 1 Appropriation of Surplus for the 97th Term (from April 1, 2021 to March 31, 2022)

The Board of Directors proposes that the term-end dividend for the 97th term will be paid according to the "Surplus Distribution Policy" described on page 45 as follows:

(1) Kind of Dividend
Cash

(2) Dividend Payment and Total Payment
90 yen per share Total payment: 82,975,553,280 yen

(3) Effective Date of Dividend
Friday, June 24, 2022

(Reference)
For more information on dividends per share and dividend payout ratio on a consolidated basis for the 97th Term as well as those trends, see page 37.

Item 2 Partial Amendments to the Articles of Incorporation

(1) Reasons for the proposal

I. In accordance with the amended provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022, which introduce the system for providing General Meeting of Shareholders materials in electronic format, the Company proposes to amend the Articles of Incorporation as follows.

(i) Creation of provisions to stipulate that the Company shall take measures for providing information that constitutes the content of Reference Documents for Exercising Voting Rights, etc. in electronic format. (Article 15, Paragraph 1 of the proposed amendments).

(ii) Creation of provisions regarding matters to be provided in paper-based documents to be delivered to shareholders who request the delivery of materials in paper-based format (Article 15, Paragraph 2 of the proposed amendments).

(iii) Deletion of provisions regarding the Internet disclosure of Reference Documents for Exercising Voting Rights, etc. (Article 15 of the current Articles of Incorporation).

(iv) Creation of supplementary provisions regarding the effective date, etc. for creating or deleting each of the provisions above (Article 2 of the Supplementary Provisions of the proposed amendments).

II. Partial amendments will be made to the Articles of Incorporation to allow shareholders to make a prior notice to the Company by electronic means when they exercise their voting rights not in a uniform manner at the General Meeting of Shareholders (Article 14, Paragraph 2 of the proposed amendments).

(2) Details of amendments

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

Current Articles of Incorporation	Proposed Amendments
Article 14 (Omitted)	Article 14 (No change)
2. Any shareholder holding two or more voting rights who does not intend to exercise his or her voting rights in a uniform manner shall notify the Company in writing of such intention and the reason therefor at least three (3) days prior to the general meeting of shareholders.	2. Any shareholder holding two or more voting rights who does not intend to exercise his or her voting rights in a uniform manner shall notify the Company in writing <u>or electronically</u> of such intention and the reason therefor at least three (3) days prior to the general meeting of shareholders.
(New)	<u>Article 15 The Company shall, in convening a general meeting of shareholders, provide its shareholders with information that constitutes the content of Reference Documents for Exercising Voting Rights, etc. in electronic format.</u>
	<u>2. Among matters to be provided in electronic format, the Company may choose not to include all or part of those matters prescribed in the Ministry of Justice Order in paper-based format to be sent to shareholders who have requested the delivery of materials in paper-based format by the record date for voting rights.</u>

Article 15 The Company may, in convening a general meeting of shareholders, provide its shareholders with information required to be included or indicated in the reference materials for the general meeting of shareholders, , the business report, the financial statements and consolidated financial statements by making such information available to shareholders electronically on the Internet in accordance with laws and regulations.	(Deleted)
Supplementary Provisions	Supplementary Provisions
(New)	Article 2 The amendment to Article 15 of the Articles of Incorporation pursuant to the resolution of the 98th General Meeting of Shareholders shall take effect on September 1, 2022 (hereinafter the"Effective Date"), the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019). 2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the Articles of Incorporation prior to the amendment by the resolution set forth in the preceding paragraph shall remain in force with respect to the general meeting of shareholders to be held on a date within six (6) months from the Effective Date. 3. Article 2 of the Supplementary Provisions shall be deleted after the lapse of six (6) months from the Effective Date or the lapse of three (3) months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.

Item 3 Election of Nine (9) Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The term of office of all eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members) ends at the conclusion of the 98th General Meeting of Shareholders. The Board of Directors proposes that nine (9) Directors (excluding Directors who are Audit & Supervisory Committee Members) be elected. The candidates are set forth below. Mr. Tetsuro Tomita and Ms. Kuniko Urano are candidates for Outside Directors.

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

	Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned
1	Kosei Shindo (September 14, 1949)	April 1973:	Joined Nippon Steel Corporation (NSC)	47,434
		June 2005:	Director (Member of the Board) and General Manager, Corporate Planning Division of NSC	
		June 2006:	Director (under the Executive Management System) and General Manager, Corporate Planning Division of NSC	
		April 2007:	Director (under the Executive Management System) and General Manager, General Administration Division of NSC	
		April 2009:	Executive Vice President (under the Executive Management System) of NSC	
		June 2009:	Representative Director and Executive Vice President of NSC	
		October 2012:	Representative Director and Executive Vice President of the Company	
		April 2014:	Representative Director and President of the Company	
		Assumed current position as Representative Director and Chairman of the Company in April 2019		

20220715140 79

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
2	Eiji Hashimoto (December 7, 1955)	April 1979:	Joined NSC	34,622
		April 2009:	Director (under the Executive Management System), Director, Plate Division and Director, Structurals Division of NSC	
		April 2011:	Director (under the Executive Management System) of NSC	
		October 2012:	Executive Officer of the Company	
		April 2013:	Managing Executive Officer of the Company	
		July 2015:	Managing Executive Officer, Vice Head of Global Business Development and Project Leader, Usiminas Project, Global Business Development Sector of the Company	
		April 2016:	Executive Vice President and Head of Global Business Development of the Company	
		June 2016:	Representative Director, Executive Vice President and Head of Global Business Development of the Company	
		Assumed current position as Representative Director and President of the Company in April 2019		
		(Material concurrent position) Vice Chair, KEIDANREN (Japan Business Federation) Vice Chairman, The Japan Iron and Steel Federation		

<table>
<tr><th colspan="2">Name (date of birth)</th><th colspan="2">Brief personal history (with material concurrent positions)</th><th>Number of shares of the Company owned</th></tr>
<tr><td>3</td><td>Akio Migita
(October 19, 1961)</td><td>April 1984:</td><td>Joined NSC</td><td rowspan="6">15,788</td></tr>
<tr><td rowspan="5"></td><td rowspan="5"></td><td>April 2017:</td><td>Managing Executive Officer and Head of Division, Human Resources Division of the Company</td></tr>
<tr><td>April 2019:</td><td>Executive Vice President of the Company</td></tr>
<tr><td>June 2019:</td><td>Representative Director and Executive Vice President of the Company</td></tr>
<tr><td>April 2021:</td><td>Representative Director and Executive Vice President, and Project Leader, Zero-Carbon Steel Project of the Company</td></tr>
<tr><td colspan="2">Assumed current position as Representative Director and Executive Vice President, and Head of Green Transformation Development of the Company in April 2022</td></tr>
<tr><td colspan="4">(Responsibilities)
Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization; Head of Green Transformation Development</td></tr>
<tr><td colspan="4">(Material concurrent position)
Representative Director, Nippon Steel Arts Foundation</td></tr>
</table>

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	Naoki Sato (March 23, 1961)	April 1983:	Joined NSC	9,249
		April 2017:	Managing Executive Officer and Head of Works, Yawata Works of the Company	
		April 2018:	Managing Executive Officer and Head of Works, Kashima Works of the Company	
		April 2020:	Executive Vice President and Head of Works, East Nippon Works of the Company	
		April 2021:	Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		June 2021:	Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, and Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company	
		Assumed current position as Representative Director and Executive Vice President, Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in April 2022		
		(Responsibilities) Intellectual Property; Safety; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling; Research and Development Project Leader, Next-Generation Hot Strip Mill Project, Project Leader, Ironmaking Operations Project, Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector Cooperating with Executive Vice President A. Migita on Environment and Green Transformation Development		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
5	Takahiro Mori (October 3, 1957)	April 1983:	Joined NSC	7,524
		April 2014:	Executive Officer, Vice Head of Unit, Flat Products Unit of the Company	
		June 2016:	Vice President of Usiminas Siderúrgicas de Minas Gerais S.A.-USIMINAS	
		April 2020:	Managing Executive Officer, Head of Unit, Plate Unit, Head of Unit, Pipe & Tube Unit, Project Leader, VSB Project, Global Business Development Sector of the Company	
		April 2021:	Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector	
		Assumed current position as Representative Director and Executive Vice President, Head of Global Business Development, and Project Leader, India Iron and Steel Project, Global Business Development Sector of the Company in June 2021		
		(Responsibilities) Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including Corporate Entities); special missions related to overseas steel pipe business		
		(Material concurrent position) Vice Chairman, WISCO-NIPPON STEEL Tinplate Co., Ltd.		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
6	[New Candidate] Takashi Hirose (April 19, 1962)	April 1986:	Joined NSC	1,058
		April 2016:	Executive Officer, Director, Marketing Administration & Planning Division of the Company	
		April 2018:	Executive Officer, Director, Plate Division of the Company	
		April 2019:	Managing Executive Officer, Head of Unit, Plate Unit, Vice Head of Unit, Flat Products Unit of the Company	
		April 2020:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector of the Company	
		April 2021:	Managing Executive Officer, Head of Unit, Flat Products Unit, Project Leader, Shanghai-Baoshan Cold-rolled & Coated Sheet Products Project, Global Business Development Sector and Deputy Project Leader, Next-Generation Hot Strip Mill Project	
		Assumed current position as Executive Vice President, Head of Unit, Flat Products Unit, Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company in April 2022		
		(Responsibilities) Marketing Administration & Planning; Transportation & Logistics; Project Development; Raw Materials; Machinery & Materials Procurement; Steel Products Units; Domestic Office and Branches Head of Unit, Flat Products Unit; Deputy Project Leader, Next-Generation Hot Strip Mill Project Cooperating with Executive Vice President T. Mori on Overseas Offices (including locally incorporated companies)		
		(Material concurrent position) Chairman, Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. Chairman, The Japan Ferrous Raw Materials Association		

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
7	Tadashi Imai (May 22, 1963)	April 1988:	Joined NSC	8,463
		April 2016:	Executive Officer and Head of Works, Nagoya Works of the Company	
		April 2019:	Managing Executive Officer of the Company	
		June 2020:	Managing Director, Member of the Board of the Company	
		April 2021:	Managing Director, Member of the Board and Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		February 2022:	Managing Director, Member of the Board and Project Leader, Thailand Iron and Steel Project, Global Business Development Sector; Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company	
		Assumed current position as Managing Director, Member of the Board and Project Leader, Thailand Iron and Steel Project, Global Business Development Sector; Vice Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project of the Company in April 2022		
		(Responsibilities) Corporate Planning Project Leader, Thailand Iron and Steel Project, Global Business Development Sector; Vice Head of Green Transformation Development; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering Assistance to Executive Vice President A. Migita on Digital Innovation Rendering Assistance to Executive Vice President N. Sato on Ironmaking Operations Project Cooperating with Executive Vice President K. Fukuda on Corporate Planning for R & D		

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Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
8	[Outside Director] [Independent Director] Tetsuro Tomita (October 10, 1951) Status of attendance at the Board of Directors (Fiscal Year 2021): 100% (13 out of 13 meetings)	April 1974:	Joined Japanese National Railways	2,015
		April 1987:	Joined East Japan Railway Company	
		June 2000:	Director and General Manager of Management Administration Department, Corporate Planning Headquarters of East Japan Railway Company	
		June 2003:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
		July 2004:	Executive Director and Deputy Director General of Corporate Planning Headquarters, General Manager of IT Business Department, Corporate Planning Headquarters of East Japan Railway Company	
		June 2005:	Executive Director and Deputy Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 2008:	Executive Vice President and Representative Director, and Director General of Life-Style Business Development Headquarters of East Japan Railway Company	
		June 2009:	Executive Vice President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company	
		April 2012:	President and Representative Director, and Director General of Corporate Planning Headquarters of East Japan Railway Company	
		June 2012:	President and Representative Director of East Japan Railway Company	
		Assumed current position as Chairman and Director of East Japan Railway Company in April 2018 Assumed current position as Outside Director of the Company in June 2020		
		(Material concurrent position) Outside Director, Nippon Life Insurance Company		
		- Reasons for the election as Outside Director Candidate and outline of expected roles The Board of Directors has proposed the re-election of Mr. Tetsuro Tomita as an Outside Director because it believes that he is well-qualified for the position by reason of the deep insight and ample experience in corporate management, as well as his appropriate actions and remarks as an Outside Director of the Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020.		

		Mr. Tetsuro Tomita is expected to contribute to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors, based on his deep insight and ample experience.	

(Notes) 1) Mr. Tetsuro Tomita currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for two (2) years as of the conclusion of this General Meeting of Shareholders.

2) The Company has already filed Mr. Tetsuro Tomita as a candidate for an "independent director" with each financial exchange in Japan where it is listed.

3) Mr. Tetsuro Tomita is not engaged in the execution of business of East Japan Railway Company, which has a business relationship with the Company for transactions of steel and other products/services. Since the amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

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

(Notes) 1) The Company has already filed Ms. Kuniko Urano as a candidate for an "independent director" with each financial exchange in Japan where it is listed.

2) Until March 2021, Ms. Urano was an executive officer at Komatsu Ltd., which has a business relationship with the Company for transactions of steel and other products/services. However, she is currently a non-executive officer of Komatsu Ltd. Since the amount of transactions with the said company account for less than 1% of the consolidated revenue of the Company, the said company is not a specified associated service provider of the Company.

(Liability Limitation Agreements)

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

Upon approval of Item 3 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with Ms. Kuniko Urano.

(Indemnity Agreements)

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

Upon approval of Item 3 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with each of Mr. Takashi Hirose and Ms. Kuniko Urano.

(Directors and Officers Liability Insurance Contract)

The Company has concluded a directors and officers liability insurance contract with the insurance company with persons including directors, audit & supervisory board members, executive officers, and important employees, of the Company, its subsidiaries, and other related entities as the insured. Under the contract, the insurance company will cover, among others, legal compensation for damages and litigation costs to be incurred by the insured as a result of claims for damages arising from acts (including inaction) of the insured pursuant to their positions. Upon approval of Item 3 as proposed herein and assumption of office as Director of the Company (excluding Directors who are Audit & Supervisory Committee Members), the candidates will be insured under the insurance.

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

[Opinion of the Audit & Supervisory Committee]

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

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

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Item 4 Election of Five (5) Directors who are Audit & Supervisory Committee Members

The term of office of all seven (7) Directors who are Audit & Supervisory Committee Members ends at the conclusion of the 98th General Meeting of Shareholders. The Board of Directors proposes that five (5) Directors who are Audit & Supervisory Committee Members be elected. The candidates are set forth below.

The submission of this proposal has been consented to by each member of the Directors who are Audit & Supervisory Committee Members. Mr. Seiichiro Azuma, Mr. Hiroshi Yoshikawa and Mr. Masato Kitera are candidates for Outside Directors.

Candidates for Directors who are Audit & Supervisory Committee Members

	Name (date of birth)	Brief personal history (with material concurrent positions)		Number of shares of the Company owned
1	Shozo Furumoto (January 19, 1961)	April 1985:	Joined NSC	10,188
		April 2016:	Executive Officer and Head of Division, Legal Division of the Company	
		April 2019:	Managing Executive Officer of the Company	
		April 2020:	Executive Officer and Advisor to the President of the Company	
		Assumed current position as Director, Senior Audit & Supervisory Committee Member (full-time) of the Company in June 2020		
2	[New Candidate] Masayoshi Murase (November 20, 1960)	April 1984:	Joined NSC	2,000
		April 2016:	Executive Counsellor, General Manager, Head of Division, Internal Control & Audit Division of the Company	
		April 2021:	Executive Officer, Head of Division, Internal Control & Audit Division of the Company	
		Assumed current position as Executive Officer, Advisor to the President of the Company in April 2022		

<table>
<tr><th colspan="2">Name (date of birth)</th><th colspan="2">Brief personal history (with material concurrent positions)</th><th>Number of shares of the Company owned</th></tr>
<tr><td>3</td><td>[Outside Director]

[Independent Director]

Seiichiro Azuma
(July 23, 1951)

Status of attendance at the Board of Directors (Fiscal Year 2021): 100% (13 out of 13 meetings)

Status of attendance at the Audit & Supervisory Committee (Fiscal Year 2021): 100% (18 out of 18 meetings)</td><td>December 1975:</td><td>Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)</td><td rowspan="11">7,928</td></tr>
<tr><td></td><td></td><td>July 1991:</td><td>Partner of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)</td></tr>
<tr><td></td><td></td><td>June 2007:</td><td>Partner and Member of Management Council and General Manager, Kansai Block of Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)</td></tr>
<tr><td></td><td></td><td>June 2009:</td><td>Partner and Member of Management Council and General Manager, Kansai Block of Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td></td><td></td><td>November 2013:</td><td>Partner and Chairman of Management Council of Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td></td><td></td><td>November 2015:</td><td>Partner of Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td></td><td></td><td>June 2016:</td><td>Retired from Deloitte Touche Tohmatsu LLC</td></tr>
<tr><td></td><td></td><td>June 2016:</td><td>Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company</td></tr>
<tr><td></td><td></td><td>July 2016:</td><td>Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office</td></tr>
<tr><td></td><td></td><td colspan="2">Assumed current position as Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office in July 2016
Assumed current position as Director who is an Audit & Supervisory Committee Member (Outside Director) in June 2020</td></tr>
<tr><td></td><td></td><td colspan="2">- Reasons for the election as Outside Director who is an Audit & Supervisory Committee Member Candidate and outline of expected roles
The Board of Directors has proposed the re-election of Mr. Seiichiro Azuma as an Outside Director who is an Audit & Supervisory Committee Member because it believes that he is well-qualified for the position by reason of his appropriate actions and remarks as an Outside Audit & Supervisory Board Member of the Company since his appointment at the 92nd General Meeting of Shareholders held on June 24, 2016, and as an Outside Director who is an Audit & Supervisory Committee Member of the Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020, and by reason of his deep insight and ample experience as a certified public accountant possessing deep familiarity with corporate accounting, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director/auditor.</td></tr>
</table>

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		Mr. Seiichiro Azuma is expected to contribute to, among others, surveys related to operation and status of assets, in addition to decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors and the Audit & Supervisory Committee, based on his deep insight and ample experience.	

(Notes) 1) Mr. Seiichiro Azuma will have served as an Outside Director who is an Audit & Supervisory Committee Member of the Company for two (2) years as of the conclusion of this General Meeting of Shareholders.

2) The Company has already filed Mr. Seiichiro Azuma as a candidate for an "independent director" with each financial exchange in Japan where it is listed.

Name (date of birth)		Brief personal history (with material concurrent positions)		Number of shares of the Company owned
4	[Outside Director] [Independent Director] Hiroshi Yoshikawa (June 30, 1951) Status of attendance at the Board of Directors (Fiscal Year 2021): 100% (13 out of 13 meetings) Status of attendance at the Audit & Supervisory Committee (Fiscal Year 2021): 100% (18 out of 18 meetings)	February 1993:	Professor of Faculty of Economics, The University of Tokyo	0
		April 1996:	Professor of Graduate School of Economics, The University of Tokyo	
		October 2009:	Dean of Graduate School of Economics, The University of Tokyo	
		October 2011:	Professor of Graduate School of Economics, The University of Tokyo	
		April 2016:	Professor of Faculty of Economics, Rissho University	
		June 2016:	Professor Emeritus of The University of Tokyo	
		April 2019:	President of Rissho University	
		June 2019:	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company	
		March 2022:	Retired from the President of Rissho University	
		Assumed current position as Director who is an Audit & Supervisory Committee Member (Outside Director) of the Company		
		- Reasons for the election as Outside Director who is an Audit & Supervisory Committee Member Candidate and outline of expected roles The Board of Directors has proposed the re-election of Mr. Hiroshi Yoshikawa as an Outside Director who is an Audit & Supervisory Committee Member because it believes that he is well-qualified for the position by reason of his appropriate actions and remarks as an Outside Audit & Supervisory Board Member of the Company since his appointment at the 95th General Meeting of Shareholders held on June 25, 2019, and as an Outside Director who is an Audit & Supervisory Committee Member of the Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020, and by reason of the deep insight he accumulated as a university professor and his ample experience as President of Rissho University and Dean of the Graduate School of Economics of The University of Tokyo, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director/auditor. Mr. Hiroshi Yoshikawa is expected to contribute to, among others, surveys related to operation and status of assets, in addition to decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors and the Audit & Supervisory	

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		Committee, based on his deep insight and ample experience.	

(Notes) 1) Mr. Hiroshi Yoshikawa will have served as an Outside Director who is an Audit & Supervisory Committee Member of the Company for two (2) years as of the conclusion of this General Meeting of Shareholders.

2) The Company has already filed Mr. Hiroshi Yoshikawa as a candidate for an "independent director" with each financial exchange in Japan where it is listed.

3) Although Mr. Hiroshi Yoshikawa engaged in the execution of business of The University of Tokyo until March 2016, to which the Company makes donations, he currently does not engage in the execution of business of the university. Furthermore, the university is not a specified associated service provider of the Company. The Company donates twenty seven million (27,000,000) yen annually for a corporate sponsored research program in the School of Engineering at The University of Tokyo.

<table>
<tr><th colspan="2">Name (date of birth)</th><th colspan="2">Brief personal history (with material concurrent positions)</th><th>Number of shares of the Company owned</th></tr>
<tr><td>5</td><td>[Outside Director]

[Independent Director]

Masato Kitera
(October 10, 1952)

Status of attendance at the Board of Directors (Fiscal Year 2021):
100% (13 out of 13 meetings)</td><td>April 1976:</td><td>Joined Ministry of Foreign Affairs of Japan</td><td rowspan="11">1,000</td></tr>
<tr><td></td><td></td><td>January 2008:</td><td>Director-General for African Affairs, Ministry of Foreign Affairs of Japan</td></tr>
<tr><td></td><td></td><td>July 2008:</td><td>Director-General, International Cooperation Bureau, Ministry of Foreign Affairs of Japan</td></tr>
<tr><td></td><td></td><td>January 2010:</td><td>Deputy Minister, Ministry of Foreign Affairs of Japan</td></tr>
<tr><td></td><td></td><td>September 2012:</td><td>Assistant Chief Cabinet Secretary</td></tr>
<tr><td></td><td></td><td>November 2012:</td><td>Ambassador of Japan to the People's Republic of China</td></tr>
<tr><td></td><td></td><td>April 2016:</td><td>Ambassador of Japan to the French Republic</td></tr>
<tr><td></td><td></td><td>December 2019:</td><td>Retired from Ambassador of Japan to the French Republic</td></tr>
<tr><td></td><td></td><td colspan="2">Assumed current position as Outside Director of the Company in June 2020</td></tr>
<tr><td></td><td></td><td colspan="2">(Material concurrent position)
Outside Director, Marubeni Corporation
Outside Director, Japan Tobacco Inc.</td></tr>
<tr><td></td><td></td><td colspan="2">- Reasons for the election as Outside Director who is an Audit & Supervisory Committee Member Candidate and outline of expected roles
The Board of Directors has proposed the election of Mr. Masato Kitera as an Outside Director who is an Audit & Supervisory Committee Member because it believes that he is well-qualified for the position by reason of the deep insight regarding international affairs, economy, culture, etc., cultivated in the Ministry of Foreign Affairs as well as ample experience earned as Ambassador Extraordinary and Plenipotentiary and other important positions, as well as his appropriate actions and remarks as an Outside Director of the Company since his appointment at the 96th General Meeting of Shareholders held on June 24, 2020, notwithstanding the fact that he does not have experience participating in corporate management other than serving as an outside director/auditor.
Mr. Masato Kitera is expected to contribute to, among others, surveys related to operation and status of assets, in addition to decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors, by actions such as expressing his opinions and exercising his voting rights from an independent standpoint in such opportunities as meetings of the Board of Directors and the Audit & Supervisory Committee, based on his deep insight and ample experience.</td></tr>
</table>

(Notes) 1) Mr. Masato Kitera currently serves as an Outside Director of the Company, and will have served as an Outside Director of the Company for two (2) years as of the conclusion of this General Meeting of Shareholders.

2) The Company has already filed Mr. Masato Kitera as a candidate for an "independent director" with each financial exchange in Japan where it is listed.

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(Liability Limitation Agreements)

The Company has concluded an agreement with Mr. Shozo Furumoto, Mr. Seiichiro Azuma, Mr. Hiroshi Yoshikawa, and Mr. Masato Kitera limiting their liability under Article 423, Paragraph 1 of the Companies Act to 20 million yen or the amount stipulated under Article 425, Paragraph 1 of the Companies Act, whichever is greater, as long as they act unknowingly and are not grossly negligent in performing their duties. Upon approval of Item 4 as proposed herein, the agreements will continue to be in effect with Mr. Shozo Furumoto, Mr. Seiichiro Azuma, and Mr. Hiroshi Yoshikawa, and an agreement with the same terms and conditions as those of the above will be concluded with Masato Kitera.

Upon approval of Item 4 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with Mr. Masayoshi Murase.

(Indemnity Agreements)

The Company has concluded an agreement with each of Mr. Shozo Furumoto, Mr. Seiichiro Azuma, Mr. Hiroshi Yoshikawa, and Mr. Masato Kitera that the Company indemnifies each of them for the costs stipulated in Article 430-2, Paragraph 1, Item (i) of the Companies Act and the losses stipulated in Item (ii) of the same Paragraph to the extent stipulated by laws and regulations. Upon approval of Item 4 as proposed herein, the agreements will continue to be in effect with each individual.

Upon approval of Item 4 as proposed herein, the Company intends to conclude an agreement with the same terms and conditions as those of the above with Mr. Masayoshi Murase.

(Directors and Officers Liability Insurance Contract)

The Company has concluded a directors and officers liability insurance contract with the insurance company with persons including directors, audit & supervisory board members, executive officers, and important employees, of the Company, its subsidiaries, and other related entities as the insured. Under the contract, the insurance company will cover, among others, legal compensation for damages and litigation costs to be incurred by the insured as a result of claims for damages arising from acts (including inaction) of the insured pursuant to their positions. Upon approval of Item 4 as proposed herein and assumption of office as Directors who are Audit & Supervisory Committee Members of the Company, the candidates will be insured under the insurance.

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

(For reference) Composition of the Board of Directors and Skills Matrix of Directors
If Items 3 and 4 are approved as proposed herein, the Directors of the Company after this Ordinary General Meeting of Shareholders will be as indicated in the table below. Outside Directors will continue to account for more than one-third (5 out of 14) of all members of the Company's Board of Directors.
The Company believes that its Board of Directors, as a whole, must have the necessary skills and experience based on the Company's Group corporate philosophy and medium- to long-term management plan, etc. The main skills and experience possessed by each candidate for Director are as shown in the table below.

	Name		Position (Planned)	Skill / Experience								
				Corporate Planning / Business strategy	Finance / Accounting, monetary / Economy	Personnel / Labor affairs / HR Development	Governance / Risk Management / Legal / Compliance	Technology / R&D	Sales / Purchas / Marketing	Global	Environment / Sustainability	Public Administration / Public Policy
Directors (Excluding Directors who are Audit & Supervisory Committee Members)	Kosei Shindo		Representative Director and Chairman	✓		✓	✓				✓	✓
	Eiji Hashimoto		Representative Director and President	✓			✓		✓	✓	✓	
	Akio Migita		Representative Director and Executive Vice President	✓		✓	✓				✓	
	Naoki Sato		Representative Director and Executive Vice President				✓	✓			✓	
	Takahiro Mori		Representative Director and Executive Vice President	✓	✓				✓	✓		
	Takashi Hirose	New	Representative Director and Executive Vice President	✓					✓	✓		
	Tadashi Imai		Managing Director	✓			✓	✓			✓	
	Tetsuro Tomita	Outside Independent	Director	✓		✓	✓			✓		
	Kuniko Urano	New Outside Independent	Director			✓	✓				✓	
Directors who are Audit & Supervisory Committee Members	Shozo Furumoto		Senior Audit & Supervisory Committee Member (full-time)				✓			✓		✓
	Masayoshi Murase	New	Audit & Supervisory Committee Member (full-time)		✓	✓	✓					
	Seiichiro Azuma	Outside Independent	Audit & Supervisory Committee Member		✓		✓			✓		
	Hiroshi Yoshikawa	Outside Independent	Audit & Supervisory Committee Member		✓		✓			✓		✓
	Masato Kitera	Outside Independent	Audit & Supervisory Committee Member			✓	✓			✓		✓

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

Exercise of Voting Rights via the Internet

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

Deadline for exercising voting rights via the Internet: 5 p.m. Wednesday, June 22, 2022 (JST)

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

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

- **Treatment of votes**

  When you vote more than once, the last vote is treated as the vote of record.

- **Inquiries about the operation of personal computers and other issues**

  For inquiries on how to exercise your voting rights via the Internet, please call:
  0120-652-031 (toll free within Japan) (9 a.m. ~ 9 p.m.)

This is a dedicated line for website support provided by the transfer agent, Sumitomo Mitsui Trust Bank, Limited.

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Business Report
97th Term: From April 1, 2021 to March 31, 2022

1. Current Situations of the NIPPON STEEL Group

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

General Review

In fiscal year 2021, although the global economy was affected by the spread of the COVID-19 pandemic, there were signs of a recovery with the resumption of economic activity supported by the dissemination of vaccines and other factors. The Japanese economy also recovered gradually, reflecting an increase in capital investment and an improvement in private consumption, despite being affected by the outbreak of the COVID variants.

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

In this business environment, the NIPPON STEEL Group implemented various measures aimed at achieving the four pillars of its medium- to long-term management plan: "Rebuilding the domestic steel business and strengthening the Group's management"; "Promoting a global strategy to deepen and expand the overseas business"; "Taking on the challenge of carbon neutrality"; and "Promoting digital transformation strategies."

Business Segment Review

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

• Steelmaking and Steel Fabrication

While the recovery in domestic steel demand began to slow down in the second half of 2021, the Steelmaking and Steel Fabrication segment strived to establish a profit structure that ensures a high level of business profit regardless of the external environment. The actions taken included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal year 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, and improved profitability of the overseas Group companies. As a result, the segment recorded revenue of ¥6,153.6 billion and a business profit of ¥871.0 billion, significantly exceeding the results in the previous fiscal year.

Specifically, the following efforts were made during fiscal year 2021.

With the aim of steadily implementing the production facility structural measures and establishing a more robust earnings base, regardless of the short-term improvement in the environment, Nippon Steel ("the Company") shut down the upstream facilities of the Setouchi Works Kure Area, the One Series of upstream facilities of the Kansai Works Wakayama Area, the steel plate mill of the Nagoya Works, and the continuous caster, the large-shape mill, and the UO pipe line of the East Nippon Works Kimitsu Area, and consolidated production into more competitive lines in fiscal year 2021. The net effect of these structural measures has amounted to ¥20 billion (cumulative ¥55 billion since the announcement of the production facility structural measures / the target of ¥150 billion). Moreover, to promote higher product grades in the order mix through active investment in strategic products, and to ensure that technological capabilities resulting from the advancement of facilities lead to profitability, the Company worked on relining the No. 3 blast furnace at the Nagoya Works and investing in measures to improve the production capacity and quality of electrical steel sheets. The Company also made efforts to reduce costs by continuing efforts to stabilize operations and facilities and to reduce variable costs through further improvements in operational efficiency to steadily improve fundamental operational capabilities. In the business with direct contract-based prices for customers, while we strived to ensure stable supply, including long-term supply capability, to develop high-grade products that customers demand, and to achieve carbon neutrality, we have asked customers for their understanding in order to correct direct contract prices and ensure we can obtain an internationally appropriate margin from the viewpoint of

proportionate sharing of the impacts of rising costs of raw materials and fuels in the supply chain, and of the value of the products and solutions provided by the Company.

Overseas, the Steelmaking and Steel Fabrication segment made progress in selectively concentrating overseas business operations and strengthened the foundation of integrated production processes, which included the decision to sell all businesses of Siam Tinplate Co., Ltd. to NS-Siam United Steel Co., Ltd. in Thailand. As measures to achieve 100 million tons of global crude steel capacity per annum, Nippon Steel acquired G Steel Public Company Limited and GJ Steel Public Company Limited—steel producers with electric arc furnaces and hot strip mills in Thailand—which became subsidiaries of Nippon Steel, and promoted capacity expansion of ArcelorMittal Nippon Steel India Limited. These are parts of efforts aimed at expanding the Nippon Steel Group's integrated production system in overseas markets. As a result of improved business profits stemming from the capture of overseas demand and the completion of the withdrawal from unprofitable businesses, overseas business profits reached record levels in fiscal year 2021.

On the environmental front, Nippon Steel established a dedicated project in April 2021 and has been making efforts to promote the development and practical implementation of three breakthrough technologies (blast furnace hydrogen reduction, 100% hydrogen use in the direct reduction process, and high-grade steel production in large-sized electric arc furnaces) ahead of other countries, as part of its initiatives to realize carbon neutral production. In fiscal year 2021, Nippon Steel and three other companies jointly proposed the "Green Innovation Fund Project/Hydrogen Utilization Project in Steelmaking Process," for which the New Energy and Industrial Technology Development Organization (NEDO) publicly solicited proposals, and it was adopted in December 2021 (about ¥193.5 billion in financial support). The Company is also working on various initiatives aimed at realizing a carbon-neutral society, including offering Eco-Products™ such as ultra-high-tensile steel sheets that contribute to the reduction of automobile weight and electrical steel sheets that contribute to the improvement of the efficiency of EV electric motors and transformers, as well as the use of hydrogen in heating furnaces and the construction of a carbon-free hydrogen production plant at Ovako AB, a subsidiary in Europe.

In the DX strategy, Nippon Steel is working to improve productivity through the use of the Internet of Things (IoT) and AI to support remote operations, visualization of facility maintenance and predictive monitoring, and corporate-wide optimization of production management through centralized data management from order taking to production. In fiscal year 2021, the Company built a data analysis platform to achieve efficient skills transfer for highly skilled operations by digitizing heavy machinery operations at manufacturing sites using AI, and started a demonstration experiment at the East Nippon Works Kimitsu Area. Moreover, the Company has obtained a local 5G radio station license with the largest power output in Japan, has started verification of local 5G applications using large amounts of data on the vast premises of the Muroran Works (the current North Nippon Works Muroran Area), and is working to promote DX at manufacturing sites.

Nippon Steel has also been actively engaged in diversity and inclusion in order to create a company where its diverse workforce can be proud, feel rewarded, and be empowered. In fiscal year 2021, the Company opened its own nursery facilities at the East Nippon Works Kashima Area and the Muroran Works (now renamed as above). With the aim of encouraging all male employees with young children to become involved in childcare, the Company has been encouraging them to take childcare leave (the use of leaflets to make eligible employees understand the system, etc.) when they report pregnancy and childbirth plans, since October 2021, prior to the enforcement of the Amended Childcare and Family Care Leave Act in Japan in April 2022.

• Engineering and Construction

Nippon Steel Engineering Co., Ltd. posted a decrease in revenue in each sector from the previous fiscal year mainly because the Environment and Energy sector's waste to energy plants business was subject to a lull in revenue recognition of construction project orders and there were few completed construction projects for large-scale logistics centers in the Urban Infrastructure sector and for refurbishments in the Steelmaking Plant sector. In terms of business profit, the Engineering and Construction segment strived to minimize the impact of the COVID-19 pandemic but business profit decreased due to a decline in revenue. The segment will continue to carefully monitor changes in the business environment, such as the current weakening of the yen and the sharp rise in resource prices. For fiscal year 2021 the Engineering and Construction segment recorded revenue of ¥279.2 billion and business profit of ¥6.3 billion.

• Chemicals and Materials

Nippon Steel Chemical & Material Co., Ltd. was affected by the continuing COVID-19 pandemic, the rise in raw material prices, the global semiconductor shortage, and the disruption in logistics, but recorded a significant increase in revenue and profit compared with fiscal year 2020 mainly by passing on the rise in raw

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material prices to sales prices and taking measures aimed at sales expansion. In the Coal Chemical business, demand for needle coke used in graphite electrodes recovered and prices remained firm. In the Chemicals business, market conditions for benzene and bisphenol A were generally firm, contributing to improved earnings. In the Functional Materials business, sales of semiconductor-related materials, circuit board materials, LCD materials, and organic EL materials showed continued strength. In the Composite Materials business, sales of epoxy resin for semiconductor package substrates, carbon fiber composite materials for civil engineering and construction reinforcement, industrial rolls, and carbon fiber for the sports and space industries expanded. The overall Chemicals and Materials segment recorded revenue of ¥249.8 billion and business profit of ¥25.3 billion.

• System Solutions

NS Solutions Corporation has been making corporate-wide efforts to maximize DX needs and expand its business, while deepening relationships with customers, with a view to the full-scale DX deployment of Japanese companies. In the digital manufacturing area, which is one of the key areas of focus, NS Solutions has integrated its solutions, services, and know-how into a unified brand called "Planetary" to support the promotion of DX for manufacturing customers. In other areas of focus, the company has expanded sales of digital workplace solutions to meet the IT needs of new working styles and has also promoted internet services as support for platformers and DX in the EC operators and financial services areas. Customers have been increasing their IT investment on the back of DX promotion, and the segment increased revenue and profit compared to fiscal year 2020. The System Solutions segment recorded revenue of ¥271.3 billion and business profit of ¥30.8 billion.

Revenue and Profit

For fiscal year 2021, Nippon Steel recorded consolidated revenue of ¥6,808.8 billion, business profit of ¥938.1 billion, and profit attributable to owners of the parent of ¥637.3 billion. Contributing factors included significant reduction in the breakeven point which resulted from a drastic cost improvement that was implemented in fiscal year 2020, improvement in direct contract-based prices for customers, effects of selection and concentration of order intake with streamlined integrated production capacity, a recovery in production and shipping volumes, improved profitability of the overseas Group companies, and inventory valuation.

An overview of the revenue and business profit of each business segment in fiscal year 2021 is as follows:

Revenue and Business Profit by Business Segment

(Billions of yen)

	Steelmaking and steel fabrication	Engineering and construction	Chemicals and materials	System solutions	Adjustments	Consolidated total
Revenue	6,153.6	279.2	249.8	271.3	(145.1)	6,808.8
Business profit	871.0	6.3	25.3	30.8	4.5	938.1

Non-consolidated financial result for fiscal year 2021 was net sales of ¥4,365.9 billion, operating profit of ¥403.7 billion, ordinary profit of ¥536.7 billion and profit of ¥393.0 billion.

Assets, Liabilities, and Equity

Consolidated total assets as of March 31, 2022 were ¥8,752.3 billion, an increase of ¥1,178.3 billion from ¥7,573.9 billion as of March 31, 2021. The main factors were an increase in cash and cash equivalents (¥191.5 billion), an increase in trade and other receivables (¥134.0 billion), an increase in inventories (¥407.2 billion), an increase in property, plant and equipment (¥97.7 billion), and an increase in investments accounted for using the equity method (¥261.7 billion).

Consolidated total liabilities as of March 31, 2022 were ¥4,855.3 billion, an increase of ¥412.7 billion from ¥4,442.5 billion as of March 31, 2021. Interest-bearing debt increased by ¥94.1 billion from ¥2,559.2 billion as of March 31, 2021 to ¥2,653.3 billion due to the issuance of convertible bonds with stock acquisition rights. In addition, trade and other payables increased (¥143.9 billion) and income taxes payable increased (¥85.7 billion).

Consolidated total equity as of March 31, 2022 was ¥3,897.0 billion, an increase of ¥765.6 billion from ¥3,131.3 billion as of March 31, 2021. This was primarily contributed by an increase from profit attributable to owners of the parent of ¥637.3 billion, a decrease in dividend payment (¥73.7 billion), an increase in the

foreign exchange differences on translation of foreign operations (¥75.0 billion) and an increase in non-controlling interests (¥58.8 billion). As a result, total equity attributable to owners of the parent as of March 31, 2022 amounted to ¥3,466.7 billion, and the ratio of interest-bearing debt to total equity attributable to owners of the parent (D/E ratio) was 0.77 times (0.59 times after adjusting for equity credit attributes of subordinated loans and subordinated bonds).

Dividends

NIPPON STEEL's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year, in consideration of the consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects, while also considering the financial structure of the Company on both consolidated and non-consolidated bases. The Company has adopted a consolidated annual payout ratio target of around 30% as the benchmark for the "payment of dividends from distributable funds in consideration of the consolidated operating results." The level of the interim dividend is determined in consideration of the first-half performance results and forecasts for the full fiscal year.

In accordance with the basic profit distribution policy described above, NIPPON STEEL paid a dividend of ¥70 per share at the end of the first half. Regarding the fiscal year-end dividend, based on the improvement in business performance since the previous forecast announcement and with a view to maintaining a high-level return to shareholders from the next fiscal year, management has decided an increase of ¥20 per share from the previous dividend forecast in the third quarter results announcement (February 3, 2022), and a year-end dividend of ¥90 per share (the annual dividend is ¥160 per share, substantially exceeding the previous highest amount).

Tasks Ahead

・Outlook for Operations in Fiscal Year 2022

The ongoing Russia-Ukraine situation has been amplifying the magnitude of the world economy's three main risks—China's slowdown in economic growth, supply constraints mainly for semiconductors, and a surge in energy and resource prices on the back of a "greenflation."

Under these circumstances, new risks such as a deterioration in Japan's trade balance prompted by the sharp depreciation of the yen are emerging, while steel market prices, mainly in the U.S. and Europe, are rising sharply. This means that the external environment has been fluctuating beyond the normal economic rationale and the outlook is extremely uncertain, therefore it is difficult to produce reasonable calculations concerning earnings forecasts for fiscal year 2022. Facing such uncertainty, Nippon Steel is working to maximize profits by continuing the ongoing drastic measures to enhance its profit structure that were previously implemented, and by flexibly responding to changes in the supply and demand aspects of the global steel market (the shortening of management cycle time) in fiscal year 2022. We will thus continue efforts aimed at realizing a business profit of ¥600 billion or more excluding one-off factors.

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

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

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

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

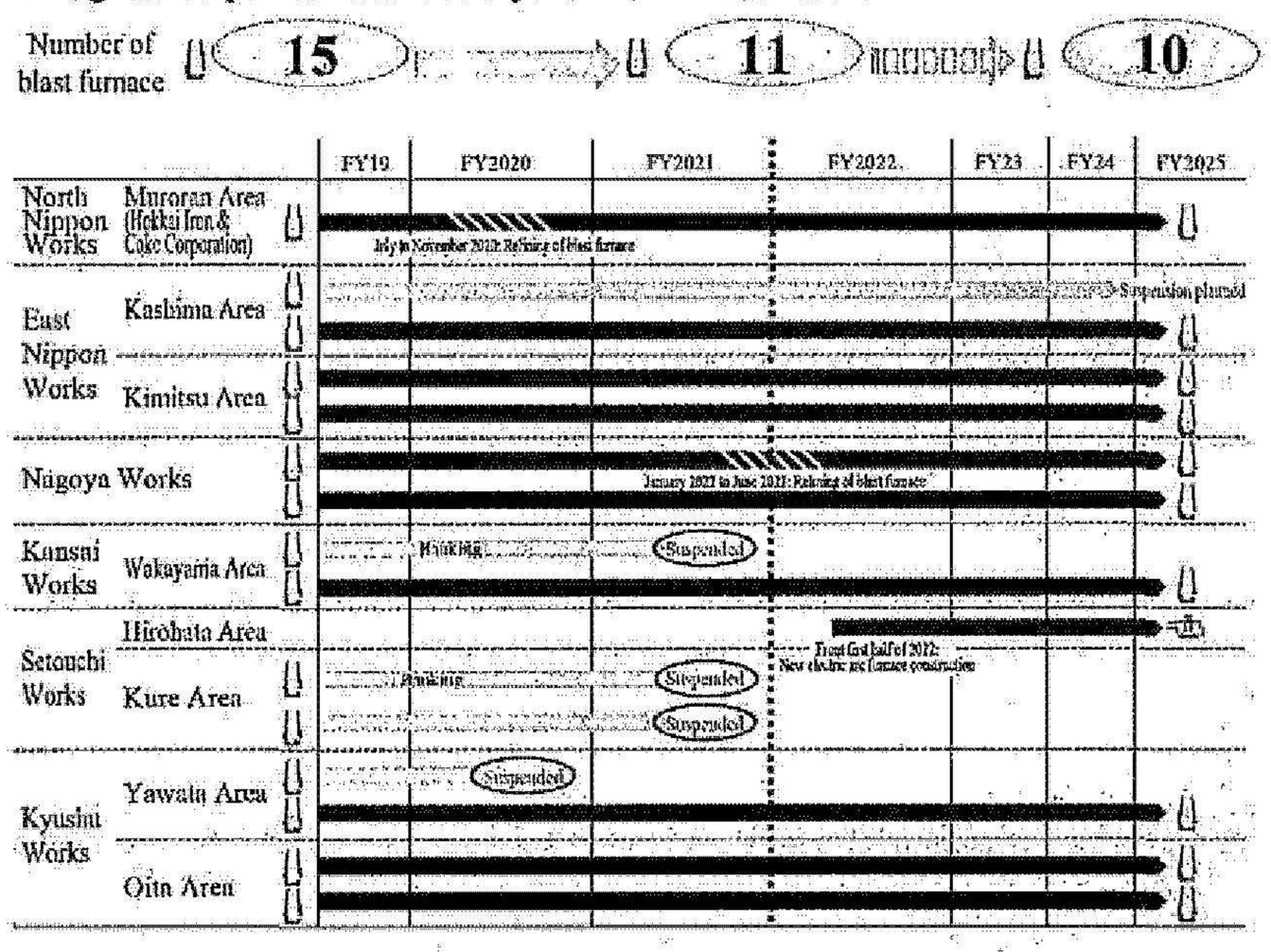
Four pillars of the management plan
1. Rebuilding our domestic steel business and strengthening our group's management
2. Promoting a global strategy to deepen and expand our overseas business
3. Taking on the challenge of carbon neutrality
4. Promoting digital transformation strategies

1. Rebuilding our domestic steel business

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

(Realization of an optimal production framework)

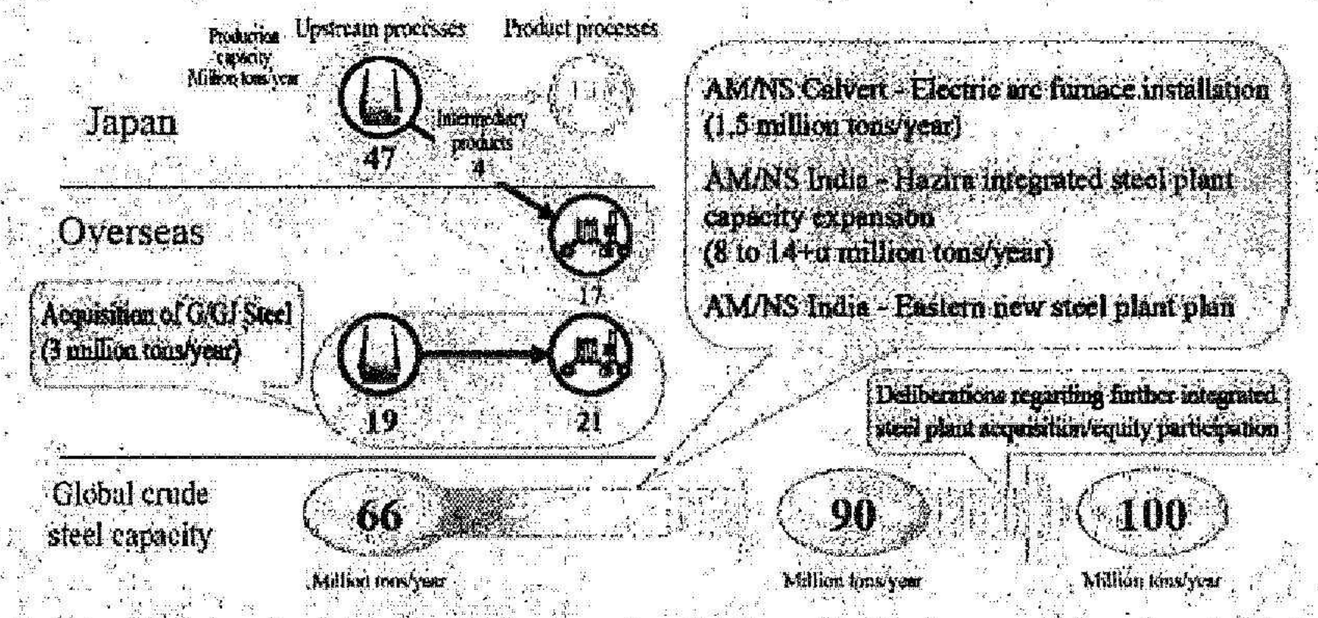
Progress of production facility structural measures



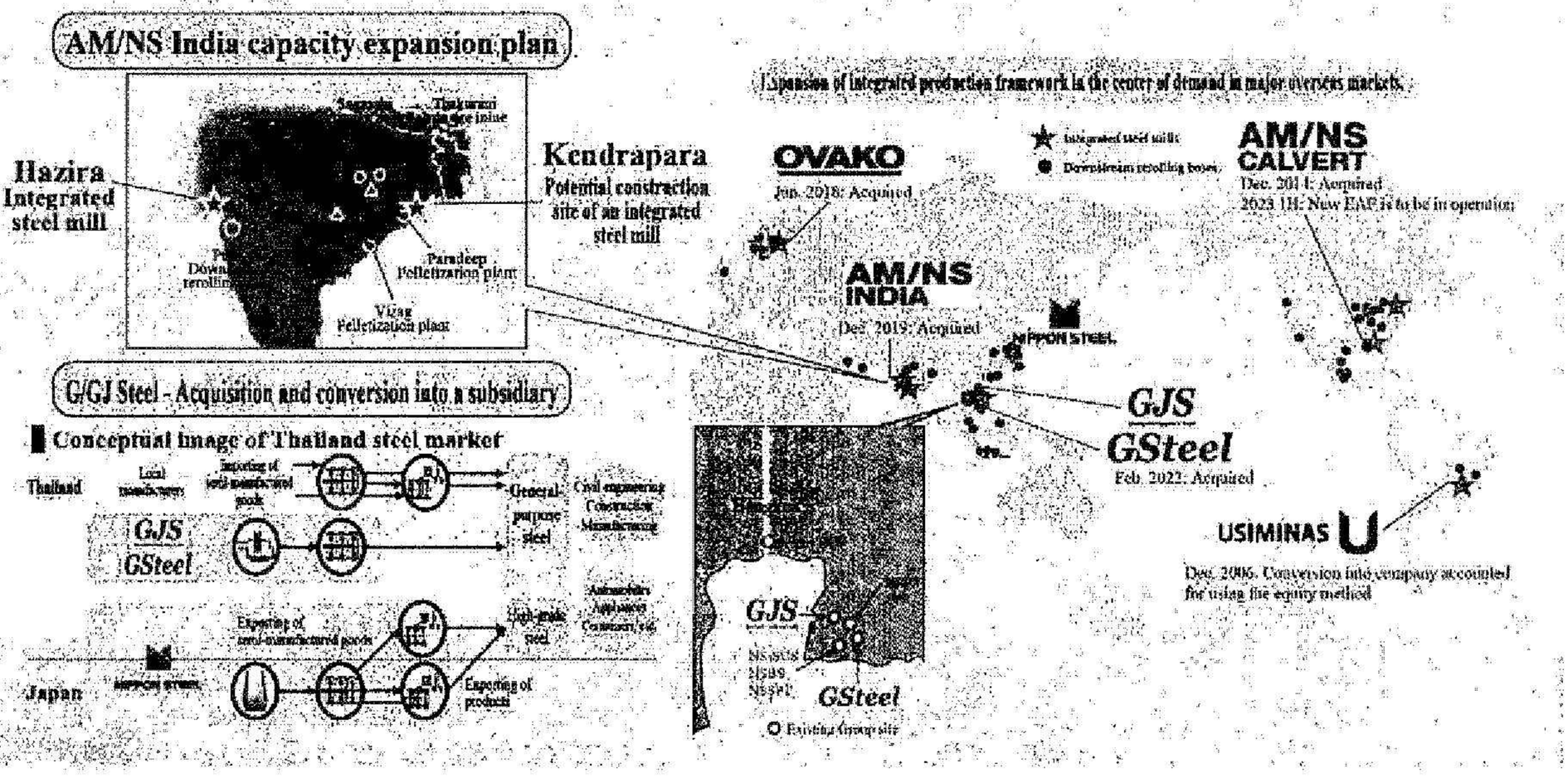
2. Deepening and expansion of overseas business

NIPPON STEEL will move away from our traditional business of exporting steel products, mainly high-grade steel, and supplying them through overseas companies in charge of producing predominantly cold-rolled and plating products. We will move toward 100 million ton global crude steel capacity through expanding integrated production framework in areas with demand and firmly capturing local demands in "districts and areas where demand is promisingly expected to grow" and in "sectors in which our technologies and products are appreciated."

(Toward 100 million ton global crude steel capacity)



(Deepening and expansion of overseas business)

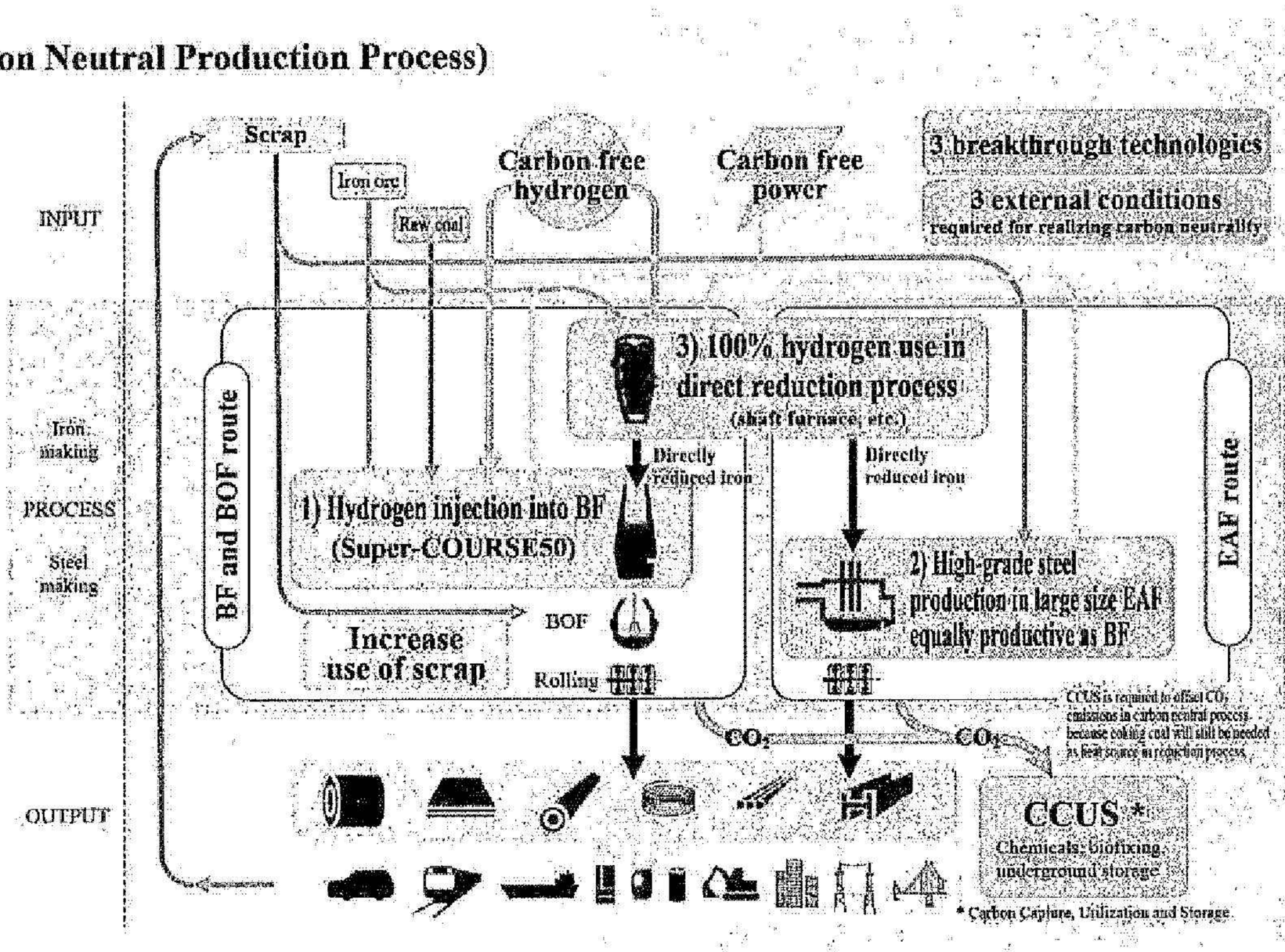


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3. Taking on the challenge of carbon neutrality

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

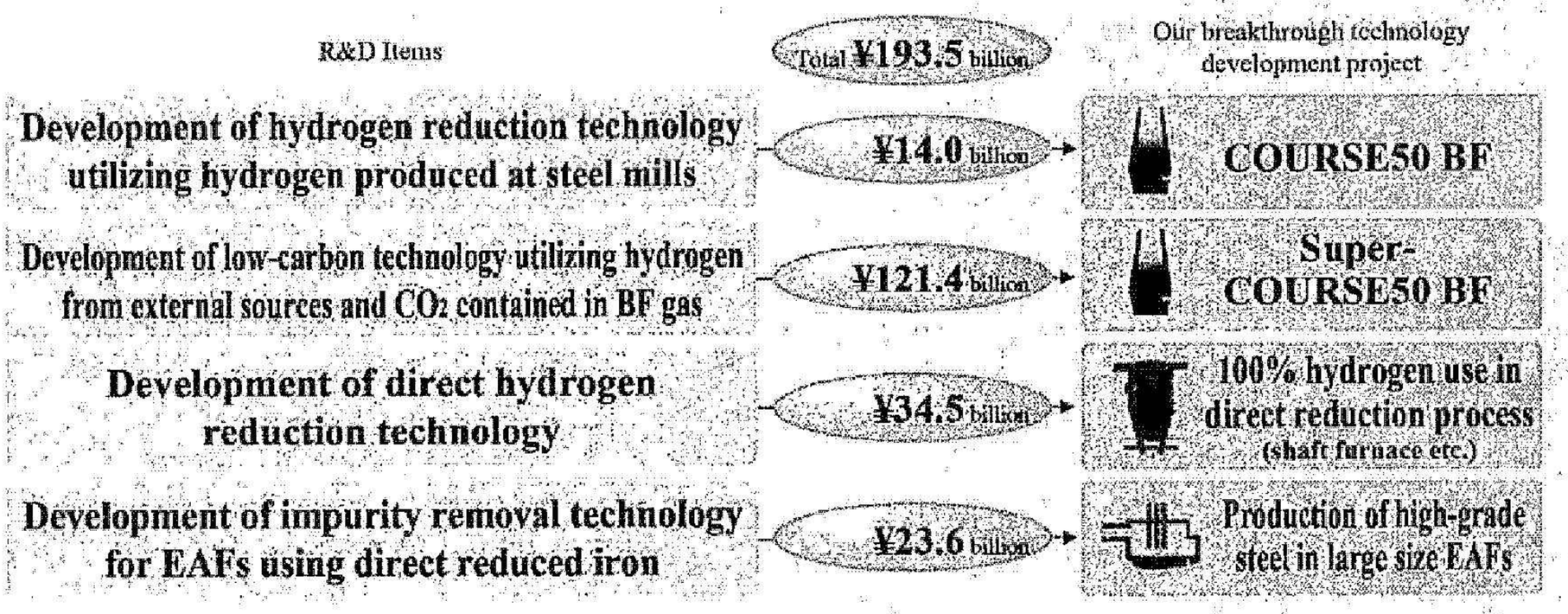
(Carbon Neutral Production Process)



(Support to Steelmaking Industry from Green Innovation Fund)

"Green Innovation Fund Project / Hydrogen utilization project in the steelmaking process" was accepted, which had been co-proposed to NEDO by 4 companies from steelmaking industry including NIPPON STEEL. The total amount of support to the 4 proposers is ¥193.5 billion.

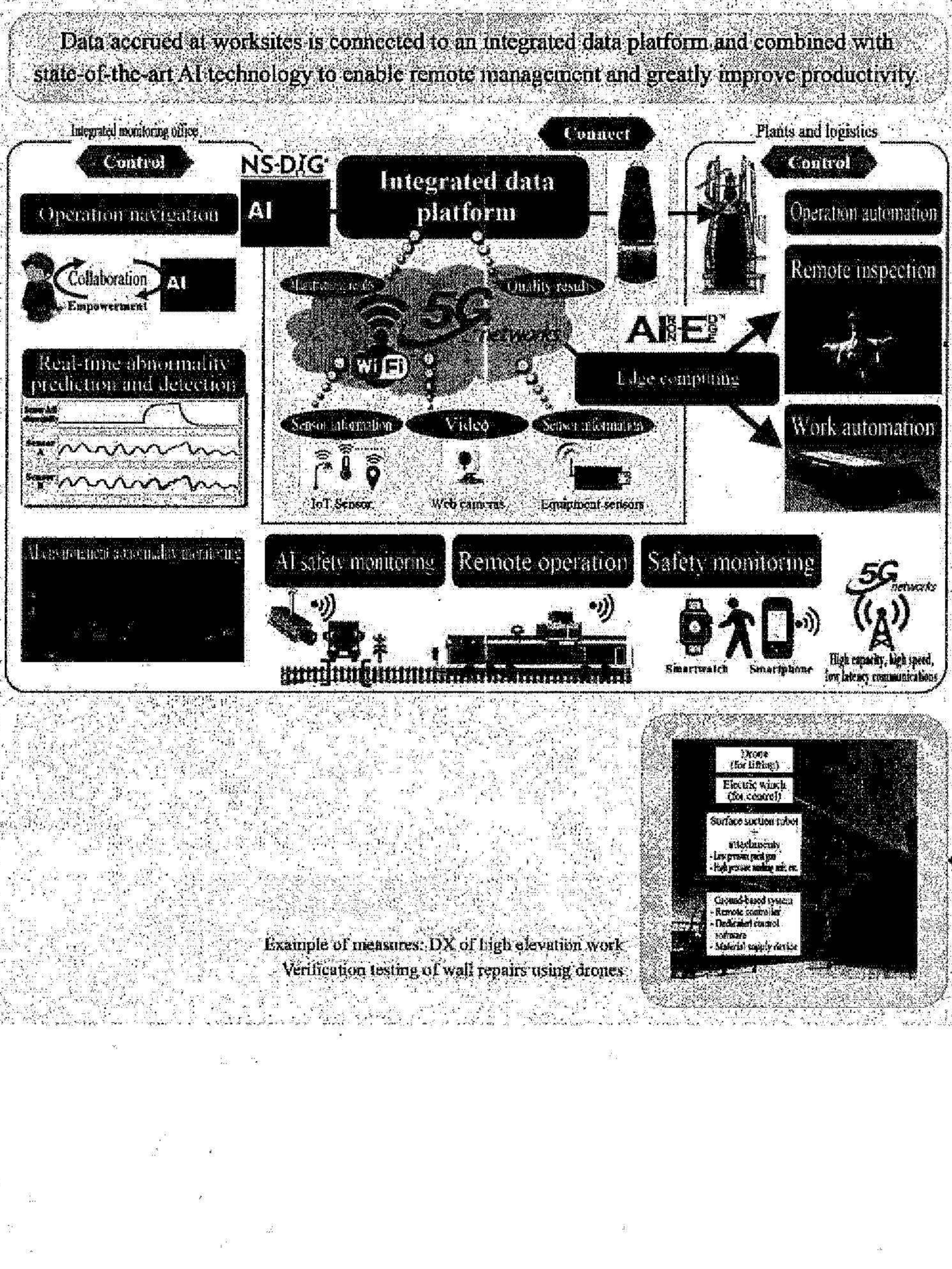
*Green Innovation Fund: A ¥2 trillion fund from the govt. to provide continuous support for 10 years to companies that commit to ambitious targets to achieve carbon neutrality by 2050, from R&D and demonstration to social implementation.



4. Promoting digital transformation strategies

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

(Manufacturing and Maintenance DX Initiatives)



Example of measures: DX of high elevation work
Verification testing of wall repairs using drones

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(2) Capital Procurement

Date of issue	Title	Total issued amount
October 4, 2021	Zero Coupon Convertible Bonds due 2024	150.0 billion yen
October 4, 2021	Zero Coupon Convertible Bonds due 2026	150.0 billion yen

(3) Plant and Equipment Investments

Classification	Title
Major ongoing plant and equipment investment during fiscal year 2021	Relining of No. 3 coke oven, including fixtures and fittings (Nagoya Works, NIPPON STEEL) Relining of No. 3 blast furnace (Nagoya Works, NIPPON STEEL) Relining of No. 3 coke oven, including fixtures and fittings (Kimitsu, East Nippon Works, NIPPON STEEL)

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

(4) Transfer of Business

Effective February 17, 2022, the Company acquired the shares of G Steel Public Company Limited and G J Steel Public Company Limited, which produce hot-rolled steel sheets from electric arc furnaces in Thailand, and made them subsidiaries.

(5) Changes in Assets and Profits/Losses

Classification \ Fiscal Term	94th Term	95th Term	96th Term	97th Term (fiscal year 2021)
Crude steel production (million tons)	47.84	47.05	37.65	44.46
Revenue (billions of yen) (Overseas revenue shown in brackets)	6,177.9 [2,124.7]	5,921.5 [2,066.0]	4,829.2 [1,611.1]	6,808.8 [2,707.0]
Business profit (billions of yen)	336.9	(284.4)	110.0	938.1
Profit for the year attributable to owners of the parent (billions of yen)	251.1	(431.5)	(32.4)	637.3
Total assets (billions of yen)	8,049.5	7,444.9	7,573.9	8,752.3
Total equity attributable to owners of the parent (billions of yen)	3,230.7	2,641.6	2,759.9	3,466.7
Basic earnings per share	281.77 yen	(468.74) yen	(35.22) yen	692.16 yen
Total equity attributable to owners of the parent per share	3,509.72 yen	2,869.19 yen	2,997.53 yen	3,764.69 yen
Dividends per share (Interim dividends shown in brackets)	80.00 yen [40.00 yen]	10.00 yen [10.00 yen]	*10.00 yen [-]	*160.00 yen [70.00 yen]
Ratio of cash dividends to consolidated profit (%)	28.4	-	-	*23.1

(Notes)

(1) Starting from the 94th term, the consolidated financial statements of NIPPON STEEL are prepared in accordance with the International Financial Reporting Standards ("IFRS"), pursuant to the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting.

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

(3) Business profit on Consolidated Statements of Profit or Loss indicates the results of sustainable business activities, and is an important measure to compare and evaluate the Company's consolidated performance continuously. It is defined as being deducted Cost of sales, Selling general and administrative expenses and Other operating expenses from Revenue, and added Equity in profit of unconsolidated subsidiaries and affiliates and Other operating income. Other operating income and expenses is composed mainly of Dividend income, Foreign exchange gains or losses, Loss on disposal of fixed assets.

(4) The figures with an asterisk (*) are values on the assumption that the proposal on the year-end dividend payment is approved as originally proposed at the 98th General Meeting of Shareholders.

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(6) Major Business Operations (as of March 31, 2022)

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

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

(7) Major Plants, Research Laboratories, Head Office, Office, Marketing Branches and Overseas Offices (as of March 31, 2022)

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

(Notes)
(1) Overseas Offices include local subsidiaries.
(2) See "(9) Principal Subsidiaries and Affiliates" for a listing of major subsidiaries and their locations.
(3) With regard to plants, as of April 1, 2022, as a result of organizational restructuring, changes were made as follows.
- Establish North Nippon Works and convert Muroran Works to North Nippon Works (Muroran) and East Nippon Works (Kamaishi) to North Nippon Works (Kamaishi).

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(8) Employment Data (as of March 31, 2022)

1) NIPPON STEEL Group

Business Segment	Number of employees
Steelmaking and Steel Fabrication	91,478 [16,735]
Engineering and Construction	4,485 [874]
Chemicals and Materials	3,372 [625]
System Solutions	7,193 [44]
Total	106,528 [18,278]

(Notes)

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

(2) Temporary workers are not included. Numbers of temporary workers (average number of temporary workers employed during fiscal year 2021) are shown in brackets.

2) NIPPON STEEL

Number of employees	Average age	Average number of years employed
28,708 [3,648] employees	38.5 years old	16.5 years

(Note)

Temporary workers are not included. Number of temporary workers (average number of temporary workers employed during fiscal year 2021) is shown in brackets.

(9) Principal Subsidiaries and Affiliates (as of March 31, 2022)

Steelmaking and Steel Fabrication

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Subsidiaries]	Million yen	%	
Sanyo Special Steel Co., Ltd. (Himeji)	53,800	*53.1	Makes and markets special steel products
NIPPON STEEL COATED SHEET CORPORATION (Chuo-ku, Tokyo)	12,588	100.0	Makes and markets galvanized sheets, prepainted galvanized sheets, coated sheets, and construction materials
Osaka Steel Co., Ltd. (Osaka)	8,769	*60.9	Makes and markets shapes, bars, flat steels and billets
NIPPON STEEL METAL PRODUCTS CO., LTD. (Chiyoda-ku, Tokyo)	5,912	100.0	Makes and markets structural materials for buildings and civil engineering work, prepainted galvanized sheets, steelmaking fluxes, and CC powders
NIPPON STEEL PIPE CO., LTD. (Chiyoda-ku, Tokyo)	5,831	100.0	Makes, coats and markets steel pipes and tubes
Krosaki Harima Corporation (Kitakyushu)	5,537	*42.9	Makes, markets and constructs refractories
NIPPON STEEL TEXENG. CO., LTD. (Chiyoda-ku, Tokyo)	5,468	100.0	Conducts engineering, maintenance, and operations relating to machinery, electrical instrumentation, systems, and construction for steel-production and other facilities
NIPPON STEEL Stainless Steel Corporation (Chiyoda-ku, Tokyo)	5,000	100.0	Makes and markets stainless steel
NIPPON STEEL LOGISTICS CO., LTD. (Chuo-ku, Tokyo)	4,000	100.0	Undertakes ocean and land transportation and warehousing
NIPPON STEEL SG WIRE CO., LTD. (Chiyoda-ku, Tokyo)	3,634	100.0	Makes and markets bars and wire rods
Geostr Corporation (Bunkyo-ku, Tokyo)	3,352	*42.0	Makes and markets concrete and metal products for civil engineering and building construction work
NIPPON STEEL WELDING & ENGINEERING CO., LTD. (Koto-ku, Tokyo)	2,100	100.0	Makes and markets welding materials and apparatuses
NIPPON STEEL DRUM CO., LTD. (Koto-ku, Tokyo)	1,654	100.0	Makes and markets drums
NIPPON STEEL CEMENT CO., LTD. (Muroran)	1,500	85.0	Makes and markets cement
NIPPON STEEL COATED STEEL PIPE Co., Ltd. (Chuo-ku, Tokyo)	1,400	100.0	Makes and markets steel pipes
NIPPON STEEL FINANCE Co., Ltd. (Chiyoda-ku, Tokyo)	1,000	100.0	Engages in the Group's financing operations
NIPPON STEEL STAINLESS STEEL PIPE CO., LTD. (Chiyoda-ku, Tokyo)	916	100.0	Makes and markets stainless-steel pipes

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Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
NIPPON STEEL WIRE CO., LTD. (Seki)	697	51.0	Makes and markets secondary products using bars and wire rods
NIPPON STEEL Eco-Tech Corporation (Chuo-ku, Tokyo)	500	*84.2	Designs, builds, operates, maintains, and manages water-treatment and other systems; designs civil-engineering projects; and performs environmental and chemical analysis
NIPPON STEEL BOLTEN CORPORATION (Osaka)	498	85.0	Makes and markets high-tension bolts, etc.
NIPPON STEEL STRUCTURAL SHAPES CORPORATION (Wakayama)	400	100.0	Makes and markets H-beams
NIPPON STEEL BLAST FURNACE SLAG CEMENT CO., LTD (Kitakyushu)	100	100.0	Makes and markets cement and steelmaking slag and calcined lime products
G Steel Public Company Limited (Rayong State, Thailand)	THB 144,644 million	*60.2	Makes and markets hot-rolled steel sheets
G J Steel Public Company Limited (Chon Buri State, Thailand)	THB 24,468 million	*57.6	Makes and markets hot-rolled steel sheets
NS-Siam United Steel Co., Ltd. (Rayong State, Thailand)	THB 13,007 million	80.2	Makes and markets cold-rolled sheets and galvanized sheets
PT KRAKATAU NIPPON STEEL SYNERGY (Cilegon, Indonesia)	US$171 Million	83.5	Makes and markets cold-rolled sheets and galvanized sheets
NIPPON STEEL NORTH AMERICA, INC. (Texas, U.S.A.)	US$ 85 million	100.0	Invests in companies in North American region focusing on U.S. and gathers information
WHEELING-NIPPON STEEL, INC. (West Virginia, U.S.A.)	US$ 71 million	*100.0	Makes and markets galvanized sheets
Standard Steel, LLC (Pennsylvania, U.S.A.)	US$ 47 million	*100.0	Makes and markets railway wheels and axles
PT. PELAT TIMAH NUSANTARA TBK. (Jakarta, Indonesia)	US$ 26 million	35.0	Makes and markets tinplate
NIPPON STEEL SOUTHEAST ASIA CO., LTD. (Bangkok, Thailand)	THB 827 million	100.0	Gathers information in Asian region focusing on Thailand
Siam Tinplate Co., Ltd. (Rayong State, Thailand)	THB 800 million	100.0	Makes and markets tinplates
NIPPON STEEL AUSTRALIA PTY, LIMITED (New South Wales, Australia)	A$ 21 million	100.0	Participates in mine development in Australia and gathers information
NIPPON STEEL Processing (Thailand) Co., Ltd. (Rayong State, Thailand)	THB 571 million	*66.5	Makes and markets cold-heading wire and cold-finished bars
Ovako AB (Stockholm, Sweden)	Euro 60 thousand	*100.0	Makes and markets special steel and secondarily processed products

Company (Location of head office)	Paid-in capital	Shareholding Ratio	Business content
[Companies accounted for using the equity method]	Million yen	%	
Godo Steel, Ltd. (Osaka)	34,896	*15.2	Makes and markets shapes, rails, bars, billets and wires
Topy Industries Ltd. (Shinagawa-ku, Tokyo)	20,983	*20.3	Makes and markets shapes, bars, and industrial machine parts
Kyoei Steel Ltd. (Osaka)	18,515	25.8	Makes and markets shapes, steel bars, and billets; processes and markets steel
NIPPON STEEL TRADING CORPORATION (Chuo-ku, Tokyo)	16,389	* 35.0	Markets, imports and exports steel, industrial machinery and infrastructures, textiles, foods, and other products
Nippon Denko Co., Ltd. (Chuo-ku, Tokyo)	11,057	*20.7	Makes and markets ferroalloy/functional materials, environmental business and electric supply business
Nichia Steel Works, Ltd. (Amagasaki)	10,720	22.6	Makes and markets bolts and wire products
NS United Kaiun Kaisha, Ltd. (Chiyoda-ku, Tokyo)	10,300	32.8	Undertakes ocean transportation
Nippon Coke & Engineering Company Limited (Koto-ku, Tokyo)	7,000	21.7	Markets coal; makes and markets coke
Sanko Metal Industrial Co., Ltd. (Minato-ku, Tokyo)	1,980	*31.7	Makes, processes, installs and sells metal roofs and building materials
Sanyu Co., Ltd. (Hirakata)	1,513	*34.2	Makes and markets cold-finished bars and cold-heading wire
NST NIHONTEPPAN Co., Ltd. (Chuo-ku, Tokyo)	1,300	34.0	Markets steel products, processed steel products, and building materials
Usinas Siderúrgicas de Minas Gerais S.A.-USIMINAS (Estado do Minas Gerais, Brazil)	R$13,200 million	31.2	Makes and markets steel products
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. (Shanghai, China)	RMB 3,000 million	50.0	Makes and markets automotive steel sheets
WISCO-NIPPON STEEL Tinplate Co., Ltd. (Hubei, China)	RMB 2,310 million	50.0	Makes and markets tinplate and tinplate sheets
AMNS Luxembourg Holding S.A. (Luxembourg, Luxembourg)	US$230 million	40.0	A holding company of ArcelorMittal Nippon Steel India Limited
Jamshedpur Continuous Annealing & Processing Company Private Limited (West Bengal, India)	INR 14,320 million	49.0	Makes and markets automotive cold-rolled steel sheets
Companhia Nipo-Brasileira De Pelotizacao (Estado do Espírito Santo, Brazil)	R$690 million	*33.0	Holding and leasing of manufacturing facilities of pellets
UNIGAL Ltda. (Estado do Minas Gerais, Brazil)	R$584 million	*30.0	Makes galvanized sheets
Al Ghurair Iron & Steel LLC (Abu Dhabi, UAE)	DH 165 million	20.0	Makes and markets galvanized sheets

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Engineering and Construction

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

Chemicals and Materials

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

System Solutions

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

(Notes)

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

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

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

(4) Siam Tinplate Co., Ltd. has transferred all of its business to NS-Siam United Steel Co., Ltd. on April 1, 2022.

(10) Major Lenders (as of March 31, 2022)

Lender	Funds borrowed (Billions of yen)
Sumitomo Mitsui Banking Corporation	358.5
MUFG Bank, Ltd.	347.3
Mizuho Bank, Ltd.	328.9
Sumitomo Mitsui Trust Bank, Limited	121.5
Development Bank of Japan Inc.	100.1

(11) Surplus Distribution Policy

1) Dividends

NIPPON STEEL's basic profit distribution policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year after taking into account consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of NIPPON STEEL on a consolidated and a non-consolidated basis.

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

The level of the first half dividend is set based on consideration of the interim operating results and full-year earnings forecasts.

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

2) Acquisition of treasury stocks

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

(12) Others

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

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

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

At the Meeting of the Board of Directors held on May 10, 2022, NIPPON STEEL resolved to construct a new next-generation hot-strip mill (capacity: approx. 6 million tons/year; operation scheduled for the first quarter of fiscal year 2026; investment: approx. 270 billion yen) at Nagoya Works.

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2. Shares and Stock Acquisition Rights

(1) Overview of Shares (as of March 31, 2022)

1) Total number of shares authorized to be issued	2,000,000,000 shares
2) Total number of shares issued	950,321,402 shares (including 28,370,810 treasury stocks)
3) Number of shareholders	466,270

4) Top 10 shareholders

Name of shareholder	Shares held (Thousand shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	137,277	14.9
Custody Bank of Japan, Ltd. (Trust Account)	49,772	5.4
Nippon Life Insurance Company	21,465	2.3
STATE STREET BANK WEST CLIENT - TREATY 505234	16,061	1.7
Meiji Yasuda Life Insurance Company	14,064	1.5
Mizuho Bank, Ltd.	12,199	1.3
Nippon Steel Group Employees Shareholding Association	11,245	1.2
JP MORGAN CHASE BANK 385781	10,472	1.1
JPMorgan Securities Japan Co., Ltd.	10,433	1.1
Sumitomo Mitsui Banking Corporation	10,252	1.1

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

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

No matters to be reported during this period.

(2) Stock Acquisition Rights (as of March 31, 2022)

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

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

Class, contents, and number of shares to be issued upon exercise of stock acquisition rights	The class and contents of shares to be delivered upon exercise of the stock acquisition rights shall be shares of common stock of the Company (100 shares constituting one unit). The number of shares of common stock of the Company to be delivered by the Company upon exercise of such rights shall be determined by dividing the total face value of the bonds subject to the exercise request by the applicable conversion price as detailed below. Fractions of less than one share shall be discarded and no cash adjustment will be made in respect thereof. If shares not constituting a unit of shares are delivered upon exercise of stock acquisition rights, such non-unit shares shall be delivered to the bondholders with stock acquisition rights in the same manner as the shares constituting a whole unit of shares, and no cash amounts shall be paid by the Company in respect of such non-unit shares.
Number of stock acquisition rights	15,000
Conversion price	*2,786.3 yen
Period during which stock acquisition rights may be exercised	From October 18, 2021 to September 20, 2024 (local time at the place where the bonds are deposited to exercise of stock acquisition rights). However, the Terms and Conditions of Zero Coupon Convertible Bonds due 2024 provide additional period during which stock acquisition rights may be exercised in the event of certain events.
Contents of assets to be contributed for the exercise of stock acquisition rights and the amount thereof	Upon the exercise of each stock acquisition right, the bonds pertaining to such stock acquisition right shall be contributed, and the value of such bonds shall be equal to the face value thereof.
Balance of the bonds with stock acquisition rights	150 billion yen

(Note) Of conversion price with an asterisk (*), in accordance with the approval of the payment of an interim dividend of 70 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 2, 2021, the conversion price was adjusted from 2,884 yen to 2,786.3 yen on and after October 5, 2021 pursuant to the Terms and Conditions of Zero Coupon Convertible Bonds due 2024.

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

Class, contents, and number of shares to be issued upon exercise of stock acquisition rights	The class and contents of shares to be delivered upon exercise of the stock acquisition rights shall be shares of common stock of the Company (100 shares constituting one unit). The number of shares of common stock of the Company to be delivered by the Company upon exercise of such rights shall be determined by dividing the total face value of the bonds subject to the exercise request by the applicable conversion price as detailed below. Fractions of less than one share shall be discarded and no cash adjustment will be made in respect thereof. If shares not constituting a unit of shares are delivered upon exercise of stock acquisition rights, such non-unit shares shall be delivered to the bondholders with stock acquisition rights in the same manner as the shares constituting a whole unit of shares, and no cash amounts shall be paid by the Company in respect of such shares constituting less than one unit.
Number of stock acquisition rights	15,000
Conversion price	*2,919.6 yen
Period during which stock acquisition rights may be exercised	From October 18, 2021 to September 24, 2026 (local time at the place where the bonds are deposited to exercise of stock acquisition rights). However, the Terms and Conditions of Zero Coupon Convertible Bonds due 2026 provide additional period during which stock acquisition rights may be exercised in the event of certain events.
Contents of assets to be contributed for the exercise of stock acquisition rights and the amount thereof	Upon the exercise of each stock acquisition right, the bonds pertaining to such stock acquisition right shall be contributed, and the value of such bonds shall be equal to the face value thereof.
Balance of the bonds with stock acquisition rights	150 billion yen

(Note) Of conversion price with an asterisk (*), in accordance with the approval of the payment of an interim dividend of 70 yen per share of common stock of the Company at the meeting of the Board of Directors of the Company held on November 2, 2021, the conversion price was adjusted from 3,022 yen to 2,919.6 yen on and after October 5, 2021 pursuant to the Terms and Conditions of Zero Coupon Convertible Bonds due 2026.

3. Basic Philosophy of Corporate Governance

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

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

Currently, the Board of Directors is comprised of 18 members, of whom 11 are Directors (excluding Directors who are Audit & Supervisory Committee Members) and 7 are Directors who are Audit & Supervisory Committee Members. By all Directors appropriately fulfilling their respective roles and responsibilities, prompt decision-makings are achieved corresponding to changes in the management environment, and multifaceted deliberations and objective and transparent decision-makings by the Board of Directors are secured. In addition, Directors who are Audit & Supervisory Committee Members have voting rights on the Board of Directors regarding decisions on proposals for the election and dismissal of Directors as well as on election and dismissal of Representative Directors, and other decisions in general regarding business execution (excluding decisions that have been delegated to Directors). The Audit & Supervisory Committee has the authority to give its opinions at the General Meeting of Shareholders regarding the election, compensation, etc. of Directors, excluding Directors who are Audit & Supervisory Committee Members. This structure strengthens the supervisory function of the Board of Directors over management.

If Items 3 and 4 are approved as proposed herein at the 98th General Meeting of Shareholders, Outside Directors will continue to account for more than one-third (5 out of 14) of all members of the Company's Board of Directors.

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4. Members of the Board of Directors

(1) Executive Officers as of March 31, 2022

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

Title and name	Responsibilities/positions and material concurrent positions
Managing Director, Member of the Board Tadashi Imai	Corporate Planning; Technical Administration & Planning (including Standardization); Ironmaking Technology; Steelmaking Technology; Energy Technology Project Leader, Thailand Iron and Steel Project, Global Business Development Sector; Deputy Project Leader, Zero-Carbon Steel Project; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering assistance to Executive Vice President S. Nakamura on Steel Products Units Rendering assistance to Executive Vice President A. Migita on Digital Innovation Rendering assistance to Executive Vice President S. Onoyama on Corporate Planning in R & D Cooperating with Managing Executive Officer T. Hirose on Transportation & Logistics Technology
Directors, Member of the Board (Outside Directors) Noriko Iki	President, Japan Institute for Women's Empowerment & Diversity and Management Material concurrent positions Outside Director, NEC Corporation
Tetsuro Tomita	Chairman and Director, East Japan Railway Company Material concurrent positions Vice Chair, KEIDANREN (Japan Business Foundation) Outside Director, Nippon Life Insurance Company
Masato Kitera	Material concurrent positions External Director, Marubeni Corporation Outside Director, Japan Tobacco Inc.
Senior Audit & Supervisory Committee Members (full-time) Masato Matsuno	
Shozo Furumoto	
Nobuhiro Miyoshi	
Audit & Supervisory Committee Members (Outside Directors) Hiroshi Obayashi	Attorney, Obayashi Law Office Material concurrent positions Outside Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Outside Director, Mitsubishi Electric Corporation Outside Audit & Supervisory Board Member, Japan Tobacco Inc.
Jiro Makino	Vice Chairman, The General Insurance Institute of Japan
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office
Hiroshi Yoshikawa	President of Rissho University

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(Notes)

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

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

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

(4) Audit & Supervisory Committee Member Jiro Makino served as Vice Chairman of The General Insurance Association of Japan until June 30, 2021.

(5) Audit & Supervisory Committee Member Seiichiro Azuma served as an Outside Audit & Supervisory Board Member of Kansai Paint Co., Ltd. until June 29, 2021.

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

(7) The Company elected Mr. Masato Matsuno, Mr. Shozo Furumoto, and Mr. Nobuhiro Miyoshi as full-time Audit & Supervisory Committee Members to ensure the effectiveness of audits.

(8) Outside Director Hiroshi Obayashi also holds a post at Mitsubishi Electric Corporation, with which NIPPON STEEL has business relations concerning steel products trading, etc.

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

(2) Executive Officers after April 1, 2022

Title and name	Responsibilities/positions
Representative Director and Chairman Kosei Shindo	
Representative Director and President Eiji Hashimoto	
Representative Directors and Executive Vice Presidents Akio Migita	Corporate Planning; Group Companies Planning; General Administration; Legal; Internal Control & Audit; Digital Innovation; Information & Communication Technology; Human Resources; Environment; Business Transformation & Standardization Head of Green Transformation Development
Naoki Sato	Intellectual Property; Safety; Plant Safety; Technical Administration & Planning (including Standardization); Quality Management; Plant Engineering and Facility Management; Ironmaking Technology; Steelmaking Technology; Energy Technology; Slag, Cement & Resource Recycling; Research and Development Project Leader, Next-Generation Hot Strip Mill Project; Project Leader, Ironmaking Operations Project; Deputy Project Leader, India Iron and Steel Project, Global Business Development Sector Cooperating with Executive Vice President A. Migita on Environment and Green Transformation Development
Takahiro Mori	Head of Global Business Development; Project Leader, India Iron and Steel Project, Global Business Development Sector Accounting & Finance; Overseas Offices (including locally incorporated companies); Global Tubular Business
Managing Director, Member of the Board Tadashi Imai	Corporate Planning Project Leader, Thai Steel Project, Global Business Development Sector ; Vice Head of Green Transformation Development ; Deputy Project Leader, Next-Generation Hot Strip Mill Project Rendering assistance to Executive Vice President A. Migita on Digital Innovation Rendering assistance to Executive Vice President N. Sato on Ironmaking Operations Project Rendering assistance to Executive Vice President K. Fukuda on Corporate Planning in R & D
Directors, Members of the Board Shinichi Nakamura	Advisor to the President
Shuhei Onoyama	Advisor to the President

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Directors, Members of the Board (Outside Directors) Noriko Iki	President, Japan Institute for Women's Empowerment & Diversity and Management
Tetsuro Tomita	Chairman and Director, East Japan Railway Company
Masato Kitera *Senior Audit & Supervisory Committee Members (full-time)* Masato Matsuno	
Shozo Furumoto	
Nobuhiro Miyoshi *Audit & Supervisory Committee Members (Outside Directors)* Hiroshi Obayashi	Attorney, Obayashi Law Office
Jiro Makino	Vice Chairman, The General Insurance Institute of Japan
Seiichiro Azuma	Certified Public Accountant, Seiichiro Azuma Certified Public Accountant Office
Hiroshi Yoshikawa	

(3) Compensation Paid to Company Officers

Position	Number of recipients	Total amount (yen)	Total amount by type (yen)		
			Monthly compensation*	Non-monetary compensation	Other compensation
Directors (excluding Directors who are Audit & Supervisory Committee Members)	13	657,335,000	657,335,000	-	-
Outside Directors	3	43,200,000	43,200,000	-	-
Directors who are Audit & Supervisory Committee Members	7	211,870,000	211,870,000	-	-
Outside Directors	4	57,600,000	57,600,000	-	-
Total	20	869,205,000	869,205,000	-	-

(Notes)

(1) The above number of recipients includes two (2) Directors (excluding Directors who are Audit & Supervisory Committee Members) who retired at the conclusion of the 97th General Meeting of Shareholders held on June 23, 2021.

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

(Regarding monthly compensation from April 2021 to June 2021)

(i) Monthly compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) is wholly based upon the performance of NIPPON STEEL.

(ii) Monthly compensation for Directors who are Audit & Supervisory Committee Members (excluding Outside Directors) is fixed compensation in principle, but the amount of compensation will be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL.

(iii) Monthly compensation for Outside Directors is fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated performance of NIPPON STEEL.

As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss, which clearly indicates its business performance, and business profit/loss in its Steelmaking and Steel Fabrication segment, which accounts for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan. The base amount of compensation for each position, etc. fluctuates within a certain range based on these indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The consolidated annual loss and business loss in the Steelmaking and Steel Fabrication segment in fiscal year 2019, which were used to determine the monthly compensation for Directors from April 2021 to June 2021, were (431.5) billion yen and (325.3) billion yen.

(Regarding monthly compensation from July 2021 to March 2022)

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

(ii) Monthly compensation for Directors who are Audit & Supervisory Committee Members (excluding Outside Directors) is fixed compensation in principle, but the amount of compensation will be increased or decreased only in the event of significant changes in the consolidated annual profit/loss and consolidated EBITDA of NIPPON STEEL.

(iii) Monthly compensation for Outside Directors is fixed compensation in principle, but the amount of compensation may be increased or decreased only in the event of significant changes in the consolidated

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annual profit/loss of NIPPON STEEL.
As for monthly compensation for Directors, the base amount of compensation for each position, etc. fluctuates within a certain range based on each of the above indicators, and the amount of each Director's monthly compensation is determined within the limit approved by the General Meeting of Shareholders. The consolidated annual loss and consolidated EBITDA in fiscal year 2020, which were used to determine the monthly compensation for Directors from July 2021 to March 2022, were (32.4) billion yen and 400.9 billion yen.

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

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

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

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

1) Content of policies

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

The "Policies regarding Decisions on the Amount of Compensation, etc. for Directors" of NIPPON STEEL were as detailed in items (i) and (ii), below.

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

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

a. Basic policy

NIPPON STEEL set the base amount of compensation for each position as it deemed appropriate in consideration of the skills and responsibilities it required of each Director. This base amount varied within a certain range based on NIPPON STEEL's consolidated performance. The Company then determined the amount of monthly compensation for each Director within the limit approved by the General Meeting of Shareholders.

b. Policy on performance-linked compensation

In accordance with "a. Basic Policy" above, compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consisted solely of monthly compensation, and the amount of compensation was wholly based upon the performance of NIPPON STEEL, in order to give incentives for the sustainable growth of NIPPON STEEL's group and improvement of its corporate value.

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

As indicators for performance-linked compensation, NIPPON STEEL used consolidated annual profit/loss, which clearly indicated its business performance, and business profit/loss in its Steelmaking and Steel Fabrication segment, which accounted for about 90% of its consolidated revenue, while taking into account other factors including the revenue targets in the Mid-Term Management Plan.

c. Method of determining compensation for each individual

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

(ii) Directors who are Audit & Supervisory Committee Members

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

(b) After June 23, 2021

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

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

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

a. Basic policy

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

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b. Policy on performance-linked compensation

In accordance with "a. Basic Policy" above, compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists solely of monthly compensation, and the amount of compensation is wholly based upon the performance of NIPPON STEEL, in order to give incentives for the sustainable growth of NIPPON STEEL's group and improvement of its corporate value. As indicators for performance-linked compensation, NIPPON STEEL uses consolidated annual profit/loss (however, corrections were made for the sake of fair remuneration commensurate with earnings for the term by excluding the portion of gains/losses from reorganization for production facility structural measures; hereinafter the same in this section), which clearly indicates its business performance and earnings power, and consolidated EBITDA, while taking into account other factors including the revenue targets in the Medium- to Long-term Management Plan.

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

c. Method of determining compensation for each individual

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

(ii) Directors who are Audit & Supervisory Committee Members

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

2) Methods of determining the policies

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

The policies described in 1) (a) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) were determined by resolution at the Board of Directors, after the deliberation of the "Nomination and Compensation Advisory Committee," while for Directors who are Audit & Supervisory Committee Members, the policies described in 1) (a) above were determined through discussion by Directors who are Audit & Supervisory Committee Members.

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

(b) After June 23, 2021

The policies described in 1) (b) above for Directors (excluding Directors who are Audit & Supervisory Committee Members) are determined by resolution at the Board of Directors, after the deliberation of the "Nomination and Compensation Advisory Committee," while for Directors who are Audit & Supervisory Committee Members, the policies described in 1) (b) above are determined through discussion by Directors who are Audit & Supervisory Committee Members.

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

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

Compensation, etc., for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) for the current fiscal year were determined by the Board of Directors following confirmation that those amounts are in line with the policy stated in 1) above, after the deliberation of the "Nomination and Compensation Advisory Committee." Therefore, the Board of Directors judged that the content of the compensation, etc., for each individual is in line with the policy stated in 1) above.

(5) Outside Directors

1) Material concurrent positions held by Outside Directors
Such positions are shown on pages 50 and 51.

2) Activities of the Outside Directors

Position	Name	Main activities
Director (excluding Directors who are Audit & Supervisory Committee Members)	Noriko Iki	Ms. Iki has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented her views based on her knowledge and experience concerning employment, labor, and promoting the success of diverse personnel, etc., and exercised her voting rights at Board Meetings. Outside Directors, including Ms. Iki, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Ms. Iki contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (13 out of 13 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (2 out of 2 meetings)
	Tetsuro Tomita	Mr. Tomita has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented his views based on knowledge and experience in corporate management, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Tomita, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Tomita contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (13 out of 13 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (2 out of 2 meetings)
	Masato Kitera	Mr. Kitera has attended Board Meetings and Nomination and Compensation Advisory Committee meetings, presented his views based on knowledge and experience regarding international affairs, economy, culture, etc., and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Kitera, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Kitera contributes to, among others, decision-makings from various perspectives, enhancement of supervisory functions over management and management transparency, of the Board of Directors, thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (13 out of 13 meetings) Nomination and Compensation Advisory Committee meeting attendance rate: 100% (2 out of 2 meetings)

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

	Hiroshi Yoshikawa	Mr. Yoshikawa has attended Board Meetings and Audit & Supervisory Committee meetings, conducted hearings on business conditions of each Division, as well as visits to our major steelworks, presented his views based on his knowledge and experience in economics as an expert, and exercised his voting rights at Board Meetings. Outside Directors, including Mr. Yoshikawa, regularly hold meetings with the Chairman, the President, etc., to share the management challenges and exchange opinions. Through these actions, Mr. Yoshikawa contributes to, among others, decision-makings from various perspectives, enhancement of audit and supervisory functions over management and management transparency, of the Board of Directors thereby appropriately fulfilling the expected roles of an Outside Director. Board Meeting attendance rate: 100% (13 out of 13 meetings) Audit & Supervisory Committee meetings attendance rate: 100% (18 out of 18 meetings)

(Note) In addition to the matters above, a written report based on the provisions of Article 372, Paragraph 1 of the Companies Act have been made once.

3) Total amount of compensation, etc.

Total amount of compensation, etc. paid to outside directors is as shown on page 55.

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5. Certain Matters concerning Accounting Auditor

(1) Name

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

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

1) Amount of compensations paid	168,000,000 yen
2) The amount of compensations payable by NIPPON STEEL and its subsidiaries to accounting auditor for its audit certification services	1,001,829,852 yen
3) Total amount of cash and other financial benefit payable by NIPPON STEEL and its subsidiaries to accounting auditor	1,030,319,852 yen

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The specific systems under the views above are as follows.

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

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

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

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

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

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

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

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

(2) Outline of status of operation

1) Operational organization

NIPPON STEEL has established an operational organization for its internal control systems. This organization consists of the Internal Control & Audit Division (23 full-time and 22 concurrently with their other posts), which is responsible for the internal control plan and internal audits, and functional divisions responsible for managing risk in each field (about 900 staff members). NIPPON STEEL has also designated a person in charge of risk management (about 110 for NIPPON STEEL) and a person responsible for risk management (about 550 in group companies) who are engaged in planning and promoting autonomous internal-control activities in each division and Group company.

This organization operates the internal control system as follows.

2) Specific status of operation

a) Internal control plan

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

b) Autonomous internal control activities

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

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

c) Internal audits, etc.

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

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

operates a hotline for internal reporting and consultations within the company and at external professional organizations, which are open to employees of NIPPON STEEL and group companies and their families, as well as employees of NIPPON STEEL's suppliers and others. In fiscal year 2021, there were 437 cases of internal reporting and consultations. NIPPON STEEL and its major group companies conduct employee awareness surveys regarding internal controls.

d) Assessment and improvement

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

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

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

e) Education and awareness raising

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

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

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

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

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7. Basic Policy regarding the Control of NIPPON STEEL

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

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

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

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

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

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

● Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of Yen)

ASSETS	March 31, 2022	LIABILITIES	March 31, 2022
Current assets :		**Current liabilities :**	
Cash and cash equivalents	551,049	Trade and other payables	1,526,719
Trade and other receivables	939,406	Bonds, borrowings and lease liabilities	344,056
Inventories	1,756,589	Other financial liabilities	1,042
Other financial assets	41,357	Income taxes payable	109,958
Other current assets	226,253	Other current liabilities	36,852
Total current assets	**3,514,655**	**Total current liabilities**	**2,018,630**
		Non-current liabilities :	
Non-current assets :		Bonds, borrowings and lease liabilities	2,309,339
Property, plant and equipment	3,052,640	Other financial liabilities	1,207
Right-of-use assets	78,162	Defined benefit liabilities	188,350
Goodwill	61,741	Deferred tax liabilities	39,805
Intangible assets	130,497	Other non-current liabilities	298,005
Investments accounted for using the equity method	1,079,068	**Total non-current liabilities**	**2,836,707**
Other financial assets	548,283	**Total liabilities**	**4,855,337**
Defined benefit assets	123,563		
Deferred tax assets	158,031	**EQUITY**	
Other non-current assets	5,701	Common stock	419,524
Total non-current assets	**5,237,691**	Capital surplus	393,547
		Retained earnings	2,514,775
		Treasury stock	(57,977)
		Other components of equity	196,928
		Total equity attributable to owners of the parent	**3,466,799**
		Non-controlling interests	**430,209**
		Total equity	**3,897,008**
Total assets	**8,752,346**	**Total liabilities and equity**	**8,752,346**

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(2) Consolidated Statements of Profit or Loss (April 1, 2021—March 31, 2022)

(Millions of Yen)

	Fiscal 2021
Revenue	**6,808,890**
Cost of sales	**(5,587,331)**
Gross profit	**1,221,559**
Selling, general and administrative expenses	**(544,725)**
Share of profit in investments accounted for using the equity method	**214,480**
Other operating income	**128,417**
Other operating expenses	**(81,601)**
Business profit	**938,130**
Losses on reorganization	(97,229)
Operating profit	**840,901**
Finance income	1,928
Finance costs	(26,245)
Profit before income taxes	**816,583**
Income tax expense	(149,052)
Profit for the year	**667,530**
Profit for the year attributable to :	
Owners of the parent	**637,321**
Non-controlling interests	30,209

(3) Consolidated Statements of Changes in Equity

Fiscal 2021 (April 1, 2021—March 31, 2022) (Millions of Yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of March 31, 2021	419,524	393,168	1,910,333	(58,342)	207,300	—
Changes of the year						
Comprehensive income						
Profit for the year			637,321			
Other comprehensive income					(3,091)	15,110
Total comprehensive income	—	—	637,321	—	(3,091)	15,110
Transactions with owners and others						
Cash dividends			(73,757)			
Purchases of treasury stock				(66)		
Disposals of treasury stock		0		19		
Changes in ownership interests in subsidiaries		(288)				
Transfer from other components of equity to retained earnings			40,877		(25,766)	(15,110)
Changes in scope of consolidation		667		411		
Subtotal transactions with owners and others	—	379	(32,880)	365	(25,766)	(15,110)
Balance as of March 31, 2022	**419,524**	**393,547**	**2,514,775**	**(57,977)**	**178,442**	—

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

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Notes to the consolidated financial statements

I. Significant accounting policies for consolidated financial statements

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

2. Scope of consolidation
Number of consolidated subsidiaries: 378 companies
Principal consolidated subsidiaries are presented in "1. Current Situations of the Nippon Steel Group, (9) Principal Subsidiaries and Affiliates."

In fiscal 2021, the scope of consolidation expanded by 11 companies, including 6 newly acquired companies and 1 newly established company. 22 companies—9 merged companies and 9 liquidations, etc.—were eliminated from the scope of consolidation in fiscal 2021.

3. Application of equity method
Number of equity-method affiliates (associates, joint operations and joint ventures): 105 companies
Principal equity-method affiliates are presented in "1. Current Situations of Nippon Steel Group, (9) Principal Subsidiaries and Affiliates."

During fiscal 2021, 5 companies were removed from the scope of equity-method affiliates.

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

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

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

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

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

3) Impairment of financial assets measured at amortized cost

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

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

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

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

(2) Derivatives and hedge accounting

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

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

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

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

(Change in accounting policy)

The Group has initially applied Interest Rate Benchmark Reform-Phese2 (Amendments to IFRS 9, IAS 39 and IFRS 7) from the beginning of fiscal 2021.

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

(3) Inventories

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

(4) Property, plant and equipment

1) Recognition and measurement

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

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2) Depreciation

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

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

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

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

(5) Goodwill and intangible assets

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

1) Goodwill

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

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

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

2) Intangible assets

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

3) Amortization

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

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

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

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

(6) Leases

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

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

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

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

(7) Impairment of non-financial assets

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

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

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

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

(8) Revenue

Revenue is recognized based on the following five-steps.

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

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

1) Performance obligations satisfied at a point in time

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

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

2) Performance obligations satisfied over time

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

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

(9) Employee benefits

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

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1) Short-term employee benefits

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

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

2) Retirement benefits

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

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

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

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

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

(ii) Defined contribution plans

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

(10) Income taxes

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

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

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

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

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

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

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

The Group assesses the recoverability of deferred tax assets using all the future information available at date such as projections of the future taxable profit based on the medium- to long-term management plan and the latest business plan which incorporate the steel supply and demand forecast and manufacturing cost improvement as

key assumptions. Although the Group recognizes its deferred tax assets to the extent that it is probable that the related tax benefit will be realized, the recoverable amount may vary depending on the factors such as the changes in the projections of the future taxable profit in case of not meeting the medium- to long-term management plan and business plan due to unfavorable business environment or tax reforms including the changes in the statutory tax rate.

5. Significant accounting estimates and judgments

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

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

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

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

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2022

Property, plant and equipment	¥3,052,640 million
Right-of-use assets	78,162 million
Goodwill	61,741 million
Intangible assets	130,497 million
Investments accounted for using the equity method	1,079,068 million

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

-The carrying amounts in the consolidated financial statements as of the year ended March 31, 2022

Deferred tax assets (after offsetting deferred tax liabilities)	¥158,031 million

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

II. Notes to the consolidated statements of financial position

1. Assets pledged as collateral and secured debts

Assets pledged as collateral	Amount (Millions of Yen)
Land	7,098
Buildings and structures	2,417
Machinery and vehicles	800
Other	8,097
Total	18,412

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Secured debts	Amount (Millions of Yen)
Short-term borrowings	1,814
Long-term borrowings (current portion is included)	1,064
Other	1,396
Total	4,276

In addition to the pledged assets listed above, ¥453 million of shares of associates are pledged as collateral for affiliates' loans.

2. Inventories

Merchandise and finished goods (including semi-finished products)	¥ 930,077 million
Work in progress	77,980 million
Raw materials and supplies	748,530 million

3. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥ 1,550 million
Other financial assets	9,175 million

4. Accumulated depreciation of property, plant and equipment ¥ 9,421,218 million

5. Loan guarantees

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

Guarantee for debts of joint ventures and associates	¥307,819 million

III. Notes to the consolidated statements of profit or loss

(Business profit)

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

(Losses on reorganization)

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

Losses on inactive facilities and others ¥ 97,229 million

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

(Impairment losses)

For fiscal 2021, the Company recorded impairment losses of ¥24,448 million regarding property, plant and equipment, goodwill, intangible assets, and investments accounted for using the equity method. The impairment losses are included in "Other operating expenses" and "Losses on reorganization" in consolidated statements of profit or loss.

Impairment losses of ¥24,448 million were recorded in the Steelmaking and Steel Fabrication segment.

Mainly in a part of the seamless carbon steel pipe business, the Company estimates that the business environment would deteriorate due to accelerated decarbonization hereafter. After conducting a calculation of future cash flows based on these assumptions, the recoverable amount has been estimated to be less than the book value of the associated operating assets. The Company has therefore reduced the book value of these operating assets to the recoverable amount and recorded the reduction as impairment losses of ¥21,500 million.

The recoverable amount of these operating assets is calculated based on the value in use by using the discounted cash flow method with a pre-tax discount rate of 6.0%.

IV. Notes to the consolidated statements of changes in equity

1. Number and class of shares outstanding at the end of fiscal 2021

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

Ordinary shares 950,321,402 shares

Number of treasury stock at the end of the period

Ordinary shares 29,449,711 shares

2. Dividends

(1) Dividends paid

Date of resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2021	Ordinary shares	9,219	10	March 31, 2021	June 24, 2021
Board of Directors' meeting held on November 2, 2021	Ordinary shares	64,537	70	September 30, 2021	December 1, 2021

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

Date of resolution	Class of share	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 23, 2022	Ordinary shares	Retained earnings	82,975	90	March 31, 2022	June 24, 2022

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

Ordinary shares 48,559,263 shares

V. Notes to the financial instruments

1. Current status of financial instruments

(1) Capital management

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

(2) Risk management

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

1) Market risk management

A. Foreign currency risk

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

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currency risk.
Trade payables, notes payable and other payables are, in principle, come due within one year. Certain trade payables are denominated in foreign currencies arising from imports of raw materials and exposed to foreign currency risk.
The Group enters into forward exchange contracts and currency swaps to hedge foreign exchange risk arising from sales and capital transactions and investing and financing activities of the Group.
Derivative transactions are executed in accordance with the internal derivative transaction policy. According to the internal derivative transaction policy, the policy for entering into a derivative transaction of financial instruments is discussed and approved by the Financial Management Committee and reported as necessary at the Board of Directors' meeting. Subsequently the Financial Controller approves the implementation of derivatives within the approved authority limits and reports that transaction amounts as well as gains or losses arising from derivative transactions to the Financial Management Committee on a regular basis.

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

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

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

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

2. Fair value of financial instruments
The carrying amount and fair value of financial instruments as of March 31, 2022 are as in the following table.
The Group does not disclose the financial instruments measured at fair value in the consolidated statements of financial position and the financial instruments with fair value being nearly equal to their carrying amount.

(Millions of Yen)

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Bonds and borrowings	2,268,553	625,245	—	1,653,196

Notes:
Classification by levels in the fair value hierarchy
Level 1: Fair value measured with quoted prices in active markets for identical assets or liabilities;
Level 2: Fair value measured using inputs that are directly or indirectly observable for assets or liabilities other than those in Level 1;
Level 3: Fair value measured using inputs that are not based on observable market data for assets or liabilities.

Notes:
Valuation techniques used to measure the fair value of financial instruments
- The fair value of a bond is measured with reference to its market price.
- The fair value of convertible bonds with stock acquisition rights is measured at the present value discounted by the yield of similar bonds that do not have an equity conversion option.
- The fair value of a borrowing is measured at the present value of the total amounts of principal and interest discounted by the Group's incremental borrowing rate with a similar term.

VI. Notes to the per share information

Total equity attributable to owners of the parent per share	¥3,764.69
Basic earnings per share	¥692.16

VII. Notes to the significant subsequent events

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

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

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

2. Outline of capital investment
(1) Capacity: Approximately 6 million tons per year
(2) Start of operation: 1st quarter of FY2026
(3) Investment amount: Approximately ¥270 billion

VIII. Notes to the revenue recognition

1. Disaggregation of revenue

(Millions of Yen)

	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions	Consolidated
Revenue	6,105,157	253,415	245,083	205,233	6,808,890

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(For reference 1)

● Consolidated Statements of Cash-Flows

Fiscal 2021 (April 1, 2021—March 31, 2022)	(Millions of Yen)
Cash flows from operating activities	**615,635**
Cash flows from investing activities	**(378,866)**
Cash flows from financing activities	**(61,304)**
Other	**16,119**
Net increase in cash and cash equivalents	**191,583**
Cash and cash equivalents at beginning of the year	**359,465**
Cash and cash equivalents at end of the year	**551,049**

(For reference 2)

•Segment Information

Fiscal 2021 (April 1, 2021—March 31, 2022)

(Millions of Yen)

	Reportable segment				Total	Adjustments	Consolidated
	Steelmaking and Steel Fabrication	Engineering and Construction	Chemicals and Materials	System Solutions			
Revenue							
Revenue from external customers	6,105,157	253,415	245,083	205,233	6,808,890	—	6,808,890
Inter-segment revenue or transfers	48,474	25,844	4,733	66,091	145,144	(145,144)	—
Total	6,153,632	279,260	249,816	271,325	6,954,034	(145,144)	6,808,890
Segment profit <Business Profit>	871,051	6,302	25,377	30,859	933,591	4,539	938,130

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● Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of Yen)

ASSETS	March 31, 2022
Current assets :	
Cash and bank deposits	393,912
Accounts receivable	214,028
Finished products	197,014
Semi-finished products	370,585
Work in process	7,400
Raw materials	286,519
Supplies	192,068
Advance payments-other	90,411
Prepaid expenses	24,505
Accounts receivable-other	167,973
Other	16,339
Less: Allowance for doubtful accounts	(171)
Total current assets	**1,960,587**
Fixed assets :	
Tangible fixed assets :	
Buildings (net)	271,007
Structures (net)	197,852
Machinery and equipment (net)	837,641
Vehicles (net)	3,801
Tools, furniture and fixtures (net)	43,522
Land	465,747
Leased assets (net)	2,267
Construction in progress	113,810
	1,935,649
Intangible fixed assets :	
Patents and utility rights	1,151
Software	59,752
Goodwill	2,592
Leased assets	197
	63,693
Investments and others :	
Investments in securities	339,985
Shares of subsidiaries and affiliates	1,256,189
Investments in capital of subsidiaries and affiliates	52,760
Long-term loans receivable	13
Long-term loans receivable from subsidiaries and affiliates	104,784
Long-term prepaid expenses	49,252
Deferred tax assets	155,885
Other	18,094
Less: Allowance for doubtful accounts	(10,730)
	1,966,234
Total fixed assets	**3,965,577**
Total assets	**5,926,165**

LIABILITIES	March 31, 2022
Current liabilities :	
Accounts payable	301,630
Short-term loans payable	188,983
Bonds due within one year	20,000
Current portion of lease obligations	749
Accounts payable-other	533,076
Accrued expenses	59,888
Income tax payable	66,902
Advances received	2,093
Deposits received	468,356
Other	4,136
Total current liabilities	**1,645,818**
Long-term liabilities :	
Bonds and notes	890,000
Long-term loans payable	1,274,665
Lease obligations (excluding current portion)	1,858
Accrued pension and severance costs	126,870
Other	206,905
Total long-term liabilities	**2,500,299**
Total liabilities	**4,146,117**
NET ASSETS	
Shareholders' equity :	
Common stock	**419,524**
Capital surplus	
Legal capital surplus	111,532
Other capital surplus	270,304
Total Capital surplus	**381,836**
Retained earnings :	
Other retained earnings	
Reserve for advanced depreciation of fixed assets	26,659
Retained earnings carried forward	906,029
Total retained earnings	**932,689**
Less: Treasury stock, at cost	**(54,733)**
Total shareholders' equity	**1,679,317**
Valuation and translation adjustments :	
Unrealized gains on available-for-sale securities	89,591
Deferred hedge income (loss)	11,139
Total valuation and translation adjustments	**100,731**
Total net assets	**1,780,048**
Total liabilities and net assets	**5,926,165**

(2) Non-Consolidated Statements of Operations (April 1, 2021—March 31, 2022)

(Millions of Yen)

	Fiscal 2021
Operating revenues :	
Net sales	**4,365,970**
Cost of sales	**3,704,088**
Gross profit	**661,881**
Selling, general and administrative expenses	**258,145**
Operating profit	**403,736**
Non-operating profit and loss :	
Non-operating profit :	
Interest and dividend income	122,382
Other	84,283
	206,666
Non-operating loss :	
Interest expense	18,725
Other	54,883
	73,609
Ordinary profit	**536,792**
Extraordinary profit and loss :	
Extraordinary profit :	
Gains on sales of tangible fixed assets	79,122
Gains on sales of investments in securities	15,405
	94,527
Extraordinary loss :	
Impairment losses	21,500
Losses on inactive facilities	155,042
	176,542
Profit before income taxes	**454,778**
Income taxes - current	41,504
Income taxes - deferred	20,251
	61,756
Profit for the year	**393,022**

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

Fiscal 2021 (April 1, 2021—March 31, 2022) (Millions of Yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2021	419,524	111,532	270,304	381,836	27,811	585,612	613,424	(54,678)	1,360,107
Changes of the year									
Reversal of reserve for advanced depreciation of fixed assets				—	(1,151)	1,151	—		—
Cash dividends				—		(73,757)	(73,757)		(73,757)
Profit for the year				—		393,022	393,022		393,022
Purchases of treasury stock				—			—	(59)	(59)
Disposals of treasury stock			0	0			—	3	3
Net changes of items other than shareholders' equity									
Total change for fiscal 2021	—	—	0	0	(1,151)	320,417	319,265	(55)	319,209
Balance as of March 31, 2022	419,524	111,532	270,304	381,836	26,659	906,029	932,689	(54,733)	1,679,317

	Valuation and translation adjustments			Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge income (loss)	Total valuation and translation adjustments	
Balance as of March 31, 2021	104,124	3,338	107,463	1,467,570
Changes of the year				
Reversal of reserve for advanced depreciation of fixed assets				—
Cash dividends				(73,757)
Profit for the year				393,022
Purchases of treasury stock				(59)
Disposals of treasury stock				3
Net changes of items other than shareholders' equity	(14,532)	7,800	(6,732)	(6,732)
Total change for fiscal 2021	(14,532)	7,800	(6,732)	312,477
Balance as of March 31, 2022	**89,591**	**11,139**	**100,731**	**1,780,048**

Notes to the non-consolidated financial statements

I. Significant accounting policies

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

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

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

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

Useful lives of tangible fixed assets are generally as follows:

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

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

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

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

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

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

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5. Other significant accounting policies for financial statements

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

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

(2) Method of hedge accounting

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

(3) Method and period for amortization of goodwill

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

(4) Retirement benefit accounting policy

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

(5) Application of the consolidated taxation system

The consolidated taxation system is applied.

(6) Application of the tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company plans to apply the group tax sharing system due to the transition from the consolidated taxation system starting from the subsequent fiscal year. With regard to the newly established provisions and the revision of the corporate tax return system along with the transition to the group tax sharing system stipulated in "the Act for Partial Revision of the Income Tax Act, etc."(No.8, 2020), the Company does not apply the provision No.44 of "Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), based on the provision No.3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Solution No.39, March 31, 2020), and recognizes its deferred tax assets and deferred tax liabilities based on the provision of the previous tax regulation.

The Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No.42, August 12, 2021) which stipulates provisions with regard to the accounting treatment and disclosures of national and local corporate income taxes and tax effect accounting under the group tax sharing system starting from the subsequent fiscal year.

6. Changes in accounting policies

(1) Application of the accounting standard for Revenue Recognition

Effective from the beginning of fiscal 2021 the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and its implementation guidance. The company recognizes revenue when it transfers control of promised goods or services to a customer at the amount expected to be received in exchange for goods or services. Specifically, in the sale of products, the company judges it transfers control to a customer upon shipment and recognizes revenue.

The application of the "Accounting Standard for Revenue Recognition" is subject to the transitional treatment stipulated in the proviso of paragraph 84 of the standard. The company recognizes the cumulative effect of retrospective application, assuming the new accounting policy had been applied to the periods prior to the beginning of fiscal 2021, as an adjustment to the opening balance of retained earnings, and thus the new accounting policy was applied from the adjusted opening balance.

This application has no impact on the non-consolidated financial statements of fiscal 2021.

(2) Application of the accounting standard for Fair Value Measurement

Effective from the beginning of fiscal 2021, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and its implementation guidance. In accordance with the transitional treatment stipulated in the paragraph 19 of the "Accounting Standard for Fair Value Measurement" and

the paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the company applies the new accounting policies prospectively. This application has no impact on the non-consolidated financial statements of fiscal 2021.

7. Accounting estimates

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

(1)Impairment of fixed assets

• The carrying amounts in the financial statements as of fiscal 2021

Tangible fixed assets	¥1,935,649 million
Intangible fixed assets	63,693 million

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

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

(2) The recoverability of deferred tax assets

• The carrying amounts in the financial statements as of fiscal 2021

Deferred tax assets (after offsetting deferred tax liabilities)	¥155,885 million

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

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

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

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II. Notes to the non-consolidated balance sheet

1. Accumulated depreciation of tangible fixed assets ¥6,681,219 million

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

	(Outstanding amounts as of March 31, 2022)	(Substantial amounts)
AMNS Luxembourg Holding S.A.	¥251,927 million	¥251,927 million
AM/NS Calvert LLC	51,011	35,714
PT KRAKATAU NIPPON STEEL SYNERGY	22,580	22,580
NS-Siam United Steel Co.,Ltd.	11,776	11,776
WISCO NIPPON STEEL Tinplate Co., Ltd.	8,163	8,163
NST NIHON TEPPAN CO.,LTD.	7,062	7,062
Siam Tinplate Co.,Ltd.	5,225	5,225
NIPPON STEEL INTEGRATED CRANKSHAFT LLC	2,643	2,643
NIPPON STEEL SPIRAL PIPE VIETNAM CO.,LTD.	1,713	1,713
Japan-Brazil Niobium Corporation	1,577	1,577
TENIGAL, S.de R.L.de C.V.	1,499	1,499
Other	3,839	2,848
Total	¥369,020	¥352,733

(2) Reserved guarantees of loans ¥35 million
(The substantial amount guaranteed is ¥35 million.)

3. Accounts receivable and payable to subsidiaries and affiliates

Short-term accounts receivable	¥215,866 million
Long-term accounts receivable	104,784 million
Short-term accounts payable	770,845 million
Long-term accounts payable	1,036 million

III. Notes to the non-consolidated statements of operations

Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥1,720,543 million
Purchases	1,210,987 million
Non-operating transactions	
Proceeds from the transfer of assets, etc.	¥473,598 million
Expenditures from the transfer of assets, etc.	181,987 million

IV. Notes to the statements of changes in net assets

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

Ordinary shares	28,370,810 shares

V. Notes to the tax-effect accounting

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

VI. Notes to the related party information

Subsidiaries and affiliates

Category	Name	Equity ownership percentage	Relation with related party	Description of transaction	Amount of transaction (Millions of Yen)	Account	Resulting account balances (Millions of Yen)
Affiliate	AMNS Luxembourg Holding S.A.	Holding 40% directly	Loan guarantee	Loan guarantee(*1)	251,927	—	—

Terms and conditions applied to related party transactions:

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

VII. Notes to the per share information

Net assets per share	¥1,930.74
Earnings per share	¥426.28

VIII. Notes to the significant subsequent events

(Significant capital investment)

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

1. Purpose of capital investment

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

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

2. Outline of capital investment

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

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Report of Accounting Auditor on Consolidated Financial Statements (Copy)

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

Independent Auditor's Report

May 11, 2022

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

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

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Nippon Steel Corporation (the "Company") for the fiscal year from April 1, 2021 through March 31, 2022.

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

Basis for the Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the accounting principles prescribed in the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, which omits certain disclosure items required under the designated International Financial Reporting Standards.

The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

May 11, 2022

Mr. Eiji Hashimoto
Representative Director and President
Nippon Steel Corporation

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

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Nippon Steel Corporation (the "Company") for the 97th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

Interest

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

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

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

Audit Report

The Audit & Supervisory Committee has audited the performance of duties by Directors of Nippon Steel Corporation ("NIPPON STEEL") for the 97th fiscal year from April 1, 2021 to March 31, 2022. The Audit & Supervisory Committee hereby reports the method and result of its audit as follows:

1. Auditing Method and Details Thereof

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

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

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

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

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

2. Audit Results

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

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

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

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

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

May 13, 2022

The Audit & Supervisory Committee of Nippon Steel Corporation

Senior Audit & Supervisory Committee Member (full-time)	Masato Matsuno (Seal)
Senior Audit & Supervisory Committee Member (full-time)	Shozo Furumoto (Seal)
Senior Audit & Supervisory Committee Member (full-time)	Nobuhiro Miyoshi (Seal)
Audit & Supervisory Committee Member	Hiroshi Obayashi (Seal)
Audit & Supervisory Committee Member	Jiro Makino (Seal)
Audit & Supervisory Committee Member	Seiichiro Azuma (Seal)
Audit & Supervisory Committee Member	Hiroshi Yoshikawa (Seal)

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

NIPPON STEEL CORPORATION GROUP Corporate Philosophy

Our Values

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

Management Principles

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

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Shareholder Reference Information

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

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

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

Payment of accrued dividends

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

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

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

Nippon Steel Corporation
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